



Big River Industries Limited (ACN 609 901 377)

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7 June 2019

## Postponement of Meeting and Despatch of Replacement Notice of Extraordinary General Meeting

Big River Industries Limited's (ASX:**BRI**) Extraordinary General Meeting is now postponed to be held at 11:00am (Sydney time) on **Tuesday, 9 July 2019**, at Boardroom Conference Centre, Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000. As such, the meeting that was scheduled to occur on Wednesday, 19 June 2019 is cancelled.

A Replacement Notice of Meeting, together with Independent Expert Report and proxy form, for BRI's upcoming Extraordinary General Meeting to be convened on Tuesday, 9 July 2019 is being despatched today (**Replacement NOM**).

The Replacement NOM replaces that issued on Monday, 20 May 2019 and should be read in its entirety.

The Replacement NOM is being issued to provide shareholders with additional details relating to the NAOS entities acquiring the BRI shares under the NAOS Placement referred to in the Replacement NOM.

Shareholders who have already voted by proxy should note that their existing votes are now void. Shareholders who intend to vote by proxy will need to complete and return their proxy form provided with the Replacement NOM.

A copy of the Replacement NOM is **attached** to this announcement.

### For further information please contact:

Jim Bindon (CEO and Managing Director) Ph: (02) 6644 0903

e: [jbindon@bigrivergroup.com.au](mailto:jbindon@bigrivergroup.com.au)

Steve Parks (CFO and Company Secretary) Ph: (02) 6644 0922

e: [sparks@bigrivergroup.com.au](mailto:sparks@bigrivergroup.com.au)

# **BIG RIVER INDUSTRIES LTD**

ACN 609 901 377

## **REPLACEMENT NOTICE OF EXTRAORDINARY GENERAL MEETING, EXPLANATORY NOTES AND INDEPENDENT EXPERT'S REPORT**

**Date: Tuesday, 9 July 2019**

**Time: 11:00am (Sydney time)**

**Place: BoardRoom Conference Centre, Level 12, Grosvenor Place, 225  
George Street, Sydney NSW 2000**

**The Independent Expert has concluded that the Proposal as set out in the Explanatory Notes and in the enclosed Independent Expert's Report is not fair but reasonable to the Shareholders and the advantages of the Proposal outweigh the disadvantages.**

**The Directors who do not have an interest in the outcome of the Resolutions unanimously recommend that Shareholders vote in favour of the Resolutions.**

This Notice of Meeting is dated Friday, 7 June 2019.

**This Notice of Meeting, Explanatory Notes and Independent Expert's Report replaces that issued on 20 May 2019 and should be read in its entirety.**

**This document is important and requires your immediate attention. Carefully read this document in its entirety and consult your stockbroker, solicitor, accountant, licensed financial adviser or other professional adviser if you are in any doubt as to what to do.**

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**NOTE:** Capitalised terms used in this document are defined in the Glossary (Section 4).

## Key Dates

Due date for lodgement of proxy forms	11:00am (Sydney time) on Sunday, 7 July 2019
Record Date	7:00pm on Sunday, 7 July 2019
General Meeting	11:00am (Sydney time) on Tuesday, 9 July 2019

**NOTE:** The above timetable is indicative only. The Company may vary any of the above dates without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable law.

## Important Information

This Notice of Meeting is dated Friday, 7 June 2019.

A copy of this Notice of Meeting has been lodged with ASIC and ASX. Neither ASIC nor ASX takes any responsibility for the contents of this Notice of Meeting.

This Notice of Meeting does not take into account the individual investment objectives, financial situation or particular needs of any person. Shareholders should seek professional advice from a licensed financial adviser, accountant, stockbroker, lawyer or other professional adviser before deciding whether or not to approve the resolutions set out in this Notice of Meeting.

This Notice of Meeting is governed by the law in force in New South Wales.

## Corporate Directory

### Current Directors

Mr Greg Laurie (Non-Executive Chairman)  
 Mr James (Jim) Bindon (Managing Director)  
 Ms Vicky Papachristos (Non-Executive Director)  
 Mr Martin Kaplan (Non-Executive Director)  
 Mr Malcolm Jackman (Non-Executive Director)

### Company Secretaries

Mr Steve Parks  
 Mr Julian Rockett

### Registered Office

Trenayr Road, Junction Hill NSW 2460  
 (PO Box 281, Grafton NSW 2460)  
 Tel: (02) 6644 0900  
 Fax: (02) 6643 3328

### Share Registry

Link Market Services Limited  
 1A Homebush Bay Drive, Rhodes NSW 2138  
 Tel: 1300 554 474

### Independent Expert

Lonergan Edwards & Associates Limited  
 Level 7, 64 Castlereagh Street, Sydney NSW 2000

### Auditors

Deloitte Touche Tohmatsu  
 Grosvenor Place, 225 George Street, Sydney NSW 2000

### Solicitors

Thomson Geer  
 Level 25, 1 O'Connell Street, Sydney NSW 2000

## 1 Chairman's Letter

Friday, 7 June 2019

Dear Shareholder,

On behalf of the Directors of Big River Industries Limited (**Company** or **BRI**) I am pleased to invite you to a General Meeting of Shareholders to be held on Tuesday, 9 July 2019.

### Key Points:

- As announced on Wednesday, 1 May 2019, the Company is acquiring the business and assets of Plytech International Limited (NZCN 492138) and Decortech Limited (NZCN 1236982) (**Sellers**) (**NZ Acquisitions**) and is undertaking a share purchase plan offer (**SPP**) and placements, including a placement to NAOS Emerging Opportunities Company Limited ACN 161 106 510 (**NCC**) and NAOS Small Cap Opportunities Company Limited ACN 107 617 381 (**NSC**) (**NAOS Placement**) and placements to Mr Malcom Jackman (**Jackman**) and Mr James (Jim) Bindon (**Bindon**) (**Director Placement**), to partially fund the cash component of the consideration payable for the NZ Acquisitions.
- The NZ Acquisitions are conditional on completion of the capital raising by the Company.
- The Company has completed a placement of \$1.4 million of Shares to sophisticated and institutional investors (including NSC) and senior management (**General Placement**).
- The Company has completed the SPP offer, under which it raised approximately \$245,000.
- The NAOS Placement to raise a further \$5.9 million from NCC and NSC, and the Director Placement to raise a further \$50,000 from Mr Malcolm Jackman and \$125,000 from Mr Jim Bindon respectively, are subject to shareholder approval at this meeting.
- The Directors who do not have an interest in the outcome of the Resolutions unanimously recommend Shareholders vote in favour of the Resolutions and intend to vote the shares in the Company they hold, own or control in favour of the Resolutions.
- At the completion of the capital raising (including the issue of Consideration Shares to the vendors of the NZ Acquisitions), the voting power of NAOS (including NAOS Asset Management Limited ACN 107 624 126 (**NAOS Management**) (being the investment manager of NCC, NSC and NAOS Emerging Opportunities Fund (**NEOF**), each of NCC, NSC, NEOF (which each holds Shares in the Company) and Sebastian Evans (who, as a holder of over 20% of the voting power in NAOS Management, has the same deemed relevant interest as NAOS Management)) is expected to increase from approximately 20.07% to 27.44%.

The business of the General Meeting is to seek Shareholder approval to:

- the acquisition of relevant interests in issued voting shares in the Company by NAOS (i.e. each of NCC, NSC, NEOF, NAOS Management and Sebastian Evans) by the proposed issue and allotment of 5,639,762 Shares to NCC and NSC under the NAOS Placement; and
- the proposed issue of Shares to each of Jackman and Bindon, being existing Directors of the Company, under the Director Placement,

all on the basis set out in the enclosed Explanatory Notes.

As at the date of this Notice of Meeting, NCC holds 4,405,474 Shares, NSC holds 6,424,922 Shares and NEOF holds 178,091 Shares (with legal title in these Shares being held by National Nominees Limited as custodian) with these NAOS Investment Entities holding a total of 11,008,487 Shares, representing approximately 20.07% of the voting power attaching to and the number of all Shares on issue.

Upon completion of the NAOS Placement (which will occur simultaneously with the Director Placement), NCC will be issued 1,619,048 Shares and NSC will be issued 4,020,714 Shares (**NAOS Placement Shares**) and the NAOS Investment Entities (being NCC, NSC and NEOF) will hold in aggregate 16,648,249 Shares, representing approximately 27.44% of the voting power attaching to, and the number of all, Shares that will be on issue immediately following completion of the NAOS Placement.

Once the Consideration Shares are issued, each NAOS person's voting power will be 26.65%.

The interests of the Directors who are participating in the Director Placement are expected to change as follows:

- for Jackman, from his current shareholding of 0.12% to 0.19% following completion of the Director Placement; and
- for Bindon, from his current shareholding of 0.76% to 0.88% following completion of the Director Placement,

with minor dilution thereafter following the issue of the Consideration Shares.

As stated in the Company's announcement on Wednesday, 1 May 2019 and by the Resolutions proposed, the Board considers that the NZ Acquisitions, including its partial funding by the NAOS Placement on the basis provided in Resolution 1, is in the Company's best interests and will be for the benefit of all Shareholders. The Board's reasons are set out more fully in the enclosed Explanatory Notes.

The Directors who do not have an interest in the outcome of the Resolutions unanimously recommend shareholders vote in favour of the Resolutions and intend to vote Shares in the Company they hold, own or control in favour of the Resolutions.

Further information regarding the Resolutions to be considered at this meeting is set out in the enclosed Explanatory Notes.

In the context of the issue of the NAOS Placement Shares requiring shareholder approval under item 7 of section 611 of the Corporations Act, as required under the relevant Corporations Act provisions and ASIC Regulatory Guide 111, the Independent Expert has been engaged to determine whether the issue of the NAOS Placement Shares under the NAOS Placement is fair and reasonable to the Shareholders other than the NAOS Investment Entities and their Associates.

The Independent Expert has determined that the NAOS Placement is not fair but reasonable, and that the advantages outweigh the disadvantages of the NAOS Placement from the perspective of Shareholders.

Further information is contained in the enclosed Independent Expert's Report.

I look forward to your attendance at the General Meeting. If you are unable to attend the meeting in person, please complete, sign and return the enclosed proxy form by 11:00am (Sydney time) on Sunday, 7 July 2019.

Yours sincerely

Greg Laurie  
Non-Executive Chairman

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the Shareholders of Big River Industries Ltd (**Company** or **BRI**) will be held at BoardRoom Conference Centre, Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000 on Tuesday, 9 July 2019 at 11:00am (Sydney time).

**This Notice of Meeting, Explanatory Notes and Independent Expert's Report replaces that issued on 20 May 2019.**

**Business:**

**Resolution 1 – Approval of acquisition of relevant interests in NAOS Placement Shares by NAOS**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

*“In accordance with item 7 of section 611 of the Corporations Act, and for all other purposes, Shareholder approval is given to the acquisition of relevant interests in issued voting shares in the Company by NAOS (i.e. NCC, NSC, NEOF, NAOS Management and Sebastian Evans) by the issue and allotment of 5,639,762 Shares to NCC and NSC on the terms set out in the Explanatory Notes accompanying the notice convening this General Meeting.”*

**Resolution 2 – Approval of issue of Shares to non-executive Director, Jackman**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

*“In accordance with Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, Shareholder approval is given to the issue and allotment of 47,619 Shares to Mr. Malcolm Jackman, a non-executive Director of the Company, and/or his Associates on the terms set out in the Explanatory Notes accompanying the notice convening this General Meeting.”*

**Resolution 3 – Approval of issue of Shares to executive Director, Bindon**

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

*“In accordance with Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11, Shareholder approval is given to the issue and allotment of 119,048 Shares to Mr. James (Jim) Bindon, an executive Director of the Company, and/or his Associates on the terms set out in the Explanatory Notes accompanying the notice convening this General Meeting.”*

Further information in relation to the Resolutions is set out in the Explanatory Notes which accompany and form part of this Notice of Meeting.

By order of the Board

Steve Parks  
Co-Company Secretary  
Date: Friday, 7 June 2019

**2.1 Voting Exclusions**

*Resolution 1*

In accordance with the notice requirements of item 7 of section 611 of the Corporations Act, the Company will disregard any votes cast in favour of Resolution 1 by:

- (a) NAOS; and
- (b) any Associates of NAOS;

However, the Company need not disregard a vote if:

- (a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

#### *Resolution 2*

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 2 by:

- (a) Mr. Malcolm Jackman; and
- (b) any Associates of Mr. Malcolm Jackman; and

However, the Company need not disregard a vote if:

- (a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

#### *Resolution 3*

In accordance with the Corporations Act and ASX Listing Rules, the Company will disregard any votes cast in favour of Resolution 3 by:

- (a) Mr. James (Jim) Bindon; and
- (b) any Associates of Mr. James (Jim) Bindon; and

However, the Company need not disregard a vote if:

- (a) it is cast by a person as the proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 2.2 Documents

A proxy form accompanies these documents.

## 2.3 Persons entitled to vote

Under regulation 7.11.37 of the Corporations Regulations, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the General Meeting will be as it appears in the share register at 7:00pm (Sydney time) on Sunday, 7 July 2019.

## 2.4 How to Vote

If you are eligible, you may vote by attending the General Meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.

## 2.5 **Voting in Person**

To vote in person, attend the General Meeting at the time and place set out in this Notice of Meeting.

## 2.6 **Voting by Proxy**

To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.

## 2.7 **Proxies**

A Shareholder who is entitled to vote at the General Meeting may appoint:

- one proxy if the member is only entitled to one vote; or
- one or two proxies if the member is entitled to more than one vote.

Where the Shareholder appoints two (2) proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not specify a proportion or number, each proxy may exercise one-half of the votes, in which case any fraction of votes will be disregarded.

A proxy need not be a Shareholder of the Company.

The proxy form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by a corporation must be executed in accordance with the Corporations Act and the constitution of that corporation.

The proxy form and the power of attorney or other authority (if any) under which it is signed or a certified copy, must be received by the Company at least 48 hours before the time for holding of the General Meeting or any adjourned meeting (or such lesser period as the Directors may permit). Shareholders should refer to the proxy form accompanying this Notice of Meeting for details on how to lodge their vote.

## 2.8 **Voting by Attorney**

A Shareholder may appoint an attorney to act on the Shareholder's behalf at the General Meeting. The power of attorney or such other evidence of the attorney's appointment and authority to the satisfaction of the Directors must be received by the Company at least 48 hours before the time for holding of the General Meeting or any adjourned meeting.

## 2.9 **Enquiries**

For further information, please contact the Company Secretaries Steve Parks on (02) 6644 0922 or Julian Rockett on (02) 9290 9600.



### 3 Explanatory Notes

**These Explanatory Notes have been prepared for the information of Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at BoardRoom Conference Centre, Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000 on Tuesday, 9 July 2019 at 11:00am (Sydney time).**

**This Notice of Meeting, Explanatory Notes and Independent Expert's Report replaces that issued on 20 May 2019.**

#### 3.1 Background on the NZ Acquisitions

As announced on Wednesday, 1 May 2019, the Company (through its subsidiary, Big River Group (NZ) Limited (**Buyer**)) has entered into a Business Purchase Deed (**Acquisition Agreement**) to acquire the business and assets of Plytech and Decortech (**Business**), both New Zealand based companies.

Plytech is one of the leading plywood distributors in New Zealand, importing high margin plywood from Europe and Asia. Decortech manufactures speciality (laminates, veneers, fire rated, acoustic, paint and coated) architectural panels.

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

- (a) up to NZ\$18.7 million (approx. A\$17.7 million) is payable in cash as follows:
  - (i) NZ\$13.68 million (approx. A\$12.95 million) is payable in cash on completion of the NZ Acquisitions (**Completion**); and
  - (ii) NZ\$1.52 million (approx. A\$1.44 million) is being held back and will be paid to the Buyer or the Sellers depending on the results of customary post-Completion adjustments for stock;
 

(together, the **Cash Consideration**),
  - (iii) up to NZ\$1.75 million (approx. A\$1.66 million) is payable as a contingent payment shortly after 30 June 2020 depending on the EBITDA achieved during that financial year; and
  - (iv) up to NZ\$1.75 million (approx. A\$1.66 million) is payable as a contingent payment shortly after 30 June 2021 depending on the EBITDA achieved during that financial year; and
- (b) NZ\$2 million (approx. A\$1.89 million) is to be satisfied by an issue of Share to the Sellers (**Consideration Shares**) on Completion at a price of \$1.05 per Share.

BRI has also agreed to pay an additional interest payment on the portion of the Cash Consideration payable at Completion for the period from 1 June 2019 (**Effective Date**) until the date on which Completion occurs (which is expected to occur on Thursday, 11 July 2019), at the rate of 2% above the New Zealand 90 day bank bill rate.

The Company is raising the Cash Consideration through the SPP, the General Placement, the NAOS Placement, the Director Placement and debt facilities.

The SPP closed on Monday, 27 May 2019 and raised approximately \$245,000 at a price of \$1.05 per Share.

The NAOS Placement the subject of this Notice of Meeting is to raise a total of \$5.9 million from NCC and NSC, subject to the passing of Resolution 1.

The Director Placement the subject of this Notice of Meeting is to raise \$50,000 from Jackman, subject to the passing of Resolution 2, and \$125,000 from Bindon, subject to the passing of Resolution 3.

As stated above, completion of the NZ Acquisitions is conditional on the Company raising the required funds to pay the Cash Consideration.

Completion of the NZ Acquisitions is expected to occur on Thursday, 11 July 2019, or such other date agreed in writing between the Buyer and the Sellers, with economic effect from the Effective Date.

The conditions precedent to the NZ Acquisitions are:

- (a) **(regulatory approvals)** the Company receiving approval from its shareholders in accordance with the requirements of the Corporations Act, the related ASIC Regulatory Guides, and the requirements of the ASX Listing Rules to:
  - (i) complete a capital raising to fund the Cash Consideration (**Capital Raising**); and
  - (ii) if and to the extent necessary under the ASX Listing Rules, to complete the NZ Acquisitions;
- (b) **(capital raising)** the Company successfully completing the Capital Raising, to its satisfaction;
- (c) **(property lease assignment)** the Sellers and the Buyer obtaining consent from the landlords to assignment of the leases of the premises out of which the Business is conducted to the Buyer with effect from Completion, with any landlord conditions to any consent being satisfactory to the Buyer (acting reasonably);
- (d) **(release of guarantees)** the Sellers and the Buyer obtaining the release of any guarantees given by the Sellers or related parties of the Sellers in relation to the property leases;
- (e) **(material contracts assignments)** to the extent written consent to the assignment of one (1) contract of the Business (which the Sellers and the Buyer have agreed is a material contract of the Business) by the Sellers is required under the terms of that material contract, the Sellers and the Buyer obtaining the counterparty's consent to the assignment of the material contract from the Sellers to the Buyer with effect from Completion, with any counterparty conditions to any consent being satisfactory to the Buyer (acting reasonably);
- (f) **(key supplier written confirmations)** the Sellers obtaining written confirmation from 18 suppliers of the Business (whom the Sellers and the Buyer have agreed are key suppliers of the Sellers) that following Completion they will continue to supply the Business (under ownership of the Buyer) on terms no less favourable than they supply the Business as at the date of the Acquisition Agreement;
- (g) **(security interests)** the Sellers to procure the release of all security interests over the Business and the assets to the satisfaction of the Buyer, other than as expressly agreed by the Buyer in writing;
- (h) **(no material change)** there has been no material adverse change to the Business or assets and no material transactions undertaken other than in the ordinary course of the Business or in accordance with the Acquisition Agreement between the date of the Acquisition Agreement and Completion;
- (i) **(key employee contracts)** three (3) employees (whom the Sellers and the Buyer have agreed are key employees of the Business) entering into new employment contracts with the Buyer; and
- (j) **(escrow deed)** each Seller executing a voluntary escrow deed in respect of their Consideration Shares, under which they agree to escrow 37.5% of the Consideration Shares for a period of 12 months after Completion and the remaining 62.5% of the Consideration Shares for a period of 24 months after Completion.

