

Embargoed until 07:00 24 August 2009

GoIndustry-DoveBid plc / Index: AIM / Epic: GOI / Sector: Support Services

24 August 2009

## **GOINDUSTRY-DOVEBID PLC (THE "COMPANY")**

### **PROPOSED SUBSCRIPTION OF 250,723,210 ORDINARY SHARES AT 1.80 PENCE PER SHARE TO RAISE APPROXIMATELY £4.5 MILLION AND AMENDMENT OF THE 2011 CONVERTIBLE LOAN AGREEMENT AND MAJORITY CONVERSION OF THE 2011 CONVERTIBLE LOAN**

GoIndustry-DoveBid plc, the AIM quoted global provider of asset management, auction and valuation services, announces the proposed issue of ordinary shares to raise gross proceeds of approximately £4.5 million from existing shareholders and others (the "Subscription"), the proposed amendment of the 2011 convertible loan agreement and the proposed conversion of 90 per cent. of the 2011 convertible loan.

A circular setting out further details of the Subscription and arrangements with respect to the 2011 convertible loan agreement and including a notice convening a general meeting of the Company, is expected to be despatched later today and will be published on the Company's website at [www.go-dove.com/company/InvestorRelations.asp](http://www.go-dove.com/company/InvestorRelations.asp).

#### **BACKGROUND TO THE SUBSCRIPTION**

In 2008, the Company completed the acquisition of DoveBid, Inc. and integrated the enlarged business. In January 2009, the Company raised £5 million (before expenses) by way of a new convertible loan note partly to repay a loan note which was to mature in May 2009. However, during the fourth quarter of 2008, the global financial turmoil had a material adverse effect on the Company's markets and the Company experienced declining revenues as a result of decreases in both the value of assets sold and the number of sales completed, which caused significant operating losses.

The extremely difficult trading conditions of the fourth quarter of 2008 continued through the first two months of 2009 but improved over the four months from March to June. In light of market conditions, the Company has taken steps to reduce headcount and operating expenses, cutting approximately £6 million of annualised costs during the first quarter of 2009.

Please refer to the Company's announcement on 14 August 2009 on H1 2009 trading for further details.

In May 2009, the Board appointed Jack Reinelt as the new Chief Executive Officer of the Company. Since his arrival, Jack has brought a clear focus to executing the Company's strategy and has identified a number of key initiatives to improve the Company's operational performance. Underpinning these initiatives is an overriding management focus on organic Direct Profit growth coupled with tight cost control, which are key prerequisites for the Company to achieve economies of scale and to drive the operational leverage implicit in its business model. The Board believes that successful implementation of these plans will in the medium term enable margin expansion and drive a recovery of the Company's value.

#### **REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS**

The losses incurred in 2008 and the first half of 2009 have depleted the Company's cash headroom and the existing working capital debt facilities of the group are nearly fully drawn. The Company intends to use the proceeds of the Subscription of approximately £4.1 million (net of expenses) principally to strengthen the Company's balance sheet, to fund the Board's further restructuring initiatives, to enable additional investment in technology and to improve creditor payment terms.

Commenting, Jack Reinelt, Chief Executive Officer of GoIndustry-DoveBid plc said:

"I am very pleased that we have been able to achieve full commitments on this equity fundraising, and it is especially encouraging to have such strong involvement from all major existing shareholders and important

new investors. In addition, upon completion of the transactions described, we will have converted a substantial amount of debt to equity, strengthening our balance sheet and reducing future interest expense. Our stronger working capital position will allow us to significantly enhance key customer-facing technologies and refine our organisational structure to support our growth plans. These measures, coupled with significant cost reductions implemented this year will put the Company in a strong position to substantially improve the Company's operational performance."

## **DETAILS OF THE SUBSCRIPTION**

The Company has conditionally raised approximately £4.5 million by the proposed allotment and issue of 250,723,210 ordinary shares at 1.80 pence per share (the "Subscription Shares").

The Directors consider the Subscription to be the most appropriate method of conducting an equity fundraising having regard to all relevant circumstances. The principal reason for this is that the extra time and cost involved in conducting a rights issue would be considerable as a full prospectus would be required.

