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23 October 2024

ASX Announcement

ADA: Voluntary Delisting from ASX

Adacel Technologies Limited (**Adacel** or the **Company**) is pleased to announce that it has lodged a request with and received formal approval from the Australian Securities Exchange (**ASX**) to be removed from the official list of the ASX (**Official List**). The request follows the receipt of ASX in-principle approval to delist under Listing Rule 17.11, which has been given subject to the satisfaction of the following conditions:

1. The removal of the Company from the Official List is approved by a special resolution of Shareholders.
2. The Notice of Meeting seeking security holder approval must include:
 - a timetable of key dates, including the time and date at which the Company will be removed from ASX, if that approval is given;
 - a statement to the effect that the removal will take place no earlier than one month after Shareholder approval is obtained;
 - a statement to the effect that if Shareholders wish to sell their securities on ASX, they will need to do so before the Company is removed from the Official List, and if they do not, details of the processes that will exist after the Company is removed from the Official List to allow holders to dispose of their holdings and how they can access those processes; and
 - to ASX's satisfaction, all other information prescribed in section 2.11 of ASX Guidance Note 33.



3. The removal of the Company from the Official List must not take place any earlier than one month after Shareholder approval has been obtained so that Shareholders have at least that period to sell their securities on ASX should they wish to do so.
4. The Company must apply for its securities to be suspended from quotation at least two business days before its proposed removal date.
5. The Company releases the full details of ASX's decision to grant formal approval for the Company to be removed from the Official List.

Reasons for Delisting

Following a detailed review, the board of directors of Adacel (**Board**) has determined that Adacel's removal from the Official List is in the best interests of Shareholders for the following reasons:

1. Limited Trading and Liquidity

Notwithstanding the Company's ASX listing, trading in the Company's shares has been relatively illiquid. The Board believes that the current spread of Shareholders does not maintain an orderly and liquid market for trading in ADA shares.

The volume and dollar value of Adacel shares traded on the ASX for the last 3 and 6 months to 18 October 2024 are set out below:

| Period | Actual Days Traded | Volume | Average Daily Volume | Avg Daily Volume % of total issued shares | Average Daily Value |
|----------|--------------------|-----------|----------------------|---|---------------------|
| 3-months | 62 | 1,758,460 | 28,483 | 0.037% | \$14,257 |
| 6-months | 125 | 3,254,652 | 25,985 | 0.034% | \$14,740 |

As the table indicates, ADA shares are thinly traded on the ASX. The limited liquidity means that limited trading can have a disproportionate impact on the share price.

In addition, the percentage of the Company's issued capital held by the Top 20 Shareholders is approximately 66% with the current Top 4 holding approximately 48%. This represents a large concentration of shareholdings in only a few Shareholders.

2. Company Valuation

The Board is of the view that the low trading volumes have had an adverse impact on the share price. To this end, the recent trading price of the shares implies a valuation that has been (and remains) consistently and materially lower than the true value of the business. This has potential to anchor the price at which a prospective exit might be achieved for Shareholders to current trading patterns. The Board is confident that the Company's valuation has a greater prospect of growing towards the Board's assessment of fair value as an unlisted company. This is because, as a listed entity, the current soft capital markets for small and micro-cap listed companies negatively affect the Company's market capitalisation and preclude the Company from being valued based on its fundamentals, as would be the case for an unlisted entity.

In addition, the removal of daily "mark to market" pricing of ADA shares would assist those Shareholders for whom daily pricing is not relevant or causes unnecessary fluctuations in their portfolio valuations.



3. Capital Raising

As an ASX listed Company, the Board has less control over the price at which capital raises are undertaken. If the Company remains listed and the share price remains low, then there is a risk that any further capital raising that is undertaken to support growth will be highly dilutive and further reduce the share price. The Board is of the view that the Company's listing on the Official List has limited its ability to raise funds needed to participate in meaningful M&A transactions without being highly dilutive to Shareholders.

The Company believes it could undertake larger, less dilutive capital raisings, in an unlisted environment.

4. Cost Savings

The Board believes that the ongoing administrative, compliance and direct costs associated with the Company's ASX listing are disproportionate to the benefits of remaining listed.

