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Ovato Limited announces fully underwritten Entitlement Offer to raise approximately \$15.5 million and FY19 Trading Update

Ovato Limited (ASX: OVT) (**Ovato** or the **Company**) is pleased to advise that it has launched a fully underwritten accelerated non-renounceable entitlement offer to existing shareholders, offering 1 new fully paid ordinary share in Ovato for every 2.3 shares held at the record date (**New Shares**) at A\$0.07 per New Share (**Offer Price**) to raise gross proceeds of approximately A\$15.5 million (**Entitlement Offer**).

Ovato will primarily use the funds from the Entitlement Offer to:

- strengthen the Company's balance sheet by reducing leverage and providing additional financial flexibility; and
- accelerate the completion of the NSW Site Consolidation project.

Ovato's Strategy

- Ovato's strategy is to create a smarter, sustainable and more profitable platform capable of turning audiences into customers.
- This strategy is being implemented via providing enhanced value and product breadth to customers, together with a continued pursuit of operational efficiencies.
- Ovato continues to reduce its underlying cost base, while building capabilities with data and new technology to enhance customer value and drive growth.

Trading Update and FY19 Outlook

In line with the Company's stated strategy Ovato has continued to focus on cost-out initiatives, including the NSW Site Consolidation to the "Super Site" which is on track to be completed earlier than expected and on budget. The NSW Site Consolidation is expected to deliver total annualised savings of approximately \$24 million from FY21 (\$4 million in FY19, \$14 million in FY20 and \$6 million in FY21). Additionally, Australian Print and Distribution catalogue volumes from Tier 1 retailers have remained resilient and in line with expectations. However, the Company has faced challenging industry headwinds resulting in:

- Print Australia revenues have been softer than expected with revenue in 2H FY19 expected to be down approximately 12% on FY18 due to:
 - A fall in newspaper volumes at a greater pace than expected, following masthead closures and move to cold-set printing by publishers;
 - Increased competition for Ovato's publishing and retail customers;
 - Softer retail conditions and temporary reduction in activity associated with the recent NSW State and Federal elections which has led to lower than expected uncontracted new business; and

- Ovato NZ revenues lower than expected due to industry overcapacity and continued price led pursuit of market share.

Outlook for the remainder of the financial year ending 30 June 2019:

- Updated FY19 EBITDA guidance to be in the range of \$30 million – \$33 million¹
 - Previously guided to around the low end of \$37 million - \$40 million¹
- FY19 Net Debt of approximately to be reduced to \$42 million to \$46 million following receipt of Entitlement Offer proceeds
 - Previously guided to \$45 million - \$50 million
- Pro Forma FY19 Net Debt to EBITDA expected to reduce to circa 1.4x²

Ovato believe the implementation of its various strategies in building an integrated print media and marketing services business with a diverse stream of revenue sources will drive an efficient and profitable Ovato in the future.

Entitlement Offer overview

The Entitlement Offer will comprise two components:

- an accelerated entitlement offer to existing institutional shareholders of Ovato (**Institutional Entitlement Offer**); and
- an entitlement offer to existing eligible retail shareholders of Ovato (**Retail Entitlement Offer**), who will participate at the same Offer Price and offer ratio.

New Shares issued under the Entitlement Offer will rank equally with existing fully paid ordinary shares in Ovato.

Michael Hannan, James Hannan, Lindsay Hannan, Sayman Pty Ltd in its capacity as trustee of the Lindsay Hannan Family Trust, Adrian O'Connor and Richard O'Connor (the **Hannan Family**) currently have a relevant interest of 40.36% in the Company.³ The Hannan Family has stated that they will take up their full pro rata entitlement under the Entitlement Offer. The Hannan Family have also agreed to subscribe for any entitlements which are not taken up by existing shareholders in the Entitlement Offer or not subscribed for by existing and new investors in the shortfall bookbuild or top up facility. The Directors, who hold Shares in Ovato, and Chief Executive Officer will take up their full entitlements.

Under the Entitlement Offer, eligible Ovato shareholders may subscribe for 1 New Share for every 2.3 Ovato shares held at the record date of 7:00pm (Sydney time) on Wednesday, 22 May 2019 at the Offer Price per new share (**Entitlement**). The Offer Price of A\$0.07 per New Share represents a discount of:

- 4.6% to the 5 day VWAP⁴ of Ovato's shares traded on ASX based on the closing price of Ovato as at Friday, 17 May 2019; and

¹ Pre-significant items.

