



HRL Holdings Limited

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ASX Announcement

Strategic Acquisition of Analytica Laboratories Completed

HIGHLIGHTS

- HRL Holdings acquired Analytica Laboratories, a leading analytical chemistry laboratory business based in New Zealand
 - Transformational acquisition adding scale and enhancing HRL's competitive position in the high value environmental and food/agriculture testing market
 - Ability to leverage strong existing brand and reputation when entering new markets
 - Purchase price of up to NZ\$30m, comprised of NZ\$19m upfront consideration in cash (70%) and scrip (30%), and cash earn-out up to NZ\$11m
 - Upfront consideration of purchase price and additional growth capital funded by the recently completed institutional placement (A\$15m) and securities purchase plan (A\$1m) at an offer price of A\$0.085
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Acquisition of Analytica Laboratories

HRL Holdings Limited (ASX: HRL) (**HRL or the Company**) is pleased to announce that it has now completed the purchase of Analytica Laboratories Limited (**Analytica**).

The acquisition is transformational and positions HRL for its next stage of growth by expanding the business' capabilities and expertise in new markets.

- ✓ Highly complementary acquisition adding scale and enhancing competitive position
 - Provides rapid entry into the high value environmental and food/agriculture testing market, building on HRL's strategy to focus on more sophisticated and advanced analysis with higher barriers to entry
 - Leverages highly skilled technical and operational staff across a broader operational base
 - Provides ability to leverage strong existing brand and reputation when entering new markets
 - Complements existing operations through advanced technology and equipment
- ✓ CAIQtest (Pacific) provides a unique opportunity to support the growing export market to China
 - Incorporated joint venture led by Analytica (26% interest) and supported by the Chinese Academy of Inspection and Quarantine
 - New Zealand based laboratory, providing pre-shipment testing services for clients exporting goods from Australasia to China assisting greatly with supply chain bottlenecks – a key concern for exporters
 - Currently services the dairy export market, with a focus on infant milk formula



- CAIQtest (Pacific) developed a first mover advantage by achieving accreditation with the Chinese National Accreditation Service (August 2017) for a broad dairy testing scope – now providing services to commercial dairy exporters

Acquisition Details

In consideration for 100% of the share capital of Analytica, HRL will pay a purchase price of up to NZ\$30m to the vendors of Analytica (**Analytica Vendors**).

The purchase price is broken down as follows:

- NZ\$13.3m upfront cash which has now been paid;
- NZ\$5.7m upfront HRL scrip consideration, representing 60,951,485 HRL shares, subject to a 2-year escrow period; and
- Up to NZ\$11m cash earn-out consideration, based on the following criteria:
 - Analytica business to achieve 12-month post-settlement EBITDA in excess of NZ\$3m;
 - Analytica Vendors to receive a 6x multiple on each NZ\$1 of EBITDA greater than NZ\$3m, up to a maximum earn-out consideration of NZ\$11m; and
 - 50% of earn-out is payable 12 months post-settlement, and 50% in 12 equal monthly instalments thereafter.

The payment of the earn-out consideration is also contingent on the Analytica Vendors providing ongoing services for a minimum of 2 years post-settlement.

About Analytica

Analytica is a privately owned, New Zealand-based analytical chemistry laboratory business specialising in mass spectroscopy analysis to the milk, honey, drugs of abuse and environmental markets.

Analytica has a strong competitive position in high-end environmental and food/agricultural testing markets with industry leading customers/partners. Key features include:

- ✓ Market leader in honey testing in New Zealand, both among industry organisations and producers/distributors
- ✓ Dominant position in the liquid milk analysis and food origin testing, via strategic alliance with market leading partners
- ✓ Strong and growing exposure to the environmental testing and methamphetamine property screening market with the recent launch of innovative testing services

Analytica has approximately 70 highly skilled technical and operational laboratory staff, and forecasts to deliver revenue of approximately A\$11m and EBITDA of approximately A\$4m in FY18.

Institutional Placement and SPP

Institutional Placement

To fund the upfront cash consideration of the Analytica acquisition price, HRL undertook a share placement raising A\$15m, issuing 176,500,000 shares at a price of A\$0.085 (**Placement**).

The Placement was strongly supported by domestic and international sophisticated and institutional investors. Following shareholder approval of the Placement at the AGM 23 November 2017 the Placement was settled on 28 November 2017.



Canaccord Genuity (Australia) Limited (**Canaccord**) acted as Lead Manager to the Placement.

Securities Purchase Plan

The Company also offered eligible shareholders the opportunity to participate in the Securities Purchase Plan (**SPP**). The SPP Offer was strongly supported reaching the \$1m limit within a week of opening, with valid applications more than 1.58 times oversubscribed. Shares were issued under the SPP on 16 November 2017.

CEO comments

HRL CEO Steven Dabelstein commented that “We are very excited to welcome the Analytica team into the HRL Group. Analytica is a truly innovative company with a fantastic track record of delivering outstanding growth and game changing solutions.”

“This acquisition moves HRL into the high-end analytical laboratory market which will offer entirely new markets and customers to the whole HRL Group.”

“Utilising the technology and innovative solutions that both Analytica and CAIQtest (Pacific) possess, HRL and the Analytica team will look to explore new opportunities throughout New Zealand, Australia and other jurisdictions across a wide range of service lines.”

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