

**ASX RELEASE**

26 June 2019

**TRANSACTION MEETINGS – ADDRESSES**

In accordance with ASX Listing Rule 3.13, set out following are the Chairman's addresses to be delivered at today's Scheme Meeting and Special General Meeting, to be held at Computershare Conference Centre, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, Australia.

The Scheme Meeting will commence at 10.00am (Melbourne Time) and the Special General Meeting will commence at the later of 10.15am (Melbourne Time) and the adjournment or conclusion of the Scheme Meeting.

***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.*

## **SCHEME MEETING – CHAIRMAN'S ADDRESS**

### **Introduction**

Good morning ladies and gentlemen. It is now 10.00am and a quorum being clearly present, I declare the Scheme Meeting open.

I am Jonathan Trollip, Chairman of your Company and of the Meetings today. On behalf of my fellow Directors and Management of Spicers, I extend a very warm welcome to all Spicers shareholders present here today, and also to those reading this address online via our ASX announcement. Joining me today are our Non-Executive Directors, Andy Preece, Nigel Burgess and Gaby Berger, and our executive team led by David Martin, Chief Executive Officer, and Damien Power, Chief Financial Officer.

### **Overview of the Transaction**

Today marks a very significant day in the history of Spicers. During this Scheme Meeting and the Special General Meeting that will follow, Shareholders will be asked to vote on a transaction under which Kokusai Pulp & Paper Co., Ltd., also known as 'KPP', will acquire all of the shares of Spicers as set out in the Explanatory Booklet. The transaction is comprised of two components:

- a scheme of arrangement under which KPP will acquire all of the shares of Spicers (the 'Scheme'), which shareholders will be asked to vote on shortly at this Scheme Meeting; and
- an interconditional return of a capital to Spicers shareholders (the 'Capital Return'), which shareholders will be asked to vote on at the Special General Meeting, to follow this Scheme Meeting.

Your Directors currently expect that Spicers shareholders will receive a total cash consideration for the transaction in the range of 7.0 cents to 7.2 cents per Scheme Share, comprising:

- Base Scheme Consideration of 4.3 cents per Scheme Share payable by KPP; and
- Capital Return Consideration currently estimated to be in the range of 2.7 cents to 2.9 cents per Scheme Share.

Spicers shareholders will have received an Explanatory Booklet together with personalised proxy forms for this Scheme Meeting and the Special General Meeting.

The Explanatory Booklet includes:

- notices convening today's Scheme Meeting and the Special General Meeting;
- an overview of the Transaction;
- information about KPP;
- the key considerations relevant to each shareholder's vote including reasons to vote in favour of, or against, the Transaction; and
- frequently asked questions and answers.

## **Transaction Consideration Update**

As at the date of the Explanatory Booklet, being 17 May 2019, the Capital Return Consideration your directors estimated that Spicers Shareholders would receive for the transaction was 2.7 cents per Scheme Share, for a total cash consideration for the transaction of 7.0 cents per Scheme Share.

However, as noted in the ASX announcement made on 21 June 2019, based on current expected 'Excess Net Cash' estimates as the 30 June 2019 calculation date nears, your directors now expect Excess Net Cash to be in the range of \$21.0 million to \$25.0 million. This means that the Capital Return Consideration is now estimated to be in the range of 2.7 cents to 2.9 cents per Scheme Share, for a total cash consideration for the transaction in the range of 7.0 cents to 7.2 cents per Scheme Share. I will provide further details on the breakdown of the Capital Return consideration later in the Special General Meeting to vote on the Capital Return.

At this Scheme Meeting, I will present the Scheme Resolution to be considered and there will be time for questions and discussion. Following this, I will display the proxy votes for the Scheme Resolution and will take a vote by way of a poll on the Scheme Resolution. The results of today's Scheme Meeting will be announced to the ASX and posted on Spicers' website later today. The Special General Meeting to vote on the Capital Return will follow.

## **Directors' recommendation**

Your Directors have carefully assessed the merits of the transaction and have unanimously recommended that, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interest of Shareholders, Shareholders vote in favour of both the Scheme Resolution and the Capital Return Resolution at today's meetings.

The Spicers Board confirms that no superior proposal has been received by Spicers since the transaction announcement on 17 January 2019.

Each of your Directors intends to vote any shares held or controlled by them in favour of the Scheme Resolution and the Capital Return Resolution.

