

Landmark White Limited

ACN 102 320 329

Supplementary Prospectus

This document is a supplementary prospectus issued under section 719 of the *Corporations Act 2001* (Cth) (**Supplementary Prospectus**), which supplements the prospectus lodged by Landmark White Limited ACN 102 320 329 (**Company** or **LMW**) with the Australian Securities and Investments Commission (**ASIC**) on 19 July 2019 (**Prospectus**). This Supplementary Prospectus must be read together with the Prospectus.

This Supplementary Prospectus is dated 9 August 2019 and was lodged with ASIC on that date. None of ASIC, ASX or their officers take any responsibility for the contents of this Supplementary Prospectus or for the merits of the investment to which this Supplementary Prospectus relates.

Words and expressions defined in the Prospectus have the same meaning in this Supplementary Prospectus.

Reasons for this Supplementary Prospectus

The purpose of this Supplementary Prospectus is to:

- (a) set out in further detail the basis and assumptions for the FY20 forecast information in section 5.4 of the Prospectus. The table in section 5.4 of the Prospectus has been reformatted to show the EPS and ROI amounts for a PBT of the Company at 8%, 10% and 12% of normalised annualised FY20 revenue of \$38 million. These figures do not differ from the existing figures currently set out in section 5.4 of the Prospectus; however, the revised table now includes an additional line item to demonstrate the EPS and ROI amounts for a PBT of the Company at 10% of normalised annualised FY20 revenue of \$38 million; and
- (b) include a base case forecast in section 5.4 which sets out a reconciliation of how the Company's normalised forecast for FY20 reconciles to its statutory forecast for FY20, as set out in Table B in section 5.4.

Section 5.4 of the Prospectus is replaced with the following:

5.4 Forecast Earnings Profile

LMW's base case forecast for normalised FY20 earnings is set out in Table A below and is predicated on annual revenue of \$38 million, which represents approximately 70% of LMW's historical revenue rates based upon the average revenues for LMW and Taylor Byrne combined for FY18 and the first half of FY19.

The base case forecast delivers a PBT of 10% of revenue, but to provide investors with an understanding of the sensitivity of the forecast, the table sets out the impact on earnings and ROI of a PBT at 8% and 12%, respectively. For comparison purposes, LMW achieved statutory PBT of 9.5% for FY17 and 13.5% for FY18.

Table A

\$'000	Base Case PBT at 10%	Low Case PBT at 8%	High Case PBT at 12%
Statutory Services Revenue	13,300		
Regional Network Revenue	12,900		
LMW Services Revenue	11,800		
Total Revenue	38,000	38,000	38,000
PBT	3,800	3,040	4,560
Tax expense	(1,181)	(1,040)	(1,560)
NPAT	2,619	2,000	3,000
EPS & ROI (minimum subscription under the Offer)	2.1cps / 26%	1.6cps / 20%	2.4cps / 29%
EPS & ROI (maximum subscription under the Offer)	1.7cps / 21%	1.3cps / 16%	1.9cps / 24%

5.4.1 Preparation of Forecast Financial Information

For the purposes of this section 5.4 the following definitions are used:

- (a) **EPS** means earnings per share;
- (b) **Forecast Earnings Profile** means the table set out in section 5.4 entitled 'Table A';
- (c) **Forecast Financial Information** means the statutory forecast and financial information set out in Table A and Table B in this section 5.4;
- (d) **Historical Financial Information** means the statutory historical financial information set out in the 'FY19 Statutory' column in Table B in section 5.4.3 below;
- (e) **NPAT** means net profit after tax;
- (f) **PBT** means profit before tax;
- (g) **Prospectus** means the prospectus dated 19 July 2019 as modified by the Supplementary Prospectus dated 9 August 2019; and
- (h) **ROI** means return on investment.

The Forecast Financial Information has been prepared solely for inclusion in the Prospectus.

The Forecast Financial Information has been prepared by LMW based on an assessment of current economic and operating conditions and general and specific assumptions regarding future events and actions as set out in sections 5.4.2.2 and 5.4.2.3 below.

The Forecast Financial Information is based on reviewed financial results of LMW for FY19 and the Directors' best estimates for LMW's financial performance in FY20. Forecast Financial Information represents LMW's best estimates of the financial results which the Directors expect to report in LMW's statutory financial statements for FY20.

The Forecast Financial Information is subject to the Key Risks set out in Section 6. The inclusion of these assumptions and the risks are intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and is not intended to be a representation that the assumptions will occur.

LMW believes the assumptions on which the Forecast Financial Information is based, when taken as a whole, to be reasonable at the time of preparing and issuing the Prospectus. However, this forward-looking information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in the preparation of Forecast Financial Information and that this may have a material positive or negative effect on LMW's actual financial performance or financial position. In addition, the assumptions on which the Forecast Financial Information is based are by their very nature subject to uncertainties and contingencies, many of which will be outside the control of LMW, the Directors and management, and are not reliably predictable. Accordingly, none of LMW, the Directors, nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation of the Historical Financial Information unless otherwise noted. The Forecast Financial Information does not include the impact of adoption of Australian Accounting Standard AASB 16 Leases which is mandatory from 1 July 2019 in order for the Forecast Financial Information to be comparable with FY19 actuals. The overall impact on LMW's FY20 profit before tax of AASB 16 is not expected to be material.

