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Burson Group Limited

(ASX: BAP)

ASX Release

31 July 2015

Completion of Acquisition of Metcash Automotive Holdings and Opposite Lock

Burson Group Limited (**Burson**) is pleased to advise that its acquisition of the entire issued share capital of Metcash Automotive Holdings Pty Ltd (**MAH**), as announced to the market on 15 June 2015, is now complete.

In addition, Burson confirms that further to its announcement dated 2 July 2015, the acquisition of the business and assets of Opposite Lock has been completed, and Burson is now the owner of the Opposite Lock business.

Metcash Automotive Holdings Pty Ltd has been renamed Aftermarket Network Australia Pty Ltd (**ANA**), effective immediately.

The completion of the ANA and Opposite Lock acquisitions represents a strategic expansion of Burson's operations, and strengthens its position in the Australian automotive aftermarket industry.

-Ends

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Media Announcement – ASX

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Monday 15 June 2015

Burson Group Limited to Acquire Metcash Automotive Holdings Pty Ltd

Highlights

- Burson Group Limited (“BAP” or “Company”) has entered into a binding agreement to acquire 100% of Metcash Automotive Holdings Pty Ltd (“MAH”) for \$275 million¹ from Metcash Trading Limited (a wholly-owned subsidiary of Metcash Limited) and entities associated with the Chief Executive Officer of MAH
- MAH is one of Australia’s leading wholesalers and distributors of automotive aftermarket parts and accessories. MAH distributes parts and accessories to a marketing network of 416 stores and outlets under the Autobarn, Autopro, Carparts, ABS and Midas brands as well as ~3,000 other aftermarket customers
- The acquisition is highly complementary to BAP’s position in the Australian automotive aftermarket industry and adds immediate scale to BAP’s wholesale and distribution business, enhancing its competitive position and service levels for customers. In addition to adding retail and service channels, the acquisition complements BAP’s current trade focus and BAP’s strategy for its Burson branded store network remains unchanged, including its target of 175 trade stores by June 2019
- BAP will fully fund the acquisition through a combination of equity and debt, including \$218 million via an underwritten pro-rata accelerated renounceable entitlement offer (“Entitlement Offer”), approximately \$15 million placement (“Placement”) to entities associated with the CEO of MAH as partial consideration for his shareholding in MAH, and \$71 million from increased debt facilities arranged with BAP’s existing lenders

¹ Potential increase to the purchase price of \$12 million (comprising \$8 million up front and up to \$4 million contingent on an earnout) if MAH completes a specified acquisition prior to BAP’s acquisition of MAH. In order to complete the specified acquisition, MAH must receive BAP’s written consent



- **The Entitlement Offer will be structured as a 7 for 15 pro-rata renounceable entitlement offer priced at \$2.85 per share, representing an 11.6% discount to Theoretical Ex-Rights Price (TERP) of \$3.22 per share². The Placement to the CEO of MAH will be made at TERP**
- **Quadrant Private Equity (BAP's largest individual shareholder) continues to be supportive of BAP's strategy, including the acquisition of MAH. Quadrant's investment in BAP sits within Quadrant Private Equity Fund No. 3, which is a closed fund, and consequently will renounce its rights in the institutional bookbuild**
- **As part of the acquisition, BAP has amended and increased its existing debt facilities. BAP expects approximately \$45 million of undrawn funds under the increased debt facility at Completion, which are available to support BAP's continued growth initiatives**
- **The acquisition represents a strategic expansion of BAP's operations and strengthens its position in the Australian automotive aftermarket industry. The acquisition is expected to deliver approximately 20% EPS accretion on a full year pro forma basis (including incremental combined group costs and pre-synergies)³**

Overview

BAP today announces that it has executed a Share Sale Agreement to acquire 100% of MAH for \$275 million on a debt free, cash free basis.⁴

MAH is a leading wholesaler and distributor of automotive parts and accessories in Australia. The business is comprised of two parts: wholesale and distribution, and marketing network.

- *Wholesale and distribution* (69% of FY2015 revenue): MAH is one of Australia's largest wholesaler and distributors, with 10 distribution centres distributing 130,000 stock keeping units ("SKUs") to stores and service workshops in MAH's marketing network and ~3,000 other aftermarket customers.

