

**WATERMAN HOLDINGS LIMITED  
ACN 632 514 973**

**THIRD SUPPLEMENTARY PROSPECTUS**

**Important information**

This is a supplementary prospectus (**Third Supplementary Prospectus**) which supplements the first supplementary prospectus dated 23 October 2019 (**First Supplementary Prospectus**), the second supplementary prospectus dated 20 December 2019 (**Second Supplementary Prospectus**) and the prospectus dated 18 September 2019 (**Original Prospectus**), (together, the **Prospectus**) issued by Waterman Holdings Limited ACN 632 514 973 (**Company**).

This Third Supplementary Prospectus is dated 9 April 2020 and was lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Third Supplementary Prospectus.

This Third Supplementary Prospectus is intended to be read together with the Original Prospectus issued by the Company dated 18 September 2019, the First Supplementary Prospectus dated 23 October 2019 and the Second Supplementary Prospectus dated 20 December 2019. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Third Supplementary Prospectus. If there is a conflict between the Prospectus and this Third Supplementary Prospectus, this Third Supplementary Prospectus will prevail.

This Third Supplementary Prospectus is available in electronic form on the Company's website at [www.waterman.com.au/offer](http://www.waterman.com.au/offer). A hard copy of this Third Supplementary Prospectus together with the Prospectus is also available on request as set out in the Prospectus.

Under the Corporations Act, the Company has an obligation to update a disclosure document if it becomes aware of new information that is material to investors. This Third Supplementary Prospectus has been prepared to provide additional information to investors on items that the Company considers may be material. As such, this is an important document and should be read in its entirety. If you do not understand any of the information presented in this Third Supplementary Prospectus, you should consult your professional advisers.

If you have already submitted an Application under the Offer since the First Closing and do not wish to withdraw your Application, you do not need to re-submit that Application or take any other action. If you wish to withdraw your Application, you should refer to and follow the process set out in paragraph 7 below.

**Purpose of this document**

This Third Supplementary Prospectus has been prepared to:

1. provide an update to investors on developments in the business since the date of the Second Supplementary Prospectus and in particular the impact or reasonably foreseeable impact that the COVID-19 disruptions and Government imposed restrictions have had or are likely to have on the Company's business; and
2. advise of certain specific amendments and updates to the Prospectus as a result of these developments.



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## 1. IMPACT OF COVID-19 ON THE COMPANY AND ITS OPERATIONS

### 1.1 General impacts of COVID-19 on the Company and its operations

The spread of COVID-19 has seen the introduction by the Australian Government of various restrictions including social distancing measures, bans on public gatherings and lockdowns of certain commercial and retail operations. While the full impact of these restrictions on the Company's operations cannot yet be determined, the Company expects to be impacted in the following ways:

- **Reduction in projected revenue** - Government recommendations and restrictions that require people to stay at home unless necessary, have resulted in less clients utilising the Company's centres and instead opting to work from home. The Company has seen a recent decrease in casual and short term leasing arrangements and as a result, the Company expects its FY2020 revenue to decrease from previous management projections;
- **Potential temporary closure of centres** – Even where not mandatorily required to close, the COVID-19 restrictions have put pressure on retailers and shopping centres to voluntarily close given the reduction in customers. If any of the shopping centres in which the Company's coworking centres are located close, this could result in the closure of the Company's centres;
- **Company may need to negotiate rent relief with landlords** - If any of the Company's centres are required to close, occupancy drops substantially and / or customers cease to pay rent, this will impact the Company's ability to pay its rent for these centres given revenue at these centres will be reduced. The Company may need to negotiate with the relevant landlords for rent relief or other positive outcomes in line with the commercial leasing principles announced by Commonwealth Government in *The National Cabinet Mandatory Code of Conduct (Code)* which will apply during the COVID-19 pandemic (refer to further details below in Section 2.5);
- **Delay in roll out of new centres** - The abovementioned impacts have resulted in the Company delaying its plans to open its new centres which is discussed in further detail below; and
- **Significant changes to regulatory framework relating to retail and commercial leases** - The Government is rapidly responding to evolving COVID-19 circumstances and has announced numerous changes to the regulatory framework governing the Company and its operations including legislation and regulation relating to retail and commercial leasing. In particular, as noted above, the Commonwealth Government has recently announced the Code, which amongst other things, imposes a positive obligation on landlords and tenants to negotiate in good faith and work towards shared and satisfactory outcomes which are proportionate based on the impact of COVID-19 plus a reasonable recovery period. Obligations on the Company to negotiate rent relief, or other outcomes with tenants, may adversely impact the Company's financial position. Further information is included in Section 2.5 below.

