



22 May 2023

Dear Best & Less Group Holdings Shareholders

TAKEOVER BOOKLET - OFF-MARKET TAKEOVER BID BY BBRC ADMIN 1 PTY LTD

Best & Less Group Holdings Limited (ASX:BST) (**BLG** or the **Company**) refers to the previous announcement on 1 May 2023 in relation to the proposed cash off-market takeover offer for all of the shares in BLG¹ for \$1.89 per share by an entity associated with BBRC International Pte. Ltd. as trustee for the BB Family International Trust (**BBRC**) and Ray Itaoui (the **Offer**).

Takeover Booklet

BLG is pleased to announce that BLG and the bidding entity, BBRC Admin 1 Pty Ltd ACN 667 625 452, an entity owned by Brett Blundy and Ray Itaoui (the **Bidder**) have prepared a booklet for dispatch to BLG Shareholders in relation to the Offer (the **Takeover Booklet**). The Takeover Booklet includes a Bidder's Statement, Target's Statement and Independent Expert's Report.

BLG confirms that the Takeover Booklet has been lodged with the Australian Securities and Investments Commission (**ASIC**) pursuant to items 2 and 13 of section 633(1) of the *Corporations Act 2001* (Cth) (**Act**).

A copy of the Takeover Booklet is attached to this announcement, including for the purposes of items 5 and 14 of section 633(1) of the Act in respect of the Bidder's Statement and Target's Statement which are included in the Takeover Booklet.²

BLG Shareholders should read the Takeover Booklet in its entirety before making a decision on whether or not to accept the Offer in respect of some or all of their BLG shares.

Dispatch of the Takeover Booklet to BLG Shareholders

ASIC has granted BLG and the Bidder relief from the usual requirement under the Corporations Act to send the Takeover Booklet containing the Target's Statement and Bidder's Statement to BLG Shareholders via post. This means that:

¹ Other than those that BBRC or its associates already have a relevant interest in, being approximately 16.45% at the date of this announcement.

² Under section 633(4) of the Act, the Bidder has set 9:00am (Sydney time) on 22 May 2023 as the time and date for the purposes of determining persons to whom information is to be sent under items 6 and 12 of section 633(1) of the Act.

- For personal use only
- if you have elected to receive shareholder communications from BLG by email, then you will receive an electronic copy of the Takeover Booklet to your nominated email address; and
 - if you have not elected to receive shareholder communications from BLG electronically, then you will be sent a letter or postcard to your registered postal address which will contain details of where you may access an electronic copy of the Takeover Booklet or instructions on how to request a hard copy of the Takeover Booklet.

BLG Shareholders may also request a hard copy of the Takeover Booklet be sent to them (if in Australia, by pre-paid ordinary post or by courier, or, if outside Australia, by pre-paid airmail post or by courier) by contacting the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +61 1800 426 150 (from outside Australia), Monday to Friday (excluding public holidays) between 8.30am and 7.30pm (Sydney time).

The fact that ASIC has granted this relief in connection with the Offer should not be taken as a reflection of ASIC's views on any other aspect of the Offer.

Yours faithfully



Anna Sandham, Company Secretary
Best & Less Group Holdings Limited

ENDS

This announcement was authorised for release by the Board of Directors of Best & Less Group Holdings Limited. The Bidder has also authorised BLG to send the attached Takeover Booklet to the ASX for the purposes of item 5 of section 633(1) of the Act.

For further information:

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About Best & Less Group:

Best & Less Group (BLG) is a leading value apparel specialty retailer with an omnichannel sales network comprising 249 physical stores and an online platform. BLG's aim is to be the number one choice for mums and families buying baby and kids' value apparel in Australia and New Zealand through its two trusted brands: Best & Less (in Australia) and Postie (in New Zealand).

For more information, visit BLG's investor site at www.bestandlessgroup.com.au

For personal use only



Takeover Booklet

Best & Less Group Holdings Limited

ACN 642 843 221

BBRC Admin 1 Pty Ltd

ACN 667 625 452

This Takeover Booklet has been issued in relation to the all-cash offer by BBRC Admin 1 Pty Ltd ACN 667 625 452 (the **Bidder**) to acquire up to all of your ordinary shares in Best & Less Group Holdings Limited ACN 642 843 221 (**BLG**).

This Takeover Booklet contains a copy of a Bidder's Statement from the Bidder dated 22 May 2023 and a Target's Statement from BLG dated 22 May 2023.

This is an important document and requires your immediate attention. If you are in any doubt about how to deal with this document, you should consult an appropriately licenced professional adviser immediately.

Best & Less financial adviser



E&P Corporate Advisory

Best & Less legal adviser



Ashurst Australia

Bidder legal adviser



Gilbert + Tobin

IMPORTANT INFORMATION

Nature of this Takeover Booklet

This Takeover Booklet includes:

- A Bidder's Statement dated 22 May 2023 issued by the Bidder under Part 6.5 of the Corporations Act 2001 (Cth) (the **Corporations Act**) in connection with the Offer (as defined below);
- an offer dated 22 May 2023 made by the Bidder in accordance with Part 6.5 of the Corporations Act to acquire up to all of your ordinary shares in Best & Less (**BLG Shares**) (the **Offer**); and
- A Target's Statement dated 22 May 2023 issued by BLG under Part 6.5 of the Corporations Act in response to the Bidder's Statement issued by the Bidder.

This document also includes a report (the **Independent Expert's Report**) prepared by Deloitte Corporate Finance Pty Limited AFSL 241547 (the **Independent Expert**) in accordance with the requirements of section 640 of the Corporations Act that states whether, in the opinion of the Independent Expert, the Offer is fair and reasonable and gives the reasons for forming that opinion. The Independent Expert's Report is set out in Section 3 of this Takeover Booklet.

ASIC and ASX disclaimer

A copy of this Takeover Booklet (which includes the Bidder's Statement, Target's Statement and Independent Expert's Report) was lodged with ASIC on 22 May 2023 and provided to ASX on 22 May 2023. Neither ASIC nor ASX, nor any of their respective officers, take any responsibility for the contents of this Takeover Booklet (including the Bidder's Statement, Target's Statement and Independent Expert's Report).

Date of this Takeover Booklet

This Takeover Booklet is dated 22 May 2023.

Defined terms

A number of defined terms are used in this Takeover Booklet which are defined in the Glossary.

The Independent Expert's Report contains its own defined terms which may differ from those set out in the Glossary.

No investment advice

The information in this Takeover Booklet does not constitute financial product advice. This Takeover Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any BLG Shareholder or any other person. It is important that you read this Takeover Booklet in its entirety before making any investment decision. If you are in any doubt in relation to these matters, you should consult an independent licenced financial and other suitable professional adviser.

Disclaimer as to forward looking statements

This Takeover Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

The forward-looking statements in this Takeover Booklet are based on, among other things, assumptions, expectations, estimates, objectives, plans and intentions as at the date of this Takeover Booklet. Forward-looking statements generally may be identified by the use of forward-looking words or phrases such as "believe", "expect", "aim", "anticipate", "intending", "likely", "should", "estimated", "potential", "may", "planned", "foreseeing", or other similar words and

phrases. Similarly, statements that describe the Bidder Group's or BLG's objectives, plans, goals or expectations are or should be considered to be forward-looking statements. The statements in this Takeover Booklet about the impact that the Offer may have on the results of BLG's operations, and the advantages and disadvantages anticipated to result from the Offer, are also forward-looking statements.

You should be aware that such forward-looking statements are not guarantees of future events and are only predictions and are subject to inherent known and unknown risks and uncertainties, which include factors and risks specific to the industry in which BLG operates, as well as general economic conditions and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement.

None of the Bidder Group, BLG nor any of their respective affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors nor any person named in this Takeover Booklet with their consent or any person involved in the preparation of this Takeover Booklet, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statement.

The forward-looking statements in this Takeover Booklet reflect views held only as at the date of this Takeover Booklet. Other than to the extent required by law, the Bidder and BLG have no intention of updating or revising any forward-looking statements after the date of this Takeover Booklet regardless of whether new information, future events or any other factors affect the information contained in this Takeover Booklet.

Disclaimer as to information

The Bidder has prepared, and is solely responsible for, the Bidder's Information. To the maximum extent permitted by law, neither the Bidder, any other member of the Bidder Group, their respective affiliates or respective related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors is responsible for the accuracy or completeness of the information contained in this Takeover Booklet other than the Bidder's Information and disclaim any liability in this regard. Neither BLG, its affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors assume any responsibility for the accuracy or completeness of the Bidder's Statement and Bidder's Information. Information in the Bidder's Statement and Bidder Information about BLG has not been independently verified by the Bidder. If the information obtained from BLG or the publicly available information is inaccurate or incomplete, this may affect the information included in the Bidder's Statement and Bidder's Information. In particular, if the information has been used as the basis for forward-looking statements in the Bidder's Statement and Bidder's Information, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements. Accordingly, the Bidder does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

BLG has prepared, and is responsible for, the Target's Information. To the maximum extent permitted by law, neither BLG, its affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors is responsible for the accuracy or completeness of the information contained in this Takeover Booklet other than the Target Information and disclaim any liability in this regard. Neither the Bidder, any other member of the Bidder Group, nor any of their respective affiliates or related entities nor any of its or their Subsidiaries, nor any of their respective directors, officers, employees or advisors assume any responsibility for the accuracy or completeness of the Target's Information. Information in the Target's Statement about the Bidder has not been independently verified by BLG. If the information obtained from the Bidder or the publicly available information is inaccurate or incomplete, this may affect the information included in the Target's Information. In particular, if the information has been used as the basis for forward-looking statements in the Target's Information, this may add to the

risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward-looking statements. Accordingly, BLG does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The Independent Expert's Report has been prepared by the Independent Expert for the purposes of the Target's Statement and the Independent Expert takes full responsibility for that report. None of BLG, the Bidder, the Bidder Group or their respective affiliates, related entities, Related Bodies Corporate, or any of their respective directors, officers, employees, shareholders, Associates or advisers takes any responsibility for the Independent Expert's Report.

Risk factors

BLG Shareholders should note that there are risks associated with both accepting the Offer and rejecting the Offer (and remaining a BLG Shareholder). Section 2.5.1 and Section 2.5.2 of the Target's Statement sets out further information on those risks.

Currencies

In this Takeover Booklet, unless otherwise specified references to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of Australia, USD or US\$ is a reference to the lawful currency of the United States of America and NZD or NZ\$ is a reference to the lawful currency of New Zealand.

Effect of rounding

A number of figures, amounts, percentage, prices, estimates, calculations of value and fractions in this Takeover Booklet may be subject to the effect of rounding. Accordingly, the actual calculation of these figures, amounts, percentages, prices, estimates, calculations of value and fractions may differ from the figures, amounts, percentages, prices, estimates, calculations of value and fractions set out in this Takeover Booklet.

Time and dates

All references to time in this Takeover Booklet are to Sydney, Australia time unless stated otherwise.

Foreign jurisdictions

The release, publication or distribution of this Takeover Booklet in jurisdictions outside Australia may be restricted by law and any person who comes into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Takeover Booklet does not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Takeover Booklet has been prepared in accordance with Australian law and the information contained in this Takeover Booklet may not be the same as that which would have been disclosed if this Takeover Booklet had been prepared in accordance with the laws and regulations outside Australia.

If you are not an Australian resident taxpayer or are liable for tax outside Australia, you should seek specific tax advice in relation to the Australian and overseas tax consequences of accepting the Offer.

Non-IFRS Financial Information

BLG's financial results are reported under Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and comply with IFRS. However, the Target's Statement includes certain financial information that are non-IFRS financial measures for the purpose of providing a more comprehensive understanding of the performance of BLG. These non-IFRS financial measures include EBIT, EBITDA, normalised EBITDA and operating profit. Such non-

IFRS information is unaudited, however the numbers have been extracted from audited financial statements for yearly financial information and reviewed financial statements for half yearly financial information.

Privacy

BLG and their respective agents and representatives have collected your personal information from the register of BLG for the purposes of providing you with this Takeover Booklet. The personal information may include your name, contact details and information on your shareholdings in BLG.

The primary purpose of the collection of personal information is to assist BLG and the Bidder to issue the Takeover Booklet. The Corporations Act requires the names and addresses of BLG Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to the Bidder, the Bidder Group and its and their Related Bodies Corporate and affiliates and holders of BLG Shares and external service providers, and may be required to be disclosed to regulators, such as ASIC. If you would like details of information about you held by BLG, please contact BLG using the contact details shown below.

References to websites

References in this Takeover Booklet to any website is for your general information only.

Information contained in, or otherwise accessible from, those websites is not incorporated in or a part of this Takeover Booklet.

BLG Shareholder information line

If you have any questions in relation to the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +61 1800 426 150 (from outside Australia). Further information relating to the Offers can be obtained from BLG's website at <https://bestandlessgroup.com.au/investor-centre/>.

TAKEOVER BOOKLET

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LETTER FROM THE CHAIR OF THE INDEPENDENT BOARD COMMITTEE

Dear Best & Less Group Holdings Shareholders,

As announced to the ASX on 1 May 2023, Best & Less Group Holdings Limited (ASX:BST) (**BLG** or the **Company**) has received an all-cash-off-market takeover offer from BBRC Admin 1 Pty Ltd ACN 667 625 452, an entity owned by Brett Blundy and Ray Itaoui (the **Bidder**), for \$1.89 cash per BLG Share (the **Offer**).

The Offer includes a 55% Minimum Acceptance Condition that requires the Bidder Group to have a combined Relevant Interest in at least 55% of the BLG Shares on issue at the end of the Offer Period.

The Company has received statements of intention to accept the Offer from two of our major shareholders, Allegro and Bignor, which currently hold in aggregate approximately 40.70% of all BLG Shares. Given the Bidder Group's existing combined 16.45% Relevant Interest in the Company, the Offer's 55% Minimum Acceptance Condition is likely to be satisfied and control of the Company is likely to pass to the Bidder Group once Allegro and Bignor accept the Offer and the Offer becomes unconditional.

Given Brett Blundy is affiliated with the Bidder, and is a Non-Executive Director of the Company, an Independent Board Committee (**IBC**) has been formed to evaluate and provide recommendations on the Offer. The IBC comprises Stephen Heath, Jason Murray, Colleen Callander, Melinda Snowden and Fay Bou.

BLG Independent Board Committee Observations on the Offer

The IBC consider there to be several factors that BLG Shareholders should consider when deciding whether to accept the Offer or not:

- The Offer provides an opportunity for BLG Shareholders who wish to exit their shareholdings to do so with certainty. Further, it also allows larger BLG Shareholders, who wish to do so, to exit in full for their holdings which, in the absence of the Offer or a competing proposal, they may otherwise have to do at a discount to prevailing trading prices of BLG Shares;
- In the absence of a superior proposal and subject to the satisfaction or waiver of the other Conditions, the Minimum Acceptance Condition is likely to be fulfilled, and the Offer is likely to succeed, given the Bidder Group's existing holding and the intentions of Allegro and Bignor, and control of the Company is likely to pass to the Bidder Group as a result of the Offer;
- As at the date of this Target's Statement, the Offer is the only offer or proposal available to BLG Shareholders and the IBC is not aware of any other offer or proposal that might be an alternative to the Offer;
- The BLG IBC considers that there are merits in remaining a minority BLG Shareholder in the scenario where the Offer succeeds and the Bidder Group does not acquire a Relevant Interest in 90% or more of the BLG Shares. This includes being invested alongside entities associated with Brett Blundy and Ray Itaoui, who each have, a strong track record of value creation and who are supportive of the fundamental aspects of the current strategy, policies and existing management;
- The Offer Price of \$1.89 per BLG Share compares to a closing share price for the Company immediately prior to the announcement of the Offer on 28 April 2023 of \$1.99 per share, which does not provide a typical premium for control. It is, however, above the closing share price of \$1.865 per share on 19 May 2023 (being the last day prior to lodgment of this Takeover Booklet);

- There is a risk that the BLG Share price remains below the Offer Price following the closing of the Offer given the trading update released to the ASX on 17 May 2023, which indicated a downgrade to previously guided 2H FY23 pro forma net profit after tax;
- Deloitte Corporate Finance Pty Limited (**Independent Expert**) has determined that the Offer is not fair but reasonable;
- Any benefits of remaining a BLG Shareholder in the Company will need to be balanced with the risks of being a minority BLG Shareholder in a Bidder Group-controlled listed entity; and
- If you do not accept the Offer, you will also remain subject to general risks associated with being invested in a retail focused business, as set out in Section 2.5.3 of the Target's Statement, including the risk that the BLG Share price may fall.

These factors and other considerations for BLG Shareholders are more fully set out in Section 2.1 of the Target's Statement in this Takeover Booklet.

Recommendations

Ultimately, your decision to accept or reject the Offer will depend on your personal preferences after considering the benefits and risks associated with the Offer.

Each of Stephen Heath, Colleen Callander and Melinda Snowden are independent directors and will remain independent directors if the Offer is successful and the Company remains ASX-listed (**Continuing Independent Directors**). The Continuing Independent Directors have recommended three potential courses of action for you to consider which helps frame the decision-making process for you:

- Accept the Offer for some or all of your BLG Shares if you no longer wish to remain invested in the Company and be exposed to the risks associated with being invested in a retail focused business, and if you are otherwise unable to sell your BLG Shares on-market at a price above \$1.89 per BLG Share (for example, if your shareholding in the Company is at such a level that you cannot find sufficient liquidity on-market). You also have the option to accept the Offer in respect of only part of your BLG Shareholding, which you should consider if you wish to remain partly invested in the Company but reduce your exposure to the risks mentioned above;
- Sell some or all of your BLG Shares on-market if you no longer wish to remain invested in the Company or if you wish to reduce your shareholding in the Company, and if you are able to dispose of your BLG Shares efficiently on-market above \$1.89 per BLG Share (having regard to the market prices and the size of your shareholding in the Company), and your view, if any, of a competing offer arising (noting that the IBC has not received any competing proposal at the date of this document); and
- Take no action and reject the Offer if you wish to remain invested in the Company and are comfortable in remaining a minority shareholder in the Company as a Bidder Group-controlled listed entity if the Offer is successful, including the risk of a fall in the BLG Share price following the Offer closing if the Offer is successful or not.

Stephen Heath and Melinda Snowden,¹ have each advised the Company that he or she currently intends not to accept the Offer in respect of the BLG Shares that they individually hold or control.

¹ The shareholdings of the Continuing Independent Directors are set out in section 2.7.1 of the Target's Statement, representing approximately 0.13% of the BLG Shares on issue. Colleen Callander does not own any BLG Shares.

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Fay Bou and Jason Murray are directors that are affiliated with major BLG Shareholders Allegro and Bignor. As noted above, both Allegro and Bignor have provided the Company statements that they intend to accept the Offer in the absence of a superior proposal.²

As members of the Independent Board Committee, Fay Bou and Jason Murray make the same recommendations as the Continuing Independent Directors as outlined above.

The BLG IBC urges you to read this Takeover Booklet in full, which contains a Bidder's Statement, Target's Statement and an Independent Expert's Report prepared by the Independent Expert, which opines on whether the Offer is fair and reasonable for BLG Shareholders. You should also consider seeking any appropriately licenced professional advice that you require before deciding whether or not to accept the Offer.

Independent Expert's Conclusion

The Independent Expert, Deloitte Corporate Finance Pty Limited, was engaged to prepare the Independent Expert Report and express an opinion on whether the Offer is fair and reasonable for BLG Shareholders.

The Independent Expert has concluded that the Offer is not fair but reasonable based on its assessment of the estimated fair market value of BLG Shares on a control-basis and its consideration of the context of the Offer. BLG Shareholders are encouraged to read the Independent Expert's Report in full, a copy of which accompanies the Target's Statement in Section 3 of this Takeover Booklet.

Board changes if Offer is successful

If the Offer is successful and becomes unconditional, it is expected that Fay Bou and Jason Murray will leave the BLG Board and Ray Itaoui will be appointed to the BLG Board. The BLG Board would then comprise Stephen Heath, Colleen Callander, Melinda Snowden, Brett Blundy and Ray Itaoui. It is proposed that Ray Itaoui will be appointed as Executive Chair for a transitional period until Erica Berchtold joins the Company as Chief Executive Officer in September 2023. Upon Erica joining, it is intended that Stephen Heath will become Chair of the BLG Board and Ray Itaoui will revert to a Non-Executive Director role.

Further Information

If you have any questions in relation to the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +61 1800 426 150 (outside Australia) any time between 8:30am and 7:30pm, Monday to Friday (excluding public holidays).

The BLG IBC will keep BLG Shareholders informed of material developments in relation to the Offer. Announcements relating to the Offer and the Company can be found on the Company's website (<https://bestandlessgroup.com.au/investor-centre/>) or on ASX's website (www.asx.com.au – ASX code: BST).

Yours sincerely,



Stephen Heath

Chair of the BLG Independent Board Committee
Non-Executive Director and Chair of the People and Remuneration Committee

² Fay Bou has advised the Company that with respect to his own personal/controlled holding in BLG Shares that he currently intends not to accept the Offer.

BIDDER'S LETTER TO BEST & LESS GROUP HOLDINGS SHAREHOLDERS

Dear Best & Less Group Holdings Shareholders,

All cash off-market takeover bid for BLG

On behalf of the Bidder, an entity owned by myself (Brett Blundy) and Ray Itaoui, I am pleased to present to you an all-cash offer to acquire up to all of your BLG Shares for \$1.89 cash per share.

The all-cash Offer Price provides certain liquidity to all BLG Shareholders

If you accept the Offer and the Offer becomes unconditional on or before the end of the Offer Period, you will be paid \$1.89 cash for each of your accepted BLG Shares. You will not incur any brokerage fees or stamp duty on the sale of your BLG Shares which you would be likely to otherwise incur if you sell BLG Shares on market.³ Payment of the Offer Price will be made within 7 days of the Offer becoming unconditional (if you accept the Offer before it becomes unconditional) or within 7 days of your acceptance (if you accept the Offer after it has become unconditional).

If you do not accept the Offer or if the Offer is not successful, there is a risk that upon expiry of the Offer Period, the BLG Share price may fall below the Offer Price. This risk is increased in light of the trading update released to the ASX on 17 May 2023, which indicated to the market that the Company expects to deliver pro forma net profit after tax of \$10 - \$12 million for H2 FY23, which is a downgrade to the \$18 - \$20 million estimate previously guided at the Company's first half results on 21 February 2023⁴. The closing BLG Share price has been below the Offer Price on each trading day since the announcement of the trading update on the ASX on 17 May 2023, and the closing BLG Share price was \$1.865 per share on 19 May 2023 (being the last day prior to lodgment of this Takeover Booklet).

The Offer therefore provides all BLG Shareholders with an ability to realise certain liquidity for up to their entire shareholding and eliminates the risks associated with your continued investment in the Company, including the risk of the BLG Share price falling further, including as a result of the trading update released to the ASX on 17 May 2023.

The Offer also provides an ability in particular, for large numbers of BLG Shares to be sold in an orderly fashion without unduly impacting the BLG Share price.

The Independent Expert has also determined that the Offer is not fair but reasonable. While the Offer Price has been determined to be below the Independent Expert's estimated fair market value of between A\$2.03 and A\$2.43 per BLG Share on a control-basis, the Independent Expert has opined, on balance, that the Offer is reasonable as it recognises the disadvantages and challenges associated with being a minority BLG Shareholder and the uncertain path to future liquidity.

Limited Conditionality, Support from Major Shareholders and no competing proposal

The Offer is only subject to the following Conditions:

- (a) 55% Minimum Acceptance Condition;
- (b) No Material Adverse Change;

³ If your BLG Shares are registered in a CHESS Holding, or if you are a beneficial owner whose BLG Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

⁴ The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

- (c) No Legal or Regulatory Restraints; and
- (d) No Prescribed Occurrences.

With respect to the Minimum Acceptance Condition, two of BLG's largest shareholders, Allegro and Bignor, who together own or control 40.7% of the BLG Shares at the date of this Takeover Booklet, have indicated that they intend to accept the Offer for all of the BLG Shares they own or control in the absence of a superior proposal. Considering the 16.45% of BLG Shares already held by the Bidder Group at the date of this document,⁵ following Allegro and Bignor's acceptance of the Offer, the Minimum Acceptance Condition is expected to be satisfied since at that point the Bidder Group will have a combined Relevant Interest in approximately 57.15% of the share register.

I also note that as at the date of this document, neither I nor the BLG IBC is aware of any competing proposals and there is no certainty that one will be made before the end of the Offer Period or that it will be superior to the Offer.

For these reasons, the Conditions are likely to be satisfied and if you wish to accept the Offer, you should do so as soon as possible.

Alternative option – remain invested

While I encourage all Shareholders to **ACCEPT** the Offer for all of their BLG Shares, I realise that some BLG Shareholders may not wish to sell all of their BLG Shares at this time and would instead like to remain invested in BLG. If the Conditions are satisfied or waived,⁶ BLG Shareholders who do not accept the Offer for all of their BLG Shares will remain invested alongside myself and Ray Itaoui.⁷

However, if you do not accept the Offer for all of your BLG Shares, you should be aware of the risks associated with your continued investment. You should also be aware that if the Bidder Group acquires a combined Relevant Interest in at least 90% of the BLG Shares, we intend to proceed to compulsorily acquire your remaining BLG Shares and if this occurs, you will *not* remain invested alongside us and will instead receive the Offer Price for your remaining BLG Shares. You should read the risks in Section 2.5 of the Target's Statement and the Bidder's intentions set out in Section 1.6 carefully before deciding whether to accept the Offer or not.

Information about the Bidder

The Bidder is an entity jointly owned by myself (Brett Blundy) and Ray Itaoui and is acquiring BLG Shares under the Offer on behalf of each of BBFIT and RRI (entities associated with myself and Ray Itaoui respectively).

I have over 40 years of retail experience, having successfully founded, grown, operated and invested in many retail businesses over this time. I am the Founder and Chairman of BBRC Worldwide, a private investment firm that started as a single record store in Australia and has grown to a global investment portfolio. Since inception, BBRC has invested in and operated consumer businesses spanning the specialty fashion, lingerie, fashion jewellery, leisure, entertainment, homewares, and footwear categories. This has included making significant investments in ASX-listed companies, including BLG, Accent Group, Lovisa, Aventus Group, Dusk, Universal Store and Adairs. BBRC became a cornerstone investor in BLG prior to its initial public offering in 2021 and I have been on the BLG Board since this time.

Ray Itaoui has considerable retail experience. For over 20 years, he has operated and invested in Australian and global retail businesses including Sanity, Bras N Things, Honey Birdette, Mr Vitamins,

⁵ BBRC International Pte Limited as trustee for the BB Family International Trust (**BBRC**) holds 16.45% of the BLG Shares as at the date of this Takeover Booklet.

⁶ This Section assumes that the Bidder and its Associates acquire a Relevant Interest in the BLG Shares of more than 55% but less than 90%. For the Bidder's intentions if it acquires a Relevant Interest of more than 90% of the BLG Shares by the end of the Offer Period, see Section 1.6.3 of the Bidder's Statement.

⁷ Through private investment entities, see Section 1.3 of the Bidder's Statement for more details.

MakeUp Cartel and Universal Store. He also served as the Chairman of Sanity, Bras N Things, Honey Birdette, Mr Vitamins and as an independent non-executive director of ASX-listed Aventus Group until last year when it was acquired by HomeCo.

Together, we intend to leverage our experience and expertise to work collaboratively with management and the BLG Board to improve the operations of the Company and unlock unrealised value for all BLG Shareholders who remain invested following the Offer. BLG Shareholders who do not sell all of their BLG Shares under the Offer will have the opportunity to benefit from our commitment to realising longer term value for all BLG Shareholders.

Accepting the Offer

If you desire certain liquidity for your BLG Shares, I encourage you to **ACCEPT** the Offer as soon as possible and in any event before the Offer Period closes at 7.00pm (Sydney time) on 22 June 2023, unless extended in accordance with the Corporations Act.

To accept the Offer, you should:

- (a) log in to <https://events.miracle.com/BestAndLess-TakeoverOffer> and follow the instructions. You will need your Securityholder Reference Number and the postcode or country of residence (if your holding of BLG Shares is registered outside Australia) associated with your BLG Shares to log in; and
- (b) follow the instructions and select the "Accept" option and submit your acceptance of the Offer. You will receive on-screen confirmation of submission of your acceptance of the Offer, and a further confirmation via email to the email address you provided after you logged in.

If you prefer, you can also accept the Offer using the physical Acceptance Form which is either at the back of this Takeover Booklet if you requested a physical copy of this document to be posted to you or accessible for download and printing from <https://events.miracle.com/BestAndLess-TakeoverOffer>, by following the information within it.

Further Information

If you have any questions in relation to the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (from within Australia) or +61 1800 426 150 (from outside Australia) between 8.30am and 7.30pm (Sydney time), Monday to Friday (excluding public holidays).

Yours sincerely,

Brett Blundy

Director

The Bidder

KEY DATES AND FREQUENTLY ASKED QUESTIONS

1. KEY DATES

Event	Date
Announcement of Offer	1 May 2023
Date of this Takeover Booklet (including the Bidder's Statement and Target's Statement)	22 May 2023
Offer Period commences	22 May 2023
The Bidder to provide notice on status of Conditions	15 June 2023
Offer Period ends (unless extended or withdrawn)	7:00pm (Sydney time) 22 June 2023

2. FREQUENTLY ASKED QUESTIONS

The following summary is intended to assist your consideration of the Offer. This section is qualified by, and should be read in conjunction with, the detailed information in this Takeover Booklet. You should read this Takeover Booklet in full before deciding whether or not to accept the Offer.

Question	Answer	More information
Offer Structure		
What is the Offer?	The Offer is a proposal from the Bidder to acquire up to all of your BLG Shares for \$1.89 cash per BLG Share by way of an off-market takeover bid on the terms and Conditions set out in the Bidder's Statement.	Section 1.7
Who is making the Offer? / Who is the Bidder Group?	<p>The Offer is being made by the Bidder.</p> <p>The Bidder is BBRC Admin 1 Pty Ltd (ACN 667 625 452), a special purpose company incorporated in New South Wales, Australia on 1 May 2023.</p> <p>The Bidder is equally owned by Brett Blundy and Ray Itaoui who are also its directors. Brett Blundy and Ray Itaoui have extensive experience in investing and growing retail companies.</p> <p>Any BLG Shares acquired by the Bidder under the Offer or compulsory acquisition will be held by the Bidder on bare trust separately for BBFIT (as to 50%), an entity associated with Brett Blundy and RRI (as to 50%), an entity associated with Ray Itaoui.</p>	Section 1.3

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	The Bidder Group refers to the Bidder and its Associates, including BBFIT, BBRC, Brett Blundy, RRI and Ray Itaoui.	
What is the Bidder Group's current combined Relevant Interest / Voting Power in BLG?	The current combined Relevant Interest and Voting Power of the Bidder Group is 16.45%. This interest is held by BBRC.	Section 1.3.7
Why have I received this document?	<p>This document has been sent to you because you are a BLG Shareholder on the Offer Register Date. This document is intended to help you to decide whether to accept or reject the Offer in respect of all or some of the BLG Shares you hold.</p> <p>You should read this document carefully and, if necessary, consult an appropriately licenced professional adviser before making a decision in respect of the Offer.</p>	Section 1.7.1
Offer Terms and Conditions		
What will I receive if I accept the Offer?	If you accept the Offer, subject to the satisfaction or waiver of the Conditions to the Offer, for each BLG Share you accept the Offer in respect of, you will receive \$1.89 in cash.	Section 1.7.2
Can I accept the Offer for part of my BLG Shareholding?	Yes. You may accept the Offer in respect of all, or some, of your BLG Shares.	Section 1.7.2
Will I need to pay brokerage or stamp duty if I accept?	<p>Brokerage or stamp duty is not payable by you in respect of your acceptance.</p> <p>If your BLG Shares are registered in a CHESS Holding, or if you are a beneficial owner whose BLG Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>	Section 1.7.18

<p>When will I receive payment?</p>	<p>If you accept the Offer:</p> <ul style="list-style-type: none"> • before the Offer is unconditional, payment will be made to you within 7 days of the Offer becoming unconditional or the end of the Offer Period; or • after the Offer has become unconditional, payment will be made to you within 7 days after your acceptance. <p>You will be paid by cheque in Australian currency. Cheques will be posted to you in the timeframes outlined above at your risk by ordinary mail (or in the case of overseas BLG Shareholders, by airmail) to the address as shown either, at the discretion of the Bidder, on your Acceptance Form, or on the register copy supplied by the Company from time to time.</p>	<p>Section 1.7.8</p>
<p>When can I accept the Offer? / What is the Offer Period?</p>	<p>The Offer has now opened for acceptance. You may accept the Offer at any time until the Offer Period closes at 7.00pm (Sydney time) on 22 June 2023, unless it is extended or withdrawn in accordance with the Corporations Act.</p> <p>The Bidder reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.</p>	<p>Section 1.7.4</p>
<p>How do I accept the Offer?</p>	<p>Depending on the nature of your holding, you may accept the Offer in the following ways:</p> <p>Issuer sponsored holdings</p> <p>If your BLG Shares are registered in an Issuer Sponsored Holding (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), you may accept this Offer online or by using a physical Acceptance Form.</p> <ul style="list-style-type: none"> • Online acceptance: To accept the Offer online, you must log in to https://events.miracle.com/BestAndLess-TakeoverOffer, follow the instructions, select the "Accept" option and submit your acceptance of the Offer before the Offer closes. • Physical Acceptance Form: To accept the Offer using a physical Acceptance Form, you must complete and sign the Acceptance Form which is either enclosed with this document if you requested a physical copy of this document to be posted to you or accessible for download and printing from https://events.miracle.com/BestAndLess-TakeoverOffer and return it to the address indicated on the form before the Offer closes. Alternatively, the complete and signed Acceptance Form may be returned via email to Takeover@linkmarketservices.com.au before the Offer closes. <p>CHESS holdings</p> <p>If your BLG Shares are registered in a CHESS Holding (such holdings will be evidenced by an</p>	<p>Section 1.7.5</p>

	<p>'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer online, by using a physical Acceptance Form or by contacting your Controlling Participant.</p> <ul style="list-style-type: none"> • Online acceptance: To accept the Offer online, you must log in to https://events.miracle.com/BestAndLess-TakeoverOffer, follow the instructions, select the "Accept" option and submit your acceptance of the Offer before the Offer closes. • Physical Acceptance Form: To accept the Offer using a physical Acceptance Form, you must complete and sign the Acceptance Form which is either enclosed with this document if you requested a physical copy of this document to be posted to you or accessible for download and printing from https://events.miracle.com/BestAndLess-TakeoverOffer and return it to the address indicated on the form before the Offer closes. Alternatively, the complete and signed Acceptance Form may be returned via email to Takeover@linkmarketservices.com.au before the Offer closes. • Contact your Controlling Participant: Alternatively, you can accept the Offer by instructing your Controlling Participant (normally your broker) to accept the Offer on your behalf, before the Offer closes. <p>Participants</p> <p>If you are a Participant, acceptance of the Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the Offer closes.</p>	
<p>What happens if I do not accept the Offer or accept the Offer in respect of some but not all of my BLG Shares?</p>	<p>If you do not accept the Offer, or only accept the Offer in respect of some but not all of your BLG Shares, you will, subject to the final bullet point below, remain a BLG Shareholder and will not receive the Offer Price in respect of any BLG Shares you do not accept the Offer in respect of.</p> <p>If the Offer completes and the Bidder Group acquire a combined Relevant Interest in at least:</p> <ul style="list-style-type: none"> • 55% but no more than 90% of BLG Shares on issue and the Offer completes, you will remain a BLG Shareholder alongside the members of the Bidder Group; • 90% of the BLG Shares by the end of the Offer Period and the Bidder becomes entitled to undertake compulsory acquisition under the Corporations Act, it will be entitled to acquire your remaining BLG Shares. If your remaining BLG Shares are 	<p>Section 1.2</p>

	compulsorily acquired by the Bidder, it will be on the same terms as the Offer and you will be paid the Offer Price of \$1.89 cash for each of your remaining BLG Shares. Following compulsory acquisition, you would cease to be a BLG Shareholder and would not remain invested alongside members of the Bidder Group.	
Once I accept the Offer, can I withdraw my acceptance?	Once you accept the Offer (even while it remains subject to Conditions), you will be unable to revoke your acceptance unless a withdrawal right exists or arises under the Corporations Act. Such a right may arise if, after you have accepted the Offer and the Offer remains conditional, the Bidder varies the Offer in a way that postpones, for more than one month, the time by which the Bidder has to meet its obligations under the Offer. If this occurs, a notice will be sent to you at the relevant time that explains your rights to withdraw your acceptance of the Offer.	Section 1.7.7, Section 2.3.12
Are there any Conditions to the Offer?	The Offer is subject to the following Conditions: <ol style="list-style-type: none"> 1. 55% Minimum Acceptance Condition 2. No Material Adverse Change 3. No Regulatory or Legal Restraints 4. No Prescribed Occurrences The Bidder will make an announcement to the ASX if any of the Conditions are fulfilled or waived during the Offer Period.	Section 1.7.9
What happens if the Conditions of the Offer are not satisfied or waived?	If the Conditions of the Offer are not fulfilled or waived by the end of the Offer Period, the Offer will lapse and your acceptance of the Offer (if any) will be void. This means that the Offer will not proceed, and you will continue to hold your BLG Shares even if you have accepted the Offer.	Sections 1.7.7, 1.7.9 and 1.7.11
General questions		
Can I sell my BLG Shares on-market during the Offer Period?	You may sell all, or some, of your BLG Shares on-market during the Offer Period, but you may incur brokerage or other transaction costs if you elect to do so. However, if you accept the Offer in respect of all, or some, of your BLG Shares, then you agree not to sell those BLG Shares to anyone other than the Bidder, and you will not be able to sell those BLG Shares on-market after the date on which you accept the Offer in respect of them.	Section 1.7.7
What are the tax implications if I accept the Offer?	You should consult your tax or other professional adviser on the tax implications of acceptance of the Offer. However, Section 2.6 of the Target's Statement contains a general summary of the likely Australian tax consequences for certain BLG Shareholders who accept the Offer.	Sections 2.6 and 1.8
Where do I go for further information?	If you have any further questions about the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (within	

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	Australia) or +61 1800 426 150 (from outside Australia).	
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1. BIDDER'S STATEMENT

This Section 1 is the Bidder's Statement issued by the Bidder under Part 6.5 of the Corporations Act 2001. It includes at Section 1.7 an Offer made by the Bidder in accordance with Part 6.5 of the Corporations Act.

1.1 Bidder's Reasons to Accept the Offer

1.1.1 Introduction

The Offer provides significant benefits to you as a BLG Shareholder. The key reasons why you should accept the Offer are as follows:

- (a) the all-cash Offer provides an opportunity to realise certain liquidity without brokerage fees, an opportunity to avoid a potential fall in the value of your investment and an avenue for the sale of large shareholdings in BLG that may not otherwise be available;
- (b) the Offer is subject to limited conditionality and the 55% Minimum Acceptance Condition is likely to be satisfied once Allegro and Bignor accept the Offer which they have stated they currently intend to do in the absence of a superior proposal;
- (c) the BLG Share price has traded widely since the initial public offering, including falling as low as \$1.65 as recently as 17 February 2023, and the price may fall if the Offer lapses, including in light of the trading update released to the ASX on 17 May 2023;
- (d) in the absence of the Offer, large BLG Shareholders may consider selling their BLG Shares on market, in off-market sales or block trades, which would likely have a negative impact on the trading price of BLG Shares;
- (e) you will remain exposed to material risks and uncertainties associated with a continued investment in BLG if you do not accept the Offer and the current retail environment in which BLG trades is challenging;
- (f) there may be a further reduction in liquidity for BLG Shares if the Bidder Group acquires a sufficiently high interest in BLG Shares and if the Bidder Group acquires a Relevant Interest in at least 90% of the BLG Shares, they intend to proceed to compulsory acquisition; and
- (g) there is no competing proposal.

Further information on each of these reasons is set out in the rest of this Section 1.1.

