Spicers Limited Annual General Meeting 2016

11 November 2016

Chairman’s Address

Robert Kaye

Spicers

2016 Financial Year in Review

Spicers

- Spicers Limited ("Spicers") reported a statutory profit of $5.3 million
  - First full-year profit since 2008
  - Validates strategic decisions taken in 2015 to focus the business on profitable Australia, New Zealand and Asian ("ANZA") operations

- Underlying EBIT [1] rose 42 percent to $4.5 million
  - All ANZA businesses contributed to this result
  - Strong growth in diversified revenue streams was delivered

- Change in corporate name to Spicers was a marker of transformation following withdrawal from operations in Europe
  - This transformation represents a key component of Board plans to put Spicers on a strong and sustainable footing for the future

New Zealand Results

Underlying EBIT [1] of NZ$ 7.8 million (up 18 percent on prior year)

- A strong result
- Demonstrates value of a well-diversified business
- Sales revenue increased:
  - Gains in market share in core categories
  - Robust growth from “Total Supply” signage business
- Tight control of gross margins and expenses across business

(1) Non-IFRS measure – refer Appendix 1 of accompanying ASX Release “Spicers Limited 2016 AGM – Addresses”

Asia Results

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Underlying EBIT [1] of SG$ 1.6 million (up 113 percent on prior year)

- Underlying EBIT [1] result more than doubled compared to prior year
- Achieved via a combination of:
  - Scaling back less profitable operations (for example in Hong Kong and Shanghai); and
  - Changes in product mix to higher margin products

(1) Non-IFRS measure – refer Appendix 1 of accompanying ASX Release “Spicers Limited 2016 AGM – Addresses”

Australia Results

Underlying EBIT [1] of AU$ 5.4 million (down 40 percent on prior year)

- A challenging year
- Overall sales revenue and gross profit adversely impacted by:
  - Competitive pressures in the Commercial Print market; and
  - Foreign exchange volatility affecting pricing and cost of sales
- Strong growth from diversified categories partly offset these factors

(1) Non-IFRS measure – refer Appendix 1 of accompanying ASX Release "Spicers Limited 2016 AGM – Addresses"

Other Features of 2016 Results

Corporate

- Corporate costs down 24 percent compared to prior year
  - Activities & cost structures continue to be simplified and ‘right-sized’
  - Further reductions are expected in 2017

Discontinued Operations

- Withdrew from last remaining European operation, in Germany, during FY2016

Diversified Revenue Streams

- Such as Sign & Display category
- Performed strongly, with gross revenues up 25 percent year-on-year
  - Now represent almost a quarter of Spicers’ total gross margin
  - Have established prominent positions in key market sectors
- Validates strategic aim to vigorously grow diversified revenue streams

Executive Management Changes

Spicers

- Mr Andy Preece
  - Resigned as Managing Director in February 2016,
  - Continued as CEO for 3 months before stepping down in May 2016

- Mr Wayne Johnston
  - Appointed to the Board as Finance Director in February 2016
  - Was interim CEO from May to July 2016

- Mr David Martin
  - Commenced as Spicers’ new CEO in July 2016
  - A distinguished career with Avery Dennison prior to joining Spicers
  - Led businesses in Australia, New Zealand, South Africa, Asia & US

Simplifying the Capital Structure

Spicers Limited has announced a proposed transaction to simplify the capital structure of the Company

Background

- The current capital structure of the company has two components:
  - Spicers ordinary shares (ASX: SRS); and
  - PaperlinX Step-Up Preference Securities (ASX: PXUPA) – Perpetual, preferred units in the PaperlinX SPS Trust, which was established in 2007 to raise funds for the PaperlinX group, SPS Trust units are not a direct investment in Spicers Limited (formerly PaperlinX)
- At the 2015 Annual General Meeting, the Board committed to explore options to simplify the Company's complex capital structure
  - Following a previous takeover offer to SPS Trust unitholders in FY2014
  - To resolve related conflicts between sets of security holders; and
  - Clear away legacy distractions associated with the SPS Trust structure

