

# Mercantile Investment Company

## Investor Presentation

8% p.a. Unsecured MVT Notes

ASX Code: MVTHA\*

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# 1. Overview of the MVT Notes

<b>Issuer</b>	Mercantile Investment Company Ltd (ACN 121 415 576)
<b>Security</b>	MVT Notes are interest bearing, unsecured debt securities. The notes are not “simple corporate bonds” for the purposes of Section 713A of the Corporations Act
<b>Offer size</b>	Minimum of \$10 million and a maximum of \$15m, with the ability to accept oversubscriptions up to \$10 million
<b>Minimum subscription</b>	Minimum of 20 notes, which is a minimum investment of \$2,000
<b>Use of proceeds</b>	Provide additional capital to MVT to fund its investment strategy, refresh the company’s Short Term Debt facility by bringing the balance to zero, pay the costs of the Offer
<b>Maturity date</b>	10 July 2021 (unless Redeemed early)
<b>Interest payment dates</b>	The first interest payment will be 31 December 2016. Interest will be paid semi-annually in arrears on 30 June and 31 December as well as the Maturity Date, or any earlier Redemption Date
<b>Interest rate</b>	Fixed rate
<b>Fixed rate coupon</b>	8.00% p.a.
<b>Lead manager</b>	Taylor Collison
<b>Listing</b>	Application for the Notes to be quoted on the ASX under the code “MVTHA” will be made post the Offer completion

Please refer to the prospectus for the full terms and conditions of the MVT Notes

## 2. Overview of Mercantile

- Mercantile is an investment company listed on the ASX and on the NZX Main Board
- The present Board took control of Mercantile in early 2012
- The Company has an experienced Board
  - Sir Ron Brierley – Chairman and Non-Executive Director
  - Mr James Chirnside – Independent Non-Executive Director
  - Mr Ron Langley – Independent Non-Executive Director
  - Mr Gabriel Radzyninski – Executive Director
  - Mr Daniel Weiss – Non-Executive Director
  - Dr Gary Weiss (alternate director for Mr D Weiss)

## 2. Overview of Mercantile

- The Company is internally managed and invests broadly
- There is no set mandate or restrictions on investment management
- The company's investments are not restricted by size or market capitalisation, whether the relevant entities are listed or unlisted, their industry or their geographic location
- The company's current portfolio is dominated by Australian, New Zealand and United Kingdom entities

## 2. Overview of Mercantile

- Top 20 investments as at 31 December 2015

Name	Value as at 31-Dec-15
Ingenia Communities Group	\$19,809,339
Foundation Life (unlisted)	\$3,841,620
Richfield International Limited	\$2,565,875
Unity Pacific Group	\$2,494,534
Ask Funding Limited Total	\$1,826,975
Fitzroy River Corporation Limited	\$1,791,896
Smiths City Group Limited (NZ)	\$1,466,266
Stanmore Coal Limited	\$1,248,100
Impact Holdings UK PLC (UK)	\$1,206,868
Joyce Corporation Limited	\$1,030,000
Cellnet Group Limited	\$981,071
Kirkcaldie & Stains Limited (NZ)	\$811,910
IPE Limited	\$702,887
European Real Estate Investment Trust	\$603,946
Asset Backed Yield Trust (unlisted)	\$531,319
Afterpay Holdings Pty Limited (unlisted)	\$500,000
Smart (J.) & Co. (Contractors) PLC (UK)	\$407,563
YPB Group Ltd	\$366,843
Myer Holdings Limited Total	\$358,500
Ezeatm Corporation Limited Total	\$344,469

