



ASX Announcement: 1 November 2021

PRIME ANNOUNCES SALE OF ITS BUSINESS AND ASSETS TO SEVEN WEST MEDIA

PRIME MEDIA GROUP (ASX:PRT) (**Prime**) has entered into a Share Sale Agreement (**SSA**) for the sale of Prime's business and assets to Seven Network (Operations) Limited, a wholly-owned subsidiary of Seven West Media Limited (**Seven** or **SWM**), for cash consideration of A\$131.88 million (adjusted in accordance with the terms of the SSA) (the **Asset Sale**).

Highlights

- Prime has entered into the SSA following receipt of a non-binding offer from SWM and a period of exclusive negotiations.
- Following completion of the Asset Sale, Prime will distribute all available cash to Prime shareholders and intends to proceed to wind-up the company.
- Based on current estimates, Prime shareholders are presently expected to receive a distribution of 36 cents per share, inclusive of a special fully franked dividend of approximately 26 cents per share (tax treatment subject to receipt of an ATO Class Ruling)¹.
- The Prime Board considers that the Asset Sale provides shareholders with the opportunity to realise an attractive premium for their Prime shares and a certain outcome in what is a challenging and uncertain future for regional television.
- The Prime Board unanimously recommends that shareholders vote in favour of the Asset Sale in the absence of a superior proposal and subject to the independent expert determining the transaction is in the best interests of shareholders.
- The Asset Sale is subject to a number of conditions, including receipt of Prime shareholder approval at an extraordinary general meeting expected to be held in December 2021, and ACCC approval.
- Major Prime shareholders, holding in aggregate approximately 43.5% of Prime shares, have confirmed to Prime that they intend to vote in favour of the transaction in the absence of a superior proposal and, in some cases, subject to the independent expert opining that the Asset Sale is in the best interests of shareholders.

¹ Subject to available profits. See Proposed Distribution considerations below.



Overview of the Asset Sale

The Asset Sale will involve the disposal of Prime's business in its entirety and is expected to enable Prime to make a substantial distribution to shareholders in an amount that represents an attractive premium relative to recent trading prices for Prime shares.

Subject to the satisfaction of all conditions, it is anticipated that the Asset Sale will complete in late 2021. Prime intends to distribute the proceeds of the Asset Sale in the period immediately following Completion (the **Proposed Distribution**).

Based on current estimates, Prime presently expects the Proposed Distribution to total 36 cents per share, which is expected to be comprised of a 10 cent capital return and a 26 cent fully franked dividend.²

On the basis of Prime's current estimates for the Proposed Distribution, Prime shareholders will receive an amount representing a premium of:

- 57% to the closing price of Prime shares on 29 October 2021;
- 55% to the one month volume weighted average price (VWAP) of Prime shares³; and
- 50% to the three month volume weighted average price (VWAP) of Prime shares³.

The Asset Sale is conditional on:

- shareholders passing an ordinary resolution to approve the transaction pursuant to ASX Listing Rules 10.1 and 11.2 at an Extraordinary General Meeting of Prime shareholders (**EGM**);
- shareholders approving the capital reduction component of the Proposed Distribution (**Capital Reduction**);
- ACCC approval and customary regulatory matters; and
- no material adverse change occurring or otherwise becoming known to Prime between the date of the SSA and the date of the EGM.

Prime will convene an EGM of shareholders to consider and approve the Asset Sale and Capital Reduction, which is expected to be held in December 2021.

Further details on the Asset Sale and Proposed Distribution will be provided in the Explanatory Memorandum to accompany the Notice of Meeting and at the EGM. The Proposed Distribution is subject to the assumptions and qualifications set out below under the heading "Proposed Distribution Considerations".

Board Recommendation and Strategic Rationale

The Board of Prime unanimously recommends that shareholders vote in favour of the Asset Sale and the Capital Reduction, in the absence of a superior proposal and subject to an independent expert determining that the Asset Sale is in the best interests of shareholders. Subject to those qualifications,

² Tax treatment subject to receipt of an ATO Class Ruling. See Proposed Distribution considerations below.

