

GODFREYS GROUP LIMITED (ASX: GFY)

ASX/Media Release

29 May 2017

Debt refinancing and trading update

- Debt refinancing secures long-term funding on improved terms
- FY17 EBITDA forecast to be around the lower end of the Company's 2017 EBITDA guidance range
- Conversion of franchise stores from Company owned stores ahead of target and progressing well

Godfrey's Group Limited (**Godfreys** or the **Company**) advises that it has refinanced its long-term debt on improved terms and provides an update on trading conditions.

Debt refinancing

The Company is pleased to announce that it has established a new long term \$30 million senior debt facility on favourable terms (the **New Facility**). The New Facility is provided by 1918 Finance Pty Ltd (the **Lender**), an entity associated with Arcade Finance Pty Ltd, a substantial shareholder in Godfreys. The New Facility replaces the senior debt facility funded by the Commonwealth Bank of Australia.

The New Facility is provided on more favourable commercial terms and is for an initial three-year term to May 2020. The Company expects to be in a position to repay the outstanding debt owed to the Lender under the New Facility, and to discharge the security, in accordance with the terms of the New Facility.

The New Facility provides working capital for Godfreys' ongoing operations and secures access to competitively priced, long-term funding; it contains covenants typically expected of a retail finance facility.

The Company has been granted a waiver from ASX Listing Rule 10.1 to the extent necessary to permit the Company and certain of its subsidiaries (the **Group**) to grant security over the assets of the Group in favour of the Lender to secure the obligations of the Company under the New Facility, without obtaining security holder approval.

The terms on which the waiver has been granted by ASX are extracted in Annexure A to this announcement.

Trading update

The challenging trading period the Company had expected in the second half has materialised and as a result, the Company believes it is prudent to provide the following updated outlook for the 2017 financial year (**FY2017**).

Based on current expectations, EBITDA for FY2017 is now anticipated to be around the lower end of its underlying* \$14 million to \$15 million EBITDA guidance range.

Whilst the updated guidance reflects a decline in same-store sales in the second half, these have stabilised and are showing signs of improvement.

The conversion of Company-owned stores to franchise stores is progressing well with the rollout plan tracking ahead of target; this is expected to contribute to higher franchising licence fees in this financial year.

Commenting on the trading update and store conversions John Hardy, Managing Director said "We are focused on improving all aspects of the business. This includes adjusting our product mix and improving sales operations, marketing inventory management and store composition. We expect these changes will improve our competitive position although the benefits will take time to be realised."

** Underlying EBITDA excludes significant one off items and business restructuring costs.*

-ENDS-

For further information, please contact:

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About Godfreys

Godfreys Group (ASX: GFY) listed on the ASX in 2014 and is Australia's largest speciality retailer of domestic and commercial floorcare and associated cleaning products, offering an extensive range of company-owned brands, an exclusively licensed brand (Hoover) and a number of third party brands. Godfreys is regarded by Australians as the 'experts' in vacuum cleaners and cleaning products, accommodating consumers at all price points. Godfreys has its head office and a company-operated warehouse located in Victoria. Godfreys' multichannel offering is distributed via over 200 branded retail stores located in standalone 'superstores', and shopping centres and retail shopping strips.

Annexure A

Terms of the waiver granted by ASX in relation to ASX Listing Rule 10.1

1. Based solely on the information provided, ASX Limited ("ASX") grants Godfreys Group Limited (the "Company") a waiver from listing rule 10.1 to the extent necessary to permit the Company to grant security over the assets and undertakings of the Company and certain of its subsidiaries in favour of 1918 Finance Pty Ltd (the "Lender") (the "Security") to secure the Company's obligations under a secured term loan facility of \$30,000,000 (the "Loan Facility") provided by the Lender without obtaining shareholder approval, on the following conditions:
 - 1.1 The Security includes a term that if an event of default occurs and the Lender exercises its rights under the Security, neither the Lender nor any of their associates can acquire any legal or beneficial interest in an asset of the Company or its subsidiaries in full or part satisfaction of the Company's obligations under the Security, or otherwise deal with the assets of the Company or its subsidiaries, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver or manager (or analogous person) appointed by the Lender exercising their power of sale under the Security and selling the assets to an unrelated third party on arm's length commercial terms and conditions and distributing the cash proceeds to the Lender or any of its associates in accordance with their legal entitlements.
 - 1.2. A summary of the material terms of the Security is made in each annual report of the Company during the term of the Security.
 - 1.3. Any variations to the terms of the Security which is:
 - 1.3.1. not a minor change; or
 - 1.3.2. inconsistent with the terms of the waiver,must be subject to shareholder approval.
 - 1.4. The Company and the Lender must seek to discharge the Security when the funds advanced by the Subscribers to the Company are repaid, or if it is not discharged, seek shareholder approval for the continuation of the Security for any further period.
 - 1.5. The Company immediately releases to the market an announcement which sets out the terms of the waiver, and the Company's plans with respect to the (i) repayment of the funds advanced under the Loan Facility, and (ii) discharge of the Security, including the timeframe within which it expects the repayment and discharge to occur.
2. ASX has considered listing rule 10.1 only and makes no statement as to the Company's compliance with other listing rules