

19 December 2016

Dear Shareholder

**Re: Hellaby Advises Shareholders NOT TO ACCEPT the Bapcor Offer and Provides Half Year Guidance**

As you may be aware, Bapcor has recently increased its offer price to \$3.60 per share.

Your Independent Directors believe the revised offer price of \$3.60 continues to undervalue Hellaby and its businesses, and that greater value would be realised either under Hellaby's communicated growth strategy or through a carefully managed, timely and orderly divestment of Hellaby's businesses.

**The Hellaby Independent Directors' view on the value of our company has not changed. Our recommendation remains not to accept the revised Bapcor takeover offer of \$3.60 per share.**

The reasons for the Hellaby Independent Directors' recommendation are:

- The Independent Directors believe that Bapcor's revised \$3.60 offer price does not reflect fair value for Hellaby and all its businesses; nor does it reflect the particular value of Hellaby's Automotive Group to Bapcor. The offer price is at the very bottom of the Independent Adviser's value range of \$3.60 to \$4.12.
- While Bapcor has increased its offer price to shareholders, no increase in offer price has been provided to the TBS Right holders. The Independent Directors recommend that the TBS Right holders not accept the unchanged Bapcor takeover offer.
- Bapcor has stated that it is only interested in Hellaby's Automotive Group and that it intends to sell Hellaby's other business groups. The Hellaby Board believes that Bapcor is attributing insufficient value to these other businesses and will be motivated to sell them as quickly as possible. This would be at a low point in Contract Resources' trading history and before the restructure of Footwear is completed.
- In recent years Hellaby has successfully sold, at the appropriate time, the Packaging and Equipment Groups, realising full value for shareholders. The Board believes that a carefully planned and controlled divestment process, would be more likely to realise the embedded value of the Hellaby businesses and provide value of more than \$3.60 per share.
- Attractive dividend streams would still be available to shareholders, either under a planned near term divestment process up to the time of divestment, or through a medium to long term focused growth and development strategy.

It is now eight weeks since Bapcor launched its takeover bid. Over that time, only a very small number of shareholders have accepted the Bapcor offer. The feedback we are receiving is that a significant number of shareholders believe the revised offer price still undervalues their company.

Shareholders are also disappointed that Bapcor has refused to allow a dividend to be paid, in addition to the offer price, which would have enabled shareholders to benefit from the utilisation of imputation credits from tax paid earnings achieved in the first half of the current financial year.

If the Bapcor offer fails, the Hellaby Board's intention would be to immediately confirm an interim dividend in line with its existing dividend policy, as well as pay a special dividend to allow shareholders to benefit from the capital gain realised on the Equipment Group sale.

The Hellaby Board's primary objective is to consider the interests of all shareholders. We have had several discussions with Bapcor regarding the value of the offer in order to establish a fair and balanced takeover offer and framework that we would support. While this has resulted in an uplift of \$0.30 cents per share, the Independent Directors believe the increased offer price continues to undervalue Hellaby.

The Board also notes there will be significant complexities for Bapcor should it reach a majority threshold, waive the 90% condition and complete the offer on that basis. This would include material restrictions on related party transactions, independent director appointments to the Hellaby Board and their duty to act in good faith and in the interests of the company as a whole.

If Bapcor achieves a majority of acceptances and waives the 90% condition, the Hellaby Board will carefully review these circumstances and the associated risks and options for shareholders and advise shareholders accordingly.

**To REJECT the Bapcor offer, simply ignore the offer document from Bapcor and do nothing.**

### **Half Year Guidance**

The Board of Hellaby has also recently provided half year trading guidance for the first half of the 2017 financial year to 31 December 2016, with a Group Net Profit After Tax of between \$38.5 and \$39.5 million (FY16: \$4.7m). This includes a gain of approximately \$34.5 million realised on the sale of the Equipment Group.

The full guidance announcement can be read on the Hellaby website at [www.hellabyholdings.co.nz](http://www.hellabyholdings.co.nz).

Shareholders are encouraged to seek professional investment and/or legal advice if they have any questions in respect of the offer.

The Board and management of Hellaby would like to wish all our shareholders a festive holiday season.

Yours sincerely



Steve Smith

Independent Chairman on behalf of the Independent Directors of Hellaby Holdings Limited