

NZX AND MEDIA RELEASE

30 March 2020

Smiths City strategic review - Covid-19

Smiths City (NZX:SCY) today announces it is initiating discussions with potential strategic investors to support the business as it manages its way through the market disruption caused by the Covid-19 pandemic.

Even before the Government imposed the Covid-19 Level 4 Alert, Smiths City warned on 18 March 2020 that it had seen a reduction in sales and the number of customers passing through its stores and that these trends were directly attributable to the pandemic.

The Government's subsequent imposition of the Covid-19 Alert Level 4 has since required Smiths City to close its stores, including its online outlet. As foreshadowed in Smiths City's NZX announcement on 24 March 2020, these trading conditions and the new Covid-19 restrictions represent a material and significant challenge to the business.

As we noted in our 18 March 2020 market announcement, Smiths City is undertaking a comprehensive review of its operations. The company has already initiated a number of measures to manage, where possible, expenses and cashflow in line with sales performance:

- We have entered negotiations with landlords to achieve a fair rental outcome that sees the group's rental costs aligned to sales performance
- We have materially reduced new inventory orders and are exploring ways of reducing working capital based on expected reduced demand levels
- All operating expenses have been challenged aggressively for potential savings
- Planned capital expenditure has been cancelled or deferred
- Directors and the Chief Executive and other senior executives have agreed a 20% reduction in remuneration
- We have stood down almost all our 465 employees for at least the term of the Level 4 Alert on 80% of their salary or wage entitlements, in line with the terms of the Government's support package. A skeleton staff remains working on business continuity.

Following discussions last Friday, Smiths City's bank ASB has agreed to delay by four weeks, the repayment of \$1.5 million of the company's \$65 million Senior Secured Facility due for payment on Tuesday 31 March 2020.

While Smiths City believes it has enough capital to cover its debts as they fall due, the company recognises the current capital structure is not sustainable given the outlook and the company must secure more funding. Smiths City is working with PWC to develop a strategy for addressing its capital structure.

Chief Executive Roy Campbell said: "The Covid-19 pandemic has caused an unforeseen and

unprecedented shock to the business and – like many other businesses – is posing immense challenges.

“ASB’s extension of the facility demonstrated its willingness to support Smiths City through this extraordinary period and give Smiths City the space to engage in discussions with potential investors.

“Our focus continues to be on the health and wellbeing of our team and customers, including doing all that we can to prevent the spread of Covid-19, and ensuring business continuity. I am grateful for the resilience and continuing loyalty our team and our broader community of partners have shown as we navigate this period of uncertainty.

“Smiths City is committed to keeping the market informed and will provide more information as it becomes available.”

For more information:

Investors

Roy Campbell

Chief Executive

Mob: 027 223 9574

Email: roy.campbell@smithscity.co.nz

Media

Richard Inder

The Project

Mob: 021 645 643

About Smiths City Group Limited

Smiths City Group (NZX.SCY) was founded in Christchurch in 1918 and has a proud tradition as one of New Zealand’s oldest and largest retail chains. The company floated on the stock exchange in 1972 and operates stores nationwide. It also operates the Smiths City Finance, and the Smiths City Commercial businesses. On the web: www.smithscity.co.nz and www.smithcitygroup.co.nz.