



## ASX ANNOUNCEMENT

24 September 2021

### Announcement of Placement and Entitlement Offer

#### Key Highlights

- Equity raising to recapitalise Threat Protect, allowing the Company to pursue a complete refresh, restructure, and refinance of its balance sheet.
- Fully underwritten 23-for-1 accelerated renounceable entitlement issue to raise up to approximately A\$32 million.
- New shares to be issued at A\$0.005 per share.
- The Company has received binding commitments from professional, sophisticated, and institutional investors to subscribe for 36,143,441 Shares at an issue price of \$0.005 per Share to raise approximately A\$0.18 million in a placement under the Company's new issue capacity.
- Funds raised under the Entitlement Offer (together with the Placement) are intended to be used for the reduction of the Company's debt, provide working capital and provide funds for further customer line acquisitions.

#### Background

Threat Protect Australia Limited (ASX:TPS) (to be renamed "Intelligent Monitoring Group", subject to shareholder approval) ("**Threat Protect**" or the "**Company**") is pleased to announce that it is conducting a fully underwritten accelerated renounceable entitlement issue of twenty-three (23) Shares for every one (1) Share held by those Eligible Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$31,866,468 (before costs) (based on the number of Shares on issue as at the date of this Prospectus) ("**Entitlement Offer**").

In addition to the Entitlement Offer, the Company has received binding commitments from professional, sophisticated, and institutional investors to subscribe for 36,143,441 Shares at an issue price of \$0.005 per Share to raise \$180,717 (before costs) ("**Placement**") (together with the Entitlement Offer, the "**Offer**"). Placement shares will be issued on a cum-entitlement basis. The Placement is not subject to Shareholder approval as it is being conducted pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1.

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After an intensive 18-month integration and rationalisation program, the Company has improved its Earnings Before Interest, Tax, Depreciation and Amortisation (**EBITDA**) from -\$5.8m in FY19 to \$4.3m in FY21 and is now operationally stable and looking towards a promising future. However, to move forward, it is necessary for the Company to reduce and restructure its debt, whilst also providing working capital to unlock further growth opportunities inherent in its business model.

Dennison Hambling, Executive Director said:

“This capital raising, and debt restructure and simplification is the final step in the turn-around of Threat Protect and transformation of the Company under its new name, Intelligent Monitoring Group. The past 18 months have involved a lot of hard and dedicated work by our team, led by CEO John Hallam. The business is now stable and positioned for growth. A final and necessary step is to ensure we reduce our debt, have appropriate funding costs and repayment terms, and sufficient working capital to invest in the business. We expect the Company’s current position as the leading independent monitoring business to be enhanced by working even closer with our 700+ reseller partners and offering both wider and deeper solutions in a now, Internet-of-Things (IOT) based world. Combined with further expected industry consolidation, we are confident we can grow this business into a larger, more attractive operation, with improving margins from scale and excellent service”.

### **Equity Raising Details**

The Entitlement Offer is being conducted through:

- an accelerated offer to Eligible Institutional Shareholders (“**Institutional Entitlement Offer**”), which will comprise the issue of 3,552,744,289 Shares at an issue price of \$0.005 per Share to raise up to \$17,763,721 (before costs), and which is expected to settle on 30 September 2021; and
- an offer to Eligible Retail Shareholders (“**Retail Entitlement Offer**”), which will comprise the issue of up to approximately 2,820,549,248 Shares at an issue price of \$0.005 per Share to raise up to approximately \$14,102,746 (before costs) and which is expected to settle on 18 October 2021.

The Entitlement Offer provides all Shareholders the opportunity to subscribe for 23 Shares (“**New Shares**”) for every existing share held as at 5PM Western Standard Time (WST) on Tuesday, 28 September 2021 (“**Record Date**”).

All New Shares offered under the Offer will be issued at a price of A\$0.005 per New Share, which represents a 75% discount to the last traded price of A\$0.020 per Share on 21 September 2021.