The Directors anticipate that the Capital Raising will be the final condition precedent to be satisfied and, as such, completion of the NZ Acquisitions is expected to occur on or around Thursday, 11 July 2019, with economic effect from the Effective Date.

As at the date of this Notice of Meeting, the Directors are not aware of any reason why any of the conditions precedent under the Acquisition Agreement will not be satisfied. The Directors will keep Shareholders and the ASX advised in that regard, including as to the outcome of the vote by Shareholders on Resolution 1 proposed.

Please refer to the Investor Presentation on the Company's website at <http://bigriverindustries.com.au/Investors/?page=ASX-Announcements> for further information on the NZ Acquisitions.

### 3.2 **Resolution 1 – Acquisition of relevant interests in NAOS Placement Shares by NAOS**

#### (a) **Background**

The Company is seeking the approval of Shareholders in accordance with item 7 of section 611 of the Corporations Act to the acquisition of relevant interests in issued voting shares in the Company by NAOS (i.e. NCC, NSC, NEOF, NAOS Management and Sebastian Evans) by the issue and allotment of the NAOS Placement Shares to NCC and NSC in accordance with the terms and conditions set out in this Notice of Meeting.

#### (b) **Information about NAOS**

NAOS Management is a specialist fund manager that manages the investment portfolios of various listed investment companies and other entities. This includes NCC and NSC, which are both investment companies listed on the ASX that focus on investments in Australian listed industrial companies outside of the ASX-50. NEOF is an unregistered managed investment scheme which focuses on investments in Australian listed emerging companies.

#### (c) **Approval under the Corporations Act**

##### (i) **Section 606 prohibition**

Pursuant to section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- (A) from 20% or below to more than 20%; or
- (B) from a starting point that is above 20% and below 90%.

A person's voting power in a company is determined in accordance with section 610 of the Corporations Act. A person's voting power is calculated by determining the percentage of the total number of votes attached to all voting shares in the company that a person and its associates have a relevant interest in.

A person has a relevant interest in securities if they:

- (A) are the holder of the securities;
- (B) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (C) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

**(ii) Exception to the section 606 prohibition**

Item 7 of section 611 of the Corporations Act provides an exception to the prohibition under section 606 of the Corporations Act. This exception provides that a person may acquire a relevant interest in a company's voting shares with shareholder approval.

In order for the exemption of item 7 of section 611 of the Corporations Act to apply, shareholders must be given all information known to the person making the acquisition or their Associates, or known to the company, that was material to the decision on how to vote in the resolution, including:

- (A) the identity of the person proposing to make the acquisition and their Associates;
- (B) the maximum extent of the increase in that person's voting power in the company that would result from the acquisition;
- (C) the voting power that person would have as a result of the acquisition;
- (D) the maximum extent of the increase in the voting power of each of that person's Associates that would result from the acquisition; and
- (E) the voting power that each of that person's Associates would have as a result of the acquisition.

For responses on these matters, see section 3.2(e).

**(d) Why Shareholder approval is required**

As at the date of this Notice of Meeting, the NAOS Investment Entities (through their custodian, National Nominees Limited) hold in aggregate 11,008,487 Shares in the Company, representing 20.07% of the total Shares on issue.

It is proposed that the Company issue the NAOS Placement Shares to NCC and NSC.

Following the issue of the NAOS Placement Shares to NCC and NSC in accordance with the terms set out in these Explanatory Notes (which will occur simultaneously with completion of the Director Placement), the NAOS Investment Entities will hold in aggregate 16,648,249 Shares in the Company. As such, following the issue of the NAOS Placement Shares, there will be 60,665,648 Shares on issue in the Company and the NAOS Investment Entities' shareholdings will be 27.44% of the total Shares on issue at that time.

Then, subsequent to that as set out in section 3.1, after completion of the NAOS Placement the Company will complete the NZ Acquisitions and issue the Consideration Shares. Following the issue of the Consideration Shares, there will be 62,462,593 Shares on issue at which point the NAOS Investment Entities' shareholdings will be diluted from 27.44% to 26.65% of the total Shares on issue at that time.

Please refer to section 3.2(h) for further details on the number of Shares, the percentage of Shares and the voting power of NAOS and the other Shareholders of the Company following completion of the NAOS Placement and Director Placement in their entirety and the issue of the Consideration Shares.

In this process, the issue of the NAOS Placement Shares to NCC and NSC will result in NAOS (i.e. NCC, NSC, NEOF, NAOS Management and Sebastian Evans) acquiring relevant interests in the NAOS Placement Shares which results in each NAOS person's voting power in the Company increasing from 20.07% to 27.44%, which increases voting power from a starting point that is greater than 20% to a percentage that below 90%. These acquisitions of relevant interests in the Company's issued voting shares by NAOS are prohibited under section 606 of the Corporations Act. However, such acquisitions of relevant interests will be permitted if prior Shareholder approval is granted for these

acquisitions in relevant interests which result from the issue of the NAOS Placement Shares to NCC and NSC in accordance with the terms of Resolution 1.

(e) **Information for Shareholders under item 7 of section 611 of the Corporations Act**

The following information is provided to Shareholders for the purposes of the requirements under the Corporations Act in respect of obtaining Shareholder approval pursuant to item 7 of section 611 of the Corporations Act:

<p><b>The identity of the person proposing to make the acquisition and their associates</b></p>	<p>The persons proposing to make the acquisition (that is, the persons who will be issued the NAOS Placement Shares) are NCC which will be issued 1,619,048 Shares and NSC will be issued 4,020,714. These Shares will be held by National Nominees Limited as custodian for each of NCC and NSC such that legal title to these Shares will be held by National Nominees Limited with the beneficial interests in these Shares being held by NCC and NSC respectively.</p> <p>None of NCC's or NSC's other Associates will be issued any NAOS Placement Shares.</p>																														
<p><b>The voting power that the person, and its associates, would have as a result of the acquisition and the maximum extent of the increase in that person's, and its associates', voting power in the company that would result from the acquisition</b></p>	<p>NAOS Management as investment manager for NCC and NSC and trustee and investment management of NEOF has the power to control the exercise of votes and disposal of the Shares held by the NAOS Investment Entities.</p> <p>As Sebastian Evans holds over 20% of the voting power in NAOS Management, he is deemed to hold the same relevant interest that NAOS Management has in any Shares as a result of section 608(3) of the Corporations Act.</p> <p>Each NAOS person is considered to be an Associate of each other NAOS person and as a result each NAOS person holds the same voting power in the Company.</p> <p>As at the date of this Notice of Meeting and following completion of the issue of Shares under the NAOS Placement, the NAOS persons have the following relevant interests and voting power in Shares:</p> <table border="1" data-bbox="655 1312 1406 1921"> <thead> <tr> <th>NAOS person</th> <th>Relevant interest in Shares at the date of Notice of Meeting</th> <th>Relevant interest in Shares on completion of the NAOS Placement</th> <th>Voting power at date of Notice of Meeting</th> <th>Voting power on completion of NAOS Placement</th> </tr> </thead> <tbody> <tr> <td>NCC</td> <td>4,405,474 (8.03%)</td> <td>6,024,522 (9.93%)</td> <td>20.07%</td> <td>27.44%</td> </tr> <tr> <td>NSC</td> <td>6,424,922 (11.71%)</td> <td>10,445,636 (17.22%)</td> <td>20.07%</td> <td>27.44%</td> </tr> <tr> <td>NEOF</td> <td>178,091 (0.32%)</td> <td>178,091 (0.29%)</td> <td>20.07%</td> <td>27.44%</td> </tr> <tr> <td>NAOS Management</td> <td>11,008,487 (20.07%)</td> <td>16,648,249 (27.44%)</td> <td>20.07%</td> <td>27.44%</td> </tr> <tr> <td>Sebastian Evans</td> <td>11,008,487 (20.07%)</td> <td>16,648,249 (27.44%)</td> <td>20.07%</td> <td>27.44%</td> </tr> </tbody> </table> <p>As at the date of this Notice of Meeting, each NAOS person's voting power in the Company is approximately 20.07%. Following the issue of Shares the NAOS Placement Shares and the Consideration Shares as described in these Explanatory</p>	NAOS person	Relevant interest in Shares at the date of Notice of Meeting	Relevant interest in Shares on completion of the NAOS Placement	Voting power at date of Notice of Meeting	Voting power on completion of NAOS Placement	NCC	4,405,474 (8.03%)	6,024,522 (9.93%)	20.07%	27.44%	NSC	6,424,922 (11.71%)	10,445,636 (17.22%)	20.07%	27.44%	NEOF	178,091 (0.32%)	178,091 (0.29%)	20.07%	27.44%	NAOS Management	11,008,487 (20.07%)	16,648,249 (27.44%)	20.07%	27.44%	Sebastian Evans	11,008,487 (20.07%)	16,648,249 (27.44%)	20.07%	27.44%
NAOS person	Relevant interest in Shares at the date of Notice of Meeting	Relevant interest in Shares on completion of the NAOS Placement	Voting power at date of Notice of Meeting	Voting power on completion of NAOS Placement																											
NCC	4,405,474 (8.03%)	6,024,522 (9.93%)	20.07%	27.44%																											
NSC	6,424,922 (11.71%)	10,445,636 (17.22%)	20.07%	27.44%																											
NEOF	178,091 (0.32%)	178,091 (0.29%)	20.07%	27.44%																											
NAOS Management	11,008,487 (20.07%)	16,648,249 (27.44%)	20.07%	27.44%																											
Sebastian Evans	11,008,487 (20.07%)	16,648,249 (27.44%)	20.07%	27.44%																											

Notes, each NAOS person's ultimate voting power will increase to a maximum of approximately 27.44%, which will then be diluted to a maximum of approximately 26.65% once the Consideration Shares are issued. Further details on voting power in the Company of NAOS is included in section 3.2(h) below.

No Associate of NAOS will be issued any NAOS Placement Shares other than NCC and NSC. NAOS is not associated with any shareholder of the Company other than the NAOS Investment Entities. Accordingly the maximum voting power of each NAOS person together with their Associates as a result of the acquisition will be a maximum of approximately 27.44%, to be reduced to a maximum of approximately 26.65% following the issue of the Consideration Shares.

(f) **Information for Shareholders required by RG 74**

Further information required by ASIC Regulatory Guide 74 (**RG 74**) is set out below:

<p><b>An explanation of the reasons for the proposed acquisition of Shares in the Company</b></p>	<p>As set out in section 3.1, NAOS Management on behalf of NCC and NSC has agreed to acquire the NAOS Placement Shares (being 5,639,762 Shares), the proceeds of which will be used to assist with funding the Cash Consideration payable for the NZ Acquisitions.</p> <p>This is a reflection of NAOS's continued support of the Company's board, management and growth strategy.</p>
<p><b>When the proposed acquisition is to occur</b></p>	<p>If Resolution 1 is passed, the NAOS Placement Shares will be issued to NCC and NSC on Thursday, 11 July 2019 (and in any event will be issued no later than one (1) month after the date of the General Meeting).</p>
<p><b>The material terms of the proposed acquisition</b></p>	<p>NAOS Management on behalf of NCC and NSC has agreed to the subscription by and issue to NCC and NSC of the NAOS Placement Shares in consideration for \$5,921,750.10, i.e. \$1.05 per NAOS Placement Share. The NAOS Placement Shares will rank equally with all the other Shares on issue.</p>
<p><b>Details of any other relevant agreement that is conditional on (or directly or indirectly depends on) members' approval of the proposed acquisition</b></p>	<p>There is no other relevant agreement between the Company and any NAOS person or their Associates which relates to, or is conditional on, the issue of the NAOS Placement Shares.</p> <p>As noted above, the Acquisition Agreement provides that completion of the NZ Acquisitions is conditional on the Company obtaining shareholder approval to the Capital Raising.</p>
<p><b>A statement of the acquirer's intentions regarding the future of the target entity if members approve the acquisition, including any intention of the acquirer to significantly change the financial dividend</b></p>	<p>NAOS does not currently intend to use its voting power (if the NAOS Placement Shares are issued) to make any changes to the Company's board, management, strategic direction, business or activities.</p> <p>In particular, other than as disclosed in these Explanatory Notes, the NAOS Investment Entities intend to continue as Shareholders to support the Company's current management team and together with the other NAOS persons have no current intention to make any changes, as a non-controlling Shareholder, to change:</p> <ul style="list-style-type: none"> <li>• the employment of the present employees;</li> </ul>

<b>distribution policies of the entity</b>	<ul style="list-style-type: none"> <li>the current allocation and deployment of the Company's fixed assets; or</li> <li>the Company's current dividend or distribution policies.</li> </ul> <p>NAOS does not presently intend to seek any further representation on the Company's Board.</p> <p>There is no proposal to transfer assets between the Company and NAOS or their Associates.</p> <p>NAOS does not have any present intention to inject further capital into the Company at this time. However NAOS reserves the right to provide further capital if the Board determines to raise further equity capital. NAOS is not aware of any such intention or proposal to raise further equity capital.</p>
<b>The interests that any director has in the acquisition or any relevant agreement disclosed in respect of any other relevant agreement disclosed above</b>	Nil.
<b>Details about any person who is intended to become a director if members approve the acquisition</b>	Nil.

(g) **ASX Listing Rule 7.1**

ASX Listing Rule 7.2, Exception 16 provides that if an issue of securities is approved for the purposes of item 7 of section 611 of the Corporations Act, ASX Listing Rule 7.1 does not apply. Accordingly, the Company is not required to seek approval of the issue of the NAOS Placement Shares to NAOS under ASX Listing Rule 7.1.

(h) **Current and proposed interests in the Company**(i) **Current interests**

The table below shows the percentage of the Shares that the NAOS Investment Entities hold, and the voting power of NAOS as at the date of this Notice of Meeting, being prior to the issue of Shares under the NAOS Placement and the Director Placement and prior to the issue of the Consideration Shares:

	Number of Shares held	Percentage of Shares held	Percentage of voting power held
NAOS:			
NAOS Management	0	0.00%	20.07%
NCC	4,405,474	8.03%	20.07%
NSC	6,424,922	11.71%	20.07%
NEOF	178,091	0.32%	20.07%
Sebastian Evans	0	0.00%	20.07%

	Number of Shares held	Percentage of Shares held	Percentage of voting power held
Jackman	68,493	0.12%	0.12%
Bindon	414,285	0.76%	0.76%
Existing Shareholders <sup>1</sup>	43,367,954	79.05%	79.05%
<b>Total</b>	<b>54,859,219</b>	<b>100.00%</b>	<b>100.00%</b>

Notes:

1. Excludes the Shares held by the NAOS Investment Entities, Jackman and Bindon as at the date of this Notice of Meeting.

(ii) **Proposed interests on completion of the NAOS Placement and Director Placement**

If the Company issues the NAOS Placement Shares to NCC and NSC in accordance with the terms set out in these Explanatory Notes, then, immediately after the issue of the NAOS Placement Shares (which will occur simultaneously with the issue of Shares under the Director Placement), the percentage of the Shares held by the NAOS Investment Entities, and the voting power of NAOS, will be as follows:

	Number of Shares held <sup>1</sup>	Percentage of Shares held <sup>1</sup>	Percentage of voting power held <sup>1</sup>
NAOS:			
NAOS Management	0	0.00%	27.44%
NCC	6,024,522	9.93%	27.44%
NSC	10,445,636	17.22%	27.44%
NEOF	178,091	0.29%	27.44%
Sebastian Evans	0	0.00%	27.44%
Jackman	116,112	0.19%	0.19%
Bindon	533,333	0.88%	0.88%
Existing Shareholders <sup>2</sup>	43,367,954	71.49%	71.49%
<b>Total</b>	<b>60,665,648</b>	<b>100.00%</b>	<b>100.00%</b>

Notes:

1. Assumes the Company does not issue any other Shares (other than the issue of Shares under the NAOS Placement and the Director Placement).

2. Excludes the Shares held by the NAOS Investment Entities, Jackman and Bindon immediately after the issue of Shares under the NAOS Placement and Director Placement.

(iii) **Proposed interests on completion of the issue of the Consideration Shares**

If the Company issues the Shares under the NAOS Placement and Director Placement, then, when it subsequently issues the Consideration Shares, the percentage of the Shares held by the NAOS Investment Entities, and the voting power of NAOS, will be as follows:

	Number of Shares held <sup>1</sup>	Percentage of Shares held <sup>1</sup>	Percentage of voting power held <sup>1</sup>
NAOS:			
NAOS Management	0	0.00%	26.65%



	Number of Shares held <sup>1</sup>	Percentage of Shares held <sup>1</sup>	Percentage of voting power held <sup>1</sup>
NCC	6,024,522	9.65%	26.65%
NSC	10,445,636	16.72%	26.65%
NEOF	178,091	0.29%	26.65%
Sebastian Evans	0	0.00%	26.65%
Jackman	116,112	0.19%	0.19%
Bindon	533,333	0.85%	0.85%
Existing Shareholders <sup>2</sup>	43,367,954	69.43%	69.43%
Sellers	1,796,945	2.88%	2.88%
<b>Total</b>	<b>62,462,593</b>	<b>100.00%</b>	<b>100.00%</b>

Notes:

1. Assumes the Company does not issue any other Shares (other than the issue of Shares under the NAOS Placement and the Director Placement and the Consideration Shares).

2. Excludes the Shares held by the NAOS Investment Entities, Jackman and Bindon and the Sellers immediately after the issue of the Consideration Shares.

(i) **Independent Expert's Report**

In accordance with the requirements of RG 74, the Directors engaged the Independent Expert to prepare and provide the Independent Expert's Report which contains an analysis of whether the proposed issue of the NAOS Placement Shares is fair and reasonable to the non-associated Shareholders.

The Independent Expert's report compares the likely advantages and disadvantages for the non-associated Shareholders if the proposal is agreed to, with the advantages and disadvantages to those Shareholders if it is not.

The Independent Expert has concluded that the NZ Acquisitions, including the issue of the NAOS Placement Shares to NCC and NSC, is not fair but reasonable to Shareholders, other than NCC and NSC and their Associates. The Independent Expert considers that the advantages of the NAOS Placement outweigh its disadvantages. For a summary of the Independent Expert's findings, please refer to the Independent Expert's Report.

The Independent Expert has given, and has not before the date of this Notice of Meeting withdrawn, its consent to the inclusion of the Independent Expert's Report in this Notice of Meeting and to the references to the Independent Expert's Report in this Explanatory Memorandum being made in the form and context in which each such reference is included.