Summary of the Proposed Transaction

Spicers

- Spicers announced on 11 October 2016 that it had tabled a non-binding, conditional proposal (“the Proposal”) and entered discussions with the Responsible Entity (the ‘RE”) of the PaperlinX SPS Trust (“SPS Trust”)

- The Proposal envisages the Company’s capital structure will be unified, enlarging the ordinary equity base, then winding up the SPS Trust
  - Will allow respective share / unit holders to vote separately on applicable Scheme

- Under the Proposal Spicers would acquire SPS Trust units by issuing 545 Spicers Ordinary Shares in exchange for each SPS Trust unit
  - If the proposed transaction were to be successful it would result in eligible SPS Trust unitholders (excluding Company held units) owning 68.3 percent of the unified equity of Spicers
  - The Spicers Board believes this ratio represents an optimal outcome for both sets of security holders

Rationale for the Proposed Transaction

Simplifying the capital structure would be an important step in transforming Spicers into a more diversified and sustainable business.

The Spicers Board believes that the proposed transaction would be in the best interests of the Company and both sets of security holders

Specifically it would:

- Create a simplified and transparent capital structure
- Assist in Spicers' operational turnaround by resolving legacy issues
  - Costs attributable to the SPS Trust structure would be removed
  - Stakeholder confidence would be improved
- Enable the Company to undertake a full range of commercial and financial activities beyond its current capabilities
  - Including capital raisings and consideration of larger-scale M&A activity
- Deliver a range of benefits for both sets of security holders
  - Unified equity a more transparent value proposition with improved market liquidity

Rationale for the Proposed Transaction

Spicers

Implications should the proposed transaction not be successful

Should the Proposal not be successful, the Company and both sets of security holders may experience substantial adverse outcomes:

- Market valuations of both SRS and PXUPA securities may continue to be adversely impacted
  - Market trading liquidity in both securities is likely to remain constrained
- Highly unlikely that distributions or dividends would recommence in the foreseeable future
- Spicers' commercial and financial options would continue to be significantly restricted
- Continued burden of excessive administration costs and complexity in activities associated with maintaining the SPS Trust

Simplifying the Capital Structure

Wrap-up

- Starting to see a clear path forward for the Company
  - Assuming the legacy issue of a complex capital structure can be addressed
- Compelling reasons to simplify the Company's capital structure
  - The Board believes doing so would be in the best interests of the Company and both sets of security holders
- May be significant adverse implications if current inherent tension between sets of security holders is not addressed
  - No winners unless capital structure issues are rationally confronted and resolved
- Discussions on the Proposal between the Company and RE of the SPS Trust are progressing well
  - The Board will ensure security holders are kept appropriately informed

Conclusion

- Spicers returned to overall profitability in the 2016 Financial Year
- While challenges remain there are also many strategic opportunities
- Clear path ahead to put Spicers on a strong and sustainable footing for the future
- Simplifying the Company's capital structure would represent a key milestone on this journey
  - The Spicers Board believes the proposed transaction put to the RE of the SPS Trust to be both logical and in the best interests of all parties

Maximise 'core' business returns, while aggressively growing diversified revenue streams

CEO’s Address

David Martin

Our Regional Locations & Operations

ANZA combined - 23 sites, 450 employees

<u>Australia</u>

- Largest business, serving customers in a vast array of markets and applications
- Widest footprint, linked by a nationwide distribution network

