ASX Release

VINYL GROUP TO ACQUIRE FUNKIFIED

HIGHLIGHTS:

- Acquire Funkified Entertainment Pty Ltd for $2.5M; $1.8M cash, $200K shares, $500K deferred performance shares
- Brings our events function and capabilities in-house; improves margins and accelerates growth
- FY24 turnover of $4.03 million and $430K EBITDA

Melbourne, Australia, 26 September, 2024: Vinyl Group (ASX: VNL), Australia's only ASX-listed music Company, has executed a binding Heads of Agreement to acquire Funkified Entertainment Pty Ltd.

Funkified is an end-to-end events and brand activations business founded in 2009. It has served as The Brag Media's in-house events arm since 2021, and as a brand activation agency, white-labels for some of the largest advertising and creative houses in Australia.

Vinyl Group will acquire 100% of the issued capital in Funkified Entertainment Pty Ltd in exchange for $1.8M in cash and $200K in shares valued at the fifteen (15) day Volume Weighted Average Price (VWAP) of Vinyl Group shares on the ASX for the period immediately preceding the Completion Date. These shares will be subject to a twelve (12) month escrow from the date of issue. The cash portion will be paid in two equal tranches of $650K, the first at the Completion Date and the second no later than six months after the Completion Date, with a further $500K deposited into an escrow account as security for 12 months from the Completion Date.

A further $500K in Vinyl Group shares will be paid to the shareholders of Funkified, contingent on Funkified achieving a minimum Earnings Before Interest and Taxes (EBIT) target of $500,000 in the 12 months following the Completion Date. These shares will also be subject to the above escrow conditions and valued at the fifteen (15) day Volume Weighted Average Price (VWAP) of Vinyl Group shares on the ASX for the period immediately preceding issue.

Upon completion, Funkified Founder & CEO Gus Stephenson will enter into a full-time employment agreement with Vinyl Group to lead Funkified to achieve its performance goals. To incentivise performance, Stephenson will receive five million options upon commencing employment with Vinyl Group, vesting in four equal tranches following each subsequent anniversary of his employment and provided his ongoing employment during this Term. These Options will have a seven-year term and will have an exercise price to be agreed between the Purchaser and Mr Stephenson prior to issue of the Options.

Funkified unaudited revenues for the 2024 financial year amounted to $4.03M, with an EBITDA of $430K. Integrated under The Brag Media operation, Vinyl Group expects to realise immediate margin improvement as a result of this acquisition. Group operational efficiencies will include Funkified managing the Mediaweek events schedule.

Completion is dependent on certain completion deliverables including the buyer giving notice to the Seller that Due Diligence has been completed, obtaining any necessary shareholder, ASX and/or ASIC consents and approvals, and no material adverse changes occurring between now and completion. Completion is expected by no later than 31 December 2024.

Vinyl Group CEO, Josh Simons, said: “The acquisition of Funkified completes our acquisition strategy aimed at fully realising the opportunities identified in The Brag Media business, while improving group company margins, revenue and driving growth. Additionally, it accelerates our path to profitability. We look forward to welcoming the Funkified team and working closely together on opportunities to grow.”

Funkified Founder & CEO, Stephenson, said: “Following several years of working closely with the incredible team at The Brag Media and Vinyl Group, creating some of the country’s largest and most innovative events and activations, it is an exciting step in our 15-year history to officially join Vinyl Group. We look forward to bringing our expertise and accelerating the growth and profitability of events and activations across the wider organisation.”

Authorisation and Additional Information:
This announcement was authorised by the Board of Vinyl Group Ltd

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-Ends-

ABOUT VINYL GROUP

Vinyl Group is the heartbeat of an equitable music world, providing tech solutions that connect and give credit to the creator economy. The Company’s diverse portfolio has touchpoints across all corners of the global music ecosystem, empowering everyone from creators to consumers. Vinyl.com offers a world-class ecommerce experience including over 50K titles for fans to support their favourite artists. Vampr is a leading dedicated social-professional networking platform and talent marketplace, allowing 1.4M creators to discover collaborators and monetise their work in over 180 countries. Jaxsta is the world’s largest and only database of official music credits with over 380M verified credits to streamline revenue opportunities for businesses in the music industry. Vinyl Group’s media arm includes Mediaweek, the leading media trade publication in Australia, having built its readership and industry respect over its 33 year history, and The Brag Media, Australia’s largest creator of premium youth content and events and publishes iconic titles including Rolling Stone AU/NZ, Variety Australia, TheBrag.com, The Music Network, Tone Deaf, and more.