



16 June 2014

Greencross agrees to acquire City Farmers and lifts FY15 EPS guidance

Acquisition of City Farmers

- Greencross has agreed to acquire 100% of the equity in City Farmers, a leading Australian specialty pet care retailer, with 42 stores Australia wide, including 21 stores in Western Australia
- The acquisition is expected to be highly synergistic and to deliver mid-teen EPS accretion in FY15F on a pro forma basis¹
- The acquisition will increase Greencross' network by enhancing its presence in Western Australia
- The acquisition will be funded through a fully underwritten equity raising, a placement to the vendors and a draw-down from a resized debt facility
- The acquisition is expected to complete on 17 July 2014²

Improved outlook

- Greencross' underlying business is on track to achieve full year pro forma NPAT in FY14F of \$21.5 million³
- Greencross' retail and vet businesses maintaining strong growth with YTD (week 50) like-for-like growth in Petbarn of 6.9% and Greencross Vets of 6.0%
- The delivery of cost synergies from the Mammoth merger is tracking ahead of previous expectations
- As a consequence, Greencross now expects its existing business will deliver EPS of 33 cents in FY15F prior to the impact of the acquisition (compared to previous guidance of at least 31.5 cents)
- City Farmers is forecast to deliver annualised⁴ revenue of approximately \$120 million and annualised⁴ EBITDA of approximately \$20 million in FY15F, including the proportion of synergies which are expected to be achieved in FY15F⁵
- As a result of the City Farmers acquisition, Greencross is upgrading its EPS guidance for FY15F to not less than 36 cents⁶

¹ Assuming the delivery of 100% of the synergy benefits in FY15F and excluding the impact of transaction and integration costs. In accordance with AASB 133, EPS calculations for all prior periods will be restated based on an adjustment factor to take into account the bonus element in the Entitlement Offer.

² Conditions precedent to completion of the Acquisition include obtaining certain consents under leases of the City Farmers stores, settlement of the institutional entitlement component of the equity raising and no breach of warranty by the Vendors that has a material adverse effect.

³ Before the impact of an anticipated non-cash write-off of goodwill from the merger of Greencross and Mammoth. See page 22 of the investor presentation for further details.

⁴ Annualised to reflect 52 weeks of ownership compared to 50 weeks of actual ownership.

⁵ On a pro forma basis (assuming 100% of the synergies from the Acquisition were deliverable in FY15F, City Farmers would be expected to deliver annualised EBITDA of approximately \$24 million).

⁶ Delivered during FY15F, excluding the impact of transaction and integration costs.

Overview

Greencross Limited (“Greencross”) announces it has agreed to acquire CF Group Holdings Pty Ltd (“City Farmers”), a specialty pet care retailer with a leading position in Western Australia, from Quadrant Private Equity and other shareholders (together the “Vendors”) for total consideration of \$205 million (the “Acquisition”).

The Acquisition delivers a strategic expansion opportunity for Greencross. The addition of the City Farmers network of 42 stores will enhance Greencross’ national footprint in pet care retailing, increasing Greencross’ Western Australian presence from 5 stores to 26 stores, with opportunities to expand the co-located vet network in City Farmers stores. Following completion of the Acquisition, Greencross will operate 285 locations across Australia and New Zealand, comprising 177 stores and 108 clinics.

The Acquisition is expected to be mid-teen EPS accretive in FY15 on a full run rate proforma⁸ basis and create significant long term value for Greencross shareholders.

City Farmers is forecast to deliver annualised⁷ revenue of approximately \$120 million and annualised⁷ earnings before interest, tax, depreciation and amortisation (“EBITDA”) of approximately \$20 million in FY15F, including the proportion of synergies which are expected to be achieved in FY15F⁸.

Potential cost synergies include gross margin uplift flowing from the equalisation of trading terms and product ranges; operational efficiencies via shared services and advertising initiatives and other cost savings. In addition, potential revenue synergies include the ability to expand sales of Greencross brands through the enlarged store network and the co-location of Greencross vet clinics.

Post the Acquisition, Greencross is expected to generate pro forma FY14F sales of \$555⁹ million, of which 25% is expected from vet services and 75% is expected from specialty pet care retailing.

Greencross CEO Jeff David said, “The combination of Greencross and City Farmers brings together two of Australia’s outstanding pet specialists, and increases our exposure to the Western Australian market. The transaction underscores our commitment to becoming the leader in the rapidly growing pet care market.”

Improved outlook

Greencross’ underlying business is performing well and Greencross remains on track to achieve full year pro forma NPAT in FY14F of \$21.5 million¹⁰, per the Explanatory Memorandum released in December 2013.

Like-for-like sales for YTD (week 50) are 6.9% for Petbarn and 6.0% for Greencross Vets.

