

ASX ANNOUNCEMENT

13 November 2019

WestStar secures transformational acquisition of Alltype Engineering

WestStar Industrial Limited (“WestStar”) (ASX: WSI), an Australian industrial services company providing engineering, construction and mining services to the resources, energy and infrastructure sectors, is pleased to advise that it has executed a Share Sale Agreement (“Share Sale Agreement”) to acquire 100% of Alltype Engineering Pty Ltd (“Alltype”) (the “Acquisition”).

Alltype diversifies and expands WestStar’s capability to provide end to end project solutions through workshop fabrication, site installation, construction and maintenance services to a broad range of industries, in both the private and public sectors.

Highlights

- WestStar to acquire 100% of Alltype in a fully funded and all-scrip transaction
- Alltype is an Australian oil & gas focussed provider of steel fabrication, installation and maintenance services
- An established and profitable business, Alltype expands and de-risks WestStar’s operations by broadening its service offering; bringing contracted recurring revenues; and providing a broad and diversified customer base
- WestStar’s portfolio expands the Group’s service offering, bringing ongoing contracts and greater exposure to the oil & gas, water and power generation sectors
- Alltype has delivered revenues of ~\$250M over the past 13 years.
- FY19 pro forma (unaudited) combined group financial metrics are summarised below:

Annual revenue	~\$60M
EBITDA	~\$3M
Combined cash balance	~\$12M

- The Acquisition delivers ~\$4.0M of 100% owned state-of-the-art property, plant and equipment assets
- All-scrip consideration of ~\$5.9M upfront and deferred consideration subject to Alltype achieving FY20 EBITDA targets, both tranches escrowed 12 months from issue
- Alltype’s experienced management team to join WestStar



Commenting on the Acquisition, WestStar Group CEO Robert Spadanuda noted:

“Alltype is a well-established and respected name in the industry and WestStar looks forward to pursuing the strategic integration opportunities, along with a greater diversity in disciplines and proven client relationships that Alltype provides. This Acquisition broadens WestStar’s horizons and will significantly accelerate it towards increased revenues and earnings.

With the addition of Alltype, continued growth in SIMPEC and continued execution of our growth strategy, we look forward to continuing to build a strong, diversified, engineering company. We look forward to welcoming the Alltype team to WestStar.”

Alltype Overview

Established in 1985 and with a current workforce of around 120 personnel, Alltype is a leading provider of workshop fabrication, site installation, construction and maintenance services to the Oil & Gas, Water, Power Generation, Infrastructure, Mining, Resources, Utility, Petrochemical and Defence industries, in both the private and public sectors across Australia.

Alltype’s head office and state-of-the-art manufacturing facilities are located in Naval Base, Western Australia, providing excellent proximity to rail, road and port transport infrastructure and ready access to supply chain support and services. Alltype has a long track record of sustainable earnings and in FY19 delivered revenue of \$29.8M and FY19 EBITDA of ~\$2.0M. Alltype broadens WestStar’s service offering with:

- **Significant steel fabrication capability** and capacity from its 7,000m² fully equipped workshop
- **Industrial maintenance services** including shutdowns and mechanical upgrades
- **A national delivery capability**, having undertaken projects across the Oil & Gas, Water, Power Generation, Infrastructure, Mining, Petrochemical and Defence industries, in the private and public sectors, with Alltype’s customers including



Acquisition Rationale

Alltype is a compelling acquisition for WestStar, providing scale and diversification with a substantial increase in revenues and earnings. With no cash consideration payable, the Acquisition is fully funded and provides WestStar with:

- **Vertical and horizontal integration:** Alltype is highly complementary to WestStar’s existing operations, providing meaningful opportunities for vertical integration and cross selling across a widened customer base
- **Recurring revenues:** Alltype’s capabilities add to and de-risk WestStar’s portfolio, in particular facilitating growth in asset management and maintenance contracts with recurring revenue
- **Diversification:** Alltype provides WestStar with an expanded national customer base, as well as access to the important oil & gas, water and power generation sectors
- **Track record of results:** Alltype is an established operator with 35 years of earnings history which provides a robust revenue baseline
- **Management strength:** the Alltype team will bring significant industry experience and customer relationships to WestStar
- **Synergies:** there is potential for significant synergies and cost savings to be achieved in the combined group

Alltype management team set to bolster the WestStar Group

Alltype’s executive management team, including part owners Mr Kelvin Andrijich (Managing Director) and Mr Colin Heitman (Chief Operating Officer) will join WestStar to continue to manage the Alltype business.

