

# THORNEY OPPORTUNITIES LTD

ACN 080 167 264

ASX Announcement: **24 January 2014**

ASX Code: **TOP**

## PROPOSED INVESTMENT

Please refer to attached announcement by Service Stream Limited [ASX:SSM] of a proposed \$20 million capital raising in which Thorney Opportunities Ltd has committed to participate.

This will be Thorney Opportunities Ltd's first investment since its recently completed capital raising.

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**ASX & Media Release**

**24 January 2014**

## **\$20 million fully underwritten Capital Raising**

### **Highlights of Offer**

- Placement of 42.5 million shares to raise \$9.35 million at \$0.22 per share
- Rights Issue to raise \$10.7 million at \$0.18 per share, offered to all eligible shareholders
- Proceeds to be used to strengthen Service Stream's balance sheet and to provide working capital
- Strengthens Service Stream's ability to pursue new growth opportunities

**Service Stream Limited (ASX:SSM)** today announced that - following a proposal to inject funds into the Company, and subject to shareholder approval - the Company proposes to:

- make a share placement of \$9.35 million to Thorney Opportunities Ltd, Thorney International Pty Ltd and certain sophisticated and professional investors (**Placement**); and
- conduct a rights issue of \$10.7 million to eligible shareholders (**Rights Issue**).

The Placement and the Rights Issue are, collectively, the Capital Raising.

The Placement and Rights Issue are fully underwritten by Wilson HTM Corporate Finance Ltd, and the Rights Issue has been partially sub-underwritten by Thorney International and Thorney Opportunities.

Service Stream Chairman, Peter Dempsey said, "*We are delighted with this opportunity to strengthen the Company's financial position, at a time when we are expecting significant growth opportunities in the market. We are pleased to welcome Thorney Opportunities onto the Company's register, and that Thorney International continues to show strong support for the Company and the team in place under our new Managing Director Terry Sinclair*".

Thorney Opportunities is an investment vehicle listed on the ASX and managed by Thorney Management Services Pty Ltd. Thorney International is currently the largest shareholder of Service Stream and is part of the private Thorney Group.

The Directors believe that undertaking this Capital Raising is advantageous to the Company as it will strengthen the Company's balance sheet, allow Service Stream to accelerate its return to a more sustainable financial position with lower levels of net debt and bank guarantee utilisation, improve the Company's ability to access working capital, and will enable the Company to explore new growth opportunities.

The Capital Raising is subject to a shareholder vote to occur on or around Wednesday, 26 March 2014 at an extraordinary general meeting. Each of the Placement and the Rights Issue will occur only if they are both approved by shareholders. A notice of meeting (together with an independent expert's report in respect of the Capital Raising) is expected to be sent to shareholders on or around Friday, 21 February 2014.

### **Financial position and FY14 profit guidance**

The Company has a multi-option banking facility with Australia and New Zealand Banking Group and Westpac Banking Corporation, secured by a fixed and floating unlimited charge over all Group assets.

Service Stream's unaudited preliminary gross debt as at 31 December 2013 was \$50 million in line with the debt repayment profile in the Company's banking facilities and its bank guarantees were \$32.6 million. The Company had cash of \$11.9 million.

The Capital Raising is expected to reduce the Company's current Leverage Ratio (Net Debt and Banking Guarantees divided by expected FY14 EBITDA) from 3.5 to 2.6.

There are approximately \$1.1 million in costs associated with the Capital Raising.

Service Stream previously provided the market with guidance that FY14 EBITDA was anticipated to be approximately \$20 million, with a bias to the second half. The Company confirms this guidance.

### **Placement**

Service Stream has agreed to a share placement of 42.5 million fully paid ordinary shares at an issue price of \$0.22, raising \$9.35 million. The Placement is conditional on shareholder approval under section 611(7) of the Corporations Act and ASX Listing Rule 7.1.

Thorney International will subscribe for 9.1 million shares (worth \$2.0 million), and Thorney Opportunities will subscribe for 27.3 million shares (worth \$6.0 million), under the Placement. A further 6.1 million shares (worth \$1.35 million) will be offered to certain sophisticated and professional investors.

The issue price of \$0.22 per Share represents a 15.8% premium to Service Stream's last closing price of \$0.190 on 22 January 2014, and a premium of 11.8% to the volume weighted average price of shares on ASX during the 30 trading days before this announcement.

All new shares issued under the Placement will rank equally with existing shares and will be eligible to participate in the Rights Issue.

### **Rights Issue**

Subject to shareholder approval, Service Stream will undertake a non-renounceable pro rata entitlement offer under which shareholders with a registered address in Australia or New Zealand will be entitled to subscribe for 2 new shares for every 11 shares held at 7pm on the record date, which is expected to be 8 April 2014. The Rights Issue is conditional on shareholder approval of the sub-underwriting of the issue by Thorney International and Thorney Opportunities under section 611(7) of the Corporations Act and shareholder approval of the Placement. Thorney International and Thorney Opportunities have agreed to apply for their full entitlement under the Rights Issue.

The issue price of shares under the Rights Issue will be \$0.18, which represents an 8.6% discount to the volume weighted average price of shares on ASX during the 30 trading days before this announcement.

