

NZX Announcement

14 December 2018

Methven and GWA enter into Scheme Implementation Agreement

Highlights

- *Methven has entered into a Scheme Implementation Agreement with GWA, valuing Methven at \$118m.*
- *The total value to Methven shareholders is up to \$1.65 per share comprising an offer price of \$1.60 per share plus a permitted dividend of up to 5 cents per share.*
- *GWA recognised the strategic merits of a partnership with Methven, and has presented a compelling offer which is subject to shareholder and court approval.*
- *Methven's Independent Directors have recommended the offer, subject to no superior proposal arising and Grant Samuel's independent adviser report concluding the offer price is within or above its valuation range.*
- *The maximum value to Methven shareholders represents a 43% premium on yesterday's close¹ and prices in future growth opportunities for Methven shareholders.*
- *Methven's Jomac Place facility in Auckland becomes the innovation hub for showers and taps for the enlarged group.*
- *Irrevocable undertaking to vote in favour of the scheme provided by 19.9% shareholder, Lindsay Investment Trust, subject to there being no superior proposal.*
- *Shareholders to vote on the transaction at Extraordinary General Meeting expected to be held in March 2019.*

Methven Limited (“**Methven**”) is pleased to announce that it has entered into a Scheme Implementation Agreement (“**SIA**”) with GWA Group Limited (“**GWA**”), which would see the Australian-listed kitchen and bathroom group purchasing all of the shares in Methven subject to shareholder and court approval and other conditions being met.

The total value to Methven shareholders of up to \$1.65 per share, is comprised of an offer price of \$1.60 cash per share (“**Offer Price**”) plus a permitted dividend of up to \$0.05 per share payable out of first half FY19 profits (“**Permitted Dividend**”).

In entering into the agreement with GWA, the Methven Board considered Methven's growth aspirations and international revenue and earnings momentum, and concluded that the value offered by GWA provided shareholders with an early benefit of projected future value uplift without the risk. The Board also concluded the two businesses were strategically and culturally complementary, operating in similar product categories, with similar growth aspirations and aligned values, making GWA an obvious partner.

Methven is a proud New Zealand manufacturer and innovator, and it was crucial for the Board and our largest shareholder Lindsay Investment Trust that Methven's manufacturing and innovation expertise is maintained in New Zealand as part of the transaction. Finding a partner who not only supported this strategy, but actually wanted to extend it to become the innovation hub for showers and tapware for the enlarged group, created an even more compelling proposition.

¹ Maximum value of up to \$1.65 includes the permitted dividend of up to \$0.05 per share

Methven's largest shareholder Lindsay Investment Trust intends to vote all of its Methven shares in favour of the Scheme, subject to no superior proposal arising.

GWA has made certain commitments that it will support the design, innovation and manufacturing base for Methven's taps and showers business in New Zealand. This will ensure that Methven's taps and showers business in Auckland, New Zealand remains an innovation and research and development centre for GWA's overall business and that, as a consequence, jobs relating to these functions are retained in New Zealand.

The transaction will be implemented by way of a scheme of arrangement ("**Scheme**"), which is a process under which a meeting of shareholders is called and a vote is conducted to approve the sale. No date for that meeting has been set as yet but it is expected to be held in March 2019. The Scheme is also conditional on approval of the High Court and the New Zealand Overseas Investment Office.

The Independent Directors of Methven have commissioned Grant Samuel to prepare an independent adviser's report to assist them and Methven's shareholders in assessing the merits of the Scheme. That report is expected to be sent to shareholders in February 2019 along with Methven's Notice of Meeting. Subject to Grant Samuel's report concluding that the offer price of \$1.60 per Methven share is within or above Grant Samuel's valuation range, and no superior proposal arising, the Independent Directors:

- recommend that Methven's shareholders vote in favour of the Scheme; and
- intend to vote their Methven shares (or those of their associates) in favour of the Scheme.

Subject to reviewing Grant Samuel's report, the Independent Directors of Methven believe that the Scheme represents a compelling offer. The maximum value of \$1.65 per share offered to shareholders through the Offer Price and Permitted Dividend represents:

- An EV/EBIT multiple (for the 12 months ending 30 June 2018) of 13.5x²;
- A premium of 43% to Methven's closing price of \$1.15 on 13 December 2018, the last trading day before the SIA was announced; and
- A premium of 50% to Methven's volume weighted average price for the 12 month period to 13 December 2018³.
- A value higher than Methven's share price has been at any time in the last 7 years⁴.

Methven Chair Alison Barrass said the attractive offer from GWA demonstrated a high level of confidence in Methven and is an endorsement of the transformation that has taken place in the business in recent years.

She added "The Board remains confident that Methven is well positioned to deliver growth across all its divisions by leveraging its core intellectual property and award-winning designs. However, the value offered, which includes the Permitted Dividend, is highly attractive as it does acknowledge future growth in Methven and allows shareholders to realise value today."

Mrs Barrass said that given there was a high level of understanding between both parties, a Scheme proposal was seen as the best and fairest way of expediting this transaction and providing certainty of outcome within a defined timeframe at an agreed and compelling value.

² Based on 73.48 million shares on issue, net debt as at 30 June 2018 of \$22.64 million and reported FY18 EBIT of \$10.67 million

³ 12 month VWAP from 14 December 2017 to 13 December 2018 (the last trading day before the SIA was announced)

⁴ Methven shares last traded at or above \$1.65 in 2011

A scheme of arrangement is a court-approved process. The exact details of the Methven shareholder meeting to approve the Scheme will be put to the High Court for approval ahead of a Methven shareholder meeting to consider the Scheme expected to be held in March 2019. The Scheme requires the approval of both (i) 75% of all votes cast by shareholders in each interest class; and (ii) 50% of the total voting rights attaching to Methven shares (whether or not voted).

Mrs Barrass said “The Independent Directors strongly encourage shareholders to consider the materials that will be provided, and to exercise their right to vote either in person or by proxy. By voting, shareholders can have their say in determining the future of their investment in Methven.”
Methven is being advised by Forsyth Barr Limited and Simpson Grierson.

Attachments

Appendix 1 – Scheme Implementation Agreement

- ends -

For more information, please contact:

Geoff Senescall, Senescall Akers, +64 21 481 234, senescall@senescallakers.co.nz

About Methven

Methven is an NZX-listed market-leading designer and manufacturer of showers, taps and valves. Our business is headquartered in Auckland where we design, develop and manufacture many award-winning products and technologies. Our international operations see our products distributed in Australia, China, UK, Middle East, USA and Europe in addition to our home market of New Zealand.

For more company information, visit www.methven.com/nz

About GWA

GWA is Australia's foremost designer, importer and distributor of iconic brands and products, servicing and enhancing residential and commercial bathrooms and kitchens across Australia and New Zealand. The product range is distributed under market leading brands including Caroma, Dorf, and Clark. The Group remains committed to growing shareholder value through its strategic focus on superior solutions for water within the Bathrooms & Kitchens business which has strong market positions, market-leading brands and significant growth opportunities. The Group has been operational in the New Zealand market for more than 40 years.

For more company information, visit www.gwagroup.com.au