GRANT SAMUEL

Hellaby Holdings Limited

Independent Adviser's Report

On the full takeover offer by Bapcor Finance Pty Limited

October 2016

Grant Samuel confirms that it:
- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the Bapcor Offer considered in this report, including any success or contingency fee or remuneration, other than to receive the fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Glossary

Term	Definition
ACC	Accident Compensation Corporation
ASX	Australian Stock Exchange
Automotive Group	The automotive businesses owned by Hellaby
Bapcor	Bapcor Finance Pty Limited
Bapcor Offer or Offer	The Bapcor Finance Pty Limited offer for all the equity securities in Hellaby Holdings Limited
Castle Investments	Castle Investments Limited
DIY	Do-it-Yourself
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings Per Share
Footwear Group	The footwear businesses owned by Hellaby
Grant Samuel	Grant Samuel & Associates Limited
Hellaby	Hellaby Holdings Limited
IPO	Initial Public Offering
Lock-Up Agreements	Lock- up agreements with Castle Investments Limited, Salt Funds Management Limited and Accident Compensation Corporation in respect of 29.84% of the ordinary shares of Hellaby Holdings Limited
NPAT	Net profit after tax
NZX	New Zealand Stock Exchange
Ordinary Shares	The fully paid ordinary shares in Hellaby.
Resource Services Group	The resource services businesses owned by Hellaby
TBS	TBS Group Limited
TBS Right	The right held by the vendor of TBS Group Limited to new ordinary shares in Hellaby Holdings Limited pursuant to the sale and purchase agreement between a subsidiary of Hellaby Holdings Limited and TBS Group Limited dated 23 June 2016.
US	United States of America
VWAP	Volume weighted average share price
ANA	Aftermarket Network Australia Pty
LNG	Liquefied Natural Gas

1. Terms of the Full Takeover Offer from Bapcor

1.1 Background

Hellaby Holdings Limited (**Hellaby**) is an investment company listed on the New Zealand Stock Exchange (**NZX**). Hellaby emerged from the remains of publicly listed Renouf Corporation in the late 1980's, and was established as an investment holding company focussing on the acquisition, growth and divestment of mid-sized businesses in New Zealand. Under various stewards, Hellaby progressively expanded its investment portfolio into a range of sectors including automotive, energy, petfood, packaging, retail, equipment and resource services.

In recent years under the previous CEO, Mr John Williamson and current CEO, Mr Alan Clarke, the investment portfolio has been actively narrowed. Smaller investments have been sold, and whole groups such as Packaging and Equipment divested in their entirety. With the sale of the Equipment Group to a private equity fund for $81 million in September 2016, Hellaby now comprises three groups:

- Automotive;
- Resource Services; and
- Footwear.

Within these groups are a number of separate businesses based in New Zealand, Australia, the Middle East and the United States (**US**), employing approximately 3,300 people.

On 27 September 2016, Hellaby received a notice of intention to make a full takeover offer from Bapcor Limited (**Bapcor**) through a wholly owned subsidiary Bapcor Finance Pty Ltd. The Bapcor offer (**Bapcor Offer** or the **Offer**) is for all of the equity securities on issue in Hellaby comprising:

- 97,727,180 fully paid ordinary shares (**Ordinary Shares**) for a cash payment of $3.30 per Ordinary Share; and
- a right held by the vendors of TBS Group Limited (**TBS**) to new ordinary shares in Hellaby pursuant to the sale and purchase agreement between a subsidiary of Hellaby and TBS dated 23 June 2016 (**TBS Right**). The issue of the new Hellaby shares to the TBS vendors is contingent on the financial performance of TBS for the 12 months ending 30 June 2017.

As part of the offer notice, Bapcor disclosed that it had entered into lock up agreements (**Lock Up Agreements**) with each of:

- Castle Investments Limited (**Castle Investments**), in respect of its entire holding of 26,576,639 shares in Hellaby;
- Salt Funds Management Limited, in respect of its entire holding of 1,830,598 shares in Hellaby; and
- Accident Compensation Corporation (**ACC**), in respect of 750,000 of the 9,028,281 shares that it owns in Hellaby. [1]

Under the Lock Up Agreements, each of these shareholders has agreed to accept the Bapcor Offer when it is made in respect of the number of locked up shares. The locked up shares represent a combined 29.84% of the Hellaby shares on issue.

The Bapcor Offer is dated Friday, 21 October 2016 and remains open for acceptance until 20 December 2016, unless extended.

[1] ACC Shareholding as at 18 October 2016. Source: NZX Research

1.2 Details of the Bapcor Offer

The Bapcor Offer is for all of the ordinary shares in Hellaby and the TBS Right. The material conditions of the Bapcor Offer are:

- acceptances are received from Hellaby shareholders which will result in Bapcor becoming the holder or controller of 90% or more of the voting rights in Hellaby. This minimum acceptance condition can be waived by Bapcor provided it has received acceptances that confer more than 50% of the voting rights in Hellaby;
- no dividends, bonus issues or other payments or distributions are declared or paid by Hellaby, including by way of share buy back, redemption or cancellation or any other form of capital reduction until the takeover offer becomes unconditional. This condition excludes the final dividend of 12.5 cents per Hellaby share for the year ended 30 June 2016 paid on 30 September 2016 and any other dividends from Hellaby's wholly owned subsidiaries back to the parent holding company;
- the Hellaby business, along with the business of each of Hellaby's portfolio companies, is carried on in a normal and ordinary course consistent with past practices while the Bapcor Offer is open;
- there has been no material adverse effect on the financial position, trading operations or assets or liabilities or prospects of Hellaby taken as a whole while the Bapcor Offer is open;
- Hellaby not unconditionally committing to any acquisition or disposal of businesses or assets in excess of NZ$1m;
- Hellaby has not made any announcement or profit warning to the effect that EBITDA or net profit after tax for the Hellaby group for either the six month period ending 31 December 2016 or the 12 month period ending 30 June 2017 will or may reasonably be less, by 10% or more, than EBITDA or net profit after tax of the Hellaby group for the corresponding six month period ending 31 December 2015 or the 12 month period ending 30 June 2016;
- nothing occurring or failing to occur that would entitle Bapcor's bankers to not make any or all of the funding available for the purposes of funding the Bapcor Offer;
- the Bapcor Offer is further conditional on Bapcor obtaining all necessary consents required under the Overseas Investments Acts 2005 and Overseas Investment Regulations 2005 for Bapcor to complete the acquisition of Hellaby shares; and
- Hellaby (through a wholly owned subsidiary) providing consent to the transfer of the TBS Right to Bapcor.

The full list of conditions are set out in the Bapcor Offer document previously sent to Hellaby shareholders.

With the exception of the condition relating to any required Overseas Investment approvals and the minimum acceptance condition requiring acceptances that confer more than 50% of the voting rights, Bapcor may waive any condition of the Bapcor Offer at its discretion. As would be expected, most of the conditions are included to protect Bapcor against any substantial change in the form and operations of Hellaby or the markets it operates in while the Bapcor Offer is open for acceptance.

1.3 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the New Zealand Stock Exchange Listing Rules and the Companies Amendment Act 1963 requirements governing the conduct of company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

Hellaby is a Code Company for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the exceptions to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) ***by an acquisition under a full offer;***

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if:

(i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase; and

(f) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both Bapcor and Hellaby as Bidder and Target respectively. Hellaby's response to the Bapcor Offer, known as a Target Company Statement, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof). This document is the Independent Advisers Report required by the Second Schedule of the Takeovers Code.

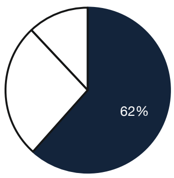
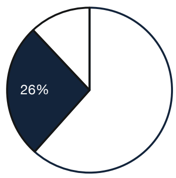
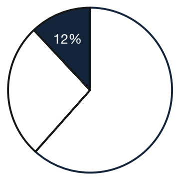
1.4 Summary Profile of Bapcor

Bapcor is an Australian listed company based in Preston, Victoria. Bapcor supplies automotive aftermarket parts, accessories and services through its trading divisions that include trade, retail and specialist wholesale markets. Founded in 1971 as *Burson Autoparts*, the company has progressively expanded and now comprises 700 sites and employs more than 2,000 people. Bapcor operates its business through three primary divisions:

- ***Trade***. The Trade division offers automotive aftermarket parts, workshop equipment and automotive accessories and maintenance products to trade workshops and do-it-yourself (**DIY**) vehicle owners. The division sources approximately half a million individual stock items from over 1,000 suppliers, with approximately one quarter of products being 'in-house' Bapcor brands. The trade division has 145 stores operating under the *Burson Auto Parts* and *Precision Automotive Equipment* brands.
- ***Retail.*** The Retail division comprises i) retail stores ii) independent stores and iii) service outlets. The retail store network consists of 115 *Autobarn* stores, which is a retailer of automotive accessories and 64% *OL* stores, which is a specialist retailer of accessories for 4WD vehicles. Independent stores consist of 235 *AutoPro*, *Car Parts* and *Sprint Auto Parts* retail outlets, each supplying a range of parts and accessories. Service outlets consist of 140 service stores targeting the affordable market operating under the *Midas* and *ABS* brand names; and
- ***Specialist Wholesale***. The Specialist Wholesale division comprises *AAD* and *Bearing Wholesalers.* These businesses supply a wide range of automotive parts to wholesale customers including brake, suspension, cooling, engine, bearing and gasket products.

The table below shows the relative Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**) contribution by each of Bapcor's operating divisions for the financial year ended 30 June 2016 (**FY16**), and an overview of the primary trading brands within each division:

Overview of Bapcor Divisions[2]

	Trade	Retail	Specialist Wholesale
FY16 EBITDA percentage contribution to Group (%)			
Brands		Retail Store brands Independent Stores brands Service brands	

[2] Source: Bapcor website and Annual Report for the financial year ended 30 June 2016.

Bapcor reported turnover of A$686 million and EBITDA of A$77 million in FY16. A summary of Bapcor's financial performance and financial position in FY15 and FY16 is summarised below:

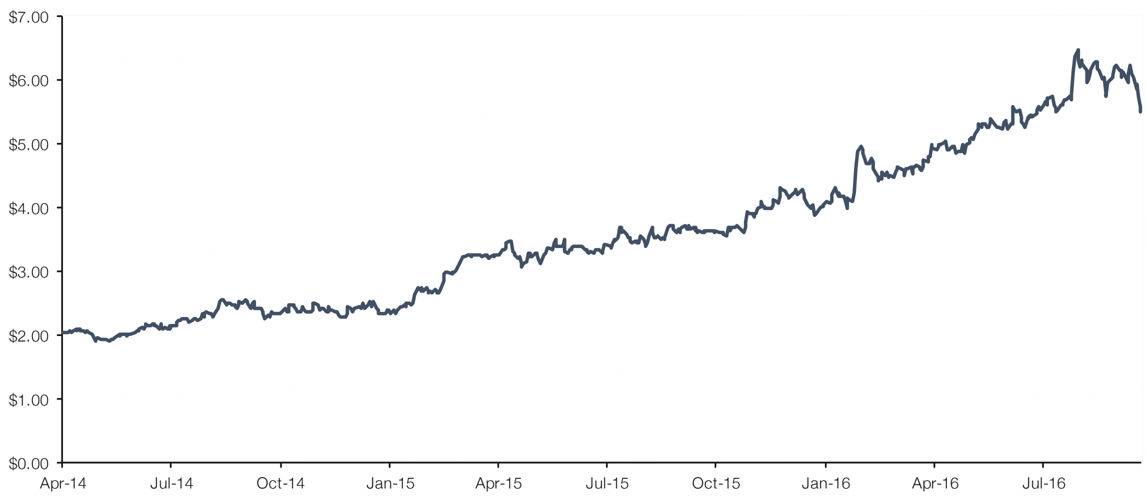
Bapcor – Summary Financial Information (A$ millions)[3]

Year ended 30 June	**2015A**	**2016A**
Sales	375	686
Gross profit	155	303
Gross Margin %	*41.4%*	*44.2%*
EBITDA	**42**	**77**
EBITDA margin %	*11.1%*	*11.2%*
EBIT	36	67
EBIT margin %	*9.7%*	*9.8%*
NPAT	23	44
Tangible assets	254	334
Intangible assets	99	348
Total assets	**354**	**683**
Total liabilities	(87)	(317)
Net assets	**266**	**366**

In July 2015, Bapcor acquired Metcash Automotive Holdings from distribution and merchandising company Metcash Limited for A$290 million. Now known as Aftermarket Network Australia Pty (**ANA**) this business is a wholesaler, distributor and retailer of automotive aftermarket parts as well as operating a number of service workshops. ANA was a key strategic acquisition for Bapcor, assisting in repositioning the group from being a trade focused business to a business that operates across each of the wholesale, retail, trade and service segments of the automotive aftermarket sector. The ANA acquisition assisted Bapcor in reporting an 83% increase in overall revenue between FY15 and FY16.

As at 24 October 2016, Bapcor had a market capitalisation of approximately A$1.48 billion. Bapcor's share price performance since listing in April 2014 is depicted below:

Bapcor Share Price Performance since Listing



The Bapcor share price has increased steadily since listing at A$1.82 to close at $5.37 as at 24 October 2016.

[3] Source: Bapcor Annual Report and Annual Results Presentation for the financial year ended 30 June 2016

2. Scope of the Report

2.1 Purpose of the Report

The Independent Directors of Hellaby have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report in respect of the Bapcor Offer to comply with the Takeovers Code. Grant Samuel is independent of Hellaby and Bapcor and has no involvement with, or interest in, the outcome of the Bapcor Offer.

Rule 21 of the Takeovers Code requires the Independent Adviser to report on the merits of an offer. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Target Company Statement to be sent to all Hellaby shareholders. This report is for the benefit of the shareholders of Hellaby. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Bapcor Offer. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Bapcor Offer by reviewing the following factors:

- the timing and circumstances surrounding the Bapcor Offer;
- the estimated value range of Hellaby and the price of the Bapcor Offer when compared to that estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Hellaby shares in the absence of the Bapcor Offer;
- Hellaby's strategies for each of the Automotive, Resource Services and Footwear Groups;
- any advantages or disadvantages for Hellaby shareholders of accepting or rejecting the Bapcor Offer;
- the current trading conditions for Hellaby; and
- the attractions and risks of Hellaby's business.

2.3 Approach to Valuation

Grant Samuel has estimated the value range of Hellaby with reference to its full underlying value. In Grant Samuel's opinion the price to be paid under a full takeover should reflect the full underlying value of the company. The support for this opinion is twofold:

- the Takeovers Code's compulsory acquisition provisions apply when the threshold of 90% of voting rights has been reached. In this instance, the Takeovers Code seeks to avoid issues of premiums or discounts for minority holdings by providing that a class of shares is to be valued as a whole with each share then being valued on a pro rata basis. In other words, a minority shareholder is to receive its share of the full underlying value. Grant Samuel believes that the appropriate test for fairness under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares. The rationale for this opinion is that it would be inconsistent for one group of minority shareholders, those selling under compulsory acquisition, to receive a different price under the same offer from those who accepted the offer earlier; and
- under the Takeovers Code the acquisition of more than 20% of voting rights in a "code" company can only be made under an offer to all shareholders unless the shareholders otherwise give approval. As a result, a controlling shareholding (generally accepted to be no less than 40% of the voting rights) cannot be transferred without the acquirer making an offer on the same terms and conditions to all shareholders (unless with shareholders consent). Prior to the introduction of the Takeovers Code some market commentators held the view that where a major shareholder had a controlling shareholding, any control premium attached only to that shareholding. One of the core foundations of the Takeovers Code is that all shareholders be treated equally. In this context, any control premium is now available to all shareholders under a takeover offer (in a scenario where

an offeror will gain control), regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made; and

- The term Hellaby shareholders in this context also means the holder of the TBS Right.

Accordingly, Grant Samuel is of the opinion that not only because shares acquired under a compulsory acquisition scenario will receive a price equivalent to full underlying value, but because the control premium is now available to all shareholders, the share price under either a full or partial takeover offer where the offeror will gain control should be within or exceed the prorated full underlying valuation range of the company.

Hellaby has been valued at fair market value, which is defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt, appendices A to E form part of this report.

3. Profile of Hellaby

3.1 History and Background

Hellaby's name originates from the 19th century New Zealand meat processing and butchers firm, R & W Hellaby, which was absorbed in the 1980's into a listed investment company called Renouf Corporation. Following the demise of Renouf Corporation in the late 1980's, Mr. Tur Borren restructured the failed investment company, reinstating the Hellaby name and re-listing the company in 1994 following an investment by new cornerstone shareholder, Mr. Hugh Green. With the majority of the initial funding coming from Mr. Green, Hellaby embarked on a growth strategy to expand its investment portfolio. Over the subsequent decade, Hellaby pursued an investment strategy centred on growing its industrial, distribution and retail businesses, a number of which are still prominent in the Hellaby portfolio today. Over the last thirty years Hellaby has acquired and divested over 200 businesses. An overview of some of the highlights of Hellaby's investment activity since 2000 is outlined below:

Hellaby Acquisitions and Divestment Timeline (2000 – 2016) including groups

	Acquisitions	Divestments
2000	- Acquired 83% of Rodd & Gunn (retail) - Acquired Autolign (automotive)	
2001	- Acquired 73% of Club Life (insurance)	- Divested Patton Refrigeration (industrial)
2002	- Acquired Diesel Distributors (automotive)	- Divested Expozay (retail)
2003	- Acquired TRS Tyre & Wheel (automotive)	
2004	- Acquired BBQ Factory (retail)	- Divested 63% of Club Life (insurance) - Divested 50% of Taylors Manufacturing (industrial) - Divested 49% of Bert Tenbel (industrial)
2005	- Acquired Elldex Packaging Solutions (packaging) - Acquired Number One Shoes (retail)	
2006		- Divested Oakleys Plumbing Supplies (retail) - Divested Teamwork Inteletrac (information technology) - Divested 20% of NZ Wool Services (primary) - Divested Rodd & Gunn (retail)
2007	- Acquired HCB Technologies (automotive) - Acquired PPL (packaging) - Acquired Chequer Packaging (packaging)	- Divested Levana (textiles)
2008		- Divested BBQ Factory (retail) - Divested Bombay Petfoods (pet food)
2012		- Divested 34% of Energy Intellect (information technology)
2013	- Acquired 85% shareholding in Contract Resources (resource services) - Acquired Federal Batteries (automotive)	
2014	- Acquired Dasko (automotive) - Acquired New Zealand Trucks (equipment)	
2015	- Acquired Diesel & Machinery Services (equipment) - Acquired JAS Oceania (automotive)	- Divested Packaging Group (packaging)
2016	- Acquired Premier Auto Trade (automotive) - Acquired TBS Group (resource services) - Acquired Auckland Truck Specialists (equipment)	- Divested Equipment Group (equipment)

3.2 Profile of Current Operations

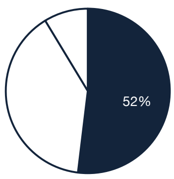
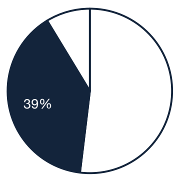
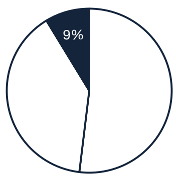
Hellaby seeks to operate a business model that allows each of its investment companies to function independently of any significant involvement from the Hellaby head office (although this has not always been the case). In doing so, Hellaby provides strategic oversight as well as accounting, funding, tax and insurance support to its portfolio investments. Each investment group is able to and is expected to focus on its own operational, commercial and technical issues.

Hellaby has identified itself as a "*long term owner and builder of clearly defined core businesses*"[4] having recently refined its investment focus to two clearly defined core sectors (Automotive and Resource Services) and one non-core sector (Footwear). An overview of each group is provided below:

- ***Automotive***. The Automotive Group comprises a portfolio of well-established wholesale and distribution businesses operating in the mechanical, auto-electrical and tyre & wheel segments in New Zealand and Australia. The Automotive Group operates from over 120 locations and employs over 800 staff;
- ***Resource Services.*** The Resource Services Group consists of Contract Resources, a specialist international resource services group and TBS Group, a specialist industrial asset maintenance and construction services provider operating in New Zealand. The Resource Services Group operates from 30 locations and employs approximately 1,500 staff globally; and
- ***Footwear.*** The Footwear Group is New Zealand's largest footwear group operating two primary chains, *Hannahs* - a specialty footwear chain with 52 stores, and *Number One Shoes* - a discount footwear chain with 51 stores. In addition, within Hannahs there are 10 stores operating under the *Hush Puppies* brand and one store operating under the *Pulp* brand. Each of the footwear brands also have an online presence. Hellaby has communicated to the market that it considers the Footwear Group to be 'non-core' and accordingly it has arguably been available for acquisition for a number of years.

The relative contribution of each Group to Hellaby's Board approved forecast EBITDA for the financial year ending 30 June 2017 (**FY17**), as well as the primary businesses within each Group, is outlined below:

Profile of Hellaby Group Businesses

	Automotive	Resource Services	Footwear
FY17F Trading EBITDA[5] percentage contribution to Group (%)			
Businesses	BNT Autolign JAS Oceania JAS Oceania New Zealand Diesel Distributors HCB Technologies Federal Batteries TRS Truck & Trailer Parts PAT Premier Auto Trade	Contract Resources TBS Group	numberoneshoes Hannahs Hush Puppies pulp

[4] Hellaby Holdings NZ Shareholders Association Presentation – July 2016

[5] Trading EBITDA excludes Equipment Group, corporate costs and management fees. For the purpose of this analysis the Group Trading EBITDA and Footwear Trading EBITDA exclude one-off restructuring charges.

3.3 Group Historical Financial Performance

The financial performance of Hellaby's continuing operations for the financial years ended 30 June 2015 and 2016 is summarised below:

Hellaby Historical Financial Performance from Continuing Operations (NZ$ millions)

Year end 30 June	2015	2016
Total Income	527.2	570.1
Trading EBIT	**31.4**	**20.6**
EBIT margin %	*6.0%*	*3.6%*
Net interest expense	(3.8)	(4.4)
Tax expense	(7.4)	(5.4)
Fair value adjustment on contingent consideration	-	2.5
Profit after tax	**20.2**	**13.4**

The following points should be taken into consideration when reviewing the table above:

- the above table does not include results from discontinued operations. On 30 September 2016 (i.e. in FY17), the Equipment Group was divested. Sales relating to the Equipment Group in FY16 amounted to $225.4 million. In FY15, the Packaging Group was divested. Sales relating to the Packaging and Equipment Groups in FY15 amounted to $252.3 million;
- the increase in sales between FY15 and FY16 was mainly driven by the Automotive Group which benefited from a full year of sales from JAS Oceania which was acquired in late FY15, and two months of sales from Premier Auto Parts, which was acquired in May 2016 partially offset by lower Contract Resources sales; and
- at the time of the 85% acquisition of Contract Resources in 2013, Hellaby agreed to a put and call option with the remaining non-controlling shareholders, exercisable effective 30 June 2018. The options have a pre-determined formula for calculating the amount payable for the shares based on the financial performance of Contract Resources. In FY15, this contingent consideration carried with it a finance cost of $0.9 million. In FY16, under IFRS reporting, there was a national finance charge of $1.3 million and a fair value adjustment of $2.5 million.

3.4 Relative Contribution by Group

The relative contribution of each Group including the change from FY15 to FY16, are outlined below:

Hellaby Historical Financial Performance by Group (NZ$ millions)

Year end 30 June	2015	2016	$ Change	% Change
Total income				
Automotive	200.3	260.0	59.7	30%
Resource Services[6]	189.3	176.2	(13.1)	(7%)
Footwear	141.1	137.4	(3.7)	(3%)
Intersegment sales	(3.5)	(3.5)	-	-
Group total	**527.2**	**570.1**	**42.9**	**8%**
Trading EBIT				
Automotive	23.9	24.5	0.6	2%
Resource Services	11.2	2.9	(8.3)	(74%)
Footwear	2.8	1.3	(1.5)	(54%)
Corporate overheads and eliminations	(6.5)	(8.1)	(1.6)	(25%)
Group Operating EBIT	**31.4**	**20.6**	**(10.8)**	**(34%)**
Trading EBIT margin %				
Automotive	11.9%	9.4%	(2.5%)	
Resource Services	5.9%	1.6%	(4.3%)	
Footwear	2.0%	0.9%	(1.1%)	
Group Operating EBIT	**6.0%**	**3.6%**	**(2.4%)**	

The following points are relevant when considering the table above:

- further information regarding the financial performance and position of each group is provided in sections 4 to 6 of this report.
- the Automotive Group is the largest and most profitable group within Hellaby, accounting for 46% of revenue and 85% of EBIT (before corporate overheads) in FY16;
- the Resource Services Group (comprising only Contract Resources during FY15 and FY16) has endured difficult trading conditions in FY16, with EBIT falling 74% from the previous year;
- the Footwear Group has been a consistent underperformer. Despite accounting for 24% of group sales in FY16, the EBIT contribution was only 5% (before group overheads).

[6] Resource Services consisted of Contract Resources only during FY15 and FY16.

3.5 Financial Position

The financial position of Hellaby as at 30 June 2015 and 2016 is summarised below:

Summary Financial Position (NZ$ millions)

As at 30 June	2015	2016
Trade & other receivables	86.0	70.9
Inventories	149.7	113.8
Payables	(105.1)	(74.0)
Other working capital assets & liabilities	(4.4)	4.7
Net working capital	**126.2**	**115.4**
Intangible assets	100.0	98.2
Property, plant and equipment	70.0	64.2
Deferred tax asset (net)	0.3	2.3
Net assets held for sale (Equipment Group)	-	35.9
Net operating assets	**296.5**	**316.0**
Contingent consideration payable	(20.8)	(19.6)
Net debt[7]	(63.0)	(85.0)
Net derivative asset/(liability)	8.6	(3.6)
Finance leases	(2.3)	(2.1)
Net assets	**219.1**	**205.6**

The following points are relevant when considering the above table:

- intangible assets comprise largely goodwill arising from the acquisition of businesses, totalling $90.3 million as at 30 June 2016. Other intangible assets of $7.9 million consist of customer relationships, computer software and brands;
- as at 30 June 2016, Hellaby's Equipment Group was recognised as an asset held for sale. The Equipment Group was subsequently sold on 30 September 2016. The net asset balance of this Group as at 30 June 2016 was $35.9 million;
- contingent consideration payable is the fair value of the put and call option for the 15% of shares in Contract Resources not owned by Hellaby;
- net debt as at 30 June 2016 comprised bank borrowings if $96.9 million less cash of $11.8 million (excluding cash in the Equipment Group which was classified as an asset held for resale); and
- a breakdown of Hellaby's property, plant & equipment assets as at 30 June 2016 is summarised below:

Breakdown of Property, Plant & Equipment Assets as at 30 June 2016 (NZ$ millions)

As at 30 June 2016	Cost	Accumulated depreciation	Book value
Plant & equipment	69.0	(23.7)	45.3
Leasehold improvements	29.8	(21.6)	8.2
Motor vehicles	12.6	(4.1)	8.5
Furniture, fittings and office equipment	10.0	(7.8)	2.2
Total	**121.4**	**(57.2)**	**64.2**

[7] This net figure differs by $1.7 million to the amount shown in the Hellaby 2016 Annual Report, as net debt of the Equipment Group is included in the net assets held for sale.

3.6 Cash Flows

The cash flows for Hellaby (including discontinued businesses and assets held for resale) for FY15 and FY16 are summarised below:

Hellaby – Cash Flows (NZ$ millions)

Year end 30 June	2015	2016
Receipts from customers[8]	776.2	793.2
Payments to suppliers & employees	(732.5)	(754.8)
Interest paid	(5.3)	(5.3)
Income tax paid	(7.8)	(10.1)
Net cash flow from operating activities	**30.6**	**22.9**
Net cash flow from disposal/(acquisitions) of businesses	2.7	(12.7)
Purchases of property, plant & equipment (net of disposals)	(20.4)	(14.2)
Net cash flow from investing activities	**(17.7)**	**(26.9)**
Net proceeds from borrowings	3.5	29.1
Dividends paid	(15.3)	(20.6)
Net cash flow from financing activities	**(11.7)**	**8.5**
Net cash flow	**1.2**	**4.5**
Foreign exchange	0.9	(0.4)
Opening cash	7.4	9.4
Closing cash	**9.4**	**13.5**

The following points are relevant when considering the table above:

- during FY16 Hellaby acquired Premier Auto Trade for total consideration of $14.6 million; and
- during FY15 Hellaby sold the Packaging Group for $33.0 million and acquired JAS Oceania and Diesel & Machinery Services for a combined purchase price of $24.0 million.

3.7 Capital Structure and Ownership

As at 21 October 2016 Hellaby had 97,727,180 shares on issue held by 6,007 shareholders. The top 10 shareholders are shown below:

Hellaby – Top 10 Shareholders as at 21 October 2016

Shareholder	Shares (millions)	%
Castle Investments Limited	26.6	27.2%
Accident Compensation Corporation	8.8	9.0%
FNZ Custodians Limited	3.4	3.5%
Forsyth Barr Custodians	3.1	3.2%
National Nominees Limited	2.4	2.5%
Citibank Nominees (New Zealand) Limited	2.2	2.3%
Superlife Trustee Nominees Limited	1.8	1.8%
Custodial Services Limited	1.7	1.7%
BNP Paribas Nominees (NZ) Limited	1.4	1.4%
Custodial Services Limited	1.3	1.3%
Top 10 shareholders	**52.7**	**53.9%**
Other shareholders	45.0	46.1%
Total	**97.7**	**100%**

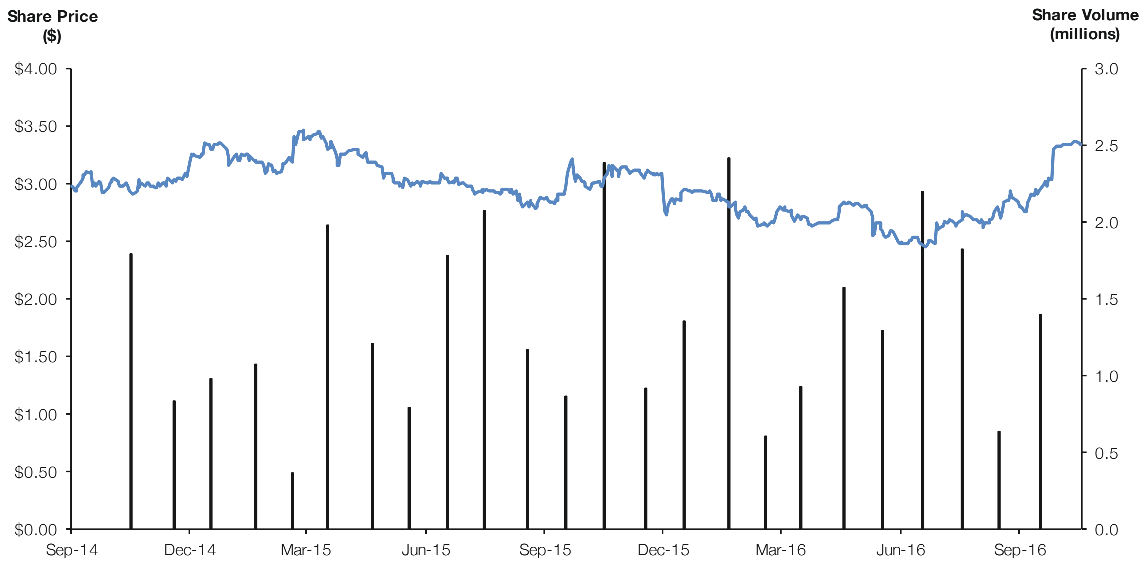
Source: NZX Research

[8] Other income has been included in customer receipts.

3.8 Share Price Performance

As at 21 October 2016, Hellaby had a market capitalisation of approximately NZ$326 million. The share price and trading volume history of Hellaby shares during the last two years is depicted below.

Hellaby Share Price Performance and Trading Volume over the last two years



The following table shows the volume of Hellaby shares traded over the past 12 months:

Hellaby – Share Trading Summary (NZ$)

Time period	Low	High	VWAP	Volume (millions)
Post takeover announcement	$3.26	$3.37	$3.31	4.5
Pre takeover announcement				
1 months prior	$2.74	$3.07	$2.90	1.2
3 months prior	$2.45	$3.07	$2.79	3.2
6 months prior	$2.45	$3.07	$2.68	8.4
12 months prior	$2.45	$3.15	$2.77	15.5

Hellaby's share price performance against the NZX50 is shown in the graph below:

Hellaby Share Price Performance relative to the NZX50 during the past two years Gross Index

4. Profile of the Automotive Group

4.1 Overview of the Automotive Group

Hellaby's Automotive Group spans three key market segments: mechanical, auto-electrical and tyre and wheel. In New Zealand, Hellaby's Automotive Group is well represented in the mechanical and tyre and wheel parts segments and is enjoying a growing presence in the auto-electrical sector. The New Zealand business also launched Truck and Trailer Parts in early 2015 to gain a position in the commercial vehicle parts segment. Hellaby's auto-electrical presence in Australia is growing as a result of the acquisition of *Federal Batteries* in September 2013, *JAS Oceania* in June 2015 and *Premier Auto Trade* in May 2016. A brief overview of each of the business units within the Automotive Group (in order of the length of Hellaby's ownership) is set out below:

Overview of Hellaby's Automotive Businesses

BNT Owned since the mid 1980's	BNT is a wholesaler distributor and supplier of aftermarket automotive and commercial truck parts. BNT customers are primarily independent service and repair workshops. The business stocks a full range of brake, clutch, driveline, suspension, underbonnet, filters, oils, related products and service tools – these are supplied as leading market brands or as a high quality BNT private label. BNT is the largest single business within the Hellaby Automotive Group with 53 branches located throughout New Zealand.
Autolign THE STEERING & SUSPENSION SPECIALISTS Owned since 2000	Autolign is New Zealand's largest specialised steering and suspension importer and distributor. Autolign is an agent for the *Monroe, Bilstein*, *Nolathane* and *Tein* range of products as well as providing technical suspension servicing. Autolign operates 9 branches and franchises 22 outlets under the *Shock Shop* brand.
DIESEL DISTRIBUTORS Owned since 2002	Diesel Distributors is a wholesaler of diesel fuel injection spare parts, test equipment and technical training to the specialist diesel fuel injection aftermarket, as well as workshops completing service and repair to diesel vehicles in New Zealand and Australia. Diesel Distributors is an agent for brands including *Delphi*, *Stanadyne*, *Denso*, *Bosch*, *Zexel* and *Dipaco*. *Direction Plus* is Diesel Distributors private label diesel parts program. Diesel Distributors has branches in Auckland, Brisbane, Sydney, Melbourne and Perth.
TRS Owned since 2003	TRS is a wholesale distributor of tractor, truck, forklift and industrial tyres and wheels. With specialist partner manufacturing facilities, TRS is the only company in New Zealand with the ability to source custom manufacture wheels for all agricultural and industrial applications. TRS has long standing supply arrangements in place for *Michelin*, *Continental* and *BKT*. Additionally, TRS has developed its own truck and bus radial programme under the *Roadlux* brand. TRS has 5 branches throughout New Zealand, as well as distributing its products through a nationwide reseller network.
HCB TECHNOLOGIES Owned since 2007	HCB is a distributor of automotive, commercial, marine, industrial batteries and accessories. HCB has 8 branches located throughout the major centres of New Zealand. HCB also has supply arrangements with 100 *Battery Town* auto–electrical supply and repair outlets. HCB has well developed in-house programmes that complement the representation of global battery brands such as *Varta*, *Optima* and *Panasonic*. HCB also has long standing supply arrangements with leading American based battery manufacturers *East Penn*, *US Batteries* and *Lifeline*.
FEDERAL BATTERIES BECAUSE QUALITY MATTERS Owned since 2014	Federal Batteries is an Australian based specialist battery wholesaler of premium automotive, industrial and specialist application batteries for domestic and commercial applications. Like HCB, Federal Batteries is an agent for leading US based manufacturers *East-Penn*, *US Batteries* and *Lifeline*. Additionally it represents *Optima*, *Enersys*, *Discover* and *Varta*. *Remco* is a battery brand originally manufactured in Asia that Federal has exclusive brand rights to throughout Australasia. Federal Batteries has branches in Sydney, Brisbane and Melbourne.
JAS OCEANIA Owned since 2015	JAS Oceania is a supplier of automotive electrical parts, air conditioning, lighting and accessories for passenger cars, commercial vehicles, agricultural machinery and marine applications. With 23 branches throughout Australasia, JAS supply starter motors, alternators, rotating electrical components, air-conditioning components and electrical accessories.

Premier Auto Trade Racing & Performance Components Owned since May 2016	Premier Auto Trade is an Australian based importer and specialist distributor of electronic fuel injection, engine management and service components. The business distributes throughout Australia via a network of specialist resellers, national distributors and automotive retail groups, as well as exporting to several other countries in Oceania. PAT has key supply arrangements to represent all of the leading brands manufacturing in this segment including *Bosch*, *Denso*, *Valeo* and *Delphi.*
Truck & Trailer Parts Established in 2015	Truck and Trailer Parts is a newly created business within BNT, and is a parts supplier to the heavy transport industry. Truck and Trailer Parts supply truck, trailer, auto electrical, oil, filtration and exhaust parts and OEM products from 2 specific branches and 5 BNT branches operating throughout New Zealand. Truck and Trailer Parts are the leading distributor in New Zealand for Fuwa axle programmes. *Fuwa* is the largest axle manufacturer in the world.

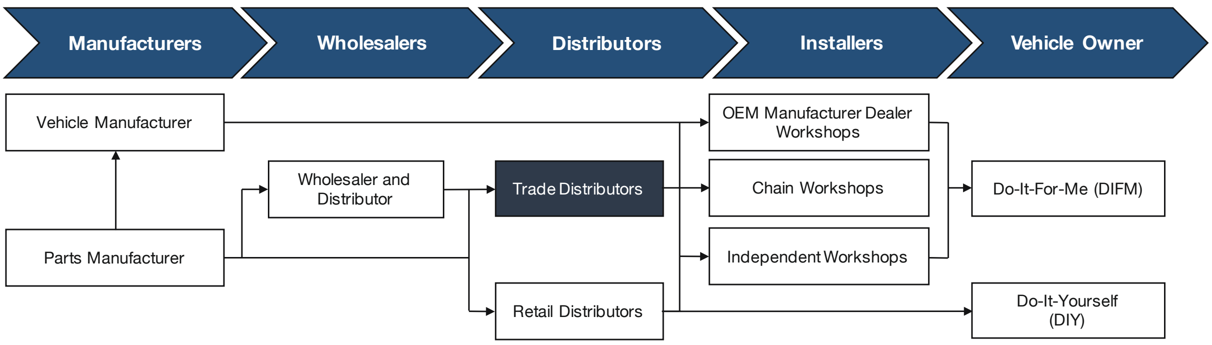
4.2 Market Overview

The Australian and New Zealand automotive parts and accessories aftermarket involves the distribution and sale of automotive parts and accessories and automotive related tools and equipment for passenger and light commercial vehicles. The primary customers are automotive workshops and retail consumers. The aftermarket excludes those products that are used by original equipment manufacturers to manufacture new vehicles. In general, any product or service that a vehicle requires after it has been assembled is considered an aftermarket product or service. The automotive parts value chain can be described as comprising four primary segments:

- ***Parts manufacturers***, which manufacture a wide variety of parts used both in the manufacture of new vehicles and for maintaining vehicles in the aftermarket;
- ***Wholesalers***, which purchase parts directly from parts manufacturers for supply to trade and retail distributors;
- ***Distributors***, which purchase directly from wholesalers or manufacturers for supply to workshops or DIY customers. Hellaby Automotive primarily operates in this segment of the market supplying directly to workshops and specialist retailer distributors; and
- ***Installers***, which require automotive parts and accessories to service and repair vehicles for customers. This segment comprises chain workshops, independent workshops and OEM Manufacturer dealer workshops.

The value chain is represented in the diagram below. The blue box highlights Hellaby's primary positioning as a trade distributor to workshops:

Overview of the Automotive Parts Value Chain[9]



The size of the automotive aftermarket in Australia and New Zealand has been estimated by Hellaby management at over NZ$3 billion p.a.[10] The automotive parts and accessories aftermarket industry is considered reasonably insulated against broad economic fluctuations. The relatively non-discretionary nature of vehicle repairs provides some mitigation against a downturn in the economic cycle, while more favourable economic conditions can lead to

[9] Source: Grant Samuel research and analysis.

[10] Source: Hellaby 2016 Annual Report.

greater expenditure on performance and accessory items for vehicles. The automotive parts and accessories aftermarket industry involves the supply of a broad range of product categories including:

- replacement parts such as brake, clutch, engine, ignition, and electrical components;
- oils and lubricants;
- automotive related tools and equipment;
- automotive accessories such as car seat covers and floor mats;
- in-car entertainment such as sound and DVD systems;
- car care products such as cleaning materials and polishes; and
- performance and four-wheel drive products.

Glass, panels, paint, tyres and wheels are products that are generally excluded from the definition of the automotive aftermarket. The following table provides an overview of the primary market participants in the automotive distribution segment (trade and retail) in New Zealand and Australia:

Overview of Primary Market Participants in Automotive Parts Distribution Segment in New Zealand and Australia

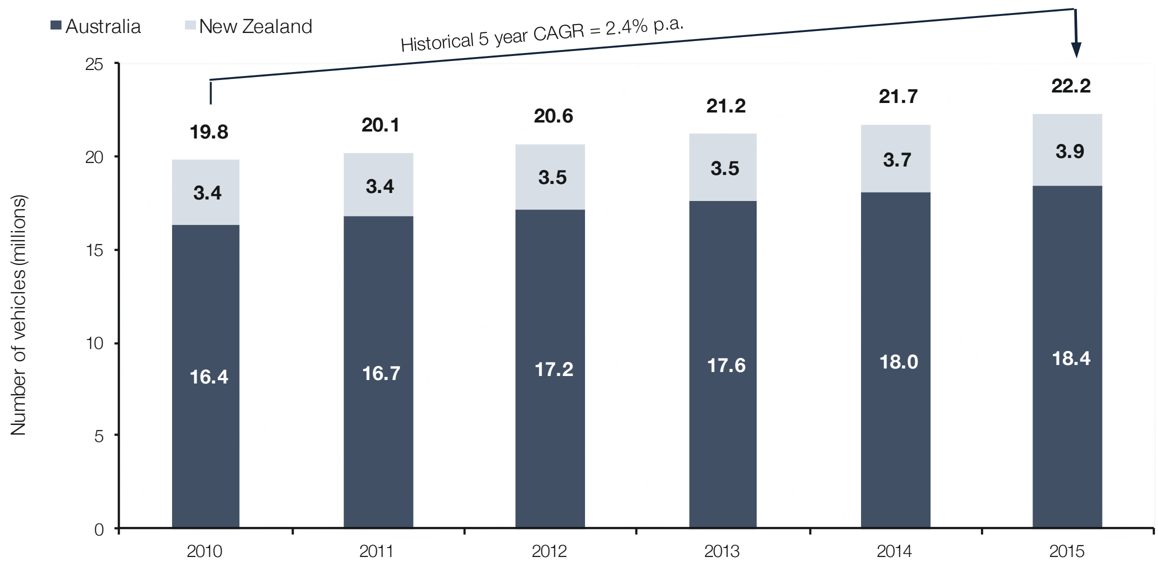
Market Participant	Trade	Retail	Geographies covered	Description / Comments
Hellaby	√ (primary)		New Zealand (primary) Australia	Hellaby is the largest trade distributor in New Zealand with a portfolio of businesses including BNT, Autolign, HCB, Premier Auto Trade, Federal Batteries, Diesel Distributors and JAS Oceania. The company also has a growing presence in the Australian trade distribution market following recent acquisitions in this market. Hellaby Automotive operates from a total of 120 locations across New Zealand and Australia.
Bapcor	√ (primary)	√	Australia	Following the acquisition of Metcash's Automotive Group, Bapcor transformed into a business with trade distribution, retail distribution, and specialist wholesale operations. The retail segment comprises 115 Autobarn stores, 64 OL stores and approximately 235 independent stores operating under the Autopro, Car Parts and Sprint Auto Parts brand names. The trade segment consists of approximately 150 stores under the Burson Auto Parts and Precision Automotive Equipment brands. In addition, Bapcor has 140 service outlets trading under the Midas and ABS brands.
Repco	√	√ (primary)	Australia & New Zealand	Exego Group (Trading as Repco) operates a nationwide network of automotive stores throughout Australia and New Zealand with revenue of approximately $900 million p.a. Exego Group is owned by Genuine Parts Company Inc., which acquired the company in 2013. Repco employs over 4,000 staff. Repco currently has approximately 400 stores across Australia and New Zealand. In July 2015 Genuine Parts acquired Covs, a Western Australia automotive distribution business with 25 branches.
Super Cheap Auto		√	Australia & New Zealand	Super Cheap Auto operates a network of 290 automotive stores throughout Australia and New Zealand with revenue of approximately A$920 million p.a. Super Cheap Auto is owned by Super Retail Group, an ASX listed diversified retail group.
ashdown ingram	√ (Electrical)		Australia (primary) & New Zealand	Ashdown Ingram is Australia's largest distributor of automotive electrical and thermal control parts to the independent automotive market. The company has over 55 branch locations and employs a team of more than 400 people.

Century Batteries that last and last	√ (Batteries)	Australia (primary) & New Zealand	Century Yuasa is the largest supplier of automotive, specialty and industrial batteries in Australia and New Zealand. The company has a manufacturing facility in Queensland and state based distribution centres and regional agencies.
Veale	√	Western Australia only	Veale Auto Parts is an automotive parts supplier in Western Australia. The company has approximately 16 branch locations.

As well as general economic factors influencing demand for aftermarket automotive parts and accessories, demand is also affected by a number of specific factors, including:

- ***Number of vehicles registered.*** Growth in the number of registered vehicles tends to increase demand for retail automotive parts and accessories. As at 31 December 2015 there were approximately 3.86 million vehicles registered in New Zealand[11] and as at 31 January 2016 there were approximately 18.4 million vehicles registered in Australia.[12] The historical trend in the number of registered vehicles in these two countries is summarised below:

Historical Trend in the Number of Registered Vehicles in Australia and New Zealand (millions)



- ***Vehicle age and mileage.*** Vehicles generally require greater maintenance with age, leading to a greater requirement for parts and servicing, although the increasing longevity of automotive parts and increased service intervals due to improved materials and manufacturing techniques are dampening this impact. The average age of all registered vehicles in Australia as at 31 January 2016 was 10.1 years[13] and the average age of all light registered vehicles in New Zealand as at 31 December 2015 was 14.2 years[14].

- ***Diversity of the vehicle population (by vehicle make and model).*** The diversity of vehicle brands and models in Australasia has increased significantly in recent years as a result of increasing imports, a shift in consumer preference towards four wheel drives and small cars, and an increase in the number of model variants offered by local vehicle retailers. The growth in vehicle brand and model diversity means that automotive parts and accessories resellers need to offer an increasingly broad range of inventory (particularly in the New Zealand market) and face continual pressure to expand their product range.

- ***Price of petrol.*** The impact of petrol prices on household disposable income affects consumer discretionary spending. Hellaby believes that consumers react to higher petrol prices by seeking to minimise overall costs

[11] Source: New Zealand Annual Fleet Statistics 2015. Ministry of Transport

[12] Source: Australian Motor Vehicle Census as at 31 January 2016.

[13] Source: Australian Motor Vehicle Census as at 31 January 2016.

[14] Source: New Zealand Annual Fleet Statistics 2015. Ministry of Transport

associated with their motor vehicles through reduced vehicle usage, the deferral of servicing and a reduction in the purchase of automotive parts and accessories.

4.3 Financial Profile

The financial performance and position of Hellaby's Automotive Group for the financial years ended 30 June 2013, 2014, 2015 and 2016, together with the Board approved forecast for the financial year ending 30 June 2017 are shown below:

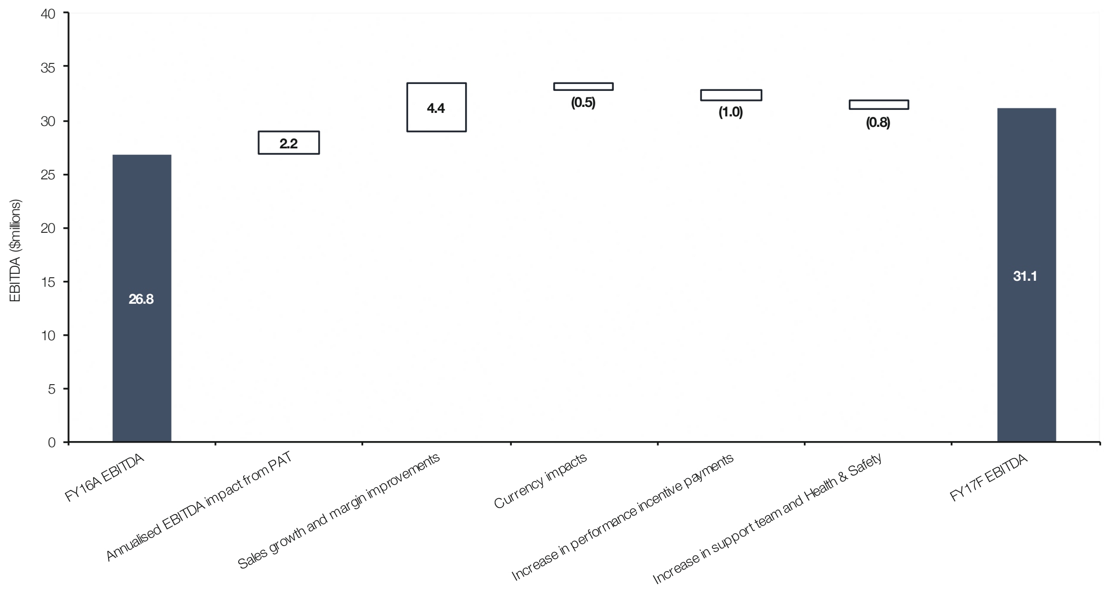
Hellaby Automotive Group – Summary Financial Performance and Position (NZ$ millions)

Year end 30 June	2013A	2014A	2015A	2016A	2017F
Financial Performance					
Total income	170.8	185.3	200.3	260.0	296.6
Total expenses	(149.4)	(161.2)	(174.7)	(233.2)	(265.5)
Trading EBITDA	**21.4**	**24.1**	**25.6**	**26.8**	**31.1**
EBITDA margin %	*12.5%*	*13.0%*	*12.7%*	*10.3%*	*10.5%*
Depreciation and amortisation	(1.2)	(1.5)	(1.7)	(2.3)	(2.8)
Trading EBIT	**20.2**	**22.6**	**23.9**	**24.5**	**28.4**
EBIT margin %	*11.8%*	*12.1%*	*11.9%*	*9.4%*	*9.6%*
Financial Position					
Segment assets	91.3	115.2	144.7	172.2	
Segment liabilities	(27.8)	(31.2)	(37.4)	(49.0)	
Segment net assets	**63.4**	**84.0**	**107.3**	**123.2**	

The following points should be taken into consideration when reviewing the table above:

- The forecast for FY17 comprises 3 months actual results and 9 months forecast. The growth in sales of 14.0% and EBITDA of 16.0% in FY17 is due to:
  - annualised result for Premier Auto Trade (acquired 2 May 2016);
  - market share increase due to branch expansion of JAS branch network and supersites;
  - improved product availability through leverage of the existing branch network across the group to provide geographic logistic solutions;
  - growth of Truck and Trailer Parts in the heavy segment of the market;
  - further development of e-commerce offering;
  - increased number and age of vehicles on the road;
  - customer loyalty program and step change to group buying offer;
  - improved margins through smarter pricing and procurement benefits (includes Asian buying office);
  - implementation of integrated IT plan to support back office synergies; and
  - integration of business units.
- EBITDA is forecast to increase by $4.3 million in FY17. The increase is driven by sales growth and margin improvements across the Automotive Group businesses (+$4.4 million), an additional 10 months of ownership of Premier Auto Trade (+$2.2 million) offset by increased personnel related costs, support team and health & safety costs and currency impacts (-$2.3 million). The relative impact of each of these items on the forecast increase in EBITDA between FY16 and FY17 is depicted below:

Hellaby Automotive Group EBITDA Bridge Diagram – FY16A to FY17F ($millions)



- in May 2016, Hellaby announced the acquisition of Premier Auto Trade in Australia for A$13 million (NZ$14.6 million). Hellaby has budgeted for Premier Auto Trade to add approximately A$22 million in revenue and A$2.6 million in EBIT to financial performance for FY17;
- Hellaby acquired Australian based wholesale distributor JAS Oceania in 2015 for $21.4 million and in FY16 spent $1 million on one-off costs associated with the establishment of the Truck & Trailer Parts business. Hellaby identified both markets as providing platforms for branch expansion, bolt-on acquisitions and cross-selling opportunities with existing businesses Federal Batteries and Diesel Distributors;
- sales in FY15 were up 8% and EBITDA increased by 6%, assisted by a full years' trading from Federal Batteries (acquired in the previous year); and
- sales for FY16 increased by 30% and EBITDA increased by 5% with the Automotive Group benefiting from full year contribution from the acquisition of JAS Oceania and two months from the acquisition of Premier Auto Trade.

4.4 Growth Strategies and Outlook

Hellaby's growth strategies for the Automotive Group include:

- targeted bolt-on acquisitions designed to strengthen the already established auto-electrical and mechanical parts segments of Hellaby's portfolio;
- organic expansion by capitalising on opportunities to grow the established automotive businesses to capitalise on forecast increased demand; and
- continuing to explore the potential to evolve the business into other automotive related sectors including fuel and electronics.

Bolt on acquisitions

Hellaby's Automotive Group has historically produced EBIT growth, and if it is able to successfully acquire businesses already identified as acquisition targets, this trend is likely to continue. Both Bapcor and Hellaby have been able to acquire smaller automotive businesses at attractive multiples when compared with the multiples at which their respective businesses trade on the Australian and New Zealand Stock Exchanges. A range of acquisition opportunities within the Automotive Group are in advanced stages of discussion, and until the advent of the Bapcor offer, were being actively pursued. The Australasian auto electrical market also features a selection of complementary companies as potential acquisition targets for Hellaby's Automotive Group.

Organic Expansion

BNT is the largest and most profitable part of the Automotive Group. BNT sells primarily to the trade segment and is the largest participant in this market. BNT has historically delivered sound growth in revenue and market share. In 2015 a new business Truck & Trailer Parts was established which will operate out of both new branches and existing BNT branches. Management believe the opportunities for further organic expansion will continue to exist, underpinned by the increasing car population and macro economic factors. Opportunities exist to continue to expand the JAS network, as well as the operating footprint of Diesel Distributors, Premier Auto Trade and Federal Batteries. After a period of consolidation of these acquisitions and expansion, Automotive Group management consider further synergies and efficiencies (in such areas as IT and logistics) should be able to be extracted.

Evolve into Related Sectors

Hellaby has identified the auto electrical parts market as a growth segment as the quantum and technical complexity of electrical equipment in cars has increased exponentially and the advent of hybrid and fully electrical vehicles become more prevalent. The wholesale automotive parts sector is focused on vehicles typically aged seven years or more, which are no longer serviced by the original vehicle manufacturer dealerships. Hellaby's New Zealand auto electrical businesses comprise auto electrical parts businesses being consolidated under the single banner of JAS Oceania and battery business, HCB Technologies. Hellaby's Australian auto electrical business also trades under the JAS Oceania banner and exhibits a number of similarities to the New Zealand operation. Federal Batteries is increasingly sharing sites with JAS Oceania and Diesel Distributors. Hellaby expects other automotive related sectors to offer growth opportunities in the future.

5. Profile of Resource Services Group

5.1 Overview of the Resource Services Group

Hellaby's Resource Services Group comprises two businesses that provide specialised industrial services and maintenance solutions. These services and solutions include catalyst handling, mechanical, environmental and industrial services and specialised cleaning for major oil, gas, petrochemical and heavy industrial customers. A brief overview of each business is provided below:

Overview of Hellaby's Resource Services Businesses

Owned since 2013	▪ Hellaby owns 85% of Contract Resources (the remaining 15% is owned by the founding shareholders). Contract Resources provides specialist services that include catalyst extraction and recharging of petrochemical plants and refineries, specialised mechanical services, industrial cleaning and hazardous waste handling, pipeline and tank farm maintenance. The primary clients are in the oil, gas, petrochemical, mineral, power generation and pulp & paper sectors. ▪ Contract Resources has geographical and sector diversification with operations in New Zealand, Australia, Middle East, South America and the United States (80% owned), employing approximately 950 people across these regions. ▪ Contract Resources has over 75% of the catalyst handling and mechanical services market in New Zealand and Australia, as well as significant shares of the environmental and industrial services market in the same regions. ▪ Major customers include the multinational oil companies, energy and refining companies as well as mining and resource companies.
Owned since July 2016	▪ TBS Group, which is 100% owned by Hellaby, provides asset maintenance and construction services to a broad range of industrial, commercial and government infrastructure customers operating in construction, mining, petrochemical, roads, rail, water, power and port sectors of the economy throughout New Zealand. The services include abrasive blasting, commercial building services, protective coatings, high pressure water cleaning, hazardous materials management and fireproofing. ▪ TBS Group's major customers include energy companies, ports, transport companies and manufacturers. With operations in New Zealand, TBS Group currently employs approximately 550 people.

5.2 Market Overview

Contract Resources

Contract Resources operational activity and earnings are derived from providing specialist industrial services and maintenance solutions to oil, gas, petrochemical and heavy industrial customers. Most of these customers operate in the downstream sector, commonly referred to as the refining of crude oil and the processing and purifying of raw natural gas. In the past two years many of the owners of many oil and gas refining and processing facilities have tended to defer maintenance expenditure as their own revenue has declined, mirroring the general decline in the oil price.

Contract Resources' earnings in the last two financial years have also generally tracked down with the oil price. Over 40% of Contract Resources' revenue is derived from downstream oil processing which has historically yielded attractive margins. Contract Resources' Australian and US businesses are the most affected by the current downturn due to:

- lower oil feedstock cost for refiners initially drives refining margins higher as refined product prices tend to fall at a much slower rate than the drop in oil prices;
- demand for petrol typically increases as prices fall. This results in a need for more refining activity;
- refinery margins have been sufficiently high enough in the US in recent times to discourage Contract Resources' customers from taking plant off line; and
- the USA shale oil glut increased crude oil supply, forcing refiners to continue to process large volumes of crude, however the capacity to store crude has reduced. This dynamic also discourages certain customers from taking plants off line.

The overall effect has seen very slow periods between seasonal peaks followed by high levels of activity in condensed periods causing significant margin and resource pressure.

Australia is Contract Resources' largest market. Contract Resources' traditional business of industrial services and catalyst handling, which historically was the basis for growth in Australia, is progressively transitioning away from oil refining to gas services. This is occurring both on and off shore as well as a geographical shift from the South East (refineries) to Queensland and Western Australia Liquefied Natural Gas (**LNG**). The focus of Contract Resources' Australian business is to take advantage of the new gas opportunities and develop fixed long term maintenance opportunities with key clients that provide steady monthly revenue. If this can be achieved, it will help offset lumpy cash flows being experienced in the current market.

The USA is a relatively small market for Contract Resources where it has focused on its core competency of catalyst handling. The largest but most competitive market is Houston, Texas. Contract Resources has small offices in Louisiana, Chicago and Delaware. The market for catalyst handling in these regions is expected to grow due to forecast increasing demand from shale gas and oil, LNG and chemical plants. As much maintenance can no longer be deferred, demand for catalyst handling services is also expected to increase. Contract Resources has identified new markets in the Caribbean, Canada and South America.

The Middle East is Contract Resources' second largest market, despite the company only entering the market in 2010. The Middle East has 12% of the world's' refining capacity and is growing very rapidly. The total market size for Contract Resources' services is estimated to be NZ$450-$550m p.a. In the UAE, Qatar and Oman, Contract Resources already holds a number 1 or 2 market position. In Saudi Arabia, the largest market for industrial services in the Middle East, Contract Resources is in a joint venture with a local partner. The Middle East is forecast to continue to exhibit strong growth in revenue and earnings. It does offer challenges, as the majority of labour is from migrant workers and the customers do not always understand the costs of delays in starting a programme of works. Contract Resources has a very good reputation throughout the Middle East and is looking for expansion opportunities.

TBS Group

TBS Group has a wealth of experience and expertise in challenging and hazardous projects and provides services to a broad range of industrial, commercial and government infrastructure customers operating in construction, mining, petrochemical, roads, rail, water, power and port sectors of the economy throughout New Zealand. These include:

- Abrasive blasting;
- Ultra high pressure water cleaning;
- Protective coatings;
- Fireproofing;
- Vacuum loading;
- Scaffolding;
- Commercial building services;
- Building & structure remediation;
- Refractory services;
- Hazardous materials management (asbestos and lead); and
- General engineering services.

TBS Group combines four specialist companies and one joint venture, each focused on providing a specific range of trade services:

- ***TBS Farnsworth*** is a diverse asset maintenance and construction services company with a long history of serving the New Zealand market. The company is involved in the maintenance of New Zealand's largest infrastructure assets including the Marsden Point Oil Refinery and Transpower's transmission network;
- ***TBS Coatings*** has been a leading provider of abrasive blasting and protective coatings services in the Taranaki region for over 35 years providing services to companies such as Methanex and Fonterra;
- ***Crow Refractory*** a provider of refractory services that is able to take on any sized project, either new construction or maintenance within its area of expertise throughout New Zealand or Australia. Crow Refractory carries out work for the cement, chemical, pulp and paper, steel, aluminium, dairy, meat, timber and petrochemical industries as well as for crematoriums, boiler and glass manufacturers, brickworks and primary and secondary smelters;
- ***Total Bridge Services*** (a joint venture) provides maintenance activities on the Auckland Harbour Bridge, including mechanical works and protective coatings; and
- ***TBS Remcon*** offers construction solutions to remediate leaky, seismically challenged, or end of life buildings and structures.

TBS Group's customers are primarily New Zealand corporations with large asset bases that require specialised asset maintenance services. TBS Group has a number of preferred supplier agreements in place, which provides "annuity type" revenue each year. The level of revenue generated from these contracts is dependent on the maintenance budget of each organisation in each respective financial year but over the last 18 months approximately 40% of TBS Group's revenue has been generated from customers with maintenance contracts. TBS Group's revenue is concentrated with the top 20 customers generating a large proportion of TBS Group's annual revenue, however the level of concentration is decreasing due to the revenue growth being generated from TBS Remcon's remediation work.

5.3 Financial Profile

The financial performance of Hellaby's Resource Services Group for the years ended 30 June 2014, 2015 and 2016 together with the Board approved forecast for the year ending 30 June 2017 are summarised in the table below:

Hellaby Resource Services Group - Financial Performance (NZ$ millions)

Year end 30 June	2014	2015	2016	2017F
Financial Performance				
Total income	165.7	189.3	176.2	271.4
Total expenses	(149.3)	(170.8)	(165.3)	(247.4)
Trading EBITDA	**16.4**	**18.5**	**11.0**	**24.0**
EBITDA margin %	*9.9%*	*9.8%*	*6.2%*	*8.8%*
Depreciation and amortisation	(6.6)	(7.3)	(8.0)	(9.7)
Trading EBIT	**9.8**	**11.2**	**2.9**	**14.3**
EBIT margin %	*5.9%*	*5.9%*	*1.6%*	*5.3%*
Financial Position				
Segment total assets	134.3	152.1	151.3	
Segment total liabilities	(67.6)	(67.8)	(70.4)	
Segment net assets	**66.7**	**84.3**	**80.9**	

The following points should be taken into consideration when reviewing the table above:

- the FY17 forecast includes three months of actual results and nine months of forecast results;
- total income in FY15 was up 14% and EBITDA increased by 13% primarily due to strong performances in Australia (due to increased activity in the Natural Gas sector and the Middle East as a result of increased work from major clients based in Qatar, UAE and Oman);
- total income for FY16 decreased by 7% and EBITDA decreased by 41% primarily due to the volatile and poor performing oil and gas market. Contract Resources' performance is heavily tied to a market that saw a number of international refineries that Contract Resources perform work for delay major maintenance programs or activity during the past 12 months. In addition, the market has been depressed by the cessation of most upstream development – particularly in Queensland and the very delayed start up of new LNG plants/projects in Australia; and
- Hellaby acquired TBS Group effective 1 July 2016 for $45 million, plus an earn-out payment of up to $6 million.

5.4 Growth Strategies and Outlook

Hellaby's growth strategies for the Resource Services Group can be expressed by reference to the opportunities available to each business:

Contract Resources:
The new Chief Executive of the Resource Services Group has an established track record in the oil and gas sector. He is very confident that the management team will be able to grow the revenue and earnings of Contract Resources significantly over the next three years. One of the early challenges being addressed is the influences associated with short term contracts which yield good margins, but often result in exaggerated peaks and troughs in revenue and earnings. Contract Resources differentiates itself from the large number of industrial contractors by positioning itself as a recognised supplier of specialised services with wide geographical coverage and excellent relationships with the majority of the world's leading oil and gas companies. This is significantly different than simply being a provider of a pool of labour. A focus of Contract Resources will be to capitalise on these established relationships and enter long term contracts with large global oil and gas businesses.

Contract Resources is also looking to reduce overhead expenses and refocus both the quantity and timing of capital expenditure to improve earnings and cash flows, at the same time as increasing revenue. It is considered inevitable that the current high level of deferred maintenance in many global markets will become critical and need to be addressed. Contract Resources is using the current quieter environment to ensure it is ready for the projected upturn. Growth opportunities include:

- the sheer size of the Middle Eastern and US markets provides continuing opportunities for Contract Resources to expand its range of services and to extend the geographical presence of the business;
- the market for both catalyst handling and environmental/industrial services work in the LNG market in Australia is an identified growth opportunity;
- Contract Resources employs a patented technology that is used in applications to clean hard residue from industrial pipes. This technology gives Contract Resources a unique competitive advantage in the mining sector, particularly across its large customer base in Australia;
- organic expansion throughout established markets;
- identifying bolt-on acquisition opportunities to complement the existing business. Contract Resources is currently evaluating six separate acquisitions in five countries – all of which are complementary to the existing business, and in the majority of instances would extend the range of services offered; and
- Contract Resources' specialist services can be delivered worldwide on a "fly-in fly-out" basis. The company's recognised skills and ability to deliver on time are identified competitive advantages, with enquiries continuing to come from new and existing clients in South East Asia and the UK.

TBS Group:

Growth opportunities for TBS include:

- the provision of tank cleaning services to Refining NZ in the form of a long term contract. The contract is likely to also involve the provision of a substantial amount of specialist tank cleaning water blasting equipment, which can in part be leveraged by TBS Group to service other customers;
- the expansion of its specialised services of wind turbine painting, blade and mechanical maintenance into Australia and South East Asia via a relationship with Siemens;
- opportunities to expand Tower Painting services into Australia and Canada; and
- the expansion of the scaffolding business to leverage the investment made in scaffolding equipment to support the Makatote rail viaduct project.

New Zealand is a small market with a diversified range of services offered including tank servicing, environmental and industrial service, mechanical services, wind farm servicing and pipeline inspection. The acquisition of TBS Group has greatly expanded both the range and capability and revenue and earnings within the Resource Services Group. The ability to offer a wider range of services has made the combined Contract Resources/TBS Group a more attractive proposition to large industrial establishments looking for a one-stop shop.

6. Profile of the Footwear Group

6.1 Overview of the Footwear Group

Hellaby owns two of New Zealand's largest retail footwear chains, Hannahs and Number One Shoes, which combined, have an estimated market share of approximately 25%. A brief overview of each of the business is provided below:

Overview of Hellaby's Footwear Businesses

Hannahs Owned since before 1987	▪ Hannahs is New Zealand's largest specialty footwear chain incorporating the *Hannahs*, *Hush Puppies* and *Pulp* brands. In addition, Hannahs secured the exclusive distribution rights of the well-known Clarks brand in late FY15. Hannahs stores are solely based in New Zealand (after closing its Australian retail operation completely in 2016) and includes 52 Hannahs stores, 10 stores trading under the Hush Puppies brand and one store operating under the Pulp brand.
1 numberoneshoes Owned since 2005	▪ Number One Shoes is the largest speciality discount footwear retailer in New Zealand with 51 stores throughout New Zealand. The business was established in the 1980s as *Shu-Bar*.

The Footwear Group of Hellaby employs around 1,000 staff in 114 locations throughout New Zealand.

6.2 Market Overview

The retail footwear market in New Zealand is made up of a number of large specialist retailers including Hannahs and Number One Shoes, along with big box retailers including *The Warehouse*, *Rebel Sports*, *Platypus* and *Kmart*, department stores including *H&M* and *Topshop* and small specialist footwear retailers including *Mi Piachi* and Merchant (trading as *Overland)* as well as online New Zealand retailers. In general, the retail footwear market has encountered a number of challenges in recent years due to certain factors including subdued discretionary spending, intensifying competition and a generally difficult retail environment. These factors have contributed to a decline in industry performance, prompting a shift in the way retailers position themselves within the sector.

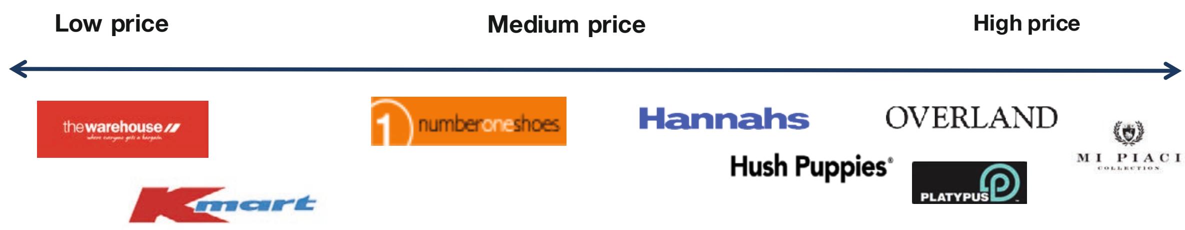
Total Retail Sales in New Zealand ($ billions)

	2014	2015	Variance
Footwear Retail	0.46	0.45	(2.0%)
Clothing Footwear & Accessories Retailing	3.32	3.45	3.9%
Department Stores	4.13	4.39	6.1%
Total Retail Sales	75.65	79.13	4.6%

Source: Statistics New Zealand – Retail Trade Survey

As the data in the table above suggests, the size of the New Zealand footwear market has contracted when compared to the overall retail market which has shown positive signs of growth in recent years. The footwear retail market tends to focus on segmentation by price, gender and product type. In New Zealand, women purchase more shoes than men, in particular, teenage girls and young professionals. There has however been a recent trend in the male footwear segment where men are increasingly focused on buying footwear driven by increased brand availability and a shift from the traditional black and brown footwear to footwear with more variety. Notwithstanding the segment that is being targeted, there are a number of factors which influence demand for footwear including price, consumer sentiment, discretionary income levels, weather and the availability of substitutes from other retail channels.

Structure of the New Zealand Footwear Market



The New Zealand footwear market can be broadly segmented into three primary price bands with different retailers clearly operating within different segments. Hannahs focuses on the mid price bracket whereas Number One Shoes has recently made a decision to focus on the low to mid price range as opposed to the lowest price band that it previously also targeted.

One of the biggest challenges facing the retail footwear market in New Zealand is the increase in competition as existing fashion and sporting retailers have added footwear to their product mixes and more boutique outlets have opened. Large international retailers including *H&M, Zara* and *Topshop* have recently entered the New Zealand market and although these chains primarily sell clothing, they also stock a range of footwear products. In addition, there has been continued pressure from internet retailing, both domestic and international, including *The Iconic* and *ASOS*. This has led to apparel and footwear specialist retailers pursuing omni-channel strategies so that they can create stronger internet platforms that allow the retailer an alternative channel to reach consumers outside of their tradition bricks and mortar strategies.

6.3 Financial Profile

The financial performance and position of Hellaby's Footwear Group for the financial years ended 30 June 2014, 2015 and 2016, together with the forecast for the year ending 30 June 2017, are summarised below:

Hellaby Footwear Group - Financial Performance and Position (NZ$ millions)

Year end 30 June	**2014A**	**2015A**	**2016A**	**2017F**
Financial Performance				
Total income	145.8	141.1	137.4	134.3
Total expenses	(139.6)	(135.3)	(133.1)	129.3
Trading EBITDA (before restructuring)	**6.2**	**5.8**	**4.3**	**5.0**
EBITDA margin %	*4.2%*	*4.1%*	*3.1%*	*3.7%*
Depreciation and amortisation	(3.1)	(3.1)	(3.0)	(2.8)
Trading EBIT	**3.2**	**2.8**	**1.3**	**2.1**
EBIT margin %	*2.2%*	*2.0%*	*0.9%*	*1.6%*
Financial Position				
Segment total assets	49.2	52.1	46.6	
Segment total liabilities	(15.0)	(16.2)	(13.3)	
Segment net assets	**34.2**	**35.9**	**33.3**	

The following points should be taken into consideration when reviewing the table above:

- the FY17 forecast include three months of actual results and nine months of forecast results. Restructuring costs are forecast to total $4.1 million in FY17;
- sales, EBITDA and EBIT have all steadily declined over the last four years due to the increasingly difficult footwear retail environment; and
- EBITDA margin for FY16 has reduced even further due to lower sales combined with a fixed overhead cost structure.

6.4 Growth Strategies and Outlook

Until recently Hannahs and Number One Shoes operated separately and competed in a number of segments. A change in strategy will result in many aspects of the businesses being merged but retaining the two separate identities. A change in strategy should result in a clear delineation in the merchandise and price points. The merger will result in a rationalisation of support roles and distribution warehouses. Hellaby expects to spend approximately $8.6 million on restructuring in the FY17 and FY18 financial years. The new strategy has been developed and implemented by retail consultants who plan to have the Footwear Group generating acceptable returns by the 2019 financial year. It is the intention of Hellaby to sell the merged Footwear Group as soon as satisfactory earnings have been generated. No timetable has been set for that event.

7. Valuation of Hellaby

7.1 Summary

Grant Samuel has valued Hellaby in the range of NZ$352.2 million to NZ$402.7 million, which corresponds to a value of NZ$3.60 to NZ$4.12 per share. The valuation is summarised below:

Hellaby – Valuation Summary (NZ$ millions)

NZ$ millions except where otherwise stated	Low	High
Enterprise value – Automotive Group	285.0	313.5
Enterprise value – Resource Services Group	123.8	141.5
Enterprise value – Footwear Group	26.0	30.3
Less: Head Office Closure costs	(3.3)	(3.3)
Combined enterprise value	**431.5**	**482.0**
Net debt for valuation purposes	(79.3)	(79.3)
Equity value	**352.2**	**402.7**
Fully diluted shares on issue (million)	97.7	97.7
Value per share	**$3.60**	**$4.12**

The valuation represents the estimated full underlying value of Hellaby assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Hellaby shares to trade on the NZX in the absence of a takeover offer or proposal similar in nature to the Bapcor Offer. The valuation reflects the strengths and weaknesses of Hellaby and takes into account the following factors:

- Hellaby's Automotive Group has a strong market position in New Zealand with a growing presence in the Australian market. The business has a track record of growth in revenue and earnings through acquisitions. There is potential for further growth in both New Zealand and Australia through acquisition of complementary automotive businesses and organic growth of its existing businesses. The Automotive Group has a track record of stable earnings and cash flows which makes it an attractive business to other trade parties or as a standalone company on the share market;
- the performance of the Resource Services Group has been impacted by the downturn in oil and gas prices, especially FY16. However, earnings from Contract Resources are forecast to improve in FY17 as oil and gas producers catch-up on deferred maintenance. Forecast earning margins for Contract Resources in FY17 are still well below historic levels achieved and the new Resource Services CEO believes that there is significant scope to improve margins. There is also scope for Contract Resources to grow via acquisition. The addition of TBS Group provides a domestically focused business and some degree of diversification to Contract Resources;
- the Footwear Group is in the process of a major restructuring which will result in Hannahs and Number One Shoes being merged. The restructuring initiative is not without risk with the retail outlook being relatively benign however, the initial signs are encouraging. Hellaby's intention is to divest the merged Footwear Group as soon as satisfactory earnings have been generated;
- each of Hellaby's Group businesses are operated on a stand-alone basis and report to the parent. If the Bapcor Offer is successful, the current head office would be wound up. Grand Samuel has assumed winding up costs of $3.3 million, which is equivalent to approximately 50% of the existing annual head office costs; and
- the enterprise value of the Resource Services Group comprises 85% Contract Resources and 100% of TBS.

7.2 Net debt for valuation purposes

Grant Samuel has adopted net debt for valuation purposes of $79.3 million. Net debt has been calculated as follows:

Net Debt for Valuation Purposes

	$ millions
Bank debt as at 30 December 2016	(83.5)
Amount due from sale of Equipment Group	1.5
Working Capital Adjustment for the Footwear and Automotive Group	6.0
Add back 15% of Contract Resources net debt	2.1
Amounts due to vendors of TBS Group	(5.5)
Net debt for valuation purposes	**(79.3)**

The following points should be noted when reviewing the table above:

- both the Footwear and Automotive Group net working capital is at a seasonal peak in September. The adjustment normalises net working capital to the average for the year;
- net debt has been adjusted for the 15% of Contract Resources not owned by Hellaby; and
- the vendors of TBS have an earnout which entitles them to a maximum payment of $5.7 million to be paid 50% in new Hellaby shares and 50% in cash. The full amount has been discounted to reflect that the payment will be made in approximately 12 months from the date of this valuation.

7.3 Preferred Methodology

Overview

Grant Samuel's valuation of Hellaby has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Hellaby is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Hellaby could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix C.

Preferred Approach

Grant Samuel has valued Hellaby on a sum-of-the-parts basis, as described below:

- ***Automotive Group***. Grant Samuel has placed primary reliance of the capitalisation of earnings methodology due to the relatively mature and stable nature of the business;
- ***Resource Services Group***. Grant Samuel has placed primary reliance on capitalisation of earnings but has used a DCF methodology as a cross check using forecast cash flows through to 30 June 2019:

- ***Footwear Group***. Grant Samuel has adopted the discounted cash flow (**DCF**) approach. This method was appropriate to reflect the planned restructuring initiative for the Footwear Group and costs associated with implementing the restructuring.

7.4 Valuation of the Automotive Group

Implied multiples

Grant Samuel has valued Hellaby's Automotive Group on an un-geared basis in the range of NZ$285.0 to NZ$313.5 million. This range implies the following multiples:

Hellaby Automotive Group – Implied Multiples

	Amount (NZ$ millions)	Valuation Range	
		Low	High
Assessed Enterprise Value		**285.0**	**313.5**
Multiple of EBITDA – actual for year ended 30 June 2016	26.8	10.6	11.7
Multiple of EBITDA – forecast for year ended 30 June 2017	31.1	9.2	10.1
Multiple of EBIT – actual for year ended 30 June 2016	24.5	11.6	12.8
Multiple of EBIT – forecast for year ended 30 June 2017	28.5	10.0	11.0

The valuation of Hellaby's Automotive Group has been considered having regard to the earnings multiples implied by the price at which businesses in the automotive distribution sector have changed hands and the share market ratings of the listed Australasian and international companies with operations in the automotive distribution sector.

Transactions involving Automotive Distribution Businesses

A selection of recent transactions in the automotive distribution sector in Australasia and other international markets since 2011 is set out below:

Transactions in the Automotive Retail and Distribution Sector – Australasia and Other International Markets

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple (times)		EBIT Multiple[15] (times)	
				Historical	Forecast	Historical	Forecast
Australasia							
Oct 2016	MTQ Engine Systems	Bapcor	A$17	6.1	na	na	na
Jul 2016	Baxter's & Roadsafe	Bapcor	A$22	5.5	na	na	na
May 2016	Premium Auto Trade	Hellaby	A$23	na	na	na	5.0
Feb 2016	Bearing Wholesalers & Precision Auto Equipment	Burson Group (now Bapcor)	A$32	5.3	na	na	na
Jun 2015	Metcash Automotive	Burson Group (now Bapcor)	A$275	8.3	na	9.9	na
May 2015	Diesel & Machinery Services & JAS Oceania	Hellaby	A$25	na	5.0	na	na
Apr 2014	Dasko & NZ trucks	Hellaby	A$10	na	4.0	na	na
Sep 2013	Federal Batteries	Hellaby	A$12	na	4.7[16]	na	na
Mar 2013	Exego Group	Genuine Parts Co	A$1,019	11.9	9.0	15.1	na
Sep 2011	Burson Group (now Bapcor)	Quadrant Private Equity	A$200	7.0	na	na	na
May 2011	Covs Parts	Automotive Holdings Group	A$29	9.3	7.9	12.6	10.7
Other International Markets							
Dec 2015	Pep Boys	Icahn Enterprises	US$1,266	16.0	13.9	n.m.	n.m.

[15] Represents implied enterprise value divided by EBIT.

[16] The implied EBITDA multiple for this transaction has been calculated assuming an exchange rate of A$0.85 per NZD.

Oct 2013	Genuine Parts International	Advance Auto Parts	A$2,404	9.3	na	na	na
Mar 2011	Kwik-Fit Group	ITOCHU	GBP637	8.5	na	8.9	na

Source: Grant Samuel analysis, Capital IQ. na means not available. nm means not meaningful

The following points are relevant when considering the above transaction evidence:

- the automotive retail sector in Australia and New Zealand has progressively consolidated with the primary acquirers being Bapcor and Hellaby Automotive;
- in September 2011 Quadrant Private Equity acquired a 75% shareholding in Burson Group for A$150 million. The vendors (the Johnson family) retained the residual 25% shareholding. At the time Burson had a network of approximately 92 stores. It was reported that the price paid by Quadrant for the shareholding in Burson represented a multiple of approximately 7.0 times historical EBITDA. In March 2014 Quadrant undertook an IPO of Burson on the ASX issuing 79 million new shares at a price of A$1.82 per share. Burson's listing price implied multiples of 9.4 times forecast EBITDA and 10.6 times forecast EBIT. Quadrant retained a 19.1% shareholding in the business post the IPO;
- since listing in April 2014, Burson Group has undertaken six acquisitions (excluding the proposed transaction involving Hellaby), for a combined purchase price of nearly A$350 million. The largest acquisition was the June 2015 purchase of Metcash's automotive retail business (**MAH**) for A$275 million. The acquisition added significant scale to Burson's wholesale and distribution platform and was complementary to its trade focus. The purchase price represented a multiple of approximately 9.9 times historical EBIT. The purchase price multiples for the other acquisitions undertaken by Bapcor have ranged between 5.3 to 6.1 times historical EBITDA illustrating the multiple uplift for the much larger automotive business of Metcash;
- Hellaby Automotive has undertaken six separate acquisitions since 2011 at multiples ranging between 4-5 times forecast EBITDA;
- the other major transaction in the Australasian automotive retail sector since 2011 was Genuine Parts Company Inc.'s (**GPC**) acquisition of the remaining 70% shareholding of Exego Group from Unitas Capital for approximately US$810 million. It was reported that the purchase price perceived a multiple of approximately 9.0 times forecast EBITDA. Exego Group owns the Repco chain of automotive retail stores in Australia and New Zealand. In July 2015, Genuine Parts acquired Western Australian automotive parts distributor Covs from Automotive Holdings Company (**AHG**) for a purchase price of approximately A$36.5 million. Implied multiples for this transaction were not calculable as Cov's earnings levels were not disclosed. When AHG acquired the business in 2011 the purchase price implied multiples of 7.9 times forecast EBITDA and 10.7 times forecast EBIT;
- the multiples implied by Icahn Enterprises' December 2015 acquisition of Pep Boys were relatively high (at nearly 14 times forecast EBITDA) as a result of a contested bidding contest between Icahn and Bridgestone and the synergies available with Icahn's other automotive distribution businesses; and
- detailed descriptions of the above transactions are outlined in Appendix A of this document.

Grant Samuel's valuation of Hellaby's Automotive Group is based on a multiple of 10.0 to 11.0 times forecast FY17 EBIT.

Sharemarket Evidence

The share market ratings of listed companies with operations in the automotive retail sector in Australia and other international markets is outlined below. While none of these companies markets is precisely comparable to Hellaby's Automotive Group, the share market data provides some framework within which to assess the valuation of the business.

Share Market Ratings of Selected Listed Companies[17]

Company	Market Capitalisation (NZ$ millions)	EBITDA Multiple[18] (times)			EBIT Multiple[19] (times)		
		Hist.	Fore (1)	Fore (2)	Hist.	Fore (1)	Fore (2)
New Zealand / Australia[20]							
AMA Group Limited	A$492	nm	12.7	10.8	nm	15.4	12.7
Bapcor limited	A$1,475	nm	15.1	12.7	nm	17.2	14.3
GUD Holdings Limited	A$857	11.5	11.2	10.4	13.1	12.3	11.5
Super Retail Group Limited	A$2,028	9.9	8.7	7.8	13.9	11.7	10.4
North America[21]							
Advanced Auto Parts Inc.	US$10,391	9.1	9.7	9.0	11.5	12.4	11.4
Autozone Inc.	US$21,731	11.2	10.5	10.0	12.8	12.1	11.4
Dorman Products Inc.	US$2,153	12.4	11.3	10.7	13.8	12.5	11.6
Genuine Parts Company Inc.	US$13,554	11.2	11.4	10.6	12.6	12.8	12.1
O'Reilly Automotive Inc.	US$26,512	16.2	14.5	13.2	19.2	17.1	15.6
Standard Motor Products Inc.	US$1,083	12.2	9.7	9.4	15.0	11.1	10.0
Uni-Select Inc.	CAD1,278	11.6	10.4	9.4	13.4	11.9	11.0
UK & Europe[22]							
Halfords Group plc	GBP673	6.3	6.4	6.2	8.5	9.1	9.1
Average (all companies)		**11.2**	**11.0**	**10.0**	**13.4**	**13.0**	**11.8**
Median (all companies)		**11.4**	**10.8**	**10.2**	**13.2**	**12.3**	**11.5**

Source: Grant Samuel analysis[23] nm means not meaningful

The following points are relevant when considering the table above:

- Bapcor is trading at relatively high multiples of circa 13 times forecast year 2 EBITDA (based on mean broker consensus). The high trading multiples likely reflect Bapcor's track record of successfully acquiring and integrating smaller automotive businesses as well as opportunities for further consolidation of the automotive distribution market in both Australia and New Zealand;
- AMA Group Limited (**AMA**) is an automotive aftercare and accessories company, comprising primarily of a large portfolio of panel repair centres located throughout Australia. AMA Group is trading at relatively high multiples

[17] The companies selected have a variety of year ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

[18] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[19] Represents gross capitalisation divided by EBIT.

[20] AMA Group, Bapcor, GUD Holdings and Super Retail have 30 June financial year ends. The historic column represents actual results for the year ended 30 June 2016 while the Fore (1) and Fore (2) columns represented the forecast for the year ending 30 June 2017 and 30 June 2018 respectively.

[21] Genuine Parts, Autozone, Advance Auto Parts, Dorman Products, O'Reilly Automotive, Standard Motor Products and Uni Select have 31 December financial year ends. The historic column represents actual results for the year ended 31 December 2015 while the Fore (1) and Fore (2) columns represent the forecast for the years ending 31 December 2016 and 2017 respectively.

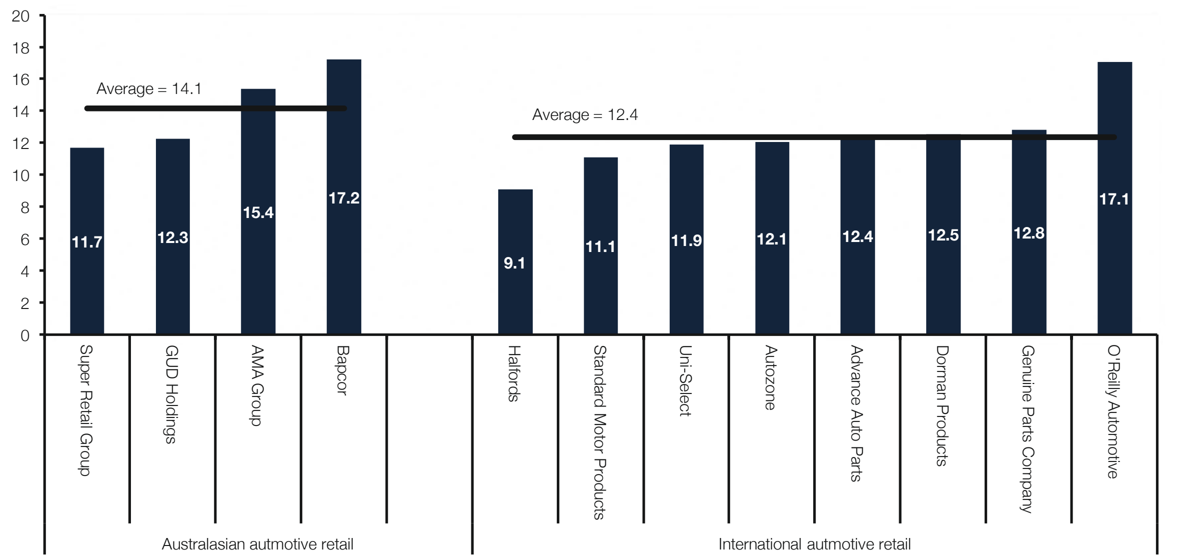
[22] Halfords Group plc has a 31 March financial year end. The historic column represents actual results for the year ended 31 March 2016 while the Fore (1) and Fore (2) columns represent the forecast for the years ending 31 March 2017 and 2018 respectively.

[23] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

(especially historic), likely reflecting the significant scope for further consolidation of the highly fragmented panel repair centre market;

- GUD Holdings Limited (**GUD**) comprises a number of consumer and industrial products companies based in Australia and New Zealand. Automotive is a key segment of the business contributing approximately 80% of group EBIT. GUD is trading at forecast multiples of 11.7 times EBITDA and 12.9 times EBIT, which is broadly consistent with the trading multiples of North American automotive retailers but lower than Bapcor and AMA's trading multiples, reflecting the lower earnings growth expectations for the business;
- Super Retail Group Limited (**Super Retail**) is a diversified retail group with operations spanning the automotive, sporting goods and leisure segments. The Automotive segment comprises 307 *Supercheap Auto* stores throughout Australasia, which account for approximately 50% of group EBIT. Super Retail is trading at lower multiples than both Bapcor and AMA, possibly reflecting lower valuation multiples for the sporting goods and leisure group segments of its business;
- by comparison to the Australasian automotive retailers, North American automotive retailers are very large with markets capitalisations ranging between US$1-26 billion. The North American market is more highly consolidated. This peer group, with the exception of O'Reilly Automotive Inc. (**O'Reilly**), is trading within a relatively tight range of circa 11-13 forecast year one EBIT (see graph below). O'Reilly Automotive is trading at a premium to the peer group, likely reflecting its position as the largest automotive parts distributor in the North America market. North American companies tend to trade at higher multiples than their Australian and New Zealand counterparts due to their size and more diversified operations and earning streams; and

Implied Multiples of Forecast year 1 EBIT for Listed Automotive Distributors



- Detailed descriptions of the listed companies is provided in Appendix B. The above analysis is based on closing share prices as at 25 October 2016.

7.5 Valuation of the Resource Services Group

Implied multiples

Grant Samuel has valued 100% of Hellaby's Resource Services Group on an ungeared basis to be in the range of NZ$134.8 million to NZ$154.1 million. This range implies the following multiples:

Hellaby Resource Services Group – Implied Multiples

	Amount (NZ$ millions)	Valuation Range	
		Low	High
Assessed Enterprise value		**134.8**	**154.1**
Multiple of EBITDA – adjusted forecast for year ending 30 June 2017	28.9	4.6	5.2
Multiple of EBIT – adjusted forecast for year ending 30 June 2017	19.3	6.9	7.8

Forecast earnings for the year ending 30 June 2017 for Contract Resources are well below historical earnings and the potential for the business. For the purposes of this valuation it has been assumed that the business will return to its long run EBIT to sales margin of approximately 5.5%. This is consistent with the three year forecast. The new Chief Executive believes that a specialist service provider such as the combined Resources Group should be able to produce EBIT margins above 10% - which is consistent with the margins already being generated by TBS Group. Grant Samuel's enterprise valuation range for the Resource Services Group has been adjusted for the 15% minority shareholding in Contract Resources.

Grant Samuel has valued the Resource Services Group using the capitalisation of earnings approach. In determining an appropriate capitalisation multiple for Contract Resources and TBS, Grant Samuel has had regard to the price at which businesses in the industrial, engineering and resources services markets have changed hands and the share market ratings of listed Australasian companies with operations in the industrial, engineering and resource services sectors. Grant Samuel's valuation using a capitalisation of earnings approach has been cross checked with a DCF valuation of the three year cash flow forecast for each business using a discount rate of 12.5%. The resulting present value was very close to the mid-point of the value range shown above. The cash flows used to derive the DCF valuation are based on Resources Services Group's forecast which included the following assumptions:

- resource Services Sales to grow 91.3% between 2016-2019 although this reflects the inclusion of TBS Group from 2017;
- Contract Resource Sales to grow by an average 14.0% per annum between 2016-2019 (being modest growth when compared with historic CAGR of 26.7% per chart below). This is underpinned by organic growth on a strengthening market and an expanded service offering;
- TBS Group Sales to grow 3% per annum (2017-2019) under new ownership;
- in Australia focus on long term contracts with existing refining customers and develop new business with large LNG and domestic gas customers and further expansion into PNG;
- in the Middle East, sales growth is projected on a market rebound and Contract Resources further expansion into newly entered geographies such as Saudi Arabia;
- in America, broaden the range of work with growth anticipated in the USA from the acid and tubular markets. Expanded market share is projected in Trinidad, Brazil and other South American markets;
- in New Zealand expand the range of services being offered, realise synergies between Contract Resources, TBS and cross fertilize existing Group relationships;
- maintain gross margin in a competitive environment through better utilisation smoothing out peaks and troughs; and
- improve expenses efficiency to produce a 5.2% increase in EBIT margin (2016-2019) due to the inclusion of TBS Group which operates at a circa 10% EBIT margin. Focus on cost waste elimination and higher revenues to dampen the effect of relatively high fixed costs.

Transactions involving resource and industrial services businesses in Australasia

A selection of recent transactions involving industrial, engineering and resource services business in Australia and New Zealand is outlined below:

Transactions involving resource and industrial services businesses in Australia and New Zealand

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple (times)		EBIT Multiple (times)	
				Historical	Forecast	Historical	Forecast
Pending	UGL	CIMIC Group	A$578	6.2	5.2	8.8	6.5
Jun 16	TBS	Hellaby	NZ$51	na	5.1	na	6.4
Dec 15	Broadspectrum	Ferrovial Services	A$1,325	5.0	4.8	7.9	7.6
Oct 15	Coffey International	Tetra Tech	A$173	8.2	7.3	13.5	11.3
Jun 15	SKILLED Group	Programmed Maintenance Services	A$568	5.6	6.6	6.6	7.7
Dec 14	John Hollard	CCCCI	A$1,150	5.0	na	7.9	na
Oct 14	Tenix	Downers EDI	A$300	7.3	7.3	10.2	10.2
Jun 14	DTZ Holdings plc	Consortium	A$1,215	8.2	7.3	9.8	7.8
Mar 14	Leighton Holdings	HOCHTIEF AG	A$7,630	4.5	5.0	8.6	9.5
Mar 14	PPI	Cardno	US$145	6.7	na	na	na
Nov 13	T&C Services	SKILLED Group	A$34	4.8	na	na	na
Sep 13	Sinclair Knight Merz Holdings	Jacobs Engineering Group	A$1,300	5.9	6.2	6.8	7.3
Jul 13	Clough	Murry & Roberts	A$1,135	7.8	7.2	8.3	7.6
Dec 12	85% shareholdings in Contract Resources	Hellaby Holdings	NZ$116	na	5.8	na	8.5
Average				**6.3**	**6.2**	**8.8**	**8.2**
Median				**6.1**	**6.2**	**8.5**	**7.7**

The following points are relevant when considering the table above:

- with the exception of Downer EDI's acquisition of Tenix and HOCHTIEF's acquisition of an additional 10.6% of Leighton Holdings and Tetra Tech's acquisition of Coffey International, the implied multiples of forecast EBIT fall within a relatively narrow range of 7.3 to 8.5 times. The range of the implied EBITDA multiples is wider due to the differing levels of capital intensity of the target companies;
- the multiples of adjusted EBITDA and EBIT implied by Grant Samuel's valuation of the Resource Services Group are consistent with recent transaction evidence; and
- detailed descriptions of the above transactions is included in Appendix A.

Sharemarket Evidence

A selection of listed Australasian companies with operations in the industrial engineering and resource sectors is outlined below:

Share Market Ratings Of Selected Listed Companies[24]

Company	Market Capitalisation (NZ$ millions)	EBITDA Multiple (times)			EBIT Multiple (times)		
		Hist.	Fore (1)	Fore (2)	Hist.	Fore (1)	Fore (2)
CIMIC Group	A$9,902	6.4	8.5	8.0	10.1	12.4	11.8
Downer EDI	A$2,467	4.7	5.0	5.0	9.0	10.1	9.9
Monadelphous Group	A$916	6.4	7.7	8.1	7.9	9.7	10.0
Programmed Maintenance Services	A$391	Nm	6.3	5.3	nm	8.0	6.8
RCR Tomlinson	A$386	Nm	6.3	5.6	nm	9.1	7.7
Spotless Group	A$1,087	6.0	5.7	5.5	6.8	8.8	8.5
Toxfree Solutions	A$361	6.4	6.0	5.8	11.8	11.1	10.5
Worley Parsons	A$2,275	Nm	8.7	8.1	nm	11.5	10.5
Average		**6.0**	**6.8**	**6.4**	**9.1**	**10.1**	**9.5**
Median		**6.4**	**6.3**	**5.7**	**9.0**	**9.9**	**9.9**

Source: Grant Samuel analysis

The following points are relevant when considering the table above:

- with the exception of CIMIC Group (**CIMIC**), which is significantly larger than the other companies in the peer group, and trading at the multiple of 12.4 times forecast EBIT and 8.5 times EBITDA, the other companies are trading within a relatively narrow multiple range of 8.1 to 11.4 forecast year one EBIT and 4.9 to 7.6 forecast year one EBITDA; and
- detailed descriptions of the above companies is included in Appendix B. The analysis is based on closing share prices as at 25 October 2016.

7.6 Valuation of the Footwear Group

Implied multiples

Grant Samuel has valued Hellaby's Footwear Group on an un-geared basis to be in the range of NZ$26.0 to NZ$30.3 million. This range implies the following multiples whgich exclude restructuring costs from EBIT and EBITDA in FY17:

Hellaby Footwear Group – Implied Multiples

	Amount (NZ$ millions)	Valuation Range	
		Low	High
Assessed Enterprise Value		**26.0**	**30.3**
Multiple of EBITDA – actual for year ended 30 June 2016	4.3	6.0	7.0
Multiple of adjusted EBITDA – forecast for year ended 30 June 2017	5.0	5.2	6.1
Multiple of EBIT – actual for year ended 30 June 2016	1.3	20.0	23.3
Multiple of adjusted EBIT – forecast for year ended 30 June 2017	2.1	12.4	14.4

[24] UGL Group Limited has not been included in the selected companies as the company is currently subject to a takeover offer from CIMIC Group. With the exception of CIMIC and Programmed Maintenance Services (**PMS**), which have financial year ends of 31 December and 31 March respectively, the selected companies have 30 June financial year ends. The historic column for CIMIC is the year ended 31 December 2015 while Fore (1) and Fore (2) represent the forecast for the year ending 31 December 2016 and 2017. The historic column for PMS is the year ended 31 March 2016 while Fore (1) and Fore (2) represent the forecast for the years ending 31 March 2017 and 2018. For all other companies the historic column is the year ended 30 June 2016 while the Fore (1) and Fore (2) columns represent the years ending 30 June 2017 and 2018.

The value of the Hellaby's Footwear Group has been valued using a DCF methodology incorporating the assumptions adopted in the three year restructuring plan. The three year DCF is based on the following key assumptions:

- revenue growing by 1.4% in total over the three years;
- gross margin held constant over the three years at the same margin achieved in FY16;
- store based expenses reducing by 4.5% in total over the three years;
- marketing expenditure reducing by 17% in total over the three years;
- distribution and support office costs reducing by 16% in total over the three years;
- business as usual capital expenditure increasing to a steady state of $3 million p.a.; and
- turnaround costs in total of $9.5 million expended primarily in years one and two.

Grant Samuel has also had regard to recent transactions involving footwear and apparel retailers in New Zealand and Australia and the sharemarket ratings of selected apparel retailers in New Zealand and Australia as outlined below:

Transactions in the Australasian Retail Apparel Sector

A selection of recent transactions in the footwear and retail apparel sector in New Zealand and Australia is set out below:

Transactions in the Footwear and Retail Apparel Sectors in New Zealand and Australia

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple (times)		EBIT Multiple (times)	
				Historical	Forecast	Historical	Forecast
Footwear							
Jul 2016	Hype DC	RCG Corporation	A$105	n.m.	6.0	n.m.	7.2
Mar 2015	Accent Footwear	RCG Corporation	A$200	7.5	6.0	8.9	7.2
Apparel							
Jul 2014	Pacific Brands Workwear Group	Wesfarmers Industrial & Safety	A$180	n.a.	n.a.	8.1	n.a.
Jul 2013	DaKine	Altamont	A$70	7.0	n.a.	7.3	n.a.
Jul 2012	Witchery	Country Road	A$172	5.0	5.0	6.3	6.3
Oct 2011	Rebel Sport	Super Retail Group	A$620	8.1	n.a.	9.4	n.a.
Mar 2011	Retail Apparel Group	Navis Capital Partners	A$200	n.a.	n.a.	8.0	n.a.
Mar 2010	Lorna Jane	Champ Ventures	A$70	7.0	n.a.	n.a.	n.a.
Mar 2008	Just Group	Premier Investments	A$843	6.8	6.9	8.2	8.7
Average				**6.9**	**6.0**	**8.0**	**7.4**

Source: Media reports, company announcements, annual reports and presentations.
n.a. means not available. n.m. means not meaningful

The following points are relevant when considering the table above:

- RCG Corporation (**RCG**) is an ASX listed footwear retail and wholesale group. RCG has made two major acquisitions in recent years - the July 2016 purchase of branded athletic and leisure style footwear retailer Hype DC for A$105 million and the March 2015 purchase of Accent Footwear, a wholesaler and retailer of branded footwear, for A$200 million. The purchase price for both businesses were based on multiples of 6.0 times normalised forecast EBITDA. Grant Samuel's valuation of the Hellaby Footwear Group implies a multiple range of 5.0 to 5.8 times FY17F EBITDA (before restructuring charges), which is below the multiples implied by RCG's acquisitions of both Hype DC and Accent Footwear;
- other transactions involving Australian apparel businesses have ranged between 5-8 times EBITDA with an average of approximately 7 times.

- Grant Samuel's valuation of the Footwear Group implies relatively high multiples of forecast EBIT (11-13 times). This is due to the relatively fixed nature of depreciation. If the Footwear Group EBITDA reverts to more sustainable levels the implied multiples of EBIT will also reduce to levels in line with peers.

Brief descriptions of the transactions included above are provided in Appendix A. Each transaction has its own unique set of circumstances. As such it is often very difficult to identify trends or draw any meaningful conclusions.

Share Market Evidence

The valuation of Hellaby's Footwear Group has also been considered in the context of the share market ratings of listed Australian and New Zealand companies with operations in the retail industry:

Share Market Ratings of Selected Listed Companies[25]

Company	Market Capitalisation ($ millions local)	EBITDA Multiple (times)			EBIT Multiple (times)		
		Hist.	Fore (1)	Fore (2)	Hist.	Fore (1)	Fore (2)
RCG Corporation	A$844	nm	9.5	7.8	nm	12.0	9.7
Hallenstein Glasson	NZ$177	6.2	5.3	5.4	8.7	6.9	7.2
Kathmandu	NZ$397	67	6.3	5.9	8.5	8.0	7.4
Premier Investments	A$2,369	11.8	10.3	9.3	12.7	11.7	10.3
Specialty Fashion	A$106	5.1	3.5	3.2	nm	8.4	6.6
Average		**7.5**	**7.0**	**6.3**	**9.1**	**9.4**	**8.3**
Median		**6.5**	**6.3**	**5.9**	**9.0**	**8.4**	**7.4**

Source: Grant Samuel analysis

A description of each of the companies above is set out in Appendix B. When observing the table above the following points should be noted:

- RCG is the most comparable listed company to Hellaby's Footwear Group on the basis that it is a pure footwear retailer. However, RCG is significantly larger than Hellaby's Footwear Group with a market capitalisation of approximately A$850 million. RCG is currently trading at implied multiples of 7.8 forecast year 2 EBITDA. This is above the EBITDA multiples RCG has paid for Hype DC and Accent Footwear (6.0 times) and likely reflects the company's market leading position in Australia as well as its diversification across the wholesale and retail segments;
- Premier Investments is trading at higher multiples than the peer group due to the international growth potential of the Peter Alexander and Smiggle brands, while Specialty Fashion is trading at lower multiples than the peer group due to a subdued outlook for its businesses; and
- the multiples are based on closing share prices as at 25 October 2016. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole.

[25] RCG and Specialty Fashion have June financial year ends while Kathmandu, Hallenstein Glasson and Premier Fashion have July financial year ends. The historic column represents actual results for the year ended 30 June 2016 and 31 July 2016 respectively while the Fore (1) and Fore (2) column represent the forecast for the corresponding two financial years

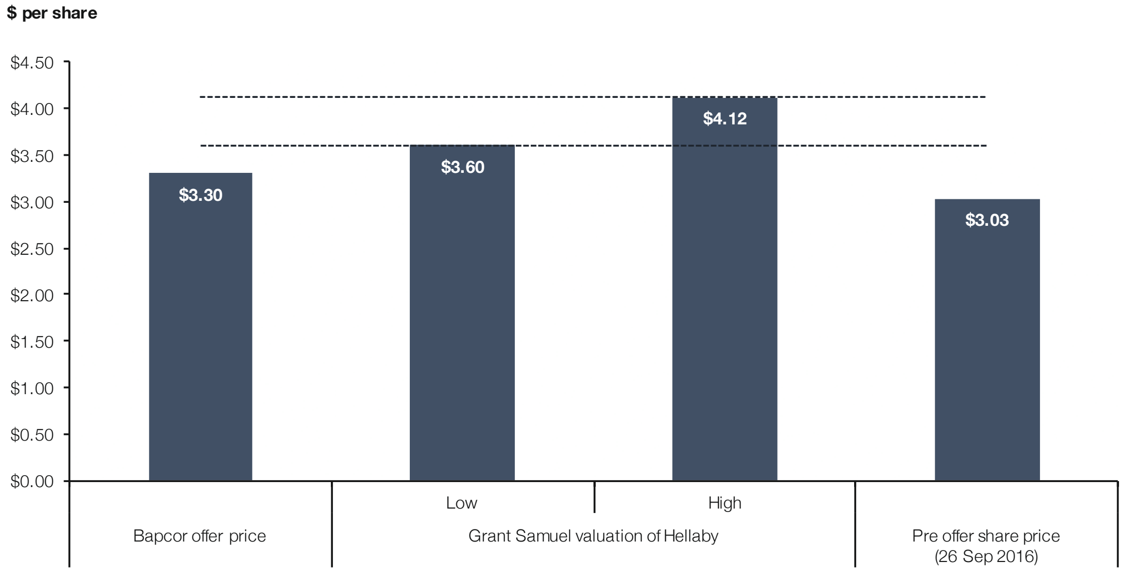
8. Merits of the Bapcor Offer

8.1 The Value of the Bapcor Offer

The value of the Bapcor Offer can be assessed with reference to a number of factors:

- ***Grant Samuel's assessment of the value of Hellaby.*** In Grant Samuel's opinion the full underlying value of Hellaby shares is in the range of N$3.60 to NZ$4.12 per share, as set out in Section 7. This represents the assessed value of 100% of the equity in Hellaby, and therefore includes a premium for control. In Grant Samuel's opinion the offer price under a takeover offer where the offeror will gain control should be within, or exceed, the pro-rated full underlying valuation range of the company. The Bapcor Offer of $3.30 per share is below Grant Samuel's assessed value range for Hellaby shares. The diagram below compares the Bapcor Offer price with Grant Samuel's assessed value range and the Hellaby share price immediately prior to the filing of Bapcor's notice of intention to submit a full takeover offer:

Hellaby Valuation versus Bapcor offer price and pre offer share price (NZ$ per share)

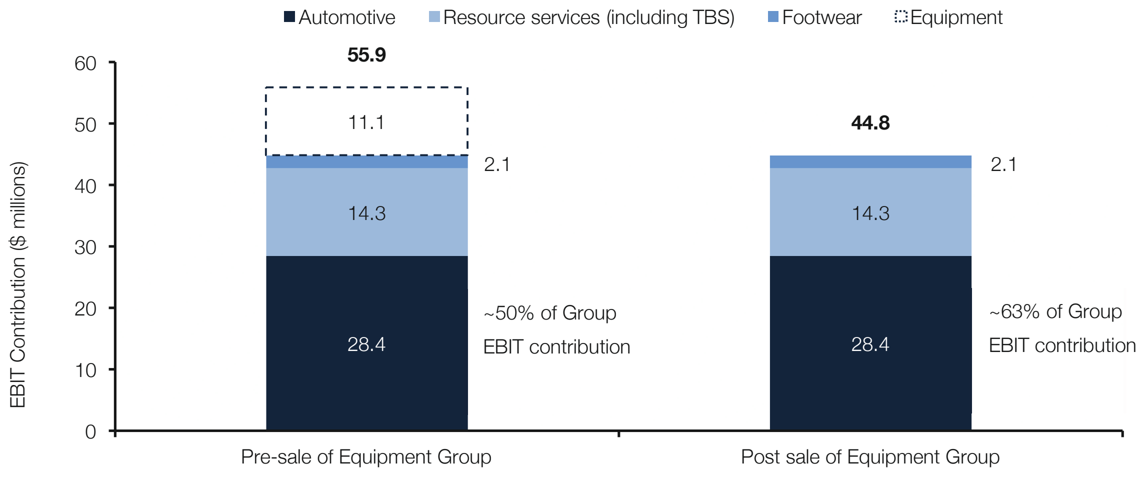


- ***the premium implied by the Bapcor Offer.*** The Offer represents a premium of 8.9% relative to the closing price of NZ$3.03 per share on 26 September 2016, being the last trading day prior to the announcement that Bapcor had given notice of its intention to make a full takeover offer. The implied premium for control is below the premiums for control generally observed in successful takeovers of other listed companies. Since the announcement of the Bapcor Offer, Hellaby shares have traded in the range of NZ$3.26 to NZ$3.37 per share and the volume weighted average price is NZ$3.31 per share up until 25 October 2016.

8.2 The timing and circumstances surrounding the Bapcor Offer

- Bapcor has previously approached Hellaby in relation to its Automotive Group in early 2016. Hellaby advised Bapcor at the time that with a new CEO (Alan Clarke) recently appointed, a potential divestment of the Automotive Group was premature and was not appropriate to be progressed. In the context of the previous interest expressed by Bapcor, the announcement of the Bapcor takeover offer for Hellaby is not surprising;
- Hellaby has only just (in September 2016) sold its Equipment Group to a private equity firm for $81 million. The Equipment Group was a meaningful size and its existence within the Hellaby portfolio of investments would likely have been of limited appeal to Bapcor. The Equipment Group was an importer and seller of equipment typically for large contract works (e.g. roading, forestry, excavation etc.). The sale of the Equipment Group significantly increases the proportion of Group EBIT contributed by the Automotive Group:

Hellaby Pro Forma FY17F Trading EBIT before Group Overheads (pre and post-sale of Equipment Group)[26]



- an offer will sometimes establish a shareholding in the target company before launching the offer. A recent example of this was the acquisition of 19.9% of Kathmandu Limited by Briscoe Group Limited before the full offer was launched. In the absence of acquiring a cornerstone shareholding, companies or entities contemplating a takeover often elect to secure a portion of the shares on issue by entering into lock up arrangements with key shareholders (typically larger or influential shareholders) whereby the "locked in" shareholders agree to accept the offer when it is made. The existence of lock up arrangements can give a takeover offer a degree of certainty and momentum, conveying to the market a degree of validation of the offer terms and the offer price. Bapcor has entered into lock up agreements with holders of shares owning 29.84% of the voting rights in Hellaby. The counterparties to the lock up agreements comprise two institutional shareholders but more importantly, the entire shareholding owned by Castle Investments. Castle Investments is currently the largest Hellaby shareholder and is the founding cornerstone shareholder of Hellaby representing the Hugh Green family. The fact that the largest shareholder has elected to accept the Bapcor Offer will give the Bapcor Offer momentum and assist to increase the probability of the offer achieving acceptances at or above 50%. Notably one of the other "locked in" shareholders, ACC, has agreed to accept the offer for substantially less than 10% of the shares it holds in Hellaby;
- Bapcor has stated that if the Offer is successful it will conduct a strategic integration review of the businesses with the likely intention of divesting businesses that are identified as non-core and can be managed more effectively by other owners. Given Bapcor's existing businesses are in wholesale and retail automotive parts and distribution, it is highly likely that it would seek to divest the Footwear and Resource Services Groups. The Resource Services Group is significantly larger than Footwear, particularly after the acquisition of TBS Group in July 2016, and may take longer to sell, but remains an attractive business with compelling growth prospects. The primary reason for the Bapcor offer is to secure Hellaby's Automotive Group. If the offer is successful Bapcor has stated that it will focus on growing the Hellaby Automotive Business, including investing in ways to:
  - expand the geographic reach of the business in both New Zealand and Australia;
  - leverage Bapcor's retail distribution channels to expand the reach of the Hellaby Automotive product offering in Australia;
  - expand the product offering of Hellaby's Automotive businesses in Australia into other areas by utilising Bapcor's automotive experience; and
  - use the Bapcor vertically integrated business model, existing systems and market expertise to lower costs and improve sales in the existing stores, potentially through introducing a greater product range, or through appropriate capital investment.

[26] Footwear Group EBIT contribution excludes one-off restructuring charges.

The integration of Bapcor and Hellaby's Automotive Group should yield substantial operating and cost synergies to Bapcor if it is able to gain 100% ownership extracting operational efficiencies and cost savings will take time and resources. The realisation of synergies often takes longer than anticipated and there are costs incurred (e.g. redundancy, legal costs, consultancy costs, short term inefficiencies) to deliver them. Nevertheless, the proposed combination of Bapcor and Hellaby's Automotive Group should yield substantial operational synergies and cost savings. There is a substantial synergy prize available to Bapcor.

As a precursor to announcing the proposed takeover of Hellaby, Bapcor under took a placement of Bapcor shares to raise A$165 million. In the absence of a material acquisition, such as Hellaby, Bapcor's earnings per share will be diluted, potentially providing an added incentive to Bapcor to seek a successful outcome to the proposed transaction.

8.3 Possible outcomes of the Bapcor Offer

Bapcor does not receive acceptances of more than 50 % of the voting rights in Hellaby

If Bapcor does not receive acceptances that will result in it becoming the holder or controller of more than 50% of the voting rights in Hellaby, the Offer will lapse and no shares will be acquired. Under the Takeovers Code, a shareholding in a code company between 20% and 50% is not permitted, except with the prior approval of the other shareholders. In these circumstances the lock up agreements will also lapse and no shares in Hellaby will be acquired by Bapcor.

Bapcor receives acceptances of more than 50% but less than 90%

If Bapcor receives acceptances for more than 50% but does not receive sufficient acceptances to take its shareholding in Hellaby to 90% by the date on which the Bapcor Offer closes on 20 December 2016 (unless extended) and declares the Offer unconditional, then all shares accepted into the Offer will be acquired. In these circumstances:

- Hellaby will continue to be listed on the NZX with Bapcor as a majority shareholder with a shareholding greater than 50% but less than 90%. The following table sets out Hellaby's free float shares at different levels of Bapcor shareholding in Hellaby:

Hellaby Free Float at different Bapcor shareholding levels

		Bapcor shareholding		
	Current	**50.1%**	**75%**	**100%**
Total shares	97.7	97.7	97.7	97.7
(-) shares held by Bapcor	-	(48.9)	(73.3)	(97.7)
(-) shares held by Castle Investments	(26.6)	-	-	-
Free float shares (excluding institutions)	**71.1**	**48.8**	**24.4**	**-**
Free float %	72.8%	49.9%	25.0%	

- the liquidity of Hellaby shares will be adversely affected. A cornerstone shareholding of greater than 50% but less than 90% would impact the liquidity of Hellaby shares. The closer Bapcor gets to a 90% shareholding, the lower the liquidity of Hellaby shares will be and its attraction to institutional shareholders severely diminished;
- if Bapcor gains a shareholding of 75% or more it will be able to pass special resolutions, such as those required to change the constitution or approve a major transaction, (although transactions between Hellaby and Bapcor would be subject to the restrictions on related party transactions in the NZX listing rules). The subsequent sale of the Resource Services Group and/or the Footwear Group would most likely not be of sufficient size to constitute a requirement for a special resolution, so Bapcor could ensure the completion of such sales with a shareholding in Hellaby of 50% or greater. There are limited protections for minority shareholders provided in the Companies Act for changes made through special resolutions (i.e. mainly buyout rights for shareholders who vote against resolutions);
- Bapcor directors on the board of Hellaby must act in the best interests of Hellaby which may present them with some dilemmas particularly when it comes to divesting the Resource Services and Footwear businesses at below fair value. Equally any related party transactions involving the Automotive Group will need to be at arm's length on commercial terms and require close security by the remaining independent directors of Hellaby;

- if Bapcor is successful in gaining acceptances of more than 50% and declares the Offer unconditional unutilised imputation credits of $6.8 million will be lost. As at 30 June 2016, Hellaby had franking credits of NZ$20.4 million which will almost certainly be available to be utilised by Bapcor;
- as a 50% or greater shareholder, Bapcor will determine the composition of the Hellaby board, subject to the requirements of the NZX listing rules. This will afford Bapcor effective control over the day-to-day operations of Hellaby and will have the ability to determine such matters as dividend policy, capital expenditure and funding. Bapcor has stated that if it does not receive acceptances to the Offer that take its interest to 90% but it declares the Offer unconditional (i.e. acceptances to take its interest to between 50% and 90%) then it will seek “appropriate” representation on the Hellaby Board and will participate in decisions relating to Hellaby, and its future, through the Hellaby Board;
- Bapcor will be constrained in its ability to achieve the majority of synergies and cost savings between its own businesses and the Hellaby Automotive Group;
- if Bapcor declares the Offer unconditional at a level greater than 50% but less than 90% it will be permitted to “creep” towards the 90% threshold over time by buying a further 5% per annum of the issued shares of Hellaby commencing 12 months after the current offer closes. It does not have to wait 12 months to make another partial or full offer after the current Offer closes on the same or different terms; and
- it may take some time for Bapcor to sell the Resource Services and Footwear Groups. If Bapcor closes the offer with more than 50% of the shares in Hellaby, it will likely endeavour to sell these Groups. Depending on Bapcor’s level of determination and potentially its banking arrangements it may seek a quick sale which could be detrimental to Hellaby’s minority shareholders. It would be highly likely that the end of this divestment exercise that Bapcor would want to make a further offer for Hellaby, which in all likelihood would be ungeared and have cash.

Bapcor is successful in reaching the 90% compulsory acquisition threshold

Bapcor has made an offer to acquire 100% of the Hellaby shares on issue. The Bapcor Offer is conditional upon Bapcor receiving acceptances to take its total shareholding in Hellaby to 90%, meaning that if and when the acceptance level of 90% has been reached, the Offer will become unconditional as to acceptances. If Bapcor is successful in securing acceptances in respect of 90% of the issued shares in Hellaby, it will also have reached the compulsory acquisition threshold. At that threshold Bapcor can trigger the compulsory acquisition provisions of the Takeovers Code to acquire the remaining shares. Holders of any remaining shares can also require Bapcor to acquire their shares at the Offer price. After compulsory acquisition, Hellaby would be delisted from the NZX and would become a wholly owned subsidiary of Bapcor.

It is evident from the statements made by Bapcor that it expects to achieve meaningful synergy benefits from the merging of Hellaby’s Automotive division with its own operations. In addition, Hellaby Automotive is the only nationwide chain of any significance in New Zealand. It is likely that Bapcor, which has for a number of years being very acquisitive, is running out of acquisition opportunities in Australia of any substance. The areas where Bapcor is likely to look for synergy benefits include:

- lower costs of goods based on the increased size of spend, improved payment terms and promotional allowances;
- reduced overheads through negotiating group wide contracts with the providers of insurance, accounting, freight marketing, travel, communication, IT, motor vehicles etc.;
- transition Hellaby Automotive onto Bapcor’s existing ERP IT platform;
- merge back office functions with Bapcor’s existing single shared service structure;
- warehouse optimisation; and
- where practicable, transition product sourcing from external suppliers to Bapcor group companies.

It is difficult to quantify the synergy benefits with any precision and the time it will take to achieve such benefits. It is reasonable to assume that the synergies will be substantial. Bapcor’s shares are currently trading at a forecast EBITDA multiple of 16 times and a forecast EBIT multiple of 18 times. Whilst Bapcor can afford to pay a higher price than shown in the valuation above, it will only do so if it believes it has to, to get 100% ownership.

8.4 Factors that may affect the outcome of the Bapcor Offer

- there are a number of institutional shareholders of Hellaby shares whose acceptance of the Offer is likely to be influential if the Offer is to succeed. ACC owns 9,028,281 Hellaby shares and has committed only 750,000 of these shares into the lock up arrangements with Bapcor, suggesting that it is yet to decide on the remaining approximately 8.1 million shares that it owns. It is reasonable to assume that ACC has entertained some interest realising its interest in Hellaby, otherwise it would not have committed any shares to the lock up. Its decision not to lock up all of its shares may indicate a desire for a higher price than $3.30. ACC has no obligation to Bapcor other than to accept the offer for 750,000 shares. This means that ACC is free to deal with the rest of its shares as it sees fit;
- Bapcor cannot acquire the locked up shares unless a further 20.6% of Hellaby's shares are accepted into the Bapcor Offer and it is declared unconditional by Bapcor. In such a situation Bapcor would have control of Hellaby. Bapcor would be able to implement a strategy of selling the Resource Services and Footwear Groups and continue with the expansion of the Automotive Group. This is not an optimal situation for Bapcor or the remaining minority shareholders as Hellaby would remain listed. Bapcor would be constrained from achieving synergies of bringing the two Automotive businesses together and could only access the cash flow of Hellaby by way of dividend distribution. This would not be particularly efficient for Bapcor as there is no recognition of New Zealand imputation credits in Australia;
- Bapcor has secured 29.84% of the shares in Hellaby though the lock up agreements. To reach the 90% compulsory acquisition threshold, Bapcor would need acceptances in respect of a further 60.16% of the issued shares in Hellaby, representing approximately 86% of the shares on issue not already controlled by Bapcor. The decisions of minority shareholders as to whether to accept the Bapcor Offer in respect of the shares that they own will be influential in determining whether Bapcor achieves the 90% ownership threshold;
- since the announcement of the Bapcor Offer, Hellaby shares have traded in a range of $3.27 to $3.35 per share. This suggests that the market does not consider the Bapcor offer to be sufficiently attractive for it to be successful;
- in some takeovers there are factors that suggest that even if an offer is below the assessed value range shareholders should consider accepting the offer. In this instance there does not appear to be any compelling reason for shareholders to accept a takeover offer that is below full underlying value;
- there are only two permissible variations to the Bapcor Offer:
  - Bapcor may choose to extend its Offer period. The Bapcor Offer is due to close on 20 December 2016. Under the rules of the Takeovers Code the latest date to which the Bapcor Offer may be extended is 90 days after the date on which the Offer opens. However, if the offer is declared unconditional at any level above 50% acceptances, the Offer is able to be extended for a further 60 days under rule 24B of the Takeovers Code from the date of that declaration; and
  - Bapcor may choose to increase its Offer price. If Bapcor chooses to increase its Offer price while the current Offer is still open the increased price will be available to all Hellaby shareholders even if they have already accepted under the Bapcor Offer. This also applies to the locked up shares – any price increase would also be available to those shareholders. If Bapcor makes a new takeover offer after the current Offer has closed at a higher offer price, any shareholders who accept and have their shares acquired under the current Offer will not benefit from that higher price;
- Bapcor has applied to Overseas Investment Office for approval to acquire control of Hellaby. Whilst it is highly likely approval will be forthcoming, the timing of the approval being received is uncertain and may not be until early in 2017. If Bapcor is successful in acquiring 100% of Hellaby it will receive the benefit of the earnings and cash flow until settlement, which can only be after Overseas Investment Office approval is received. Forecast Net Profit after tax for the period October 2016 - December 2016 is approximately $6.4 million and free cash flow over the same period is forecast to be $18.6 million;
- there is no need for shareholders to accept the Offer early. The closing date for the Offer (unless extended) is 20 December 2016. Not accepting the Bapcor Offer or holding out until near the time the Bapcor Offer closes may cause the Offer price to be increased. However, there is no certainty that the Offer price will be increased. An offer that remains conditional as to the level of acceptances cannot be extended later than 14 days before the end of an offer period;

- Hellaby shareholders who choose not to accept the Offer have either decided they want to retain their investment in Hellaby for the longer term, or are expecting that Bapcor will increase the offer price or make another offer at a higher price. There is no certainty regarding the ongoing performance of Hellaby or that a subsequent higher offer from Bapcor will be forthcoming. The risks and benefits associated with an investment in Hellaby are outlined at Section 8.6 below; and
- The TBS Right is an entitlement for up to $2.85 million of shares in Hellaby to be issued to the vendors of TBS Group. The number of shares to be issued will be determined by the performance of TBS Group for the year ending 30 June 2017. The earn-out payment will be 5.7 times the amount by which EBIT exceeds $7.5 million, with a maximum amount of $6.0 million to be paid, 50% in new Hellaby shares and 50% in cash. The earn out is likely to be paid during September 2017 after the completion of audited accounts. Bapcor is offering to buy the share component of the TBS Right for $1.727 million. Forecast earnings and earnings to date for TBS suggest that the full amount of the earn-out will be payable. On this basis the Bapcor Offer price for the TBS Right represents a substantial discount. If the Bapcor Offer is successful and Overseas Investment Office approval is obtained, it is likely that payment for the ordinary shares and the TBS Right could be made some time in mid to late January. In this case, the payment for the TBS Right would be made 8 months earlier than originally envisaged. To derive a value for the early purchase of the TBS Right Grant Samuel has calculated a present value applying a 10% after tax discount rate which gives a value of $2.675 million. The vendors of TBS may choose not to accept the Bapcor offer for the TBS Right. If Bapcor declares the offer unconditional without receiving a 90% shareholding the TBS Rights will continue to exist and be satisfied in part through the issue of new shares and in part a cash payment in approximately September 2017. If Bapcor achieves a shareholding of 90% or more it will move to compulsory acquisition and will be able to compulsorily acquire the TBS Right at the same time. The holders of the TBS Right can object to the value of the TBS Right offer as the TBS Right represents a separate class of shares. In this case the price to be paid will be determined by an independent expert who is required under the Takeovers Code to set a cash sum equal to the fair and reasonable value of the TBS Right

8.5 Likelihood of alternative offers

- The notice of intention to make a takeover offer was issued 27 September 2016. To date, no alternative takeover offers have been forthcoming and no other bidder has emerged. The existence of the lock up agreements in respect of 29.84% of the shares in Hellaby represents a significant impediment to another offer being made. For any alternative offer to be successful, a higher price would likely need to be offered, and the Bapcor Offer would need to expire; and
- If Bapcor declares its Offer unconditional at a shareholding of more than 50% but less than 90%, the likelihood of a takeover offer from another party would be substantially reduced. If at the conclusion of the Bapcor takeover Bapcor owns a controlling shareholding in Hellaby, the chances of any other competing partial takeover offers are slim. Any alternative partial offer for between 20% and 50% of Hellaby's shares (should one be forthcoming) would require the approval of Hellaby shareholders, which would therefore require the support of Bapcor. Any subsequent takeover offer for 100% of Hellaby would require Bapcor to sell its shareholding in Hellaby to the new offeror for an alternative full takeover offer to be successful.

8.6 An investment in Hellaby

As with any equity investment there are risks associated with the market in which the company operates. The risks and opportunities associated with an investment in Hellaby include:

- ***Retail sector outlook***. The outlook for the retail sector in Australia and New Zealand is currently mixed. A number of high profile retailers in each country have either recently failed or have suffered a significant financial downturn. While some of these failures can be attributed to particular operating markets, financial structures or other issues, the failures do highlight the difficult market conditions. Hellaby's Footwear Group has underperformed. New management and experienced retail personnel have been put into the business and a number of initiatives commenced. There is no certainty the projected turnaround can be achieved. Grant Samuel has reviewed the strategic plans for the retail business and consider these to be sound. The Footwear Group has been available for acquisition for many years. Hellaby has repeatedly stated the Footwear Group is non-core. Grant Samuel assumes that to the extent, offers for either or both of Hannahs and Number One Shoes have been presented, these have been unacceptable to the Hellaby Board for some reason. The Hellaby Board wrote down the carrying value of the Footwear Group by $26.9 million on 30 June 2014. The current book value of the Footwear Group is $33.3 million, a figure which is still arguably high. In Grant Samuel's opinion the investment community would place little relevance on the carrying value of any of Hellaby's investments. Of more importance is the earnings of each business, the operating outlook and ultimately the realisable value;

- ***Resource Services outlook***. The outlook for Resource Services will hinge on the timing of the expected material catch up in deferred maintenance in the downstream oil and gas sector globally. Contract Resources is well positioned to secure its share of this work, but there is no certainty when that will occur. Logically, the maintenance must be undertaken sooner rather than later, but the time frames are difficult to predict. Contract Resources has underperformed since the acquisition and the investment market has observed this and it has contributed to the poor performance of the Hellaby share price (as compared to the market generally). The acquisition of TBS at the beginning of the current financial year will have a positive impact on the earnings of the Group;

- ***Automotive Group outlook***. The outlook for the Automotive Group is strong. Consolidation opportunities continue to be identified and the Group has been successful in entering new sectors (e.g. auto electrical). The Automotive Group has sufficient critical mass and earnings to be a listed company in its own right. It offers numerous synergies and cost savings to Bapcor with its own business. If Bapcor is unsuccessful in securing sufficient acceptances in the Bapcor Offer it may choose again to approach Hellaby with a formal or informal offer for the Automotive Group; and

- ***Group outlook***. Hellaby has been transitioning to a company with two unrelated operating businesses - Automotive and Resource Services. Hellaby's current plans for both the Automotive and Resource Services Groups of Hellaby are for reasonably rapid expansion through acquisition. A number of acquisitions were well advanced before the Bapcor offer was received. All of these have been put on hold. Hellaby is completing its transition from being an owner of a wide range of disparate businesses to one focused on two substantial but unrelated businesses. Automotive is producing good earnings and cash flows and has identified six businesses to acquire in both New Zealand and Australia. The Resources Business has suffered from the fall in oil prices and the impact of a deferral of maintenance expenditure by oil refineries. In addition, the fall in mineral prices has impacted the Australian mining business. The new Chief Executive, with extensive experience in the oil and gas sector, has expressed strong confidence that the outlook for Contract Resources and TBS Group is positive as demand for the specialist services offered by Contract Resources increases and the benefits of TBS Group and proposed acquisitions extends the range of services offered. Collectively these are expected to result in more stable earnings;

8.7 Acceptance or Rejection of the Bapcor Offer

Acceptance or rejection of the Bapcor Offer is a matter for individual shareholders and the holders of the TBS Right based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders and the holders of the TBS Right will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

31 October 2016

Grant Samuel + Associates

Appendix A – Recent Transaction Evidence

A brief description of each of the transactions listed in Section 7 is outlined below:

Transactions involving Australasian and International Automotive Retailers

MTQ Engine Systems / Bapcor

On 5 October 2016 Bapcor announced that it had agreed to acquire the specialist wholesale diesel business MTQ Engine Systems (Aust) Pty Ltd (**MTQES**) for approximately A$17 million. For the financial year ended 30 June 2016 MTQES had sales of approximately A$44 million and EBITDA of approximately A$3 million. The purchase price was based on multiple of approximately 6.1 times MTQES' EBITDA for the 12 months ended September 2016. MTQES is Australia's largest diesel and turbo aftermarket sales and service provider and is principally engaged in the sale of turbochargers and diesel fuel injection products and services through a network of ten branches.

Baxters Auto Electrical and Roadsafe Automotive Products / Bapcor

On 27 July 2016 Bapcor announced that it had agreed to acquire two specialist automotive wholesale businesses, Baxters Auto Electrical (**Baxters**) and Roadsafe Automotive Products (**Roadsafe**). Baxters is a specialist distributor of automotive electrical accessories and lighting and Roadsafe is a specialist distributor of steering and suspension products along with 4x4 spare parts and accessories. The acquisitions are consistent with Bapcor's strategy to grow its specialist wholesale business. For the year ended 30 June 2016 the two businesses had sales of A$45 million and EBITDA of A$4 million. Bapcor's total investment in the two acquisitions was estimated to be a minimum of A$22 million based on FY16 earnings, however this may increase based on earn-out provisions over the following three years. The purchase price implied a multiple of 5.5 times the historical combined EBITDA of the two businesses.

Premier Auto Trade / Hellaby

On 11 May 2016 Hellaby announced that it had acquired Premier Auto Trade Pty Limited (**Premier Auto Trade**) for A$13 million. Premier Auto Trade is an Australian importer and wholesaler of electronic fuel injection and engine management and service components to the Australian automotive aftermarket. The company has annual revenues of approximately A$22 million and was forecast to contribute A$2.6 million in EBIT for the financial year ending 30 June 2017. The purchase price represents a multiple of approximately 5.0 times forecast EBIT.

Bearing Wholesalers and Precision Automotive Equipment / Burson

On 11 February 2016 Burson (now Bapcor) announced that it had agreed to acquire two specialist automotive wholesale businesses, Bearing Wholesalers and Precision Automotive Equipment. Bearing Wholesalers is the largest automotive bearings reseller in Australia with eight branches across Australia and annual sales of approximately A$30 million. Precision Automotive Equipment is one of Australia's largest importers, distributors and servicers of automotive workshop equipment with annual sales of A$10 million. The combined businesses were estimated to generate annual EBITDA of approximately A$6 million. Burson's total investment in the acquisitions was estimated to be A$32 million comprising A$19.4 million in cash, A$5.0 million in shares and the balance of the consideration deferred over a 3-year period post completion. The purchase price implies a multiple of approximately 5.3 times the combined annualised EBITDA of the two businesses.

Pep Boys / Icahn Enterprises

On 2 February 2016 Icahn Enterprises L.P. (**Icahn**) completed the acquisition of 87.86% stake in Pep Boys – Manny, Moe & Jack (**Pep Boys**) for US$18.50 per share. The acquisition of Pep Boys by Icahn was the result of an intense bidding war between Icahn and Bridgestone. Pep Boys engages in the automotive aftermarket service and retail business in the United States and Puerto Rico. As at 31 January Pep Boys operated from 563 supercentres, 237 service and tyre centres, 6 Pep Express stores and 7,524 service bays. As outlined in Pep's Schedule 14D-9 filed with the US Securities and Exchange Commission, the company was forecast to generate EBITDA of US$79 million for the financial year ended 31 January 2016 (**FY15**), increasing to US$91 million the following year (**FY16**) and US$109 million the year after (**FY17**). Based on an implied enterprise value for the transaction of approximately US$1.26 billion, the purchase price implied multiples of 13.9 times forecast FY16 EBITDA and 11.6 times forecast FY17 EBITDA.

Covs Parts / Genuine Parts

On 17 July 2015 Genuine Parts Company announced that it had agreed to acquire Covs Parts Pty Ltd (**Covs Parts**) from Automotive Holdings Group (**AHG**). Covs is a leading automotive parts distributor in Western Australia focused on original equipment and aftermarket parts, mining and industrial consumables and truck products. Covs Parts has a distribution network of 25 branches and annual revenues of approximately US$90 million. The transaction was later revised to exclude four locations after the Australian Competition and Consumer Commission expressed concerns regarding a reduction in competition in certain markets. It was announced that the purchase price was estimated at between A$36 million and A$37 million. Covs earnings levels were not disclosed.

Metcash Automotive / Burson

On 15 June 2015 Burson (now Bapcor) announced that it had agreed to acquire Metcash Automotive Holdings Pty Ltd (**MAH**) for an enterprise value of A$275 million from Metcash Limited. MAH is one of Australia's leading wholesalers and distributors of automotive aftermarket parts and accessories. The company distributes its products through a network of 416 stores and outlets under the *Autobarn*, *Autopro*, *Carparts*, *ABS* and *Midas* brands, as well as directly to approximately 3,000 other aftermarket customers. The acquisition was complementary to Burson's position in the trade segments and added immediate scale its wholesale and distribution business. MAH generated revenue of A$261 million, EBITDA of A$33 million and EBIT of A$28 million for the financial year ended 30 April 2015. The purchase price implied multiples of approximately 8.3 times historical EBITDA and 9.8 times historical EBIT.

Diesel & Machinery Services and JAS Oceania / Hellaby

On 22 May 2015 Hellaby announced that it had acquired Diesel & Machinery Services Limited (**DAMS**), a Waikato based company that provides maintenance, repair and engineering services to the truck industry. Hellaby also agreed to purchase Melbourne based company JAS Oceania Pty Limited (**JAS Oceania**), a national distributor of auto electrical, automotive air conditioning and lighting components to repair centres, workshops, automotive parts distributors and retailers with 19 branches. The total purchase price for the two acquisitions was just under NZ$25 million. The businesses had combined annual revenues of approximately NZ$50 million and were expected to contribute annualised EBITDA of approximately NZ$5 million. The purchase price implied a multiple of approximately 5.0 times EBITDA.

Dasko and New Zealand Trucks / Hellaby

On 14 April 2014 Hellaby announced that it had acquired Dasko Marketing NZ Limited (**Dasko**), an Auckland based auto electrical wholesaler and New Zealand Trucks South Island Limited (**NZ Trucks**), a Christchurch based truck servicing business for a combined purchase price of approximately NZ$10 million. The businesses will have combined revenues of approximately NZ$20 million and were expected to contribute annualised EBITDA of approximately NZ$2.5 million. The purchase price implied a multiple of approximately 4.0 times the expected annualised EBITDA of the combined businesses.

General Parts International / Advance Auto Parts

On 16 October 2013 Advance Auto Parts Inc. (**Advance Auto Parts**) announced that it had agreed to acquire General Parts International Inc. (**General Parts**) from the Sloan family for an enterprise value of approximately US$2.04 billion. General Parts primarily operates in the commercial segment of the market which contributes approximately 90% of its revenue. By comparison Advance Auto Parts generated 40% of its revenue from the commercial market. The purchase price implied multiples of 9.3 times adjusted EBITDA (excluding synergies) and 5.4 times EBITDA including run-rate cost synergies of US$160 million p.a. The acquisition created the largest automotive aftermarket parts provider in North America with combined revenues of US$9.2 billion and 71,000 employees.

Federal Batteries / Hellaby

On 30 September 2013 Hellaby announced that it had acquired the wholesale automotive and special purpose battery company Ryde Batteries Pty Limited (trading as **Federal Batteries**) for an enterprise value of approximately A$12 million. Federal Batteries is based in Sydney and distributes nationally throughout Australia. The company was expected to add approximately NZ$3 million in annualised EBITDA. Assuming an exchange rate of A$0.85/NZD the purchase price represents a multiple of approximately 4.7 times estimated annualised EBITDA.

Exego Group / Genuine Parts

On 11 March 2013 Genuine Parts Company (**Genuine Parts**) agreed to acquire the remaining 70% shareholding in Exego Group Limited (**Exego Group**) from Unitas Capital for approximately US$810 million. Exego Group supplies automotive products through a network of stores in Australia and New Zealand under the Repco brand name. Genuine Parts distributes automotive and industrial replacement parts, office products and electronic products primarily in North America and Central America. At the time of the acquisition Exego Group had more than 430 locations across Australia and New Zealand with annual revenues of more than US$1 billion. It was reported that the purchase price implied a multiple of approximately 9.0 times forecast EBITDA.

Burson / Quadrant Private Equity

On 19 September 2011 Quadrant Private Equity Pty Ltd (**Quadrant**), through its No. 3 Fund, agreed to acquire a 75% stake in Burson from the Johnson family and other shareholders for approximately A$150 million. It was reported that Quadrant paid an enterprise multiple equivalent to approximately 7.0 times Burson's historical EBITDA. Burson, an automotive parts distributor in Australia, had approximately 92 stores at the time of the acquisition. Burson later undertook an IPO in May 2014, at which time the company's store network had grown to approximately 120 stores.

Covs Parts / AHG

On 11 May 2011 AHG announced that it had agreed to acquire the Western Australian automotive business, Covs, from Coventry Group Limited for A$28.9 million in cash. The Covs business generated sales of A$124 million in 2010 and pro forma EBIT of $2.3 billion. EBIT was forecast to be approximately A$2.7 million on revenues of A$129 million for the 2011 financial year. The purchase price implied multiples of 10.7 times forecast EBIT and 12.6 times historical EBIT. Grant Samuel estimates that the historical and forecast EBITDA multiples were 9.3 times and 7.9 times respectively after adding the Automotive parts distribution depreciation in the Coventry Annual Report. Covs had 26 brand location at the time of the acquisition. Covs was subsequently sold by AHG to Genuine Parts Co in July 2015.

Kwik-Fit / ITOCHU

On 1 March 2011 Itochu Europe Plc (ITOCHU) signed an agreement to acquire Kwik-Fit Group Limited (**Kwik-Fit**), an independent tyre retailer in the UK and Europe from French private equity firm PAI Partners and other shareholders for an enterprise value of £637 million. For the 2010 year, Kwik-Fit generated EBITDA and EBIT of £75.0 million and £71.3 million respectively on sales of approximately £875 million. The purchase price implied multiples of approximately 8.9 times historical EBIT and 8.5 times historical EBITDA. Kwik-fit is the UK's largest provider of Ministry of Transport testing and car servicing trading from approximately 670 centres in the UK, 550 in France and 180 in the Netherlands.

Transactions involving Australasian resource & infrastructure services businesses

UGL / CIMIC Group

On 10 October 2016 CIMIC Group Limited (**CIMIC**) announced that it intended to make an offer for all of the shares it did not own of UGL Limited (**UGL**) for A$3.15 per share, valuing UGL at approximately A$513 million. UGL provides end-to-end outsourced engineering, asset management and maintenance services across Australia and New Zealand. The offer price implied multiples of 5.2 times forecast EBITDA (broker consensus) and 6.5 times forecast EBIT (broker consensus).

Bradken / Hitachi Construction Machinery

On 3 October 2016 Hitachi Construction Machinery co., Ltd (**HCM**) announced that it had entered into a takeover bid for Bradken Limited (**Bradken**), under which HCM will offer A$556 million for the company. Bradken is a global manufacturer and supplier of differentiated consumer and capital products to the mining, transport, general industrial and contract manufacturing markets. HCM is a leading global manufacturer and supplier of construction and mining machinery as well as machinery consumables and parts. The offer price implies multiples of 8.2 times forecast (broker consensus) EBITDA and 12.3 times forecast (broker consensus) EBIT.

TBS Group / Hellaby Holdings

On 23 June 2016 Hellaby announced that it had agreed to acquire TBS Group Limited (**TBS**), a specialist industrial asset maintenance provider for an initial payment of NZ$45 million, plus an earn out payment of up to NZ$6 million. The initial consideration comprised of NZ$40.5 million in cash and NZ$4.5 million in shares. TBS was generating annualised revenues of approximately NZ$85 million and was expected to add approximately NZ$8.0 million in EBIT in the financial year ending 30 June 2017. The purchase price represents a multiple of 6.4 times EBIT (including the earn out), or 5.6 times EBIT excluding the earn out. TBS is on track to deliver the EBIT target set when the acquisition was announced.

Broadspectrum / Ferrovial Services

On 7 December 2015 Ferrovial Services Australia Pty Limited (**Ferrovial**) offered to acquire Broadspectrum Limited, formerly Transfield Services, (**Broadspectrum**) for A$1.35 per share in cash, valuing the company at approximately A$690 million. Broadspectrum is a maintenance services provider to the Government and private sectors primarily operating in Australia, New Zealand, and the United States. The company provides logistics and facilities management, consulting, care and welfare, construction, well servicing and O&M services. The Broadspectrum board of directors initially recommended to shareholders that they reject the offer. Consequently, Ferrovial increased its offer price to A$1.50 per share, implying an equity valuation of A$768.7 million and an enterprise value of approximately A$1.325 billion based on a net debt position of A$556.3 million as at 31 December 2015. Following the increase of the offer price Ferrovial received sufficient acceptances to increase its shareholding to greater than 90% to allow compulsory acquisition of the remaining shares. The purchase price implied multiples of 5.0 times historical adjusted EBITDA of A$265.3 million and 7.9 times historical adjusted EBIT of A$168.2 million.

SKILLED Group / Programmed Maintenance

On 24 June 2015 SKILLED Group Limited (**SKILLED**) entered into a Scheme Implementation Agreement with Programmed Maintenance Services Limited (**Programmed**) under which Programmed would acquire 100% of SKILLED shares for consideration of 0.55 Programmed shares per SKILLED share and A$0.25 per share in cash. Adopting the closing price of Programmed shares prior to the announcement the transaction implied an equity value for SKILLED of approximately A$422.3 million and an enterprise value of approximately A$568.3 million based on net debt as at 30 June 2015 of A$146.1 million. SKILLED is the largest provider of temporary labour and recruitment services in Australia with 80 local and regional offices servicing a broad range of sectors including oil & gas, mining, manufacturing, government, transport and logistics. For the financial year ended 30 June 2015 SKILLED generated EBITDA and EBIT of A$102.4 million and A$86.4 million respectively on revenue of approximately A$2.05 billion. The purchase price implied multiples of approximately 5.6 times historical EBITDA and 6.6 times historical EBIT. In excess of A$20 million of pre-tax synergies were expected within 12 months of implementation, increasing to over A$35 million within three years post implementation.

Tenix / Downer EDI

On 24 October 2014 Downer EDI Limited (**Downer**) agreed to acquire Tenix Holdings Pty Ltd (**Tenix**) from the Salteri family for an enterprise value of A$300 million. Tenix is a privately owned provider of long term operations and maintenance services to owners of electricity, gas, water, wastewater, industrial and resource assets in Australia and New Zealand with approximately 1,600 employees. The company has low capital intensity and primarily has long-term operations and maintenance contracts. The Power & Gas and Water business contributes approximately 85% of total revenue while the Resources & Energy business contributes approximately 15% of revenue. For the 2014 financial year Tenix generated EBIT of A$29.4 million on revenues of approximately A$791 million. Tenix's FY15 EBIT was expected to be broadly in line with FY14 EBIT. The purchase price implied a multiple of 10.2 times historical EBIT.

Contract Resources / Hellaby

On 24 December 2012 Hellaby announced that it had conditionally agreed to acquire a 85% shareholding in resource company Contract Resources for a purchase price of NZ$73 million. The implied enterprise value was NZ$116 million after incorporating NZ$30 million of net debt included in the acquisition vehicle. The 15% residual shareholding in Contract Resources was retained by three Contract Resources senior executives. For the 12 months to 31 March 2014, Contract Resources was forecast to achieve revenues of approximately NZ$150 million and EBITDA of greater than NZ$20 million and EBIT of greater than NZ$13.7 million. The purchase price implied multiple of approximately 5.8 times forecast EBITDA and 8.5 times forecast EBIT.

Transactions involving Australasian apparel retailers

Hype DC / RCG Corporation

On 4 July 2016 RCG Corporation (**RCG**) announced that it had agreed to acquire Hype DC Pty Limited (**Hype**), an Australian retailer of branded athleisure and style footwear for a purchase price of approximately A$105 million. Hype operates 57 *Hype DC* and three *Shubar* retail stores across Australia. The purchase price represents a multiple of 6.0 times Hype's normalised EBITDA for the financial year ended 30 June 2016 of A$17.5 million. Hype's sales for the 2016 financial year were approximately A$120 million. Due to substantial growth in earnings from the prior financial year the implied multiples of historical EBITDA and EBIT were relatively high (10 times EBITDA and 13.2 times EBIT) therefore have not been shown in the table in section 7.

Accent Group / RCG Corporation

On 19 March 2015 RCG entered into an agreement to acquire Accent Group Limited (**AGL**) for approximately A$200m. AGL is an importer, distributor and retailer of international branded footwear and related accessories with operations across Australia and New Zealand. RCG is engaged in the footwear retail business in Australia and New Zealand. The purchase price was based on 6.0 times AGL's normalised maintainable EBITDA for the financial year ending 30 April 2015. AGL generated revenue for the year ended 31 December 2014 of A$181.4 million, EBITDA of A$26.5m and EBIT of A$22.4m. Normalised maintainable EBITDA of A$33.1m was adopted to calculate the purchase price.

Pacific Brands Workwear Group / Wesfarmers Industrial & Safety

On 26 August 2014 Wesfarmers Industrial and Safety Pty Ltd (**Wesfarmers**) entered into an agreement to acquire Pacific Brands Limited's Workwear Group for A$180 million. The Pacific Brands Workwear Group designs, sources, manufactures and distributes industrial work wear, corporate wear, uniforms and defence emergency services work wear to customers across Australia, New Zealand, the United Kingdom and the United Arab Emirates. For the financial year ended 30 June 2014 the business generated sales of A$386.5 million and EBIT of A$22.1 million. The purchase price implied a multiple of 8.1 times historical EBIT.

DaKine / Altamont Partners

On 16 July 2013 Altamont Capital Partners agreed to acquire Da Kine Hawaii Inc. (**DaKine**) from Billabong International Limited for A$70 million. DaKine sells backpacks, luggage bags, gloves and outwear. Altamont is a private equity firm specialising in turnaround investments. It was reported that the purchase represented a multiple of approximately 7.0 times EBITDA.

Witchery / Country Road

On 31 July 2012 Country Road Limited (**Country Road**) agreed to acquire Witchery Australia Holdings Pty Ltd (**Witchery**) from Gresham Private Equity and management for approximately A$170 million. Witchery has 306 stores in Australasia under the *Witchery* and *Mimco* brand names. Witchery's normalised EBITDA is expected to be substantially in line with FY11 normalised EBITDA of A$34 million. Witchery's turnover was A$266 million in FY11. At the date of the acquisition Country Road had 211 stores, sales of A$413 million and EBITDA of A$39 million. The acquisition price represents a multiple of 5.0 times normalised EBITDA.

Retail Apparel Group / Navis Capital Partners

On 18 March 2011 Navis Capital Partners agreed to acquire Retail Apparel Group Pty Ltd (**Retail Apparel Group**) from Champ Ventures for A$200 million. Retail Apparel Group retails men's apparel in Australia through *Tarocash* stores. Navis Capital Partners is a private equity firm specialising in buyout investments. It was reported that the acquisition price represented a multiple of 8.0 times historical EBIT.

Lorna Jane / Champ Ventures

On 22 March 2010 Champ Ventures acquired a 40% shareholding in Lorna Jane Pty Ltd (**Lorna Jane**). Lorna Jane provides sports apparel for women through its stores in Australia and internationally. Champ Ventures is a venture capital fund of CHAMP Private Equity. It was reported that the implied enterprise value was A$70 million representing a multiple of approximately 7.0 times historical EBITDA.

Appendix B – Comparable Listed Companies

A brief description of each of the companies listed in Section 7 is outlined below:

Australasian Automotive Retailers

AMA Group Limited

AMA Group Limited (**AMA**) is an automotive aftercare and accessory company focused on the wholesale market. AMA has two business divisions:

- ***Vehicle Panel Repair***, comprising a portfolio of vehicle panel repair centres throughout Australia. This division generated A$211.5 million in revenues for the financial year ended 30 June 2016 (**FY16**); and
- ***Automotive Components and Accessories***, comprising vehicle protection products & accessories, automotive electrical & cable accessories, and automotive component remanufacturing. Combined FY16 revenues for this division were A$50.3 million.

During FY16, AMA generated normalised EBITDA from continuing operations of A$31.92 million. AMA is trading at relatively high multiples likely reflecting the significant opportunity for further consolidation of the vehicle panel repair market in Australia.

GUD Holdings Limited

GUD Holdings Limited (**GUD**) comprises a number of consumer and industrial products compares based in Australia and New Zealand. Automotive products is GUD's largest business segment contributing approximately 80% of group EBIT (before impairments) for the year ending 30 June 2016. The automotive products segment consists of the distribution of automotive and heavy duty filters for cars, trucks, agriculture and mining equipment, fuel pumps and associate products for the automotive market under the Ryco, Westland and Goss Brand names. GUD's other divisions are engaged in the distribution of cleaning products, pumps and pressure systems for industrial household applications, the manufacture of industrial storage solutions and locks.

Super Retail Group Limited

Super Retail Group Limited (**Super Retail Group**) operates as a retailer of automotive, leisure and sports products in Australia and New Zealand. An overview of each of its divisions is outlined below:

- ***Automotive Retailing***. The automotive retailing division consists of the *Supercheap Auto* chain of retail stores which stock a wide range of automotive parts and accessories. For the financial year ended 30 June 2016 (**FY16**) Supercheap Auto generated EBIT of A$104.6 million on revenues of $A922.8 million. As at 30 June 2016 there was a total of 307 stores cross Australia and New Zealand.
- ***Sports Retailing***. The sports division consists of *Rebel Sports* and *Amart Sports* stores, which provide a wide range of leisure sports products. For the FY16 year the division generated EBIT of A$83.4 million on revenues of A$882.4 million. As at 30 June 2016 there was a combined total of 161 Rebel and Amart stores throughout Australia and New Zealand; and
- ***Leisure Retailing***. The Leisure division consists of outdoor retailer *BCF* (*Boating Camping Fishing*) and *Ray's Outdoors*, an outdoor entertainment and camping leisure retailer. For the FY16 year the division generated EBIT of A$18.6m on revenues of A$581.9 million. As at 30 June 2016 there were 120 BCF stores and 53 Rays stores.

North American Automotive Retailers

Genuine Parts Company Inc.

Genuine Parts Company Inc. (**Genuine Parts**) is engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electronics & electrical materials primarily in North America. The company's distribution network of over 2,000 operations covers the United States, Central America (Mexico and the Caribbean), the Asia Pacific (Australia and New Zealand), China and other emerging markets. An overview of Genuine Part's business segments is provided below:

- ***Automotive Parts Group (APG)***. APG has the largest automotive parts network in North America with 2015 sales of approximately US$8.0 billion, representing 52% of group revenue. As at 31 December 2015 APG had 71 distribution centres and approximately 6,700 retail stores in North America and 8 distribution centres and 522 stores in other countries.
- ***Industrial Parts Group***, which is the leading industrial parts distributor in North America with 2015 sales of US$4.6 billion, representing 30% of group revenue. As at 31 December 2015 the division had 15 distribution centres and 579 branches and service centres across North America and Mexico.
- ***Office Products Group***, which consists of S.P Richards, the United States' second largest distributor of business products, office furniture and computer suppliers. This division had sales of US$1.9 billion in 2015, representing 13% of group revenue. As at 31 December 2015, the Office Products Group had 45 distribution centres across North America.
- ***Electrical Markets Group,*** comprising *EIS*, a leading distributor of electrical, industrial and specialty products with 2015 sales of US$750 million, representing 5% of group revenue. EIS operates from 56 locations throughout the Americas.

Autozone Inc.

Autozone Inc. (**Autozone**) is the United States' leading retailer and distributor of automotive replacement parts and accessories with more than 5,000 stores in the US, Puerto Rico, Mexico and Brazil. For the 2015 year Autozone generated EBIT of US$1.95 billion on revenues of US$10.2 billion. The company had approximately 64,000 employees as at 31 December 2015.

Advanced Auto Parts Inc.

Advanced Auto Parts Inc. (**Advance**) is a leading automotive aftermarket parts provider in North America servicing both professional installers and do-it-yourself customers. The company operates approximately 5,100 stores, 126 '*Woldpac*' branches and serves approximately 1,300 independently owned '*Carquest*' branded stores in the United States, Puerto Rico, the U.S. Virgin Islands and Canada. Advance employs over 74,000 people. For the 2015 year, Advance generated EBIT of approximately US$818 million on revenues of US$9.7 billion.

Halfords Group plc

Halfords Group plc (**Halfords**) is a British retailer of automotive, leisure and cycling products and a leading independent operator in garage servicing and auto repair. The company operates through two divisions i) Retail and ii) Autocentres. The retail division has over 460 stores selling approximately 165,000 product lines. The Autocentres business was acquired in 2010 and provides car service, repair and Ministry of Transport certifications to retail and fleet customers throughout the UK. Halfords has approximately 300 Autocentres. Halfords is trading at low multiples of forecast EBITDA and EBIT reflecting the company's subdued earnings growth outlook relative to international peers.

Dorman Products, Inc.

Dorman Products, Inc. (**Dorman Products**) is a leading supplier of original equipment dealer excusive automotive and heavy duty replacement parts, automotive hardware and brake parts, and fasteners to the automotive and heavy vehicle aftermarket in North America. The company distributes approximately half of its products via US retail outlets and half to workshops. Dorman is trading at multiples that are broadly in line with its North America automotive retail peers.

Uni-Select Inc.

Uni-Select Inc. (**Uni-Select**) distributes automotive replacement parts, accessories, tools and equipment, paints and related products in Canada. The company operates 14 distribution centres and over 255 stores across Canada and the United States. Uni-Select supplier more than 1,150 independent wholesalers and tens of thousands of repair and collision repair shops, employing over 3,000 people. Uni-Select is trading at multiples that are broadly in line with its North American automotive retail peers.

Standard Motor Products Inc.

Standard Motor Products Inc. (**SMP**) is a leading independent manufacturer, distributor and marketer of replacement parts for motor vehicles in the automotive aftermarket industry with an increasing focus on the original equipment and original equipment service markets. SMP has two main business segments i) Engine Management and ii) Temperature Control. The Engine Management segment manufactures engine management replacement parts. The Temperature Control segment manufacturers, remanufactures and markets replacement parts for automotive temperature control systems. SMP is trading at multiples that are broadly in line with its North American automotive retail peers.

O'Reilly Automotive Inc.

O'Reilly Automotive Inc. (**O'Reilly**) engages in the retail of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States servicing both professional service providers and DIY customers. As at 30 June 2015 the company operated 4,465 stores in 43 states in the US. O'Reilly trades at a premium to other automotive parts companies in the United States, reflecting the company's position as the largest company operating in the sector. For the 2015 year O'Reilly generated EBITDA of approximately US$18.32 billion on revenues of approximately US$8.30 billion.

Australasian companies involved in resource and industrial services

CIMIC Group Limited

CIMIC Group Limited (**CIMIC**), (formerly Leighton Holdings Limited), operates in the infrastructure, resources, and property markets primarily in Australia Pacific, Asia, the Middle East, and Southern Africa. Following the closure of a proportional takeover offer in May 2014, HOCHTIEF now holds a 69.62% interest in CIMIC (and is itself majority owned by Spanish company ACS Actividades de Construccion y Servicios S.A.). In June 2014 a strategic review was undertaken with the objective of putting the company on trade to deliver long term growth in cash backed profits. Phase one of the transformation was delivered in 2014 with the adoption of a new operating model based on four activity based businesses focused on construction, contract mining, public private partnerships (PPPs) and engineering and the divestment of John Holland and the creation of the Services partnership with Apollo Global Management. Phase two involves internal streamlining, restructuring, cost reduction and a focus on capital management. CIMIC recently announced a takeover offer to acquire the remaining 86.16% stake in UGL Limited, an Australian engineering, construction and asset maintenance business.

Downer EDI Limited

Downer EDI Limited (**Downer**) provides engineering, construction and asset management services to the minerals and metals, oil & gas, power, transport, telecommunications, water and property sectors, primarily in Australia and New Zealand, but also in the Asia-Pacific region, South America and Southern Africa. For the financial year ended 30 June 2016 Downer generated EBIT of A$277 million on revenues of approximately A$6.85 billion.

Monadelphous Group Limited

Monadelphous Limited (**Monadelphous**) is an engineering group that provides construction, maintenance and industrial services to the resources, energy and infrastructure sectors in Australia and Papua New Guinea. The company has two operating divisions – Engineering which provides large-scale multidisciplinary project management and construction services, and Maintenance Industrial Services which specialises in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works.

Programmed Maintenance Services Limited

Programmed Maintenance Services Limited (**Programmed**) is a provider of staffing, maintenance and facility management services in New Zealand and Australia employing approximately 20,000 people across a broad range of government and private sector industries in the resources, infrastructure, education, manufacturing and logistics, commercial/retail and tourism and recreation markets. The company has a network of over 100 branch locations. During 2015 Programmed merged with SKILLED Group in a transaction valued at approximately A$570 million.

RCR Tomlinson Limited

RCR Tomlinson Limited (**RCR**) is a multi-disciplinary engineering company that provides integrated engineering solutions to the resources, energy, oil and gas, mining and infrastructure sectors in Australia, New Zealand and Asia. RCR acquired Norfolk Group Limited on 31 July 2013 to diversify its revenue base. This acquisition forms the base of RCR's infrastructure division, the principal activities of which include electrical, power transmission and distribution, rail signalling and overhead wiring systems HVAC (heating, ventilation and air-conditioning), telecommunications, fire protection and property services and products.

Spotless Group Limited

Spotless Group Limited (**Spotless**) is a leading provider of outsourced facility services and laundry services in Australia and New Zealand. It provides facility management, catering and food and cleaning services as well as laundry and linen services to a wide range of sectors including business, education, government, health, resources, defence and sport and leisure as well as operating social infrastructure public private partnerships. The company employs approximately 36,000 people. At listing in May 2014 around 49.4% of shares on issue were retained by PEP, co-investors and management and were subject to voluntary escrow arrangements. Under the terms of the escrow arrangements these share have been released from trading lock since November 2014.

Tox Free Solutions Limited

Tox Free Solutions Limited (**Toxfree**) is a waste management and industrial services provider in Australia. The company operates a fleet of over 600 vehicles, employs 1,100 people and operates from 57 locations. For the financial year ended 30 June 2015 (**FY15**) Toxfree generated EBITDA of A$72m and EBIT of A$40m on revenues of A$408m. The company has three business segments:

- ***Waste services***, which is involved in the collection, resource recovery and disposal of solid, industrial, municipal and commercial waste primarily in the regional areas of Australia such the Kimberley, Pilbara and South West regions of Western Australia and throughout regional Queensland. This segment generated EBIT of A$45.0m in FY15;
- ***Technical & environmental services***, which involves the use of a number of technologies to treat liquid and hazardous waste streams including thermal desorption, incineration, plasma arc, base catalytic de-chlorination, stabilisation and fixation, physiochemical treatment and reuse and recycling. The company has facilities in Kwinana, Henderson, Karratha, Port Hedland, Sydney, Brisbane and Melbourne. This segment generated EBIT of A$14.6m in FY15; and
- ***Industrial services***, which provides onsite industrial cleaning to the oil and gas, mining, heavy manufacturing, civil infrastructure, municipal and utilities sectors. Services include tank and drain cleaning, high-pressure water jetting, vacuum loading and liquid and industrial waste collection. This segment generated EBIT of A$9.9m in FY15.

Australasian Companies involved in apparel retailing

Hallenstein Glasson

Hallenstein Glasson Holdings Limited (**Hallenstein Glasson**) is a apparel retailer in New Zealand and Australia with a total of approximately 130 stores. The company has primary brands, Hallensteins, which is a specialist menswear store and Glassons, a specialised womans wear store. There is also a selection of stores operating under the Storm brand. For the financial year ended 1 August 2016 Hallenstein Glassson generated EBITDA of NZ$26.9 million on sales of A$223.5 million. The company is trading at a multiple of 3 times forecast EBITDA.

Michael Hill

Michael Hill International Limited (**Michael Hill**) is a jewellery manufacturer and retailer in New Zealand (52 stores), Australia (168 stores), Canada (67 stores) and United States (10 stores). From FY13 to FY16, Michael Hill delivered consistent revenue and EBITDA growth primarily through its expansion throughout Australia and Canada and by generating same stores growth in New Zealand. Michael Hill has not progressed its expansion into the United States since FY10 and despite recent improvements in same store growth, the company continues to make an operating loss from the 10 stores located in in the United States.

Premier Investments

Premier Investments Limited (**Premier Investments**) operates various specialty retail fashion chains primarily in Australia and New Zealand. It offers casual wear, women's wear, and non-apparel products. The company has a portfolio of retail brands consisting of '*Just Jeans', 'Jay Jays', 'Jacqui E', 'Portmans', 'Dotti', 'Peter Alexander'* and *'Smiggle'*. Premier Investments also has a 25.7% interest in Breville Group, which provides and distributes electrical appliances in the consumer products industry. Premier Investments is trading at a premium to its peer group in Australasia, largely due to the strength of its operating performance and growth potential through its Peter Alexander and Smiggle brands.

RCG

RCG Corporation Limited (**RCG**) owns and operates a number of footwear businesses in the performance, comfort and active lifestyle sectors. These include retailers, '*The Athlete's Foot'* and '*Podium Sports'* and the wholesale and distribution of '*Merrell', 'Saucony', 'Cushe', 'Chaco', 'CAT'* (Caterpillar) and *'Sperry Top-Sider'* brands of footwear and apparel. In March 2015, RCG acquired Accent Footwear for A$200 million and in July 2016 the company acquired Hype DC for A$105 million. Accent Footwear is also the owner of '*Platypus Shoes'* and is a distributor and retailer of seven international brands including *'Vans', 'S'kechers', 'Dr Martens'* and *'Timberland'*. Hype DC specialises in athleisure and style footwear.

Specialty Fashion Group

Specialty Fashion Group Limited (**Specially Fashion**) operated as a specialty retailer of women's fashion products in Australia, New Zealand, South Africa and the United States. As at 30 June 2016 the company had 1,092 sites including 14 locations within Myers stores in Australia. Specialty Fashion Brands include Millers, Crossroads, Katies, Autograph and City Chic. Specialty Fashion is trading at low multiples relative to its peers, likely reflecting the subdued growth outlook for the company.

Appendix C – Valuation Methodology Descriptions

1. Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and share market prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

2. Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

3. Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Hellaby's case.

4. Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Hellaby. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix D – Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling the interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix E – Qualifications, Declarations and Consents

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The primary persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin and Jake Sheehan B.Com (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Hellaby. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Hellaby. However, in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of Hellaby. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Hellaby. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Hellaby. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Hellaby's business divisions prepared by the management of Hellaby's business divisions. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Hellaby's business divisions. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Hellaby is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Hellaby, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Hellaby, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Bapcor Offer. Grant Samuel expressly disclaims any liability to any Hellaby shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions made by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by Hellaby and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Hellaby or Bapcor that could affect its ability to provide an unbiased opinion in relation to the Bapcor Offer. Grant Samuel had no part in the formulation of the Bapcor Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Bapcor Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Hellaby and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Hellaby and contained within this report is sufficient to enable Hellaby shareholders to understand all relevant factors and make an informed decision in respect of the Bapcor Offer. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Hellaby Annual Reports for the financial years ended 30 June 2012 - 2016;
- Bapcor's Annual Reports for the financial years ended June 30 2012 - 2016; and
- Various broker's reports on Hellaby, Bapcor and its competitors.

5.2 Non Public Information

- Historical Management accounts for each of Hellaby's businesses divisions;
- Budget and Board Approved forecast information for each of Hellaby's business divisions for the financial year ending 30 June 2017;
- Business plans for each of Hellaby's business divisions; and
- Detail regarding potential acquisition opportunities being considered by each of Hellaby's business divisions;

6. Declarations

Hellaby has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Hellaby has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Hellaby are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Hellaby. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to shares holders of Hellaby. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.