Investor update
Issue 12 | JULY 2016

Hellaby

HELLABY UNVEILS NEW STRATEGIC DIRECTION

Building respected businesses in clearly defined and attractive markets that create shareholder value is a key priority for Hellaby under its new strategy as a focused long term and committed business owner.

Hellaby has identified two attractive investment markets, both of which offer considerable growth, scale and investment potential going forward – Automotive and Resource Services.

These two business Groups will be Hellaby's primary focus for development through acquisition and organic growth, and together they have the potential to deliver more than $1 billion in consolidated revenues, believes Hellaby CEO, Alan Clarke.

In parallel, Hellaby has decentralised its operating model, scaling down its corporate office and empowering each Group to take on responsibility for its own performance outcomes and market development.

This new strategic direction was announced following an in-depth six-month review, undertaken by Alan, after he joined the company in November 2015.

Alan said: "I was delighted to find that Hellaby has some fantastic scalable business groups, managed and run by some truly talented people. Going forward, they will be empowered with far more responsibility and accountability. With our commitment and support, I believe they can add considerable value and deliver attractive investment returns to our shareholders."

Hellaby's corporate office will, in turn, focus on capital management and provide strategic oversight and support for each business Group.

The Automotive Group is led by Colin Daly, with a new CEO, Ivor Ferguson recently appointed to the Resource Services Group. Both executives have experienced and highly knowledgeable business teams behind them, whom Alan describes as 'Hellaby's biggest asset'.

"Hellaby has undergone a major transformation in the past 18 months, with divestments of over $110 million, including the conditional sale of the Equipment Group, and around $85 million of investment into four earnings accretive acquisitions", says Alan. "We are now focused on two very attractive and well led business Groups which we have identified as providing long term future investment opportunities and value for us.

"We have the balance sheet to fund future growth opportunities and see each Group having the potential to achieve revenues of NZ$500 million in five years, generating attractive earnings at EBIT in large scalable markets."

As well as its focus on growth, the Board is committed to continuing to pay consistent annual dividends. "We believe this new clear strategic approach will enhance our long term shareholder value and deliver attractive near term investment returns", said Alan.

See back page for more detail on Hellaby's core Groups and the opportunity in each.

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SALE OF EQUIPMENT GROUP FOR $81 MILLION

A conditional agreement has been reached to sell Hellaby's Equipment Group for $81 million to private equity fund, Maui Capital Aqua Fund.

The sale is expected to realise a capital gain on book value of around $30 million, after costs and working capital adjustments.

The Equipment Group is New Zealand's leading heavy equipment sales, servicing and forklift rental business. It has a long record of delivering value and it represents a number of high profile brands.

Alan Clarke commented: "The Board has been working through a comprehensive strategic analysis of Hellaby's business model since late last year. Midway through this, an unsolicited approach was received from Maui Capital and, after careful consideration, the Board determined that the terms of the offer would crystallise considerable value for Hellaby's shareholders.

"Importantly, we are also satisfied that our staff and clients will be in safe and capable hands going forward, with an owner who has significant expertise and is committed to taking the Equipment Group to the next stage."

Settlement is expected to take place in the next few months once all transaction conditions have been met.

Proceeds from the sale of the Equipment Group will be earmarked for further investment into Hellaby's core Automotive and Resource Services Groups, after initially being used to reduce debt.

Key Facts: Equipment Group Divestment

- Sale price of $81m
- Expected capital gain of approx. $30m after costs and working capital adjustments
- Settlement expected to occur in the next few months

INVESTOR CENTRE

The Hellaby Holdings investor update is published in the middle and at the end of each year. We hope you find it useful and informative, and we welcome your feedback or suggestions.

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INVESTOR CALENDAR

Financial year end:	30 June 2016
Release of annual result	25 August 2016 (provisional)
Shareholder meeting	10 October 2016 (provisional)

NEW LEADER SIGNALS POSITIVE CHANGE FOR RESOURCE SERVICES

Over 30 years spent working in the oil and gas industry has given senior executive, Ivor Ferguson, the experience and expertise needed to take on the new role of CEO of Hellaby's Resource Services Group.