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## 2. SPECIFIC BUSINESS UPDATES

### 2.1 Strategy update in response to COVID-19

Given the uncertainty and expected reduction in revenue, the Company has focused on and revised its current strategy to preserve its cash position. As outlined further below, this has resulted in the Board determining to delay planned projects (including opening of new business centres) and reduce costs where possible including staff costs.

### 2.2 Delay in opening new business centres

In the Second Supplementary Prospectus, the Company updated investors to advise them that given the revised Minimum Subscription which was reduced from \$25 million to \$21 million, the Company revised its business strategy by reducing the number of new business centres the Company was intending to open from five to four centres in the next five years, with opening of the first new business centre being revised to March 2021. The breakdown of the number and location of proposed new centres which replaced Table 5 in the Original Prospectus is set out in the table below.

**TABLE 5: New Centres**

	Current Centres	FY2025 Operational Target
<b>Victoria</b>		
Melbourne CBD	-	1
Melbourne Inner & Middle Suburbs	1	1
Melbourne Outer Suburbs	2	3
<b>National Locations</b>		
Sydney Outer Suburbs	-	1
Brisbane Outer Suburbs	-	1
<b>Total</b>	<b>3</b>	<b>7</b>

Given the impact of COVID-19 on the financial and operating performance of the Company, the Board has determined to delay the roll out of all of its new business centres with the opening of the first new business centre now expected to be delayed until 2022, subject to any further delay or update determined by the Board given the circumstances surrounding the impacts of COVID-19 disruptions.

### 2.3 Highpoint

As noted in the Original Prospectus, Waterman entered into a binding heads of agreement for a new lease of premises at Highpoint Shopping Centre, Rosamond Road, Maribyrnong, Victoria, with the Company advising in the Second Supplementary Prospectus that this project was not expected to commence with fitout until October 2021.

As noted above, given the current COVID-19 disruptions, the Board has determined to delay the opening of this new centre, with the Company liaising with the landlord to seek confirmation that fitout and commencement of this project will be extended until April 2022.

### 2.4 Eastland

As noted in the Second Supplementary Prospectus, Waterman entered into a non-binding heads of agreement for a new lease of premises at Eastland Shopping Centre, Maroondah Highway, Ringwood, Victoria, which was anticipated to commence in July 2020.

As noted above, given the current COVID-19 disruptions, the Board has also determined to delay the opening of this new business centre and is liaising with the landlord to seek an extension of commencement of this project to February 2021.

## **2.5 Recent legislative changes - Rent relief in relation to leases for Business Centres**

The Commonwealth Government has announced the commercial leasing principles that are to apply during the COVID-19 pandemic. These are included in the Code which will come into effect from a date following 3 April 2020 (to be determined by each State and Territory). The Code applies to all commercial tenancies where the tenant has signed up to the JobKeeper Program and that have an annual turnover (assessed at the group level and not the individual premises level) of less than \$50 million per annum.

The Code imposes a positive obligation on landlords and tenants to negotiate in good faith and work towards shared and satisfactory outcomes which are proportionate based on the impact of COVID-19 plus a reasonable recovery period. Specifically, the Code also mandates that landlords must offer tenants proportionate reductions in rent payable in the form of waivers and deferrals of up to 100% of the amount ordinarily payable, on a case by case basis, based on the reduction in the tenant's trade during the COVID-19 pandemic period and a subsequent recovery period. Rental waivers must be no less than 50% of the total waiver or deferral agreed.

