ASX RELEASE

Spicers Limited
ABN 70 005 146 350
155 Logis Boulevard
Dandenong South
VIC 3175 Australia
Tel: +61 3 9768 8300
Fax: +61 3 9768 8402
www.spicerslimited.com.au

ASX RELEASE

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2017 ANNUAL GENERAL MEETING - ADDRESSES

CHAIRMAN'S ADDRESS

I extend a very warm welcome to all Spicers Limited (the Company) shareholders here today.

I am Jonathan Trollip, chairman of the Company. I am pleased to have this opportunity to address you and share with you some observations on the past, the present and most importantly the future of the Company.

The Company's Chief Executive Officer (CEO) David Martin in his address which follows mine will deal with the financial results for FY 2017, strategic progress, and an update on trading in the first 4 months of FY 2018. I will focus on the various corporate developments.

Without question the single most important matter has been the restructuring of the Company's balance sheet following implementation of the scheme of arrangement approved in June 2017.

While it is accepted that the restructuring may have resulted in significant financial cost to some participants, based on my understanding in overall terms the outcome is far better than would have been the case had the situation continued unresolved.

I would like to acknowledge the efforts of all of those involved in this process. This includes Spicers shareholders, the previous holders of PaperlinX SPS units, and the former Board of the Company. The 2016 AGM Chairman's address summarised the potential benefits, and when reviewing that address ahead of today's meeting it is pleasing to see those potential benefits, identified in November 2016, now eventuating.

Firstly, it has placed the Company on a very solid financial footing. This is already evidenced in various areas of the Company's activities. These include a reappraisal of the credit standing the Company, and reflected in improving commercial terms with commercial partners such as credit insurers, our suppliers and our financiers.

Relating to this I am pleased to inform you that the refinancing of the Australian business finance facility due for renewal in March 2018 is substantially progressed, and on favourable terms. All credit approvals have been received and legal documentation is currently being finalised. Consequently, we hope to have the new finance facility with our new Australian financiers, Scottish Pacific, in place within the next few weeks.

Another outcome of the restructure was the appointment of a new Board. This Board has only been in place for a little over two months but has been very active in seeking to understand all relevant aspects of the Company's business. As I mentioned in the Company's 2017 Annual Report, a key priority has been to assess and educate ourselves on all opportunities available to the Company, and thereby to maximise its performance. We have actively been doing this, and I acknowledge the effort and assistance of the Company management and employees with this process. I also acknowledge the very significant efforts of the Board members themselves in getting to grips with all relevant issues.

I would like to recognise the Company's recently departed former Chief Financial Officer (CFO) Wayne Johnson. Wayne joined Spicers in 2009 and served in several roles, including being appointed CFO in May 2015 and serving as an executive director on the Board in 2016 and 2017. He has been a dedicated, loyal and professional executive, and on a personal note was very helpful in assisting me to understand better the various Company legacy issues. I am also pleased that Wayne continues to be available to the Company on an as and when needed basis on agreed terms, should the Company wish to have his assistance on legacy issues.

As mentioned in the ASX announcement of 30 October 2017, Geoff Butcher has accepted the position of Chief Financial Officer on an interim basis. We thank Geoff for agreeing to accept this appointment and I am confident that Geoff will lead the finance team well during this interim period.

In relation to a long-term Chief Financial Officer, the process for securing this appointment is well underway. We will inform the market as soon as a decision is made.

I mentioned in the 2017 Annual Report that the Board had commenced several initiatives to reduce the corporate overhead. In overall terms, the current corporate overhead is materially in excess of what would be reasonable for a company of the current size of this Company.

The steps we are actively taking to significantly improve this position and reduce costs include:

Reducing the number of shareholders. The Company as at 20 November 2017 had 35,448 shareholders of whom 33,145 have shares whose value is $500 or less (an unmarketable parcel per the ASX Listing Rules). To this end, assuming the resolution proposed to change the Company's constitution to allow a company buyback of shares is passed today, the Company will promptly institute a buyback program for all the unmarketable share parcels. We estimate that this will reduce the number of Company shareholders to approximately 2,300. This will in turn materially reduce our share registry costs.

We are also engaging with our service providers to seek to ensure that professional services are obtained on a cost-effective basis having regard to the slimmed down nature of the current Company. The audit costs for FY 2018 will reflect better the current Company, and we also expect to make significant savings with the Company's group insurance arrangements going forward.

