

# ASX ANNOUNCEMENT

10 October 2022

## DURATEC'S STRATEGIC ACQUISITION OF WILSON'S PIPE FABRICATION

Australian engineering, construction, and remediation contractor Duratec Limited (**Duratec**) (ASX: DUR), is pleased to announce it has signed a share purchase agreement to acquire 100% of the shares, business assets, intellectual property and undertakings owned and used by Wilson's Pipe Fabrication Pty Ltd (**WPF**).

### HIGHLIGHTS

- Duratec to acquire 100% of WPF for a maximum sale price of \$18.0m (\$9.0m initial consideration and up to a further \$9.0m from a contingent payment).
- WPF is one of Australia's leading providers of onshore and offshore engineering services to the oil and gas industry, with a proven track record of sustained revenue and profitability over its 25 years in operation.
- WPF specialises in the provision of integrated services solutions (site services and fabrication), characterised by a strong degree of recurring maintenance work.
- WPF holds direct service agreements with several blue-chip oil and gas producers with long-standing relationships (c. 15+ years).
- The acquisition is a milestone in Duratec's strategic plan to grow the business through complimentary business acquisitions which provide growth in target industry sectors.
- WPF achieved an unaudited FY22 revenue of \$21.7m and an EBITDA of \$3.4m (values sourced from WPF unaudited management accounts).
- The sale price consideration consists of two parts:
  - An initial consideration payable on completion of \$9.0m funded by existing 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 \$18.0m assuming WPF achieves an audited EBITDA of or more than \$5.0m in FY23.
- Acquisition is immediately EPS accretive before synergies.
- Current director Michael Wilson will remain with the company on the board of WPF post completion.

### MANAGING DIRECTOR COMMENTARY

Commenting on the acquisition, Duratec's Managing Director, Phil Harcourt, said:

"Wilson's Pipe Fabrication is a well-run business with strong growth prospects and a stable management team. We believe we can grow the business by introducing our services to their customers (3D reality modelling, asset condition surveys, cathodic protection and blast and painting services), expanding its services via our geographical footprint and expanding the business to other potential larger customers with new balance sheet and backing.

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#### DIRECTORS

Phil Harcourt - Managing Director  
Chris Oates - Executive Director  
Martin Brydon - Non-Executive Chairman  
Gavin Miller - Non-Executive Director  
Dennis Wilkins - Company Secretary

The acquisition provides Duratec exposure to a sector that is difficult to penetrate organically, and with significant capex spend recently by oil and gas companies, we foresee large spend in maintenance budgets into the medium to long term. With Duratec's organic growth, the acquisition of Wilson's Pipe Fabrication will add to the group's EBITDA growth into the future."

## **WILSON'S PIPE FABRICATION OVERVIEW**

Based in Perth, Western Australia, WPF provides onshore and offshore mechanical engineering services to tier 1 oil and gas producers. Its services include maintaining and/or upgrading of drill rigs, original equipment manufacturers, fabrication, assembly, site installation, decommissioning and commissioning.

WPF holds direct service agreements with several blue-chip oil and gas producers with long-standing relationships. The business has strengthened and maintained its relationships with key clients Santos Ltd and Vermilion Oil & Gas Australia Pty Ltd.

Revenue over the past four years has averaged \$20.5m annually, with an average operating profit of just under \$3.0m (values sourced from WPF unaudited management accounts).

## **OUTLOOK AND STRATEGY**

WPF is well-positioned to achieve continued growth via a significant pipeline of brownfield works with key clients Santos Ltd and Vermilion Oil & Gas Australia Pty Ltd (among others), as well as upcoming tenders for new and existing clients and an expected increase in ongoing maintenance and decommissioning activities for oil and gas producers on the back of greater enforcement from regulatory bodies. Australia is also the largest LNG exporter in the world, with several producers expected to resume capital investment to support their large-scale LNG plants in WA.

WPF's specialist provision of integrated on-site services and off-site fabrication to tier 1 WA and NT oil and gas producers, provides a significant opportunity for the introduction of Duratec's skills and capabilities to a market that Duratec has, to date, been unable to penetrate. This is an opportunity to potentially leverage the business's long-standing relationships with Santos Ltd, Vermilion Oil & Gas Pty Ltd and Jadestone Energy Ltd and establish a market share using its early contractor involvement and remediation business model.