³ VWAP based on period up to and including 29 October 2021, being the last trading day prior to this Announcement



each director intends to vote all Prime shares held or controlled by them in favour of the Asset Sale and the Capital Reduction.

In reaching their decision to proceed with the Asset Sale, the Directors have taken into account the following matters:

- The Asset Sale price and the Proposed Distribution represent a material premium to Prime's recent and relevant trading metrics;
- The anticipated broader social benefit attached to Seven ownership, including:
 - becoming part of a large, diversified and one of the most prominent media companies in Australia, with all associated expertise and cross-promotion opportunities;
 - the ability to better offer our advertisers national reach; and
 - the strengthened financial profile which ensures that regional news services are maintained in our regional markets; and
- The cash proceeds crystallise value for Prime shareholders and removes a number of the ongoing risks otherwise faced by Prime shareholders, including:
 - Prime's declining audience and revenue base, coupled with Prime's fixed cost base; and
 - The expiry of the current Program Supply Agreement with Seven on 30 June 2023, and there is no certainty that it will be renewed, or renewed on satisfactory terms.

Prime Chair Cass O'Connor said: *"Your board has long recognised the need to address the structural issues affecting regional broadcast media through matters within its control. This Proposal from Seven has been warmly received by your Board. Should it complete, the benefits for our shareholders, our regional audiences and our regional and national advertisers are meaningful."*

On behalf of our shareholders, employees, audiences and advertisers, I thank SWM's Chairman Mr Kerry Stokes and CEO Mr James Warburton for this proposal and the careful consideration which has preceded it.

My personal thanks extend to Prime CEO Ian Audsley, CFO John Palisi and recent Chairman Ian McGill for their tireless work.

This is a terrific outcome from your efforts, gentlemen."

Prime Managing Director and CEO, Ian Audsley said *"The Asset Sale removes a number of the near and longer term headwinds facing Prime and crystallises certain cash value. Importantly, the Asset Sale price has regard to the strategic nature of Prime's asset base, with the purchase price currently expected to allow a distribution to Prime shareholders of 36 cents per share, which is a material premium to recent trading prices."*

On Completion of the Asset Sale, Prime's key assets, businesses and employees will be transferred to Seven ownership, which will ensure strong continuity of operations and focus on regional Australia."



Independent expert

The Prime board has appointed Lonergan Edwards & Associates Limited as an Independent Expert to opine on whether the Asset Sale is in the best interests of Prime shareholders. The Independent Expert's report will be provided to shareholders as part of the Explanatory Memorandum.

Major shareholder support

Prime notes that it has received a confirmation of support for the Asset Sale and Proposed Distribution from the below major shareholders:

- WA Chess Investments Pty Ltd currently holds approximately 22.99% of Prime shares and has confirmed that it intends to vote in favour of resolutions in relation to the Asset Sale in the absence of a superior proposal.
- Birketu Pty Ltd currently holds approximately 11.4% of Prime shares and has confirmed that it intends to vote in favour of resolutions in relation to the Asset Sale in the absence of a superior proposal.
- Keybridge Capital Limited currently holds approximately 4.0% Prime shares and has confirmed that it intends to vote in favour of resolutions in relation to the Asset Sale in the absence of a superior proposal and subject to the Independent Expert concluding that the Asset Sale is in the best interests of Prime shareholders.
- Regal Funds Management currently holds approximately 2.92% of Prime shares and has confirmed that it intends to vote in favour of resolutions in relation to the Asset Sale in the absence of a superior proposal and subject to the Independent Expert concluding that the Asset Sale is in the best interests of Prime shareholders.
- Spheria Asset Management Pty Ltd has a relevant interest in approximately 2.2% of Prime shares and has confirmed that it intends to vote in favour of resolutions in relation to the Asset Sale in the absence of a superior proposal and subject to the Independent Expert concluding that the Asset Sale is in the best interests of Prime shareholders.



