



# Market Announcement

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## Acquisition of Downer's Mining West Business

- **MACA to acquire Downer EDI's Mining West Business ("Mining West"). Mining West is a surface contract mining business focused on the Western Australian iron ore and gold sectors, providing MACA with complementary earnings alongside customer and commodity diversification**
- **The Mining West business currently comprises four large contracts at the long-life assets of Karara (Ansteel), Eliwana (Fortescue Metals Group), Cape Preston (Citic Pacific) and Gruyere (Gold Fields, Gold Road Resources). All four projects and customers are well known to key MACA management personnel**
- **Mining West's contracted work in hand as at 30 June 2020 was \$1.1 billion, with further significant opportunities within the existing client base for extensions.**
- **Acquisition value of \$175M (\$109M upfront and \$66M deferred payments), underpinned by a larger scale fleet, comprising 126 items of operating mobile mining equipment, which provides MACA with an increased capability to deliver a broader range of projects.**
- **Acquisition consideration reflects 2.5x Mining West's FY20 adjusted EBITDA of \$70M, and is being satisfied via a \$109 million cash payment at completion and 12 monthly payments of \$5.5 million each**
- **EPS accretive for FY20 pro forma (post transaction), expected to be EPS accretive in FY21**
- **Acquisition to be funded by \$130M debt facility and \$75M equity capital raising, comprising a:**
  - **A\$41.0 M fully underwritten institutional placement; and**
  - **A\$34.2 M accelerated pro rata non-renounceable entitlement offer ("ANREO") at a ratio of 1 for 8 consisting of an approximately A\$19M fully underwritten accelerated institutional component and an approximately A\$15M retail component**

MACA Limited (ASX: MLD) ("MACA" 'the Company') is pleased to announce that it has entered into a binding agreement to acquire assets, contracts, employees and liabilities comprising Downer EDI Limited's Mining West business ("Mining West"), for an acquisition value of \$175 million, subject to adjustment reflecting changes in the carrying value of inventory at completion ("Acquisition"). The acquisition value will be satisfied via a \$109 million cash payment at completion and 12 monthly payments of \$5.5 million each.



MACA's CEO and Managing Director, Mr Mike Sutton said

*"The acquisition of the Mining West business provides MACA with a very meaningful addition of a large-scale mining fleet that is currently engaged across four long-life projects, all with quality customers that are well known to me and other key members of MACA's management team.*

*With the inclusion of Mining West, MACA now has total contracted work in hand of over \$3.4 billion, that provides a robust revenue base well past FY25. MACA remains very active with its tendering activities and is well placed to pursue a significant number of opportunities across both current and new projects.*

*We are also very pleased to be able to provide eligible shareholders with the ability to participate in the equity capital raising via the ANREO component of the fundraising."*

The Acquisition represents a 2.5 times enterprise valuation of Mining West's FY20 adjusted EBITDA of \$70 million. Mining West delivered \$400 million of revenue in FY20 and had contracted work in hand as at 30 June 2020 of \$1.1 billion, with \$390 million attributed to FY21.

### **About Mining West**

Mining West is a provider of surface contract mining services to the Western Australian iron ore and gold sectors, with four contracts all based at long-term projects with quality customers:

- **Karara Iron Ore Project (Ansteel):** engaged since mining operations commenced in 2012, secured until March 2022, with a tender submitted for a five year extension.
- **Eliwana Iron Ore Project (Fortescue Metals Group):** five-year contract secured until August 2025.
- **Gruyere Gold Project (Gold Fields, Gold Road Resources):** engaged since mining operations commenced in 2018 on a five-year contract secured until September 2023 with the potential for further extensions.
- **Sino Iron Project, Cape Preston (CITIC Pacific Mining):** engaged since 2017, contracted until March 2021, with further 1 year option, with a tender submitted for a three year extension.



Mining West's larger scale surface mining fleet comprises 14 excavators and shovels, 65 dump trucks, 11 surface drills and 36 other ancillary machines. The fleet being acquired is currently fully utilised, or in the process of being deployed to projects. The equipment has mixed life (with machines being on average mid-life), with due diligence confirming that machines are in good working order, having been well maintained by Mining West's internal plant department.