As part of the Subscription, certain existing substantial shareholders of the Company and persons associated with such substantial shareholders (being ICG Holdings, Inc. (a company in relation to which Kamal Advani holds the title of managing director), Atlas Venture Fund IV L.P., Atlas Venture Entrepreneurs' Fund IV, L.P. and Fidelity International Limited (the "Subscription Related Parties")) have conditionally agreed to subscribe for Subscription Shares. The subscription of Subscription Shares by the Subscription Related Parties constitutes a related party transaction of the Company for the purposes of Rule 13 of the AIM Rules. By virtue of the participation of all of the directors (other than Kamal Advani) in the Subscription and the participation of ICG Holdings, Inc. (a company in relation to which Kamal Advani holds the title of managing director) in the Subscription, none of the directors are independent in relation to the Subscription. Accordingly the Board considers that it would be inappropriate for any of the directors to express an opinion as to whether the terms of the Subscription are fair and reasonable insofar as shareholders are concerned. Oriel Securities Limited, the Company's nominated adviser, considers that the terms of the Subscription by the Subscription Related Parties are fair and reasonable insofar as the Company's shareholders are concerned. In providing its opinion, Oriel Securities Limited has taken into account the Board's commercial assessment of the Subscription. The Subscription is conditional upon shareholder approval and upon admission of the Subscription Shares, the Committed Conversion Shares (as defined below) and the Restructuring Shares (as defined below) to trading on AIM.

## **DIRECTORS' SUBSCRIPTION**

As part of the Subscription, certain directors of the Company have agreed to subscribe for Subscription Shares. Their current shareholdings, together with their subscriptions, resulting shareholdings and percentage shareholdings of the Company's enlarged share capital, are as follows:

	Current number of ordinary shares	Percentage of total existing ordinary shares held	Subscription Shares to be subscribed	Number of ordinary shares held on admission	Percentage of enlarged share capital held
Neville Davis	500,000	0.11%	555,556	1,055,556	0.11%
David Bailey	1,935,000	0.41%	2,000,000*	3,935,000*	0.40%
Jack Reinelt	0	0.00%	5,555,556**	5,555,556**	0.57%
David Horne	969,250	0.21%	1,111,111	2,080,361	0.21%

Notes: \* Includes Subscription Shares to be subscribed by family members of David Bailey.

\*\* Includes Subscription Shares to be subscribed by family members of Jack Reinelt.

## **AMENDMENT OF THE 2011 CONVERTIBLE LOAN AGREEMENT**

In January 2009, the Company issued a £5 million 2011 convertible loan and redeemed £3 million of 2009 convertible loan notes. The existing terms of the 2011 convertible loan agreement provide for a conversion rate of one ordinary share for every 3.62 pence of the 2011 convertible loan. The principal proposed amendments are that loan note holders may elect prior to 1.00 p.m. on 10 September 2009 to convert their respective holdings of the 2011 convertible loan at a different conversion rate (being one ordinary share for

every 1.865 pence of the 2011 convertible loan) than would apply to conversions effected after that date. In addition, loan note holders converting their holdings of the 2011 convertible loan prior to 1.00 p.m. on 10 September 2009 will be entitled to be paid by the Company the following:

- 1 on 31 December 2009 a sum equivalent to the amount of interest which would have accrued on their converted holdings of the 2011 convertible loan (but for the conversion) in the period from the date of conversion until 31 December 2009; and
- 2 at the time of conversion, an aggregate restructuring fee of £270,000 to be settled by the issue of 15,000,000 Ordinary Shares by the Company (being the Restructuring Shares).

The conversion rate applying to conversions of the 2011 convertible loan effected after 1.00 p.m. on 10 September 2009 will be adjusted to one ordinary share for every 2.80 pence in nominal amount of the 2011 convertible loan. The financial covenants contained in the 2011 convertible loan agreement will no longer apply. Certain of the restrictions on the powers of the Company contained in the 2011 convertible loan agreement will no longer apply. Completion of the amendment of the 2011 convertible loan agreement is therefore conditional upon approval of the relevant resolutions at the general meeting and upon the issue of the Subscription Shares.

The holders of £4,500,000 or 90 per cent. of the 2011 convertible loan have irrevocably undertaken to convert such holdings into 241,286,863 ordinary shares of the Company (being the Committed Conversion Shares), with effect from the completion of the amendment of the 2011 convertible loan agreement. The holder of the other £500,000 or 10 per cent. of the 2011 convertible loan has irrevocably undertaken not to convert such holding into ordinary shares of the Company at any time prior to 1.30 p.m. on 10 September.

