



Bapcor Limited

(ASX: BAP)

ASX Release

31 October 2016

Despatch of letter to Hellaby Holdings Shareholders

Bapcor Limited (**Bapcor**) advises that the attached letter has been despatched to shareholders of Hellaby Holdings Limited (**Hellaby**), in connection with its takeover offer of Hellaby.

The letter was issued by Bapcor in response to a number of statements made by Hellaby regarding revenue and EBIT projections in a letter dated 21 October 2016.

Bapcor's takeover offer for Hellaby closes on 20 December 2016 (unless extended in accordance with the Takeovers Code).

-ENDS-

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Takeover Offer in respect of Hellaby Holdings by Bapcor Finance Pty Ltd – Statements from Hellaby Holdings regarding revenue and EBIT projections

Dear Hellaby Shareholder

You will have recently received a letter dated 21 October 2016 from Hellaby Holdings Limited (**Hellaby**) in relation to the takeover offer (the **Offer**) from Bapcor Finance Pty Ltd (**Bapcor**). In that letter, Hellaby made the statement below to contend that, in its view, the Offer is opportunistic:

"We are well resourced and believe our new strategy and focus will allow us to achieve \$1 billion in annual revenues with \$100 million EBIT in five years' time."

We believe that a claim of this nature requires further detail to be provided to enable Hellaby shareholders to properly assess for themselves whether or not these projections are achievable.

If we were a Hellaby shareholder, we would have several questions with regard to the above statement:

1. \$1 billion in annual revenues: Hellaby's revenue from its Automotive and Resource Services businesses for the year ended 30 June 2016 would have only been approximately \$540 million, post adjustment for recent acquisitions.¹ The statement therefore implies revenue growth of greater than \$90 million per year or 13% compounded annually over the next five years. Acquisitions are likely required to achieve this level of growth. Hellaby has not publicly announced details of any specific proposed acquisitions and the market for acquisitions is a very competitive one (with the potential competing parties including Bapcor). How certain is Hellaby of achieving \$1 billion in annual revenues in five years' time?
2. Improvement in operating performance: the statement indicates Hellaby will improve its EBIT margin to 10% from 6.3%² in the financial year ended 30 June 2016. How does Hellaby expect to improve profitability?
3. Funding for future growth: the statement states Hellaby is 'well resourced' to achieve its growth projections. How much capital will Hellaby require to achieve its projections and how much additional investment will be required from Hellaby shareholders?
4. Business performance in FY2017: will Hellaby provide a FY2017 forecast that is consistent with the trajectory required to achieve its five year projections? Does year-to-date trading in Hellaby's business support such forecast?
5. Is this strategy new? Hellaby has been in the Automotive sector for over 20 years, and has owned Contract Resources for almost four years now. Is the strategy or the Board that oversees it really 'new'? Have these targets outlined above been delivered on in the past and will they be delivered on in the future?

We would hope that all of these questions are answered satisfactorily in Hellaby's target company statement and the independent adviser's report. However, we are surprised that Hellaby considers it appropriate to disclose to the market a five year projection for revenue and EBIT without also advising its shareholders of the assumptions, risks and contingencies associated with those projections – particularly when those projections are referred to in the context of Bapcor's Offer.

We encourage Hellaby shareholders to carefully consider these questions in deciding whether to accept our full cash Offer, which we believe **offers certainty**, and at a premium to recent trading in Hellaby shares prior to the Offer first being announced. If you haven't already, you will shortly receive the Offer Document and accompanying Acceptance Form in the post, and we would also encourage you to read this thoroughly and accept the Offer promptly.

Yours faithfully

Darryl Abotomey
Director
Bapcor Finance Pty Ltd

¹ The figure of approximately \$540 million represents total sales from Hellaby's core Automotive and Resource Services businesses, with pro forma adjustments to restate revenue as if a full years' worth of revenue was included from the recent acquisitions of TBS and Premier Auto Trade. As such, the \$540 million comprises Total Sales of the Automotive and Resource Services businesses of \$259.8 million and \$176.0 million, respectively (per page 32 of Hellaby's Annual Report for the year ended 30 June 2016), plus the following adjustments: (i) \$85 million of estimated annual revenue from TBS which was acquired in July 2016 (as stated on page 3 of Hellaby's Annual Report for the year ended 30 June 2016), and (ii) a \$19.9 million adjustment to reflect a full years' revenue from Premier Auto Trade which was acquired in May 2016 (note that the \$19.9 million is derived from Hellaby's estimate of \$24.0 million for Premier Auto Trade's annual revenue had the business been acquired at 1 July 2015, less \$4.1 million of sales already contributed to Hellaby's income statement from Premier Auto Trade since acquisition (per page 57 of Hellaby's Annual Report for the year ended 30 June 2016)).

² The EBIT margin of 6.3% represents total Trading EBIT for Automotive and Resource Services divided by Total Sales for those businesses, as shown on page 32 of Hellaby's Annual Report for the year ended 30 June 2016.