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Company Announcements Office
Australian Securities Exchange

Hancock & Gore Limited (ASX:HNG) (H&G) enhances portfolio with in principle agreement to acquire an additional 40% interest in investee company, Mountcastle.

H&G is pleased to announce that it has reached an in principle agreement to acquire an additional 40.3% of its 49.4% owned investee company Mountcastle, a manufacturer, distributor & retailer of customised uniforms, from its shareholder partner. The acquisition is subject to entering into definitive legal agreements, lender approvals, ASX consultations and other commercial conditions precedent. H&G is aiming to complete the acquisition by 1 November 2023.

If the acquisition proceeds, H&G will hold 89.8% of Mountcastle. Remaining shareholders in Mountcastle largely comprise management executives and H&G is exploring opportunities to create further alignment through eventual 100% ownership.

Key Highlights of the proposed H&G Acquisition of Mountcastle Shareholder Partner:

Ownership Transition: H&G has reached an in principle agreement to acquire an additional 40.3% holding in investee company Mountcastle, with a clear strategic path to 100% ownership and alignment with remaining executives.

Structured Terms: The consideration for the 40.3% Mountcastle equity acquisition comprises a cash component of \$5.0 million upon completion; issuance of 15 million H&G shares at 35 cents per share; transfer of H&G's unencumbered equity in Hyde Rd Trust to the Shareholder Partner requiring a loan repayment to the Trust's lender of \$3.47 million by 31 March 2024 and interest; and a deferred cash consideration of \$5.0 million payable 1 year after completion. H&G is aiming to complete the acquisition by 1 November 2023. At completion, the Shareholder Partner will hold 100% of the Hyde Rd Trust.

Accretive Impact: Successful completion of the acquisition will significantly enhance H&G's financial performance and growth prospects, contributing to cash profit growth and future dividends.

Leadership Investment: Mountcastle's executive team, led by Executive Chairman Steve Doyle (former CEO of Lovisa and Managing Director of Super Retail Group Leisure Division), have agreed to invest \$2.5 million equity into Mountcastle and continue driving its growth. H&G is exploring opportunities to roll that equity commitment and remaining Mountcastle shareholders into H&G scrip to move to 100% ownership and create further alignment.

Funding: H&G will fund the acquisition using its existing cash on balance sheet.

Update on recent Mountcastle M&A Activity:

Mountcastle has recently completed the 100% acquisitions of two key schoolwear industry participants with combined annual revenue of approximately \$14 million and annual EBITDA of approximately \$2.5 million.

Argyle Schoolwear: Based in Auckland, Argyle is a leading provider of school uniforms in New Zealand, supplying more than 300 schools since it was founded in 1948.

Moorebank Uniforms & Embroidery (MUE): Based in Sydney, MUE supplying over 65 schools throughout Sydney through its retail model. Mountcastle has been a supplier to MUE for over 20 years.

These acquisitions add scale, new geographical reach and significant synergy opportunities particularly through Mountcastle's vertically integrated supply chain.

Both acquired businesses are privileged to retain their strong management teams, ensuring a seamless transition, and adding substantial value to the broader group. Both acquisitions have been funded through Mountcastle's balance sheet.

Mountcastle's acquisition pipeline remains active and presents multiple opportunities to further consolidate its leading position in the Australian uniforms market.

Mountcastle standalone reported record FY23 (June year-end) revenue of \$53 million and EBITDA of \$10.5 million.

On a pro-forma FY23 basis including the acquisitions, combined Mountcastle Group revenue would be approximately \$66 million with EBITDA of approximately \$13 million.

Outlook:

The effect of these transactions is expected to yield a significant unrealised profit and a notable Net Tangible Asset (NTA) uplift for the H&G Group's financials for the year ending September 30, 2023. This impact is contingent upon the completion of the year-end audit and final investment valuation process.

H&G (September year-end) aims to release preliminary final FY23 results during the last week in November 2023, where it expects to maintain its ordinary final dividend in line with previous period.

H&G continues to capitalise on strategic investment opportunities that enhance its portfolio of assets and drive value for its stakeholders with a focus on realising Mountcastle's material potential.

This announcement is authorised for release by the board of Hancock & Gore Limited. For more information, please contact the Executive Chair, Sandy Beard on 0412 308 263.

ABOUT H&G

H&G is a diversified investment company with a focus on active management and driving shareholder returns through investing in a broad range of opportunities across Private Equity, ASX Listed Equities, funds management and real property, debt funding and other alternative investments. We seek to become a trusted partner of choice that aims to solve our partners' problems, identifying and pursuing opportunities that benefit all parties.

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