

Transformative Acquisition of Earnings & Margin Accretive “Karratha Machinery Hire” (KMH)

Highlights

- ▶ SSH Group has reached agreement for a transformational acquisition of margin accretive leading Pilbara based mining and civil project machinery hire company, Karratha Machinery Hire (**KMH**).
- ▶ The proposed acquisition represents a compelling synergistic opportunity for SSH to rapidly expand its fledgling equipment division which did not contribute to SSH's record CY2021 revenue result of ~\$90M or its record \$51.7M first half 2022 result (1H22).
- ▶ KMH is a Karratha based machinery hire company that for 30+ years has specialised in long and short-term dry hire of quality mobile plant, earthmoving equipment, trailers, and mine-site compliant vehicles in support of mining, construction, and civil projects state-wide.
- ▶ KMH offers over 140 pieces of machinery, with an independently verified asset value of over \$10million, servicing Tier 1 clients in the Pilbara region across the mining, construction, and civil sectors.
- ▶ KMH has established a proven track record of delivering high margin financial performance, and the acquisition is EBITDA, EPS, and margin accretive for SSH, with KMH reporting unaudited revenue of ~\$6.3 million and EBITDA of ~\$3.83 million for the full year to 30 June 2021.
- ▶ SSH Group's combined pro forma EBITDA post Acquisition for FY21 would be \$6.2M, whilst pro forma 1H2022 EBITBA would be \$3.85 million, representing a 121% increase on SSH's 1H2021 reported EBITDA.
- ▶ The acquisition is expected to deliver an impressive EPS accretion of ~139% on a FY21 pro-forma (FY21PF) basis, not including the expected strong synergies.
- ▶ KMH will operate as a wholly owned subsidiary of SSH and remain under the operational management of KMH's highly experienced and reputable management team, who are excited at KMH's growth prospects with the backing of SSH's strong balance sheet and opportunities for synergies.
- ▶ The SSH board and executive team will remain unchanged, as will the underlying operations of the existing SSH business, with SSH management to support and oversee KMH operations.
- ▶ The acquisition of KMH will be funded by a new equipment financing facility and existing cash reserves with completion expected to occur by Mid May 2022.
- ▶ The Acquisition marks the start of a significant growth period for SSH's emerging equipment division and SSH looks forward to providing updates regarding further growth of its equipment division.

SSH Group Ltd (“SSH” or “the Group” or the “Company”) is pleased to advise it has entered into a binding agreement to acquire leading WA based mining and civil project machinery hire company, Karratha Machinery Hire (“KMH”). The strongly EPS accretive acquisition is in line with the Company’s stated objectives to pursue value accretive acquisitions which offers synergies to its existing customer portfolio and service offerings.

KMH is a Karratha based machinery hire company that has, since 1989, specialised in long and short-term dry hire of quality mobile plant, earthmoving equipment, trailers, and mine-site compliant vehicles in support of mining and civil projects state-wide. With over 140+ pieces of machinery, KMH services Tier 1 clients in the Pilbara region across the mining, construction, and civil sectors with an equipment asset value of \$10m+.

KMH has established a proven track record over the last 30+ years of delivering strong financial performance, and the acquisition is EBITDA, EPS, and margin accretive for SSH, with KMH reporting unaudited revenue of \$6.3 million and EBITDA of \$3.83 million for the full year to 30 June 2021.

The combined pro forma unaudited results for SSH and KMH reflect an EBITDA of \$6.2M for FY21, and 1H2022 EBITDA of \$3.85 million, this represents a 121% increase for SSH 1H2021 EBITDA. The addition of KMH along with SSH’s already reported increase for 1H2021 represent a 233% increase in EBITDA vs 1H2020.

KMH will operate as a 100% owned subsidiary of SSH with the highly experienced KMH management team continuing to operate the business. The KMH and SSH management teams are excited by the growth prospects that the strong SSH balance sheet and operational synergies can unlock for KMH. There is no change in the SSH board or executive management team and no change in the underlying operation of the existing businesses of SSH.

The acquisition will be funded from existing cash reserves and a new equipment financing facility and marks the beginning of a significant growth period for SSH’s emerging equipment division.



