



13 September 2023

ASX ANNOUNCEMENT

Divestment of Pental Consumer Products Business

Branded home, hygiene and e-commerce product developer and supplier Pental Limited (“**Pental**”, or the “**Company**”) is pleased to announce the divestment of the Pental Consumer Products Business and Shepparton manufacturing facility subject to certain conditions precedent, including shareholder approval and an independent expert concluding that the transaction is *fair and reasonable*.

Divestment Highlights

- Pental to divest to Selleys, a division of DuluxGroup (Australia) Pty Ltd, (“**Selleys**”) the Pental Consumer Products business (excluding Duracell and Bondi Soap) and the Shepparton manufacturing facility for a total sale price of \$60m (excluding debtors and creditors) on a debt and cash free basis, subject to adjustments and subject to certain conditions precedent, including shareholder approval under Listing Rule 11.2 and an independent expert concluding that the transaction is *fair and reasonable* (“**Proposed Transaction**”).
- Proposed Transaction expected to complete on or around 30 October 2023, following shareholder approval and satisfaction of other conditions precedent.
- Following completion of the Proposed Transaction, and subject to further review at the time of completion of the Proposed Transaction (and again at the time of the second special dividend mentioned below), Pental intends to return approximately 31 cents per share back to shareholders through the following:
 - a fully franked special dividend of up to approximately 6 cents per share (aggregate of \$10.2 million) (expected to be paid on or around 15 December 2023);
 - an intended capital return of up to approximately 18 cents per share (aggregate of \$30.7 million) subject to shareholder approval at Pental’s 2023 annual general meeting and tax advice (expected to be paid on or around 15 December 2023); and
 - an additional fully franked special dividend of up to approximately 7 cents per share (aggregate of \$11.9 million) to be paid 8 months after completion of the Proposed Transaction.
- The above distributions to shareholders are in addition to the fully franked dividend of 1 cent per share to be paid on 6 October 2023 (as disclosed in Pental’s FY23 results announcement on 31 August 2023).
- Following the sale, payment of the expected dividends and capital return (aggregate up to approximately \$54.5 million), payment of transaction and separation costs (approximately \$5 million) and repayment of bank debt (\$1.3 million), Pental is expected to have a healthy positive net cash position.
- Pental committed to grow its e-Commerce business, with clear strategy and strategic investments.



PENTAL LIMITED

SUITE 3, LEVEL 17, 390 ST. KILDA ROAD, MELBOURNE
VICTORIA AUSTRALIA 3004
TELEPHONE +61 3 9251 2311 FACSIMILE +61 3 9645 3001
ACN 091 035 353 ABN 29 091 035 353

www.pental.com.au

- Pental's directors unanimously recommend Pental shareholders vote in favour of the sale of the Pental Consumer Products business and the Shepparton manufacturing facility in the absence of a superior proposal and subject to an independent expert concluding that the transaction is *fair and reasonable* and intend to vote any shares they own or control in favour of the Proposed Transaction subject to those same qualifications.
- Pental's major shareholders have informed Pental that they are supportive of the Proposed Transaction and have provided unconditional (approximately 19.90%) and conditional (approximately 22.98%) commitments to vote in favour of the Proposed Transaction which in aggregate (together with the conditional voting commitment received from Pental's independent director Mark Hardgrave (see below)), represent voting commitments in respect of 43.09% of the voting shares in Pental as described further below.
- Pental's major shareholders Alan Johnstone and John Homewood have informed Pental that they are supportive of the Proposed Transaction and have undertaken in favour of Pental to vote shares held or controlled by them in aggregate representing approximately 19.9% of the voting shares in Pental in favour of the Proposed Transaction.¹ Alan Johnstone and John Homewood have separately informed Pental that they intend to vote the remaining shares held or controlled by them in aggregate representing approximately a further 19.07% of the voting shares in Pental² in favour of the Proposed Transaction, in the absence of the directors of Pental recommending a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the Proposed Transaction is *fair and reasonable* to non associated Pental shareholders (the "**Voting Qualification**").
- Pental's other major shareholder, Kevin Bamford, who holds or controls 3.91% of the voting shares in Pental, has also informed Pental that he is supportive of the Proposed Transaction, and has confirmed that he intends to vote such shares in favour of the Proposed Transaction, subject to the Voting Qualification.
- Mark Hardgrave, an independent director of Pental, who holds or controls 0.21% of the voting shares in Pental, has separately confirmed to Pental that he intends to vote such shares in favour of the Proposed Transaction, subject to the Voting Qualification.³
- The Board believes that the Proposed Transaction represents an offer from a reputable global counterparty, an attractive price and provides a bright future for the longevity of the brands, facilities and employees.