### **Underwriting**

The Company has entered into an agreement with Morgans Corporate Limited (**Morgans**), pursuant to which Morgans have agreed to act as lead manager and underwriter to the Offer (**Underwriting Agreement**). Pursuant to the Underwriting Agreement, Morgans have agreed to fully underwrite the Entitlement Offer.

The material terms of the Underwriting Agreement, including the fees to be paid to Morgans in consideration for its lead manager and underwriting services, are set out in the Prospectus. The

underwriting commitment by Morgans provides the Company with the funding certainty required to successfully implement its recapitalisation strategy.

### **Black Crane Participation and Sub-Underwriting**

Major shareholder Black Crane Asia Pacific Opportunities Fund (**Black Crane**) has committed to sub-underwrite up to \$15,406,250 of the Entitlement Offer, in addition to indicating that it intends to subscribe for its full entitlement under the Offer, being a further \$3,593,750. Black Crane is a related party of the Company by virtue of being controlled by Director Peter Kennan.

As previously disclosed<sup>1</sup>, on 14 April 2020, the Company entered into a loan note deed with Black Crane (as subsequently varied) (**Loan Note Deed**) pursuant to which it agreed to issue Black Crane 6,500,000 loan notes (**Loan Notes**), each with a face value of \$1.00, for an aggregate subscription of \$6,500,000. As at 31 August 2021, the amount owing by the Company to Black Crane under the Loan Note Deed is \$7,033,062 (**Black Crane Loan**) and capitalised interest will continue to accrue on the Black Crane Loan at 5% per annum. Black Crane's subscription for its entitlement or its sub-underwriting commitment may be met through offsetting the obligation due to it under the Black Crane Loan, with the balance payable to the Company in cash.

The strong capital commitment by Black Crane is a clear reflection of its confidence in the outlook for the business. Black Crane CIO Peter Kennan (also the Chairman of the Company) stated:

"After investing considerable time in this business over the past 18 months, and seeing it consolidate to a stable attractive operation, I am excited to see the business appropriately financed to be able to unlock the strong growth potential and earnings leverage that its highly fixed cost model allows."

Further details of Black Crane's interest in the Company and participation in the Rights Issue will be set out in detail in the Prospectus.

Dennison Hambling, Executive Director, stated:

"Peter Kennan and I have worked together on several investments in the past. Intelligent Monitoring Group represents a new opportunity, and much like each of our prior investments, has taken time and resources to position for the growth we expect. Now that the business has established a solid operational base, I welcome the strong capital commitment from Black Crane and look forward to working with Peter and our respective teams to become a leading company of scale in the monitoring space."

### **Use of Funds**

Funds raised under the Placement and the Entitlement Offer will be used for the repayment or reduction of the Company's debt facilities with the following parties:

- (a) Ares Management Corporation (NYSE: ARES) (formally Soliton Capital Partners Pty Limited) (**Ares**) ("**Secured Debt**");

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<sup>1</sup> Refer to Threat Protect's ASX announcement, dated 14 April 2020, titled "Threat Protect Secures Further Funding" for further details.

- (b) Black Crane (“**Black Crane Loan**”); and
- (c) First Samuel Limited (**First Samuel**) (“**Loan Notes**”).

Refer below for further information on the revised debt arrangements.

In addition to repayment of the above debt facilities, funds will also be applied towards transaction costs and working capital. Upon completion of the Offer, the Principal amount of financial debt outstanding will be reduced to approximately \$27.2 million, and the terms of the remaining facilities will be varied as set out below.