² Pro forma FY19 Net Debt to EBITDA based on mid-point of both FY19 EBITDA and Pro Forma FY19 Net Debt guidance range.

³ Pursuant to a voting deed entered into between Lindsay Hannan (the Company's largest shareholder, with a shareholding of 19.94%), Adrian & Richard O'Connor, Michael Hannan, James Hannan, and Sayman Pty Ltd in its capacity as trustee of the Lindsay Hannan Family Trust.

⁴ VWAP means the volume weighted average price.

- 5.4% to the 10 day VWAP of Ovato’s shares traded on ASX based on the closing price of Ovato as at Friday, 17 May 2019.

Under the Institutional Entitlement Offer, Entitlements not taken up by existing institutional shareholders will be offered to new and existing institutional investors by way of an institutional bookbuild (**Institutional Shortfall Bookbuild**) at the Offer Price on 21 May 2019.

The Retail Entitlement Offer will be open from Monday, 27 May 2019 to Wednesday, 5 June 2019. Entitlements not taken up by existing eligible retail shareholders, and entitlements of ineligible shareholders, will be offered to eligible investors by way of a top-up facility (**Top-Up Facility**), allowing eligible shareholders to subscribe for further New Shares. In the event that there are shares remaining after shares have been allocated under the Top-Up Facility, the Hannan Family will acquire the remaining shares as sub-underwriter.

Ovato expects to announce the outcome of the Institutional Entitlement Offer to ASX prior to market open on Wednesday, 22 May 2019 with trading of Ovato shares due to recommence on that day.

The Entitlement Offer has been fully underwritten by Wilsons Corporate Finance Limited (ABN 65 057 547 323), who are acting as Sole Lead Manager and Underwriter to the Entitlement Offer.

Eligibility criteria

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shares who:

- are registered as a holder of shares as at the Record Date;
- have a registered address, or are otherwise taken to be resident, in Australia or New Zealand (**Eligible Jurisdictions**);
- are not in the United States or acting for the account or benefit of a person in the United States (to the extent such person holds shares in Ovato for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

Shareholders who are not Eligible Retail Shareholders and who were not invited to participate in the Institutional Entitlement Offer are ineligible (**Ineligible Shareholders**).

Anticipated Timetable*

Institutional Entitlement Offer opens	Monday, 20 May 2019
Institutional Entitlement Offer closes	Tuesday, 21 May 2019
Institutional Shortfall Bookbuild	Tuesday, 21 May 2019
Institutional Entitlement Offer results announced	Wednesday, 22 May 2019
Trading halt lifted and resumption of trading on ASX	
Record date for shareholders	7.00pm on Wednesday, 22 May 2019
Retail Entitlement Offer opens	Monday, 27 May 2019
Settlement of Institutional Entitlement Offer	Wednesday, 29 May 2019

Allotment of new shares under Institutional Entitlement Offer	Thursday, 30 May 2019
Retail Entitlement Offer closes	Wednesday, 5 June 2019
Retail Entitlement Offer results announced	Tuesday, 11 June 2019
Settlement of Retail Entitlement Offer	Thursday, 13 June 2019
Allotment of new shares under Retail Entitlement Offer and Top-Up Facility	Friday, 14 June 2019
Trading of new shares under Retail Entitlement Offer and Top-Up Facility	Monday, 17 June 2019

**Ovato reserves the right to change these dates without prior notice. All references to time are to Australian Eastern Standard Time (AEST) unless otherwise specified. The commencement of quotation of New Shares is subject to confirmation from ASX.*

Shareholder Enquiries

Eligible retail shareholders will be sent further details about the Entitlement Offer via a retail offer booklet expected to be lodged with ASX on Monday, 27 May 2019 and despatched on the same date.

Further information in relation to the matters described in this announcement, including important notices and key risks, is set out in an investor presentation released by Ovato to the ASX today. The information in the Disclaimer and Important Notices section of that presentation applies to this announcement as if set out in full in this announcement.

ENDS.