



+61 2 9412 6100
Level 1, 100 Harris St
Pyrmont NSW 2009
www.ovato.com.au

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Company Announcements Office
ASX Limited
20 Bridge Street
Sydney NSW 2000

Business Sales and change to CEO & Managing Director

The Board & Management of Ovato Limited ("Ovato") are pleased to announce the following business sales as part of the ongoing transformation of the Ovato Group.

Sale of Retail Distribution (Australia and New Zealand) to Are Media Limited

Ovato and Ovato New Zealand Limited have entered into a binding sale agreement to sell the entire issued share capital of each of Ovato Retail Distribution Pty Ltd and Ovato Retail Distribution NZ Limited (together, "Retail Distribution (Australia and New Zealand)") to Are Media Limited ("Are Media") (the "Transaction").

The consideration for the Transaction comprises a headline purchase price of A\$15 million in cash and the acceptance of a negative working capital position of approximately A\$27 million.

Are Media is a 16.4% shareholder of Ovato and is accordingly a substantial holder in Ovato for the purposes of ASX Listing Rule 10.1. Therefore, shareholder approval will be sought for the Transaction to comply with ASX listing rule requirements. Ovato intends to dispatch a notice of meeting in relation to the Transaction mid-June 2021, with the meeting to be held mid-July 2021.

The major shareholder of Ovato, the Hannan family, who collectively hold 43.4% in Ovato, has indicated its support for the Transaction and intends to vote any shares it holds in favour of the Transaction at the proposed shareholder meeting.

Ovato has engaged an independent expert, Lonergan Edwards & Associates, to determine whether the Transaction is fair and reasonable to Ovato shareholders who are not associated with Are Media.

Subject to the satisfaction or waiver (as applicable) of the conditions to the Transaction (which include customary regulatory approvals), it is currently expected that the Transaction will complete by the end of July 2021.

Put option to sell Marketing Services (Australia) to Ballygriffin Holdings Pty Limited

Ballygriffin Holdings Pty Limited ("Ballygriffin"), an entity owned by the Hannan family, and Ovato have entered into a binding put option deed under which Ovato could require Ballygriffin to acquire the entire issued share capital of Ovato Creative Services Pty Ltd, Ovato Technology Pty Ltd, Ovato Communications Pty Ltd and Ovato Creative Services Clayton Pty Ltd (together, "Marketing Services (Australia)") for A\$9 million.

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Shareholder approval will also be sought for this transaction to comply with ASX Listing Rule requirements.

Ovato has engaged an independent expert, Lonergan Edwards & Associates, to determine whether the entering into the put option deed is fair and reasonable to Ovato shareholders who are not associated with Ballygriffin.

It is expected that the timing of the shareholder meeting will be similar to the Transaction referred to above.

Change of CEO & Managing Director

Kevin Slaven has advised the Ovato Board that he will not be seeking an extension to his current contract which expires on 17 September 2021. It has been agreed with Kevin that he will step down as CEO & Managing Director and remain in the business until the end of June to assist with the business sales and to ensure an appropriate handover.

James Hannan, currently Chief Operating Officer with over 18 years' experience in print operations and senior executive responsibilities since 2014, has been appointed as the new CEO & Managing Director effective immediately. James, whilst responsible for the Group's operations, also played a pivotal role in the successful negotiations with all stakeholders through the recent recapitalisation and restructure of the business and is spearheading the non-core assets divestment program. James will be very ably supported by existing members of the leadership team. The key terms of James's employment contract are disclosed below.

Michael Hannan, Chairman, says "The challenges of the industry over the last decade were further exacerbated by COVID-19. In response, the business will bring its focus back on print, the core of its operations. It will allow focus to be placed on a strong, viable and profitable printing business in Australia and the ability to invest in new technologies to support print. The sale of the Retail Distribution and Marketing Services businesses will greatly assist in providing Ovato with cash reserves for ongoing transformation and will be the catalyst for a significant flattening of the corporate costs starting from the top with immediate savings being realised by not replacing any departing member of the leadership team."

Referring to the change of CEO, Michael Hannan says "The Board recognizes the role that Kevin has played in a very difficult period for the company since being asked to take the reins unexpectedly in late 2017. He has addressed the challenges completing a very complex merger of two of Australia's largest print businesses; IPMG with PMP, followed by a significant operational and corporate restructure to right size the business required by market conditions and the COVID-19 impacts.

The Board wishes to thank Kevin for his guidance and leadership through this difficult period, and for his loyalty and dedication to the company. We wish Kevin well in his future endeavours."

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



Annexure to Media Release:

Key Terms of James Hannan Employment Contract:

In accordance with ASX Listing rule 3.16.4, the key terms of the Executive Services Agreement entered in to between Mr Hannan and Ovato in respect of his role as Managing Director and CEO are:

Agreement commencement: 4 June 2021

Term of agreement: 3 years

Annual Remuneration: Mr Hannan is entitled to receive annual remuneration of \$550,000, inclusive of superannuation.

Short Term Incentive: A maximum short-term incentive of up to 25% of annual remuneration will be agreed between the Board and Mr Hannan with the targets based on improved financial performance of the company. The Board has a discretion to withhold payment of the EBITDA Target component if at least 90% of the EBITDA Target is not achieved.

Termination: During the term of the agreement, Mr Hannan's employment may be terminated by either party giving 6 months' notice in writing. If notice is given, the Company can elect to make a payment in lieu of notice, or to direct Mr Hannan not to work for all or part of the notice period.

The Company may terminate Mr Hannan's employment immediately and without pay in certain circumstances, including any act of misconduct, bankruptcy or conviction of a criminal offence.

Mr Hannan may terminate his employment immediately by giving written notice to the Company, if there has been a significant and material adverse change in the Employee's duties or responsibilities, provided he gives notice within 60 days of the change.

Post-Employment Restraint: Mr Hannan 's employment agreement includes a post- termination restraint period of a maximum of 12 months, which will be reduced by any period of gardening leave. During the restraint period, he may not carry on a business as or be employed by any direct competitor of the Company within Australia and New Zealand, and may not solicit any customer, employee, contractor, agent, supplier of the Ovato Group with whom he has had dealings in the period 12 months. The enforceability of the restraint is subject to the usual legal requirements.