



DURATEC LIMITED

Investor Presentation – Acquisition of Wilson’s Pipe Fabrication Pty Ltd

10 OCTOBER 2022



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# ACQUISITION SUMMARY

## Acquisition Snapshot

- Duratec Limited has entered into a share purchase agreement to acquire 100% of Wilson's Pipe Fabrication Pty Ltd (WPF) from the current shareholders of WPF
- The sale price consideration consists of two parts:
  - An initial consideration payable on completion of \$9.0 million in cash, expected around mid-October 2022; and
  - An earn-out consideration based on WPF's FY23 audited EBITDA achieved and agreed hurdles, expected around early September 2023.
- The maximum sale price payable under this Acquisition is \$18.0 million assuming WPF achieves an audited EBITDA of or in excess of \$5 million in FY23

## Strategy & Outlook

- Opportunity to enter a new market (Oil & Gas) that is difficult to penetrate organically
- Potential for Duratec Limited to leverage strong long-standing WPF relationships
- Geographical alignment
- Well-run business with strong growth prospects and a stable management team

## Wilson's Pipe Fabrication Overview

- WPF's fabrication team specialises in the manufacture, servicing and repair of pipe spools and other highly specialised structures and equipment
- Purpose built fabrication facility in Cockburn, Western Australia
- Consistent annual revenue of circa \$20.5 million
- Consistent annual operating profit of circa \$3.0 million





## ACQUISITION DETAILS

# DETAILED TRANSACTION TERMS

## ACQUISITION

- Acquisition of 100% of Wilson's Pipe Fabrication Pty Ltd
- Exclusive due diligence finalised
- Completion is expected to occur by mid-October 2022

## SALE PRICE CONSIDERATION

- Sale price consideration split into two considerations
- Up to a maximum total of \$18.0 million payable, as follows, on a debt free basis:
  - 1. Initial Consideration**
    - Hurdle: Payable on completion
    - Initial consideration amount: \$9.0 million in cash
    - Subject to agreed Working Capital and Net Debt adjustments on completion. Target Working Capital is \$1,778,820.
    - Payment time: Expected around mid-October 2022
  - 2. Earn-out Consideration**
    - Hurdle: Payable based on FY23 audited EBITDA achieved
    - Earn-out Amount:
      - a. if the earn-out EBITDA is equal to or more than AUD \$3.75 million but less than AUD \$4.0 million AUD \$1.5 million;
      - b. if the earn-out EBITDA is equal to or more than AUD \$4.0 million but less than AUD \$4.25 million AUD \$3.0 million;
      - c. if the earn-out EBITDA is equal to or more than AUD \$4.25 million but less than AUD \$4.5 million, AUD \$4.5 million;
      - d. if the earn-out EBITDA is equal to or more than AUD \$4.5 million but less than AUD \$4.75 million, AUD \$6.0 million;
      - e. if the earn-out EBITDA is equal to or more than AUD \$4.75 million but less than AUD \$5.0 million, AUD \$7.5 million; and
      - f. if the earn-out EBITDA is equal to or more than AUD \$5 million AUD \$9.0 million
    - Payment time: Expected around early September 2023

## SELLERS INVOLVEMENT

- Current director and one of the sellers of WPF, Michael Wilson, will remain with the company in the role of director and will be included on the board of WPF, for a period of no less than 18 months post completion

## CONDITIONS PRECEDENT

- There are no conditions precedent within the share purchase agreement

# TRANSACTION TIMELINE

EVENT	TIMING <sup>1</sup>
Announcement of acquisition of Wilson's Pipe Fabrication	10 October 2022
Sale completion	Mid-October 2022
Initial consideration paid	Mid-October 2022
Earn-out consideration period closes	30 June 2023
Earn-out consideration EBITDA audit	Late August 2023
Earn-out consideration paid	Early September 2023