### Compelling Strategic Rationale

MACA's acquisition of Mining West provides it with a step-change in scale delivered through an assembled large-scale fleet and skilled work force operating across four customer projects, providing MACA with a number of strategic benefits, including:

- **Strong strategic fit:** The Acquisition complements MACA's existing mining business by immediately adding significant scale, improving MACA's position as the leading provider of surface contract mining services to the Western Australia resource sector. Mining West's larger scale fleet provides MACA a source of complementary earnings, as well as an increased capability to deliver a broader range of projects.
- **Diversification:** The Acquisition includes the addition of four contracts, all based at long-life projects that provide MACA with increased diversification across a broad range of quality customers as well as introducing a meaningful contribution from iron ore, that together with MACA's contracted gold project work, will underpin the majority of the combined \$3.4 billion of secured work in hand.
- **Financially compelling:** On a combined basis, MACA's pro forma FY20 revenue and EBITDA are \$1,208 million and \$186 million respectively. Mining West's Work in Hand of \$1.1 billion also provides good visibility on FY21 and FY22 revenues, with \$390 million expected to be delivered in FY21 at margins in line with that achieved in FY20 (\$400 million revenue and \$70 million adjusted EBITDA). The Acquisition is EPS accretive based on combined FY20 pro forma results and is expected to be EPS accretive in FY21. Acquisition consideration of \$175 million reflects the value attributable to assets and liabilities, with no payment for any goodwill or other intangible assets.
- **Known clients & projects:** The customers and underlying projects to which Mining West's four contracts relate are all well known to MACA's key management, with this extending to the customers' key corporate and site management personnel.



- **Opportunity upside:** The four customer contracts comprising the acquisition are each at long-life projects, with each expected to provide MACA with further opportunities for continued contract mining services beyond the current scopes of work.
- **Integration:** A transitional services agreement has been entered into with Downer, alongside separation and transition planning undertaken to date, with the process akin to MACA onboarding four new contracts but with all people, plant and equipment already in place. There is not expected to be any change in day-to-day operations at any of the four projects, nor to MACA’s existing contracts with our valued Clients, with all Mining West project employees to join MACA.

### Acquisition Funding

The Acquisition is to be funded by a \$130 million acquisition debt facility and \$75 million equity capital raising, comprising an institutional placement and pro-rata accelerated non-renounceable entitlement offer.

A source of funds and use of funds is outlined in the table below:

Source of Funds	A\$m	Use of Funds	A\$m
Acquisition Debt Facility	130	Acquisition consideration (at completion)	109
Gross proceeds from Placement and ANREO	75	Acquisition consideration (deferred over 12 months)	66
		General working capital and transaction costs	30
<b>Total</b>	<b>205</b>	<b>Total</b>	<b>205</b>

The \$130 million acquisition debt facility from Commonwealth Bank of Australia, has a 5-year term and is an amortising non-revolving cash advance facility. The equity capital raising comprises:

- **Placement:** Single-tranche placement of 40.2 million shares to institutional, professional and sophisticated investors in Australia and certain overseas jurisdictions, to raise up to \$41.0 million pursuant to the Company’s existing placement capacity under ASX Listing Rule 7.1 (“Placement”). The Placement is fully underwritten by Euroz Hartleys Limited.



- **Entitlement Offer:** Pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to issue up to 33.5 million new shares to raise up to \$34.2 million ("Entitlement Offer" or "ANREO"), pursuant to which eligible shareholders are invited to subscribe for one new MACA share ("New Shares") for every 8 existing Maca shares held as at 5:00pm WST on Wednesday, 16 December 2020 ("Record Date"). The Entitlement Offer will consist of an Institutional Entitlement Offer and a Retail Entitlement Offer. The Institutional Entitlement Offer is fully underwritten by Euroz Hartleys Limited, (the Placement and Entitlement Offer together being the "Offer").<sup>1</sup>

All shares offered under the Offer will be issued at a price of \$1.02 per New Share which represents a 8.1% discount to the 5-day volume weighted average price ("VWAP") of \$1.110, a 10.9% discount to TERP<sup>2</sup> of \$1.144, and a 1.9% premium to the 30-day VWAP of \$1.00.

