

**ASX RELEASE**

17 January 2019

**SPICERS LIMITED ENTERS INTO A SCHEME IMPLEMENTATION DEED WITH KOKUSAI PULP & PAPER CO., LTD.**

Spicers Limited ("Spicers") (ASX: SRS) is pleased to announce that it has entered into a binding Scheme Implementation Deed ("Implementation Agreement") with Kokusai Pulp & Paper Co., Ltd. ("KPP"), under which KPP would acquire all of the shares in Spicers pursuant to a Scheme of Arrangement ("the Scheme").

In conjunction with the Scheme, Spicers will propose a return of capital to shareholders ("Capital Returns"), covering distributions in respect of Asian Operations<sup>(1)</sup> sale proceeds received, expected proceeds from the sale of properties in Singapore and Tasmania, and surplus 'net cash' amounts as at 30 June 2019.

**Summary**

- The proposed Transaction<sup>(2)</sup> will deliver significant value to Spicers shareholders, who will receive an estimated A\$147.6 million, or 7.0 cents per share, on a fully diluted basis<sup>(3)</sup>.
- Transaction Consideration, to be paid as 100% cash, represents a significant premium to Spicers recent pre-announcement share price.
- Spicers Directors unanimously recommend shareholders vote in favour of the proposed Transaction, and intend to vote Spicers shares they control (26.6% of fully diluted share capital<sup>(3)</sup>) in favour, subject to no superior proposal emerging and the Independent Expert determining that the Transaction is in the best interests of shareholders.
- The proposed Transaction is subject to a condition that final Transaction Consideration is equal to or greater than 6.6 cents<sup>(3)</sup>, and several other customary Scheme conditions.
- Spicers shareholders do not need to take any action at this stage. A Scheme Booklet is expected to be dispatched to shareholders in early May 2019, with the Scheme meeting to be held in early June 2019 and implementation expected in July 2019.

**Transaction Background**

As part of a commitment to maximise value and deliver the most optimal outcome for Spicers shareholders, the Board and management engaged in confidential discussions with KPP and received an indicative non-binding offer from KPP to acquire all of the shares in Spicers, via a Scheme, during the second-half of 2018.

Due diligence and further discussions between the parties and their advisors subsequently proceeded in late 2018. This has now resulted in a binding Implementation Agreement being concluded between the parties for KPP to acquire the Spicers business, consisting of operations in Australia and New Zealand, in its entirety.

(1) The Asian operations of Spicers consisted of operating subsidiaries in Malaysia (Spicers Paper (Malaysia) Sdn Bhd), and Singapore (Spicers Paper (Singapore) Pte Ltd). Please refer to Spicers ASX Announcements on 26 September 2018 and 27 November 2018 for further details on the transaction, which completed as expected on 11 December 2018.

(2) The Scheme and Capital Return are together referred to as the "Transaction".

(3) Based on 2,107,142,649 shares, to be comprised of 2,056,942,649 existing ordinary shares and 50,200,000 performance rights that will vest and convert into ordinary shares.

KPP listed on the Tokyo Stock Exchange in June 2018, and has significant Japanese and overseas business operations focused on paper, packaging and other peripheral products. Group sales are JPY377.7 billion (AUD\$4.8 billion), with 956 staff employed across 26 sites globally. Having rearranged its business portfolio and strengthened business foundations, KPP's objective for the next 3 financial years is to accelerate business expansion and advance an M&A strategy in the Asia-Pacific region.

## Overview of the Transaction

Under the terms of the Scheme, shareholders will be entitled to receive an estimated 7.0 cents per share in cash ("Transaction Consideration"), subject to all applicable conditions being satisfied or waived and the Scheme being implemented.

The Transaction Consideration comprises:

- Base Scheme Consideration of A\$90 million (4.3 cents per share<sup>1</sup>) from KPP for the purchase of Spicers.
- Estimated Capital Returns to shareholders of approximately A\$57.6 million (2.7 cents per share<sup>1</sup>), to be payable on implementation of the Scheme, comprising distributions in relation to:
  - proceeds received from the sale of the Asian Operations;
  - expected proceeds from the sale of properties in Singapore and Tasmania; and
  - the expected surplus 'net cash' balance at 30 June 2019, less certain liabilities and transaction costs, and subject to a working capital 'minimum'.

These Capital Returns will replace the proposed capital return of A\$15.0 million approved by shareholders at the Annual General Meeting on 15 November 2018. Spicers will apply for a Class Ruling from the Australian Tax Office in relation to the Capital Returns.

