



OVATO LIMITED
ABN 39 050 148 644

Appendix 4C - 30 JUNE 2021

Company Update & Quarterly cash flow report

**for entities
subject to Listing Rule 4.7B**

29 July 2021: Ovato Limited (“Ovato”) (ASX: OVT) lodges the attached Appendix 4C for the three-month period ended 30 June 2021.

About Ovato Limited

The principal activities of Ovato for that period were commercial printing, marketing services, letterbox delivery, magazine distribution and digital premedia.

Activities update

During the quarter, Ovato entered into agreements to enable the sale of two of its businesses, Ovato Retail Distribution Australia and New Zealand (“ORD”) and Ovato Marketing Services Australia (“OMS”).

Ovato entered into an agreement to sell its magazine distribution businesses, ORD in Australia and New Zealand to Are Media Limited (“Are Media”) for a headline price of A\$15 million. In addition, Ovato borrowed A\$2.3 million from Are Media Holdco Pty Ltd. Shareholder approval was sought at an Extraordinary General Meeting on the 15 July 2021 to approve the agreement and to allow the loan (if requested) to be increased by a maximum of A\$2.5 million. The resolutions received overwhelming support.

Ovato entered into a Put Option to sell its marketing services business, OMS to Ballygriffin Holdings Pty Limited (“Ballygriffin”) on 4 June 2021 for A\$9 million. The Put Option was exercised on 29 July 2021 following shareholder approval at an EGM on 29 July 2021. As part of the Put Option, the company entered into a loan agreement with Ballygriffin to allow for the advance of A\$2.3 million. Shareholder approval was sought at an Extraordinary General Meeting on the 29 July 2021 to approve the agreement and to allow the loan (if requested) to be increased. The resolutions received overwhelming support.

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Ovato discontinued its letterbox distribution business, Ovato Residential Distribution effective 30 July 2021. The closure, while unfortunate, will bring with it positive contribution to Ovato's bottom line moving forward.

Further restructure initiatives were identified, some being initiated during the quarter, but with the majority planned for commencement in Q1 FY22.

So far, the impacts of the current COVID Public Health Orders have not had significant adverse impacts on the performance of the business.

Ovato management is doing everything possible to manage the risks as we deal with the daily developments. We have remained operational throughout and have continue to implement stringent protocols to ensure our teams are safe. On-site testing for staff is the latest addition to Ovato's arsenal in battling the current pandemic and outbreak in NSW.

Cashflow commentary

Cash from operations for the last quarter of FY21 was A\$6.1M and net cashflow from investing activities was A\$0.4M.

Cash and equivalents as at 30 June were A\$16.9M. During the quarter, Ovato negotiated concessions with suppliers to assist with its short-term funding. These concessions will be settled from the proceeds of the business sales mentioned above, any surplus funds from these business sales will be used to undertake further restructure initiatives in the core business.

Name of entity

Ovato Limited

ABN

39 050 148 644

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	208,895	839,696
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(153,152)	(636,890)
	(c) advertising and marketing	21	(358)
	(d) leased assets	(982)	(11,629)
	(e) staff costs	(41,919)	(182,484)
	(f) administration and corporate costs	(3,322)	(19,479)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	116	752
1.5 Interest and other costs of finance paid	(1,583)	(9,165)
1.6 Income taxes paid	(24)	(28)
1.7 Government grants and tax incentives	(35)	23,175
1.8 Other	(173)	(173)
(a) AASB16 lease interest payments	(1,743)	(8,217)
1.9 Net cash from / (used in) operating activities	6,099	(4,800)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses (cash in liquidated entities)	-	(2,030)
(c) property, plant and equipment	(243)	(615)
(d) investments	-	-
(e) intellectual property	(53)	(129)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	205	277
(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)	510	1,855
2.6 Net cash from / (used in) investing activities	421	(642)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	22	39,014
3.2 Proceeds from issue of convertible debt securities	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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	2,300	20,254
3.6	Repayment of borrowings	(1,674)	(12,605)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other		
	(a) AASB 16 lease principal payments	(5,224)	(23,277)
	(b) Cash backing ANZ G'tee's and other facilities	(365)	(17,249)
3.10	Net cash from / (used in) financing activities	(5,011)	6,137

* Proceeds & Repayments for the Receivables Facility are determined by the net movement in the quarter of the receivables funding.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,279	16,200
4.2	Net cash from / (used in) operating activities (item 1.9 above)	6,099	(4,800)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	421	(642)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5,011)	6,137
4.5	Effect of movement in exchange rates on cash held	64	(43)
4.6	Cash and cash equivalents at end of period	16,852	16,852

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	16,852	15,279
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)	16,852	15,279

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	1,153
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>	

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 30th June 2021 to the related party was \$0.2M and is included in item 1.2. AASB 16 property lease interest payments for the quarter ended 30th June 2021 was \$0.6M and is included in item 1.8. Salaries and superannuation paid to related parties and their associates of \$0.2M is included in item 1.2.

Financing facilities		Total facility amounts at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
7.1	Loan facilities	58,842	56,542
7.2	Credit standby arrangements	-	-
7.3	Other	-	-
7.4	Total financing facilities	58,842	55,542
7.5	Unused financing facilities available at quarter end		2,300
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.		

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 June 2027 (renegotiated new amortisation schedule).
- Euro denominated floating interest rate export financing facility secured against a press. Lender Commerzbank. Loan drawn to Euro 4.0M (A\$6.3M). Matures June 2023 (renegotiated new amortisation schedule).

Scottish Pacific Business Finance Pty Ltd (ScotPac)

- Australian Dollar Receivables financing facility with Scottish Pacific. Floating interest rate + margin. Loan drawn to A\$19.5M. 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. There is the ability to draw up to \$50M under this facility, however there were not sufficient debtors to draw further amounts as at 30 June 2021.
- New Zealand Dollar Receivables financing facility with Scottish Pacific. Floating interest rate + margin. Loan drawn to A\$3.4M. 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 February 2024. There is the ability to draw up to NZ\$10M under this facility, however there were not sufficient debtors to draw further amounts as at 30 June 2021.
- Scottish Pacific Chattel Mortgage Facility (amortising) for \$8.1M secured by a charge over the assets of the Group. The facility matures December 2023

Are Media

- Ovato Limited borrowed from Are Media Holdco Pty Ltd under a loan agreement dated 17 May 2021 \$2.3 million to be repaid on the completion of the sale of the shares in Ovato Retail Distribution Pty Ltd, which is expected to complete on 31 July 2021. The loan has no ordinary interest payable and penalty interest at 5% per annum. The loan is secured by a first ranking security over the shares of Ovato Retail Distribution Pty Ltd and Ovato Retail Distribution NZ Ltd.

Ballygriffin

- Ovato Limited entered into a loan agreement dated 18 June 2021 to enable it to borrow \$2.3 million from Ballygriffin Holdings Pty Ltd repayable on the earlier of the completion of the sale of the shares in the Marketing Services companies and 31 July 2021 if a share sale agreement has not been signed before that date under a Put Option dated 4 June 2021. The loan has not been drawn against. The loan has no ordinary interest payable and penalty interest at 5% per annum. The loan is secured by a first ranking security over the shares and assets of the Marketing Services companies.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	6,049
8.2 Cash and cash equivalents at quarter end (item 4.6)	16,852
8.3 Unused finance facilities available at quarter end (item 7.5)	2,300
8.4 Total available funding (item 8.2 + item 8.3)	19,352
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 July 2021

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

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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 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.