COMPANY RESTRUCTURING AND ENTITLEMENT OFFER

INVESTOR PRESENTATION

1 December 2020

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EXECUTIVE SUMMARY

OVERVIEW OF OVATO PROPOSED RESTRUCTURE

As announced to the ASX on 12th November 2020, a restructure has been proposed for Ovato Limited ('Ovato', 'OVT' or the 'Company') which includes a $40 million equity capital raise (up to $35 million and at least $32.2 million conditionally underwritten), Creditors' and Members' Schemes of Arrangement (the 'Schemes'), and other financing and operational initiatives. These initiatives are expected to reset the Company for a more sustainable operating future.

Elements of Proposed Restructuring

$40 million equity capital raise

The equity capital raise will result in significant dilution of existing shareholders who choose not to take up their entitlements

$17 million new (replacement) debt facility

Negotiations underway with a third party to provide a new secured debt facility to replace the existing bank guarantee facility

Financiers/creditors write downs, deferrals and repayment/conversion

Negotiations underway for debt forgiveness/deferral and equity conversions

Operational initiatives

Various initiatives, including closure of Clayton facility, being implemented to improve the financial and operating outlook of the Company

EBA restructure and workforce rationalisation

A new EBA came into effect on 13 November 2020 which provides OVT significantly more flexibility and cost savings moving forward

Exit onerous leases

Negotiations underway to exit onerous leases and secure forgiveness of certain lease liabilities as well as equity conversions

Completion and settlement of the $40m entitlement offer will be subject to all conditions of the Underwriting Agreement being satisfied or waived by the Underwriters. Conditions of the Underwriting Agreement include conditions related to the completion of other aspects of the proposed restructure – see pages 9 and 12. Ovato reserves the right to withdraw the Entitlement Offer, including where conditions to the Underwriting Agreement are not satisfied. If all conditions of the Underwriting Agreement are not either satisfied or waived by the Underwriters, and Ovato withdraws the Entitlement Offer, in which case the Entitlement Offer will not complete and all shareholder application monies will be returned to applying shareholders.

EQUITY CAPITAL RAISING OVERVIEW

Company restructure	• Ovato is a leading, integrated print, distribution and marketing company. The Company's vision is to create a smarter and sustainable business providing integrated marketing services that turn audiences into customers • A restructure of the Company has been proposed to reset the business with the aim of improving its financial and operational outlook
Entitlement offer	• Ovato is undertaking a 10.93 for 1 pro rata renounceable entitlement offer ('Entitlement Offer') at $0.005 per share ('Offer Price') to raise approximately $40.0m • As the Entitlement Offer is renounceable, entitlements not taken up will comprise the shortfall to be sold in a bookbuild conducted by the Underwriters on Friday, 18 December 2020
Partial underwriting	• Up to $35.0m (and at least $32.2m) of the total Entitlement Offer size of $40.0m has been conditionally 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 'Underwriters') • Major shareholder, the Hannan family (comprising of Sayman Pty Ltd as trustee for the Lindsay Hannan Family Trust, Michael Hannan, James Hannan, Adrian O'Connor and Richard O'Connor, collectively the 'Hannan Family'), has agreed to conditionally sub-underwrite $25.0m of the Entitlement Offer (under the Entitlement Offer the Hannan Family will have entitlements to New Shares valued at $21.5m) • Are Media Pty Ltd ('Are Media') has agreed to conditionally sub-underwrite up to $10.0m of the Entitlement Offer. The extent of Are Media's sub-underwriting is subject to FIRB approval. If Are Media's final share allocation in 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 and the underwritten amount will be $32.2m instead of $35.0m), the relevant number of unallocated shares will be placed to Are Media 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
Underwriting and Entitlement Offer conditionality	• Shareholders should note that the completion and settlement of the Entitlement Offer remains subject to all conditions of the Underwriting Agreement (and underlying Sub-Underwriting Agreements) (together the 'Underwriting Conditions') being either satisfied or waived • Shareholders should review this presentation for details on Underwriting Conditions, as well as the key risks of the Entitlement Offer outlined in the Appendix
Use of proceeds	• The proceeds from the Entitlement Offer, together with approximately $17.0m from a new (replacement) debt facility, will be applied towards the exit of onerous leases, cash backing of remaining bank guarantees, operational initiatives, headcount rationalisation, repayment on overdraft facility, the 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 31 October 2020 balance sheet, post the Entitlement Offer (and assuming a $40.0m final amount raised) and based on current assumptions regarding future outcomes of negotiations with financiers / creditors, landlords and other stakeholders regarding the Company's restructure, the Company's net debt excluding specific onerous lease liabilities will be $37.8m, and $44.6m including specific onerous lease liabilities
Major shareholder and Director participation	• As noted above, major shareholder, the Hannan Family, is conditionally sub-underwriting $25.0m of the Entitlement Offer • If the entire $25.0m is taken up by the Hannan Family, this will result in their shareholding increasing from 53.8% to between 61.8% and 75.3%, dependent on the final amount raised between $40.0m and $32.2m (and pre reduction resulting from proposed debt to equity conversions in Q1 2021) • In addition, 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

KEY UNDERWRITING AND OFFER CONDITIONS

Conditions

- The Underwriters' obligations in respect of the Offer are subject to all Underwriting Conditions being either satisfied or waived, including that the Schemes are approved
- It is expected that the final satisfaction or waiver of the Underwriting Conditions will become known at the final Court hearing of the Schemes, scheduled for Friday, 18 December 2020
- The Entitlement Offer is therefore opening and closing before the date upon which it will be known whether the Underwriting Conditions will be satisfied in full
- If the Underwriting Condition are not satisfied or waived in full, the Offer may not complete
- The key Underwriting Conditions are:
  - All Schemes receiving court approval (outcome to be known on Friday, 18 December 2020)
  - Underwriting Conditions relating to the restructure of Ovato, including those set out below which must be satisfied or waived by Wednesday, 16 December 2020
    - a) Ovato undertaking to repay ANZ as the first ranking secured lender to Ovato
    - b) a compromise and agreement for a conversion of debt to equity with the noteholders of secured, but subordinated, notes issued by Ovato
    - c) ANZ and Scottish Pacific (current provider of a receivables financing facility to Ovato) consenting to the Schemes
    - d) a financier lending approximately $17.0m in additional funds to Ovato
    - e) a compromise or arrangement of the debt owing to Commerzbank (an equipment finance lender to Ovato)
    - f) various landlords to Ovato agreeing to compromises to their respective leases

Settlement of Entitlement Offer

- If all Underwriting Conditions are either satisfied or waived, the Entitlement Offer will be completed with settlement occurring on Wednesday, 23 December 2020
- If all Underwriting Conditions are not satisfied or waived, Ovato may withdraw the Entitlement Offer in which circumstance application monies will be returned to subscribing shareholders

Top Up Facility

- Eligible shareholders who take up their entitlement in full may also apply for additional New Shares at the Offer Price in excess of their entitlement under the Top Up Facility
- The number of any additional New Shares will be limited to the number of New Shares for which valid applications are not received before the Entitlement Offer closes and the number of New Shares which would have been offered to ineligible shareholders, had they been eligible to participate in the Entitlement Offer

Shortfall Bookbuild

- The Underwriters have been appointed as broker to the Entitlement offer to undertake a back-end shortfall bookbuild on any shortfall securities
- The Underwriters will invite applications for shortfall securities, at a price which is not less than the Offer Price, from institutional and/or sophisticated investors
- If the price for New Shares under the shortfall bookbuild is equal to the Offer Price, eligible shareholders who applied for additional New Shares under the Top Up Facility will be given priority for allocation of shortfall securities
- Any New Shares not placed through this Shortfall Bookbuild would, subject to the Underwriting and Sub-Underwriting arrangements, then be acquired by the Sub-Underwriters
- Any premium received on New Shares issued under the Shortfall Bookbuild will be distributed to renouncing or ineligible shareholders

RESTRUCTURE COST SAVINGS FROM HEADCOUNT AND PROPERTY

Redundancy and onerous lease costs have historically consumed significant OVT cashflows. As part of the proposed restructure, headcount will be rationalised and OVT has already commenced operation of a new EBA that significantly reduces go-forward redundancy costs and provides operational flexibility. A number of onerous property leases are also being negotiated to be settled and exited.