With Duratec's national geographical footprint and reputation, WPF's skillsets and services can over time be potentially expanded to service the other geographic markets, as well as providing synergies and capacity opportunities in the Oil & Gas market.

## **GROUP'S COMBINED FINANCIAL IMPACT**

Duratec's modelling shows the acquisition is expected to be immediately EPS accretive, before synergies, transaction costs and integration cost. This is based on WPF's forecast FY23 EBIT of \$4.1m.

## DETAILED TRANSACTION TERMS

<b>ACQUISITION</b>	<ul style="list-style-type: none"> <li>Acquisition of 100% of Wilson’s Pipe Fabrication Pty Ltd</li> <li>Exclusive due diligence finalised</li> <li>Completion is expected to occur mid-October 2022</li> </ul>
<b>SALE PRICE CONSIDERATION</b>	<ul style="list-style-type: none"> <li>Sale price consideration split into two considerations</li> <li>Up to a maximum total of \$18.0m payable, as follows on a debt free basis:             <ol style="list-style-type: none"> <li><b>Initial consideration</b> <ul style="list-style-type: none"> <li>Hurdle: Payable on completion</li> <li>Initial consideration amount: \$9.0m in cash</li> <li>Subject to agreed Working Capital and Net Debt adjustments on completion. Target Working Capital is \$1,778,820.</li> <li>Payment time: Expected around mid-October 2022</li> </ul> </li> <li><b>Earn-out consideration</b> <ul style="list-style-type: none"> <li>Hurdle: Payable based on FY23 audited EBITDA achieved</li> <li>Earn-out consideration amount:                             <ol style="list-style-type: none"> <li>if the earn-out EBITDA is equal to or more than AUD \$3.75m but less than AUD \$4.0m, AUD \$1.5m</li> <li>if the earn-out EBITDA is equal to or more than AUD \$4.0m but less than AUD \$4.25m, AUD \$3.0m</li> <li>if the earn-out EBITDA is equal to or more than AUD \$4.25m but less than AUD \$4.5m, AUD \$4.5m</li> <li>if the earn-out EBITDA is equal to or more than AUD \$4.5m but less than AUD \$4.75m, AUD \$6.0m</li> <li>if the earn-out EBITDA is equal to or more than AUD \$4.75m but less than AUD \$5.0m, AUD \$7.5m</li> <li>if the earn-out EBITDA is equal to or more than AUD \$5.0m, AUD \$9.0m.</li> </ol> </li> <li>Payment time: Expected early September 2023</li> </ul> </li> </ol> </li> </ul>
<b>SELLERS INVOLVEMENT</b>	<ul style="list-style-type: none"> <li>Current director and one of the sellers of WPF, Michael Wilson, will remain with the business in the role of director and will be included on the board of WPF.</li> </ul>
<b>CONDITIONS PRECEDENT</b>	<ul style="list-style-type: none"> <li>There are no conditions precedent within the share purchase agreement.</li> </ul>

## TRANSACTION FUNDING

The initial consideration payments to WPF will be funded through Duratec’s existing cash reserves. Any payment made to WPF under the earn-out consideration will be funded either through Duratec’s existing cash reserves, equity, or debt.

## ADVISORS

HWL Ebsworth is acting as legal adviser to Duratec on the acquisition. Financial and tax due diligence was completed in-house by Duratec.

Authorised for release to ASX by the Board of Duratec Limited.

– ENDS –

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## ABOUT DURATEC LIMITED

Duratec Limited (ASX: DUR) is a leading Australian contractor providing assessment, protection, remediation, and refurbishment services to a broad range of assets and infrastructure. Duratec's multi-disciplined capabilities combine engineering experience with project delivery expertise and use a range of in-house assessment technologies, including 3D capture and modelling technology with predictive analysis tools. Headquartered in Wangara, Western Australia, Duratec has fifteen branches around the country in capital cities and regional centres, delivering services across multiple sectors including Defence, Commercial Buildings & Facades, Infrastructure (Water, Transport & Marine), Mining & Industrial, Power and Energy.

Please visit [www.duratec.com.au](http://www.duratec.com.au) for further information.

This release contains certain forward-looking statements and forecasts, including in relation to possible or assumed future performance, costs, dividends, rates, prices, revenue, potential growth of Duratec Limited, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Duratec Limited. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements, depending on a variety of factors.

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