

Global Graphics PLC

Meeting for shareholders, 18 October, 2018 at 14:00 (CEST)

Regus Brussels Airport Meeting Centre, Airport Terminal 4th Floor, Brussels Airport, 1930 Zaventem, Belgium

These meeting notes are provided for the benefit of shareholders who were unable to attend the meeting and are not a verbatim account. They capture the questions raised following the presentation of the slide deck and should be read in conjunction with the slide deck

([https://www.globalgraphics.com/download\\_file/view/412/382](https://www.globalgraphics.com/download_file/view/412/382)).

Presenters:

Gary Fry, CEO, Global Graphics PLC

Graeme Huttley, CFO, Global Graphics PLC

Guido Van der Schueren, Chairman, Congra SARL

Joachim Van Hemelen, CFO, Congra SARL

## 1. Purpose of meeting and agenda

Gary Fry hosted the meeting. He explained that the Company had arranged to meet shareholders to take note of concerns that had come to the Company's attention. He said that the decision as to whether to accept the proposed offer is in the hands of the shareholders. The purpose of the meeting was to provide additional information namely:

- a. Explain the legal process that applies to the proposed cash offer by Congra which is subject to English law and therefore may be an unfamiliar process for shareholders
- b. Global Graphics PLC has invited Congra to explain their valuation of the offer price at Euros 4.25
- c. Gary Fry would explain how the Global Graphics Board of Directors (excluding the Chairman Guido Van der Schueren who is an interested party) appraised the proposed offer and why they support it
- d. Invite questions from shareholders and then to share these on the Global Graphics web site so that any shareholders who could not attend may review the main points of discussion.

## 2. The Scheme of Arrangement

Graeme Huttley explained that the process falls under a Scheme of Arrangement which is common practice in England but perhaps less familiar to Belgian shareholders. For technical reasons, primarily driven by the fact that the Belgian market regulator (the FSMA) does not recognise a Scheme of Arrangement as a takeover transaction, the rules of neither the UK nor the Belgian regulators apply in this case. However, Global Graphics PLC intends to follow the principles of the City Code on Takeovers and Mergers (the "Code") which is the UK's implementation of the EU Directive on Takeover bids (2004/25/EC.)

The Code protects shareholders and protects the target company (Global Graphics PLC). The Code has underlying principles and it is Global Graphics' intention to follow those principles which are primarily:

- All shareholders of the same class must be treated equally and have adequate information to reach a properly informed decision;
- A false market must not be created; and
- Management of the target company must not act in a manner which would frustrate an offer without the consent of its shareholders

The Scheme of Arrangement exists between a company and its shareholders and must be sanctioned by the High Court in the UK. The Scheme requires significant shareholder backing for the proposed offer.

A substantial Scheme Document will be published shortly which will explain the background to the offer, the proposed timetable and the voting procedure in more detail. This document is reviewed by the High Court before it is published to shareholders. It is estimated that this Scheme Document will be submitted to the High Court during the week commencing 22<sup>nd</sup> October. Two formal meetings are held back to back to sanction and approve the Scheme, the first by the High Court, with the second shareholders' General Meeting only taking place if the High Court deems that the Scheme is fair.

**Question from the floor: Should Johan Volckaerts be excluded from the vote as he is the largest shareholder and also a board director?**

**Response from Graeme Huttley: the Court will decide on that and we will provide an explanatory note to shareholders following legal advice.**

The voting procedure will be managed by the Company's independent Share Registrar. There will be a period of 3 weeks during which shareholders can read and digest the Scheme document and submit their votes. The Share Registrar will provide a help-line to address any questions about the voting procedure.

**Question from the floor: Is the voting at the General Meeting?**

**Response from Graeme Huttley: Yes. We expect the General Meeting to be held in Brussels and all shareholders will be invited to vote (excluding Guido Van der Schueren). You do not need to attend the meeting in person but can submit a proxy vote if you prefer.**

It is a barrister in the High Court who sanctions the Scheme and decides if the General Meeting can take place subject to there being sufficient shareholder participation. If the barrister approves the Scheme, the General Meeting will take place on the same day. We expect the Scheme document to be published to shareholders at the end of October/early November and the Court and General Meetings to take place at the end of November.

Graeme Huttley then clarified a few other items:

- Definition of Independent directors: any director that is not conflicted. GVDS is conflicted because he is under a different arrangement with Congra.
- Management incentives: there are none.
- Fairness opinion: often given by a financial advisor, is not necessary because the transaction is not governed by the Code.
- Disclosure and Transparency Rules (DTR 5): 3% of voting rights is the first reporting threshold, then each 1% thereafter. It is the shareholders responsibility to notify the company.

### 3. Congra Reasons and valuation

Guido Van der Schueren and Joachim Van Hemelen presented the background to the proposed offer and to their valuation (please see their slides for more information).

Questions and observations from the floor which arose during their presentation were:

**The floor: Is it a fair and reasonable offer and fair valuation?**

**Reponse from Congra: Yes, it is.**

**The floor expressed disagreement on the way in which the valuation had been calculated.**

### 4. Global Graphics PLC appraisal of the offer

Gary Fry explained that the Board of Directors had appraised the offer. It is the Board's duty to secure the best deal for the company and its shareholders and to back the best suitor. It is no secret that, since Guido Van der Schueren joined the Board as Chairman four years ago, the merging of the Hybrid Software business (the operating company of Congra) and Global Graphics operating subsidiaries had the potential to happen.

