

14 April 2021

## NON-BINDING, INDICATIVE PROPOSAL FROM ALLEGRO AT \$7.00 PER SHARE CASH

Capral Limited (**Capral**) (ASX Code: CAA) announces that it has received a confidential non-binding indicative proposal from Allegro Funds Pty Ltd on behalf of investors advised by it (**Allegro**) to acquire 100% of the shares in Capral for \$7.00 cash per share (to be reduced by the cash amount of any special dividend to be paid before completion of the transaction) (**Indicative Offer Price**) via a court-approved scheme of arrangement (**Proposal**).

The cash price per Capral share represents:

- 16.5% premium to the 1-day VWAP of \$6.01 on 13 April 2021;
- 12.9% premium to the 1-month VWAP of \$6.20 on 13 April 2021;
- 12.3% premium to the adjusted 3-month VWAP of \$6.23<sup>1</sup> on 13 April 2021; and
- 17.6% premium to the adjusted 6-month VWAP of \$5.95<sup>2</sup> on 13 April 2021.

The Board considers that the Proposal has the potential to provide shareholders with a liquidity event and the opportunity to realise a meaningful premium to the recent market value of their shares.

The Proposal is currently non-binding and remains subject to several conditions (**Conditions**), being:

- satisfactory completion of due diligence by Allegro;
- Allegro securing debt finance to fund a portion of the Indicative Offer Price; and
- the parties entering into a mutually acceptable, binding scheme implementation agreement (**SIA**).

After consideration by the Board and its advisers, the Board has concluded that it is in the best interests of Capral shareholders to allow Allegro to proceed with its due diligence investigations and for the Board to engage further with Allegro to progress the Proposal.

In order to facilitate the due diligence process, Capral and Allegro have entered into a process deed, a copy of which is attached to this announcement (**Deed**). The purpose of the Deed is to establish the process by which Allegro's further due diligence will proceed, the process and timing by which the Indicative Offer Price is to be confirmed, and how Capral and Allegro will endeavour to reach agreement on an SIA.

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<sup>1</sup> All trades that occurred after the date the dividend was announced (25 February 2021), but before the ex-dividend date (10 March 2021) have been reduced by the value of the dividend announced and paid (\$0.45 per share). Prior to the adjustment being made, the relevant VWAPs were: 3-month VWAP (\$6.40) and 6-month VWAP (\$6.05).

<sup>2</sup> See footnote 1.

In this regard, the Deed contains the following key provisions (amongst others):

- Allegro will be able to perform due diligence for a period of six weeks commencing 14 April 2021, broken into two distinct phases:
  - The Initial Due Diligence Period – during the first four weeks, Allegro will undertake commercial and legal due diligence. On or immediately before the end of the Initial Due Diligence Period, Allegro must provide written confirmation to Capral that its offer price is equal to the Indicative Offer Price (**Firm Offer**); and
  - Confirmatory Due Diligence Period – if Allegro provides the Firm Offer, Allegro will be able to perform confirmatory due diligence in the following two week period, during which the parties will in good faith seek to negotiate and agree the terms of an SIA, which is to include a reciprocal break fee.
- In order to facilitate the due diligence, Capral will provide Allegro with exclusivity for the six-week due diligence period. However, Capral may terminate exclusivity and the due diligence process by giving written notice to Allegro.
- In limited circumstances, including where Capral terminates the exclusivity and due diligence process in the manner described above, Capral agrees to reimburse certain due diligence costs incurred by Allegro up to a capped sum of \$700,000.

### Next steps

The Board intends to continue to engage with Allegro, as appropriate.

Subject to the terms of the Deed, if:

- Capral receives the Firm Offer from Allegro at the Indicative Offer Price;
- the Conditions are satisfied; and
- Capral and Allegro enter into the agreed form of an SIA (that reflects the Firm Offer at the Indicative Offer Price),

it is the Board's intention to recommend that shareholders vote in favour of the proposed transaction in the absence of a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the proposed transaction is in the best interests of Capral shareholders.

The Board notes that there is no certainty that a binding offer will be forthcoming, that Allegro and Capral will agree or sign an SIA, or that the Proposal will result in a transaction occurring.

There is no need for Capral shareholders to take any action in relation to the Proposal at this stage.

