



# adcorp

24 January 2018

## **BUSINESS UPDATE AND ADDITIONAL FUNDING SECURED**

### **UPDATE**

Adcorp is pleased to announce that its series 72 Dangerous Animals Latin America has launched as a Netflix Original and started screening globally on 22 December 2017. Production is well underway on 72 Dangerous Animals Asia which is due to be delivered to Netflix mid-2018. This marks a significant milestone in the ongoing development of Showrunner's reputation as a factual documentary maker.

As previously announced, Adcorp was expecting a trial date to be set for Adcorp's claim against Dentsu Mitchell Media Australia Pty Ltd for its decision to terminate Adcorp in respect of the services that Adcorp provided to them in relation to the Australian Government Master Media Agency Contract. This trial date is likely to be set in the next three months.

In the CEO Address to Shareholders on 24 November 2017 at the Company's Annual General Meeting, it was highlighted that the performance of the Traditional Agency business has been impacted by soft trading conditions and poor new business conversion rates.

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### **ADDITIONAL FUNDING SECURED**

As a result of the upfront investment in the documentary productions outlined, and also for additional working capital requirements, Adcorp has secured two additional funding sources for its short-term needs.

### **Expansion of the existing Invoice Finance Facility and Debtor Finance**

Adcorp has had an Invoice Finance Facility provided by 1st Cash Pty Ltd, trading as Thorn Trade and Debtor Finance ("Thorn") since December 2016. This facility only applied to Adcorp Australia Limited's Debtors book and Adcorp has now expanded the use of that facility secured against Adcorp New Zealand Limited's Debtors book to provide further

### **Starting conversations**

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working capital capacity as required. The increased facility comprises of two elements, both commencing 25 January 2018:

1. Increased advance rate on debtors ledger for an eight week period expected to generate approximately \$0.2m additional funding;
2. \$0.2m short term loan repayable on or before 27 April 2018.

Whilst this additional funding expires by 27 April 2018, a Deed of Subordination requires Thorn to be repaid before Millennium Company Pty Ltd ATF The Rodwell Trust (see below) and therefore Adcorp expects to repay the additional funding to Thorn out of normal operating cash flow by 12 March 2018.

## Related Party Loan

Adcorp has secured a short-term \$0.5 million loan ("Loan Facility") from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust (ACN 169 798 798) ("the Lender"), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. This loan will be used if required to fund working capital. An interest rate of 12% pa applies to the loan.

The Loan Facility is to be secured by a second ranking security in favour of the Lender ("Security"). As this is a related party loan, Adcorp sought and received a waiver of ASX Listing Rule 10.1 ("Waiver") to allow the Security to be granted without obtaining Shareholder approval under ASX Listing Rule 10.1. Subject to obtaining the consent of its first secured lender, Thorn, the Company intends to grant the Security to the Lender as soon as practicable. Drawdown of the Loan is subject to the Security being granted.

The Company will, if requested by the Lender, seek shareholder approval under Listing Rule 10.1 for the Security. If shareholder approval is obtained, the Waiver falls away as it is no longer required. If Shareholder approval is not obtained, the Security can remain in place but the Lender, on an event of default by the Company under the Loan Facility, is bound by the condition (a) below which prohibits it acquiring any interest in the Company's assets through exercising its rights under the Security.

The Waiver is subject to the following conditions:

- a) if an event of default occurs and the Lender exercises their rights under the Security, neither the Lender nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal

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with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lender exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Lender or any of its associates in accordance with their legal entitlements;

- b) a summary of the material terms of the Security must be made in each annual report of the Company during the term of the Security;
- c) any variations to the terms of the Security which is not a minor change, or which is inconsistent with the terms of the Waiver, must be subject to shareholder approval;
- d) the Company and the Lender must seek to discharge the Security when the funds advanced to the Company are repaid, or, if it is not discharged, seek shareholder approval for the continuation of the Security for any further period; and
- e) the Company must immediately release to the market an announcement which sets out the terms of the Waiver and the transaction, and:
  - i. the Company's plans with respect to the repayment of the funds advanced under the Loan Facility, and discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur; and
  - ii. a statement of the reasons why the Company has chosen to obtain a financial accommodation from a listing rule 10.1 party rather than a lender that is not a related party, and the steps the Company's board has taken to satisfy itself that the transaction is being entered into on arms' length terms and is fair and reasonable from the perspective of the Company's shareholders.

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Under the terms of the Loan Facility, the Company intends to drawdown the Loan Facility on 29 January 2018 (subject to the Security being entered into) and has agreed to repay all of the outstanding Loan Facility by 12 March 2018. The Company may repay all or part of the outstanding Loan Facility early without penalty. The Company expects to repay the Loan Facility out of its normal operating cash flow and discharge the Security shortly thereafter.

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The Company has entered into the Loan Facility with a related party as the Loan Facility is on more favourable terms and given the short loan term; the Board determined this was preferable to what could be obtained from unrelated party lenders.

~ends~

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For further information, please contact:

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