The expected annual savings from delisting are as follows:

| Expense | Amount |
|---------------------------|-------------------|
| Listing fees | A\$75,000 |
| Accounting and audit fees | A\$243,000 |
| Other costs | A\$308,000 |
| Total Costs | A\$626,000 |

5. Management Time and Effort

A significant portion of the Company's management time is currently being dedicated to time intensive matters relating to the Company's ASX listing. A delisting would allow management to spend more time on other value-add matters for the benefit of the Company and its Shareholders.

Consequences of the Delisting

The consequences of Adacel's removal from the Official List are as follows:

- Adacel's shares will no longer be quoted or traded on the ASX.
- The ASX Listing Rules will no longer apply to Adacel and Shareholder protections contained in the ASX Listing Rules will no longer apply, including certain restrictions on the issue of shares by Adacel, certain restrictions in relation to transactions with persons in a position of influence and the requirement to address the ASX Corporate Governance Principles and Recommendations on an annual basis. However, Adacel will continue to be subject to, and the Shareholders will still have the benefit of, certain provisions of the *Corporation Act 2001 (Cth)* (**Corporations Act**) applicable to unlisted public companies including, among other things, the related party provisions in Chapter 2E of the Corporations Act, and the Directors will still be bound to act in accordance with the Corporations Act.
- While the Company continues to have in excess of 100 Shareholders, Adacel will be an 'unlisted disclosing entity' for the purposes of the Corporations Act, and will therefore remain

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subject to the continuous disclosure provisions in section 675 of the Corporations Act, which require an entity to either lodge certain material information with the Australian Securities and Investments Commission (**ASIC**) or publish that material on its website.

- The Company will also continue to be subject to obligations to prepare audited annual and half-yearly financial statements under Part 2M.3 of the Corporations Act and will be required to hold an AGM at least once each calendar year and within five months after the end of its financial year in accordance with section 250N of the Corporations Act.
- Shareholders will continue to receive the benefit of the protections under Chapter 6 of the Corporations Act (for so long as the Company has 50 Shareholders or more).

If a Shareholder of the Company considers the proposed delisting to be contrary to the interests of the Shareholders of the Company as a whole or oppressive to, unfairly prejudicial to, or unfairly discriminatory against a Shareholder or Shareholders, it may apply to the court for an order under Part 2F.1 of the Corporations Act. Under section 233 of the Corporations Act, the court can make any order that it considers appropriate in relation to the Company, including an order that the Company be wound up or an order regulating the conduct of the Company's affairs in the future.

If a Shareholder of the Company considers the proposed delisting involves “unacceptable circumstances”, it may apply to the Takeovers Panel for a declaration of unacceptable circumstances and other orders under Part 6.10 Division 2 Subdivision B of the Corporations Act (refer also to Guidance Note 1: Unacceptable Circumstances issued by the Takeovers Panel). Under section 657D of the Corporations Act, if the Takeovers Panel has declared circumstances to be unacceptable, it may make any order that it thinks appropriate to protect the rights or interests of any person or group of persons, where the Takeovers Panel is satisfied that those rights or interests are being affected, or will be or are likely to be affected, by the circumstances.

Shareholder Arrangements

The Company expects that its shares will remain listed on ASX for at least six weeks after the proposed General Meeting of Shareholders, so that security holders have at least that period to sell their securities on ASX should they wish to do so, assuming that Shareholders approve the delisting of the Company and there remains an active market for those shares.

Indicative Timetable

The proposed delisting is subject to Shareholder approval (as a special resolution at a general meeting scheduled for 27 November 2024). Further details relating to the proposed delisting, including potential advantages and disadvantages for Shareholders, the consequences of the special resolution not being approved, and further details as to how Shareholders can sell their securities prior to the proposed delisting, will be included in the Notice of Meeting. All Shareholders will be entitled to vote on the resolution.

The indicative timetable for the proposed delisting is set out below.

| Delisting | Date |
|---|------------------|
| Despatch notice of annual general meeting | 28 October 2024 |
| General meeting and special resolution considered | 27 November 2024 |
| Trading in ADA securities suspended | 6 January 2025 |

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| | |
|---------------------|-----------------------------|
| Delisting effective | 8 January 2025 ¹ |
|---------------------|-----------------------------|

Arrangements for Sale of Shares

Prior to the delisting, the Company is proposing to undertake a less than marketable parcel buy-back (see further details below), providing the opportunity for the holders of a less than marketable parcel to sell their shares back to the Company. Shareholders that wish to sell their shares may also do so on the ASX prior to removal of the Company from the Official List.