The Forecast Financial Information should be read in conjunction with the Company Overview in Section 4, Financial Information in Section 5, and Key Risks in Section 6.

5.4.2 Management discussion and assumptions underlying the Forecast Financial Information

5.4.2.1 Overview

This section 5.4.2 sets out a discussion of the main factors which have been considered when calculating the Forecast Earnings Profile and Forecast Financial Information. Where applicable, the Forecast Financial Information has been calculated with regard to the Company's financial performance in each of FY17, FY18 and FY19. The material assumptions which have been made in providing the Forecast Financial Information have been noted in this section 5.4.2.

Revenues and cost savings that have been included in the Forecast Earnings Profile and Forecast Financial Information are set out in Table B in section 5.4.3, together with a comparison against the published preliminary final results for FY19.

These general factors are intended to provide a summary only and do not detail all the factors that affected LMW's historical operating performance, nor everything that may impact LMW operating and financial performance, both positive and negative, in the future.

These forecasts should be read in conjunction with the Key Risks in Section 6 and Company Overview in Section 4 and the other information contained in the Prospectus.

5.4.2.2 General Assumptions

The following general assumptions have been adopted by LMW in relation to the FY20 period:

- (a) there are no material changes in the competitive and operating environment in which LMW operates;
- (b) there are no significant deviations from current market expectations of economic and market conditions under which LMW operates;
- (c) there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of LMW;

- (d) there are no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on LMW's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- (e) there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of LMW;
- (f) there are no material changes in foreign currencies;
- (g) there are no material changes in key personnel, including the CEO and CFO;
- (h) there are no material changes to LMW's corporate and funding structure other than as set out in the Company Overview in Section 4 and the Additional Information in Section 9;
- (i) there are no significant disruptions to the continuity of operations of LMW or other material changes in the business other than as set out in the Additional Information in Section 9;
- (j) there are no material amendments to any material contract, agreement or arrangement relating to LMW's business or intellectual property other than as set out in the Additional Information in Section 9;
- (k) none of the risks listed in Section 6 eventuates and has a material adverse impact on the operations of LMW; and
- (l) the Offer proceeds are received in accordance with the timetable set out in the "Key Dates" section of the Prospectus.

5.4.2.3 Specific Assumptions

The following specific assumptions and policies have been adopted by LMW:

(A) Revenue

The forecast revenue of \$38.0 million for FY20 represents approximately 70% of the historical annual revenue of the Company, based upon the average revenues for LMW and Taylor Byrne combined for FY18 and the first half of FY19 (**Historical Revenue Levels**). This reduction has been applied due to the impact of the incidents and the potential failure to be reinstated as a panel valuer to those clients who, as at the date of this Prospectus, have suspended activities with LMW (see Section 9.6).

LMW's forecast normalised annualised revenue of \$38.0 million for FY20 represents:

- (a) Statutory services at 100% of Historical Revenue Levels; and
- (b) Regional network and LMW services revenue at 60% of Historical Revenue Levels.

The Historical Revenue Levels incorporate the first half of FY19, which already factored in an approximate 10-15% volume reduction as a result of the state of the property and lending market in Australia.

(B) Employee Costs

LMW will execute a restructuring of its employees to align the business with the anticipated earnings of the Company. This restructuring will include redundancies, which are expected to be made between September and December 2019. Valuer headcounts will reduce to match revenue based on historical average fees written per valuer. Administration and support employee costs have been included based on historical average ratios of administration and support staff to fee writing valuer headcounts, taking into account geographic locations as well as specialist skills

requirements at lower revenue levels.

The redundancies will decrease the Company's employment costs on an annualised, normalised basis; however, the Company will incur one-off costs within the next six months in order to implement the above changes (see Section 2.2 of the Prospectus for the quantum of these costs).

As a result of the reduction in headcount, employee related overheads (travel, training, staff amenities, professional subscriptions etc.) have been adjusted for lower headcounts. These reductions will be phased in over time in line with headcount changes.

(C) Operating Expenses

- Report presentation expenses (being valuation report expenses) have been calculated in line with current expenditure to revenue ratios, adjusted for a reduction in overall headcount.
- Marketing expenses have been calculated in line with current recurring expenditure, adjusted for a reduction in business activity.
- Communication expenses have been calculated in line with current expenditure to revenues ratios, adjusted for reduction of activity.
- Insurance costs have been forecast to increase on a direct comparison to revenue, from approximately 3% of revenue to 5% of revenue (in expectation of a hardening insurance market); however, the reduction in forecast revenue limits the absolute increase.
- Administration expenses have been calculated based on current recurring expenditure, adjusted for rationalisation of office space and a reduction in headcount.
- Occupancy costs have been calculated based on current premises expenditures adjusted for rationalisation of office space where duplicate offices exist, or space is surplus to requirements at lower revenue levels. LMW has allowed for six months for surplus space to be rationalised.
- Depreciation and amortisation expenses are based on existing costs and rates, with reductions anticipated as a result of the rationalisation of office space and reduction in headcount, offset by increased IT investment.
- Other expenses have been calculated based on current recurring expenditure adjusted for rationalisation of office space and a reduction in headcount.
- In its forecast, LMW has allowed four to six months for reductions in operating expenses to be realised.

