



Pental Limited (ASX: PTL)

ASX Announcement

20 August 2021

Pental to Acquire Hampers with Bite and Announces Capital Raising

Highlights

- **Pental has entered into an agreement to acquire 100% of e-commerce business Hampers with Bite Pty Ltd (HWB) (“the Acquisition”).**
- **Founded in 2004, HWB is a leading e-commerce hamper and gifting specialist with a large and loyal customer base and strong underlying financial attributes, highlighted by its FY21 revenue of approximately \$24 million and EBITDA of approximately \$5.1 million¹.**
- **The Acquisition is expected to be immediately EPS accretive and is consistent with Pental’s stated strategy for strategic acquisitions and channel diversification. Pental expects to grasp significant synergies and cross-channel selling opportunities following completion of the Acquisition.**
- **Estimated combined Group FY21 pro-forma underlying EBITDA of \$17.1 million from net sales revenue of \$149 million^{1,2}.**
- **Pental is in a strong balance sheet position to execute the Acquisition with \$12.7 million in cash on hand and no debt². Total proposed Acquisition consideration is a maximum of \$28.3 million (inclusive of earnout), subject to customary adjustments, with funding sourced as follows:**
 - **\$21.3 million to be funded via a combination of \$9 million Cash, \$5.7 million bank debt, \$6.0 million equity capital raise (\$1.4m reserved for transaction related costs) and \$2 million capped share purchase plan (“SPP”)**
 - **An issue of \$3 million in ordinary fully paid shares in PTL at \$0.45 per share, subject to escrow restrictions for the earnout period.**
 - **Earnout capped at \$4 million to be funded from operating cash, subject to HWB achieving \$6.3 million EBIT in FY22.**
- **Certain elements of the capital raise will be subject to shareholder approval and will occur post completion of the Acquisition.**
- **Completion of the Acquisition is expected early to mid-September 2021, subject to satisfaction of closing conditions.**

¹ Based on unaudited FY21 financial and other data provided by HWB

² Based on unaudited FY21 preliminary financial results for Pental.

Branded home and hygiene product developer Pental Ltd (ASX: PTL, "Pental" or "the Company") is pleased to announce that it has signed an agreement to purchase 100% of the issued capital in Hampers with Bite Pty Ltd (HWB).

Overview of the Hampers with Bite business

Hampers With Bite Pty Ltd (**HWB**) is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts are targeted at affordable prices towards gifts to friends & family and corporate clients. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online.