¹ Alan Johnstone and John Homewood have each undertaken to vote 16,960,720 fully paid ordinary shares (representing in each case approximately 9.95% of Pental's voting shares) held or controlled by him in favour of the Proposed Transaction.

² For John Homewood this is 13,299,280 fully paid ordinary shares (representing approximately 7.8% of Pental's voting shares) and for Alan Johnstone this is 19,204,141 fully paid ordinary shares (representing approximately 11.27% of Pental's voting shares).

³ This confirmation supplements the conditional commitment by Mark Hardgrave to vote in favour of the Proposed Transaction made in his capacity as a director of Pental as noted above.

Divestment – Pental Consumer Products and Shepparton manufacturing facility

Pental and its wholly owned subsidiary Pental Products Pty Ltd have today entered into binding transaction agreements to sell the assets of the Pental Consumer Products business (Pental excluding Duracell and Bondi Soap) and the Shepparton manufacturing facility to Selleys, a division of DuluxGroup (Australia) Pty Limited (**Selleys**) for a purchase price of \$60m, subject to completion adjustments and certain conditions precedent, including shareholder approval under Listing Rule 11.2 and an independent expert concluding that the transaction is *fair and reasonable*. The Pental Board believes this transaction represents significant value recognition for shareholders. The total sale price plus expected agreed and customary adjustments, the unwinding of the Duracell distributorship, debtors and creditors, represents approximately 118% of Pental's current market capitalisation of \$53.7 million¹.

Moving forward, Pental will transition into a dedicated eCommerce business underpinned by Hampers with Bite. The Company remains optimistic about the growth opportunities that lie ahead and throughout FY23 the Company implemented several strategic initiatives to ensure it continues to grow long-term shareholder value.

These initiatives have built the underlying infrastructure required to accelerate organic growth. The business will also implement a targeted acquisition growth strategy to complement its existing product offering and enter new markets.

“What we are announcing today creates a simplified and more focused business, while also realising value for shareholders,” said Pental Managing Director, Charlie McLeish.

“Selleys is a highly regarded business with significant capabilities within the Consumer Products space, including Household Cleaning. We believe that they are well equipped to continue to enhance the reputation of our products, including our flagship brand White King, as well as provide great opportunities for our employees.”

“Selleys is committed to retaining manufacturing in Shepparton, offering employment to all current employees and growing the Pental consumer products business over time.”

“As a standalone eCommerce business, the Company will have a more targeted strategy and greater financial flexibility to invest in strategic growth initiatives, business acquisitions and technology development. It will also be a less complex business, which will enable a significant reduction in corporate overhead costs.”

“We believe that the proposed transaction represents an opportunity for significant shareholder value relative to our market capitalisation. For many years our business has been underpinned by long-term supportive shareholders, and as such we are implementing a dividend reinvestment plan to ensure shareholders have the opportunity to re-invest as we embark on our next phase of growth.”

Further details around the Proposed Transaction are set out in Appendix 1 of this announcement.

For more information, please contact:

Investor & media queries: Oliver Carton, Company Secretary, Pental Limited, tel: +61 3 9251 2311

Authorised for disclosure by the Pental Board

About Pental Limited

At Pental, we are dedicated to delivering the highest quality and value in all our products. We are proud to make a range of branded products (including White King, Country Life, Velvet, Softly, Sunlight, Huggie, Jiffy, Little Lucifer, Aim, Janola and Bondi Soap) that have been an important part of Australian and New Zealand families for generations. We also own and operate a leading e-commerce hamper and gifting business through Hampers with Bite. Our goal is to help families live better by providing high quality products for *today's lifestyles* – which in itself shows our commitment to catering to the ever-changing needs of our consumers' lifestyles.