1.1.2 **The all-cash Offer provides an opportunity to realise certain liquidity without brokerage fees, an opportunity to avoid a potential fall in your investment and an avenue for the sale of large shareholdings in BLG that may not otherwise be available**

If you accept the Offer and the Offer becomes unconditional on or before the end of the Offer Period, you will:

- be paid \$1.89 cash for each BLG Shares that you accept the Offer in respect of;

- not incur any brokerage fees or stamp duty on the sale of your BLG Shares, which you will likely incur if you sell BLG Shares on market;⁸ and
- be paid (by cheque) \$1.89 for each BLG Share you accept the Offer in respect of within 7 days of the Offer becoming unconditional (if you accept the Offer before it becomes unconditional) or within 7 days of your acceptance (if you accept the Offer after it has become unconditional).

If you do not accept the Offer or if the Offer is not successful, there is a risk that upon expiry of the Offer Period, the BLG Share price may fall below the Offer Price. This risk is increased in light of the trading update released to the ASX on 17 May 2023 as discussed in Section 1.1.4 below.

The Offer therefore provides all BLG Shareholders with an ability to realise certain liquidity for up to their entire shareholding and eliminates the risks associated with your continued investment.

In addition, if you are a large BLG Shareholder, the Offer provides you with an avenue to realise up to full liquidity for your BLG Shares in a single, certain event. This may not otherwise be available to you, given the low trading volumes of BLG Shares in the market.

The Independent Expert has also determined that the Offer is not fair but reasonable. While the Offer Price has been determined to be below the Independent Expert's estimated fair market value of between A\$2.03 and A\$2.43 per BLG Share on a control-basis, the Independent Expert has opined, on balance, that the Offer is reasonable as it recognises the disadvantages and challenges associated with being a minority BLG Shareholder and the uncertain path to future liquidity.

1.1.3 **The Offer is subject to limited conditionality and the 55% Minimum Acceptance Condition is likely to be satisfied once Allegro and Bignor accept the Offer**

Two major BLG Shareholders have stated their intention to accept the Offer for all of the BLG Shares they own or control, in the absence of superior proposal. These are:

- Allegro, who owns or controls 40,659,591 BLG Shares, representing 32.43% of the BLG Shares as at the date of this document; and
- Bignor, who owns or controls 10,368,021 BLG Shares, representing 8.27% of the BLG Shares as at the date of this document.⁹

Further to this, as at the date of this Bidder's Statement, the Bidder Group has a combined Relevant Interest in 20,618,556 BLG Shares representing 16.45% of all BLG Shares.

In aggregate, the BLG Shares described above equate to 57.15% of issued BLG Shares. Accordingly, the Bidder expects the 55% Minimum Acceptance Condition to be satisfied once Allegro and Bignor accept the Offer, which they each currently intend to do in the absence of a superior proposal.

The Offer is only subject to other Conditions relating to events not taking place, including no material adverse change, no legal or regulatory restraints and no prescribed occurrences, which are not expected to occur.

⁸ If your BLG Shares are registered in a CHESS Holding, or if you are a beneficial owner whose BLG Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

⁹ Note: these statements do not restrict in any way Allegro or Bignor's power to exercise voting rights attaching to their BLG Shares nor to dispose of any of their BLG Shares in their absolute discretion.

1.1.4 **The BLG Share price has traded widely since the initial public offering, including falling as low as \$1.65 as recently as 17 February 2023, and the price may fall if the Offer lapses, including in light of the trading update released to the ASX on 17 May 2023**

The BLG Share price has traded widely since the initial public offering in 2021, including as low as \$1.65 as recently as 17 February 2023.

While there are many factors that influence the share price of BLG Shares, if the Offer does not complete, the share price of BLG Shares on the ASX may fall and may trade at a discount to the Offer Price. This risk is increased in light of the trading update released to the ASX on 17 May 2023, which indicated to the market that the Company expects to deliver pro forma net profit after tax of \$10 to \$12 million for H2 FY23, which is a downgrade to the \$18 to \$20 million estimate previously guided at the Company's first half results on 21 February 2023¹⁰. The closing BLG Share price has been below the Offer Price on each trading day since the announcement of the trading update on the ASX on 17 May 2023 and the closing BLG Share price was \$1.865 per share on 19 May 2023 (being the last day prior to lodgement of this Takeover Booklet).

Some other the factors that may impact the BLG Share price includes:

- (a) fluctuations in the domestic and international market for listed shares;
- (b) general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices;
- (c) changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- (d) pandemic risk (including as a result of COVID-19);
- (e) inclusion in or removal from market indices;
- (f) the nature of the markets in which BLG operates; and
- (g) actual or anticipated fluctuations in BLG's operating and financial performance and those of other public companies in its sector.

A number of these factors are outside the control of BLG and the Bidder Group and may occur irrespective of strong operating and financial performance by BLG. If you do not accept the Offer, you will remain subject to the risk of share price fluctuations in respect of your BLG Shares. There can be no assurance that the BLG Share price will trade above the current share price in the future.

1.1.5 **In the absence of the Offer, large BLG Shareholders may consider selling their BLG Shares on market, in off-market sales or block trades, which would likely have a negative impact on the trading price of BLG Shares.**

Allegro and Bignor, two major BLG Shareholders who together hold 40.7% of the BLG Shares on issue, have both indicated their intention to accept the Offer and exit their investment in BLG in the absence of a superior proposal.

Should the Offer be unsuccessful, Allegro and Bignor, as well as other large BLG Shareholders, may still choose to sell their BLG Shares on market or through off-market sales or block trades. As the BLG Share price is determined by the supply and demand for

¹⁰ The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

BLG Shares, any sudden increase in the supply of BLG Shares is likely to place downward pressure on the BLG Share price.

If you do not accept the Offer, and the Offer is ultimately unsuccessful, you will remain subject to the risk that large BLG Shareholders will still choose to exit their investment in BLG. In the absence of the Offer, this exit may occur in a manner which has a negative impact on the trading price of BLG Shares.

1.1.6 You will remain exposed to material risks and uncertainties associated with a continued investment in BLG if you do not accept the Offer and the current retail environment in which BLG trades is challenging.

BLG's performance is sensitive to retail sentiment and a number of macroeconomic factors. Key factors that may adversely affect demand for BLG's products include amongst other things, increasing interest rates, inflationary pressure and the possibility of a recession in Australia. As evident in the trading update released to the ASX on 17 May 2023, these and other factors have already had and may continue to have an impact on BLG's operating performance and financial position.

BLG also operates in a competitive environment with reasonably low barriers to entry, resulting in risk that BLG may lose market share to new or existing competitors. BLG's competitive position may deteriorate as a result of increased competition, and customers may choose to purchase products from its competitors rather than from BLG which could lead to downward pressure on sales and margins and subsequently have an adverse impact on BLG's financial performance.

These and other business risks of BLG as summarised in Section 2.5.3 of the Target's Statement have had and may continue to have a material negative impact on BLG's trading performance, which could in turn place further downward pressure on the share price.

BLG Shareholders will remain exposed to these risks if they do not accept the Offer in respect of all of their BLG Shares.

1.1.7 There may be a further reduction in liquidity if the Bidder acquires a sufficiently high interest in BLG Shares

If the Bidder acquires a Relevant Interest in at least 55% but less than 90% of the BLG Shares after the Offer, it is likely that this would further reduce liquidity in BLG Shares which may make it more difficult for you to sell your BLG Shares outside the Offer at the current trading price on the ASX. You will also be a minority investor in BLG and you should consider the risks of being a minority investor as set out in Section 2.5.2 of the Target's Statement.

1.1.8 If the Bidder Group acquires a Relevant Interest in at least 90% of the BLG Shares, they intend to proceed to compulsory acquisition

If you do not accept the Offer and the Bidder Group acquires a Relevant Interest in at least 90% of the BLG Shares under the Offer, they intend to proceed to compulsorily acquire any remaining BLG Shares. If this occurs, you will *not* remain invested alongside members of the Bidder Group and will instead receive the Offer Price for your BLG Shares.

1.1.9 There is no competing proposal

As at the date of this Bidder's Statement, the Bidder is not aware of any other competing proposal and there is no certainty that any such offer will be made or that it would be on more attractive terms for all BLG Shareholders than the Offer. The BLG IBC has also stated that, as at the date of this Takeover Booklet, it is not aware of any competing proposals.

In addition, the Bidder notes that the likelihood of a competing proposal arising *after* the Minimum Acceptance Condition has been satisfied is unlikely unless that is an offer that the

Bidder would be prepared to support. This is because after this time, the Bidder Group would have a combined Relevant Interest in at least 55% of the BLG Shares, giving them the power to, on their own, prevent any other potential bidder from acquiring control of BLG (i.e. more than 50% of the BLG Shares). This may also impact any competing proposal being made at a 'premium' to the prevailing BLG Share price, given such a premium is typically offered where the potential bidder can secure control. The Bidder Group's current intention is that it would be unlikely to consider any competing proposal unless it contained a material bid premium, but each member of the Bidder Group reserves the right to do so.

1.2 **Alternative option – remain invested**

While the Bidder encourages all Shareholders to **ACCEPT** the Offer for all of your BLG Shares, it realises that some BLG Shareholders may not wish to sell all of their BLG Shares at this time and would instead like to remain invested in BLG. If the Conditions are satisfied or waived and the Bidder Group does not acquire a Relevant Interest in 90% of the BLG Shares, BLG Shareholders who do not accept the Offer will remain BLG Shareholders and be invested alongside members of the Bidder Group which includes Brett Blundy and Ray Itaoui.

Together, Brett Blundy and Ray Itaoui intend to leverage their experience and expertise to work collaboratively with the BLG Management and the BLG Board to improve the operations of BLG and unlock unrealised significant value for all BLG Shareholders who remain invested following the Offer. BLG Shareholders who do not sell their BLG Shares under the Offer will have the opportunity to benefit from their commitment to realise longer term value for BLG Shareholders and significant retail experience as set out below.

Brett Blundy has over 40 years of retail experience, having successfully founded, grown, operated and invested in many retail businesses over this time. Brett Blundy is the Founder and Chairman of BBRC Worldwide, a private investment firm that started as a single record store in Australia and has grown to a global investment portfolio. Since inception, BBRC has invested in and operated consumer businesses spanning the specialty fashion, lingerie, fashion jewellery, leisure, entertainment, homewares, and footwear categories. This has included making significant investments in ASX-listed companies, including BLG, Accent Group, Lovisa, Aventus Group, Dusk, Universal Store and Adairs. BBRC became a cornerstone investor in BLG prior to its initial public offering in 2021 and Brett Blundy has been on the BLG Board since this time.

Ray Itaoui has considerable retail experience. For over 20 years, he has operated and invested in Australian and global retail businesses including Sanity, Bras N Things, Honey Birdette, Mr Vitamins, MakeUp Cartel and Universal Store. He also served as the Chairman of Sanity, Bras N Things, Honey Birdette, Mr Vitamins and as an independent non-executive director of ASX-listed Aventus Group until last year when it was acquired by HomeCo.

However, you should be aware that if you do not accept the Offer and the Bidder Group acquires a Relevant Interest in at least 90% of the BLG Shares, the Bidder presently intends to proceed to compulsorily acquire your remaining BLG Shares and you would receive \$1.89 cash for each of your BLG Shares. Following compulsory acquisition, you would cease to be a BLG Shareholder.

In some circumstances, the Bidder may support the delisting of the Company from the official list of ASX in the future, particularly if it acquires a Relevant Interest in 75% of the BLG Shares on issue and there is limited trading of BLG Shares on ASX.

You should read the risks in Section 2.5 of the Target's Statement and the Bidder's intentions set out in Section 1.6 carefully before deciding whether to accept the Offer or not.

1.3 **Information on the Bidder**

1.3.1 Corporate Information

The Bidder is a company incorporated in New South Wales, Australia with Australian company number 667 625 452. It is a special purpose proprietary company limited by shares that was incorporated on 1 May 2023 for the sole purpose of acquiring the BLG Shares under the Offer and holding such BLG Shares on bare trust for the entities and on the basis described in Section 1.3.5 below.

1.3.2 Ownership and Directors of the Bidder

Brett Blundy and Ray Itaoui each own 50% of the shares on issue in the Bidder.

As at the date of this document, the directors of the Bidder are Brett Blundy and Ray Itaoui.

1.3.3 Background and Principal Activities of Brett Blundy and BBRC

Brett Blundy has over 40 years of retail experience, having successfully founded, grown, operated and invested in many retail businesses over this time. Brett Blundy is the Founder and Chairman of BBRC Worldwide, a private investment firm that started as a single record store in Australia and has grown to a global investment portfolio. Since inception, BBRC has invested in and operated consumer businesses spanning the specialty fashion, lingerie, fashion jewellery, leisure, entertainment, homewares, and footwear categories. This has included making significant investments in ASX-listed companies, including BLG, Accent Group, Lovisa, Aventus Group, Dusk, Universal Store and Adairs. BBRC became a cornerstone investor in BLG prior to its initial public offering in 2021 and Brett Blundy has been on the BLG Board since this time.

1.3.4 Background of Ray Itaoui

Ray Itaoui has considerable retail experience. For over 20 years, he has operated and invested in Australian and global retail businesses including Sanity, Bras N Things, Honey Birdette, Mr Vitamins, MakeUp Cartel and Universal Store. He also served as the Chairman of Sanity, Bras N Things, Honey Birdette, Mr Vitamins and as an independent non-executive director of ASX-listed Aventus Group until last year when it was acquired by HomeCo.

1.3.5 Bare Trust Arrangements

(a) Overview

On 10 May 2023, the Bidder entered into the Takeover Cooperation and Funding Deed with BBFIT Investments Pte Ltd. (**BBFIT**), an entity associated with Brett Blundy, and RRI Family Pty Ltd as trustee for RRI Family Trust (**RRI**), an entity associated with Ray Itaoui (the **Funding Deed**).

Under the terms of the Funding Deed, any BLG Shares acquired by the Bidder under the Offer or under any compulsory acquisition following the Offer (together, the **Offer Shares**) will be legally held by the Bidder as bare trustee in the following proportions for BBFIT and RRI:

- (i) 50% of the Offer Shares will be held by the Bidder as bare trustee for BBFIT; and
- (ii) 50% of the Offer Shares will be held by the Bidder as bare trustee for RRI.

Under the Funding Deed, immediately upon the acquisition by of any Offer Shares, the Bidder must:

- (iii) hold these Offer Shares, together with all dividends, interest, profits, benefits, rights, privileges, units, securities, distributions or other assets acquired by

the Bidder in connection with its holding of the Offer Shares (**Trust Property**) on bare trust for BBFIT or RRI (as applicable); and

- (iv) comply with any verbal or written instruction or direction from BBFIT or RRI (as applicable) in respect of its Trust Property, including any instruction or direction to transfer the Trust Property or attend and/or vote at shareholder meetings of BLG.

Following completion of the Offer, the Bidder may be directed by each (or both) of BBFIT and RRI to transfer BLG Shares acquired by the Bidder for the benefit of BBFIT or RRI to the respective beneficial owner.

(b) **Implications for BLG Shareholders**

BLG Shareholders should be aware that under the bare trust arrangements described above, the Bidder will only be the legal holder of the Offer Shares. BBFIT and RRI will individually have the power to direct and control their respective Offer Shares and Trust Property as they deem fit.

Neither BBFIT nor RRI will have any control or entitlement to the Offer Shares or Trust Property of the other. This means that in the future, BBFIT or RRI may give an instruction or direction to the Bidder to take or not take an action with respect to their Offer Shares or Trust Property that differs to the instruction or direction given to the Bidder by the other party. For example, BBFIT may direct the Bidder to vote in favour of a shareholder resolution while RRI may direct the Bidder to vote against a shareholder resolution. While the present joint intentions of BBFIT and RRI for the BLG business are set out in Section 1.6 below, BLG Shareholders should be aware of these arrangements in deciding whether to accept the Offer.

1.3.6 **Bidder Group**

The Bidder Group refers to the Bidder, BBRC, Brett Blundy, Ray Itaoui, RRI and BBFIT. These persons and entities, and Rachel Itaoui, have entered into an agreement to regulate their relationship and conduct in connection with the Offer and other matters. A copy of this agreement is attached as Annexure A to the Form 603 – Initial substantial holding notice provided to ASX on the date of this Takeover Booklet.

1.3.7 **Relevant Interest and Voting Power in BLG Shares**

As at the date of this document, there are 125,366,930 BLG Shares and 1,790,190 BLG Performance Rights on issue.

As at the date of this Bidder's Statement, BBRC is the registered holder of, and it (together with Brett Blundy) has a Relevant Interest in 20,618,556 BLG Shares representing 16.45% of the BLG Shares on issue. The Bidder and each other member of the Bidder Group (and Rachel Itaoui) do not have a Relevant Interest in these shares.

As at the date of this Bidder's Statement, each member of the Bidder Group (and Rachel Itaoui) has Voting Power in 16.45% of the BLG Shares on issue through their association with BBRC and Brett Blundy.

1.3.8 **Dealings in BLG Shares in previous four months**

Neither the Bidder nor any Associate of the Bidder has provided, or agreed to provide, consideration for BLG Shares under any purchase or agreement during the four months before the date of this Bidder's Statement and the Offer.

1.3.9 **No collateral or other benefits**

During the period of four months before the date of this Bidder's Statement and the Offer, neither the Bidder nor any Associate of the Bidder gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an Associate of the other person, to:

- (a) accept the Offer; or
- (b) dispose of BLG Shares,

and which is not offered to all holders of BLG Shares under the Offer.

1.3.10 **No escalation agreements**

Neither the Bidder nor any Associate of the Bidder has entered into any escalation agreement in connection with the Offer that is prohibited by section 622 of the Corporations Act.

1.3.11 **No Benefits to BLG Directors**

Other than as described in this Bidder's Statement, there is no agreement between the Bidder or its Associates and a BLG Director or another officer of BLG in connection with or conditional on the outcome of the Offer.

1.3.12 **Publicly available information**

Information about BBRC is also publicly available and may be accessed at <https://bbrcworld.com/>.

1.4 **Information on BLG**

BLG Shareholders should refer to the Target's Statement for information on BLG.

1.5 **Funding the Offer**

1.5.1 **Maximum Consideration**

The Offer Price for the acquisition of BLG Shares under the Offer will be satisfied wholly by payment in cash.

If acceptances are received for all BLG Shares on issue as at Offer Register Date, the amount of cash that the Bidder would be required to pay under the Offer would be \$197,974,426.86.¹¹

Performance Rights

The Bidder is not making a separate offer to holders of BLG Performance Rights. However, the Offer extends to all BLG Shares that are issued or otherwise come into existence before the end of the Offer Period as a result of the vesting and exercise of any BLG Performance Rights on issue on the Offer Register Date (in the circumstances set out below). This means that holders of BLG Performance Rights that vest and are exercised should be able to accept the Offer in respect of the BLG Shares issued during the Offer Period, as a result of their exercise and conversion.

However, with respect to the vesting of BLG Performance Rights, the BLG Board has determined that it will not exercise their discretion in the BLG LTIP to alter the terms of the

¹¹ This does not include 20,618,556 BLG Shares held by BBRC at the date of this Takeover Booklet.

BLG Performance Rights currently on issue which would allow the BLG LTIP participants to participate in the Offer, unless the Bidder Group acquires a combined Relevant Interest:

- in 90% or more of BLG Shares on issue and decides to compulsorily acquire all outstanding BLG Shares; or
- in 75% or more of BLG Shares on issue and the BLG Board considers there is a risk that the Company may be delisted from ASX.

In the above situations, the BLG Board has indicated that it would be likely that they would exercise their discretion to accelerate vesting of some or all of the BLG Performance Rights.

If BLG Shares are issued or otherwise come into existence before the end of the Offer Period as a result of the vesting and exercise of any BLG Performance Rights on issue at the Offer Register Date, and all of these additional BLG Shares were accepted into the Offer, the net additional amount of cash the Bidder would be required to pay in relation to those acceptances would be a further amount of \$3,383,459.10.

Accordingly, the maximum amount of cash that Bidder could be required to pay under the Offer is \$201,357,885.96, excluding transaction costs (the **Maximum Consideration**).

1.5.2 Sources of funding

The necessary funds to pay the Maximum Consideration (and transaction costs) are available to the Bidder under the Funding Deed.

Under the terms of the Funding Deed, where requested by the Bidder:

- (a) BBFIT has undertaken to fund up to 50% of the Maximum Consideration (and 50% of the transaction costs); and
- (b) RRI has undertaken to fund up to 50% of the Maximum Consideration (and 50% of the transaction costs).

The undertaking by each party above must be fulfilled within 2 business days of receiving a request from the Bidder and must be satisfied by the payment, in immediately available funds, by electronic transfer to the account or accounts nominated by the Bidder.

BBFIT and RRI each have represented and warranted to the Bidder in the Funding Deed, that they have an unrestricted right and authority to cash reserves which are sufficient to enable them to comply with their obligations under the Funding Deed. The Bidder's rights to receive funding under the Funding Deed is not subject to any conditions precedent.

1.6 The Bidder's intentions following the Offer

1.6.1 Introduction

This section sets out the intentions of the Bidder Group in relation to the following:

- the continuation of the business of BLG;
- any major changes to be made to the operation of BLG and any redeployment of the fixed assets of BLG; and
- changes to the BLG Board and the future employment of present BLG employees.

The Bidder Group has formed the intentions set out in this section based on the Bidder's present knowledge and the Bidder Group's review of publicly available information about BLG (which has not been independently verified by any member of the Bidder Group or

provided by or on behalf of BLG). Final decisions regarding these matters will only be made by the Bidder Group in light of material information and circumstances at the relevant time.

Accordingly, the statements set out in this section are statements of current intention only, which may change as new information becomes available to the Bidder Group or as circumstances change. These intentions are also subject to the outcome of analysis to be undertaken by the Bidder Group, as contemplated by Sections 1.6.2(a) and 1.6.3(a) below.

1.6.2 **Present intentions for BLG as a partly owned but controlled entity**

This Section 1.6.2 sets out the Bidder Group's present intentions if the Bidder Group acquires a combined Relevant Interest of 55% but no more than 90% of BLG Shares on issue and is not entitled to compulsorily acquire outstanding BLG Shares under either Part 6A.1 or Part 6A.2 of the Corporations Act.

In that circumstance, the Bidder Group's present intentions are as follows:

(a) **Post-Offer Assessment**

The Bidder Group will support the fundamental aspects of the Company's current strategy as stated in Section 2.4.3 of the Target's Statement and is supportive of existing management, meaning there is expected to be continuity of BLG's business if the Offer proceeds.

However, immediately following the end of the Offer Period, the Bidder Group intends to work collaboratively with management and the BLG Board to identify opportunities to enhance the operating performance of the Company. This is expected to include an assessment of current operations and potential strategic improvements that could be made to unlock unrealised value for all BLG Shareholders who remain invested following the Offer. A review will also be undertaken to ensure that the Company has an appropriate mix and level of employees and skills to enhance the business going forward.

(b) **Board composition**

The Bidder Group intends to appoint Ray Itaoui as a director of the BLG Board, subject to the Corporations Act and the constitution of BLG. It is intended that this appointment would occur shortly after the Offer is declared or becomes unconditional and the Bidder Group have a combined Relevant Interest in at least 55% of BLG Shares.

As noted in Section 2.4.8 of the Target's Statement, BLG expects at this point that Jason Murray and Fay Bou would resign from the BLG Board, and the BLG Board would then comprise Stephen Heath, Colleen Callander, Melinda Snowden, Brett Blundy and Ray Itaoui.

It is expected that Ray Itaoui will be appointed as Executive Chair for a transitional period until Erica Berchtold joins the Company as Chief Executive Officer in September 2023. Upon Erica joining, it is intended that Stephen Heath will become Chair of the BLG Board and Ray Itaoui will revert to a Non-Executive Director role.

(c) **Further acquisitions of BLG Shares**

The Bidder Group may acquire additional BLG Shares under the 'creep' provisions of the Corporations Act. These provisions permit the Bidder Group (collectively) to acquire up to 3% of BLG Shares every six months provided certain criteria are met. The price at which BLG Shares are acquired may not be the same price as the Offer Price.

(d) **Dividends**

The payment of any dividends will be at the sole discretion of the BLG Board after its reconstitution as described above and subject to legal requirements. The Bidder Group is supportive of the payment of dividends to the maximum acceptable level, having regard to the needs of the business including operating results, cash flows, financial condition and other factors the BLG Board consider relevant at the appropriate time.

(e) **Delisting**

It is possible that the Bidder Group would support a delisting of the Company from the official list of ASX at some time in the future. No decision has been made as to whether or not to seek such a delisting as this decision will be based on the level of shareholding acquired, associated costs of remaining listed and other factors that may become known to the Bidder Group following the Offer. Any decision to delist would be made in accordance with the requirements of the ASX, including providing BLG Shareholders with notice of the fact and reasons for delisting and seeking BLG Shareholder approval. Delisting could only take place if the Bidder Group acquires a combined Relevant Interest in 75% or more of the BLG Shares. BLG Shareholders should be aware that if BLG is removed from the official list of ASX in the future, BLG Shares will not be able to be bought or sold on the ASX and there will likely not be a liquid market in which you can sell your BLG Shares.

(f) **BLG's business, assets and employees**

Other than as set out in this Section 1.6.2, and in particular completion of the assessment outlined in Section 1.6.2(a), it is the present intention of the Bidder Group, on the basis of the facts and information concerning BLG that are known to it and the existing circumstances affecting the assets and operations of BLG at the date of this Bidder's Statement, that:

- (i) the business of BLG will be conducted substantially in the same manner as at the date of this Bidder's Statement, subject to where operational improvements can be made;
- (ii) there will be no redeployment of the fixed assets of BLG; and
- (iii) the present employees of BLG will continue to be employed by BLG or its Subsidiaries.

1.6.3 **Present intentions for BLG upon becoming entitled to proceed with compulsory acquisition**

This Section 1.6.3 sets out the Bidder Group's present intentions if the Bidder Group acquires a combined Relevant Interest of 90% by the end of the Offer Period and becomes entitled to compulsorily acquire the outstanding BLG Shares in accordance with the Corporations Act.

In that circumstance, the Bidder Group's present intentions are as follows:

(a) **Post-Offer Assessment**

After the end of the Offer Period, the Bidder Group intends to conduct the post-Offer assessment outlined in Section 1.6.2(a).

(b) **Compulsory acquisition**

If the Offer proceeds and the Bidder Group becomes entitled to do so under the Corporations Act, it intends to give notices to BLG Shareholders to compulsorily acquire any remaining BLG Shares (including any new BLG Shares which are issued as a result of the vesting and/or exercise of the BLG Performance Rights) in accordance with Part 6A.1 of the Corporations Act. If the Bidder Group compulsorily acquires the remaining BLG Shares under this procedure, the applicable BLG Shareholders will receive the Offer Price.

(c) **Delisting**

The Bidder Group will seek to have BLG removed from the official list of ASX. BLG may also seek to change the status of BLG from a public company limited by shares to a proprietary company limited by shares.

(d) **Board Composition**

The Bidder Group would reconstitute the BLG Board, in a manner consistent with BLG becoming an unlisted subsidiary of the Bidder. This would include the removal of all directors (other than Brett Blundy) and the appointment of Ray Itaoui.

(e) **BLG's business, assets and employees**

Other than as set out in this Section 1.6.2, and in particular completion of the assessment outlined in Section 1.6.2(a), it is the present intention of the Bidder, on the basis of the facts and information concerning BLG that are known to it and the existing circumstances affecting the assets and operations of BLG at the date of this Bidder's Statement, that:

- (i) the business of BLG will be conducted substantially in the same manner as at the date of this Bidder's Statement, subject to where operational improvements can be made;
- (ii) there will be no redeployment of the fixed assets of BLG; and
- (iii) the present employees of BLG will continue to be employed by BLG or its Subsidiaries.

1.6.4 **Limitations in giving effect to intentions**

The ability of the Bidder Group to implement the intentions set out in this Section 1.6 will be subject to the legal obligation of BLG Directors to have regard to the interests of BLG and all BLG Shareholders and the requirements of the Corporations Act and the ASX Listing Rules, including in relation to transactions between related parties. These rules may limit or modify the implementation of the intentions outlined above. Also, as a result of those requirements, the approval of minority BLG Shareholders may be required for the implementation of some of the intentions outlined above.

BLG Shareholders should be aware that if BLG becomes a controlled entity of the Bidder Group but the Bidder Group is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act, if BLG continues to be listed on the ASX following the Offer, then the decrease in the number of BLG Shares available for ASX trading may have a material adverse effect on their liquidity and market value.

The Bidder Group will only make final decisions on the above-mentioned courses of action following legal, financial and other advice where appropriate in relation to those requirements.

1.7 **Key features of the Offer**

1.7.1 Introduction

Under the Offer, the Bidder offers to acquire up to all of your BLG Shares on and subject to the terms and Conditions set out in this Section 1.7 of this document.

The consideration per BLG Share under the Offer is the Offer Price of \$1.89 per share.

By accepting this Offer, you undertake to transfer to the Bidder not only the BLG Shares to which the Offer relates, but also all Rights attached to those BLG Shares (see Section 1.7.7(b)(vi) and Section 1.7.8(d)).

The offers under the Offer are made to each person registered as the holder of BLG Shares in the BLG Share Register on the Offer Register Date.

The offers under the Offer also extend to:

- (a) holders of BLG Performance Rights that come to be holders of BLG Shares during the period from the Offer Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, BLG Performance Rights which are on issue as at the Offer Register Date; and
- (b) any person who becomes registered as the holder of BLG Shares during the Offer Period.

The Offer is dated 22 May 2023.

1.7.2 Key terms

(a) Offer Price

You will be entitled to receive \$1.89 for each BLG Share held by you that you accept into the Offer if the Conditions are satisfied or waived. To accept the Offer you must comply with the procedures set out in Section 1.7.5.

(b) Conditions

The Conditions are set out in full in Section 1.7.9 and, in summary, are as follows:

- (i) 55% Minimum Acceptance Condition;
- (ii) No Material Adverse Change;
- (iii) No Legal or Regulatory Restraints; and
- (iv) No Prescribed Occurrences.

1.7.3 Key dates

Event	Date
Announcement Date	1 May 2023
Date of Bidder's Statement Date of Offer and start of Offer Period	22 May 2023
Date for giving notice on the status of Conditions	15 June 2023
Offer Period closes	7:00pm (Sydney time) on 22 June 2023

1.7.4 Offer Period

Unless withdrawn (in accordance with the requirements of the Corporations Act), the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 7.00pm (Sydney time) on the later of:

- (a) 22 June 2023; or
- (b) any date to which the Offer Period is extended (in accordance with the requirements of the Corporations Act).

The Bidder reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act (as modified by ASIC Class Order 13/521).

In addition, there would be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) the Bidder improves the consideration offered under the Offer; or
- (b) the Bidder's Voting Power in the Company increases to more than 50%.

If either of these two events occur, the Offer Period would be automatically extended so that it ends 14 days after the relevant event occurred.

1.7.5 How to accept this Offer

(a) General

You may accept this Offer in respect of all, or some, of your BLG Shares. You may accept this Offer at any time during the Offer Period.

When accepting the Offer, you should also forward for inspection:

- (i) if the relevant Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
- (ii) if the relevant Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased BLG Shareholder, the relevant grant of probate or letters of administration.

If some of your the BLG Shares are in different holdings, your acceptance of the Offer will require action under Sections 1.7.5(b) to 1.7.5(d) (as applicable) in relation to each of your holdings.

(b) Shares held in your name on BLG's issuer sponsored sub-register

To accept this Offer for BLG Shares held in your name on BLG's issuer sponsored sub register (in which case your Securityholder Reference Number will commence with 'I'), you may accept the Offer online at <https://events.miracle.com/BestAndLess-TakeoverOffer> or by using the Acceptance Form sent with the document as further set out below.

(i) Online acceptance

(A) To accept the Offer online, you must:

- (aa) log in to <https://events.miracle.com/BestAndLess-TakeoverOffer> and follow the instructions. You will need your Securityholder Reference Number and the postcode or country

of residence (if your holding of BLG Shares is registered outside Australia) associated with your BLG Shares to log in; and

(bb) follow the instructions and select the "Accept" option and submit your acceptance of the Offer. You will receive on-screen confirmation of submission of your acceptance of the Offer, and a further confirmation via email to the email address you provided after you logged in.

(B) Where your BLG Shares are held in more than one name, a holder must have the authority of all other joint holders to act on their behalf to submit an online acceptance of the Offer in respect of the jointly held BLG Shares.

(C) If you do not receive a confirmation message after attempting to accept the Offer online, please contact the BLG Shareholder Information Line on 1800 426 150 (from within Australia) or +1800 426 150 (from outside Australia) between 8.30am and 7.30pm (Sydney time), Monday to Friday (excluding public holidays).

(D) Your online acceptance of the Offer must be received before the end of the Offer Period.

(ii) **Physical Acceptance Form**

To accept the Offer using a physical Acceptance Form, you must:

(A) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and

(B) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period at the address shown on the Acceptance Form. Alternatively, ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period via email to Takeover@linkmarketservices.com.au.

(c) **Shares held in your name in a CHESS Holding**

To accept this Offer in respect of BLG Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with ASX Settlement Operating Rules, and you may accept the Offer online, by instructing your Controlling Participant or by using a physical Acceptance Form.

(i) **Online acceptance**

(A) To accept the Offer online, you must:

(aa) log in to <https://events.miracle.com/BestAndLess-TakeoverOffer> and follow the instructions. You will need your Holder Identification Number and the postcode or country of residence (if your holding of BLG Shares is registered outside Australia) associated with your BLG Shares to log in; and

(bb) follow the instructions and select the "Accept" option and submit your acceptance of the Offer. You will receive on-screen confirmation of submission of your acceptance of the Offer, and a further confirmation via email to the email address you

provided after you logged in. This will authorise the Bidder and the Share Registry to request your Controlling Participant to initiate acceptance of the Offer on your behalf.

- (B) Where your BLG Shares are held in more than one name, a holder must have the authority of all other joint holders to act on their behalf to submit an online acceptance of the Offer in respect of the jointly held BLG Shares.
- (C) If you do not receive a confirmation message after attempting to accept the Offer online, please contact the BLG Shareholder Information Line on 1800 426 150 (from within Australia) or +1800 426 150 (from outside Australia) between 8.30am and 7.30pm (Sydney time), Monday to Friday (excluding public holidays).
- (D) If you are a CHESSE holder, the Bidder strongly recommends that you submit your online acceptance of this Offer by no later than 5.00pm (Sydney time) on the last day of the Offer Period. This is because the Share Registry will need to confirm any online submission of your acceptance of the Offer with your Controlling Participant before it can be taken as validly submitted. There may not be sufficient time to do so for any online acceptance submitted by CHESSE holders after 5.00pm (Sydney time) on the last day of the Offer Period. Your online acceptance is not a valid acceptance until your Controlling Participant confirms acceptance.

(ii) **Controlling Participant**

- (A) If your BLG Shares are held in your name in a CHESSE Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you may accept this Offer by instructing your Controlling Participant (for BLG Shareholders who are not institutions, this is normally the stockbroker either through whom you bought your BLG Shares or through whom you ordinarily acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in sufficient time for this Offer to be accepted before the end of the Offer Period. Neither the Bidder nor the Share Registry will be responsible if your Controlling Participant does not acknowledge and confirm your acceptance in sufficient time.
- (B) If your BLG Shares are held in your name in a CHESSE Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

(iii) **Physical Acceptance Form**

Alternatively, to accept this Offer for BLG Shares held in your name in a CHESSE Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the CHESSE Acceptance Form in accordance with the terms of this Offer and the instructions on the CHESSE Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the CHESSE Acceptance Form) is received before the end of the Offer Period at the address shown on the CHESSE Acceptance Form or returned via email to Takeover@linkmarketservices.com.au. This will authorise the Bidder and the

Share Registry to request your Controlling Participant to initiate acceptance of this Offer on your behalf.

(iv) **Must comply with ASX Settlement Operating Rules**

If your BLG Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASX Settlement Operating Rules.

(d) **Shares of which you are entitled to be registered as holder**

To accept this Offer for BLG Shares which are not held in your name, but of which you are entitled to be registered as holder, you must either:

(i) contact the BLG Shareholder Information Line on 1800 426 150 (from within Australia) or +1800 426 150 (from outside Australia) between 8.30am and 7.30pm (Sydney time), Monday to Friday (excluding public holidays) to obtain an Acceptance Form, then:

(A) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and

(B) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period at one of the addresses shown on the Acceptance Form; or

(ii) accept online using the instructions set out above in Section 1.7.5(b)(i) or 1.7.5(c)(i) and ensure you submit your acceptance of the Offer before the Offer closes.

(e) **Acceptance Form and other documents**

(i) The Acceptance Form forms part of the Offer.

(ii) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by the Bidder at the address shown on the Acceptance Form before the end of the Offer Period.

(iii) When using the Acceptance Form to accept this Offer in respect of BLG Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by the Bidder in time for the Bidder to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

(iv) The postage and transmission of the Acceptance Form and other documents is at your own risk.

(f) **Online acceptances**

(i) When using the online facility available at <https://events.miracle.com/BestAndLess-TakeoverOffer> to accept this Offer, for your acceptance to be valid you must ensure that your acceptance is submitted before the end of the Offer Period. Neither the Bidder nor the Share Registry accepts any responsibility or liability for any website downtime,

delays or access failure that may occur due to circumstances beyond its reasonable control, and which may delay or impede your ability to access <https://events.miraqle.com/BestAndLess-TakeoverOffer> or submit an acceptance online.

- (ii) When using the online facility available at <https://events.miraqle.com/BestAndLess-TakeoverOffer> to accept this Offer in respect of BLG Shares in a CHESS Holding, you must ensure that the acceptance is submitted in time for the Bidder to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. There may not be sufficient time to do so for any online acceptances submitted by you if you accept online too close to the end of the Offer Period.
- (iii) The use of <https://events.miraqle.com/BestAndLess-TakeoverOffer> to accept this Offer is at your own risk.

(g) **Level of acceptance**

As noted above, you have the option of accepting this Offer for all or some of your BLG Shares, as chosen by you. Those of your BLG Shares that are subject to your acceptance will comprise:

- (i) if you specify all of your BLG Shares as being subject to acceptance – all of your BLG Shares at the date your acceptance is processed (even if the number of BLG Shares specified on the Acceptance Form differs from the number of your BLG Shares);
- (ii) if you specify a number of BLG Shares that is less than the number of your BLG Shares at the date your acceptance is processed – that number of BLG Shares;
- (iii) if you specify a number of BLG Shares that is greater than the number of your BLG Shares at the date your acceptance is processed – all of your BLG Shares at the date your acceptance is processed; or
- (iv) if you do not specify the number of your BLG Shares being subject to acceptance, or if you provide conflicting instructions on your Acceptance Form regarding the number of your BLG Shares being subject to acceptance – all of your BLG Shares at the date your acceptance is processed (even if the number of BLG Shares specified on the Acceptance Form differs from the number of your BLG Shares).

For this purpose, specification of the number of your BLG Shares being subject to acceptance must be in the Acceptance Form or in a valid originating message transmitted in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

1.7.6 Validity of acceptances

Subject to this Section 1.7.6, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in Section 1.7.5.

The Bidder will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. The Bidder is not required to communicate with you prior to or after making this determination. The determination of the Bidder will be final and binding on all parties.

Notwithstanding Sections 1.7.5(b), 1.7.5(c), 1.7.5(d), 1.7.5(e) and 1.7.5(f), the Bidder may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form or online acceptance it receives to be a valid acceptance in respect of your BLG Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by the Bidder.

Where you have satisfied the requirements for acceptance in respect of only some of your BLG Shares, the Bidder may, in its sole discretion, regard the Offer to be accepted in respect of those of your BLG Shares but not the remainder.

The Bidder will provide the consideration to you in accordance with Section 1.7.8, in respect of any part of an acceptance determined by the Bidder to be valid.

