

Tern PLC (TERN)

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11 April 2019

Tern Plc (the "Company", or the "Group")

Device Authority Update - issue of further convertible loan

Tern Plc (AIM: TERN), the investment company specialising in the Internet of Things ("IoT"), announces that, together with its co-investors, it has committed a further convertible secured loan to its portfolio company, Device Authority Limited ("DA"), which specialises in IoT security. The total funds secured by DA through this loan are US\$418,895, of which Tern has contributed US\$315,000.

Following this investment, Tern's total convertible secured loan note position with DA is US\$2,415,867. The loan is repayable on 31 December 2019.

Tern's continued support is testament to DA's strong track record of using the funds that it has raised to deliver critical components of its go-to-market strategy. During 2018, DA enhanced its products to ensure that they met key client challenges and expanded its ecosystem of partners. DA has continued this trend in 2019 and has secured three new orders in Q1 through their partner network as well as consistently increasing annual recurring revenue quarter on quarter.

The loan note accrues an interest coupon of 5 per cent. per annum and is convertible automatically on completion of an equity fundraising by DA of at least US\$2.5 million if completed before 31 December 2019 ("Qualifying Fundraising"). The conversion will be into the most senior class of shares issued in the Qualifying Fundraising at the lowest fundraising price per share.

If a Qualifying Fundraising is not completed before 31 December 2019, but DA is able to procure an exit for its shareholders, the providers of the loan can elect to either receive 300% of the principal amount of the loan notes held by them in addition to the accrued interest, or to convert the loan and accrued interest into Class A Preference Shares of DA at a conversion price of £0.036681585 per share.

Providers of this loan to DA will also be issued with 2.6 warrants for each US\$1 of loan notes subscribed for by them (rounded down to the nearest whole number). Each warrant, which is exercisable at any time before 10 April 2026, provides each warrant holder with the right to subscribe for one Class A Preference Share of DA for each warrant held at an exercise price of £0.036681585 per share.

As part of this process, it has been agreed by all noteholders that all previous convertible loan notes provided to DA have their maturity date extended to 31 December 2019.

Al Sisto, CEO of Tern, said: "We are pleased with the progress that DA continues to make with its partners, including the recent contract win with nCipher Security to deliver a security solution for high quality surgical devices. The capital we provided in 2018, together with our co-investors, made a marked difference to DA as it set out to refine its product and expand its partnership network, leading to new contract wins in the second half of 2018 and into Q1 of 2019. With this in mind, we are pleased to continue this support and to maintain our holding as DA focuses on building its client base in the coming months."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

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