Redundancy terms for 'blue collar' (non-NES) Australian workers

- A new enterprise bargaining agreement ('EBA') relating to the majority of the Company's blue collar workers commenced on 13 November 2020
- A key outcome of the new EBA is a reduction of required redundancy costs, which has hindered labour downsizing initiatives in the past and consumed substantial Company cashflow. The new EBA allows Ovato to respond in a more cost effective way to future fluctuations in staffing requirements
- Under the new EBA, all future redundancy costs will reduce by more than 50% compared to the previous EBA and greater flexibility has been obtained relating to the use of casual labour and the changing of shift structures to manage seasonal volumes in the industry

Headcount rationalisation cost savings

- As a result of the planned closure of heat-set printing operations at the Clayton site, headcount rationalisation will take place impacting employees working at the site (primarily across the Print Australia operations) and the heat-set production at the site is expected to cease before Christmas 2020
- A total of approximately 300 staff will be impacted due to the closure of the Clayton site and broader rationalisation including off-site head office and support function employees
- The employee expense cost that is expected to be saved as a result is approximately $25.0m per annum

Restructuring of property leases

- As part of the proposed restructure, Ovato plans to exit a number of leases/sites which will significantly reduce annual lease costs and onerous lease liabilities
- The leases being exited or renegotiated are either linked to sites that are already mostly subleased (but at less than Ovato's head lease cost) and that are no longer required by the Company or relate to the Clayton site with its heat-set printing operations ceasing and production being moved to Warwick Farm
- The restructuring of property leases will lead to a reduction in recurring rental payments. Closure of heat-set printing operations at Clayton will result in a reduction of Ovato's production capacity allowing for a re-alignment of market supply with demand and provide for more stable pricing
- Negotiations with landlords remain ongoing, but current indications are that Ovato may secure net lease savings[1] of c. $6.8m p.a., and a reduction of c. $26.0m in related property balance sheet liabilities

Note 1: Net lease savings refers to the cost of the lease to Ovato after subtracting the income from sub leases and the proportion of the premises/lease required for go-forward Retail Distribution operations.

FINANCIER/CREDITOR PROPOSED COMPROMISES (INCLUDING WRITE OFFS, DEFERRALS, EQUITY CONVERSIONS)

As part of the restructure, compromises are required with various Company financiers / creditors. Compromises may include debt write offs, deferrals and conversion into equity (at the same price per share as the Entitlement Offer). Negotiations are ongoing. Any final conversion to equity would also remain subject to a shareholder vote in approximately Q1 2021.

Proposed compromises (still being negotiated or finalised)

Noteholders (Corporate bond)	Amount ($'m)
Current facility	40.0
Proposed write off	(25.0) 1
Future debt to equity conversion	(15.0) 2
Remaining facility	-

Lidcombe lease	Amount ($'m)
Current liability	6.4
Proposed write off	(4.0) 3
Future debt to equity conversion	(2.4) 2
Remaining liability	-

Equipment finance (Commerzbank)	Amount ($'m)
Current facility	23.5 4

Comments to proposed write offs and debt to equity conversions

1. Negotiations are ongoing. Final proposed compromise will be voted on by noteholders in advance of the settlement of the Entitlement Offer. A Noteholder compromise is an Underwriting Condition.

2. Current proposed compromises include convertibility into equity of written down notes liability and the written down Lidcombe lease liability (at the Offer Price). Final equity conversion will remain subject to the approval of OVT shareholders post the settlement of the Entitlement Offer. If the Entitlement Offer completes, an extraordinary general meeting ('EGM') is expected to occur in approximately Q1 2021 for shareholders to vote. If shareholders do not approve conversion into equity, the remaining value of the notes (at the written down value) and the remaining value of the Lidcombe lease liability (at the written down value) will remain on the Company's balance sheet. If shareholders approve the conversion into equity, there will be a further issue of ordinary shares in Ovato. The exact number of such shares will be further described in the notice of meeting for the EGM. It is currently contemplated that a representative of Noteholders may be provided with an OVT board seat when the debt to equity conversion occurs.

3. Negotiations are ongoing. A compromise with various landlords (including Lidcombe landlord) is an Underwriting Condition.

4. To involve a compromise or arrangement of the debt owing to Commerzbank. A compromise with Commerzbank is an Underwriting Condition.

STATUS OF COUNTERPARTY DISCUSSIONS AND KEY UNDERWRITING CONDITIONS

The Underwriting and Sub-Underwriting Agreements include conditions related to the outcome of negotiations with different Company stakeholders including financiers / creditors, landlords and potential providers of debt capital. These conditions must either be satisfied or waived by the Underwriter and Sub-Underwriters for the underwritten Entitlement Offer to complete. Ovato may withdraw the Offer if the conditions are not satisfied or waived.

Stakeholder	Current position	Proposal and status
Trade creditors	• Scheme is structured to include various trade creditors with balances over $100k (9 creditors and c. $12m of schemed payables) plus the ATO / OSR	• Proposal: Scheme proposes to write down c. $12m of net trade creditor liabilities (gross liabilities less current calculated ROT) to c. $6m. In addition, the scheme proposes a write down c. $10m of ATO / OSR liabilities to c. $5m • Status: Trade creditors meeting on 7 December 2020 to vote on whether to approve the Scheme
Bond noteholders	• $40m corporate bond; second ranking security	• Proposal: Write down liability to $15m and give consent to be able to convert remaining liability to equity by a further issue of ordinary shares in Ovato (such conversion being subject to a shareholder vote in approximately Q1 2021). Noteholders will vote on proposal prior to the Entitlement Offer closing • Status: Circulating resolution to be despatched c. 2 December 2020
Scottish Pacific	• Provides $50m RFF facility; first ranking security[1]	• Proposal: RFF to be provided to the go-forward business on the same terms • Status: Negotiations are ongoing
New $17m secured debt facility	• Financier being sought	• Proposal: New $17m secured debt facility being sought to replace the existing bank guarantee facility • Status: Non-binding terms sheet has been agreed. Credit provider due diligence is ongoing with target date for binding facility agreement to be executed by 16 December 2020
Commerzbank	• Provides c. $24m in equipment finance facilities; secured over specific printing presses	• Proposal: To involve a compromise or arrangement of the debt owing to Commerzbank • Status: Negotiations are ongoing
Landlords	• Six leases (across five landlords) identified to be exited as part of the go-forward Ovato • c. $14.9m in bank guarantees held across these leases • c. $30.4m in net lease tail liabilities related to these leases (c. $8.3m p.a. in net rent payments)	• Proposal: Early surrender and discounted settlement of onerous/not required leases. Lidcombe lease tail settlement proposal to involve a write down and consent to be able to convert remaining liability to equity by a further issue of ordinary shares in Ovato (such conversion being subject to a shareholder vote in approximately Q1 2021) • Status: Negotiations are ongoing

Note 1: Scottish Pacific and ANZ share the first ranking security charge. Scottish Pacific hold first ranking security over Australian receivables and ANZ ranks second. ANZ hold first ranking security over other assets and Scottish Pacific ranks second.

THE ‘RESET’ BUSINESS POST RESTRUCTURE

Ovato believe the key initiatives being implemented as part of the restructure will ‘reset’ Ovato’s operations and balance sheet to improve the ongoing stability and financial performance of the Company.