² The theoretical ex-rights price ("TERP") is the theoretical price at which BAP shares should trade at immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which BAP shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to BAP's closing price of \$3.40 on 12 June 2015

³ On a TERP adjusted basis and calculated using broker consensus forecasts for twelve months ending 30 June 2015 for BAP and MAH audited results for twelve months ending 30 April 2015, excluding transaction costs and earnings from specified acquisition

⁴ The purchase price may be increased by an estimated \$12 million (comprising \$8 million up front and up to \$4 million contingent on an earnout) if MAH completes a specified acquisition prior to BAP's acquisition of MAH (further details regarding this acquisition and funding requirement are outlined under the heading 'Acquisition Funding')



- *Marketing network* (31% of FY2015 revenue): MAH is the franchisor to a network of 276 retail-focused stores (Autobarn, Autopro, Carparts) and 140 service workshops (Midas, ABS) that purchase parts and accessories from MAH's wholesale and distribution business. These stores and outlets are estimated to have generated end-market sales of \$510 million in FY2015.

The acquisition complements BAP's position in the supply chain and adds presence in wholesale, retail and service. On the wholesale and distribution side, BAP will operate with increased scale, which enhances its competitive position and positions it to continue to deliver superior levels of service to its customers. MAH's marketing network increases the addressable market for BAP's distribution infrastructure and creates new growth opportunities for BAP.

BAP has undertaken detailed due diligence and sees a significant opportunity in the MAH business under BAP's ownership, including potential to extract synergies from businesses MAH has acquired. The acquisition accelerates some of BAP's existing customer and product strategies focused on servicing national customers, chain workshops, private label products and direct sourcing.

The existing experienced senior management team of MAH, led by Paul Dumbrell who has been a driving force behind MAH's strategy, has committed to remain with BAP following this acquisition.

MAH generated reported FY2015 revenue of \$261 million and reported FY2015 EBITDA of \$33 million for the financial year ending 30 April 2015.

The acquisition is expected to deliver approximately 20% EPS accretion on a full year pro forma basis (including incremental combined group costs and pre-synergies)⁵ and is expected to be completed in July 2015.

Commenting on the transaction, BAP Managing Director and CEO, Darryl Abotomey, states:

"The acquisition represents a unique and exciting opportunity to enhance BAP's position in the Australian automotive aftermarket parts industry and deliver on our key strategic objectives.

The acquisition complements our current trade focus, delivers increased scale and opens new avenues of growth. Importantly, our strategy for the Burson branded store network including our trade focus and target of 175 stores by June 2019 remains unchanged. MAH is a high quality business where we see a number of opportunities to drive growth under BAP's ownership."

⁵ On a TERP adjusted basis and calculated using broker consensus forecasts for twelve months ending 30 June 2015 for BAP and MAH audited results for twelve months ending 30 April 2015, excluding transaction costs and earnings from specified acquisition



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MAH CEO, Paul Dumbrell, said:

"I am proud of our support office team, franchisees, members and customers who have partnered with us to grow the MAH group into a strong business within the automotive aftermarket sector. The opportunity to work with Darryl and the BAP team is one that I believe will benefit the whole MAH group, and I look forward to many more exciting opportunities in the future."

Acquisition Funding

BAP is raising a combination of debt and equity financing to fully fund the purchase price of \$275 million, associated transaction fees and other uses (including loans to senior executive management to participate in the Entitlement Offer), and to cover a potential increase to the purchase price if MAH completes a specified acquisition prior to BAP's acquisition of MAH. The specified acquisition requires BAP's written approval and, if completed, would increase the purchase price by an estimated \$12 million (comprising \$8 million up front and up to \$4 million contingent on an earnout).

Entitlement Offer and Placement

BAP's acquisition will be partly funded by a \$233 million equity raising comprising a \$218 million underwritten pro-rata accelerated renounceable Entitlement Offer and a \$15 million Placement of new ordinary shares in BAP to the CEO of MAH ("New Shares").

The Entitlement Offer will be structured as a 7 for 15 fully underwritten pro-rata accelerated renounceable Entitlement Offer priced at \$2.85 per share to raise gross proceeds of \$218 million. The Entitlement Offer comprises a pro-rata Institutional Entitlement Offer of approximately \$151 million and Retail Entitlement Offer of \$67 million.

Eligible shareholders will be entitled to subscribe for 7 New Shares for every 15 BAP shares held as at 7:00pm (Melbourne Time) on Thursday 18 June, 2015. The offer price of \$2.85 per New Share represents a 16.2% discount to the closing price of BAP shares on 12 June 2015 (being the last trading day before announcement of the acquisition and Entitlement Offer) and a discount of 11.6% to the TERP of \$3.22.