Ivor is highly respected in the industry, having worked or consulted for many of the world's largest oil and gas companies, including Shell, Woodside Energy and Global Energy Group. He has senior leadership experience in blue chip companies as well as in more entrepreneurial environments. His most recent role was CEO of Clough Amec, an Australian joint venture between two multi-billion dollar global companies to deliver services to the oil and gas industry.

Ivor knows the Contract Resources business well and says the opportunity to develop and implement a new strategy for this highly regarded business is an exciting challenge and one where he sees lots of upside.

"I am delighted to be joining such a well established and successful company. Due to the early vision, leadership and very hard work of the founders, Contract Resources has grown over 27 years into an excellent services company with an impressive portfolio of loyal and valued clients.

"Now under the corporate stewardship of Alan and the Hellaby Board, Contract Resources is destined to enter a promising new phase in its life. The opportunity to develop and implement a new strategy over the coming months, for the next stage of growth for this highly regarded business, represents an exciting challenge for me, and one where I see lots of upside, locally and internationally", said Ivor.

CEO of Hellaby, Alan Clarke, said: "Ivor is a superb addition to an already talented team. We see huge potential in the Resource Services market and we carried out an international search to identify a CEO who was as excited about the opportunities as we were.

"Ivor has a depth of industry experience and a track record in leadership, cost efficiency, organisational growth, project delivery, change management and delivering profitability in difficult environments. He is ideally suited to grow value for our shareholders and lead our Resource Services Group into an exciting future, as we look to build on our existing high quality portfolio of project work, as well as develop new and more stable revenue streams."

Ivor Ferguson: Key Facts

- Over 30 years' experience in the oil and gas industry
- Extensive career journey with a diverse range of small to large operators, contractors and service providers
- BSc in Electrical Engineering and MSc in Management (with distinctions)
- Member of Australian Institute of Company Directors
- 52 years old. Currently based in Perth with wife Carol and 3 children

TAKING A STRONGER HOLD ON THE MARKET

ACQUISITION OF TBS GROUP

One of Ivor's first duties as CEO will be to integrate Hellaby's recent acquisition of TBS Group into the Resource Services Group.

TBS is a specialist industrial asset maintenance provider, with a 45-year history of providing key maintenance services to a wide range of New Zealand clients in the oil and gas, agricultural, construction and power generator markets.

It is an attractive add on for the Resource Services Group and complements Contract Resources' international focus in the highly specialised and technical industrial services including catalyst handling, mechanical services and specialised cleaning for major oil, gas, petrochemical and heavy industrial customers in four key regions around the world.

Ivor said: "We see TBS Group complementing our existing Contract Resources business and enhancing our combined service offering, both in New Zealand and ultimately, internationally. This expanded service offer will assist in dampening the earnings volatility the Resource Services Group has experienced in recent times."

Andy Wells, Executive Director of Contract Resources, says that TBS' award-winning approach to safety is a natural fit for the Zero Harm culture in Contract Resources.

