# HELLABY HOLDINGS LIMITED
# 2016 ANNUAL MEETING ADDRESSES

## 3. AGENDA

Ladies and Gentlemen, welcome and thank you for being here today at the 2016 annual meeting of shareholders of Hellaby Holdings Limited.

My name is Steve Smith and I am the chairman of the board.

Today is an opportunity for you to hear from both myself and our Managing Director and CEO, Alan Clarke, on our performance, our new strategy and the significant potential we see ahead of us for each of our core business groups. You will also hear from the CEOs of our Automotive and Resource Services Groups.

And of course, I'll also be talking to you about the unsolicited takeover notice we have received from Bapcor.

Following our presentations, there will be an opportunity for discussion and any questions you may have in regards to the presentations.

We will answer questions on the resolutions at the time they are proposed and there will be a further opportunity at the end of the meeting for you to ask any other general questions about the company and our operations.

I advise that the Company Secretary is holding proxies for 49,034,542 shares, representing 50.17% of the issued ordinary capital.

Just a couple of pieces of housekeeping. You will find the toilets located in the corridor outside this room. In the unlikely case of an emergency please follow directions from the venue staff and head to the nearest exit.

Members of the media are welcome, however we would request no recording or photography please while the shareholders' meeting is underway. We are happy to talk to you and provide comment after the meeting.

We are recording today's meeting, and the video will be available within 48 hours on our website.

## 4. DIRECTORS

Before we commence, I'd like to introduce you to my fellow directors – Alan Clarke, who was appointed as our new CEO and managing director in November last year; Paul Byrnes, Mark Cowsill, Gary Mollard and James Sclater. Richard Jolly, Hellaby's CFO and company secretary, also joins us on the stage.

## 5. LEADERSHIP TEAM

Hellaby is privileged to have talented, experienced and highly knowledgeable people working in our businesses, and I would like to thank them for all their efforts and hard work.

It is never easy when a business undergoes significant change as we are doing under our new strategy and our people have remained focused, positive and supportive of the changes we are putting in place. I would like to thank all our Hellaby people and welcome those who are here today.

Along with Alan, we have key members of our leadership team here today – Richard Jolly; Karen Urwin, who looks after acquisitions and development; and Colin Daly who heads up our Automotive Group and who you will have an opportunity to hear from this afternoon. Unfortunately, Ivor Ferguson, the new CEO of our Resource Services Group was unable to be with us today due to a long standing personal commitment, however, he will be talking to you about his vison for the Resource Services Group via a pre-recorded video.

I would also like to welcome our auditors, lawyers and advisers, and thank them for the service they provide to Hellaby.

## 6. CHAIRMAN'S ADDRESS

The Notice of Meeting and the 2016 Annual Report and financial statements have been circulated or made available to shareholders, a quorum is present and I therefore declare the meeting open.

## 7. TAKEOVER NOTICE

Without more ado, I'll move onto the topic that I know most of you would like to hear more about, the notice of takeover offer.

Bapcor is an Australian auto-parts business. Earlier this year, they approached us in regards to buying our Automotive Group. As we were in the process of defining our new strategy and believed that Automotive was a very valuable and important part of that strategy, we took the discussions no further.

On Tuesday 27 September 2016, we received a takeover notice from Bapcor Finance Pty Limited, a subsidiary of ASX-listed Bapcor Limited. This was unsolicited and unexpected.

Your board has considered the takeover proposal and our preliminary view is that the Bapcor offer is opportunistic and does not represent fair value for your shares in Hellaby.

We have appointed Grant Samuel to provide an independent review of the offer and the directors are also forming their own view of the offer, assisted by our financial advisors Forsyth Barr and our specialist legal advisor Harmos Horton Lusk. This will be communicated to shareholders in the Target Company Statement in the next few weeks.

We recommend you do nothing with your Hellaby shares until you receive the board's formal recommendation on Bapcor's offer which will be part of the Target Company Statement. You will also receive a copy of the Independent Adviser's Report which will contain the independent adviser's commentary on the merits of what Bapcor has put on the table.