Using external data points Mr Fry explored valuations of companies in the printing industry. One example of a company that has been sold is Caldera, when the offer went through our industry reaction was shock because it was thought to be overpriced.

Furthermore, Mr Fry presented information from Proximus LLC, mergers and acquisitions specialists, which reveals the multiples offered in our industry on the open market are similar or significantly lower than that offered by Congra.

However, he repeated that shareholders must make their own decision about voting in favour or against the Scheme, it is ultimately a shareholder decision.

## 5. Q & A

**Question:** Were the 900,000K cost savings at the end of 2017 linked to the consolidation around one of your customers?

**Answer:** Correct. The traditional customer base around Compose, ECRM and RTI has consolidated around one of our partners Xitron. The cost saving was necessary to bring GGS into profit. Now, to achieve growth in the Company we need to invest.

**Question:** why is the valuation based on historical numbers. You can grow and invest.

**Response from Gary Fry:** this is Congra's evaluation of the business. But we will need to bring in more resource in the future to grow.

**Question:** how much business is done between Hybrid Software and Global Graphics Software?

**Response from another shareholder:** a figure quoted is Euros 67K for the 6 months to 30 June 2018. Gary Fry noted that these are the RIPs purchased by Hybrid Software to date.

**Comment from a shareholder:** I'd like to take this opportunity to congratulate the board and the management team on the performance of the company in the past few years.

**Question:** how will shareholders be assured of the independent monitoring of the votes and that votes will be treated in a "correct" way?

**Response from Graeme Huttley:** the share registrar is responsible for the distribution of the Scheme document and proxy votes and for processing them. Shares are held in the Crest system and voting is distributed down through the Crest system. Also, as part of the process the High Court wants to see significant shareholder participation in voting. The Court will not sanction the Scheme if only a few vote. This gives the Court the view that shareholders have had the opportunity to voice their opinion.

**Question:** will an independent referee be appointed in parallel to count the votes?

**Answer:** Global Graphics PLC will not be managing the process and is independent from it. We have to use the share registrar which has the contact with the custodians who can then reach out to shareholding individuals. UK company law is very strong in this regard. The registrar must identify shareholders to ensure a fair representation of the vote.

**Suggestion from a shareholder:** can we suggest that shareholders who own less than 3% of shares (the reporting threshold) notify the Court of their voting?

**Reply from Graeme Huttley:** I will talk with our lawyers to find out.

**Question:** will there be a way for shareholders to communicate with the Court?. Will it be on-line?

**Reply from Graeme Huttley:** the Scheme document is sent to the Court two weeks before it is published to shareholders. The Court has visibility of all the voting. Until the Court sanctions the Scheme at the Court Meeting it cannot progress to the formal shareholder vote at the General Meeting. That is to say that unless there is sufficient shareholder participation the Court will not sanction the Scheme. There is lots of precedent in place for this process.

**Question:** will the board reassess the independence of directors?

**Response from Graeme Huttley:** We have taken legal advice and Gary Fry, Graeme Huttley and Johan Volckaerts are considered independent for this transaction. Guido Van der Schueren is excluded from meetings and voting.

**Question:** No fairness is required but there is a big difference between how GVDS and small shareholders see the company. Why not find a way to appoint someone to do an independent valuation. That would create more confidence for shareholders before they have to vote.

**Answer:** our legal advice stated that this would not be necessary.

**Johan Volckaerts comments:** this is not a company owned by a block of shares. The shareholdings are distributed. Only one big shareholder can vote so if you vote against the proposed offer, it won't happen. So there is no need for a valuation. It needs 75% of shareholder to vote. I agree the growth prospects are good. If you get more than 8x or 9x EBITDA it's a good price. You should also consider that Global Graphics PLC is a microcap with poor liquidity so it is difficult to sell shares.

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**Question:** At the analyst presentations in April Gary Fry said that PrintFlat has the potential to be a big as the RIP business. Is this the real reason for the acquisition? Is PrintFlat the elephant in the room?

**Response from Guido Van der Schueren:** Well Fundamentals also has a lot of development potential that you don't see yet.

**Response from Gary Fry:** PrintFlat is a tremendous opportunity for GGS. It is starting to make traction but it is a new venture and accounts for about 1% of revenue. We launched Fundamentals with Hybrid at drupa 2016 and have no single live customer for that product yet. OEMs need a gestation period. Any innovation takes time, energy and expense and you don't make money for a number of years.

**Question.** How unique is PrintFlat really?

**Response from Gary Fry:** other vendors are solving the problem in different ways. Our approach is unique and we are applying for patents in certain areas. We address the problem in software and we don't believe anyone else is doing it the same way.

**Question:** what if the Scheme of Arrangement doesn't happen? Can GVDS remain on the Board?

**Response from Gary Fry:** the composition of the board is voted on by shareholders at the AGM.

**Question:** In April Gary Fry said that he is open to making further acquisitions. Is this process hindering the search?

**Response from Gary Fry:** I am always on the look out for relevant acquisitions. If there were anything on the table it would not stop. Nothing has changed in the way we do business since the offer was made.

**Question to Guido Van der Schueren:** the share price has jumped. Is this a sign that the market is considering your offer as meagre?

**Response from Joachim Van Hemelen:** the "jump" is only by 1%.

**Response from GVDS:** it is a fact that does not change my mind.