Capral will update the market in due course as appropriate in line with its continuous disclosure obligations.

Capral has appointed Greenstone Partners as its financial adviser and Mills Oakley as its legal adviser.

Approved and authorised for release by Capral's Board of Directors.

For further information please contact:

**Corporate**

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Yours faithfully

A handwritten signature in black ink, appearing to read 'Rex Wood-Ward', written over a faint, stylized mountain range graphic.

**Rex Wood-Ward**

**Chairman**

**Attachment – Fully executed Process Deed**

## Process Deed

between:

Allegro Funds Pty Limited  
Level 1, Plaza Building  
95 Pitt Street  
Sydney NSW 2000

Capral Limited  
71 Ashburn Road  
Bundamba QLD 4304

Capral Limited (ACN 004 213 692) (**Capral** or **Company**) refers to the previous confidential and non-binding discussions and the non-binding indicative offer letter dated 13 April 2021 (**NBIO**) under which it was confirmed that, subject to further due diligence being undertaken by Allegro Funds Pty Limited (ACN 128 866 053) (**Allegro**), certain funds advised by Allegro would be willing to make an offer to acquire 100% of the issued share capital of Capral via a court-approved scheme of arrangement (**Proposed Transaction**) at an indicative offer price of \$7.00 per share (less any special dividend to be paid on or before completion of the transaction) (**Indicative Offer Price**).

Further to the NBIO, Capral agrees to grant Allegro the opportunity to conduct further due diligence on the Company in connection with the Proposed Transaction on the terms as detailed in this document.

### 1. Limited exclusivity

- (a) The Company agrees that from 14 April 2021 until 5:00pm on 12 May 2021 (or as extended in accordance with this document) (**Exclusivity Period**), it will not, and it will procure that its subsidiaries (as defined in the *Corporations Act 2001* (Cth)) (**Subsidiary**) and any of its or their respective directors, officers, employees, advisers (including but not limited to accountants, legal counsel and others advisers) of the Company, agents or other representatives (**Representatives**) do not directly or indirectly solicit, invite, encourage or initiate any enquiries, negotiations or discussions, or communicate any intention to do any of these things, with a view to obtaining any expression of interest, offer, transaction, arrangement or proposal from, or with, any other person in relation to a transaction the effect of which would be the same as, or substantially similar to, the effect of the Proposed Transaction (a **Competing Proposal**).
- (b) The Company represents and warrants that:
  - (i) neither it nor any of its Subsidiaries or its or their respective Representatives are currently negotiating or participating in negotiations or discussions with any other person regarding a Competing Proposal in any respect; and
  - (ii) it will promptly (and in any event within 24 hours of the occurrence) notify Allegro in writing if it receives any approach or attempt to initiate discussions or negotiations by a person other than Allegro in relation to a Competing Proposal and / or it permits access or makes available to any party (other than Allegro Funds or its nominated representatives) any due diligence materials relating to the Company in connection with a Competing Proposal.
- (c) Nothing in this clause 1 prevents Capral from permitting access to, or making available, any due diligence materials relating to the Company to any party who, unsolicited by Capral, initiates contact or engages with Capral with respect to, or in connection with, a Competing Proposal, or prevents Capral from engaging with, exploring or agreeing a Competing Proposal with any such person, or assisting any such person to undertake due diligence investigations in relation to the Company.

- (d) Subject to clause 1(f):
  - (i) the Exclusivity Period will be automatically extended by 14 days if, on or immediately before the end of the Exclusivity Period, Allegro has confirmed to Capral in writing the Indicative Offer Price on a firm basis, subject only to final confirmatory due diligence of price and negotiation of the Scheme Implementation Agreement (**Firm Offer Price Confirmation**); and
  - (ii) the exclusivity obligations contained in this document will continue for the duration of the Exclusivity Period (including any extension agreed to under this clause 1(d)).
- (e) All of Capral's obligations under this clause 1 immediately cease upon the earlier of:
  - (i) payment (if any) of the Costs Reimbursement under clause 2; and
  - (ii) the termination of this document in accordance with its terms.
- (f) Notwithstanding any other term of this document, at any time during the Due Diligence Period or, subject to Allegro providing the Firm Offer Price Confirmation, during the Confirmatory Due Diligence Period, Capral may, at its election, give notice to Allegro that it:
  - (i) is ceasing to provide due diligence access to Allegro; or
  - (ii) is ceasing discussions with Allegro with respect to the Proposed Transaction,
 at which time this document terminates.