The fact that Bapcor intends to make an offer speaks to the reputation and strength of our automotive businesses. Obviously Bapcor sees a lot of value in Hellaby's Automotive Group and its future potential in both New Zealand and Australia, as do we. They have publicly referred to the synergies of bringing these businesses together.

As announced, we have a growth strategy in place, focused on our two core groups, and do not accept that we should be forced to delay many planned initiatives during the bid period. We want to ensure that we can continue with a "business as usual" approach during this time, while acknowledging the distraction and disruption to our people.

As you will have heard, our largest shareholder – 27% shareholder Castle Investments Limited which is owned by the Hugh Green Trust – has indicated a desire to sell. Hugh Green Group has been a very supportive major shareholder for over two decades, however, the family circumstances following Hugh

Green's death in 2012 have altered, with certain matters being litigated. The court-appointed trustees of the Hugh Green Trust are present today.

It is important to note that directors take their responsibility seriously to act in good faith and the best interests of the company. In the current circumstances this means to consider the interest of all shareholders; to maximise value for shareholders; and to extract full value for any assets sold.

The next steps in this process will be to receive the formal takeover offer, to prepare our Target Company Statement in response to the offer, and receive the Independent Adviser's Report on the value of Hellaby shares, plus advice from our team of advisers. At present, we expect that the Target Company Statement and Independent Adviser's Report will be sent to shareholders around the end of October. There will be considerable communications around the takeover offer in coming weeks. I urge shareholders to read it all carefully.

We believe that Hellaby has a very attractive future and I reiterate that the board considers that the Bapcor offer price undervalues your company.

As shareholders, you will probably receive a formal offer from Bapcor before you receive our reports and recommendations. There is no need for you to deal with the offer quickly or immediately. Once it is made, it will be open for at least 30 days. If you accept the offer, you won't be able to change your mind. As a result, there is no advantage to you in accepting the offer before you hear from us.

We suggest you wait, read carefully what we have to say, take your own advice if you want to – but don't feel pressured into doing anything quickly, even if someone from Bapcor rings you to ask you to accept the offer.

## 8. FY2016 KEY EVENTS

Hellaby underwent considerable change in the 2016 financial year.

Of note was the appointment of Alan Clarke as Managing Director and CEO in November 2015.

Following a very considered and careful review by group executives and the board, we undertook to make changes to our strategic direction and Alan will talk to you more about this shortly.

We now have a very clear and defined focus on two core groups where we see considerable opportunities to add shareholder value – Automotive and Resources Services.

During the year, we invested into new businesses for both these Groups – the A$13 million acquisition of Premier Auto Trade and the $45 million purchase of TBS Group which settled at the start of the new financial year. These are both financially strong businesses which add scale to our Groups and expand our presence in our target markets.

We restructured our corporate office and moved to a new decentralised business model, and this incurred some costs which were realised in the FY2016 results.

We also announced the conditional sale of our Equipment Group for $81 million. This settled on 30 September, and will realise a gain on sale of around $30 million.

We were also thrilled to be awarded the INFINZ Award for Emerging Leaders Best Corporate Communicator. We want our shareholders to be engaged in the business and we have been trying very hard to communicate with shareholders, and in fact, Alan and Richard have just undertaken a comprehensive investor roadshow across the country. Unfortunately, this was cut short in Invercargill due to the takeover notice but we will be back to finish what we started once the air has cleared.

## 9. FY2016 FINANCIAL SUMMARY

2016 was a challenging year for our company, with very soft trading in the oil and gas markets which impacted on our Contract Resources business and our overall financial performance.

Overall, it was a soft result following many years of improving performance and growth.

Sales were up on last year but margins across the company came under increasing pressure. We reported a full year result which was at the top end of our May 2016 guidance.

Alan Clarke will take you through the financial results shortly.

