

13 September 2024

ACQUISITION OF CMP CONSULTING GROUP AND CAPITAL RAISE

Vertically integrated water services company, Vysarn Limited (**ASX: VYS**) (**Vysarn** or **the Company**), announces it has entered into a binding Share Sale Agreement (**SSA**) for the acquisition of CMP Consulting Group Pty Ltd (**CMP**), a consulting engineering company with a specific focus on the water industry providing end-to-end infrastructure services.

In addition, Vysarn has received firm commitments from institutional and other professional and sophisticated investors for a single tranche placement of approximately 95.5 million new fully paid ordinary shares (**New Shares**) at an issue price of \$0.40 per New Share to raise approximately \$38.2 million.

Under the SSA, the Company will acquire 100% of the issued shares in CMP from three separate private entities controlled by the founders of CMP (**Sellers**) for an upfront cash consideration of \$24.0 million and 10 million ordinary Vysarn shares. Further deferred consideration, of up to 30 million Vysarn shares over three years, is subject to CMP achieving Earnings Before Interest Tax and Depreciation (**EBITDA**) targets. All Vysarn shares received by the Sellers will be held in voluntary escrow for 12 months following the date of issue. The deferred consideration shares will be issued in future periods and the Company will seek shareholder approval.

The upfront cash consideration assumes CMP is acquired debt free and with an agreed level of working capital at completion of the acquisition (**Completion**), which is expected to occur on or around 31 October 2024, and is subject to adjustment based on actual levels of debt and working capital at that time. Upon Completion, CMP will become a wholly owned subsidiary of Vysarn. The cash component of the CMP acquisition consideration will be funded via the capital raising. The conditions to Completion and other material terms are summarised in the Appendix below.

Vysarn Managing Director and CEO, James Clement, said the successful acquisition of CMP would be transformative, especially in combination with the Company's proposed purchase of Waste Water Services Pty Ltd (**WWS**), effective from 1 September 2024¹.

"This transaction delivers national scale, expertise, diversification of clients and a significant platform for Vysarn to grow, as well as exposure to a once in a generation water infrastructure boom across Victoria, New South Wales and Queensland."

"The combined companies are well positioned to benefit from the \$50+ billion that has been earmarked for investment in water infrastructure and projects across Australia's three most populous states over the next 10 years."

"Both the CMP and WWS transactions meet our strict investment criteria of being earnings accretive, with aligned management and a capital light business model. Combined with a broadened and more diversified portfolio of high-quality clients, Vysarn is well-placed to deliver stable, long-term earnings growth for shareholders."

¹ Refer to ASX announcement dated 30 August 2024, Vysarn enters into Share Sale Agreement to acquire Waste Water Services.

Assuming maintainable EBITDA consistent with CMP's unaudited FY24 EBITDA, the Company will pay an upfront (Enterprise Value) EV/EBITDA acquisition multiple of 4.6x, excluding any deferred consideration shares.

Vysarn's proforma FY2024 Net Profit After Tax (**NPAT**), in addition to CMP's FY2024 unaudited NPAT, would deliver earnings per share accretion of greater than 20% (using VYS FY2024 NPAT as announced to the ASX on 23 August 2024 and Vysarn's post capital raise and CMP upfront vendor consideration shares on issue (see below).

Including the FY2024 unaudited NPAT of WWS (Share Sale Agreement announced to the ASX on 30 August 2024, acquisition effective from 1 September subject to satisfaction of conditions, but not yet completed), the combined Vysarn, CMP and WWS proforma FY2024 NPAT would deliver earnings per share accretion of greater than 35% (using Vysarn's post capital raise and CMP upfront vendor consideration shares on issue (see below).

Capital Raising

Vysarn has received firm commitments from institutional and other sophisticated and professional investors for a single tranche placement of approximately 95.5 million New Shares to raise approximately \$38.2 million (**Placement**).

New Shares issued under the Placement will be issued at a price of \$0.40 per New Share, representing a:

- 15.8% discount to the last closing price of A\$0.475 on 10 September 2024 (being the last trading day prior to this announcement);
- 11.3% discount to the 5-day Volume Weighted Average Price (**VWAP**) of A\$0.45; and
- 7.0% discount to the 10-day VWAP of A\$0.43.

The net proceeds raised from the Placement will be used by the Company to fund the cash component of the CMP acquisition consideration of \$24.0 million, and any working capital/debt adjustment payable by Vysarn under the working capital and debt adjustment mechanism under the SSA, associated transaction costs, the ongoing development of the Kariyarra water resource and normal working capital requirements.

Settlement of the New Shares to be issued under the Placement is expected to occur on Wednesday, 18 September 2024. The New Shares are expected to be issued on Thursday, 19 September 2024. The Placement will be completed utilising Vysarn's existing placement capacity under ASX listing rules 7.1 and 7.1A. The New Shares will rank equally with existing VYS shares from the date of issue.

Morgans Corporate Limited and Unified Capital Partners acted as Joint Lead Managers and bookrunners to the Placement, Candour Advisory Pty Ltd acted as the Financial Advisor to the Placement and Peloton Legal acted as the Legal Adviser to the Placement.

About CMP Consulting Group

Based in Melbourne and founded in 2008, CMP is a consulting engineering organisation with a specific focus on the water industry providing end-to-end infrastructure services. CMP supports tier-1 public and private sector clients from initial strategic planning through to design and construction as well as ongoing asset management and maintenance.

CMP delivers comprehensive water engineering solutions across the complete lifecycle of projects and assets encompassing every aspect of water engineering, including potable water treatment and distribution, wastewater transfer and treatment, and resource recovery and recycled water treatment and distribution.