Key initiatives	Status and ‘Reset’ Ovato
Consolidate production capacity and improve operating efficiencies	• Downward trend in industry volumes has been accelerated by COVID-19 and customer uncertainty particularly in retail space, with oversupply now prevalent in the market, leading to reduced pricing on any new and existing print work • Planned closure of Ovato’s Clayton print facility expected to result in a material reduction in excess print capacity; improvement in operating efficiencies by reducing fleet size; and a significant reduction in costs through headcount rationalisation and removal of premises rent and ancillary costs
Reduce cost base and provide flexibility to downsize further	• Ovato has previously operated under an outdated EBA that limited workforce flexibility • A new EBA came into effect on 13 November that provides new casual workforce and shift structure flexibility and lower redundancy cost requirements • There are currently ‘above market’ and/or onerous legacy leasing agreements secured by material bank guarantees • The Company is currently negotiating with landlords to exit or renegotiate certain leases
Return the business to material positive cash flow	• EBITDA (pre AASB16) fell from c. $30.8m in FY19 to c. $9.2m in FY20 (including c. $12.2m of JobKeeper) • Net cashflow (including onerous leases and significant items) in FY19 was negative $12.4m and negative $27.8m in FY20 • Despite materially lower print volumes and the phasing out of JobKeeper, EBITDA is expected to improve and return to positive as the lower and more flexible cost base from the closure of Clayton and new EBA improve profitability
De-lever balance sheet to sustainable level	• Historically worsening financial performance coupled with growing ‘below the line’ cost items has led to a deterioration in net debt levels (up to $72.9m) and leverage (up to 7.9x FY20A EBITDA) • Trade working capital position fell from $45.3m in June 2019 to $13.4m at June 2020 due to strong inventory management in conjunction with payments to trade creditors being pushed out to improve liquidity • The recapitalisation is targeted to: materially reduce debt (through repayment and negotiated settlement of interest bearing liabilities), improve the working capital position through certain debt forgiveness from creditors, and provide additional liquidity to stabilise the balance sheet
Transition to digital	• Positive EBITDA contribution from Marketing Services with Management targeting continued growth for the business • Company currently lacks the capital backing and IP/systems to aggressively grow in the attractive Marketing Services segment, but post restructure will have an improved ability to do so

INDICATIVE CAPITAL STRUCTURE POST EQUITY RAISE AND RESTRUCTURE

The restructuring initiatives are targeted at stabilising the business' operations and are expected to result in a stronger and more sustainable balance sheet. Negotiations remain ongoing with counterparties and final compromises / outcomes are not yet known. The below provides an indicative view of what OVT's pro-forma net debt may be post the conclusion of negotiations and the Company restructure (based on the October-20 balance sheet).

Capital structure at 31 October 2020

Cash	($12.4 million)
Overdraft	$3.5 million
RFF	$25.5 million
Equipment finance	$23.5 million
Bond	$40.0 million
New senior secured facility	-
Net debt	**$80.1 million**
Specific onerous lease liabilities[1]	$30.4 million
Net debt + specific lease liabilities	**$110.5 million**

Restructure

- **$40.0m equity raise**
- **$17.0m new (replacement) secured debt facility**
- **EBA restructure and workforce rationalisation**
- **Financier/creditor compromises**
- **Exit onerous leases and rationalise sites**
- **Operational initiatives**

Indicative pro-forma restructured capital structure post equity raising and post debt conversions (as at October-20)

Cash (pre transaction costs)	($43.2 million)
Overdraft	-
RFF	$25.5 million
Equipment finance	$23.5 million
Bond	-
New senior secured facility	$17.0 million
Net debt	**$22.8 million**
Specific onerous lease liabilities[1]	$4.4 million
Net debt + specific lease liabilities	**$27.2 million**

Note 1: Onerous leases refers to those leases expected to be exited as part of the restructure.

Note 2: Subject to the timing of repayment of trade creditor balances required as part of the Schemes, the payment of which has not been included in the indicative pro-forma (post conversion) cash balance above, and the seasonal build of working capital towards Christmas

DETAILED INDICATIVE NET DEBT MOVEMENTS

Negotiations remain ongoing with counterparties and final compromises and outcomes are not yet known. The below table provides an indicative view of what the Company's pro-forma net debt may be post the conclusion of negotiations and the Company restructure (assuming $40.0m is the final amount of equity raised). Final conversion of certain liabilities will be subject to shareholder vote in Q1 2021.

Ovato Group – current vs. indicative pro-forma net debt

	October-20	Capital raise movements	Pro-forma (pre-conversion) (as at Oct-20)	Debt to equity conversion	Pro-forma (post-conversion) (as at Oct-20)	
Cash	(12.4)	(30.8)	**(43.2)**	-	**(43.2)**	1 2
Overdraft facility	3.5	(3.5)	-	-	-	1
Receivables financing facility	25.5	-	**25.5**	-	**25.5**	
Commerzbank equipment finance	23.5	-	**23.5**	-	**23.5**	3
Corporate bond	40.0	(25.0)	**15.0**	(15.0)	-	4
New senior secured facility	-	17.0	**17.0**	-	**17.0**	5
Net debt	80.1	(42.3)	37.8	(15.0)	22.8	
Specific onerous lease liabilities	30.4	(23.6)	**6.8**	(2.4)	**4.4**	5
Net debt + specific lease liabilities	110.5	(65.9)	44.6	(17.4)	27.2	

Pro-forma post debt to equity conversion (as at Oct-20) illustrative only.

Note 1: Approximately $34.3m additional liquidity to be received from the capital raising (assuming $40.0m is the final amount of equity raised and a new $17.0m senior secured facility is fully drawn) which includes $7.0m to repay overdraft (assumed fully drawn) and $27.3m additional liquidity post other cash costs of c. $22.7m. Pro-forma cash above is calculated on the basis the October-20 overdraft drawings are fully repaid and the remaining liquidity is allocated to cash. Subject to the timing of repayment of trade creditor balances required as part of the Schemes, the payment of which has not been included in the indicative pro-forma (post conversion) cash balance above, and the seasonal build of working capital towards Christmas

Note 2: In December 2020 net debt is subject to change for working capital movements and timing of repayment of trade creditor balances included in the proposed Schemes

Note 3: It is assumed that a compromise or arrangement is reached with Commerzbank regarding the $23.5m of equipment finance.

Note 4: Corporate bond is written down to $15.0m as part of the Scheme. It is expected that the remaining $15.0m will be converted to equity after a shareholder EGM (to occur in Q1 2021)

Note 5: Onerous leases refers to those leases expected to be exited as part of the restructure. The new $17.0m senior secured facility is fully drawn upon scheme implementation to fund the settlement of onerous leases. Onerous leases are exited as part of the scheme via landlord settlements. Per latest discussions, it is assumed that lease liabilities of c. $26.0m, supported by bank guarantees of c. $9.9m, are removed as part of these landlord settlements. The current Lidcombe lease liability will be discounted and then remain on-foot until the shareholder EGM (expected to occur in Q1 2021) where the lease liability is expected to be converted to equity.

RESTRUCTURED OVATO INDICATIVE INCOME STATEMENT

Based upon the various financial and operational initiatives and assumptions comprising the restructure plan for Ovato, earnings of the Company are expected to significantly improve.

Forecast restructured EBITDA (pre-significant items)(post-AASB16)

- All figures shown below are subject to underlying assumptions regarding the execution of restructuring and operational initiatives

	FY21[1,2]	CY21[3,4]
EBITDA	31 – 35	41 – 45
EBITDA – JobKeeper	(16)	-
Adjusted EBITDA	**15 – 19**	**41 - 45**

Note 1: FY21 EBITDA includes $16.3m of JobKeeper income.
Note 2: The financial forecast for FY21 has been done by each of the business units undertaking the usual detailed forecast process around sales, costs and key cashflow items. It has assumed impact of Covid-19 reduces in H2 FY21. The impacts of the proposed schemes of arrangement, equity recapitalisation, debt compromises and costs savings from the closure of Clayton and other operational initiatives have been overlaid on top of the base case forecast.
Note 3: CY21 has no JobKeeper income.
Note 4: H1 FY22 forecast has been prepared at a corporate level (rather than through the individual business units) based on anticipated sales behaviour in a normalised post-Covid 19 environment and overlaying the expected cost benefits of the Schemes. 1H FY22 EBITDA includes the anticipated impact of restructuring initiatives, including headcount rationalisation, closure of Clayton, exit of onerous leases and other strategic initiatives.
Note 5: EBITDA is before significant items and post-AASB16.
Note 6: "FY" denotes the Company's financial year from 1 July of a year to 30 June the following year, and "CY" denotes a calendar year from 1 January to 31 December

02

OPERATIONS OVERVIEW AND GO FORWARD STRATEGY

BUSINESS HIGHLIGHTS

1 Industry leader

- A fully integrated national organisation with highly efficient, integrated print and distribution sites.
- National print manager capable of providing a full end-to-end service. Strategically located footprint with print and distribution facilities across Australia and New Zealand.
- One of two full service printers, with demand for printing catalogues (especially F&B) and magazines continuing to be resilient even during COVID-19

2 Diversified blue chip customer base

- Long, established relationships with blue chip customer base including Woolworths, Aldi, Bunnings and Harvey Norman.
- The business continues to build new relationships with blue chip customers.