Overview of SSA Terms

In addition to the conditions to the Asset Sale outlined above, the SSA also contains exclusivity terms which are customary for a transaction of this nature, including 'no shop' and 'no talk' provisions, and a 'matching right' for Seven to match any superior proposal put forward by a third party, subject to customary fiduciary duty carve-outs. The SSA also makes provision for a reimbursement fee of A\$1.2 million payable (**Reimbursement Fee**) by Prime and Seven in certain circumstances.

Under the SSA, Seven is required to pay certain of Prime's transaction and others costs associated with the Asset Sale.

See Annexure A for further information required to be disclosed to shareholders under ASX Listing Rule 11, including a summary of the material terms of the SSA. Additional details regarding the Asset Sale, including Prime's financial position before and after completion of the Asset Sale, will be provided to shareholders in the Notice of Meeting and Explanatory Memorandum anticipated to be sent to shareholders in late November 2021.

Proposed Distribution Considerations

As noted above, at this time, Prime estimates that the Proposed Distribution will comprise of a fully franked dividend and a capital return, estimated to be in the amount of 36 cents per share in total⁴. In estimating the amount available for the Proposed Distribution, Prime has had regard to number of items including employee costs, transaction costs, wind-up costs and agreed cost reimbursement protocols with Seven.

The precise amount of the Proposed Distribution will be determined at or following completion of the Asset Sale having regard to the financial position of Prime at that time.

Consequences for Prime following the Asset Sale

If the Asset Sale is approved by shareholders and completed, Prime will no longer have an operating business. It is currently intended that Prime will proceed with winding up.

Indicative timetable

Dispatch of Notice of Meeting & Explanatory Memorandum including Independent Expert Report	late November 2021
Asset Sale Meeting	December 2021
Asset Sale Completion Date	late December 2021
Proposed Distribution to shareholders	January 2022

Dates are indicative and subject to change.

⁴ Tax treatment subject to receipt of an ATO Class Ruling.



Advisers

Prime is being advised by E&P Corporate Advisory as financial advisor and Allens as legal adviser.

Approved for release by the Board of Prime Media Group Limited.

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IMPORTANT NOTICES

Disclaimer

To the maximum extent permitted by law, Prime disclaims any responsibility for the accuracy or completeness of any forward-looking statements. All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by those forward looking statements. The forward-looking statements included in this document are made only as of the date of this document. Although Prime believes that the views reflected in any forward-looking statements included in this document have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

About Prime

Prime is a regional television broadcaster with a viewing area that covers northern and southern New South Wales, the Australian Capital Territory, Victoria, the Gold Coast area of south eastern Queensland and all of regional Western Australia.

Prime has established itself as the leading television network in its broadcast markets. It makes a significant investment in local news programming and provides valuable community airtime sponsorships to support and assist community endeavours.

Prime is a significant employer of regional Australians with offices stretching from the Gold Coast, throughout many major cities and towns in regional NSW and Victoria, and across regional Western Australia to Geraldton.

About SWM

SWM is one of Australia's most prominent media companies, with a market leading presence in content production across broadcast television, publishing and digital.

The company comprises some of Australia's most renowned media businesses, including the Seven Network and its affiliate channels 7two, 7mate, 7flix and BVOD offering 7plus, as well as The West Australian and The Sunday Times and Seven Studios. Home to iconic brands such as Big Brother, House Rules, Farmer Wants a Wife, Home and Away, Better Homes and Gardens, Australia's leading news and breakfast programs 7NEWS and Sunrise, Seven West Media is also the broadcast partner of the AFL, Cricket Australia and the Olympics.

Annexure A: Additional information for the purpose of ASX Listing Rule 11

Parties to, and material terms of, the transaction

The SSA is between Prime and Seven and includes the following material terms:

- on completion, subject to the satisfaction of all conditions precedent, Seven will acquire all of the issued share capital in Prime Television (Holdings) Pty Ltd and Seven Affiliate Sales Pty Ltd as well as certain assets used in the Prime business (for cash consideration of A\$131.88 million, less the expected cash balance of Prime immediately prior to completion of the Asset Sale);
- the Asset Sale is subject to receipt of all required regulatory approvals, Prime's shareholders passing ordinary resolutions to approve the Asset Sale and the proposed equal capital reduction of Prime, and there being no material adverse change occurring or otherwise becoming known to Prime between the date of the SSA and the date of the EGM;
- Prime has an obligation to proceed with the distribution of the proceeds of sale promptly following completion of the Asset Sale;
- Seven may terminate the SSA before completion if a prescribed occurrence or regulated event occurs with respect to Prime that remains unremedied within the specified period. Seven may also terminate the SSA if any Prime board member fails to recommend the Asset Sale, or otherwise publicly withdraws or adversely revises or modifies their recommendation that Prime shareholders vote in favour or makes a public statement recommending or otherwise supporting another transaction;
- either Seven or Prime may terminate the SSA if the other party commits a material breach of the SSA and that breach remains unremedied after 5 business days, a Government Agency takes action prior to completion preventing the Asset Sale, a condition precedent is not satisfied or completion of the Asset Sale has not occurred within the specified period;
- on and from completion of the Asset Sale, subject to certain exclusions, Seven will assume the liabilities arising out of or in connection with the business of Prime;
- certain transitional services will be provided by Seven to Prime for a 12 month period for the purposes of facilitating an orderly winding-up of Prime;
- until the earlier of termination of the SSA, the cut-off date and completion (the **Exclusivity Period**), subject to certain fiduciary exceptions, Prime is prohibited from:
 - soliciting or encouraging any inquiry or discussions which may reasonably be expected to lead to the making of an offer in relation to a Competing Proposal;
 - negotiating or entering into, any actual, proposed or potential Competing Proposal; or
 - disclosing or otherwise providing or making available any material non-public information about the business or affairs of Prime to a third party with a view to obtaining, or encouraging the receipt or announcement of, a Competing Proposal.

A "**Competing Proposal**" includes any proposal which would mean a third party: (a) acquires an interest of 30% or more of Prime shares; (b) acquires control of Prime; (c) directly or indirectly acquires or becomes the holder of, or otherwise acquires or has a right to acquire, an interest in, or control of, all or a material part of the business of assets of the Prime Group; (d) otherwise acquires or merges with Prime; or (e) requires Prime to abandon, or otherwise fail to proceed with, the Asset Sale.

- if Prime receives a Competing Proposal that is more favourable to shareholders than the Asset Sale, it must offer Seven 5 business days to match such superior proposal;
- Prime must pay Seven a Reimbursement Fee in the amount of \$1.2 million if:

- during the Exclusivity Period, subject to the Independent Expert concluding that the Asset Sale is not in the best interests of Prime shareholders or a termination right arising in favour of Prime, one or more Prime board members fails to recommend the Asset Sale or publicly withdraws their recommendation;
- a Competing Proposal is announced during the Exclusivity Period and the relevant third party enters into an agreement to consummate the transaction or the transaction completes within 9 months of the date of announcement;
- Seven has exercised particular termination rights under the SSA (including where Prime has committed a material breach of the SSA or a prescribed occurrence or regulated event occurs with respect to Prime that remains unremedied within the specified period);
- Seven must pay Prime a Reimbursement Fee if Prime has terminated the SSA as a result of a material breach by Seven or a breach of a Seven representation and warranty;
- Seven is required to pay certain transaction costs incurred by Prime in connection with the Asset Sale.

The EGM Materials will contain further details in relation to the terms of the SSA.

Issue of securities

Prime does not propose to issue securities as part of, or in connection with, the Asset Sale.

Changes to the Board or senior management proposed as a consequence of the transaction

No changes to the Board of Prime are proposed as a consequence of the transaction. Mr Ian Audsley, CEO and Mr John Palisi, CFO are expected to remain employees of Prime at completion of the Asset Sale. All other Prime employees will transition to Seven with Prime's business.

Effect of the transaction on Prime

On completion of the Asset Sale, Prime will cease to have an operating business and its only material assets will be the proceeds of the Asset Sale, substantially all of which is intended to be distributed via the Proposed Distribution. It is currently intended that Prime will proceed with winding up following completion of the Asset Sale.