CMP's primary long-term clients include the major metropolitan and regional Victorian water authorities, major contractors, government departments, and interstate Councils and authorities. CMP maintains strong and long-term relationships with clients across Victoria, underpinned by panel arrangements and medium-term contracts and is establishing a presence outside Victoria with contracts with leading water authorities across multiple states and territories.

The founders of CMP possess a diverse skillset of leadership in client relationships, project management, engineering and technology, contract and construction phase services. Their experience obtained with global consultancy firms led to the establishment of CMP to deliver a client focused culture rather than the transactional approach taken by some large organisations. CMP's growing staff of 92 professionals form project teams that are multidisciplinary experts in civil, structural, mechanical, process and electrical and asset management engineering.

Further information

The investor presentation lodged with the ASX today (13 September 2024) provides further details of the CMP acquisition and the Placement.

This ASX announcement has been authorised for release by the Board of Vysarn.

For more information:

Investors

James Clement
Managing Director
E: info@vysarn.com.au

Corporate & Investor Relations Advisor

Alastair Murray
Candour Advisory
E: Alastair@candouradvisory.com.au
M: +61 415 629 977

Media

John Gardner
VECTOR Advisors
E: jgardner@vectoradvisors.au
M: +61 413 355 997

Appendix - Summary of material terms of SSA

Parties	Buyer: Vysarn Limited Sellers: Humpydoo Pty Ltd ATF the Nehpets Trust, Lion Cubs Pty Ltd ATF Shyboy and Chutiboy Trust, and Lexon Renewal Pty Ltd ATF the Rabbie and Monkie Trust Seller Guarantors: Stephen Morris, Soyun Punyadasa and Greogory Chalmers
Acquisition	All of the issued shares in CMP Consulting Group Pty Ltd ACN 133 162 357
Conditions Precedent to Completion	<p>Completion is conditional on the satisfaction or waiver of the following conditions precedent:</p> <ul style="list-style-type: none"> • Vysarn completing tax due diligence investigations in relation to CMP, and being satisfied with the results; • CMP obtaining change in control consents under key material contracts; • Payment by CMP of all amounts in respect of share appreciation rights granted to eligible employees and such employees providing a release of all claims in respect of those share appreciation rights against CMP and Vysarn; and • No material adverse change in the CMP business between signing and completion. <p>The condition precedents are to be satisfied or waived by no later than 11 November 2024.</p>
Upfront Consideration	Completion consideration of \$24.0m cash + 10.0m fully paid ordinary shares in Vysarn, subject to a post-Completion working capital and debt adjustment mechanism against an agreed level of target working capital and nil debt at Completion.
Deferred Consideration Shares	<p>Up to 26.67m deferred consideration shares in Vysarn to be issued upon achieving the following EBITDA targets for CMP:</p> <ul style="list-style-type: none"> • Y1 earn-out: 8.89m shares subject to achieving target EBITDA of \$5.50m; • Y2 earn-out: 8.89m shares subject to achieving target EBITDA of \$6.0m; • Y3 earn-out: 8.89m shares subject to achieving target EBITDA of \$6.50m. <p>If target EBITDA is not reached for year 2 or 3, but EBITDA for each of years 2 and 3 is equal to or greater than \$5.0m and the cumulative EBITDA for years 2 and 3 is equal to or greater than \$12.50m, Vysarn will issue the deferred consideration shares that were not issued for year 2 or 3 because target EBITDA for that year was not reached.</p> <p>If the EBITDA targets for CMP for years 1, 2 and 3 is equal to or greater than \$18.0m, an additional 3.33m deferred consideration shares will be issued.</p>
Accelerating events for the Deferred Consideration Shares	<p>All deferred consideration shares will be issued if any of the following accelerating events occur during the 3 year earn out period: (1) redundancy or termination of a CMP founder without cause; (2) sale of CMP to a third party purchaser; (3) there is an off market takeover bid for Vysarn, that is recommended unanimously by Vysarn's Board of Directors, and the bid is declared or is unconditional and the bidder has acquired voting power in more than 50% of Vysarn's fully paid ordinary shares; (4) a court sanctions a scheme of arrangement under Part 5.1 of the Corporations Act in respect of Vysarn; (5) any other merger or consolidation of Vysarn occurs which results in the holders of Vysarn Shares immediately before the merger or consolidation being entitled to 50% or less of the voting shares in the body corporate resulting from the merger or consolidation (6) admission of CMP to official list of the Australian Securities Exchange; or (7) any similar events occurs that results in a change in ownership or control of Vysarn or CMP or all or substantially all of the assets of Vysarn or CMP.</p>
Voluntary Escrow	All consideration shares will be escrowed for 12 months on a voluntary basis, unless one of the above accelerating events occur.
Restrictive Covenants	The Sellers and their associated founders are subject to a restraint period of up to 5 years commencing on the later of their cessation of employment with the Company and Completion.
Warranties and Indemnities	The Sellers provide customary warranties and indemnities under the SSA, subject to agreed limitations and exclusions.

Vysarn's issued capital structure post Placement and Completion

Vysarn Shares	
Shares currently on issue	421,955,864
New Shares to be issued under the Placement	
- within Vysarn's capacity under ASX Listing Rule 7.1A	42,195,586
- within Vysarn's capacity under ASX Listing Rule 7.1	53,293,379
Total Shares on issue post Placement	517,444,829
Shares to be issued to Sellers at Completion	10,000,000
Total Shares on issue post Placement and Completion	527,444,829

The above table does not include the potential 30m deferred consideration shares under the SSA.