3 New products diversifying earnings

- Marketing Services segment continues to grow due to strong demand from new and existing customers and will be the platform that drives a shift in the business mix in the future.
- Enhanced revenues and higher margins are expected from new product streams through effective use of data and technology.

4 Attractive competitive dynamics

- In Australia, five major printers in the heat-set market have consolidated to effectively become a duopoly.
- The acquisition of Salmat by IVE may lead to consolidation opportunities in the residential distribution business.
- Foundations for price stability are in place across print and distribution businesses.

5 Establishment of ‘Super Site’

- Ovato has established Australia’s largest fully integrated heat set web, sheet fed and digital print & packaging facility with co-located distribution facilities at the Warwick Farm Super Site in NSW.
- Through combining and optimising fleets of presses and bringing together print and distribution facilities, the ‘Super Site’ will contribute to lifting efficiency of print operations.

6 Largest Retail Distribution network

- Consolidation of retail distribution network over time has resulted in OVT being the largest market share provider of distribution services for publishers to retailers of magazines.

7 Strong management team

- Experienced and stable management team with substantial experience and knowledge of the business and industry and a track record of driving change through efficiency gains.
- Management continues to successfully drive the transformation process for both the Australian and New Zealand operations.

CORPORATE PROFILE

Overview

- The company was listed on the ASX in 1991. In 2017, PMP Limited merged with IPMG Holdco Pty Limited, combining two businesses with a long and distinguished history going back for over 100 years.
- Post merger, Ovato is one of two national integrated print and distribution companies in Australia and New Zealand, producing catalogues, magazines, newspapers and books. Ovato Print and Distribution sites are located strategically in major cities.
- Ovato has a range of marketing related services it provides to its customers including creative design, brand strategy, business consulting, marketing automation, photography, videography, point-of-sale, public relations and content creation.

Board members

Michael Hannan
Chairman

Dhun Karai
Non-Executive Director

Andrew McMaster
Non-Executive Director

Kevin Slaven
MD and CEO

Management team

James Hannan
Chief Operating Officer

Geoff Stephenson
Chief Financial Officer

Brendan Straw
Chief Sales Officer

Paul Gardiner
MD, New Zealand

Alistair Clarkson
Company Secretary & General Counsel

BUSINESS OVERVIEW

Leveraging Ovato's national Print and Distribution platform and diverse blue chip customer base is expected to accelerate the continued growth of the Marketing Services division.

Ovato Limited
FY20A Sales Revenue $539.3m | FY20A EBITDA $32.4m

Australian operations
Sales Revenue $449.3m | EBITDA $31.2m

Print Australia
Sales Revenue $280.5m

- Commercial printing
- Catalogue printing
- Mass market and special interest magazine and newspaper printing
- Packaging

Marketing Services
Sales Revenue $26.6m

- Portfolio of marketing services businesses which offer integrated marketing campaigns, public relations and brand marketing
- Services include creative design, photography, content, communications and strategy

Residential Distribution
Sales Revenue $60.4m

- Mass and targeted catalogue delivery
- Product sample and delivery
- Newspaper delivery

Retail Distribution
Sales Revenue $50.9m

- Distribution of magazines to retailers

Ovato Books
Sales Revenue $30.8m

- Book printer
- Specialise in mono paperback and hardback read for pleasure book market

New Zealand operations
Sales Revenue $90.0m | EBITDA $1.2m

Print New Zealand

- Commercial and catalogue printing
- Mass market and special interest magazine and newspaper printing
- Sheetfed printing

Residential Distribution

- Mass and targeted catalogue delivery
- Product sample and delivery
- Newspaper delivery

Retail Distribution

- Distribution of magazines to retailers

Note: EBITDA figures are post-AASB16

LONG TERM BLUE CHIP CUSTOMER RELATIONSHIPS

Ovato has long, established relationships with a blue chip customer base including Woolworths, Aldi, Bunnings and Harvey Norman. The Company continues to build strong relationships with new Tier 1 customers.

Customer examples

Customer	Length of relationship
Woolworths	~16 years
Aldi	~8 years
Harvey Norman	~21 years
Bauer Media	~16 years
News Life Media	~16 years
Metcash	~16 years
Medium Rare Content Agency	~5 years
Bunnings	~16 years
Officeworks	~6 years

OVT GO-FORWARD STRATEGY

Ovato's operational strategy centres on leveraging its end-to-end pre-media, print and distribution services across its existing blue chip customer base, while keeping a strong focus on operational efficiencies and cost control.

01 Pre-media, campaign idea generation and data analytics

Relevant Business Units:
Marketing services

At the forefront of a successful retailing campaign is idea generation leading to customer engagement. Ovato has long, established relationships with its blue chip customer base.

Developments in data and technology create an opportunity to grow the breadth of Ovato's marketing products and increase the perception of the value the Company brings to these customers.

The recent development of APS software is expected to allow OVT to compete against established players

02 Print services

Relevant Business Units:
Print AU | Print NZ | Books

Ovato's core print and distribution business remains the foundation of retail marketing – the catalogue is the fundamental driver of sales in store for key clients.

Ovato's focus is on Tier 1 retailers with consistent demand for print and integrated marketing solutions for whom Ovato's unique footprint is critical in achieving the customer "time to market" deadlines.

03 Distribution channel to end market

Relevant Business Units:
Retail distribution | Residential distribution

Ovato is the largest distributor of printed products into retailers and one of only two distributing printed catalogues direct to home.

Distribution completes the service from idea generation to print and into the consumer's home.

Investment in data analytics allowing ROI and targeted mapping for each campaign strengthens OVT's competitive advantage and provides further support for the Marketing Services business.