Mr Heitman commenced with Alltype in 1988 as an Estimator and Project Manager, progressing to the role of Managing Director in 1997 which he held for 20 years until 2017 when, following Alltype’s continued growth, he stepped into the Chief Operating Officer role, taking responsibility for project delivery and workshop operations.

Mr Andrijich joined Alltype as Managing Director in 2017 and has 25 years of experience across the oil and gas industry and complimentary industries including power generation and water infrastructure. His experience is underpinned by multidiscipline construction and fabrication projects, including EPC delivery models, and extends through whole of life service and maintenance businesses. Mr Andrijich has held directorships and executive roles in companies of varying size, geography and diversity, both in Australia and internationally and was most recently Director Oil and Gas for Valmec Australia Pty Ltd and Managing Director of Enerflex Australasia Pty Ltd.

Mr Andrijich commenting on the Acquisition stated:

“We are excited by the opportunity to join WestStar and see it as a valuable opportunity for each of Alltype and WestStar to continue their growth with there being significant opportunities from a combination of the Alltype and WestStar businesses. Colin Heitman and I look forward to joining WestStar as part of the executive management team, as well as new WestStar shareholders.”

Acquisition Details

Alltype is expected to hold ~\$4.0M of plant and equipment at completion of the Acquisition. Acquisition Consideration comprises the issue of WestStar shares consisting of:

- Initial Consideration Shares valued at \$5,927,292 (“**Initial Consideration Shares**”) priced at the volume weighted average price (VWAP) for WestStar shares during the seven (7) days on which trades have occurred following satisfaction (or waiver) of the conditions precedent.
- Deferred Consideration Shares (“**Deferred Consideration Shares**”) with the value of Deferred Consideration Shares determined subject to Alltype achieving a FY20 EBITDA of 70% of its FY19 EBITDA (**minimum EBITDA**):
 - If the minimum EBITDA is not achieved, the Deferred Consideration is nil;
 - If the minimum EBITDA is achieved, the Vendors will earn shares to the value of ~\$467,000;
 - The value of the Deferred Consideration Shares earned increases with the EBITDA achieved until a maximum EBITDA (maximum EBITDA) of \$2.5 million;
 - If Alltype achieves the maximum EBITDA, the Vendors will earn the maximum number of Deferred Consideration Shares payable to the value of ~\$4.4 million, with the maximum number of shares issuable capped at 243,387,647;
 - the Deferred Consideration Shares will be priced at the VWAP for WestStar shares during the seven (7) days on which trades have occurred before the day on which the Deferred Consideration Shares are issued.

The current proposed timetable for the Acquisition is set out below:

Event	Date
ASX announcement of Acquisition	13 November 2019
Despatch of Notice of Meeting for approval of issue of Shares as consideration for the Acquisition	15 November 2019
Meeting of WestStar shareholders to approve the Acquisition	24 December 2019
Satisfaction (or waiver) of conditions precedent and Completion of Acquisition	2 January 2020

Further details of the transaction terms are included in the Appendix. Further information on Alltype and the Acquisition will be provided in the coming days in an Investor Presentation to be released to the ASX.

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About WestStar

WestStar Industrial Limited (ASX: WSI) is an industrial services company in the resources, energy and infrastructure markets with a focus on mining services and industrial contracting for tier 1 clients.

WestStar, through its subsidiaries 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.

