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ASX Announcement

15 November 2017

Scheme Meeting and General Meeting

Please see attached the Chairman's Address for today's Scheme Meeting and General Meeting of Pepper shareholders.

ENDS

For further information please contact:

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Pepper Group Limited
General Meeting and Scheme Meeting
Chairman's Address
15 November 2017

Welcome

Good morning ladies and gentlemen.

My name is Seumas Dawes and I am the Chairman of Pepper Group and the Chairman of this meeting.

I would also like to introduce you to my fellow directors here on stage with me, being:

- Group CEO and Executive Director, Mike Culhane;
- Independent Non-Executive Director, Melanie Willis;
- Independent Non-Executive Director, Des O'Shea; and
- Independent Non-Executive Director, Matthew Burlage.

As we have reached the appointed time for the meeting and a quorum is present, I declare this extraordinary general meeting (**General Meeting**) open.

Order of meetings

As you are aware, and as is outlined in Pepper's scheme booklet dated 13 October 2017 (**Scheme Booklet**), two separate meetings are to be held today. The first meeting is this General Meeting and the second meeting is the Scheme Meeting.

Both meetings are in relation to the proposed scheme of arrangement (**Scheme**) which, if implemented, will result in Red Hot Australia Bidco Pty Limited (who I will refer to as 'Bidco') acquiring at least 90.1% of the shares in Pepper. Bidco is an affiliate of KKR Credit Advisors (US) LLC, who I will refer to as 'KKR'.

Voting at both meetings will be by way of a poll. The results of the polls will be announced to the ASX as soon as possible following the conclusion of both meetings.

Brief overview of the Scheme

I would now like to give you some background to the Scheme.

On 10 August 2017, Pepper announced that it had entered into a Scheme Implementation Deed with Bidco. This announcement followed discussions and negotiations between Pepper and a number of local and global players, including KKR, over a number of months in respect of possible control transactions. Pepper has been advised by Citi (as financial adviser) and Jones Day (as legal adviser) throughout the process. As part of that process, the Pepper Board also established an Independent Board Committee, comprising Independent, Non-Executive Directors: Melanie Willis (as Chair of the Committee), Matthew Burlage and Des O'Shea, to review the proposals and oversee the negotiations. The Independent Board Committee received independent financial advice from Highbury Partnership and legal advice from Herbert Smith Freehills.

The final proposals received from bidders, including KKR, were evaluated across a number of criteria. KKR's proposal was selected by your Board as it offered the highest cash payment and the greatest certainty for shareholders.

On 25 September 2017, Pepper announced that it had received an improved proposal from KKR and that it had entered into an amending deed with Bidco to give effect to the improved proposal in relation to the Scheme.

Terms of the Scheme

If the Scheme is implemented, Pepper Shareholders (other than those who have made a valid election for one of the two Equity Alternatives) will receive cash payments equal to \$3.70 per Pepper Share (**Cash Payments**) in respect of all of their Pepper Shares, comprising:

- the **Cash Consideration of \$3.60** for each Pepper Share they hold as at the Scheme Record Date; and
- a **fully franked Special Dividend of 10 cents** for each Pepper Share they hold as at the Special Dividend Record Date.

As an alternative to receiving the Cash Payments in respect of all of their Pepper Shares, Pepper Shareholders who have made a valid election to receive one of the two Equity Alternatives will (subject to scale backs described in the Scheme Booklet) retain an interest in the Pepper Group as follows:

- Pepper Shareholders who have made a valid election for the 'Scrip Option' will receive one share in Red Hot Australia Holdco Pty Limited (who I will refer to as 'Holdco') for each Pepper Share they hold as at the Scheme Record Date. Holdco is the owner of 100% of the shares in Bidco; and
- Alternatively, Pepper Shareholders who have made a valid election for the Retention Option, will retain all of the Pepper Shares they hold as at the Scheme Record Date. Under the Retention Option, Bidco may compulsorily acquire the Retained Pepper Shares at any time in the 3 year period from the Implementation Date for a cash amount per Retained Pepper Share equal to the then fair market value of a Holdco Share.

