



## ASX ANNOUNCEMENT

15 April 2020

# THREAT PROTECT SECURES FURTHER FUNDING TO CONSOLIDATE OPERATIONS AND INCREASE PROFITABILITY

### High Lights

- A\$6.5m of debt raised from Black Crane, which subject to shareholder approval will become convertible
- Amendment to covenants and principal reduction on senior debt facility with Soliton Capital Partners / SSG (Soliton/SSG) debt
- Principal reduction in existing Soliton / SSG debt facility
- Cost Cutting Committee has developed an extensive cost reduction plan that is currently being implemented

### Black Crane A\$6.5m Loan Note Deed

Threat Protect Australia Limited ('**Threat Protect**' or '**Company**') (ASX: "TPS") is pleased to announce that it has entered into an unsecured convertible loan note deed (**Loan Note Deed**) with its existing strategic investor, Black Crane Asia Opportunities Fund (**Black Crane**) to access an additional \$6,500,000 in funding (**Black Crane Loan**).

The Company welcomes this further support from Black Crane, which first became a substantial holder in the Company following its strategic investment back in December 2019. The Company notes that following the January appointment to the Threat Protect board of Mr Peter Kennan (who is also the CEO and CIO of Black Crane Capital, which manages Black Crane), Black Crane is now considered a related party of the Company and accordingly, the terms of the Loan Note Deed were negotiated and agreed on an arm's length basis with Mr Kennan abstaining.

The funding received will further secure Threat Protect's position to accelerate its growth strategy and will be specifically applied to:

- Finance further synergies from the consolidation of operations and administration, and leveraging the increased scale of operations
- Reduce the Soliton/SSG debt facility (details of which were announced on 4 March 2019) (**Soliton/SSG Debt**) by \$1.5m resulting in a net interest cost saving of \$90,000 per annum.
- Improve working capital

The key terms of the Black Crane Loan are:

- **Loan Amount:** \$6,500,000
- **Term:** 3 years from the date the funds are advanced being 15<sup>th</sup> April 2020
- **Security:** The Black Crane Loan is unsecured.
- **Interest:** 5% per annum, accruing monthly. Interest is payable upon final repayment or by conversion into shares if the loan is converted.

### THREAT PROTECT AUSTRALIA LIMITED

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- **Shareholder Approval:** Within 90 days of the entry into the Loan Note Deed, the Company must seek shareholder approval to enable the ultimate conversion of the Black Crane Loan (including accrued interest) into Threat Protect shares at the election of Black Crane. As Black Crane is currently a substantial shareholder, the conversion may result in Black Crane's relevant holding increasing over 20%, accordingly the Company is required to seek shareholder approval pursuant to section 611 item 7 of the Corporations Act.
- **Failure to obtain Shareholder Approval:** If the required shareholder approval is not obtained, the full Black Crane Loan plus a 5% premium will become repayable within 90 days of the shareholder meeting.
- **Conversion Price:** Subject to receiving shareholder approval, the outstanding monies under the Black Crane Loan will be convertible into Threat Protect shares, at the election of Black Crane, at a conversion price of \$0.10 per share (subject to adjustments due to intervening capital reorganisation or dilution events).
- **Conversion Period and Right:** Subject to receiving shareholder approval and following the initial 6 months of the Term, Black Crane can exercise its right to conversion within a 10-business day conversion window commencing on each calendar quarter during the Term.
- **Repayment:** In the event the Black Crane Loan has not been converted or otherwise repaid at the end of the Term, Threat Protect will be required to repay all remaining outstanding monies.
- **Structuring Fee:** A structuring fee of 7% of the Loan Amount will be paid to an affiliate of Black Crane Capital.

In order to obtain the required shareholder approvals, the Company is in the process of drafting the required notice of meeting and arranging the independent expert report required. The Company anticipates that the required shareholder meeting will be held in early July 2020 and the Company will continue to update the market and its shareholders with any developments as required.

### **Changes to the Soliton Debt Facility Financial Covenants**

In addition, the Company has entered into an amendment agreement in respect of the Soliton/SSG Debt. The amendment agreement primarily varies certain financial covenants applicable to the Soliton/SSG Debt, along with some consequential changes. The changes to the financial covenants for the Soliton/SSG Debt are as follows:

#### Total Net Debt

Change to thresholds and calculation dates for Total Net Debt to EBITDA ratio:

<b>Calculation Date</b>	<b>Threshold</b>
30 June 2020	Previous: 5.5 Revised: 9.5
30 September 2020	Previous: 5.5 Revised: 8.5
31 December 2020	Previous: 5.5 Revised: 8.0
Each subsequent Calculation Date	Previous: 5.5 Revised: 7.25

#### Gross Secured Debt to Recurring Monthly Revenues (RMR)

Change to testing for RMR covenant:

<b>Previous covenant</b>	<b>Revised covenant</b>
Total Net Debt to RMR must not exceed 25	Gross Secured Debt to RMR must not exceed 21

## Gross Secured Debt to EBITDA

Change to threshold for ratio of Gross Secured Debt to EBITDA:

Calculation Date	Threshold
30 June 2020	Previous: 5.25 Revised: 7.0
30 September 2020	Previous: 5.0 Revised: 6.25
31 December 2020	Previous: 5.0 Revised 5.75
Each subsequent Calculation Date on or before 30 September 2021	Previous 4.75 prior to 30 June 2021 (4.5 on and after 30 June 2021). Revised: 5.25
Each subsequent Calculation Date after 30 September 2021	Previous 4.5 Revised: 5.0

## Annualised Customer Churn Rate

Change to testing for Annualised Customer Churn Rate covenant.

Calculation Date	Threshold
31 March 2020	Previous: 15% Revised: 18%
Each subsequent Calculation Date falling on or before 30 September 2020	Previous: 15% Revised: 18%
Each Subsequent Calculation Date	Previous: 15% Revised: 15%

In addition to the above financial covenants, Threat Protect must ensure that at all times until the Soliton/SGC Debt is fully satisfied, the Threat Protect group maintains liquidity (of cash and agreed cash equivalents) of not less than \$1,000,000.

### **Update of Cost Cutting Committee**

The cost cutting committee has commenced its review of operations and identified a portfolio of improvement opportunities which are being implemented at the date of this release. The committee looks forward to updating the market of these in due course.

### **COVID-19 Risk Management Update**

The Company has implemented risk management processes to protect our personnel and customers. In addition, specific crisis management plans have been developed where, should one or more of our locations be affected by COVID-19, the Company will continue to provide services by utilising recent improvements in voice and data interconnectivity.

At this stage the Company expects no material change to revenues as a result of COVID-19.

This announcement has been authorised for release by the Board.

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For further information, contact:

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## **About Threat Protect Australia Limited**

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end-to-end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it "**Security Without Compromise**".

- Threat Protect is a leading Australian security agency fully licensed by WA, NSW, Victoria, Queensland and South Australian police departments, and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We will personally evaluate your security needs.
- All products and services meet Australian Standards.
  - 24-hour monitoring from our three A1 graded control rooms, located in Perth, NSW and South Australia.