



+61 2 9412 6111
Level 4, 60 Union St
Pyrmont NSW 2009
www.ovato.com.au

1 December 2020

Ovato Limited announces Entitlement Offer to raise approximately \$40.0m with up to \$35.0m conditionally underwritten

Ovato Limited (ASX: OVT) (**Ovato** or the **Company**) is pleased to advise that it has launched a conditional and partially underwritten pro rata renounceable entitlement offer to existing shareholders, offering 10.93 new fully paid ordinary shares in Ovato for every 1 share held at the record date (**New Shares**) at \$0.005 (0.5 cents) per New Share (**Offer Price**) to raise gross proceeds of up to approximately \$40.0 million (**Entitlement Offer**). The Entitlement Offer forms one element of the proposed Company restructure that was announced to the ASX on Thursday, 12 November 2020 (**Restructure**).

The funds from the Entitlement Offer, together with approximately \$17.0m from a new secured debt facility, will be applied by Ovato towards the exit of onerous leases, operational initiatives, cash backing of remaining bank guarantees, headcount rationalisation, repayment on overdraft facility, payment of transaction fees and the availability of new balance sheet working capital liquidity.

These uses of capital will significantly strengthen the Company's balance sheet by reducing leverage and providing additional financial flexibility.

Based on the Company's 30 October 2020 balance sheet, post the Entitlement Offer (and assuming a \$40m final amount raised), the Company's pro-forma net debt excluding specific onerous lease liabilities will be \$37.8m, and \$44.6m including specific onerous lease liabilities. These amounts may be further reduced if debt for equity conversions occur relating to certain liabilities, with such conversions being subject to a shareholder vote expected to occur in Q1 2021.

Restructure

As previously announced to ASX, Ovato is currently working towards a proposed restructure of the broader Ovato group, part of which comprises the Entitlement Offer.

The Restructure also involves Creditors' and Members' Schemes of Arrangement (**Schemes**). The final court date in relation to these Schemes is scheduled for Friday, 18 December 2020. The underwriting and completion of the Entitlement Offer is conditional upon a number of factors, including the successful court approval of the Schemes on that date.

Entitlement Offer overview

The Entitlement Offer seeks to raise \$40.0m of which a minimum of \$32.2m and up to \$35.0m has been conditionally and partially underwritten by Wilsons Corporate Finance Limited (ACN 057 547 323) (**Wilsons**) and Aitken Murray Capital Partners Pty Limited (ACN 169 972 436) (**AMCPS**) (together the **Joint Lead Managers**), who are acting as Joint Lead Managers and Underwriters to the Entitlement Offer.

Conditional sub-underwriting of the Entitlement Offer is being provided by:

- \$25.0m from Michael Hannan, James Hannan, Sayman Pty Ltd in its capacity as trustee of the Lindsay Hannan Family Trust, Adrian O'Connor and Richard O'Connor (together the **Hannan Family**); and
- up to \$10.0m from Are Media Pty Limited (**Are Media**), subject to Are Media obtaining approval under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FIRB Approval**)¹, (together the **Sub-Underwriters**).

The Hannan Family (including Lindsay Hannan) currently has a relevant interest of 53.8% in the Company. If the Hannan Family is fully allocated \$25.0m worth of New Shares and the final amount raised under the Entitlement Offer is \$40.0m, the Hannan Family's relevant interest in the Company would increase to 61.8%. If the Hannan Family is fully allocated \$25.0m worth of New Shares and the final amount raised under the Entitlement Offer is a reduced minimum of \$32.2m, the Hannan Family's relevant interest in the Company would increase to 75.3%. This would provide the Hannan Family with the ability to pass matters requiring shareholder approval by special resolution.

However, as a component of the Restructure, Ovato is in negotiations with the holders of secured, but subordinated, notes (**Notes**) to provide for the conversion of the Notes into equity in the form of Ovato ordinary shares. Similarly, Ovato is in negotiations with landlords to agree a compromise in respect of liabilities under certain leases (**Leases**). In connection with the Notes and the Leases, Ovato is proposing to undertake a further dilutionary share issue for the purposes of converting, from debt to equity, certain amounts owed under the Notes and certain reduced lease liabilities, subject in each case to Ovato obtaining shareholder approval for the purposes of item 7 of section 611 of the *Corporations Act 2001* (Cth) (**Corporations Act**). In addition, as certain entities related to the Hannan Family are the holders of Notes as well as being landlords to the property of the relevant lease liabilities, the Hannan Family will not be able to participate in the votes to approve the debt for equity conversions pursuant to which the Hannan Family will be issued shares. While exact details regarding the number and percentage of shares to be issued will be provided in the notice of meeting for the purposes of shareholder approval to be sought under item 7, section 611 of the Corporation Act, this would have the effect of reducing the Hannan Family's voting power in Ovato below 75% and would likely result in the Hannan Family's voting power in Ovato falling back to approximately its 53% voting power.

Are Media does not currently have a relevant interest in the Company. If Are Media's final share allocation under the Entitlement Offer is reduced due to FIRB Approval not having been obtained at the time the Entitlement Offer closes (in which case Are Media will be allocated a maximum of 19.99% of the diluted Ovato share capital post the Entitlement Offer), the relevant number of unallocated New Shares will be placed to Are Media at the Offer Price in approximately Q1 2021, when it is expected that the limitation will not be breached (and subject to any required shareholder vote or other regulatory requirements).

If Are Media is fully allocated \$10.0m worth of New Shares and the final amount raised under the Entitlement Offer is \$40.0m, Are Media would have a relevant interest of 22.9% in the Company. If Are Media is fully allocated \$10.0m worth of New Shares and the final amount raised under the Entitlement Offer is \$35.0m, Are Media would have a relevant interest of 25.9% in the Company.