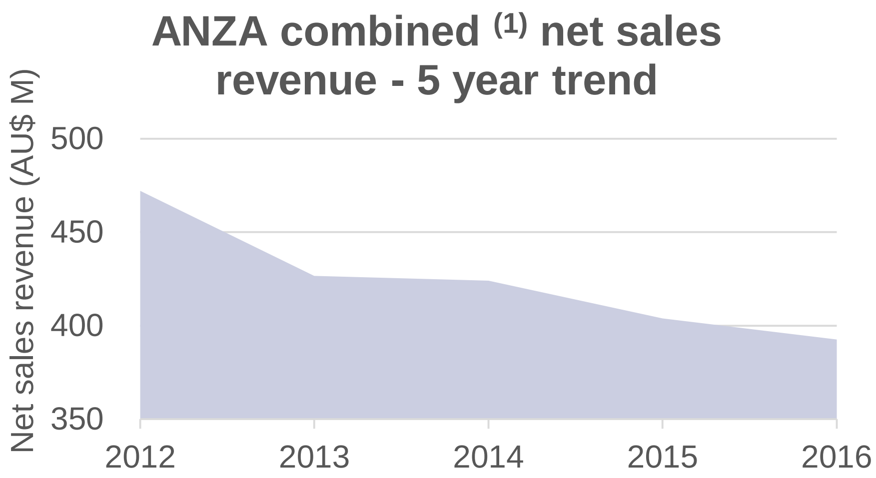
<u>New Zealand</u>

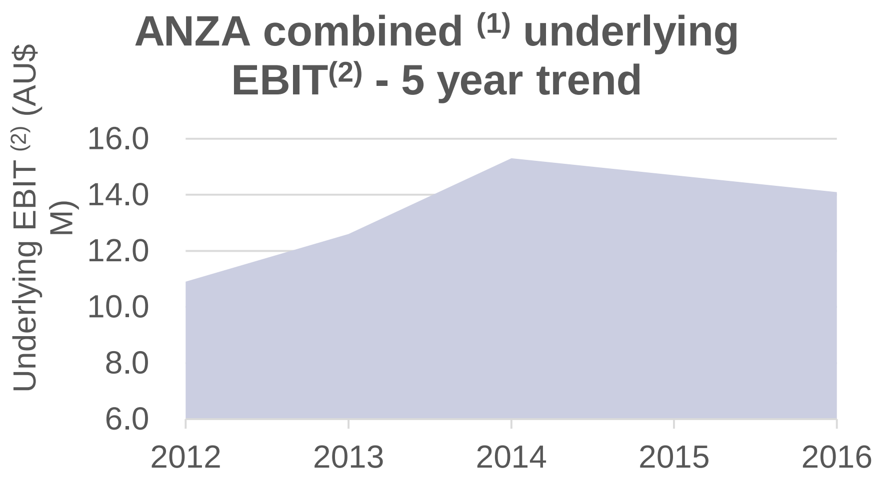
- Full-scale business, serving customers on both North and South Islands

<u>Asia</u>

- Operational hubs in Singapore, Vietnam and across multiple locations in Malaysia.

5-Year Performance Trends
Combined ANZA Operations





- Total sales revenue has declined at an annual average of 4%
  - ‘Core’ sales revenue streams declined at double this rate (8%), with this partly offset by strong growth in ‘diversified’ revenue streams
- Underlying EBIT[1, 2] improved and then maintained by a combination ‘right-sizing’ operating cost reductions and ‘diversified’ revenue growth
- Rapid ‘diversified’ growth and maximising ‘core’ business performance key drivers of future profitability alongside ongoing ‘right-sizing’ of costs

(1) Australia, New Zealand and Asia regional business segments, excluding Corporate/unallocated
(2) Non-IFRS measure – refer Appendix 1 of accompanying ASX Release “Spicers Limited 2016 AGM – Addresses”

