



O V A T O

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17 December 2020

Entitlement Offer Update

Ovato Limited (ASX:OVT) (Ovato or the Company) refers to its previously announced Entitlement Offer¹ and provides the following update.

Conditions Precedent Satisfied

The Company is pleased to confirm that all Underwriting and Sub-Underwriting conditions precedent that relate to the various restructuring workstreams (**Restructuring Conditions Precedent**)² have now been either satisfied or waived by all of the underwriters and sub-underwriters of the Entitlement Offer, other than for the final approval by the Court of the Creditors' Scheme and Member's Schemes previously announced to the ASX. The Court hearing to approve the Creditors' Scheme and Members' Schemes is scheduled to occur on Friday 18 December 2020 (**Second Hearing**).

All Restructuring Conditions Precedent were satisfied other than the extent to which the Company was able to enter into compromises with various Ovato Landlords to obtain net lease savings and reductions of related property balance sheet liabilities. Strict compliance with this condition precedent was waived by the Underwriters and Sub-Underwriters as negotiations with the landlords continue.

While various other customary conditions of the Underwriting Agreement between the Company and the underwriters remain to be satisfied (to the satisfaction of the underwriters) or waived (at the sole discretion of the underwriters), there is no reason for the Company's Board to believe that those conditions will not be either satisfied or waived by the respective required times.

Achievements

a) Scheme Creditors' and Members' approval of Schemes

The Scheme Creditors present and voting at the Creditors' Scheme Meeting held on 7 December 2020 voted unanimously in favour of the proposed Creditors' Scheme. While subject to final approval from the Court at the Second Hearing, the terms of the Creditors' Scheme included the acceptance of a 50% write-down of relevant Company payables that were outstanding at 6th November 2020 and will deliver an \$11.7m write down.

Similarly, the members present and voting at each of the Members' Scheme Meetings held on 7 December 2020 voted unanimously in favour of the proposed Members' Schemes. While subject to final approval from the Court at the Second Hearing, the terms of the Members' Schemes provided for the reconstruction of Ovato Limited and certain of its subsidiaries as disclosed in the Scheme Booklet released on ASX on 19 November 2020.

¹ The partially underwritten pro rata entitlement offer at \$0.005 per new share with a ratio of 10.93 to 1 to raise up to \$40 million announced on 1 December 2020

² As outlined on page 9 of the Investor Presentation released to the ASX on 8 December 2020

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b) Noteholder approval

The holders of the A\$40,000,000 8.25% fixed rate, secured, subordinated notes issued by Ovato Finance Pty Ltd (the **Notes**) have approved (with 86.32% instructing to vote in favour) a special resolution to amend certain conditions of the Notes, including a release of the second ranking security granted in favour of the Holders of the Notes; a write down of the principal outstanding from A\$40,000,000 to A\$15,000,000; and an amendment to the conditions of the Notes to allow the A\$15,000,000 written down amount to be converted into equity (subject to an OVT shareholder approval (the **Conversion**)). The special resolution was passed by way of circulating resolution signed by Austraclear (as the registered holder of the Notes) on 16 December 2020. Following this, the amendments to the Notes are expected to be implemented on or around 22 December 2020, following approval by the court and the filing of orders in relation to the Creditors' and Members' Schemes.

The shareholder vote to approve the Conversion will occur at an Extraordinary General Meeting of the shareholders of the Company, which is expected to be held in Q1 calendar 2021 and by no later than 30 April 2021.

c) Scottish Pacific financing

The Company has now executed final binding documentation for the provision of a new \$17m term facility with the Company's existing receivables financier, Scottish Pacific. The facility is for a term of three years and is secured over the Company's PPE and New Zealand receivables. Their provision of new and existing financing facilities to Ovato is viewed by the Board as a sign of ongoing support for Ovato's future post restructuring.

A further RFF facility for the Company's New Zealand receivables is also expected to be entered into with Scottish Pacific, with legal documentation for that facility anticipated to be signed by 31st January 2021. Funding received from that facility will be used to partially repay the \$17m term facility.

d) Commerzbank facility

Following negotiations with Commerzbank AG, an agreement has been reached for a new repayment plan, under which over \$16m of scheduled principal repayments have been deferred to December 2023 and beyond.

While a term sheet has been executed between Commerzbank AG and the Company, the revised repayment plan remains subject to final approval by Euler Hermes, which provides credit insurance to the Commerzbank AG facilities. The Company is confident that final sign off will occur prior to the end of February 2021.

e) FIRB approval

At the time of the announcement of the Entitlement Offer, the actual amount of sub-underwriting from Are Media Pty Ltd (**Are Media**) remained subject to approval under the *Foreign Acquisitions and Takeovers Act 1975* (Cth). This approval has now been received, allowing for the maximum amount of sub-underwriting from Are Media to be \$10m, meaning that the Entitlement Offer is sub-underwritten up to \$35m.

f) Earnings guidance and pro forma balance sheet

The Company confirms the earnings guidance of an EBITDA³ outcome in the range of \$41 - \$45m for the calendar year 2021. This guidance is based on underlying assumptions including in relation to underlying operations and outcomes of the Company's restructuring initiatives.

The Board anticipates that the Company's net debt (excluding lease liabilities) at 31 December 2020 will be approximately \$45m. This accounts for the receipt of new funds from the equity raising (assuming a total amount raised of \$40m) and the new \$17m term facility. Further changes to the net debt position resulting from restructuring workstreams will occur in 2021 including payment to the Scheme Administrator of \$11.7m (which is anticipated to occur later in January), and the conversion of the remaining \$15m bond liability into

³ Pre significant items and post AASB16

ordinary equity (with such conversion remaining subject to a shareholder approval in an EGM not expected to occur until sometime in Q1 2021). Net debt also remains subject to trading performance and working capital movements.

ENDS.

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

FOR FURTHER INFORMATION CONTACT:

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