The Code also provides for reductions in outgoings, imposes a freeze on rent increases for the duration of the COVID-19 pandemic and a reasonable subsequent recovery period, and prohibits the landlord enforcing any penalties if tenants reduce opening hours or cease trading due to the COVID-19 pandemic. The extent of these legislative changes and how long they will last is uncertain at this stage.

The Company has been in discussions with the landlords of its existing business centres being the Caribbean Business Centre, Chadstone Business Centre and Narre Warren Business Centre in relation to rent relief in circumstances where these business centres are forced to shut or there are substantial drops in occupancy rates at these centres as a result of the COVID-19 disruptions. Whilst there are no formal outcomes to these discussions as yet, Waterman has not been made aware of any concerns from these landlords that rent relief or other suitable arrangements could not be made.

Further to this, under the Code, the Company may be obliged to negotiate rent relief or other positive outcomes for its rental clients that may adversely impact the financial position of the Company.

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## **3. UPDATE ON OFFER**

Under the Second Supplementary Prospectus, the Company confirmed that the maximum raise under the Offer was up to \$35 million by way of the issue of any combination of RCPS and CPS.

As at the date of this Third Supplementary Prospectus, the Company has raised \$21,077,500 under the Offer by way of issuing 7,197,000 RCPS and 13,880,500 CPS which were issued on 19 February 2020 under the First Closing.

The Company has a balance of \$13,922,500 that it may raise under the Offer by way of the issue of any combination of RCPS and CPS.

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## **4. FINANCIAL INFORMATION AND CAPITAL STRUCTURE**

### **4.1 Issue of securities under First Closing and repayment of existing debt**

The only material changes that have occurred to the capital structure of the Company and financial information in the Prospectus since the Second Supplementary Prospectus and which impact various sections of the Prospectus including the Financial Information section (Section 6) and Additional Information section (Section 10), are the:

- issue of RCPS and CPS under the First Closing under the Prospectus (as noted in Section 3 above); and
- repayment of existing debt being the repayment of vendor finance under the Asset Sale Agreement as contemplated in the Original Prospectus. An amount of 19,381,881 of existing debt was repaid on 15 March 2020 using proceeds raised under the First Closing (as contemplated in the Prospectus).

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## **5. RISKS**

### **5.1 Inclusion of additional new risks in section 4.1**

The following additional risks are included in section 4.1 of the Prospectus:

#### **4.1.1 IMPACT OF COVID-19 ON THE COMPANY, ITS OPERATIONS AND SHARE PRICE**

The current COVID-19 disruptions and Government imposed restrictions are resulting in a decline in general economic conditions and unanticipated changes to the regulatory framework governing the Company's operations. There is continued uncertainty as to the further impact of COVID-19 including in relation to further governmental action, work stoppages, lockdowns, quarantines, travel restrictions and other unforeseen changes. Whilst the impact these disruptions will have on the Company and its operations is not yet clear, the Company expects there to be a reduction in demand for the Company's services as people follow the Government's recommendations and stay at home to work rather than utilise coworking services, potential closure of shopping centres at which the Company's business centres are located which would likely also result in the closure of the Company's business centres, tenants may seek to terminate long term rental agreements or request rent relief, the Company's plans to roll out its new business centres will be delayed. Such changes will adversely affect the Company's operational and financial performance and consequently the value of an investment in the Company is likely to be adversely affected. As a result, the Company's ability to pay dividends and make payments on redemption of RCPS may be negatively impacted.

In particular it should be noted that the events relating to COVID-19 have recently resulted in significant market falls including in the prices of securities trading on the Australian Securities Exchange and other share markets. Whilst the Company's securities are not listed on a securities exchange, COVID-19 disruptions may similarly adversely impact the value of the Company's securities.

#### **4.1.2 CHANGES TO REGULATORY FRAMEWORK RELATING TO LEASES – RENT RELIEF**

As noted above, the Commonwealth Government has announced the commercial leasing principles that are to apply during the COVID-19 pandemic. These are included in the Code which will come into effect from a date following 3 April 2020 (to be determined by each State and Territory). The Code applies to all commercial tenancies where the tenant has

signed up to the JobKeeper Program and that have an annual turnover (assessed at the group level and not the individual premises level) of less than \$50 million per annum.

