



ASX ANNOUNCEMENT

11 September 2018

Adcorp Australia Limited announces business restructure and capital raising of \$3 million through fully underwritten 3 for 2 renounceable pro rata entitlement offer

Key Highlights

- Transition of Australian Agency business to a newly branded, strategic marketing solutions business.
- Launch of fully underwritten 3 for 2 renounceable pro rata entitlement offer to raise approximately \$3m.
- The capital raising proceeds will allow for flexibility to operate the Company on a day-to-day basis, restructure operations, realign the Company's cost base and rebrand and reposition the business as a profitable strategic marketing solutions business.
- The entitlement offer is fully underwritten. The underwriter is an entity associated with Mr Ian Rodwell who is currently a major shareholder and Chair of Adcorp Australia Limited. Entities associated with Mr Rodwell currently hold shares representing approximately 74.34% of the voting power in Adcorp Australia Limited.

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Restructure of operations

Adcorp Australia Limited (**Adcorp** or the **Company**) today announces that following a strategic review of its operations it proposes to restructure its Australian business operations to create a newly branded, smaller yet profitable, strategic marketing solutions business. The new business together with Adcorp's other profitable operating divisions of New Zealand, Quadrant and Showrunner, and its 15% stake in Shootsta, is expected to generate both positive cashflows and positive EBITDA for the Adcorp group.

The majority of the transformation is expected to be completed in Q2 FY19. Alex Parsons will resign from his position as Chief Executive Officer and move to a non-executive, advisory role in this time period. David Morrison, a current executive director, will become the new Chief Executive Officer at that time.

The Company believes that the business restructure is in the long term best interests of shareholders and will provide a platform for sustainable growth for the agency and video divisions of Adcorp.

As part of the restructure Alex Parsons and David Morrison have each agreed with the Company to forfeit the as yet to be issued 48,000,000 share units (in aggregate) that shareholders approved at the Company's extraordinary general meeting on 7 June 2018.

Starting conversations

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Entitlement offer

In conjunction with the restructure, the Company announces that it is launching a capital raising of approximately \$3 million (before costs) of new fully paid ordinary shares in Adcorp (**New Shares**) at an offer price of \$0.011 (1.1 cents) per New Share (**Offer Price**) by way of a fully underwritten 3 for 2 renounceable pro rata entitlement offer to all Eligible Shareholders holding existing Adcorp shares (**Shares**) at 7:00pm (Sydney time) on Friday, 14 September 2018 (**Record Date**) (**Offer**). **Eligible Shareholders** are those shareholders with a registered address in Australia or New Zealand at the Record Date.

The Offer Price represents an approximate discount of:

- 26.7% to the last trading price of Shares on the ASX on 10 September 2018 (being 1.5 cents);
- 26.7% to the one month volume weighted average price (**VWAP**) of Shares prior to 10 September 2018; and
- 16.1% to the three month VWAP of Shares prior to 10 September 2018.

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Rationale for the Offer

Adcorp has over the past few years continued to restructure the business to match revenue to expenses however it has been constrained in making large scale change due to its weak balance sheet position. With the losses experienced by the business over the last three years this has further exacerbated the Company's inflexibility to pursue strategic objectives. To address this issue it is clear to the Board that a strengthening of the Company's balance sheet is necessary.

The Board believes that the funds raised through the Offer will provide the Company with improved flexibility through increased working capital to:

- allow for flexibility to operate the Company on a day-to-day basis
- restructure operations and realign the cost base of the Company; and
- rebrand and reposition the business as a profitable strategic marketing solutions business,

with a view to creating a greater opportunity for future returns for Adcorp shareholders.

In considering its funding options, Adcorp has considered further debt financing. However, Adcorp currently has two existing tranches of debt, both of which tend to be fully utilised by the Company (although utilisation fluctuates from time to time depending on the Company's invoicing and voluntary repayments made by the Company). The Company considers that further indebtedness at this time is not sensible, practical or realistic. The Board determined that pursuing the Offer was in the best interests of the Company and its shareholders as it will allow all shareholders the opportunity to participate in acquiring further equity in the Company and avoid dilution of their existing shareholding.

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Use of funds

The proceeds from the Offer (less associated costs) will be used to provide adequate working capital to:

- allow for flexibility to operate the Company on a day-to-day basis;
- restructure operations and realign the cost base of the Company; and
- rebrand and reposition the business as a profitable strategic marketing solutions business.

Details of the Offer

The Offer is fully underwritten, renounceable, and comprises a 3 for 2 (i.e. 3 New Shares for every 2 Shares held on the Record Date) entitlement issue to all Adcorp shareholders at the Offer Price. New Shares issued under the Offer will rank equally in all respects with existing Shares.

The Offer is renounceable. This means that Eligible Shareholders who do not take up all or any part of their entitlements are able to trade their entitlements on ASX or otherwise transfer their entitlements off-market. The Company has also put in place a **Shortfall Facility** under which Eligible Shareholders can apply for New Shares in excess of their entitlement up to a maximum of the proportion of their original entitlement. Any New Shares that are not taken up by Eligible Shareholders (whether on exercise of any entitlement, or otherwise acquired from a shareholder or under the Shortfall Facility) will be subscribed for by the Underwriter (see below).

The Offer is only made to Eligible Shareholders. The Offer is not extended to, and no New Shares are offered or will be issued to, holders of Shares with registered addresses outside Australia and New Zealand (**Ineligible Shareholders**).