SSH Group Ltd Managing Director, Daniel Cowley-Cooper commented:

"The transformational acquisition of Karratha Machinery Hire ("KMH") represents a highly synergistic and earnings accretive acquisition that is in line with our stated intention to acquire quality businesses with strong foundations.

"With the People and Safety divisions continuing to set record financial performance, we have put considerable effort into identifying the right partners to assist us in launching the third revenue arm of our business, the Equipment Division. The cash flow positive acquisition of KMH introduces a higher margin operation that we believe is just the beginning of growth for the newly formed Equipment Division.

"Not only will the acquisition represent an immediate improvement to the revenues and profits of the SSH Group, we also expect to generate significant synergies from the ability to offer our existing clients and those of KMH with a complete and holistic offering of services that should lead to increased margins and revenue.

"I am excited to be working closely with the highly reliable KMH management team and its former directors who are taking SSH shares as part of the transaction. This aligns them with SSH's objective of delivering ongoing success as the KMH team continue to operate the business as they have done since 1989. SSH will look to unlock additional significant growth as the KMH team leverage the established operations and strong balance sheet of SSH Group."

KMH Founder and Director, Phil Patterson commented:

"I am extremely proud of the 100% local Pilbara business we have established and with the significant forecast activity and growth in the Pilbara region, we sought out the right partner to assist us in capitalising on this growth opportunity.

"The reputation and culture of the SSH Group is a perfect fit for KMH and we are excited about the journey to take the family history of KMH and capitalise on the growth in the Pilbara region.

"As part of the transaction, we insisted on receiving shares in SSH to participate in the upside we believe will be achieved from SSH Group's People, Safety and Equipment divisions.

"The entire KMH team is committed to contributing strongly to future growth for shareholders and working closely with SSH existing clients that will underpin the strategic advantage of this acquisition."

Pro Forma Financials

KMH has established a proven track record of delivering high margin financial performance, and the acquisition is EBITDA, EPS, and margin accretive with KMH reporting unaudited revenue of \$6.3 million and EBITDA of \$3.83 million for the full year to 30 June 2021.

Pro forma consolidated accounts for SSH and KMH highlight a significant improvement in FY21 EBITDA to \$6,235,387 (representing a 159% increase on reported FY21 EBITDA) and 1H2022 EBITBA of \$3.85 million (representing a 121% increase on reported 1H2022 EBITDA), not including the expected strong synergies between the two entities.

FY21	SSH \$	KMH \$	Full Year Pro Forma Accounts \$
Revenue	70,503,450	6,299,309	76,802,759
EBITDA	2,402,290	3,833,097	6,235,387
EBIT	2,146,155	1,691,663	3,837,818

1H 2022	SSH \$	KMH \$	Half Year Pro Forma Accounts \$
Revenue	51,700,105	3,451,563	55,151,668
EBITDA*	1,739,704	2,114,544	3,854,248
EBIT	1,582,911	1,043,827	2,626,738

1H 2022	SSH \$	Adjustments* \$	Half Year Pro Forma Accounts \$
Total Consolidated Assets	24,025,832	15,000,000	39,025,832
Total Equity	7,598,000	1,125,000	8,723,000
Total No. of shares (undiluted) <i>As at 11 April 2022</i>	59,834,776	4,787,234	64,726,080
Market Capitalisation <i>As at 11 April 2022</i>	14,061,172	1,125,000	15,186,172

*Assets includes \$10.5m for Plant and Equipment, & \$4.5m for Goodwill and other business assets

*Equity = value of the acquisition

*EBIT and EBITDA excludes non-cash items due to IPO

*SSH reviewed, KMH from management accounts

*No change to options or performance rights on issue

Acquisition Benefits

KMH is a complementary and earnings accretive acquisition that is consistent with SSH Group strategy which is recognised, understood, and accepted by SSH's existing shareholders to deliver a strong financial outcome.

The SSH Group and KMH businesses are highly synergistic, and the acquisition of KMH will provide a number of strategic benefits to the SSH Group that will drive shareholder value and create a broader platform for future growth as outlined below:

Proven Higher Margin Operations

With a significant portion of SSH existing revenue generated on a cost-plus model, this acquisition of KMH offers a higher margin than existing operations within the existing SSH People and Safety divisions.