(j) **Advantages and disadvantages**

The Board is of the opinion that the benefits of the issue of the NAOS Placement Shares proposed to be undertaken by the Company include that:

- (i) it will, together with the issue of the Shares under the Director Placement, enable completion of the NZ Acquisitions. The Board is of the opinion that the benefits of the NZ Acquisitions include the following:
  - (A) the NZ Acquisitions are expected to be complementary with the Company's business and leverage the Company's core competency and long track record in plywood;
  - (B) the NZ Acquisitions are expected to provide a beachhead into the New Zealand market with the addition of specialty manufacturing capabilities in New Zealand;

- (C) the expanded branded product sales and new product lines of the Business can be expanded through the Australian network;
- (D) the NZ Acquisitions are expected to improve segment, end-market and customer diversification;
- (E) the NZ Acquisitions are expected to provide increased earnings derived from product distribution on a pro forma basis; and
- (F) the NZ Acquisitions are expected to provide potential revenue synergies over the medium term, with limited integration expected to be required,

all of which are expected to benefit the Company's Shareholders. Further advantages of the NZ Acquisitions are set out in the Investor Presentation;

- (ii) NAOS are supportive of the Company's management and its current operating plan. As mentioned above, NAOS will not be acquiring a controlling interest in the Company but in any event NAOS do not currently intend to use their voting power (if the NAOS Placement Shares are issued) to make any changes to the Company's board, management, strategic direction, business or activities; and

Potential disadvantages of the issue of the NAOS Placement Shares include that:

- (iii) Shareholders' interests in the Company will be diluted. However, the Directors consider that any dilution of Shareholders' interests will be offset by the continued benefits of the long-term association of NAOS;
- (iv) following the issue of the NAOS Placement Shares, the NAOS Investment Entities (in aggregate) will hold relevant interests in the Company, and each NAOS person will hold voting power in the Company, of a maximum of 27.44%. These substantial shareholdings and the voting power held by NAOS could be influential in circumstances where a shareholder vote on relevant matters affecting the Company is necessary. NAOS have confirmed to the Company that they support the Company's management, the NAOS Investment Entities currently intend to continue as Shareholders to support the Company's current management team and NAOS do not currently intend to use their voting power (if the NAOS Placement Shares are issued) to make any changes to the Company's board, management, strategic direction, business or activities;
- (v) you may not agree with the recommendation by the Directors and the Independent Expert. Notwithstanding the unanimous recommendation of the Directors and the Independent Expert's opinion that the NZ Acquisitions (including the issue of the NAOS Placement Shares to NCC and NSC) is not fair but reasonable, you may believe the NZ Acquisitions and/or the issue of the NAOS Placement Shares to NCC and NSC is not fair or reasonable, or otherwise not in your best interest or in the best interests of Shareholders; and
- (vi) the Company may be less attractive as a takeover target. Any bidder for the Company under a takeover proposal would require NAOS to support their bid in order to be successful. It is noted, this circumstance applies at present given the already aggregated substantial shareholdings of the NAOS Investment Entities in the Company irrespective of the issue of the NAOS Placement Shares the subject of Resolution 1.

Further advantages and disadvantages as determined by the Independent Expert are set out on pages 4 to 5 and 49 of the Independent Expert's Report.

(k) **Interests of the Directors**

None of the Directors is a related party or Associate of NAOS and, as such, no Directors have an interest in the passing of Resolution 1.

As at the date of this Notice of Meeting, the Directors have the following voting power:

Name of Director	Number of Shares held	Percentage of voting power held	Number of Options	Total percentage of voting power held (if Options are also exercised) <sup>1</sup>
Mr Greg Laurie	30,000	0.05%	0	0.05%
Mr James (Jim) Bindon	414,285	0.76%	200,000	1.10%
Ms Vicky Papachristos	30,000	0.05%	0	0.05%
Mr Martin Kaplan	0	0.00%	0	0.00%
Mr Malcolm Jackman	68,493	0.12%	0	0.12%

Notes:

1. Calculated on a fully diluted basis, assuming all of the options on issue (1,230,455 options) are exercised.

No Director's voting power is expected to materially change between the date of this Notice of Meeting and the General Meeting, other than the issue of Shares to Bindon and Jackman under the Director Placement (as referred to in these Explanatory Notes).

(l) **Recommendation of the Directors**

The Directors unanimously approve the proposal to put Resolution 1 to Shareholders for their approval.

The Board has carefully considered the advantages and disadvantages and evaluated their relative weight in the circumstances of the Company. The Board unanimously believes that the sum of the advantages outweighs the sum of the disadvantages and that the issue of the NAOS Placement Shares to NCC and NSC is in the best interests of existing Shareholders as a whole for the reasons set out in these Explanatory Notes and the Independent Expert's Report.

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1 and advise that each of them confirms they will vote all Shares held, owned or controlled by them in favour of Resolution 1.

### 3.3 Resolution 2 and Resolution 3

(a) **Background**

The Company is seeking the approval of Shareholders in accordance with Part 2E.1 of the Corporations Act and ASX Listing Rule 10.11 to the issue of:

- (i) 47,619 Shares to Jackman, a non-executive Director of the Company and/or his Associates – Resolution 2 seeks Shareholder approval to this issue;
- (ii) 119,048 Shares to Bindon, an executive Director of the Company and/or his Associates – Resolution 3 seeks Shareholder approval to this issue; and

(b) **Approval under the Corporations Act and ASX Listing Rules**

Pursuant to Part 2E.1 of the Corporations Act, a public company must not give a financial benefit to a related party of the public company without obtaining the approval of the public company's members.

A related party is defined in section 228 of the Corporations Act and includes a person who is a director.

Furthermore, pursuant to ASX Listing Rule 10.11, an entity must not issue or agree to issue securities to any of the following persons without the approval of holders of ordinary securities:

- (i) a related party;
- (ii) a person whose relationship with the entity or a related party is, in ASX's opinion, such that shareholder approval should be obtained.

ASX Listing Rule 7.2, Exception 14 provides that if an issue of securities is approved for the purposes of ASX Listing Rule 10.11, ASX Listing Rule 7.1 does not apply. Accordingly, the Company is not required to seek approval of the issue of Shares to these Directors under ASX Listing Rule 7.1.

(c) **Why Shareholder approval is required**

Each of Jackman and Bindon is currently a Director of the Company.

The issue of the Shares to each of Jackman and Bindon respectively constitutes the giving of a financial benefit to a related party of the Company under Part 2E.1 of the Corporations Act and the issue of securities to a related party under ASX Listing Rule 10.11. Such issue of Shares to Jackman will only be permitted if Shareholder approval is granted in accordance with the terms of Resolution 2. Such issue of Shares to Bindon will only be permitted if Shareholder approval is granted in accordance with the terms of Resolution 3.

(d) **Information for Shareholders under Part 2E.1 of the Corporations Act**

The following information is provided to Shareholders for the purposes of obtaining Shareholder approval pursuant to Part 2E.1 of the Corporations Act:

	<b>Resolution 2 – Jackman</b>	<b>Resolution 3 – Bindon</b>
<b>The related parties to whom the financial benefit is proposed to be given</b>	Mr. Malcolm Jackman, who is a Director of the Company.	Mr. James (Jim) Bindon, who is a Director of the Company.
<b>The nature of the financial benefit</b>	The Company will issue Jackman the Shares, on the terms set out below:	The Company will issue Bindon the Shares, on the terms set out below:
<ul style="list-style-type: none"> <li>• <b>the number of securities to be granted</b></li> </ul>	The Company proposes to issue 47,619 Shares to Jackman.	The Company proposes to issue 119,048 Shares to Bindon.
<ul style="list-style-type: none"> <li>• <b>the terms of the securities to be granted</b></li> </ul>	The Shares will be issued to each of these Directors at a price of \$1.05 per Share.	
<ul style="list-style-type: none"> <li>• <b>an explanation as to why the securities are to be granted</b></li> </ul>	<p>These Directors have agreed to acquire their respective Shares to assist with funding the NZ Acquisitions.</p> <p>This is a reflection of their continued support of the Company's management and growth strategy.</p>	
<ul style="list-style-type: none"> <li>• <b>an explanation as to why the specified number of securities is to be granted and why the specified value of the</b></li> </ul>	<p>Each of these Directors has willingly offered to subscribe for the number of Shares noted above, to assist the Company with funding the NZ Acquisitions. The Company has agreed to accept that funding.</p> <p>The price at which the Shares are to be issued aligns</p>	

	<b>Resolution 2 – Jackman</b>	<b>Resolution 3 – Bindon</b>
<b>securities was chosen</b>	with the price of Shares issued to other investors under the General Placement, the SPP and the NAOS Placement.	
<b>Each Director's recommendation, including reasons, or an explanation as to why no recommendation is made</b>	<p>The Directors who do not have an interest in the outcome of relevant Resolution recommend that shareholders pass the relevant Resolutions.</p> <p>Having sought corporate advice to determine the amount that could reasonably be raised from third parties expeditiously, the Company sought to raise the maximum amount it determined it could from non-related parties – through the General Placement, the SPP and the issue of the NAOS Placement Shares.</p> <p>The Company's related parties, being these Directors, were ready, willing and able to commit the additional funds to complete the NZ Acquisitions, demonstrating their ongoing commitment to the Company.</p>	
<b>Any interest a Director has in the outcome of the proposed resolution</b>	Jackman has an interest in the outcome of Resolution 2.	Bindon has an interest in the outcome of Resolution 3.
<b>All other information reasonably required by members</b>	Please refer to the remainder of this section 3.3.	

(e) **Information for Shareholders under ASX Listing Rule 10.11 and 10.13**

The following information is provided to Shareholders in respect of obtaining Shareholder approval pursuant to ASX Listing Rules 10.11 and 10.13:

	<b>Resolution 2 – Jackman</b>	<b>Resolution 3 – Bindon</b>
<b>The name of the person</b>	Mr. Malcolm Jackman, who may elect to acquire the Shares through a nominated Associate.	Mr. James (Jim) Bindon, who may elect to acquire the Shares through a nominated Associate.
<b>The maximum number of securities to be issued</b>	The maximum number of securities that may be acquired by Jackman is 47,619 Shares.	The maximum number of securities that may be acquired by Bindon is 119,048 Shares.
<b>The date by which the Company will issue the securities, which must be no more than 1 month after the date of the General Meeting</b>	The relevant Shares are proposed to be issued to each of these Directors on Thursday, 11 July 2019 (and in any event will be issued no later than one (1) month after the date of the General Meeting).	
<b>If the person is not a director, a statement of the relationship between the person and the director that requires the approval to be obtained</b>	Each of these Directors may nominate an Associate to acquire his or her respective Shares.	
<b>The issue price of the securities and a statement</b>	The Shares will be issued to each of these Directors at \$1.05 per Share.	

	Resolution 2 – Jackman	Resolution 3 – Bindon
<b>of the terms of the issue</b>		
<b>A voting exclusion statement</b>	A voting exclusion statement for each of Resolution 2 and Resolution 3 is set out on page 5 of this Notice of Meeting.	
<b>The intended use of the funds raised</b>	The funds raised from each of these Directors will be used to partially fund the Cash Consideration payable for the NZ Acquisitions.	

(f) **Valuation of the financial benefit**

The total value of:

- (i) the Shares to be issued to Jackman is \$50,000.00; and
- (ii) the Shares to be issued to Bindon is \$125,000.00,

calculated using the issue price per Share of \$1.05.

(g) **Existing interest in the Company's securities**

The table below shows the percentage of the Shares that each of Jackman and Bindon holds, and the voting power of each of them as at the date of this Notice of Meeting, being prior to the issue of Shares under the NAOS Placement and the Director Placement, and prior to the issue of the Consideration Shares:

	Number of Shares held	Percentage of Shares held	Percentage of voting power held
NAOS:			
NAOS Management	0	0.00%	20.07%
NCC	4,405,474	8.03%	20.07%
NSC	6,424,922	11.71%	20.07%
NEOF	178,091	0.32%	20.07%
Sebastian Evans	0	0.00%	20.07%
Jackman	68,493	0.12%	0.12%
Bindon	414,285	0.76%	0.76%
Existing Shareholders <sup>1</sup>	43,367,954	79.05%	79.05%
<b>Total</b>	<b>54,859,219</b>	<b>100.00%</b>	<b>100.00%</b>

Notes:

1. Excludes the Shares held by NAOS, Jackman and Bindon as at the date of this Notice of Meeting.

If the Company issues the Shares to Jackman and Bindon in accordance with the terms set out in these Explanatory Notes then, again noting that this will occur simultaneously with the issue of Shares under the NAOS Placement, immediately after these issues of Shares, the percentage of the Shares held by each of Jackman and Bindon, and the voting power of each of Jackman and Bindon, will be as set out in the table in section 3.2(h)(ii).

If the Company issues the Shares under the NAOS Placement and the Director Placement, then, when it subsequently issues the Consideration Shares, the percentage of the Shares held by each of Jackman and Bindon, and the voting power of each of Jackman and Bindon, will be as set out in the table in section 3.2(h)(iii).

(h) **Dilution effect of the transaction on existing members' interests**

If the Shares to Jackman and Bindon are issued, it is expected that such acquisition will have a dilutionary effect on existing Shareholders' interests, as illustrated in the tables in sections 3.2(h)(ii) and 3.2(h)(iii).

(i) **Additional information**

As mentioned above:

- (i) Jackman has an interest in the outcome of Resolution 2; and
- (ii) Bindon has an interest in the outcome of Resolution 3.

**3.4 Further information**

If you have any questions or need more information about the Resolutions, please contact the Company Secretaries Steve Parks on (02) 6644 0922 or Julian Rockett on (02) 9290 9600.

## 4 Glossary

In this Notice of Meeting, unless the context or subject matter otherwise requires:

<b>Acquisition Agreement</b>	The Business Purchase Deed entered into between the Buyer, the Sellers and the Company.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	Has the meaning given to that term in Part 1.2, Division 2 of the Corporations Act.
<b>ASX</b>	ASX Limited (ACN 008 624 691) or the stock exchange which it operates, as the context requires.
<b>ASX Listing Rules</b>	The official Listing Rules of the ASX.
<b>Auditors</b>	The auditors of the Company.
<b>Bindon</b>	Mr. James (Jim) Bindon.
<b>Buyer</b>	Big River Group (NZ) Limited, a subsidiary of the Company.
<b>Board</b>	The board of Directors.
<b>Business Day</b>	A day on which banks are open for general banking business in Sydney, Australia, excluding Saturdays, Sundays and public holidays.
<b>Capital Raising</b>	A capital raising by the Company to raise the funds required to satisfy the Cash Consideration.
<b>Cash Consideration</b>	NZ\$15.2 million in cash payable to the Sellers as part of the consideration for the NZ Acquisitions.
<b>Company or BRI</b>	Big River Industries Limited (ACN 609 901 377).
<b>Completion</b>	Completion of the NZ Acquisitions.
<b>Consideration Shares</b>	1,796,945 Shares to be issued to the Sellers.
<b>Constitution</b>	The constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth) as amended from time to time.
<b>Corporations Regulations</b>	<i>Corporations Regulations 2001</i> (Cth) as amended from time to time.
<b>Decortech</b>	Decortech Limited (NZCN 1236982).
<b>Director Placement</b>	The placements of \$50,000 Shares to Jackman and \$125,000 Shares to Bindon by the Company.
<b>Directors</b>	The directors of the Company.
<b>Explanatory Notes</b>	The explanatory notes accompanying the Notice of Meeting.
<b>General Meeting</b>	The extraordinary general meeting of the Company to be held at the time and place specified in the Notice of Meeting.
<b>General Placement</b>	The placement of \$1.4 million Shares by the Company with sophisticated and institutional investors (including with NSC) and management.
<b>Independent Expert</b>	Lonergan Edwards & Associates.
<b>Independent Expert's Report</b>	The expert report prepared by the Independent Expert and attached as section 5 of this document.
<b>Investor Presentation</b>	The investor presentation titled 'Acquisition and Capital Raise' dated 1 May 2019.



<b>Jackman</b>	Mr. Malcolm Jackman.
<b>NAOS</b>	Each of NAOS Management, NCC, NSC, NEOF and Sebastian Evans.
<b>NAOS Investment Entities</b>	NCC, NSC and NEOF.
<b>NAOS Management</b>	NAOS Asset Management Limited ACN 107 624 126.
<b>NAOS Placement</b>	The placement of the NAOS Placement Shares by the Company with NCC and NSC, to raise \$5.9 million.
<b>NAOS Placement Shares</b>	5,639,762 Shares to be issued to NCC and NSC.
<b>NCC</b>	NAOS Emerging Opportunities Company Limited ACN 161 106 510.
<b>NEOF</b>	NAOS Emerging Opportunities Fund.
<b>NSC</b>	NAOS Small Cap Opportunities Company Limited ACN 107 617 381.
<b>Notice of Meeting</b>	This document, comprising the Chairman's letter, notice of meeting and explanatory notes.
<b>NZ Acquisitions</b>	The acquisition by the Company's subsidiary of the business and assets of the Sellers.
<b>Plytech</b>	Plytech International Limited (NZCN 492138).
<b>Proposal</b>	The NZ Acquisitions (and the issue of the NAOS Placement Shares to NCC and NSC).
<b>Resolutions</b>	The resolutions to be considered by Shareholders at the General Meeting, as set out in this Notice of Meeting.
<b>RG 74</b>	ASIC Regulatory Guide 74.
<b>Sellers</b>	Plytech and Decortech.
<b>Shareholder</b>	Holder of Shares.
<b>Shares</b>	Fully paid ordinary shares in the capital of the Company.
<b>SPP</b>	The Share Purchase Plan offer of the Company, which raised approximately \$245,000.

**5 Independent Expert's Report**

# LONERGAN EDWARDS & ASSOCIATES LIMITED

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The Directors  
Big River Industries Limited  
PO Box 281  
Grafton NSW 2460

27 May 2019

## **Subject: Acquisition of Plytech Pty Ltd and Decortech Pty Limited**

Dear Directors

### **Proposed Transactions**

- 1 On 29 April 2019, Big River Industries Limited (Big River or the Company) entered into an agreement to acquire the New Zealand businesses of Plytech Pty Ltd (Plytech) and Decortech Pty Limited (Decortech) for total consideration of up to NZ\$20.7 million<sup>1</sup>, payable as follows:
  - (a) NZ\$15.2 million in cash on completion<sup>2</sup>
  - (b) NZ\$2.0 million in Big River shares at an issue price of A\$1.05 per share
  - (c) NZ\$3.5 million by way of a deferred payment.
- 2 Big River will partially fund the above acquisitions by way of an issue of ordinary shares to raise up to A\$7.5 million (the Capital Raising), of which A\$6.2 million is to be contributed by NAOS Emerging Opportunities Company Limited (NCC) and NAOS Small Cap Opportunities Company Limited (NSC), both of which are managed by NAOS Asset Management Limited. For the purposes of this report we have referred to these and other related entities of NAOS Asset Management Limited as NAOS<sup>3</sup>.
- 3 This placement will be made in two tranches as shown below. Tranche 1 is not subject to shareholder approval and is not conditional on the acquisition of the Plytech and Decortech businesses.

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<sup>1</sup> Equivalent to A\$19.7 million based on an exchange rate of A\$1.00 = NZ\$1.05.

<sup>2</sup> Interest is also payable on completion on NZ\$13.68 million at a rate of 2% above the New Zealand 90 day bank bill rate for the period from the effective date of 1 June 2019 until completion.

<sup>3</sup> NAOS is the second largest shareholder in Big River with a relevant voting interest of 20.15%.

**Big River – Capital Raising**

	Shares to be issued	Amount raised <sup>(1)</sup> A\$000
<b>Tranche 1</b>		
NAOS	265,000	278
Others <sup>(2)</sup>	1,071,428	1,125
Total	<u>1,336,428</u>	<u>1,403</u>
<b>Tranche 2</b>		
NAOS	5,639,762	5,922
Others <sup>(2)</sup>	166,667	175
Total	<u>5,806,429</u>	<u>6,097</u>

**Note:**

1 At A\$1.05 per share.

2 Including Directors of Big River and sophisticated and institutional investors.

- 
- 4 For the purposes of this report we have referred to the proposed acquisitions of Plytech and Decortech and the related Tranche 2 Capital Raising as “the Proposed Transactions”.
- 5 The balance of the cash consideration on completion will be drawn down from additional senior debt facilities available to Big River.
- 6 Both Plytech and Decortech are being acquired on a cash and debt free basis and the purchase price is subject to customary adjustments for working capital. The NAOS component of the Tranche 2 Capital Raising (and the issue of 166,667 shares to certain Directors) is subject to the approval of Big River shareholders.

