



QMS Media Limited
214 Park Street
South Melbourne, VIC 3205
T +61 3 9268 7000
www.qmsmedia.com

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QUADRANT PRIVATE EQUITY TO ACQUIRE QMS MEDIA LIMITED

Key Highlights

- QMS Media Limited (ASX:QMS, **QMS Media** or the **Company**) has today entered into a Scheme Implementation Deed (**SID**) with an entity controlled by Quadrant Private Equity, and its institutional partners (together, **Quadrant**), under which Quadrant has agreed to acquire 100% of the issued share capital of QMS Media via Scheme of Arrangement (**Scheme**) in an all cash offer of A\$1.22 per share (**Scheme Consideration**) subject to the Rollover Shareholders (as defined below) being entitled to elect to receive a percentage of their Scheme Consideration as scrip consideration.
- Subject to QMS Board approval, QMS Shareholders will also be entitled to receive a final dividend of up to 1.3 cents per share for the financial year ending 31 December 2019 (**Final Dividend**). The payment of the Final Dividend will not alter the Scheme Consideration that is payable under the Scheme.
- The Scheme Consideration values QMS Media's equity at approximately \$420.6 million and an enterprise value (**EV**) of \$571.6 million¹, implying an EV/CY19 EBITDA multiple of 9.4x²
- The Scheme Consideration of A\$1.22 per share represents:
 - 36.3% premium to the undisturbed closing price on 23 October 2019 of \$0.895 per share³
 - 39.1% premium to the 3-month VWAP to 23 October 2019 of \$0.877 per share³
 - 48.9% premium to the 6-month VWAP to 23 October 2019 of \$0.819 per share³
- QMS Media's Board of Directors unanimously recommend the Quadrant Scheme in the absence of a Superior Proposal and subject to an Independent Expert concluding and continuing to conclude that the Scheme is in the best interests of QMS Media shareholders.
- The Scheme assumes continuing engagement of QMS personnel in the ordinary course and provides for equity rollover by entities controlled by QMS Media Group CEO Barclay Nettlefold and QMS Media Australia CEO John O'Neill (together **Rollover Shareholders**), who are entitled to elect to receive all or some of their Scheme Consideration as scrip consideration (being shares in the holding company of the acquiring entity) rather than cash consideration.
- The Scheme is subject to certain conditions, including approval from QMS Media shareholders, the Australian Foreign Investment Review Board (**FIRB**) and the New Zealand Overseas Investment Office (**OIO**).

¹ Based on reported net debt of \$151m as at 30 June 2019, shares outstanding as at 29 October 2019 of 344,737,836

² Based on underlying CY19 EBITDA forecast of \$61m excluding the impact of AASB 16 (mid-point guidance issued to the market on 23 August 2019)

³ 23 October 2019 being the day prior to press speculation regarding potential takeover interests in QMS Media

Overview

QMS Media has entered into a Scheme Implementation Deed with Quadrant under which Quadrant will acquire 100% of the issued share capital of QMS Media for a cash price of \$1.22 per share by way of a court-approved scheme of arrangement. The Scheme Consideration of \$1.22 per share values QMS Media equity at approximately \$420.6 million, and at an enterprise value of \$571.6 million.

Subject to QMS Board approval, QMS Shareholders will also be entitled to a final dividend of up to 1.3 cents for the financial year ending 31 December 2019. The payment of the Final Dividend will not alter the Scheme Consideration that is payable under the Scheme.

QMS Media Directors Unanimously Recommend the Scheme

QMS Media's Board of Directors unanimously recommend that QMS Media shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of QMS Media shareholders.

Each Director of QMS Media intends to vote all the QMS Media shares that he or she holds or controls in favour of the Scheme, subject to those same qualifications. Barclay Nettlefold makes that recommendation and declares that intention to vote in the context of his controlled shares being likely to form a different class (with those of the other Rollover Shareholders) for the purposes of the Scheme (as discussed further below).

Further Barclay Nettlefold and David Edmonds each make that recommendation and declare that intention to vote in the context of potentially receiving an additional benefit in the form of accelerated vesting of performance rights which they each hold. The Board of Directors of QMS is yet to consider and resolve treatment of the outstanding performance rights in the context of the Scheme. However, the vesting or otherwise of outstanding performance rights issued under the QMS Media Employee Incentive Plan has no impact on the Scheme Consideration payable to QMS Media shareholders.

When considering Barclay Nettlefold and David Edmonds' recommendation that QMS Media shareholders vote in favour of the Scheme, QMS Media shareholders should have regard to these potential performance rights arrangements, and Barclay Nettlefold's controlled shares being likely to form part of a different class of shareholders.

The Board of Directors of QMS Media believe that the Scheme is compelling for QMS Media shareholders for the following reasons:

- **Valuation:** The Scheme consideration of \$1.22 per share represents an EV of \$571.6 million, implying an EV / CY19 EBITDA multiple of 9.4x. This represents an attractive valuation having reference to a challenging media market as reflected in the share price performance of media peers which have declined on average ~7.6% year-to-date⁴. In comparison, the S&P/ASX200 Index has traded up 20.1% on a year-to-date basis.
- **Scheme Consideration Premium:** The Scheme Consideration of \$1.22 per share represents an attractive premium of:
 - 36.3% premium to the undisturbed closing price on 23 October 2019 of \$0.895 per share
 - 39.1% premium to the 3-month VWAP to 23 October 2019 of \$0.877 per share
 - 48.9% premium to the 6-month VWAP to 23 October 2019 of \$0.819 per share
- **Certainty of Value:** The 100% cash consideration provides QMS Media shareholders with certainty of value and the opportunity to realise their investment for cash, in full.