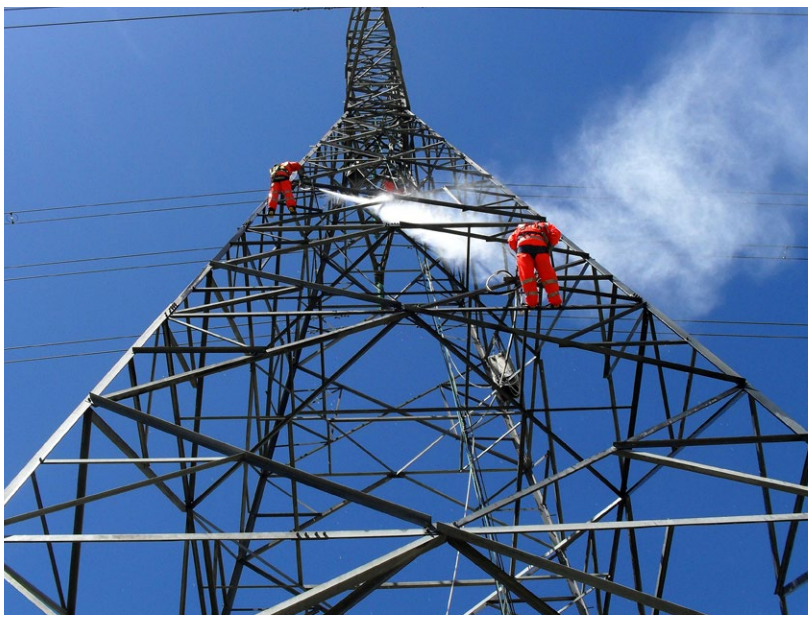
"TBS has a long history of successful joint ventures and informal partnerships with a variety of different organisations across New Zealand. They hold preferred contractor status for a number of key clients, based on the high quality workmanship delivered by their experienced and specialised workforce. There are no plans to change either their leadership or operations and we are delighted to be welcoming TBS to the Group."

Hellaby paid an initial $45 million, in a mixture of cash and shares, in a two-part transaction for TBS, with a second payment of up to a further $6 million based on TBS achieving twelve month earnings targets.

TBS GROUP

TBS Group: Key Facts

- Specialist industrial asset maintenance
- Approx. 450 employees across New Zealand
- NZ$45m acquisition price plus up to $6m in earn out payments after twelve months.
- Initial consideration comprises $40.5m in cash and $4.5m in Hellaby ordinary shares
- Currently generating approximately $85m in annualised revenue
- Expected to add approximately $8m in annualised EBIT in FY17



LONG TERM PARTNERSHIP BUILT ON COLLABORATION

Contract Resources and Refining NZ celebrate quarter century relationship

CONTRACT™ RESOURCES

A shared vision to continually find better ways to do things in a highly technical field has led to an enduring relationship between Contract Resources and Refining NZ, the only oil refinery in New Zealand and the leading supplier of refined petroleum products to the New Zealand market.

Refining NZ takes crude oil bought by its customers and refines it into high quality transport fuels at its Marsden Point refinery. Their high standards and focus on quality outcomes is at the heart of what they do and that's where Contract Resources plays an important role.

The two companies have worked together since 1990 and, in fact, Refining NZ was Contract Resources' first major client, says Andrew Wells, Executive Director of Contract Resources, with many of the same relationships and people still in place 26 years on.

Collaboration is at the heart of the commercial partnership.

"Many of our people have been trained and upskilled while working on projects for Refining NZ," says Andrew. "We carry out a variety of work for them, from catalyst handling and mechanical services to specialised industrial cleaning and decontamination work.

"We work closely together to continually innovate and find new and better ways to carry out our work and benefit our client. The cross pollination of skills, techniques and people is a fantastic outcome from this collaborative approach."

Exacting safety and quality standards are one of the reasons Refining NZ has Contract Resources pegged as a long term, preferred supplier.

Refining NZ Project Director, Dave Cunningham, describes the refinery at Marsden Point as critical energy infrastructure which relies on expert service providers to help ensure the refinery remains reliable and running safely.

"Core to our relationship is Contract Resources being regularly involved in planned maintenance shutdowns, to which they bring a body of knowledge, understanding of processes on site and ability to work with management and our shutdown team.

"In the last 12 months Contract Resources has also been involved in our $365m Te Mahi Hou project – assembling specialist reactor, equipment internal components and loading catalyst for the newly commissioned petrol making kit. What has always impressed us is the importance Contract Resources places on bringing their "A team" to the customer."

Key Facts: Contract Resources

- Specialist international technical services provider
- Clients include refineries, petrochemical plants, mineral processors, chemical plants, renewables and utilities companies
- Operates in a number of countries
- Enduring relationship with Refining NZ for more than 26 years

www.contractresources.com

AUTOMOTIVE CONTINUES AUSTRALIAN EXPANSION

Premier Auto Trade joins the Hellaby stable

Hellaby is continuing to grow its share of the Australian auto-electrical market, with its latest acquisition being Premier Auto Trade, a specialist importer and wholesaler of quality electronic fuel injection and engine management and service components.

