



Victory Offices
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ASX Announcement

4 June 2020

Market Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

VICTORY OFFICES ANNOUNCES A\$15.3 MILLION EQUITY RAISING

- **Victory Offices Limited ACN 616 150 022 (“Victory Offices” or the “Company”)** is undertaking an equity raising of approximately A\$15.3 million via a 1 for 1 fully underwritten pro rata non-renounceable entitlement offer (“Entitlement Offer” or the “Offer”).
- **The proceeds raised under the Offer will be used to:**
 - **Strengthen the Company’s balance sheet to manage the ongoing impact of COVID-19; and**
 - **Fund working capital requirements of the Company over the next 12 months.**
- **Victory Offices’ founding shareholder has committed participation in the Offer of \$5.0 million.**
- **Victory Offices has undertaken a cost reduction program to assist with liquidity management which has led to a reduction in operating costs and the deferment of Victory Offices’ growth program, resulting in a negative cash run rate of A\$0.6 million per month.**
- **Following completion of the Offer, Victory Offices believes it is well positioned to fund growth initiatives and leverage its competitive advantages once market conditions begin to normalise.**

Purpose of the Entitlement Offer

Victory Offices today has launched an equity raising, fully underwritten by Ord Minnett, by way of a 1 for 1 traditional pro-rata non-renounceable entitlement offer to raise approximately A\$15.3 million at an offer price of A\$0.375 per share.

The Entitlement Offer will result in an additional A\$15.3 million available liquidity from 7 July 2020, which in combination with minimal monthly revenue since the impact of COVID-19 and the unwind of the positive net working capital position, will fund the operating costs of the business over the next 12 months. Notably, no material capital expenditure is forecast for the foreseeable future. Based on Victory Offices’ current cash flow forecast:

- the December 2020 forecast liquidity position is A\$11.1 million; and
- the June 2021 forecast liquidity position is A\$11.1 million.

The flexible workspace industry is highly fragmented, with a growing number of price driven competitors. Victory Offices believes that the liquidity pressures of COVID-19 will create significant head winds for a large portion of co-working offerings due to their inability to access additional funding, resulting in reduced margin pressure and competition post COVID-19.

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As seen with businesses around Australia, the ongoing COVID-19 government regulations have had a short-term impact on business operations and on the occupancy of the Company's serviced offices, virtual office facilities and flexible workspaces. Victory Offices believes its offering is well placed to attract new clients to the industry post COVID-19, with working from home initiatives reinforcing the value proposition of serviced offices providers whom provide clients with a full service offering.

Victory Offices' mission is to offer a friendly, transparent and genuine serviced workplace experience to their clients, whether that be on-site via serviced offices or coworking facilities, or off-site via virtual office products. Victory Offices understand the challenges that businesses are facing in the current environment and aims to support its clients, allowing them to continue to operate without the additional administration burden and inefficiencies of a traditional office environment.

Company COVID-19 strategy

Management has implemented interim business initiatives to mitigate the near-term financial impact of COVID-19, including:

- employee costs will reduce by more than 40% with a reduction in Victory Offices's casual workforce, coinciding with a reduction in monthly employee (and executive) wages bill by 40%;
- employee costs will be partially subsidised as a result of the Australian Government's JobKeeper payment program until September 2020;
- marketing spend will be minimal as only cheaper online based campaigns will be pursued throughout the period of COVID-19;
- capex has been deferred on five of the ten locations that were scheduled to open in the second half of the 2020 financial year, resulting in no new capital expenditure forecast for the foreseeable future;
- almost half of Victory Offices' landlords have agreed favourably resolving negotiations to reduce and/or defer lease obligations; and
- remaining negotiations with landlords are underpinned by legislation supporting commercial landlord negotiations to ensure rents reductions are commensurate with reductions in revenue.

Victory Offices Chief Executive Officer and Managing Director Dan Baxter commented:

"This equity raising positions Victory Offices to weather the severe disruption that COVID-19 has caused the real estate industry. The Board deems it necessary to strengthen the balance sheet and liquidity position of the business during this unprecedented period. The equity raising announced today, alongside operational and cost saving initiatives will position Victory Offices to overcome adversities associated with COVID-19 and current market conditions. Additionally, with the return of occupancy to our serviced offices, virtual office facilities and flexible workspaces, we believe we will emerge in a stronger position relative to our competitors."