**Big River**

- 7 Big River is an integrated Australian building materials distributor, supplying an extensive range of high quality timber, builders hardware, building supplies and services for the residential, commercial, industrial, building and construction industries. The Company is a timber products business that operates from procurement of raw materials through to the sale of finished products to end users.

**Plytech**

- 8 Plytech was founded in 1992, and is one of the leading plywood distributors in New Zealand (NZ). The business imports high margin plywood based products primarily from Europe for distribution throughout NZ.

**Decortech**

- 9 Decortech manufactures speciality architectural panels, specialising in decorative, acoustic and fire retardant wall and ceiling linings.

## Scope

- 10 Section 606 of the *Corporations Act 2001 (Cth)* (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies<sup>4</sup>. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor (where applicable) or any of their respective associates.
- 11 The proposed Capital Raising will result in this NAOS' voting interest increasing to well over 20%. Accordingly, there is a regulatory requirement for Big River to provide to Big River shareholders all material information relevant to a vote in respect of the related resolution. The Big River Board has elected to commission an independent expert's report (IER) to discharge these disclosure obligations regarding shareholder approval of the NAOS component of the Capital Raising.
- 12 The Directors of Big River have therefore requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER which sets out our opinion on whether the Proposed Transactions (including the Tranche 2 Capital Raising<sup>5</sup>) are fair and reasonable to Big River shareholders.
- 13 LEA is independent of Big River, Plytech and Decortech and has no involvement with or interest in the outcome of the Proposed Transactions other than the preparation of this report.

## Summary of opinion

- 14 LEA has concluded that the Proposed Transactions (including the Tranche 2 Capital Raising) are not fair, but are reasonable to Big River shareholders<sup>6</sup>. We have arrived at this conclusion for the reasons set out below.

## Assessment of fairness

- 15 Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) requires that the fairness of the Proposed Transactions be assessed by comparing the controlling interest value of Big River shares prior to implementation of the Proposed Transactions with the portfolio interest value of Big River shares following implementation (being the deemed "consideration" delivered to Big River shareholders). In order for the Proposed Transactions to be "fair" under RG 111, the portfolio interest value of Big River shares following implementation of the Proposed Transactions must be equal to, or greater than, the controlling interest value of Big River shares before implementation.

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<sup>4</sup> Subject to the 3% every six months "creep provisions".

<sup>5</sup> The Capital Raising is an integral part of the Proposed Transactions.

<sup>6</sup> Unless specified to the contrary, references to Big River shareholders include Big River shareholders other than NAOS.

16 This comparison is set out below:

Comparative value of Big River shares			
	Low A\$ per share	High A\$ per share	Mid-point A\$ per share
Portfolio interest value of Big River shares following implementation of the Proposed Transactions	0.68	0.84	0.76
Controlling interest value of Big River shares prior to implementation of the Proposed Transactions	0.88	1.09	0.99
Extent to which portfolio interest value post implementation exceeds (or is less than) the controlling interest value of Big River shares before implementation	(0.20)	(0.25)	(0.23)

17 Based on the above we have concluded that the Proposed Transactions are not fair to Big River shareholders when assessed under RG 111.

**Reasonableness**

18 Under RG 111, the Proposed Transactions are “reasonable” if, despite not being fair but after considering other significant factors, the expert is of the opinion that the advantages of the Proposed Transactions outweigh the disadvantages from the perspective of Big River shareholders.

19 Consequently, we summarise below the advantages and disadvantages of the Proposed Transactions from the perspective of Big River shareholders:

**Advantages**

- (a) the Capital Raising price of A\$1.05 per share:
  - (i) is toward the top end of our valuation range for Big River shares on a 100% controlling interest basis; and
  - (ii) represents a premium to our assessed value of a portfolio interest in Big River shares prior to the Proposed Transactions
- (b) the share issue to the vendor of Plytech and Decortech is being priced at A\$1.05 per share, which is toward the top end of our valuation range for Big River shares on a 100% controlling interest basis prior to implementation of the Proposed Transactions
- (c) Big River will increase in scale and operational diversity as a result of the two proposed business acquisitions and its related growth prospects will prima facie be enhanced. In our view, this would be expected to lead to a higher share value in the medium to long term

### Disadvantages

- (d) if the Proposed Transactions are approved the interests of Big River shareholders prior to the Proposed Transactions will be diluted
  - (e) the Capital Raising price of A\$1.05 per share is below the volume weighted average market price (VWAP) of Big River shares over the three month period prior to the announcement of the Proposed Transactions of A\$1.30 per share. However, as noted in Section VII the level of trading in Big River shares during this period was low (only \$0.121 million in shares traded), and consequently we do not consider that this VWAP is a reliable reference point for assessing the market value of Big River shares.
- 20 As indicated above there are a number of advantages and disadvantages associated with the Proposed Transactions. However, in our view, the advantages of the Proposed Transactions outweigh the disadvantages.

### General

- 21 In preparing this report we have considered the interests of Big River shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 22 The ultimate decision whether to approve the Proposed Transactions should be based on each Big River shareholder's assessment of their own circumstances. If Big River shareholders are in doubt about the action they should take in relation to the Proposed Transactions or matters dealt with in this report, Big River shareholders should seek independent professional advice.
- 23 For our full opinion on the Proposed Transactions, and the reasoning behind our opinion, we recommend that Big River shareholders read the remainder of our report.

Yours faithfully



Craig Edwards  
Authorised Representative



Martin Holt  
Authorised Representative

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## I The Proposed Transactions

### Key terms

- 24 On 29 April 2019, Big River announced that it had entered into an agreement to acquire the NZ businesses of Plytech and Decortech for total consideration of up to NZ\$20.7 million<sup>7</sup>, payable as follows:
- (a) NZ\$15.2 million in cash on completion<sup>8</sup>
  - (b) NZ\$2.0 million in Big River shares at an issue price of A\$1.05 per share
  - (c) NZ\$3.5 million by way of a deferred payment.
- 25 Big River will partially fund the above acquisitions by way of an issue of ordinary shares to raise up to A\$7.5 million (the Capital Raising), of which A\$6.2 million is to be contributed by NAOS Emerging Opportunities Company Limited (NCC) and NAOS Small Cap Opportunities Company Limited (NSC), both of which are managed by NAOS Asset Management Limited. For the purposes of this report we have referred to these and other related entities of NAOS Asset Management Limited as NAOS<sup>9</sup>. This placement will be made in two tranches as shown below. Tranche 1 is not subject to shareholder approval and is not conditional on the acquisition of the Plytech and Decortech businesses.

#### Big River – Capital Raising

	Shares to be issued	Amount raised <sup>(1)</sup> A\$000
<b>Tranche 1</b>		
NAOS	265,000	278
Others <sup>(2)</sup>	1,071,428	1,125
<b>Total</b>	<b>1,336,428</b>	<b>1,403</b>
<b>Tranche 2</b>		
NAOS	5,639,762	5,922
Others <sup>(2)</sup>	166,667	175
<b>Total</b>	<b>5,806,429</b>	<b>6,097</b>

**Note:**

- 1 At A\$1.05 per share.
- 2 Including Directors of Big River and sophisticated and institutional investors.

- 26 The balance of the cash consideration on completion will be drawn down from additional senior debt facilities available to Big River.

<sup>7</sup> Equivalent to A\$19.7 million based on an exchange rate of A\$1.00 = NZ\$1.05.

<sup>8</sup> Interest is also payable on completion on NZ\$13.68 million at a rate of 2% above the New Zealand 90 day bank bill rate for the period from the effective date of 1 June 2019 until completion.

<sup>9</sup> NAOS is the second largest shareholder in Big River with a relevant voting interest of 20.15%.

- 27 Both Plytech and Decortech are being acquired on a cash and debt free basis and the purchase price is subject to customary adjustments for working capital. The NAOS component of the Tranche 2 Capital Raising (and the issue of 166,667 shares to certain Directors) is subject to the approval of Big River shareholders.

### **Escrow restrictions**

- 28 The shares to be issued to the vendor of Plytech and Decortech are to be held in voluntary escrow from completion as follows:
- (a) shares to the value of NZ\$0.75 million at issue date will have a 12 month escrow period following completion
  - (b) shares to the value of NZ\$1.25 million at issue date will have a 24 month escrow period following completion.
- 29 The vendor is also entitled to potential deferred payments of up to NZ\$3.5 million to be paid in two equal instalments of NZ\$1.75 million at financial year end 2020 and 2021, subject to the achievement of certain performance targets as regards the earnings (EBITDA<sup>10</sup>) of the combined businesses.

### **Conditions<sup>11</sup>**

- 30 The acquisition of the Plytech and Decortech businesses are subject to (inter alia):
- (a) the Company receiving approval from its shareholders in accordance with the requirements of the Corporations Act, the related ASIC Regulatory Guides, and the requirements of the ASX Listing Rules to:
    - (i) complete the Capital Raising; and
    - (ii) if and to the extent necessary under the ASX Listing Rules, to complete the acquisitions of Plytech and Decortech
  - (b) the Company successfully completing the Capital Raising, to its satisfaction
  - (c) the receipt of various consents (e.g. from landlords), and the assignment of material contracts
  - (d) the vendors and Big River obtaining the release of any guarantees given by the vendors or related parties of the vendors in relation to property leases
  - (e) the receipt of written confirmation from key suppliers that following Completion they will continue to supply the businesses (under ownership of Big River) on terms no less favourable than they supply the businesses as at the date of the Acquisition Agreement
  - (f) the release of all security interests over the businesses and the assets being to the satisfaction of Big River, other than as expressly agreed by Big River in writing
  - (g) there has been no material adverse change to the businesses or assets, and no material transactions undertaken other than in the ordinary course of the businesses between the date of the Acquisition Agreement and Completion

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<sup>10</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA).

<sup>11</sup> Terms used in paragraph 30 are as defined in the Agreement.

- (h) three employees entering into new employment contracts with Big River; and
- (i) each vendor executing a voluntary escrow deed in respect of their Consideration Shares, under which they agree to escrow 37.5% of the Consideration Shares for a period of 12 months after Completion and the remaining 62.5% of the Consideration Shares for a period of 24 months after Completion.

31 More detail on the above conditions is set out in the Notice of Meeting.

## II Scope of our report

### Purpose

- 32 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person’s voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies<sup>12</sup>. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor (where applicable) or any of their respective associates.
- 33 Section 611(7) of the Corporations Act and ASIC Regulatory Guide 74 – *Acquisitions approved by members* prescribe certain requirements for the information to be provided to shareholders in relation to such resolutions. These information requirements can be met by the provision of an IER.
- 34 The proposed Capital Raising will result in NAOS’ voting interest increasing to well over 20%. In the circumstances, the Big River Board has elected to commission an IER to discharge its information disclosure obligations regarding shareholder approval of the NAOS component of the Capital Raising.
- 35 The Directors of Big River have therefore requested that LEA prepare an IER which sets out our opinion on whether the Proposed Transactions (including the Tranche 2 Capital Raising<sup>13</sup>) are fair and reasonable to Big River shareholders.
- 36 This report has been prepared to assist the Directors of Big River in making their recommendation to Big River shareholders, and to assist these shareholders in assessing the merits of the Proposed Transactions (and the related Tranche 2 Capital Raising).
- 37 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Proposed Transactions (and Tranche 2 Capital Raising) should be based on each shareholder’s assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transactions or matters dealt with in this report, Big River shareholders should seek independent professional advice.

### Basis of assessment

- 38 In preparing our report, we have had regard to the Australian Securities Exchange (ASX) Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111. RG 111 sets out (inter alia) the view of ASIC on the content of expert reports prepared for the purpose of seeking approval under s611(7) of the Corporations Act.

<sup>12</sup> Subject to the 3% every six months “creep provisions”.

<sup>13</sup> The Capital Raising is an integral part of the Proposed Transactions.

- 39 Under RG 111 the Proposed Transactions are deemed a “change of control” transaction because NAOS will potentially acquire a greater than 20% voting interest in Big River. RG 111 states that as such, the (combined effect of the) Proposed Transactions must be analysed as if the Capital Raising component thereof represented by the placement to NAOS were equivalent to a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the transactions in terms of the convention established for takeovers pursuant to s640 of the Corporations Act.
- 40 As the Proposed Transactions do not involve any takeover offer being made to Big River shareholders, RG 111 requires that the fairness of the Proposed Transactions be assessed by comparing the controlling interest value of Big River shares prior to implementation of the Proposed Transactions with the portfolio value of Big River shares following implementation (being the deemed “consideration” delivered to Big River shareholders). In order for the Proposed Transactions to be “fair” under RG 111, the portfolio value of Big River shares following implementation of the Proposed Transactions must be equal to, or greater than, the controlling interest value of Big River shares before implementation.
- 41 The Proposed Transactions will be “reasonable” if they are “fair”. In addition, the Proposed Transactions will be “reasonable” if, despite not being fair but after considering other significant factors, the expert is of the opinion that the advantages of the Proposed Transactions outweigh the disadvantages from the perspective of Big River shareholders.
- 42 Our report has therefore considered a range of both qualitative and quantitative factors including:
- (a) the controlling interest value of 100% of Big River shares prior to implementing the Proposed Transactions
  - (b) the portfolio value of Big River shares following implementation of the Proposed Transactions (which also incorporates the value of Plytech, Decortech and related synergies)
  - (c) the difference between (a) and (b) in order to assess whether the Proposed Transactions are fair to Big River shareholders pursuant to RG 111
  - (d) the extent to which NAOS is being issued shares at a premium to the value in (a)
  - (e) the impact of the Proposed Transactions on the ownership and control of Big River
  - (f) the relevant position of Big River shareholders before and after implementation of the Proposed Transactions assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards); and
  - (g) other qualitative and strategic issues associated with the Proposed Transactions and the extent to which, on balance, they may advantage or disadvantage existing Big River shareholders if the Proposed Transactions proceed or are rejected.

### **Limitations and reliance on information**

- 43 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

- 44 Our report is also based upon financial and other information provided by or on behalf of Big River. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.
- 45 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transactions from the perspective of Big River shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 46 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transactions, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 47 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 48 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 49 In forming our opinion, we have also assumed that:
- (a) the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects
  - (b) if the Proposed Transactions become legally effective, they will be implemented in accordance with the terms set out in this report.

### III Profile of Big River

#### Overview

50 Big River is an integrated Australian building materials distributor, supplying an extensive range of high quality timber, builders hardware, building supplies and services for the residential, commercial, industrial, building and construction industries. The Company is a timber products business that operates from procurement of raw materials through to the sale of finished products to end users. Its operations cover:

- (a) the manufacture of softwood and hardwood formply and structural plywood products
- (b) the sale of consumable formwork products; and
- (c) the sale of timber and associated building products to local trade, medium sized and enterprise sized companies.

#### History

51 Big River commenced operations in the early 1900s as a family owned timber business. The Company has since grown to its established position as a sizeable Australian building materials distributor, providing an extensive range of building supplies and services. A summary of Big River's key historical developments is set out below:

Big River – history	
Date	Key development
1920	<ul style="list-style-type: none"> <li>• Commenced operations in northern New South Wales (NSW)</li> </ul>
1985-92	<ul style="list-style-type: none"> <li>• Established sales and distribution centres in Brisbane, Melbourne and Sydney</li> </ul>
1992-97	<ul style="list-style-type: none"> <li>• Commenced exports of formply into south east Asia</li> </ul>
2002-03	<ul style="list-style-type: none"> <li>• Established Perth and Townsville sales and distribution centres</li> </ul>
2006	<ul style="list-style-type: none"> <li>• Acquired Stacks Building Supplies to establish Sunshine Coast (Queensland) sales and distribution businesses</li> </ul>
2007	<ul style="list-style-type: none"> <li>• Acquired Ausply, a plywood manufacturing and trading business based in Wagga Wagga</li> </ul>
2008	<ul style="list-style-type: none"> <li>• Acquired Cukuna Sales to establish a sales and distribution business in the Illawarra region</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Acquired Dale and Meyers Townsville branch, which was merged with the existing Big River Townsville branch</li> </ul>
2015	<ul style="list-style-type: none"> <li>• Reconfigured its Grafton site to be a niche manufacturer of high value specialty products and its Wagga Wagga site to be a high volume manufacturer of plywood products</li> </ul>
2016	<ul style="list-style-type: none"> <li>• The Company was sold to a consortium including Anacacia Capital and management for an enterprise value of \$55 million</li> </ul>
2017	<ul style="list-style-type: none"> <li>• Acquisitions during the year included: <ul style="list-style-type: none"> <li>– Adelaide Timber &amp; Building Supplies (ATBS)</li> <li>– Sabdia Mitre 10</li> <li>– Ern Smith Timber &amp; Hardware (Ern Smith)</li> <li>– certain assets and the trading business of Midcoast Timbers Pty Ltd (Midcoast Timbers)</li> </ul> </li> <li>• Initial public offering (IPO) and listing on the ASX on (27 April 2017)</li> </ul>
2018	<ul style="list-style-type: none"> <li>• Acquisition of MB Prefab Framing (MB Prefab)</li> </ul>
2019	<ul style="list-style-type: none"> <li>• Announced acquisition of the assets and trading business of The Midland Timber Co in Perth</li> <li>• Announced proposed acquisition of the businesses of Plytech and Decortech in NZ</li> </ul>



- 52 As described above, Big River has grown both organically and through a number of acquisitions. The recent acquisitions have included:
- (a) **ATBS** – during March 2017 Big River acquired the ATBS business for \$7.5 million with the intention of expanding the Company’s South Australian operations (with a particular focus on the South Australian residential building market)
  - (b) **Sabdia Mitre 10** – Big River acquired the assets and trading business Sabdia Mitre 10 for \$1.25 million during March 2017. Sabdia Mitre 10 was located in Brisbane, Queensland and provided the Company with access to the western growth corridor in south east Queensland
  - (c) **Midcoast Timbers** – the Burleigh West (Gold Coast) located Midcoast Timbers business was acquired in August 2017 for \$2.7 million. The acquisition continued Big River’s strategy of expanding its branch network into the major Australian population centres and added annualised revenue of around \$8.5 million
  - (d) **Ern Smith** – this business supplied the trade segment of the Australian Capital Territory (ACT) building and construction industry and was acquired for \$1.7 million during December 2017. As at the date of the acquisition, Ern Smith had annual turnover of approximately \$8 million and Big River envisaged additional sales through the distribution of related Big River products into the ACT market
  - (e) **MB Prefab** – during November 2018 Big River acquired MB Prefab, a Geelong, Victoria based business with a history of over 40 years supplying prefabricated timber wall frames and roof trusses to the residential building markets, for \$4.9 million<sup>14</sup>.
  - (f) **The Midland Timber Co** – The Midland Timber Co business focuses on supplying building products and prefabricated timber wall frames and roof trusses, predominantly to the alterations & additions market, in the Perth region
  - (g) **Plytech and Decortech** – refer Section IV for details.

### Current operations

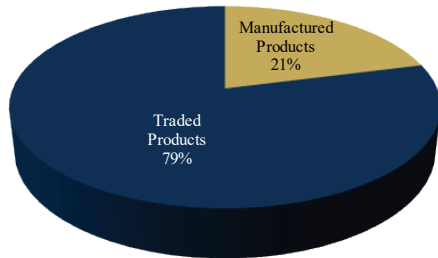
- 53 Big River operates from a head office in Junction Hill, northern NSW and employs approximately 310 full time equivalent staff. The Company targets the formwork supplies, building products and plywood and specialty sectors of the building industry. Its extensive support services include project assistance, onsite trade representation, timber take off and estimating service, technical support and delivery. A summary of Big River’s revenue by function and product category is set out below.

