

ASX Announcement

26 February 2021

Supplementary announcement - Verbrec's Competency Training subsidiary to acquire assets from leading training provider, Site Skills

Further to the announcement made earlier, **Verbrec Limited (ASX:VBC)** provides the attached supplementary announcement, which further clarifies the total potential consideration, the conditions precedent and the condition subsequent.

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Authorised for release by the Board of Directors of Verbrec Limited.

Further Information

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About Verbrec Ltd

Verbrec is a leading mid-tier engineering, operations and training services company that supports customers across Australia, New Zealand, PNG and beyond. The Verbrec group of companies serve the energy, infrastructure, and mining industries through their six service lines; asset management, training, digital industry, pipelines, power, and process plant, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

About Competency Training

Competency Training (CT) is a leading provider of site training and enabler of high-performance workforces. CT delivers high-quality graduates to industry and support their progression throughout their careers.

Established in 2006, CT delivers scalable and sophisticated training products and assurance solutions to industry. CT has a deep understanding of the time and resource pressures its customers face in maintaining compliant teams, and in developing high-performance workforces.

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Verbrec's Competency Training subsidiary to acquire assets from leading training provider, Site Skills

- Verbrec's wholly owned subsidiary, Competency Training to acquire all operational assets of leading industry training provider Site Skills Group Pty Ltd
- The assets being acquired include selected employees and contractors, training materials, training facilities, student databases, trade name and domain names
- Transaction to be funded from existing cash and bank debt with \$1.44 million to be paid upfront in consideration for the assets, and a further \$500,000 to be paid on satisfaction of conditions subsequent, plus additional consideration subject to the achievement of certain revenue targets (detail below)
- Clear strategic and commercial synergies providing significant scale benefits and revenue diversification in strategically important regions in line with VBC's refocused growth strategy
- Acquisition is expected to triple Competency Training's revenue to ~\$18 million per annum
- When combined with the recently acquired Energy Infrastructure Management business, ~\$20 million additional annualised group revenue is forecasted
- Transaction to be EPS accretive in FY21, deliver \$1.8 million per annum in cost savings to current Site Skills operating costs and forecasted to deliver ~ \$2 million in EBITDA in FY22

Verbrec Limited (ASX:VBC) a leading mid-tier engineering, operations and training service provider, is pleased to announce its wholly owned subsidiary Competency Training is to acquire the Australian training business of Site Skills Group Pty Ltd ("**SSG**"), a wholly owned subsidiary of Site Group International Limited (ASX:SIT). Verbrec understands this transaction is part of Site Group's plans to rationalise its Australian businesses and focus on its international operations.

The acquisition of Site Skills Training is by way of an asset purchase and includes:

- All training sites, materials and equipment
- A database of approximately 110,000 students
- Site Skills Training domain and trading names (<https://www.siteskillstraining.com.au/>)

Transaction details

Upfront consideration of \$1.44 million will be paid in cash on closing of the acquisition which is expected to take between four (4) and six (6) weeks dependant on certain conditions precedent being met which includes assignment/novation of certain funding agreements, employment agreements and leases, the execution of a service agreement providing office and administrative support services and the migration of certain data from technology and telecommunication systems. In addition, there are to be no material adverse changes to the business. This includes offers of employment to selected Site Skills employees being accepted.

Other financial aspects of the transaction.

- \$500,000 paid in cash on SSG satisfying a condition subsequent, this being to de-scope their Registered Training Organisation (RTO) designation with Australian Skills Quality Authority (ASQA).
- \$1 million paid in cash (August 2022) if Competency Training's aggregated FY22 revenue exceeds \$18 million. A part payment will be made if it is above \$12 million¹
- \$1.5 million paid in cash (August 2023) if Competency Training's aggregated FY23 revenue exceeds \$20 million. A part payment will be made if it is above \$12 million²

From completion of the acquisition, Site Skills will continue to trade but under Competency Training's RTO designation. Competency Training's RTO designation has been expanded such that it is able to provide both the Site Skills generalist training and its specialist training with a continued focus on the mining & resources, oil & gas, construction & engineering industries.

The transaction has been structured as an Asset Sale (as opposed to a Share Sale) so as to achieve immediate operational and financial synergies and to avoid the ongoing litigation between SSG and the ASQA.

Whilst the transaction is to be funded from existing cash reserves and bank debt the Board constantly monitors and reviews balance sheet strength with a view to pursuing further growth opportunities.

Strategic rationale

The acquisition of all operational assets of Site Skills represents a significant growth opportunity for Competency Training and is fully aligned with Verbrec's refocused strategy of diversifying its revenue stream sources (by growing revenue from long dated contracts and non-project based activities) and bolstering sub-scale business units to achieve scale and overhead synergies.

Strong financial rationale

- Forecasted to deliver ~\$2 million in EBITDA in FY22
- EPS accretive in FY21 due to \$1.8 million per annum in cost savings to current Site Skills operating costs
- Will triple Competency Trainings revenue from ~\$6 million per annum to ~\$18 million per annum
- High gross margins that are expected to equal that of Competency Training's

Operational synergies

- Adds significant scale to Competency Training's business, better coverage of back-office support and compliance costs
- Provides more training locations, specifically in Darwin and Gladstone which are strategically important growth regions for Competency Training and Verbrec
- Seamless integration of the two businesses given their similar business models and systems

On the acquisition, **Linton Burns, Verbrec's Managing Director commented:** "Competency Training's acquisition of Site Skills assets is a milestone achievement for the Company and

¹ First Earn Out Amount = \$1,000,000 - ((\$18,000,000 – Competency Training FY22 revenue) x 0.1)
The First Earn Out Amount must not, in any case, exceed \$1,000,000. If Competency Training FY22 revenue is less than \$12,000,000, no First Earn Out Amount will be paid to the seller.

² Second Earn Out Amount = \$1,500,000 - ((\$20,000,000 – Competency Training FY23 revenue) x 0.1)
The Second Earn Out Amount must not, in any case, exceed \$1,500,000. If Competency Training FY23 revenue is less than \$12,000,000, no Second Earn Out Amount will be paid to the seller.

provides the opportunity for significant growth of our training business. Over recent months we have worked tirelessly to implement our refocused growth strategy and ensure each service line has scale operations and delivers solid ongoing revenue and margin growth. Both this transaction and the recent acquisition of EIM are testament to that".

About Site Skills Training

Site Skills Training provides high-risk licence and qualifications designed to help companies and employees advance in mining & resources, oil & gas, construction & engineering industries.

Site Skills Training operates facilities in Western Australia (Perth), Northern Territory (Darwin) and Queensland (Brisbane, Gladstone). Each training facility can also provide commercial and corporate clients with flexible and efficient trainer deployment, essential for the delivery of quality skills training for industry.

During the past 10 years Site Skills Training has provided skills training through approximately 200,000 courses to over 150,000 Australians in industry.

Site Skills provides an extensive list of courses including civil construction, gas transmission and distribution, health and safety, crane operation, load shifting and mobile plant.

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