## 10. TOTAL SHAREHOLDER RETURNS

We continue to measure ourselves by TSR.

For FY2016, this was disappointing at negative 3.4%, primarily impacted by the Contract Resources trading conditions, with the share price softening to $2.50 in the month of June following our full year guidance.

This was not up at the level that we want, but did improve subsequent to year end. In recent weeks, and before the takeover being announced, our share price had risen by well over 20%, and exceeded $3.00 ex dividend.

Total Shareholder Returns remains an important measure for the company in assessing board and management performance.

## 11. DIVIDEND

The board declared a final fully imputed dividend of 12.5 cents per share for FY2016, which was paid to you on 30 September. This took our total dividend for the year to 21.5 cents per share, which is the same dividend rate as last year.

Yes, this was a higher dividend per share than Earnings Per Share but this reflects the directors' confidence in our future maintainable earnings stream. Additionally, we have made around $30 million dollars' capital gain on the Equipment Group sale since year end, which was not reflected in our FY2016 accounts.

Feedback from our investors reinforces the importance of this level of dividends to our shareholders, in the very low interest rate environment.

## 12. CAPITAL MANAGEMENT

We have actively reviewed our capital management during the year, and believe that our gearing level is satisfactory.

We made more than $15.0 million of debt funded acquisitions during the year and received $2.3 million final settlement payment on the Packaging Group sale that occurred in FY2015.

M&A is an important part of our strategy and we still have a number of opportunities in front of us.

## 13. EVENTS SINCE YEAR END

A number of significant events have occurred since the end of the 2016 financial year.

We settled the acquisition of TBS Group on 1 July 2016 and the sale of the Equipment Group on 30 September 2016. We welcome Chris Ross, Charles Cook and Graham Matthews – each of them directors of TBS Group who are all here today, and who are all now Hellaby shareholders.

Ivor Ferguson started as CEO of the Resource Services Group at the start of the new financial year and has spent the past few months getting down into the detail of these businesses. He will be presenting his strategic plan to the board in the coming weeks and we are looking forward to hearing his vision for the future of the Resource Services Group.

We have appointed retail specialists - John Elliot and Roger Harper, together with advisory board member Ron Halls, who are all here today - to develop new strategies for the Footwear Group and set a path for improved performance, before we again review opportunities to divest it. We have previously been approached by parties interested in buying the Group, but the terms have been inadequate and the board believed they would have been detrimental to shareholders, compared to the benefits of restructuring the business first.

## 14. GOVERNANCE

The directors have had a very busy year, given the number of significant changes during the year, as well as our goal to review governance processes, including:

- The Hellaby CEO search process leading to the appointment of Alan Clarke
- The review and modification of Hellaby’s strategy, involving our narrower industry focus, with consequential changes to our organisational and management structures, to introduce a decentralised business model and a culture of empowerment and accountability down to and through our business groups.
- An externally led board Performance Evaluation Process was completed in March this year
- Review of Remuneration Policy, particularly around performance incentives
- A succession plan for the board, and a search process for new directors

We were well down the track towards finalising the appointment of two new directors following the Annual Meeting, when the notice of takeover was given by Bapcor. These proposed appointments reflect the board’s objective to increase diversity, including gender and geography, and includes persons with strong background and experience to support the Resource Services area. We are excited about adding this experience to the board.

However, the current circumstances are such that it is appropriate to defer these director appointments, as the current board and management manage the takeover process. The director candidates are understanding of this, and remain very keen to join the Hellaby board, and to contribute to the evolution and implementation of the Hellaby strategy.

Gary Mollard had advised us of his intention to retire from the board at this Annual Meeting. Gary has made a positive and valuable contribution to Hellaby since his appointment in 2009. At my request, Gary has agreed to be temporarily re-appointed to the board after the Annual Meeting, by the directors, and will then retire permanently once the outcome of the takeover is known. We appreciate that this is somewhat unusual – to retire at this Annual Meeting, and be re-appointed – however this is a pragmatic approach by Gary and the board. I would like to sincerely thank Gary not only for his service and contribution to the Hellaby board, but his willingness to extend his tenure.