Eligible shareholders who subscribe for their full entitlement under the Rights Issue will have the ability to apply for shares in addition to their entitlement (subject to the terms of the prospectus to be issued in connection with the Rights Issue). Thorney International and Thorney Opportunities will not apply for shares in addition to their entitlement.

The Rights Issue will raise a total of \$10.7 million and is fully underwritten by Wilson HTM Corporate Finance Ltd. Thorney International has agreed to sub-underwrite up to 12.7 million shares (worth \$2.3 million) and Thorney Opportunities has agreed to sub-underwrite up to 38.1 million shares (worth \$6.9 million) under the Rights Issue.

Due to the Company's period of voluntary suspension during the past 12 months, the offer is being undertaken pursuant to a prospectus issued under section 713 of the Corporations Act, which will be lodged with ASIC and the ASX on or around 31 March 2014 and mailed out to eligible shareholders, together with a Rights Issue entitlement and acceptance form, on or around 9 April 2014.

### **Underwriting arrangements**

The Placement and the Rights Issue are fully underwritten by Wilson HTM Corporate Finance Ltd pursuant to an underwriting agreement dated 23 January 2014 (**Underwriting Agreement**). The Underwriting Agreement contains standard conditions precedent for a transaction of this nature, including the requirement to obtain shareholder approval in respect of the transaction. The Company has provided representations and warranties, and an indemnity in favour of Wilson HTM Corporate Finance Ltd. Wilson HTM is also entitled to terminate the Underwriting Agreement in certain circumstances.

### **Control Implications**

Thorney Opportunities is an investment entity listed on the ASX and Thorney International is part of the private Thorney Group. Thorney Opportunities and Thorney International are associated in relation to the Placement and the Rights Issue.

Thorney International has committed to subscribe for an aggregate of 9.1 million shares under the Placement, to subscribe for its full entitlement under the Rights Issue, and to subscribe for up to 12.7 million Rights Issue shares under its sub-underwriting commitment. On completion of the Placement, Thorney International will own approximately 20.1% of the Company's issued share capital. On completion of the Rights Issue, Thorney International will own between 20.1% and 22.4%, of the Company's issued share capital (depending on the extent to which other shareholders participate in the Rights Issue).

Thorney Opportunities has committed to subscribe for an aggregate of 27.3 million shares under the Placement, to subscribe for its full entitlement under the Rights Issue, and to subscribe for up to 38.1 million Rights Issue shares under its sub-underwriting commitment. On completion of the Placement, Thorney Opportunities will own approximately 8.3% of the Company's issued share capital. On completion of the Placement and Rights Issue, Thorney Opportunities will own between 8.3% and 15.4%, of the Company's issued share capital (depending on the extent to which other shareholders participate in the Rights Issue).

On completion of the Placement and Rights Issue, Thorney International and Thorney Opportunities will together own between 28.4% and 37.8% of the Company's issued share capital (depending on the extent to which other shareholders participate in the Rights Issue).

### **Shareholder approval**

The Company will seek shareholder approval for the Placement to Thorney International and Thorney Opportunities and the sub-underwriting of the Rights Issue by Thorney International and Thorney Opportunities under section 611(7) of the Corporations Act, to allow the increase in voting power (as defined in section 610 of the Corporations Act) of Thorney International, Thorney Opportunities and other Thorney associated entities above 20%.

The Company will also seek shareholder approval for the Placement to Thorney International, Thorney Opportunities and other sophisticated and professional investors under ASX Listing Rule 7.1, so that the Placement does not reduce the number of shares the Company is allowed to issue without shareholder approval under ASX Listing Rule 7.1.

The notice of extraordinary general meeting and explanatory memorandum will be dispatched to shareholders on or around Friday, 21 February 2014 and the extraordinary general meeting will be held to consider the proposed approvals on or around Wednesday, 26 March 2014.

The notice of meeting and explanatory memorandum will contain an independent expert's report on the Capital Raising prepared by BDO Australia Limited.

The Rights Issue and the Placement will only proceed if shareholder approval is obtained.

#### Indicative timetable

Event	Date and time
<b>Dispatch of Notice of Meeting and Explanatory Memorandum</b>	Friday, 21 February 2014
<b>Last date to lodge Proxy Form</b>	Monday, 24 March 2014
<b>Extraordinary General Meeting</b>	Wednesday, 26 March 2014
<b>Issue of Shares under Placement</b>	Monday, 31 March 2014
<b>Record Date for Rights Issue</b>	Tuesday, 8 April 2014
<b>Dispatch Rights Issue Offer documents, Offer opens</b>	Wednesday, 9 April 2014
<b>Rights Issue Offer closes</b>	Monday, 28 April 2014
<b>Issue of Shares under Rights Issue</b>	Friday, 9 May 2014

Service Stream reserves the right to amend any or all of these dates at its absolute discretion, subject to the Corporations Act, the ASX Listing Rules and any other applicable laws.

#### For further details contact:

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#### About Service Stream Limited:

Service Stream is a public company listed on the Australian Securities Exchange (Code: SSM) with annual revenue in excess of \$500 million. The Service Stream Group is a provider of essential network services to the telecommunications, energy and water industries. Service Stream operates out of more than 25 locations nationwide and maintains a workforce of around 3,000 employees and contractors. For more information please visit [www.servicestream.com.au](http://www.servicestream.com.au)