1.7.7 **The effect of acceptance**

Where you have accepted the Offer, you will:

(a) not be able to revoke your acceptance or withdraw your BLG Shares that you have accepted the Offer in respect of (**Accepted BLG Shares**) from the Offer or otherwise dispose of your Accepted BLG Shares, and the contract resulting from your acceptance will be binding on you, except as follows:

- (i) if, by the relevant times specified in this Section 1.7.7, the Conditions in Section 1.7.9 have not all been fulfilled or freed, this Offer will automatically terminate and your Accepted BLG Shares will be returned to you; or
- (ii) if the Offer Period is extended for more than one month and the obligations of the Bidder to deliver the consideration are postponed for more than one month and, at the time, this Offer is subject to one or more of the Conditions in Section 1.7.9, you may be able to withdraw your acceptance and your Accepted BLG Shares from the Offer in accordance with section 650E of the Corporations Act. If this occurs, a notice will be sent to you at the time explaining your rights in this regard.

The relevant times for the purposes of this Section 1.7.7 are:

- (iii) in relation to the Prescribed Occurrences Condition, the end of the third Business Day after the end of the Offer Period; and
- (iv) in relation to all other Conditions in Section 1.7.9, the end of the Offer Period.

(b) be deemed to have:

- (i) accepted this Offer (and any variation of it) in respect of, and, subject to all of the Conditions to this Offer in Section 1.7.9 being fulfilled or freed, agreed to transfer to the Bidder your Accepted BLG Shares and all Rights attaching to those Accepted BLG Shares;
- (ii) represented and warranted to the Bidder, as a fundamental condition going to the root of the contract resulting from your acceptance, that, at the time of acceptance and the time the transfer of your Accepted BLG Shares (including any Rights) to the Bidder is registered, all your Accepted BLG Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise) (**Encumbrances**), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in your Accepted

BLG Shares (including any Rights) to the Bidder, that you have paid to BLG all amounts which at the time of acceptance have fallen due for payment to BLG in respect of your Accepted BLG Shares and that the Bidder will acquire good title to and full beneficial ownership of your Accepted BLG Shares free from all Encumbrances at the time of their transfer to it;

- (iii) irrevocably authorised the Bidder (and any director, secretary, nominee or agent of the Bidder) to:
- (A) alter the Acceptance Form or online acceptance submitted at <https://events.miraqle.com/BestAndLess-TakeoverOffer> on your behalf by inserting correct details relating to your Accepted BLG Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by the Bidder (including for the purpose of making it an effective acceptance of this Offer) to enable registration of your Accepted BLG Shares in the name of the Bidder, or in connection with any withholding required by law (as further described in Section 1.7.8); and
 - (B) rectify any errors or omissions in connection with any step taken or other process to accept this Offer, including with respect to any withholding required by law (as further described in Section 1.7.8);
- (iv) if you signed the Acceptance Form or accepted the Offer online in respect of Accepted BLG Shares which are held in a CHES Holding, irrevocably authorised the Bidder (or any director, secretary, nominee or agent of the Bidder) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of your Accepted BLG Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules and to give any other instructions in relation to the Accepted BLG Shares which are in the CHES Holding on your behalf under the sponsorship agreement between you and that Controlling Participant;
- (v) if you signed the Acceptance Form or accepted the Offer online in respect of Accepted BLG Shares which are held in a CHES Holding, irrevocably authorised the Bidder (or any director, secretary, nominee or agent of the Bidder) to give any other instructions in relation to your Accepted BLG Shares to your Controlling Participant, as determined by the Bidder acting in its own interests as a beneficial owner and intended registered holder of those Accepted BLG Shares;
- (vi) irrevocably authorised and directed BLG to pay to the Bidder, or to account to the Bidder for, all Rights in respect of your Accepted BLG Shares, subject to the Bidder accounting to you for any such Rights received by the Bidder if the Offer is withdrawn or avoided (or closes before the Conditions have all been fulfilled or freed);
- (vii) except where Rights have been paid or accounted for under, and without limiting, Section 1.7.7(b)(vi) of this document, irrevocably authorised the Bidder to deduct from the Offer Price payable to you:
- (A) where the Rights take the form of cash, the cash value of any Rights paid to you (ignoring any franking credits attaching to them) in respect of your Accepted BLG Shares; and
 - (B) where the Rights take a non-cash form, the value of those Rights in respect of your Accepted BLG Shares, as reasonably assessed the Bidder;

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- (viii) irrevocably authorised the Bidder to notify BLG on your behalf that your place of address for the purpose of serving notices on you in respect of your Accepted BLG Shares is the address specified by the Bidder in the notification;
 - (ix) with effect from the time and date on which all the Conditions to this Offer in Section 1.7.9 have been fulfilled or freed, to have irrevocably appointed the Bidder (and any director, secretary or nominee of the Bidder) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to your Accepted BLG Shares, including (without limitation) powers and rights to sign any form, notice, instrument or other document relating to your Accepted BLG Shares, to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings and all court-convened meetings of BLG and to request BLG to register, in the name of the Bidder or its nominee, your Accepted BLG Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable). Such appointment will terminate on the earlier of the withdrawal of your acceptance of this Offer (either in accordance with its terms or under section 650E of the Corporations Act) and the end of the Offer Period or, if the Conditions of the Offer has been fulfilled or waived, the registration of the Bidder as the holder of your Accepted BLG Shares;
 - (x) with effect from the date on which all the Conditions to this Offer in Section 1.7.9 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting or any court-convened meeting of BLG or to exercise or purport to exercise any of the powers and rights conferred on the Bidder (and its directors, secretaries and nominees) in Section 1.7.7(b)(ix);
 - (xi) agreed that in exercising the powers and rights conferred by the powers of attorney granted under Section 1.7.7(b)(ix), the attorney will be entitled to act in the interests of the Bidder as the beneficial owner and intended registered holder of your Accepted BLG Shares;
 - (xii) agreed to do all such acts, matters and things that the Bidder may require to give effect to the matters the subject of this Section 1.7.7 (including the execution of a written form of proxy to the same effect as this Section 1.7.7 which complies in all respects with the requirements of the constitution of BLG) if requested by the Bidder;
 - (xiii) agreed to indemnify the Bidder in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of your Accepted BLG Shares to the Bidder being registered by BLG without production of your Holder Identification Number or your Securityholder Reference Number for your Accepted BLG Shares;
 - (xiv) represented and warranted to the Bidder that, unless you have notified it in accordance with Section 1.7.17(c), your Accepted BLG Shares do not consist of separate parcels of BLG Shares;
 - (xv) irrevocably authorised the Bidder (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer your Accepted BLG Shares to the Bidder's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer; and

- (xvi) agreed, subject to the Conditions of this Offer in Section 1.7.9 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that the Bidder may consider necessary or desirable to convey your Accepted BLG Shares registered in your name and Rights to the Bidder.

The undertakings, agreements, representations, warranties, indemnities and authorities referred to in this Section 1.7.7 will remain in force after you receive the consideration for your Accepted BLG Shares and after the Bidder becomes registered as the holder of your Accepted BLG Shares.

1.7.8 **Payment of consideration**

- (a) Subject to this Section 1.7.8 and the Corporations Act, the Bidder will make payment of the Offer Price for each Accepted BLG Share in respect of on or before the earlier of:
- (i) if you accept the Offer before the Offer is unconditional, within 7 days of the Offer becoming unconditional; or
 - (ii) if you accept the Offer, and the Offer is unconditional, within 7 days after your acceptance.
- (b) Where the Acceptance Form or any subsequent request from the Bidder requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
- (i) if that document is given with your Acceptance Form, the Bidder will provide the consideration in accordance with Section 1.7.8(a);
 - (ii) if that document is given after your acceptance and before the end of the Offer Period while this Offer is subject to a defeating Condition, the Bidder provide the consideration in accordance with Section 1.7.8(a)(i);
 - (iii) if that document is given after your acceptance and before the end of the Offer Period while this Offer is not subject to a defeating Condition, the Bidder will make payment of the consideration due to you within 7 days after that document is given; and
 - (iv) If that document is given after the end of the Offer Period, the Bidder will make payment of the consideration within 7 days after the date that the Bidder has been given those documents or, if at the time those documents are given the Offer is still subject to the Conditions, within 7 days after the date that the Conditions are fulfilled or waived.
- (c) Where the Acceptance Form requires an additional document to be delivered with the Acceptance Form, you will not be able to submit an acceptance of the Offer online and you must use a physical Acceptance Form to accept the Offer.
- (d) If you accept this Offer and the Bidder acquires your Accepted BLG Shares under the Offer:
- (i) the Bidder is entitled to all Rights in respect of your Accepted BLG Shares;
 - (ii) the Bidder may require you to provide all documents necessary to vest title to those Rights in the Bidder, or otherwise to give it the benefit or value of those Rights;
 - (iii) If:

- (A) any cash Rights are declared, paid, made or arise or accrue on or after the Announcement Date in respect of your Accepted BLG Shares;
- (B) the Bidder is not paid or accounted to for those cash Rights in respect of the your Accepted BLG Shares under Section 1.7.7(b)(vi) of this document or the Bidder does not, or cannot, make a deduction in respect of those cash Rights under Section 1.7.7(b)(vii)(A) of this Bidder's Statement; and
- (C) you receive those cash Rights,

then you must pay the cash value of those Rights to the Bidder (ignoring any franking credits attaching to them).

(iv) If:

- (A) any non-cash Rights are issued or made or arise or accrue on or after the Announcement Date in respect of your Accepted BLG Shares;
- (B) those non-cash Rights have not been issued to the Bidder; and
- (C) the Bidder is not paid or accounted to for those non-cash Rights in respect of your Accepted BLG Shares under Section 1.7.7(b)(vi) of this document,

then the Bidder will be entitled under Section 1.7.7(b)(vii)(B) of this document to deduct from the Offer Price payable to you an amount equal to the value (as reasonably assessed by the Bidder) of such non-cash Rights.

- (e) Payment of any cash amount to which you are entitled under the Offer will be paid by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas BLG Shareholders, by airmail) to the address as shown either, at the discretion of the Bidder, on your Acceptance Form, or on the register copy supplied by BLG from time to time; and
- (f) if your Accepted BLG Shares are held in a joint name, any cheque issued will be in the name of the joint holders and forwarded to the address that appears in the register of BLG.
- (g) Under no circumstances will interest be paid on the consideration to which you are entitled, regardless of any delay in providing the consideration or any extension of the Offer.
- (h) If any amount (the **Withholding Amount**) is required, under any Australian law or by any Governmental Agency, to be:
 - (i) withheld from any consideration otherwise payable to you under this Offer and paid to a Governmental Agency; or
 - (ii) retained by the Bidder out of any consideration otherwise payable to you under this Offer,

the payment or retention by the Bidder of the Withholding Amount (as applicable) will constitute full discharge of the Bidder's obligation to pay the consideration to you to the extent of the Withholding Amount.

- (i) If, at the time you accept the Offer, any authority, clearance or approval is required for you to receive any consideration for your Accepted BLG Shares, including (but not limited to) any authority, clearance or approval of:

- For personal use only
- (i) the Reserve Bank of Australia (whether under the *Banking (Foreign) Exchange Regulations 1959* (Cth) or otherwise);
 - (ii) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945* (Cth), the *Charter of the United Nations (Dealing with Assets) Regulations 2008* (Cth) or any other regulations made thereunder), or otherwise;
 - (iii) the ATO; or
 - (iv) any other person as required by any other law of Australia that would make it unlawful for the Bidder to provide any consideration for your Accepted BLG Shares,

then you will not be entitled to receive any consideration for your Accepted BLG Shares until all requisite authorities, clearances or approvals have been received by the Bidder.

- (j) Where the calculation of the consideration to be paid to a BLG Shareholder would result in the BLG Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

1.7.9 **Conditions of this Offer**

Subject to Section 1.7.10, the completion of this Offer and any contract that results from an acceptance of this Offer are subject to the fulfilment of the Conditions set out below.

(a) **55% Minimum Acceptance Condition**

On or before the end of the Offer Period, the Bidder Group have a combined Relevant Interest in such number of BLG Shares which represents at least 55% (by number) of all of the BLG Shares (on a fully diluted basis).

(b) **No material adverse change**

Between the Announcement Date and the end of the Offer Period (each inclusive), an event, change, matter, condition or thing (each, a **Specified Event**) occurs which, whether individually or when aggregated with all Specified Events, has had or will have (whether individually or when aggregated with one or more other Specified Events) a material adverse effect on the business, assets, liabilities, financial or trading position, performance, profitability or prospects of the BLG Group (taken as a whole).

(c) **No Legal or Regulatory Restraints**

Between the Announcement Date and the end of the Offer Period (each inclusive) there is not in effect any law, rule, regulation or preliminary or final decision, order or decree issued by any court of competent jurisdiction or Government Agency in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede or otherwise materially adversely impacts upon, the making of the Offer and the completion of the Offer or which requires the divestiture by the Bidder Group of any BLG Shares or any material assets of the BLG Group or any subsidiary of BLG.

(d) **Prescribed Occurrences Condition**

Between the Announcement Date and the date 3 Business Days after the end of the Offer Period (each inclusive), no prescribed occurrence listed in section 652C of the Corporations Act happens.

1.7.10 **Nature and benefit of Conditions**

- (a) The Conditions in Section 1.7.9 are Conditions subsequent to the formation of a binding contract upon your acceptance of the Offer. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the Prescribed Occurrences Condition, until the end of the third Business Day after the end of the Offer Period), prevent a contract to sell your Accepted BLG Shares resulting from your acceptance of the Offer from arising, but non-fulfilment of any of those Conditions will have the consequences set out in Section 1.7.11(c) below.
- (b) Subject to the Corporations Act, the Bidder alone is entitled to the benefit of the Conditions in Section 1.7.9 and/or to:
 - (i) rely on any breach or non-fulfilment of; and/or
 - (ii) waive,any of them.
- (c) Each paragraph and sub-paragraph in Section 1.7.9 constitutes, and is to be construed as, a separate, several and distinct Condition. No Condition will be taken to limit the meaning or effect of any other Condition.

1.7.11 **Freeing the Offer of Conditions**

- (a) The Bidder may free this Offer, and any contract resulting from its acceptance, from all or any of the Conditions, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to BLG and to ASX declaring this Offer to be free from the relevant Condition or Conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
 - (i) in the case of the Prescribed Occurrences Condition, not later than 3 Business Days after the end of the Offer Period; and
 - (ii) in the case of all of the other Conditions in Section 1.7.9, not less than 7 days before the end of the Offer Period.
- (b) The Bidder may choose to waive certain Conditions in accordance with the terms of the Offer, but the Bidder may only do so to the extent permitted by law.
- (c) If, at the end of the Offer Period (or in the case of the Prescribed Occurrences Condition, at the end of the third Business Day after the end of the Offer Period), the Conditions in Section 1.7.9 have not been fulfilled and the Bidder has not declared the Offer (or it has not become) free from those Conditions, all contracts resulting from the acceptance of the Offer will be automatically void.
- (d) The date for giving the notice on the status of the Conditions required by section 630(3) of the Corporations Act is 15 June 2023 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

1.7.12 **Withdrawal of this Offer**

- For personal use only
- (a) This Offer may be withdrawn with the written consent of ASIC, which may be subject to conditions. If ASIC gives such consent, the Bidder will give notice of the withdrawal to ASX and to BLG and will comply with any other Conditions imposed by ASIC.
 - (b) If, at the time this Offer is withdrawn, all the Conditions in Section 1.7.9 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
 - (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the Conditions in Section 1.7.9, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant Conditions have occurred).
 - (d) A withdrawal pursuant to Section 1.7.12 will be deemed to take effect:
 - (i) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or
 - (ii) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

1.7.13 **Variation of this Offer**

The Bidder may vary this Offer in accordance with the Corporations Act.

1.7.14 **Offer extends to new BLG Shares**

The Offer extends to BLG Shares that are issued or otherwise come into existence during the period from the Offer Register Date to the end of the Offer Period, including as a result of the vesting and exercise of any BLG Performance Rights on issue at the Offer Register Date. Refer to Section 1.5.1 for more information.

1.7.15 **Return of documents**

If the Offer does not become unconditional or any contract arising from the Offer is rescinded by the Bidder on the grounds of a breach of a condition of that contract, the Bidder will, at its election, either return by post to you any Acceptance Form and any other documents sent with it by you or destroy those documents and notify ASX of this.

1.7.16 **Rights**

If the Bidder becomes entitled to any Rights as a result of your acceptance of the Offer, it may require you to give to the Bidder all documents necessary to vest title to those Rights in the Bidder.

If you do not provide those documents to the Bidder, or if you have received or are entitled to receive (or any previous holder of the relevant the BLG Shares received or is entitled to receive) the benefit of those Rights, the Bidder will be entitled to deduct the amount (or value as reasonably assessed by the Bidder) of such Rights (excluding the value of any franking credit) from any consideration otherwise payable to you.

If the Bidder does not, or cannot, make such a deduction, you (having accepted the Offer) will be required to pay that amount to the Bidder.

1.7.17 **Offerees**

(a) **Registered holders**

The offers under the Offer are being made to those persons referenced in Section 1.7.1.

(b) **Transferees**

If at any time during the Offer Period another person is able to give good title to a parcel of your BLG Shares and you have not already accepted the Offer for those BLG Shares, then that person may accept the Offer as if they held those BLG Shares on the Offer Register Date and for this purpose:

- (i) a corresponding offer on the same terms and Conditions as the will be deemed to have been made to that other person in respect of those BLG Shares;
- (ii) a corresponding offer on the same terms and Conditions as the Offer will be deemed to have been made to you in respect of any other BLG Shares (other than those referenced in Section 1.7.17(b)(i) above) that you hold to which the Offer relates; and
- (iii) any offer under the Offer made to you (other than that referenced in Section 1.7.17(b)(ii) above) will be deemed to have been withdrawn immediately at that time.

(c) **Trust and nominees**

If you hold BLG Shares in two or more separate parcels (within the meaning of section 653B of the Corporations Act, for example, because a person is a trustee or nominee for several distinct beneficial owners), in accordance with section 653B of the Corporations Act:

- (i) the Bidder will be taken to have made separate offers under the Offer for each separate parcel of BLG Shares; and
- (ii) to validly accept the Offer made to you for any distinct parcel of BLG Shares you must:
 - (A) give the Bidder notice that the BLG Shares consist of separate parcels (for BLG Shares not in a CHESS Holding, in writing or for BLG Shares in a CHESS Holding, in any form approved by ASX Settlement Operating Rules); and
 - (B) specify in your Acceptance Form the number of BLG Shares in each separate parcel to which the acceptance relates.
- (iii) If, for the purposes of complying with that procedure, you require additional copies of this document and/or your Acceptance Form, please call the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +1800 426 150 (outside Australia) between 8:30am and 7:30pm Monday to Friday (excluding public holidays), or alternatively visit BLG's Website at <https://bestandlessgroup.com.au/investor-centre/>.

If your BLG Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that party for assistance in accepting into the Offer.

1.7.18 Brokerage and stamp duty on acceptances

The Bidder will pay any Australian stamp duty on the transfer of your Accepted BLG Shares to it under the Offer.

If your Accepted BLG Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to the Bidder, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Offer.

If your Accepted BLG Shares are registered in a CHESS Holding, or if you are a beneficial owner whose BLG Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

1.7.19 Notices

(a) Service on BLG

The Bidder may give a notice to BLG under the Offer by leaving it at, or sending it by prepaid ordinary post to, the registered office of BLG.

(b) Service on the Bidder

You or BLG may give a notice to the Bidder under the Offer by leaving it at or sending it by prepaid ordinary post to the Bidder at the address set out on your Acceptance Form.

(c) Service on you

The Bidder may give a notice to you under the Offer by email, by leaving it at or sending it by prepaid ordinary post or by airmail (if your address is outside Australia), to your address given to the Bidder by BLG under section 641 of the Corporations Act.

1.7.20 Governing law and jurisdiction

This Offer and any contract that results from your acceptance of it are governed by the laws in force in New South Wales, Australia. In relation to them and related non-contractual matters, each party irrevocably submits to the non-exclusive jurisdiction of courts with jurisdiction in New South Wales, Australia, and waives any right to object to the venue on any ground.

1.8 Tax implications

The taxation consequences of accepting the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer for certain BLG Shareholders is set out in Section 2.6 of the Target's Statement.

You should carefully read and consider the Australian taxation consequences of accepting the Offer.

1.9 Additional Information

1.9.1 Date for determining holders

For the purposes of section 633(2) of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is the Offer Register Date.

1.9.2 ASIC relief

ASIC has granted the Bidder and BLG relief from the requirements of section 648C of the Corporations Act to allow the Bidder and BLG to:

- (a) deliver the Takeover Booklet by electronic mail to BLG Shareholders who have nominated to receive notices by electronic mail; and

- (b) send a letter or postcard and any supplementary documents, instead of the full Takeover Booklet, to BLG Shareholders who have not elected to receive shareholder communications electronically, providing details of where they can access an electronic copy of the relevant document or how to request a hard copy of them.

1.9.3 **Consents**

This Bidder's Statement contains statements made by, or statements said to be based on statements made by the Bidder only.

The following parties have given and have not, before the time of registration of this document with ASIC, withdrawn their consent to be named in this Bidder's Statement in the form and context which they are named:

- Gilbert + Tobin as legal adviser to the Bidder;
- Greenmount as tax adviser to the Bidder; and
- Link Market Services Limited as manager of the BLG Share Registry.

Each of the parties referred to in this Section 1.9:

- has not authorised or caused the issue of this Bidder's Statement;
- does not make, or purport to make, any statement in this Bidder's Statement or on which a statement made in the document is based other than as specified in this section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement other than a reference to its name and a statement included in this Bidder's Statement with the consent of that party as specified in this section.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 13/521, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this document. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements (free of charge), during the period starting on the date of this Bidder's Statement and ending at the end of the Offer Period, please contact the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +61 1800 426 150 (from outside Australia). For legal reasons, calls to this number will be recorded.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this document may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person;
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

1.9.4 **Registration of document with ASIC**

This Bidder's Statement was registered with ASIC on 22 May 2023 in accordance with section 633(1), Item 2 of the Corporations Act.

1.9.5 **Documents Available**

An electronic version of this document is available for viewing and downloading online at BLG's Website at <https://bestandlessgroup.com.au/investor-centre/>.

1.10 **Bidder Approval**

This Bidder's Statement has been approved by a resolution of the directors of BBRC Admin 1 Pty Ltd (ACN 667 625 452) in accordance with section 637(1)(a)(i) of the Corporations Act.



Brett Blundy

Director

On behalf of BBRC Admin 1 Pty Ltd (ACN 667 625 452)

Dated: 22 May 2023

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2. TARGET'S STATEMENT

This Section 2 is the Target's Statement issued by BLG under Part 6.5 of the Corporations Act in response to the Bidder's Statement issued by the Bidder. Section 3 includes a report prepared by the Independent Expert in accordance with the requirements of section 640 of the Corporations Act.

2.1 **BLG Independent Board Committee observations on the Offer**

2.1.1 **The Offer provides an opportunity for BLG Shareholders who wish to exit their shareholdings to do so with certainty**

The Offer provides BLG Shareholders who wish to exit their investment in BLG an avenue to do so with certainty at a fixed price of \$1.89 cash per share. While the BLG Share price has generally traded above this price historically, there is no certainty that it will continue to do so post the closing of the Offer, particularly in light of the trading update released to the ASX on 17 May 2023 (see Section 2.1.5 for further details).

Further, trading on ASX in BLG Shares is relatively illiquid, with only \$500,778 worth of BLG Shares being traded daily, on average, in the six months preceding the announcement of the Offer. Accordingly, BLG Shareholders with larger holdings that wish to exit their investment in BLG in the near term may be attracted to the Offer as it provides them with certain, near-term liquidity to sell all or some of their BLG Shares.

In the absence of the Offer, or a competing offer¹², BLG Shareholders with larger holdings that wish to exit their positions may otherwise need to consider doing so via on-market share sales or off-market share sales (including block trades). Such transactions may need to be undertaken at a discount to prevailing BLG Share prices and may also negatively impact the trading price of BLG Shares, as it may have the effect of increasing the supply of BLG Shares in the market which may not be met with equal demand. Moreover, the purchasers of such BLG Shares are unlikely to be investors with the retail expertise of Brett Blundy and Ray Itaoui and potentially not long-term investors.

2.1.2 **In the absence of a superior proposal, the Offer should succeed given the intentions of Allegro and Bignor and control will pass**

The Offer has a 55% Minimum Acceptance Condition (inclusive of the 16.45% Relevant Interest that the Bidder Group already collectively holds). The BLG IBC notes that major BLG Shareholders, Allegro and Bignor, have advised the Company that they intend to accept the Offer in respect of all their BLG Shares, in the absence of a superior proposal.

These two major BLG Shareholders hold in aggregate approximately 40.7% of BLG Shares on issue as at 19 May 2023, which means when coupled with the Bidder's existing 16.45% shareholding in the Company, the 55% Minimum Acceptance Condition is likely to be reached in the absence of a superior proposal and the Offer will succeed if the other Conditions are satisfied or waived. Should the Offer be successful, the Company will be controlled by the Bidder Group.

2.1.3 **There is currently no other proposal for your BLG Shares**

The BLG IBC notes that as at the date of this Target's Statement, the Offer is the only offer or proposal available to BLG Shareholders. Further, the BLG IBC is not aware of any other competing offer or proposal that might be an alternative to the Offer.

¹² As at the date of this Target's Statement, the BLG IBC is not aware of any competing or alternative offer for BLG Shares.

2.1.4 **The BLG IBC believes that there are merits in remaining a minority BLG Shareholder in an entity controlled by the Bidder Group**

Should the Offer be successful, BLG Shareholders who did not choose to accept the Offer in respect of all of their BLG Shares will retain a holding in the Company, as long as the Bidder Group's Relevant Interest by the end of the Offer Period is below 90%.¹³ The BLG IBC believe there are merits to remaining invested alongside the Bidder.

The Bidder has stated its present intention is to support the fundamental aspects of the Company's current strategy and is supportive of existing management, meaning there is expected to be continuity of BLG's business if the Offer succeeds. The Bidder has also stated that it will work with management and the BLG Board to identify opportunities to enhance the operating performance of the Company. BLG Shareholders that remain invested in the Company will have exposure to the potential value unlock associated with execution of the strategy and such initiatives. However, this benefit should be balanced against the potential of a fall in the BLG Share price even if the Offer is successful, as a result of the recent trading update released to the ASX on 17 May 2023.

Finally, the BLG IBC intends that the Company will continue to seek to deliver to BLG Shareholders dividends to the maximum acceptable level, having regard to the needs of the business including operating results, cash flows, financial condition and other factors the BLG Board consider relevant at the appropriate time.

BLG Shareholders should refer to Section 1.6 of the Bidder's Statement for more detail on the Bidder's intentions following the completion of the Offer.

Brett Blundy and Ray Itaoui are highly successful figures in the retail space with a track record of value creation

The Bidder is an entity associated with Brett Blundy and Ray Itaoui, both highly respected figures in the consumer and retail sector with a track record of value creation.

Brett Blundy has over four decades of experience in the retail industry, during which he has founded, grown, operated and invested in numerous retail businesses. Brett Blundy is the Founder and Chairman of BBRC Worldwide, a private investment firm with a global investment portfolio. Since inception, BBRC has invested in and operated several consumer businesses spanning the specialty fashion, lingerie, fashion, jewellery, leisure, entertainment, homewares, and footwear categories. This has included significant investment in ASX-listed companies such as BLG, Accent Group, Lovisa, Aventus Group, Dusk, Universal Stores and Adairs. Brett Blundy has also been a cornerstone investor in BLG since the 2021 initial public offering, and a member of the BLG Board, and as such knows the business and strategic plan of the Company well.

Ray Itaoui also has considerable retail experience. For over 20 years, he has operated and invested in Australian and global retail businesses including Sanity, Bras N Things, Honey Birdette, Mr Vitamins, MakeUp Cartel and Universal Store. He also served as the Chairman of Sanity, Bras N Things, Honey Birdette, Mr Vitamins and as an independent non-executive director of ASX-listed Aventus Group until last year when it was acquired by HomeCo.

Should the Offer be successful and the Company remain listed on the ASX, BLG Shareholders who elect to retain their BLG Shareholding will have the benefit of being invested in a business ultimately controlled by Brett Blundy and Ray Itaoui. In this scenario, BLG Shareholders will also benefit from a number of existing independent directors also

¹³ Should the Bidder achieve a Relevant Interest greater than 90% (inclusive of the 16.45% interest it holds already), the Bidder has stated its intention to compulsorily acquire the remaining BLG Shares it does not own and seek a delisting of the Company from the ASX. Refer to section 2.3.15 of this Target's Statement for more information.

continuing to serve on the BLG Board, being Stephen Heath, Colleen Callander and Melinda Snowden.

2.1.5 **The Offer does not provide a premium for control in comparison to the closing price prior to the announcement of the Offer**

The BLG Independent Board Committee notes that the Offer Price of A\$1.89 represents a discount to average trading prices of the Company prior to the announcement of the Offer. Compared to the closing trading price on 28 April 2023,¹⁴ the Offer Price represents a 4.8% discount and a 7.9%, 2.3% and 8.3% discount to the 1,3 and 6-month volume weighted average prices, respectively. The Offer Price does, however, represent a 1.3% premium to the last trading day prior to the issue of this Target's Statement, being 19 May 2023.

Whilst the Offer Price represents a discount to key share price metrics prior to the announcement of the Offer (as shown in the graph below), there is a risk that upon expiry of the Offer Period, the share price may fall further below the Offer Price. This risk is increased in light of the trading update released to the ASX on 17 May 2023, which indicated to the market that BLG expects to deliver pro forma net profit after tax of \$10 to \$12 million for H2 FY23, which is a downgrade to the \$18 to \$20 million estimate previously guided at BLG's first half results on 21 February 2023.¹⁵

BLG Share price history since IPO



IRESS as at 19 May 2023

2.1.6 **The Independent Expert has said the Offer is "not fair but reasonable"**

The Independent Expert has determined that the Offer is not fair but reasonable and the estimated fair market value is between A\$2.03 and A\$2.43 per BLG Share on a control-basis, which is 7.4 to 28.6% higher than the Offer Price of \$1.89 per BLG Share. The Offer Price is below the range of the Independent Expert's estimate of the market value of a BLG Share. Accordingly, it is their opinion that the Offer is not fair.

However, the Independent Expert has opined, on balance, that the Offer is reasonable as whilst BLG Shareholders are not receiving any control premium for their BLG Shares, it recognises the disadvantages and challenges associated with being a minority BLG Shareholder and the uncertain path to future liquidity.

¹⁴ Being the last trading day prior to the announcement of the Offer.

¹⁵ The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

For further detail on the Independent Expert's determination and the considerations listed above, please refer to the Independent Expert's Report in Section 3 of the Takeover Booklet.

2.1.7 **Any benefits of remaining a BLG Shareholder in the Company will need to be balanced with the risks of being a minority BLG Shareholder in a Bidder Group-controlled entity**

Notwithstanding the benefits of remaining a minority BLG Shareholder in an ASX-listed BLG that is ultimately controlled by the Bidder Group, the BLG IBC notes there are a number of risks that BLG Shareholders should consider, including:

- Despite not having a present intention to do so, the Bidder will have the capacity to alter the Company's strategy or capital return policies in the future;
- Minority BLG Shareholders will have limited or no control over the Company's management or decision-making processes;
- Should the Offer be successful, there may be material acceptances from BLG Shareholders beyond that of Allegro and Bignor, in which case share trading liquidity on ASX may worsen, which may mean that BLG Shareholders, particularly those with large shareholdings, may not be able to sell their full BLG shareholdings efficiently in the future;
- The Bidder might seek to delist the Company from ASX at some point in the future, reducing the ability to sell BLG Shares to other investors;
- If you do not accept the Offer, and the Offer is ultimately unsuccessful, you will remain subject to the risk that large BLG Shareholders choose to exit their investment in a manner which could impact the trading price of BLG Shares;
- If the Bidder Group acquires a combined Relevant Interest in at least 90% of the BLG Shares, they intend to proceed to compulsory acquisition, in which case minority BLG Shareholders will not remain invested alongside Brett Blundy and Ray Itaoui and will instead receive the Offer Price for their BLG Shares;
- At the date of this Target's Statement the Offer is the only proposal available to BLG Shareholders and the likelihood of a competing proposal arising is unlikely, especially after the Minimum Acceptance Condition has been satisfied unless it is an offer that the Bidder would be prepared to support; and
- If a minority BLG Shareholder wishes to sell their BLG Shares on market instead of accepting the Offer, it is likely brokerage fees will be incurred on the sale of those BLG Shares which is not payable under the Offer.

Further detail of the above risks are set out in Section 2.5 of this Target's Statement.

2.1.8 **If you do not accept the Offer, you will remain subject to general risks associated with being invested in a retail focused business and there is a risk the BLG Share price may fall**

BLG Shareholders who do not accept the Offer will retain exposure to the Company, a retail focused business, which will entail all the risks that are generally associated with such a retail business, including the risk of a worsening in general economic conditions and increased competition.

Further, there is a risk that the BLG Share price falls further below the Offer Price following the closing of the Offer, given the trading update released to the ASX on 17 May 2023. This trading update indicated that BLG expects to deliver pro forma net profit after tax of \$10 to

\$12 million for H2 FY23, which is a downgrade to the \$18 to \$20 million estimate previously guided at BLG's first half results on 21 February 2023¹⁶.

Before deciding not to accept the Offer, you should be comfortable remaining subject to the risks associated with the BLG business, as more fully explained in further detail in Section 2.5.3 below.

¹⁶ The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

2.2 **BLG Directors' Recommendations and Reasons**

2.2.1 **Continuing Independent Directors**

The Continuing Independent Directors are Stephen Heath, Colleen Callander and Melinda Snowden.¹⁷ As detailed in Sections 2.4.6 and 2.4.8, each of the Continuing Independent Directors are currently independent directors and are expected to remain independent directors if the Offer is successful.¹⁸

As a BLG Shareholder, you have the option whether or not to accept the Offer. In considering whether or not to accept the Offer, the Continuing Independent Directors encourage you to:

- Read the whole of the Bidder's Statement, Target's Statement and the Independent Expert's Report;
- Have regard to your personal risk profile, portfolio strategy, tax position and financial circumstances;
- Carefully consider the BLG IBC's observations of the Offer set out in Section 2.1 of this Target's Statement, which sets out the risks and benefits of remaining a BLG Shareholder; and
- Obtain any appropriately licenced professional advice that you require before deciding whether or not to accept the Offer.

Ultimately, your decision whether or not to accept the Offer will depend on your personal preferences. Below is a "Decision Flow Chart" which is intended to help you frame your decision-making process. In summary, the Continuing Independent Directors recommend three potential courses of action for you to consider:

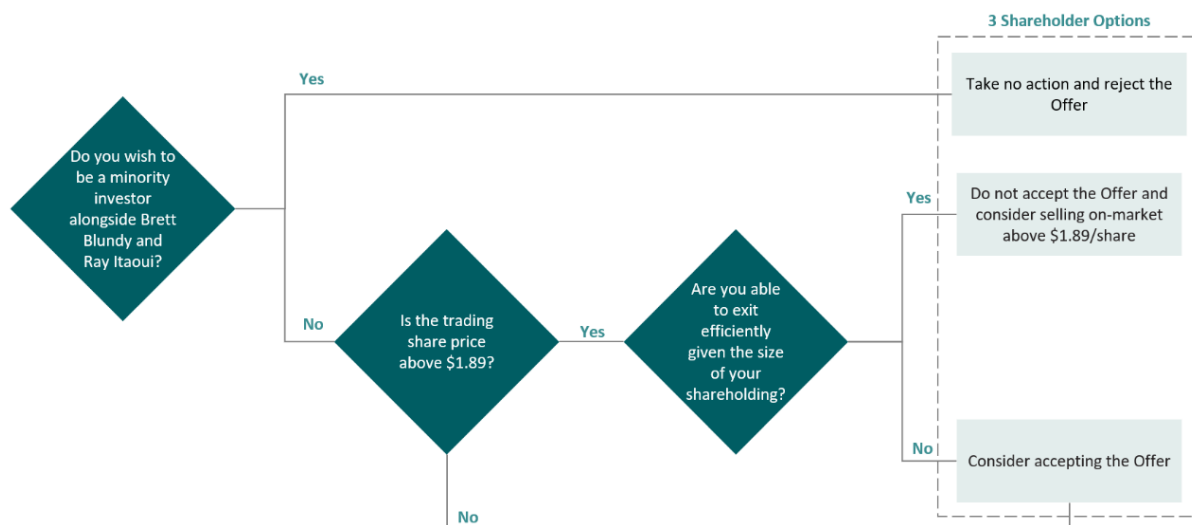
- Accept the Offer for some or all of your BLG Shares if you no longer wish to remain invested in the Company and be exposed to the risks of share price fluctuations and other risks associated with being invested in a retail focused business as set out in Section 2.5.3 of the Target's Statement, and if you are otherwise unable to dispose of your BLG Shares efficiently on-market above \$1.89 per Share (i.e. if you cannot find sufficient liquidity to dispose of your BLG Shares at prices above the Offer Price by selling on-market, including any brokerage costs). You also have the option to accept the Offer in respect of only part of your BLG Shareholding, which you should consider if you wish to remain partly invested in the Company but reduce your exposure to the risks mentioned above;
- Sell all or some of your BLG Shares on-market if you no longer wish to remain invested in the Company or if you wish to reduce your shareholding in the Company, and if you are able to dispose of your BLG Shares efficiently on-market above \$1.89 per BLG Share (having regard to market prices, the size of your BLG shareholding and any brokerage fees you may incur) and your view of a competing offer arising (noting that the IBC has not received any competing proposal at the date of this document); or
- Take no action and reject the Offer if you wish to remain invested in the Company alongside Brett Blundy and Ray Itaoui and are comfortable with the risks associated with remaining a minority BLG Shareholder in the Bidder Group-controlled listed

¹⁷ The shareholdings of the Continuing Independent Directors are set out in section 2.7.1 of this Target's Statement, representing approximately 0.13% of the BLG Shares on issue.

¹⁸ Unless the Bidder proceeds to compulsory acquisition to acquire all issued BLG Shares.

entity if the Offer is successful, including the risk of a fall in the BLG Share price following the Offer closing if the Offer is successful or not.

Decision Flow Chart



The Continuing Independent Directors, have each advised the Company that she or he currently intends not to accept the Offer in respect of the BLG Shares that they individually hold or control.

2.2.2 Allegro Affiliated Director (Fay Bou)

Fay Bou is a managing director and partner of Allegro.¹⁹

Allegro has a Relevant Interest in 40,659,591 BLG Shares, representing approximately 32.43% of the BLG Shares on issue. As noted in this Target's Statement, Allegro has advised the Company that it intends to accept the Offer for all BLG Shares that it holds, in the absence of a superior proposal.²⁰

In addition, Mr Bou has a Relevant Interest in 69,444 BLG Shares.²¹ Mr Bou has advised the Company that he currently intends not to accept the Offer in respect of the BLG Shares that he individually personally holds or controls.

Mr Bou intends to resign as a director following Allegro accepting into the Offer and the Offer being declared unconditional.

As a member of the BLG IBC, Mr Bou also makes the same recommendation as the Continuing Independent Directors that is outlined above.

2.2.3 Bignor Affiliated Director (Jason Murray)

Bignor is a family entity controlled by Jason Murray, Chairman of the BLG Board.

¹⁹ Further, Mr Christopher Koeck, an executive of Allegro, is the alternate director to Mr Bou on the BLG Board.

²⁰ Mr Koeck has a Relevant Interest in 81,018 BLG Shares. Mr Koeck has advised the Company that he currently intends not to accept the Offer in respect of the BLG Shares that he individually personally holds or controls.

²¹ See section 2.7.1 of this Target's Statement for further details.

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Bignor has a Relevant Interest in 10,368,021 BLG Shares,²² representing approximately 8.27% of the BLG Shares on issue. As noted in this Target's Statement, Bignor has advised the Company that it intends to accept the Offer for all BLG Shares that it holds, in the absence of a superior proposal.

Mr Murray is also currently acting chief executive officer of the Company and is compensated by the Company for performing that role as well as acting as Chairman of the BLG Board.²³

Mr Murray intends to resign as a director following Bignor accepting into the Offer and the Offer being declared unconditional.

As a member of the BLG IBC, Mr Murray also makes the same recommendation as the Continuing Independent Directors that is outlined above.