Up to approximately 73.7 million New Shares will be issued pursuant to the Offer. Each New Share issued under the Offer will rank equally with existing fully paid ordinary shares in the Company on issue. The Company will, upon issue of the new shares under the Offer, seek quotation of the new shares on the ASX. As the Entitlement Offer is non-renounceable, entitlements cannot be traded and are not otherwise transferable.

Euroz Hartleys Limited has been appointed as Lead Manager for the Offer and Underwriter of the Placement and the Institutional Entitlement Offer. The underwriter may terminate its underwriting obligations upon the occurrence of certain termination events, which are customary in nature. Further details of these termination events are set out in Annexure 1.

### **Institutional Entitlement Offer**

Eligible institutional investors with registered addresses in the offering jurisdictions will be invited to participate in the accelerated institutional component of the Entitlement Offer, which will be conducted on Tuesday, 15 December 2020, along with the Placement. Eligible institutional shareholders can take up all, part or none of their entitlement.

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<sup>1</sup> Shareholders and potential investors should note that completion of the Acquisition remains subject to certain conditions precedent, including the receipt of customer novation agreements. While MACA is confident that these conditions precedents will be satisfied, if the Acquisition is not completed as a result of a failure to satisfy the conditions precedent, MACA will consider alternative uses for the proceeds from the Offer, including applying them towards debt reduction, working capital or other investment/acquisition opportunities.

<sup>2</sup> The theoretical ex-rights price ("TERP") is the theoretical price at which MACA shares should trade at immediately after the ex-date for the ANREO. The TERP is a theoretical calculation only and the actual price at which MACA shares trade immediately after the ex-date for the ANREO will depend on many factors and may not equal the TERP. TERP is calculated by reference to MACA's last closing share price of \$1.16 and ignores the impact of the Placement.



### Retail Entitlement Offer

Eligible retail shareholders on the Record Date of 5:00pm Western Standard Time (“AWST”) on Wednesday, 16 December 2020, with registered addresses in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same price as the Placement. The Retail Entitlement Offer will open on Monday, 21 December 2020 and close on Friday, 8 January 2021. Eligible retail shareholders can take up all, part or none of their entitlement. Eligible retail shareholders will also be invited to subscribe for shares over and above their entitlement, as set out in the Offer Document.

Further details about the Retail Entitlement Offer will be detailed in the Offer Document that will be lodged with the ASX on Monday, 21 December 2020 and is expected to be dispatched to eligible retail shareholders on Monday, 21 December 2020. The closing date for receipt of acceptance forms under the Retail Entitlement Offer is 5.00pm on Friday, 8 January 2021.

### Offer Timetable

An indicative timetable of key dates in relation to the Offer is detailed below:

Event	Date (WST)
Announcement of Acquisition and Offer	Tuesday, 15 December 2020
Placement & Institutional Entitlement Offer Bookbuild	Tuesday, 15 December 2020
Announce Placement and Institutional Entitlement Offer results and shares recommence trading (ex-entitlement basis)	Wednesday, 16 December 2020
ANREO Record Date (5:00pm WST)	Wednesday, 16 December 2020
Despatch Offer Document and Retail Entitlement Offer Opens	Monday, 21 December 2020
Placement & Institutional Entitlement Offer settlement	Wednesday, 23 December 2020
Placement & Institutional Entitlement Offer allotment	Thursday, 24 December 2020
Retail Entitlement Offer Closes	Friday, 8 January 2021
Retail Entitlement Offer settlement	Thursday, 14 January 2021
Retail Entitlement Offer allotment	Friday, 15 January 2021

Note: The timetable above is indicative only and may be subject to change. MACA reserves the right to amend any or all of these dates and times without notice, subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, MACA reserves the right to extend the closing date of the ANREO, to accept late applications under the ANREO (either generally or in particular cases) and to withdraw the ANREO without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.