Due to certain of the loan note holders being substantial shareholders of the Company (or associated with such substantial shareholders) (being ICG Holdings, Inc., Atlas Venture Fund IV, L.P., Atlas Venture Parallel Fund IV-A, C.V. and Atlas Venture Entrepreneurs Fund IV, L.P.) and Kamal Advani holding the title of managing director at ICG Holdings, Inc. (being one of the loan note holders), the proposed amendment of the 2011 convertible loan agreement constitutes a related party transaction of the Company for the purposes of Rule 13 of the AIM Rules. The Directors (other than Kamal Advani who is interested in the arrangements relating to the 2011 convertible loan agreement by virtue of his holding the title of managing director at ICG Holdings, Inc.) consider that, having consulted with Oriel Securities Limited, the Company's nominated adviser, the terms of the proposed amendments to the 2011 convertible loan agreement are fair and reasonable insofar as shareholders are concerned.

#### **RATIONALE FOR THE AMENDMENT OF THE 2011 CONVERTIBLE LOAN AGREEMENT**

In view of the difficult recent trading environment, the Company believes that the conversion of a substantial majority of the 2011 convertible loan into Committed Conversion Shares will create a more simple and appropriate long-term capital structure for the Company. The proposed amendments to the 2011 convertible loan agreement form the basis on which certain of the loan note holders have agreed to convert part of the 2011 convertible loan. In addition, as a result of the proposed amendments to the 2011 convertible loan agreement and partial conversion of the 2011 convertible loan, some future interest payments will now be saved helping to strengthen the Company's cash position.

#### **APPOINTMENT OF MAX STEINKOPF AS A DIRECTOR OF THE COMPANY**

The Board has agreed to appoint Max Steinkopf, being a representative of Bond Capital Partners (a provider of the majority of the 2011 convertible loan), as an additional non-executive director of the Company with effect from conclusion of the Subscription. Max is responsible for fund raising, deal sourcing, investment appraisal, execution and legal due diligence at Bond Capital Partners. Max has had over 20 years of experience in mergers and acquisitions, operational management, property development and fund raising. An announcement containing the additional information relating to Max Steinkopf which is required pursuant to the AIM Rules will be made at the time the appointment takes effect.

## **JACK REINELT'S PROPOSED SHARE OPTION PACKAGE**

At the time that Jack Reinelt was appointed Chief Executive Officer of the Company, discussions were had concerning an appropriate share option package to incentivise Mr Reinelt and to induce him to join the Company. A share option package has been agreed in principle by the Company and Mr Reinelt and is expected to be granted at such time as the Company ceases to be in a close period for the purposes of the AIM Rules (expected on publication of the interim results for the first half of 2009). The share options would be subject to performance conditions relating to increases in the market value of the Company's ordinary shares. The proposed share options would be granted in three tranches. The first share option would be granted at the time the option arrangements are entered into and would relate to 3 per cent. of the issued share capital of the Company on the date of grant. The second and third options would be granted respectively one and two years after Mr Reinelt joined the Company (subject to his remaining employed at those times) and would in each case relate to not less than 1 per cent of the issued share capital of the Company on the date of grant.

## **ADMISSION, SETTLEMENT AND DEALINGS**

Application will be made to the London Stock Exchange for admission to trading on AIM of the Subscription Shares, the Committed Conversion Shares and the Restructuring Shares. It is expected that, conditional upon the passing of the resolutions at the general meeting, dealings in the Subscription Shares, the Committed Conversion Shares and the Restructuring Shares will commence on 11 September 2009. The Subscription Shares, the Conversion Shares and the Restructuring Shares will, when issued, rank pari passu with the existing ordinary shares in all respects, including the right to receive all distributions (if any) declared, paid or made on or after issue.

It is expected that the Subscription Shares, the Committed Conversion Shares and the Restructuring Shares will be issued in uncertificated form and that CREST accounts will be credited on 11 September 2009.

## **DETAILS OF THE GENERAL MEETING**

A general meeting will be held at 1-6 Lombard Street, London EC3V 9JU at 11.00 a.m. on 10 September 2009 to approve the resolutions required to implement the Subscription and proposed amendments to the 2011 convertible loan agreement. At the general meeting the Company will, amongst other things, seek authority from the shareholders to allot new ordinary shares in connection with the Subscription and to allot the full number of shares capable of allotment in accordance with the amended terms of the 2011 convertible loan note agreement. Shareholders will also be asked to approve the waiver of pre-emption rights in respect of the shares issuable pursuant to the Subscription and the amended terms of the 2011 convertible loan note agreement.

