



veris

Strategic acquisition of Elton Consulting

1H FY2018 Results

March 2018

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WITH _____
CONFIDENCE™

Highlights



Elton Consulting

- Veris to acquire Elton Consulting creating a national Professional and Advisory Services pillar
- Purchase price up to \$16.0m and \$1.0m of employee retention shares
- Expected to be EPS accretive on an annual basis
- Founder Brian Elton to join the board of Veris as an Executive Director

elton
consulting

Making a difference to cities
and regions, communities
and organisations

Strategic Rationale

- New growth pillar to complement surveying
- Strong relationships with all level of government and tier 1 property and infrastructure companies
- Enhanced service offerings, enabling end-to-end property and infrastructure solutions
- Enhanced exposure to east coast development cycle and infrastructure investment



1H FY18 Results

- Survey revenue \$41.3m, up 40%
- Survey EBITDA \$5.6m, up 56%
- Improved EBITDA margin – but below FY18 target – impacted by mobilisation costs for large infrastructure surveying projects in Sydney and Melbourne which will begin ramping up in 2H FY18
- Balance sheet capacity to sustain strong organic growth and acquisitions



Professional services growth strategy

Creating a national professional services business, with three pillars of growth

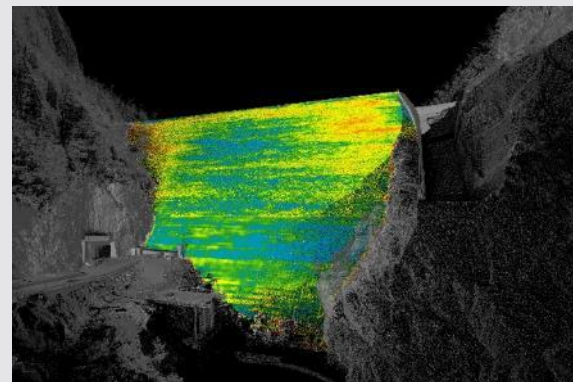
Veris Surveying



Professional and Advisory Services – strategy, planning and engagement



Geospatial



Australian Market

\$3.0bn

\$1.0bn

\$2.0bn

Veris annual Revenue

\$85m

2.8%

\$25m

2.5%

\$5m

0.3%

Veris 3-5yr Target

\$150m

5.0%

\$50m - \$80m

5.0% - 8.0%

\$70m - \$100m

3.5% - 5.0%

- **Elton Consulting is the ideal acquisition for the Veris national Professional and Advisory Services strategy:**

- Market leader in strategy, planning, property advisory and engagement
 - Top calibre management team
 - Trusted relationships with governments and private sector
 - Strong financial returns
- Established by Brian Elton in 1989, Elton is a market leader in professional and advisory services for the property, built environment, transport, infrastructure, water, energy, housing and public policy sectors

- Over 100 staff in New South Wales, Victoria, Australian Capital Territory, Queensland and the Northern Territory
- Elton has achieved strong growth with revenue increasing from approximately \$11m in FY15 to \$20m forecast for FY18, at an average EBIT margin of over 15%, and minimal business capex.
- FY18F EBITDA \$3.1m and EBIT \$3.0m.

- The acquisition significantly enhances Veris' service offering, enabling 'end-to-end' solutions from strategy, scoping, engagement, planning, approvals through to surveying and project implementation.
- New clients and strong relationships government and blue-chip property and infrastructure companies. Significant revenue synergies and expanded revenue opportunities.
- Enhanced exposure to growth markets on the east coast, in particular the development cycle in NSW which continues to attract record levels of investment in property and a diversity of infrastructure projects.