The A$13 million acquisition follows the successful June 2015 acquisition of JAS Oceania, an Australian wholesale distributor of auto-electrical, automotive air conditioning and lighting components.

Hellaby Automotive CEO, Colin Daly, says the acquisition is a strong strategic move as the Group looks to build its market share in the Australian market.

"The automotive market is typically divided into three segments – mechanical, electrical, and tyre and wheel. We have identified a strong opportunity in the Australian electrical segment, where about 50% of the market is made up of small to medium size businesses providing highly specialised services and products.

"We now have four businesses in this space – JAS Oceania, Federal Batteries, Diesel Distributors which also operates in New Zealand, and Premier Auto Trade – and we estimate our market share to be around 12%.

"Premier Auto Trade is an attractive acquisition with strong sustainable earnings that will expand our product range and footprint and provide additional scale and trading synergies within the Australian auto electrical sector."

Colin sees a number of synergies and benefits from the acquisition and says that, given the growing scale of the group, this will be a clear focus for the Automotive Group over the next 12 to 36 months.

"Ultimately we are striving for a future state where our customers will be able to access a full catalogue of products from the different businesses within the Hellaby Automotive Group. In line with this, we will be implementing an integrated systems plan and reporting platform across all our businesses."

Key Facts: Premier Auto Trade

- Specialist auto-electrical importer and wholesaler
- Six sites across five states in Australia
- A$13m acquisition price
- Generating A$22m in revenue
- Expected to add A$2.6m EBIT in FY17

www.premierautotrade.com.au
www.hellabyholdings.co.nz/automotive.php

MEET THE NUMBERS MAN

James Sclater is the numbers man on the Hellaby Board, the chair of Hellaby's audit and risk committee and a chartered accountant with over three decades of hands on accounting and financial expertise.

James has worked across a number of different sectors including health, construction and industrial, and his role as a partner for Auckland accounting firm, Brown Woolley Graham (which became Grant Thornton), gave him exposure to many more.

One of his first jobs after leaving University was with Marvel Comics in London, when the business was printing more than 200,000 Spiderman comics every week. He then moved into a career in corporate accounting, ending with an 18-year partnership position at Grant Thornton.

James has been a professional director since 2008, and has served on the Hellaby Board for the past seven years, overseeing the company's continuing evolution into a stronger and more focused organisation.

"When I first joined the Board, the company had no clear focus and was a jumble of eclectic businesses, some good and some bad. A new management team was brought in under CEO John Williamson to put a new structure in place, introducing disciplined processes and procedures, a strict reporting framework and strategic goals and targets. By 2012, we were back on track, however, by 2015, it was clear that a mindset change was needed to take Hellaby to the next step in our growth, and Alan Clarke was appointed to take Hellaby up to the next level."

James says Alan's fresh thinking has revitalised the company and, along with the rest of the Board, he is a big supporter of the company's new strategic positioning as a long term committed business owner with a clear focus on core sectors.

"We have a solid presence in the Automotive sector and there are a number of good opportunities for bolt on acquisitions and growth. While Resource Services has been affected by an unusual year of volatility, it is also an area where we see a long term future and lots of potential to add value."

James says Hellaby's share price is not indicative of the positive progress the company has made and the outstanding growth it has delivered, particularly in recent years.

However, share price is not the 'be all and end all' for James, who says profitability and maintaining an attractive dividend for shareholders is the priority for him.

COMMUNICATIONS WIN FOR HELLABY

Successfully communicating a complex business - and one in a state of change - helped garner Hellaby Holdings the NZX Emerging Leaders Best Corporate Communicator award at the 2016 INFINZ Awards.

The Award, open to all listed companies outside the NZX50, was presented to Hellaby's CFO, Richard Jolly, by award sponsor, Tim Bennett, CEO of the NZX.

The Judges said their decision "reflected how well Hellaby's communications dealt with the complexity of that company's business and the change in strategy now underway" as the company moves from being an investment holding company to a long term business builder and owner.