### Additional Information

Further details of the Acquisition and Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation also contains important information including key risks and foreign selling restrictions with respect to the Offer.

If you have any queries concerning your Entitlement please call the MACA Entitlement Offer Information Line on 1300 850 505 between 8:30am and 5:30pm (AWST) Monday to Friday. Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision.

### Advisers

Euroz Hartleys Limited is acting as financial adviser and Lavan is acting as legal adviser to the Acquisition and Offer. Euroz Hartleys Limited has been appointed as Lead Manager for the Offer and Underwriter of the Placement and the Institutional Entitlement Offer.

This ASX announcement has been authorised for release by the Board of MACA Limited. All dollar amounts are in Australian dollars unless otherwise indicated.

### For further information please contact:

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**About MACA** | MACA Limited is an ASX-listed contracting group providing services to the mining and construction industries. Employing in excess of 1,800 people, MACA specializes in contract mining and crushing, civil construction and infrastructure maintenance, and mineral processing solutions.

Not an offer in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.



### ANNEXURE 1

The Company has entered into an Underwriting Agreement (**Underwriting Agreement**) with Euroz Hartleys as the Underwriter under which the Underwriter has agreed to underwrite the placement and the institutional component of the entitlement offer.

Further, the Underwriter may (but is not obligated to) arrange commitments in respect of any shortfall shares from the retail component of the entitlement offer which have not been issued to eligible retail shareholders under the retail entitlement offer shortfall facility.

The Underwriting Agreement is made on terms considered standard for an agreement of this nature.

The obligation of the Underwriter to underwrite the placement and institutional component of the entitlement offer is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement in the event of certain events, including, but not limited to, the following:

- a. (**breach of obligations**) the Company is in breach of any terms, warranties, conditions or undertakings in the Underwriting Agreement, the binding asset purchase agreement or the related debt documentation;
- b. (**breach of representations**) any of the representations or warranties made or given by the Company in the Underwriting Agreement or information supplied by the Company to the Underwriter is or becomes incorrect, not true or misleading;
- c. (**index fall**) the ASX/S&P 200 Index falls to a level that is 85 per cent or less of its level as at market close on the business day immediately prior to the date of the Underwriting Agreement: (i) at any time on or before the closing date of the institutional offer; (ii) at market close on the business day immediately prior to the settlement date of the institutional offer; (iii) at market close for two consecutive business days during the period after the closing date of the institutional offer and before the settlement date of the retail offer; or (iii) at market close on the business day immediately prior to the settlement date of the retail offer;
- d. (**binding asset purchase agreement or related documentation**): the binding asset purchase agreement or debt facility with the Commonwealth Bank of Australia is amended or varied without the Underwriter's consent, or a relevant condition precedent becomes incapable of being satisfied and has not been waived previously;
- e. (**debt facility**) a debt facility is breached by any party to the agreement or it becomes terminable, is terminated, revoked, rescinded, avoided, altered, amended, varied, superseded or replaced, the relevant lender seeks to enforce a relevant security interest, or accelerate or otherwise require repayment or a relevant or potential event of default occurs, in each case without the Underwriter's consent or the relevant lender gives notice of an intention to seek a relevant security interest;
- f. (**withdrawal**) any aspect of the entitlement offer or placement is withdrawn by the Company or fails to proceed without the prior written consent of the Underwriter;
- g. (**board and senior management composition**) there is a change in the composition of the board or the senior management of the Company before completion without the Underwriter's consent;
- h. (**unable to issue offer shares**) the Company is prevented from allotting and issuing the offer shares in accordance with the timetable;
- i. (**timetable**) the timetable is delayed by the Company for more than two business days without the Underwriter's consent;



