

**ASX ANNOUNCEMENT****4 JANUARY 2018**

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**VALMEC ACQUIRES NATIONAL TESTING SERVICES GROUP**

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**Highlights**

- Valmec has entered into an agreement to purchase the Business and Assets of specialist pipeline testing company, APTS Pty Ltd; ("APTS")
- Market leader in the pressure testing and calibration industry with an involvement in every major oil and gas project over the last 10 years;
- Strong track record of delivery with an established Tier 1 client base within the Oil and Gas, Power and Water sectors,
- Acquisition to be funded from working capital and additional debt facilities;
- Average revenues of approximately \$20 million per annum over the past 4 years with FY18 forecasts underpinned by approximately \$5 million of long term service agreements and over \$13 million of submitted tenders with current clients;
- The APTS business is expected to derive EBITDA returns of approximately 10% once expected Valmec synergies are realised;
- Acquisition complements Valmec's existing business with immediate access to new pipeline testing capabilities, shutdown and maintenance services delivering additional recurring revenue streams;
- Strategic expansion of the Valmec end-to-end contractor model providing engineering, procurement, construction, servicing and maintenance services to the energy and infrastructure markets.

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**1. Transaction Overview**

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Valmec Limited (**ASX: VMX**) is pleased to announce it has entered into a Business Sale Agreement (BSA) with the Receivers & Managers of APTS Pty Ltd, to acquire the plant and equipment, work in hand, inventory, intellectual property, licenses and accreditations of the APTS Business.

APTS is an established market leader in the pressure testing and calibration industry in Australia with average revenues over the past four years of circa \$20 million. APTS also provides Non-Destructive testing ("NDT"), calibration, pre-commissioning, shutdown and maintenance services to the oil and gas, power and water sectors.

APTS was established in 2003 and has offices and laboratory testing facilities in Perth and Brisbane with contract operations also in Karratha and Darwin.

Under the BSA, Valmec will acquire the total plant and equipment of the APTS Business, approximately \$5 million of long term service contracts with Tier 1 Oil and Gas clients, and also engage an experienced and industry recognised team of 55 management and staff.

The acquired assets include NATA accredited and specialised calibration facilities, NDT X-Ray equipment, specialised and fully accredited radiation equipment storage facilities.

With a portfolio that includes works on the country's largest gas development projects owned by Tier 1 gas producers and shippers such as Chevron, Woodside, Shell, Origin Energy, and APA Group, APTS remains ideally positioned to capitalise on the expected growth in the upstream gas development sector, asset integrity testing on existing infrastructure as well as play an integral role in the advancement of new renewable power projects and the water resources industry across Australia.

APTS's long term sales presence on the east coast of Australia, is also highly complimentary to the current Valmec sales proposition. Valmec continues to be strategically positioned in the client project lifecycle, from Engineering and ECI activities, through to construction and service and operations. The APTS Business acquisition will enable Valmec to leverage off its current market footprint to open up new revenue streams for the Group in relation to pipeline construction and maintenance, especially relevant to the expected expansion of the east coast sector over the next 5 years.

With average revenues of approximately \$20 million per annum over the past 4 years, the APTS business is expected to derive EBITDA returns of approximately 10% once expected Valmec synergies are realised.

Pursuant to the confidentiality terms of the BSA, Valmec is able to disclose that the total consideration is 100% cash payable on completion.

## 2. Strategic Rationale – “Wellhead to Pipeline”

APTS presents as a compelling strategic fit consistent with VALMEC's single source focus to deliver value throughout the project lifecycle.

The acquisition of APTS offers:

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| <b>Client Interface:</b>                    | Blue chip client base including Chevron, Woodside, Shell, Origin Energy, and APA Group.   |
| <b>Synergistic to Valmec Delivery Model</b> | Highly synergistic to the current Valmec sales offering. APTS Business immediately broadens the Valmec oil and gas, power and water industry project capabilities.<br><br>Further development of recurring sales mix. |
| <b>EPC Tender Pipeline:</b>                 | Additional exposures to new higher value EPC projects further up the supply chain   |
| <b>Specialist Management and Staff:</b>     | 55 staff with circa 50% field, workshop technicians and technical specialists and an experienced and industry recognised management team  |
| <b>EPS:</b>                                 | Expected to be EPS accretive in FY18  |



### 3. Completion

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Completion of the transaction is expected in late January 2018.

Valmec Managing Director Steve Dropulich said the acquisition of APTS was another key milestone in the Valmec “single source” delivery strategy.

*“We are excited about the synergies and the new business growth opportunities that APTS will ultimately deliver to Valmec. The acquisition of the APTS Business and assets, together with the engagement of over 50 new experienced and industry recognised staff, further expands Valmec’s capabilities in the energy and infrastructure sector*

*“This acquisition and the opportunity to leverage off Valmec’s growing footprint within the expanding Australian gas sector, aligns perfectly with our strategy of delivering value to our clients across every aspect of our operations.”*

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#### About APTS

*APTS is a leading provider of Non-Destructive Testing (NDT) Services, Hydrostatic and Pneumatic Pressure Testing, Non-Metallic NDE and Testing Services along with an extensive list of Engineering support services to the Australian Oil and Gas, Power and Water Industries.*

*APTS has become the benchmark in the pressure testing and calibration industry. NATA and DNV accredited, the APTS mandate is about meeting client Quality and HSE parameters whilst also reducing client site construction and operating costs.*

*APTS employs approximately 50 service technicians and support personnel, operating out of custom built workshops, training facilities, testing laboratory and offices in Perth and Brisbane.*

Website: [www.pts.com.au](http://www.pts.com.au)

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#### About VALMEC

*Valmec is an Australian energy and multi-discipline services group providing specialised packaged equipment, construction, maintenance, commissioning and integrity maintenance services to the resources, energy and infrastructure sectors.*

*Founded by an experienced team of EPC and contracting professionals each with more than 25 years in the Australian gas industry, Valmec’s focus is on the delivery of innovative project solutions, superior service and faster time-to-market options than the competition.*

*Valmec employs approximately 250 project and support personnel, operating out of modern offices and fully equipped workshop facilities in Western Australia and Queensland.*

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