2.2.4 **Bidder Affiliated Directors**

The Bidder Affiliated Directors are Brett Blundy and Tim Dodd (alternate director to Brett Blundy). Mr Blundy ultimately controls BBRC and is a director and shareholder of the Bidder. Mr Dodd is Global Chief Financial Officer of BBRC.

BBRC has a Relevant Interest in 20,618,556 BLG Shares representing 16.45% of the BLG Shares on issue.

The Bidder Affiliated Directors make no recommendation in respect of the Offer due to their affiliation with the Bidder.

If you have any questions in relation to the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (callers in Australia) or +61 1800 426 150 (callers outside Australia). Further information relating to the Offer can be obtained from the Company's website at <https://bestandlessgroup.com.au/investor-centre/>.

²² Jason Murray is taken to also hold a Relevant Interest in the same 10,368,021 BLG Shares due to his association with Bignor.

²³ For details of that compensation see section 2.7.2 of this Target's Statement.

2.3 Important information about the Offer

2.3.1 Key terms of the Offer

The table below summarises key features of the Offer. Please see Sections 1.3 and 1.7 of the Bidder's Statement for a description of the Bidder, the Offer and the Conditions.

Item	Offer
Offer Price per BLG Share	\$1.89 cash
Conditions	The Conditions are set out in full in Section 1.7.9 of the Bidder's Statement and, in summary, are as follows: <ul style="list-style-type: none">• 55% Minimum Acceptance Condition;• No Material Adverse Change;• No Legal or Regulatory Restraints; and• No Prescribed Occurrences.
Timing	The Offer Period commences on 22 May 2023 and closes on 22 June 2023 (unless extended)

2.3.2 What are your choices as a BLG Shareholder?

As a BLG Shareholder, you have several choices available to you. You can:

- accept the Offer for some or all of your BLG Shares (see Section 2.3.3 below);
- sell all or some of your BLG Shares on ASX (see Section 2.3.4 below); or
- do nothing and retain your BLG Shares.

The BLG Directors encourage you to read the whole of this Target's Statement, the Independent Expert's Report that accompanies this Target's Statement, and the Bidder's Statement, and consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your BLG Shares.

If you have any questions in relation to the Offer, please contact the BLG Shareholder Information Line on 1800 426 150 (callers in Australia) or +61 1800 426 150 (callers outside Australia). Further information relating to the Offer can be obtained from the Company's website at <https://bestandlessgroup.com.au/investor-centre/>.

2.3.3 You can accept the Offer

You may choose to accept the Offer for some or all of your BLG Shares. Your BLG Directors' recommendations concerning acceptance or rejection of the Offer are set out in Section 2.2 of this Target's Statement.

Details of how to accept the Offer are set out in Section 1.7.5 of the Bidder's Statement.

If you accept the Offer for any of your BLG Shares, you will not be able to sell those BLG Shares to anyone else, accept any superior proposal that may emerge or otherwise deal with those BLG Shares, unless either:

- the Offer is unsuccessful (because, for example, not all of the Conditions are satisfied or waived); or

- the Offer Period is extended by a period of more than one month while it is still conditional (refer to Section 2.3.12 of this Target's Statement for further information).

No brokerage or stamp duty will be payable as a result of your acceptance of the Offer.²⁴

Further information about the effect of accepting the Offer is set out at Section 2.3.11 of this Target's Statement and Section 1.7.7 of the Bidder's Statement.

2.3.4 **You can sell your BLG Shares on ASX**

BLG Shareholders remain free to sell some or all of their BLG Shares on ASX, provided they have not already accepted the Offer.

On 19 May 2023 (the last practicable date prior to the finalisation of this Target's Statement), the closing share price for BLG Shares was A\$1.865. The latest price for BLG Shares may be obtained from the ASX website at www.asx.com.au.

In respect of any BLG Shares you sell on the ASX, you:

- will lose the ability to accept the Offer;
- will not be entitled to receive any increased consideration if the Offer Price is increased by the Bidder;
- may receive more or less for your BLG Shares than the Offer Price;
- may be liable for tax on the sale;
- may incur a brokerage charge; and
- will receive the consideration for your BLG Shares sooner than if you accept the Offer.

BLG Shareholders who wish to sell their BLG Shares on ASX should contact their broker for information on how to effect that sale. They should also contact their tax adviser to determine the tax implications for them from such a sale.

2.3.5 **Can I do nothing and retain my BLG Shares?**

If you do not wish to accept the Offer and want to retain your BLG Shares, you should disregard the Offer and simply do nothing. If you decide to do nothing, you will remain a BLG Shareholder but should be aware of the risks associated with remaining a BLG Shareholder including the rights of the Bidder to compulsorily acquire your BLG Shares in certain circumstances and the potential fall in the value of your investment. For further information on these risks, refer to Section 2.5 of this Target's Statement.

2.3.6 **What is the effect of non-satisfaction of Conditions?**

You should be aware that, even if the Conditions are not satisfied (or are triggered, as appropriate) they may be waived by the Bidder.

If any Condition is unsatisfied (or has been triggered) and has not been waived, the Bidder will have an option as to whether to proceed with the acquisition of BLG Shares under its

²⁴ If your BLG Shares are registered in a CHESS Holding, or if you are a beneficial owner whose BLG Shares are registered in the name of a broker, bank custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer, but you should ask your Controlling Participant (usually your broker) or that nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.

Offer or allow its Offer to lapse with unsatisfied Conditions. If the Offer lapses, all acceptances of the Offer will be void and of no effect.

2.3.7 **Notice of Status of Conditions**

Section 1.7.3 of the Bidder's Statement notes that the Bidder will give a Notice of Status of Conditions to ASX and the Company on 15 June 2023 (subject to extension in accordance with the Corporations Act if the Offer Period is extended). The Bidder will be required to set out in its Notice of Status of Conditions:

- (a) whether the Offer is free of any or all of the Conditions;
- (b) whether, so far as the Bidder knows, any of the Conditions have been fulfilled; and
- (c) the Bidder's Voting Power in the Company at that time.

If a Condition is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, the Bidder must, as soon as practicable, give ASX and the Company a notice which states that a particular Condition has been fulfilled.

2.3.8 **Extension of the Offer Period**

The Bidder may extend the Offer Period at any time before giving the Notice of Status of Conditions while the Offer is subject to Conditions. However, if either:

- (a) the Offer is unconditional (that is, all the Conditions are satisfied or waived); or
- (b) the Offer is unconditional and one of the following happens after the Bidder gives the Notice of Status of Conditions:
 - (i) another person lodges with ASIC a bidder's statement for a takeover bid for BLG Shares;
 - (ii) another person announces a takeover bid for BLG Shares;
 - (iii) another person makes offers under a takeover bid for BLG Shares; or
 - (iv) the consideration for offers under another takeover bid for BLG Shares is improved,

then the Bidder may extend the Offer Period at any time before the end of the Offer Period.

In addition, there would be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) the Bidder improves the consideration offered under the Offer; or
- (b) the Bidder's Voting Power in the Company increases to more than 50%.

If either of these two events occur, the Offer Period would be automatically extended so that it ends 14 days after the relevant event occurred.

2.3.9 **Can the Bidder withdraw the Offer?**

The Bidder may not withdraw the Offer if you have already accepted it. However, if the Conditions have not been satisfied or waived at the end of the Offer Period, then all acceptances will be void. Before you accept the Offer, the Bidder may withdraw the Offer

with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

2.3.10 **Lapse of the Offer**

The Offer will lapse if the Conditions are not waived or satisfied by the end of the Offer Period. In this situation, all contracts resulting from acceptance of the Offer and all acceptances that have not yet resulted in binding contracts are void and you will be free to deal with your BLG Shares as you see fit.

2.3.11 **What is the effect of accepting the Offer?**

The effect of acceptance of the Offer is set out in Section 1.7.7 of the Bidder's Statement. You should read these provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your BLG Shares and the representations and warranties which you will be giving the Bidder by accepting the Offer.

Importantly, accepting the Offer will prevent you from selling your BLG Shares during the Offer Period and if the Offer is declared or becomes unconditional, the Bidder will be able to exercise the rights attaching to your BLG Shares.

2.3.12 **No withdrawal rights**

You may only withdraw your acceptance if the Offer remains subject to the Conditions and the Bidder varies the Offer in a way that postpones the time when the Bidder is required to satisfy its obligations under the Offer by more than one month.

2.3.13 **When you will receive payment of the Offer Price**

As stated in Section 1.7.8 of the Bidder's Statement, the Bidder will make payment of the consideration due to you for your BLG Shares on or before the earlier of:

- (a) if you accept the Offer, and the Offer is unconditional, within 7 days of your acceptance; and
- (b) if you accept the Offer before the Offer is unconditional, within 7 days of the Offer becoming unconditional or the end of the Offer Period.

2.3.14 **What happens if the Bidder improves the Offer Price?**

In accordance with section 650B of the Corporations Act, the Bidder may vary the Offer by improving the Offer Price. If the Bidder improves the Offer Price during the last seven days of the Offer Period, the Offer Period will automatically be extended by a further 14 days.

All BLG Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

If you have sold your BLG Shares on ASX, you will not be eligible for the benefit of any improvement in the Offer Price.

2.3.15 **What is compulsory acquisition, and will the Bidder be able to compulsorily acquire my BLG Shares if I don't accept the Offer?**

The Bidder has stated in Section 1.6.3 of the Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition in accordance with the Corporations Act, it intends to compulsorily acquire any outstanding BLG Shares.

BLG Shareholders should be aware that if they do not accept the Offer and their BLG Shares are compulsorily acquired, those BLG Shareholders will face a delay in receiving the

consideration for their BLG Shares compared with BLG Shareholders who have accepted the Offer.

The two types of compulsory acquisition under Chapter 6A of the Corporations Act are discussed below.

(a) **Post-bid compulsory acquisition**

The Bidder would be entitled to compulsorily acquire any outstanding BLG Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of, the Offer Period, the Bidder Group has:

- (i) a Relevant Interest in at least 90% (by number) of the BLG Shares; and
- (ii) acquired at least 75% (by number) of the BLG Shares that the Bidder offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If these thresholds are met, the Bidder will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to BLG Shareholders who have not accepted the Offer. The consideration payable by the Bidder will be the Offer Price last offered under the Offer.

BLG Shareholders have statutory rights to challenge the compulsory acquisition. A successful challenge would require the relevant BLG Shareholders to establish to the satisfaction of a court that the terms of the Offer do not represent "fair value" for the BLG Shares.

(b) **General compulsory acquisition**

Even if Bidder does not reach the 90% compulsory acquisition threshold described in Section 2.3.15(a), the Bidder's general compulsory acquisition rights may be triggered at a later point in time.

Under Part 6A.2 of the Corporations Act, the Bidder would be entitled to compulsorily acquire any outstanding BLG Shares, if the Bidder (either alone or with a Related Body Corporate) holds full beneficial interests in at least 90% of BLG Shares (by number).

If this threshold is met, the Bidder would have six months after the Bidder becomes a 90% holder within which to give compulsory acquisition notices to the relevant BLG Shareholders. The compulsory acquisition notices sent to the BLG Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give a "fair value" for the BLG Shares and the independent expert's reasons for forming that opinion.

If BLG Shareholders with at least 10% of BLG Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), the Bidder may apply to the court for approval of the acquisition of the BLG Shares covered by the notice. Any costs incurred by a BLG Shareholder who objects in legal proceedings in relation to the compulsory acquisition must be borne by the Bidder, unless the court is satisfied that the relevant BLG Shareholder acted improperly, vexatiously or otherwise unreasonably.

2.3.16 **Can the Company be delisted from ASX following the Offer?**

The Bidder has stated in its Bidder's Statement that it has not decided whether to seek delisting, and the decision will be based on the level of shareholding acquired, associated costs of remaining listed and other factors that may become known to the Bidder and its Associates.

In certain circumstances following the Offer it is possible that delisting from ASX could be sought by the Bidder following approval by special resolution of BLG Shareholders. For further details of the risks of delisting, see Section 2.5.2(f) of this Target's Statement. In general terms, the Bidder could not vote on such a resolution approving a delisting within 12 months of making the Offer.

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2.4 Information relating to the Company

2.4.1 Overview of the Company

BLG Group (ASX:BST) is a value apparel specialty retailer with an omnichannel network comprising 249 physical stores across Australia and New Zealand and an online sales platform for its two brands:

- Best & Less Australia (in Australia); and
- Postie NZ (in New Zealand).

The Company has been listed on ASX since July 2021 and employs over 4,000 employees on full-time, part-time and casual bases across Australia and New Zealand. The Company's broad product range offers its customers a range of apparel across babywear, kidswear, womenswear, menswear, footwear, accessories and hosiery.

2.4.2 Overview of operations

Best & Less Australia	<p>Best & Less Australia seeks to provide the Company's target customers (being 18-54 year old women with children) with everyday low prices, a high level of customer service, a convenient shopping experience and access to high-quality, affordable everyday basics and on-trend products under the proposition of <i>"twice the quality at half the price"</i>.</p> <p>Best & Less Australia operates 186 physical stores across Australia to service its target customers.</p>
Postie NZ	<p>Postie NZ is a value apparel retailer with a unique 112-year heritage in New Zealand. Postie NZ's customer value proposition is aligned with Best & Less Australia and the BLG Group's competitive advantage lies in their ability to use BLG Group's infrastructure, buying power, capability and scale.</p> <p>Postie NZ operates 63 stores across New Zealand and a significant online business, targeting value conscious families buying baby and kids' apparel.</p>
Online sales channels	<p>The Company combines its physical presence in Australia and New Zealand with its online sales channel.</p>

2.4.3 Current strategy

The Company has identified five focus areas that are expected to be the primary drivers of medium-term growth in sales and earnings across both Best & Less Australia and Postie NZ, being:

- benefiting from growth in the value apparel market driven by population growth, increased disposable earnings and continuation of consumer trends of increasing their spend value in the value segment of the apparel market;

- increasing market share in the baby and kids' segments, leveraging the Company's current strength in babywear, entering into adjacent categories and growing kids' apparel through continued improvements to the offering, more effective use of customer data and collaborations and partnerships;
- increasing market share in the womenswear category, streamlining options and collaborating across brands;
- deliver above-market online channel sales growth, integration of new data capabilities to upgrade the customer experience, digital marketing and customer relationship management offerings;
- store network expansion by improving and personalising the in-store experience and increase store segmentation.

2.4.4 Summary historical financial information

- (a) Company historical consolidated statement of profit or loss and other comprehensive income

	Period to 27 June 2021 (full year) (\$'000)	Period to 3 July 2022 (full year) (\$'000)	Period to 1 January 2023 (half year) (\$'000)
Sales revenue	576,071	622,181	324,781
Gross profit	279,309	301,075	150,946
Expenses	(222,675)	(240,716)	(128,723)
Operating profit	56,811	60,512	22,307
Profit before income tax expense	94,236	50,493	16,395
Total comprehensive income	84,086	38,476	7,921

- (b) Company historical consolidated statement of financial position

	Period to 27 June 2021 (full year) (\$'000)	Period to 3 July 2022 (full year) (\$'000)	Period to 1 January 2023 (half year) (\$'000)
Current assets	122,152	142,334	134,990
Non-current assets	220,772	234,328	232,472
Total assets	342,924	376,662	367,462
Current liabilities	131,482	129,671	132,717

Non-current liabilities	168,316	174,277	168,426
Total liabilities	299,798	303,948	301,143
Net assets	43,126	72,714	66,319
Total equity	43,126	72,714	66,319

(c) Company historical consolidated statement of cash flows

	Period to 27 June 2021 (full year) (\$'000)	Period to 3 July 2022 (full year) (\$'000)	Period to 1 January 2023 (half year) (\$'000)
Net cash from operating activities	84,638	80,796	28,515
Net cash used in investing activities	119,314	(7,527)	(7,091)
Net cash used in financing activities	(168,219)	(72,303)	(39,470)
Cash and cash equivalents at the end of financial period	35,733	36,699	18,653

2.4.5 Recent trading performance and financial outlook

On 17 May 2023, the Company released a trading update which indicated that the Company expects to deliver pro forma net profit after tax of \$10 - \$12 million for H2 FY23, which is a downgrade to the \$18 - \$20 million estimate previously guided at the Company's first half results on 21 February 2023²⁵. For the 19 weeks of trading to date in H2 FY23, ending 14 May 2023, total sales were \$221.9 million, up 1.8% on the prior corresponding period. Like-for-like sales²⁶ were down 1.4%, with store like-for-like sales up 0.4% and online sales down 18.2%. Trading conditions were inconsistent throughout March and April, before improving in the lead up to Mother's Day. May like-for-like sales are -1.8% below the prior corresponding period, with the Company's core non-discretionary product lines continuing to perform well.

²⁵ The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

²⁶ Like-for-like revenue growth is calculated as a percentage change between the total aggregated revenue generated from stores (including online) in a relevant period, compared to the total aggregated revenue from the same set of stores in the relevant previous corresponding period. A store is included in the Company's like-for-like revenue growth calculation after it has been trading for a minimum period of 12 months. Each period in which stores were temporarily closed due to COVID-19 for a period in excess of three days has been excluded from the Like-for-like calculation. The periods in which store were closed for a prolonged period due to refurbishments are also excluded from the like-for-like calculations.

2.4.6 **BLG Directors**

As at the date of this Target's Statement, the BLG Directors are:

- Jason Murray (Executive Chair);
- Colleen Callander (Non-Executive Director);
- Fay Bou (Non-Executive Director, Christopher Koeck alternate director);
- Melinda Snowden (Non-Executive Director);
- Stephen Heath (Non-Executive Director); and
- Brett Blundy (Non-Executive Director, Tim Dodd alternate director).

The BLG Board has established an Audit and Risk Committee. The members of that committee are Ms Snowden (Chair), Mr Heath and Mr Murray. The BLG Board has established a People and Remuneration Committee. The members of that committee are Mr Heath (Chair), Ms Callander and Mr Bou.

2.4.7 **Senior management**

As at the date of this Target's Statement, the senior management team of the Company are:

- Jason Murray (Executive Chair);
- Andrew Moore (CFO and Company Secretary);
- Linda Leonard (Chief Merchandise Officer and Postie NZ Managing Director);
- Joseph Van Dyk (Chief Operations Officer);
- Rebekah Florence (Chief People & Culture Officer);
- Bridie Commerford (Chief Marketing & Digital Officer).

2.4.8 **Changes to the Board following completion of the Offer**

If the Offer results in the Bidder Group acquiring control of the Company and the Company remains listed on ASX it is expected that the following changes will occur in relation to the composition of the BLG Board:

- When the Bidder has received acceptances resulting in it having a Relevant Interest in 55% or more of BLG Shares and the Offer has become unconditional, the BLG Directors intend to appoint Ray Itaoui as a BLG Director;
- at this time, Fay Bou intends to resign as a director following Allegro accepting into the Offer and the Offer being declared unconditional; and
- at this time, Jason Murray intends to resign as a director following Bignor accepting into the Offer and the Offer being declared unconditional.

The BLG Board would then comprise Stephen Heath, Colleen Callander, Melinda Snowden, Brett Blundy and Ray Itaoui. It is proposed that Ray Itaoui will be appointed as Executive Chair for a transitional period until Erica Berchtold joins the Company as Chief Executive Officer in September 2023 (see Section 2.4.9 for further details). Upon Erica joining, it is

intended that Stephen Heath will become Chair of the BLG Board and Ray Itaoui will revert to a Non-Executive Director role.

The Bidder's Statement discloses in Section 1.6.3(d) that if the Bidder becomes entitled to compulsory acquisition the Bidder would reconstitute the BLG Board in a manner consistent with the Company becoming an unlisted subsidiary of the Bidder. This would include the removal of all directors other than Brett Blundy, and the appointment of Ray Itaoui to the BLG Board.

The reconstituted BLG Board will consider and decide on the structure and memberships of the Audit and Risk Committee and People and Remuneration Committee following completion of the Offer.

2.4.9 **Appointment of Chief Executive Officer**

On 14 April 2023 the Company announced the appointment (and terms of appointment) of Erica Berchtold as chief executive officer of the Company, effective 4 September 2023. The BLG Directors intention is that the making of the Offer will have no impact on the terms or timing of that appointment.

2.4.10 **Issued capital**

As at the date of this Target's Statement, the Company's issued capital consisted of:

Security	Total number on issue
BLG Shares	125,366,930
BLG Performance Rights	1,790,190

2.4.11 **Substantial holders**

As at the last day before the date of this Target's Statement, based on the substantial shareholder notices provided to the Company, the substantial shareholders of BLG Shares are:

Name of substantial holder	Number of BLG Shares	Percentage shareholding
Allegro	40,659,591	32.43%
BBRC and Ray Itaoui ²⁷	20,618,556	16.45%
Bignor	10,368,021	8.27%

2.4.12 **Continuous disclosure and recent ASX announcements**

²⁷ On 1 May 2023 Ray Itaoui disclosed that he had obtained Voting Power in the BLG Shares owned by BBRC due to him acting in concert with BBRC in relation to the Offer.

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The Company is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au and the Company's website at <https://bestandlessgroup.com.au/investor-centre/>.

The following table lists the ASX announcements by the Company from 21 October 2022 (being the date on which the Company lodged its annual report for the year ending 30 June 2022) until the day before the date of this Target's Statement.

Date of ASX announcement	ASX announcement
17/05/2023	Trading update
01/05/2023	Becoming a substantial holder – Ray Itaoui
01/05/2023	Proposed takeover offer by an entity associated with BBRC
17/04/2023	Notification of cessation of securities - BST
14/04/2023	CEO appointment
06/04/2023	Notification regarding unquoted securities - BST
06/03/2023	Notification of cessation of securities - BST
23/02/2023	Ceasing to be a substantial holder
21/02/2023	H1 FY23 Results - Investor Presentation
21/02/2023	H1 FY23 Results Announcement
21/02/2023	Dividend/Distribution - BST
21/02/2023	Appendix 4D and H1 FY23 Financial Statements
14/02/2023	Upcoming release of shares subject to voluntary escrow
06/02/2023	H1 FY23 Results Release Date and Briefing Details
01/02/2023	CEO update
25/01/2023	Trading update
16/01/2023	Notification of cessation of securities - BST

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15/12/2022	CEO Update
30/11/2022	Capital Markets Event Presentation
22/11/2022	2022 AGM - Results of Meeting
22/11/2022	2022 AGM - Presentation
22/11/2022	2022 AGM - Executive Chair address
22/11/2022	Trading update

2.5 Risk factors

In considering this Target's Statement and the Offer, BLG Shareholders should be aware that there are a number of risks:

- (a) risks associated with accepting the Offer (set out in Section 2.5.1 below);
- (b) investment risks associated with rejecting the Offer (set out in Section 2.5.2 below); and
- (c) risks associated with the future operating and financial performance of the Company (set out in Section 2.5.3 below).

Some of the risks may be adequately mitigated by the use of safeguards and appropriate systems but many are beyond the control of the Company and the BLG Directors and cannot be mitigated.

The risks summarised below are not exhaustive and do not take into account BLG Shareholders' individual circumstances including their investment objectives, financial situation or taxation position. In addition, these risks are general in nature only and do not cover every risk that may be associated with an investment in the Company now or in the future.

BLG Shareholders should carefully consider the risks mentioned in this Section 2.5, as well as the other information contained in this Target's Statement and the Bidder's Statement before deciding whether to accept or reject the Offer. BLG Shareholders should consult an appropriately licenced professional adviser immediately if they are uncertain about any of the matters outlined in this Target's Statement.

2.5.1 Risks associated with accepting the Offer

(a) Conditions of the Offer

As noted in Section 1.7.9 of the Bidder's Statement and Section 2.3 of this Target's Statement, the Offer is subject to the Conditions.

If the Conditions are not satisfied (or waived by the Bidder) by the applicable date, the Bidder may allow the Offer to lapse with unsatisfied Conditions, in which case the Offer will not proceed.

However, given the stated intentions of both Allegro and Bignor, the Minimum Acceptance Condition is expected to be reached and the Offer will succeed if the other Conditions are satisfied or waived.

The other Conditions relate to certain events not taking place before the end of the Offer Period, including no Material Adverse Change, no Legal or Regulatory Restraints and no Prescribed Occurrences. The BLG Directors have no reason to expect these Conditions will not be satisfied before the end of the Offer Period.

(b) Possibility of a superior proposal

If a superior proposal emerges or is announced, and you have already accepted the Offer at that time, you may not be able to withdraw your acceptance and accept the superior proposal except in limited circumstances (set out in Section 2.3.12 in further detail).

As at the date of this Target's Statement, the BLG Directors are not aware of any competing proposal and there can be no assurance that any competing proposal will emerge or that such a competing proposal will be, or will become, a superior proposal.

(c) **Limited withdrawal rights**

Once you have accepted the Offer, you will only be able to withdraw your acceptance in very limited circumstances (set out in Section 2.3.12). You will not be able to withdraw your acceptance even if the value of BLG Shares varies significantly from the date of your acceptance or if a superior proposal is announced.

(d) **Possibility of future BLG Share price appreciation**

If you accept the Offer, you will forego the opportunity to benefit from price appreciation of BLG Shares and will be unable to sell your BLG Shares for more valuable consideration than that offered under the Offer. However, this risk should be balanced against the risk of the BLG Share price depreciating as outlined in Section 2.5.2(a) below. The BLG Directors can give no assurance and makes no forecast of whether this will occur.

(e) **Taxation consequences**

The taxation consequences of accepting the Offer depends on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer for certain BLG Shareholders is set out in Section 2.6 of this Target's Statement.

You should carefully read and consider the Australian taxation consequences of accepting the Offer.

You are advised to seek your own independent professional advice regarding the Australian and, if relevant, foreign tax consequences of disposing of your BLG Shares based on your own particular circumstances.

(f) **No interest in equity upside**

If you accept the Offer, you will lose your interest and exposure in the future profits and dividends (if any) associated with the Company.

2.5.2 **Investment risks associated with rejecting the Offer**

If the Bidder acquires at least 55% (being the Minimum Acceptance Condition) of the Company, then assuming all other Conditions are fulfilled or freed, the Bidder will acquire a majority shareholding in the Company.

In such circumstances, BLG Shareholders who do not accept the Offer will become minority shareholders in the Company. There are a number of implications that may arise from this, including:

(a) **The BLG Share price may fall following the Offer**

If you do not accept the Offer or if the Offer is not successful, there is a risk that upon expiry of the Offer Period, the BLG Share price may fall further below the Offer Price. This risk is increased in light of the trading update released to the ASX on 17 May 2023, which indicated to the market that BLG expects to deliver pro forma net profit after tax of \$10 to \$12 million for H2 FY23, which is a downgrade to the \$18 to \$20 million estimate previously guided at BLG's first half results on 21 February 2023²⁸. The closing share price was \$1.865 per share on 19 May 2023 (being the last trading day prior to lodgment of this Takeover Booklet).

²⁸

The pro forma net profit after tax guidance of \$18 million to \$20 million was originally provided in the trading update released to the ASX on 25 January 2023.

(b) Majority of votes at general meeting and Board control

The Bidder Group will be in a position to cast the votes required to determine alone the outcome of an ordinary resolution (in respect of which it is entitled to vote). This will enable the Bidder, subject to compliance with applicable law, ASX Listing Rules, and the constitution of the Company, to control the composition of the BLG Board and through its control of the BLG Board, the senior management of the Company; determine the Company's capital return and dividend policy; and control the strategic direction of the BLG Group.

(c) Company strategy

While the Bidder Group has stated that its present intention is to support the fundamental aspects of the Company's current strategy and is supportive of existing management, meaning there is expected to be continuity of BLG's business if the Offer succeeds, there is a risk that the Bidder Group may look to alter the Company's business strategy from that described in Section 2.4.3 of this Target's Statement in the future. Minority BLG Shareholders will have limited or no control over the Company's management or decision-making processes in relation to these matters.

(d) Liquidity of BLG Shares

If the Offer is successful and the Bidder receives a material number of acceptances from BLG Shareholders in addition to Allegro and Bignor, that would result in a reduction in the number of BLG Shares that would typically trade on ASX. In this situation, there is a risk that there may be a decrease in the liquidity of BLG Shares traded on ASX. This will mean that BLG Shareholders may not be able to sell their BLG Shares as quickly as they might otherwise have been able to when there was greater liquidity.

(e) Special resolutions if 75% or more acquired

If the Bidder acquires 75% or more of the BLG Shares, it would be able to pass a special resolution of the Company (where it is entitled to vote). This would enable the Bidder to, amongst other things, change the Company's constitution or cause the de-listing of the Company from ASX (subject to the conditions being satisfied at that time, as further explained below).

(f) Potential for de-listing

The Bidder may, in certain circumstances, request that the Company be removed from the official list on the ASX. ASX guidance indicates the usual conditions that the ASX would expect to be satisfied in order for it to approve the removal of the Company from the official list in the context of a successful takeover bid.

Where the ordinary securities of the entity will not be able to be traded on another exchange, ASX will usually require the following conditions to be satisfied:

- the entity obtains the approval of its security holders to its removal from the official list of ASX by special resolution; and
- the removal not take place any earlier than one month after security holder approval has been obtained.

All holders of ordinary securities (including a person holding sufficient securities to secure the passage of the special resolution) will generally be permitted to vote on the special resolution. However where an entity has been the subject of a takeover bid in the last 12 months, ASX may require the removal from ASX to be approved by the entity's security holders and will also impose a voting exclusion on the Bidder and its Associates.

In a situation where a bidder foreshadowed in its bidder's statement for a takeover bid that if it secures control it will cause the entity to apply for removal from ASX, it acquires ownership or control of at least 75% of ordinary securities as a result of the bid, and all minority shareholders having holdings with a value of at least \$500 is fewer than 150, ASX will not usually require the entity to obtain security holder approval.

If the Company were to be removed from the official list of the ASX, this would mean that BLG Shareholders will become shareholders in an unlisted company controlled by the Bidder with no immediate exit mechanisms for their investment other than an off-market sale of their BLG Shares.

(g) Dividend policy variations

Following the Offer, the payment of any dividends will remain at the sole discretion of the BLG Board.

The BLG IBC and the Bidder Group have each stated that they intend for the Company to continue to seek to deliver to BLG Shareholders dividends to the maximum acceptable level, having regard to the needs of the business. However, there is no guarantee that this dividend policy will not change in the future, including as a result of the changing needs of the business or as a result of the Bidder Group changing its intention and amending the dividend policy by seeking control of the BLG Board.

(h) Compulsory acquisition

If at the end of or following the Offer Period, the Bidder Group acquires a Relevant Interest in 90% or more of all BLG Shares and the compulsory acquisition provisions of the Corporations Act are satisfied, the Bidder would be entitled to compulsorily acquire the BLG Shares that it did not already own. Following compulsory acquisition, you would cease to be a BLG Shareholder and would not remain invested alongside members of the Bidder Group.

(i) Creeping acquisitions

If the Bidder Group holds less than 90% of the BLG Shares on issue, under the Corporations Act it will be entitled to acquire up to 3% of the BLG Shares on issue in each 6-month period without making an offer to all BLG Shareholders. The Bidder Group has indicated their present intention is that it may make such acquisitions following the Offer (see Section 1.6.2(c) of the Bidder's Statement).

2.5.3 Risks associated with the future operating and financial performance of the Company

(a) Retail environment and general economic conditions may worsen

The Company's operational and financial performance are sensitive to consumer sentiment. Key factors that may adversely affect demand for the Company's products include further increases in interest rates, economic shocks, increased unemployment and decreases in the asset values of homes and other dwellings. Other factors that may also impact the Company's sales and earnings include government stimulus or support provided (or removed) to consumers either directly or indirectly.

The Company's target consumer is typically attracted to the Company's customer value proposition, which may mitigate the effect of an economic downturn. Notwithstanding this, a sustained deterioration in economic conditions may still generally reduce consumer disposable incomes or change consumer preferences or needs as to allocation of their disposable income. Any material reduction in consumer disposable income may reduce demand for the Company's products which may in turn result in lower levels of revenue or profitability for the Company.

(b) **Competitive environment**

The Company operates in a competitive market and there is a risk that the Company may lose market share to new or existing competitors in the market. This loss in market share could be driven by a number of factors, such as competitors delivering superior products and customer experiences, increasing their store rollout, increasing advertising or product discounting or consolidating with other retailers to deliver enhanced scale benefits against which the Company is unable to compete.

If the Company's competitive position were to deteriorate as a result of increased competition, the Company's customers may choose to purchase products from competitors rather than from the Company and this may in turn reduce the Company's revenue and profit margins. Such a reduction in profitability and revenue may subsequently have an adverse impact on the Company's financial and operating performance.

There is also a risk that a general increase in competition may require the Company to invest in additional marketing or product development initiatives, or to lower prices paid for its products, which could decrease profitability, even where its market share remains unchanged.

A failure by the Company to offer products and services that remain competitive with new entrants and existing competitors, in a timely manner or at all, may also result in a decrease in the Company's market share, which would have an adverse impact on the Company's financial and operating performance.

(c) **Changes in Australian and New Zealand population growth**

Any medium-term or permanent reduction in Australia and New Zealand's population growth (including net immigration) or the birth rate, may adversely impact the Company's future financial and operating performance, particularly due to the Company's strong focus on the baby and kids' segments.

(d) **Change of Control Contracts**

BLG Group Members are party to a number of contracts which contain provisions regarding a change of control which may be triggered as a result of Offer (**Change of Control Contracts**). For further details, see Section 2.7.6 of this Target's Statement. Failure to obtain a required approval from a contract counterpart may cause that counterparty to exercise termination or other rights under the relevant contract and may negatively impact the future prospects of the Company.

(e) **Underpayment of wages and failure to comply with industry awards**

The Company has a number of controls in place in an effort to ensure compliance with all employment laws, however, there is a risk underpayment of employees could occur. This could arise where employee rostering is mismanaged, employees are mischaracterised as either casual or permanent, or where payroll errors are otherwise made in relation to a high number of employees, across a national store network.

Underpayment of employees could have significant consequences for the Company's reputation and a negative financial impact on the business. It may involve:

- a significant financial liability related to correcting multiple years of accumulated errors;
- a loss of trust in the Company resulting in reduced ability to attract and retain employees;
- negative media which impacts the reputation of the Company and its brands; and

- regulatory scrutiny, such as from the Fair Work Ombudsman.

The Company previously identified, and has remediated, instances of underpayments to employees in Australia relating to the seven-year period prior to 2020 (which amount was less than 1% of the total payroll amount paid to employees over that time). In New Zealand anomalies in the calculation of holiday pay to employees were identified and remedied in 2021 (with amounts totalling less than NZ\$500,000 being back paid to employees).

To prevent reoccurrence of similar underpayments the Company implemented a number of measures, including, a new time and attendance policy and system, improved management oversight and quarterly salary reconciliations.

(f) The Company may be unable to retain and secure suitable store sites

The Company's store footprint and portfolio are assessed by BLG Management on an ongoing basis and revised in order to optimise the financial and operational performance of the Company. While underperforming stores are typically closed or their leases are not renewed on expiry, store lease initial terms are generally at least three years and the rent payable under these leases can sometimes be difficult to renegotiate, despite underperformance. This may result in the Company running underperforming stores that are operating at a loss where it cannot cancel the lease or renegotiate the lease terms.

The Company's financial performance and future growth could be dependent on its ability to both retain existing store sites and secure new store sites in suitable locations and on acceptable terms. The Company's ability to achieve this may be impacted by a range of factors, including:

- delays to store openings;
- availability of new store sites;
- profitability of new stores;
- potential cannibalisation of existing stores by new store openings;
- competition for acceptable new store sites with other retailers;
- higher than budgeted operating costs; and
- landlord disputes.

These factors may adversely affect the Company's future financial and operational performance.

(g) There may be adverse foreign exchange rate movements

As most of the Company's overseas purchases are denominated in US dollars, the Company's financial position may be negatively affected by any adverse foreign exchange rate fluctuations.

While the Company undertakes currency hedging, which provides some shorter-term foreign exchange rate protection, the Company may not be able to renew or replace currency hedging contracts on favourable terms or at all.

A severe and/or sustained decline in the AUD against the USD could increase the cost of purchases and if the Company is not able to pass the increased cost to customers, this could adversely impact on the Company's financial and operating performance by increasing the business's costs.

The Company has operations in New Zealand (being Postie NZ) and it translates Postie NZ's monthly NZD results into AUD to arrive at the consolidated BLG Group results. No currency hedging is maintained by the Company for the AUD/NZD, therefore any deterioration in the NZD against the AUD could adversely impact reported results.

(h) The Company may lose key members of BLG management

The Company relies heavily on its existing management team who have intimate knowledge of the BLG business, systems and its products. If a key member of the BLG management team were to resign or leave the business this could have an adverse effect on the Company's performance, and there is no guarantee that the Company could attract a suitably qualified replacement, or if it is able to do so, how long it may take to attract and employ such a replacement.

Although the Company has structured incentive programs aimed at assisting the recruitment and retention of key management, these measures alone may not be sufficient to attract new personnel in a timely manner or retain existing personnel.

(i) The value of the Company's brands may diminish

The Company's brands ("Best & Less Australia" and "Postie NZ") and reputation are very important to attracting, retaining and increasing its customer base, managing its relationship with stakeholders and implementing the Company's business strategy. The Company's brands and reputation are also very important to the Company maintaining its existing relationships with manufacturers and distributors, and also retaining and attracting a skilled and engaged workforce. Maintaining the strength of the Company's brands is integral to the Company's ability to consistently appeal to its existing customers, attract new customers and generate sales growth.

As such, the ongoing success of the Company may be dependent on the business maintaining its strong reputation and protecting its brands.

The BLG name and its related intellectual property rights are also key to the BLG business, making up a substantial proportion of its total assets. The reputation and value associated with the BLG brands and its related intellectual property rights could be adversely impacted by a number of factors, including by a failure to provide customers with the quality of product and service standards they have come to expect, the existence of disputes or litigation with third parties such as employees, suppliers or customers, a failure to adequately protect the Company's intellectual property rights or by adverse media (including social media) coverage. Significant erosion in the reputation of, or value associated with, the BLG brands could have an adverse impact on customer loyalty, relationships with key suppliers, employee retention rates and demand for the relevant products, any of which could adversely impact the Company's market share, revenue and its future financial performance.

The Company's ability to benefit from its existing brands, innovative developments and expertise depends in part upon its ability to protect its intellectual property and any improvements to it, as well as the Company's confidential information. The Company relies on laws relating to trade secrets, copyright and trademarks in protecting its intellectual property portfolio. However, there is a risk of unauthorised use of, or access to, the Company's software, data, technology or platforms. In addition, there is a risk that the validity, ownership or authorised use of the Company's intellectual property may be successfully challenged by third parties. If the Company is required to bring or defend intellectual property enforcement proceedings as a consequence of unauthorised or improper use, the Company may be forced to incur significant costs and this may also result in the Company being unable to use the intellectual property, either temporarily or permanently. Such disputes may also impact the Company's ability to integrate new or

existing systems, which could adversely impact the Company's operations and financial performance.

(j) Product sourcing may be disrupted

The Company maintains long-standing supplier relationships with international suppliers; as at the date of this Target's Statement, 73% of Best & Less Australia goods and 92% of Postie NZ goods are sourced internationally, primarily from China, Bangladesh, India and Pakistan.

While the Company has a diversified supplier base, the business still relies on Chinese and other Asian suppliers. Any material adverse changes, adverse economic conditions, regulatory changes (e.g. export duties) or changes in the political environment in these markets may adversely impact the Company's ability to source and sell its products reliably and without material delays.

Further, whilst the Company regularly audits its suppliers and has ethical sourcing and supply terms, the Company faces a reputational risk to the extent that any foreign manufacturer or supplier from whom the Company purchases products (directly or indirectly) employs labour or engages in environmental activity, corruption, workplace safety or other business practices in a manner that varies from what is commonly accepted in Australia and New Zealand, the Company's reputation could be damaged by any resulting negative publicity or, in some cases, potential claims of liability.

Any of these identified risks may result in the increase of product sourcing costs for the Company or a reduction in the available range. This may adversely impact the Company's financial performance.