Spicers Values – The Way We Act

Spicers

ACCOUNTABILITY

Reliably deliver on our promises

Focused on understanding & delivering customer value

INTEGRITY

Honest dealing & adherence to the law

Sustainability & Community minded

Trust & Respect for one another

DYNAMIC

Adapt in a changing environment

Creatively finding new growth opportunities

Passionate about our customers and people

COLLABORATIVE

One team, working together

Communication is regular, open and honest

The Spicers Way
'Vertical' Product Categories

Spicers

Core

Commercial Print

Packaging

Industrial Packaging

Diversified

Sign & Display

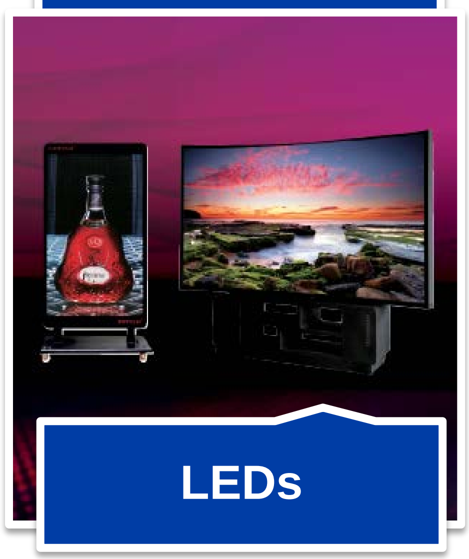
Narrow Web Label

Hardware

Sign & Display 'Vertical'

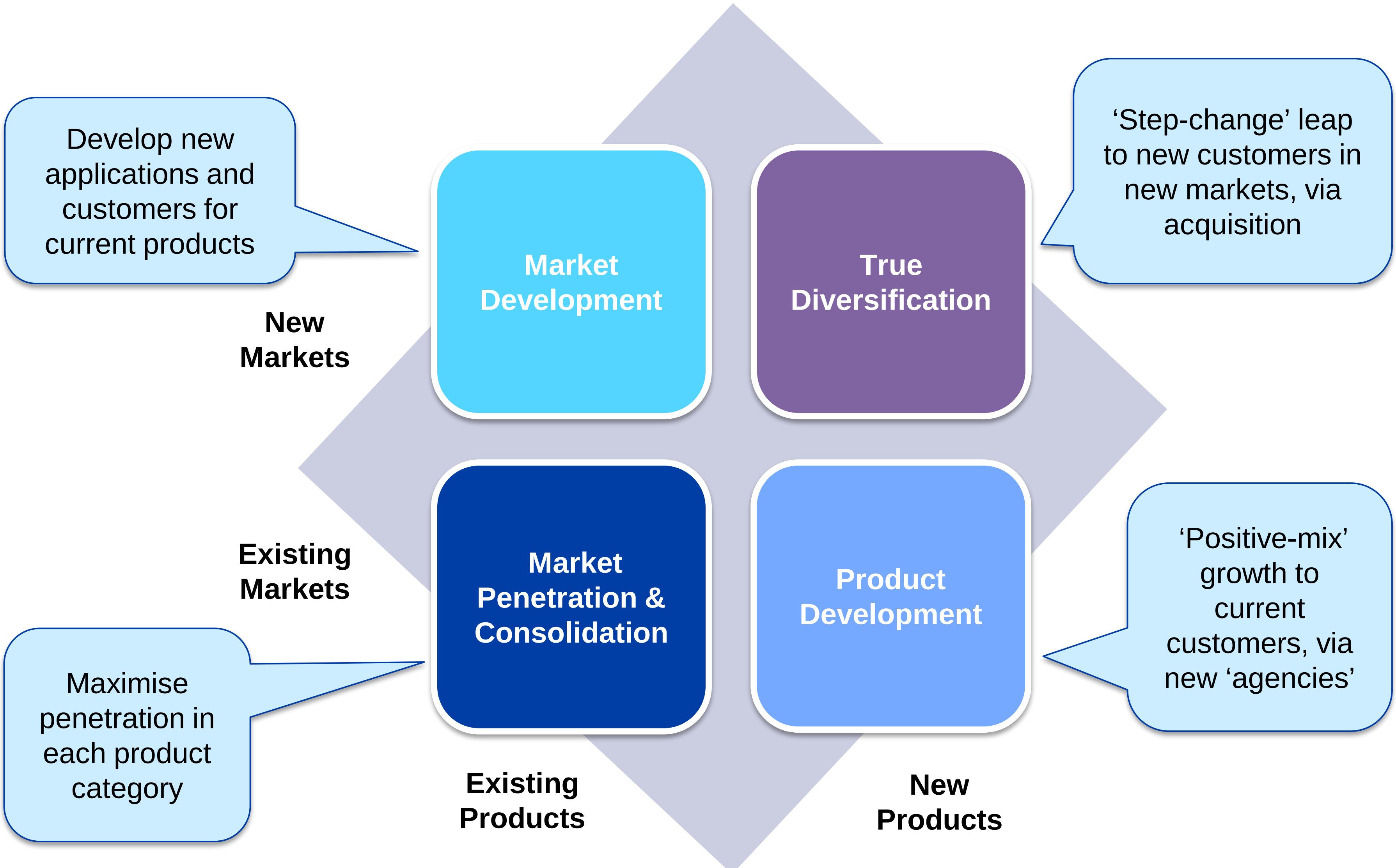
Diverse and with strong growth opportunities