## **RECOMMENDATION**

The Directors believe that the Subscription, the proposed amendment to the 2011 convertible loan agreement (including to provide for a restructuring fee to be settled by the issue of new ordinary shares) and immediate conversion thereafter of part of the 2011 convertible loan and the ability of the Company to issue the Subscription Shares, the Conversion Shares and the Restructuring Shares are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of the shareholders as a whole. Accordingly, the Directors unanimously recommend that shareholders vote in favour of the resolutions to be proposed at the general meeting as they intend to do in respect of the beneficial holdings in which they exercise the voting rights and which amount to 3,404,250 existing ordinary shares, representing 0.73 per cent. of the voting rights currently exercisable at a general meeting of the Company.

The Company has also received commitments to vote in favour of the resolutions from shareholders (other than Directors) whose beneficial holdings amount to 245,126,442 existing ordinary shares, representing 52.44 per cent. of the voting rights currently exercisable at a general meeting of the Company. Therefore, the Company has received commitments to vote in favour of the resolutions from certain Directors and other

shareholders whose beneficial holdings amount to 248,530,688 existing ordinary shares in aggregate, representing 53.17 per cent. of the voting rights currently exercisable at a general meeting of the Company.

## ENQUIRIES

For further information, visit [www.go-dove.com](http://www.go-dove.com) or contact:

### **GoIndustry-DoveBid plc**

Neville Davis (Non-Executive Chairman)  
Jack Reinelt (Chief Executive Officer)  
David Horne (Chief Financial Officer)

Tel: +44 (0) 20 7098 3700

### **Close Brothers Corporate Finance Limited**

(Financial Adviser)  
Simon Willis  
James Craven

Tel: +44 (0) 20 7655 3100

### **Oriel Securities Limited**

(Nomad and Broker)  
Emma Ormond  
Natalie Fortescue  
Gareth Price

Tel: +44 (0) 20 7710 7600

### **St Brides Media & Finance Limited**

Isabel Crossley  
Felicity Edwards

Tel: +44 (0) 20 7236 1177

*GoIndustry-DoveBid plc, quoted on the London Stock Exchange's AIM market (Epic: GOI), is a global market leader in the provision of asset management, auction and valuation services. The Company delivers innovative solutions that help to value assets accurately, optimise asset utilisation and reduce costs. The Company combines its asset, industry and market expertise, with eCommerce technology to service the needs of multi-national manufacturing corporations, financial institutions, insolvency practitioners, used equipment dealers and asset based lenders around the world.*

*Copies of the circular will be available free of charge during normal business hours on any week day (except Saturdays, Sundays and public holidays) at the offices of Oriel Securities Limited, 125 Wood Street, London, EC2V 7AN from the date of posting of the circular and for a period of one month from admission.*

*Close Brothers Corporate Finance Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in connection with the 2011 Convertible Loan Agreement and the Subscription and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Close Brothers Corporate Finance Limited, or for advising any other person in connection with the 2011 Convertible Loan Agreement or the Subscription or in relation to the other matters referred to in this announcement.*

*Oriel Securities Limited, which is regulated in the United Kingdom by the Financial Services Authority, is acting as Nominated Adviser and Broker exclusively for the Company in connection with Admission and the Subscription and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Oriel Securities Limited, or for advising any other person in connection with Admission or the Subscription or in relation to the other matters referred to in this announcement. The responsibilities of Oriel Securities Limited, as Nominated Adviser, are owed solely to the London Stock Exchange plc.*

*The distribution of this announcement and/or issue of Subscription Shares, Conversion Shares or Restructuring Shares pursuant to the Subscription and conversion of the 2011 convertible loan or otherwise in certain jurisdictions outside the United Kingdom may be restricted by law. Persons who seek to participate in the Subscription must inform themselves about and observe any such restrictions. In particular, this announcement does not constitute or form part of an offer or invitation to issue or sell, or any solicitation of an offer to subscribe for or buy any Subscription Shares, Conversion Shares or Restructuring Shares or other securities.*

*Neither the Subscription Shares, Conversion Shares or Restructuring Shares have been nor will they be registered under the US Securities Act of 1933, as amended or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, Japan or the Republic of Ireland. Subject to certain exceptions, the ordinary shares of the Company may not be offered or sold in the United States, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. No public offering of the ordinary shares of the Company is being made in the United States.*