



OVATO LIMITED
ABN 39 050 148 644

Appendix 4C - 31 DECEMBER 2020
Company Update & Quarterly cash flow report
for entities
subject to Listing Rule 4.7B

29 January 2021: Ovato Limited (“Ovato”) (ASX: OVT) lodges the attached Appendix 4C for the three-month period ended 31 December 2020.

About Ovato Limited

The principal activities of Ovato are marketing services, digital premedia, commercial printing, letterbox delivery and magazine distribution services.

Activities update

Restructuring

During the quarter, Ovato undertook a recapitalisation/restructure of its balance sheet.

Ovato announced to the ASX:

- on 12 November 2020 details of the proposed restructure of the business.
- on 19 November 2020 the approval of the Creditors and Members Scheme of Arrangement (“Scheme”) booklet
- on 1 December 2020 the \$40 million entitlement offer
- on 8 December 2020 the results of the Scheme meetings, an update on the entitlement offer (including that the Ovato shares would be suspended from trading until 29 December 2020), and a further investor presentation providing details of the restructuring.

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- On 21 December 2020 confirming court approval of the Scheme and success of the entitlement offer.

Elements of the restructuring included debt forgiveness/deferrals and equity conversions, a new enterprise agreement for the Australian print business, a new \$17 million secured debt facility to replace the existing bank guarantee facility, the exit of various onerous leases, the reduction of the \$40 million corporate bond to \$15 million and the note holders consenting to the conversion of the \$15 million into equity by a further issue of shares in Ovato (subject to existing shareholder approval).

Cash and equivalents as at 31st December were \$39.0M.

Sales

Sales revenues (unaudited) for the 6 months to 31st December 2020 at \$236.2M was down 28% vs prior year with the business still being impacted by COVID-19. Sales for the second quarter were \$127.2M, down 25% vs prior period.

Sales for Ovato Australia for the six months were \$191.2M, lower year on year by 30% while second quarter sales were down 26%. Heatset print sales and residential distribution sales continued to be adversely impacted by COVID. Pleasingly six-month sales at Book Printing were up 20% and Retail Distribution Australia sales were only down 3% vs prior period.

Sales at Ovato New Zealand for the six months \$44.9M were down 21% on last year with second quarter sales down 17% vs prior period.

EBITDA for the six months to 31st December 2020 (pre significant items) and unaudited is 11% lower year on year as lower volumes are partially offset by tight cost controls and Jobkeeper income. For the second quarter EBITDA (pre significant items) was down 18% vs prior year.

Cashflow commentary

Cash from operations for the 2nd quarter of fiscal 2021 was \$5.5M and net cashflow from investing activities was negative \$1.7M. Net cashflow before repayment of and proceeds from borrowings was \$19.8M for the quarter which was after an equity raising of \$39M (net of fees).

Cash and equivalents as at 31st December were \$39.0M.

Name of entity

Ovato Limited

ABN

39 050 148 644

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	231,359	428,203
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(160,317)	(312,084)
(c) advertising and marketing	(141)	(259)
(d) leased assets	(7,873)	(9,651)
(e) staff costs	(50,592)	(96,644)
(f) administration and corporate costs	(9,318)	(15,746)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	240	499
1.5 Interest and other costs of finance paid	(3,179)	(5,751)
1.6 Income taxes paid	0	(4)
1.7 Government grants and tax incentives	7,459	20,367
1.8 Other		
(a) AASB16 lease interest payments	(2,116)	(4,592)
1.9 Net cash from / (used in) operating activities	5,522	4,338
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses (cash in liquidated entities)	(2,030)	(2,030)
(c) property, plant and equipment	(71)	(152)
(d) investments	-	-
(e) intellectual property	(18)	(48)
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	65	70
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Receipts from sub-leases excluding financing component)	383	845
2.6	Net cash from / (used in) investing activities	(1,671)	(1,315)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	38,992	38,992
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	16,688	16,688
3.6	Repayment of borrowings	(9,171)	(10,931)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	(a) AASB 16 lease principal payments	(5,953)	(11,799)
	(b) Cash backing ANZ G'tee's and other facilities	(17,128)	(17,128)
3.10	Net cash from / (used in) financing activities	23,428	19,806

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	11,703	16,200
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,522	4,338
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,671)	(1,315)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	23,428	19,806
4.5	Effect of movement in exchange rates on cash held	40	(7)
4.6	Cash and cash equivalents at end of period	39,022	39,022

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	39,022	11,703
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	39,022	11,703

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	1,221
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Some companies in the Ovato Group lease some properties from a trust of which a Non-Executive Director is a beneficiary. Total property outgoings paid excluding GST for the quarter ended 31st December 2020 to the related party was \$0.3M and is included in item 1.2. AASB 16 property lease interest payments for the quarter ended 31st December 2020 was \$0.8M and is included in item 1.8. Salaries and superannuation paid to related parties and their associates of \$0.1M is included in item 1.2.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	58,691	58,691
7.2 Credit standby arrangements	-	-
7.3 Other (Corporate bond)	15,000	15,000
7.4 Total financing facilities	73,691	73,691
7.5 Unused financing facilities available at quarter end		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Commerzbank AG (Commerzbank) -Australian dollar floating interest rate export financing facility secured against a press. The lender is Commerzbank. Loan drawn to A\$16.9M. Matures December 2023. -Euro denominated floating interest rate export financing facility secured against a press. Lender Commerzbank. Loan drawn to Euro 4.0M (A\$6.4M). Matures September 2021. Both Commerzbank loans are being renegotiated an update will be provided in the Appendix 4D in February 2021.</p> <p>Scottish Pacific Business Finance Pty Ltd (ScotPac) -Receivables financing facility with ScotPac. Floating interest rate + margin. Loan drawn to A\$18.7M. The drawn amount on the receivable financing facility represents the amount lent against the relevant receivables that were available to be sold into the facility as per the terms and conditions of the facility at each reporting date. Matures August 2023. The RFF has a facility limit of \$50M and was drawn to \$18.7M at 31 December 2020. The balance was unable to be drawn at this date due to insufficient receivables that were able to be sold into the facility -ScotPac chattel mortgage facility for \$16.7M secured by a charge over the assets of the Group. The facility matures December 2023.</p> <p>Corporate Bond -\$A15M corporate bond. Fixed coupon of 8.25% per annum. Unsecured. Matures November 2022. The corporate bond reduced from \$40M to \$15M with a proposal to be put to shareholders to convert the balance to equity at an EGM before 30 April 2021</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	5,522
8.2	Cash and cash equivalents at quarter end (item 4.6)	39,022
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	39,022
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	n/a
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:29 January 2021

Authorised by:By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An

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entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.