

ASX/NEWS RELEASE – OTC

25 November 2014



ACQUISITION OF INFRASTRUCTURE SURVEYING FIRM

Highlights:

- OTOC has continued to deliver on its strategy of creating a premium multi-disciplinary national surveying business through an agreement to acquire Geo-Metric Surveying for up to \$12.0m.
- The consideration comprises \$7.0m in cash funded from existing cash reserves and \$2.5m in OTOC shares. Up to a further \$2.5m is payable in performance payments subject to Geo-Metric achieving EBIT of at least \$3.0m in two respective 12-month performance periods¹.
- The purchase price represents a multiple of 4.0x EBIT and approximately 3.5x EBITDA based on the annual performance hurdle.
- Geo-Metric is a privately owned infrastructure and engineering surveying consultancy established in Sydney in 2001, with offices in New South Wales, Queensland, Western Australia and Victoria.
- Geo-Metric is a recognised expert in complex infrastructure projects including railways, tunnels, roads and bridges, and is highly leveraged to the projected increase in civil infrastructure expenditure.
- The acquisition provides OTOC with specialist infrastructure surveying capabilities and exposure to the substantial infrastructure investment underway and forecast for the east coast of Australia (\$180bn in non-resources construction expenditure in next 5 years)².
- 42% of the total purchase is in OTOC shares and performance payments, aligning Geo-Metric management to ongoing earnings performance.
- The acquisition will diversify and enhance OTOC's end-user exposure, revenue and earnings.
- The acquisition is expected to be earnings per share accretive in FY2015.

Transaction Overview

OTOC Limited (**OTOC**) is pleased to announce it has entered into an agreement to acquire Geo-Metric Surveying Pty Ltd (**Geo-Metric**), a specialist infrastructure and engineering surveying consultancy for up to \$12.0m (the **Acquisition**).

Geo-Metric was established in 2001 and has offices in Sydney, Brisbane, Gladstone, Perth and Melbourne and employs approximately 52 staff. Geo-Metric is a recognised expert in the provision of specialist surveying solutions for civil infrastructure (railways, tunnels, bridges and roads) and resources projects. Geo-Metric has developed proprietary guidance software and monitoring systems and has specialist surveying equipment.

With a client base predominantly of tier-one contractors such as Thiess, Leighton, Fulton Hogan and Acciona, Geo-Metric is ideally positioned to capitalise on the substantial current and planned civil infrastructure investment on the East Coast of Australia. Research indicates that over \$180 billion in non-resources civil construction expenditure is planned for the East Coast over the next five years².

Geo-Metric has a strong track record of profitability, with an average EBITDA margin of approximately 28% over FY2012-FY2014, with a demonstrated ability to scale-up in response to strong demand.

The Director-Principals of Geo-Metric remain closely aligned to future performance with long-term employment contracts and a significant component of the purchase price in OTOC shares and performance payments (42%). The performance payments are payable over 2-years subject to Geo-Metric achieving earnings before interest and tax (EBIT) of at least \$3.0 million in two respective 12-month periods.

¹ Performance Period 1 commences 1 February 2015

² Source: BIS Shrapnel, non-resources civil construction 2014-2018 (April 2014)

Transaction Terms

The key terms of the Acquisition are set out below:

Structure	<ul style="list-style-type: none">Acquisition of 100% of the shares in Geo-Metric
Purchase price: Cash	<ul style="list-style-type: none">\$7.0m payable at settlement (to be adjusted based on the difference between the net assets of Geo-Metric between 30 June 2014 and 31 January 2015)
Purchase price: OTOC Shares	<ul style="list-style-type: none">\$2.5m in new fully paid ordinary OTOC shares12.0m shares to be issued at 30-day pre-announcement VWAP of \$0.208Shares subject to a voluntary escrow period of 12-months for 50% and 24-months for the remainder
Purchase price: Performance	<ul style="list-style-type: none">Annual Performance Payment of up to \$2.5m payable over 2-years on achievement of financial hurdles (maximum of \$1.25m in any period)If EBIT is at least \$3.0m in a Performance Period, the Annual Performance Payment would be \$750,000 plus \$0.50 of performance per \$1.0 of EBIT over \$3.0mPerformance Payments are 50% in cash and 50% in OTOC sharesPerformance Period 1 commences 1 February 2015Example: if EBIT is \$3.5m in Performance Period 1, the Performance Payment would be \$0.75m + $[(\\$3.5m - \\$3.0m) \times \\$0.50] = \\$1.0m$
Employment contracts	<ul style="list-style-type: none">The Director-Principals of Geo-Metric will enter into employment contracts with a 2-year period, an option to renew for a further 2-years and a non-compete period of 4-years
Completion	<ul style="list-style-type: none">Completion is expected in the coming weeks following satisfaction of conditions precedent
Conditions precedent (at OTOC's election)	<ul style="list-style-type: none">Completion of due diligence by OTOCReceipt of consents and approvals required by Geo-MetricExecution of employment agreements with the Director-PrincipalsNo Material Adverse ChangeAny approvals required by OTOC