Finally, we have become corporate members of the NZ Shareholders Association, and we welcome the role of and our interactions with the Shareholders Association, led by John Hawkins, during the year.

## 15. A STRONG FUTURE

We now have a clearly defined focus on two core business groups that operate in multi-billion dollar markets.

We have experienced and talented leadership teams in place, with oversight and support from the Hellaby executive team and the board.

I would like to reinforce the board's focus:

- Building the strength and performance of our core businesses
- Ensuring that they evolve in a changing world, both from the usual competitive forces, and also from the many changes happening around all manner of emerging technologies, and we identify the opportunities for our Hellaby business groups to innovate in ways that will further increase our ability to provide solutions to our customers
- Developing our business leadership and also emerging talent, and strengthening a performance based culture right through the layers of our business.

The opportunities ahead of us are significant and we are excited about what the future holds as we build our presence in these two very large markets.

Again, I reiterate, that the board believes the Bapcor offer is opportunistic and does not represent fair value for Hellaby. We urge you to do nothing until you receive the Target Company Statement from Hellaby, which will include the independent adviser's report and the board's recommendation.

Thank you for listening. I will now hand over to Alan Clarke to talk to you more about his vision for Hellaby and our new strategy.

Thank you.

## 16. MANAGING DIRECTOR'S ADDRESS

Thank you Steve.

It is a pleasure to be with you today and to address you at my first Annual Meeting at Hellaby.

## 17. INTRODUCING ALAN CLARKE

I thought it would be useful to let you know a bit more about me and why I agreed to join Hellaby.

After sixteen years at Abano, I had announced my retirement when I was approached by the Hellaby board to consider the role of CEO and Managing Director.

I have had more than the average CEO's experience of addressing a shareholders meeting with respect to a takeover bid and I was certainly not expecting to be doing that again!

## 18. HELLABY HISTORICAL PERFORMANCE AND SHARE PRICE HISTORY

I had admired Hellaby for many years as a stellar financial and success story in the early 2000's, and then as a remarkable financial recovery story under John Williamson's stewardship from 2008 to 2015.

From 2000 to 2005 Hellaby was a sharemarket darling as it bought and bought and bought an astonishing array of New Zealand businesses, positioning itself as a listed investment holding company.

Following a steep fall from grace from 2005 to 2009 there was a strong financial recovery achieved from 2009 to 2013 … And the market recognised the work that was being done, albeit with a "conglomerate" discount factor.

However, in 2013 the share price stalled at around $3.00, even though Hellaby's financial performance continued to materially improve.

## 19. TRACK RECORD OF SUCCESS

So, why did this happen?

When I look to value a business I look for three things:

- Growing financial performance with an established track record of solid EPS growth
- Very good communication processes; and
- A clear and compelling strategy that captures the investors' imagination.

Notwithstanding the 2016 result, Hellaby was clearly a financial success story.

I then looked at the Hellaby communication material and I was impressed, so much so that I filled in the Institute of Finance Professionals New Zealand (INFINZ) application form … And Hellaby won the 2016 award for Emerging Leaders Best Corporate Communicator.

So that left Hellaby's strategy.

When I asked shareholders and investors what they thought, the answer was broadly the same …Hellaby is a great company, a New Zealand stock exchange icon … But what do you actually do?

## 20. HISTORICALLY – LISTED INVESTMENT COMPANY

As I said, as a listed investment company Hellaby has owned an astonishing array of businesses. The company positioned itself with a by-line of Buy Build Harvest. And this list shown here is just the businesses owned under Renouf Corporation.

## 21. OUR NEW STRATEGY

After a careful analysis of the existing business groups, we agreed that two of these operated in large scalable markets and both offered very attractive investment opportunities – the Automotive and Resource Services Group.