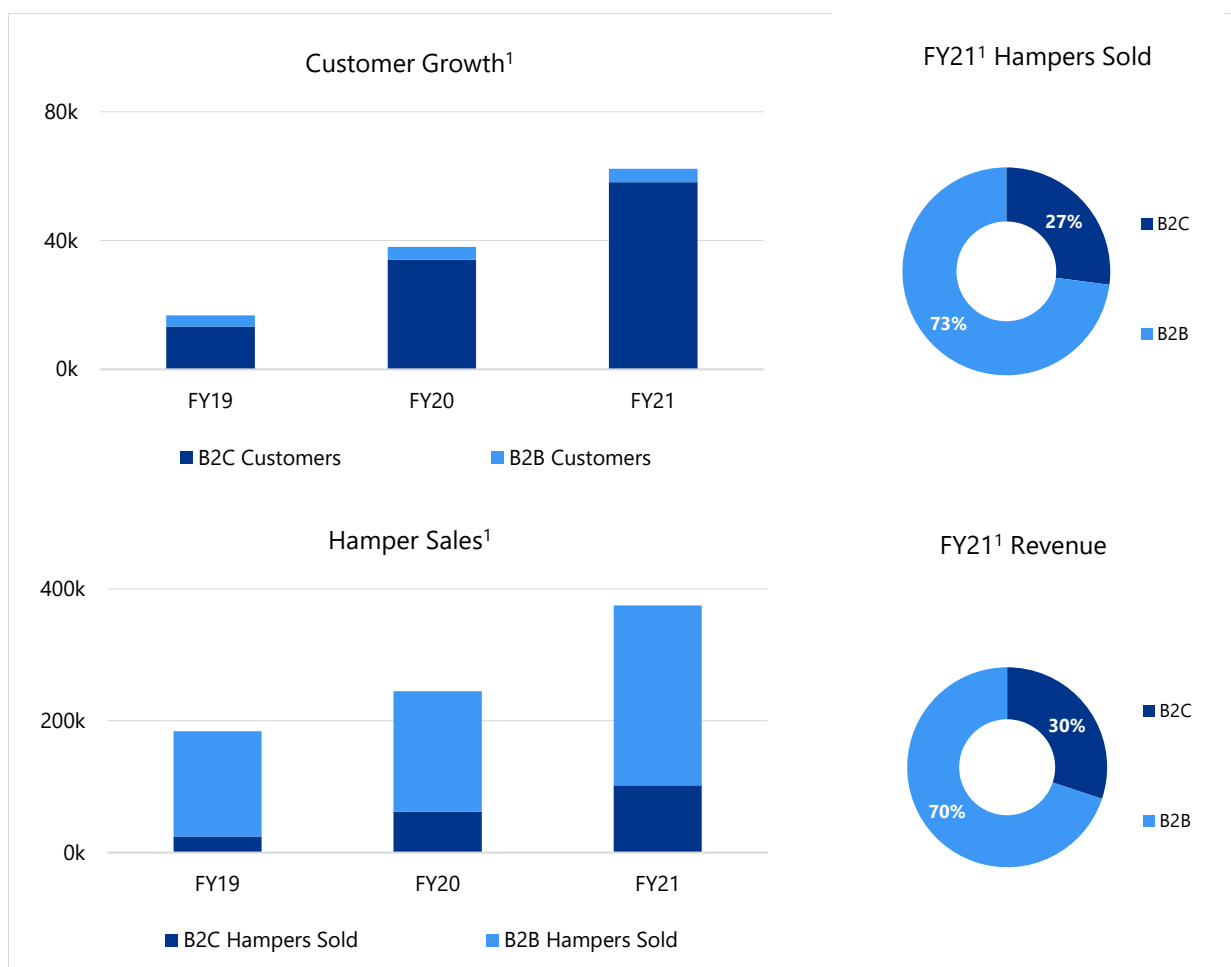
HWB runs both a business to business (**B2B**) and business to consumer (**B2C**) model, supplying both gifts and food & wine hampers to a loyal customer and consumer database through a combination of own-brand and high margin third party brands and products.



Hampers With Bite Key Metrics¹

- HWB's own branded label products comprise more than 60% of the product range, with this share targeted to rise to 80% by Christmas 2021
- More than 375k hampers sold in FY21
- 88 standard hamper options, ranging in price from \$28 to \$400
- >1,046k individual website visits in FY21, year-on-year growth of 110%
- >134k email subscribers
- >16k Facebook followers and >10.7k Instagram followers

¹ Based on unaudited FY21 financial and other data provided by HWB



Financial Impact

HWB has grown from an approximately \$10 million revenue business in FY19 to an approximately \$24 million revenue business in FY21¹.

The business has delivered strong EBITDA and margin growth as it continues to build scale. Due to 'direct to consumers' model, HWB operates at significantly higher gross profit margins compared to Pental, estimated to be approximately 58% for FY21¹. As a result of the acquisition, Pental's post acquisition combined gross profit margin is expected to increase from approximately 27% to approximately 32%^{1,2}.

Pental estimates total combined Group pro-forma net sales revenue for FY21¹ of \$148.9 million as a result of the acquisition.

HWB delivered an EBIT of approximately \$5.0 million¹ and Pental's underlying EBIT for FY21 is estimated to be \$8.2 million².

Acquisition Rationale and Levers for Growth beyond FY21

The Acquisition diversifies Pental's sales channels by fast tracking the Company's existing e-commerce-led growth strategy.

¹ Based on unaudited FY21 financial and other data provided by HWB

² Based on unaudited FY21 preliminary financial results for Pental.

Integrating HWB with Pental's existing operations is expected to bring the following benefits:

Online Channel Growth: HWB represents a strategically compelling acquisition with transformative growth potential that advances Pental's online channel, decreasing reliance on supermarket retail, which is a key existing strategy of the Company.

Improved Scale: Increases Group revenue by approximately \$24 million¹ in net sales.

