

ASX/NEWS RELEASE – OTC

28 August 2014



ACQUISITION OF PREMIUM VICTORIAN SURVEYING BUSINESS

Highlights:

- OTOC has made its first acquisition as part of its strategy to create a premium national surveying business by agreeing to acquire Bosco Jonson, a leading Victorian surveying, town planning and urban design business, increasing OTOC's pro-forma FY2014 EBITDA by over 40%.
- Established in 1997, Bosco Jonson is a recognised leader in the Melbourne surveying market. Bosco Jonson has a blue-chip client base and strong financial track record, with historic EBIT margins averaging over 30%.
- The acquisition provides OTOC with an entry into the Victorian surveying market and diversifies and enhances the quality of group earnings.
- The acquisition also consolidates OTOC's position as a diversified infrastructure services company, with reduced reliance on resources sector activity.
- The acquisition is expected to be earnings per share accretive in FY2015.
- Completion of the acquisition is expected in late September 2014.

Transaction Overview

OTOC Limited (**OTOC**) is pleased to announce it has agreed to acquire Bosco Jonson, a leading Victorian surveying, town planning and urban design business (**the Acquisition**). The Acquisition is the first acquisition by OTOC as part of its stated strategy of creating a premium national surveying business.

Bosco Jonson was established in 1997 and is a Melbourne based surveying company with approximately 80 staff and a long standing reputation in the industry for quality surveying and property services. It has won numerous industry awards and is a recognised leader in large scale urban developments. Bosco Jonson has a blue-chip client base and has consistently delivered strong financial results.

The up-front purchase consideration for the Acquisition is \$14.0m with an additional \$3.0m in performance consideration subject to the achievement of financial hurdles. The up-front consideration represents a multiple of 3.1x FY14 EBITDA. OTOC is considering its options for funding the up-front consideration which includes using cash and existing debt facilities.

The key terms of the Acquisition are set out below and are further detailed in Annexure 1.

Up-Front Consideration:	\$13.0m cash and issue of new fully paid ordinary shares in OTOC with a value of \$1.0m.
Performance Consideration:	Up to \$3.0m cash payable on achievement of financial hurdles in the two annual periods post Completion ¹ .
Long-Term Employment Contracts:	Four vendor principals, including the two founders, will be continuing with the business, with contract terms to be agreed prior to Completion.

¹ Annual performance payment: \$0.75m if EBITDA is no less than \$3.5m and \$1.5m if EBITDA is \$4.25m or greater. If EBITDA is between \$3.5m and \$4.25m, the performance payment will be on a sliding scale on a \$1 for \$1 basis.

Completion:

Completion expected in late September 2014 following satisfaction of customary conditions precedent.

Strategic Rationale

The Acquisition is consistent with OTOC's stated strategy of creating a premium national surveying business. The Acquisition delivers OTOC with enhanced scale in surveying, town and urban planning, an entry into the strong Victorian urban development market and diversifies and enhances the quality of group earnings.

The Australian surveying sector is highly fragmented and has an estimated addressable market of \$3.4bn².

Following the Acquisition, OTOC's surveying, aerial surveying and town planning business will have over 230 staff with offices in Perth, regional WA and Melbourne.

OTOC is well positioned to continue to expand its geographic reach and product capability and has developed a long term growth and integration strategy for its surveying business to capture identified synergy opportunities.

Potential synergies include: ability to service clients with national operations, leverage individual relationships into national clients for the group, distribution channel to feed work into other infrastructure services, enhanced scale to offer specialised surveying services and capture high-margin work (i.e. aerial surveying, urban design, technology), mobile national workforce to generate greater utilisation rates and provide employee development opportunities.

Pro-Forma Financial Impact

OTOC and Bosco Jonson's combined FY14 pro-forma revenue would have been approximately \$127m with underlying FY14 EBITDA of approximately \$17.3m³. The combined surveying business (Whelans and Bosco Jonson) would have contributed approximately 30% of pro-forma revenue and approximately 40% of pro-forma underlying EBITDA.

The up-front consideration for the Acquisition implies transaction multiples of:

- 3.1x Bosco Jonson's FY14 EBITDA
- 3.4x Bosco Jonson's FY14 EBIT

The Acquisition is expected to be earnings per share accretive in FY2015.

Commenting on the Acquisition, OTOC CEO Simon Thomas said:

"Bosco Jonson is a highly regarded quality business and a leader in the Victorian market in surveying and town planning. The Acquisition of Bosco Jonson provides OTOC with an ideal first step in terms of size, existing capabilities and geographic reach in our strategic goal of creating a premium national surveying business. Bosco Jonson has an experienced management team and its staff of award winning professionals. We are very excited at the prospect of working with the Bosco Jonson team as we strive to create a national leader in the surveying industry for the benefit of our people and OTOC shareholders."