Hopefully shareholders will see the results of these efforts at the end of the 2018 financial year.

Last week the CEO and the Board met for a strategy session to review all aspects of the business. It was very productive in terms of identifying possible opportunities for the Company in each of the three geographic areas in which the Company operates, and in considering potential operational and corporate initiatives.

Capital is precious, and must be applied in the best interests of all shareholders.

The Board and the CEO will explore further possible opportunities, and we will update shareholders at the appropriate times depending upon how these develop.

I reconfirm that David Martin has the full support of all the Board. I thank him for his patience in getting to know us, and vice versa I thank my fellow board members for efforts in better understanding the range of initiatives which David has and continues to implement to improve the business.

I will now hand over to David to provide his CEO address.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Good morning ladies and gentlemen. This morning I will provide an overview of the Company's results for the 2017 financial year, and provide an update on some of our key strategic initiatives. Before I begin, I would like to personally thank the members of the Board, and especially our Chairman, for their attention to understanding the business and the initiatives we have already undertaken to set the business for future success. Our joint, single-minded purpose is to improve the returns and value of Spicers Limited going forward.

Our Regional Business Operations

I want to start by providing a brief overview of Spicers' current business operations. We operate regional businesses in Australia, New Zealand, and Asia (or ANZA for short). Our ANZA combined sales revenue is around AUD$380 million. We currently have 420 employees working across 5 countries and 19 locations.

Australia is our largest regional business, with operations in every State linked together as a national distribution network. Significant market positions in our traditional paper and packaging operations across all States are complemented by our strongly growing sign and display operations.

Our New Zealand business serves similar markets and sectors on a nationwide basis, with operations on both the North and South Islands with our Asian regional business having operational footprints in Singapore and Malaysia, and a sales office in Vietnam.

Our Product Portfolios

We now structure our revenue streams into distinct product portfolio 'verticals'. This categorisation helps us to focus on the performance and growth prospects of each product range. It also assists us in optimising the products and services that we offer to our customers in each geography.

Our traditional commercial print 'vertical' continues to be Spicers' most significant portfolio, and one that we are very focused on improving our position in. We believe that industry consolidation, such as the recent merger of our two key competitors in Australia, offers opportunities for Spicers to optimise our position with our Australian commercial print customers, delivering them more peace of mind as a stable source of supply.

Our digital media portfolio continues to expand. It provides our customers with leading brands, to enable strong organic growth in this important part of their business and we see double digit growth in this sector.

Spicers' range of high quality label and packaging materials enables our customers to create a premium on-shelf presence for their brands and stand out in today's crowded retail world. As the Australian and New Zealand wine market continues to build value in their brands, we believe Spicers' product portfolio offers the best opportunity for our customers to build this value. Our labelling, packaging and industrial packaging products have all delivered valuable growth for our business and are important to our EBIT growth story.

Spicers' range of consumable products available to our customers in the signage, visual display and graphics industries are second to none. We have leading positions in Australia and New Zealand, and we are focused on growing our position in the Asian geographies as we take advantage of our new key supplier agencies, now including 3M products.

Complementing our sign & display consumables offering, Spicers is proud to provide an extensive range of wide format printing and finishing equipment from leading suppliers such as efi®, Mimaki™, Roland and Elitron. We can tailor these offerings into complete hardware and support solutions for our customers.

We have also explored new market sectors in 2017, particularly the architectural sector, where we now offer a substantial range of interior finishes and exterior products for varied renovation and construction applications. We're encouraged by the success we have had in this sector in such a short space of time and we'll continue to fine-tune the right path for our business here. We represent excellent brands and reach our customers like no other single distributor can.

The 'Spicers Way'

Before I move on to review Spicers results for the 2017 Financial Year, I want to remark on the people in our business who have lived our vision and values, in 2017.

Our vision is to be the business partner of choice, by delivering on our promises, every day, and I saw all our employees working hard to deliver this during the year. I know our customers see this too, a committed team who will work even harder to win in 2018.

Our values:

- Accountability;
- Integrity;
- To be Collaborative; and
- To be Dynamic.

drove a change in approach in 2017 focused on delivering on opportunities in a difficult market environment. This continued mindset across our ANZA geographies will ensure we deliver on our 2018 objectives.

