



Armidale Investment CORPORATION

ASX Company Announcements

22 June 2016

The Manager
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Armidale Investment Corporation Limited (AIK):

- **Independent Valuation of Investments:**
 - o **Hal Group Pty Limited (Hal)**
 - o **Riverwise Pty Limited (Riverwise)**
 - o **Platform Finance and Leasing Group Pty Limited (Platform Finance)**
- **Acquisition of Remaining 2% Equity in Hal Group Pty Limited (Hal) by AIK**
- **Dissolution of the Loan Note (between Hal and AIK)**

Independent Valuation of AIK's Investment in Hal, Riverwise and Platform Finance

Hal and Riverwise have been revalued resulting in an uplift in the value of the assets of AIK.

| | |
|-----------------------|---------------|
| | \$'000 |
| Hal revaluation | 14,441 |
| Riverwise devaluation | (2,471) |
| | <u>11,970</u> |

All other things being equal, the net tangible assets (NTA) as at 31 May 2016 would have 15.54 cents (rather than the 13.55 cents reported at the time).

Pitcher Partners Sydney Corporate Finance Pty Limited (previously Moore Stephens Corporate Finance Pty Limited) was again retained by AIK to assess the value of Hal and Riverwise. In addition, Pitcher Partners was also retained to assess the value of AIK's newest investment Platform Finance.

The Directors of AIK have received three independent valuation reports all dated 22 June 2016 for these investments. The valuations are as at 30 April 2016. These valuations, for the purpose of the financial statements as at 30 June 2016, are subject to audit sign off.



AIK Investment in Hal (100% Equity)

| | Low | High | Midpoint |
|--|---------------|---------------|-----------------|
| | \$'000 | \$'000 | \$'000 |
| Valuation as at 30 April 2015 | 24,793 | 28,138 | 26,466 |
| Revaluation increase in March 2016 (due to AIK acquiring Solar Fund's interest in the Loan Note) | | | 1,715 |
| Value held as at 30 April 2016 pre valuation | | | 28,195 |
| Valuation as at 30 April 2016 | 39,386 | 45,886 | 42,636 |
| Revaluation increase to be reported in the profit and loss during June 2016 | | | 14,441 |
| Offset of portion of Loan Note investment no longer held at cost | | | (209) |

The Hal valuation is conducted on a discounted cashflow methodology.

The main reasons for the \$14.4m increase in the value were:

- Increased forecast lease originations in 2017 to terminal value, due to increased channels to market, including Platform Finance, an increased panel of funders and increased confidence in the delivery of the business model; and
- AIK has reduced the intercompany interest rate charged for Hal debt from 15%p.a. to 10%p.a.; and
- A reduction in the mid-point discount rate used by the Valuer from 21% to 19%; primarily due to increased track record of origination and an increased funding panel, which outweighed the increased uncertainty created through higher forecast levels of lease origination of the next five year period; and
- The dissolution of the Loan Note has allowed consistent (market value) accounting for the entire interest held in Hal. Previously a portion was required to be held at cost. The effect of this is to remove the at cost amount, but add in the market value amount, this equates to a significant portion of the revaluation.

As has been done previously, the board has adopted the mid-point of the valuation.



AIK Investment in Platform Finance (60% Equity)

| | Low | High | Midpoint |
|--|---------------|---------------|-----------------|
| 60% holding | \$'000 | \$'000 | \$'000 |
| Current holding value of AIK's investment | | | 22,906 |
| Valuation as at 30 April 2016 | 23,100 | 26,035 | 24,568 |
| Theoretical revalued investment to mid-point | | | 1,662 |

The valuation is based on a multiple of maintainable earnings (being forecast earnings) range of 7.0X to 7.5X which equates to an implied historic EBITDA multiple of 7.4X to 8.4X based on FY16 normalised earnings.

The acquisition of 60% of Platform Finance was completed 21 December 2015 with an effective date of 1 December 2015 and as such the investment is held in AIK at the cost of acquisition, which the AIK Board believe equates to fair value. The Platform Finance valuation is based on a forecast maintainable EBITDA model, applying an appropriate multiple. The AIK Board have assessed the valuation and given AIK's holding value is in the range of the valuation, the AIK Board have determined not to revalue to the mid-point given the short period of time that AIK has owned Platform Finance and the lack of a track record in budgeting.

AIK considers the cost of acquisition at December 2015 continues to represent the market value of Platform Finance.



AIK Investment in Riverwise (the holding company of Leading Edge Group Limited)

| | Low | High | Midpoint |
|---|---------------------|---------------------|---------------------|
| | \$ per share | \$ per share | \$ per share |
| Valuation as at 30 April 2015 | 3.88 | 4.69 | 4.29 |
| Valuation as at 30 April 2016 | 2.03 | 3.09 | 2.56 |
| Current holding value of AIK's investment (\$'000) | | | 6,134 |
| Revalued holding (\$'000) | | | 3,663 |
| Write down to be reported in the profit and loss (\$'000) | | | (2,471) |

The valuation is based on a multiple of maintainable earnings (being forecast earnings) range of 5.5X to 6.0X.

The main reasons for the decrease in the value of Riverwise by \$2.5m were:

- Loss of a major supplier within the buying group business; and
- Declining revenues and margins in contracting retail markets within the buying group business; and
- Continued tightening of the commission revenue in the telecommunications businesses.

The above factors were slightly offset by increased value due to:

- Increases in revenue streams within the buying group from e-commerce initiatives and launching of new product lines; and
- An anticipated increase in stability in commission revenue in the telecommunication sector.

As has been done previously, the board has adopted the mid-point of the valuation.

Impact on the NTA

All other things being equal, the reported NTA for 31 May 2016 was 13.44 cents, with the adjustments to the valuations above, the 31 May 2016 NTA would have been **15.54 cents**.

AIK Now Holds 100% of the Equity in Hal

On 21 June 2016 AIK acquired the remaining equity in Hal for a sum of \$13,261. The equity in Hal has been previously been valued at nil due to the existence of the Loan Note, a debt owed by Hal to AIK. This transaction was conducted to simplify the structure and the financial arrangements between the entities. AIK therefore now holds 100% of the equity in Hal. Hal has a number of subsidiaries including TL Rentals Pty Limited, the operating lease entity, all of Hal's subsidiaries are 100% owned. The effect of this transaction on the NTA is immaterial.



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Dissolution of Loan Note between Hal and AIK

On 21 June 2016, AIK, as the only remaining party to the Loan Note, has dissolved the Loan Note owed by Hal to AIK. The effect of this commercial settlement is AIK's investment can now be recognised as equity rather than debt that simplifies the structure for operations and stakeholders. The effect of this settlement on the NTA is nil.

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