04 Focus on cost and operating efficiencies

Relevant Business Units:
All Print and Distribution

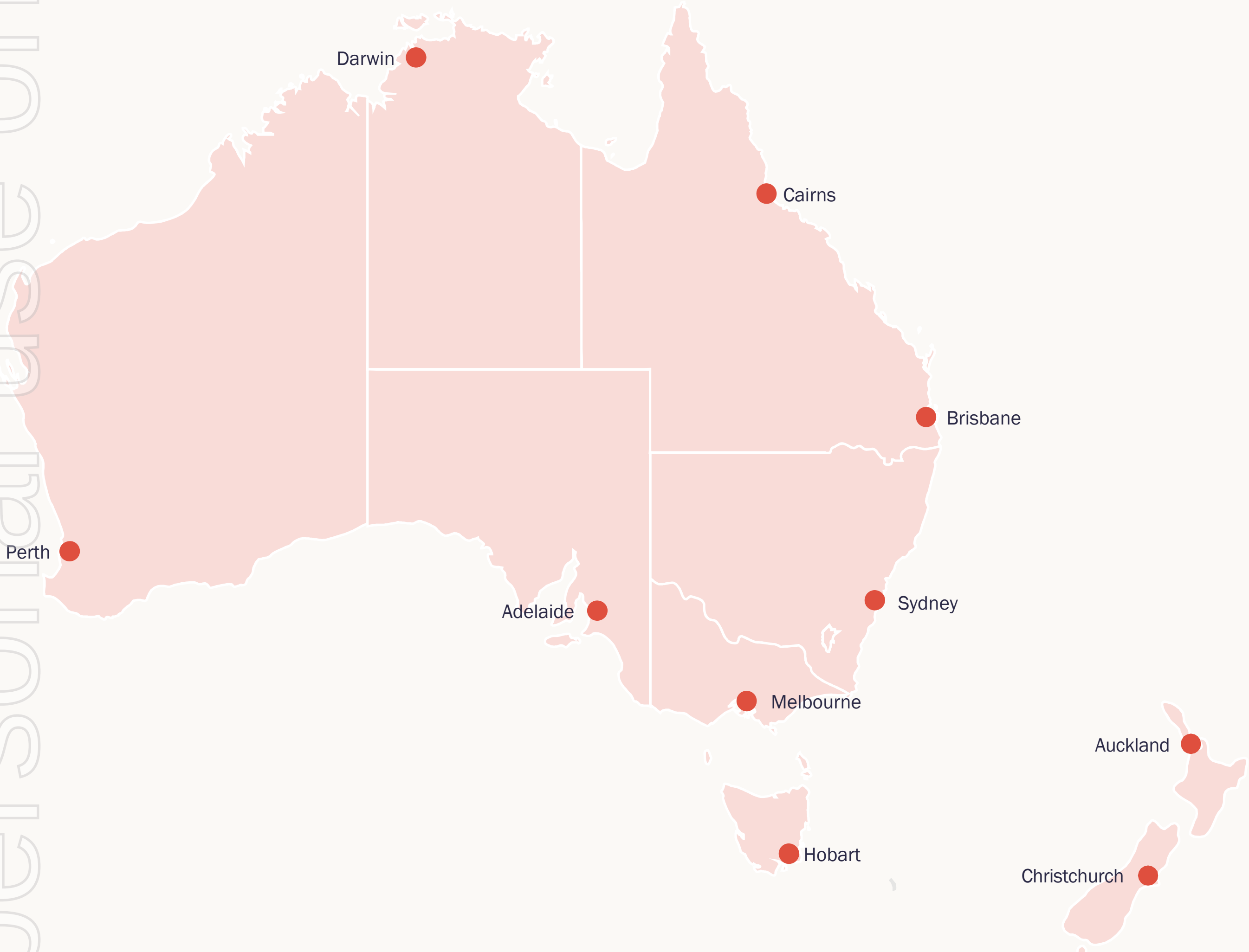
Management expect to extract significant synergies from the recent NSW site consolidation at Warwick Farm and the proposed closure of Clayton. OVT's new EBA will also allow additional go-forward cost savings to be achieved.

Ongoing strategic initiatives continue to identify further efficiencies to offset the impact of declining revenues in the Print division including:

- joint ventures with other participants;
- simplification of inventory SKUs;
- consolidation of suppliers.

GO-FORWARD LOCATIONS AND PRINT SERVICES

Ovato is a national provider of end-to-end marketing, print and distribution services with a strategic presence across Australia and New Zealand.



State	NSW	VIC	TAS	SA
Web presses	●			●
Digital presses	●			●
Sheetfed presses	●			●
Bindery	●			●
Mailhouse	●			
Distribution	●	●	●	●

● Go-forward operations

State	QLD	WA	NT	NZ
Web presses	●	●		●
Digital presses	●			●
Sheetfed presses	●			●
Bindery	●	●		●
Mailhouse	●			●
Distribution	●	●	●	●

● Go-forward operations

MARKETING SERVICES HAS SIGNIFICANT GROWTH POTENTIAL

Prior to the onset of COVID-19, Marketing Services had exhibited strong historical revenue and EBITDA growth driven via a proven scalable model. Management expect continued growth in cross-selling to Ovato's blue chip customer base, along with general industry and new customer growth.

Strong expectations for continued growth

✓ **Continued cross-selling to Ovato's blue chip customer base**

The strength of Ovato's customer relationships and their demand for external marketing services provides a compelling growth opportunity

✓ **Scalable SAAS platform built for growth**

Newly developed APS product with exceptional scalability that expands the customer lifecycle with recurring subscription-based revenue streams

✓ **Full suite of end-to-end products**

Wide range of marketing products and services present a solution to all customers' marketing needs, creating a 'one stop shop'

✓ **Recurring revenue streams**

Project driven revenue model developing long-term, dependable and recurring revenue

✓ **Highly experienced management team**

Best-in-class management team with proven track record and extensive in-market experience

Segments and services

Communications: Full range of communication services from public relations, content creation and marketing, social media and digital support

Creative and Pre-Media: Offers speciality media production across a wide range of products to create bespoke brand advertising for clients through concept design, packaging, and digital content

Photography: Produce still and dynamic content with image manipulation and video editing capabilities offered both in its own studios and on-location

Technology solutions: An industry leader in technology based solutions using internally developed marketing automation tech to assist and grow client's brands

Digital Print: Dynamic and effective visual marketing for a broad range of mediums, i.e. catalogues, magazines, in-store, and campaign marketing, etc.

Selected customers

BIG W, HelloFresh, The University of Sydney, Harvey Norman, Dell, Stockland, are media, Australian Government Department of Education and Training, intel, RACQ, NSW Fair Trading, Martec, Rebel Sport, The Good Guys, Betta Electrical

- Majority of customers are blue chip companies with a strong history of repeat business
- Operating across almost every sub-sector of the economy, resulting in resilient client demand

MARKETING SERVICES HAS SIGNIFICANT GROWTH POTENTIAL

As part of the growth strategy, the Company intends to utilise its newly developed specialist workflow technology that can produce and deliver unique marketing solutions to brands and advertisers.

Ovato Marketing Services offering

	OVATO
Provides a full range of communication services from public relations, content and content marketing, social media, digital support and enforceable undertakings	✓
Offers speciality media production across a wide range of products to create bespoke brand advertising for clients through concept design, packaging and digital content	✓
Produce still and dynamic content with image manipulation and video editing capabilities offered both in its own studios and on-location	✓
An industry leader in technology based solutions using internally developed marketing automation technology to assist and grow client's brands	✓
Dynamic and effective visual marketing for a broad range of mediums (e.g. catalogues, magazines, in-store and campaign marketing)	✓

Technology platforms

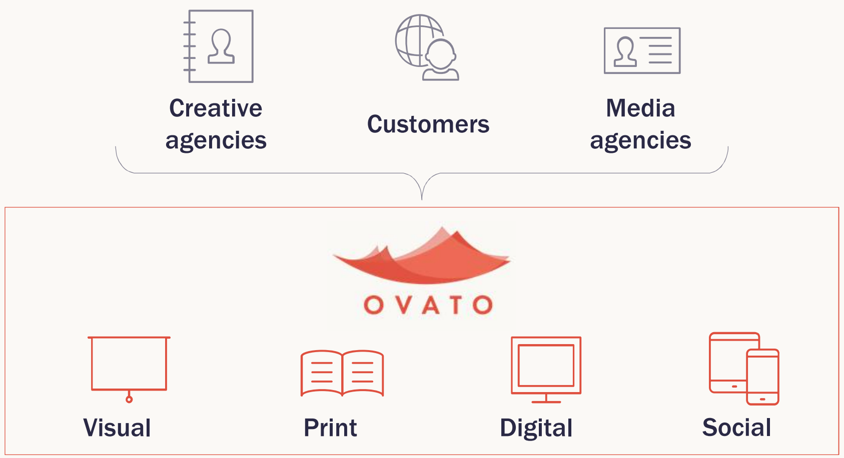
APS platform

- Workflow management tool to help automate the production of marketing content and material which can easily be integrated into existing e-commerce and inventory internal systems
- The platform greatly improves quality of product and speed to market

Traction next

- Enhancing customer loyalty with an email and competition platform
- Affordable and powerful lead generation tools to acquire new customers, obtain customer preferences and building a database

Ovato offers a broad range of marketing services for a diverse customer base



PRINT SERVICES – STRENGTHEN THE CORE

The strategic direction for the historical core of the Ovato business, Print services, is to develop a more financially flexible and market-driven division in order to protect longer term profitability. The restructure will be a key catalyst for this, delivering a step change in the manufacturing footprint, a resulting reduction in headcount and a more flexible workforce through a new Enterprise Agreement that has already commenced.