The table below provides a breakdown of the key components of the estimated Capital Returns:

Capital Returns Component	A\$m
Asia Operations sale proceeds (including net cash repatriated)	22.8
Expected proceeds from the sale of surplus property	12.8
Expected surplus 'net cash' balance (less liabilities and transaction costs)	22.0
<b>Total</b>	<b>57.6</b>

Transaction Consideration of an estimated 7.0 cents per share would represent a significant premium to Spicers pre-announcement share price:

- 32.1% to the closing price of 5.3 cents per share on 17 January 2019;
- 30.7% to the 1-month volume weighted average price (VWAP) to 17 January 2019.

## Spicers Board Unanimously Recommends the Proposed Transaction

The Directors of Spicers unanimously recommend that shareholders vote in favour of all components of the proposed Transaction (consisting of the Scheme and the Capital Returns), in the absence of a superior proposal and subject to the Independent Expert concluding that the proposed Transaction is in the best interests of Spicers shareholders. Subject to these same qualifications, each Director of Spicers intends to vote, or cause to be voted, all the Spicers shares held or controlled by them, including via related party entities, in favour of the proposed Transaction at the Scheme meeting.

The Directors of Spicers hold 26.6% of Spicers share capital on a fully diluted basis<sup>(1)</sup>, either directly or via related entities.

(1) Based on 2,107,142,649 shares, to be comprised of 2,056,942,649 existing ordinary shares and 50,200,000 performance rights that will vest and convert into ordinary shares.



Spicers Chairman, Jonathan Trollip said: “Whilst the Board remains confident in management’s plans for the Spicer's business, and current results are showing positive momentum, the proposed Transaction would provide considerable value for Spicer's shareholders. The Transaction Consideration represents a significant premium to Spicer's recent share price and would be paid as 100% cash. The Scheme is also subject to limited conditionality, with due diligence already completed by KPP. For these reasons, the Board considers the proposed Transaction to be very attractive to Spicer's shareholders.”

David Martin, Spicer's CEO added: “Our business is in an excellent position and our strategic focus over the past two years has delivered improved value for our current shareholders. I see many advantages for the Spicer's business in taking this step to become part of a successful, global, business with a willingness to invest for growth in our key revenue streams of Print & Packaging, Sign & Display and Architecture & Interior Design. KPP has been a key business partner of Spicer's for many years, and I believe having access to their global resources will provide opportunities for Spicer's in many new markets and product categories.”

### **Other Key Details of the Proposed Transaction and Implementation Agreement**

Other details relating to the proposed Transaction and Implementation Agreement include:

- Implementation of the Scheme is subject to a number of conditions precedent, including:
  - A condition that the final Transaction Consideration is equal to or greater than 6.6 cents<sup>(1)</sup>;
  - Customary commercial conditions on no Material Adverse Changes or Prescribed Occurrences;
  - Several customary Scheme conditions, including the Independent Expert determining that the Scheme is in the best interests of Spicer's shareholders, shareholder approvals of the Scheme and Capital Returns by the requisite majorities, and Court approval of the Scheme.
- The Implementation Agreement is subject to customary exclusivity provisions, including “no shop” and “no talk” restrictions, “notification” obligations, “matching” rights (subject to the Spicer's Directors’ fiduciary obligations), and a Break Fee of \$1.1m which may become payable to KPP in certain circumstances.

A copy of the Implementation Agreement is provided in a separate Spicer's ASX Announcement, “Scheme Implementation Agreement with KPP”, made at the same time.

### **Indicative Timetable and Next Steps**

An indicative timetable for the Proposed Transaction is included in Schedule 1 of the Implementation Agreement. Spicer's shareholders do not need to take any action at the present time.

Spicers will announce its FY2019 interim results and financial report on 15 February 2019.

An explanatory Scheme Booklet containing further information relating to the Proposed Transaction and an independent expert’s report is expected to be sent to shareholders in early May 2019, following completion of the required regulatory consultations and Court Hearing.

Shareholders will vote on the proposed Transaction at a Scheme meeting, which is expected to be held in early June 2019. Subject to shareholder approval and the other conditions of the Scheme being satisfied, the Transaction is expected to be implemented in July 2019.

Spicers is being advised by Moelis Australia and Allens. Pitcher Partners have been appointed as the Independent Expert.

(1) Based on 2,107,142,649 shares, to be comprised of 2,056,942,649 existing ordinary shares and 50,200,000 performance rights that will vest and convert into ordinary shares.



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***About Spicers Limited (SRS)***

*Spicers is a dynamic and solutions-focused distribution business with an extensive network in the geographies 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.*