Table 1: Sources of funds

Sources of funds	A\$m
Placement Proceeds	0.18
Entitlement Offer Proceeds	31.87
<b>Total</b>	<b>32.05</b>

Table 2: Uses of funds<sup>2</sup>

Uses of funds	A\$m
Ares Repayment	8.90
Black Crane Loan	7.06
Loan Notes	5.70
Transaction costs	2.90
Cash available for growth initiatives	7.49
<b>Total</b>	<b>32.05</b>

### Additional Information

Each New Share issued under the Offer will rank equally with existing fully paid ordinary shares in Threat Protect on issue. Threat Protect will, upon issue of the New Shares under the Offer, seek quotation of the New Shares on the ASX.

<sup>2</sup> The use of funds table above assumes Black Crane fully offsets the Black Crane Loan against its sub-underwriting obligation, which would occur if the Shortfall allocation to Black Crane is more than the outstanding Black Crane Loan. Refer to the Prospectus, dated 24 September 2021, for further details.

Eligible institutional shareholders will be invited to participate in the accelerated institutional component of the Entitlement Offer (“**Institutional Entitlement Offer**”), which is being conducted today, Friday, 24 September 2021.

The retail component of the Entitlement Offer (“**Retail Entitlement Offer**”) will be open from Monday, 4 October 2021 to close of trading on Monday, 18 October 2021 to Threat Protect shareholders on the Record Date who were not offered to participate in the Institutional Entitlement Offer.

The Entitlement Offer is being extended to all Shareholders at the Record Date. This includes Shareholders with a registered address in Australia, New Zealand, Canada, Germany, Hong Kong, Isle of Man, Philippines, The United Republic of Tanzania, United Arab Emirates, United Kingdom and Zambia Eligible retail Shareholders can choose to take up all, part or none of their Entitlements. You may accept a lesser number of Shares should you wish to take up only part of your Entitlement.

The Prospectus in respect of the Offer has been lodged with the ASX today and is expected to be mailed to eligible retail shareholders on Monday, 4 October 2021. In addition to taking up their Entitlement in full, eligible retail shareholders may apply for additional Shares (**Additional Shares**) under a ‘top up’ facility whereby the Company is offering Additional Shares to those Eligible Retail Shareholders who take up their Entitlements in full. Additional Shares will only be available where there is a shortfall between the Entitlements being offered to Eligible Retail Shareholders under the Retail Entitlement Offer and the Entitlements taken up by Eligible Retail Shareholders (“**Shortfall**”). In the event there is a Shortfall, the Shortfall will be allocated to Eligible Retail Shareholders who apply for Additional Shares as a priority.

The Entitlement Offer is renounceable, and entitlements will be tradeable and otherwise transferable.

Morgans Corporate Limited are acting as lead manager, bookrunner and underwriter to the Offer. Further details of the underwriting agreement are set out in the Prospectus.

Azure Capital are acting as financial advisor and Steinepreis Paganin as legal counsel to Threat Protect in relation to the Offer

### **Proposed Name Change**

As previously disclosed<sup>3</sup>, the Company intends to change its name to Intelligent Monitoring Group Limited (proposed ASX Code: IMB) to more accurately reflect the broader range of operations and activities of the Company moving forward. A shareholders meeting seeking approval to change the name will be convened in due course.

At this meeting, the Company will also propose a consolidation of its share capital on a 100:1 basis.

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<sup>3</sup> Refer to Threat Protect’s ASX announcement, dated 12 August 2021, titled “Proposed Name Change & Executive Director Appointment” for further details

## Debt Arrangements

The Company has entered into agreements with its lenders to restructure its debt facilities in order to reduce the current amounts outstanding and amend the terms and conditions such that the debt facilities are on terms more sustainable for the Company's business. These changes are outlined below.

