

## Hellaby Holdings Takeover Offer

As most people will know, Hellaby Holdings is currently the target of a hostile takeover from listed Australian company Bapcor. This is an offer for the whole company, but Bapcor have reserved the right to waive that condition and settle for less, providing they achieve at least 50.1%.

The Hellaby independent directors have resisted the takeover claiming that Hellaby has strong long term prospects and its new focus under CEO Alan Clark needs time to succeed. Other commentators have pointed out that the oil and gas service parts of Hellaby's business are struggling, the strategy being pursued is not without some risk and returns may not meet management targets. Both Hellaby and Bapcor have provided plenty of information on their respective plans for the company, and we see no point in covering those again.

The initial offer price was at \$3.30 per share. The independent report from Grant Samuel gave a fair value for Hellaby shares of \$3.60-\$4.12. Having got minimal traction, Bapcor has increased its offer to \$3.60 per share. They have said this is a final figure, and consequently, no further increase is allowed under the rules.

NZSA has not written to you prior, because the situation has been very fluid. In our view, things have become clearer in the last few days. We have produced this note to help you decide what to do by explaining the possible outcomes.

- We expect Bapcor will pass the 50.1% threshold and gain control because of a combination of commitments from Castle Investments, ACC and Salt Funds Management, other smaller acceptances and a recent recommendation from Craig's Investment Partners (whose clients in total hold more than 10%).
- We also think it is likely that Bapcor will waive the 90% acceptance once the initial 50.1% threshold is reached.
- If, at any time during the 7-day period before the 18<sup>th</sup> January, Bapcor receives sufficient acceptances to take its holding to more than 50% of the Hellaby shares, the offer period will automatically extend for 14 days from the date that the 50% threshold was reached;
- If the 50.1% level is reached prior to 9<sup>th</sup> January and Bapcor waive the 90% rule, Hellaby have committed to advising shareholders promptly so they can make up their minds what to do.

### What are the possible outcomes?

- 1) **Bapcor achieves 90% or more.** All other shares will be compulsorily acquired and Hellaby will be de-listed.
- 2) **Bapcor gets more than 50% but less than 90%.** If you do not sell, you will be left as a minority shareholder. Hellaby will remain listed, but Bapcor will have absolute control of what it does. This creates a number of concerns for retail holders. Some of these are:
  - The share price may fall.
  - Share trading liquidity will be reduced.
  - Existing imputation credits will be lost.
  - Hellaby's business focus will narrow. Bapcor has already indicated it intends to sell some parts of Hellaby.

- Businesses no longer wanted by Bapcor may be sold at less than book value, reducing the asset base.
- Bapcor may change the dividend policy. There could be a smaller or even no dividend.
- Bapcor may launch another takeover to mop up remaining shares, but this may be at a different price, possibly lower than \$3.60 which included a margin for control.

NZSA has written before about the problems in being a minority shareholder, particularly when the majority owner has a different strategy compared to the situation that attracted investors in the first place. We think that shareholders should be very wary about getting into this position.

### **What are your options?**

- 1) If **you want to take the offer**, you can accept anytime filling in the form sent to you by Bapcor and posting it to Computershare in the envelope supplied or by scanning and emailing the form.
- 2) If **you are unsure**, we suggest you wait until the offer is unconditional (or Bapcor waives the 90% requirement). In these circumstances:
  - If the 50.1% threshold is not achieved (very unlikely), nothing changes and the offer lapses.
  - If it is achieved, you can then decide whether to sell or whether you are happy to be a minority holder. To sell, you must return the Bapcor supplied form to Computershare by mail or email.
  - If the threshold is reached in the last week, the offer will automatically extend by two weeks. Bapcor also has the option to extend the offer at any time if they wish.
- 3) If **you do not want to sell** and are happy to potentially be a minority shareholder, you do not need to do anything.

As always, if you do not understand the terms of the offer or the implications, we suggest you discuss this in more depth with your financial advisor or broker.

The Team at NZSA  
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