A third core Group was considered but the Equipment Group offered investment challenges and midway through our review process we were approached by Maui Capital to buy this business from us … on the 30 September 2016 we received $81 million in consideration and Peter Dudson and the Equipment team are now in safe compatible and competent hands.

The fourth Group, Footwear, we have reaffirmed as being non-core.

When I talk to Hellaby investors and analysts there is often a wry smile when we mention Footwear. Yes, the Footwear Group has been for sale since 2008 and for a variety of reasons it never sold. The core problem was Hellaby never said “Retail Footwear is not a core business”.

Just because we own the equity, does not make us subject matter experts. So we removed the Group from all sale processes and we have appointed two full time experienced retail experts and an expert advisory board member to advise and implement significant structural change and position this Group for a sale process in around 24 to 36 months’ time.

I acknowledge the management of that Group here today and, in particular, I recognise David Gordon and Stephen Cook and I thank them for their steadfast support through this almost decade long sale process. We will find you a safe committed owner who can share your vision and assist you in achieving it the years ahead.

However, to be clear, Footwear is noncore and it will be sold.

## 22. HELLABY FIVE YEAR PERFORMANCE AND SHARE PRICE COMPARATIVE

So let’s have a look at what happened in FY2016.

Sales at $795 million were marginally up on 2015, but earnings of $46.8 million at Trading EBITDA, $31.4 million at Trading EBIT and $19.6 million at NPAT were well down on FY2015 and slightly up to flat on the previous five years.

In December 2015, we issued market advice that the first half of FY2016 would be well down and again we issued guidance in May for the full year.

While our actual performance came in at the upper end of the half and full year guidance range, it never-the-less was a disappointing performance and an abnormally soft year.

## 23. FY2016 GROUP PERFORMANCE

The FY2016 performance was primarily a result of a very soft and volatile year in Contract Resources, the only business in the Resource Services Group for the year, as well as soft year-on-year performances in Footwear and Equipment.

Contract Resources saw revenues fall by $13 million year-on-year and high fixed costs of mobilised but idle crews saw EBITDA and EBIT fall to lows of $11 million and $2.9 million respectively.

This business is a market leader with an international reputation. It has a high market share in the specialist oil and gas sector and as a result was heavily affected by shutdown delays caused by low international oil prices.

Important lessons have been learnt and a new strategy has been implemented to diversify revenues and de-risk our reliance on short term high value contracts. The acquisition of the TBS Group and the appointment of Ivor Ferguson as our new CEO for this Group are central to this strategy and Ivor will cover this later in his video address.

The next impact was our Footwear Group which continued its soft trading performance with same store sales down again for the fourth year. As a result, revenues fell by $3.5 million with earnings at EBITDA and EBIT falling to lows of $4.3 million and $1.3 million respectively. Again a high fixed cost business with a 117 store network and over 1,000 employees.

Hellaby has received indicative offers on this business in the last twelve months; those offers were opportunistic. The board carefully examined the last offer, which would have required a multimillion dollar write-off. We determined that implementing the restructure plan was in the best interests of our shareholders. It avoided a multi-million dollar write down of shareholders’ funds, is a good plan put together by retail experts, and we believe it will change the trend of business performance, making the Footwear Group more profitable more valuable and more saleable.

The restructure plan has been agreed and is now being implemented. This will result in abnormal costs to Footwear of about $6 million in FY2017, more than offset by the one-off gain on sale of the Equipment Group.

The Equipment Group, while a solid performer, also experienced falling margins partly because of a change in the sales mix and partly because of a weaker NZ dollar. The business was conditionally sold to Maui Capital in May and we received $81 million on settlement on 30 September 2016.

Finally, the Automotive Group contributed well in the period benefiting from acquisitions but also seeing good core growth in the mechanical BNT business which was offset with some softness in our battery businesses.

Revenues were pleasingly up by $59.6 million with earnings modestly up $1.2 and $0.6 million at EBITDA and EBIT. This followed extensive investment into strengthening the management team and in start-up costs associated with our move into Truck and Trailer Parts.