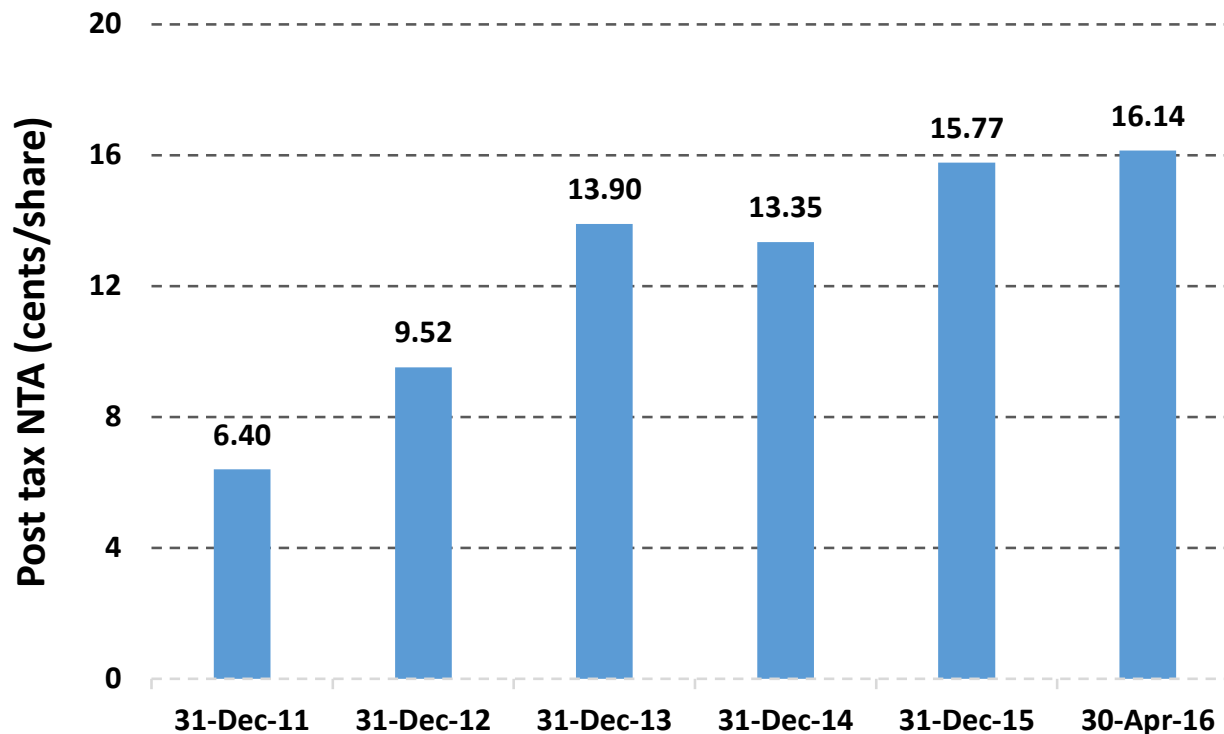
## 2. Overview of Mercantile

- MVT has launched seven takeovers since the present Board took control
  - Adelaide Asset Backed Yield Trust (2011)
  - Galilee Energy Ltd (2012)
  - Murchison Metals Ltd (2013)
  - Phosphate Australia Ltd (2015)
  - ASK Funding Ltd (2015)
  - Richfield International Ltd (2015)
  - Kirkcaldie and Staines Ltd (2016)



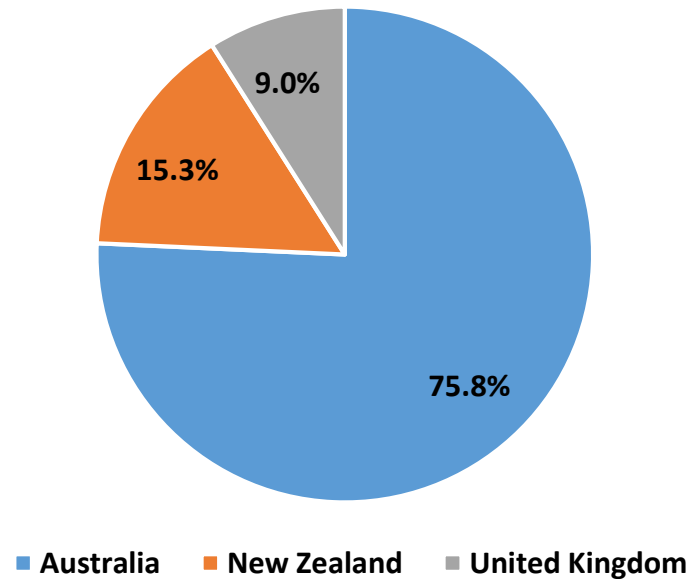
## 2. Overview of Mercantile

- Post-tax NTA has increased by a compound rate of 23.8% per annum since early 2012, when the current Board took control



### 3. Financial Information

- Financial snapshot as at 31 December 2015
  - Total Assets \$55.6 million
  - Net Assets \$44.6 million
- MVT has a portfolio spanning Australia, New Zealand and the United Kingdom



## 3. Financial Information

### Pro forma Statement of Financial Position

\$'000	Audited 31-Dec-15	Unaudited 30-Apr-16	Pro Forma \$10,000 <sup>1</sup>	Pro Forma \$15,000 <sup>2</sup>	Pro Forma \$25,000 <sup>3</sup>
Cash & cash equivalents	4,821	2,640	2,214	7,146	16,939
Other current assets	14,170	21,677	21,694	21,698	21,712
<b>Total current assets</b>	<b>18,991</b>	<b>24,317</b>	<b>23,907</b>	<b>28,845</b>	<b>38,650</b>
<b>Total non current assets<sup>4</sup></b>	<b>36,600</b>	<b>39,382</b>	<b>39,504</b>	<b>39,523</b>	<b>39,581</b>
<b>Total assets</b>	<b>55,591</b>	<b>63,699</b>	<b>63,411</b>	<b>68,367</b>	<b>78,231</b>
Payables	1,502	1,449	1,449	1,499	1,449
Current tax liability	806	657	657	657	657
Borrowings	4,646	10,003	-	-	-
<b>Total current liabilities</b>	<b>6,954</b>	<b>12,110</b>	<b>2,106</b>	<b>2,106</b>	<b>2,106</b>
Deferred tax liabilities	4,065	4,983	4,983	4,983	4,983
Borrowings	-	-	9,715	14,671	24,536
<b>Total non current liabilities</b>	<b>4,065</b>	<b>4,983</b>	<b>14,699</b>	<b>19,655</b>	<b>29,519</b>
<b>Total liabilities</b>	<b>11,019</b>	<b>17,093</b>	<b>16,805</b>	<b>21,761</b>	<b>31,625</b>
<b>Net assets</b>	<b>44,572</b>	<b>46,606</b>	<b>46,606</b>	<b>46,606</b>	<b>46,606</b>