The 2017 Financial Year in Review

Sales and Earnings

I am pleased to be able to report that Spicers increased underlying EBIT (1) and significantly improved our operating cash flow performance in the 2017 financial year. A statutory profit after tax of $1.7 million was reported for the financial year.

Continuing sales revenue of $380.7 million across the ANZA businesses was 3.1 percent lower than the prior year. Sales revenue in commercial print categories generally fell in line with structural decline in these markets. Sign & display and other diversified revenues grew strongly, up 14.3 percent year-on-year, with excellent sales efforts in Australia and New Zealand delivering solid organic growth in both countries.

Underlying EBIT (1) for the 2017 financial year rose by 8.1 percent to $4.9 million. Our New Zealand and Asian businesses delivered strong and improved performances, while our Australian business suffered some weakness in its result as operations were restructured in challenging trading conditions.

There was a strong focus on cost reduction across the business, with trading expenses down year-on-year, by a total of $1.7 million across all our regional businesses. Tight control of trading expenses, particularly any discretionary expenditure, will continue to be a management focus in the 2018 financial year and beyond.

(1) Non-IFRS measure – refer Appendix 1

Continuing Corporate costs were $1.3 million, or 16.6%, lower than the prior year, with activities and costs rationalised as legacy issues, such as the Company's capital structure, continue to be resolved.

Combined with the trading expense reductions in our operating businesses, we reduced operating costs by $3.0 million in the 2017 financial year, and we have a strong motivation to further reduce costs in 2018.

Cash Flow and Working Capital

A cash inflow from operating activities of $6.3 million in the year was particularly pleasing and a very significant turnaround on the prior year. This was delivered through a sharp management focus on cash management and working capital.

Net working capital [(1)] levels fell by $7.5 million year-on-year, to $86.1 million at 30 June 2017, with the average working capital to sales ratio [(1)] for the ANZA businesses also falling to 25.1 percent. Our ongoing focus on working capital will continue to reduce aged inventory levels and improve some creditor terms.

The successful implementation of the Trust Scheme transaction to simplify the Company's capital structure in June 2017 marked a key milestone for Spicers. This, together with the subsequent renewal of the Board of Directors, gives us a strong, commercially focused, platform to move forward with the Company's strategies, which I will now move on to discuss.

Strategic Progress and Outlook

The Spicers 'Plan to Win'

Spicers' strategic framework has four key components:

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

  We are executing on a 'go-to-market' strategy for optimising EBIT and cash flow performance for each product portfolio. Each product portfolio has specific goals for margin contribution and return on inventory investment.

  We are focused on improving returns from our substantial 'core' print and packaging categories, particularly via delivering profitable growth and reducing our 'cost-to-serve'.

  'Positive-mix' refers to the product portfolios that we are focused on growing and expanding profit margins in, such as our sign & display and architectural offerings.

- Drive stronger market engagement to enable growth -

  We have focused on high quality engagement and interaction with our customers, with our goal being to support their business growth. This, and providing exemplary customer service, are vital in supporting our ambitions to maximise our own growth and profit returns.

(1) Non-IFRS measure – refer Appendix 1

- Maximise business and supply chain efficiency for profit and working capital –

  We use ‘LEAN’ methodologies to focus on improving the efficiency of activities, and reducing waste in our business. Our operational efficiency improved in 2017, with progress on new projects in the 2018 financial year expected to deliver further reductions in waste and improve our EBIT contribution.

- Develop our people –

  Our organisation and people must be dynamic and solutions-focused in this changing market place. Our sales force and operations have benefited from development in 2017 and this is already delivering positive outcomes in the 2018 financial year.

I will now move on to cover some of the strategic progress we have made in these areas.

2017 Strategic Progress

There are several key initiatives where the progress we made during 2017 has assisted in delivering the financial result for the year, and in establishing a strong platform for the future.

The changed approach to portfolio and product categorisation has driven more emphasis on profitability and return on inventory investment. This is driving aggressive rationalisation of poorly performing product lines in the range, leading to working capital benefits from improved inventory ageing quality and more relevant products for our customers. Whilst total inventory levels increased in the year, cashflow improved, with reductions in Australian aged inventory allowing us to invest in products that will lead to more regular income and higher inventory turns.