Based on the current growth trajectory of KMH (Unaudited 1H22 EBITDA \$2,114,544), the KMH acquisition is expected to deliver strong earnings and margin growth with an impressive EPS accretion of ~139% on a FY21 pro forma (FY21PF) basis, not including the expected strong synergies.

Synergies

The quality of KMH machines, regional expertise and commitment to customer satisfaction have earned them a reputation for service that is consistent with the SSH Group Ltd operational culture and underpins a highly complementary fit with SSH.

The acquisition allows SSH to cross-sell KMH services to its existing clients and therefore to offer a wider range of services to key SSH market sectors to drive organic growth for both businesses.

Tier-1 Client Base

In FY22, KMH has successfully provided services to Tier-1 clients including:

- ▶ NRW
- ▶ Valmec
- ▶ Ventia
- ▶ Iron Mine Contracting
- ▶ MACA
- ▶ Monadelphous
- ▶ Veolia

Strategic Geographical Acquisition

KMH is headquartered in the epicentre of Western Australia's mining hub. This 100% Pilbara local business serves to enhance SSH Group's operational footprint, providing the opportunity for all three pillars of the SSH Group business (People, Safety and Equipment) to benefit from a Pilbara base for future growth.

The Pilbara region is expected to continue experiencing significant growth with a number of sizeable projects anticipated to come online in the future.

Strong Fleet Value

KMH is a Karratha based machinery hire company specialising in long and short-term dry hire of quality mobile plant, earthmoving equipment, trailers, and vehicles in support of mining and civil projects state-wide. With over 140+ pieces of machinery servicing Tier 1 clients in the Pilbara region across mining, construction and civil, the well-maintained and valuable equipment has an independently verified equipment asset value of over \$10,000,000.

Cash Flow Positive Start and Growth Potential for SSH Group Equipment Division

The KMH acquisition represents a compelling opportunity for SSH to kick start its equipment division, which did not contribute financially towards the circa ~\$90M of CY2021 revenue or record \$51.7M first half 2022 result (1H22).

KMH has established a proven track record of delivering high margin financial performance, and the acquisition is EBITDA, EPS, and margin accretive with KMH reporting unaudited revenue of ~\$6.3 million and EBITDA of ~\$3.83 million for the full year to 30 June 2021.

Together with the current management of KMH and SSH expertise, utilising SSH's strong balance sheet will provide the platform for significant growth opportunities.

Reputable and High-Quality Management Team

KMH was established in 1989 and brings over three decades of engagement in the local community, and a strong history of supporting local businesses and trades in the Karratha and Pilbara region.

The existing KMH management will continue to operate the business and are aligned to deliver ongoing success that will contribute to the growth prospects unlocked by the strong SSH balance sheet and synergies provided.

Attractively priced acquisition structure

The acquisition of KMH is favourably priced for shareholders that will be funded from existing cash reserves, a new equipment financing debt facility and an issue of SSH Group Ltd shares.

The acquisition will provide KMH vendors potentially strong positive upside exposure through its share ownership. There are no planned changes to the Board or executive management and no change in the underlying operation of the existing business of SSH.

Transaction Details

SSH will acquire 100% of the assets used to conduct the KMH business from the shareholders of Vacant Holdings Pty Ltd (ACN 009 420 464) for total consideration of \$15,000,000 payable as follows:

- ▶ \$10,500,000 payable in cash at Completion for the hire equipment (anticipated to be funded via 100% equipment financing); and
- ▶ \$4,500,000 for all other assets being acquired (including goodwill) and payable as follows:
 - \$2,250,000 at Completion payable \$1,687,500 in cash^a and \$562,500 in shares^b with each share being issued at the 20-trading day VWAP prior to execution of the Agreement;
 - \$2,250,000 on the date 6 months after Completion payable \$1,687,500 in cash^c and \$562,500 in shares^d with each share being issued at the 20-trading day VWAP prior to the date 6 months after the date of Completion.

NB: All cash consideration will be funded via existing cash reserves or financing facilities.

