

ASX/MEDIA RELEASE - OTC



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ACQUISITION OF SURVEYING AND SPATIAL ENGINEERING BUSINESS

Highlights

- OTOC to acquire Lester Franks, a specialist geospatial, surveying and engineering business.
- Originally established in Devonport, Tasmania, Lester Franks operates in key markets across Australia while also bringing OTOC a new-market entry into Tasmania and South Australia.
- The acquisition brings specialist surveying skills to OTOC, including high-end 3D scanning, metrology and consulting capabilities.
- The purchase price comprises \$3.1 million in cash and \$0.5m in OTOC shares. A further \$1.4m in cash will be paid subject to the achievement of performance milestones.
- Acquisition funded from existing cash reserves.
- The purchase price represents a multiple of approximately 4x FY2017 EBITDA.
- The acquisition is expected to be EPS accretive in FY2017 (excluding amortisation).

OTOC has entered into an agreement to acquire Lester Franks Survey & Geographic Pty Ltd (trading as Lester Franks) (**Lester Franks**), a spatial engineering and surveying business, for up to \$5.0m.

The acquisition enhances OTOC's geospatial capability particularly with respect to 3D laser scanning and metrology which are in high demand from clients across the property, infrastructure and resources sectors.

Lester Franks traces its origins to the 1960s, based in Devonport, Tasmania. The current management team under Malcolm Lester acquired the business in 2002 and set about developing an innovative geospatial and surveying consultancy, building on an existing operation in Tasmania by building or acquiring operations in Victoria, Queensland and South Australia and securing work at resources projects for BHP Billiton in Western Australia. Today Lester Franks has more than 40 employees and annual revenue in excess of \$5 million.

OTOC was attracted to Lester Frank's reputation and expertise in surveying technology which is increasingly demanded by clients in combination with land and engineering surveying. OTOC is excited by the opportunity to offer Lester Franks' specialist capabilities across the national network.

The key employees of Lester Franks, including Managing Director Malcolm Lester, will enter into long-term employment contracts with OTOC and will continue to manage the business. Approximately 38% of the purchase price is in OTOC shares and performance payments.

The performance payments will be payable in cash over two years. The performance payments will become payable if revenue is at least \$5.75 million at a minimum gross margin of 45%. The introduction of a revenue-based performance measure is designed to accelerate integration into OTOC and the roll-out of Lester Franks' specialist surveying skills across the national client base.

The cash component of the purchase price will be funded from existing cash reserves.

Transaction Terms

Structure	<ul style="list-style-type: none"> Acquisition of 100% of the issued capital of Lester Franks
Purchase price: Cash	<ul style="list-style-type: none"> \$3.1m payable at completion
Purchase price: OTOC Shares	<ul style="list-style-type: none"> \$0.5m in new fully paid ordinary OTOC shares to be issued at completion ~1.8m shares to be issued based on 30-day pre-announcement VWAP of \$0.27 Shares escrowed: 50% for 12-months and 50% for 24-months
Purchase price: Performance payments	<ul style="list-style-type: none"> Performance payments of up to \$1.4m over two years Performance payment = \$0.2m + (Revenue - \$5.75m), if Revenue is at least \$5.75m and gross profit margin is at least 45% Maximum performance payment \$0.7m in any performance period The first performance period is expected to commence in December 2016
Net Adjustment	<ul style="list-style-type: none"> A Net Adjustment will be paid/(refunded) based on the following calculation: Net Adjustment = Cash + Debtors/WIP + Other Assets – Liabilities – Employee Entitlements – Operating Leases
Employment contracts	<ul style="list-style-type: none"> The key employees of Lester Franks will enter into employment contracts with a minimum term of two years including a restraint period of 4 years
Completion	<ul style="list-style-type: none"> Acquisition expected to complete in December 2016 subject to satisfaction of customary conditions precedent

Strategic Rationale

This acquisition is consistent with OTOC's strategy of creating a premium national Surveying, Town Planning and Urban Design business:

- ✓ **Services** specialist 3D scanning, metrology and consulting expertise
- ✓ **Expansion** expansion of core surveying business into Tasmania and South Australia
- ✓ **Consolidation** enhanced market position in Victoria and Queensland
- ✓ **Financial** high-margin technical and geospatial services
- ✓ **Synergies** national promotion of Lester Franks 3D scanning, metrology and mapping capabilities
- ✓ **Management** experienced senior management team remaining with the business
- ✓ **Outlook** increasing client demand for precision scanning and mapping

Commenting on the Acquisition, OTOC CEO Simon Thomas said:

“We are delighted to announce the addition of Lester Franks to OTOC’s national surveying business. Malcolm Lester and his team bring a wealth of expertise in modern surveying technology and equipment, including precision 3D laser scanning that is in high demand from our clients. We look forward to working closely with Lester Franks in developing integrated, high-value surveying solutions for our national client base.”

Malcolm Lester, Managing Director of Lester Franks, said:

“Lester Franks has over many years developed a reputation for innovation and quality in surveying technology and we are excited by the opportunities to showcase our services across OTOC’s national network. This transaction with OTOC provides Lester Franks with enhanced resources and critical mass to fulfill our vision of becoming a market leader in the geospatial sector.”

- Ends -

About OTOC

OTOC offers surveying, planning and design services throughout Australasia. A leading provider of professional consulting and innovative spatial solutions, OTOC delivers quality service to clients across a range of industry sectors.

OTOC Australia, OTOC’s Infrastructure division provides infrastructure construction, maintenance and communications services to clients covering renewable energy, government, resources, utilities and remote areas.

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