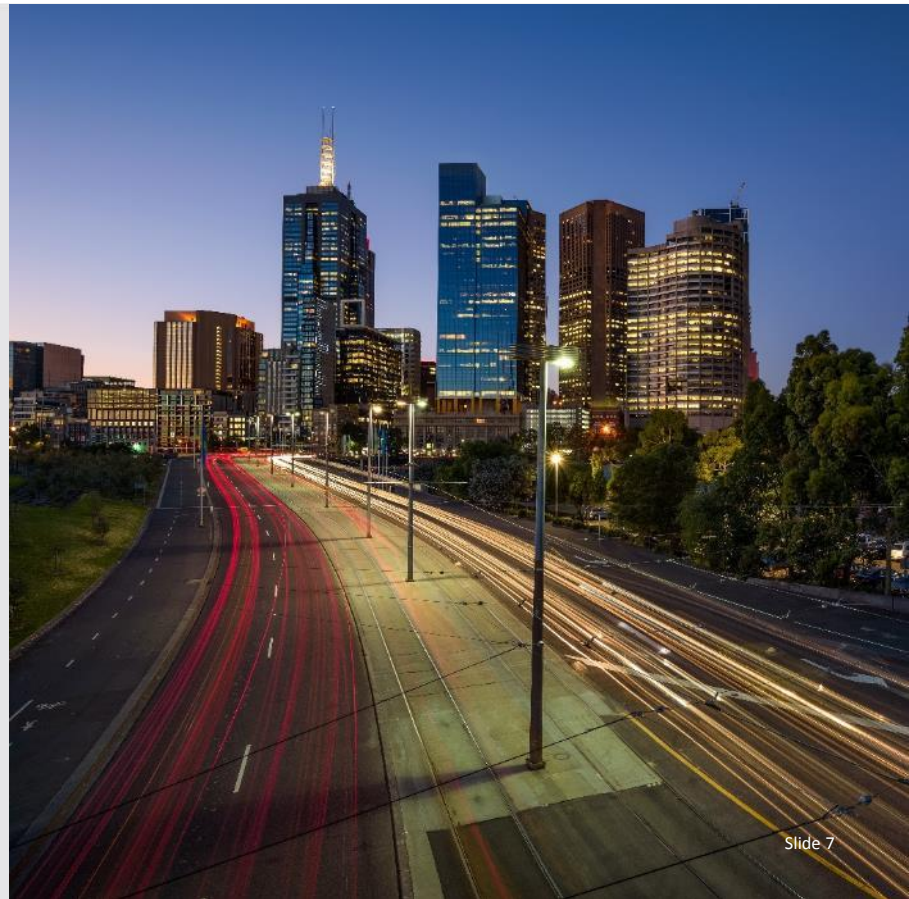


Elton Consulting – Professional and Advisory



Group Strategy

- Since 2011, Veris has undertaken strategic growth in its national surveying and professional services business.
- Veris has become Australia's leading surveying company with a workforce of approximately 540 employees, annual revenue approaching \$100m, offices across the country, and a client base that includes Australia's largest property and infrastructure companies.
- Having achieved scale and national market presence in surveying, Veris has been seeking an acquisition opportunity to achieve an immediate entry into urban and regional planning and related professional and advisory markets, which can cross-sell into Veris Surveying pillar.
- To establish second growth pillar, Veris has agreed to acquire Elton Consulting for up to \$16.0m, plus employee retention shares of \$1.0m.
- The acquisition achieves Veris' strategic goal of establishing a national planning business and immediately adds a range of other complementary professional and advisory services.



Strategic Rationale: Establishing the Second Growth Pillar

Strategic Rationale	Description
New Market Entry	<ul style="list-style-type: none"> - Achieves strategic goal of establishing new growth pillar in Professional and Advisory Services - Highly complementary to surveying. - Immediate, blue-chip and scalable presence in the sector.
Clients	<ul style="list-style-type: none"> - Long term client relationships with all levels of government and private sector. - Ability to secure work across the project lifecycle, from strategy, planning and approvals through to implementation. - Understanding of government policy and future developments provides opportunities across urban and regional planning and surveying.
Management	<ul style="list-style-type: none"> - Experienced and dedicated management team with a track record of delivering growth. - Brian Elton to join the Board of Veris as an Executive Director and spearhead the Professional and Advisory strategy, integrate Veris' existing urban and regional planning and urban design business, and deliver revenue growth between surveying and urban and regional planning. - Kim Anson to continue as Chief Executive of Elton and lead the Professional and Advisory business.
Revenue Synergies	<ul style="list-style-type: none"> - Combined client relationships in surveying and urban and regional planning - creating cross-selling opportunities. - Position Veris as the preferred surveyor on development projects. - Project opportunities in Veris' core transport infrastructure market plus healthcare, education and urban renewal
Outlook	<ul style="list-style-type: none"> - Leading position in New South Wales surveying, strategic communications and engagement and urban and regional planning markets. - Enhanced exposure to strong forecast activity in east coast infrastructure. - Strong revenue growth and robust earnings margins.

