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**ASX Announcement****Recommended merger by way of scrip-for-scrip offer for CBG Capital Limited**

18 June 2019

Clime Capital Limited (**CAM**) (ASX: CAM) is pleased to announce that it has written to CBG Capital Limited (**CBG**) (ASX: CBC) to advise CBG that CAM proposes to make an offer to acquire all the shares in CBG not currently owned by CAM under an off-market takeover bid on the terms set out in the annexure to this announcement (**Offer**).

**CBG Independent Directors have advised they intend to unanimously recommend that CBG shareholders accept the Offer in the absence of a superior proposal, and subject to receipt of an independent expert's report acceptable to CBG's Independent Directors. Further, CBG has advised that all CBG Directors intend to accept the Offer in respect of all CBG shares in which they have a relevant interest subject to those same conditions.**

**Highlights:**

- CAM to make a conditional recommended off-market takeover offer to acquire all the shares of CBG.
- CAM to offer 0.8441 fully paid ordinary shares in CAM (**CAM Shares**) and 0.2740 listed convertible notes issued by CAM (**CAM Notes**) for each CBG share held, implying an Offer value of \$1.0336 per CBG share<sup>1</sup>.
- This implied Offer value represents an attractive financial proposal for CBG shareholders and:
  - reflects a premium of 10.5% to CBG's closing price on the last trading date prior to the date of this announcement and a premium of 10.0% to the 30 day VWAP of CBG shares to the date prior to the date of this announcement; and
  - is approximately equal to CBG's post-tax NTA as at 31 May 2019 of \$1.03 as reported to the ASX on 14 June 2019.
- Compelling benefits for both CBG and CAM shareholders as part of the enlarged company.
- CBG shareholders will hold approximately 19.2% of the CAM Shares of enlarged company and approximately 24.1% of the CAM Notes of the enlarged company (assuming the acquisition of 100% of CBG shares).

**Compelling Offer**

The Offer is expected to provide significant benefits to each of the CAM and CBG shareholders.

For CBG shareholders, the transaction is expected to provide:

- exposure to higher yielding securities, with the historic dividend yield of CAM being 5.7% relative to CBG of 3.4%<sup>2</sup>, together with the receipt of CAM Notes with a coupon of 6.25%;

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<sup>1</sup> Based on the 5 day VWAP of CAM Shares and CAM Notes up to 14 June 2019, being \$0.8995 and \$1.001, respectively

<sup>2</sup> Average monthly dividend yield for the 12 months from May-18 to Apr-19 for CAM and CBG  
3446-0869-5053, v. 5

- a reduced pro-forma management expense ratio arising from economies of scale, and the removal of duplicated costs and expenses<sup>3</sup>;
- an increase in liquidity of shares arising from the larger capital and shareholder base;
- demonstration of a clear path to growth for shareholders; and
- the potential to narrow the discount to NTA in CAM's share price given the benefits flowing from the above.

For both CAM and CBG shareholders, the transaction will result in a materially larger investment company with a portfolio value of \$137.2 million<sup>4</sup>, providing scale benefits to both shareholder groups.

Following completion of the Offer, CBG shareholders will hold approximately 19.2% of the enlarged share capital base of CAM (assuming it acquires 100% of CBG shares under the Offer).

### Overview of the Offer

Under the Offer, CBG Shareholders will receive consideration of:

- 0.8441 CAM Shares; and
- 0.2740 CAM Notes,

per CBG share. Based on the closing prices of CAM Shares and CAM Notes on the trading date prior to the date of this announcement, this consideration implies an indicative offer price for CBG of \$1.0336 per CBG share. This represents an attractive premium of:

- 10.5% to CBG's last close of \$0.9350;<sup>5</sup>
- 12.1% to CBG's 10 day VWAP of \$0.9219;<sup>6</sup>
- 10.0% to CBG's 30 day VWAP of \$0.9400;<sup>7</sup> and
- 6.3% to CBG's 60 day VWAP of \$0.9721.<sup>8</sup>