Revenue Synergies: The Company has identified significant opportunities to cross-sell Pental's products and the bundles which are sold through HWB's online sales platform, with a substantial existing customer base across B2B and B2C customers.

E-Commerce Expertise: Pental intends to leverage HWB's e-commerce capabilities to drive Group e-commerce sales growth so that it forms a material revenue component of the Pental business. Pental has been developing its own range of products under its strong suite of brands suitable for e-commerce channel over the last 18 months. HWB acquisition provides Pental a strong platform with its large consumer database and e-commerce expertise to enter this channel.

Enhanced Distribution Capability: Pental intends to leverage HWB's well established direct-to-consumer distribution capabilities, with an additional distribution centre located close to the Melbourne CBD providing same day delivery options and increased efficiencies.

Accretion: The Acquisition is expected to deliver an EBITDA of \$5.1 million¹ before any benefit from synergies. HWB earnings are expected to provide an accretive EBITDA of approximately \$2.0 million after fully offsetting the estimated annualised impact of changes to the Duracell distributorship agreement (based on FY21 financials²).

Improved R&D and New Product Capabilities: Combining the new product development expertise of HWB with Pental's new product R&D function is expected to create new innovative gift and hamper products and offerings, broadening the Company's market opportunities and expanding market share.

Pental Managing Director, Charlie McLeish, said:

"We are delighted to welcome Hampers with Bite and its customers to the Pental group. Our acquisition of HWB will transform Pental by boosting our financial scale and delivering new capabilities which are highly complementary to our existing business.

Through this deal we are welcoming a highly experienced team of e-commerce professionals who have turned HWB into a market leader. Beyond its e-commerce infrastructure and expertise, HWB brings us enhanced and efficient distribution capabilities which will allow us to offer customers very convenient delivery options. What's more, the HWB business will boost our group revenue by approximately 20% and immediately strengthen the Company's profitability.

HWB will be a 100% Pental owned business and strengthens our position as totally controlling an important new chapter in diversifying our operation.

We see this acquisition as highly complementary and are excited by what the future will bring us together as we accelerate our push into online channels with improved new product development capabilities.

Post settlement of the Placement, SPP and debt facilities, no further new capital is required to fund the Acquisition and the Company is well positioned for growth. We thank our investors for their support and look forward to delivering value for our expanded group's customers, staff and shareholders."

¹ Based on unaudited FY21 financial and other data provided by HWB

² Based on unaudited FY21 preliminary financial results for Pental.

Rory Boyle, Co-founding director of Hampers with Bite, said:

"Joining the Pental group is in line with our strategy to grow our addressable market, deepen our customer relationships and expand our product offerings with a strong platform for growth.

We have been very impressed with Pental's technical capability and detailed growth strategy. This was a significant factor in our decision to select Pental to acquire HWB."

With all major conditions precedent having been satisfied, including due diligence, completion of the Acquisition is expected to occur around early to mid-September 2021.

Acquisition Funding and Equity Raising

Pental will acquire HWB for a total maximum consideration of \$28.3 million (inclusive of earnout) using a mix of cash and equity to be issued to the vendors.

The consideration will be paid as follows:

- \$21.3 million of the purchase price as cash consideration at completion of the acquisition, funded by:
 - \$5.7 million in net debt to be paid down over a 3-year term (Pental currently has no debt and significant borrowing capacity available);
 - \$9.0 million in cash at hand;
 - \$6.0 million capital raise via a Placement (\$1.4 million of which will be reserved for anticipated costs relating to the acquisition)
 - Proceeds from a \$2.0 million capped Share Purchase Plan ("SPP")
- \$3.0 million of the purchase price as ordinary, fully paid shares in PTL issued at \$0.45 per share, subject to escrow restrictions for the earnout period.
- An earnout capped at \$4.0m ('Earnout') will be paid subject to HWB achieving \$6.3m in EBIT for the financial year ending 30 June 2022 as follows:
 - Earnout is to be funded from operating cash flow and available debt capacity at that time.