Enhanced flexibility for stable earnings and cash flows

- Pending closure of Clayton and rationalisation of approximately 300 blue collar and support staff across the Group
- New Enterprise Agreement has commenced with significantly reduced redundancy scales and greater flexibility to use casual labour and change shift structures allows for continued reduced labour costs
- Stable, long-term relationships with Australia and New Zealand's major retailers supports evolution of catalogue product with higher margin input for Ovato
- Current growth areas of Packaging with capabilities now being expanded into NSW
- Recovery in Book due to print-on-demand books in Victoria and onshoring of re-print volumes
- Recent investment in new state-of-the-art 80 page press at super site in NSW supports further capacity reduction in outer years

Market dynamics underpin future profitability

- Highly concentrated market in catalogue and magazine production in both Australia and New Zealand
- Reduction in capacity in line with any falls in demand will protect pricing and lead to inflationary increases in selling price over time
- Opportunity for future sharing of production facilities as demand warrants in different States
- Opportunity to expand into cold-set printing as newspaper publishers move away from manufacturing to concentrate on content publishing only

RETAIL AND RESIDENTIAL DISTRIBUTION

Retail Distribution's position as the largest distributor, and its proven ability to use its logistical platform to distribute product other than magazines, has supported historically stable earnings. Residential Distribution has lifted its market share significantly over the recent period.

Continued consistent earnings for Retail Distribution

- Unique position of being the only national distributor of magazines in both Australia and New Zealand
- Software and logistics systems very difficult to replicate and would require major investment of money and time by anyone else
- Further untapped growth opportunity with Market Hub business in enhancing product range for newsagency channel in Australia and launching similar business in New Zealand

Major player in Residential Distribution market

- Market share has increased significantly with the on-boarding of Aldi and Woolworths (onboarding in progress)
- Relationships with market leading partners allow the Company to leverage behavioural and transaction data to develop and measure audiences
- Recent investment in data has seen the development of a ROI tool which measures impact of catalogue on sales for retailers, and the development of data visualisation through the proprietary ATLAS platform
- Ability to handle addressed deliveries, product sampling and local newspaper deliveries through the network
- Future opportunity for enhanced data-driven localised and targeted delivery of product to letterbox

03

ENTITLEMENT OFFER DETAILS

ENTITLEMENT OFFER DETAILS

Offer size and structure	• Approximately $40.0m offer by way of a 10.93 for 1 pro rata renounceable entitlement offer (up to $35.0m and at least $32.2m conditionally underwritten) • Approximately 8,000.0 million Ovato fully paid ordinary shares to be issued (‘New Shares’) (assuming final amount raised of $40.0m), which will represent approximately 91.6% of all Ovato shares on issue after completion of the Entitlement Offer • While the Entitlement Offer is renounceable, eligible shareholders will not be able to sell their entitlements on ASX and all lapsed entitlements will form part of the Shortfall Bookbuild
Offer Price	• Offer price of $0.005 (0.5 cents) per New Share under the Entitlement Offer • 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 Company restructure
Major shareholder commitment	• Major shareholder, the Hannan Family (with a current relevant interest of 53.8%), has conditionally sub-underwritten $25.0m of the Entitlement Offer (under the Entitlement Offer, the Hannan Family will have entitlements to New Shares valued at $21.5m) • If the entire $25.0m is taken up by the Hannan Family, this will result in their shareholding increasing from 53.8% to between 61.8% and 75.3%, dependent on the final amount raised between $40.0m and $32.2m (and pre reduction resulting from potential debt to equity conversions in Q1 2021) • The Hannan Family will continue to have a controlling shareholding and the ability to pass ordinary shareholder resolutions, and if the Hannan Family’s shareholding increases to 75.3%, will also be able to pass special shareholder resolutions. The Hannan Family has informed the other Directors that on the facts and circumstances presently known, they are supportive of the current direction of Ovato and do not currently intend to propose any major changes to its direction and objectives
Ranking	• New Shares issued under the Entitlement Offer will rank equally with existing Ovato shares
Key dates of Entitlement Offer	• The Entitlement Offer will be open to eligible shareholders in Australia and New Zealand – The record date to determine individual shareholder eligibility will be Friday, 4 December 2020 (at 7:00pm Sydney time) – The Entitlement Offer opens Tuesday, 8 December 2020 and closes on Thursday, 17 December 2020 – Shareholders will be able to apply for shares in excess of their entitlement pursuant to a top-up facility
Joint Lead Managers and Underwriters	• Wilsons and AMCPS are the Joint Lead Managers and Underwriters of the Entitlement Offer • The Entitlement Offer is conditionally underwritten to an amount of up to $35.0m and at least $32.2m at the Offer Price

Note 1: Including any related entities.

OFFER TIMETABLE

Date[1]	Event
Tuesday, 1 December 2020	• Announcement of Entitlement Offer to the market
Friday, 4 December 2020	• Record Date for Entitlement Offer (7.00pm, Sydney time)
Tuesday, 8 December 2020	• Entitlement Offer Information Booklet (and personalised Entitlement and Acceptance Form) despatched and lodged with ASX • Letter to ineligible shareholders despatched and lodged with ASX • Announcement made that Information Booklet (and personalised Entitlement and Acceptance Form) despatched • Entitlement Offer opens
Thursday, 17 December 2020	• Entitlement Offer closes (5.00pm Sydney time)
Friday, 18 December 2020	• Shortfall and renounced rights bookbuild is conducted • Second court hearing on Creditors' Scheme of Arrangement
Monday, 21 December 2020	• Announcement of result of court hearing for Creditors' Scheme of Arrangement known • Confirmation of completion of Entitlement Offer (subject to court outcome)
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

Note 1: Dates and times are indicative only and subject to change without notice. Ovato reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates and times refer to Sydney time

INDICATIVE SOURCES AND USES OF $40M EQUITY RAISE AND $17M DEBT RAISE

Sources of capital from the restructure comprise $40.0m from the equity raise (with up to $35.0m and at least $32.2m conditionally underwritten) and $17.0m from a new (replacement) debt facility. The total capital raised will provide the Company a more stable balance sheet including substantial cash for working capital and additional liquidity (pre transaction costs).

Indicative sources and uses of funds (equity and new debt)

Indicative sources of equity and debt funds	Amount ($'m)	
Hannan Family equity (conditionally sub-underwritten)	25.0	
Are Media equity (conditionally sub-underwritten)	10.0	
Other new equity (taken up in rights issue)	5.0	
New secured debt	17.0	1
Total	**57.0**	

Indicative uses of funds	Amount ($'m)	
Onerous lease exits	12.4	2
Cash back remaining bank guarantees	4.3	3
Headcount rationalisation	2.5	4
Operational initiatives/restructure	3.5	
Repay overdraft	7.0	5
Additional liquidity (pre transaction costs)	27.3	
Total	**57.0**	3

Comments on indicative sources and uses of funds (equity and new debt)

1 Terms are still being negotiated. Expected to be a three-year senior secured facility.

2 Reflects latest discussions with landlords. Assumes Lidcombe lease liability is discounted and converted to equity. In some scenarios onerous lease exits may be deferred. Negotiations with landlords remain ongoing.

3 Bank guarantees exited or cash backed as part of recapitalisation.

4 Net OVT payment (after funding contribution from Australian Governments Fair Entitlements Guarantee) to cover c. 225 employees being made redundant via the Schemes.

5 Overdraft extinguished; assumed to be fully drawn at time of implementation.

EQUITY RAISE IMPACTS ON OWNERSHIP STRUCTURE

If existing non-Hannan shareholders choose not to take up their entitlements, their ownership in Ovato will be diluted to approximately 3.9% (assuming a $40.0m final amount raised and pre the additional dilution resulting from the potential debt to equity conversion of written down liabilities, subject to shareholder vote in approximately Q1 2021).