Should certain conditions to the underwriting and sub-underwriting not be satisfied, the underwriters or sub-underwriters will be able to terminate their underwriting or sub-underwriting

¹ If FIRB Approval is not obtained, Are Media Pty Limited's sub-underwritten amount will be a minimum of \$7.2m and the total underwritten amount by the Joint Lead Managers in the Entitlement Offer will be a minimum of \$32.2m.

(as applicable) of the Entitlement Offer. In this circumstance the Entitlement Offer may be withdrawn.²

Each of the Directors who hold Shares in Ovato and the CEO intend to participate in the Entitlement Offer and fully (except for Dhun Karai, who will partly) take up their entitlements. Being both a Director and a Hannan Family member, Michael Hannan will be participating in the Entitlement Offer through his sub-underwriter role.

New Shares issued under the Entitlement Offer will rank equally with existing fully paid ordinary shares in Ovato.

Under the Entitlement Offer, eligible Ovato shareholders may subscribe for 10.93 New Shares for every 1 Ovato share held at the record date of 7:00pm (Sydney time) on Friday, 4 December 2020 (**Record Date**) at the Offer Price per new share (**Entitlement**).

The Offer Price represents a 61.5% discount to the one-month volume weighted average price (**VWAP**) of Ovato shares to Monday, 30 November 2020, and a discount of 61.5% to the closing price of Ovato shares on Wednesday, 11 November 2020, being the day before the ASX announcement of the Restructure

The Entitlement Offer will be open from Tuesday, 8 December 2020 to Thursday, 17 December 2020. Entitlements not taken up by existing eligible shareholders, and entitlements of ineligible shareholders (together the **Shortfall Shares**), will be offered to eligible existing shareholders by way of a top-up facility (**Top-Up Facility**), allowing eligible existing shareholders to apply for further New Shares in excess of their Entitlements. Shortfall Shares will also be offered to new and existing institutional investors by way of a shortfall bookbuild (**Shortfall Bookbuild**) which will be conducted by the Joint Lead Managers on or around Friday, 18 December 2020. The price for Shortfall Shares will be determined under the Shortfall Bookbuild and will be the highest price, which must not be lower than the Offer Price, that will allow for all of the Shortfall Shares to be sold under the Shortfall Bookbuild (**Bookbuild Price**).

If the Bookbuild Price equals the Offer Price, existing eligible shareholders who applied for additional shares under the Top-Up Facility will be given priority on allocation of Shortfall Shares. To the extent that the Bookbuild Price exceeds the Offer Price, the net proceeds of the sale of the Shortfall Shares will be distributed to those ineligible existing shareholders and those eligible existing shareholders who did not take up all or some of the entitlements, on a pro rata basis.

In the event that there are Shortfall Shares remaining after shares have been allocated under the Shortfall Bookbuild, the Sub-Underwriters will acquire the remaining shares as sub-underwriters, each up to a maximum of their sub-underwritten value.

Ovato expects to announce the outcome of the Entitlement Offer to ASX prior to market open on Monday, 21 December 2020.

Eligibility criteria

Shareholders who are eligible to participate in the Entitlement Offer (**Eligible Shareholders**) are shareholders who:

- are registered as a holder of shares as at the Record Date;
- have a registered address in Australia or New Zealand (**Eligible Jurisdictions**);

² Ovato reserves the right to withdraw the Entitlement Offer, including where conditions to the underwriting and sub-underwriting are not satisfied. Should the Entitlement Offer be withdrawn, all application monies will be refunded in accordance with the Corporations Act 2001 (Cth).

- are not in the United States or acting for the account or benefit of a person in the United States (to the extent such person holds shares in Ovato for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Shareholders are ineligible (**Ineligible Shareholders**).

Anticipated Timetable*

Tuesday, 1 December 2020	ASX announcement of Entitlement Offer and release of Investor Presentation
7.00pm on Friday, 4 December 2020	Record Date for shareholders
Tuesday, 8 December 2020	Entitlement Offer opens
Thursday, 17 December 2020	Entitlement Offer closes
Friday, 18 December 2020	Shortfall Bookbuild conducted
Friday, 18 December 2020	Second court hearing on Creditors' Scheme of Arrangement. Date it will be known if Underwriting and Sub-underwriting become unconditional and Entitlement Offer will complete.
Monday, 21 December 2020	Announcement of results of Entitlement Offer
Wednesday, 23 December 2020	If Entitlement Offer is completing, Settlement Date for Entitlement Offer If Entitlement Offer is not completing, process of returning application monies to subscribing shareholders to commence.
Thursday, 24 December 2020	If Entitlement Offer is completing, Issue Date for New Shares under the Entitlement Offer
Tuesday, 29 December 2020	If Entitlement Offer is completing, quotation and normal trading of New Shares issued under the Entitlement Offer

**Ovato reserves the right to change these dates without prior notice or withdraw the offer. All references to time are to Sydney time unless otherwise specified. The commencement of quotation of New Shares is subject to confirmation from ASX.*

Shareholder Enquiries

Eligible shareholders will be sent further details about the Entitlement Offer, including how to apply for New Shares under the Entitlement Offer, via an information booklet, which is expected to be lodged with ASX on Tuesday, 8 December 2020 and despatched on the same date.

Further information in relation to the matters described in this announcement, including important notices and key risks, is set out in an investor presentation released by Ovato to the ASX today. The information in the Disclaimer and Important Notices section of that presentation applies to this announcement as if set out in full in this announcement.

ENDS.

This announcement was authorised for release by the Board of Directors of Ovato.