This business group has a stunning future ahead of it and Colin Daly will present to you that vision.

## 24. FY2016 SECOND HALF PROGRESS

An enormous amount was achieved in the second six months of FY2016:

- The Hellaby Corporate office was restructured and two senior positions were removed with an annualised saving of over $1 million per annum
- The Equipment Group was sold and the gain on sale of approximately $30 million will be included in our FY2017 half year results
- We acquired the TBS Group, adding $85 million in revenue and $8 million at EBIT; diversifying and underpinning Contract Resources; and establishing a new complimentary model to roll out around the world
- We acquired Premier Auto Trade, a specialist auto electrical business, which is merging with JAS Oceania in Australia. This is making Hellaby's Automotive auto electrical group an emerging market leader for internal combustion solutions as well an important channel in the diversification that we see coming as electrical solutions grow as an alternative transportation energy source
- We carried out a global search process and secured Ivor Ferguson as the new CEO for the Resource Services Group, adding breadth and experience to an already talented team
- Most importantly, we have a clear understanding of who we are and where we are going.

## 25. GOING AHEAD

We recently took this plan and the achievements of the last six months to the market. Richard Jolly, our CFO, and I attended 13 meetings around New Zealand in the last three weeks, talking to investors, shareholders, brokers and analysts about the Hellaby strategy and direction.

The plan was to hold around another eight investor meetings, but we were cut short by the Bapcor takeover when Steve Smith called me midway through a presentation in Invercargill to return to Auckland - all because someone else valued this strategy and was proposing to bid for the company.

The pleasing thing was that at the time of the call, Hellaby's share price had risen to $3.04 post our 12.5 cents per share dividend record date, making that a $3.165 valuation with average daily increases over the previous ten days.

The Hellaby story has always been there, but it was lost in the confusion of a listed investment holding company. The true core focus is now clear and is just now emerging.

We have an attractive future and an opportunity to build something quite special going ahead. In fact, our suitor's own ASX success is similar to what we can also achieve.

They have a market capitalisation that is over four times that of Hellaby and that is exactly our opportunity, and that is exactly why they want to buy us.

The hard yards have been completed and your company is in great shape with expert staff, great management teams, a strong board and a very strong balance sheet.

We have a very clear understanding of who we are and where we are going and what our focus is.

We are well resourced and well positioned to achieve $1 billion in revenues with a 10% EBIT in 5 years' time.

I will now hand you over to Colin and Ivor who will talk to you about what that future looks like. Thank you.

## AUTOMOTIVE PRESENTATION – COLIN DALY

## RESOURCE SERVICES PRESENTATION – IVOR FERGUSON BY VIDEO

## 45. ALAN CLARKE: HELLABY OUTLOOK

Thank you Colin and our thanks to Ivor for his virtual address.

Hellaby is in great shape and we have a clear plan with a clear understanding of who we are and what we do.

The two core groups you have just seen present significant investment and value creation opportunity to Hellaby's shareholders.

Growth of EBIT and EPS is a core objective … and delivering on that opportunity is a key focus for the management team.

We have a truly talented team of technical experts around the world who are respected professionals in their industries and who add enormous value to their customers every day, by keeping businesses and vehicles working and safe.

The surprise bid for Hellaby has caused a great deal of distraction and uncertainty in our teams and we are working with them as this process unfolds.

The opportunity for Hellaby's shareholders is perversely highlighted by the bidder. It has pointed to the synergy that could be gained between the two Automotive Groups. What they neglect to say is that synergy benefit would be for their shareholders to enjoy.

Under the bid, Hellaby's shareholders would not benefit from any synergies and, at the price indicated, you would exit for cash at a value that is way less than the value that the bidder's own shareholders enjoy.

And that is our opportunity. Our story is just starting and the upside opportunity is considerable.

Thank you for listening and thank you for your support.

I now hand you back to Steve.