## 2 Due diligence and reimbursement of costs

- (a) During the Exclusivity Period, subject to the terms of this document, Capral agrees to provide Allegro with access to due diligence materials and to agreed members of Capral's senior management team to allow Allegro to provide the Firm Offer Price Confirmation in accordance with clause 1(d) as follows:
  - (i) a period of four weeks from 14 April 2021, being the date of the ASX Announcement, (**Due Diligence Period**) during which Allegro will complete commercial due diligence, which will include working with Capral's management team to finalise a transformation plan, and at the end of which Allegro must provide Capral with the Firm Offer Price Confirmation; and
  - (ii) subject to receipt of the Firm Offer Price Confirmation on or immediately before the end of the Due Diligence Period, a further period of 14 days from the date of receipt of the Firm Offer Price Confirmation (**Confirmatory Due Diligence Period**) during which Allegro will complete its confirmatory due diligence and negotiate a Scheme Implementation Agreement with respect to the Proposed Transaction (**Scheme Implementation Agreement**), which will reflect the Firm Offer Price Confirmation.
- (b) During the Due Diligence Period and (if applicable) the Confirmatory Due Diligence Period Capral will use reasonable endeavours to:
  - (i) provide access to due diligence materials that are reasonably requested by Allegro, to the extent they are readily available, through a data room; and
  - (ii) facilitate site visits and meetings with agreed members of Capral's senior management team at times requested by Allegro (acting reasonably), provided such site visits are not unduly disruptive to senior management or Capral's business.
- (c) Without limiting Allegro's rights under clause 2(d)(iv), Allegro's sole remedy:

- (i) for a breach of clause 2(b) by Capral; or
- (ii) where Allegro is unable to access any site (including Bremer Park) as a result of a government imposed lockdown which restricts site access,

is for the parties to negotiate an extension to the Due Diligence Period and/or Confirmatory Due Diligence Period (as applicable) in good faith, subject to the circumstances that apply at that time. If an extension to the Due Diligence Period and/or Confirmatory Due Diligence Period is agreed in writing under this clause 2(c), and without limiting Capral's rights under clause 1(f), the Exclusivity Period will be taken to be extended by a corresponding period. Nothing in this clause will require Capral to increase its reimbursement obligations under this clause 2 in respect of such negotiations.

- (d) In consideration for Allegro undertaking the due diligence investigations set out in clause 2(a), Capral agrees, subject to the other terms of this document, that if:
  - (i) Allegro provides the Firm Offer Price Confirmation at the end of the Due Diligence Period and confirms the Firm Offer Price Confirmation at the end of the Confirmatory Due Diligence Period, and:
    - (A) the parties have negotiated and agreed the form of the Scheme Implementation Agreement in writing in accordance with this document; and
    - (B) Capral does not sign the agreed form Scheme Implementation Agreement within one week of receiving Allegro's signed counterpart of the same, provided that Allegro's signed counterpart is received within five days of the end of the Confirmatory Due Diligence Period; or
    - (C) the parties do not agree the form of the Scheme Implementation Agreement by the end of the Confirmatory Due Diligence Period because Capral has failed to negotiate that document in good faith (acting reasonably); or
  - (ii) at any time during the Due Diligence Period or, subject to Allegro providing the Firm Offer Price Confirmation, during the Confirmatory Due Diligence Period, Capral at its election gives notice to Allegro that it:
    - (A) is ceasing to provide due diligence access to Allegro (including a notice given under clause 1.1(f)); or
    - (B) is ceasing discussions with Allegro with respect to the Proposed Transaction (including a notice given under clause 1.1(f)),

other than in circumstances where Allegro is in breach of its obligations under this document or the Mutual Confidentiality Deed dated 18 December 2020 (**Mutual Confidentiality Deed**), at which time this document terminates; or
  - (iii) Allegro validly terminates this document under clause 4; or
  - (iv) at any time during the Due Diligence Period or, subject to Allegro providing the Firm Offer Price Confirmation, during the Confirmatory Due Diligence Period, in the absence of exercising its rights under clause 1(f), Capral ceases to:
    - (A) provide due diligence access to Allegro;
    - (B) facilitate site visits for the benefit of Allegro;
    - (C) provide Allegro with access to the senior management team; or
    - (D) negotiate the Scheme Implementation Agreement with Allegro,

in accordance with this document, and:

- (E) those actions materially impact Allegro's ability to undertake due diligence investigations or negotiate the Scheme Implementation Agreement in accordance with this document (as applicable); and
- (F) the impacts referred to in paragraph (E) cannot be remedied by an extension of time under clause 2(c) or otherwise by Capral within a period of two months,

then:

- (v) Capral will reimburse Allegro's bona fide, reasonably incurred and substantiated third party due diligence costs (comprising commercial (Partners In Performance), financial (PwC), tax (PwC), legal (Gilbert + Tobin) and environmental due diligence costs) and payments made to other advisers (comprising M&A advisers (Faraday) and operating partners (details of which are to be supplied by Allegro before any such partners are provided with access to Capral's due diligence materials)) (together **Due Diligence Costs**) incurred up to the Maximum Amount. The "**Maximum Amount**" for the purposes of this document is:
  - (A) \$350,000 (excluding GST) for the Due Diligence Period; or
  - (B) if Allegro provides the Firm Offer Price Confirmation on or immediately before the end of the Due Diligence Period, \$700,000 (excluding GST) for the Due Diligence Period and the Confirmatory Due Diligence Period,(collectively, the **Costs Reimbursement**).
- (e) Subject to the other terms of this document, Capral will reimburse Allegro's bona fide, reasonably incurred and substantiated third party Due Diligence Costs other than Due Diligence Costs that have been incurred by Allegro:
  - (i) before the date of this document; or
  - (ii) after the time of the event that gives rise to the liability to pay the Costs Reimbursement occurs under clause 2(d).
- (f) Notwithstanding any other term of this document, Capral is not liable to pay any Costs Reimbursement if:
  - (i) Allegro at its election, ceases discussions with Capral, ceases to engage with Capral or discontinues its due diligence investigations, with respect to the Proposed Transaction; or
  - (ii) Allegro withdraws its NBIO or otherwise advises Capral that it no longer wishes to pursue the Proposed Transaction; or
  - (iii) Allegro fails to provide the Firm Offer Price Confirmation at the end of each of the Due Diligence Period and the Confirmatory Due Diligence Period (other than as a result of the earlier termination of this document by Capral under clause 1(f)); or
  - (iv) the parties fail to agree the form of the Scheme Implementation Agreement by the end of the Confirmatory Due Diligence Period other than because Capral has failed to negotiate that document in good faith (acting reasonably); or
  - (v) having agreed the form of the Scheme Implementation Agreement in writing by the end of the Confirmatory Due Diligence Period, Allegro does not sign the agreed form document within five days of the end of the Confirmatory Due Diligence Period; or
  - (vi) Capral validly terminates this document under clause 4; or

(vii) Capral and Allegro execute the agreed form Scheme Implementation Agreement,

and on the occurrence of any of these events this document will immediately terminate without any further action on the part of either party.

(g) Upon any amount of the Costs Reimbursement becoming due for payment under clause 2(d):

(i) Allegro must provide Capral with a valid tax invoice for the amount being claimed, together with appropriate and substantiated evidence of the Due Diligence Costs being claimed, including certified copies of any underlying tax invoices comprising the claim (**Reimbursement Claim**); and

(ii) Capral must pay the amount of the Costs Reimbursement within five Business Days of receipt of a valid Reimbursement Claim.

(h) If it is determined by the Takeovers Panel or a Court that all or any part of the Costs Reimbursement required to be paid under clause 2(d) (**Impugned Amount**):

(i) is unlawful;

(ii) involves a breach of directors' duties; or

(iii) constitutes unacceptable circumstances or breaches any order of the Takeovers Panel,

then:

(iv) the requirement to pay the Costs Reimbursement does not apply to the extent of the Impugned Amount; and

(v) if Allegro has received the Impugned Amount, it must refund that amount within five business days of the determination being made.