Joining with Alltype, WestStar will be a leading provider of steel, plate and piping fabrication, installation and maintenance services with an additional focus on the oil and gas, water and power generation sectors Australia wide.

About Alltype (www.alltypeengineering.com.au)

Alltype Engineering leverages off its fabrication capability and provides complete project solutions including site installation, construction and maintenance services, across almost every industry in Australia.

Alltype's products and services have been delivered and installed state-wide, nationally and internationally through its workshops and on-site and can be found on land, offshore on islands, FPSO's and platforms, below ground and even subsea.

Supported by Alltype's team of experienced multi-disciplinary project personnel, Alltype delivers consistent quality products and services that underpin Alltype's commitment to its vision "to be recognised as the preferred partner in delivering integrated fabrication, site and maintenance services with reliable, innovative and cost-effective solutions".

Appendix

Shares in WestStar are to be issued to the Vendors of Alltype as upfront consideration and deferred consideration subject to achievement of earnings targets. The effect of the Acquisition on the capital structure of WestStar is set out below:

	Shares	Options
Current issued capital	615,754,616	Nil
Consideration Shares¹	237,091,680	Nil
Deferred Consideration²	175,239,106	Nil
Total	1,028,085,402	Nil

Notes:

- Based on an example price of Shares of \$0.025. The actual number of shares to be issued will be determined using the VWAP of Shares for the 7 trading days on which trades have occurred before the Settlement Date and represent a dollar value of \$5,927,292. This means that the actual number of Shares that can be issued as Consideration Shares under the Acquisition may be greater or less than this assumed number at the Settlement Date.
- Based on an example price of Shares of \$0.025. The actual number of shares to be issued will be determined following the announcement by WestStar on its ASX announcements page of the audited financial results for FY20, and is the number of Shares that, when multiplied by the VWAP for WestStar's Shares during the 7 days on which trades have occurred before the Issue Date, represent a dollar (\$) value based on the following model;

$$\text{Value of the Deferred Consideration Shares (in \$)} = [(\text{Maximum EBITDA} \times 3.50) + \text{Net Cash} - 5,927,292]$$

This example figure assumes a maximum number of Shares that can be issued as Deferred Consideration Shares based upon an example FY20 EBITDA that is greater than the Maximum EBITDA of \$2,500,000. This means that the actual number of Shares that can be issued as Deferred Consideration Shares under the Acquisition may be greater (up to a maximum of 243,387,647) or less than this assumed number at the Issue Date.

Settlement of the Acquisition is subject to the satisfaction of the following outstanding conditions precedent:

- Mr Colin Heitman (a Vendor) entering into an employment agreement with WestStar as the "General Manager";
- WestStar obtaining approval for the issue of the Initial Consideration and Deferred Consideration Shares from WestStar shareholders at a general meeting expected to be held in late December 2019;
- WestStar obtaining all required governmental, regulatory, ASX and ASIC approvals, licences and permits necessary for the Acquisition to complete and for WestStar to operate its business. Satisfaction of this condition precedent is subject to ASX approving WestStar's application to ASX for waivers of the following ASX Listing Rules:
 - ASX Listing Rule 7.3.2, to allow WestStar to issue the Deferred Consideration Shares outside of the 3-month period commencing from Shareholders approving the issue of the Deferred Consideration Shares; and
 - ASX Listing Rule 7.3.3, waiving WestStar's obligation to specify the issue price of the Initial Consideration Shares and the Deferred Consideration Shares in the Notice of Meeting, which must be either a fixed price, or, may not be lower than 80% of the VWAP of the WestStar's shares calculated over the last 5 days on which sales of WestStar Shares were recorded;
- the entry of Alltype's vendors into escrow agreements in respect of the consideration shares for a period of 12 months from the date of issue;
- on or prior to the settlement date, the Vendors providing various Vendor guarantees;
- Settlement of an unrelated agreement between the Vendors; and
- Execution by WestStar and Alltype of a lease agreement for 52 Hope Valley Rd, Naval Base, 6165, Western Australia, on standard commercial rates and terms.