Equity raise share price		
Share price pre-announcement (11 November 2020)	Cents	1.3
Last share price (30 November 2020)	Cents	1.9
Current market capitalisation	$'m	13.9
Equity raise share price	Cents	0.5
Discount to last price	%	*73.7%*
1-month VWAP to 30 November 2020	Cents	1.3
Discount to 1-month VWAP to 30 November 2020	%	*61.5%*

If existing non-Hannan Family shareholders choose not to take up their entitlements their ownership in Ovato will be diluted to 3.9%

If the entire $25.0m is taken up by the Hannan Family, this will result in their shareholding increasing from 53.8% to between 61.8% and 75.3%, dependent on the final amount raised between $40.0m and $32.2m (and pre reduction resulting from potential debt to equity conversions in Q1 2021)

Final conversion into equity will remain subject to the consent of noteholders and the Lidcombe landlord (Hannan Family), as well as being subject to a shareholder vote expected to occur in Q1 2021

Shares on issue pre and post $40m Entitlement Offer		Current	%	New shares from $40m Entitlement Offer	# Shares post $40m Entitlement Offer	%	New shares from debt to equity conversions	# Shares post debt conversion	%
Existing shareholders (non-Hannan Family)	#'m	338.3	*46.2%*		338.3	*3.9%*		338.3	*2.8%*
Hannan Family existing shares	#'m	393.7	*53.8%*		393.7	*4.5%*		393.7	*3.2%*
Hannan Family new shares from equity raising sub-underwriting (max)	#'m			5,000.0	5,000.0	*57.3%*		5,000.0	*40.9%*
Are Media new shares from equity raising sub-underwriting (max)	#'m			2,000.0	2,000.0	*22.9%*		2,000.0	*16.4%*
Other new shares from equity raise	#'m			1,000.0	1,000.0	*11.5%*		1,000.0	*8.2%*
Noteholders (non-Hannan Family) – debt to equity conversion	#'m						2,625.0	2,625.0	*21.5%*
Noteholders (Hannan Family) – debt to equity conversion	#'m						375.0	375.0	*3.1%*
Lidcombe lease (Hannan Family) – debt to equity conversion	#'m						480.0	480.0	*3.9%*
Total SOI – December 2020	**#'m**	**732.0**	*100.0%*	**8,000.0**	**8,732.0**	*100.0%*	**3,480.0**	**12,212.0**	*100.0%*
Total Hannan Family ownership post Offer					5,393.7	*61.8%*		6,248.7	*51.2%*

- Post the Entitlement Offer (assuming a $40.0m final amount raised) and pre the additional dilution that may result from the proposed debt to equity conversions of written down liabilities to noteholders and to the Lidcombe landlord, the total shares on issue will increase to 8,732m, with current non-Hannan shareholders diluted to 3.9%
- If a written down bond liability of $15.0m and a written down Lidcombe lease liability of $2.4m are each converted into equity at the Offer Price, this would result in a further 3,000m and 480m Ovato shares being issued respectively, and non-Hannan shareholders being diluted to 2.8%
- Figures in the above table assume that a $40.0m capital raising occurs and that Are Media received FIRB approval. It shows the Hannan Family and Are Media taking up $25.0m and $10.0m respectively.

04

APPENDIX

KEY RISKS

Ovato's operations are subject to a number of risks which may impact on its future performance and forecasts. Before subscribing for shares under the Entitlement Offer (New Shares), eligible shareholders should carefully consider and evaluate Ovato and its business and whether the New Shares are suitable to acquire having regard to their own investment objectives, financial circumstances and needs and taking into consideration the material risk factors.

Ovato is not licensed to provide financial product advice in relation to New Shares or any other financial products. No cooling off period applies to any application for New Shares.

The risks associated with an investment in Ovato

The future operating performance of Ovato and the value of an investment in the New Shares may be affected by risks relating to Ovato's business. Some of these risks are specific to Ovato while others relate to economic conditions and the general industry and markets in which Ovato operates.

Where practical, Ovato seeks to implement risk mitigation strategies to minimise its exposure to some of the risks outlined below. However, there can be no assurance that such strategies will protect Ovato from these risks. Other risks are beyond Ovato's control and cannot be mitigated. The occurrence of any such risks could adversely affect Ovato's financial position and performance and the value of the New Shares. The risks listed below do not purport to be exhaustive and there is no assurance that the importance of different risks will not change or other risks will not emerge.

Risks specific to Ovato

COVID-19

The COVID-19 pandemic has had a significant impact on the Australian and global economy and the ability of individuals, businesses, and governments to operate. Across Australia and the world, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic. In addition, events relating to COVID-19 have resulted in significant volatility across financial, commodity and other markets, including in the prices of securities trading on ASX (including the price of Ovato securities) and on other foreign securities exchanges. As previously disclosed to ASX, COVID-19 has affected Ovato in several ways, with:

- capacity being reduced through the shutdown of equipment at printing sites, with Ovato New Zealand required to cease operations for several weeks during the New Zealand Government's mandated lockdown period and other facilities being impacted by reduced demand for Ovato products;
- staff being asked to reduce their working hours by 40%; and
- increasing consumer uncertainty leading to a reduction in activity and demand volumes from Ovato's major customers.

While government restrictions have begun to ease, there continues to be uncertainty as to the further impact of COVID-19. A new wave of infections, prolonged period of quarantines, travel restrictions, work stoppages, health authority actions, lockdowns and other related measures within Australia or New Zealand (or overseas) may impact a number of aspects of Ovato's business. Events such as those experienced in Victoria in July to October 2020 and South Australia in November 2020 demonstrate that the easing of restrictions can be reversed quickly and without warning.

KEY RISKS

COVID-19

In addition, if a COVID-19 related infection occurs at a location in which Ovato operates, this could negatively impact Ovato's ability to operate at that location and create a risk of broader infection of Ovato's workforce which could negatively impact on Ovato's ability to meet its contractual obligations, and may adversely impact Ovato's financial and business performance. If the duration of events surrounding COVID-19 is prolonged, Ovato may need to take additional measures in order to respond appropriately, including by raising additional funding or selling assets/businesses.

Ovato is also exposed to counterparty risk in respect of its customers failing to fulfil their contractual obligations. This risk may be heightened as a result of COVID-19 and may cause Ovato's financial performance and business to be impacted where its customers experience financial difficulties, reduce or discontinue operations or default on obligations owed to Ovato.

Continuation of challenges in the printing industry

The printing industry has been affected by challenges over the past decade arising from changes in demand. A shift in consumer preferences away from magazines, newspapers and catalogues has changed the advertising landscape with reduced demand causing overcapacity.

Ovato's business segments are primarily in pre-media, printing and distribution of publications including catalogues, magazines, and books. There is a risk that Ovato's product demand and pricing could continue to be subject to adverse impact from:

- reductions in demand volume and the effect of consumer confidence on retail marketing;
- pagination reductions and title closures by magazine and newspaper publishers;
- competitive market pricing pressure; and
- migration of advertising, entertainment and information media from print to digital platforms.

Site consolidation risk

An important requirement to underpin the Company's future operations is for the successful onboarding of Victorian volumes into the New South Wales production site at Warwick Farm to be achieved. Difficulties may be encountered in connection with this process which could result in the failure of Ovato to realise some of the anticipated benefits of the Clayton site closure. In particular, there is a risk of Ovato losing some customers due to longer production times. A failure to achieve the full transfer of volumes may have an adverse impact on the financial performance and position of Ovato and the value of its shares.

There are also risks associated with achieving the expected operation and financial cost savings. In particular, the one-off implementation cash cost to close down the Clayton facility and transfer volumes to Warwick Farm is material.

Litigation

As with all businesses, Ovato will be exposed to potential litigation and other claims or disputes in the course of its business, including litigation from employees, regulators and other third parties. As with any litigation, there are risks involved. An adverse outcome of litigation or the cost of responding to potential actual litigation may have a materially adverse impact on the financial performance of Ovato.

