

## ASX Announcement

September 27, 2019

# Calix accelerates US market entry with acquisition of Inland Environmental Resources to drive growth

**Sydney, Australia | September 27, 2019** – Multi-award-winning Australian technology company Calix Limited (ASX: CXL, 'Calix' or 'the Company'), is pleased to announce it has entered into a binding agreement to acquire 100% of US-based Inland Environmental Resources ("IER") and successfully completed a placement of \$12 million to cover both the cost of the acquisition and additional capital for accelerating US market expansion.

### Highlights:

- Acquisition: Calix has agreed to acquire **IER** for US\$6.5m (~A\$9.3m<sup>1</sup>).
- IER is a Magnesium Hydroxide Liquid (MHL) business which has specialised in the application of its MHL for treatment of waste water in food processing industries, founded in 1997.
- IER has been steadily building long-term customer relationships over many years.
- The acquisition of IER is expected to contribute revenue of A\$13.4m and EBITDA of A\$1.1m, on an FY19 pro-forma basis, before synergies and excluding associated acquisition costs.
- The acquisition consists of total upfront cash consideration of A\$6.4m and deferred, contingent consideration of A\$2.9m.
- The acquisition accelerates Calix's North American market entry from 3 ACTI-Mag customers in Southern California and Hawaii, to 80+ customers across 9 US States and 2 Canadian provinces and from ~A\$100k revenues to over A\$13.4m.
- The acquisition also provides a significant opportunity for Calix to utilise its IP in stabilising MHL to bring logistical advantages to the IER business and open new markets, both geographically and into new segments.
- The acquisition of IER is value accretive for Calix shareholders with:
  - ~96% increase in Total FY19 Pro forma core sales revenue
  - ~220% increase in FY19 Pro forma EBITDA
- Calix has completed a placement to sophisticated and professional investors at \$0.70 per share to raise \$12.0m to cover the acquisition and associated transaction costs, and additional capital for further US market expansion.
- In addition, a Share Purchase Plan (SPP) will be offered to existing eligible shareholders in Australia, to acquire up to \$30,000 per shareholder at the same \$0.70 per share, with the total SPP capped at \$1.5m.
- Funds raised in the placement and SPP will be used for the purchase consideration and transaction costs, integration and market expansion, additional US-based salespeople to expand geographic reach of IER and provisioning for North American -based Hydration facility to capitalise on Calix's technical product advantages.

<sup>1</sup> All conversions of US\$ to AU\$ are using the 30 June 2019 exchange rate of 0.7013



## ACQUISITION DETAILS:

### Overview

Calix has entered into a binding agreement to acquire 100% of the issued capital of IER for total consideration of US\$6.5m (~A\$9.3m).

### Strategic rationale

The Acquisition of IER is consistent with the Company's focus of expanding its markets utilising its patented Magnesium Hydroxide value chain into water and waste water, infrastructure, aquaculture, freshwater lake remediation, and agriculture.

IER purchases locally sourced magnesium oxide and "hydrates" it to magnesium hydroxide. IER has 4 manufacturing facilities in Washington State and Iowa, selling well over 20,000 tonnes per year to over 80 customers.

The acquisition provides numerous commercial synergies and it is expected that these will be value accretive to Calix. In the shorter term, Calix will be looking to drive top-line revenue growth in the US through:

1. Expansion in existing geographies: With more than a thousand Municipal Wastewater authorities across the 9 US states where IER operate, there is significant market opportunity remaining with IER only having penetrated less than 1% of these as potential customers.
2. Calix's current traction in California and Hawaii for odour control, phosphate removal and fats/oils/greases (FOGs) control will be introduced in the IER states. Additionally, demonstrating the complimentary offering, Calix plans to leverage IER's food processing expertise to expand its offering in California.
3. Expansion into new geographies and segments: Synergies are expected from improved MHL stability and performance, particularly associated with extension of delivery envelopes into new markets and smaller / niche MHL dosing set-ups requiring minimal servicing.

Longer-term the Company will be looking to drive margin growth and introduce more highly active products via its patented calcining technology. The Company believes there is potential to establish a strategic relationship with a North American -based magnesium oxide producer, where a local calciner for very high surface area magnesium oxide and carbon dioxide capture for enhanced oil recovery could bring further strategic benefits.

IER has two active patents in MHL chemistry, which combined with Calix's multiple patent portfolio, brings considerable IP power.

**Doug Kelly, President of IER, said:** "IER is excited about joining the Calix team to utilise the Company's unique MHL product stability and reactivity characteristics to drive further growth into our primary North American markets and expand the applications of these high quality, environmentally friendly technologies."

**Phil Hodgson, Managing Director of Calix, said:** "IER represents a great opportunity to leverage our technology into a great local US company to accelerate growth. We look forward to welcoming the IER team to Calix and working with them to build a great business in the US".

## Funding

Calix is issuing further equity to fund the purchase price for IER and to further US market expansion.

The equity raising comprises:

- a placement to institutional shareholders at an offer price of A\$0.70 per share to raise A\$12m; and
- a \$1.5m Share Purchase Plan available to existing eligible shareholders in Australia and New Zealand, up to \$30,000 per shareholder. The SPP will at the same price of the placement of \$0.70. Calix reserves the right to scale back any applications under the Plan.
- The new shares issued will rank equally with existing fully paid ordinary shares from their time of issue.

Shaw and Partners Limited and Bell Potter Securities Limited acted as Joint Lead Managers for the placement.

The offer price of A\$0.70 for each new share represents:

- an 7.9% discount to the last closing price of the Shares on ASX on Tuesday 24 September 2019, and
- a 13.1% discount to the 5-day VWAP of the Shares on ASX.

## Timing and closing conditions

The acquisition is subject to certain closing conditions, including:

- a successful completion of the placement
- a successful completion of, or waiver of, conditions precedent to the transaction (see Risks section in the accompanying investor presentation pack)
- exclusivity to complete the transaction through to 31 December 2019

Placement	Date <sup>2</sup>
Announcement of Placement and trading halt lifted	Friday, 27 September
Settlement of Placement	Thursday, 3 October
Allotment and trading of New Shares under the Placement	Friday, 4 October
Share Purchase Plan	Date <sup>2</sup>
Share Purchase Plan Record Date	7.00pm, Thursday 26 September
Share Purchase Plan Offer Booklet despatched to shareholders	Tuesday, 1 October
Share Purchase Plan closing date	Monday, 14 October
Allotment of New Shares under the Share Purchase Plan	Friday, 18 October
Normal trading of New Shares issued under Share Purchase Plan	Monday, 21 October
Expected dispatch of holding statements	Tuesday, 22 October

<sup>2</sup> The above timetable is indicative only and subject to change without notice. The commencement of quotation of new shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Calix, with the consent of the Joint Lead Managers, reserves the right to amend this timetable at any time, either generally or in particular cases, without notice.



## For more information:

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## About Calix

Calix is a team of dedicated people developing a unique, patented technology to provide industrial solutions that address global sustainability challenges.

The core technology is being used to develop more environmentally friendly solutions for advanced batteries, crop protection, aquaculture, wastewater, and carbon reduction.

Calix develops its technology via a global network of research and development collaborations, including governments, research institutes and universities, some of world's largest companies, and a growing customer base and distributor network for its commercialised products and processes.

Because there's only one Earth – Mars is for Quitters.