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1 December 2020

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Ovato Limited (ASX code: OVT)

Notification under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (ASIC Instrument 2016/84)

Ovato Limited ACN 050 148 644 (**Ovato**) announced today a renounceable rights issue of 10.93 ordinary shares (**New Shares**) in Ovato for every 1 ordinary share in Ovato held by all holders with registered addresses in Australia and New Zealand as at the Record Date (being 7.00 pm (Sydney time) on Friday, 4 December 2020) (**Rights Issue**).

Ovato gives notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth) as modified by ASIC Instrument 2016/84 (the **Corporations Act**) that:

1. Ovato will offer the New Shares for issue pursuant to the Rights Issue without disclosure to investors under part 6D.2 of the Corporations Act.
2. As at the date of this notice:
 - (a) Ovato has complied with the provisions of Chapter 2M of the Corporations Act as they apply to Ovato;
 - (b) Ovato has complied with section 674 of the Corporations Act; and
3. As at the date of this notice there is no "excluded information" within the meaning of sections 708AA(8) and 708AA(9) of the Corporations Act which is required to be disclosed under section 708AA(7)(d) of the Corporations Act other than as set out below.

Ovato has released an investor presentation to the ASX in connection with the Rights Issue which will outline the impact of various considerations in relation to the creditor and member schemes of arrangement regarding Ovato and the impact of the schemes on the capital structure of Ovato.

Specifically, Ovato is in negotiations with the holders of secured, but subordinated, notes (**Notes**) to provide for the conversion of the Notes into equity in the form of Ovato ordinary shares. In order for this to occur, the terms of the Notes will need to be amended to enable



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convertibility of the Notes into ordinary shares. This proposed amendment will be subject to both noteholder approval and Ovato obtaining shareholder approval under item 7 of section 611 of the Corporations Act.

It is proposed that Ovato will seek approval for the amendments to the terms of the Notes to give effect to a conversion of the Notes into ordinary shares in Q1 of CY2021. Similarly, Ovato is in negotiations with landlords to agree a compromise in respect of liabilities under certain leases (**Leases**) and is proposing that certain reduced lease liabilities will be converted from debt to equity, subject to Ovato obtaining shareholder approval for the purposes of item 7 of section 611 of the Corporations Act. The conversion of the Notes and the reduced liabilities under the Leases, if approval is received, will result in further ordinary shares in Ovato being issued and therefore will have a further dilutive impact on the existing shareholdings in Ovato. Exact details regarding the number and percentage of shares to be issued will be provided in the notice of meeting for the purposes of shareholder approval to be sought under item 7, section 611 of the Corporation Act.

4. The potential effect that the Rights Issue will have on control of Ovato and the consequences of that effect will depend upon a number of factors, including investor demand.

If all shareholders take up their rights under the Rights Issue, there will be no effect on the control of Ovato. If shareholders fail to take up their rights under the Rights Issue, that shareholder's percentage shareholding in Ovato will be diluted by the issue of the New Shares relative to those shareholders who took up their rights in full under the Rights issue.

The Rights Issue is being partially and conditionally underwritten by Wilsons Corporate Finance Limited (**Wilsons**) and Aitken Murray Capital Partners (**AMC** and together with Wilsons, the **Underwriters**) up to an amount of \$35 million. The Underwriters are entitled to appoint, and have appointed, sub-underwriters.

There are two sub-underwriters who have been engaged by the Underwriters:

- (a) Are Media Pty Ltd (**Are Media**) has agreed to conditionally sub-underwrite up to \$10 million, subject to approval under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FIRB Approval**), of the Rights Issue. If Are Media were to be issued the maximum number of New Shares for which it has committed, its voting power in Ovato following completion of the Rights Issue would be approximately:
 - (i) 22.9% on the basis of the Rights Issue raising \$40 million; or
 - (ii) 25.9% on the basis of the Rights Issue raising \$35 million.
- (b) The Hannan Family, comprising Lindsay Hannan, Adrian & Richard O'Connor, Michael Hannan, James Hannan and Sayman Pty Ltd (in its capacity as trustee of the Lindsay Hannan Family Trust) (together the **Hannan Family**), has agreed to conditionally



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sub-underwrite¹ \$25 million of the total \$40 million proposed to be raised under the Rights Issue.

The Hannan Family currently has voting power of 53.8% in Ovato. If the Hannan Family were to be issued the maximum number of New Shares for which it has committed, its voting power in Ovato following the completion of the Rights Issue would be approximately:

- (i) 61.8% on the basis of the Rights Issue raising \$40 million; or
- (ii) 69.8% on the basis of the Rights Issue raising \$35 million.

However, should Are Media not receive FIRB Approval, and accordingly the amount of its underwriting is reduced, the Hannan Family's voting power in Ovato following completion of the Rights Issue would be approximately:

- (iii) 64.1% on the basis of the Rights Issue raising a reduced amount of \$38.4 million; or
- (iv) 75.3% on the basis of the Rights Issue raising a reduced amount of \$32.2 million.

Accordingly, the issue of New Shares (if any) to the Underwriters or sub-underwriters pursuant to the underwriting arrangements which have been entered into may increase the voting power of the Underwriters or the sub-underwriters in the Company.

Where FIRB Approval is obtained by Are Media, the Rights Issue is not expected to have any material impacts on control of Ovato given that the Hannan Family already control over 50%, but less than 75%, of the voting power in Ovato, and as a consequence of the sub-underwriting arrangements are not able to increase their voting power above 75%.

Where FIRB Approval is not obtained by Are Media and a reduced minimum amount of \$32.2 million is raised, the Hannan Family's voting power in Ovato may increase above 75%. This would provide the Hannan Family with the ability to pass matters requiring shareholder approval by special resolution. However, as noted above in item 3, Ovato is proposing to undertake a further dilutionary share issue for the purposes of converting certain amounts owed under the Notes and certain reduced lease liabilities from debt to equity in the form of Ovato ordinary shares, subject to Ovato obtaining shareholder approval for the purposes of item 7 of section 611 of the Corporations Act. In addition, as certain entities related to the Hannan Family are the holders of Notes as well as being landlords to the property of the relevant lease liabilities, the Hannan Family will not be able to participate in the votes to approve the debt for equity conversions pursuant to which the Hannan Family will be issued shares. While exact details regarding the number and percentage of shares to be issued will be provided in the notice of meeting for the purposes of shareholder approval to be sought under item 7, section 611 of the Corporation Act, this would have the effect of reducing the Hannan Family's voting power in Ovato below 75% and would likely result in

¹ Lindsay Hannan will be sub-underwriting the Rights Issue through Sayman Pty Ltd (in its capacity as trustee of the Lindsay Hannan Family Trust).



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the Hannan Family's voting power in Ovato falling back to approximately its 53% voting power.

This release has been authorised by the board of directors of Ovato.

Yours faithfully

Alistair Clarkson
Company Secretary
Ovato Limited