Notes:

- a) \$1,687,500 payable in cash at completion for all other assets being acquired (including goodwill). It is proposed this will be paid from existing working capital (it is intended that this amount will be classified by the Company as a portion of the "capital equipment purchases" amount of \$2,500,000 in the IPO Prospectus use of funds);
- b) The shares will be issued using the Company's existing 7.1 capacity. It is expected that at an assumed price of 23.5c, 2,393,617 shares will be issued, all shares issued will be subject to voluntary escrow for a period of 12 Months from their issue;
- c) Deferred consideration of \$1,687,500 in cash to be paid out of cash reserves;
- d) Deferred consideration shares will be issued using the Company's existing share listing rule 7.1 capacity. Shares issued will be subject to voluntary escrow for a period of 12 Months from their issue.

SSH is currently in advanced discussions with a major Australian Bank for a facility to meeting the equipment financing requirements noted above. SSH expects to announce the completion of the facility shortly and in time to meet the timing requirements under the Agreement.

Transaction Timetable

Announcement of Acquisition Agreement	20 th April 2022
Execution of Financing Facility	Late April / Early May 2022
Completion of Remaining Due Diligence and CP's	Late April / Early May 2022
Completion	16 th May 2022

Conditions Precedent

	Condition Precedent	Benefiting Party	Condition Date
A	The Purchaser conducting financial, taxation, commercial and legal due diligence in relation to Business (including the Assets) and being satisfied with the results of such due diligence in its absolute discretion	Vendor	The date which is 30 days from the date of this Agreement
B	The Vendor obtaining each of the Counterparty Consents	Purchaser and Vendor	The date which is 30 days from the date of this Agreement
C	The Premises owner granting a new lease to the Purchaser, on terms acceptable to the Purchaser and the Premise owner	Purchaser and Vendor	The date which is 30 days from the date of this Agreement
D	Mr Philip Patterson and the Purchaser agreeing terms for the employment or consultancy services of Mr Patterson to the Purchaser (Patterson Engagement Agreement) on terms and for a period acceptable to the Purchaser.	Purchaser and Vendor	The date which is 30 days from the date of this Agreement
E	The Purchaser obtaining finance for the entire cash portion of the Consideration	Purchaser	The date which is 30 days from the date of this Agreement
F	Such number of the Employees of the Business accepting employment offer made by Purchaser to the Employees under clause 9 as determined by the Purchaser in its absolute discretion.	Purchaser	The date which is 30 days from the date of this Agreement
G	Receipt of all third-party consents and regulatory approvals necessary in relation to the ownership and operation of the Business and the Assets	Purchaser	The date which is 30 days from the date of this Agreement
H	Shareholder approvals	Purchaser	The date which is 30 days from the date of this Agreement
I	Release of all Security Interests over the Assets and the Vendor listed in Part E of Schedule 2	Purchaser	The date which is 30 days from the date of this Agreement
J	Mr Steve Griffiths and the Purchaser agreeing terms for the employment as a manager of the Business on terms no less favourable than those currently employed in but for a period at least until 31 December 2023 and to include a 3-year restraint of trade clause which prohibits Mr Griffiths being involved in a business which competes with the Business in the Pilbara and Kimberly region only (Griffiths Engagement Agreement) on terms acceptable to the Purchaser and Mr Griffiths.	Purchaser	The date which is 30 days from the date of this Agreement

This announcement is approved for release by the Board of SSH Group

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This announcement may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to the Company's businesses and operations, market conditions, results of operations and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside the Company's control. Past performance is not a reliable indication of future performance.

About SSH Group

SSH Group (ASX:SSH) is an Australian listed integrated services company, working with the construction, resources, civil and government market sectors within Australia. SSH Group's range of services includes safety, people and equipment services, including security, labour hire, and road safety.

SSH is committed to acquiring quality businesses with strong foundations to respond to increases in industry demand, and to improve outcomes for Australian projects and communities.

About Karratha Machinery Hire (KMH)

www.karrathamachineryhire.com.au

KMH is the Pilbara's largest home-grown plant hire company.

Established in 1989, the company has over 140+ units in its dry hire fleet and specializes in servicing Tier 1 clients in the construction, civil and mining markets of the Pilbara.

KMH offers 24/7 support, regional expertise, local repairers, quality late model equipment, with On-Time mobilization to site.

KMH has an extensive range of mine spec equipment, vehicles, and trailers available for short- and long-term hire.