### *Ares Secured Debt*

The Company currently owes Ares approximately \$34.9 million. Ares and the Company have agreed to the following material variations:

- The Company is to make a minimum principal repayment from the proceeds of the Offer of \$7,742,610. In addition, a redemption premium of 15% is payable so the total payment to Ares is \$8,904,001\*;
- Two further repayments are due of \$750,000 each, on each of 31 March and 30 September 2022, and all other repayments under the existing repayment schedule have been removed;
- The term of the facility is extended to 30 September 2023; and
- The financial covenants have been revised to better match the Company's short-term outlook, as set out in Appendix 2

### *Black Crane Loan*

As stated above Company currently owes Black Crane approximately \$7,033,062 (inclusive of the principal amount and accrued interest, which will continue to accrue) under the Loan Note Deed. Black Crane and the Company have agreed to the following material variations in respect of the repayment of the Black Crane Loan:

- Black Crane may offset up to 100% of the outstanding balance of the Black Crane Loan against its sub-underwriting commitment and participation in the Entitlement Offer, and all amounts offset will be redeemed;
- If the Black Crane Loan is fully redeemed through Black Crane offsetting its participation in the Entitlement Offer and sub-underwriting commitment:
  - the Black Crane Loan will be fully repaid and redeemed (and no Loan Notes will remain on issue); and
  - the Black Crane Loan Deed will be terminated and the parties will be deemed to have satisfied all obligations under the Black Crane Loan Note Deed such that no parties will have any obligations outstanding.
- If the outstanding balance of the Black Crane Loan is not fully offset through payment for Black Crane's participation and sub-underwriting commitment under the Entitlement Offer, the Black Crane Loan Deed will remain on foot but varied as follows:
  - The term of the facility will be extended to 31 December 2023; and
  - The balance will cease to be convertible.

- \*If, as set out above any proportion of the Black Crane Loan is not redeemed through offset against Black Crane’s commitments under the Entitlement Offer, the repayment to Ares will be increased so that the amount that would have been paid to Black Crane, is paid to Ares (inclusive of accrued interest and redemption premium).

Under the terms of the agreement, the Company is due to pay Black Crane Advisors a fee of \$600,000 for providing support and advice in respect of the structuring and execution of the Entitlement Offer and for procuring Black Crane to enter into the agreement and a fee of \$800,000 for procuring Black Crane’s sub-underwriting commitment.

#### *Loan Notes*

The Company currently owes \$9,400,267. The Company has negotiated that it will repay \$5,700,000 and the outstanding balance due of \$3,700,267 will be forgiven. Upon this payment being made all obligations under the Loan Notes will be released and terminated.

A table showing the expected debt position of the Company at completion of the Offer is set in Appendix 1.

#### **Offer Timetable**

An indicative timetable of key dates in relation to the Offer is outlined in Table 3.

Table 3: Indicative Offer timetable

<b>Event</b>	<b>Date</b>
<b>Entity enters trading halt</b>	Prior to market open on Wednesday 22 September 2021
<b>Company conducts Placement</b>	Wednesday 22 September 2021 and Thursday 23 September 2021
<b>Announcement of Placement and Entitlement Offer</b> <b>Lodge Appendix 3Bs with ASX</b> <b>Lodge Prospectus with ASIC and ASX</b>	Prior to 10am (WST) on Friday 24 September 2021
<b>Company conducts Institutional Offer (including bookbuild for Institutional Offer Shortfall)</b>	Friday 24 September 2021 and Monday 27 September
<b>Settlement and issue of Placement Shares</b> <b>Lodgment of Appendix 2A for the Placement Shares</b>	Monday 27 September
<b>Announcement of results of Institutional Offer</b> <b>Quotation of Placement Shares</b> <b>Trading resumes on an ex-rights basis</b> <b>Retail Rights start trading on deferred settlement basis</b>	Prior to market open on Tuesday 28 September 2021