Adcorp considers it is unreasonable to extend the Offer to shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and nominal value of New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

The Company has appointed Veritas Securities Limited (AFSL 297043) (**Nominee**) as nominee for the purposes of section 615 of the Corporations Act to sell entitlements or New Shares which would otherwise have been available to Ineligible Shareholders had they been eligible to participate in the Entitlement Offer. The Nominee will arrange for the proceeds of sale of entitlements or New Shares (if any), net of expenses, to be distributed to Ineligible Shareholders in proportion to their shareholding at the Record Date. There is no guarantee that any proceeds will be realised from the sale of entitlements or New Shares that would otherwise have been offered to Ineligible Shareholders.

Key dates of the Offer are provided at the end of this announcement.

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Summary of the Underwriting Agreement and impact on control of Adcorp

An entity associated with Mr Ian Rodwell (**Underwriter**) has agreed to underwrite the Offer. The price to be paid for any New Shares acquired under the underwriting arrangement is the same as for all participating Adcorp shareholders, being the Offer Price.

The Underwriter will receive a fee of \$100,000 (exclusive of GST) for underwriting the Offer. This fee represents approximately 3.33% of the funds being raised under the Offer and approximately 12.97% of the amount being raised from Adcorp shareholders other than those associated with Mr Rodwell.

If Adcorp shareholders do not take up their entitlements and New Shares flow through to the Underwriter, the Underwriter will be required to increase its shareholding in the Company and its voting power (and by association, the voting power of Mr Rodwell and other entities associated with him) will increase based on this increased shareholding. The effect of the increase by Mr Rodwell and his associates on the control of Adcorp is set out in detail in the cleansing notice lodged with ASX today, 11 September 2018. Shareholders are recommended to review the cleansing notice before investing.

Commenting on the restructure and the launch of the capital raising, Adcorp Chief Executive Officer and Managing Director, Alex Parsons, stated:

“After a complete strategic review of the business, focussed on both short and long term opportunities, we have developed a strategic plan for the business which the Board has endorsed and we will now implement. This plan will see us raise capital via a rights issue and transition our Australian Agency business to a newly branded, smaller yet profitable, strategic marketing solutions business. This new business together with our other profitable operating divisions of New Zealand, Quadrant and Showrunner, and with our 15% stake in Shootsta, is expected to generate both positive cashflows and EBITDA for the Adcorp group.

While we require short term capital to implement these changes, they will present an inflection point on historical financial performance, resulting in a positive EBITDA and cash generative business, albeit off a smaller base, providing future value for shareholders.

Once we have completed this transformation and the operational requirements of the business evolve, I will move to a non-executive, advisory role and David Morrison will become our operational CEO moving forward.

We believe that, after many years of losses, the implementation of this new long term strategy will create an unencumbered future for the business, one which acknowledges and works with market trends and generates long term sustainable growth for both the agency and video aspects of our Company.”

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Shareholder enquiries

Further details of the Offer, including the underwriting arrangement and control effects, are included in the offer booklet to be lodged with ASX today, 11 September 2018, and despatched to Adcorp shareholders on or about 19 September 2018. All relevant Adcorp documents lodged and disclosures made by the Company are available on the ASX website at www.asx.com.au (ASX code: AAU) and on the Adcorp website at www.adcorp.com.au.

Key dates

Key dates** for the Offer are as follows:

Event	Date
Send notice to Eligible Shareholders and Ineligible Shareholders	Wednesday, 12 September 2018
“Ex” date <i>Securities quoted on an “ex”-entitlement basis</i>	Thursday, 13 September 2018
Rights start trading on a deferred settlement basis	Thursday, 13 September 2018
Record Date	7:00pm (Sydney time) on Friday, 14 September 2018
Offer Booklet and Entitlement and Acceptance Form despatched to shareholders	Wednesday, 19 September 2018
Offer opens	
Rights trading ends	Wednesday, 26 September 2018
Securities quoted on a deferred settlement basis	Thursday, 27 September 2018
Closing Date	5:00pm (Sydney time) Wednesday, 3 October 2018, unless extended
Notify ASX of under subscriptions	Monday, 8 October 2018
Issue Date	Wednesday, 10 October 2018
Trading of New Shares expected to commence on ASX	Thursday, 11 October 2018

** These dates are indicative only and are subject to change. Adcorp reserves the right, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable. In particular, Adcorp reserves the right to extend the Closing Date, accept late applications under the Offer (either generally or in particular cases) and to withdraw or vary the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the allotment and issue of New Shares. Adcorp will consult with the Underwriter in relation to any change to this indicative timetable and any such change may require the consent of the Underwriter.

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About Adcorp Australia Limited

Adcorp is a publicly listed Australian company. With its head office in Sydney, Adcorp is a full service marketing and communications agency with offices located throughout Australia and New Zealand. Over its 37 years in business, Adcorp have honed its skills in delivering marketing results for its clients within a rapidly changing consumer environment and media landscape.

Robust strategy, digital solutions, media knowledge, cut-through creative and content creation is supported by Adcorp's efficient technology delivery systems.

Adcorp prides itself on our client relationships and with over 600 clients across a diverse range of sectors; both business and government, Adcorp is starting conversations that are designed to exceed expectations.

For more information on Adcorp, visit the website at www.adcorp.com.au and for comment, contact Alex Parsons (Chief Executive Officer and Managing Director) on +61 (02) 8524 8555.

Not for release to US wire services

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