



Big River Industries Limited (ACN 609 901 377)

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1 May 2019

## ASX Announcement: Acquisitions, Share Purchase Plan and Placements

### Highlights

- Big River Industries Ltd (ASX:**BRI**) has entered into an agreement (**Acquisition Agreement**) to acquire the business and assets of Plytech International Limited (NZCN 492138) (**Plytech**) and Decortech Limited (NZCN 1236982) (**Decortech**) (**Sellers**) (**Business**) (**NZ Acquisitions**) for NZ\$17.2 million (approximately A\$16.2 million). Earn-out provisions allow for an additional NZ\$3.5 million (approximately A\$3.3 million), payable over two years subject to performance hurdles.
- The NZ Acquisitions are scheduled to complete in late-June 2019.
- The NZ Acquisitions will be funded by a combination of:
  - NZ\$2 million of fully paid ordinary shares (ranking equally with existing shares) in BRI (**Shares**) (**Consideration Shares**) issued to the Sellers at an issue price of A\$1.05 per share;
  - an A\$6.2 million placement to existing substantial shareholder NAOS Asset Management Limited (**NAOS**), of which A\$5.9 million is subject to shareholder approval (**NAOS Placement**) and the remainder was provided as part of the "General Placement" referred to below, at an issue price of A\$1.05 per share; and
  - by drawing down on available debt facilities of BRI.

**The above sources of funds are sufficient for BRI to fund the NZ Acquisitions in their entirety. No further funds are necessary for that purpose.**

However, BRI will also make a purchase plan offer to eligible existing shareholders of BRI to raise up to A\$1 million (**SPP**), has also closed a placement to sophisticated and institutional investors and senior management under which it has raised a further A\$1.4 million (including from NAOS) (**General Placement**), and has received commitments from existing Directors, Mr. Malcom Jackman (**Jackman**) and Mr. James (Jim) Bindon (**Bindon**) to provide a further A\$175,000 (**Director Placement**), all at an issue price of A\$1.05 per Share. Funds raised under the General Placement, Director Placement and SPP will be applied towards funding the NZ Acquisitions (to reduce the amount of debt BRI draws down to fund the acquisitions) and any funds raised under the SPP which are not used for that purpose will be applied towards reducing BRI's debt and other prospective acquisitions being considered by BRI.

- An extraordinary general meeting will be held in mid-June 2019 to seek shareholder approval to the NAOS Placement and Director Placement.
- The Board believes the NZ Acquisitions and NAOS Placement, Director Placement and General Placement (**Placements**) are in the best interests of shareholders.

### NZ Acquisitions

BRI has entered into the Acquisition Agreement to acquire the Business and assets of Plytech and Decortech. Plytech is one of the leading plywood distributors in New Zealand, importing specialty plywood from Europe and Asia. Decortech manufactures specialty (laminates, veneers, fire rated, acoustic, paint and coated) architectural panels.

The total consideration for the NZ Acquisitions is up to NZ\$20.7 million, which comprises:

- a NZ\$15.2 million cash payment (**Cash Consideration**), of which NZ \$13.68 million is payable on completion of the NZ Acquisitions (**Completion**), and NZ \$1.52 million is payable shortly after Completion, subject to adjustments for stock;
- the issue of NZ\$2 million in Consideration Shares to the Sellers at a price of A\$1.05 per Share (i.e. approximately 1.8 million Shares); and
- deferred contingent payments of up to NZ\$3.5 million based on the Business achieving certain EBITDA targets.

Completion is anticipated to occur in late-June 2019, with economic effect from 1 June 2019 (**Effective Date**).

BRI has also agreed to pay an additional interest payment on the portion of the Cash Consideration payable at Completion for the period from the Effective Date until the date on which Completion occurs (which is expected to occur on 21 June 2019), at the rate of 2% above the New Zealand 90 day bank bill rate.

The Consideration Shares will be issued under BRI's capacity pursuant to ASX Listing Rule 7.1.

The Consideration Shares will be held in voluntary escrow, with 37.5% of the Consideration Shares being released from escrow 12 months after Completion and the remaining 62.5% of Consideration Shares being released from escrow 24 months after Completion.

The NZ Acquisitions are conditional on, amongst other things, the completion of the capital raising by BRI to fund the Cash Consideration.

The Acquisition Agreement contains usual representations and warranties for a transaction of this nature.

### **Strategic fit**

The NZ Acquisitions are considered to be highly complementary, leveraging the long history BRI has in plywood and veneer based products and providing solid long term synergies between the NZ businesses and the Australian asset base. It provides a beachhead into the New Zealand market, allowing the further product expansion into NZ of the specialty BRI product range.

