

## **WESTSTAR INDUSTRIAL ANNOUNCES STRATEGIC ACQUISITION OF DEFENCE AND MARINE SECTOR ENGINEERING SERVICES BUSINESS, WATMAR**

### **Highlights**

- **WestStar Industrial Limited (ASX:WSI) (“WestStar”) (through a wholly-owned subsidiary) has executed an agreement to acquire the business and assets of Watmarine Engineering Pty Ltd (“WATMAR”)**
- **WATMAR is a fluid system engineering specialist predominantly operating within defence, industrial and marine industries**
- **WestStar will pay WATMAR upfront consideration of \$1.4 Million from existing cash reserves**
- **Consideration represents a 1.4x multiple of WATMAR’s underlying EBITDA in the preceding 12 months of ~\$1 Million**
- **Strategic industry acquisition allowing fast entry for WestStar into the high barrier to entry Defence sector with additional significant upside and potential for growth through complimentary offerings to existing businesses**
- **The acquisition is expected to be immediately earnings per share accretive, not including the expected synergy benefits**

WestStar is pleased to announce that it has, through wholly-owned subsidiary Watmar Engineering Pty Ltd (newly established for the purpose of the transaction), entered into an agreement to purchase the business and assets of WATMAR.

### **WATMAR Overview**

Established in 1989, WATMAR has developed a sound reputation in the Australian marine and defence sectors as a Fluid System Engineering Specialist. WATMAR is headquartered in Naval Base, Western Australia and operates from Perth, Darwin and Sydney, providing four main business lines: Fluid Systems and Equipment, Engineering Services, Engineering Contracting and Asset Management Services. WATMAR’s strong and long-standing client base consists principally of government and large-scale enterprises in both the public and private sectors, including The Australian Government Department of Defence, BAE Systems, Serco Group, Babcock Australasia, Luerssen Australia and Woodside Energy.

WATMAR worked closely with and alongside WestStar subsidiary Alltype Engineering in the 1990’s undertaking extensive defence and naval maintenance and modification works with the two businesses having complimentary service offerings. This working relationship remains in place 20+ years later.

## Acquisition Rationale

The acquisition is expected to provide WestStar with immediate diversification of its client base, services and geographic expansion both through WATMAR's existing channels to market and through opportunities presented by the existing WestStar businesses.

Recurring revenue from contracts with government and large-scale customers underpins WATMAR's baseload turnover, however, the business' expertise in Fluid Systems and Equipment is expected to provide additional service offerings to WestStar's existing client base. Significant synergy benefits are expected to be generated post-acquisition, and include the following:

- **Vertical and horizontal integration:** WATMAR is highly complementary to WestStar's existing operations, providing meaningful opportunities for vertical and cross selling across a widened customer base, on both an industry segment and geographical footprint perspective.
- **Recurring revenues:** WATMAR's capabilities add to and de-risk WestStar's portfolio, in particular, facilitating growth in the high barrier to entry defence sector that is not impacted by commodity cycles or economic activity and has a significant multibillion dollar expenditure market opportunity in the next decade alone.
- **Diversification and Geographical Expansion:** The acquisition of WATMAR will provide WestStar with an expanded customer base without duplicating or impeding on existing operations. WATMAR also brings established operating sites and facilities located in both Darwin and Sydney, assisting with WestStar's geographic expansion into these regions.
- **Synergies:** WestStar will bolster WATMAR's solid foundations and long-term recurring customer base, with management and operational efficiency and access to capital for growth. The synergies and in particular expertise in the WestStar Group in common engineering services will improve quality, delivery and service
- **Capability and Experience:** As an engineering contractor, WATMAR can refine and improve process in common Engineering Service Capabilities currently being delivered by both WATMAR and WestStar. In particular common capabilities in Project Management, Structural Mechanical and Piping, Non Process Infrastructure, Electrical and Instrumentation installation and commissioning and all aspects of piping welding and fabrication.
- **High Level Defence Clearances, Certifications and Accreditations:** WATMAR provides WestStar immediate access to partnerships and customers through its high level certifications and Defence Clearances currently in place for 30+ years. With Specialist trained staff, OEM Engineering Partnerships and Support and its unique highly developed International Supply Chain.
- **OEM Partnerships and Agreements:** Strategic Partnerships with Local and International equipment manufacturers. WATMAR has OEM Agreements and exclusive agency as the Australian supplier for many of these partners in a diverse range of Fluid Systems for Water, Power Generation, Marine Defence, Industrial, Minerals, Mining and Oil / Gas sectors.

WestStar plans to integrate WATMAR into its existing operations and retain key management personnel to ensure a smooth transition for customers and employees and position the business for immediate growth and increased profitability.

Commenting on the acquisition of WATMAR, WestStar Group CEO and Managing Director Robert Spadanuda noted:

*"WATMAR has a long-standing reputation in its key industry segments for delivering specialised services. We are pleased to be able to service WATMAR's clients and will look to provide WATMAR's specialised services to our existing and prospective new clients. We are confident the additional support and expertise we can offer to the WATMAR management team, transferring under the WestStar Group, will provide a solid growth platform for this business, delivering value to all stakeholders".*

## Acquisition Details

The business and assets of WATMAR will be acquired on a cash and debt-free basis, and including assumption of transferring employee entitlements (~\$235,000), for an upfront cash consideration amount of \$1,400,000 (**Purchase Price**). The Purchase Price will be subject to customary completion adjustments and specifically in respect of working capital.

Completion of the acquisition is subject to the satisfaction of certain key conditions precedent along with condition precedents customary to a transaction of this nature, including but not limited to:

- a) assignment of key contracts, notably those with the Department of Defence;
- b) assignment of authorisations and technical accreditations required in the business,
- c) acceptance of offers of employment by transferring of key employees; and
- d) regulatory consents and approvals, if required.

Subject to satisfaction of the relevant conditions, completion is expected to occur in September 2023.

WestStar was advised by Harbury Advisors (Corporate Advisor) and CBW Partners (Legal Advisor) on this transaction.

**-Ends-**

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### **About WestStar**

WestStar Industrial Limited (ASX: WSI) is an industrial, steel fabrication, installation and maintenance services company focussed on the resources, oil and gas, water and infrastructure sectors.

### **About SIMPEC**

SIMPEC delivers high quality construction and engineering services with specialisation in structural mechanical and piping (SMP), electrical and instrumentation (E&I), concrete products and civil Services.

For more information: [www.simpec.com.au](http://www.simpec.com.au)

### **About Alltype**

Alltype Engineering leverages off its fabrication capability and provides complete project solutions including SMP and E&I site installation, construction and maintenance services, across almost every industry in Australia. Alltype's products and services have been delivered and installed statewide, nationally and internationally through our workshops and sites and can be found on land, offshore on islands, FPSO's and platforms, below ground and even subsea. Supported by its team of experienced multidisciplinary project personnel, Alltype delivers consistent quality products and services that underpin its commitment to its vision "to an industry leading partner delivering turnkey project solutions via integrated multidisciplined fabrication, construction and maintenance services".

For more information: [www.alltypeengineering.com.au](http://www.alltypeengineering.com.au)

ASX release authorised by the Board of Directors of WestStar Industrial Limited.