Richard Jolly commented: "We consider an effective communications strategy is vital.

"Over recent years we have put a lot of time into shareholder communications, introducing Investor Updates and Fact Sheets, creating a more informative website and generally just getting out there on the road in the regions, meeting with shareholders, brokers and anyone interested in hearing the Hellaby story.

"Winning this Award and the favourable feedback we are getting from our shareholders confirms to us that we are on the right track."

INFINZ
2016 CATEGORY AWARD WINNER

Hellaby CFO, Richard Jolly, with NZX CEO and Award sponsor, Tim Bennett.

GO ELECTRONIC

More than a third of our investors now receive communications from us electronically. If you'd like to receive other communications from Hellaby by email, please login or register at www.investorcentre.com/NZ. Select 'My Profile', then click 'Update' from the 'Communications Preferences' tile. You will need your CSN/Shareholder number and FIN to register for this online service. On-going you will access this service with your own User ID and Password.

Are your details correct?

Are your details correct? To change your address, update your payment instructions and to view your registered details including transactions, please visit: www.investorcentre.com/NZ. You will need to log in as mentioned above to register these changes.

Equity research coverage:

Hellaby continues to attract a strong following from the country's largest investment houses. Key analysts covering our shares include:

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A WORD FROM ALAN: *Hellaby Managing Director Alan Clarke*

Q: You've now been with Hellaby for eight months. What are your impressions of the company so far?

Hellaby has some fantastic market leading and scalable business groups where there are significant opportunities for us to really add value and deliver attractive investment returns to our shareholders.

Yes, the first few months have been challenging. And there is still near term earnings volatility in some of our Resource Services markets. So a key focus will be to complement these more volatile higher margin revenues, with lower margin but steadier and more predictable earning streams.

Regardless, I have been impressed by the talented, experienced and highly knowledgeable technical and management teams in each business and, going forward, they will be empowered with more responsibility and accountability.

Q: What does being a committed long term business owner mean to you?

Long term ownership is a commitment like a marriage. You have to gain trust and confidence in each other and you have to weather the good and bad and with that you learn and you grow – together.

It also means that we now have a very clear focus that our investors can understand, and they will mark us by how well we operate and what value we add. For our staff and clients, there is continuity and certainty and an ability to look at both the near and long term investment returns.

We have identified two core business groups which excite us and which we believe offer attractive long term potential for investment growth, being Automotive and Resource Services. Together, we believe these two Groups have the ability to deliver over $1 billion in revenue with attractive profits in five years' time.

As we have previously advised, the Footwear Group has been identified as non-core. While this Group is well run, it struggles in a difficult fashion retail market and Hellaby is not a fashion retail specialist! We are in the process of restructuring the two businesses in this Group and we will find them a new and safe home at the appropriate time.

Q: Resource Services has been identified as one of your core Groups. What opportunities do you see in this sector?

The global opportunity for Resource Services is estimated at over $200 billion pa[1]. Our Contract Resources business will be the cornerstone of this Group, with other acquisitions such as the recent $45m acquisition of TBS Group, expanding our offer. Ultimately, all businesses will operate seamlessly under one management and board structure.

Contract Resources is a respected and sought after international organisation that undertakes highly specialised industrial maintenance work primarily for oil and gas clients around the world … it literally does specialised, technically difficult work that most other companies can't do.

The lion's share of our work is in catalyst handling and specialist pipeline maintenance services in the oil and gas sector. This is profitable, high margin, specialist work, but it is also very dependent on specific refinery shutdown periods which are dictated by economic conditions.

When oil prices are low and price pumps are high, refineries don't want to lose potential revenue by shutting down. When oil prices are high, refinery margins are put under pressure and they don't want to spend the money on high cost maintenance work. So while it is very profitable for us, it is a volatile operating environment, as a change in oil price can also mean a change in a refinery's maintenance and shut down schedules.

Oil pricing in FY16 has been unusually volatile and this has impacted on our international contracts in this sector, leading to the recent downgrade in our forecast for the year.