Acquisition Terms – Elton Consulting

Structure	<ul style="list-style-type: none"> - Acquisition of 100% of the shares in Elton Consulting Group Pty Ltd for up to \$16.0m, and issue of retention shares to key employees with a value of \$1.0m.
Purchase Price	<ul style="list-style-type: none"> - Cash: \$9.0m payable at completion. The cash consideration will be funded by a drawdown of the acquisition facility with Commonwealth Bank. - Veris shares: \$3.0m of Veris shares at an issue price equal to the 5-day pre and 5-day post announcement volume weighted average price (VWAP). The shares will be subject to voluntary escrow for two years. - Performance payments: up to \$2.0m over two years (up to \$1.0m per annum) payable 50% in cash and 50% in Veris shares (at 30-day VWAP prior to issuance). <ul style="list-style-type: none"> - The annual payment will be \$0.5m if EBITDA is \$2.6m, then \$1 for each \$1 of EBITDA above \$2.6m to a maximum payment of \$1.0m (i.e. maximum performance payment is at \$3.1m EBITDA). - Deferred payments: \$1.0m in cash and \$1.0m in Veris shares (at 30-day VWAP prior to issuance) two years after completion.
Net Adjustment	<ul style="list-style-type: none"> - A net adjustment will be calculated as at settlement and paid (or refunded) 60 days after settlement. A reconciliation will be performed after 180 days. - Settlement adjustment = Debtors + WIP + Tax Assets – Liabilities. - Elton must hold a minimum of \$0.4m in cash at completion, or the difference will be subtracted from the settlement adjustment.
Key Management Shares and Employment Contracts	<ul style="list-style-type: none"> - The shareholders of Elton will sign employment contracts with four year restraint clauses. - Certain other key employees of Elton will be issued with \$1.0m of Veris retention which will be issued over three years: 25% after 1-year, 25% after 2-years and 50% after 3-years. Any employee that ceases employment prior to issue of a particular tranche will forfeit those shares and they will be reallocated.
Conditions Precedent	<ul style="list-style-type: none"> - Execution of employment contracts with shareholders and key employees. - Financing approval. - Material consents and approvals. - No material adverse change.
Transaction Multiples	<ul style="list-style-type: none"> - 3.9x forecast FY18 EBITDA based on the up-front consideration; and - 5.2x forecast FY18 EBITDA based on total consideration including performance payments.
Earnings Per Share	<ul style="list-style-type: none"> - Expected to be earnings per share accretive (excluding amortisation) on an annual basis.
Timetable	<ul style="list-style-type: none"> - Expected completion: Thursday, 29 March 2018.

Pro-Forma Capital Structure

Up-front cash consideration to be funded by a drawdown of the Commonwealth Bank facility

(\$m)		Veris (Dec-17)	Adjustments	Pro-Forma
Shares on issue	m	329.2	17.6	346.8
Market capitalisation	\$m	55.9	3.0	58.9
Cash²	\$m	8.1	0.0	8.1
Hire Purchase	\$m	10.7	0.1	10.8
CBA/Other Debt ¹	\$m	3.0	9.0	12.0
Net Debt/(Cash)	\$m	5.6	9.1	14.7
Deferred Vendor Payments	\$m	3.1	3.0	6.1
Net Debt/Market Capitalisation	%	10		25

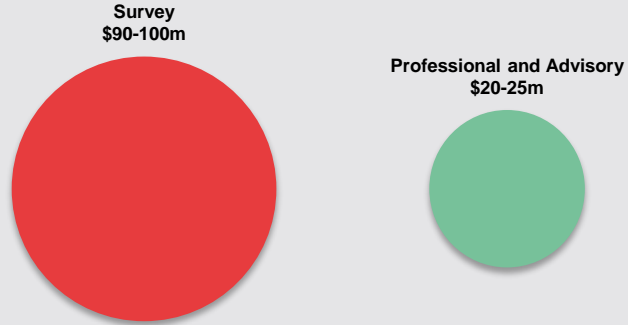
Notes:

1. \$3.0m up-front share consideration at an assumed share price of \$0.17/sh

2. Drawdown and payment of up-front cash consideration

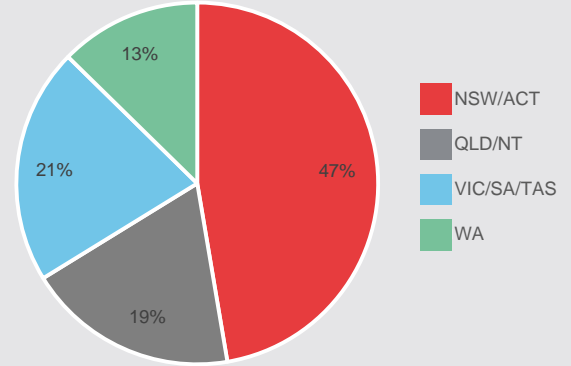
Expanded Revenue Base and Scale on the East Coast

Pro-Forma Annual Revenue by Segment¹



>\$100m in professional services revenue

Pro-Forma Annual Revenue by Location²



Approximately 47% revenue from NSW/ACT

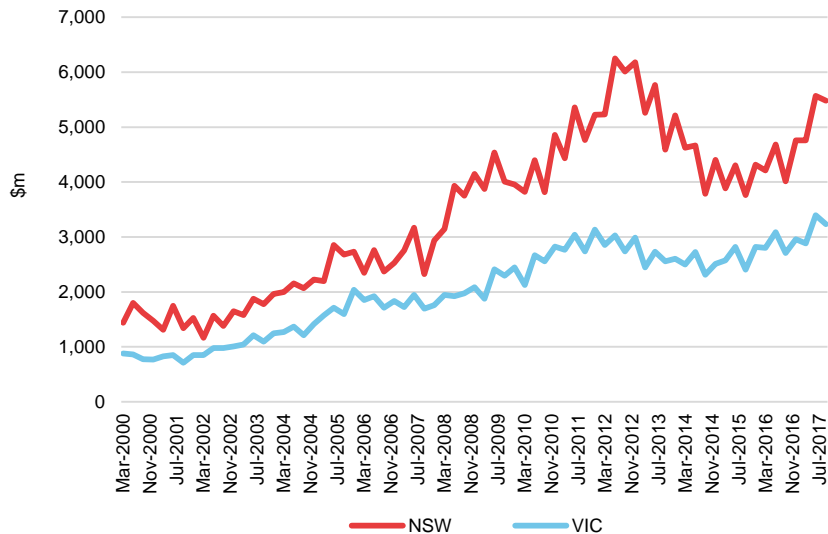
Notes:

- 1. Annualised estimate; circa \$5m of Veris existing urban and regional planning
- 2. Based on Veris' 1H FY18 results and c.80% of Elton's revenue being from NSW and ACT

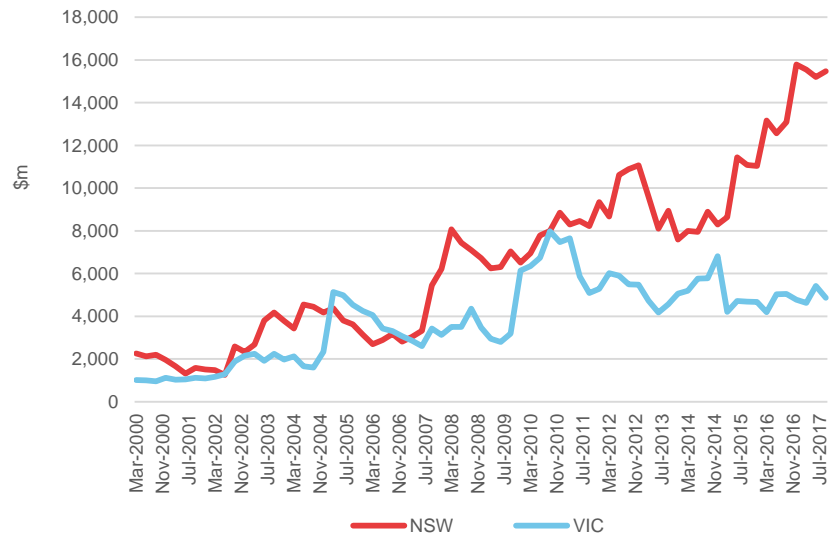
Market Outlook

Given its leading position in NSW, Elton provides desirable exposure to the strong forecast activity in infrastructure spending across transport, health, education and urban renewal . Potential to grow the Melbourne business given robust levels of infrastructure and property development.