Frank Bosco and Rob Jonson, founders and principals of Bosco Jonson said:

"Following many years operating as a successful private company, Bosco Jonson believes it is now opportune to join together with a like-minded business with ambitions to become a national leader. The Bosco Jonson team has been involved in many landmark developments in Melbourne and we are proud to have established an industry reputation for delivering high quality services. The Bosco Jonson brand and Bosco Jonson team that has served clients with distinction over the years will remain in place. We believe that a 'business as usual'

² Source: IBIS World

³ Based on underlying FY14 EBITDA for OTOC of \$12.8m and Bosco Jonson unaudited management accounts

Bosco Jonson coupled with OTOC's national growth strategy will provide further depth to our services in support of our clients and will deliver to our employees significant personal development opportunities."

Advisors

GMP Securities is acting as Financial Advisor and Steinepreis Paganin is acting as Legal Advisor to OTOC.

About OTOC

OTOC Limited is a leading provider of infrastructure services through its wholly owned operations OTOC Australia and Whelans Australia.

OTOC Australia specialises in the installation of infrastructure for government, mining and oil and gas projects. OTOC Australia has a successful track record of delivering turnkey infrastructure solutions for blue-chip clients including Rio Tinto, BHP Billiton, Roy Hill and FMG.

Whelans operates throughout Australian and is a leading consultancy in the provision of surveying, aerial surveys and town planning.

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Annexure 1 – Key Terms of Acquisition

- (a) **Purchase Price:** The total for the Acquisition is \$17,000,000 which is payable in the manner set out below:
- (i) at Completion (defined below);
 - (A) a cash payment of \$13,000,000;
 - (B) the issue of approximately 7.58m fully paid ordinary shares in the capital of OTOC with a value of \$1,000,000 at an issue price based on the VWAP of OTOC shares (50% of which shall be voluntarily escrowed for 1 year and the remainder for a period of 2 years); and
 - (ii) \$3,000,000 payable in the manner set out in paragraph (b) below,
- provided that the above amounts shall be adjusted for work in progress, Employee Entitlements (defined below), interest and apportionable outgoings.
- (b) **Earn-Out:**
- (i) if the EBITDA of the Business during the period of 1 year following Completion (**Earn-Out Period 1**), is at least \$3,500,000, OTOC shall pay to the Vendors a sum of:
 - (A) \$750,000; and
 - (B) the lesser of:
 - (I) \$750,000; or
 - (II) the EBITDA during the Earn-Out Period 1 less \$3,500,000;
 - (ii) if the EBITDA of the Business during the period of 1 year following the end of Earn-Out Period 1 (**Earn-Out Period 2**), is at least \$3,500,000, OTOC shall pay to the Vendors a sum of:
 - (A) \$750,000; and
 - (B) the lesser of:
 - (I) \$750,000; or
 - (II) the EBITDA during the Earn-Out Period 2 less \$3,500,000,

(together, the **Earn-Out Amount**).
- (c) **Period Pre-Completion:** The Vendors must undertake the Business in the usual and ordinary course and are prevented from disposing of any of the Assets, terminating any Assumed Contracts and entering into any abnormal transactions which adversely affects the Assets or the Business during this period.
- (d) **Completion:** Completion shall take place on 30 September 2014, or such other date as agreed by the Parties (**Completion**).
- (e) **Conditions Precedent:** Completion of the acquisition is conditional upon the satisfaction or waiver of the following conditions by no later than 30 September 2014:

- (i) OTOC raising sufficient funds (in its sole discretion) to fund the Purchase Price;
 - (ii) if necessary, the shareholders of OTOC approving the transactions contemplated by the Agreement; and
 - (iii) the Purchaser entering into employment contracts with the current key employees of the Business (**Key Employees**).
- (f) **Employees:** At Completion, the Purchaser must make offers of employment to all employees of the Business (other than the Key Employees) on terms which are no less favourable than the Employee's current terms and conditions. At Completion the Vendors must release all employees from employment and pay those employees all amounts to which they are or may become entitled to (including unpaid wages, compensation, bonuses, superannuation etc) apart from leave entitlements (**Employee Entitlements**).
- (g) **Restrictive Covenants:** A Vendor or Key Employee must not in any capacity during the Restraint Period (defined below) participate in a business which is the same or substantially similar to any part of the Business as at Completion, solicit customers or suppliers of the Business or encourage any employee of the Business to leave the Business.

The **Restraint Period** is:

- (i) while the Key Employee remains employed in the Business;
- (ii) where the Key Employee is terminated by the Purchaser, a period of 6 months from the date of termination; or
- (iii) where the Key Employee terminates the employment, a period of 4 years from Completion.