<b>Record Date for the Entitlement Offer</b>	5:00pm (WST) on Tuesday 28 September 2021
<b>Settlement of Institutional Offer Shares (including Institutional Offer Shortfall)</b> <b>Lodgment of Appendix 2A for the Institutional Offer (by 12:00 PM AEST / 10:00 AM WST)</b>	Thursday 30 September 2021
<b>Issue of Institutional Offer Shares (including Institutional Offer Shortfall)</b> <b>Quotation of Institutional Offer Shares</b>	Friday 1 October 2021
<b>Prospectus dispatched to Retail Shareholders</b> <b>Company announces dispatch has completed</b> <b>Opening Date for Retail Offer</b>	Monday 4 October 2021
<b>Retail Rights trading ends</b>	Close of trading on Monday 11 October 2021
<b>Securities quoted on a deferred settlement basis</b>	Tuesday 12 October 2021
<b>Last day to extend Retail Offer closing date*</b>	Wednesday 13 October 2021
<b>Closing Date of Retail Offer**</b>	Monday 18 October 2021
<b>Announcement of results of Retail Offer</b>	Thursday 21 October 2021
<b>Bookbuild for any Retail Offer Shortfall (if applicable)</b>	Thursday 21 October 2021 to Monday 25 October 2021
<b>Announcement of results of Retail Offer Shortfall bookbuild</b>	Tuesday 26 October 2021
<b>Settlement of Retail Offer</b> <b>Issue of Retail Offer Shares</b> <b>Lodgment of Appendix 2A with ASX</b>	Thursday 28 October 2021
<b>Quotation of Retail Offer Shares</b>	Friday 29 October 2021
<b>Settlement of Retail Offer Shortfall</b> <b>Issue Retail Offer Shortfall Shares</b>	On or before Monday 8 November 2021
<b>Quotation of Retail Offer Shortfall Shares</b>	Tuesday 9 November 2021

Note: The timetable above is indicative only and may be subject to change. Threat Protect reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Threat Protect reserves the right to extend the closing date of the Entitlement Offer, to accept late applications under the Offer (either generally or in particular cases) and to withdraw the Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

## **Further Information**

Further details of the Offer are set out in the Investor Presentation and Prospectus also lodged on the ASX today. The Investor Presentation and Prospectus contain important information including key risks and foreign selling restrictions with respect to the Offer.

If you have any questions in relation to the Offer, please contact the Company Secretary by phone on +61 (0)8 6377 8043 between 8:30am and 5:00pm (WST) Monday to Friday. For other questions, you should consult your broker, solicitor, accountant, financial adviser, or other professional adviser.

This ASX release was authorised by the Board of Threat Protect.

For further information contact:

### **Investor enquiries**

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### **Threat Protect Australia Limited**

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## Appendix. 1

### Principal Debt Balance at Completion

Facility	Balance at completion (Minimum Entitlement subscription)	Key Terms
Ares – Senior Loan Notes	\$27,178,384	Maturity Date: 30 September 2023 Interest rate: 10.5%
Black Crane Loan	-	Maturity Date: 31 December 2023 Interest rate: 5.0%
<b>Total</b>	<b>\$27,178,384</b>	

**Note:** this table assumes that all the Black Crane debt will be repaid. In certain circumstances, not all of the Black Crane debt will be repaid as a consequence of the Entitlement Offer, in which case, the amount payable to Ares would increase correspondingly.

## Appendix. 2

### Ares Senior Loan Notes Revised Financial Covenants

Covenants	Existing	Revised
Total Net Debt to EBITDA	7.25x	7.00x from 30-Jun-2021 Tailing to 4.75x from 31-Mar-2023 onward
Gross Secured Debt to RMR	21.00x	20.00x from 30-Jun-2021 Tailing to 19.00x from 31-Dec-2023 onward
Gross Secured Debt to EBITDA	5.00x	7.25x from 30-Jun-2021 Tailing to 5.50x from 30-Sep-2022 onward
Annualised Churn	15%	15.0% from 30-Sep-2020 onward
Capital Expenditure relating to acquisitions and conversions	n.a	Must not exceed A\$2,700,000 in any Financial Year
Capital Expenditure - other	n.a	Must not exceed A\$2,000,000 in the financial year ending 30 June 2022 or A\$300,000 in any other Financial Year
Minimum Liquidity	\$1m	Unchanged