This further expands the BRI distribution network into the major population centres of Australia of New Zealand, which will cover 16 sites following Completion, further expanding the customer, segment and end-market diversity that BRI is exposed to.

With key management and staff remaining with the businesses, integration requirements are expected to be minimal, with existing brand names and operating systems being retained.

The NZ Acquisitions are strongly EPS accretive on a pro forma FY19 earnings basis, pre synergies and before implementation costs.

### **NAOS Placement**

The Cash Consideration of the NZ Acquisitions will be partly funded by a \$6.2 million placement with NAOS. NAOS provided \$278,250 under the General Placement (being 265,000 Shares under BRI's capacity pursuant to ASX Listing Rule 7.1). The remaining \$5,921,750 under the NAOS Placement being 5,639,762 Shares will be subject to shareholder approval. The Shares to be issued to NAOS will be issued at a price of \$1.05 per Share (i.e. 5,904,762 Shares in total).

The NAOS Placement will be subject to the approval of shareholders of BRI, to be sought at an extraordinary general meeting anticipated to be held in mid-June 2019. The Notice of Meeting to shareholders will be accompanied by an independent expert's report as to the fairness and reasonableness of the NAOS Placement to the non-NAOS associated shareholders of BRI.

### **Director Placement**

The Cash Consideration of the NZ Acquisitions will also be partly funded by placements of \$50,000 to Jackman (i.e. 47,619 Shares) and \$125,000 to Bindon (i.e. 119,048 Shares). These Shares will be issued at a price of \$1.05 per Share.

The Director Placement will be subject to the approval of shareholders of BRI, to be sought at an extraordinary general meeting anticipated to be held in mid-June 2019.

### **General Placement**

BRI has closed the General Placement under which it has raised \$1.4 million from sophisticated and institutional investors (including NAOS) at an issue price of \$1.05 per Share (i.e. 1.34 million Shares (subject to rounding)). Any funds raised under the General Placement will be applied towards partly funding the Cash Consideration.

The Shares issued under the General Placement will be issued under BRI's capacity pursuant to ASX Listing Rule 7.1.

The General Placement will not be subject to the approval of shareholders of BRI and is not underwritten.

### **SPP**

The Cash Consideration of the NZ Acquisitions will also be partly funded by an issue of up to A\$1 million worth of Shares under the SPP (i.e. 952,380 Shares), under which existing BRI shareholders will be given the opportunity to acquire Shares in BRI at an issue price of \$1.05 (representing a 14.3% discount to the five (5) day volume weighted price of Shares over the period up to the last trading day prior to this announcement of \$1.23 per Share). Any funds raised under the SPP which are not applied towards funding the Cash Consideration will be applied towards other prospective acquisitions undertaken by BRI.

Existing shareholders with registered addresses in Australia or New Zealand as at 7:00pm (Sydney time) on Tuesday, 30 April 2019 (**Record Date**) will be entitled to subscribe for up to \$15,000 in Shares through the SPP, subject to the terms and conditions of the SPP which will be set out in the SPP Offer Booklet. Shares issued under the SPP will rank equally with existing shares of BRI.

The SPP will not be underwritten.

Further information in relation to the SPP, including terms and conditions of the SPP, will be outlined in the SPP Offer Booklet, which will be despatched to eligible shareholders on or about Monday, 6 May 2019.

### **Indicative Timetable**

Record Date for SPP	Tuesday, 30 April 2019
Announcement of NZ Acquisitions, Placements and SPP	Wednesday, 1 May 2019
Despatch SPP Offer Booklet	Monday, 6 May 2019
SPP offer opens	Monday, 6 May 2019
Settlement of General Placement	Tuesday, 7 May 2019
Allotment of Shares under General Placement	Wednesday, 8 May 2019
Despatch Notice of Meeting	Monday, 20 May 2019
SPP offer closes	Monday, 27 May 2019
Settlement of SPP	Thursday, 30 May 2019
Allotment of Shares under SPP	Friday, 31 May 2019
Hold extraordinary general meeting to approve NAOS Placement and Director Placement	Wednesday, 19 June 2019
Settlement of NAOS Placement and Director Placement	Thursday, 20 June 2019

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Allotment of Shares under NAOS Placement and Director Placement	Friday, 21 June 2019
Completion of NZ Acquisitions	Friday, 21 June 2019
Allotment of Consideration Shares	Friday, 21 June 2019
Commencement of trading of NAOS Placement Shares, Director Placement Shares and Consideration Shares	Monday, 24 June 2019

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The timetable is indicative only and BRI reserves the right to amend the dates at its discretion and without notice, subject to the ASX Listing Rules and the *Corporations Act 2001* (Cth).

**For further information please contact:**

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