

ASX RELEASE

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SALE OF SPICERS ASIAN OPERATIONS

Spicers Limited ("Spicers") is pleased to announce that it has entered into an agreement to sell its Asian operations ⁽¹⁾ to Japan Pulp & Paper Co., Ltd ("JPP") for an enterprise value of SGD 15 million. In addition, the transaction provides for Spicers to receive, as deferred consideration, the net proceeds from the planned sale of the Singapore property owned by Spicers Paper (Singapore) Pte Ltd.

The sale agreement between the parties also allows for Spicers to retain the 'net cash' balances in these Asian operations upon completion of the transaction, expected to be approximately SGD 7m, subject to customary completion adjustments.

Completion is subject to the satisfaction of certain conditions, including confirmation with the Competition and Consumer Commission of Singapore (CCCS). Subject to satisfaction of these conditions, the transaction is currently expected to complete towards the end of the first half of FY2019.

Moving forward, Spicers will focus exclusively on its Australian and New Zealand businesses, seeking to optimise their profit returns and free cash flows via a combination of strong market engagement, a sharp focus on cost control, and effective working capital management.

Financial Impact of the Sale of Asian Operations

The Asian operations contributed \$2.2m to Spicers underlying EBIT in FY2018. Given today's announcement these operations will be reclassified as discontinued in Spicers FY2019 financial results.

It is currently expected that Spicers will book a small loss on sale of \$0.2m ⁽²⁾, inclusive of a gain from revaluation of the Singapore property to a market valuation, against the carrying value of the net assets of the Asian operations upon completion of the transaction.

Completion of the sale of the Asian operations will release substantial funds for Spicers, via a combination of sale proceeds, return of net cash balances and the eventual sale of the Singapore property. The Board will review options on the utilisation of these funds, including some form of distribution to shareholders, and will update the market accordingly on any developments.

(1) The Asian operations consist of operating subsidiaries in Malaysia (Spicers Paper (Malaysia) Sdn Bhd), and Singapore (Spicers Paper (Singapore) Pte Ltd) which also operates a representative office in Vietnam.

(2) The foreign currency translation reserve in Spicers consolidated accounts also includes an estimated loss of \$16.1m relating to the Asian operations. This non-cash item will be written off on completion of the transaction, with no net impact on Spicers net assets/ shareholders equity.



David Martin, Chief Executive Officer of Spicers said:

“I want to thank our team in Asia, for their ongoing focus and professionalism in effectively executing on their strategies and delivering strong results for the business. I wish them well for an exciting future as part of JPP’s expanding Asian business upon completion of the transaction.

The focus for our Australian and New Zealand businesses will be to continue to deliver on our promises. We have a strong business, with great people, and there are many opportunities for us to further optimise our positions and maximise returns in our chosen market segments.”

Jonathan Trollip, Chairman of Spicers added:

“Capital returned on the completion of the sale of the Asian operations will allow the Spicers Board to consider options for a distribution to shareholders, and any other future opportunities available to enhance shareholder value. We will keep the market updated on any decisions taken.”

Moelis is financial advisor to Spicers.

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About Spicers Limited (SRS)

Spicers is a dynamic and solutions-focused distribution business with an extensive network in the geographies that we serve. We offer a full suite of products and services to our customers, incorporating commercial print, digital media, label & packaging, industrial packaging, sign & display consumables and hardware, and architectural offerings.