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TERMINATION OF EXISTING ENTITLEMENT OFFER, ANNOUNCEMENT OF A PROPOSED NEW ACCELERATED PRO-RATA NON-RENOUNCABLE ENTITLEMENT OFFER WITH SUPPORT OF SUBSTANTIAL SHAREHOLDERS AND TRADING UPDATE FOR IMPACT OF COVID-19

Termination of existing Entitlement Offer

HGL Limited ACN 009 657 961 (ASX: HNG) (**HGL**) today announces that it is immediately terminating its 1 for 4 entitlement offer at \$0.25 per new share first announced on 30 January 2020 and launched on 5 March 2020 (the **Original Offer**), which was intending to raise approximately \$3.884 million (before costs). The board of HGL noted that the price and metrics of this offer were considered no longer appropriate, given the impact on financial markets, including on HGL and its share price, from the events linked to the COVID-19 global pandemic.

Details of the proposed new Entitlement Offer

In lieu of the Original Offer, HGL Limited announces that it is seeking to raise approximately \$3.884 million (before costs) through a proposed 5 for 16 accelerated pro-rata non-renounceable entitlement offer of new shares at an offer price of \$0.20 per new share (**Offer Price**) (the **New Offer**).

The proposed New Offer will comprise an **Accelerated Entitlement Offer** for the two largest substantial shareholder groupings representing 53.3% of HGL's current shares and a **Retail Entitlement Offer** for remaining shareholders as at the record date for the issue.

The Offer Price for the proposed New Offer represents a 20% reduction to the offer price in the Original Offer and a 1.7 cent discount to the volume weighted average price of HGL's shares of 21.7 cents, for the 24 days over which the shares have traded since the announcement of the Original Offer on 30 January 2020, up to 9 April 2020.

The two largest substantial shareholder groupings have confirmed they will accept their full entitlements under the Accelerated Entitlement Offer, which will raise \$2.1M.

The proceeds from the proposed New Offer, less costs, will be used to repay the shareholder loans announced on 30 January 2020 and also to replenish general working capital. The capital raising will also assist the business to continue to trade through the impacts of COVID-19.



The proposed New Offer is non-renounceable and therefore entitlements are not tradeable on the ASX or any other exchange, or otherwise transferable. This means that existing shareholders who do not take up their entitlement will not receive any value for their entitlement, and their proportionate interest in HGL will be diluted. Eligible retail shareholders may also apply for additional new shares under an Overallotment Facility.

The proposed New Offer, when launched, will be open to all eligible shareholders who have a registered address within Australia, New Zealand and the United Kingdom (or other jurisdictions as agreed by the Company). The launch of the New Offer and its timetable is subject to the usual regulatory approvals from the ASX and ASIC. Upon launch of the New Offer, eligible retail shareholders will receive a Retail Offer Booklet with more details, including the timetable and how to subscribe under the Retail Entitlement Offer, which is expected to occur shortly. The timetable will contain the record date for participation, which will fall after the formal launch of the New Offer.

All HGL Limited Directors with direct or indirect shareholdings have also confirmed they intend to participate fully in the pro rata Retail Entitlement Offer. The substantial shareholder groups and Directors are unable however to participate in the Overallotment Facility.

Subscription funds received by the Company under the Original Offer will be refunded to shareholders unless the relevant shareholder otherwise directs the Company's share registry to apply some or all of the funds subscribed under the Original Offer to the New Offer.

HGL's board and management encourage all shareholders to participate in the Retail Entitlement Offer, after considering the contents of the Retail Offer Booklet.

Trading Update for Impact of COVID-19

Preparation of half yearly reports has commenced, though these are not sufficiently advanced to allow further guidance on consolidated financial results for the first half of this financial year.

The demand for products in each of HGL's businesses are currently being impacted to some extent by government restrictions imposed in our key markets of Australia and New Zealand due to COVID-19 and a general decrease in consumer confidence. This will likely lead to a reduction in year-on-year revenues in each of HGL's businesses.

- SPOS, HGL's retail merchandising business, has maintained revenues as a minor drop off in business-as-usual orders has been replaced with specialised protective product sales to its customers;
- BLC, our beauty and wellness business and smallest business by revenue, has seen its core spa and salon customer base closed by government direction, although this has been partially offset through an increase in internet-based sales;
- JSB, HGL's lighting solutions business, has seen some softening in the market for its products although a number of major projects remain ongoing;
- Pegasus, the 70% owned healthcare solutions business, has experienced minimal impact on its rental income, however has seen a decline in over the counter sales of rehab equipment; and



- Mountcastle, 45% owned schoolwear, headwear and corporate wear business, including the newly acquired LW Reid, was not materially impacted in the traditional peak “back-to-school” season, although with the majority of students now undertaking home based learning, demand has subsequently slowed.

HGL has now made adjustments in employee and overhead costs across its businesses to reflect the changes in operating conditions. We continue to monitor the impacts on revenues from the pandemic and will make further adjustments to our operating costs where required.

We have registered for the various COVID-19 related government assistance schemes in Australia and New Zealand, and where we qualify the impact could have a material bearing on the financial performance of that business.

Conversations with our landlords across our various businesses has also commenced to seek reductions and a rescheduling of rental payments. We have also sought improved terms from our suppliers.

Due to the uncertainties associated with the impact and duration of COVID-19, we are unable to project financial outcomes for the balance of this financial year with any level of certainty.

For more information, please contact:

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About HGL Ltd

HGL is an investment company which invests in small to medium size businesses with a sustainable competitive advantage and strong growth prospects, providing them with specialist business management skills and equity capital to leverage these growth opportunities. Our core purpose is to create shareholder value through active long-term ownership in our portfolio businesses, driving sustainable growth through a strong focus on customers and employees.

www.hgl.com.au



Forward looking statements

This announcement contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as, “expect”, “anticipate”, “likely”, “intend”, “should”, “could”, “may”, “predict”, “plan”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target” “outlook”, “guidance” and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of HGL, the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this announcement are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of HGL, its directors and management, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the " Key Risks" section of the Entitlement Offer Booklet for a summary of certain general and HGL specific risk factors that may affect HGL or an investment in HGL. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in the Entitlement Offer Booklet. Investors should consider the forward looking statements contained in this announcement in light of those disclosures. The forward looking statements are based on information available to HGL as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), HGL undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.