(i) Except as expressly provided for otherwise in this document, payment of the Costs Reimbursement in accordance with this document is Allegro's sole remedy for any claim made under or in connection with this document. Allegro must not, and must use reasonable endeavours to procure that none of its Approved Recipients or Related Persons (each as defined in the Mutual Confidentiality Deed), make any claim against Capral or any of its Subsidiaries or any of their respective Representatives in relation to, and Capral has no liability for, any costs or expenses of, or loss to, Allegro or any of its Approved Recipients or Related Persons arising from or in connection with:

(i) the Proposed Transaction not proceeding;

(ii) any event or occurrence referred to in clause 2(d); and

(iii) any breach by Capral of its obligations under this document or otherwise in connection with the Proposed Transaction (to the extent permitted by law),

other than the quantum of the Costs Reimbursement, to the extent it is payable under this document.

### 3. Scheme Implementation Agreement

(a) Capral will be responsible for preparing the first draft of the Scheme Implementation Agreement. Subject to Allegro providing the Firm Offer Price Confirmation, Capral must provide the first draft of the Scheme Implementation Agreement to Allegro promptly within 2 business days after Capral has received the Firm Offer Price Confirmation (which must be received on or immediately before the end of the Due Diligence Period), provided such date is not before the end of the Due Diligence Period.



- (b) Each of Capral and Allegro agree to negotiate and settle the terms of the Scheme Implementation Agreement in good faith (acting reasonably) by the end of the Confirmatory Due Diligence Period.
- (c) Each of Capral and Allegro agree that the parties will negotiate break fees in favour of each other as part of agreeing the form of Scheme Implementation Agreement. Subject to agreement on terms of the applicable break fee, the break fee:
  - (i) in favour of Allegro will be 1% of the equity value of Capral; and
  - (ii) in favour of Capral will be \$750,000, provided there is no debt finance condition in the Scheme Implementation Agreement.

The break fees will represent the maximum aggregate liability that may be incurred by the relevant party under the Scheme Implementation Agreement or otherwise.

#### **4. Termination**

Either party (**Terminating Party**) may, by written notice to the other, terminate this document if the other party is in material breach of this document and (if capable of rectification) fails to rectify the breach within 3 business days of receipt of notice from the Terminating Party to do so. Termination does not affect any rights or liabilities of a party which have accrued prior to termination of this document.

#### **5. ASX announcement and confidentiality**

- (a) Each of Capral and Allegro acknowledge and agree that upon the signing of this document by each party, Capral will make an announcement to the Australian Securities Exchange (**ASX**) in an agreed form with respect to the status of the Proposed Transaction and outlining the material terms of the NBIO and this document, and to which a copy of this document will be annexed.
- (b) Each of Capral and Allegro further acknowledge and agree that following the release of the announcement contemplated under clause 5(a) Capral has an obligation to keep the ASX and its shareholders informed with respect to material developments in connection with, and progress of, the Proposed Transaction, including with respect to any unsolicited third party interest. Where practicable (determined by Capral in its absolute discretion), Capral agrees to consult with Allegro in respect of any further announcements regarding the Proposed Transaction.

#### **6. Miscellaneous**

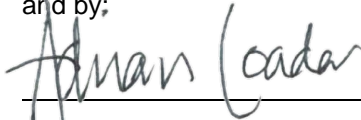
- (a) This document may be executed in any number of counterparts, each of which, when executed, is an original. Those counterparts together make one instrument.
- (b) This document shall be governed by and interpreted in accordance with the laws of New South Wales, Australia and the courts of that State have exclusive jurisdiction in relation to any claim, dispute or difference concerning this document and any matter arising from it.

Please acknowledge your acceptance of these terms by signing, dating and returning to us a copy of this document.

**Executed as a deed**

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Signed, sealed and delivered for **Allegro Funds Pty Ltd (ACN 128 866 053)** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

Charles Robert Adrian Loader

Name of director (print)



Signature of director/secretary

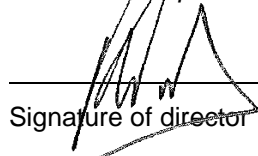
Chester Moynihan

Name of director/secretary (print)

**Dated:** 13 April 2021

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Signed, sealed and delivered for **Capral Limited (ACN 004 213 692)** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:



Signature of director

Rex Leslie Wood-Ward

Name of director (print)



Signature of director/secretary

William Joseph Campbell

Name of ~~director~~ secretary (print)

**Dated:** 14 April 2021