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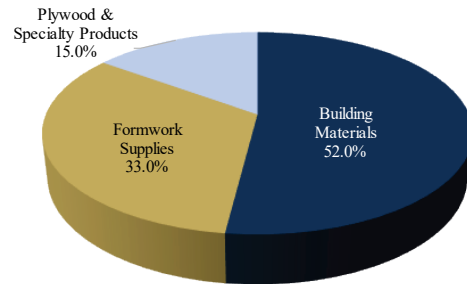
<sup>14</sup> Including contingent consideration of \$0.5 million.

Big River – 1HY19 revenue

Revenue by function



Revenue by product category



- 54 Big River is a major distributor of a broad range of timber and buildings materials for the residential construction and alterations and additions markets. It also manufactures and distributes a specialty product range including engineered timber flooring, architectural panels, customised plywood and other specialty industrial products. During FY18 the Company repositioned its manufacturing activities from lower-grade commodity plywood towards more sustainable, higher value, speciality products.
- 55 The Company’s products are sold to professional builders, formworkers, construction companies and building contractors that operate in the residential, non-residential and infrastructure markets. It has sales and distribution offices in each of the mainland Australian states and two manufacturing sites in NSW as shown below.

Big River – locations



- 56 Big River has a large diversified customer base that has been built on relationships with the large Australian building companies and thousands of individual customer accounts (many of which have transacted with the Company for over 25 years). As a result Big River's 10 largest customers only account for 16% of total Company revenue<sup>15</sup>.

## Financial performance

- 57 The financial performance of Big River for the two years ended 30 June 2018 (FY18) and 1HY19 is set out below:

Big River – statement of financial performance			
	FY17 Audited \$m	FY18 Audited \$m	1HY19 Reviewed \$m
Revenue	177.1	210.9	106.0
Underlying EBITDA – Distribution activities	9.7	12.0	5.5
Underlying EBITDA – Manufacturing activities	3.4	2.1	0.7
Underlying EBITDA – Corporate expenses	(2.9)	(3.1)	(1.7)
<b>Underlying EBITDA</b>	10.2	11.0	4.5
Depreciation expense	(1.8)	(2.0)	(1.0)
<b>Underlying EBITA<sup>(1)</sup></b>	8.4	9.0	3.5
Amortisation of acquisition intangibles	(0.2)	(0.5)	(0.3)
<b>Underlying EBIT<sup>(2)</sup></b>	8.2	8.5	3.2
Significant (non-recurring) items <sup>(3)</sup>	(2.1)	(0.3)	(0.2)
Net interest expense	(0.9)	(0.8)	(0.4)
<b>Profit before tax</b>	5.2	7.4	2.6
Income tax expense	(1.3)	(2.2)	(0.8)
<b>Profit after tax</b>	3.9	5.2	1.8

**Note:**

- 1 Earnings before interest, tax and amortisation of acquired intangibles (EBITA).
- 2 Earnings before interest and tax (EBIT).
- 3 Over the above periods significant (non-recurring) items relate to acquisition costs, with the exception of FY17, which includes \$1.9 million IPO transaction costs.

- 58 Below is a summary of the key factors that have impacted on the annual financial performance of Big River in the two years to FY18 and 1HY19.

### Year to 30 June 2017 (FY17)

- 59 Revenue for FY17 was in line with prospectus forecasts, despite significant wet weather events during the March to April 2017 period. Pro forma EBITDA<sup>16</sup> of \$11.6 million was marginally above that forecast in the prospectus issued for the Company's IPO.
- 60 In addition, Big River reported that strong revenue growth in NSW partially offset some weakness in the Western Australian and north Queensland markets and that gross margins improved due to favourable product mix and improved procurement scale.

<sup>15</sup> Having regard to revenue for the half year to 31 December 2018 (1HY19).

<sup>16</sup> After allowing for the annualised results of recent acquisitions.

**Year to 30 June 2018 (FY18)**

- 61 Revenue for FY18 increased by 19.1% to \$210.9 million, however, like for like sales growth for FY18 (i.e. excluding recently acquired businesses) was only 1.1%. Underlying EBITDA growth of 7.2% lagged revenue growth due to challenging market conditions as a result of, inter-alia, a slowing in high density residential construction, delayed projects in commercial markets and the general impact of house price declines and poor consumer sentiment. In addition, Big River reported that:
- (a) gross margins for its distribution activities expanded by 40 basis points
  - (b) the two acquisitions made towards the end of FY17, along with two further acquisitions made during FY18 contributed revenue of \$41.7 million and EBITDA of \$2.7 million
  - (c) on a same-stores basis, distribution activity EBITDA rose 3.2% over the previous year's EBITDA to \$9.3 million
  - (d) contribution from the manufacturing facilities was down \$1.3 million on the previous year, mainly due to lower volume, increased energy costs and a delay in the timing of a number of projects.

**Half year to 31 December 2018 (1HY19)**

- 62 Revenue for 1HY19 increased by 1.3% over the corresponding half year period, however after allowing for the contribution from acquisitions, same store sales decreased by some 3.9%. Underlying EBITDA for the half year decreased by 23.2% over the corresponding half year period due to a continuation of challenging industry conditions. In addition:
- (a) the gross margin for its distribution activities continued to show improvement and expanded by 22 basis points
  - (b) the resizing of the manufacturing function continued during the period with manufacturing volumes reducing 30%, however this was largely offset by cost reductions of \$3 million (relative to the previous comparable period)
  - (c) expansion of the distribution network continued during the period, with the successful acquisition of MB Prefab, completed in December 2018. Notwithstanding this network expansion, distribution activity EBITDA declined 14.3% to \$5.5 million over the comparable half year period.

**Guidance for the year to 30 June 2019 (FY19)**

- 63 In Big River's half year results announcement dated 25 February 2019 the Company provided the following statements regarding the outlook for the business and updated its FY19 EBITDA guidance:

*“Residential housing activity, particularly in the medium density and multi-residential segment, continues to decline, albeit this is more pronounced in the Sydney, Melbourne and Brisbane markets. The smaller capital cities and sub-metropolitan markets of the Gold Coast, Sunshine Coast, Canberra and Geelong are forecast to be less impacted. However there still remains some uncertainty given the issues of credit availability, political and macro-economic factors affecting consumer confidence and the willingness to invest in construction markets.*

*The Commercial construction outlook currently looks somewhat more positive than experienced at the beginning of the 1H19, so this together with the strong infrastructure pipeline should help offset the weakness in the residential markets.*

*Big River continues to actively pursue its acquisition strategy, with challenging market conditions presenting additional opportunities to the Company.*

*Subject to no further deterioration in markets, the Company confirms its previous guidance for full year FY2019 of EBITDA (before acquisition costs) in the range \$9m to \$10m.”*

- 64 The above guidance was provided prior to the acquisitions of The Midland Timber Co, Plytech and Decortech businesses. The impact of these acquisitions on profitability is discussed in subsequent sections.

## Financial position

- 65 The financial position of Big River as at 30 June 2018 and 31 December 2018 is set out below:

Big River – statement of financial position <sup>(1)</sup>		
	30 Jun 18	31 Dec 18
	\$m	\$m
Debtors, prepayments and other	40.0	30.5
Inventories	29.4	32.9
Creditors, accruals and provisions	(37.5)	(31.2)
<b>Net working capital</b>	<b>31.9</b>	<b>32.1</b>
Property, plant and equipment	25.3	26.9
Intangible assets	9.2	11.6
Deferred tax assets	2.0	2.4
Income tax payable	(0.7)	(0.1)
Provisions (non-current)	(0.3)	(0.3)
<b>Total funds employed</b>	<b>67.4</b>	<b>72.6</b>
Cash and cash equivalents	2.0	0.1
Interest bearing liabilities	(10.4)	(13.9)
<b>Net cash / (borrowings)</b>	<b>(8.4)</b>	<b>(13.8)</b>
<b>Net assets attributable to Big River shareholders</b>	<b>58.9</b>	<b>58.8</b>

**Note:**

1 Rounding differences exist.

## Property, plant and equipment

- 66 The carrying value of Big River’s property, plant and equipment comprises:

Big River – property, plant and equipment		
	30 Jun 18	31 Dec 18
	\$m	\$m
Freehold land	0.9	0.9
Buildings	5.6	5.5
Plant and equipment	18.8	20.5
<b>Property, plant and equipment</b>	<b>25.3</b>	<b>26.9</b>

## Intangible assets and goodwill

67 Intangible assets and goodwill comprise the following:

Big River – intangible assets and goodwill		
	30 Jun 18	31 Dec 18
	\$m	\$m
Goodwill	8.3	11.0
Customer relationships	0.9	0.6
<b>Total intangible assets</b>	<b>9.2</b>	<b>11.6</b>

68 The majority of Big River's intangible assets relates to goodwill which arose in respect of the various acquisitions undertaken. Goodwill is tested annually for impairment using the value in use method. As at 30 June 2018, a pre-tax discount rate of 10.5% was adopted for impairment testing purposes.

## Borrowings

69 Big River's net debt increased by \$5.4 million in the six months to 31 December 2018, which was primarily attributable to the acquisition of the MB Prefab business (for some \$4.5 million) during the period:

Big River – borrowings		
	30 Jun 18	31 Dec 18
	\$m	\$m
Cash	2.0	0.1
Short term borrowings	(3.0)	(3.3)
Long term borrowings	(7.4)	(10.6)
<b>Total borrowings</b>	<b>(8.4)</b>	<b>(13.8)</b>

70 The net debt will increase as a result of the acquisitions of The Midland Timber Co, Plytech and Decortech businesses (as discussed in subsequent sections).

## Share capital and performance

71 As at 26 April 2019, Big River had 53.0 million fully paid ordinary shares on issue. In addition:

- the Company intends to issue 244,702 shares as part consideration for the acquisition of The Midlands Timber Co business<sup>17</sup>
- a further 1,336,428 shares will be issued under Tranche 1 of the Capital Raising (which is not subject to shareholder approval or conditional on the acquisition of Plytech and Decortech).
- the Company had 1.2 million options on issue at exercise prices of \$2.00 to \$2.20 per share<sup>18</sup> and 341,355 performance rights on issue.

<sup>17</sup> The funding proposal for the acquisition of the Plytech and Decortech businesses is discussed in paragraph 2.

<sup>18</sup> 1,185,000 million of which are exercisable at \$2.00 per share and 45,455 are exercisable at \$2.20 per share.

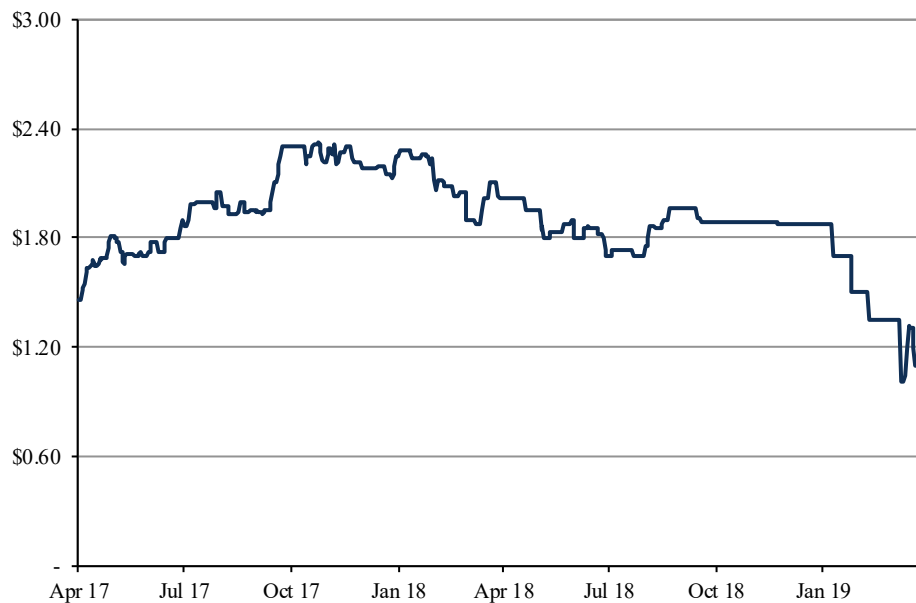
### Significant shareholders

72 As at 24 May 2019 the significant shareholders in Big River were Anacacia Partnership II, LP (Anacacia) with 58.0% of the Big River shares on issue, and NAOS, with 20.15% of the shares on issue.

### Share price performance

73 The following chart illustrates the movement in the share price of Big River from 27 April 2017 (i.e. the date the Company listed on the ASX<sup>19</sup>) to 26 April 2019:

**Big River – share price history<sup>(1)</sup>**  
**27 April 2017 to 26 April 2019**



**Note:**

1 Based on closing prices.

Source: Bloomberg.

### Liquidity in Big River shares

74 Due to the presence of major shareholders that own almost 80% of the Company shares, the liquidity of the Big River share price is very low and hence relatively small volumes of shares traded can move the share price materially.

<sup>19</sup> Note, the chart commences with the IPO price of \$1.46.

## IV Profile of Plytech and Decortech

### Plytech

- 75 Plytech was founded in 1992, and is one of the leading plywood distributors in NZ. The business imports high margin plywood based products primarily from Europe for distribution throughout NZ.
- 76 Products range from marine plywoods, construction plywood and decorative panels, which can be natural (raw), pre-finished or overlaid with a decorative and hardwearing surface. The business also supplies high value architectural and joinery panels, cladding, transport decking, recreational vehicle ply and kitchen benchtops.

### Decortech

- 77 Decortech manufactures speciality architectural panels, specialising in decorative, acoustic and fire retardant wall and ceiling linings. The business supplies a complete designed system of decorative, acoustic and fire resistant panels combined with customised perforations to suit design requirements. Decortech develops shop drawing in house controlling every step of the process. In addition, most of its products can be pre-finished using their paint line to pre-finish panels to order. The special UV cured paint is hard wearing, scratch resistant and ensures a dust free final product.
- 78 Decortech has operated under the current ownership since 2002.

### Financial performance

- 79 A summary of the revenue and EBITDA before significant items for Plytech and Decortech is set out below:

<b>Plytech and Decortech - Revenue and EBITDA<sup>(1)</sup></b>				
	<b>Year to 31 Mar 16 \$m</b>	<b>Year to 31 Mar 17 \$m</b>	<b>Year to 31 Mar 18 \$m</b>	<b>11 mths to 28 Feb 19 \$m</b>
<b>Revenue</b>				
Plytech	13.4	16.7	18.0	18.0
Decortech	4.8	5.9	6.7	5.3
Combined	18.2	22.7	24.6	23.3
<b>EBITDA before significant items</b>				
Plytech	1.9	2.8	3.0	2.7
Decortech	0.9	1.1	1.3	0.4
Combined	2.8	3.9	4.3	3.1
<b>EBITDA margin</b>				
Plytech	14.2%	16.9%	16.6%	15.0%
Decortech	17.9%	17.9%	19.6%	7.9%
Combined	15.2%	17.2%	17.4%	13.4%

**Note:**

1 Rounding differences may exist.



- 80 As indicated above, the EBITDA of the Decortech business declined in the 11 month period to 28 February 2019. However, this decline principally occurred during April 2018 to July 2018, as trading was negatively impacted by changes to NZ standards relating to the fire ratings in commercial structures. The sales run rate (and profitability) recovered from August 2018 as the standard changes settled.
- 81 Further information in relation to Plytech and Decortech is set out in the Notice of Meeting.

## V Industry overview

### Overview

82 The Australian building products market is estimated to be worth approximately \$50 billion in sales per annum, with timber products accounting for approximately 20% of building product sales. Building products are typically sold through the trade and retail distribution channels. Big River is a trade distributor of its own in-house manufactured and branded timber products and a range of associated building supplies sourced from leading domestic and international original manufacturers and suppliers.

### Retail and trade distribution

83 The retail segment of the Australian building products market accounts for approximately 40% of total market turnover. The primary customers in this market segment are households that purchase building supplies as part of the do-it-yourself home improvement renovations and repair market. Significant players in this segment include the “big box” format stores of Bunnings, Mitre 10 and Home Timber and Hardware. Big River does not focus on this retail segment.

84 The trade segment of the Australian building products market accounts for approximately 60% of total market turnover. The primary customers in this market segment are professional builders and building companies. These customers make frequent purchases of significant size. Trade buyers can range from individual tradespeople and small, private companies to major builders and large engineering and construction companies. Irrespective of size, trade buyers typically purchase product from the same network of manufacturers and distributors. Trade buyers typically procure their materials from a supply network completely distinct from the retail market segment. As opposed to the retail market segment which contains significant big box store operators, the trade distribution marketplace is highly fragmented, mainly made up of relatively small, private operators and without any clear national market leaders across all markets. Big River focuses on this part of the trade segment.

### Manufactured timber products

85 Domestically manufactured timber products generally fall into five main categories:

- (a) **hardwood** – hardwood is a high strength and high value key material in the building and construction industry used across a range of structural and decorative applications including as bearers, joists, lintels, roof beams, posts, flooring and decking
- (b) **structural timber** – structural timber is generally lengths of sawn timber and is a key material in the building and construction industry used in a range of structural and decorative functions including as studs, wall plates, noggins and rafters
- (c) **plywood** – plywood is fabricated through the assembly of multiple wood veneers bonded together to produce flat sheets. Each veneer is layered perpendicular to the preceding layer, improving strength and reducing shrinkage in the final product. Plywood is a key material in the building and construction industry used as formwork and for a range of exterior and interior functions

- (d) **laminated veneer lumber (LVL)** – LVL is also fabricated through the assembly of multiple wood veneers bonded together to produce flat sheets. However, unlike plywood, the grains of the veneer are aligned in same direction. This makes LVL stronger, straighter and more uniform than solid timber and overcomes some of timber’s natural limitations such as strength-reducing knots. LVL is a key material in the building and construction industry used in a range of structural functions including as beams, lintels, purlins, truss chords and formwork; and
- (e) **panels** – panels are typically an engineered wood product that comes in the form of medium density fibreboard and particle board. Both types of panels are manufactured through breaking down softwood residues into wood fibres that are then pressed together to produce flat boards. Panels are a key material in the building and construction industry across a range of structural and decorative applications including as substrates and surfacing for kitchens, benchtops, shelving, cupboards, walls and flooring.

## Formwork supply

- 86 Formwork is the use of support structures and moulds to create formations into which concrete is poured. It is widely used in the construction of multi-level concrete structures across the residential, commercial, civil and infrastructure market segments. If handled appropriately, formwork can be reused. Big River is a major seller of timber and steel formwork.
- 87 The formwork consumables segment is comprised of five main product categories:
- (a) **formply** – formply sheets are used in temporary or permanent moulds into which concrete is poured for both vertical and horizontal concrete formations
  - (b) **LVL** – LVL is a high-strength engineered wood product beam used in a variety of applications for supporting formply in the structural formation for concrete pouring
  - (c) **wall systems** – wall systems include permanent formwork systems employed across a range of uses, including the construction of basement walls, internal and external walls and retaining walls. This product is largely used as an alternate to brick and blockwork
  - (d) **steel deckform** – steel deckforms are permanent metal tray formwork products used in concrete slab construction when superior reinforcement qualities are required. Concrete is poured into the steel forms which are left in situ after the concrete has set; and
  - (e) **hire services** – there are many companies that hire out a range of formwork products as part of a comprehensive services package<sup>20</sup>.

