

Smiths City enters conditional agreement for sale of its retail and finance operations

Smiths City (NZX.SCY) today announces it has negotiated a conditional agreement to sell Smiths City businesses in a transaction that values the assets at around \$60 million.

While the sale gives the Smiths City business a strong foundation on which to build, Directors believe Smiths City's ordinary shares will retain no value following the sale.

The sale involves the acquisition of all of Smiths City Finance and the great majority of Smiths City's stores. Approximately seven of the company's 29 stores will not be acquired under the transaction and will close as a result of the Group's strategic review. The final number of stores to be sold is dependent on the lease transfers and new lease terms being agreed for those transferring stores.

The purchaser is Polar Capital, a business owned by Colin Neal, founder of the refrigerated logistics company Big Chill. In addition to acquiring the stores Polar Capital has also committed to taking over certain other liabilities. These liabilities include commitments Smiths City has made to customers that have paid deposits for, or are awaiting delivery of, goods.

Finally, the agreement also envisages offers of employment being made to approximately 75% of Smiths City's 465 staff.

The transaction values the assets to be transferred to Polar Capital at around \$60 million, however with the purchaser assuming some debt and other liabilities, the net amount expected to be received is \$8 million.

The agreement is conditional on, among other things, Polar Capital securing finance. Directors anticipate the agreement settling on 22 May 2020.

Smiths City Chair Alastair Kerr said: "As we signalled at the end of March and earlier this month, the Covid-19 pandemic has delivered a material and significant shock to the business. This shock has substantially shortened the time available for the turnaround programme that was the cornerstone of the company's strategic plan. Faced with this shorter timeframe, it became clear that Smiths City needed to bring new capital into the business to drive the turnaround.

"In addition to taking steps to preserve cash and contain costs in the face of these new trading conditions, the Board has explored numerous options to secure an injection of new capital. These efforts have included discussions with our existing largest shareholders, and other potential strategic investors, to underwrite a broader capital raising. We have been helped throughout this wide-ranging process by our advisers PwC.

“However, it has now become clear that the transaction we have announced today offers the greatest opportunity for Smiths City to endure for the long term. It also offers the greatest opportunity to protect the jobs of as many of our staff as we can in this uncertain time. We are hopeful that under new ownership Smiths City will prosper.”

Polar Capital’s Colin Neal said: “Smiths City has been part of the New Zealand retail landscape for more than 100 years. It is a trusted brand that has been synonymous with providing great quality, excellent value and attentive no-nonsense service.”

Mr Neal reiterated his commitment that all Smiths City’s customer commitments would be honoured.

“If a customer has paid Smiths City for a product, they will get the product. I am looking forward to working with the Smiths City team to build on this proud legacy. I am also grateful for the resilience and continuing loyalty they and the broader community of partners, have shown as we worked through this period of uncertainty.”

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About Smiths City Group Limited

Smiths City Group (NZX.SCY) was founded in Christchurch in 1918 and has a proud tradition as one of New Zealand’s oldest and largest retail chains. The company floated on the stock exchange in 1972 and operates stores nationwide. It also operates the Smiths City Finance, and the Smiths City Commercial businesses. On the web: www.smithscity.co.nz and www.smithcitygroup.co.nz.