Engineering construction: value of work done



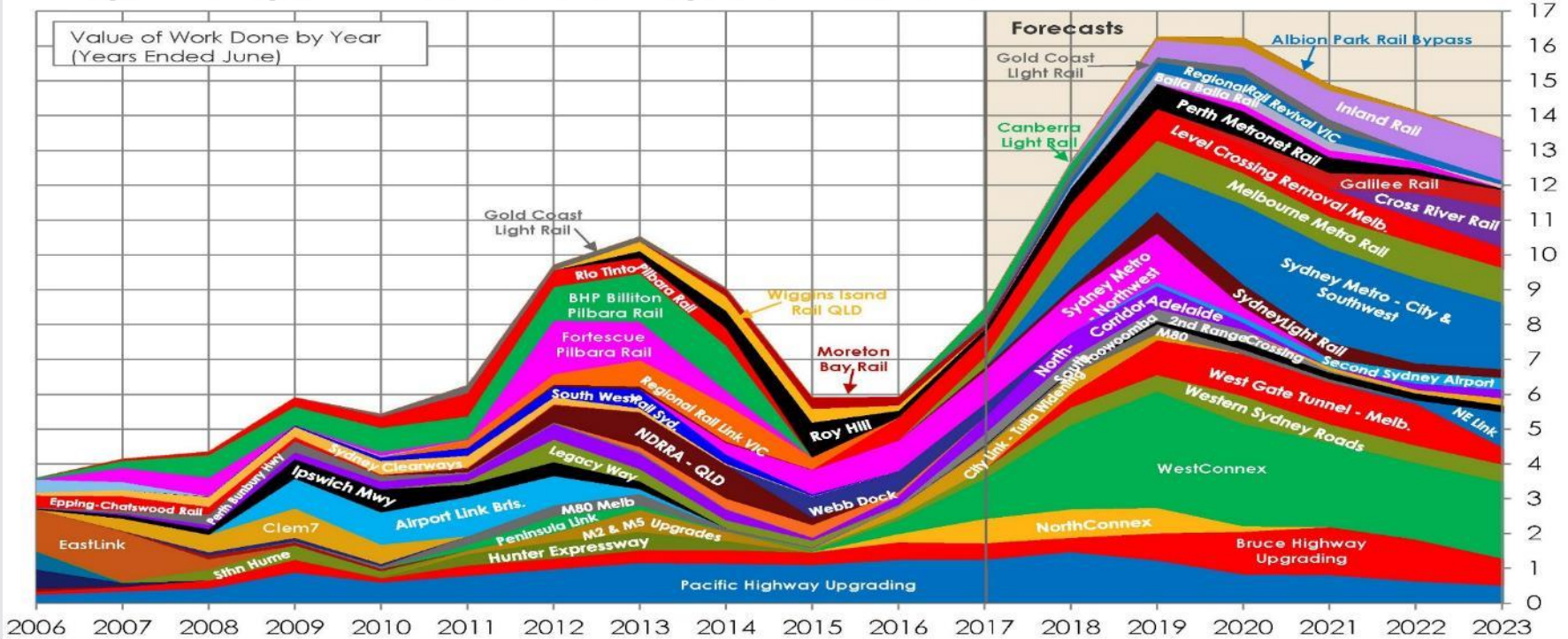
Engineering construction: value of work yet to be done



Market Outlook



Strong forecast activity and development expenditure on infrastructure projects on the eastern seaboard, with a range of transport, healthcare, education and social housing opportunities



Source: Macromonitor, Australian Construction Outlook Overview, November 2017

Top Tier Clients serviced across Australia

Diversified, national client base; adding value for our clients through seamless national service offerings



1H FY18 Results

First reporting period excluding the construction business; survey revenue increased 40% and EBITDA increased 56%