## Industry drivers

- 88 Activity in the residential, commercial, industrial and infrastructure building sectors are the primary drivers of demand for building materials in Australia, including timber and associated building supplies.

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<sup>20</sup> Big River does not provide hire services.

### Residential building activity

89 Residential building activity is made up of detached housing and other dwellings (primarily apartments). These activities have varying timber and building product requirements. Detached houses often need volumes of structural timber, flooring and external cladding, and in some cases, formwork. Other dwellings often use formwork products, doors and mouldings and decorative flooring. Residential approvals and commencements are key indicators of residential building activity and are highly correlated with sales of timber and building products.

### Non-residential building activity

90 Non-residential building activity includes commercial, industrial, social and institutional facilities. This can be in the form of retail spaces and shopping centres, office buildings, hotels, factories and warehouses, as well as education, aged care, health and entertainment and recreational facilities. Common timber and building products across this space include formwork, structural timber, flooring and external cladding.

### Key trends in Australian building products market

- 91 There are a number of key trends within the Australian building products market which are expected to create opportunities for manufacturers and distributors of timber and building products such as Big River, including:
- (a) **growth in lightweight building products** – in recent years there has been a significant increase in the amount of lightweight building products used in the construction of new houses and alterations and additions activity rather than traditional brick veneer structures. Compared to traditional brick veneer structures, lightweight building products are typically more cost effective to transport and store, more efficient and safer to install and have greater sustainability benefits in terms of both embodied energy and insulation qualities
  - (b) **growth in high density, multi-residential dwellings** – there is an increasing demand for high density, multi-residential dwellings due to changing demographics including baby boomers seeking to downsize their dwellings, increasing unaffordability of detached housing for first home buyers and growing demand for dwellings in close proximity to transport hubs and central business districts. This has resulted in significant growth in the construction of multi-residential dwellings such as apartments and townhouses which have a requirement for building products suitable for high density applications. Formwork products are used extensively in the construction of high density, multi-residential buildings
  - (c) **increasing focus on sustainability** – there is an increasing focus on sustainability and the use of environmentally friendly products in existing buildings and the construction of new buildings. Australian timber products may be sourced from sustainably managed plantations and native regrowth forests and can be recycled. The production of timber products uses less energy than most other building materials, in turn resulting in fewer emissions into the atmosphere. Furthermore, timber products have higher carbon absorption rates throughout their product lifecycle compared to building products made from steel, concrete or aluminium and can store up 15 times the amount of carbon dioxide released during their manufacture

- (d) **imports** – as has occurred in many industries, imports now appear to fill a considerable component of the supply chain for various building supplies. Price differentials remain between imported and domestic manufactured products but, as plywood and formply is often not a significant cost to a construction job, the Company is of the opinion that these savings often do not outweigh the health and safety risks associated with choosing a potentially inferior product.

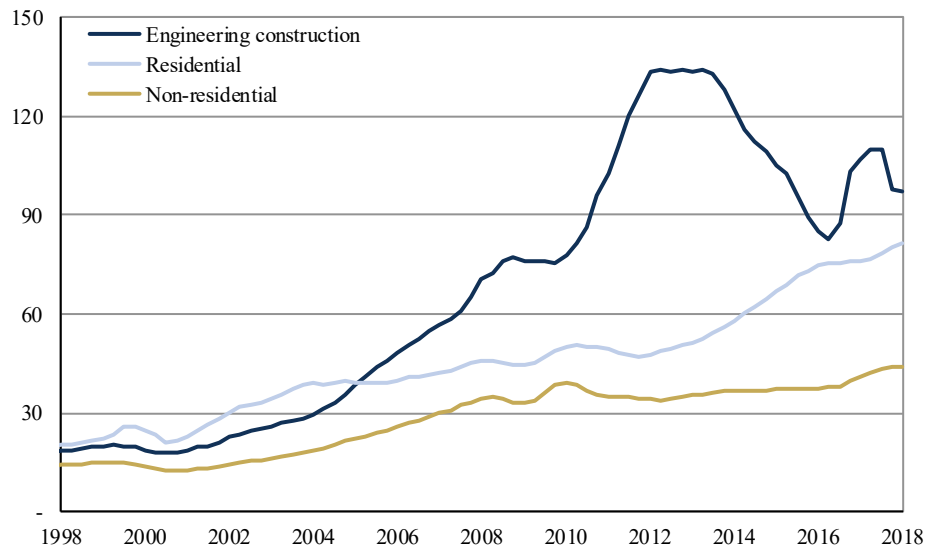
## Building and construction activity

- 92 The value of turnover for the Australian building and construction industry was \$223 billion in the year to 31 December 2018, having grown at a compound annual growth rate (CAGR) of 7.8% over the last 10 years. The construction and building industry is one of Australia's largest employers, accounting for around 10% of Australia's workforce.
- 93 A split of the Australian building and construction industry into three key segments is as follows, noting that the residential and non-residential sectors represent approximately 55% of the total industry:
- (a) **engineering construction** – this represents approximately 45% of industry revenue<sup>21</sup> and involves major infrastructure, mining and heavy industrial resource-based project construction
  - (b) **residential building** – refers to the construction of new houses, units and multi-storey apartments as well as housing alterations and additions to existing dwellings. Residential building represents approximately 35% of total industry revenue
  - (c) **non-residential building** – this accounts for approximately 20% of industry revenue and relates to the construction of commercial buildings such as offices, shops and factories as well as institutions like schools and hospitals.
- 94 The following chart sets out Australian building and construction revenue by segment over the 20 years to 31 December 2018:

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<sup>21</sup> Engineering construction accounted for approximately 60% of industry revenue during peak mining levels in 2012 and 2013 but following the decrease in mining investment over recent years has since declined.

**Building and construction activity**  
(\$ billion)



**Note:**

1 The rebound in engineering construction from September 2017 is primarily the result of the arrival of two large liquid gas modules (which are manufactured offshore and included in the ABS numbers).

**Source:** Australian Bureau of Statistics (ABS).

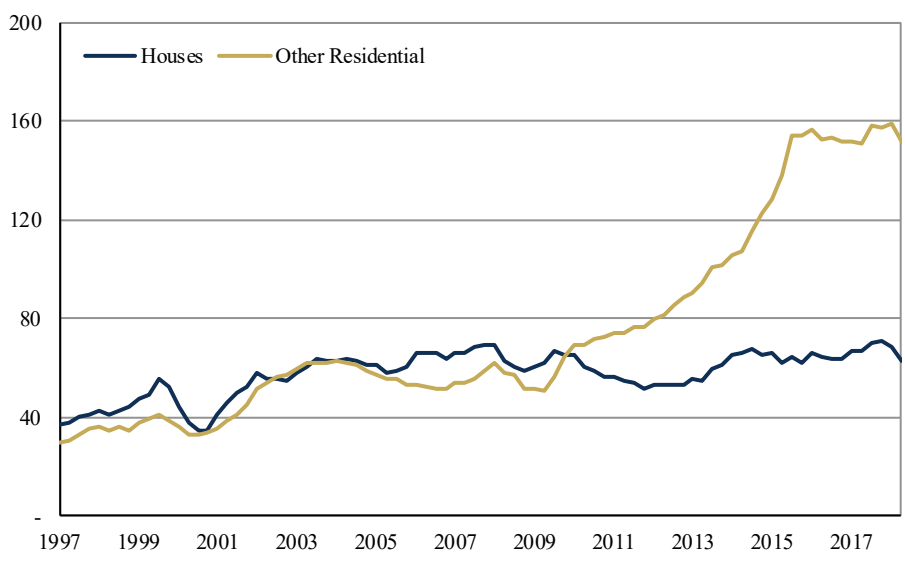
- 95 The engineering construction sector recorded a period of significant growth up to the 2012 and 2013 years which was largely driven by growth in mining (primarily iron ore and coal), energy (most notably liquid natural gas) and infrastructure projects to support the export of such commodities. Engineering construction levels peaked in March 2013 (which roughly coincided with peak mining levels) and have since declined as investment in mining construction has slowed<sup>22</sup>.

**Residential building**

- 96 The chart below shows a summary of the number of dwellings under construction for the 20 years to December 2018. It also highlights the magnitude by which recent residential building activity has been driven by the construction of multi-unit apartment dwellings and townhouses (Other Residential):

<sup>22</sup> The partial recovery post September 2017 is due to the importation of two significant liquid natural gas platforms. Notwithstanding that this work is undertaken overseas, the ABS includes this as new construction.

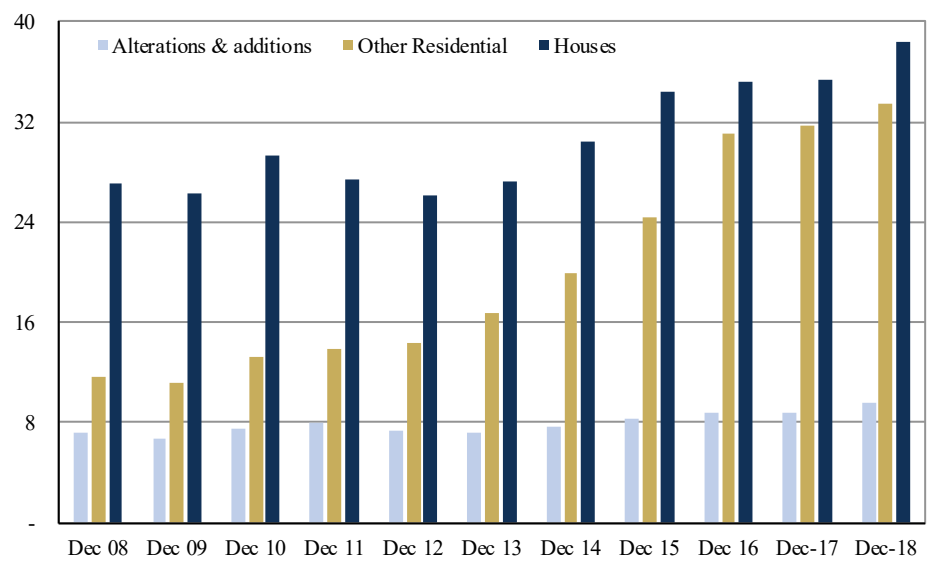
**Dwellings under construction**  
(000s)



Source: ABS.

97 The value of residential construction activity has increased at a CAGR of 5.9% over the 10 years to December 2018 to reach \$81.4 billion. This activity is comprised of the construction of new houses and new Other Residential dwellings (new multi-unit apartments and townhouses) as well as the level of alterations and additions to existing dwellings, as set out below.

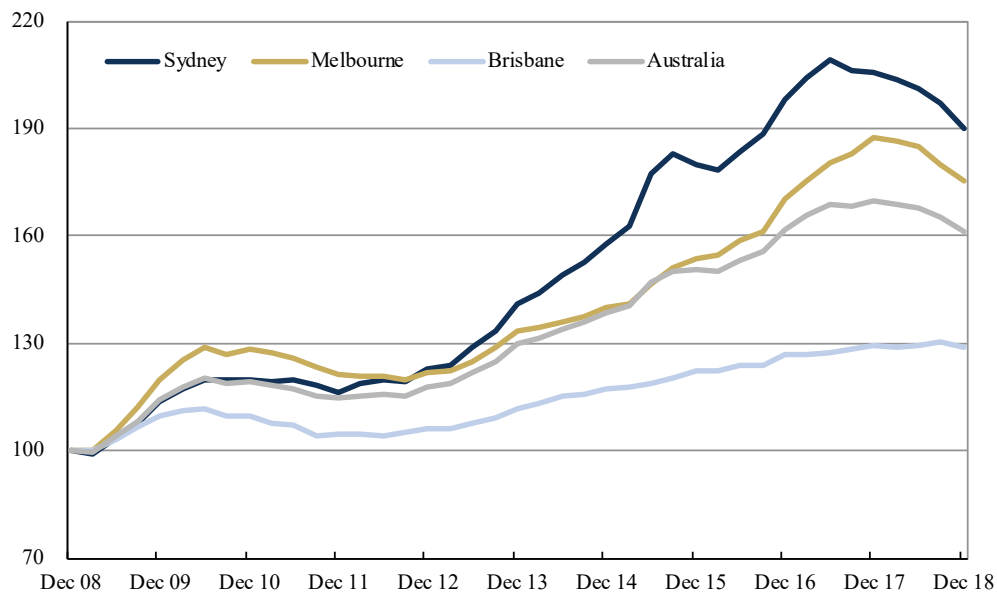
**Residential construction revenue**  
(\$ billion)



Source: ABS.

- 98 Trends in the construction of residential housing are generally driven by house prices, population growth and levels of housing affordability. Of these, the direction of house prices tends to be the most significant driver, with rising house prices typically driving new dwelling investment (and vice versa). Growth in residential high density construction is also associated with growth in non-residential construction, for example as governments look to add urban infrastructure to such areas.
- 99 The weighted average house price growth across Australia's eight capital cities increased by approximately 61.3%<sup>23</sup> in the 10 years to December 2018<sup>24</sup>.

#### Australian residential property prices<sup>(1)(2)</sup>



**Note:**

1 The residential property price indices have been rebased to 100 as at September 2007.

2 Data for Australia represents the weighted average of the eight capital cities (Sydney, Melbourne, Brisbane, Adelaide, Perth, Hobart, Darwin, and Canberra).

Source: ABS.

- 100 Dwelling prices have moderated in more recent periods under the weight of tighter lending conditions for interest only and investor loans, and a broader weakening in confidence within the housing market. The general expectation is that dwelling prices will continue to decline in the short term, notwithstanding that strong population growth and solid growth in employment are likely to be supportive of overall housing demand in the longer term.

<sup>23</sup> This largely reflected the considerable growth in Australia's two largest cities, Sydney and Melbourne, which reported house price growth of approximately 89.9% and 75.6% respectively over the period.

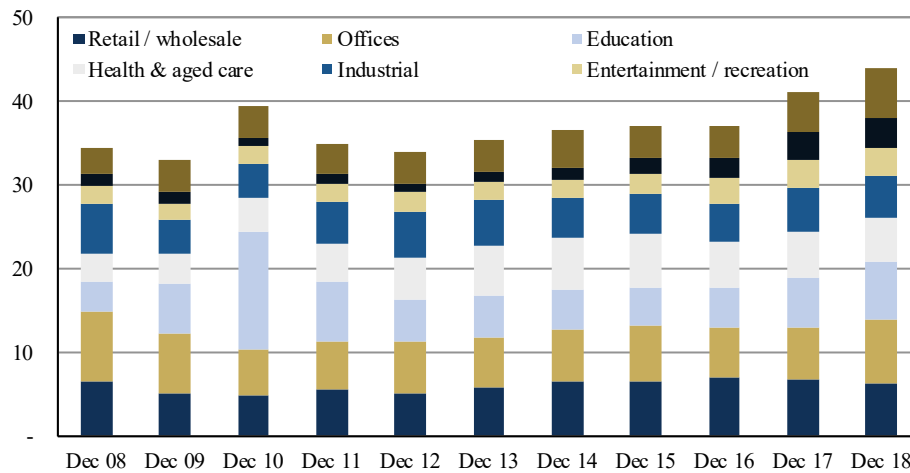
<sup>24</sup> Source: ABS.



## Non-residential building

- 101 Non-residential building activity reached record levels of \$43.9 billion for the year to 31 December 2018, with the level of sector diversification increasing significantly since the last peak around 31 December 2010<sup>25</sup>.

**Non-residential construction activity – rolling year**  
(\$ billion)



Source: ABS.

- 102 In the period post the winding back of the Federal Government’s stimulus spending on education and health in 2010 and 2011, annual growth in non-residential construction has gradually increased annually. This generally reflects growth in certain non-residential property segments such as education, health and aged care, entertainment and recreation and accommodation, modest growth for the industrial property segment and declining expenditure for the office property segment.

<sup>25</sup> Which was largely driven by the Federal Government-driven stimulus package post the 2008 global financial crisis that targeted the education and healthcare sectors.

## VI Valuation methodology

### Valuation approaches

- 103 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
  - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
  - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
  - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
  - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 104 Under the DCF methodology the value of the business is equal to the net present value of the estimated future cash flows including a terminal value. In order to arrive at the net present value the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.
- 105 Methodologies using capitalisation multiples of earnings or cash flows are commonly applied when valuing businesses where a future “maintainable” earnings stream can be established with a degree of confidence. Generally, this applies in circumstances where the business is relatively mature, has a proven track record and expectations of future profitability and has relatively steady growth prospects. Such a methodology is generally not applicable where a business is in start-up phase, has a finite life, or is likely to experience a significant change in growth prospects and risks in the future.
- 106 Capitalisation multiples can be applied to either estimates of future maintainable operating cash flow, EBITDA, EBITA, EBIT or net profit after tax. The appropriate multiple to be applied to such earnings is usually derived from stock market trading in shares in comparable companies which provide some guidance as to value and from precedent transactions within the industry. The multiples derived from these sources need to be reviewed in the context of the differing profiles and growth prospects between the company being valued and those considered comparable. When valuing controlling interests in a business an adjustment is also required to incorporate a premium for control. The earnings from any non-trading or surplus assets are excluded from the estimate of the maintainable earnings and the value of such assets is separately added to the value of the business in order to derive the total value of the company.

- 107 An asset based methodology is applicable in circumstances where neither a capitalisation of earnings nor a DCF methodology is appropriate. It can also be applied where a business is no longer a going concern or where an orderly realisation of assets and distribution of the proceeds is proposed. Using this methodology, the value of the net assets of the company are adjusted for the time, cost and taxation consequences of realising the company's assets.

## **Methodologies selected**

### **Value of Big River before Proposed Transactions**

- 108 The market value of Big River before taking into account the impact of the Proposed Transactions has been assessed by aggregating the market value of the business operations, together with the realisable value of any surplus assets and deducting net borrowings.
- 109 The valuation of the business operations has been made on the basis of market value as a going concern. The primary valuation method used to value Big River's business operations is the capitalisation of future maintainable EBITDA. Under this methodology the value of the business is represented by its core underlying maintainable EBITDA capitalised at a rate (or EBITDA multiple) reflecting the risks inherent in those earnings.
- 110 We have adopted this method when valuing the business operations of Big River for several reasons:
- (a) Big River has both a demonstrated history of profitability and an expectation of ongoing profitability
  - (b) Big River operates in a mature (albeit cyclical) industry and has well established market positions in the geographic and product sectors in the industry in which it operates
  - (c) we do not have long-term cash flow projections which we regard as sufficiently robust to enable a DCF valuation to be undertaken
  - (d) the EBITDA multiples for listed companies exposed to similar industry sectors as the business operations of Big River can be derived from publicly available information
  - (e) transaction evidence in the respective industry sectors is generally expressed in terms of EBITDA (and EBITA) multiples.
- 111 The resulting values have been cross-checked by reference to the capitalisation of net profit after tax (or price earnings (PE)) method.
- 112 Given the historic low liquidity levels in share market trading in Big River<sup>26</sup>, we do not consider the listed market prices of Big River shares on the ASX prior to the announcement of the Proposed Transactions to be a representative basis from which to assess the value of the equity in Big River.

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<sup>26</sup> The two largest shareholders hold a combined 79.4% interest in Big River.

### **Value of Plytech and Decortech**

113 Given the arms' length sale process with respect to both Plytech and Decortech that gave rise to the Proposed Transactions, the value of Plytech and Decortech on a standalone basis has been determined based on the combined proposed transaction price. In order to confirm that the transaction price is reasonably representative of the combined market value of Plytech and Decortech, we have also considered whether the earnings multiples implied by the transaction price are reasonable and appropriate.