(D) Finance expense

Finance expense is based on the existing bank bill facility (disclosed as borrowings in Section 5.3 of the Prospectus) with anticipated repayment of \$625,000 in April 2020 and interest incurred on the forecast usage of LMW's overdraft facility.

(E) Tax rate

The effective tax rate used is between 31% and 34%, taking into account non tax-deductible expenses and non-assessable income. For comparison purposes, the effective tax rate for FY17 and FY18 were 32% and 29% respectively.

5.4.3 Forecast Financial Information comparison

The following table has been prepared to illustrate the comparison between LMW's FY19 actual financial performance and the FY20 forecast financial performance on both a statutory and normalised basis.

Table B

\$'000	FY19 Statutory (unaudited)	Movement	FY20 Statutory Forecast	Normalisations	Notes	FY20 Normalised Forecast
Revenue from rendering of services	41,493	(4,030)	37,463	537	1	38,000
Other income	1,502	(407)	1,095	(1,095)	2	-
	42,995	(4,437)	38,558	(558)		38,000
Expenses from operating activities						
Employee expenses	33,376	(5,144)	28,232	(3,732)	3	24,500
Report presentation expenses	2,576	(603)	1,973	(559)	4	1,414
Marketing expenses	514	(67)	447	(127)	5	320
Communication expenses	663	284	948	(269)	5	679
Insurance expenses	1,716	(6)	1,710	190	6	1,900
Administration expenses	1,533	183	1,716	(486)	7	1,230
Occupancy expenses	2,053	50	2,103	(703)	8	1,400
Depreciation and amortisation expenses	808	(8)	800	-		800
Impairment of investment in associated entity	753	(753)	-	-		-
Impairment of intangible assets	12,284	(12,284)	-	-		-
Other expenses from operating activities	2,147	306	2,453	(695)	7	1,758
	58,423	(18,042)	40,381	(6,381)		34,000
Results from operating activities	(15,428)	13,605	(1,823)	5,823		4,000
Finance income	44	(44)	-	-		-
Finance expense	(204)	(18)	(222)	22		(200)
	(160)	(62)	(222)	22		(200)
Share of net loss of associates accounted for using the equity method	(29)	29	-	-		-
(Loss) / Profit before tax	(15,617)	13,572	(2,045)	5,845		3,800
PBT % of Revenue	n/a		n/a			10%
Income tax benefit / (expense)	469	98	557	(1,737)	9	(1,181)
Net (loss) / Profit after income tax	(15,148)	13,659	(1,489)	4,108		2,619

Notes

1. Annualisation of revenue growth forecast for first half of FY20
2. Removal of insurance proceeds forecast to be received in first half of FY20
3. Removal of redundancy costs (\$1.6M) and higher employee expenses incurred prior to and during the optimisation of the business (\$2.1M)
4. Adjustment of costs for volume related items in line with lower revenue forecast
5. Reduction in costs that are broadly related to headcounts
6. Increase in professional indemnity insurance premiums in expectation of a hardening insurance market
7. Reduction in general overheads resulting from reduced size of restructured business
8. Elimination of surplus leased space
9. Additional tax expense in line with higher forecast profits

End of section 5.4

Key dates

The Company confirms that the timetable for the Offer is as follows:

Event Date	Date
Offer opens	Friday, 26 July 2019
Close of Entitlement Offer	Friday, 16 August 2019
If applicable, LMW notifies ASX of under subscriptions	Wednesday, 21 August 2019
Issue of shares under the Entitlement Offer	Friday, 23 August 2019
Entitlement Offer settlement	Friday, 23 August 2019
Reinstatement of LMW's securities*	Monday, 26 August 2019
Close of Shortfall Offer period (unless closed earlier)	Friday, 15 November 2019

The Directors of the Company reserve the right to vary these dates, including to extend the Offer Closing date or to close the Offer early. The new date nominated will become the Offer Closing date. The Company encourages you to get your applications in early.

*The Company's securities will remain suspended for the duration of the Entitlement Offer, and accordingly, there will be no trading during this period. Although the timetable refers to re-instatement and quotation of the Company's securities on 26 August 2019, reinstatement is subject to ASX's discretion and therefore subject to change.

Directors' consent and authorisation

In accordance with section 720 of the Corporations Act, each director of the Company has given, and has not withdrawn, their consent to the lodgement of this Supplementary Prospectus with ASIC.

Signed for and on behalf of the Company

A handwritten signature in black ink, appearing to read 'Keith Perrett', with a large, sweeping flourish extending to the right.

Keith Perrett

Chairman

LandMark White Limited