\$m	1H FY18	1H FY17
Revenue	46.3	31.6
EBITDA¹	4.2	1.7
Depreciation	(1.4)	(1.4)
Amortisation	(2.1)	(2.0)
Acquisition related cost/income	(0.6)	(0.8)
Restructuring costs ²	(1.1)	(0.2)
Share-based payments	(0.3)	(0.4)
EBIT	(1.3)	(3.1)
Net interest expense	(0.4)	(0.3)
Profit before tax	(1.7)	(3.4)
Income tax benefit/(expense)	0.1	0.8
Profit for the period	(1.6)	(2.6)
Profit/(Loss) from discontinued operation ³	(0.1)	2.8
Net profit (Loss)	(1.7)	0.2

Note 1: EBITDA by division: Survey \$5.6m [vs. \$3.6m in pcp], Communications \$0.1m [vs. (\$0.1m) in pcp], Corporate (\$1.5m) [vs. (\$1.8m) in pcp]

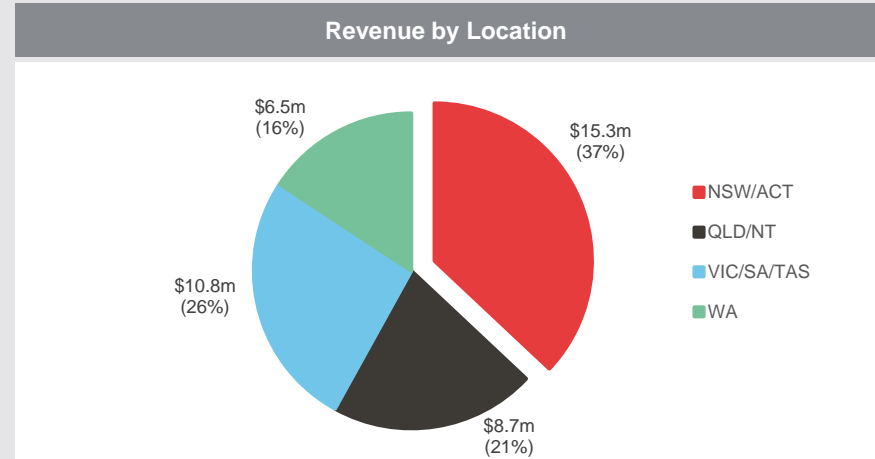
Note 2: Restructuring costs comprise the following one-off items predominantly related to the integration of Veris Australia: KPMG consulting and management costs [\$0.6m], rebranding [\$0.1m], redundancy costs [\$0.1m], provisions and other [\$0.3m]

Note 3: OTOC Australia – Infrastructure Division

Strong survey result, underpinned by organic growth

- Revenue increased 40% to \$41.3m, led by NSW/ACT, where revenue almost doubled to \$15.3m. NSW/ACT represented 37% of revenue in 1H FY18.
- Strong organic growth from leading position in the NSW surveying market. Veris is engaged on a number of multi-year survey projects, such as the Western Sydney Airport, and positioned very favourably to benefit from the strong activity and infrastructure investment forecast on East Coast.
- Completed the acquisition of LANDdata, the leading surveying firm in the ACT, and with operations in the Western Sydney growth corridor.
- The QLD/NT and VIC/SATAS regions performed well, with revenue increasing 42% and 16% respectively. A forecast increase in infrastructure activity in Victoria provides an opportunity to grow revenue, as historical results have predominantly related to residential projects. Award of early works for the Melbourne Metro Tunnel was a key highlight in the period.
- Revenue from WA increased modestly to \$6.5m (vs. \$6.2m in pcp). Competition for available work impacted margins in the period. Some early signs of improvement in the WA economy and housing market.
- EBITDA margin improved to 13.5%, but is below FY18 target of 17%, impacted in the period by mobilisation costs incurred ahead of project revenue from large infrastructure projects in Sydney, Melbourne and competitive pressures in WA.
- 2H FY18 survey revenue is forecast to exceed \$45m.