Equity Raising

The equity raising is being carried out by PAC Partners as sole Lead Manager. Pental is pleased to announce that it has received firm commitments from new and existing sophisticated and institutional investors to subscribe for a placement of approximately 15.8 million fully paid ordinary shares ("Shares") at \$0.38 each to raise \$6 million before costs ("Placement") which it will use to partially fund the Acquisition. Pental also plans to offer a Share Purchase Plan ("SPP") to eligible, existing shareholders to raise up to an additional \$2.0 million at the Placement price. Certain directors have committed to participate in the capital raising subject to shareholder approval referred to below.

Net proceeds from the Placement and SPP will be used to part fund the upfront consideration payable by Pental on Completion of the Acquisition.

Details of the Placement

The Placement will be completed in two tranches, comprising:

- **Tranche 1** to raise \$5.2 million via the issue of 13.8 million shares under Pental's remaining Listing Rule 7.1 Placement capacity
- **Tranche 2** to raise up to \$0.8 million via the issue of 2.0 million shares.

The issue of the Tranche 2 shares is subject to shareholder approval at a meeting expected to be held in September 2021. Approval will also then be sought for certain directors to participate in the placement.

The Placement was undertaken at a 13.6% discount to last closing price of \$0.44.

Share Purchase Plan

Participation in the SPP will be available exclusively to shareholders who are registered as holders or underlying beneficial holders of Pental Shares at 7pm (AEST) on the Record Date of 19 August 2021 and whose registered address is in Australia and New Zealand (**Eligible Shareholders**).

Pursuant to the SPP, Eligible Shareholders can subscribe for parcels of Shares up to \$30,000 without incurring brokerage or transaction costs. Full details of the SPP will be set out in an offer document which the Company will send to eligible shareholders in accordance with the below timetable.

The new Shares to be issued under the SPP will be offered at \$0.38 per Share, which represents a 13.6% discount to the last closing price of \$0.44.

Indicative Timetable

Set out below is an indicative timetable for the Capital Raising and SPP. Other than the Record Date and announcement of the SPP, Pental may change these dates (including the closing date) and times at its discretion, subject to the Listing Rules and Corporations Act.

Indicative Timetable ¹	2021
Trading Halt	9:00am (AEST), Wednesday, 18 August
Bookbuild completed for Placement	Thursday, 19 August
Record Date for SPP	7:00pm (AEST), Thursday, 19 August
Announcement of Placement and SPP	Friday, 20 August
Settlement of Capital Raising (Tranche 1)	Thursday, 26 August
Allotment of Shares (Tranche 1)	Monday, 30 August
Trading of New Shares (Tranche 1)	Tuesday, 31 August
Notice of Extraordinary General Meeting (EGM)	Tuesday, 31 August
SPP Offer Opens	Wednesday, 1 September
SPP Offer Closes	Wednesday, 15 September
Announcement of SPP Results	Tuesday, 21 September
Issue Date	Wednesday, 22 September
Trading of New Shares Issued under SPP on ASX	Thursday, 23 September
EGM to vote on Tranche 2 Shares	Thursday, 30 September
DVP Settlement of Tranche 2 Shares	Tuesday, 5 October
Allotment of Tranche 2 Shares	Thursday, 7 October
¹ Timetable is subject to change	
² Use of Funds excludes any capital raised as a result of accepting oversubscriptions, or the \$2.0m SPP	

Additional details

Further details of the Acquisition and Equity Raising are set out in Pental's Investor Presentation provided to ASX today. The Investor Presentation contains important information including key risks of investing in Pental with respect to the Equity Raising.

Pental plans to hold an investor webinar with a presentation from MD Charlie McLeish on 23 August 2021 at 1:00 PM AEST. Access is open to all shareholders and registration details will be lodged separately with ASX.

Authorised for disclosure by the Pental Board

About Pental Limited

At Pental, we are dedicated to delivering the highest quality and value in all our products. We are proud to make a range of branded products (including White King, Country Life, Velvet, Softly, Martha's, Sunlight, Huggie, Jiffy, Little Lucifer, Aim and Janola) that have been an important part of Australian and New Zealand families for generations. Our goal is to help families live better by providing high quality products for *today's lifestyles* – which in itself shows our commitment to catering to the ever-changing needs of our consumers' lifestyles.

Innovation, production efficiencies and quality are the pillars which make up our core focus as providers of quality products and continue to make our manufacturing sustainably successful.

More information on Pental is available at: www.pental.com.au