

NZX AND MEDIA RELEASE

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Smiths City enters receivership at Board's invitation

Appointment of receivers follows an agreement to sell stores and Smiths City Finance to Polar Capital

Smiths City (NZX.SCY) today announces it has invited its largest secured creditor ASB to appoint receivers to Smiths City Group Limited and Smiths City (Southern) Limited ("the Companies"). As a result, Colin Gower and Diana Matchett of BDO Christchurch and Andrew Bethell of BDO Auckland have been appointed as the Joint Receivers and Managers of the Companies.

The appointment of the Receivers follows the conditional agreement announced to the NZX on Monday 18 May 2020 to sell all of Smiths City Finance and most of Smiths City's stores to Polar Capital, a business owned by Colin Neal, founder of the refrigerated logistics company Big Chill. It also follows Polar Capital's confirmation on Wednesday 20 May 2020 that it had secured ongoing funding for the assets it intends to acquire.

Rather than putting the sale of the assets to Polar Capital to a shareholder vote, Directors sought to appoint receivers for the following reasons:

- Smiths City's shareholders' approval was the only condition outstanding.
- Smiths City's ordinary shares will retain no value following the sale¹.
- Further delay risked jeopardising the completion of the sale and a reduction in the amount available to secured and unsecured creditors. The business cannot function without the confidence of suppliers and customers.
- A receivership would ensure the timely and orderly transition of the assets to Polar Capital, protect their value and the jobs of the approximately 350 people expected to transition to the new owners with the sale.
- The Board considered an insolvency process was inevitable. If shareholders rejected the transaction, the Board would have requested that Receivers be appointed as the financial position of the company was not sustainable.

In the knowledge that shareholder value was extinguished, the Board's duty became to preserve as much value as possible for creditors. The appointment of Receivers today was necessary to fulfil that duty.

Immediately on appointment the receivers waived the remaining condition and settled the sale.

All stores are open as usual today. As advised to the market earlier today, Smiths City will close seven

¹ As announced to the NZX, the transaction values the assets to be transferred to Polar Capital at around \$60 million including debt, other liabilities, and a cash consideration of around \$8 million. Nevertheless, after the sale Smith City Group's liabilities would exceed assets by a significant margin.

stores as the result of a restructure. Those stores: Mount Wellington, Porirua, Lower Hutt, Kapiti, Whangarei stores, the Invercargill clearance centre and the Christchurch outlet store, are expected to be closed in the coming weeks.

The Receivers' first report on the state of affairs with respect to the property in receivership will be prepared no later than two months after their appointment.

Smiths City Chair Alastair Kerr said: "While the outcome is disappointing for shareholders, we are pleased to have been able to take steps to protect Smiths City's legacy and the hundreds of jobs that will transition to the new business. The Board will now work to ensure an orderly transition of Smiths City Group to the Receivers."

Polar Capital's Colin Neal said: "Smiths City today opens a new chapter in its more than 100-year history of serving heartland New Zealand. All the stores we have acquired will be open for trading today, doing what they do best: offering great quality products, excellent value and no-nonsense service.

"Commitments made to customers will be unaffected by the receivership and the sale. If, customers have paid for a product they will get the product. I am looking forward to working with Smiths City's people and the communities in which we operate to build on the company's position at the heart of New Zealand retailing."

The Board is also sending the **enclosed** letter to shareholders today to give further background on why this course of action has been necessary.

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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.