1. Minimum subscription of \$10 million raised

2. Maximum subscription of \$15 million raised

3. Oversubscription of \$25 million raised

4. 2.5m Afterpay Holdings Ltd (AFY) shares carried at IPO price of \$1.00. As at 19 May 2016, these shares closed at \$1.43

### 3. Financial Information

#### Summary Financial Ratios

	<b>Audited 31-Dec-15</b>	<b>Unaudited 30-Apr-16</b>	<b>Pro Forma \$10,000<sup>1</sup></b>	<b>Pro Forma \$15,000<sup>2</sup></b>	<b>Pro Forma \$25,000<sup>3</sup></b>
Gearing Ratio	24.7%	36.7%	36.1%	46.7%	67.9%
Leverage Ratio	8.4%	15.7%	15.3%	21.5%	31.4%
Interest Cover - NPBT (6 months to 31 December 2015)	N/A	N/A	3.2 x	2.1 x	1.3 x
Interest Cover - EBITDA (6 months to 31 December 2015)	N/A	N/A	1.4 x	0.9 x	0.6 x
Working Capital Ratio	2.7 x	2.0 x	11.4 x	13.7 x	18.4 x
Total Liabilities	11,019	17,093	16,805	21,761	31,625
Total Equity	44,572	46,606	46,606	46,606	46,606
Gross Debt (Total Debt)	4,646	10,003	9,715	14,671	24,536
Gross Assets (Total Assets)	55,590	63,699	63,411	68,367	78,231
Net Profit Before Tax	1,289	1,289	1,289	1,289	1,289
EBITDA	554	554	554	554	554
Current Assets	18,991	24,317	23,907	28,845	38,650
Current Liabilities	6,953	12,110	2,106	2,106	2,106

1. Minimum subscription of \$10 million raised
2. Maximum subscription of \$15 million raised
3. Oversubscription of \$25 million raised

## 4. Key Risks

- Risks Associated with the MVT Notes
  - Holders of MVT Notes are subordinated and unsecured creditors
  - The company may fail to pay Interest and/or repay the Face Value
  - MVT Notes do not mature until 10 July 2021
  - The Company may raise more debt and issue further securities
  - The market price of MVT Notes will fluctuate
  - The liquidity of MVT Notes may be low
  - The Company may amend the Note Terms
  - Breach of Trust Deed not always an Event of Default

Please refer to the MVT Notes prospectus for more detailed discussion of each of these risks

## 4. Key Risks

- Risks Specific to the Business
  - Key person risk
  - No external predictability to investment decisions
  - Historical cash flows
  - Australian and New Zealand taxation laws and accounting standards
  - Other tax considerations
  - Borrowing risk
  - Refinancing risk
  - Future acquisitions

Please refer to the MVT Notes prospectus for more detailed discussion of each of these risks

## 4. Key Risks

- General / Other Risks
  - Macroeconomic risks
  - Regulatory risk
  - Taxation risk
  - Counterparty risk
  - No guarantee
  - Litigation risk
  - Force majeure

Please refer to the MVT Notes prospectus for more detailed discussion of each of these risks

## 5. Key Dates

Key Dates for the Offer	
Lodgement of Prospectus with ASIC	20 May 2016
Expected expiry of exposure period	3 June 2016
Expected open of Offer (9:00am Sydney time)	6 June 2016
Broker Firm Offer closes (5:00pm Sydney time)	10 June 2016
Expected close of Offer (5:00pm Sydney time)	16 June 2016
Issue and allotment of MVT Notes	22 June 2016
Expected despatch of holding statements	29 June 2016
Trading of MVT Notes expected to commence on ASX	30 June 2016

Note: This timetable is indicative only and subject to change. Unless otherwise indicated, all times are references to Sydney time. The Issuer reserves the right to vary the dates and time of the Offer, including to close the Offer early or to accept late Applications, either generally or in particular cases without notification.

Key Dates for the Notes	
First interest payment	31 December 2016
Maturity date	10 July 2021