

**1 July 2015:** Briscoe Group Limited (Briscoe Group) announced today a takeover offer to acquire all of the ordinary shares it does not already own in Kathmandu Holdings Limited (Kathmandu). As disclosed yesterday, Briscoe Group currently holds relevant interests in 19.9% of Kathmandu Shares.

The Offer is for 5 Briscoe Group shares for each 9 Kathmandu shares plus a cash amount of NZ\$0.20 per Kathmandu Share (the "Offer"). Based on the Briscoe Group one month VWAP<sup>1</sup> of NZ\$2.88 on 29 June 2015, this equates to an Offer price of NZ\$1.80 (approximately A\$1.58)<sup>2</sup> per Kathmandu share.

### **An attractive Offer**

An Offer equating to NZ\$1.80 per share represents:

- a 34% premium to the one month VWAP for Kathmandu up to and including 29 June 2015; and
- a FY15 P/E multiple of 15.5x and a FY15 EV/EBIT multiple of 11.0x based on broker consensus estimates of Kathmandu's FY15 earnings<sup>3</sup>.

Briscoe Group Managing Director and majority shareholder Rod Duke said the proposed Offer represents a substantial premium and an attractive valuation multiple for the shares of Kathmandu.

"The Offer is an opportunity for Kathmandu shareholders to receive a premium for their shares in Kathmandu and to share in the benefits that would arise from being a shareholder in a larger and more diversified retail group."

The acquisition of Kathmandu would create an Australasian retailing group that generates annual sales of over NZ\$900 million and a group with wide product diversity and earnings potential that would be beneficial to shareholders, employees and customers.

Rod Duke said, "We see this as a great opportunity for both companies and their respective shareholders. Our intention is to bring the best practices from each organisation and leverage the scale of the combined group to grow earnings for the benefit of all shareholders. A larger company would also have a superior sharemarket presence, and should see more trading liquidity.

"Importantly, the combined group would have a broader and more diverse product offering that would be able to naturally compensate for seasonal trading patterns."

Briscoe Group Chairman Dame Rosanne Meo said, "Briscoe Group has a long track record of success in retailing. In the last five years Briscoe Group has delivered strong returns to shareholders, growing earnings in every year. The key to its success has been the management team led by Rod Duke. They have established Briscoe Group as a leading retailer with 80 stores across New Zealand within the homeware and sporting goods retailing sectors, and a market value of approximately NZ\$600 million.

"We are confident a combined Kathmandu and Briscoe Group would benefit from Rod and his management team's retailing expertise and strong track record."

Briscoe Group has delivered a total shareholder return<sup>4</sup> of 234 percent since November 2009, which compares to 81 percent for the broader New Zealand market and Kathmandu's negative 19 percent over the same period (since it listed on the NZSX and ASX).

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<sup>1</sup> Volume weighted average share price

<sup>2</sup> Based on an NZD/AUD exchange rate of 0.88 on 31 June 2015

<sup>3</sup> Offer multiples based on consideration under the Offer equating to NZ\$1.80 using Briscoe Group's 1 month VWAP of \$2.88. Based on broker consensus estimates as at 30 June 2015 for Kathmandu's earnings for the year ending 31 July 2015; mean Adjusted Net Income of NZ\$23.425m; mean EBIT of NZ\$37.9m (source: Bloomberg). Enterprise value calculated using Kathmandu's net debt as reported at 31 July 2014 of NZ\$55.5m.

<sup>4</sup> Sourced from IRESS on 29 June 2015. Total Shareholder Return (TSR) is the capital appreciation of the company's share price, adjusted for capital management (such as share splits or consolidations) and assuming reinvestment of dividends at the declared dividend rate per share. The period analysed is from 13 November 2009 up to and including 29 June 2015, and is based on NZX trading for Kathmandu

## **Impact on Briscoe Group**

Briscoe Group is seeking to acquire the 80.1 percent of the ordinary share capital of Kathmandu it does not own through the issue of 89.7 million Briscoe Group shares and payment of NZ\$32.3 million in cash. This would reduce major shareholder Rod Duke's interest in the combined group to 55.1%. The purchase of Briscoe Group's existing 19.9% of Kathmandu's shares was funded by a combination of available cash and a new bank facility. Measured at January 2015, the proforma net debt for the Combined Group is NZ\$96.8 million<sup>5</sup>, compared to Briscoe Group's net cash balance at that time of NZ\$89.7 million. On a proforma basis to January 2015, the Offer is accretive to Briscoe Group's earnings per share. If the acquisition is completed Briscoe Group intends to apply for a listing on the ASX<sup>6</sup>.

## **Further Information**

Further details of the Offer are set out in a presentation on the Offer and in the Takeover Notice, which Briscoe Group has provided to NZX. The Offer is conditional on, among other things, the acquisition of 90 percent of Kathmandu's shares<sup>7</sup>. The Offer will be sent directly to Kathmandu shareholders once it is formally made.

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<sup>5</sup> Proforma net debt as at January 2015

<sup>6</sup> Quotation is subject to approval by ASX and ASX takes no responsibility for any statement made in this announcement

<sup>7</sup> Briscoe Group reserves the right to waive any condition that it is lawfully permitted to, including the minimum acceptance condition where Briscoe Group holds acceptances that would result in Briscoe Group holding more than 50% of the voting rights in Kathmandu

## About Briscoe Group Limited

Briscoe Group Limited is a household name in New Zealand retailing, operating in two key markets:

- Homeware, with 46 stores under the Briscoes and Living and Giving brands nationwide which generated sales of NZ\$337 million in FY2015
- Sporting goods, with 34 stores under the Rebel Sport brand nationwide which generated sales of NZ\$170 million in FY2015

The Briscoes name in New Zealand dates back to 1862. In 1990, interests associated with current major shareholder and Managing Director Rod Duke acquired the business, with the business subsequently listing on NZX in 2001. Its market capitalisation on NZX is approximately NZ\$600 million.

From 2011 to 2015, Briscoe Group sales increased from NZ\$419 million to NZ\$507 million and earnings after tax from NZ\$22 million to NZ\$39 million. Ordinary dividends to shareholders increased every year in this period.<sup>8</sup>

**[www.briscoegroup.co.nz](http://www.briscoegroup.co.nz)**

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<sup>8</sup> Briscoe Group also paid a special dividend of 10c per share in the year ended 31 January 2013  
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