For Shareholders who retain their shares after the delisting, the Company will engage a third party private share trading platform service, to facilitate periodic off-market sale and purchase transactions in Adacel shares, by matching buyers and sellers who register their interest on the platform. However, there is no assurance that there will be sufficient liquidity on any such private share trading platform to allow Shareholders to sell their shares on the platform.

Less Than Marketable Parcel Buy-Back

The Company is pleased to announce that it intends to undertake a minimum holding buy-back of ordinary shares (**Buy-Back**) for Shareholders who hold less than a marketable parcel of shares as at the record date of 5.00pm (Melbourne time) on 17 October 2024 (**Record Date**). Under ASX Listing Rules, any shareholding valued at less than \$500 is considered to be a "less than marketable parcel" of shares (**Less Than Marketable Parcel**).

Based on the Company's closing market share price of \$0.48 on the Record Date, a Less Than Marketable Parcel is 1041 shares or less. As at the Record Date, 790 Shareholders hold a Less Than Marketable Parcel (**LMP Holders**).

Shareholders who hold 1042 shares or more on the Record Date will not be eligible to participate in the Buy-Back.

The Buy-Back will allow Shareholders who hold a Less Than Marketable Parcel of shares to sell their shares back to the Company at the buy-back price of \$0.50 per share (**Buy-Back Price**), being a 6% premium to the 5-day volume weighted average price of shares at the close of trade on the Record Date. The aggregate value of shares held by the LMP Holders at the Buy-Back Price is approximately AUD\$224,000.

LMP Holders will have their shares bought back by the Company at the Buy-Back Price in full unless they opt-out or (if applicable) arrange to have multiple shareholdings merged into one shareholding that is noted on the Company's register as being more than 1042 shares by 5:00pm (Melbourne time) on 13 December 2024 (**Closing Time**). Shares purchased by the Company under the Buy-Back will be cancelled in accordance with the Corporations Act.

The Company is conducting the Buy-Back to allow smaller Shareholders the opportunity to sell their shares without having to use a broker or pay brokerage. The Buy-Back therefore provides an opportunity for holders of Less Than Marketable Parcels to dispose of their shares in a cost-effective manner.

¹ Note that the company proposes to continue trading for longer than the minimum 1-month period required by the ASX conditions in order to ensure that Shareholders will continue to have an opportunity to sell their shares on market until after the Christmas/New year holiday period.



The Company values all its Shareholders; however, it incurs significant administration costs maintaining a large number of Less Than Marketable Parcels. By facilitating this Buy-Back, the Company expects to reduce the administrative costs associated with maintaining a large number of very small holdings and also intends to provide a mechanism by which minority holders can sell their shares without incurring brokerage costs prior to the proposed delisting.

The Company is sending the enclosed letter (**Shareholder Letter**) and share retention form (**Retention Form**) to LMP Holders. The Shareholder Letter encloses relevant documents and provides more information about the Buy-Back, including the procedure for opting-out of the Buy-Back. LMP Holders who wish to retain their shares must complete and sign their personalised Retention Form and return it to the Company's share registry, Boardroom Pty Limited (**Boardroom**) by no later than the Closing Time.

If you have any queries about lodging your Retention Form or the practical operation of the Buy-Back, please contact the Company's share registry, Boardroom on 1300 737 760 (within Australia), +61 (2) 9290 9600 (outside Australia) between the hours of 9:00am and 5:00pm (Melbourne time) Monday to Friday.

Key dates

The key dates for the Less Than Marketable Parcel Buy-Back are outlined below.

| Event | Date |
|---|--|
| Record Date | 5.00pm (Melbourne time) on 17 October 2024 |
| Announcement of Buy-Back | 23 October 2024 |
| Shareholder Letter and Retention Form sent to LMP Holders | 29 October 2024 |
| Closing Time for receipt of Retention Form | 13 December 2024 |

The Company reserves the right to change any of the dates referred to in the above table by notice to the ASX or to vary, delay or cancel the sale under the Buy-Back and not proceed with the Buy-Back, subject to the Constitution and ASX Listing Rules.

A copy of the correspondence being sent to LMP Holders is attached.

Authorised for release by the Board.

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