The delivery of cost synergies from the Mammoth merger is tracking ahead of previous expectations and, as a consequence, Greencross now expects its existing business will deliver EPS of 33 cents in FY15F prior to the impact of the Acquisition (compared to previous guidance of at least 31.5 cents).

⁷ Annualised to reflect 52 weeks of ownership compared to 50 weeks of actual ownership.

⁸ On a pro forma basis (assuming 100% of the synergies from the Acquisition were deliverable in FY15F, City Farmers would be expected to deliver annualised EBITDA of approximately \$24 million)

⁹ Calculated based on a 53-week year due to rounding.

¹⁰ Before the impact of an anticipated non-cash write-off of goodwill from the merger of Greencross and Mammoth. See page 22 of the investor presentation for further details.

As a result of the City Farmers acquisition, Greencross is upgrading its EPS guidance for FY15F to not less than 36 cents¹¹.

Reverse acquisition accounting update from the Greencross merger with Mammoth in January 2014

The merger of Greencross and Mammoth in January 2014 saw the Mammoth shareholders receive shares in Greencross, however the accounting standard (AASB3) requires that the merger is treated as an acquisition of Greencross by Mammoth. The strong appreciation of the Greencross share price, from approximately \$5.40 when the merger discussions were commenced to \$8.24 at completion raised the accounted-for acquisition price and goodwill balance.

Preliminary acquisition accounting for the merger with Mammoth, effective 23 January 2014 has been completed. This will be finalised in the 30 June 2014 accounts and will allow the goodwill relating to that merger to be finalised and tested for impairment in accordance with standard Greencross accounting practice and IAS36.

It is considered likely that an impairment of approximately \$130 million of the goodwill balance will arise and impact intangibles and statutory profit in FY14. There will be no impact on pro forma FY14 results.

The impairment is non-cash, has not arisen from any business underperformance, and has no impact on the business or Greencross' ability to pay dividends.

Acquisition funding

The Acquisition will be fully funded through a combination of new debt and equity as follows:

- \$50 million equity to be issued to the Vendors
- \$51 million accelerated pro rata non-renounceable entitlement offer
- \$69 million placement to eligible institutional investors
- \$45 million of debt drawn-down from a resized facility that has been agreed with Greencross' current banking syndicate

Sources and uses of funds

Sources	\$m	Uses	\$m
Placement to the Vendors	50	City Farmers purchase price	205
Accelerated pro rata non-renounceable entitlement offer	51	Costs associated with the transaction	10
Placement to institutional investors	69		
Debt	45		
Total	215	Total	215

Equity raising

As part of the transaction, Greencross has announced an equity raising of \$120 million comprising:

¹¹ Delivered during FY15F, excluding the impact of transaction and integration costs.

- A fully underwritten 1 for 15 accelerated pro-rata non-renounceable entitlement offer (“Entitlement Offer”) to raise \$51 million from existing shareholders of Greencross; and
- A fully underwritten \$69 million placement to institutional investors (“Placement”) within the company’s placement capacity under ASX Listing Rule 7.1.

The Entitlement Offer and the Placement are to be offered at a fixed price of \$8.45 per share (“Offer Price”), representing a 7.3% discount to the last closing price of \$9.12 on 13 June 2014 and a 6.4% discount to the theoretical ex-rights price (“TERP”)¹².

The Entitlement Offer will comprise an institutional entitlement offer of approximately \$30 million and a retail entitlement offer of approximately \$21 million. Greencross’ major shareholders TPG, PETCO, Jeff David, Stuart James and Paul Wilson who together hold 36.9% of Greencross’ shares prior to the equity raising, have committed to take up 100% of their pro rata entitlement in the Entitlement Offer.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 new Greencross ordinary share for every 15 existing Greencross shares (“Entitlement”) held at 7.00pm (AEST) on Thursday, 19 June 2014 (“Record Date”).

New shares will be fully paid and rank equally in all respects with existing Greencross ordinary shares from allotment and will be entitled to dividends on the same basis as existing shares.

Greencross will issue a further \$50 million of new shares to the Vendors as part consideration for the Acquisition (“Vendors Placement”). The Vendors Placement will be issued at \$9.00 per share. Of the Vendors Placement, 98.8% of the shares will be escrowed until the release of Greencross’ FY15 results in August 2015.

Institutional entitlement offer

Eligible institutional shareholders will be invited to participate in the institutional entitlement offer which will take place today (“Institutional Entitlement Offer”). Eligible institutional shareholders can choose to take up all, part or none of their entitlement. Institutional entitlements cannot be traded on market.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be sold through an institutional shortfall bookbuild on Tuesday, 17 June 2014.