It is important to note that we also have a large presence in the mineral processing industry where we again work in technically demanding environments, in large complex installations, providing essential specialist pipeline and mechanical maintenance services.

Q: Can you tell us more about your plans to smooth out earnings in the Resource Services sector?

What we are looking to do now is three-fold and will be driven by our new Resource Services CEO, Ivor Ferguson:

1. Develop a wider range of services and/or products to offer to new and existing clients: Either additional specialised work we can do during a refinery shutdown or other routine maintenance work that is not dependent on a shutdown, thereby providing our clients with a wider one stop solution;
2. Identify additional businesses we can acquire to strengthen our existing foothold and which will add depth through new technologies, services and geographic presence;
3. Build and widen our global customer base into other significant industry areas by building on our oil and gas expertise and extending our offer into other areas where we can add value such as mineral processing, agricultural processing, technical mechanical maintenance services and power generation.

These initiatives will provide diversification and smooth the more volatile, high margin earnings from existing specialist activities with the aim of generating steadier and more predictable earning streams going forward. This will take time to achieve and we need to be patient.

Q: Automotive is your other core Group. What is the potential in this market?

The opportunity in the trans-Tasman trade services automotive sector is estimated at over $3 billion pa[1]. Hellaby is a significant player and a market leader in New Zealand, with a growing auto-electrical group in Australasia.

The New Zealand headquartered Group is a market leading trade wholesale and distributor supplying parts and componentry across all three segments of the automotive sector – mechanical, auto-electrical and tyre and wheel. On-going investment opportunities will be made into organic expansion complimented by bolt-on acquisitions to strengthen this Group's existing presence in each segment.

In Australia, we have identified a large opportunity in the electrical sector and we will be looking to strengthen our position with bolt on acquisitions such as the recent Premier Auto Trade acquisition which complements the JAS Oceania business we bought last year.

Q: Was the sale of the Equipment Group planned?

Midway through our strategic review, we received an unsolicited offer from Maui Capital which is looking to build its presence in this market.

Our conclusion was that the offer was an opportunity to realise the considerable value that has been built into the Equipment Group during our ownership.

We know the Maui team and we respect them as responsible business owners and the Board felt the terms and price represented good value for our shareholders.

Q: What can shareholders expect to see in the next year as the strategy rolls out?

One of the important elements in our new strategy is to provide our shareholders with a clear understanding of what we are about, what we want to achieve and how we are going to get there.

We will be investing into growth and expansion of our two core business Groups and shareholders can expect to see the benefits of this in our evolving financial performance.

We also believe that the market and existing and new investors will see Hellaby as an exciting investment that gives them access to the multi-billion dollar potential in the Automotive and Resource Services markets, through our long term business ownership model.

We are a long term, committed business owner with a strong organisational culture that nurtures and supports our people and our core businesses. Our focus is on businesses which provide innovative solutions in selected specialised industrial services sectors.

WE ARE FOCUSED ON DELIVERING:

- Consistent performance improvement
- Attractive long term organic and acquisition growth prospects in large scalable markets
- Capital efficiency
- Above market medium-to-long term shareholder returns
- Superior governance and management

CORE SECTORS		NON-CORE
INVEST AND GROW		**HOLD**
AUTOMOTIVE	**RESOURCE SERVICES**	**FOOTWEAR**
Mechanical sector Tyre and Wheel sector Auto Electrical sector	Contract Resources Group TBS Group	Hannahs Number One Shoes
New Zealand and Australian market estimated at over NZ$3 billion pa[1]	Global market estimated at over $200 billion pa[1]	New Zealand market estimated at $500 million[1]
Growth Opportunities: Fold in acquisitions to strengthen segments Organic expansion in New Zealand and Australia Focus on Australian auto-electrical market	**Growth Opportunities:** More stable earnings opportunities Organic geographic expansion in Middle East, Australia and the Americas Acquisition, technology and geography growth	To be restructured and divested at an appropriate time

[1]Market estimates based on Hellaby management analysis and assumptions