- j. (**conduct**): the Company or a director or senior manager of any group member (in that capacity) is charged with an indictable offence, disqualified from managing a corporation under the Corporations Act 2001 (Cth) or any regulatory body commences, or intends to take, any public action against the Company or an officer of any group member (in that capacity);
- k. (**material adverse change**) there is a material adverse change, in the financial position or performance, shareholder's equity, profits, losses, results, condition, operations or prospects of the group taken as a whole, or on the marketing, settlement or outcome of any aspect of the entitlement offer or placement;
- l. (**offer materials**) a statement contained in the offer materials or the public information does not comply with the Corporations Act 2001 (Cth) or a matter required is omitted from the offer materials or public information;
- m. (**new circumstance**) an obligation arises on the Company to give ASX a notice in accordance with section 708AA(12) of the Corporations Act 2001 (Cth);
- n. (**litigation**) litigation, arbitration, administrative, regulatory investigations or industrial proceedings are, after the date of the Underwriting Agreement, commenced or threatened against the Company, other than claims related to previously disclosed matters;
- o. (**contravention of law**) a contravention by any group member of the Corporations Act 2001 (Cth), its constitution, any of the Listing Rules, any other applicable law or regulations or order or request made by or on behalf of ASIC, ASX or any government agency;
- p. (**compliance**) any aspect of the entitlement offer or placement does not comply with the Corporations Act 2001 (Cth), the Listing Rules or any other applicable laws or regulations;
- q. (**payments and insolvency**) an insolvency event occurs with respect to the Company;
- r. (**listing**) the Company's shares are delisted or suspended from quotation by ASX for any reason, apart from a trading halt that has been obtained by the Company with the Underwriter's consent;
- s. (**notification**) any government agency (including the takeovers panel) makes an application or commences proceedings or investigations (or gives notice of its intention to commence) in respect of the entitlement offer or placement or any of the offer materials and such application, notice or proceeding becomes public or is not withdrawn within two business days after it is made or by 6.30am on the retail settlement date; and where the government agency is the takeovers panel, the application is not withdrawn or the takeovers panel has not declined to conduct proceedings or declined to make a declaration of unacceptable circumstances by the earlier of five business days after the date of the application and 6.30am on the retail settlement date;
- t. (**determination**) ASIC makes a determination under section 708AA(3) or section 708A(2) of the Corporations Act 2001 (Cth) in relation to the Company;
- u. (**quotation**) ASX announces or informs the Company that unconditional approval by the ASX for official quotation of the offer shares will be refused, or not granted by the retail issue date or, if granted, is not withdrawn on or before the retail issue date;
- v. (**ASIC or ASX action**) any aspect of the entitlement offer or placement is prevented from proceeding because of an applicable law or order, or ASIC or ASX investigation, inquiry or proceeding in the conduct of the Company;



- w. **(ASIC modifications and ASX waivers)** approval for any ASIC modifications or ASX waivers is subsequently withdrawn or revoked, or is varied in a way that in the reasonable opinion of the Underwriter, would have an adverse effect on the success the entitlement offer or placement;
- x. **(investigation)** any person is appointed under any legislation in respect of companies to investigate the affairs of the Company;
- y. **(market conditions)** a suspension or limitation in trading generally on ASX occurs or any adverse change or disruption occurs in any other international financial market, or any change or development involving a prospective adverse change in national or international political, financial or economic conditions occurs, the effect of which makes it impossible or impracticable to proceed with the issue or enforce contracts to issue the offer shares;
- z. **(change in law)** there is a change in law, or any major change in, existing, monetary, taxation, exchange or fiscal policy; **(force majeure)** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of seven days occurs;
- aa. **(hostilities)** there is an outbreak of hostilities, or a major escalation in existing hostilities that involves either Australia, New Zealand, Hong Kong, Indonesia, India, Israel, Pakistan, the Democratic People's Republic of Korea, the Republic of Korea, Japan, Singapore, the People's Republic of China, Russia, the United States of America, the United Kingdom or any member of the European Union or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- bb. **(moratoria)** a general moratorium on commercial banking activities in Australia, New Zealand, the United States of America, the United Kingdom, the People's Republic of China, Russia, Israel, Hong Kong, the European Union, the Republic of Korea or Japan is declared by the relevant central banking authority in any of those countries (or any member state of the European Union), or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries.