



15 November 2022

Update on proportional takeover offer from Brisbane Markets

TAKE NO ACTION UNTIL YOU GET THE FULL PICTURE

Perth Markets Group Limited (PMGL) refers to Brisbane Markets Limited's (BML) unsolicited off-market proportional takeover offer to acquire 65% of each shareholder's shares in PMGL at \$3.30 cash per share (Offer), as announced on 1 November.

The PMGL Directors independent of BML (the Board) are currently evaluating and undertaking a detailed review of the Offer. Shareholders will be provided with the Board's recommendation in the Target's Statement which will be released within 15 days from notice being received of BML's Bidder's Statement being dispatched (i.e. most likely by 30 November), together with the mandatory independent expert's report which will assess whether the Offer price is fair and reasonable.

The Board's recommendation will be based on an assessment of:

- the independent expert's report; and
- all other information which the Board considers to be relevant to the Offer.

The Board reiterates that shareholders should **TAKE NO ACTION** at this stage. The Board notes the following matters which, in particular, it will be evaluating as part of its assessment of the Offer:

1. The Offer does NOT provide full liquidity for shareholders. You may not get anywhere near the Offer price for your remaining stake

BML's offer is for a maximum of 65% of your shares. Therefore, whilst you may realise some liquidity on your current shareholding, **you will not be able to sell 100% of your shares and will be forced to retain at least 35% of your shares.**

If successful, the Offer will result in BML acquiring a majority control of PMGL at a lower cost compared to a full takeover.

If you accept the Offer, and BML achieves majority control, the Board is of the view that it is likely to be more difficult to sell your remaining 35% stake, citing the following:

- your ownership in PMGL will be materially smaller and likely less influential;
- PMGL will have a single, majority shareholder with greater Board representation, meaning minority shareholders will have less say in any of PMGL's decisions. BML



will more easily be able to pass ordinary resolutions at PMGL shareholder meetings with no other PMGL shareholder support;

- new potential investors may be unlikely to invest in PMGL on the above basis, absent any protections; and
- BML's shareholding may increase to such a level that a third party would be even less likely to make a takeover bid for PMGL without BML's support, in which case, it would be less likely that the PMGL share price will reflect a control premium in the future.

Given the above points, the potential buyer market for your remaining shares may be very limited. **The Board therefore expects that you will not be able to sell your remaining stake at, or even near, the Offer price.**

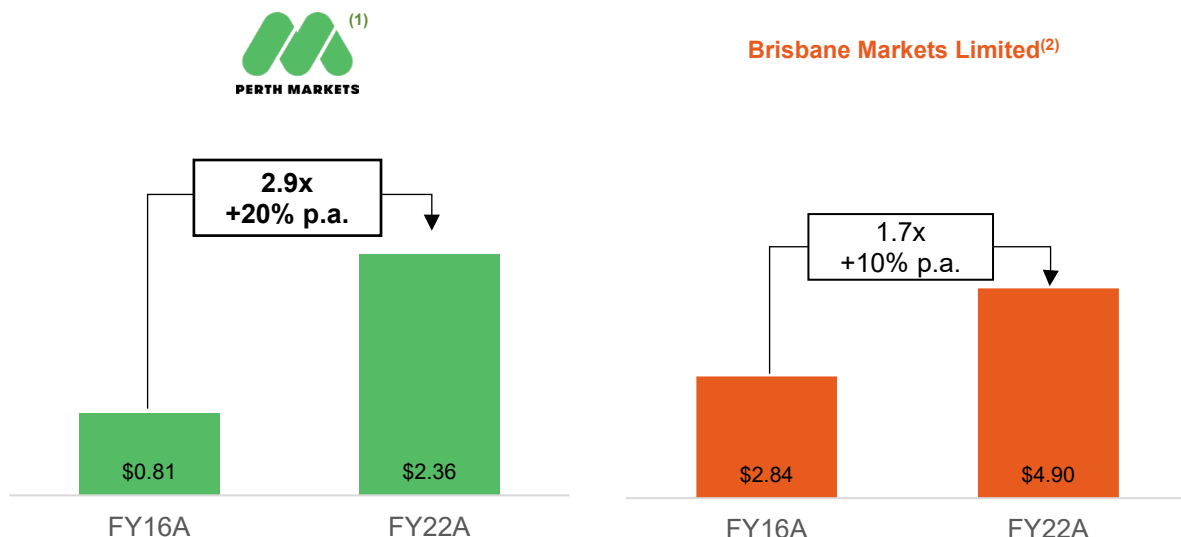
“You may be stuck with 35% with no clarity on price”

2. The net asset value of PMGL's shares has increased from \$0.81 to \$2.36 from FY16 to FY22. The net asset value of BML's shares have increased from \$2.84 to \$4.90 from FY16 to FY22

PMGL's net asset value per share has increased from \$0.81 to \$2.36, which is **almost a tripling of the value of your shares from FY16 to FY22 and represents a growth rate of 20% per annum.**

BML's net asset value per value has, in comparison, increased from \$2.84 to \$4.90 over the same period, for an annual growth rate of 10%.

Net asset value per share – FY16 to FY22



“PMGL's net tangible assets per share has almost tripled from FY16-22 under the stewardship of PMGL's Board”



3. BML's intentions remain unclear

As stated in the Bidder's Statement, the Board has previously expressed its concerns as to BML's intentions in acquiring control of PMGL.

Whilst some additional context has been provided by BML in the Bidder's Statement, there remains a lack of specificity in terms of BML's:

- clear intentions in respect of the PMGL management composition, including retaining and appointing key management;
- intentions with respect to the Board composition following the proposed appointment of two additional BML representatives;
- anticipated value of alleged synergies, including: extent; timing; costs to implement; and return on investment hurdles;
- specific dividend policy, especially given BML's previously indicated growth desires
- BML's future acquisition pathway and funding plan (if any);
- future capital-raising intentions; and
- future leveraging with a history of heavy indebtedness.

Whilst BML suggests it cannot quantify the perceived benefits of its plans (e.g. synergies), the Board is of the view that BML does have sufficient information to do so with more specificity than provided in the Bidder's Statement. This lack of quantification is a concern for the Board as it begs the question, if BML cannot quantify the synergies, how will BML implement its strategy and ensure it is appropriately budgeted for?

It is also unclear why these perceived benefits can only be realised if BML is a majority shareholder. If these were presented to the Board with precision and they were in the best interest of PMGL shareholders, the Board would implement them.

If you accept, and BML acquires a majority position in PMGL and greater Board representation, BML will be able to implement its plans and your input may have less influence on these decisions.

“Brisbane Markets’ intentions are still not overly clear...”

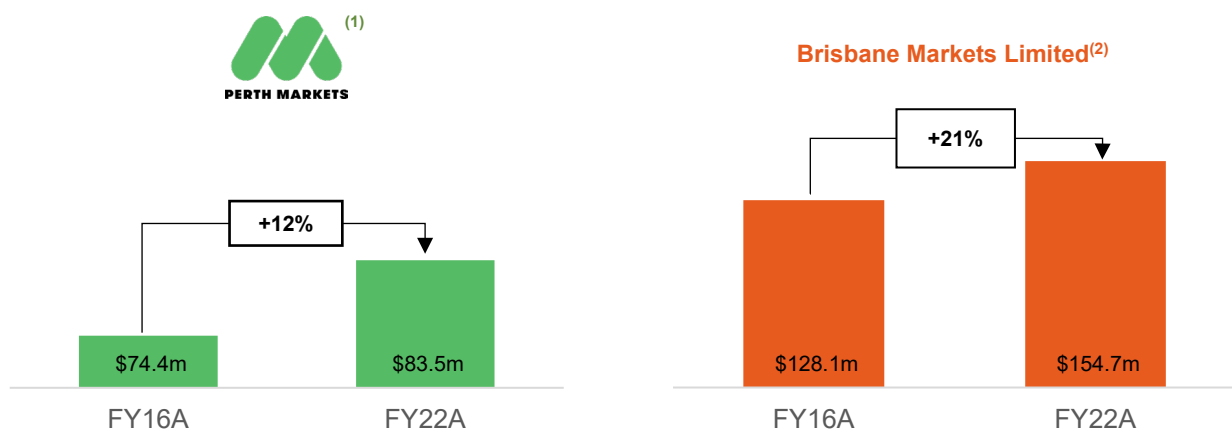
4. BML's leverage has increased at a greater rate than PMGL's from FY16 to FY22

BML's and PMGL's increase in leverage over FY16 to FY22 is quite different.

BML's borrowings have **increased at a 21% per annum compounding rate** and, as at 30 June 2022, is \$155m.

By comparison, **PMGL's borrowings have increased at 12% per annum, which is almost half the growth rate of BML's borrowings over the same period.** PMGL's borrowings are \$84m as at 30 June 2022.

Borrowings – FY16A to FY22A



BML has previously outlined its desire to increase its holding to 51% in PMGL so it can include PMGL's net assets in BML's banking covenant tests.

Given the significant net asset value on PMGL's balance sheet (\$139m as at 30 June 2022), there may be an avenue for BML to raise debt against the assets of PMGL.

BML could leverage PMGL's net assets (which you as a shareholder own) to fund expansions and/or acquisitions outside of Perth.

Such leveraging would expose you to higher leverage risk, higher interest costs and potentially lower dividends. You may also have to 'tip in' further money should BML seek to raise cash via an equity raise, which would dilute your ownership in PMGL.

"Brisbane Markets could use PMGL's balance sheet to expand their operations and acquire assets on the east coast"



5. The Board is confident in its long-term vision and value creation strategy for PMGL shareholders

PMGL's Board and Planning Committee has spent significant time and resources on its Master Plan, which sets out the Board's vision for the future direction of the Perth Markets. The Master Plan is expected to be completed by the end of this year and approved by the Board in early-2023. This timing is consistent with that stated in the 2022 PMGL Annual Report which is available to all shareholders, including BML. The Board therefore considers the timing of BML's bid is opportunistic in this context.

The Board is confident that its long-term vision will drive strong earnings growth and create value for shareholders. The Board believes it is in the best position to implement this strategy and has a proven track record.

Accordingly, the Board is of the opinion that BML's bid is opportunistically timed ahead of the release of the Master Plan.

"The Board is in the best position to implement the PMGL Master Plan"

6. The Board believes that PMGL stewardship should remain in the hands of Western Australians

The management team and Board are of the view that PMGL should be run by a Board with majority Perth-based members.

PMGL is intrinsically a Western Australian company and the only wholesale fresh produce market in WA. The current iteration of the market has been in operation for the past 33 years, and there has been a WA led wholesale market held for the benefit of the growers and the community for over 100 years.

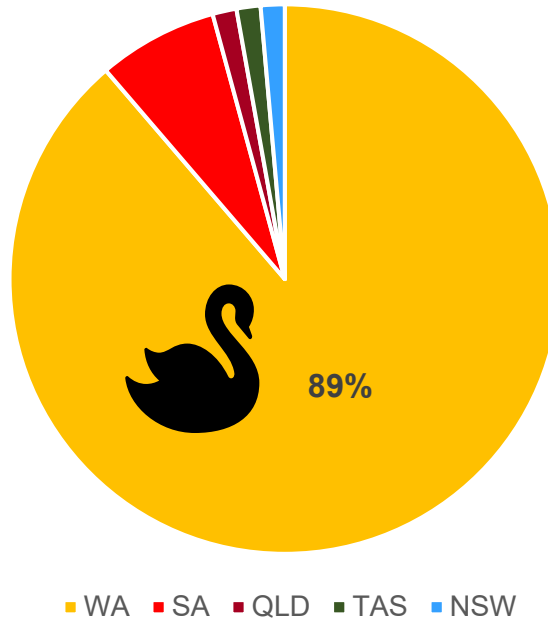
Based on consultation with shareholders, the Board firmly believes that PMGL's stewardship should continue to remain in the hands of Western Australians.

The Board also understands that PMGL's shareholders have bought PMGL shares not only for financial returns, but to have some say in the strategic direction of the Company. A single, majority shareholder would likely lessen this influence of the Company's strategy.

The Board believes the strength of PMGL's core business and strategic value will not be fully realised with non-WA operational control.



PMGL Number of Shareholders by Registered Address, as at November 2022⁽³⁾



“Perth Markets has been built by hard-working Western Australian stakeholders. It should not have a single majority owner outside of WA making all the decisions”

The process and next steps

The Board will continue to keep shareholders informed of further developments and will provide a formal recommendation on the Offer in its Target’s Statement, which will enable shareholders to make an informed decision. The Target’s Statement (and accompanying Independent Expert’s Report) will be released within 15 days from notice being received of BML’s Bidder’s Statement being dispatched (i.e. most likely by 30 November), together with the mandatory independent expert’s report which will assess whether the Offer price is fair and reasonable.

Shareholders are advised that there is **no need to take any action** in relation to the Offer or any document received from BML until the Target’s Statement is released and the Board’s formal recommendation is received. There will be ample time for shareholders to determine a course of action after the release of the Target’s Statement given BML’s Offer is open until 23 December 2022.

The Board remains committed to acting in the best interests of all shareholders and to maximise shareholder value. All options will be explored by the Board as it prepares a response to the Offer and its recommendation to shareholders.

Poynton Stavrianou Pty Ltd is engaged as financial adviser and Lavan as legal adviser in relation to the Offer.



Should you have any queries on this, please contact Quentin Hooper, PMGL Company Secretary, on (08) 9456 9200, for further information.

Yours sincerely

Patricia Skinner
Chairperson
Perth Markets Group Limited

Notes:

- 1) Brisbane Markets Limited's Annual Reports – FY16 and FY22.
- 2) Perth Group Markets Limited's Annual Reports – FY16 and FY22.
- 3) Per PMGL's Share Register, November 2022.