(k) Product failure

Australia and New Zealand have product safety standards for apparel and footwear, particularly in regard to the baby and kids' segments. Whilst the Company has a strong record with regard to product safety, goods sold by the Company may in the future, be defective and/or subject to product recalls which may require the Company to immediately stop selling the affected products, remove all stock from retail outlets and recall the products from the supply chain and consumers.

The risk and potential liability for the Company for product recalls will depend on the extent of the failure rate and the quantity of affected product in the market. Potential liability for the Company could extend to warranty claims, product recalls and other costs that the Company may be unable to fully recover from suppliers or third parties (including insurers). In addition, breaches of Australia or New Zealand's mandatory product safety laws by the Company could result in fines. To the extent that these events occur, they may have an adverse impact on the Company's business due to increased costs and reduced sales from not being able to sell recalled products or reputational damage.

(l) Risks associated with privacy and IT systems

The Company is focused on the protection of its customers' and employees' personal information. A significant breach of customer, employee or company information could attract significant media (including social media) attention, require the Company to pay fines or engage in litigation and/or damage the Company's customer relationships, brands and reputation, each of which may also negatively affect the Company's reputation and financial performance.

The Company's store and online offerings are an essential part of the Company's business and rely on the use of certain point-of-sale and online technologies. Although the Company has designed its technology and systems with a primary focus on security and data protection, information technology systems can be susceptible to security issues and it is

possible that hacking, cyberattacks or other exploitation of the Company's systems could cause loss, theft or corruption of data (including personal data of customers) held by or on behalf of the Company. This could occur through the deployment of viruses or malware designed to create system and service disruptions or to expose confidential information. Security or data breaches may result from human error, defects in technology or from third party service providers failing to comply with their obligations to the Company in respect of the protection of personal data.

The Company maintains insurance policies that partially mitigate against the consequences of these cybersecurity risks eventuating. However, despite these protective measures, it is possible that a security or data breach could occur. If these risks eventuate, they could have a material adverse effect on the Company's business, operating and financial performance, and/or growth and the value of BLG Shares.

(m) **The Company may experience technology failure or its technology may become obsolete**

The success of the Company's business relies on (among other things) the technology it has developed in respect of certain business functions including its point-of-sale, online offering, inventory management and general order processing management. If there is any decrease in the effectiveness or functionality of the information technology systems which support this technology (or if these systems are not able to be further developed and become obsolete in comparison to its competitors) then this could have a significant impact on the Company's ability to continue to deliver its services and generate revenues.

There is a risk that the technology systems may experience downtime or interruption due to system failures, service outages, corruption of information technology networks or information systems as a result of computer viruses, software bugs or cyberattacks, as well as natural disasters, fire, power outages or other events outside the control of the Company. This could impact the availability of the Company's online offering and order fulfilments and result in reduced product purchasing volumes. Any systemic failure could have reputational damage and affect the Company's ability to retain existing customers and attract new customers. Any of these events could have a materially adverse impact on the Company's business, operating and financial performance and/or growth.

(n) **Online channel risks**

BLG customers are increasingly using computers, tablets, mobile phones and other devices to purchase products. The Company's future growth strategy involves targeting growth in online sales.

Maintaining and continuing to improve its online channel offering involves investment of capital and resources, integrating a number of information and management systems from different vendors, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise, and effectively managing and improving the customer experience.

The Company's online channel operations are subject to numerous risks, including:

- website operating issues, including website availability, system reliability, website operation, internet connectivity, website errors, computer viruses, telecommunication failures, electronic break-ins or similar disruptions;
- legal compliance issues related to the online sale of products;
- intellectual property litigation;
- privacy and personal data security;

- protection against credit card and gift card fraud;
- fulfilment, inventory control and shipping issues for online channel transactions;
- customer behaviour changes in an unexpected manner, resulting in a decrease or increase in demand, which the Company has not anticipated and to which it does not adjust capacity and capability fast enough, resulting in possible lost sales and customers to competitors; and
- success of online channel operations may come at the cost of the success of the Company's "brick and mortar" stores.

If the Company cannot successfully avoid, mitigate or navigate these risks then it could have a material adverse impact on the Company's business, operating and financial performance and/or growth.

(o) **The Company may experience unexpected increases in operating and other expenses that may reduce its profitability**

The Company's operating and other expenses could increase without a corresponding increase in revenue. A number of factors which could increase operating and other expenses include unforeseen increases in, without limitation:

- freight and distribution expenses (e.g. the cost of third party delivery services);
- costs associated with the Company being listed;
- costs associated with insurances, telecommunications and IT;
- marketing, promotion and advertising expenses, including any increase in the cost of customer acquisition;
- leasing costs in relation to stores, head office and distribution facilities; and
- costs of products from the Company's suppliers due to input cost inflation and exchange rate pressures translating through to higher manufacturer prices which cannot be fully passed through to customers or a deterioration in the Company's relationships with its suppliers or credit limit reductions with suppliers.

The Company's profitability will be reduced if there are increases in operating and other expenses that exceed or do not correspond with increases in the Company's revenue. This may have a material adverse effect on the Company's business, financial performance and operations.

(p) **The Company relies on services provided by third party payment and logistics providers**

The Company relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver ordered products to customers. The Company has limited influence over these third parties and the contracts with these providers are generally short-term in nature.

Any system or service failure that causes an interruption to the Company's ability to effect payment transactions or receive payments could adversely affect its business.

A system or service failure that affects the delivery of ordered products to customers could adversely affect the customer experience and reduce the attractiveness of the BLG brand to customers and may result in cancellations or limiting future sales.

Any of these system or service failures could have an adverse impact on the reputation and brand of the Company's business which could materially adversely affect its financial performance and operations.

(q) **Regulatory risk and potential for laws and regulations to change**

The Company is required to comply with a range of laws and regulations in Australia, New Zealand and in the foreign jurisdictions in which it sources its products (including China). These laws and regulations include product and safety standards, fair trading and consumer protection, public health, employment, occupational health and safety, quarantine, customs and tariff and tax laws. Compliance with these laws and regulations, and the Company's ability to comply with any changes to these laws and regulations, is critical to the success of the Company's business. Any failure to comply with existing or new laws and regulations may result in a fine or penalty, loss of accreditation or brand damage, any of which could have a material and adverse effect on the Company's operations, performance and reputation.

Changes to laws and regulations in these areas may adversely impact the Company, including by increasing the Company's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including by increasing the cost to the business of adapting to and complying with changing regulatory requirements). Any such adverse effect may impact the Company's future financial performance.

In particular, the receipt of a proportion of the Company's total revenue is facilitated by the "Buy Now Pay Later" (BNPL) sector. The BNPL sector may be subject to increased regulation that could affect the sector's growth, functionality and customer utilisation. the Company's financial, operational performance and/or growth objectives may be adversely impacted if BNPL services were restricted in use by the Company's customers, or if the costs or ease of use were adversely altered.

(r) **Failure to effectively manage inventory**

The Company may fail to accurately forecast or manage its inventory levels. This may result in the Company incurring additional costs and/or losing revenue. If the Company purchases levels of product that it cannot sell in a timely manner, this excess stock may need to be cleared at a discount, otherwise the excess stock will become obsolete and the Company may be required to recognise inventory write-down costs. Conversely, if the Company fails to maintain adequate levels of inventory it may experience "out of stock" issues, which may result in foregone sales and damage to the Company's reputation or brands which may have an adverse effect on financial performance.

2.6 Taxation

The following is a general summary of the potential Australian income tax, goods and services tax (**GST**) and stamp duty consequences from disposing of your BLG Shares under the Offer.

The Australian income tax comments in this summary only apply to BLG Shareholders who hold their BLG Shares on capital account for Australian income tax purposes. In particular, the comments do not apply to BLG Shareholders who buy and sell shares in the ordinary course of business or who otherwise hold their BLG Shares on revenue account or as trading stock for Australian income tax purposes.

In addition, the Australian income tax comments in this summary do not apply to BLG Shareholders who:

- (a) acquired their BLG Shares under an employee share, option or rights scheme (including the BLG LTIP);
- (b) are subject to special taxation rules (for example, attribution managed investment trusts (**AMITs**), venture capital limited partnerships (**VCLPs**), trusts that are subject to tax as companies, insurance companies and tax exempt organisations);
- (c) are subject to the Investment Manager Regime under Subdivision 842-I of the Income Tax Assessment Act 1997 (Cth) in respect to their BLG Shares;
- (d) are subject to the "taxation of financial arrangements" rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) in relation to their BLG Shares;
- (e) are non-residents of Australia for income tax purposes who hold, or have held at any time, their BLG Shares in carrying on business at or through a permanent establishment in Australia; or
- (f) are temporary residents, or have changed their tax residence while holding BLG Shares.

Except where otherwise stated, this summary does not apply to BLG Shareholders that are partnerships or trusts or persons that are partners of such partnerships, or beneficiaries of such trusts. If a partnership or trust is a BLG Shareholder, the partners of such partnership or the beneficiaries of such trust should consult their own tax advisers in relation to the Australian income tax consequences for them or the partnership or the trust (as applicable) of disposing of BLG Shares under the Offer.

BLG Shareholders who are tax residents of a country other than Australia (whether or not they are also Australian tax residents, or are temporary tax residents of Australia) should take into account the tax consequences under the law of their country of residence, as well as under Australian tax law, and any applicable tax treaty between Australia and that country, of accepting the Offer.

The information in this summary is based upon Australian income taxation, GST and stamp duty laws and administrative practices of the relevant revenue authorities in effect as at the date of this Target's Statement. It is not intended to be an authoritative or comprehensive analysis of the income taxation, GST or stamp duty laws of Australia. The summary does not consider any specific facts or circumstances that may be relevant to the tax treatment of your BLG Shares.

As the tax consequences for BLG Shareholders will depend on each BLG Shareholder's own individual circumstances, all BLG Shareholders are advised to seek their own independent professional advice regarding the Australian and, if relevant, foreign tax consequences of disposing of their BLG Shares based on their own particular circumstances.

2.6.1 **BLG Shareholders who are Australian residents for tax purposes**

This section applies to BLG Shareholders who are residents of Australia for Australian income tax purposes and who hold their BLG Shares on capital account.

(a) **CGT consequences of the disposal of BLG Shares**

If you are an Australian resident for Australian income tax purposes, the disposal of your BLG Shares under the Offer will constitute a CGT event.

The CGT event will happen at the time that you dispose of your BLG Shares under the Offer for CGT purposes, which will be the date when the contract to transfer your BLG Shares comes into existence. This should be the date on which you accept the Offer to dispose of your BLG Shares. If you do not ultimately dispose of your BLG Shares (e.g. if a defeating Condition is not satisfied or waived before the Offer closes), then no CGT event should happen to your BLG Shares.

(b) **Calculation of the capital gain or loss**

The disposal of your BLG Shares should give rise to a capital gain or loss equal to the difference between:

- (i) the capital proceeds (i.e. the cash) received for the disposal of your BLG Shares; and
- (ii) the cost base (or, in the case of a capital loss, the reduced cost base) of your BLG Shares (which would generally include the amount you paid to acquire your BLG Shares plus certain incidental costs of acquisition such as brokerage fees and any applicable stamp duty).

Each BLG Share constitutes a separate asset for CGT purposes. You will need to consider the consequences relating to the disposal of BLG Shares which were acquired in different parcels at different times.

Your net capital gain for the income year is included in your assessable income for the income year. Broadly, your net capital gain for an income year is the total of all of the capital gains made during the income year less any capital losses made in the income year and available net capital losses made in previous income years. That amount may be reduced further by other concessions, particularly under the discount capital gains tax rules discussed below.

If you make a capital loss from the disposal of your BLG Shares, the capital loss may be used to offset a capital gain made in the same or subsequent years of income (subject to satisfying any applicable carry forward loss conditions) but cannot be offset against ordinary income, nor carried back to offset net capital gains made in earlier income years.

(c) **Discount capital gains**

If you are an individual, or hold your BLG Shares as a trustee of a trust or a complying superannuation entity, and have held your BLG Shares for at least 12 months before disposal for CGT purposes, the discount capital gain provisions may apply as follows:

- (i) if you are an individual, only one-half of the capital gain (after offsetting any applicable capital losses) will be included in your assessable income;
- (ii) if you are a trustee of a trust (but not a complying superannuation entity), one half of the capital gain (after offsetting any applicable capital losses) will be included in the "net income" of the trust. The discount capital gains

provisions may also apply to capital gains to which beneficiaries in the trust (other than beneficiaries that are companies) are entitled. The CGT provisions applying to trustees and beneficiaries of trusts are complex and you should seek advice from your professional tax adviser in this regard; and

- (iii) if you are a complying superannuation entity (including where you are acting as a trustee of a complying superannuation entity), two-thirds of the capital gain (after offsetting any applicable capital losses) will be included in the complying superannuation entity's assessable income.

The discount capital gain provisions generally do not apply to companies.

Where the discount capital gain provisions apply, any available capital losses will be applied to reduce the capital gain before discounting the resulting net amount by either one-half or one-third (as applicable) to calculate the net capital gain that is included in assessable income.

2.6.2 **BLG Shareholders who are not Australian residents for tax purposes**

If you are a non-resident for Australian tax purposes holding your BLG Shares on capital account, any capital gain or loss you make on disposal of your BLG Shares will be disregarded unless your BLG Shares are "taxable Australian property". If a BLG Share is "taxable Australian property", any capital gain or loss should be determined as outlined in Section 2.6.1(b) above, noting that the CGT discount rules apply differently to foreign resident BLG Shareholders (for example, foreign resident individuals are generally not eligible to claim the CGT discount in respect of any capital gain made on the disposal if they acquired their BLG Shares after 8 May 2012 and were a non-resident throughout their period of ownership). If you make a taxable capital gain, you should consult your professional tax adviser to determine any applicable CGT discount percentage.

In order for a BLG Share to be "taxable Australian property", one of the following criteria would generally need to be met:

- (a) the BLG Share is an "indirect Australian real property interest";
- (b) at any time, you held the BLG Share in carrying on business through a permanent establishment in Australia; or
- (c) you elected to disregard a gain or loss in respect of the BLG Share on ceasing to be an Australian resident.

A BLG Share should be treated as an "indirect Australian real property interest" if, broadly:

- (a) you, together with your associates (as determined under the income tax legislation), hold a non-portfolio interest (i.e. 10% or more) in BLG at the time of the disposal or did so for at least any 12 month period in the previous two years; and
- (b) more than 50% of the Company's assets are comprised of interests in real property (including mining, quarrying or prospecting rights) in Australia (by market value) (**Principal Asset Test**).

The Company expects that the Principal Asset Test will not be met in respect of the Company. Accordingly, the Company does not expect that your BLG Shares will be "indirect" Australian real property interests.

If your BLG Shares are otherwise "taxable Australian property", you should seek independent professional advice regarding the tax consequences of disposing of your BLG Shares according to your own particular circumstances.

2.6.3 Foreign resident CGT withholding

The Bidder may have obligations to pay to the Commissioner of Taxation an amount equal to 12.5% of the Offer Price under section 14-200(3) of Schedule 1 to the *Taxation Administration Act 1953* (Cth) in relation to foreign resident capital gains withholding tax (**CGT Withholding Tax**), subject to certain exceptions.

If the Bidder determines that it has an obligation to make a payment to a BLG Shareholder it:

- (a) knows or reasonably believes is a foreign resident; or
- (b) does not reasonably believe is an Australian resident, and either:
 - (i) the BLG Shareholder has an address outside Australia; or
 - (ii) the Bidder is authorised to provide a related financial benefit to a place outside Australia (whether to the BLG Shareholder or to anyone else),

then a liability to CGT Withholding Tax will be expected to arise if both of the following conditions are satisfied:

- (iii) the BLG Shareholder together with its associates held 10% or more of the BLG Shares at the time of disposal or throughout a 12-month period within two years preceding the disposal; and
- (iv) the Principal Asset Test is satisfied.

Where the Bidder knows or reasonably believes that CGT Withholding Tax applies, it may withhold the relevant amount from the Offer Price and pay that amount to the Commissioner of Taxation, and you will only receive the net proceeds and will be deemed to receive the full Offer Price for the purposes of the Offer.

As noted above, the Principal Asset Test is not expected to be passed.

Declaration

You may complete a Foreign Resident Declaration Form (**Declaration Form**) to declare that you are an Australian tax resident or that your holding in BLG is not an indirect Australian real property interest because you, together with your associates, have not held 10% or more of the BLG Shares throughout a 12-month period within the two year period preceding the disposal. The Declaration Form may be obtained on the ATO website. Where such a declaration has been made, no amount of the Offer Price will be withheld for CGT Withholding Tax purposes.

If you are unsure of how to complete the form, you should consult your tax adviser. If the Declaration Form is not returned to the Bidder together with your acceptance of the Offer, 12.5% of the Offer Price may be withheld and remitted to the ATO.

2.6.4 Stamp duty

You will not be liable for any stamp duty on the disposal of your BLG Shares pursuant to the Offer. Any stamp duty that arises on the disposal of your BLG Shares will be paid for by the Bidder, as noted in Section 1.7.18 of the Bidder's Statement.

2.6.5 GST

The disposal of your BLG Shares pursuant to the Offer should not attract GST. However, you may incur GST on costs which relate to your acceptance of the Offer (e.g. legal, financial

and tax advisor fees). Depending on your particular circumstances, you may not be entitled to claim any input tax credits or you may only be entitled to claim reduced input tax credits in relation to the GST amount incurred on these costs.

2.6.6 **Independent advice**

You should carefully read and consider the taxation consequences of accepting the Offer. BLG Shareholders should not rely on the disclosure of taxation considerations in this Target's Statement as being advice on their own affairs. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

Neither the Company nor any of the BLG Directors or advisers accept any liability or responsibility in respect of any statement concerning the taxation consequences of accepting the Offer in relation to particular BLG Shareholders.

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2.7 Other Material Information

2.7.1 What are the BLG Directors' interests and dealings in BLG securities?

As at the date immediately before the date of this Target's Statement, the BLG Directors had the following Relevant Interests in BLG Shares and BLG Performance Rights:

BLG Director	Number of BLG Shares	Number of BLG Performance Rights
Jason Murray	10,368,021	Nil
Stephen Heath	139,296	Nil
Fay Bou	69,444	Nil
Christopher Koeck (alternate to Fay Bou)	81,018	Nil
Colleen Callander	Nil	Nil
Melinda Snowden	27,777	Nil
Brett Blundy	20,618,556 ²⁹	Nil
Tim Dodd (alternate to Brett Blundy)	23,148	Nil

No BLG Director has acquired or disposed of a Relevant Interest in any BLG securities in the 4-month period ending on the date immediately before the date of this Target's Statement.

2.7.2 Other BLG Director interests

As noted in Section 2.2.2 of this Target's Statement, Mr Bou is a managing director and partner of Allegro.

The annual compensation payable to BLG Directors by the Company is \$190,868 for the Chair and \$111,005 for Non-Executive Directors. The annual compensation payable by the Company to the Chair of the Audit and Risk Committee is \$30,274. The annual compensation payable by the Company to the Chair of the People and Remuneration Committee is \$30,274. BLG Directors do not receive any additional fees for being a member of the board of a subsidiary of the Company. All BLG Directors' fees include superannuation repayments.

Fay Bou (and Christopher Koeck as Mr Bou's alternate) are not remunerated by the Company as they are nominees of Allegro, a major shareholder in the Company. However, the Company pays annual fees of \$111,005 to Allegro, which is equal to the Non-Executive Director remuneration that would otherwise be paid to Mr Bou or Mr Koeck. Similarly, Non-Executive Directors Brett Blundy (and Tim Dodd as Mr Blundy's alternate) are not remunerated by the Company as they are nominees of BBRC, a major shareholder in the Company and an entity associated with the Bidder. The Company pays annual fees of \$111,005 to BBRC, which is equal to the Non-Executive Director remuneration that would otherwise be paid to Brett Blundy or Tim Dodd.

²⁹

We note that Mr Blundy's BLG Shares are held by BBRC, an entity associated with the Bidder and Mr Blundy.

Mr Murray is currently acting chief executive officer of the Company. That role commenced on 29 September 2022 in a full time capacity and may be terminated at any time on one month's notice. Mr Murray receives fixed remuneration of \$816,903 per annum (including base salary and superannuation) for performing that role. No variable incentives are payable to the executive chair. Mr Murray intends to resign as a director following Bignor accepting into the Offer and the Offer being declared unconditional and will be entitled to his directors' fees and fixed executive remuneration up until the date of his resignation.

It is proposed that Ray Itaoui will be appointed as Executive Chair for a transitional period from the date of resignation of Mr Murray until Erica Berchtold joins the Company as Chief Executive Officer in September 2023. Mr Itaoui will receive fixed remuneration of \$111,005 per annum (including base salary and superannuation) for performing that role (i.e. Ray Itaoui will not be compensated for his Executive Chair role beyond what he would have otherwise received purely in a Non-Executive Director role). No variable incentives will be payable to the executive chair. Upon Erica joining, it is intended that Mr Itaoui will revert to a Non-Executive Director role.

2.7.3 **What are the BLG Directors' interests and dealings in Bidder securities?**

As noted in Section 1.3.2 of the Bidder's Statement, Brett Blundy owns 50% of the shares on issue in, and is a director of, the Bidder.³⁰

Other than as described above:

- (a) as at the date immediately before the date of this Target's Statement, no BLG Director had a Relevant Interest in any Bidder securities; and
- (b) no BLG Director has acquired or disposed of a Relevant Interest in any Bidder securities in the 4-month period ending on the date immediately before the date of this Target's Statement.

2.7.4 **Are any of the BLG Directors entitled to any benefits, or subject to any agreements under which they are granted any benefits, in connection with the Offer?**

(a) **Benefits to BLG Directors**

As a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the BLG Board, managerial office or related body corporate of the Company.

No BLG Director has agreed to receive, or is entitled to receive, any benefit from the Bidder which is related to or conditional on the Offer, other than in their capacity as a holder of BLG securities.

(b) **Agreements in connection with or conditional on the Offer**

No agreement has been made between any BLG Director and any other person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of BLG securities.

(c) **Interests in contracts with Bidder**

³⁰ Ray Itaoui, who the BLG Directors intend to appoint as a BLG Director when the Bidder has received acceptances resulting in it having a Relevant Interest in 55% or more of BLG Shares and the Offer has become unconditional (see Section 2.4.8 of this Target's Statement for further detail), owns the remaining 50% of, and is a director of, the Bidder.

Other than as described below no BLG Director has any interest in any contract entered into by Bidder. As noted in Section 1.3.5 of the Bidder's Statement, the Bidder entered into the Takeover Cooperation and Funding Deed with BBFIT Investments Pte Ltd. (**BBFIT**), an entity associated with Brett Blundy, and RRI Family Pty Ltd as trustee for RRI Family Trust (**RRI**), an entity associated with Ray Itaoui (the **Funding Deed**).

Further details of the Funding Deed are set out in Section 1.3.5 of the Bidder's Statement, however, in summary:

- (i) immediately upon acquisition of BLG Shares under the Offer, the Bidder will hold those BLG Shares in a 50%/50% proportion on bare trust for BBFIT or RRI (as applicable) (**Trust Property**); and
- (ii) the Bidder must comply with any verbal or written instruction or direction from BBFIT or RRI (as applicable) in respect of its Trust Property, including any instruction or direction to transfer the Trust Property or attend and/or vote at shareholder meetings of the Company.

2.7.5 **BLG Performance Rights**

(a) **Overview**

As at the date of this Target's Statement, the Company has 1,790,190 unvested BLG Performance Rights on issue, which have been granted to BLG management under the BLG LTIP. As at the date of this Target's Statement, no BLG Performance Rights have vested.

Each BLG Performance Right vests and exercises into one BLG Share.

The terms of the BLG LTIP provide that if a Change of Control Event occurs, the BLG Board may, in its absolute discretion, determine the manner in which vested or unvested BLG Performance Rights and any BLG Shares that such BLG Performance Rights are exercised into will be treated, including but not limited to determining that any BLG LTIP participant:

- may participate in and/or benefit from any transaction arising from or in connection with the Change of Control Event;
- be required to sell their BLG Shares received due to exercise of their BLG Performance Rights into the Change of Control Event; and
- has their unvested BLG Performance Rights cancelled for fair market value where the BLG Board has determined in good faith that it is necessary or desirable for such a cancellation for the purposes of the relevant Change of Control Event.

The definition of Change of Control Event in the BLG LTIP includes where a person acquires a legal or beneficial interest in or a Relevant Interest in more than 50% of the issued BLG Shares or an unconditional takeover bid is made where the Bidder (together with its Associates) has a Relevant Interest in more than 50% of the issued capital in the Company. A Change of Control Event will therefore occur if the Minimum Acceptance Condition of the Offer is satisfied.

(b) **Intended treatment of BLG Performance Rights in connection with the Offer**

The BLG Board has determined that they will not exercise their discretion in the BLG LTIP to alter the terms of the BLG Performance Rights currently on issue which would allow the BLG LTIP participants to participate in the Offer.

However, if the Bidder Group acquires a combined Relevant Interest in 90% or more of BLG Shares on issue and decides to compulsorily acquire all outstanding BLG Shares or if the

Bidder Group acquires a combined Relevant Interest in 75% or more of BLG Shares on issue and the BLG Board considered there was a risk that the Company may be delisted from ASX, the BLG Board would then determine whether they use their discretion in the BLG LTIP to accelerate vesting of the BLG Performance Rights to allow BLG LTIP participants to participate in the Change of Control Event. The BLG Board considers that it is likely they would exercise their discretion to accelerate vesting of some or all of the BLG Performance Rights in this situation.

2.7.6 **Effect on the Company's material contracts**

(a) **CBA Facility**

As detailed in the Company's 2022 Annual Report, the Company has in place a bilateral loan facility with CBA, comprising a \$40 million working capital facility, a \$10 million bank guarantee facility and a separate \$0.5 million credit card facility (**CBA Facility**). As at 16 May 2023, \$27,000,000 of the CBA Facility has been drawn.

The CBA Facility contains change of control provisions which are triggered where a person (or persons acting in concert) acquires an interest in more than 50% of BLG Shares. If the Bidder Group acquires a combined Relevant Interest in more than 50% of BLG Shares this will constitute a change of control. Such circumstances constitute a review event under the CBA Facility documentation, and CBA may require that the Company repay the CBA Facility in full if the Company and CBA are unable to agree on any consequent change required to the CBA Facility following the review event.

Following the occurrence of the review event the parties have 30 days to discuss in good faith whether any required changes to the CBA Facility documents are required. If the parties fail to reach agreement CBA may require that the CBA Facility be repaid in full within 60 days of CBA giving written notice.

(b) **Other Contracts**

BLG Group Members have entered into contracts, including retail leases, software contracts, merchandising contracts and shipping contracts, that contain change of control provisions that may be triggered if the Bidder acquires BLG Shares as a result of the Offer. Some of these contracts contain consent processes, under which counterparties require prior consent to be sought for a change of control, which is expected to occur under some of these agreements where the Bidder Group acquires a combined Relevant Interest in more than 50% of BLG Shares. In some cases this includes the provision (to the counterparty's satisfaction) of additional information about the new controlling party. Where such consent is not received, particularly in the case of retail leases, a change in control may constitute an event of default under the contract or otherwise give rise to termination rights in favour of the counterparties. The Company does not consider any of these contracts to be material in the context of the Company or the BLG Group taken as a whole.

2.7.7 **Independent Expert consents to be named and inclusion of Independent Expert's Report**

The Independent Expert has given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in the Target's Statement in the form and context in which it is so named, to the inclusion of the Independent Expert's Report in Section 3 of the Takeover Booklet and to all references to the Independent Expert's Report in the form and context in which they are included, whether the Target's Statement is issued in hard copy or electronic format or both.

The Independent Expert has not authorised or caused the issue of this Target's Statement and takes no responsibility for any part of this Target's Statement, other than any

references to its name and the Independent Expert's Report as included in section 3 of the Takeover Booklet.

2.7.8 **Consents to be named**

Each of the following parties have given, and has not withdrawn before lodgement of this Target's Statement with ASIC, its written consent to be named in the form and context in which it is named:

- (a) Ashurst to being named in this Target's Statement as legal adviser to the Company;
- (b) E&P Corporate Advisory to being named in this Target's Statement as financial adviser to the Company;
- (c) Link to being named in this Target's Statement as the securities registry to the Company.

Each person named in this Section 2.7.8 as having given its consent to the inclusion of a statement or being named in this Target's Statement:

- has not authorised or caused the issue of this Target's Statement;
- has not made, and does not purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than those which have been included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part or any statements in, or any omissions from, this Target's Statement, other than as consented to by that party.

ASIC has published various legislative instruments or Class Orders that modify, or exempt parties from compliance with the operation of various provisions of Chapter 6 of the Corporations Act. The Company has relied on such class order modifications and exemptions as follows.

As permitted by ASIC Class Order 13/521 this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to ASX. Pursuant to this ASIC Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of these statements in this Target's Statement. Any BLG Shareholder who would like to receive a copy of any of those documents may obtain a copy free of charge during the Offer Period by contacting the BLG Shareholder Information Line on 1800 426 150 (within Australia) or +61 1800 426 150 (from outside Australia).

Pursuant to ASIC Corporations (Consents to Statements) Instrument 2016/72 (**Corporations Instrument 2016/72**), this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication,

and the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by Corporations Instrument 2016/72, this Target's Statement contains share price trading data sourced from IRESS without its consent.

2.7.9 **ASIC relief**

ASIC has granted the Bidder and BLG relief from the requirements of section 648C of the Corporations Act to allow the Bidder and BLG to:

- (a) deliver the Takeover Booklet by electronic mail to BLG Shareholders who have nominated to receive notices by electronic mail; and
- (b) send a letter or postcard and any supplementary documents, instead of the full Takeover Booklet, to BLG Shareholders who have not elected to receive shareholder communications electronically, providing details of where they can access an electronic copy of the relevant document or how to request a hard copy of them.

2.7.10 **Material changes to the financial position of the Company**

Except as set out in this Target's Statement, so far as the BLG Board is aware, the financial position of the Company has not materially changed since 1 January 2023, except as reported in the BLG H1 FY2023 Interim Report for the financial half year ended 1 January 2023 and as disclosed in the trading update released on ASX on 17 May 2023.

2.7.11 **No other material information**

This Target's Statement is required to include all the information that BLG Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for BLG Shareholders and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any BLG Director.

The BLG Directors are of the opinion that the information that BLG Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in the Company's releases to ASX, and in the documents lodged by the Company with ASIC, before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The BLG Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the BLG Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

2.8 **Authorisation**

This Target's Statement is dated 22 May 2023 and has been approved by a resolution passed by the BLG Directors.

Signed for and on behalf of the Company:

A handwritten signature in black ink, appearing to be 'S. Heath', written in a cursive style.

Stephen Heath

Non-Executive Director and Chair of the People and Remuneration Committee

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3. INDEPENDENT EXPERT'S REPORT

For personal use only



Best & Less Group Holdings Limited

Independent expert's report and Financial Services Guide

21 May 2023

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Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (**DCF**) (AFSL 241457) has been engaged by Best & Less Group Holdings Limited (**BLG**) to prepare an independent expert's report (our **Report**) in connection with the proposed takeover of BLG (the **Proposed Takeover**). BLG will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration. Our contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice to wholesale clients in relation to derivatives, government debentures, stocks or bonds, interests in managed investment schemes, securities, and regulated emissions units (i.e., Australian carbon credit units and eligible international emissions units). We can also provide general financial product advice to retail clients in relation to the above financial products except for regulated emissions units.

We are also authorised to arrange for another person to deal in financial products in relation to:

- securities, interests in managed investment schemes, government debentures, stocks or bonds, and regulated emissions units and related derivatives to wholesale clients; and
- derivatives to retail and wholesale clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have **not** taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately \$225,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent on the outcome of the Proposed Takeover of BLG.

Apart from these fees, DCF, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls DCF. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

Deloitte has not had any involvement in providing advice connected with the Proposed Takeover. In the last two years, Deloitte has not provided any services to BLG.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us.

The Complaints Officer
complaints@deloitte.com.au
Phone: +61 8 9365 7234

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (**AFCA**). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

21 May 2023

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 46 Quay Quarter Tower, 50 Bridge Street, Sydney NSW 2000

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

The Independent Directors
Best & Less Group Holdings Limited
657 – 673 Parramatta Road
Leichardt NSW 2040

21 May 2023

Dear Independent Directors

Re: Independent expert's report in respect of the Proposed Takeover

Introduction

BBRC Admin 1 Pty Limited (the **Bidder**), an entity equally owned by Mr Brett Blundy and Mr Ray Itaoui, intends to make a conditional offer to acquire all of the shares in Best & Less Group Holdings Limited (**BLG** or the **Company**) that the Bidder, or entities associated with the Bidder, do not already own (the **Proposed Takeover**). The consideration offered by the Bidder to holders of BLG shares is \$1.89 per share (the **Consideration**).

The full details of the Proposed Takeover are included in a Bidder's Statement which has been issued by the Bidder on 22 May 2023. An overview of the Proposed Takeover is provided in Section 1 of our detailed report.

The directors of BLG have issued a Target's Statement, in response to the Bidder's Statement.

Purpose of the report

The Directors of BLG, excluding the representatives of the Bidder, have requested that Deloitte Corporate Finance Pty Limited (**Deloitte Corporate Finance**) provide an independent expert's report advising whether, in our opinion, the Proposed Takeover is fair and reasonable.

Under Section 640 of the Corporations Act 2001 (Cth) (**Section 640**), a Target's Statement given in response to a takeover offer must include, or be accompanied by, an independent expert's report if either the bidder's voting power in the target is 30% or more, or the bidder and target have one or more common directors, to assist non-associated shareholders in their decision whether to accept or reject the Proposed Takeover. Entities associated with the Bidder currently own 16.45% of the voting power in BLG and also have one director in common with BLG (being Mr Brett Bundy). An independent expert's report is therefore required under Section 640.

We have prepared this report having regard to Section 640 and Australian Securities and Investments Commission (**ASIC**) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in the Target's Statement, to be sent to Non-Associated Shareholders and has been prepared for the exclusive purpose of assisting Non-Associated Shareholders in their consideration of the Proposed Takeover. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and BLG, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts. The Regulatory Guide prescribes standards of best practice in the preparation of independent expert's reports pursuant to Section 640.

To assess whether the Proposed Takeover is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Takeover is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Further information on the basis of evaluation is set out in Section 2.

Our evaluation

In evaluating the Proposed Takeover and forming our opinion, we have had regard to the following factors.

The Proposed Takeover is not fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Takeover is fair, the independent expert is required to compare the fair market value of a share in BLG on a control basis with the fair market value of the consideration under the Proposed Takeover.

The Proposed Takeover is fair if the value of the Consideration (being \$1.89) is equal to or greater than the value of the securities subject to the offer. Set out in the table below is that comparison:

Table 1: Comparison of our valuation of a BLG share to the Consideration

	Unit	Low	High
Estimated fair market value of a BLG share (refer to Section 4)	\$	2.03	2.43
The Consideration	\$	1.89	1.89

Source: Deloitte Corporate Finance analysis

The Consideration offered by the Bidder is below the range of our estimate of the market value of a BLG share. Accordingly, it is our opinion that the Proposed Takeover is not fair.

Valuation of a BLG share

We have estimated the market value of a BLG share by applying the market multiple method.

Table 2: Summary of our valuation of a BLG share

	Section	Unit	Low	High
EBITDA	4.3.1	\$m	100	100
Earnings multiple	4.3.2	times	4.5x	5.0x
Enterprise value		\$m	450	500
Add: surplus assets	4.4	\$m	-	-
Less: net debt	4.5	\$m	(195)	(195)
Equity value		\$m	255	305
Number of shares	4.6	million	125.4	125.4
Equity value per share		\$	2.03	2.43

Source: Deloitte Corporate Finance analysis

We have assessed BLG's level of maintainable EBITDA to be \$100m, based on our analysis of a normalised EBITDA and having regard to the current market environment and BLG management's (**Management**) plans for the business.

The earnings multiple of 4.5 times to 5.0 times (on a control basis) was selected based on the multiples of listed comparable companies and previous mergers and acquisitions in the retail industry.

After deducting net debt, this implies a value of between \$2.03 and \$2.43 per share.

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There are challenges with the assessment of the value of a cyclical business like BLG, especially in the current economic environment, and together with the high levels of debt (which comprises only lease liabilities), we consider it reasonable that the valuation range is wider than would normally be the case. We have cross-checked our valuation with reference to the price to earnings multiple implied by our valuation of a BLG share and, on balance, we consider this cross-check provides support for our valuation of BLG.

Further details of our valuation of BLG are set out in Section 4.

The Proposed Takeover is reasonable

We have formed our opinion on the reasonableness of the Proposed Takeover having regard to the following factors:

- the Consideration offered by the Bidder represents a 4.79% discount to the closing share price of BLG immediately prior to the announcement and an 8.26% discount to the 1-month volume weighted average price of BLG. Accordingly, the Consideration does not incorporate any control premium
- shareholders are being given the opportunity to hold on to their shares¹. Parties associated with the Bidder, namely Mr Brett Blundy and Mr Ray Itaoui, have considerable experience in the retail sector and the Bidder has indicated that it intends to support the Company's current strategy and will work with Management and Directors to identify growth opportunities. BLG shareholders who decide not to accept the Proposed Takeover could benefit over the long-term from the exposure to the increase in the potential value of BLG as a result of the execution of the strategy and other initiatives, beyond what has already been factored into our valuation of BLG, and the cyclical movement in valuations in the retail sector which has been experienced historically
- the Major Shareholders have already agreed to sell their shares to the Bidder (in the absence of a superior proposal) and therefore it is highly likely that the Proposed Takeover will be successful. At that point, the Bidder will own more than 57% of the issued shares and control the Company. Whilst from a minority shareholder's perspective, this could be viewed as no change in their position, the controlling interest will be owned by one shareholder (as opposed to a group of shareholders, as is currently the case) and it will be in a position to direct and influence the strategy and dividends paid by the Company
- since listing on the ASX, BLG has paid out dividends at the high end of its dividend policy (i.e., c. 80% of NPAT). This has resulted in the shares of the Company trading at a relatively high dividend yield. By obtaining control, the Bidder will be able to control, amongst other things, the future dividend policy of BLG. Whilst the Bidder has indicated it is supportive of the payment of future dividends (subject to the financial and operational needs of BLG) there is no guarantee that the amount of future dividends per share will not reduce
- the Proposed Takeover provides BLG shareholders the opportunity to dispose their shares with no transaction costs. This may be particularly beneficial for those shareholders who hold larger parcels of shares, who may have previously not been able to dispose their shares or would have had to sell their shares at a discount to the share trading price, given the limited liquidity in BLG shares
- the liquidity of shares in BLG may reduce after the Proposed Takeover if the Bidder owns more than 57% of the issued shares. As a result, it may be more difficult for shareholders to dispose their shares after the Proposed Takeover lapses, particularly if BLG is delisted from the official list of the ASX²
- since the announcement of the Proposed Takeover on 1 May 2023, the share price of BLG has been at or around the Consideration. There is a possibility that the share price of BLG will decline after the Proposed Takeover lapses, particularly after the trading update released on the ASX on 17 May 2023. As a result of this, together with likely reduced liquidity, it may be difficult for a shareholder to realise a share price greater than the Consideration in the short-term and possibly over the medium-term
- no alternative proposal has been forthcoming, and we consider the likelihood of BLG receiving any alternative offers or proposals to be low.

¹ If the Bidder obtains more than 90% of the shares in BLG, the Bidder intend to compulsorily acquire all of the shares in BLG it doesn't own and apply to delist the company from the ASX. Refer to Section 1.5.1 for more information.

² Subject to any regulatory requirements, the Bidder has the option to delist the Company from the official list of ASX if it owns 75% or more of the shares in BLG. It is possible that the Bidder would support a delisting of the Company at that time, however the Bidder's Statement indicates that no decision has been made.

Further detail on each of the above considerations is set out in Section 5.

On balance, in our opinion, whilst Non-Associated Shareholders are not receiving any control premium for their BLG shares, recognising the disadvantages and challenges associated with being a minority shareholder and an uncertain path to future liquidity, we consider the Proposed Takeover to be reasonable.