Approximately 76.3 million New Shares are expected to be issued in BAP under the Entitlement Offer.

All BAP directors and senior executive management have stated that they intend to take up some or all of their entitlements to the extent that their financial circumstances permit. The Company will provide loans to certain senior executive management to assist them to take up some or all of their entitlements.



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BAP will conduct a Placement to entities associated with the CEO of MAH for \$15 million. The entities associated with the CEO of MAH have elected to rollover a portion of their MAH shares into BAP by electing to receive BAP shares as consideration. The Placement will be made at a share price equal to TERP, resulting in the issue of 4.7 million New Shares. 40% of the shares issued under the Placement will be subject to escrow conditions until the release of BAP's financial results for the period ending 31 December 2015. The remaining shares issued under the Placement will be subject to escrow conditions until the release of BAP's financial results for the period ending 30 June 2016.

The New Shares to be issued under the Entitlement Offer and the Placement will rank *pari passu* in all regards with existing ordinary BAP shares and will be entitled to the Final Dividend that BAP currently intends to declare of 4.7 cents per share in respect of the period ending 30 June 2015, subject to final audited accounts.

Debt Financing

BAP has amended and increased its existing debt facilities with its existing lenders to provide funding capacity for the acquisition and ongoing growth initiatives, extend its maturity profile and improved other terms under the existing facility. The new facility will have a total size of \$200 million and BAP expects approximately \$126 million of net debt upon completion of the acquisition (assuming completion of the MAH acquisition and the purchase price is increased by \$12 million, comprising \$8 million up front and up to \$4 million contingent on an earnout). If completion of the MAH acquisition does not occur, BAP will have further capacity and headroom to fund future growth initiatives. Drawdown under the amended debt facility is subject to various conditions precedent, including the execution of a long form deed of amendment and other conditions, which are usual for a facility of this sort.

BAP Trading Update

BAP today also announced that it has experienced strong trading conditions in 2HFY2015 and expects its Net Profit After Tax ("NPAT") in FY2015 to be between \$22.5 million and \$23.0 million. This represents an increase of approximately 16-19% in reported earnings over FY2014 pro forma NPAT and is \$0.6-1.1 million above the FY2015 pro forma NPAT forecast in BAP's prospectus dated 31 March 2014. BAP has grown to 125 stores as at the date of this announcement and is expected to reach 133 stores by the end of July 2015. Same store sales growth for year-to-date in FY2015 (until end of May 2015) has been 4.6%.

Further details on BAP's trading update are contained in the investor presentation that was lodged with the ASX concurrent with this document.



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Entitlement Offer Timetable⁶

Institutional Entitlement Offer and Institutional Shortfall Bookbuild

The Institutional Entitlement Offer will be open from 10:00am (Melbourne Time) Monday 15 June, 2015 to 2:00pm (Melbourne Time) Tuesday 16 June, 2015. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. New Shares equivalent in number to the New Shares not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and New Shares that would have been offered to ineligible institutional shareholders had they been entitled to participate, will be sold to institutional investors through the Institutional Shortfall Bookbuild to be conducted on Wednesday 17 June, 2015.

BAP shares have been placed in trading halt whilst the Institutional Entitlement Offer and Institutional Shortfall Bookbuild are undertaken.

Retail Entitlement Offer and Retail Shortfall Bookbuild

The Retail Entitlement Offer will open on Tuesday 23 June, 2015 and close on Monday 6 July, 2015. New Shares equivalent in number to the New Shares not taken up by eligible retail shareholders and New Shares that would have been offered to ineligible retail shareholders had they been eligible to participate will be sold to institutional investors through the Retail Shortfall Bookbuild to be conducted on Thursday 9 July, 2015.

The excess of the clearing price (determined pursuant to the Retail Shortfall Bookbuild) above the offer price will be paid to:

- each eligible retail shareholder who did not take up their Entitlement in full (according to the number of New Shares they were entitled to take up but did not); and
- each ineligible retail shareholder (according to the number of New Shares they would have been entitled to take up if they had been eligible to participate in the Retail Entitlement Offer),

in each case net of any withholding tax. There is no guarantee that there will be any proceeds remitted to those retail shareholders.

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the Retail Offer Booklet and accompanying personalised entitlement and acceptance form which are expected to be despatched on Tuesday 23 June, 2015.