Strategic Rationale

The Acquisition is another key step in the execution of OTOC's national surveying growth strategy and has compelling strategic rationale:

- ✓ New product capability – specialist infrastructure and engineering surveying
- ✓ Complementary to land and urban development focus of Whelans and Bosco Jonson
- ✓ New geographic markets of New South Wales and Queensland, and strengthens existing market positions in Western Australia and Victoria
- ✓ Leveraged to substantial forecast East Coast infrastructure investment over the next 5 years
- ✓ Excellent management team aligned to future performance of Geo-Metric and the national strategy
- ✓ Strong financial performance and growth potential
- ✓ Further diversifies OTOC's end-user exposure and revenue base, with reduced reliance on resources

Following the Acquisition, OTOC's surveying, aerial surveying and planning business will have over 280 employees with offices in Western Australia, Victoria, New South Wales and Queensland.

OTOC remains in a strong position to advance the national surveying strategy, targeting acquisitions that enhance the group's geographic reach, product capability and earnings profile.

Pro-Forma Financial Impact

Pro-forma FY2014 revenue of Whelans, Bosco Jonson and Geo-Metric would have been approximately \$50m, EBITDA of \$10.0m and EBIT of \$7.4m. On a pro-forma basis the combined surveying business would have represented 36% of OTOC's revenue, 45% of EBITDA and 43% of underlying EBIT (before corporate costs).

Following a restructuring program at Whelans, and through the integration of Bosco Jonson and Geo-Metric, OTOC is confident that the EBIT margin of the combined surveying business will improve in future periods.

The cash component of the Acquisition will be funded from existing cash reserves. The Acquisition includes net working capital in Geo-Metric.

The Acquisition is expected to be earnings per share accretive in FY2015.

Commenting on the Acquisition, Simon Thomas, CEO of OTOC said:

"The acquisition of Geo-Metric is another key step in our national surveying strategy following our recent purchase of Bosco Jonson. This acquisition will enable OTOC to offer a specialist infrastructure and engineering surveying product capability throughout the national network and gain direct exposure to the substantial infrastructure investment underway in New South Wales, Queensland and Victoria."

"Geo-Metric's infrastructure surveying expertise and geographic exposure is extremely complementary to our land and urban development focus in Western Australia and Victoria."

"We are very pleased to welcome the Geo-Metric team to OTOC and look forward to working closely with them as we continue to build a premium national surveying business."

Thomas Brueggemann, founder and Director of Geo-Metric said:

"On behalf of the Geo-Metric team, I am proud to announce this combination with OTOC, recognising the strong industry reputation we have built over more than 10 years."

"Geo-Metric is proud of its track record of completing a range of complex, high profile projects such as the Hunter Expressway, Brisbane Airport Link, Lane Cove Tunnel, North South Bypass Tunnel, Bruce Highway Upgrade, Epping-Chatswood Rail Link, WICET, Gorgon and APLNG."

"The Geo-Metric brand and team will remain in place, and with the backing of OTOC's national group resources, we are very well positioned to capitalise on the strong demand for infrastructure surveying services."

Advisors

GMP Securities is acting as Financial Advisor and Steinepreis Paganin is acting as Legal Advisor to OTOC.

- Ends -

About OTOC

OTOC Limited is a leading provider of infrastructure services through its wholly owned operations OTOC Australia, Whelans and Bosco Jonson.

OTOC Australia specialises in the installation of infrastructure for government, mining and oil and gas projects.

Whelans and Bosco Jonson are leading surveying, aerial surveying and urban design businesses operating in Western Australia and Victoria respectively.

For further information please

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