Your Directors have made their recommendation on the basis that:

- The total consideration currently expected to be received by shareholders represents an attractive premium of approximately 30 percent to the trading prices of Spicers Shares on ASX prior to the announcement of the proposed transaction on 17 January 2019.
- The proposed Transaction provides Spicers Shareholders the certainty of a cash payment for their Spicers Shares.
- The price of Spicers Shares is likely to fall in the near term if the Transaction is not implemented, and in the absence of a Superior Proposal.
- No brokerage and stamp duty will be payable by Spicers Shareholders for the transfer of Spicers Shares under the Transaction
- The proposed Transaction provides an opportunity for Spicers Shareholders to access full liquidity in connection with the disposal, at a full price, of all of their Spicers Shares.
- With global pulp and paper operations, a similar culture and values, and as a business partner of Spicers for many years, KPP is a natural owner for Spicers.



### **Independent Expert**

Your Directors appointed Pitcher Partners as the independent expert to assess the merits of the Scheme. A copy of the Independent Expert's Report is included in the Explanatory Booklet.

The Independent Expert has concluded that the Scheme is fair and reasonable, and therefore it is in the best interests of Spicer's Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the full underlying value of Spicer's in a range between \$0.066 (6.6 cents) and \$0.075 (7.5 cents) per share. The expected total cash consideration under the transaction is in the range of \$0.070 (7.0 cents) to \$0.072 (7.2 cents) per share is therefore within the Independent Expert's assessed valuation range.

### **Transaction Timetable**

If the Scheme and the Capital Return are approved by the requisite majorities of Spicer's Shareholders, the Second Court Hearing will take place at 10.15am on Wednesday, 3 July 2019 at the Federal Court of Australia – Victorian Registry, Owen Dixon Commonwealth Law Courts Building, 305 William Street, Melbourne.

If the Court approves the Scheme, a copy of the Court order approving the Scheme will be lodged with ASIC and the Scheme will become legally effective. Spicer's will apply to ASX for Spicer's Shares to be suspended from official quotation from close of trade on this day.

Spicer's Shareholders on the register at 7.00pm (Melbourne time) on 8 July 2019 will be entitled to receive the Base Scheme Consideration and the Capital Return Consideration. The final transaction consideration will be determined by Spicer's prior to implementation and announced on ASX and notified on Spicer's website at [www.spicerslimited.com.au](http://www.spicerslimited.com.au). Implementation is currently expected to occur on 16 July 2019.

These dates are indicative only and, among other things, are subject to satisfaction of applicable conditions, including approval from the Court. Any changes will be announced on ASX.

## **SPECIAL GENERAL MEETING – CHAIRMAN'S ADDRESS**

Now that the Scheme Meeting has closed, I would like to welcome and thank you all for attending today's Special General Meeting to consider the equal reduction of the share capital of Spicer's that forms part of the transaction with KPP (the 'Capital Return') and which is described in the Explanatory Booklet.

A quorum being clearly present, I declare the Special General Meeting open.

### **Overview of the Capital Return**

During this Special General Meeting, Shareholders will be asked to vote on the second component of the transaction with KPP – being a return of capital to Spicer's shareholders. The proposed Capital Return is conditional on the Scheme.

As I noted during the Scheme Meeting, the amount of the Capital Return is currently expected to be in the range of 2.7 cents to 2.9 cents per Scheme Share. This represents a total Capital Return amount in the range of \$58.0 million to \$62.0 million, comprised of:

- net sale proceeds from the sale of Spicer's Asian operations of \$22.2 million;
- net sale proceeds from the sale of the Tasmanian properties of \$4.4 million;
- net sale proceeds from the sale of the Singapore property of \$10.4 million (including the expected return of an amount of \$0.3 million that was held in escrow in relation to a required environmental 'baseline' soil survey. This survey has now been finalised, with no environmental liabilities assessed, and the release of the escrow amount has been confirmed);
- an amount of 'excess net cash', currently expected to be in the range of \$21.0 million to \$25.0 million. This excess net cash amount as at 30 June 2019 is subject to results, and in particular closing net working capital positions, for the month of June 2019.

As noted during the Scheme Meeting, the final transaction consideration (including the final excess net cash amount) will be determined by Spicer's prior to implementation and announced on ASX and notified on Spicer's website at [www.spicerslimited.com.au](http://www.spicerslimited.com.au).

Spicers has received a waiver of ASX Listing Rule 7.25 regarding the Capital Return.

At this Special General Meeting, I will present the Capital Return Resolution to be considered and there will be time for questions and discussion. Following this, I will display the proxy votes for the Capital Return Resolution and will take a vote by way of a poll on the Capital Return Resolution. The results of today's Special General Meeting will be announced to the ASX and posted on Spicer's website later today.

I would like to thank all shareholders who are in attendance today and those who have appointed proxies or other representatives to vote at the meeting.

Finally, on behalf of all my fellow Directors, I would like to recognise the tremendous effort of the Spicer's executive team, led by our CEO David Martin, CFO Damien Power, Company Secretary Michael Clark and every Spicer's employee. To every one of you, I offer my sincere thanks.