Survey Division			
\$m		1H FY18	1H FY17
Revenue	↑	41.3	29.5
EBITDA	↑	5.6	3.6
EBITDA %	↑	13.5%	12.1%



Cash Flow and Balance Sheet

Balance sheet capacity to underpin future growth, despite a period of investment in acquisitions and capital equipment

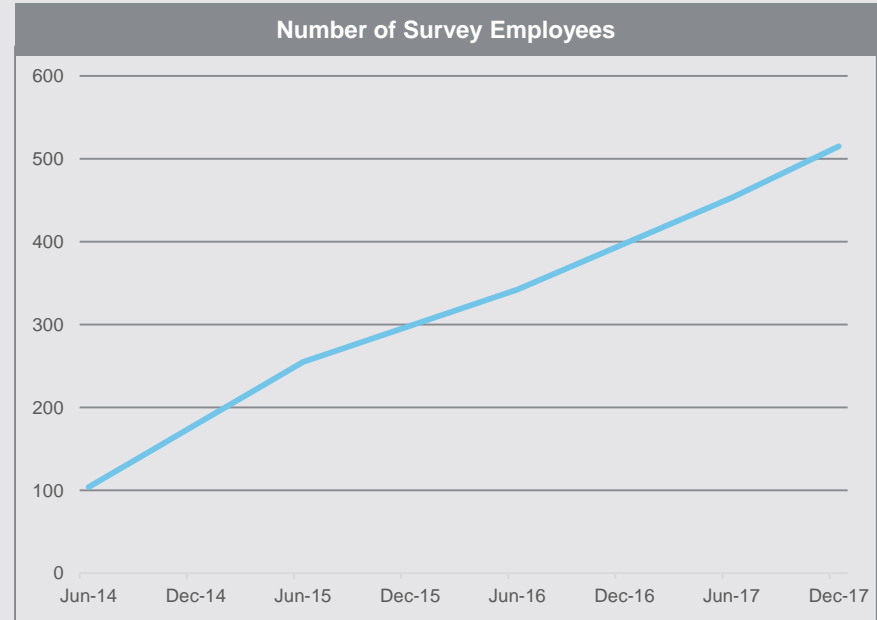
Cash Flow		
\$m	1H FY18	1H FY17
Cash flow from operations	(0.2)	1.5
Net interest expense	(0.5)	(0.4)
Cash flow from operating activities	(0.7)	1.1
Cash flow from investing activities	(2.9)	(9.3)
Cash flow from financing activities	(2.8)	7.7
Net cash flow	(6.5)	(0.6)

Balance Sheet		
\$m	31 Dec 17	30 Jun 17
Cash	8.1	14.6
Hire Purchase Facilities	(10.7)	(8.2)
Commonwealth Bank Facility	(3.0)	(3.4)
Net Cash/(Debt)	(5.6)	3.0
Deferred Vendor Payments	3.1	2.7
Net Assets	64.4	66.9

- Operations: cashflow impacted by: i) increase in working capital, which is being actively managed and expected to normalise in 2H FY18; ii) mobilisation of surveying staff and revenue in 2H FY18
- Investing: LANDdata acquisition (\$3.5m), deferred vendor payments (\$1.4m), purchase of survey equipment (\$0.7m), sale of construction equipment (+\$2.7m)
- Financing: debt repayment \$1.6m, FY17 dividend \$1.2m
- Cash at bank decreased due to investment in survey capital equipment, repayment of loans and borrowings, acquisition payments, plus deferred vendor payments and FY17 dividend
- Acquisition of Elton Consulting to be funded by a drawdown of the Commonwealth Bank Acquisition Facility (c. \$9.0m drawdown, c. \$13.0m remaining)

Operational focus on integration, revenue growth and enterprise management

- Achieved significant integration objectives during the period:
 - Consolidation of Sydney offices at Olympic Park
 - Agreed and implemented rebranding, on track for complete roll-out by 30 June 2018
 - Adopted unified ERP system
- Strong revenue growth and projected activity on the east coast has required a strategic approach to human resources and recruitment, with over 60 surveyors hired in the period
- Purchased additional laser scanning equipment; one of the largest and most sophisticated surveying equipment fleets in Australia
- Awarded work on a range of significant surveying projects, across various industries:
 - Melbourne Metro Tunnel
 - North Connex
 - Sydney Light Rail, Canberra Light Rail, Newcastle Light Rail
 - Badgery's Creek, Western Sydney Airport
 - Republic and Midnight development projects, Canberra
 - Brisbane Cross River Rail



Top Tier Surveying Projects across Australia

Veris is engaged on significant property, commercial, infrastructure and resources projects across Australia, with a combined construction value in excess of \$26bn



