

Level 9, 473 Bourke Street Melbourne, VIC 3000 T +613 9522 0888 F +613 9522 0899

www.whk.com.au

WHK Group Limited ABN 93 006 650 693

25 February 2013

Dear Shareholder

# WHK Group Limited – Fiscal 2013 First Half Results Summary

- Overall Group operating revenue down 1.9% to \$210.9m, Financial Services revenue flat & Business Services revenue down 2.5%
- Normalised EBITA at \$15.8m (FY12 \$23.0m) impacted by lower Business Services revenue, particularly in capital cities
- Non-recurring redundancy and other costs of \$3.8m (\$2.6m net of tax)
- NPAT \$5.2m (FY12 \$6.7m) after expensing non recurring costs
- Interim dividend of 3.0 cents per share, fully franked
- Solid financial position with gearing at 21% after the completion of transformation program

#### Results in line with forecast

Notwithstanding difficult underlying trading conditions, WHK achieved an earnings result for the first half of FY13 in line with its forecast.

Financial Services recorded marginal revenue growth whilst Business Services revenue decreased by 2.5% as clients reduced their requirements for discretional services.

### **Business transformation continues**

WHK is into the first full year of its business transformation program. With a Group Shared Services environment, a new Principal remuneration model and a realigned leadership Group, the business is being settled for sustainable growth in the short and medium term.

In light of a continued tough market place in late 2012, the Group also commenced a business efficiency program. This program resulted in a reduction of 123 roles and strong overall cost management remains key to being competitive and profitable.



# Solid financial position

Whilst operating cash flow decreased by \$5.6 million in the first half of FY13, working capital continues to be tightly managed and cash flow continues to be a strong focus of the Group.

WHK is well placed for the half year ahead with a strong balance sheet and quality businesses.

The Directors have declared a fully franked interim dividend of 3.0 cents per share consistent with the prior corresponding period. They have also reactivated the Company's Dividend Reinvestment Plan ("**DRP**"), offering eligible shareholders the opportunity to reinvest dividends in additional shares in the Company at a 2.5% discount to the market price. We will write to you shortly regarding participating in the DRP.

# **SFG Merger Proposal**

In October 2012, WHK announced to the ASX that it had been approached by SFG Australia Limited ("SFG") in relation to a possible merger of equals between the parties. Since that time WHK has entered into discussions and commercial due diligence with SFG to assess the strategic and financial merits of the possible merger.

WHK has recently received a non-binding indicative proposal from SFG in relation to the possible merger. A copy of WHK's ASX Release relating to the proposal is attached.

Having now received a proposal for consideration, it is the WHK Board's intention to evaluate the proposal and form a view on how to proceed. There is no certainty that the proposal will lead to a transaction.

An update will be provided to the ASX and shareholders in due course.

#### Outlook

WHK is committed to delivering a focused, streamlined client centric culture across its business services and financial advisory businesses. This is considered key to achieving targeted organic revenue growth.

We will continue to maintain a strong focus on costs. The Directors expect to see the positive impacts of the business transformation and business efficiency programs emerge in the second half of FY13, with their full benefits to be received in future periods.

We will also continue to leverage our strong relationships to provide total financial solutions to our clients. As the financial services markets show positive signs, our opportunities to deliver financial advice increase.

Yours faithfully

Richard Grellman AM

bully -

Chairman



Level 9, 473 Bourke Street Melbourne, VIC 3000 T +613 9522 0888 F +613 9522 0899

www.whk.com.au

WHK Group Limited ABN 93 006 650 693

25 February 2013

The Manager ASX Market Announcements ASX Limited

### WHK Group ("WHK") receives an indicative non-binding proposal from SFG Australia ("SFG")

On 26 October 2012, WHK announced that it had received an initial approach from SFG regarding a merger of equals proposal and had entered into discussions to assess the strategic and financial merits of the proposal. Since SFG's approach, both parties have engaged in commercial due diligence.

WHK advises that it has received an indicative non-binding proposal from SFG, proposing terms for an all-scrip merger between WHK and SFG (Proposal).

The key terms of the Proposal include:

- A merger ratio of 0.503 WHK shares for each SFG share
- The WHK share price premia implied by the merger ratio are as follows<sup>1,2,3</sup>:
  - A 14% premium in favour of WHK, based on the latest closing WHK share price of \$1.06 and SFG share price of \$0.61;
  - A 18% premium in favour of WHK, based on WHK's 1-month VWAP of \$1.04 and SFG's 1-month VWAP of \$0.614; and
  - A 7% premium in favour of WHK, based on WHK's 3-month VWAP of \$1.01 and SFG's 3-month VWAP of \$0.55

The proposed merger ratio would result in WHK shareholders owning approximately 42% of the shares in the merged entity.

SFG has proposed shared board and management control. SFG has also proposed that the merger be effected by an SFG Scheme of Arrangement. The Proposal is subject to a number of conditions, including ongoing commercial and confirmatory due diligence, agreement on transaction documentation, agreement on a number of deal protection mechanisms, regulatory approvals and consents, a unanimous recommendation by the Board of Directors of WHK, relevant shareholder approval and other customary conditions.



Having now received a Proposal for consideration, it is the WHK Board's intention to evaluate the Proposal and form a view on how to proceed. There is no certainty that the Proposal will lead to a transaction.

In evaluating the Proposal, the WHK Board will have regard to the potential value resulting from the continued progress of its business transformation program, led by CEO John Lombard, in improving the operating performance of the Group. Since commencement, the program has successfully implemented key initiatives including group shared services, a new principal remuneration model and a realigned leadership group. WHK also recently completed its business efficiency program, with an annualised savings impact of \$9.3m pre-tax. These programs are on track to deliver benefits in line with the WHK Board's expectations and contribute further financial benefits in the second half of FY13 and beyond.

The WHK Board will update the market in due course.

Jamie Garis
Co-Head of Greenhill Australia
Greenhill & Co.
Consulting

Tel: +61 2 9229 1448

Simon McConnell Managing Director Greenhill & Co.

Tel: +61 3 9935 6802

Amanda Lee Director FTI

Tel: +61 2 8298 6100

<sup>&</sup>lt;sup>1</sup> All share prices effective as at 22 February 2013 and are rounded for presentation purposes

 $<sup>^{\</sup>rm 2}$  Implied premia calculated by dividing SFG market capitalisation into the merger ratio

<sup>&</sup>lt;sup>3</sup> Calculated on a fully diluted basis

<sup>&</sup>lt;sup>4</sup> VWAP is volume weighted average price