Spicers



- Many markets and applications with varying characteristics
  - Rigid substrates – strong base of organic growth
  - Flexible substrates (vinyl and films) – dynamic, with expanding applications
- A number of 'hot trend' and project based sectors
  - Architectural applications (e.g. surfaces, insulation)
  - LED displays

Considering Growth Opportunities



The Spicers 'Plan to Win'

Executing Our Strategy

Spicers

Optimise 'core' categories and aggressively grow 'positive-mix' opportunities

Drive stronger market engagement to enable growth

Maximise business and supply chain efficiency

Develop our people

The Spicers ‘Plan to Win’
Executing Our Strategy

Optimise ‘core’ categories and aggressively grow ‘positive-mix’ opportunities

- Optimise ‘go to market’ strategies in ‘vertical’ product categories
  - ‘Portfolio design’ approach tailored to each category
  - Execute sales strategy by customer segment
  - Maximise returns in ‘core’ paper categories
- Focus new ‘agency’ and acquisition opportunities on ‘positive-mix’ and ‘closer to cash’ categories

The Spicers 'Plan to Win'
Executing Our Strategy

Spicers

Drive stronger market engagement to enable growth

- Flattened business structure increases customer focus & engagement
- Effective marketing focus and spend on key 'positive-mix' markets and applications
- Customer segmentation – matches our engagement strategy with customer needs

The Spicers 'Plan to Win'
Executing Our Strategy

Spicers

Maximise business and supply chain efficiency

- Set and tune product strategies in 6 'vertical' categories
  - Ongoing management of product ranges and transition efficiency
  - Continuously optimise inventory purchase costs and holdings
  - Secure optimum supply and shipping arrangements
- Instil a culture of business efficiency via 'LEAN' principles
  - Warehouse and logistics processes first, other processes to follow

The Spicers 'Plan to Win'
Executing Our Strategy

Spicers

Develop our people

- Build a dynamic organisation in a changing market
- Effective training and coaching support to assist key strategies
  - Adaptive sales techniques and skills
  - 'LEAN' principles and culture
- Achieve diversity objective (25% in management roles by 2019)

FY 2017 Quarter 1 Trading Update

Spicers

- New Zealand and Asia are achieving expectations, tracking in-line with the FY 2016 prior corresponding period
  - Demand in Asia is strong and a combination of continued strong 'diversified' growth and cost management is supporting New Zealand's results
- The Australian business has had a difficult start to the year
  - Demand and margins in Commercial Print are challenged
  - Diversified revenue streams are growing strongly
- Australian operating expenses have held stable and Corporate costs are down on the prior corresponding period
  - Actions are under way to further reduce these in Q3 FY 2017
- Conditions in core paper markets remain very challenging in all locations
  - 2 new agencies signed, for Asia and Australia, in November will assist in countering this.

Conclusion

Spicers

- Capitalise on immediate opportunities to optimise the business
- Structure product categories in 6 ‘verticals’ with EBIT & WC impact targets
- Long-term plays driven in parallel to short-term management in a challenging trading environment
- Execute on key people development strategies

Maximise ‘core’ business returns,
while aggressively growing
diversified revenue streams