

1 May 2020

## COVID-19 Update

Cellnet Group Ltd (**Cellnet** or the **Company**) wishes to provide the following update to its market announcement dated 25 March 2020.

As previously announced, there has been a significant impact on the Company as a result of the COVID-19 crisis.

Revenue in April 2020 was approximately 60% lower than the expected pre-COVID-19 revenue for the month and in the current economic environment, the Company is not in a position to provide any trading or revenue outlook. Any prior statement that could be considered a forward-looking statement regarding revenue, trading or financial performance is withdrawn.

In response to the revenue impact of COVID-19, the Company has implemented interim operational initiatives including:

- Applying for and receiving the JobKeeper wage subsidy package announced by the Federal Government on 30 March 2020 and the New Zealand Government equivalent scheme, the COVID-19 Wage Subsidy;
- a negotiated 25% reduction in Board and 20% reduction in company-wide employee remuneration, other than collective wage agreement employees for the period 1 May 2020 to 30 September 2020;
- Additionally, all employees moving to 4 working days per week and a corresponding 20% reduction in salary and wage cost;
- a reduction in non-essential spending including a freeze on capital expenditure, cancelled travel, and very low entertainment, marketing and promotion expenditure;
- approaching landlords for rent relief and securing deferred payment terms; and
- utilising the payroll tax deferral scheme announced by the various State Governments.

Despite the cost reduction program and cash conservation measures, the significant reduction in revenue is expected to create a material liquidity shortfall until revenue recovers to more normalised pre-COVID-19 levels of approximately 70% of prior year revenue levels.

Working capital requirements to purchase inventory are also expected to increase materially from July 2020. This will be exacerbated by an insurer recently reducing its insurance cover related to Cellnet receivables in the hands of suppliers even though that supplier has provided Cellnet its support by indicating that it will increase Cellnet's uninsured credit limit to meet required supply levels.

Cellnet's financier, Westpac, has provided support through:

- an additional \$1.5 million short term business loan, maturing 31 May 2020. Extension of this facility is subject to a review of the results of any equity raising and the increased requirement for invoice finance in FY21; and
- an increase in the collateral value of the receivables eligible for finance under the existing Invoice Finance Facility from 65% to 70%.

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Cellnet is engaged in advanced and constructive discussions with potential investors regarding a potential equity raising.

A sub-committee of Cellnet directors independent of major shareholders has been in place since 30 March 2020 to assess equity raising proposals and to facilitate information requests and commercial discussions with potential investors. The committee has implemented customary information barriers and protocols to manage conflict risk.

As part of ongoing conflict management measures, Mr Michael Reddie has today resigned as a director, effectively immediately and has been replaced by the appointment of, the Chief Financial Officer, Mr Chris Barnes, as a director. The independent committee now comprises Messrs Tony Pearson (committee chair) and Chris Barnes.

Cellnet Chairman, Mr Michael Wendt, said *"On behalf of the company and the Board of Directors I wish to thank Michael Reddie for his valuable contribution to the company since his appointment and wish him well for the future."*

The Company has today requested a trading halt pending an announcement in relation to an equity capital raising.

**ENDS**

Authorised for release by the Board

For further information, please contact Chris Barnes on 1300 235 563

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