Retail entitlement offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer (“Retail Entitlement Offer”). The Retail Entitlement Offer will open on Monday, 23 June 2014 and close at 5.00pm Sydney time on Monday, 7 July 2014.

Further details about the Retail Entitlement Offer will be set out in a retail offer booklet (“Retail Offer Booklet”), which Greencross expects to lodge with the ASX on Monday, 23 June 2014. Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the Retail Offer Booklet and accompanying personalised entitlement and acceptance form, which are

¹² TERP calculated on a post-Entitlement Offer, post-Placement and post-Vendors Placement basis.

expected to be despatched on Monday, 23 June 2014. Copies of the Retail Offer Booklet will be available on the ASX from Monday, 23 June 2014.

Offer timetable

Placement and Entitlement Offer	Date
Trading halt and open Placement and Institutional Entitlement Offer	Monday, 16 June 2014
Close Placement and Institutional Entitlement Offer	Tuesday, 17 June 2014
Resume trading, announce results of Placement and Institutional Entitlement Offer	Wednesday, 18 June 2014
Record date for Entitlement Offer (7.00pm) Sydney time	Thursday, 19 June 2014
Retail Entitlement Offer opens	Monday, 23 June 2014
Placement and Institutional Entitlement Offer settlement	Friday, 27 June 2014
Issue and quotation of New Shares under the Placement and Institutional Entitlement Offer	Monday, 30 June 2014
Retail Entitlement Offer closes (5.00pm) Sydney time	Monday, 7 July 2014
Issue of New Shares under the Retail Entitlement Offer	Monday, 14 July 2014
New Shares under the Retail Entitlement Offer commence trading on ASX on a normal settlement basis	Tuesday, 15 July 2014

Vendors Placement	Date
Settlement of the Vendors Placement and completion of the Acquisition	Thursday, 17 July 2014

The timetable above is indicative only and may be subject to change. Greencross reserves the right to amend any or all of these dates and times without notice subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws.

Shareholder enquiries

Eligible retail shareholders will be sent further details about the Entitlement Offer via the Retail Offer Booklet to be lodged with ASX and despatched on or around Monday, 23 June 2014.

Retail shareholders who have any questions regarding the Retail Entitlement Offer should contact the Greencross Shareholder Information Line on 1300 721 603 (inside Australia) or +61 2 8016 2889 (outside Australia) at any time between 8.15am to 5.30pm during the Retail Entitlement Offer period.

Further information

For further details regarding the Acquisition and the Entitlement Offer, shareholders are advised to refer to the investor presentation released to the ASX. The investor presentation contains important information including important notices and key risks that may affect Greencross.

For media and investor enquiries please contact:

Media

Samantha Magnusson
FTI Consulting
Phone: 0423 116 696

Investors

Robert Wruck
Greencross Investor Relations
Phone: (02) 8595 3313

About City Farmers

City Farmers is a leading specialty pet care retailer in Western Australia. City Farmers' products and services include pet supplies, mobile dog washing and pet insurance. Since inception in 1991, City Farmers has grown significantly through an organic store roll-out program. During this time it has more than quadrupled its store network from 10 stores in 2005 to 42 stores today, with a leading

position in Western Australia, where it has 21 stores, as well as a presence in Queensland, New South Wales, Victoria and South Australia.

About Greencross

Greencross is Australasia's largest integrated consumer facing pet care company. Established in 1994, Greencross Vets owns and operates Australia's largest network of veterinary practices with 108 clinics including general practices, specialty and emergency centres, pathology labs and pet crematoria.

Greencross Retail is Australasia's leading specialty pet care retailer with 135 stores, operating under the Petbarn brand in Australia and the Animates brand in New Zealand. In addition to selling pet food and accessories through its store network and online platform, Greencross Retail also offers a wide range of pet services including grooming, dog washing, boarding and pet adoption.

Greencross' strategy is to continue to consolidate the fragmented veterinary services, pet food and pet accessories markets in Australia and New Zealand. Greencross is focused on delivering exceptional veterinary care, specialist advice and quality medicine, services and products to pets and their families.

Important information

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of the information.

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This release may not be distributed or released in the United States. This release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of New Shares in any jurisdiction outside Australia. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, to persons in the United States or persons who are acting for the account or benefit of persons in the United States, unless they have been registered under the Securities Act (which Greencross has no obligation to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Greencross' current expectations, estimates and projections about the industry in which Greencross operates, and beliefs and assumptions. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," "potential", and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Greencross, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Greencross cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Greencross only as of the date of this release.

This release contains pro-forma financial information of Greencross to reflect the impact of the acquisition of City Farmers and the Entitlement Offer. The pro forma financial information has been

prepared by Greencross in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and other mandatory reporting requirements in Australia. Investors should also note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Greencross will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.