A shareholder may form a different view for the following reasons:

- they are not being offered a premium for control
- despite the risks, they may see merits in remaining a minority shareholder
- they may not be concerned with realising the value of their shares over the short-term and are willing to potentially see the value of their shareholding increase over the long-term, especially noting the cyclical nature of an investment in the retail sector
- they would like to participate in the benefits, if any, the Bidder and its associates might be able to bring to the business over the long-term.

The risk profile associated with accepting versus rejecting the Proposed Takeover is markedly different and is essentially something that will be influenced by the risk appetite of each individual Non-Associated Shareholder. For those Non-Associated Shareholders who have a relatively low risk appetite, they may prefer to accept the Proposed Takeover, receiving liquidity and price certainty. For those Non-Associated Shareholders with a higher risk appetite, they could choose not to accept the Proposed Takeover and, subject to not being compulsorily acquired, wait to receive such future dividends as may be declared and potentially receive a better sale price for their BLG shares in the future.

Opinion

In our opinion, the Proposed Takeover is not fair but reasonable to Non-Associated Shareholders.

As discussed above, an individual shareholder's decision in relation to the Proposed Takeover may be influenced by their particular circumstances. If in doubt, the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully



Tapan Parekh

Authorised Representative (Number 461009)
Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

Glossary

Reference	Definition
\$	Australian dollars
1H FYXX	First half of the financial year
2H FYXX	Second half of the financial year
AASB	Australian Accounting Standard Boards
Allegro	Allegro Funds
ASIC	Australia Securities and Investment Commission
ASX	Australia Securities Exchange
BBRC	BBRC International Pte. Ltd. as trustee for the BB Family International Trust
Best & Less	Best & Less Pty Ltd, which is wholly owned by BLG
Bidder	BBRC Admin 1 Pty Ltd, an entity equally owned by Mr Brett Blundy and Ray Itaoui
Bidder's Statement	Statement from the Bidder regarding the Proposed Takeover, which is contained within the Takeover Booklet
Bignor	Bignor Family Pty Ltd
BLG or the Company	Best & Less Group Holdings Limited
CAGR	Compound annual growth rate
Consideration	The Bidder's consideration for BLG shares of \$1.89 per share
COVID-19	Novel Coronavirus
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Ltd
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation, and amortisation
EV	Enterprise value
FSG	Financial Services Guide
FY	Financial year ended
Independent Directors	The Directors of BLG, excluding representatives of the Bidder and the Major Shareholders.
IPO	Initial public offering
LFL	Like-for-like
LTM	Last twelve months
Major Shareholders	Allegro and Bignor
Management	Management of BLG
Non-Associated Shareholders	Holders of BLG shares other than the Bidder and its associates
NPAT	Net profit after tax
NWC	Net working capital
Postie	Postie Plus Group Ltd, which is wholly owned by BLG
Proposed Takeover	The Bidder's proposed acquisition of BLG shares owned by Non-Associated Shareholders
ROU	Right-of-use
Section 640	Section 640 of the Corporations Act 2001 (Cth)
Takeover Booklet	The booklet which contains a copy of the Bidder's Statement and the Target's Statement.
Target's Statement	Statement from BLG responding to the Bidder's Statement, which is contained within the Takeover Booklet

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1 Overview of the Proposed Takeover

1.1 Summary

The Proposed Takeover to acquire all the issued shares in BLG to which the Bidder and its associates are not already entitled at \$1.89 per share was announced on 1 May 2023. The Bidder, and its associated entities, has a pre-existing interest that represents 16.45% of the issued shares of BLG.

The closing price of BLG shares on the business day immediately prior to the announcement of the Proposed Takeover (being 28 April 2023) was \$1.985. On the last business day prior to the date of this report (being 19 May 2023), the closing price of BLG shares was \$1.865.

The Directors of BLG have been advised by the major shareholders, Allegro (who owns 32.43% of the issued shares of BLG) and Bignor Family Pty Limited (who owns 8.27% of the issued shares of BLG) (the **Major Shareholders**), that they intend to accept the Proposed Takeover, absent a superior proposal, by selling all of the shares they own or control into the Proposed Takeover.

The independent directors³ (the **Independent Directors**) have indicated that whether or not a Non-Associated Shareholder chooses to accept the Proposed Takeover will depend on each shareholders' personal preference. More details on the Independent Directors considerations are set out in Section 2.2.1 of the Takeover Booklet.

1.2 Key conditions of the Proposed Takeover

The Proposed Takeover is subject to various conditions, the most significant being:

- minimum acceptance condition of 55% (inclusive of the 16.45% relevant interest that BBRC International Pte. Ltd. As trustee for the BB Family International Trust (**BBRC**) already holds)
- no material adverse change
- no legal or regulatory constraints; and
- no prescribed occurrences.

As the Major Shareholders intend to accept the Proposed Takeover (in the absence of a superior proposal), together with the pre-existing interest held by the Bidder, the minimum acceptance condition is expected to be satisfied.

The Bidder has advised that the proposed Consideration would be reduced by any dividend or other distribution to be paid to shareholders after the announcement of the Proposed Takeover Offer but before closure of the Proposed Takeover. The Proposed Takeover is currently expected to close on 22 June 2023 and at this stage, the Directors do not intend to pay a dividend prior to this date.

1.3 Overview of the Bidder

The Bidder is an entity equally owned by Mr Brett Blundy and Mr Ray Itaoui. Refer to Section 1.3.5 of the Bidder's Statement for further information in respect of the arrangements between the Bidder entity and its associated parties.

Mr Brett Blundy is the Founder and Chairman of BB Retail Capital, a private investment firm. BBRC is sector agnostic and has a current portfolio which includes companies across consumer, property, agriculture, funds management and technology sectors. The shares in BLG held by BBRC (16.45%) were acquired just prior to IPO. Mr Brett Blundy became a non-executive director of BLG post-IPO.

Mr Ray Itaoui is a well-known investor in consumer businesses and has operated and invested in various Australian and global retail businesses.

Mr Blundy and Mr Itaoui are long-term business associates and have together invested in multiple ventures in the Australian retail sector over the years including Sanity Music, Bras-N-Things and Lovisa.

³ The Directors of BLG, excluding representatives of the Bidder and the Major Shareholders.

1.4 Overview of the Major Shareholders

Allegro Funds (**Allegro**) is an Australasian private equity firm founded in 2004 which applies an active complex transformation approach specialising in corporate carve out, turnaround and special situation, and partnership opportunities. It has investments across a broad range of sectors. Allegro acquired BLG from Greenlit Brands in 2019. The BLG shares are owned by the Allegro Fund III, which was established in 2017. Fay Bou, a Partner and Managing Director at Allegro, is a director of BLG.

Bignor Family Pty Ltd (**Bignor**) is a company associated with Executive Chair Jason Murray. That company owns approximately 8.27% of the issued shares in BLG. Jason Murray first joined BLG when it was under the ownership of Pepkor Holdings Limited in February 2012 as its Managing Director. He left the business in October 2018 and then subsequently re-joined in December 2019 when BLG was acquired by Allegro. He has been the Chairperson of BLG since it listed and, more recently, the interim Executive Chairperson until BLG's new CEO, Erica Berchtold, joins the Company in September 2023.

1.5 Intentions if the Proposed Takeover proceeds

In the absence of a superior proposal, the Proposed Takeover has two possible outcomes provided the conditions contained in the Target Statement are fulfilled or waived:

1. the Bidder obtains more than 55% but less than 90% of the shares in BLG; or
2. the Bidder obtains more than 90% of the shares in BLG.

However, regardless of which outcome, given the intentions of the Major Shareholders, Jason Murray and Fay Bou intend to resign as Directors of BLG when Bignor and Allegro, respectively, accept into the Proposed Takeover and the Proposed Takeover is declared unconditional.

The Proposed Takeover is not expected to impact the appointment of the incoming Chief Executive Officer of BLG.

1.5.1 The Bidder obtains more than 55% but less than 90% of the shares in BLG

If the Bidder obtains more than a 55% interest in BLG but no more than 90%, it will not be entitled to compulsorily acquire the remaining shares. Under this outcome, the Bidder's intentions are as follows:

- the Bidder intends to support fundamental aspects of the Company's current strategy, as stated in Section 2.4.3 of the Takeover Booklet, and will work collaboratively with Management and the Board to identify opportunities to enhance the operating performance of the Company
- the Bidder intends to appoint Ray Itaoui as a Director. BLG's Board is then expected to consist of Stephen Heath (Chairperson and Independent Director), Colleen Callander (Independent Director), Melinda Snowden (Independent Director), Brett Blundy and Ray Itaoui. It is expected that Ray Itaoui will also be appointed as Executive Chairperson for a transitional period until Mrs Erica Berchtold joins the Company as Chief Executive Officer in September 2023. Upon Mrs Berchtold joining, it is intended that Stephen Heath will become Chairperson of the BLG Board and Ray Itaoui will revert to a Non-Executive Director role
- the Bidder may acquire additional BLG shares under the 'creep' provisions of the Corporations Act 2001 (Cth), which permits the Bidder to acquire up to 3% of BLG shares every six months provided certain criteria are met
- the payment of dividends will be at the sole discretion of the Directors of BLG. The Bidder is supportive of the payment of dividends to the maximum acceptable level, having regard to the financial and operational needs of the business the Directors of BLG consider relevant at the appropriate time
- the Bidder could support a delisting of BLG from the ASX in certain circumstances however no decision has been made as to whether or not to seek such a delisting.

1.5.2 The Bidder obtains obtain more than 90% of the shares in BLG

If the Bidder obtains more than 90% of the shares in BLG, then under the Corporations Act 2001 (Cth), it will be entitled to proceed to compulsorily acquire all of the shares in BLG it doesn't own and apply to delist the company from the ASX. Under this outcome, the Bidder's intentions are as follows:

- the Bidder will seek to have BLG removed from the official list of ASX and may seek to change the status of BLG from a public company limited by shares to a proprietary company limited by shares
- the current independent directors (being Stephen Heath, Colleen Callander and Melinda Snowden) will retire and Ray Itaoui will be appointed.

Further details of the Bidder's intentions can be found in Section 1.6 of the Takeover Booklet.

2 Basis of evaluation

2.1 Guidance on evaluation of the Proposed Takeover

Section 640 of the Corporations Act 2001 (Cth) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111, an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the BLG shares subject to the takeover offer. The comparison must be made assuming 100% ownership of the target company (i.e., including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, Non-Associated Shareholders should accept the Proposed Takeover, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Takeover is fair and reasonable to Non-Associated Shareholders, we have adopted the tests of whether the Proposed Takeover is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

ASIC Regulatory Guide 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming 100% ownership of the target company.

Accordingly, we have assessed whether the Proposed Takeover is fair by comparing the Consideration offered with the value of a BLG share on a control basis.

The BLG shares have been valued at market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a BLG share has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Takeover is fair by comparing the value of a BLG share with the value of the Consideration to be received from the Bidder. We have assessed the value of each BLG share by estimating the current value of BLG on a control basis and dividing this value by the number of shares on issue.

Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the Proposed Takeover, we considered the following significant factors in addition to determining whether the Proposed Takeover is fair:

- the existing shareholding of the Bidder in BLG
- any other significant shareholders in BLG and their intentions
- the likely market price and liquidity of BLG share in the absence of the Proposed Takeover
- other benefits available to the Bidder upon obtaining control of BLG or acquiring 100% of the issued shares of BLG
- the value to an alternative bidder and the likelihood of an alternative offer being made
- other implications associated with the Non-Associated Shareholders rejecting the Proposed Takeover.

3 Profile of BLG

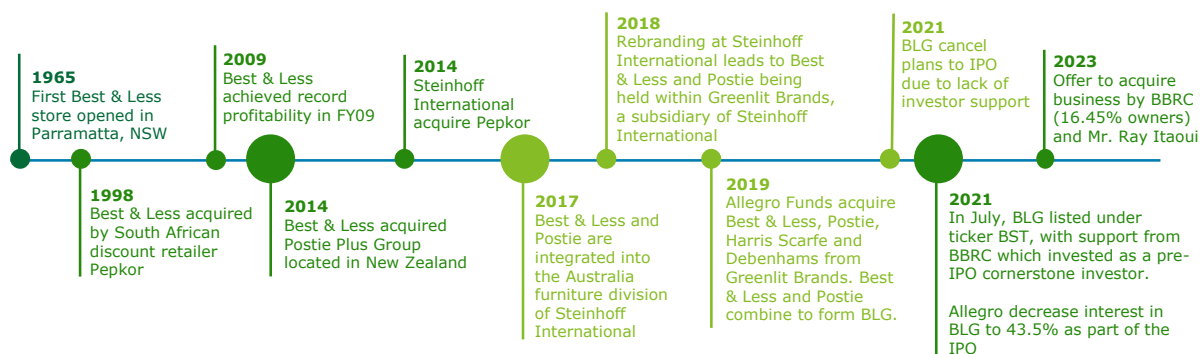
3.1 Company history

BLG is a value apparel specialty retailer with a presence across Australia and New Zealand. The company is headquartered in Sydney and was listed on the ASX in July 2021. It operates two businesses:

- Best & Less in the Australian market; and
- Postie in the New Zealand market.

An overview of the company history is provided in the figure below.

Figure 1: BLG company history



Sources: BLG 2021 Prospectus, BLG website, Deloitte Corporate Finance analysis

Best & Less was founded in 1965 with its first store in Parramatta, NSW, with the aim of providing the consumer with quality products at an affordable price. After many years of trading and store openings, the company was acquired in 1998 by Pepkor Holdings Limited, a South African discount retailer. At the time, the business had 90 stores.

In 2014, the holding company of Best & Less acquired Postie after it experienced multiple periods of losses. The business at the time had 64 stores. During the same year, Steinhoff International Holdings N.V., a global retailer, acquired Pepkor Holdings Limited and Best & Less was integrated under this new ownership.

Over the period of ownership by Steinhoff International Holdings N.V., restructuring culminated in Best & Less and Postie being held within a subsidiary company, Steinhoff Asia Pacific (later renamed to Greenlit Brands), which also owned other Australian retail brands, albeit those primarily specialised in retailing furniture and household goods.

Steinhoff International Holdings N.V. had been involved in a number of accounting scandals, which began to emerge in late 2017. As a result, Greenlit Brands began a process to sell its general merchandise businesses (which were considered non-core), using the proceeds to reduce debt while separating from its troubled parent.

In 2019, Allegro acquired the merchandise business from Greenlit Brands, which included Best & Less, Postie, Harris Scarfe and Debenhams. A corporate restructuring took place following the acquisition, which combined Best & Less and Postie and established the current corporate structure. Allegro attempted to list BLG in early 2021 but was initially unsuccessful. Having repriced the IPO (at an implied historical EBITDA multiple of 5.4x) and gained the support of Mr Brett Blundy (through BBRC), BLG listed on the ASX in July 2021.

Figure 2: BLG company structure



Source: BLG FY22 Annual Report

The corporate structure is relatively simple with all entities being wholly owned and:

- Best & Less Pty Ltd being the entity through which the Best & Less business trades in Australia;
- Postie Plus Group Ltd being the entity through which the Postie business trades in New Zealand; and
- Best & Less IP Pty Ltd being the non-trading entity which holds the intellectual property for the Best & Less brand.

In July 2021, BLG was listed at an issue price of \$2.16 per share, raising approximately \$60m through the issue of 28.3 million shares. The proceeds from the IPO were largely used to allow Allegro to decrease its shareholding in BLG (to 43.5% following the completion of the listing).

Over the course of 2022, Allegro further reduced its shareholding in BLG. Allegro currently has a 32.43% shareholding in BLG.

3.2 Business overview

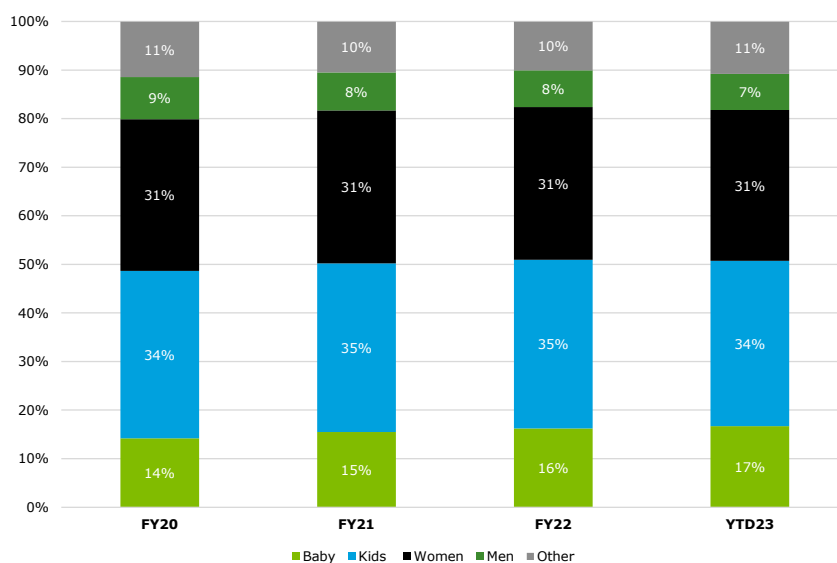
Best & Less and Postie largely operate through a network of physical stores together with a growing online platform. They offer products to the consumer which they describe as quality at an affordable price point with a primary focus on the sale of apparel in the baby and kids category with adjacent categories such as womenswear, menswear, footwear and lifestyle (e.g., towels and blankets).

The businesses have varying price points at which they offer products, categorising these in line with their strategy in the 'good', 'better' and 'best' value buckets. This breakdown allows the businesses greater reach of their target market with entry level products allowing broad access, whilst also providing consumers the ability to increase their purchases via augmented features for the 'better' and 'best' categories. The businesses operate a vertical retail model focusing on the supply of their own-label products, with 86% of BLG revenue in FY22 derived from own-label products.

The target market for both businesses is predominantly families, with particular focus on the 'mother figure' in the household. Generally speaking, with the focus on affordable products, the businesses target lower socio-demographic markets. The journey for the 'mother figure' starts with the baby; the businesses aim to provide their customers with high quality, reliable products that meet the regulations set by the Australian Competition and Consumer Commission and the Commerce Commission in New Zealand, representing the start of their relationships with the customer. Leveraging the trust they have built with the customer continuing the journey through to childhood, the businesses are able to benefit from opportunities for further purchases, particularly as the replacement cycle is high during the baby and kids age groups. Approximately 50% of sales for the brands are attributed to these core categories, as shown in the following figure.

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Figure 3: BLG segmented revenue



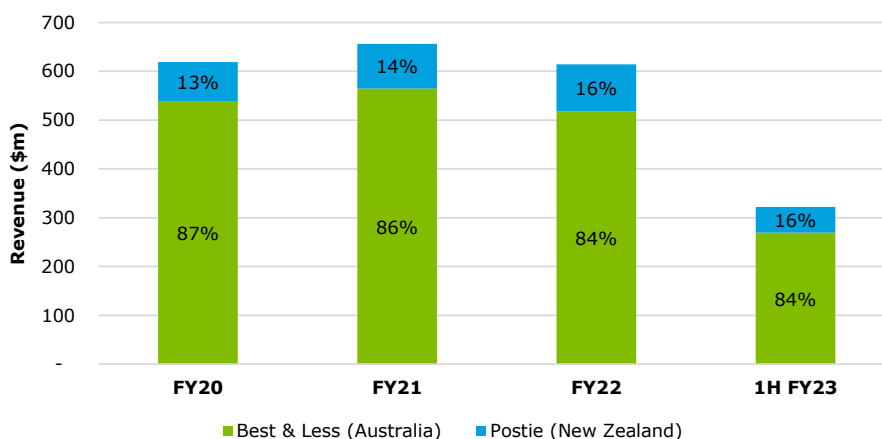
Note: YTD23 = year to date (30 April 2023).
Sources: Management, Deloitte Corporate Finance analysis

3.2.1 Best & Less and Postie

As mentioned earlier, BLG operates under two retail brands – Best & Less in Australia and Postie in New Zealand. The combination of the two businesses provides BLG the ability to leverage its group buying power to create efficiencies and synergies⁴ for products sold and share insights and learnings in the apparel industry in both countries.

The Australian operations (i.e., Best & Less) represents most of BLG’s revenue, as shown in the figure below.

Figure 4: BLG revenue, split between Best & Less and Postie



Sources: Management, Deloitte Corporate Finance analysis

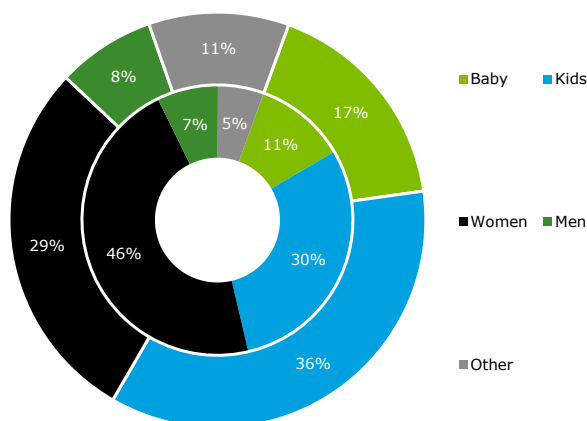
Whilst c. 50% of Best & Less revenue comes from the sale of apparel in the baby and kids’ segment, Postie – whilst is also strategically aligned to target the core baby and kids’ segment – has a greater proportion of womenswear sales. Accordingly, Postie’s strength in womenswear presents a growth opportunity to further increase its market share in the baby and kids’ segment.

We have set out a comparison of the segment revenue of Best & Less and Postie in the following figure.

⁴ Over 50% of Postie products sourced from Best & Less suppliers.

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Figure 5: Best & Less and Postie’s FY22 segment revenue



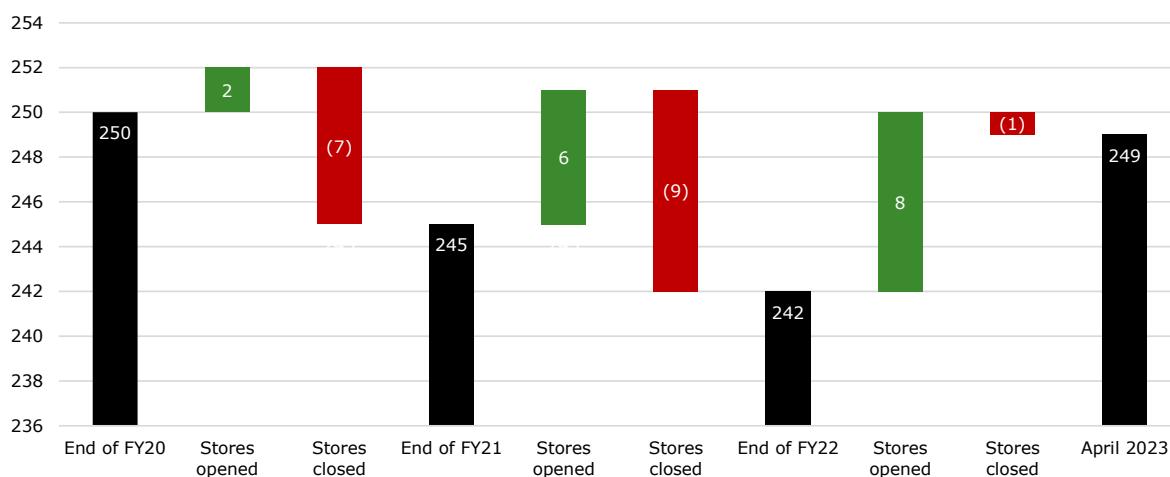
Note: outside ring = Best & Less; inside ring = Postie.
Sources: Management, Deloitte Corporate Finance analysis

3.2.2 Online and store network

Physical stores are typically located in suburban and regional areas, primarily outside major metro malls, to gain access to the target demographic. The Company identifies the optimal locations for stores based on, amongst other things, the catchment demographics and local market size, customer footfall, proximity to existing stores, local competition, store size and layout.

Over the past three years, BLG has continued its store network rollout strategy and has opened 16 new stores. BLG has also closed a number of loss-making stores.

Figure 6: Number of stores

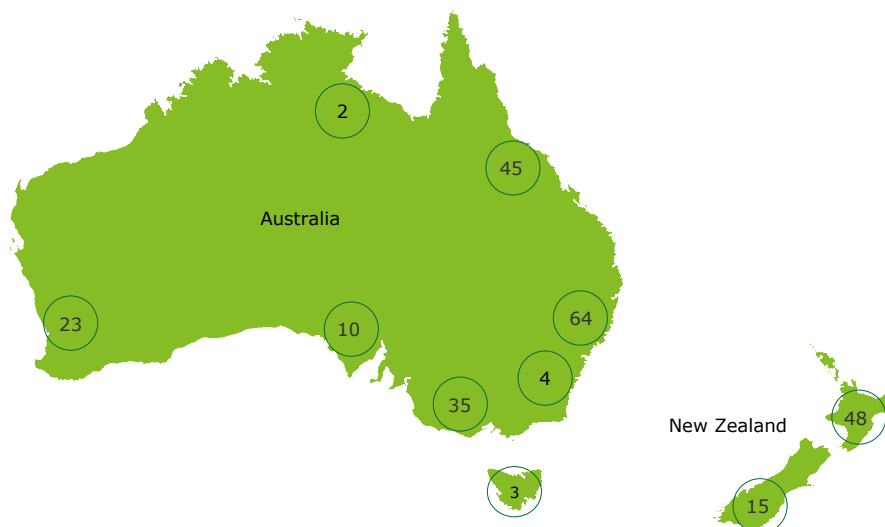


Sources: Management, Deloitte Corporate Finance analysis

The constant analysis of store performance has led BLG to rationalise the store footprint to its present position, where all stores are currently profitable. As of 30 April 2023, BLG had 249 stores across Australia and New Zealand, of which 186 were Best & Less and 63 were Postie.

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Figure 7: BLG's store location



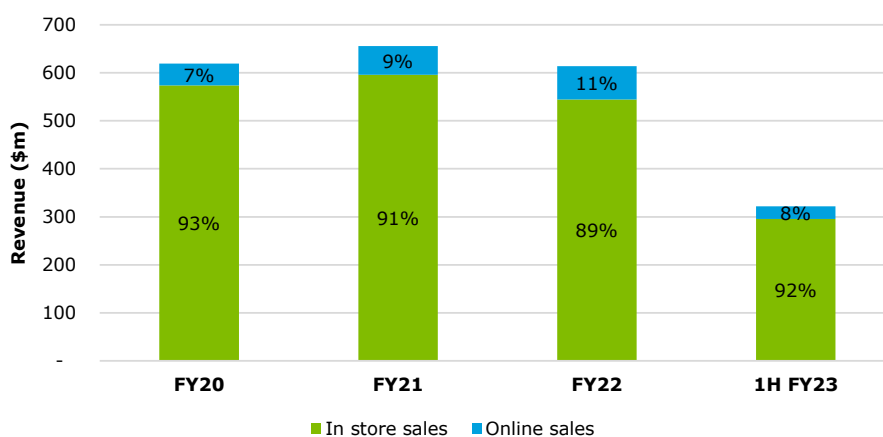
Sources: Management, Deloitte Corporate Finance analysis

Whilst the physical stores are located across Australia and New Zealand, there is a greater weighting towards regional areas and within metropolitan areas, suburbs which have young families with a lower socio-demographic profile.

Both businesses have an omnichannel approach to distributing products to the consumer. This approach is made up of both physical stores and an online platform and, as profitability across channels is broadly equivalent, the businesses are agnostic as to where the sale is generated.

Best & Less launched its online platform in 2013, whilst Postie commenced in 2015. Both online platforms underwent significant development during the COVID-19 pandemic in 2020, with Best & Less offering customers the ability to 'Pick from Store' or 'Ship from Store'. In FY22, online revenue represented 11% of total revenue.

Figure 8: BLG revenue, split between instore and online sales



Sources: Management, Deloitte Corporate Finance analysis

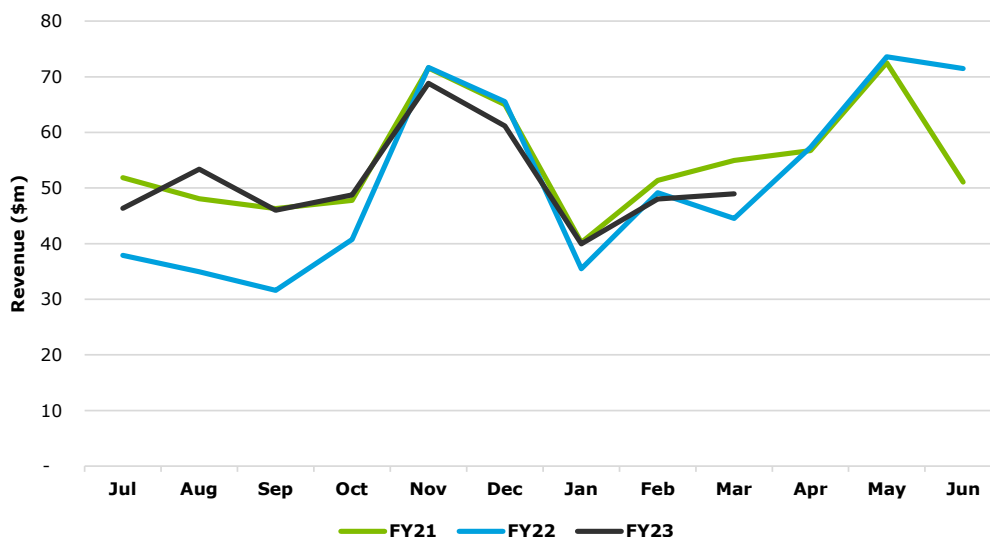
In line with trends seen across the retail industry more broadly, online sales as a proportion of total sales increased substantially following the advent of the COVID-19 pandemic in early 2020, but more recently there has been a return to physical stores sales with online sales falling back to pre-COVID-19 growth rates.

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3.2.3 Seasonality

Revenue varies month to month with high turnover in the months of November, December, April and May which coincide with a number of retail events (for example, Black Friday, Christmas, Easter, Mother’s Day) but also coincide with the change of seasons. Based on our analysis of FY21 and FY22 revenue, approximately 48 to 50% of revenue is generated in the first half of the financial year, with the balance generated in the second half.

Figure 9: BLG monthly revenue



Sources: Management, Deloitte Corporate Finance analysis

Towards the end of FY21 and leading into the first quarter of FY22, BLG generated lower revenue than expected, largely due to lockdowns that were occurring in Australia and New Zealand. Revenue recovered by 2H FY22 as the lockdowns ended, the stores were able to open, and trading conditions and foot traffic improved. Revenue for the first quarter of FY23 was largely in line with what was observed in the first quarter of FY21. From November 2022 onwards, revenue was overall lower than the equivalent periods in FY21 and FY22, due to the impact of the delayed start to summer weather and supply chain delays.

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3.3 Management and Directors

BLG announced the resignation of CEO Rodney Orrock in February 2023, due to personal health reasons after having taken leave in September 2022. Jason Murray, who was the Chairperson, expanded his role to become Executive Chairman until the new CEO, Erica Berchtold, joins in September 2023. Ms Berchtold has over 20 years of experience in the retail industry with her most recent role being CEO of THE ICONIC since 2019.

Set out below is the executive leadership team, along with their experience:

Table 3: Management team

Name and current position	Experience	Time in BLG
John Moore (also known as Andrew Moore) Chief Financial Officer and Company Secretary of BLG	Andrew joined BLG as CFO in 2015 and was appointed the Company Secretary in 2021. Andrew's career spans over 38 years in Finance & Accounting and he has extensive experience in retail, distribution, manufacturing and supply chain, both locally and internationally.	8 years
Linda Leonard Group Chief Merchandise Officer & Managing Director of Postie	Linda joined BLG in 2015 and was appointed as CEO of Postie in April 2019. She has over 30 years of experience in the apparel industry across New Zealand and the UK.	8 years
Joseph Van Dyk Group Chief Operations Officer	Joseph joined BLG in 2013 as the Head of Retail and, over the past 10 years, has gained experience in general management roles across the business. Joseph has over 27 years of industry experience in South Africa, Australia and New Zealand, across specialty and big box retail formats.	10 years
Rebekah Florence Group Chief People & Culture Officer	Rebekah joined BLG as its Group Chief People & Culture Officer in 2022. She has held senior positions across multiple industries, including some of Australia's largest retailers.	Less than 1 year
Bridie Commerford Group Chief Marketing & Digital Officer	Bridie was appointed Chief Marketing & Digital Officer in February 2023. Her career experience spans over 20 years across multiple sectors including tourism & hospitality, FMCG, retail QSR and advertising.	Less than 1 year

Source: BLG website

BLG's Board of Directors comprises the following:

Table 4: Board of Directors

Name	Role
Jason Murray	Executive Chairperson and associated with one of the Major Shareholders (refer to Section 1.4)
Fay Bou	Non-Executive Director. Fay is a Partner and Managing Director at Allegro and a member of its Investment Committee. Allegro is one of the Major Shareholders
Colleen Callander	Non-Executive Director
Brett Blundy	Non-Executive Director. Brett is the Chairman and Founder of BBRC, and also a Director and shareholder of the Bidder.
Melinda Snowden	Non-Executive Director Chair of the Audit & Risk Committee
Stephen Heath	Non-Executive Director Chair of the Remuneration & People Committee

Source: BLG website

3.4 Capital structure and shareholders

3.4.1 Debt profile

BLG has two working capital facilities:

- a \$40m revolving working capital facility, \$10m bank guarantee facility, and a separate \$0.5m credit card facility with the Commonwealth Bank of Australia; and
- a NZD5.5m working capital facility with the Bank of New Zealand.

These facilities are utilised throughout the year to help BLG manage its liquidity and net working capital (**NWC**), particularly during periods where it holds high levels of inventory ahead of key consumer shopping occasions (refer to Section 3.7.1). As at 1 January 2023, BLG had drawn down \$4m of its working capital facilities.

In addition to the above, BLG has also recognised a substantial lease liability on the balance sheet. The lease liability is discussed further below in Section 3.7.2.

3.4.2 Issued share capital

BLG has 125.4m shares on issue (excluding performance rights, which are discussed separately). Set out below are the substantial shareholders.

Table 5: Substantial shareholders as at 3 May 2023

Shareholder	Number of BLG shares held (m)	% of total BLG shares on issue
Entities associated with Allegro (one of the Major Shareholders)	40.7	32.4%
BBRC (an entity associated with the Bidder) ¹	20.6	16.4%
Entities associated with Jason Murray (one of the Major Shareholders)	10.4	8.3%
Top 3 shareholders	71.6	57.1%
Remaining shareholders	53.7	42.9%
Total shares outstanding	125.4	100.0%

Note:

1. on 1 May 2023 Ray Itaoui disclosed that he had obtained voting power in the BLG Shares owned by BBRC due to him acting in concert with BBRC in relation to the Proposed Takeover. Ray Itaoui does not himself own any BLG Shares. Numbers in the table may not add due to rounding.

Sources: Management, Deloitte Corporate Finance analysis

In addition to the shares on issue, there are 1.79m performance rights on issue. These rights carry certain hurdles which must be achieved prior to vesting. The Directors currently do not anticipate these rights vesting.

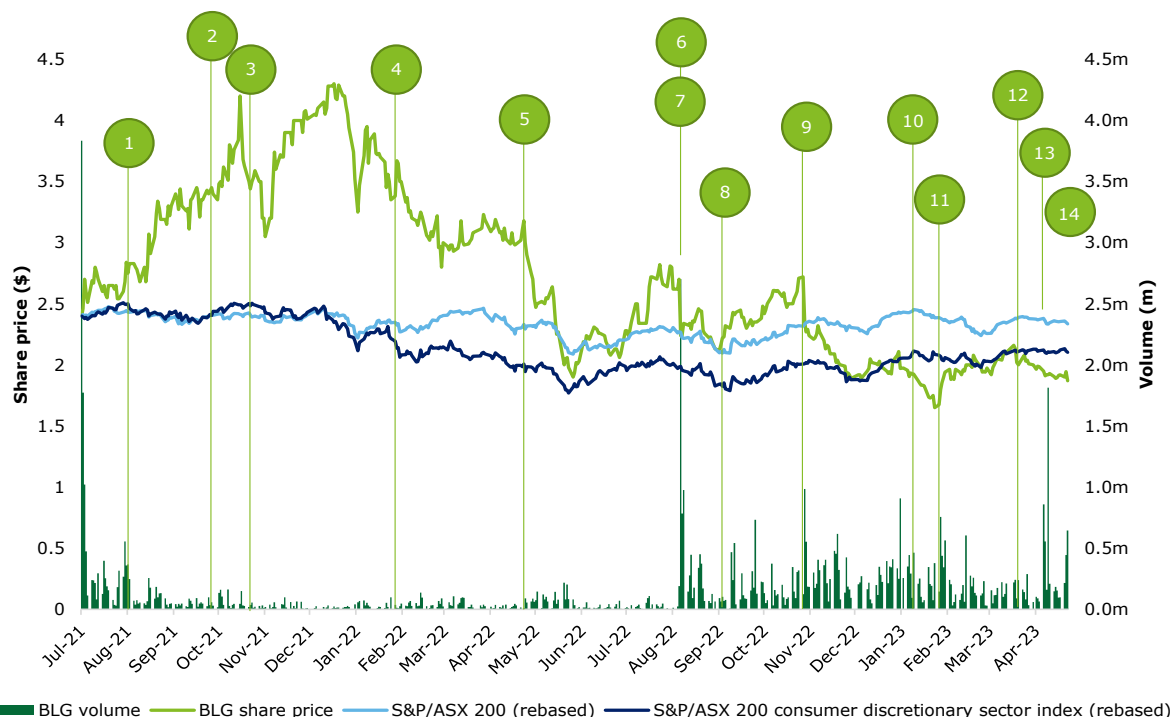
However, if the Bidder acquires more than 90% of the issued shares and decides to compulsorily acquire, or acquires more than 75% of the issued shares and there was a risk that the Company may be delisted from the ASX, the Board of BLG may consider using their discretion to accelerate the vesting of these performance rights.

As part of the listing of BLG in July 2021, 76.8 million of shares (of which the majority were held by the Major Shareholders) were subject to voluntary escrow arrangements, and therefore placed restrictions on the selling, assigning, transferring or disposing of BLG shares. The escrow shares were released on a staged basis over the course of FY22 through to FY23. The last set of shares that were subject to voluntary escrow arrangements was released from voluntary escrow on 21 February 2023 and therefore there are no shares in escrow.

3.5 Share price performance

The figure below illustrates share price movements since the IPO on 26 July 2021.

Figure 10: Share price movements



Sources: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

Whilst BLG shares have underperformed relative to the S&P/ASX 200 Index since November 2022, their underperformance to the S&P/ASX 200 Consumer Discretionary Distribution & Retail Index has been more marginal.

Trading in BLG shares has been relatively illiquid. Further analysis of the liquidity of shares in BLG is set out in Section 3.5.1.

Set out in the table below are some key events which are likely to have influenced trading in BLG shares since the IPO:

Table 6: Key events and announcements

#	Date	Announcement
1	Aug 21	FY21 results came in ahead of guidance to the market. Whilst sales continued to be impacted by rolling COVID-19 lockdowns, BLG maintained margins ahead of forecast. The sector was buoyed as the RBA held cash interest rates and extended the end date of bond buying programme from December 2021 to February 2022.
2	Oct 21	BBRC nominated Brett Blundy to the Board, as foreshadowed in the prospectus.
3	Nov 21	BLG released its trading results for the first 20 weeks of FY22 to 14 November 2021. BLG underperformed relative to what was projected in the prospectus, announcing lower revenue, EBITDA and NPAT. This was largely due to rolling lockdowns occurring in Australia and New Zealand as a result of COVID-19, with the level of disruption exceeding the Company's expectations. As a result, BLG advised the market that there was risk of not achieving the 1H FY22 guided figures. The share price declined as a result of these factors.
4	Feb 22	BLG released its results for 1H FY22 and, as previously anticipated, BLG's actual performance was below what was projected in the prospectus. During the first half of FY22, BLG saw decreased consumer activity in physical stores due to the emergence of the COVID-19 omicron variant. Despite government mandated lockdowns, however, BLG was able deliver gross margins above what was projected in the prospectus.
5	May 22	Equity markets were impacted by central banks globally signalling tightening monetary policy in an attempt to curb inflation. As a result, there was an expectation that consumer sentiment would soften, which resulted in decreases in the share price of companies with exposure to the retail sector.

