



Pacific Star Network Limited

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ASX Announcement

11 November 2014

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

ACQUISITION OF MORRISON MEDIA SERVICES PTY LTD

Attached is a copy of an announcement made on the ASX platform last evening relating to an acquisition by the Company.

The announcement was lodged with the title of '**Directors Statement re Takeover**' however this title was incorrect and should have stated '**Pacific Star Network acquires Morrison Media Services Pty Ltd**'

Other than the above, there are no other material changes in the announcement since last evening.

If you have any queries, please do not hesitate to contact me

Yours sincerely

Stephen Sweeney
Company Secretary



ASX Announcement

PACIFIC STAR NETWORK ENTERS INTO AGREEMENT TO ACQUIRE MORRISON MEDIA AN INDEPENDENT PRINT & DIGITAL PUBLISHER

- EARNINGS ACCRETIVE
- BROADENS PNW'S POSITION IN THE MEDIA MARKET
- CONSERVATIVE BALANCE SHEET AS A RESULT OF CAPITAL RAISING

Today, Pacific Star Network Limited (ASX: **PNW**) embarks on a strategy to broaden its activity, and commences the diversification of the PNW portfolio beyond broadcasting and sport.

Under this strategy, PNW is pleased to announce the signing of a sale agreement to acquire Morrison Media, an independent Lifestyle/Sport media group, and publisher of award winning titles *frankie*, *Smith Journal*, *Surfing Life*, *Slow Living* and *White Horses*.

Established in 1984, Morrison Media is an Australian publisher of consumer sports and lifestyle related titles, both in print and digital formats and has successfully launched, acquired and integrated a number of titles over the years. In addition, Morrison Media also operates a Custom Publishing division that leverages the creative, production, and distribution capabilities within the Morrison Media group for a number of third party titles.

Strategic highlights

PNW believes there is a gap between small independent content businesses and large media groups. PNW aims to fill this gap by investing in innovative media brands and content-driven businesses.

Morrison Media fits within this strategy and expands PNW's media offering to the advertising market and creates increased scale across the group, in particular, leveraging the Morrison Media digital expertise for the delivery of SEN's sporting content.

PNW believes that the acquisition of Morrison Media has the opportunity to add a number of positive elements to the PNW business, including:

- expansion of earnings generated from the Morrison Media business;
- improving print circulation and online subscriptions;
- growing online communities;
- diversification in audience and revenue; and
- addition of complementary staff capability to PNW's existing business.

Andrew Moffat, Chairman of PNW, said, "For some time, PNW has been assessing acquisition opportunities and believes that Morrison Media provides the combination of first class titles, advertisers, and capability that fits within our ambition.

frankie is an industry leader in its market segment in Australia and is growing internationally, due to its content which speaks to a highly engaged audience.

Our focus will be to provide the Morrison Media team with a platform to grow the titles, by continuing to deliver innovative and relevant content to their audiences. Morrison Media will operate as a standalone division of PNW – it will be business as usual."

Structure

PNW (through its wholly owned subsidiary Lifestyle Media Services Pty Ltd) has entered into a business sale agreement with Morrison Media Services Pty Ltd to purchase the Morrison Media business including all associated intellectual property rights relating to the **frankie**, **Smith Journal**, **Surfing Life**, **Slow Living** and **White Horses** titles. Completion of the transaction is subject to the satisfaction of a number of conditions precedent, including but not limited to:

- shareholder approval pursuant to ASX listing rule 11.1.2; and
- any material adverse change in the financial performance of Morrison Media.

At completion, PNW will pay \$10.8m cash consideration to the vendor, subject to balance sheet adjustments for working capital.

PNW will seek shareholder approval to approve the transaction at an extraordinary general meeting (**EGM**) to be held on or around 11 December 2014. PNW expects to distribute the notice of meeting to shareholders for this EGM in the coming days.

Financial Considerations

1. Earnings Before Interest Tax Depreciation and Amortisation (**EBITDA**) for Morrison Media was \$2.2m for the year ended 30 June 2014*, representing an Enterprise Value/EBITDA multiple of approximately 4.9 times.
2. Earnings accretive for PNW shareholders with an estimated 50% increase in proforma 2014 EBITDA per share.
3. PNW will fund this acquisition through existing cash reserves, a new bank debt facility of \$8.6m, and a proposed capital raising (referred to below).
4. In order to provide ongoing balance sheet flexibility the board of PNW has determined to undertake a capital raising in conjunction with this acquisition (details set out below). As at completion, it is estimated that net debt will be approximately \$3.3m.

** Financial metrics are based on the management accounts of the Morrison Media business.*

Capital raising

The board of PNW has determined that, in order to provide balance sheet flexibility and maintain conservative balance sheet settings, it will raise additional equity capital.

Accordingly PNW has entered into conditional placement agreements with a limited number of sophisticated and professional investors and senior managers of PNW, pursuant to which PNW proposes to issue (subject to shareholder approval) new shares at an issue price of 30 cents per share (**Placement**). Under the Placement, PNW expects to raise a total of \$4.0 million, of which, approximately up to \$0.7m is expected to be raised through the issue of new shares to members of the board and senior management of PNW.

Further, PNW will offer a Share Purchase Plan (**SPP**) to all eligible shareholders, which the board of PNW has elected to cap at \$2.0 million. The SPP gives eligible shareholders the opportunity to acquire up to \$15,000 worth of additional shares at a price which is the lesser of 30 cents per share (being the price to be paid by investors under the Placement) and a 3.33% discount to the five day volume weighted average price of the shares, traded on ASX up to and including the closing date of the offer under the SPP. Further details of the SPP will be released in due course.

The SPP is to be underwritten to a maximum of \$1.0m by Rosh Hagiborim Pty Ltd, a company associated with Non-Executive Director, Mr. Ronald Hall. As a result of the Placement and the underwriting of the SPP, PNW will raise a minimum of \$5.0m and a maximum of \$6.0m.

Note that the Placement and the proposed issue of shares to entities associated with Directors of PNW are also subject to shareholder approval, which will be sought at the EGM.

For further information please contact either:

Andrew Moffat

or

Barrie Quick

Chairman

Chief Executive Officer

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About Pacific Star Network Limited (PNW)

Pacific Star Network (PNW) is an ASX listed media company. **PNW** owns two Melbourne AM commercial broadcasting licenses and broadcasts 24/7 on **1377 MyMP** and **1116 SEN**. **PNW** also owns the **Inside Football Magazine**.

PNW also operates 2 digital only radio stations, **AUSSIE**, all Australian all the time, and **KOOOL**, songs from the 70s and 80s. **1116 SEN** Sports Entertainment Network broadcasts sports radio throughout the Melbourne metropolitan area and caters for all sports on a 24/7 basis.

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