

## ASX ANNOUNCEMENT

20 December 2016

### RESTRUCTURING OF THE PAPERLINX SPS TRUST AND RESOLUTION OF THE SPICERS LIMITED CAPITAL STRUCTURE

- **All-scrip offer from Spicers Limited (“Spicers”) to acquire 100% of the PaperlinX Step-Up Preference Securities (the “SPS Units”) that it does not already own**
- **Consideration of 545 Spicers shares for every 1 SPS Unit on issue**
- **Transaction to be effected via trust scheme of arrangement (“Trust Scheme”)**
- **Scheme Implementation Agreement includes provisions for Spicers Board renewal**
- **The Directors of the Responsible Entity intend to unanimously recommend the Scheme, subject to no superior proposal emerging and subject also to the independent expert opining that the Scheme is in the best interests of SPS Unitholders**

#### Transaction Overview

Further to the announcement of 11 October 2016, The Trust Company (RE Services) Limited (the “**Responsible Entity**”), part of Perpetual Limited, as the responsible entity for the PaperlinX SPS Trust (“**SPS Trust**”), has entered into a Scheme Implementation Agreement (“**SIA**”) with Spicers to simplify Spicers’ capital structure.

If the Trust Scheme is implemented:

- Spicers will acquire all the SPS Units in the SPS Trust that it does not already own; and
- as consideration Spicers will issue 545 ordinary shares in Spicers for every 1 SPS Unit transferred to it.

Based on closing prices on 10 October 2016<sup>1</sup>, the day prior to the announcement of the non-binding, conditional proposal, the Trust Scheme represents an implied valuation for the SPS Units of \$13.63 per SPS Unit, representing a premium to the closing price on 10 October 2016 of 51.4%.

The proposed Trust Scheme is predicated on the SPS Trust Unitholders (as a whole) receiving 70.0% of the enlarged Spicers equity base and would result in non-Spicers SPS Unitholders holding 68.3% of the combined entity.

The Board of Directors of the Responsible Entity intend to unanimously recommend that unitholders vote in favour of the Trust Scheme at the Trust Scheme meeting. This recommendation is subject to no Superior Proposal emerging and the independent expert opining that the Trust Scheme is in the best interests of SPS Unitholders.

<sup>1</sup> As at close of trading on 10 October 2016, the price of the SPS Units was \$9.00 and the price of Spicers shares was \$0.025

The proposed Trust Scheme is expected to be implemented by early May 2017, subject to fulfilment of certain conditions, including obtaining the approval of SPS Unitholders and Spicers shareholders and the Responsible Entity obtaining judicial advice from the Supreme Court of New South Wales. Further details on the proposed timetable are set out below.

### **Strategic Rationale**

The Trust Scheme allows SPS Unitholders to realise their interest in the SPS Trust in exchange for ordinary shares in Spicers. Absent the proposed Trust Scheme, SPS Unitholders have no certainty as to when, or on what terms, their SPS Units might be realised and/or whether distributions will recommence.

The Responsible Entity considers there are a number of operational and capital market benefits expected from the transaction, along with cost savings, including:

#### *Operational and Capital market benefits*

- Transparent capital structure expected to eliminate uncertainty and improve confidence of customers and suppliers in contracting with Spicers;
- Improved capacity for Spicers' to raise capital in order to support growth initiatives; and
- Opportunity for SPS Unitholders to participate in potential upside related to Spicers' turnaround strategy.

#### *Cost saving benefits*

- Savings in annual costs and other corporate and registry expenses incurred by both Spicers and the SPS Trust resulting from a simplified operating structure.

### **Board Renewal and Structure**

Spicers has agreed to implement a board renewal process in conjunction with the Trust Scheme which will provide for up to 3 new directors, including a Chairman, to be appointed to the Spicers board, and replacing existing non-executive directors, Mr Robert Kaye and Mr Michael Barker.

For this purpose, the SIA requires that Spicers appoint a recruitment consultant to identify up to 3 suitably qualified and experienced, independent, non-executive directors as soon as practicable. If the Trust Scheme is implemented, Spicers will also invite its shareholders (who will include at that time former SPS Unitholders) to submit any director nominations they consider appropriate and, within 4 months of the Trust Scheme being implemented, hold a general meeting at which its shareholders will be asked to elect their new board.

Further information about the nomination process will be provided by Spicers following implementation of the Trust Scheme.

### **Scheme Implementation Agreement and Trust Scheme Conditions**

The key conditions to the Trust Scheme are contained in the SIA (a copy of which was released with this announcement).

The SIA contains customary terms and conditions on which the Responsible Entity and Spicers will now seek to implement the Trust Scheme and is subject to conditions precedent including obtaining all necessary regulatory approvals, an Australian Taxation Office ruling, both SPS Unitholder and Spicers shareholder approval and judicial advice.

In considering the Trust Scheme, SPS Unitholders should be aware that there are a number of risk factors, both general and specific, associated with the Trust Scheme. These risks will be set out in the Trust Scheme Booklet, to be provided in the coming months. SPS Unitholders should read the Trust

Scheme Booklet carefully and seek appropriate advice before making a decision with respect to the Trust Scheme.

The Responsible Entity will commission an Independent Expert Report with respect to whether the Trust Scheme is in the best interests of SPS Unitholders.

### **Indicative timetable**

SPS Unitholders do not need to take any action at the present time.

SPS Unitholders will be given the opportunity to vote on the Trust Scheme at a meeting expected to be held in April 2017. A Trust Scheme Booklet containing information relating to the proposed acquisition by Spicers, reasons for the recommendation of the board of the Responsible Entity, an independent expert's report and details of the Trust Scheme meeting is expected to be sent to SPS Unitholders towards the end of March 2017.

An indicative timetable for the Trust Scheme is set out below:

<b>Event</b>	<b>Indicative Date</b>
<b>Spicers releases half year accounts</b>	15 February 2017
<b>The Responsible Entity releases the SPS Trust half year accounts</b>	20 February 2017
<b>First Court Date</b>	17 March 2017
<b>Shareholder Meeting and Trust Scheme Meeting</b>	21 April 2017
<b>Second Court Date</b>	28 April 2017
<b>Effective Date (the day of the Second Court date)</b>	28 April 2017
<b>Record Date</b>	2 May 2017
<b>Implementation Date</b>	5 May 2017

*Note: This is an indicative timetable only and is subject to change, including following any regulatory consultation and as may be required by the Court. Further information on any development relating to the proposed Scheme will be lodged with the ASX.*

### **Advisers**

The Responsible Entity has retained Shaw and Partners as Financial Adviser and Watson Mangioni as Legal Adviser.

### **ENDS**

**For further information, please contact:**

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