### **Value of Big River after Proposed Transactions**

114 The value of Big River after the Proposed Transactions has been derived by aggregating the value of:

- (a) the Big River business (before debt) before the Proposed Transactions
- (b) the Plytech and Decortech businesses (before debt); less
- (c) the pro-forma net debt of Big River following completion of the acquisition of Plytech and Decortech and related Capital Raising<sup>27</sup>.

115 Consistent with the requirements of RG 111, the value of Big River after implementation of the Proposed Transactions has been assessed on a portfolio (minority) interest basis. Empirical evidence undertaken by LEA on takeover premiums and minority interest discounts indicates that standard discounts for minority interests generally range from 20% to 25% of the full underlying (controlling interest) value of the Company.

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<sup>27</sup> We have also had regard to the costs incurred by Big River in respect of the Proposed Transactions.

## VII Valuation of Big River before the Proposed Transactions

- 116 As stated in Section VI, we have adopted the capitalisation of EBITDA method as our primary valuation method. Under this method the EBITDA (before non-recurring items) is capitalised at an appropriate EBITDA multiple. The value of the shares in Big River is then derived by adding the realisable value of any surplus assets and deducting net borrowings.
- 117 The resulting values have been cross-checked by reference to the capitalisation of net profit after tax (or PE) method.

### EBITDA adopted for valuation purposes

- 118 In order to assess the appropriate level of EBITDA for valuation purposes we have had regard to the historical and forecast results of Big River, and have discussed the financial performance, operating environment and prospects with Big River management.

### Historical results

- 119 A summary of Big River's historical revenue and EBITDA before significant items is set out below:

Big River - Revenue and EBITDA					
	FY15 Pro-forma actual <sup>(1)</sup> \$m	FY16 Pro-forma actual <sup>(1)</sup> \$m	FY17 Pro-forma actual \$m	FY18 Actual \$m	1HY19 Actual \$m
Revenue	171.9	195.2	197.8	210.9	106.0
EBITDA before significant items <sup>(2)</sup>	11.1	11.3	11.6	11.0	4.5
<i>EBITDA margin</i>	6.4%	5.8%	5.9%	5.2%	4.2%

**Note:**

- 1 The pro-forma results for FY15 and FY16 have been sourced from Big River's replacement prospectus dated 3 April 2017.
- 2 Primarily acquisition costs and the costs of Big River's IPO in FY17.

- 120 In relation to the above results we note that:

- (a) the pro-forma actual results for FY15 to FY17 have been adjusted to reflect the full year impact of acquisitions made in those years
- (b) the actual results for FY18 only reflect the results of Midcoast Timbers and Ern Smith Timber & Hardware from August 2017 and December 2017 respectively. However, these two acquisitions were only small bolt on acquisitions (costing \$4.4 million in total), and were therefore not significant contributors to profitability
- (c) ignoring the impact of acquisitions, revenue increased by only 1.1% in FY18 and fell 3.9% in 1HY19 (which reflected challenging market conditions as a result of, inter-alia, a slowing in high density residential construction, delayed projects in commercial markets and the general impact of house price declines and poor consumer sentiment)

- (d) on a same store sales basis (i.e. ignoring acquisitions) the Distribution business achieved EBITDA growth of 3.2% in FY18. However, this was offset by a 37.9% reduction in the EBITDA contribution from the Manufacturing business (which was impacted by lower volumes, increased energy costs and project delays)
- (e) EBITDA before acquisition costs of \$4.5 million in 1HY19 represented a 23.7% decline compared to the prior corresponding period (i.e. 1HY18). The EBITDA contribution by business segment was as follows:

Big River – EBITDA			
	1HY19	1HY18	Change
	\$m	\$m	%
Distribution activities	5.5	6.5	(14.3)
Manufacturing facilities	0.7	0.8	(18.4)
Corporate expenses	(1.7)	(1.4)	(21.8)
EBITDA (before acquisition costs)	4.5	5.9	(23.7)

Source: Big River 1HY19 results presentation.

## Outlook

- 121 In Big River’s half year results announcement dated 25 February 2019 the Company provided the following statements regarding the outlook for the business and updated its FY19 EBITDA guidance:

*“Residential housing activity, particularly in the medium density and multi-residential segment, continues to decline, albeit this is more pronounced in the Sydney, Melbourne and Brisbane markets. The smaller capital cities and sub-metropolitan markets of the Gold Coast, Sunshine Coast, Canberra and Geelong are forecast to be less impacted. However there still remains some uncertainty given the issues of credit availability, political and macro-economic factors affecting consumer confidence and the willingness to invest in construction markets.*

*The Commercial construction outlook currently looks somewhat more positive than experienced at the beginning of the 1H19, so this together with the strong infrastructure pipeline should help offset the weakness in the residential markets.*

*Big River continues to actively pursue its acquisition strategy, with challenging market conditions presenting additional opportunities to the Company.*

*Subject to no further deterioration in markets, the Company confirms its previous guidance for full year FY2019 of EBITDA (before acquisition costs) in the range \$9m to \$10m.”*

- 122 We note that, on 15 November 2018, Big River acquired the assets and trading business of MB Prefab for \$4.9 million. The FY19 guidance above therefore only reflects a 7.5 month contribution from this business. Adjusting for the full year contribution from this business would result in a pro-forma EBITDA figure for FY19 towards the top end of management’s EBITDA guidance for FY19.

123 On 26 April 2019 Big River also announced the acquisition of the assets and trading business of The Midland Timber Co. This business is expected to contribute approximately \$0.4 million in EBITDA.

### **EBITDA adopted for valuation purposes**

124 Based on the above we have adopted EBITDA for valuation purposes of between \$10.5 million and \$11.5 million. The lower end of this range is consistent with management's FY19 guidance (adjusted for the full year impact of the MB Prefab and The Midland Timber acquisitions), whereas the high end of the range has regard to the historical results over a longer period.

### **EBITDA multiple**

125 The selection of the appropriate EBITDA multiple to apply is a matter of judgement but normally involves consideration of a number of factors including, but not limited to:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• The stability and quality of earnings</li> <li>• The quality of the management and the likely continuity of management</li> <li>• The nature and size of the business</li> <li>• The spread and financial standing of customers</li> <li>• The financial structure of the company and gearing level</li> <li>• The multiples attributed by share market investors to listed companies involved in similar activities or exposed to the same broad industry sectors</li> <li>• The multiples that have been paid in recent acquisitions of businesses involved in similar activities or exposed to the same broad industry sectors</li> </ul> | <ul style="list-style-type: none"> <li>• The future prospects of the business including the growth potential of the industry in which it is engaged, strength of competitors, barriers to entry, etc</li> <li>• The cyclical nature of the industry</li> <li>• expected changes in interest rates</li> <li>• The asset backing of the underlying business of the company and the quality of the assets</li> <li>• The extent to which a premium for control is appropriate</li> <li>• Whether the assessment is consistent with historical and prospective earnings</li> </ul> |
|---|--|

126 We discuss below specific factors taken into consideration when assessing the appropriate EBITDA multiple range for Big River.

### **Listed company multiples**

127 As stated in Section III, Big River is a major distributor of a broad range of timber and buildings materials for the residential construction and alterations and additions markets. It also manufactures and distributes a specialty product range including engineered timber flooring, architectural panels, customised plywood and other specialty industrial products. However, consistent with the Company's strategy, the proportion of revenue and earnings derived from manufacturing has decreased in recent periods. In 1HY19 approximately 89% of EBITDA before corporate expenses and acquisition costs was generated by Big River's distribution activities.



- 128 As there are no directly comparable companies to Big River listed on the ASX, we have therefore had regard to the EBITDA multiples for other listed wholesalers / distributors<sup>28</sup>, which are set out below:

Listed company multiples – wholesalers and distributors <sup>(1)</sup>			
	Enterprise Value <sup>(2)</sup>	EBITDA multiple <sup>(2)</sup>	
	\$m	FY18	FY19
		x	x
McPherson's	135.1	5.7	6.0
Shriro Holdings	65.0	4.1	4.2
National Tyre & Wheel	51.9	3.1	3.5
Stealth Global Holdings	10.2	na <sup>(3)</sup>	2.8

**Note:**

- Brief descriptions of each company are set out in Appendix C.
  - Enterprise value and EBITDA multiples as at 10 April 2019.
  - Stealth Global listed on the ASX on 2 October 2018.
- na – not available.

- 129 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical evidence undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover). This broadly translates to a premium of 20% to 25% at the EBITDA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.

**IPO multiples**

- 130 A summary of the EBITDA multiples implied by recent IPOs of wholesale / distribution businesses (including Big River) is shown below:

IPO multiples – wholesalers / distributors			
Prospectus date	Company	Enterprise value \$m	EBITDA multiple x
27 May 15	Shriro Global Holdings	125.2	6.3 F
3 April 17	Big River	83.2	6.5 F <sup>(1)</sup>
24 Nov 17	National Tyre & Wheel	97.5	6.2 F
10 Aug 18	Stealth Global Holdings	16.7	4.6 F

**Note:**

- Based on pro-forma forecast for FY18.
- F – forecast (i.e. the EBITDA multiple is based on forecast EBITDA).

<sup>28</sup> In our opinion, the EBITDA multiples for listed building material companies such as CSR, Boral and James Hardie are not relevant as they (inter-alia) are substantially larger than Big River, and have well known brands and significant manufacturing operations.



- 131 We note that all of the above companies are currently trading below their IPO prices, and their EBITDA multiples have fallen. Prima-facie, this reflects that the above IPOs were undertaken in more favourable market conditions which (at least in the case of Big River) no longer prevail.

### Transaction evidence

- 132 Transaction evidence on public company acquisitions of smaller sized distribution and wholesaling businesses (including the acquisition of the Big River business in 2016 by Anacacia prior to its IPO) is summarised below:

Transaction EBITDA multiples - wholesalers and distributors			
Date	Target	EV (100%) A\$m	EBITDA multiple x
May 15	Diesel & Machinery Services & JAS Oceania <sup>(1)</sup>	25.0	5.0 F
Jun 15	Metcash Automotive <sup>(2)</sup>	275.0	8.3 H
Aug 15	CS Company <sup>(3)</sup>	NZ\$34.0	5.3 H
Feb 16	Bearing Wholesalers & Precision Auto Equipment <sup>(4)</sup>	32.0	5.3 H
Feb 16	Lightning Brokers <sup>(5)</sup>	11.0	3.7 F
Feb 16	Big River	55.0	4.8 F
Jul 16	Baxter's & Roadsafe <sup>(6)</sup>	22.0	5.5 H
Oct 16	MTQ Engine Systems <sup>(7)</sup>	17.0	6.1 H
Sep 17	Nourished Life <sup>(8)</sup>	20.0	5.0 F
May 18	Statewide Tyre Distribution Pty Ltd <sup>(9)</sup>	8.9	< 5.0 H
Apr 19	The Midland Timber Co <sup>(10)</sup>	2.4	6.1 F
Apr 19	Plytech and Decortech <sup>(11)</sup>	NZ\$21.6	5.5 F
	<b>Average</b>		5.5
	<b>Median</b>		5.3

#### Note:

- 1 National distributor in New Zealand of auto electrical, automotive air conditioning and lighting components. In addition, the business provides maintenance, repair and engineering services to the truck industry.
  - 2 One of Australia's leading wholesalers and distributors of automotive aftermarket parts and accessories. The company distributes its products through a network of 416 stores and outlets under the Autobarn, Autopro, Carparts, ABS and Midas brands, as well as directly to approximately 3,000 other aftermarket customers.
  - 3 New Zealand's largest independent importer and distributor of fragrance brands including Marc Jacobs, Calvin Klein, Dolce & Gabbana and cosmetic / beauty brands including Max Factor, Natio and OPI amongst others.
  - 4 Automotive bearings reseller and importer, distributor and servicer of automotive workshop equipment.
  - 5 A national distributor of personal care products, including the Sukin natural skincare range.
  - 6 Baxters is a specialist distributor of automotive electrical accessories and lighting and Roadsafe is a specialist distributor of steering and suspension products along with 4x4 spare parts and accessories.
  - 7 Australia's largest diesel and turbo aftermarket sales and service provider.
  - 8 Australian online retail platform focused on natural and organic skincare and health and wellbeing products.
  - 9 Wholesaler of passenger, van and truck tyres.
  - 10 Refer paragraph 52(f).
  - 11 Refer to Section VIII for further details.
- H – historical. F – future.  
na – not available.

133 We note that most of the above transactions relate to smaller businesses than Big River, which has grown by subsequent acquisitions since the 2016 Big River transaction referred to above. In particular, we note that the proposed acquisition of Plytech and Decortech is being acquired on an EBITDA multiple of around 5.5x in respect of a combined business that is substantially smaller than Big River. Prima facie, we would therefore expect Big River to trade on higher EBITDA multiples than implied by the above transactions.

### Conclusion on EBITDA multiple

134 Having regard to the above and the level of EBITDA adopted for valuation purposes, we have applied an EBITDA multiple range of 6.0 to 6.5 when valuing Big River shares on a 100% controlling interest basis.

### Enterprise value

135 On this basis, the value of Big River's business (before net debt) is as follows:

Big River – Enterprise value			
	Paragraph	Low \$m	High \$m
EBITDA	124	10.5	11.5
EBITDA multiple	134	6.0	6.5
Enterprise value		63.0	74.8

### Net debt

136 As at 31 December 2018, Big River had net debt of approximately \$13.9 million. Absent the acquisition of Plytech and Decortech the net debt position is expected to fluctuate around this level (due to movements in working capital levels) over the period to 30 June 2019. Further:

- (a) debt increased by approximately \$2.1 million due to the acquisition of The Midland Timber Co business
- (b) in May 2019 Big River completed the Tranche 1 Capital Raising, raising approximately \$1.4 million (before costs).

137 Consequently, we have adopted net debt of \$14.6 million for valuation purposes.

### Value of Big River

138 On this basis, the value of 100% of the equity of Big River (on a controlling interest basis) is as follows:

Big River – Equity value		
	Low	High
Enterprise value (\$m)	63.0	74.8
Net debt (\$m)	(14.6)	(14.6)
<b>Value of 100% of the equity (\$m)</b>	48.4	60.2
Fully diluted shares on issue (million) <sup>(1)</sup>	55.0	55.0
<b>Controlling interest value per share (\$/share)</b>	\$0.88	\$1.09

**Note:**

- 1 Includes 341,355 performance rights plus 244,702 shares to be issued as part consideration for the acquisition of The Midland Timber Co business, and 1,336,428 shares issued pursuant to the Tranche 1 Capital Raising.

**PE cross-check**

- 139 The PE multiple implied by our valuation is as follows:

<b>Big River – Implied PE multiple</b>		
	<b>Low</b>	<b>High</b>
	<b>\$m</b>	<b>\$m</b>
Value of 100% of the equity (\$m)	48.4	60.2
Adopted EBITDA	10.5	11.5
Less depreciation <sup>(1)</sup>	(2.0)	(2.0)
EBITA	8.5	9.5
Less interest (\$14.6 million at 5% p.a.)	(0.7)	(0.7)
Profit before tax (before amortisation of acquired intangibles)	7.8	8.8
Tax at 30%	(2.3)	(2.6)
Profit after tax (before amortisation of acquired intangibles)	5.5	6.2
<b>Implied PE multiple</b>	<b>8.8</b>	<b>9.7</b>

**Note:**

- 1 Annualised depreciation for the six months to 31 December 2018.

- 140 Whilst low, in our opinion the above PE multiple range implied by our valuation is reasonable, given in particular the small size and nature of the business (including its inherent cyclicity).

**Comparison with listed market price**

- 141 We set out below a summary of the share trading in Big River shares over the three months prior to the announcement of the Proposed Transactions<sup>29</sup>:

<b>Big River – share trading</b>					
	<b>High</b>	<b>Low</b>	<b>VWAP</b>	<b>Value traded</b>	<b>Volume traded</b>
<b>Period</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$000</b>	<b>(000)</b>
3 months to 26 April 2019	1.70	1.01	1.30	121.5	93.3

- 142 As noted above, the level of share trading in Big River shares has been very small, with only \$0.121 million of shares traded during the period. Accordingly, we do not consider the listed market prices of Big River shares prior to the announcement of the Proposed Transactions to be a representative basis from which to assess the value of the equity in Big River.

<sup>29</sup> Big River shares were placed in a trading halt on 29 April 2019 prior to the announcement of the Proposed Transactions.

## VIII Valuation of Plytech and Decortech businesses

### Arm's length market price

- 143 As stated in Section VI, given the arm's length sale process with respect to both Plytech and Decortech that gave rise to the Proposed Transactions, the value of Plytech and Decortech on a standalone basis has been determined based on the combined proposed transaction price.
- 144 Big River has agreed to acquire the NZ businesses of Plytech and Decortech for total consideration of up to NZ\$20.7 million, payable as follows:
- NZ\$15.2 million in cash on completion
  - NZ\$2.0 million in Big River shares at an issue price of A\$1.05 per share
  - NZ\$3.5 million by way of a deferred payment.
- 145 Both Plytech and Decortech are being acquired on a cash and debt free basis and the purchase price is subject to customary adjustments for working capital.
- 146 The deferred payments of up to NZ\$3.5 million are to be paid in two equal instalments of NZ\$1.75 million at financial year end 2020 and 2021, subject to the achievement of certain performance targets as regards the earnings (EBITDA) of the combined businesses:
- FY20 performance target – EBITDA must be equal to or greater than NZ\$3.9 million in order for the full deferred payment for that year to be paid
  - FY21 performance target – EBITDA must be equal to or greater than NZ\$3.9 million in order for the full deferred payment for that year to be paid.

### Implied EBITDA multiples

- 147 In order to confirm that the transaction price is reasonably representative of the combined market value of Plytech and Decortech, we have also considered whether the earnings multiples implied by the transaction price are reasonable and appropriate.
- 148 As set out in Section IV, Plytech and Decortech achieved average EBITDA before significant items of approximately NZ\$3.6 million over the four years ended 31 March 2019.
- 149 Consequently, the EBITDA multiples implied by the transaction price are as follows:

<b>Big River – Implied EBITDA multiple</b>		
	<b>Excluding earn-out NZ\$m</b>	<b>Including earn-out NZ\$m</b>
Purchase price	17.2	20.7
Estimated working capital requirement	0.9	0.9
Enterprise value	18.1	21.6
EBITDA (average FY16 to FY19)	3.6	3.6
Implied EBITDA multiple	5.0	6.0 <sup>(1)</sup>

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**Note:**

- 1 We note that the earn-out is only paid in full if the EBITDA achieved in the years ending 31 March 2020 and 31 March 2021 is equal to or greater than \$3.9 million (in which case the implied EBITDA multiple reduces to 5.5x<sup>(2)</sup>).
  - 2 \$21.6 million (enterprise value) divided by \$3.9 million (EBITDA).
- 

- 150 We note that the above EBITDA multiples are broadly consistent with the transaction multiples for similar sized distribution businesses set out in paragraph 132. Accordingly, in our opinion, the EBITDA multiples implied by the Proposed Transactions appear reasonable.
- 151 We have therefore adopted a value for the Plytech and Decortech businesses acquired of between NZ\$20 million and NZ\$21 million for the purposes of this report. Based on an AUD:NZD exchange rate of A\$1.00 = NZD\$1.05, the Australian dollar equivalent is therefore A\$19.0 million to A\$20 million.