⁶ Dates and times are indicative only and subject to change



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Indicative Timetable

Event	Date
Announcement of Acquisition, Entitlement Offer and trading halt	Monday 15 June, 2015
Institutional Entitlement Offer opens	Monday 15 June, 2015
Institutional Entitlement Offer closes	Tuesday 16 June, 2015
Institutional Shortfall Bookbuild (opens and closes)	Wednesday 17 June, 2015
Trading halt lifted	Thursday 18 June, 2015
Record date for eligibility under the Entitlement Offer	7:00PM (Melbourne Time), Thursday 18 June, 2015
Retail Entitlement Offer opens	Tuesday 23 June, 2015
Despatch of Retail Offer Booklet and Entitlement and Acceptance Form	Tuesday 23 June, 2015
Settlement of Institutional Entitlement Offer	Monday 29 June, 2015
Allotment of New Shares issued under the Institutional Entitlement Offer and Institutional Shortfall Bookbuild and commencement of trading on ASX	Tuesday 30 June, 2015
Despatch of holding statements in respect of New Shares issued under the Institutional Entitlement Offer and Institutional Shortfall Bookbuild	Monday 6 July, 2015
Despatch of payments (if any) in respect of Entitlements not taken up under the Institutional Entitlement Offer	Monday 6 July, 2015
Retail Entitlement Offer closes	5:00PM (Melbourne Time), Monday 6 July, 2015
Retail Shortfall Bookbuild (opens and closes)	Thursday 9 July, 2015
Settlement of Retail Entitlement Offer and Settlement of Retail Shortfall Bookbuild	Wednesday 15 July, 2015
Allotment of New Shares issued under the Retail Entitlement Offer and Retail Shortfall Bookbuild and commencement of trading on ASX	Thursday 16 July, 2015
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	Friday 17 July, 2015
Despatch of payments (if any) in respect of Entitlements not taken up under the Retail Entitlement Offer	Thursday 23 July, 2015



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The above timetable is indicative only and subject to change without notice. All times represent Australian Eastern Daylight Time. The commencement of quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Burson, with the consent of Morgan Stanley Australia Securities Limited (ABN 55 078 652 276) (the "Underwriter"), reserves the right to amend this timetable at any time, including extending the Retail Entitlement Offer Period or accepting late applications, either generally or in particular cases, without notice.

Further Information

For further details regarding the acquisition of MAH and the Entitlement Offer shareholders are advised to refer to the Investor Presentation released to the ASX on Monday 15 June, 2015.

Miles Advisory Partners and Morgan Stanley acted as joint financial advisers to BAP on the transaction and Morgan Stanley acted as sole Underwriter of the Entitlement Offer. Allens acted as legal adviser to BAP on the acquisition and in relation to the Entitlement Offer, Placement and the new debt facilities. KPMG acted as accounting and tax adviser to BAP on the acquisition.

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Important notices

This announcement is not a financial product or investment advice, a recommendation to acquire New Shares or accounting, legal or tax advice. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. BAP is not licensed to provide financial product advice in respect of an investment in shares.

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This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to persons acting for the account or benefit of persons in the United States. Neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements and the New Shares may not be offered or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act, or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Neither this announcement nor any other documents relating to the offer of Entitlements or New Shares may be sent or distributed to persons in the United States.

This announcement contains forward-looking statements, which can usually be identified by the use of words such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", "continue", "objectives", "outlook", "guidance" or words of similar effect. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of BAP, and which may cause actual outcomes to differ materially from those expressed in the statements contained in this announcement. Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are based on information available to BAP as of the date of this announcement. Except as required by law or regulation (including ASX Listing Rules) BAP undertakes no obligation to update these forward-looking statements.

Neither the Underwriter nor any of its, or BAP's, advisors or their respective related bodies corporate, affiliates, directors, officers, partners, employees, agents and associates ("Parties") have authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this announcement, make or purport to make any statement in this announcement and there is no statement in this announcement which is based on any statement by any of them. The Parties, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations or warranties (express or implied) as to the currency, accuracy, reliability or completeness of the information in this announcement, and with regard to the Underwriter and its advisors, related bodies corporate, affiliates, directors, officers, partners, employees, agents and associates, take no responsibility for, any part of this announcement or the Entitlement Offer. No Party guarantees the repayment of capital or any particular rate of income or capital return on an investment in BAP.



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A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Statements in this announcement are made only as at the date of this announcement.