Sydney Light Rail



Western Sydney Airport



North Connex



Australia 108



Melbourne Metro



Sofitel Darling Harbour



Nepean Hospital



Westmead Hospital



Aurora Melbourne



Northern Gas Pipeline










Alkimos



Gruyere Gold Project

Completed Acquisitions

	 Basco Janson	 GEO-METRIC	 THG	 LINKER SURVEYING	 LG LAWRENCE GROUP	 LISH & TRAVIS	 LANDdata SURVEYS	Other	Total
Purchase Price	\$17.0m	\$9.5m	\$4.4m	\$4.0m	\$5.85m	\$5.0m	\$4.8m	\$3.0m	\$52.95m
Cash	\$13.0m	\$7.0m	\$2.2m	\$3.0m	\$3.85m	\$3.1m	\$3.8m	\$3.0m	\$38.45m
Shares	\$1.0m	\$2.5m	\$0.4m	\$0.4m	\$1.0m	\$0.5m	-	-	\$6.0m
Performance	\$3.0m	-	\$1.8m	\$0.6m	\$1.0m	\$1.4m	\$1.0m	-	\$8.5m

- Veris has raised equity capital of \$22m to fund acquisitions, with the balance funded from operating cash flow
- Expect to realise stronger free cash flow as performance payments are completed

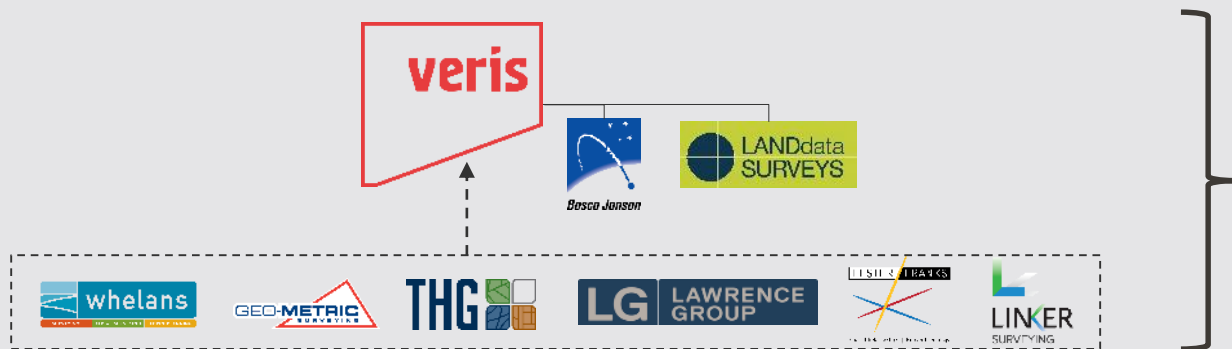
National Surveying Operations by 30 June 2018

2017

- Multiple companies and businesses
- Multiple locations
- Multiple operating systems
- Duplication of support services

30 June 2018

- One company
- One brand
- One system



Why is integration important?

Integration is pivotal in achieving our Vision to be an efficient National Professional Services Group.

- Integrate and enhance our servicing capabilities
- Develop new clients regionally and nationally
- Continue to provide and expand our services to new and existing clients
- To be a national professional services business with a culture that attracts and retains quality and innovative people
- Ability to service larger projects
- Ability to provide a full range of spatial services to our client base
- To be the employer of choice
- Synergies and cost savings leading to improvement on margins



Summary and Outlook

1H FY18

- Delivered strong growth in surveying revenue and EBITDA
- Achieved strategic goal of establishing a leading surveying business across Australia
- Awarded multi-year surveying contracts for major infrastructure projects
- Invested in people, equipment and service capability to support ramp-up of activity in 2018
- Progressed integration of Veris Surveying business
- Closed OTOC Australia and reduced overhead costs

Outlook

- Preferred exposure to the east coast development cycle and strong growth in infrastructure expenditure
- Revenue outlook supported by strong industry fundamentals and increasing survey market share in NSW and VIC
- Enacted measures to improve EBITDA margins and conversion to cash flow
- Acquisition of Elton Consulting establishes a second and complementary growth pillar – Professional and Advisory Services
- >\$100m annual professional services revenue

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Thank you

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