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#	Date	Announcement
6	Aug 22	BLG released its FY22 earnings, which showed a much-improved performance in 2H FY22 relative to 1H FY22. Though some promotional activity was required to clear seasonal stock in the back half of the year, BLG was able to increase its operating margins.
7	Aug 22	Allegro disposed 13.94m shares at \$2.30 per share (c. 11% of total shares on issue in BLG), following the release of 25.6m shares from voluntary escrow arrangements at the time BLG was listed on the ASX. Immediately after the sale, Allegro held 32.4% of the total shares on issue.
8	Sep 22	BLG announced that its CEO, Rodney Orrock, would take a period of medical leave and Jason Murray expanded his role to become Executive Chairperson.
9	Nov 22	BLG released its trading results for the first 20 weeks of FY23 to 22 November 2022. Whilst total sales were ahead relative to the prior year, like-for-like (LFL) ¹ sales were behind, particularly through its online channel. Sales growth moderated during FY23 due to the delayed start to summer weather and supply chain delays.
10	Feb 23	BLG announced that its CEO, Rodney Orrock, would depart the business at the end of his medical leave. Jason Murray remained as Executive Chairperson whilst the Company searched for a CEO.
11	Feb 23	BLG reported results for 1H FY23. The company highlighted an overall increase in revenue over the period relative to the prior year, however LFL sales were behind particularly for its online platform, which was down 29.8%. In light of decreased consumer demand, BLG made some price point changes over the period which led to a decrease in its gross margin, although the average sales price achieved increased relative to the prior year.
12	Apr 23	Erica Berchtold was appointed as CEO. Ms Berchtold will commence on 4 September 2023.
13	May 23	Announcement of the Proposed Takeover from the Bidder at an offer price of \$1.89 per share.
14	May 23	BLG released its trading results for the 19 weeks of 2H FY23 to 14 May 2023. Whilst total sales were ahead compared to prior year, LFL revenue was down. The Company revised its pro forma NPAT guidance down from between \$18m and \$20m (which was previously announced to the market in February) to between \$10m and \$12m. BLG's share price declined by 2.6%, from \$1.92 (which was the closing share price the day before the announcement) to a closing share price of \$1.87 on 17 May 2023.

Note:

1. LFL revenue comparisons calculated as a percentage change between the total aggregated revenue generated from stores (including online) in a relevant period, compared to the total aggregated revenue from the same set of stores (including online) in the relevant previous corresponding period.

Sources: ASX announcements, Deloitte Corporate Finance analysis

3.5.1 Liquidity

As more than 57% of the shares are held by three shareholders, the free float is low. Liquidity in the 6 months prior to the Proposed Takeover was 22.3%,⁵ implying average daily trading of 0.18% (or c. 229k BLG shares). Set out in the table below is a comparison of the liquidity of BLG shares compared to the constituents of the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index, over various periods of time:

Figure 11: Daily trading volumes of BLG shares compared to constituents of S&P/ASX 200 indices

	BLG	S&P/ASX 200 Index constituents	S&P/ASX 200 Consumer Discretionary Index constituents
Over 6-months ¹	0.18%	0.22%	0.27%
Over 3-months ¹	0.15%	0.23%	0.29%
Over 1-month ¹	0.12%	0.19%	0.24%
Over 1-week ¹	0.06%	0.21%	0.23%

Note:

1. liquidity has been calculated using data provided by Capital IQ and may be different to data sourced from another provider. It has been calculated over the period to close of business day prior to the announcement of the Proposed Takeover. Month has been defined as calendar month. Week has been defined as five trading days. Reflects average daily volume traded as a percentage of issued shares.

Sources: S&P Capital IQ, Deloitte Corporate Finance analysis

Based on the information presented above, BLG's trading volumes are lower than the trading in the S&P/ASX 200 Index and the S&P/ASX 200 Consumer Discretionary Index, particularly in the week leading up to the announcement of the Proposed Takeover.

⁵ Calculated as a percentage of 125.4 million shares outstanding.

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3.6 Historical financial performance

We have summarised the historical financial performance of BLG for the financial year ended 27 June 2021 and 3 July 2022 and the half year ended 1 January 2023.

BLG legally acquired the Best & Less and Postie businesses on 20 August 2020 and as such, the audited financial performance for FY21 is not reflective of a full year of operations and includes certain listing and acquisition related costs and accounting entries. We have therefore included the unaudited pro forma financial information for BLG, to the extent available, in the table below. Our analysis of BLG's historical financial performance has therefore been focused on the pro forma FY21 financial performance as opposed to BLG's audited financial performance for FY21.

Table 7: Historical financial performance

\$m (unless otherwise stated)	Pro forma results ended 27 June 2021 (Unaudited)	Year ended 27 June 2021 (Audited)	Full year ended 3 July 2022 (Audited)	Half year ended 1 January 2023 (Reviewed)
Total operating revenue	663.2	576.1	622.2	324.8
Cost of goods sold	(338.7)	(296.8)	(321.1)	(173.8)
Gross profit	324.5	279.3	301.1	150.9
Other income		0.2	0.2	0.1
Operating expenses		(176.2)	(187.7)	(102.0)
Operating profit, before depreciation, amortisation and impairment	116.7¹	103.2	113.6	49.1
Depreciation and amortisation		(46.3)	(53.2)	(26.8)
Reversal of impairment / (impairment expense)		(0.2)	0.1	0.0
Operating profit		56.8	60.5	22.3
Discount on acquisition		53.2	-	-
Net finance expense		(15.8)	(10.0)	(5.9)
Income tax expense		(13.0)	(14.4)	(5.1)
Net profit after tax	47.0	81.2	36.1	11.3
<i>Items that may be reclassified subsequently to profit and loss:</i>				
Net change in the fair value of cash flow hedges taken to equity, net of tax		2.7	2.9	(3.9)
Foreign currency translation		0.2	(0.5)	0.4
Other comprehensive income, net of tax		2.9	2.4	(3.4)
Total comprehensive income		84.1	38.5	7.9
Basic EPS (cents)		82.2	29.2	9.0
Dividends paid per share (cents)		12.9	11.0	12.0

Key financial metrics:

Total revenue growth (%)	6.1%	n/a	8.0%	13.0% ²
Gross profit margin (%)	48.9%	48.5%	48.4%	46.5%
Operating expenses as % of revenue	31.3%	30.6%	30.2%	31.4%
EBITDA margin (%)	17.6%	17.9%	18.3%	15.1%

Notes:

- pro forma EBITDA presented on a post AASB-16 basis
 - 1H FY23 revenue growth calculated relative to 1H FY22 revenue.
- Numbers in the table may not add due to rounding.
n/a = not applicable.

Sources: BLG FY22 Annual Report, BLG 1H FY23 Half Year Report, Deloitte Corporate Finance analysis

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Set out below is the breakdown of sales between physical stores and online sales:

Table 8: Split of revenue between in-store and online

\$m (unless otherwise stated)	Pro forma results ended 27 June 2021 (Unaudited)	Year ended 27 June 2021 (Audited)	Full year ended 3 July 2022 (Audited)	Half year ended 1 January 2023 (Reviewed)
Revenue				
Physical store sales		517.5	545.0	295.5
Online sales		58.6	77.2	29.2
Total operating revenue	663.2	576.1	622.2	324.8

Operating and financial metrics:				
LFL revenue growth (%) ¹	10.8%	n/a	(0.7)%	(4.9)% ²
Online revenue growth (%)	33.5%	n/a	15.6%	(29.8)% ²
Total revenue growth (%)	6.1%	n/a	8.0%	13.0% ²
Total available number of trading days	87,173	n/a	89,516	43,938
Total lost number of trading days	2,830	n/a	9,679	-
Number of stores at period end	245 stores	245 stores	242 stores	245 stores
Revenue per retail store (\$m)	\$2.71	n/a	\$2.57	\$1.33
Revenue per retail store / available trading day (\$)	\$7,608	n/a	\$6,951	\$7,392
Revenue per retail store / actual trading day (\$)	\$7,863	n/a	\$7,793	\$7,392
Number of units sold (million)	90.2	n/a	81.7	40.5
Average selling price per unit	\$7.35	n/a	\$7.62	\$8.02
Average cost per unit (based on COGS)	\$3.75	n/a	\$3.93	\$4.29

Notes:

1. LFL revenue growth calculated as a percentage change between the total aggregated revenue generated from stores (including online) in a relevant period, compared to the total aggregated revenue from the same set of stores (including online) in the relevant previous corresponding period

2. 1H FY23 revenue growth calculated relative to 1H FY22 revenue.

Numbers in the table may not add due to rounding; n/a = not applicable.

Sources: BLG FY22 Annual Report, BLG 1H FY23 Half Year Report, Deloitte Corporate Finance analysis

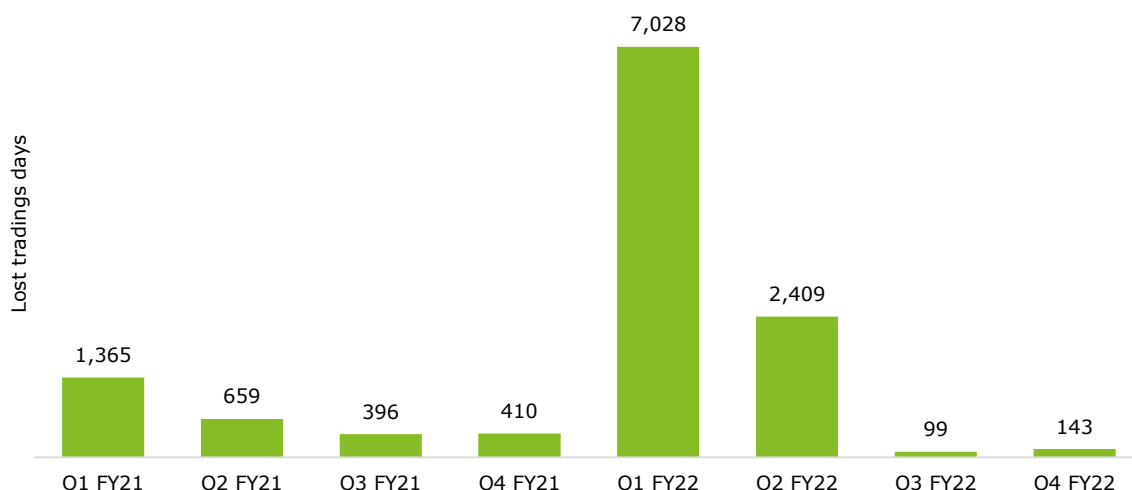
Pro-forma revenue for FY21 was \$663.2m, which reflected an increase of 6.1% on FY20 and was 0.8% higher than the FY21 forecast as presented in the IPO prospectus. Revenue growth was underpinned by the performance of its core baby segment, as well as underwear and sleepwear. Furthermore, the Company's 'good, better, best' product and pricing mix helped drive higher average selling prices and therefore gross profit margins.

Revenue for FY22 was 6.2% behind FY21 pro forma revenues. Despite FY22 being a 53-week reporting period (FY21: 52 weeks)⁶ and a considerable increase in online revenue (15.6% growth on the prior pro-forma period), ultimately, rolling Government-mandated lockdowns during FY22 impacted selling occasions as the Company lost 9,679 total trading days (equivalent to 10.8% of trading days). Furthermore, flooding closed 4 stores for an extended period from October through to December 2021 and from March through to the end of FY22.

⁶ The financial reporting period of the retail industry, including BLG, revolves around the retail calendar. As a result, reporting periods can alternate between a 52-week period to a 53-week period.

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Figure 12: BLG lost trading days FY21-FY22



Sources: BLG, Deloitte Corporate Finance analysis

During FY22, the Company was also impacted by global supply chain issues and input cost inflation,⁷ resulting in the average cost per unit increasing by 4.7%. Whilst BLG was able to pass on some of the price increases (average selling prices increased by 3.6%) off the back of a resurgence in consumer demand post COVID-19, gross profit margin declined from 48.9% in FY21 (pro forma) to 48.4% in FY22.

LFL revenue continued to decrease in 1H FY23 due to consumer demand being weaker than expected, a delayed start to the summer weather (which impacted demand for summer clothing) and supply chain delays. As a result, BLG implemented targeted price reductions and promotional activities to clear inventory backlogs where current inventory was considered sub-optimal. The combination of continued cost inflation, which pushed up the average cost per unit, increased freight costs and promotional activities, resulted in gross profit margin in 1H FY23 declining to 46.5%.

Operating costs comprise selling costs, administration costs and other operating expenses. As a proportion of revenue, these costs have been largely consistent. Operating costs as a proportion of revenue increased in 1H FY23 relative to FY22, as stores previously closed during lockdowns in FY22 reopened, and higher inflation impacted wages.

Depreciation and amortisation comprise a variety of expenses, with the majority of the expense relating to the right-of-use assets (i.e., the leases over retail stores). Further details of BLG’s leases are provided in Section 3.7.2.

In anticipation of the IPO, in FY21 the Company undertook a corporate restructuring which resulted in the recognition of a ‘discount on acquisition’ for financial reporting purposes. This is an accounting entry and does not relate to the trading operations of the group.

Net finance costs primarily relate to the interest and finance charges on lease liabilities and working capital facilities.

BLG has entered into forward foreign exchange contracts to hedge its exposure to USD purchases of inventory. The derivative financial instruments have been fair valued having regard to the weighted average hedged AUD/USD rates and the forward exchange rates at each balance sheet reporting date, with the movement in the fair value of these instruments recognised in the cash flow hedge reserve within equity.

BLG has a dividend policy to pay out 60% to 80% of NPAT. In March 2022, BLG paid its maiden interim dividend of 11 cents per share. BLG paid another dividend in September 2022 (of 12 cents per share) and April 2023 (of 8 cents per share). Dividends paid to date have been at the upper end of BLG’s dividend policy range.

3.6.1 Normalisation of EBITDA

Normalisation adjustments for FY21 through to 1H FY23 are presented in the following table.

⁷ The Company was impacted by increased input costs in both periods as commodity pricing for key products such as cotton remained at elevated levels.

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Table 9: Normalised EBITDA

\$m	FY21	FY22	1H FY23
EBITDA	103.2	113.6	49.1
Add back: IPO-related costs	8.2	4.4	0.0
Less: COVID-19 related rent concessions	(2.0)	(4.1)	(0.1)
Add back: duplication of CEO costs	-	-	0.3
Normalised EBITDA	109.4	113.8	49.2

Note: numbers in the table may not add due to rounding.
Sources: Management, Deloitte Corporate Finance analysis

In respect of the normalisations, we make the following comments:

- majority of the normalisations relate to BLG's IPO costs that were incurred in FY21 and July 2021 when BLG listed on the ASX
- BLG received COVID-19 related rent concessions from FY21 through to 1H FY23 that will not continue going forward
- there was a period of duplication costs for the CEO role, when Rod Orrick was on medical leave and Jason Murray became the Executive Chair, which we have normalised for.

3.7 Historical financial position

Set out in the table below is the consolidated financial position as at 27 June 2021, 3 July 2022 and 1 January 2023.

Table 10: Historical financial position

\$m (unless otherwise stated)	27 June 2021 (Audited)	3 July 2022 (Audited)	1 January 2023 (Reviewed)
Trade and other receivables	4.9	5.1	7.5
Inventories	80.5	95.0	108.8
Trade and other payables	(72.2)	(62.0)	(63.0)
Income tax liabilities	(8.2)	(6.6)	(5.5)
Other current payables	(13.9)	(15.3)	(15.1)
Net working capital	(8.8)	16.2	32.8
Property, plant and equipment	9.8	15.2	20.6
Intangible assets	11.8	11.3	11.3
Right of use assets	186.6	198.0	189.4
PPE, intangibles and leases	208.2	224.5	221.3
Derivative financial instruments	1.0	5.5	0.1
Deferred tax assets	12.6	9.8	11.2
Non-current employee benefits	(2.3)	(2.1)	(2.0)
Non-current provisions	(5.6)	(4.7)	(4.4)
Other net assets and liabilities	5.7	8.5	4.8
Cash and cash equivalents	35.7	36.7	18.7
Working capital facilities	-	-	(4.0)
Current lease liabilities	(37.2)	(45.7)	(45.2)
Non-current lease liabilities	(160.4)	(167.5)	(162.0)
Net debt	(161.9)	(176.5)	(192.5)
Net assets	43.1	72.7	66.3

Note: numbers in the table may not add due to rounding.
Sources: BLG FY22 Annual Report, BLG 1H FY23 Half Year Report, Deloitte Corporate Finance analysis

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Further analysis of the historical NWC is provided in Section 3.7.1.

Net debt, as set out above, comprises of cash, working capital facilities (refer to Section 3.4.1) and lease liabilities (refer below). As inventory levels increased, this has been funded through a mixture of cash and working capital facilities. The cash position for BLG has reduced significantly between 3 July 2022 and 1 January 2023. The decrease is the result of an increased inventory position, increased capital expenditure for new stores and refurbishments and the payment of the FY22 dividend on 30 September 2022.

Property, plant and equipment primarily comprises leasehold improvements, fixtures and fittings at the stores. This also includes construction in progress for new stores that will open in the near future. As at 1 January 2023, construction in progress was \$5.3 million.

Intangible assets predominantly relate to the 'Best & Less' and 'Postie' patents and trademarks that have been recognised on the balance sheet and treated as indefinite life assets. There are also small amounts of software costs which have been capitalised that are being amortised over their expected useful life.

Right of use (ROU) assets and lease liabilities relate to the land and buildings leased for warehouses and retail outlets under agreements of between 1 to 15 years with, in some cases, options to extend the term. Further details of these leases are provided in Section 3.7.2.

As noted in Section 3.6, derivative financial instruments relate to forward foreign exchange contracts that BLG has entered into to hedge its exposure to USD purchases of inventory.

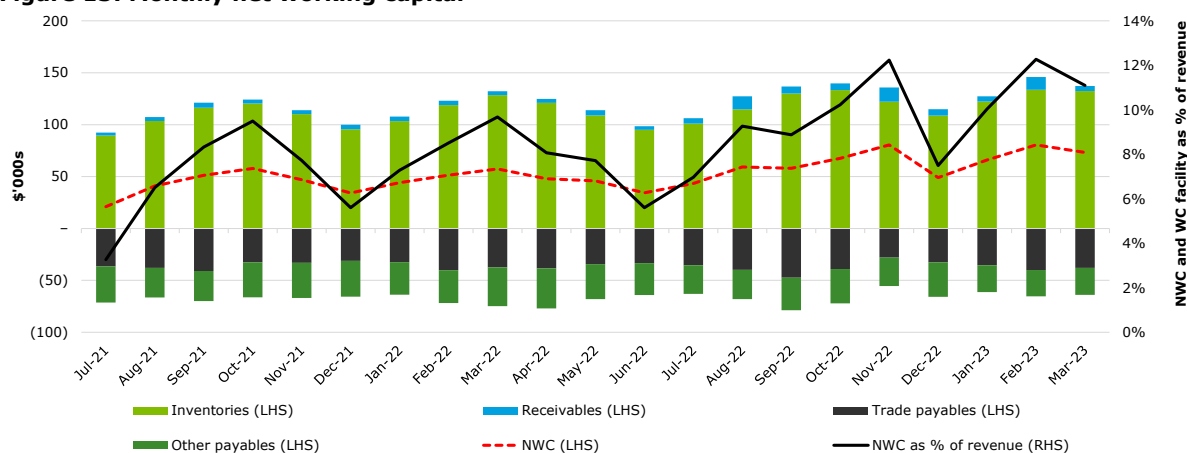
Deferred tax assets comprise of temporary differences primarily attributable to lease liabilities and employee entitlements.

Non-current provisions relate to make-good provisions that are expected to be incurred at the end of store lease terms.

3.7.1 Working capital

The monthly NWC, from July 2021 through to March 2023, is presented in the figure below.

Figure 13: Monthly net working capital



Sources: Management, Deloitte Corporate Finance analysis

NWC movements are predominantly driven by changes in inventory which can be seasonal in nature. The inventory investment is typically greatest during the months of March and April as well as from September to November. These periods coincide with a number of key consumer shopping occasions including Easter, Mother's Day, Black Friday and Christmas. The remaining movements in NWC are impacted by movements in trade payables and receivables.

Over the past two years, BLG's NWC as a percentage of revenue has increased, consistent with what we have observed in the companies we consider to be comparable to BLG. Due to supply chain issues and increased consumer demand post COVID-19, all retailers have had to hold higher inventory levels to ensure there is sufficient stock on hand. BLG's NWC as a percentage of revenue is currently trending between 8% and 12%.

3.7.2 Leases

BLG leases land and buildings for its warehouses and retail outlets. The lease agreements range from 1 to 15 years (and sometimes with the option to extend), with the weighted average remaining lease term approximately 5.7 years.

As at 1 January 2023, lease liabilities were \$207.2m whilst the corresponding ROU asset was \$189.4m. BLG calculates its operating lease commitment on a lease-by-lease basis, discounting the lease payments to be made over the term of the lease to present value using the incremental borrowing rate. The ROU asset and lease liability reduce over time due to depreciation and finance charges.

Table 11: Lease charges through BLG's financial performance

\$m	FY21	FY22	1H FY23
Depreciation of ROU assets	44.1	50.4	25.0
Finance charge on lease liabilities	8.3	8.7	5.1
Total depreciation and finance charge	52.4	59.1	30.1
Cash paid in respect of lease liabilities	36.9	48.4	22.4

Sources: BLG FY22 Annual Report, BLG 1H FY23 Half Year Report, Deloitte Corporate Finance analysis

3.8 Strategy of the business

BLG is focused on delivering organic sales and profit growth as well as pursuing new growth opportunities. It aims to deliver on this strategy by growing its market share in the baby, kids and womenswear segment, accelerating its online sales growth and growing and enhancing its store network.

Growth in market share

Management expects the baby and kids segment to remain a key driver for the Company and, as a result, will continue to grow its market share in the core baby and kids segment. Given the current strength in babywear, it is anticipated that through effective use of its customer data, introducing and further expanding non-apparel categories for baby, and expanding its kids apparel collaboration, BLG will be able to retain its customers for longer and grow the customer lifetime value.

As consumers increasingly value convenience when purchasing products, there will be the opportunity for BLG to grow its womenswear revenue, particularly if it is able to simplify and optimise its 'good, better and best' clothing range. Postie's strength in womenswear continues to be a growth opportunity that can be leveraged across the Best & Less network.

Technology and online platform

Online and physical store revenue growth will be supported by investment in technology and online platforms, which BLG is seeking to improve and integrate with new data capability. The Company has planned investment in customer relationship management technology to achieve better consumer targeting, whilst also allowing it to better utilise data underlying consumer spending habits for optimal store and inventory management. Coupled with this, the customer loyalty scheme for Best & Less (which currently has 2 million members), will provide it with greater data on behaviours and properly tailor marketing toward each customer set.

Supply chain initiatives are also being implemented to improve the efficiency of the vertical supply chain.

Lastly, customer insight surveys are being managed to ensure the feedback is being utilised for enhanced product design, manufacture and targeting in a timely manner. Similarly, this will aid Management in understanding the experience enhancements which can be made to both the online and physical store channels.

Physical store growth

The store footprint of BLG has changed in recent years as the Company rationalised unprofitable stores and opened in new locations. Whilst the Company is focused on maintaining discipline in store selection over the coming years (particularly given prevailing economic uncertainty and volatility in consumer shopping behaviour), expansion of the store network into regions that are currently underserved by BLG is an area of priority.

BLG’s expansion plans in the coming years target a smaller number of store openings across FY23 to FY24, in light of the economic environment, with an accelerated store expansion programme planned for FY25 to FY26.

As well as physical store growth the Company has also placed emphasis on increasing the productivity of the current physical store network. The combination of increased store level profitability and store expansion programme is core to the medium-term strategy.

3.9 Equity research analysts’ perspectives

BLG is currently covered by two equity research analysts (Macquarie Research and Bell Potter Securities). The table below sets out the average earnings estimates based on the latest broker reports available prior to the announcement of the Proposed Takeover.

Table 12: Summary of equity research analysts’ earnings estimates

\$m (unless otherwise stated)	Audited FY22	Analyst estimates FY23	Analyst estimates FY24	Analyst estimates FY25
Revenue	622.2	669.9	703.1	737.2
Gross profit	305.5	316.7	335.0	353.2
EBITDA (post AASB-16) ¹	121.6	106.8	119.0	130.0
EBITDA (pre AASB-16)	62.5	50.3	58.9	66.6
NPAT	41.2	31.5	36.2	41.0
<i>Revenue growth (%)</i>	-6.2%	7.7%	5.0%	4.9%
<i>Gross profit margin (%)</i>	49.1% ²	47.3%	47.7%	47.9%
<i>EBITDA (post AASB-16) margin (%)¹</i>	19.5%	15.9%	16.9%	17.6%
<i>NPAT margin %</i>	6.6%	4.7%	5.1%	5.6%
Dividend paid per share (cents)	23.0	18.2	19.8	22.7

Notes:

1. EBITDA on a post AASB-16 basis reported only by one equity research analyst

2. the FY22 gross profit margin quoted by the brokers is calculated on a pre AASB-16 basis.

Sources: S&P Capital IQ, FY22 financial statements, Broker reports, Deloitte Corporate Finance analysis

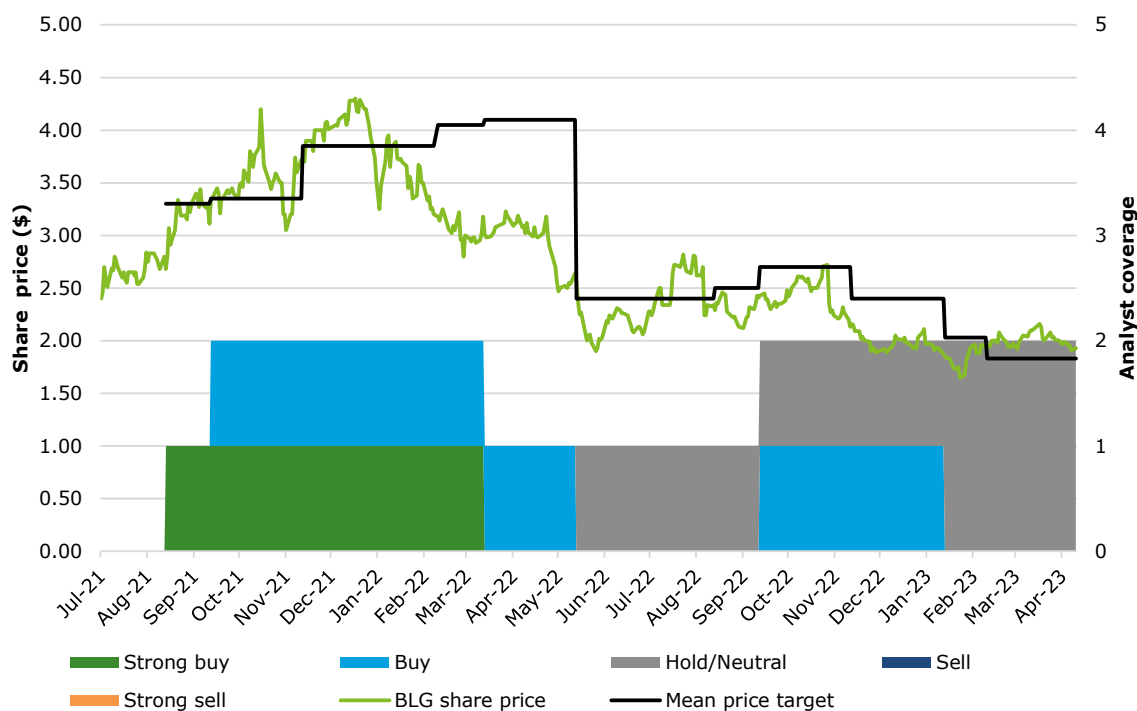
The estimates presented above are based on two reports published on or after 22 February 2023 (being after the release of the 1H FY23 results but before announcement of the Proposed Takeover). We highlight the following:

- FY23 revenue growth is anticipated to be c. 7% to 8%, based on an expectation that consumers will ‘trade down’ given the current economic environment (but noting that FY22 was impacted by COVID-19 related lockdowns)
- gross profit margin for FY23 is anticipated to be largely in line with what was achieved in 1H FY23 (of 47.1%)
- analysts anticipate gross profit margins will increase from FY23 through to FY25 as input cost inflation subsides (freight, product material, labour) but they are not expected to return to the levels achieved through FY22 or FY21
- whilst BLG has performed well in times of financial distress as there is an expectation that the customer will ‘trade down’, the view amongst analysts is that due to the target market (i.e., customers that may be more price sensitive), BLG may not be able to pass through all input cost inflation to the customer, which is expected to impact profitability
- brokers anticipate dividends will be lower over the next two years through to FY24.

The equity research analysts update price targets and analysis on a regular basis. A summary of changes in stock rating across a range of five categories is outlined in the following figure, along with a comparison of the changes in mean price target and stock price.

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Figure 14: Summary of equity research analysts' mean target price and recommendations



Sources: Refinitiv, Deloitte Corporate Finance analysis

Brokers over the past 12 months has moved from a position of buy ratings (1 buy, 1 strong buy) to the current position where both analysts have a hold rating. This change in recommendation is supported by a decreasing target share price.

The average price target change in June 22 was pronounced due to coverage by only one equity research analyst in this period – Macquarie Research updated their rating from outperform to neutral whilst the price target was reduced from \$3.12 per share to \$2.54 per share. The downgrade was based on the fact that BLG’s target market are households with lower incomes, which the analyst believed exposed it to greater risk given the prevailing inflationary environment. Accordingly, the decreased ability for BLG to pass through some or all of the cost inflation would place margin at risk.

On the day prior to the announcement of the Proposed Takeover, Bell Potter and Macquarie Research had a price target for BLG of \$1.85 and \$1.80,⁸ respectively.

Following the announcement of the Proposed Takeover and the trading update on 17 May 2023, both analysts published an updated report. We highlight the following:

- revenue is projected to be c. 2% lower from FY23 through to FY25
- the average forecast EBITDA (post AASB-16) and NPAT for FY23 has reduced down to \$99.5m and \$25.2m, respectively
- the average forecast EBITDA (post AASB-16) and NPAT for FY24 has reduced down to \$119m and \$36m, respectively.

They also reduced their price targets down to \$1.80 (Bell Potter) and \$1.70 (Macquarie), reflecting a reduction of 2.7% and 5.6%, respectively.

⁸ Based on equity research reports published on 22 February 2023.

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3.10 Key industry trends

Current economic environment

Over the past 24 months, a resurgence in consumer demand during the COVID-19 pandemic, coupled with supply chain issues and political uncertainty has led to high levels of global inflation. This has resulted in central banks increasing interest rates in an attempt to combat rapidly rising inflation. However, this has had impacts on economic growth and weakened consumer sentiment, particularly in the retail sector.

BLG is a value apparel retailer and therefore the impact of weakening consumer sentiment is expected to be lower relative to discretionary retailers, particularly as consumers are expected to 'trade down' and shop more at value retailers. Based on BLG's target market, Management consider the Company is well placed to take advantage of any consumer migration toward value focused retailers.

The retail clothing industry in Australia is anticipated to grow at a CAGR of 1.9% to \$24.4 billion by 2027-28 and, in New Zealand, the clothing retail industry is forecast to grow at a compound annual growth rate of 0.2% to \$3.4 billion by 2027-28.⁹ Industry revenue growth is expected to be hampered by rising inflation in Australia and New Zealand, which is expected to remain over 3% through to 2024, and likely to lead to weakening consumer spending.

Supply chain challenges

Since the emergence of COVID-19 in 2020, there has been a prolonged subsequent impact on global supply chains. The backlog of freight movement, increased cost of labour and cost of energy supply, coupled with a strong consumer demand in 2020 through to 2022, has impacted companies across all sectors. Retail businesses have been impacted through increased freight costs to ensure delivery for stock is on time for each season.

To manage the physical supply chain disruptions experienced across the economy, businesses have been holding higher levels of inventory compared to historical levels. Coupled with high consumer demand in the retail sector, the levels of inventory investment have been even higher. Whilst some of the cost challenges to the supply chain have started to diminish (freight and shipping costs are coming down), there remains risks that continued increased costs related to product delivery will impact margin profile.

With the possible decreases in consumer spending discussed above, the ability of retailers to pass through cost increases to the consumer could be curtailed and consequently impact gross margins.

Inventory management

The apparel sector is often predicated on fashion, trends and seasons. This leads to increased levels of inventory turnover relative to other industries. Companies within the sector must be cognisant of changing consumer preferences and pivot to capture this (e.g., the prominence of casual wear during and post COVID-19). The emergence of 'fast fashion' labels is further evidence of this trend, catering to seasonal trends at lower price points.

Further issues surrounding inventory management include ensuring product is available at the point of sale for the consumer at the appropriate time. Any delay in seasonal stock arriving to a retail store or online platform or delays or changes in seasonal weather patterns will decrease the selling window of opportunity for the retailer. This decreased timeline for shopping occasions by the consumer can lead to increased promotional activity to clear stock at the end of a season. Such challenges in inventory management (in particular where they can be outside the control of Management) can impact margins.

Shift in consumer habits

Consumer spending patterns are constantly changing. The location of shopping occasions by the consumer has shifted from in-store retail to a blend between in-store and online. Companies with an omnichannel approach appear best placed to capture the potential accessible market for their product but the cost and investment required in exploiting such a strategy can be high. Similarly, the rise in prominence of alternative shopping occasions through marketplace channels, second-hand thrifting and vintage stores has led to greater competition for retailers selling products 'as new' in stores.

⁹ IBISWorld industry reports titled 'Footwear Retailing in Australia' dated March 2023, 'Clothing Retailing in Australia' dated February 2023, 'Clothing Retailing in New Zealand' dated March 2023, 'Footwear Retailing in New Zealand', dated January 2023.

4 Valuation of BLG

4.1 Valuation summary

A summary of our valuation of BLG is set out in the following table.

Table 13: BLG valuation summary

	Section	Unit	Low	High
EBITDA	4.3.1	\$m	100	100
Earnings multiple	4.3.2	times	4.5x	5.0x
Enterprise value		\$m	450	500
Add: surplus assets	4.4	\$m	-	-
Less: net debt	4.5	\$m	(195)	(195)
Equity value		\$m	255	305
Number of shares	4.6	million	125.4	125.4
Value per share		\$	2.03	2.43

Source: Deloitte Corporate Finance analysis

In estimating the enterprise value, we have utilised the market multiples approach as set out below. Our rationale for selecting this approach is set out below in Section 4.2. After deducting net debt, this results in an estimated value of between \$2.03 and \$2.43 per share.

The analysis supporting the estimated value of a BLG share is set out in the following sections.

4.2 Selection of valuation approach

We estimated the enterprise value using the market multiples method, before deducting net debt to arrive at the equity value. Appendix 1 sets out a discussion on the various valuation methodologies which can be adopted in valuing entities and businesses.

The market multiples approach is typically applied to value businesses which have a stable level of earnings. This approach involves applying a multiple to maintainable earnings. In this regard, we note the following:

- whilst there was volatility in earnings for retailers at the beginning of COVID-19, this has largely subsided and BLG has reported relatively consistent earnings over the past two years;
- the Directors have provided guidance on anticipated NPAT. There are also two brokers who cover BLG and provide estimated earnings and general outlook for the business;
- there are a number of publicly listed companies with operations sufficiently similar to those of BLG to provide a meaningful comparison.

We have cross-checked our valuation under the primary methodology with reference to the price to earnings (P/E) multiple implied by our EBITDA multiple valuation and how that compares to the comparable companies.

Our valuation has been undertaken on a control basis, consistent with the requirements of ASIC RG 111.

4.3 Market multiples approach

Set out below is a summary of the market multiples approach used to estimate the enterprise value.

Table 14: Enterprise value based on earnings multiple

	Section	Unit	Low	High
EBITDA	4.3.1	\$m	100	100
Earnings multiple	4.3.2	times	4.5x	5.0x
Enterprise value		\$m	450	500

Source: Deloitte Corporate Finance analysis

4.3.1 Assessment of earnings

Future maintainable earnings represents the earnings that the existing business could reasonably be expected to achieve. We have selected EBITDA, on a post AASB-16 basis, as an appropriate measure of earnings because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT.

This approach allows a better comparison with earnings multiples of other comparable companies. In addition, EBITDA is an earnings measure monitored by management and is more commonly and consistently forecast by equity research analysts and thus also results in more accurate implied multiples for the comparable companies.

In determining the selected earnings multiple range, we have considered the following:

- the financial performance of BLG in FY21 and FY22, adjusted for abnormal or non-recurring expenses, as set out in Section 3.6.1. We also considered the impact of the COVID-19 pandemic and how it has impacted earnings
- the 1H FY23 results as well as the Company's trading and profitability metrics from January through to May 2023 and Management's expectations for the rest of FY23
- the announcement made by the Directors on 17 May 2023 with respect to BLG's first 19 weeks of trading in 2H FY23, which indicated that whilst total sales were up 1.8% on the prior corresponding period, LFL sales were down 1.4%, with the bulk of this decrease attributed to an 18.2% decline in online sales.

As a result, the Directors have downgraded their 2H FY23 NPAT guidance from \$18m to \$20m to \$10m to \$12m. This is largely in line with what BLG achieved in 1H FY23 (\$11.3m). Assuming c. \$38m of depreciation, interest and tax (consistent with 1H FY23), this implies BLG's EBITDA for 2H FY23 would be in the region of \$48m to \$50m, taking BLG's projected FY23 statutory EBITDA to \$97m to \$99m

- the full year earnings increase expected from stores which opened in FY23 (eight new stores opened by 30 April 2023, with a further four new stores to open before the end of FY23)
- FY23 earnings (of \$99.5m) projected by equity research analysts covering BLG, as set out in Section 3.9, following the revised trading expectations provided by the Directors on 17 May 2023.

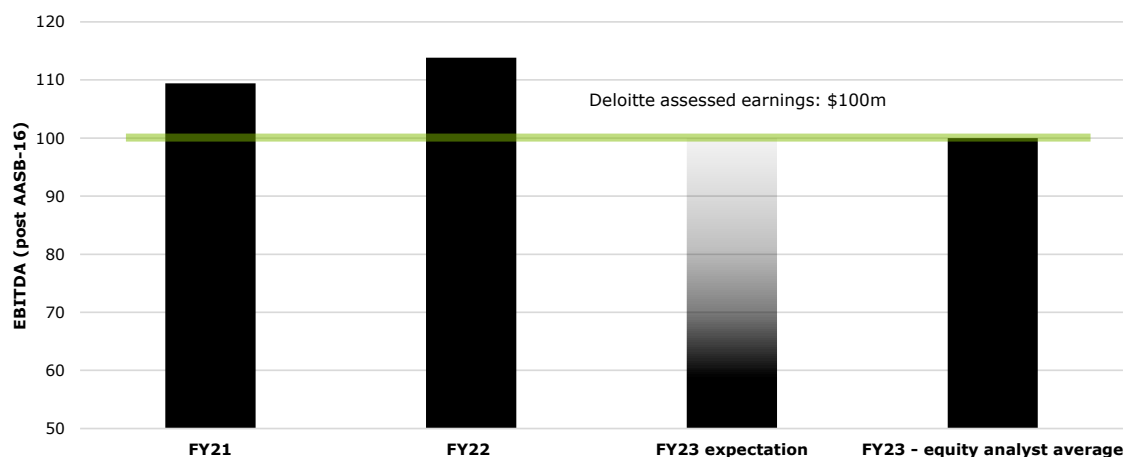
Our assessment also takes account of discussions with Management relating to the Company's profitability and current trading, which highlighted the following:

- revenue: whilst there are cost of living pressures which could impact on physical store and online retail sales over the rest of 2H FY23, BLG's new store openings, financial support for BLG's core customers demographics from measures announced in the Australian Federal budget, an improved value proposition and better inventory management are expected to have a positive impact on BLG's revenue in FY24
- gross margin: Management anticipate that continued promotional activity will be required for the rest of 2H FY23 to ensure the Company is not holding winter stock and is positioned for the right product mix going into FY24. However, they have also seen improvements in supply chain challenges and product costs, which were prominent over recent years, which should support a return to more traditional gross margins in FY24
- cost of doing business: defined by BLG as gross profit less EBITDA, is anticipated to increase due to continued elevated inflation, increases in occupancy costs and, in particular, wage cost inflation. Despite this, there should be some positive impact through more efficient marketing expenditure.