1. The timeline above is indicative only and may be subject to change.



## WPF OVERVIEW

# WPF BUSINESS OVERVIEW

## A leading provider of offshore installation, construction, maintenance and access services.

- Business model is heavily driven by onshore, offshore and workshop fabrication activities – highly reliant on having reliable, capable, and experienced employees available to fulfil the work required by clients
- Primary contractor of choice, holding direct service agreements with several blue-chip oil and gas producers with longstanding relationships (c. 15+ years)
- Contracts with original equipment manufacturers to repair and service their equipment
- Site services generate about two-thirds of revenue, with fabrication making up the balance
- Consistently achieved revenue of circa \$20 million and EBITDA margins of 15% historically throughout the commodity cycle
- Long-standing relationships with Santos Ltd since 2005 and Vermilion Energy Pty Ltd since 2006 underpin high levels of repeat business
- Senior management have a depth of experience and are committed to the business, with an average tenure of approximately 7 years
- Highly skilled, multi-disciplined fabrication and site-based workforce
- Current employee list (as of due diligence) is made up of 72 employees consisting of 12 corporate employees and 60 workshop/site employees

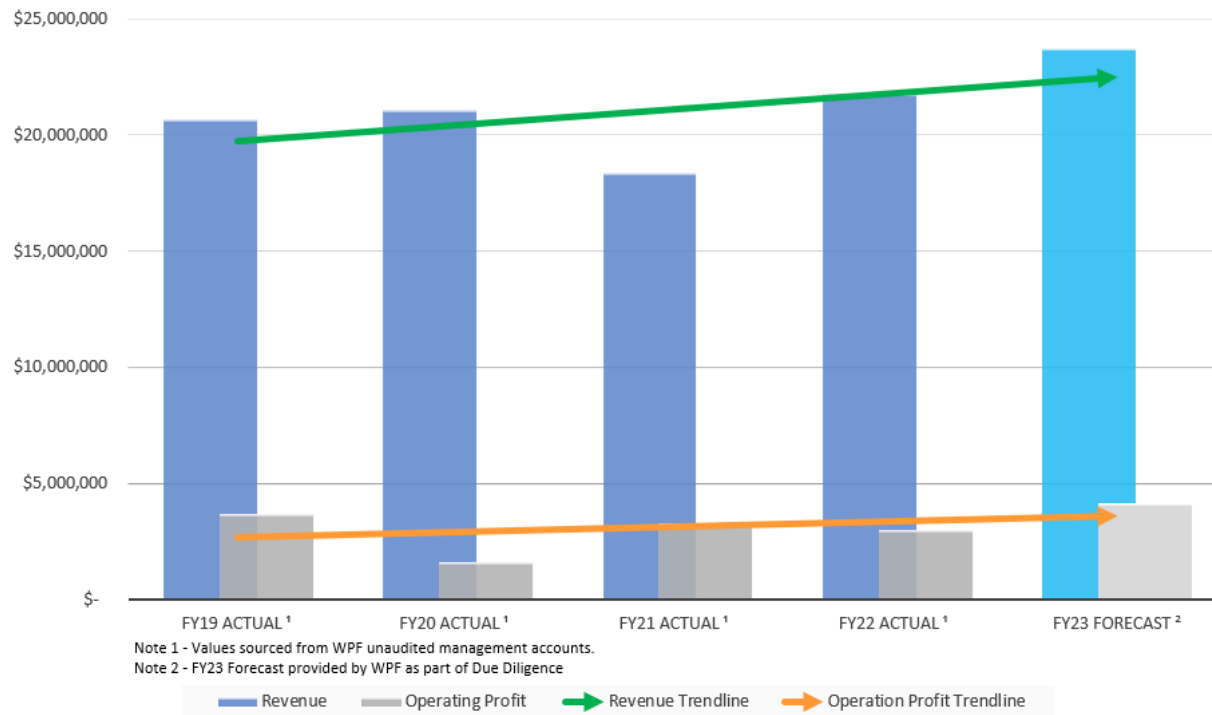




# CONSISTENT PERFORMANCE

## WPF has a proven track record of being a profitable business.

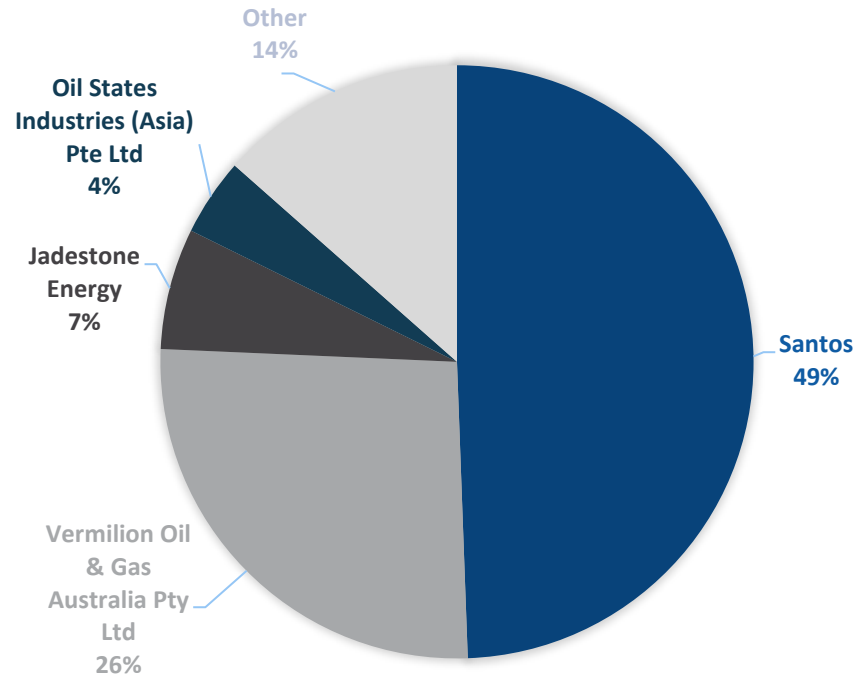
- Consistently maintained a revenue that averages circa \$20.5 million and operating profit that averages just under circa \$3.0 million annually over the past 4 years
- Annual four-year operating profit margin of 14.2%



# CUSTOMER BASE

- Diverse range of clients
- Strengthened and maintained its relationship with Santos Ltd and the Vermillion Oil & Gas Australia Pty Ltd over the last three years