The deadline for making a valid election was 5.00pm (Sydney time) on 9 November 2017 (or such other time and date otherwise agreed between Bidco and Pepper in respect of an election by a Pepper Shareholder). Any election for the Equity Alternative may be subject to a scale back as described in Section 2.5 of the Scheme Booklet. The scale back is designed to ensure that KKR will hold an equity interest in the Pepper Group on implementation of the Scheme of no less than 51.5%.

Indicative election results were announced to ASX this morning prior to this meeting. These results confirm that the requirement that elections are made for either of the Equity Alternative for at least minimum election of 35.11% of Pepper Shares has been met. The results also indicate that no scale back will be required. However, final election results and the extent of any scale back will not be known until the Scheme Record Date, scheduled to occur on 27 November 2017. Pepper intends to make a further announcement at that time.

Pepper Shareholders who have made a valid election for the Equity Alternative will not receive the Special Dividend unless there is a scale back, in which case they will receive the Special Dividend in respect of those Pepper Shares they held as at the Special Dividend Record Date which will be deemed to be exchanged for the Cash Consideration under the Scheme.

Special Dividend

Payment of the Special Dividend is subject to the Scheme becoming Effective, the Pepper Board declaring or determining the Special Dividend, and Pepper Shareholders approving the resolution at the General Meeting today to make certain amendments to Pepper's Constitution. The proposed amendments to Pepper's Constitution will enable the Special Dividend to be paid. The Pepper Board intends to declare/determine the Special Dividend if the two resolutions are passed by shareholders at today's meetings.

If either resolution is not approved today, then the Scheme will not proceed and the Special Dividend will not be declared or paid.

Also, if the Special Dividend is declared but the Scheme does not become Effective, for instance because the Federal Court of Australia does not approve the Scheme, then the Special Dividend will not be paid, although the amendments to Pepper's Constitution will still take effect.

Interim Dividend

Under the Scheme Implementation Deed, Pepper was also permitted to pay a fully franked interim dividend for the half-year ended 30 June 2017 of 3 cents cash per Pepper Share, which was paid to shareholders on 5 October 2017. The Scheme Consideration will not be reduced by the Interim Dividend or the Special Dividend.

Directors' recommendation

Your Directors gave careful consideration to the advantages and disadvantages of the Scheme prior to entering into the Scheme Implementation Deed and the subsequent amendments to that deed announced on 25 September 2017. Your Directors unanimously recommend that Pepper Shareholders approve the Scheme by voting in favour of the resolutions at today's meetings, in the absence of a superior proposal and subject to the Independent Expert maintaining its conclusion that the Scheme is in the best interests of Pepper Shareholders. Subject to the same qualifications:

- each of your Directors intends to vote in favour of the resolutions at today's meetings in respect of all Pepper Shares they own or control; and
- Michael Culhane, Group Chief Executive Officer, Cameron Small, Group Chief Financial Officer and myself, who together control approximately 35.4% of the total Pepper Shares, have advised Pepper that we intend to vote in favour of the Scheme.

I can confirm that no superior proposal has been received.

Independent Expert's Report

An Independent Expert has also reviewed the proposal and has concluded that the Scheme is fair and reasonable and, therefore, is in the best interests of Pepper Shareholders, in the absence of a Superior Proposal.

Status of conditions

The Scheme remains subject to a number of conditions including:

- Pepper Shareholders passing the resolutions at today's meetings to approve the Scheme; and

- the Federal Court of Australia approving the Scheme at the Second Court Hearing, which is scheduled to be held next Monday, 20 November 2017 at 4.15pm.

The other conditions to the Scheme are outlined in further detail in Section 6.3 of the Scheme Booklet. Your Directors are not currently aware of any reason as to why these other conditions to the Scheme will not be met.

I will now move to the formal business of this General Meeting.

Seumas Dawes

Chairman