

10 December 2019

Market Announcements Platform
ASX Limited

CROSS TRACK DIGITAL (XTD) TO ACQUIRE OUT-OF-HOME & INTEGRATED MARKETING & MEDIA NETWORK, ADLINE MEDIA

The Board of Cross Track Digital (XTD) has entered into a binding sale and purchase agreement to acquire **Adline Media Pty Ltd**, specialising in indoor and recreational sporting environments which delivers **out-of-home, online advertising**, content as well as **software reseller agreements** and **amenity based, buying group agreements (Acquisition)**.

- Adline's profitable and growing network includes more than 100 centres, 65 of which are large scale indoor sporting locations boasting high-definition digital displays, online and direct-to-customer communication platforms and Wi-Fi hotspots. These provide advertisers both local and national with access to engaged, diverse and active people and their communities Australia-wide who play sport for fun in a positive and social environment.
- The audience segment, nicknamed the "Active lifestyle" is synonymous with Australia grass roots and family sport, coming together weekdays and weekends to play and watch indoor and community sport.
- **Adline** grows indoor sports, community and leisure centres across Australia with the exclusive rights to re-sell efficient user software with contracted customers enabling players to seamlessly access information such as players stats, fixtures and game times as well as enabling centres to manage court bookings and competition management.
- **Adline** provides sport, leisure and community centres with an integrated marketing ecosystem that drives growth by unlocking incremental revenue through supply deals, reducing costs, creating efficiencies and engaging diverse audiences who play for fun.
- The Acquisition provides **XTD** an opportunity to broaden its digital screen media base with entry into a new, growth-based industry of consumers that are highly active, engaged communities.
- Michael Johnstone, Managing Director of Adline will join **XTD** as **Chief Operating Officer**.
- Cross Track Digital will acquire 100% of share capital with a combination of cash and scrip.
- The deemed issue price of all Cross Track Digital shares will be \$0.040 per share, **a 70% premium to the 30-trading-day VWAP up to and including 3 December 2019**.
- The Acquisition will be funded through cash reserves to complete the transaction and to fund working capital.
- Transaction is expected to complete on or around 20 December 2019 post finalisation of due diligence.

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XTD Chief Executive Adam Cadwallader said, "As part of our diversification of **XTD**, this investment will allow us to build on what is already a very exciting, diversified business centralised in out-of-home and media technology. I am absolutely delighted to welcome the Michael Johnstone and the **Adline** team to the business and allow them to continue to grow and develop."

Michael Johnstone added "we have developed the **Adline** business into a progressive company providing an integrated marketing ecosystem uniting over 100 indoor sports, community and leisure centres nationally that connect brands with more than 200,000 active and social Australians who play for fun each week. We are excited to join XTD and continue building momentum in our sector."

Adline brings the following benefits to XTD:

- Expertise in Out-Of-Home, which continues its growth year on year.
- Momentum in the leisure sporting sector, a largely uncontested and highly regarded category.
- Advertising capability and expertise.
- Deep relationships within this sector as well as the national agency marketplace.
- Operating in software and data analytics through its systems and connected Wi-Fi locations.

Material terms of the acquisition

XTD will acquire 100% of the share capital in Adline for consideration comprising:

- 5,000,000 ordinary shares in XTD (**Consideration Shares**);
- up to 14,400,000 ordinary shares in XTD (**Deferred Consideration Shares**) as follows:
 - up to 5,000,000 ordinary shares in XTD (**Tranche A Deferred Consideration Shares**) upon XTD determining using audited or management accounts of Adline (at its discretion) and prepared in accordance with the Accounting Standards for the calendar year ending 2020, that those accounts demonstrate that EBITDA is greater than \$350,000 (**Milestone A**); and
 - up to 9,400,000 ordinary shares in XTD (**Tranche B Deferred Consideration Shares**) upon XTD determining using audited or management accounts of Adline (at its discretion) and prepared in accordance with the Accounting Standards for the calendar year ending 2021, that those accounts demonstrate that EBITDA is greater than \$480,000 (**Milestone B**);
- Upfront cash consideration of \$468,000 in cash (**Cash Consideration**);
- Payment of the Cash Consideration and issue of the Consideration Shares is only payable if Adline's management accounts for the period from 1 September 2018 to 31 August 2019 demonstrate that Adline's EBITDA is greater than \$135,000;
- A deferred cash payment of up to \$400,000 cash subject to XTD determining that Milestone A has been achieved in whole or in part (**Deferred Consideration**). If Milestone A is not achieved by the calendar year ending 2020, XTD will reassess the achievement of Milestone A at the end of the financial year ending 30 June 2021 and if Milestone A is not achieved in full the amount of the Deferred Consideration and the number of Tranche A Deferred Consideration Shares to be issued will be reduced so that for every 1% EBITDA is less than \$350,000 for the financial year ending 30 June 2021, the cash payment and number of shares to be issued at the end of financial year ending 30 June 2021 is reduced by 1.5% until EBITDA is less than \$245,000 where no payment or issue of Tranche A Deferred Shares will be made; and
- If Milestone B is not achieved by the calendar year ending 2021, XTD will reassess the achievement of Milestone B at the end of the financial year ending 30 June 2022 and if Milestone B is not achieved in full the number of Tranche B Deferred Consideration Shares to be issued will be reduced so that for every 1% EBITDA is less than \$480,000 for the financial year ending 30 June 2021, the number of shares to be issued at the end of financial year ending 30 June 2022 is reduced by 1.5% until EBITDA is less than \$336,000 where no issue of Tranche B Deferred Consideration Shares will be made.

The Consideration Shares and Deferred Consideration Shares will be issued using XTD's existing Listing Rule 7.1 capacity.



Other key terms

Completion is conditional upon the satisfaction (or waiver by XTD and Adline) of various conditions precedent prior to 31 December 2019, including:

- Appointment of Michael Johnstone as Chief Operating Officer, XTD. The terms of employment include the issue of up to \$400,000 of XTD shares (\$200,000 worth of XTD shares to be issued on XTD's share price achieving a 90-day VWAP of each of \$0.08 and \$0.12 respectively);
- Signing of Executive Employment Agreement with XTD;
- Finalisation of financial, legal and operational due diligence to XTD's satisfaction; and
- The parties obtaining all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law on terms acceptable to the Parties as are required to allow the Parties to lawfully complete the transaction.

The sale and purchase agreement includes customary post completion restraints on the seller. It also contains warranties and indemnities customary for a transaction of this nature.

Indicative timeline

Announcement of transaction	10 December 2019
Finalisation of due diligence	13 December 2019
Estimated transaction completion	20 December 2019

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