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Crawshaw Group plc

Crawshaw enters transformational partnership with 2 Sisters Food Group

Ranjit Boparan expected to invest approximately £5.1m for a 29.9% stake in Crawshaw, with a warrant to acquire a further 20.1% of the Group, and becomes an advisor to the Board

Jim McCarthy to join the Board as Chairman, Richard Rose to retire on conclusion of the AGM

Accelerated opening programme to restart with a focus on factory shop locations

Crawshaw Group plc ("**Crawshaw**", the "**Company**" and, together with its subsidiary undertakings, the "**Group**"), the AIM listed butcher and food-to-go retailer, today announce that they have entered into a transformational supply chain partnership ("the **Supply Agreement**") with the 2 Sisters Food Group ("**2 Sisters**"), one of Europe's largest meat and food producers, and have signed heads of terms (the "**Head of Terms**") under which Ranjit Boparan is expected to become a significant shareholder in the Group (subject to Crawshaw shareholder and Takeover Panel approvals and definitive agreements being entered into).

Crawshaw enters into transformational supply chain partnership with 2 Sisters

- Immediate access to increased volumes of ongoing continuity and surplus fresh poultry, which provides further surety of supply to complement the scalable spot-market buying model.
- Crawshaw to use its unique vertically integrated capability to take supply of quality fresh meat, poultry and other grocery products from the supply/demand imbalances, which prevents creation of unnecessary food waste.
- An initial three-year Supply Agreement for Crawshaw to acquire fresh meat and other products from 2 Sisters.
- Crawshaw customers to benefit from expanded range at competitive prices.

Ranjit Boparan (and connected party) entered heads of terms with Crawshaw to invest approximately £5.1m for a 29.9% stake in Crawshaw, with warrants to acquire a further 20.1% of the Group, and becomes an advisor to the Board

- Subject to Crawshaw shareholder and Takeover Panel approvals, Invest Co 1 Limited, a vehicle 100% controlled by Boparan Private Office ("**BPO**"), and Stephen Henderson, chief financial officer of BPO, are expected to acquire an aggregate of 33,794,490 new shares in the Group ("**Ordinary Shares**") for £5.1m, representing a 29.9% stake in Crawshaw (the "**Initial Investment**"). Invest Co 1 Limited will hold 33,594,490 Ordinary Shares and Stephen Henderson will hold 200,000 Ordinary Shares. These investments reflect a price per Ordinary Share of 15.2p (the "**Issue Price**"), being the market price of the Company as the partnership with 2 Sisters was being structured.
- Invest Co 1 Limited is to be granted warrants to subscribe for an additional 45,436,069 Ordinary Shares (subject to certain anti-dilution protections), also at 15.2p per Ordinary Share, to take a further 20.1% stake in the Group (the "**Warrants**"). The Warrants will be exercisable by Invest Co 1

Limited from the anniversary of the completion of the Initial Investment for a further 12 months, subject to the market closing price of Crawshaw being at least 40p per Ordinary Share for the 5 days immediately preceding exercise of the Warrants.

- Invest Co 1 Limited and Stephen Henderson are to be subject to substantial lock-ins in respect of their shareholdings in Crawshaw (the “**Lock-in Agreements**”) and Invest Co 1 Limited will enter into a relationship agreement with the Company and Peel Hunt LLP (the “**Relationship Agreement**”), further details of which are set out below.
- Ranjit Boparan to act as advisor to the Board, with a particular focus on unlocking the corporate social responsibility benefits from integrating the supply chains of the two businesses.

Board Changes

In conjunction with this announcement, Richard Rose, Non-Executive Chairman of Crawshaw announces his proposed retirement from the Board. After 11 years with the Group as Chairman he will stand down following the Group’s AGM on 28th June 2017.

Richard will be replaced as Non-Executive Chairman by James (Jim) John McCarthy, who joins the Board immediately as a non-executive director and Chairman-elect. Jim has more than forty years of retail experience. He is currently Chairman of discount retailer UP Global Sourcing Holdings plc and Chairman of Wynnstay Group plc, an AIM listed company. He was previously CEO of T&S Stores Plc for eight years before selling the business to Tesco Plc for c.£500m, then became the Managing Director of Convenience at Sainsbury’s, and most recently was the CEO of leading value retailer Poundland Group plc for ten years. Under Jim’s leadership, Poundland’s EBITDA grew from c.£7m in 2006 to c.£57m in 2016, before the business was sold to Steinhoff International in the same year for c.£750m. Further details of Jim’s background and the Poundland transaction are set out below.

