



SPC divestment update

18 February 2019

SPC Managing Director Reg Weine today said the SPC divestment process was proceeding well, with several interested parties touring SPC's manufacturing sites in Shepparton and taking part in management presentations. A number of non-binding indicative offers had now been received, and the divestment process was on track to conclude by mid-2019.

Despite this interest the inherent uncertainty of financial outcomes from the sale process had triggered a non-cash impairment of the company by its owner Coca-Cola Amatil. This impairment did not affect SPC jobs, production or operations.

Update on progress

Mr Weine said a number of non-binding indicative offers had been received for SPC, with short listing for round two now underway.

"Specifics of these offers are confidential, but we're seeing some solid Australian and international interest," Mr Weine said.

"Parties in this process clearly recognise the value in SPC's iconic brands, the strategic location of our manufacturing assets in the heart of the Goulburn Valley, and our proximity to fast growing export markets like China.

"It also reflects the significant transformation of SPC's Shepparton manufacturing site and the state-of-the-art processing and packaging capability that is available to potential buyers of SPC.

"The overall level of interest is recognition of the inherent value of Australian agricultural assets and the iconic nature of SPC and its market leading brands."

Impairment

Mr Weine said the range of offers, in both size and structure, and the inherent uncertainty of the financial outcome of the sale process had triggered a non-cash impairment in the carrying value of the company from \$146.9 million before tax to a nominal value of zero for the 2018 year.

"While accounting standards necessitate this impairment, it does not reflect SPC's market value or the offers received and doesn't indicate any change to SPC's publicly reported outcomes," Mr Weine said.

"We see a positive future for SPC as a market leader in processed fruit and vegetables. The sale process is about unlocking this future value."

Mr Weine said there were no changes to SPC jobs, production or operations as a consequence of the impairment, and it was business as usual at all SPC sites.

Background

A \$100 million co-investment program by Amatil and the Victorian Government over the last four years has modernised SPC's tomato and snack cup production and introduced a new aseptic fruit processing system and pouch line at the Shepparton site.

Investment under this agreement was completed in June 2018. During this time SPC also expanded its export range through a partnership with China State Farms Agriculture Holdings Shanghai Corporation.



SPC has been in international markets for more than 50 years, including in New Zealand, USA, UK, Europe, Southeast Asia, Japan and the Middle East. Export sales across ten countries currently comprise around 10 per cent of SPC earnings.

Recent SPC achievements include:

- Growing market share in tomatoes, baked beans & spaghetti
- Entering the functional food category with world first innovation of ProVital™
- Significant capital investment in a new high-speed snack line, new tomato processing line, aseptic processing technology, new pouch line and high care facility and automation.

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