The Code imposes a positive obligation on landlords and tenants to negotiate in good faith and work towards shared and satisfactory outcomes which are proportionate based on the impact of COVID-19 plus a reasonable recovery period. Specifically, the Code also mandates that landlords must offer tenants proportionate reductions in rent payable in the form of waivers and deferrals of up to 100% of the amount ordinarily payable, on a case by case basis, based on the reduction in the tenant's trade during the COVID-19 pandemic period and a subsequent recovery period. Rental waivers must be no less than 50% of the total waiver or deferral agreed.

Under the Code, the Company may be obliged to negotiate rent relief or other positive outcomes with its rental clients that may adversely impact the financial position and financial performance of the Company.

## 5.2 Update to risk in section 4.2

Risk 4.2.1 to be deleted and replaced with the following risk.

### 4.2.1 NO GUARANTEE OF PAYMENT OF DIVIDENDS TO RCPS HOLDERS

It is the Company's intention, as described in the Original Prospectus, to pay a dividend of 10.5% per annum to RCPS holders commencing FY2022. However, this is subject to the availability of profits, restrictions at law and the discretion of the Directors. Under the terms of the RCPS, there is therefore a risk that RCPS holders will not receive all or the full amount of their dividend and the Company makes no guarantee that the Company will pay any such dividends. Further to this, given the impact that the COVID-19 disruptions are expected to have on the Company's operations and revenue and consequent delays in opening new centres, this may impact the Company's ability to pay RCPS holders' dividends commencing in FY2022.

Dividends are not-cumulative and therefore if a dividend is not paid, RCPS holders will have no recourse whatsoever to payment from the Company, other than being paid any unpaid dividends on Redemption (if and when this occurs).

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## 6. AMENDMENT TO DEFINITIONS

The defined terms in the Glossary in Appendix 3 of the Prospectus set out in column 1 of the table below are amended by replacing their definitions with the definitions set out in the corresponding cell in column 2 of the table below.

Term	Definition
Prospectus	This prospectus, dated 18 September 2019, for the issue of CPS and RCPS to raise up to \$35,000,000 as supplemented by the first supplementary prospectus dated 23 October 2019, the second supplementary prospectus dated 20 December 2019 and the third supplementary prospectus dated 9 April 2020 (including the electronic form of those documents).

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## 7. Withdrawal of previous applications since First Closing

In accordance with section 724(2) of the Corporations Act, if you applied for CPS and RCPS under the Prospectus since First Closing (**Existing Applicant**), you may withdraw your application and be repaid your application monies, provided you give the Company written

notice of your wish to do so within one month of the date of this Third Supplementary Prospectus. For the avoidance of doubt, any applications submitted to the Company in relation to RCPS and CPS that have already been issued on the First Allotment Date in relation to the First Closing, are Applications that have already been processed and cannot be withdrawn.

Any repayments made by the Company pursuant to an Existing Applicant exercising their right to withdraw their application will be made in full without interest.

An Existing Applicant who wishes to withdraw their application and obtain a refund must submit a written request to the Company's share registry by mail or delivery to the address set out below so that it is received within 1 month of the date of the Third Supplementary Prospectus (i.e. **by close of business on 9 May 2020**).

Automic Group  
Level 5, 126 Phillip Street  
Sydney, NSW 2000

The details for the payment of the refund cheque and address to which it should be sent as set out in the written request must correspond to the details contained in the Application Form lodged by that Existing Applicant.

If you do not wish to withdraw your application, you do not need to take any action.

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## 8. CONSENTS AND AUTHORISATION

The Company confirms that as at the date of this Third Supplementary Prospectus, each of the parties that have been named as having consented to being named in the Original Prospectus have not withdrawn that consent.

### Directors' authorisations

This Third Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Second Supplementary Prospectus with the ASIC.



Neville Waterman  
Director and Chief Executive Officer  
for and on behalf of  
Waterman Holdings Limited