



Legend for sale

Company/ASX Code	Legend Limited/LGD
AGM date	EGM Scheme Meeting on Friday, 9 August 2019
Time and location	2 pm Adelaide Pavilion Restaurant Veale Gardens South Parklands Adelaide
Registry	Security Transfer Australia
Webcast	No
Poll or show of hands	Poll
Monitor	Brad Martin assisted by Bob Ritchie

This resolution is commercial in nature. Shareholders who wish to appoint the Australian Shareholders Association as their proxy are urged to read the documentation and give a directed vote that takes into account their individual circumstances. Open proxies will be voted in favour of the resolution in the absence of a superior proposal.

Item 1	Scheme Resolution
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Summary of ASA Position

ASA is not giving financial advice on this matter; particularly not saying whether to sell or not to sell. ASA commentary is for information. The granting of a proxy in favour of Australian Shareholders' Association will provide the ASA representative with speaking rights and status in addressing the EGM.

Legend Corporation/LGD

Legend Corporation is a small-cap engineering solutions provider in the electrical, power, gas, IT and semiconductor industries, with operations throughout Australia, New Zealand and the Pacific Region and with exports to Europe, China and the USA.

Scheme of arrangement (Scheme) for the proposed acquisition of Legend by Greenland Bid Co Pty Ltd ACN 633 363 096 (BidCo).

Background

Between October 2016 and 24 May 2019, the date the Scheme was announced, the Legend Board conducted a comprehensive process aimed at maximising shareholder value, entering into a Scheme Implementation Agreement with BidCo (a company controlled by funds managed by Adamantem Capital).

Under the agreement BidCo will acquire all of the Legend Shares on issue for a cash consideration under the Scheme of \$0.365 per share less any Special Dividend that may be declared and paid by Legend on or before the date the Scheme is implemented (Scheme Consideration). The Legend Board currently intends to declare a fully franked Special Dividend of up to \$0.07 per Legend Share, subject to the Scheme becoming Effective.

Should the Scheme proceed, shareholders will receive \$0.365 for each Legend Shares held on both the Special Dividend Record Date (currently proposed to be 7.00pm Melbourne time on Wednesday, 21 August 2019) and the Scheme Record Date (currently proposed to be 7.00pm on Monday, 26 August 2019) (Total Cash Consideration).

On 24 May 2019, Legend and BidCo entered into a term facility agreement under which BidCo agrees to make available to Legend an unsecured and interest free loan of up to \$15,265,159, for the sole purpose of funding the aggregate amount of any Special Dividend to be paid by Legend (Loan Agreement and Loan Amount respective).

Independent Experts Report

The Independent Experts Report has concluded that, in the absence of a superior proposal, the proposed Scheme is fair and reasonable and in the best interests of Legend shareholders, but notes “the Scheme Consideration represents a significant premium to the recent market prices of Legend shares prior to the announcement of the Scheme on 24 May 2019 (albeit that the premium is less than observed premiums generally paid in comparable circumstances)” at Page 17 of the Scheme Booklet. While the expert did not provide elucidating comment, we draw your attention to the 28.5% holding of the Managing Director (which goes a fair way to establishing control) and the MD’s intention to vote in favour of the proposal. The Report advances pros and cons as outlined below.

Positives of the offer advanced by the expert

The Total Cash Consideration of \$0.365 per Legend Share represents:

- A 17.7% premium to the closing price of Legend Shares on 22 May 2019 of \$0.31.
- A 22.1% premium to the 1 month VWAP of Legend Shares up to and including 22 May 2019 of \$0.30.
- A 19.8% premium to the 3-month VWAP of Legend Shares up to and including 22 May 2019 of \$0.305.
- An implied EV/EBITDA multiple of 6.5x
- The Total Cash Consideration provides an opportunity for all Legend Shareholders to realise immediate and certain value for their investment in Legend given the lack of liquidity that has historically constrained trading in Legend shares. In particular, the Scheme provides an opportunity for all Legend Shareholders to realise their entire investment at a price close to the top of the range of prices at which Legend Shares have traded in the past three years.

- Legend's share price may fall if the Scheme does not proceed and no comparable proposal or Superior Proposal emerges.
- No alternative proposal has emerged since the announcement of the Scheme to ASX on 24 May 2019.
- If the Scheme does not proceed, Legend Shareholders will continue to be exposed to the risks and uncertainties associated with Legend's business rather than realising certain value for their Legend Shares in a certain timeframe.
- You will not incur any brokerage on the transfer of your Legend Shares under the Scheme.

Negatives of the offer advanced by the expert

- You will not participate in any future financial performance of Legend.
- You may wish to wait for a superior offer.
- You may need to redeploy the capital or hold cash.
- You may be subject to Capital Gains Tax if your purchase price was under the cash consideration.
- You may believe the offer isn't fair value and you may disagree with the Directors' and expert opinion on value.

Current share price.

As of 19/7/2019 the closing share price was \$0.37, a \$0.005 premium to the offer price of \$0.365. However the level of Franking Credits that may be available if the Special Dividend is paid if the scheme is approved, would be equivalent to \$0.03 on a \$0.07 dividend.

Proxies

Legend's Chairman and Directors intend to vote any undirected proxies they receive for the scheme. Directors collectively control over 30% of the company in their own right, the MD controlling over 28%.

An individual involved in the preparation of this statement for ASA has a shareholding in this company, as a trustee.

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