## IX Valuation of Big River shares after Proposed Transactions

### Methodology

- 152 The value of Big River after the Proposed Transactions has been derived by aggregating the value of:
- (a) the Big River business (before debt) before the Proposed Transactions
  - (b) the Plytech and Decortech businesses (before debt); less
  - (c) the pro-forma net debt of Big River following completion of the acquisition of Plytech and Decortech and related Capital Raising<sup>30 31</sup>.

### Controlling interest value

- 153 Our assessed value of Big River shares (on a 100% controlling interest basis) after the Proposed Transactions is as follows:

<b>Big River – Controlling interest value after Proposed Transactions</b>			
	<b>Section</b>	<b>Low A\$m</b>	<b>High A\$m</b>
Value of Big River business before Proposed Transactions	VII	63.0	74.8
Value of Plytech and Decortech businesses (before debt)	VIII	19.0	20.0
Enterprise value		82.0	94.8
Less net debt:			
Big River (before Proposed Transactions)		(14.6)	(14.6)
Cash consideration <sup>(1)</sup>		(14.5)	(14.5)
Tranche 2 Capital Raising		6.1	6.1
Transaction costs		(0.4)	(0.4)
Less deferred consideration <sup>(1)</sup>		(3.3)	(3.3)
Equity value		55.3	68.1
Shares on issue (after Proposed Transactions) <sup>(2)</sup>		62.6	62.6
Value per share (100% value)		\$0.88	\$1.09

**Note:**

- 1 Based on an exchange rate of A\$1.00 = NZ\$1.05.
- 2 Comprises 55.0 million (refer Section VII), plus 1.8 million shares to be issued to the vendor, plus 5.8 million shares to be issued in Tranche 2 Capital Raising.

<sup>30</sup> We have also had regard to the costs incurred by Big River in respect of the Proposed Transactions.

<sup>31</sup> Whilst the acquisitions are expected by Big River management to lead to meaningful cross-selling opportunities, cost synergies are expected to be minimal given stand-alone NZ reporting and accounting requirements.

## Minority interest value

- 154 Consistent with the requirements of RG 111, the value of Big River after implementation of the Proposed Transactions must be assessed on a portfolio (minority) interest basis. Empirical evidence undertaken by LEA on takeover premiums and minority interest discounts indicates that standard discounts for minority interests generally range from 20% to 25% of the full underlying (controlling interest) value of the Company.
- 155 After applying a minority interest discount of 22.5% (being the mid-point of the above range), the minority interest value of Big River shares after the Proposed Transactions is as follows:

Big River – minority interest value after Proposed Transactions		
	Low A\$m	High A\$m
Controlling interest value per share	0.88	1.09
Less minority interest discount <sup>(1)</sup>	(0.20)	(0.25)
Minority interest value per share	0.68	0.84

**Note:**

- 1 22.5% (being mid-point of range).

## X Evaluation of the Proposed Transactions

### Assessment of fairness

156 RG 111 requires that the fairness of the Proposed Transactions be assessed by comparing the controlling interest value of Big River shares prior to implementation of the Proposed Transactions with the portfolio interest value of Big River shares following implementation (being the deemed “consideration” delivered to Big River shareholders). In order for the Proposed Transactions to be “fair” under RG 111, the portfolio interest value of Big River shares following implementation of the Proposed Transactions must be equal to, or greater than the controlling interest value of Big River shares before implementation.

157 This comparison is set out below:

Comparative value of Big River shares			
	Low A\$ per share	High A\$ per share	Mid-point A\$ per share
Portfolio interest value of Big River shares following implementation of the Proposed Transactions	0.68	0.84	0.76
Controlling interest value of Big River shares prior to implementation of the Proposed Transactions	0.88	1.09	0.99
Extent to which portfolio interest value post implementation exceeds (or is less than) the controlling interest value of Big River shares before implementation	(0.20)	(0.25)	(0.23)

158 Based on the above we have concluded that the Proposed Transactions are not fair to Big River shareholders when assessed under RG 111.

### Assessment of reasonableness

159 Under RG 111, the Proposed Transactions are “reasonable” if, despite not being fair but after considering other significant factors, the expert is of the opinion that the advantages of the Proposed Transactions outweigh the disadvantages from the perspective of Big River shareholders.

160 Consequently, we set out below the advantages and disadvantages of the Proposed Transactions from the perspective of Big River shareholders.

### Proposed issue price of shares

161 As noted above, pursuant to the Proposed Transactions, shares are being issued under the Capital Raising and to the vendor of Plytech and Decortech (as part consideration) at A\$1.05 per Big River share.



162 In contrast:

- (a) our controlling interest value of Big River shares prior to the Proposed Transaction is A\$0.88 to A\$1.09 per share
- (b) our minority interest value of Big River shares prior to the Proposed Transaction is A\$0.68 to A\$0.84 per share<sup>32</sup>.

163 Thus, the issue price of A\$1.05 per share:

- (a) is toward the top end of our valuation range for Big River shares on a 100% controlling interest basis; and
- (b) represents a premium to our assessed value of a portfolio interest in Big River shares prior to the Proposed Transactions.

### Position of Big River shareholders

164 In considering whether the Proposed Transactions are reasonable, we have also considered whether Big River shareholders are likely to be better off from a value perspective if they approve the Proposed Transactions, by comparing the value of Big River shares pre and post the Proposed Transactions on a consistent portfolio basis.

165 Accordingly, we have reduced our controlling interest value prior to the Proposed Transactions by 22.5% (being the mid-point of the range of minority interest discounts generally applied) in order to estimate the corresponding portfolio interest value of Big River shares.

166 On this basis, we note that the Proposed Transactions (as evaluated) are effectively value neutral for Big River shareholders:

Comparative value of Big River shares		
	Low A\$ per share	High A\$ per share
Portfolio interest value of Big River shares before the Proposed Transactions <sup>(1)</sup>	0.68	0.84
Portfolio interest value of Big River shares after the Proposed Transactions	0.68	0.84
Increase (decrease) in portfolio interest value of Big River shares due to the Proposed Transactions	-	-

**Note:**

1 Being A\$0.88 to A\$1.09 per share less a minority interest discount of 22.5%.

<sup>32</sup> Being \$0.88 to \$1.09 per share (controlling interest value), less 22.5% minority interest discount.

167 In considering the above, we note that the analysis allows for the costs of the Proposed Transactions of \$0.4 million but excludes the value benefit of associated synergies (largely of a revenue nature) which are expected to accrue to Big River over the medium term.

### Impact on control

168 If the Proposed Transactions are approved there will be an impact on the voting power and ownership of Big River. The impact of the Proposed Transactions on shareholders' voting and ownership interests in Big River is shown below:

Impact of Proposed Transactions on shareholdings (million shares)				
Shareholder	Existing position <sup>(1)</sup>	Tranche 2		Post Transactions
		Capital Raising	Consideration Shares	
Anacacia	31.70	-	-	31.70
NAOS	11.01	5.64	-	16.65
Other shareholders	11.92	0.17	1.8	13.89
<b>Total</b>	<b>54.63</b>	<b>5.81</b>	<b>1.8</b>	<b>62.24</b>
<b>% interest held by:</b>				
Anacacia	58.03%			50.9%
NAOS	20.15%			26.8%
Other shareholders	21.82%			22.3%

**Note:**

1 Excludes performance rights.

169 Post the Proposed Transactions, Anacacia will remain the largest shareholder, with a continuing interest of approximately 50.9%. NAOS will increase its shareholding to approximately 26.8% of the issued capital.

### Potential dilution of existing shareholder interests

170 If the Proposed Transactions are approved the interests of Big River shareholders prior to the Proposed Transactions may be diluted, subject to the extent to which they participate in the associated Capital Raising.

### Likelihood of receiving a future takeover offer

171 As noted above, both prior and subsequent to the Proposed Transactions, Anacacia holds a significant (and prima facie controlling) interest in Big River and theoretically is in a position (should it chose to do so) to make a takeover offer for the shares in Big River that it does not own. We understand however that in this regard Anacacia has indicated that it is supportive of the current Big River management and the related business strategy. Prima facie therefore, if the Proposed Transactions are approved, the prospects of a future takeover offer are arguably unchanged.

## Conclusion

172 Based on the above we summarise below the advantages and disadvantages of the Proposed Transactions from the perspective of Big River shareholders:

### Advantages

- (a) the Capital Raising price of A\$1.05 per share:
  - (i) is toward the top end of our valuation range for Big River shares on a 100% controlling interest basis; and
  - (ii) represents a premium to our assessed value of a portfolio interest in Big River shares prior to the Proposed Transactions
- (b) the share issue to the vendor of Plytech and Decortech is being priced at A\$1.05 per share, which is toward the top end of our valuation range for Big River shares on a 100% controlling interest basis prior to implementation of the Proposed Transactions
- (c) Big River will increase in scale and operational diversity as a result of the two proposed business acquisitions and its related growth prospects will prima facie be enhanced. In our view, this would be expected to lead to a higher share value in the medium to long term

### Disadvantages

- (d) if the Proposed Transactions are approved the interests of Big River shareholders prior to the Proposed Transactions will be diluted
- (e) the Capital Raising price of A\$1.05 per share is below the VWAP of Big River shares over the three month period prior to the announcement of the Proposed Transactions of A\$1.30 per share. However, as noted in Section VII the level of trading in Big River shares during this period was low (only \$0.121 million in shares traded), and consequently we do not consider that this VWAP is a reliable reference point for assessing the market value of Big River shares.

173 As indicated above there are a number of advantages and disadvantages associated with the Proposed Transactions. However, in our view, the advantages of the Proposed Transactions outweigh the disadvantages.

## Financial Services Guide

### Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

### Financial Services Guide

- 3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting to be sent to Big River shareholders in connection with the Proposed Transactions.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

### Financial services we are licensed to provide

- 5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

### General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$68,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

## Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

### Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

### Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7  
64 Castlereagh Street  
Sydney NSW 2000  
(or GPO Box 1640, Sydney NSW 2001)

## Appendix B

### Qualifications, declarations and consents

#### Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 25 years and 33 years experience respectively in the provision of valuation advice (and related advisory services).

#### Declarations

- 3 This report has been prepared at the request of the Directors of Big River to accompany the Notice of Meeting to be sent to Big River shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transactions are fair and reasonable to Big River shareholders.

#### Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Proposed Transactions. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

#### Indemnification

- 6 As a condition of LEA's agreement to prepare this report, Big River agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of Big River which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

#### Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in the Notice of Meeting.








## Listed company descriptions

### McPherson's Limited (McPherson's)

- 1 McPherson's is a leading supplier of health, wellness, beauty, household, and personal care in Australasia, with operations in Australia, NZ and Asia. The group markets and distributes beauty care, hair care, skin care and fragrance product ranges, kitchen essentials such as baking paper, cling wrap and aluminium foil and personal care items such as facial wipes, cotton pads and foot comfort products.
- 2 McPherson's manages some significant brands for overseas agency partners such as Trilogy Skincare, Dr Wolff, and Karen Murrell. The majority of revenue, however, is derived from the company's diversified portfolio of owned market-leading brands, including Manicare, Lady Jayne, Dr. LeWinn's, A'kin, Glam by Manicare, Swisspers, Moosehead, Maseur and Multix.

### Shriro Holdings Ltd (Shriro)

- 3 Shriro is a leading kitchen appliances and consumer products marketing and distribution company operating in Australia and NZ. The company markets and distributes an extensive range of company-owned and third party owned brands. Products include calculators, watches, cash registers, musical instruments, audio products, kitchen appliances, sinks and taps, laundry products, consumer electronics, car audio, amplifiers, professional DJ, hi-fi / speakers, fashion, lighting, gas heaters and gas barbeques, electric heaters and cooling products.
- 4 Key brands distributed by Shriro in the kitchen appliances and consumer products markets are shown below:

Shriro – key brands		
Brand	Product category	Ownership status
<b>Kitchen appliances</b>		
 <b>omega</b>	Ovens, cooktops, rangehoods, microwaves, dishwashers	Company-owned
 <b>Robinhood</b>	Rangehoods, ovens, cooktops, dishwashers, ironing systems, laundry tubs, waste disposal and ducting solutions	Company-owned
 <b>BLANCO</b>	Sinks and tapware, ovens, cooktops, microwaves, dishwashers, rangehoods	Third party
<b>Consumer products</b>		
 <b>CASIO</b>	Watches, calculators, electronic musical instruments, projectors, point of sale, cameras	Third party
 <b>everdure</b>	Primarily barbeques and heaters	Company-owned
 <b>altise</b>	Fans, heaters, air purifiers / dehumidifiers	Company-owned
 <b>Pioneer</b>	Car audio, amplifiers, professional DJ, hi-fi / speakers	Third party (NZ only)

Source: Shriro prospectus dated 27 May 2015 (page 9).

## Appendix C

- 5 Kitchen appliances accounted for 41% of 2018 calendar year (CY18) revenue, with the remaining 59% from the sale of Consumer products. As shown below, the EBITDA of the Kitchen Appliances business fell significantly during CY18. This was primarily due to (inter-alia) strong competitive pressures in the appliances market which reduced gross margins.

<b>Shriro Holdings Limited - summary of financials<sup>(1)</sup></b>			
	<b>CY16</b>	<b>CY17</b>	<b>CY18</b>
	<b>\$m</b>	<b>\$m</b>	<b>\$m</b>
<b>Revenue</b>			
Consumer Products	101.9	105.0	106.8
Kitchen Appliances	81.5	83.4	74.3
Total revenue	183.5	188.3	181.1
<b>Underlying EBITDA</b>			
Consumer Products	16.1	16.2	13.9
Kitchen Appliances	6.6	8.5	0.4
Add back: non recurring costs <sup>(2)</sup>	-	-	1.5
Total underlying EBITDA	22.8	24.7	15.7

**Note:**

- 1 Rounding differences exist.  
2 It is not clear which businesses these relate to.

### **National Tyre & Wheel Limited (NTAW)**

- 6 NTAW is the holding company for the following operating subsidiaries:
- (a) Exclusive Tyre Distributors Pty Ltd (ETD)
  - (b) Exclusive Tyre Distributors (NZ) Ltd (ETDNZ)
  - (c) Dynamic Wheel Co Pty Ltd (Dynamic)
  - (d) M.P.C. Mags & Wheels Pty Ltd (MPC)
  - (e) Statewide Tyre Distribution Pty Ltd (Statewide); and
  - (f) Top Draw Tyres Proprietary Limited (Top Draw Tyres).
- 7 ETD and ETDNZ are the exclusive importers and wholesale distributors of Cooper, Mickey Thompson, Starfire and Mastercraft branded 4WD, SUV and passenger tyres in Australia and NZ. They also import Federal branded tyres in Australia (excluding Queensland) and NZ.
- 8 Dynamic has a leading position in Australia for the importation and wholesale distribution of steel wheels, including the proprietary Dynamic brand.
- 9 MPC specialises in supplying wheel and tyre packages for caravan and trailer manufacturers in Australia, including the proprietary MPC brand.



## Appendix C

- 10 Statewide is a leading wholesaler of passenger, van and truck tyres based in South Australia. Statewide supplies less expensive products than NTAW's existing wholesale businesses and operates in the truck and bus tyre segment.
- 11 Top Draw Tyres is the exclusive importer and wholesale distributor for Cooper and Mickey Thompson branded 4WD, SUV and passenger tyres in South Africa and neighbouring countries.

### **Stealth**

- 12 Stealth is a distribution group supplying an extensive range of safety, industrial, healthcare and workplace consumable products to business customers. Stealth primarily serves the resources, transport, infrastructure, engineering, construction, manufacturing, general trade and industrial sectors.
- 13 Stealth operates a global supply and distribution platform across Australia, Africa, the United Kingdom, Europe and Asia, with access to more than 500,000 products sourced from more than 1,500 suppliers across 17 countries servicing some 3,000 active customers.
- 14 Stealth also provides bespoke and integrated contract supply and logistics services that complement and enhance its supply and distribution model. Stealth provides its products and services via both traditional and digital sales channels.
- 15 Stealth is headquartered in Perth and operates a sales and distribution network including a mix of showrooms, warehouses and offices in Stirling, Canning Vale, Bassendean, Kalgoorlie, Bunbury (Western Australia), Adelaide (South Australia), Tweed Heads (NSW), and internationally in the United Kingdom and Malaysia.

## Glossary

Abbreviation	Definition
1HY	Financial half year ending 31 December
ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AFCA	Australian Financial Complaints Authority
Anacacia	Anacacia Partnership II, LP
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ATBS	Adelaide Timber & Building Supplies
Big River	Big River Industries Limited
CAGR	Compound annual growth rate
Capital Raising	The issue of ordinary shares to raise A\$7.5 million to fund the Proposed Transactions
Company	Big River Industries Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
DCF	Discounted cash flow
Decortech	Decortech Pty Limited
Dynamic	Dynamic Wheel Co Pty Ltd
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax, depreciation and amortisation
Ern Smith	Ern Smith Timber & Hardware
ETD	Exclusive Tyre Distributors Pty Ltd
ETDNZ	Exclusive Tyre Distributors (NZ) Ltd
FSG	Financial Services Guide
FY	Financial year
IER	Independent expert's report
IPO	Initial public offering
LEA	LonerGAN Edwards & Associates Limited
LVL	Laminated veneer lumber
MB Prefab	M.B. Prefab Framing Pty Ltd
McPherson's	McPherson's Limited
Midcoast Timbers	Midcoast Timbers Pty Ltd
MPC	M.P.C. Mags & Wheels Pty Ltd
NAOS	NAOS Asset Management Limited and related entities
NCC	NAOS Emerging Opportunities Company Limited
NSC	NAOS Small Cap Opportunities Company Limited
NSW	New South Wales
NTAW	National Tyre & Wheel Limited
NZ	New Zealand
PE	Price earnings
Plytech	Plytech Pty Ltd
Proposed Transactions	The acquisition of the NZ businesses of Plytech and Decortech for total consideration of up to NZ\$20.7 million and the related Tranche 2 Capital Raising
RG 111	Regulatory Guide 111 – <i>Content of expert reports</i>
Shriro	Shriro Holdings Ltd
Statewide	Statewide Tyre Distribution Pty Ltd
Top Draw Tyres	Top Draw Tyres Proprietary Limited
Tranche 2 Capital Raising	The Tranche 2 Capital Raising set out in paragraph 2
VWAP	Volume weighted average price

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**LODGE YOUR VOTE**

 **ONLINE**  
www.linkmarketservices.com.au

 **BY MAIL**  
Big River Industries Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

 **BY FAX**  
+61 2 9287 0309

 **BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138; or  
Level 12, 680 George Street, Sydney NSW 2000

 **ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474



**X99999999999**

## SUPPLEMENTARY PROXY FORM

I/We being a member(s) of Big River Industries Limited and entitled to attend and vote hereby appoint:

### APPOINT A PROXY

**the Chairman of the Meeting (mark box)**

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

**STEP 1**

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am (Sydney time) on Tuesday, 9 July 2019 at BoardRoom Conference Centre, Level 12, Grosvenor Place, 225 George Street, Sydney NSW 2000 (the Meeting)** and at any postponement or adjournment of the Meeting.

**Important for Resolutions 2 & 3:** If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolutions 2 & 3, even though the Resolutions are connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).


**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .**

**STEP 2**

Resolution	For	Against	Abstain*
1 Approval of acquisition of relevant interests by NAOS (i.e. NCC, NSC, NEOF, NAOS Management and Sebastian Evans) by the issue of NAOS Placement Shares to NCC and NSC	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Approval of issue of Shares to non-executive Director, Malcolm Jackman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of issue of Shares to executive Director, James Bindon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 \* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

**STEP 3**

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).



## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Sunday, 7 July 2019**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



#### BY MAIL

Big River Industries Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
1A Homebush Bay Drive  
Rhodes NSW 2138  
or  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**