Ken McMeikan, Non-Executive Director, will retire from the Board at the AGM to make way for Stephen Henderson, who will join as a Non-Executive Director upon completion of the Initial Investment. Mr Henderson’s appointment will provide seamless continuity to the partnership.

Accelerated Opening Programme

Following the Initial Investment, the Company expects to restart its accelerated new store opening programme, with an initial focus on factory shop locations.

Commenting on the announcement, Noel Collett, Chief Executive of Crawshaw Group said:

“This is a transformational partnership for the Crawshaw Group with a significant opportunity to offer a greater range and better availability to our customers. This new relationship provides a catalyst to our accelerated growth, both in sales and profitability.”

“We very much welcome the 50/50 equity split as it reflects the symbiotic nature of the partnership and aligns both our interests to achieve maximum shareholder value. The two-stage subscription including conditional warrants will allow the commercial benefit to be demonstrated as part of the process.”

Richard Rose, Non-Executive Chairman of Crawshaw Group, stated:

“The Board of Crawshaw is confident of the substantial benefits this partnership will bring to customers, employees and shareholders.”

“Having worked on this partnership for a while and now seeing it being concluded, I feel that after 11 years as Chairman it’s time for me to make way for someone new to take the business to a significantly higher level.”

“Accordingly, I would like to welcome Jim McCarthy to the Board as Chairman-elect. His track record speaks for itself, and I am confident that in him, Crawshaw Group has the perfect candidate to oversee the truly exciting growth opportunities ahead.”

Jim McCarthy, Chairman-elect of Crawshaw Group, added:

“I am delighted to be joining Crawshaw Group at such a transformational time for the business. There are clearly significant opportunities for further growth, and together with the 2 Sisters Food Group, we have the ideal partner to create value for both businesses.”

Ranjit Boparan, Chief Executive of Boparan Holdings Ltd, said:

“This is a great opportunity that complements our corporate social responsibility policy and our aim to reduce levels of quality food that would otherwise go to waste. Our businesses have a significant number of opportunities to work through together in the coming weeks and months.”

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Details of the Supply Agreement

The Supply Agreement has been entered into today between the Company and a subsidiary of 2 Sisters, Amber Foods Limited ("AFL"). The agreement, which is not conditional on the Initial Investment and Warrants, will run for a period of three years and offers significant and mutually beneficial opportunities for both businesses. Pursuant to the agreement AFL has been appointed by 2 Sisters to supply certain meat, poultry and other grocery items, either produced at a 2 Sisters production site or procured from an approved third party supplier, to the Company for its onward sale to its customers. The agreement provides for AFL to supply certain contracted volumes of products to the Company and additionally grants the Company the right of first refusal to purchase goods arising from supply/demand imbalances. Agreeing this significant, transformational approach to these imbalances represents an exciting opportunity for 2 Sisters to minimise food waste and for the Company's customers to benefit from an expanded range of quality products at competitive prices. The two businesses expect that the Supply Agreement, and their new relationship as partners, will create greater structural efficiencies in the food production and supply chain process and create incremental margin opportunity for the Group. The three-year supply agreement is long term relative to most equivalent arrangements and will run for a minimum of two years (one year minimum plus twelve months' notice) and a twelve month notice provision thereafter.

Details of the proposed Initial Investment

The Initial Investment is expected to comprise subscriptions by Invest Co 1 Limited and Stephen Henderson (together, the "**Investors**"). The Initial Investment is conditional upon legally binding agreements being entered and there is no certainty that any such agreements will be entered into or any new Ordinary Shares will be issued pursuant to the Initial Investment. Confirmation of any agreements entered into relating to subscriptions for new Ordinary Shares shall be made by the Company in due course.

Participation in the Initial Investment will be for the Investors only and members of the public are not eligible to take part. The details of the Initial Investment in this announcement are for information purposes only and do not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for new Ordinary Shares. No public offer of securities of the Company is being made in the United Kingdom, the United States or elsewhere.

The new Ordinary Shares will represent approximately 42.7 per cent. of the existing issued share capital of the Company and 29.9 per cent. of the enlarged share capital of the Company. The Issue Price represents a discount of approximately 49.8 per cent. to the closing mid-market price of 30.2 pence per existing Ordinary Share on 25 April 2017, being the last trading day immediately preceding the publication of this announcement.

The new Ordinary Shares, when issued, will be fully paid and will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of issue.

