

NZX Release

20 December 2017

SALE OF THE MAD BUTCHER FRANCHISOR BUSINESS

Veritas Investments Limited (“**Veritas**”) announces that it has entered into a conditional agreement to sell the business and assets of the Mad Butcher franchisor business to Yogg Limited (“**Purchaser**”).

The Purchaser is a New Zealand incorporated company owned by interests associated with Michael Morton, a director and the largest shareholder of Veritas. Subject to satisfaction of conditions under the Sale and Purchase Agreement for the proposed transaction (the “**Sale and Purchase Agreement**”), the Purchaser will acquire the business and assets of the Mad Butcher franchisor business from Mad Butcher Limited (a wholly-owned subsidiary of Veritas) (the “**Vendor**”) for gross consideration of \$8 million (the “**Mad Butcher Sale**”).

As described in the 2017 Annual Report and discussed at Veritas’ annual general meeting earlier this month, the Board has been considering a number of initiatives and undertook a rigorous strategic review process in respect of the Mad Butcher franchisor business. As part of the process, Veritas engaged Bancorp Corporate Finance Limited as its financial advisor to manage a sales process for the Mad Butcher franchisor business.

Bancorp explored interest in the Mad Butcher from a select group of reputable and creditworthy parties. During its engagement, Veritas obtained three bids for the Mad Butcher franchisor business. Michael Morton declared his interest in acquiring the Mad Butcher on 3 October 2017 and from that date, was excluded from participating in the parts of the Veritas Board meetings and sale process meetings concerning the sale of Mad Butcher.

Subject to satisfaction of the condition described in the section headed “Conditions” below, the Mad Butcher Sale will take effect as at 1 December 2017, such that all economic benefits and risk in the Mad Butcher franchisor business will transfer to the Purchaser with effect on that date.

KEY TERMS OF THE MAD BUTCHER SALE

Business Being Sold

Under the Mad Butcher Sale, the Vendor’s business and assets will be sold to the Purchaser except for the company-owned Mad Butcher stores located at Henderson, Onehunga, Shirley and Silverdale. The Board can now conclude plans for the future of these stores.

Conditions

The Mad Butcher Sale is subject to the approval of Veritas shareholders by way of ordinary resolution, which will be sought at a special shareholders’ meeting to be held in early 2018.

NZX Main Board Listing Rule 9.1.1 provides that the Veritas and its subsidiaries must not enter into a transaction to sell assets:

- which would change the essential nature of the business of the Company; or

- in respect of which the gross value is in excess of 50% of the “average market capitalisation” of the Company,

in each case except with the prior approval of an ordinary resolution of Veritas shareholders.

The Independent Directors of Veritas consider that the Mad Butcher Sale would, if completed, change the essential nature of Veritas’ business because:

- the acquisition and reverse listing of the Mad Butcher business in 2013 was a significant transaction for Veritas, which was previously a shell investment company; and
- although Veritas’ mandate is that of an investment company focusing in the food, beverage, franchise and hospitality sectors, the sale of Mad Butcher will result in The Better Bar Company becoming the sole operating business within Veritas’ investment portfolio (at least for the time being).

The Independent Directors also note that the \$8 million gross value of the Mad Butcher business exceeds 50% of the current “average market capitalisation” of Veritas.

Further information of the Mad Butcher Sale, details of the meeting, and the required shareholder resolutions will be provided in a notice of meeting to be released prior to the meeting.

Simmons Corporate Finance Limited, a New Zealand specialist corporate finance advisory practice, has been engaged by the Independent Directors to prepare an appraisal report in respect of the Mad Butcher Sale. The appraisal report will contain such information, valuations and other material as is necessary for Veritas shareholders to appraise the implications of the Mad Butcher Sale and decide whether the terms of the Mad Butcher Sale are fair. A copy of the appraisal report will accompany the notice of meeting.

Consideration

The gross consideration of \$8 million includes an amount to be nominated by the Vendor, which is expected to be sufficient to discharge the Vendor’s trade creditor liability as at completion of the Mad Butcher Sale. Such amount will be held by the Vendor’s solicitors in a trust account, to be applied in discharging the Vendor’s trade creditor liabilities in a timely manner.

To enable the transfer of the economic benefits and risk in the Mad Butcher franchisor business to the Purchaser with effect on 1 December 2017, there will be an adjustment to the purchase price for any change in the business’ receivables or expenses incurred by the Vendor in the ordinary course of business, between 1 December 2017 and completion.

The balance of the purchase price will be used to reduce the Veritas’ existing indebtedness to ANZ Bank New Zealand Limited.

Warranties

The Sale and Purchase Agreement contains limited warranties and indemnities from Veritas and the Vendor in favour of the Purchaser relating only to:

- the title to the assets being sold (including that the assets are free from encumbrance); and
- the fact that as at the signing of the Sale and Purchase Agreement, having made reasonable enquiry, the Boards of Veritas and the Vendor (excluding Michael Morton) are not actually aware of there being any material information relating to the Mad Butcher franchisor business that has not been disclosed to the Purchaser or Michael Morton.

Given Michael Morton's position as the Chief Executive Officer of the Mad Butcher franchisor business, and Director of Veritas and the Vendor, the Sale and Purchase Agreement contains a reciprocal warranty given by the Purchaser and Michael Morton relating only to the fact that as at the signing of the Sale and Purchase Agreement, having made reasonable enquiry, Michael Morton is not actually aware of there being any material information relating to the Mad Butcher business that has not been disclosed to the Boards of Veritas or the Vendor (excluding Michael Morton).

Any claim under the above described warranties must be made before 30 June 2018.

Completion

If the Company's shareholders approve the Mad Butcher Sale, completion is scheduled to occur in early 2018.

Guarantees

Veritas guarantees the performance of the Vendor's obligations, and Michael Morton and WBM Trustee Limited as trustees of the Michael Morton No.2 Family Trust (and also the largest shareholder in Veritas) guarantees the Purchaser's obligations, under the Sale and Purchase Agreement.

Independent Directors' opinion

The Independent Directors fully support the proposed Mad Butcher Sale transaction and recommend that Shareholders vote in favour of the resolution to be put to them for the proposed Mad Butcher Sale transaction, at the special shareholders meeting.

For further information, contact:

Tim Cook

Independent Chairman, Veritas Investments Limited

021 764 401

timc@corporateadvisory.co.nz

About Veritas Investments Limited

Veritas Investments is an NZX Main Board-listed investment company focusing in the Food and Beverage, Franchise and Hospitality sectors. The shell company was formed in December 2011 and made its first acquisition of the Mad Butcher franchisor business in May 2013 through a reverse acquisition transaction. In November 2014 Veritas acquired The Better Bar Company group business.

www.veritasinvestments.co.nz