- Two key clients represented over 75% of WPF's annual revenue over the last 5 years

TOP 5 CLIENT BY REVENUE (LAST 5 YEARS)





# STRATEGY & OUTLOOK

# STRATEGIC RATIONALE

The acquisition of WPF is consistent with Duratec's strategy and will deliver significant benefits for shareholders, including:

- **Aligned operating model** – strategically aligned business model and complementary focus on mechanical piping;
- **Diversification benefits** – further diversification across sectors, customers and geographies deepening exposure to oil and gas market;
- **Cross-selling opportunities** – potential synergies and opportunities to further leverage the combined group's customer relationships and skills;
- **Recurring services and maintenance** – provides Duratec with increased recurring services and maintenance revenues and capabilities;
- **Highly experienced management team and cultural fit** – acquiring 72 employees with specialist technical knowledge, which a strong incentive structure and ongoing alignment underpinned by acquisition earn out structure; and
- **Financial benefits** – immediately EPS accretive before synergies, transaction costs and integration costs (based on WPF FY23F EBIT of \$4.1m)



# OUTLOOK

- Dedicated senior manager from Duratec to drive integration of the WPF business
- Plans to introduce Duratec services to WPF customers (3D reality modelling, asset condition surveys, cathodic protection, blast and painting services)
- WPF has a strong pipeline of work comprising several new tender opportunities for existing and new clients that would deliver significant scale to the business beyond FY22
- Australia is the largest LNG exporter in the world, with several producers expected to resume capital investment to support their large-scale LNG plants in WA
- Government regulations mean oil and gas companies will be required to spend more on decommissioning wells and platforms