⁴ Share price performance based on media peers of oOh!media, Nine Entertainment, Southern Cross and Seven West Media

The Scheme of Arrangement is subject to limited conditions and is not subject to financing or due diligence.

QMS Media Chairman, Wayne Stevenson, said “Having fully considered a range of strategic alternatives in relation to some or all parts of the QMS business, including the receipt of an unsolicited proposal from Quadrant, the Board believes this offer allows QMS shareholders to realise significant value for their shares. Since QMS Media’s initial public offering in 2015, QMS Media has delivered significant shareholder value, as illustrated by the increase from its IPO price of \$0.65 to the Scheme Consideration of \$1.22”.

QMS Media Chief Executive Officer, Barclay Nettlefold said: “The recommended acquisition of QMS by Quadrant represents an excellent outcome for our shareholders, partners and employees. It is a testament to our sustained growth in a challenging market, and our continued market leading digital revenue contribution, led by our strong and experienced executive management team.”

Quadrant Private Equity Partner, Jonathon Pearce said “We are delighted to have an opportunity to partner with Barclay and his experienced team. QMS has a proven track record of delivering sustainable growth. Under Barclay’s continued leadership and with Quadrant providing additional capital, we believe the business will continue to grow and deliver innovative market leading solutions to customers across the Australia & New Zealand Media and Global Sports divisions.”

Details of the Scheme Implementation Deed

The implementation of the Scheme is subject to a number of conditions, including approval of QMS Media shareholders, the Federal Court of Australia, ASIC, ASX, FIRB and OIO, there being no material adverse change regulated event or prescribed occurrence, and an Independent Expert's Report concluding that the Scheme is in the best interests of QMS Media shareholders.

The SID includes customary exclusivity provisions and also details circumstances under which a break fee of \$4.2 million may be payable by QMS to Quadrant, depending on the circumstances.

The Rollover Shareholders may receive all or some of their Scheme Consideration in the form of shares in the ultimate holding company of the acquiring entity of QMS under the Scheme, instead of the cash consideration available to all other QMS Media shareholders. The Rollover Shareholders together hold 15% of the total QMS Media shares on issue. The Rollover Shareholders are required to make an election as to the percentage of their QMS Media shares for which they wish to receive scrip consideration instead of cash consideration prior to the Scheme becoming effective.

It is expected that the Rollover Shareholders will form a separate class of shareholders for the purposes of the Scheme and that there will be two scheme meetings - one for all Shareholders other than the Rollover Shareholders, and another for the Rollover Shareholders only. The Rollover Shareholders will then not be permitted to vote at the Scheme meeting of all other shareholders, but will be entitled to vote only at their own Scheme meeting. Both Scheme meetings would need to pass a resolution approving the Scheme for the Scheme to become effective.

Full details of the conditions to the Scheme, as well as other terms that have been agreed, are set out in the Scheme Implementation Deed. A copy of this document is attached to this announcement.

Indicative Timetable and Next Steps

QMS Media shareholders do not need to take any action at this point in time.

A Scheme Booklet containing information relating to the proposed acquisition, reasons for the Directors’ recommendation, an Independent Expert’s Report and details of the Scheme meeting will be prepared and provided to the ASIC for review, and subsequently sent to QMS Media shareholders.

Shareholders will then have the opportunity to vote on the Scheme at court-convened shareholder meetings of the class of shareholders to which they belong. Subject to shareholder approval being obtained by the requisite majorities and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented in the first quarter of CY2020 (this timing is indicative and subject to change).

QMS Media expects to update the market on an indicative timetable during November 2019.

CLSA is acting as financial adviser and Lander & Rogers as legal adviser to QMS in relation to the Scheme.

For more information, please contact:

Investors Relations

Malcolm Pearce
QMS Media Ltd
T: +61 3 9268 7000
Malcolm.pearce@qmsmedia.com

Media Advisor

Nick Errey
QMS Media Ltd
T: +61 2 8404 0640
Nick.errey@qmsmedia.com

About QMS Media

QMS Media Limited is a publicly listed company on the ASX. QMS is a leading outdoor media company in Australia, New Zealand and Indonesia, specializing in premium landmark digital and static billboards, street furniture, and sport, airport and transit media.

QMS three distinct business segments of QMS Australia, Mediaworks and QMS Sport continues to set QMS apart from the rest of the industry with each of the business segments having its own unique value proposition, growth profile and scalability.

About Quadrant Private Equity

Quadrant Private Equity is a leading private equity firm investing in companies in Australia and New Zealand. Since inception in 1996, Quadrant has raised in excess of \$5 billion from 10 funds. To date Quadrant has completed 71 investments across sectors including retail, healthcare, media, consumer foods, financial services. Quadrant's investors include Australian and global superannuation funds, investment funds and sovereign wealth funds.