‘Vertical’ product categories have also brought an increased focus on our customer segmentation and pricing strategies. Positive margin effects from this have been noticeable in our trading results in recent months, particularly in Australia.

Our more structured approach to portfolio segmentation is also driving increased focus on identifying and developing new revenue streams.

As an example, our architectural product portfolio has been expanded in FY2017, with exterior materials added to our range of interior architectural finishes. We believe that this will provide an excellent platform for strong future growth in a sector showing strong organic growth.

The recent acquisition of Sign Technology Ltd, a leading supplier of LED and neon sign components in New Zealand, will provide both our New Zealand and Australian businesses with access to strong global brands in a market sector where we previously had a relatively small presence.

Our focus on people and culture is also delivering positive outcomes.

A ‘LEAN’ methodology to drive process simplification and efficiency is being introduced within the business, focusing first on our logistics and finishing operations. This ‘LEAN’ culture is enabling us to reduce business operational costs without customer impact and many projects have already yielded space savings, freight cost improvements and workflow efficiency.

A structured development process for our Australian sales leaders was implemented in 2017. This has been focused on recognising and providing customer value, and on identifying and developing the most profitable sectors of our business. Understanding our growth pipeline through this process better enables us to manage our inventory investments and service costs.

Finally, as I noted earlier in my address, we are very focused on controlling and reducing our operating costs.

As previously announced, cost savings from reduced corporate activities together with reductions in trading expenses from restructuring back-office areas in our Australian business, will deliver annualised full 'run-rate' cost saving benefits of $2.0 million in Australia alone.

Our need to reduce operating costs is paramount to achieving our profitability targets and we are achieving these positive goals.

Trading Update

I will now turn to providing an update on our trading in the first four months of the 2018 financial year.

Overall sales revenue across Spicers' regional businesses is in-line with the prior year, in generally flat markets.

Our focus on cost control has lowered trading expenses and corporate costs in comparison to the prior year, which is positively impacting our overall EBIT result for the first 4 months of FY2018.

We are continuing to focus on cash and working capital, with our operating cash-flow and net cash positions tracking as expected to date in the 2018 financial year. Due to seasonal trading patterns and related working capital movements, traditionally our cash flows are weaker in the first-half of the financial year than in the second half.

Conclusion

Our strategy going forward continues to be focused on maximising Spicers' returns and 'free' cash flows in print and packaging categories, while driving profitable revenue growth in sign & display and other new growth categories. We will engage with, and deliver for, our customers whilst developing a growth orientated, efficient and learning organisation for our employees and shareholders.

Further developing our culture of accountability and customer service is also strongly contributing to delivering on our strategies. We are convinced that continuing with our core strategies, is delivering a clear view of the future potential for Spicers and will generate a sustainable and successful future for your Company.

We are very much looking forward to 2018 and the success we know we will bring to your business.

Thank you.

For further information contact:

Investor and media queries:
David Martin, Chief Executive Officer, Spicers Limited
Tel: +61 3 9768 8337

About Spicers Limited (SRS)
Spicers is a dynamic and solutions-focused distribution business with an extensive network across Australia, New Zealand, and Asia. We offer a full suite of products and services to our customers, incorporating commercial print, digital media, label & packaging, industrial packaging, sign & display consumables and hardware, and architectural offerings.

APPENDIX 1

Non-IFRS information

Spicers financial results are reported under International Financial Reporting Standards (IFRS). The tables and analysis provided in this document also include certain non-IFRS measures, including underlying Earnings Before Interest and Tax (EBIT). These measures are presented to enable understanding of the underlying performance of the Company without non-trading items. Non-IFRS measures have not been subject to audit or review.

The non-IFRS measures used throughout this document are defined as:

- Underlying Earnings Before Interest and Tax (EBIT): statutory profit/(loss) before interest, tax, impairment of non-current assets, restructuring, and results from discontinued operations.
- Net Working Capital: comprises of the sum of trading operations receivables and inventories less payables as at the relevant date.
- Average Working Capital: comprises an average value calculated from monthly Net Working Capital balances in the relevant reporting period.
- Average Working Capital/Sales Revenue: comprises Average Working Capital divided by an annualised sales revenue value extrapolated from sales revenue for the relevant reporting period.