The Initial Investment is conditional upon, among other things, legally binding agreements being entered into in respect of the Initial Investment, consent of the Takeover Panel in respect of the Rule 9 issues in connection with the Warrant, certain resolutions (the "**Resolutions**") to give the Directors authority to allot the new Ordinary Shares and approve the grant of the Warrant being duly passed by shareholders at a general meeting of the Company (the "**General Meeting**") to be held in due course, and the subsequent admission of the new Ordinary Shares to be admitted to trading on AIM becoming effective ("**Admission**").

Details of the proposed Warrants

The Company will issue Invest Co 1 Limited warrants ("the "**Warrants**") to subscribe for a further 45,436,069 Ordinary Shares (being such number of new Ordinary Shares as would increase the aggregate holding of Ordinary Shares of the Investors on completion of the Initial Investment to such number of Ordinary Shares as equals 50 per cent. of the further enlarged issued Ordinary Shares).

The Warrants will be exercisable by Invest Co 1 Limited (i) once only and over all, and not some only, of the Warrants; (ii) at any time in the period between the first and second anniversaries of completion of the Initial Investment provided that the closing mid-market share price of the Ordinary Shares as traded on the AIM market of London Stock Exchange plc has been above 40p for at least five consecutive trading days immediately prior to the date of the notice of exercise of the Warrants; and (iii) at an exercise of 15.2p per Warrant. Whilst the Warrants remain in issue, the Company will agree that it shall not issue any Shares unless Invest Co 1 Limited is offered the opportunity to participate in the issue of the same terms as any other participant as if they were the holders of shares having exercised the Warrants in full before the date of the relevant issue.

In order for Invest Co 1 Limited to be able to exercise the Warrants in due course it needs to seek a dispensation from making a General Offer under Rule 9 of the City Code on Takeovers and Mergers (the "**Code**") in relation to the Warrants. This dispensation will be sought in advance from the Takeover Panel and, as part of the circular convening the General Meeting for the Initial Investment, Crawshaw shareholders will be asked to vote on the matter. Further details will be set out in the circular to be sent to Crawshaw shareholders in due course.

Details of the proposed Lock-in Agreement and Relationship Agreement

The heads of term provide that the Investors will enter into a lock-in and orderly market agreement, conditional upon completion of the Initial Investment whereby they shall be required not to dispose of any new Ordinary Shares subscribed for or shares arising upon exercise of the Warrants for a period commencing on the date of completion of the Initial Investment and ending 6 months after the earlier of the exercise or lapse of the Warrants, and that for a further 6 month period they shall only make any disposal of such shares through the Company's broker to ensure an orderly market.

Invest Co 1 Limited will also enter into a relationship agreement with the Company and Peel Hunt LLP conditional upon completion of the Initial Investment confirming that going forward, any transactions between the Company and Invest Co 1 Limited and its associates will be made on normal commercial terms and on an arm's length basis.

Further details re Jim McCarthy

Jim McCarthy, aged 61, was most recently, until his retirement in September 2016, a director of Poundland Group plc. As CEO of Poundland, Jim was also a director of a number of Poundland's wholly owned subsidiaries, including, for a short period following its acquisition by Poundland in September 2015, 99p Stores Limited. At the time of his retirement, Jim McCarthy resigned all of his directorships of Poundland Group companies. Following his retirement, Poundland Group plc (together with its subsidiaries, including 99p Stores Limited) was acquired by Steinhoff International in September 2016. On 22 March 2017, the directors of 99p Stores Limited filed for administration. Jim McCarthy was not involved in the decision to file for administration and was only notified of the administration on 24 March 2017, after it had occurred.

Previous Director	Current Director
99p Stores Limited	UP Global Sourcing Holdings plc
Bargain Limited	Watchbury FIC Limited
Bargain World (Retail) Limited	Wynnstay Group plc
Family Bargains (Retail) Limited	
Homes & More Limited	
M&O Business Systems Limited	
Poundland Group Limited	
Poundland Group plc	
Poundland Holdings Limited	
Poundland International Limited	
Poundland Limited	
Poundland Retail Limited	
Poundland Stores Limited	
Poundland Trustee Limited	
Poundland Value Retailing Limited	
Poundland Willenhall Limited	
Sheptonview Limited	

Save as disclosed, there are no other disclosures required for Jim McCarthy in relation to paragraph (g) of Schedule 2 of the AIM Rules for Companies.

Next steps

A circular containing, amongst other things, the notice convening the General Meeting is expected to be published by the Company in due course and will be available on the Company's website www.crawshawbutchers.com/about/investors.

This announcement contains inside information.