



PROBIOTEC LIMITED

ABN 91 075 170 151

83 Cherry Lane
Laverton North, VIC 3026
AUSTRALIA

Phone: + 61 3 9278 7555
Fax: + 61 3 9369 6730

www.probiotec.com.au

ASX ANNOUNCEMENT

19 December 2017

STRATEGIC OPPORTUNITIES & EGM

Following the previously announced strategic review, Probiotec Limited (ASX: PBP) has identified a number of initiatives which have the potential to unlock value and improve returns to our shareholders.

A number of opportunities have been targeted that the directors believe may release surplus capital and deliver significant value for shareholders. These initiatives will be reviewed over the balance of the 2018 financial year and actioned in the event that they are considered to generate significant shareholder value.

These initiatives may generate excess capital and as a result, the directors consider it prudent to establish a share buyback capability in the event this is determined by the board to be a prudent form of capital management.

These initiatives will require significant input and effort from management. Accordingly, changes to the incentive packages of several senior executives have been identified to assist in aligning management interests with those of shareholders. Proposed changes include amendments to the Company's option plan and the issue of options. The proposed changes include a significant increase in the option exercise price to create a longer term stretch target and incentivise the release of surplus capital. It is proposed that these options will be issued at an exercise price of \$1.20 per fully paid ordinary share, which is approximately 70% higher than the current share price¹. For those executives issued with these stretch target options, short term cash bonuses (under the current Short-Term Incentive scheme) will be forgone for the current and next financial years.

It is forecast that these changes to the incentive packages will further result in an increase in profit in both the 2018 and 2019 financial years as the valuation of the options to be issued is expected to be lower than the short-term incentives foregone by the applicable executives.

To facilitate these plans, an Extraordinary General Meeting will be held on 23 January 2018 and a notice of Meeting will be provided accordingly.

OUTLOOK

Based on current results and expected performance for the balance of the half year, the directors consider it prudent to advise that they expect reported Net Profit Before Tax for the half year ended 31 December 2017 to be in the range of \$1.0 million to \$1.4 million, or an increase of 40% to 100%, compared to the \$0.7 million achieved in the prior corresponding period.

As advised on 23 November 2017, in the absence of any significant deterioration in economic conditions, the Directors reasonably expect to deliver strong growth in both revenue and

¹ Based on closing share price on 18 December 2017

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earnings in the 2018 financial year. This will be driven most heavily by demand for our contract manufacturing services that continue to perform strongly, together with growth in our pharmaceutical and obesity management branded portfolio. The recent acquisition of South Pack Laboratories (South Pack) will supplement this growth with a circa 9 months contribution to earnings (before transaction costs).

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About Probiotec

Probiotec Limited is a manufacturer, marketer, brand owner and distributor of a range of prescription and over-the-counter (OTC) pharmaceuticals, complementary medicines and specialty ingredients. The company owns two manufacturing facilities in Australia and distributes its products both domestically and internationally. Products are manufactured by Probiotec for both its own products and on behalf of others, including major international pharmaceutical companies.

Further details about Probiotec are available at www.probiotec.com.au

For further information contact:

Mr Geoff Pearce, Chairman
0411 552 129

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