CAM Shares issued under the Offer will be fully paid ordinary shares and will rank equally with existing CAM shares from the date of issue. The CAM Notes issued under the Offer will be issued on the same terms as the existing CAM Notes and at a face value of \$0.96 per CAM Note. The CAM Notes have an interest coupon of 6.25%, paid quarterly (no franking), and are convertible into CAM Shares at the option of the holder at any time at a ratio of 1.025 CAM Shares for each CAM Note until maturity on 30 November 2021.<sup>9</sup>

### CBG Independent Director's recommendation

The Independent Directors of CBG have advised that they intend to unanimously recommend that CBG shareholders accept CAM's Offer in the absence of a superior proposal, and subject to receipt of an independent expert's report acceptable to CBG's Independent Directors.

CBG has advised that each of the CBG Directors has said they intend to accept the Offer for all of the shares they have a relevant interest in, subject to the same conditions.

### Conditions

<sup>3</sup> Pre-tax cost savings estimated to be \$0.2 million p.a., before Directors fees

<sup>4</sup> As at 31 May 2019

<sup>5</sup> As at 14 June 2019

<sup>6</sup> From 3 June 2019 to 14 June 2019

<sup>7</sup> From 6 May 2019 to 14 June 2019

<sup>8</sup> From 25 March 2019 to 14 June 2019

<sup>9</sup> Adjusted from an initial 1:1 basis in accordance with clause 4.7 of the terms of the CAM Notes as a result of a bonus issue of CAM Shares undertaken in September 2018  
3446-0869-5053, v. 5

The Offer is subject to certain conditions, including a 50.1% minimum acceptance condition, no prescribed occurrences occurring, no material drop in the S&P/ASX 200 Index, no dividend being declared by CBG, no new debt being incurred by CBG, the investment management agreement of CBG not being terminated and no regulatory intervention. The full conditions of the Offer are set out in the annexure to this announcement.

### **Next steps and timetable**

Detailed information in relation to the Offer will be set out in a bidder's statement and target's statement, each of which will be lodged with the ASX, the Australian Securities & Investments Commission and sent to CBG shareholders as soon as practicable.

CAM will advise its shareholders of any further relevant developments as they occur.

### **Advisers**

CAM has appointed Shaw and Partners as corporate adviser and Watson Mangioni as legal adviser in relation to the Offer.

### **Contact details**

John Abernethy  
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Further information on CAM can be found on the Internet at: [www.climecapital.com.au](http://www.climecapital.com.au).

## ANNEXURE

**Terms and Conditions of the Offer****1. Consideration**

1.1. The consideration under the Offer will be:

(a) 0.8441 CAM Shares; plus

(b) 0.2740 CAM Notes,

per CBG Share.

1.2. If you accept the Offer and are entitled to receive a fraction of CAM Share or a CAM Note that fractional entitlement will:

(a) if less than 0.5, be rounded down to zero; and

(b) otherwise, be rounded up to one CAM Share or CAM Note (as applicable).

1.3. If CAM reasonably believes that you have manipulated your holding of CBG Shares to take advantage of rounding up, then any fractional entitlement will be aggregated or rounded down to the next whole number of CAM Shares or CAM Notes (as applicable).

1.4. The CAM Shares issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Shares from the date of issue.

1.5. The CAM Notes issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Note from the date of issue.

**2. Conditions**

2.1. The Offer and the contract that results from acceptance of the Offer are each subject to the fulfilment of the following conditions:

(a) **minimum acceptance condition:** during, or at the end of the Offer Period, CAM has Relevant Interests in at least 50.1% of the CBG Shares;

(b) **no change in investment management arrangements:** between the Announcement Date and the end of the Offer Period (each inclusive), the Investment Management Agreement is not terminated, amended or assigned, and no proposal to terminate, amend or assign the Investment Management Agreement is made (in each case, other than by or to CAM or its Associates);