KEY RISKS

Schemes – transaction execution risk	The Ovato group is currently in the process of progressing several creditor's and member's schemes of arrangement (Schemes), aimed at allowing the Ovato group to consolidate its printing production capacity, improving its operating efficiencies and reducing its cost base, making it more sustainable and permitting a return to profitability. The Schemes are subject to execution risk and there is no guarantee that the Schemes will be approved and / or implemented. There is also a risk that the Schemes will not result in the anticipated benefits which are required to allow for the Ovato group to return to profitability at the level, and in the timeframe, currently contemplated by Ovato following the implementation of the Schemes.
Financial risk management	Ovato is exposed to credit risk, and adverse movements in foreign currency exchange rates and interest rates. This could adversely impact Ovato's ability to achieve its financial performance objectives and reduce its ability to access financing facilities.
Liquidity risk	Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Ovato manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. However, if a funding shortfall materialises, Ovato may need to raise substantial additional short-term or long-term debt or equity or consider asset sales. In addition, Ovato has substantial debt facilities which are subject to covenant ratios. These debt facilities have current expiry dates of February 2021, November 2022, and July 2023. Ovato's capacity to secure the requisite level of funding at the appropriate time will depend on the amount of funding required, the performance and future prospects of its business and a number of other factors, including interest rates, economic conditions, debt market conditions and equity market conditions prevailing at that time. There is no assurance that the required funding (either via debt or equity) can be secured at all or on reasonable terms, which may require Ovato to consider asset sales or alternative sources of funding.
Interest rate risk	Interest rate risk is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates. The nature of Ovato's financial arrangements exposes Ovato to interest rate risk including from the movement and underline interest rates, which impacts on Ovato's cost of funding and may adversely impact Ovato's financial performance.
Credit risk	Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, the customer's individual risk limits are set based on internal or external ratings in accordance with limits set by the directors and the companies credit insurer.
Regulatory and Legislative Requirements	There is a risk of a major change to, or a major breach of, existing regulations or legislation, which could impact Ovato's ability to continue its current business operations or achieve its financial performance objectives. To the extent possible, Ovato mitigates these risks by implementing policies, procedures and systems to comply with regulatory requirements.
Technology and Cyber Security	There is a risk of outage, disruption, or security breach of IT systems. This could result in significant business disruption or a loss of confidential business data. Ovato mitigates this risk through IT security and infrastructure solutions. This is supported by IT policies and procedures governing security and usage of IT systems.

Risks associated with the new shares

Market price of the New Shares	The market price of Ovato shares may fluctuate over time as a result of a number of factors including the financial performance and prospects of Ovato, prevailing market conditions, general investor sentiment in those markets, inflation, interest rates, and the liquidity and the volume of the shares been brought or sold at any point in time. It should be noted that there is no guarantee that the New Shares will trade at or above the issue price. It should also be noted that the historical share price performance of shares does not necessarily provide any guidance as to its future share price performance.
Liquidity in market for shares	There can be no guarantee that there will be an active or liquid market shares traded on ASX or that the price of the New Shares (if any) will increase. There may be relatively few or many potential buyers of the shares on ASX at any time particularly given the Hannan Family's relevant interest of approximately 53.8% shareholding and that this may increase to 75.3% as a result of the Entitlement Offer. This may increase the volatility of the market price of the shares and may affect the price at which shareholders are able to sell the shares. Accordingly, there is a risk that the New Shares may trade at prices below the issue price.
Underwriting risk	Ovato has entered into a conditional underwriting agreement with Wilson Corporate Finance Limited and Aitken Murray Capital Partners Pty Limited who have entered into conditional sub-underwriting arrangements with the Hannan Family and Are Media Ltd. The Underwriters may terminate their underwriting agreement and can be released from their obligations if certain conditions are not satisfied or waived or if certain events occur (as set out in the underwriting agreement). If the Underwriters terminate their underwriting commitments, the Entitlement Offer may not raise the full amount proposed to be raised or may not proceed at all. Further, as a result of the sub-underwriting arrangement with the Hannan Family, there is the potential that the Hannan Family may increase their percentage holding in Ovato up to 75.3% following the issue of the New Shares. In the event that the Hannan Family's relevant interest remains over 50% post the Entitlement Offer, the Hannan Family will have a controlling shareholding and the ability to pass ordinary shareholder resolutions. In the event that the Hannan Family's relevant interest increases above 75%, the Hannan Family will be able to pass special shareholder resolutions.
Dilution	While entitlements are renounceable there can be no guarantee that there will be an active market for entitlements. Shareholders who do not take up some or all of their entitlements may not receive any value in respect of their entitlements they do not take up. Shareholders who do not take up all of their entitlements will have their ownership in Ovato diluted.
Dividends	Ovato has not paid any dividends since FY17. It is uncertain when Ovato may be able to pay dividends and there can be no assurance, that dividends will be paid in the future.

KEY RISKS

General

General risk factors outside the control of Ovato, which may have a significant impact on the future performance of Ovato, include the following:

- economic conditions in Australia and internationally which may have a negative impact on capital markets;
- change investor sentiment and perceptions in local international stock markets;
- changes in interest rates, exchange rates and the rate of inflation;
- changes in domestic or international fiscal, monetary, regulatory, taxation and other government policies;
- changes in environmental conditions, such as lack of access to water
- geopolitical conditions such as actual threats of terrorism, military conflicts or international hostilities;
- developments in general conditions and markets in which Ovato operates; and
- economic and natural disasters.

FOREIGN SELLING/OFFER JURISDICTIONS

International Offer Restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to the retail investors within New Zealand other than to existing shareholders of Ovato with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the Entitlement Offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

SUMMARY OF UNDERWRITING TERMINATION EVENTS

Ovato has entered into an agreement with the Underwriters (Underwriting Agreement), under which the Underwriters will accept New Shares offered under the Entitlement Offer, up to an amount of $35.0 million and at least $32.2m, if they are not acquired by eligible shareholders. If certain conditions are not satisfied or certain customary termination events occur, the Underwriters may terminate the Underwriting Agreement. In summary, the events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following:

- in the Underwriters' reasonable opinion, a statement in the offer materials is or becomes misleading or deceptive, or is likely to mislead or deceive, or a matter required to be included in the offer materials under the Corporations Act is omitted from the offer materials;
- an obligation arises for Ovato to give a notice in accordance with section 708AA(12) of the Corporations Act, or a new circumstance arises which if known at the time of issue of the offer materials would have been included in the offer materials;
- the cleansing statement lodged by Ovato in connection with the Entitlement Offer becomes defective or a corrective statement is issued or required to be issued;
- ASIC or ASX revoked certain modifications or waivers granted to Ovato;
- Prior to 8:00am on the second court date the S&P/ASX 200 Index falls by 10% or more below its level at market close on the business day before the date of the Underwriting Agreement;
- the Schemes are not approved by the requisite majorities or the Supreme Court of New South Wales does not approve the Schemes at the second court date;
- ASIC issues, or threatens to issue, proceedings or commences any inquire or investigation in relation to the Entitlement Offer, and the matter has not been withdrawn within two business days of receipt;
- Ovato alters its capital structure without the consent of the Underwriters;
- Ovato is prevented from granting the entitlements or issuing the New Shares;
- there is an event or occurrence which makes it illegal for the Underwriters to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Entitlement Offer;
- ASX states or indicates that there will be a suspension of existing Ovato shares from quotation, Ovato will be removed from the official list of ASX or quotation wont be granted for the New Shares;
- certain delays in the timetable without the Underwriters' consent, or where Ovato is unable to issue the New Shares in the timing required;
- (*) a change in the chairman or chief executive officer of Ovato occurs;
- (*) an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Ovato or the group, including from those disclosed by Ovato to the ASX prior to the date of the Underwriting Agreement;
- (*) certain changes in law, including an announcement or proposal of such change, or any Commonwealth or State authority adopts or announces a proposal to adopt a new policy;
- (*) an escalation of the existing COVID-19 pandemic, or the declaration of a new pandemic by the World Health Organisation, in Australia, New Zealand, the United States of America, Canada, the United Kingdom, the People's Republic of China, Hong Kong, Singapore, or any member state of the European Union, or the Australian Federal Government, or a state or territory government, implements unexpected wide ranging controls that were not in place at the date of the Underwriting Agreement; and
- (*) trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange or the Shanghai Stock Exchange is suspended or limited in a material respect for at least 1 (or a substantial part of 1 day) days on which that exchange is open for trading.

In respect of the items above marked "(*)", the Underwriters may not terminate the Underwriting Agreement unless the event gives rise to a liability of the Underwriters or the Underwriters convening applicable law, or the event has or is likely to have a material adverse effect on: (a) the success or settlement or marketing of the Entitlement Offer or on the ability of the Underwriters to market or promote or settle the Entitlement Offer or on the likely price at which the New Shares will trade on ASX; or (b) the willingness of investors to subscribe for the New Shares.

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