



**Company Announcements Office
Australian Securities Exchange**

22nd September 2014

**NEW ACQUISITION
PACIFIC ENVIRONMENT LIMITED ACQUIRES DLA ENVIRONMENTAL**

Pacific Environment Limited (PEH) has today entered into a binding agreement to purchase the highly respected NSW-based environmental services business, DLA Environmental (DLA).

PEH Chairman Murray d'Almeida commented, "We are very pleased and excited to announce the acquisition of DLA. David Lane and his team have established a strong and well respected business over the past 15 years and we look forward to working with their team to promote their service offering to our clients through our national network of offices and professionals".

The transaction details are as follows:

- (i) Total consideration to be paid of 3.0x Target EBIT (Earnings Before Interest & Tax) of \$918,000 subject to the points below.
- (ii) The initial cash payment will comprise 40% of the total consideration and the remainder will be made across two equal annual instalments subject to point (v) below.
- (iii) Target EBIT has been determined by a normalised weighted average of the last 3 years' EBIT performance as follows:
 - 20% of 2012FY EBIT
 - 30% of 2013FY EBIT
 - 50% of 2014FY EBIT
- (iv) The normalisation process includes adjustment items such as market salaries for the vendor, a contribution to PEH corporate overhead and exclusion of revenue items that are expected to be one-off events.
- (v) Upside and downside EBIT based payment triggers are in place that may increase or decrease the total amount paid in the deferred payments. This is designed to reduce risk and reward outperformance as follows:
 - For each \$1 achieved in excess of target EBIT \$0.50 will be added to the deferred payment.
 - For each \$1 short of target EBIT \$1.00 will be deducted from the deferred payment.
- (vi) Founder and vendor, David Lane is to be contracted to the business for a further two years.
- (vii) The transaction is to be an asset sale.
- (viii) All payments are to be comprised of 100% cash.
- (ix) The initial payment to the vendor will be funded by a mixture of PEH's internal cash reserves and bank debt. Future payments are expected to be funded in the same manner.

Summary of key synergies:

- Strong and growing profitability demonstrated over the last three years, as assessed in the Due Diligence process.
- Significant potential for cross-selling of service offerings across both organisations' client bases.
- National expansion of the DLA business from their NSW base.
- DLA will use the Pacific Environment back-office systems, which allows for further cost savings for the Group.

The transaction is expected to be completed in early October.

Head Office:

Level 1, 146 Arthur Street
North Sydney 2060
www.pacific-environment.com

P: 02 9870 0900
E: info@pacific-environment.com

Pacific Environment Limited
(ASX: PEH)

ABN: 42 122 919 948



Peter White, CEO of Pacific Environment commented on the transaction and how it fits with the broader acquisition strategy for the group:

"We are delighted to welcome DLA into the Pacific Environment group. The acquisition brings a new wealth of knowledge, customers and networks and further strengthens and broadens our suite of environmental services. The opportunity presents synergies on multiple fronts and we look forward to working with the DLA team over the coming months and years."

"In terms of raw numbers the addition to the bottom line profit is transformational for the group and we will work closely with the DLA team to expand from their NSW base through leveraging on the existing PEH office and client network."

David Lane, Managing Director and founder of DLA said, "We are thrilled to become part of a larger group of highly skilled specialists. This will provide growth opportunities for our employees, and will be a critical move to enable DLA to become established across multiple states".

About DLA

DLA is a long-standing environmental business based in Sydney and Maitland specialising in contaminated land assessment and remediation projects. DLA services a range of sectors including property development, heavy industry, infrastructure and local government.

"We strive to provide innovative commercial solutions for our clients to address their environmental issues and concerns. We continue to experience increasing demand for our services and joining the Pacific Environment group will allow us to leverage off their strength to service this demand through sustainable growth of our operations"

- David Lane, Managing Director, DLA.

Murray d'Almeida concluded by stating:

"Our acquisition approach seeks strong, profitable companies such as DLA that we can purchase on similar terms and connect their successful business with our strong operational platform that supports and nurtures growth. We are currently in discussions with a number of other groups and we expect to make further announcements before the end of the calendar year."

For more information contact CEO Peter White on 02 9870 0900 or email peter.white@pacific-environment.com

-End-

Head Office:

Level 1, 146 Arthur Street
North Sydney 2060
www.pacific-environment.com

P: 02 9870 0900
E: info@pacific-environment.com

Pacific Environment Limited
(ASX: PEH)

ABN: 42 122 919 948