Innovation, production efficiencies and quality are the pillars which make up our core focus as providers of quality products and continue to make our manufacturing sustainably successful. More information on Pental is available at: www.pental.com.au

¹ Based on closing share price of 31.5 cents per share on 11 September 2023

Appendix 1 – Divestment of Pental Consumer Products business

Summary of Transaction

- Subject to the approval of Pental shareholders and an independent expert concluding that the transaction is *fair and reasonable*, the Pental Consumer Products business including the Shepparton manufacturing facility is to be sold for \$60.0m, subject to working capital and debt-like items adjustments at completion.
- The sale includes:
 - the transfer of the Pental Consumer Products business (excluding Duracell and Bondi Soap) including tangible assets, brand names and intellectual property;
 - the manufacturing operations in Shepparton including the freehold interest in respect of the Shepparton manufacturing facility; and
 - the likely transfer of substantially all of the employees of Pental Consumer Products, with all current employees to be offered employment by DuluxGroup.
- The sale does not include the Duracell distribution agreements. Pental's proposed focus on e-commerce does not include the Duracell distributorship and accordingly Pental will exercise its termination clause in Duracell distribution agreements with an applicable 3 months' notice. The exit from Duracell distributorship will release an estimated \$3.8 million in working capital.
- The intention is for Charlie McLeish (MD) and Neil Godara (CFO) to assist Selleys with its transition of the Pental Consumer Products business for a period of 3 months (under separate agreement).

Further details of the sale agreements are contained in Appendix 2.

Special dividends and capital return

The Board currently intends, subject to obtaining shareholder approval, final adjustments, and further review at the time of completion of the Proposed Transaction (and again at the time of the second special dividend mentioned below) to pay a total distribution of 31 cents per share.

Subject to completion of the Proposed Transaction, it is estimated that shareholders will receive:

- a fully franked special dividend of up to approximately 6 cents per share (aggregate of \$10.2 million) (expected to be paid on or around 15 December 2023);
- an intended capital return of up to approximately 18 cents per share (aggregate of \$30.7 million), subject to shareholder approval at Pental's 2023 annual general meeting and tax advice (expected to be paid on or around 15 December 2023);
- an additional special dividend of up to approximately 7 cents per share (aggregate of \$11.9 million) to be paid 8 months after completion of the Proposed Transaction.

The above is in addition to the final fully franked dividend of 1 cent per share to be paid on 6 October 2023 (as disclosed in Pental's FY23 results announcement on 31 August 2023).

A Dividend Reinvestment Plan (**DRP**) will be established and will be available to shareholders who wish to participate. Full details of the **DRP** will be released in due course.

Financial Position

Following the Proposed Transaction and the payment of the intended dividends and capital return, Pental will remain in a strong financial position, with forecast positive net cash and positive Earnings Before Interest and Tax (**EBIT**). This will enable Pental to execute its organic and acquisition growth strategies to accelerate the growth of the eCommerce business and create further shareholder value.

Management and Board

Chairman, Mark Hardgrave, commented:

“The Board believes that the proposed transaction represents an offer from a reputable global counterparty, an attractive price and provides a bright future for the longevity of the brands, facilities and employees. We are confident that as a stand-alone eCommerce business we will be able to continue to deliver shareholder value, as we have done for over a decade. The Board unanimously recommends this transaction to shareholders.”

“Moving forward, we will seek to bolster both the Board and management team with further industry expertise. This will be disclosed to shareholders in due course.”

Recommendation

The Pental directors unanimously recommend that shareholders vote in favour of the resolutions to approve the Proposed Transaction, in the absence of a superior proposal and subject to an independent expert concluding that the transaction is *fair and reasonable*. Subject to these qualifications, each director has confirmed that they intend to vote any shares that they hold or control in favour of the resolutions to approve the Proposed Transaction.

Pental's major shareholders have informed Pental that they are supportive of the Proposed Transaction and have provided unconditional (approximately 19.90%) and conditional (approximately 22.98%) commitments to vote in favour of the Proposed Transaction which in aggregate (together with the conditional voting commitment received from Pental's independent director Mark Hardgrave (see below) represent voting commitments in respect of 43.09% of the voting shares in Pental as described further below.

Pental's major shareholders Alan Johnstone and John Homewood have informed Pental that they are supportive of the Proposed Transaction and have undertaken in favour of Pental to vote shares held or controlled by them in aggregate representing approximately 19.90% of the voting shares in Pental in favour of the Proposed Transaction.⁴ Alan Johnstone and John Homewood have separately informed Pental that they intend to vote the remaining shares held or controlled by them in aggregate representing approximately a further 19.07% of the voting shares in Pental⁵ in favour of the Proposed Transaction, in the absence of the directors of Pental recommending a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the Proposed Transaction is *fair and reasonable* to non associated Pental shareholders (the "**Voting Qualification**").

Pental's other major shareholder, Kevin Bamford, who holds or controls 3.91% of the voting shares in Pental, has also informed Pental that he is supportive of the Proposed Transaction, and has confirmed that he intends to vote such shares in favour of the Proposed Transaction, subject to the Voting Qualification.

Mark Hardgrave, an independent director of Pental, who holds or controls 0.21% of the voting shares in Pental, has separately confirmed to Pental that he intends to vote such shares in favour of the Proposed Transaction, subject to the Voting Qualification.⁶

Timing and conditions

Completion of the agreements is subject to certain conditions precedent, including shareholder approval. Subject to the satisfaction of the conditions precedent, completion is expected to occur on or around 30 October 2023.

⁴ Alan Johnstone and John Homewood have each undertaken to vote 16,960,720 fully paid ordinary shares (representing in each case approximately 9.95% of Pental's voting shares) held or controlled by him in favour of the Proposed Transaction.

⁵ For John Homewood this is 13,299,280 fully paid ordinary shares (representing approximately 7.8% of Pental's voting shares) and for Alan Johnstone this is 19,204,141 fully paid ordinary shares (representing approximately 11.27% of Pental's voting shares).

⁶ This confirmation supplements the conditional commitment by Mark Hardgrave to vote in favour of the Proposed Transaction made in his capacity as a director of Pental as noted above.

It is envisaged that documentation relating to the shareholder meeting (including a notice of meeting setting out the recommendations of the Board and an independent's expert's report as to whether the sale of the Pental Consumer Products business is *fair and reasonable*) will be available and dispatched to shareholders on or about 22 September 2023.

Timetable

An indicative timetable, which is subject to change, is set out below:

Event	Expected Date
Notice of Meeting despatched to shareholders	22 September 2023
Extraordinary General Meeting to approve the Proposed Transaction	23 October 2023
Completion	30 October 2023
Payment of special dividend and capital return (Conditional on matters referred to above and shareholder approval)	15 December 2023
Potential further special dividend	1 July 2024 (based on the indicative date for Completion above)

Attachment 1 – Summary of Business Sale Agreement and Shepparton Land Sale Contract

A. Business Sale Agreement

1	Buyer	DuluxGroup (Australia) Pty Limited
2	Sellers	Pental Products Pty Ltd Pental Limited
3	Assets	<p>The assets to be sold to the Buyer under the Business Sale Agreement (Assets) are all of the goodwill and assets relating to the consumer products division of Pental Limited, including:</p> <ul style="list-style-type: none"> • plant and equipment; • stock; • business contracts; • equipment leases and property leases; • the Sellers' intellectual property rights in connection with the Pental Consumer Products business; • certain authorisations (to the extent they are capable of being transferred with the Pental Consumer Products business); • records; and • all other property, rights and assets of the Sellers used in the Pental Consumer Products business. <p>The Assets do not include:</p> <ul style="list-style-type: none"> • the Duracell business and all assets and receivables relating exclusively to the Duracell Business; • the Bondi Soap business and all assets and receivables relating exclusively to the Bondi Soap Business; • cash in hand, on deposit with banks or other financial institutions; • security deposits; • any related party or intra group loans between a Seller and any related party or related bodies corporate of a Seller; • book debts; • certain excluded records and stock; • insurance policies relating exclusively to the Pental Consumer Products business or owned by the Sellers or any related body corporate of the Sellers and the benefit of any claims under those policies; and • the freehold of the Shepparton manufacturing facility (Shepparton Property) and anything else transferring to the Buyer under the Land Sale Contract.
4	Employees	The Buyer will offer the existing employees of the Pental Consumer Products business employment on terms no less favourable than their existing terms of employment with the Sellers.
5	Assumed liabilities	For those employees who accept an offer of employment from the Buyer (Transferring Employees), the Buyer will assume liability for all accrued and untaken or pro rata entitlements of each Transferring Employee for annual leave (including loading), personal leave (comprising sick leave and carer's leave), parental leave and long service leave as at the Completion Date.

		The Buyer will not assume responsibility for all liabilities relating to the conduct of the Pental Consumer Products business (other than the accrued leave entitlements) and ownership of the Assets, relating to the period up to and including the Completion Date.
6	Purchase price	The gross purchase price under the Business Sale Agreement is \$45,000,000 subject to an agreed \$3 million adjustment for future capex investment and customary adjustments relating to movements in the assets of the Pental Consumer Products business and liabilities to be assumed by the Buyer.
7	Completion	Completion is scheduled to occur on or around 30 October 2023 (subject to satisfaction of the conditions precedent).
8	Conditions precedent	<p>Completion under the Business Sale Agreement is conditional on, and cannot occur until the following conditions precedent are either satisfied or waived:</p> <ul style="list-style-type: none"> • counterparties to certain key contracts providing the necessary consents to the assignment or novation of those contracts to the Buyer; • lessors under the third party leases of properties occupied by the Sellers providing the necessary consents to the assignment of each such property lease to the Buyer; • certain key employees entering into an employment agreement with the Buyer; • all current employees receiving an offer of employment from the Buyer; • at least 80% of the employees (other than the key employees) who receive an offer of employment accepting that offer; • the passing of the requisite shareholder resolutions; • receipt by the Sellers of the Independent Expert's Report; • a material adverse change not occurring between the date of the agreement and Completion.
9	Exclusivity and break fee	<p>The Sellers have given standard "no shop, no talk" exclusivity undertakings to the Buyer, subject to fiduciary carve outs if the Board receives a competing proposal.</p> <p>The Sellers must pay the Buyer a break fee equal to \$510,000 if:</p> <ul style="list-style-type: none"> • the Sellers fail to prepare a notice of meeting and procure an extraordinary general meeting for the requisite shareholder resolutions or fail to procure an Independent Expert's Report, in accordance with the terms of the Business Sale Agreement, the Buyer is not in material breach of the Business Sale Agreement and the Business Sale Agreement is terminated by the Buyer; or • a superior proposal is received, a majority of the independent directors of the Company withdraw, change or modify their recommendation as a result of such superior proposal and the Business Sale Agreement is terminated by the Buyer.
10	Sellers restraint	<p>To protect the goodwill of the Pental Consumer Products business, during the period of 60 months commencing on the Completion Date, the Sellers undertake not to:</p> <ul style="list-style-type: none"> • engage in any business or activity which is the same or similar to the whole or any part or parts of the Pental Consumer Products business, or is in competition with the Pental Consumer Products business or any material part of it;

		<ul style="list-style-type: none"> • solicit, canvass, approach or accept any approach from any person who was at any time during the 24 months ending on the Completion Date a customer of the Pental Consumer Products business with a view to obtaining the custom of that person in a business that is the same or similar to the Pental Consumer Products business or is in competition with the Pental Consumer Products business; • interfere with the relationship between the Pental Consumer Products business and its customers, employees or suppliers; or • induce or assist in the inducement of any employee of the Buyer to leave that employment.
11	Other terms	<p>The Business Sale Agreement contains:</p> <ul style="list-style-type: none"> • customary undertakings and pre Completion obligations on the Sellers relating to the Assets, the Pental Consumer Products business and the Shepparton Property; • representations and warranties in respect of the Assets, the Pental Consumer Products business and the Shepparton Property, and indemnities in respect of certain claims and liabilities relating to the period prior to Completion, which are customary for sale agreements of this kind, and subject to certain qualifications and limitations; and <p>and is otherwise on terms and conditions which are customary for a transaction of this nature.</p>

B. Shepparton Contract of Sale

1	Buyer	DuluxGroup (Australia) Pty Limited
2	Seller	Pental Limited
3	Price	The purchase price is \$15,000,000 payable on Completion under the Land Sale Contract.
4	Settlement	The settlement date is the date of Completion under the Business Sale Agreement.
5	Interdependence	The Land Sale Contract is interdependent with the Business Sale Agreement.
7	Other terms	The Land Sale Contract is otherwise on terms and conditions which are customary for a transaction of this nature.