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In consideration of the above factors, we have estimated maintainable EBITDA earnings to be \$100m.

Table 15: Estimated maintainable EBITDA



Sources: S&P Capital IQ, Deloitte Corporate Finance analysis

We note that our estimated maintainable earnings is lower than the FY21 and FY22 EBITDA. However, considering the change in the economic environment, product mix and increased levels of promotional activity, along with the fact that FY22 had 53 weeks of trading, we believe this estimate is appropriate.

4.3.2 Earnings multiple

The selection of an earnings multiple draws upon available market-based evidence as reflected in the trading of securities in businesses that have operations similar to BLG. In assessing the appropriate multiple, we have considered earnings multiples derived from the share trading of comparable listed companies, as well as from businesses sold with operations that are broadly similar to those of BLG.

Market trading multiples

Earnings multiples derived from the prices of traded securities would typically reflect the market value of a company on a liquid minority interest basis. In practice, it is typical for purchasers to pay a premium (referred to as a takeover premium) over share market trading prices (generally ranging from 20% to 40%) to acquire a controlling interest in a company in order to encourage sufficient shareholders to accept the takeover offer.

However, it would be inappropriate to assume every listed company would command the same or any takeover premium. The premiums observed in public takeovers are dependent on the individual features of each transaction and often incorporate an element of synergistic value specific to the acquirer and the specific circumstances of the relevant target (at that time) and the price tension available in capital markets as a result of various factors outside of the control of the acquirer and target.

They could also reflect that trading in the target company’s shares was illiquid, or that the underlying business was poorly understood by the market and may therefore have been mispriced. The applicability and quantum of a control premium (as opposed to the observed takeover premium), if any, depends on the specific facts and circumstances of the subject business and requires consideration of the extent to which the aforementioned factors influenced takeover premium reference points. For all these reasons, the premium for control will, by definition, be different and lower than the observed takeover premiums.

In selecting the companies we consider to be comparable, we had regard to where BLG trades. Markets across different jurisdictions have distinctive characteristics which means comparison against in-region peers is preferred. As BLG solely operates in the Australian and New Zealand markets, we have focused our attention on companies comparable in the Australian and New Zealand markets. Specifically, we have identified specialty apparel omnichannel retailers and have excluded department stores and pure online apparel retailers. A full list containing the descriptions and details of the comparable companies considered in our analysis is provided in Appendix 2.

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In assessing the comparability of these companies, we have had regard to the following key factors:

- operating model: companies with an omnichannel approach operate differently from physical store or online only retailers. Similarly, companies with own-brand offerings will have varying operating metrics compared to companies which are distributors of third-party products
- growth prospects: companies with a higher growth outlook generally trade at higher multiples than those with lower growth prospects. We observed that, generally, the multiples of these comparable companies are correlated with revenue growth as this is reflective of the expectation of increased market share and growth opportunities
- diversification and scale: companies with greater product and/or target market diversification (which also tend to be larger) can, all things being equal, trade on higher multiples than smaller companies. This is because the product and target market diversification can mean that the business is more insulated from specific risks (which may only impact a particular product or target market) or because their larger size gives them a scale advantage
- EBITDA margin: companies with higher margins tend to trade at higher multiples as these companies tend to have more pricing power in the market and/or have greater capacity to absorb higher costs which may be imposed on the business. The higher margins can also be viewed as a proxy for higher returns and thus businesses with higher margins would be more valuable
- lease liability: similar to other market participants, BLG primarily utilises leasing for physical stores, warehouses and other property related business requirements. Differences in the number of stores, annual rental costs and length of leases impact the calculation of the lease liability on the balance sheet.

We considered the companies highlighted as the primary comparables based on their product offering, target market and retail price points.

Table 16: Summarised comparable companies' financial and valuation metrics

Name	Enterprise value (\$m)	Revenue FY22 (\$m)	Rent as % of revenue ¹	EBITDA margin (%) ²		EBITDA multiple ²	
				LTM ³	Current ⁴	LTM ³	Current ⁴
BLG	441	622	7.8%	16.3%	15.9%	4.1x	4.1x
Primary							
Premier Investments	3,979	1,517	11.2%	32.9%	31.9%	7.3x	7.6x
Universal Store	412	208	9.6%	26.4%	26.0%	6.4x	5.7x
Hallenstein Glasson	411	351	6.8%	21.2%	n/a	4.8x	n/a
City Chic	175	370	2.2%	1.3%	(2.9%)	n/m	n/m
Mosaic Brands	161	571	13.4%	10.3%	4.8%	2.6x	5.8x
Secondary							
Super Retail Group	3,877	3,551	6.1%	20.1%	19.8%	5.1x	5.3x
Accent Group	1,916	1,130	10.0%	21.1%	21.8%	6.7x	6.2x
KMD Brands	1,177	980	8.4%	19.2%	19.4%	5.5x	5.3x

Notes:

1. repayment of principal portion of lease liabilities is assumed to be akin to rent expense
2. EBITDA is presented on a post-AASB16 basis, i.e., including lease liabilities in EV, and excluding rent expense from EBITDA
3. LTM EBITDA = EBITDA for the twelve months ending 31 December 2022 (or equivalent)
4. current EBITDA = EBITDA projected for the year ended 30 June 2023 (or equivalent)

n/a = not available; n/m = not meaningful.

Sources: Publicly available announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

We highlight the following in relation to these companies:

- Premier Investments is a diversified specialty retailer with holdings in a number of listed and unlisted retail companies. Premier Investments' portfolio includes brands such as Smiggle, peteralexander, Just Jeans, Portmans and Dotti. Premier Investments also owns a 25.79% interest in the listed department store retailer Myer Holdings Ltd and a 25.56% interest in electrical consumer products manufacturer Breville Group Ltd. Adjusting for the market value of these investments would result in the LTM EBITDA multiple of Premier Investments reducing from 7.3 times to 5.6 times and the current EBITDA multiple reducing from 7.6 times to 5.8 times. Whilst Premier Investments does not operate in the baby segment and its products have a higher price point, most of its brands predominantly target the female customer. Premier Investments is significantly larger and operates a significantly more diversified business than BLG, generating revenue of \$1.7 billion in the twelve months to 1H FY23 at an EBITDA margin of 34.5%. This

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compares to BLG's EBITDA of margin of 16.3% over the same period. On balance, we would expect Premier Investments to command a higher multiple than BLG

- Universal Store is an apparel, footwear, and accessories retailer in Australia. The company operates multiple brands including Universal Store, THRILLS and Perfect Stranger where it sells a blend of own-brand and third-party products. Universal Store's target market is women and men in their 20s and early 30s and prices its products towards the low to mid end of the price range price point. Universal Store's EBITDA margin over the twelve months to 1H FY23 was 26.4% and, based on broker consensus, is projecting a compounded annual growth in revenue of over 20% over the next two years through to FY24, largely reflecting the full year impact of the acquisition of THRILLS. As such, we consider it more relevant to focus on the current EBITDA multiple of 5.7 times. In comparison, BLG's historical EBITDA margin has been lower at 17.6% and brokers expected the compounded annual growth in revenue over the next two years to be 6.3%. On balance, we are of the opinion that Universal Store would command a higher multiple than BLG
- Hallenstein Glasson is a New Zealand based value apparel retail company, selling both womenswear and menswear. Hallenstein Glasson's main subsidiary is Glassons, which is a womenswear brand with stores across the ANZ region. Menswear is sold across the same region through the Hallenstein brand name. Hallenstein Glasson generated revenue of \$404m in the twelve months to 1H FY23, at an EBITDA margin of 21.2%. Whilst Hallenstein Glasson's business is smaller than BLG from a revenue perspective, it is more profitable. Overall, we consider that there are many similarities between Hallenstein Glasson and BLG
- City Chic is a women's apparel retailer focussing on the plus-size category. The company is comprised of a collection of brands including City Chic, Evans, Fox & Royal, Hips & Curves and Avenue, and operates in the Americas, EMEA and ANZ markets with a substantial online footprint (and why rent as a percentage of revenue is low). City Chic was originally listed in 1998 as Specialty Fashion Group but was later rebranded after the sale of other portfolio brands in 2018 (to Mosaic Brands). City Chic differs from BLG given its specialisation on the plus-size apparel category. The company is undergoing a restructuring and is currently unprofitable and holding high levels of inventory
- Mosaic Brands is a multi-brand apparel retailer operating in the ANZ region, with a physical store network of approximately 1,100 stores. The brands of Mosaic Brands include Crossroads, Katies, Noni B, Rockmans, EziBuy and Millers among others. The core focus for Mosaic Brands is women's apparel and accessories at a competitive price point. Mosaic Brands generated revenue of \$571.4m in the 12 months to 1H FY23, at an EBITDA margin of 10.3%. The share price of Mosaic Brands has been impacted over the past 12 months by several adverse events, most substantially the trading update in June 2022 where the Board indicated the business would return to profitability in FY23. The market reaction was a 55.6% decline in share price on the day of announcement. Since then, the shares have struggled to gain positive momentum. Whilst BLG and Mosaic Brands have some comparability from a revenue and target market perspective, the company's recent performance has impacted its observed multiple. This has been considered in determining an appropriate multiple.

The remaining comparable companies have different target consumers or a more diversified product mix than BLG and therefore we have given less weight to those companies in our assessment of an appropriate earnings multiple for BLG. In particular, we note:

- Super Retail Group is a diversified Australian retail group with a portfolio of brands across the Australia and New Zealand markets. The company owns the exclusive distribution rights for brand exposure to apparel and footwear (albeit, more sporting goods) through brands, including Rebel, but also has retail investments in auto, outdoor leisure and equipment markets through brands including BCF and Supercheap Auto. Super Retail Group is much larger than BLG
- Accent Group is a diversified integrated retail and distribution performance and lifestyle footwear business. The company holds the exclusive distribution rights for a number of international brands in Australia and New Zealand, including The Athlete's Foot, Hoka One One, Dr. Martens and Vans, amongst others
- KMD Brands is a New Zealand based retail company with offerings across apparel, footwear and sporting equipment. The company has product offerings under the brand names of Rip Curl, Kathmandu and Oboz and operates in Australia and New Zealand, as well as North America, Europe and Southeast Asia.

Transaction multiples

Earnings multiples implied by transactions for a controlling interest in a business implicitly incorporate any takeover premium. However, transaction multiples are generally calculated with reference to historical earnings (often due to lack of publicly available projected earnings and detailed financial information) and, as a result, all things being equal, we would expect the transaction multiples – particularly where control is transferred – to be higher than the unadjusted current or forecast trading multiples observed for listed comparable companies.

In identifying transactions involving businesses similar to BLG, we have focused on specialty apparel omnichannel retailers that have operations in Australia and New Zealand. We have also only considered transactions that occurred over the past three years to be appropriate due to marked changes in the industry. The emergence of COVID-19 in 2020 had a considerable impact on the apparel and footwear industry – there have been changes in consumer buying patterns, channel preference and product demand. The economic environment post COVID-19 is also augmented from that pre-2020 – over this period, a combination of Government-backed stimulus packages, pent up consumer demand and supply chain challenges have led to increased levels of inflation relative to the period prior to COVID-19.

The result of all these factors has been a step-change in central bank activity globally, with interest rates increasing globally to combat increasing prices. This contrasts with a long period of expansionary central bank activity with low interest rates and the application of quantitative easing monetary policy. All things being equal, we consider the more recent transactions to reflect the values being paid in the current business and market environment.

Set out in the table below are the implied EBITDA multiples of the transactions we considered most comparable (further details are set out in Appendix 3).

Table 17: Comparable company transaction summary

Completion date	Target	Acquirer	Enterprise value (\$m)	Historical EBITDA multiple
September 2022	Cheap THRILLS	Universal Store	50.0	6.58x ¹
May 2021	Glue Store Retail Business and Wholesale and Distribution Brands Business of Next Athleisure Pty Ltd	Accent Group	13.0	n/a
March 2021	T F Apparel (Culture Kings)	a.k.a Brands	420.0	n/a

Note:

1. historical EBITDA multiple is a pre AASB 16 multiple. A post AASB 16 EBITDA multiple was not available.
Sources: News articles, company announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

In relation to these transactions, we highlight the following:

- all the comparable transactions relate to the acquisition of a controlling interest in a business operating in the apparel industry and therefore the implied EBITDA multiples are on a control basis. The implied transaction EBITDA multiple could also reflect synergies available to the acquirer
- as forecast information in respect of the targets at the time of the transaction was not available, the EBITDA multiples have been calculated by reference to historical earnings. On the normal expectation that a company's earnings will grow year-on-year, the equivalent current EBITDA multiple would be lower. Furthermore, we note that the EBITDA commonly quoted are pre AASB-16 earnings
- Cheap THRILLS was acquired by Universal Store in October 2022. THRILLS has its roots in the motorcycle subculture and its product offering includes apparel targeting the youth market. Whilst Cheap THRILLS is a significantly smaller business compared to BLG, and therefore should command a lower earnings multiple, we note that Universal Store expects strong growth from this business as it continues to expand its direct-to-consumer channel and close unmet market gaps. With the expectation of growth, there was a substantial contingent deferred consideration component to the price paid, with the consideration dependent on growth in future earnings. Excluding the deferred consideration, the historical EBITDA multiple was 4.6 times. Furthermore, we note that, prior to the transaction, Cheap THRILLS was the highest selling third party brand in Universal Store stores and therefore the transaction price paid could reflect some synergies by vertically integrating Universal Store's supply chain

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- in May 2021, Glue Store and Next Athleisure Pty Ltd were acquired by Accent Group. Glue Store is an apparel and footwear brand focused on the youth market, whilst Next Athleisure is a wholesale and distribution business, owning its own brands and also holding the Australia distribution rights to global brands including Le Coq Sportif, Superga and Kappa. The size of this transaction is small with limited meaningful valuation benchmarks available
- in March 2021, a.k.a Brands Holding Corp acquired T F Apparel, which owns Culture Kings, a premium Australian streetwear brand. Information was not publicly available to allow us to calculate the EBITDA multiple implied by this transaction, however the implied revenue multiple was 2.3x, which is towards the high end of those implied by trading in the listed comparable companies. Culture Kings has a loyal customer base and is a fast-growing business with international expansion plans into Asian and North American markets. All things considered, we would expect Culture Kings to command a higher multiple than BLG.

We have also had regard to the EBITDA multiple implied by the listing of BLG on the ASX in July 2021. The listing share price implied a historical (FY20) EBITDA multiple of 5.4x and a current (FY21) EBITDA multiple of 4.0x. At the time of listing, Australia and New Zealand were in lockdown due to COVID-19. Accordingly, we are of the opinion that the economic outlook has changed significantly since July 2021. Whilst the multiples implied by the IPO serve as a useful data point, we have placed less reliance on this metric.

Selected multiple

Based on our analysis of the comparable companies and transactions outlined above, we have adopted an EBITDA multiple in the range of 4.5 times to 5.0 times, on a control basis. Our selection of the appropriate multiple considers the following factors:

- BLG is not as diversified in its operations and target market as some of the comparable companies
- the EBITDA margin of BLG is towards the low end of those of the comparable companies
- opportunities for significant growth appear limited in the short to medium-term relative to some of the comparable companies
- BLG appears to have the highest lease liability as a proportion of revenue when compared against the comparable companies. This was also confirmed by our analysis of the maturity profile of BLG and the comparable company's leases. Overall, it appears that BLG has a longer weighted average lease to expiry relative to its competitors, likely due to the long lease on its distribution centre which represents a significant portion of the lease liability.

4.4 Surplus assets

Based on our analysis, we have not identified any surplus assets owned by BLG.

4.5 Net debt

Our assessment of BLG's net debt comprises lease liabilities which are projected to be \$195m at or around 30 June 2023 (at the time the Proposed Takeover is expected to close). We do not expect there to be any surplus cash within the Company when the Proposed Takeover is expected to close.

4.6 Number of shares outstanding

As discussed in Section 3.4.2 above, BLG has 125.4m shares on issue. We have assumed that all the outstanding performance rights will not vest.

4.7 Valuation cross-checks

We have cross-checked our estimated value per share with reference to the implied price to earnings multiple.

Table 18: Price to earnings multiple implied by our assessed equity value

	Unit	Low	High
100% equity value of BLG (from Table 13)	\$m	255	305
Current earnings ¹	\$m	21.3	23.3
Implied price to earnings multiple	Times	11.9x	13.1x

Note:

1. current earnings calculated based on 1H FY23's earnings of \$11.3m plus the Director's guidance for 2H FY23 earnings ranging from \$10m to \$12m.

Source: Deloitte Corporate Finance analysis

Our equity valuation implies a price to earnings multiple ranging from 11.9x to 13.1x.

The observed price to earnings (P/E) multiples of our primary comparable companies range from 10.8x to 14.5x, whilst for the secondary comparable companies, the price to earnings multiple range from 11.1x to 18.7x, excluding outliers. Overall, our valuation of BLG implies a price to earnings multiple that sits within the range but towards the low end of what is observed in the comparable companies, which we consider appropriate recognising the attributes of BLG relative to the comparable companies.

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5 Other considerations in the context of the Proposed Takeover

5.1 There is no takeover or control premium present in the offer price

Typically, in public market takeover situations, there is an expectation that shareholders will receive a premium over and above the prevailing share price (i.e., the proposed price under the takeover is higher than recent trading in the shares on the relevant securities exchange). The offer of a premium over recent share trading can provide an incentive to shareholders to accept the offer.

In the case of the Proposed Takeover, the Consideration offered (of \$1.89 per BLG share) represents a 4.79% discount to the closing share price of BLG immediately prior to the announcement. The Consideration also represents a 8.26%, 2.18% and 8.06% discount to the 1, 3 and 6-month volume weighted average prices, respectively.

Since the announcement of the trading results on 17 May 2023, the share price of BLG has decreased to \$1.865.¹⁰

There are a number of factors specific to BLG (as discussed in Section 3) that suggest that recent share trading may not necessarily reflect the underlying value of the shares and/or the value of a minority parcel of shares.

Whilst we consider it inappropriate to automatically assume a takeover premium should be paid, we highlight that based on our fundamental valuation which includes a control premium set out in Section 4 and the fact that the offer price is below our fundamental valuation, the Bidder is not paying a control premium.

5.2 The Bidder's retail sector experience could benefit the Company

Directors of the Bidder, namely Mr Brett Blundy and Mr Ray Itaoui, have substantial experience in the retail sector.

Mr Blundy has over four decades of experience in the retail industry and BBRC (of which Brett Blundy is the Founder and Chairman of) has invested in and operated a number of retail businesses in specialty fashion, lingerie, fashion, jewellery, leisure, entertainment, homewares, and footwear categories, including Accent Group, Lovisa, Aventus Group, Dusk, Universal Stores and Adairs.

Mr Itaoui also has significant experience in the retail industry, having operated and invested in Australian and global businesses including Sanity, Bras N Things, Honey Birdette, Mr Vitamins, MakeUp Cartel and Universal Store.

Therefore, it would be reasonable to assume that the BLG business could benefit from the retail experience of the Bidder and its pre-existing interests and relationships.

If the Proposed Takeover does not result in the Bidder obtaining 90% or more of BLG shares,¹¹ shareholders who did not accept the Proposed Takeover will remain shareholders. The Bidder has indicated that it intends to support fundamental aspects of the Company's current strategy and will work with Management and Directors to identify growth opportunities.

Therefore, BLG shareholders who do not accept the Proposed Takeover could benefit over the long-term from the exposure to the potential value realised as a result of the execution of the strategy and other initiatives, beyond what has already been included in our valuation of BLG.

¹⁰ At close of business on 19 May 2023.

¹¹ If the Bidder obtains more than 90% of the shares in BLG, the Bidder intends to compulsorily acquire all of the shares in BLG it doesn't own and apply to delist the company from the ASX. Refer to Section 1.5.1 for more information.

5.3 The Proposed Takeover provides certainty around price

As noted in Section 3.5.1, BLG's free float is low given more than 57% of BLG's shares are held by three shareholders. This has influenced the liquidity of trading in BLG shares (refer to Section 3.5.1 for our analysis). As a result, there may have been limited opportunity for larger BLG shareholders to dispose of their shares in the past or they may have had to dispose of their shares at a discount to the share trading price of BLG. The Proposed Takeover currently provides these larger BLG shareholders the opportunity to exit their shares at a price with certainty and with no transaction costs.

5.4 The Major Shareholders are selling their shares and the minimum acceptance condition is expected to be satisfied

The Major Shareholders, being Allegro and Bignor (which is associated with the Executive Chairperson, Jason Murray), collectively own 40.7% of the issued shares of BLG. They also have an acute knowledge of the Company and its business activities given the time they have owned the Company or been associated with the Company.

They have agreed to sell their shares to the Bidder (in the absence of a superior proposal) and so the Bidder's minimum acceptance condition is expected to be satisfied.

5.5 Liquidity in BLG shares is likely to reduce

Given that the Major Shareholders (who collectively own 40.7% of the shares in BLG) have agreed to sell their shares to the Bidder in the absence of a superior offer, the Bidder will own more than 57% of the issued shares after the Proposed Takeover. If other shareholders of BLG decide to accept the Proposed Takeover, we expect that the liquidity of trading in BLG shares on the ASX will be reduced and it may be more difficult for a shareholder to dispose their shares after the Proposed Takeover lapses.

Furthermore, we highlight that if the Bidder acquires more than a 75% interest in BLG shares, the Bidder will have the option to delist BLG from the official list of the ASX subject to any regulatory requirements, however no decision has currently been made in respect of this. Under this scenario, BLG shares will not be able to be bought or sold on the ASX, impacting the liquidity in BLG shares even more.

5.6 The Bidder will control the Company

As mentioned above, the Bidder is likely to own at least 57% of the issued shares at the close of the Proposed Takeover.

BLG currently has a dividend policy to pay between 60% and 80% of its NPAT and, since listing on the ASX, the Company has declared dividends at the high end of this range. This resulted in a high dividend yield relative to other companies on the ASX.

If the Proposed Takeover is successful, BLG's future dividend policy will be at the sole discretion of the newly constituted Board of Directors (refer to Section 1.5.1). Whilst the Bidder has indicated it is supportive of the payment of dividends to the maximum acceptable level, subject to the financial and operational needs of BLG, there is no guarantee that future dividends will be paid to the same extent as previously, if at all.

5.7 The share price of BLG may decrease after the Proposed Takeover lapses

Since the beginning of the 2023 calendar year, BLG's share price has traded between \$1.65 and \$2.16. Since the announcement of the Proposed Takeover, it is likely that BLG's share price has been underpinned by the Consideration and, when the Proposed Takeover lapses, BLG's share price is likely to decline particularly following BLG's trading update announcement on 17 May 2023. This, coupled with a potential for reduced liquidity (refer to Section 5.5 above), could limit the ability of a shareholder to realise a value greater than the Consideration in the short-term and possibly over the medium-term.

5.8 No alternative proposal has been received

Given BBRC's shareholding in BLG, and the fact that the Major Shareholders have indicated they intend to accept the Proposed Takeover, the likelihood of an alternative superior offer emerging is low. However, noting the conditions attached to the Major Shareholders acceptance of the Proposed Takeover, they can withdraw their acceptance and accept another offer they consider superior.

As of the date of this report, BLG has not received any alternative offers or proposals.

5.9 The Independent Directors who own shares do not intend to accept the offer

Mr Stephen Heath and Ms Melinda Snowdon, who are Independent Directors and expect to continue to be Independent Directors after the Proposed Takeover lapses, own shares in the Company and have stated they do not intend to sell their shares.

Appendix 1: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses can be categorised under one of the following three approaches.

Market approach

The market approach involves the determination of fair value having regard to pricing and other metrics implied by market trading or transactions of comparable assets. Valuation methods commonly adopted under the market approach include:

- earnings multiples
- analysis of an entity's recent share trading history
- industry specific methods.

The earnings multiple method estimates fair value as the product of an entity's earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market trading and/or transactions involving comparable companies. The earnings multiple method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the fair value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Income approach

The income approach involves the determination of fair value based on the present value of future amounts. The discounted cash flow method estimates fair value by discounting an entity's future cash flows using an appropriate cost of capital to reflect the risks of the cash flows, to a net present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence, and is commonly used to value early-stage companies or projects with a finite life.

Other methods under the income approach include option pricing models (such as Black Scholes-Merton formula or a binomial model) and the multi-period excess earnings method in the case of valuing intangible assets.

Cost approach

The cost approach involves the determination of fair value based on the cost of replacement. Valuation methods under the cost approach estimate the fair value of an entity's shares based on the realisable value of its identifiable net assets, and typically comprise:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method, except that it assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair value of the net assets of an entity, after deduction for the costs of operating the net assets of the business, but does not take account of realisation costs.

These methods ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill which may not be recognised on the balance sheet. Asset based methods are appropriate when companies are not profitable, or a significant proportion of an entity's assets are liquid, or for asset holding companies.

Appendix 2: Comparable entities

We identified the following companies whose securities are traded on the ASX and New Zealand Stock Exchange which we consider broadly comparable to BLG:

Table 19: Comparable companies and financial metrics

Name	Last financial year end date	Market cap ¹ (\$m)	Enterprise value ¹ (\$m)	Net debt / EV	Revenue CAGR (FY22 to FY24)	Rent expense as % of revenue ²	EBITDA margin (%) ³				EBITDA multiple ³				Price to earnings multiple LTM	# of brokers
							FY22	LTM	Current	Fwd	FY22	LTM	Current	Fwd		
BLG	3 July 2022	249	441	43.6%	6.3%	7.8%	17.6%	16.3%	15.9%	16.9%	4.0x	4.1x	4.1x	3.7x	8.1x	2
Primary																
Premier Investments	30 July 2022	4,146	3,979	-	3.1%	11.2%	34.9%	32.9%	31.9%	30.0%	7.5x	7.3x	7.6x	8.2x	14.0x	12
Universal Store	30 June 2022	361	412	12.5%	23.5%	9.6%	27.5%	26.4%	26.0%	26.7%	7.2x	6.4x	5.7x	4.9x	14.5x	6
Hallenstein Glasson	1 August 2022	371	411	9.8%	n/a	6.8%	20.3%	21.2%	n/a	n/a	5.8x	4.8x	n/a	n/a	10.8x	-
City Chic	3 July 2022	115	175	33.6%	(2.7%)	2.2%	13.4%	1.3%	(2.9%)	5.6%	3.5x	n/m	n/m	8.9x	n/m	12
Mosaic Brands	3 July 2022	35	161	77.8%	4.9%	13.4%	13.4%	10.3%	4.8%	6.8%	2.1x	2.6x	5.8x	3.8x	n/m	1
Secondary																
Super Retail Group	2 July 2022	3,051	3,877	21.3%	0.7%	6.1%	19.7%	20.1%	19.8%	18.9%	5.5x	5.1x	5.3x	5.7x	11.1x	13
Accent Group	26 June 2022	1,403	1,916	26.8%	13.1%	10.0%	19.0%	21.1%	21.8%	21.4%	8.9x	6.7x	6.2x	6.2x	18.7x	10
KMD Brands	31 July 2022	790	1,177	32.5%	11.2%	8.4%	18.4%	19.2%	19.4%	20.7%	6.5x	5.5x	5.3x	4.7x	14.3x	5

Notes:

1. market capitalisation and enterprise value calculated as at 30 April 2023

2. calculated based on FY22 numbers. Repayment of principal portion of lease liabilities is assumed to be akin to rent expense

3. EV, net debt, and EBITDA are presented on a post-AASB16 basis, i.e., including lease liabilities in EV, and excluding rent expense from EBITDA

LTM = last twelve months; fwd = forward; n/a = not available; n/m = not meaningful.

Sources: Publicly available announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

Appendix 3: Comparable transactions

We identified the following publicly available acquisitions of businesses in the Australian and New Zealand clothing and footwear retail sector since 2021. The availability of information for the comparable transactions has meant that the enterprise value does not include lease liabilities, and in most instances, it is not clear whether the EBITDA is on a pre- or post-AASB 16 (or international equivalent) basis.

Table 20: Comparable transactions valuation metrics

Completion date	Country	Target	Acquirer	Interest acquired	Enterprise value (\$m)	Historical EBITDA multiple	Historical revenue multiple
September 2022	Australia	Cheap THRILLS Cycles Pty Ltd	Universal Store Holdings Limited	100%	50	6.58x ¹	1.45x
July 2021	Australia	Best & Less Group Holdings Limited	n/a – initial public offering	n/a	449	5.37x	0.72x
May 2021	Australia	Glue Store Retail Business and Wholesale and Distribution Brands Business of Next Athleisure Pty Ltd	Accent Group Ltd	100%	13	n/a	0.14x
March 2021	Australia	T F Apparel	a.k.a Brands Holding Corp	55%	420	n/a	2.3x

Note:

1. historical EBITDA multiple is a pre AASB 16 multiple. A post AASB 16 EBITDA multiple was not available.

Sources: News articles, company announcements, S&P Capital IQ, Deloitte Corporate Finance analysis

Appendix 4: Context to the report

The report has been prepared at the request of the Independent Directors and is to be included in the Target's Statement, to be provided to Non-Associated Shareholders for the consideration of the Proposed Takeover. Accordingly, it has been prepared only for the benefit of the Independent Directors and those persons entitled to receive the Target's Statement in their assessment of the Proposed Takeover and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Shareholders and the Independent Directors, in respect of this report, including any errors or omissions however caused.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Takeover is fair and reasonable so far as Non-Associated Shareholders are concerned.

The report has been prepared having regard to professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Individual circumstances

We have evaluated the Proposed Takeover for Non-Associated Shareholders as a whole and have not considered the effect of the Proposed Takeover on the particular circumstances of individual Non-Associated Shareholders. Due to their particular circumstances, individual Non-Associated Shareholders may place a different emphasis on various aspects of the Proposed Takeover from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Takeover is fair and reasonable. If in doubt, Non-Associated Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

Limitations

Our opinion is based on the prevailing economic, market and other conditions as at the date of this report. Such conditions can change significantly over relatively short periods of time.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by BLG and its officers, employees, agents or advisors. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to the executives and directors of BLG for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by BLG and its officers, employees, agents or advisors, BLG has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which BLG may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by BLG and its officers, employees, agents or advisors or the failure by BLG and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Takeover.

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of BLG's officers, employees, agents or advisors and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for BLG included in this report has been prepared on a reasonable basis consistent with the requirements of ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of BLG referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Qualifications

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu.

The employee of Deloitte Corporate Finance principally involved in the preparation of this report was Tapan Parekh, Partner, B.Bus, M.Comm, CA, F.Fin. Tapan has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 50 Bridge Street, Sydney, NSW, 2000 acknowledges that:

- BLG proposes to issue the Target's Statement in respect of the Proposed Takeover
- the Target's Statement will be available in hard copy and electronic format
- it has previously received a copy of the draft Target's Statement for review
- it is named in the Target's Statement as the 'independent expert' and the Target's Statement includes its independent expert's report in Section 3 of the Takeover Booklet

On the basis that the Target's Statement is consistent in all material respects with the draft Target's Statement received, Deloitte Corporate Finance Pty Limited consents to being named in the Target's Statement in the form and context in which it is so named, to the inclusion of its independent expert's report in Section 3 of the Takeover Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Target's Statement is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Target's Statement and takes no responsibility for any part of the Target's Statement, other than any references to its name and the independent expert's report as included in Section 3 of the Takeover Booklet.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- BLG annual reports and investors presentations for the year ending FY21 and FY22
- BLG half year reports and investors presentations for the period ending 1H FY22 and 1H FY23
- the non-binding indicative offer (NBIO) letter from the Bidder
- the draft letter from the Chair of the Independent Board Committee responding to the NBIO letter from the Bidder
- Draft Target's Statement
- Draft Bidder's Statement
- Draft Takeover Booklet
- information provided by executives of BLG with respect to the business operations of BLG
- information published by third party subscription providers such as Thomson Research, S&P Capital IQ, Mergermarket and IBIS World
- other publicly available information, media releases and broker reports on BLG, the comparable companies and the consumer retail sector.

In addition, we corresponded with and had discussions with certain Directors and executives of BLG (and their representatives) in relation to the above information, the current operations and prospects of BLG and the Proposed Takeover.

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GLOSSARY

In this Takeover Booklet (including the Bidder's Statement and the Target's Statement) the following terms have the following meanings:

Acceptance Form means the form provided in accordance with the Offer.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to BLG or the Bidder.

Allegro means Allegro Fund III LP and Allegro Services III D Pty Ltd.

Allegro Affiliated Directors means Fay Bou and Christopher Koeck (as the alternate director for Fay Bou).

Announcement Date means the date of the announcement of the Offer, being 1 May 2023.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as given by section 12 of the Corporations Act.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.

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

ASX Settlement Operating Rules means the operating rules of the settlement facility provided by ASX Settlement as amended or varied from time to time.

ATO means the Australian Taxation Office.

BBFIT means BBFIT Investments Pte Ltd.

BBRC means BBRC International Pte. Ltd. as trustee for the BB Family International Trust.

Bidder means BBRC Admin 1 Pty Ltd ACN 667 625 452 (in its capacity as bare trustee for each of BBFIT and RRI).

Bidder Affiliated Directors means Brett Blundy and Tim Dodd (as the alternate director for Brett Blundy).

Bidder Group means each of the Bidder, BBFIT, BBRC, Brett Blundy, RRI and Ray Itaoui.

Bidder Information means the following approved by the Bidder for inclusion in this Takeover Booklet:

- (a) The Bidder's Statement; and
- (b) The letter from Brett Blundy included in this Takeover Booklet.

Bidder's Statement means the bidder's statement received by BLG from the Bidder under Part 6.5 of the Corporations Act dated 22 May 2023 included as Section 1 of this Takeover Booklet.

Bignor means the Bignor Family Pty Ltd ACN 618 886 927 as trustee for the Murray Family Trust.

Bignor Affiliated Director means Jason Murray.

BLG or the **Company** means Best & Less Group Holdings Limited ABN 76 642 843 221.

BLG Board means the board of directors of BLG.

BLG Directors means the current directors of BLG.

BLG Group means BLG and each of its Related Bodies Corporate, and a reference to a **BLG Group Member** is to any of them.

BLG IBC means Stephen Heath, Jason Murray, Colleen Callander, Melinda Snowden and Fay Bou.

BLG Information means information about BLG provided or approved by BLG in writing for inclusion in this Takeover Booklet.

BLG LTIP means BLG's Long-Term Incentive Plan announced to the ASX on 22 July 2021 and any amendments or supplements to that plan.

BLG Management means the BLG Group's management team.

BLG Performance Rights means a security or performance right that converts into ordinary shares in BLG issued in accordance with the BLG LTIP.

BLG Share means a fully paid ordinary share in BLG.

BLG Shareholder means a holder of BLG Shares.

BLG Shareholder Information Line means the information line set up in relation to the Offer (1800 426 150 (from within Australia) or + 1800 426 150 (from outside Australia)).

BLG Share Register means the register of BLG Shareholders kept by BLG in accordance with the Corporations Act.

Business Day means a day on which banks are open for business in Sydney, Australia, excluding the days of Saturday, Sunday or public holidays.

CHESS Holding means a holding of BLG Shares which is registered on the CHESS subregister being a register administered by ASX Settlement and which records uncertificated holdings of BLG Shares.

Conditions means the conditions of the Offer, as included in Section 1.7.9 of this Takeover Booklet.

Continuing Independent Directors means each of Stephen Heath, Colleen Callander and Melinda Snowden.

Controlling Participant has the same meaning as in the ASX Settlement Operating Rules, in relation to your BLG Shares.

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

Change of Control Contracts has the meaning given in Section 2.5.3(d) of the Target's Statement.

Change of Control Event has the meaning given to that term in the BLG LTIP.

Funding Deed means the Takeover Cooperation and Funding Deed between the Bidder, BBFIT and RRI dated 10 May 2023.

Government Agency means any governmental, semigovernmental, administrative, fiscal, judicial or quasi-judicial body, commission, department, authority, tribunal, agency or entity in Australia, and for the avoidance of doubt, includes the Takeovers Panel;

Holder Identification Number or **HIN** has the same meaning as in the ASX Settlement Operating Rules.

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IFRS means the International Financial Reporting Standards.

Independent Expert means Deloitte Corporate Finance Pty Limited AFSL 241547.

Independent Expert's Report means the report produced by the Independent Expert set out in Section 3 of this Takeover Booklet.

Issuer Sponsored Holding means a holding of BLG Shares on the BLG issuer sponsored subregister.

Material Adverse Change means the occurrence of a Specified Event in the circumstances described in Section 1.7.9(b) of the Bidder's Statement.

Maximum Consideration has the meaning given to it in Section 1.5.1 of the Bidder's Statement.

Minimum Acceptance Condition means the Condition described in Section 1.7.9(a) of the Bidder's Statement.

Notice of Status of Conditions means the Bidder's notice disclosing the status of the Conditions which is required to be given by section 630(3) of the Corporations Act.

Offer means the offers by the Bidder for BLG Shares, which is contained in Section 1 of this Takeover Booklet.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with Section 1.7.4 of this Takeover Booklet.

Offer Price means the consideration offered under the Offer, being A\$1.89 cash per BLG Share as at the date of this Takeover Booklet.

Offer Register Date means 9:00am (Sydney, Australia time) on Monday 22 May 2023, being the date set by the Bidder under section 633(2) of the Corporations Act.

Offer Shares has the meaning given to it in Section 1.3.5 of the Bidder's Statement.

Posite NZ means the BLG Group's business and brand in New Zealand.

Prescribed Occurrences means the Condition described in Section 1.7.9(d) of the Bidder's Statement

Related Bodies Corporate has the meaning given to it in the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Rights means all accretions, rights or benefits of whatever kind attaching to or arising from BLG Shares directly or indirectly after the Announcement Date, including all rights to receive dividends (but expressly excludes any franking credits attaching to those dividends or any other distribution), to receive and subscribe for shares, notes or other securities and all other distributions or entitlements declared, paid, made or issued by BLG after that date, but does not include any BLG Performance Rights.

RRI means RRI Family Pty Ltd as trustee for RRI Family Trust.

Security Holder Reference Number or **SRN** has the same meaning as in the ASX Settlement Operating Rules.

Share Registry or **Link** means Link Market Services Limited ACN 083 214 537.

Specified Event has the meaning given in Section 1.7.9 of the Bidder's Statement.

Subsidiaries has the meaning given to it in the Corporations Act.

Takeover Booklet means this booklet in relation to the Offer.

Target's Information means the information contained in this Takeover Booklet, other than the Bidder's Information and the Independent Expert's Report.

Target's Statement means the statement of BLG under Part 6.5 of the Corporations Act included as Section 2 of this Takeover Booklet.

Trust Property has the meaning given to it in Section 1.3.5 of the Bidder's Statement.

Voting Power has the meaning given to it in section 610 of the Corporations Act.

Withholding Amount has the meaning given to it in Section 1.7.8(h) of the Bidder's Statement.

Interpretation

In this Takeover Booklet, unless the context requires otherwise:

- (a) headings are inserted for convenience and do not affect the interpretation of this Takeover Booklet;
- (b) unless the contrary intention appears words and phrases in this Takeover Booklet have the same meaning and interpretation given to them (if any) in the Corporations Act;
- (c) the singular includes the plural and vice versa;
- (d) a gender includes all genders;
- (e) a reference to a person includes a corporation, partnership, joint venture, association, unincorporated body or other body corporate and vice versa;
- (f) if a word is defined, another part of speech has a corresponding meaning;
- (g) a reference to a section or appendix is a reference to a section or appendix of this Takeover Booklet;
- (h) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (i) unless expressly stated otherwise, a reference to time is a reference to Sydney Time; and
- (j) unless expressly stated otherwise, a reference to dollars, \$, A\$ or AUD is a reference to the lawful currency of Australia, a reference to USD is a reference to the lawful currency of the United States of America and a reference to NZD is a reference to the lawful currency of New Zealand.