(c) **market fall:** the S&P/ASX 200 Index not closing on a trading day during the Offer Period at a level that is 10% or more below the level on the trading day immediately prior to the date of the Bidder's Statement and remaining at or below that level for at least 3 consecutive trading days;

(d) **no regulatory intervention:** during the period from the Announcement Date to the end of the Offer Period (each inclusive):

(i) no preliminary or final decision, order or decree is made or issued;

(ii) no action, proceeding or investigation is announced, commenced or threatened; and

(iii) no application is made (other than by CAM or its Associates),

by or to any regulatory organisation or Governmental Agency which is likely to or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the CBG Shares by CAM, the rights of CAM in respect of CBG and the CBG Shares or the continued operation of the businesses of CBG or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act);

(e) **no prescribed occurrences:** during the period from the date on which the Bidder's Statement is given to CBG and the end of the Offer Period (each inclusive), none of the following events occur:

(i) CBG converts all or any of its shares into a larger or smaller number of shares;

(ii) CBG or a subsidiary of CBG resolves to reduce its share capital in any way;

(iii) CBG or a subsidiary of CBG:

(A) enters into a buy-back agreement; or

(B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;

(iv) CBG or a subsidiary of CBG issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;

(v) CBG or a subsidiary of CBG issues, or agrees to issue, convertible notes;

(vi) CBG or a subsidiary of CBG disposes, or agrees to dispose, of the whole or a substantial part of its business or property;

(vii) CBG or a subsidiary grants, or agrees to grant, a security interest over the whole or a substantial part of its business or property;

(viii) CBG or a subsidiary resolves to be wound up;

(ix) a liquidator or provisional liquidator of CBG or of a subsidiary is appointed;

(x) a court makes an order for the winding up of CBG or of a subsidiary;

(xi) an administrator of CBG, or of a subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;

(xii) CBG or a subsidiary executes a deed of company arrangement;

(xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of CBG or of a subsidiary;

(xiv) CBG makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); and

- (xv) CBG or a subsidiary of CBG incurs any financial indebtedness or issues any debt securities, other than in the ordinary course of business; and
- (f) **no prescribed occurrences between Announcement Date and date of Bidder's Statement:** during the period beginning on the Announcement Date and ending on the day before the Bidder's Statement is given to CBG (each inclusive), none of the events listed in sub-paragraphs (i) to (xv) of paragraph 2.1(e) occur.

### 3. Definitions

**Announcement Date** means the date of announcement of CAM's intention to make the Offer on ASX.

**ASIC** means Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the market it administers being Australian Securities Exchange (as the context requires).

**Bidder's Statement** means the bidder's statement to be prepared in relation to the Offer and includes any supplementary or replacement bidder's statement.

**CAM** means Clime Capital Limited.

**CAM Notes** means listed convertible notes issued by CAM (ASX:CAMG).

**CAM Shareholder** means a person who is the registered holder of one or more CAM Shares.

**CAM Shares** means fully paid ordinary shares in CAM.

**CBG** means CBG Capital Limited.

**CBG Shares** means fully paid ordinary shares in CBG.

**CBG Shareholder** means a person who is the registered holder of one or more CBG Shares.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Governmental Agency** means any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.

**Investment Management Agreement** means the investment management agreement between CBG and the Manager dated 17 September 2014.

**Listing Rules** means the listing rules of ASX.

**Manager** means CBG Asset Management Limited.

**Offer** means an off-market takeover offer to be made by CAM under Chapter 6 of the Corporations Act to acquire all of the CBG Shares not owned by CAM, including as varied or extended in accordance with the Corporations Act.

**Offer Period** means the period during which the Offer remains open for acceptance by CBG Shareholders.

**Relevant Interest** has the same meaning given to that term in sections 608 and 609 of the Corporations Act.

**Takeovers Panel** means the Australian Government Takeovers Panel.