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Details of the Entitlement Offer

All New Shares offered under the Entitlement Offer will be issued at a price of A\$0.375 per New Share, representing:

- 15.3% discount to TERP based on the closing price of Victory Offices' shares on 17 April 2020 of A\$0.510; and
- 26.5% discount to the closing price of Victory Offices' shares on 17 April 2020 of A\$0.51.

Approximately 40.9 million new fully paid ordinary shares in Victory Offices ("**New Shares**") are to be issued under the Entitlement Offer (equivalent to approximately 100% of existing Victory Offices shares on issue).

New shares will rank equally with existing ordinary shares in VOL from their time of issue.

Eligible shareholders are shareholders who are noted on the Company's share registry as having an address in Australia or New Zealand as at the Record Date ("**Eligible Shareholders**"). Eligible Shareholders will be invited to participate in the Entitlement Offer which is a pro rata non-renounceable entitlement offer of up to approximately 1 New Shares on the basis of every 1 existing share held at 7:00pm (Sydney time) on the Record Date at an issue price of A\$0.375 per New Share, for the purpose of raising approximately A\$15.3 million.

The Entitlement Offer will open at 9:00am on Friday, 12 June 2020 and close at 5:00pm on Thursday, 2 July 2020. Entitlements cannot be traded on market or transferred.

The Entitlement Offer is being made pursuant to the Prospectus lodged with ASIC and ASX on 4 June 2020. A copy of the Prospectus will be made available on the Company's website here <https://victoryofficeslimited.com/company-announcements/>. Eligible Shareholders should consider the Prospectus when deciding to participate in the Entitlement Offer and Eligible Shareholders who wish to acquire securities under the Entitlement Offer will need to complete the entitlement and acceptance forms accompanying the Prospectus.



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Entitlement Offer Timetable

Prospectus lodged	Thursday 4 June 2020
Entitlement Offer announcement	Thursday 4 June 2020
Entitlement Offer Record Date	7:00pm, Wednesday 10 June 2020
Prospectus dispatched	Friday 12 June 2020
Entitlement Offer opens	9:00am, Friday 12 June 2020
Entitlement Offer closes	5:00pm, Thursday 2 July 2020
Notification of shortfall to Sub-underwriters	Friday 3 July 2020
Shortfall notification and announcement of Entitlement Offer results	Friday 3 July 2020
Entitlement Offer settlement	Tuesday 7 July 2020
Issue of New Shares under the Entitlement Offer	Wednesday 8 July 2020
Commencement	Thursday 9 July 2020

* All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Australian Eastern Standard Time (AEST). Victory Offices reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Victory Offices reserves the right to extend the closing date for the Entitlement Offer and to accept late applications under the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for new shares under the Entitlement Offer. Any changes to the timetable will be posted on Victory Office's website at <https://victoryoffices.com.au/>



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Additional details

Further details of the Entitlement Offer are set out in the Prospectus.

For more information, please contact

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Important notices

The release of this announcement was authorized by the Board of Victory Offices.

This notice may not be released or distributed in the United States. This notice does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Entitlements and the new shares to be offered and sold in the Entitlement Offer have not been, and will not be, registered under the US Securities Act of 1933 (the "US Securities Act") or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

This announcement contains certain forward looking statements and comments about future events, including Victory Offices' expectations about the financial and operating performance of its businesses, the timetable and outcome of the Entitlement Offer and the use of proceeds thereof. Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. A number of important factors could cause Victory Offices' actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are beyond Victory Offices' control. Refer to the various risks factors in Section 5 of the Prospectus released to the ASX today. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance and involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Victory Offices. As such, undue reliance should not be placed on any forward looking statement. Past performance information given in this announcement is given for illustrative purposes only and is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward looking statements, forecast financial information or other forecast. Nothing contained in this announcement is to be relied upon as, a promise, representation, warranty or guarantee as to the past, present or the future performance of Victory Offices.

The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire Victory Offices shares and is not intended to be used or relied upon as the basis for making an investment decision. This announcement has been prepared without taking into account the investment objectives, financial position or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Victory Offices is not licensed to provide investment or financial product advice in respect of Victory Offices shares. Cooling off rights do not apply to the acquisition of Victory Offices shares pursuant to the Entitlement Offer.