

Mastermyne Group Limited
Acquisition of DMS

October 2014

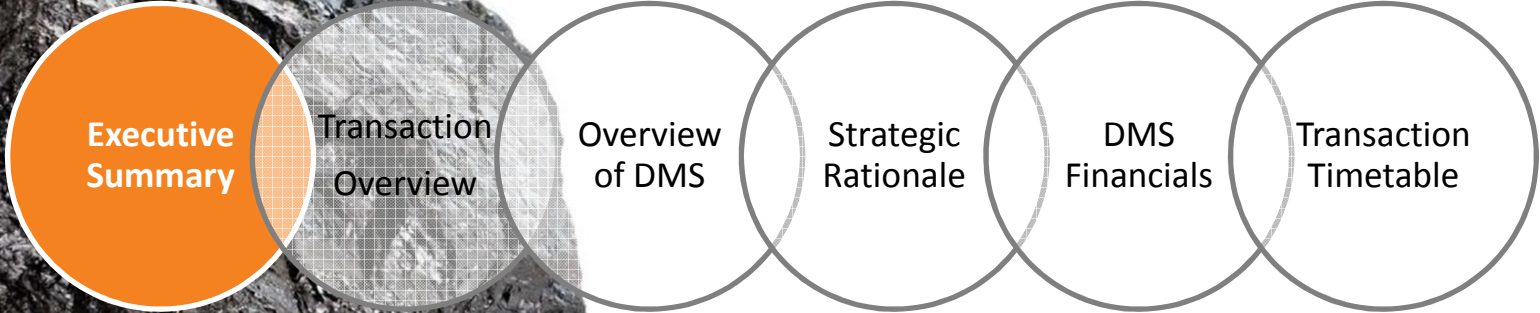


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CONTENTS

Executive Summary	3
Transaction Overview	5
Overview of DMS	7
Strategic Rationale	15
DMS Financials	17
Transaction Timetable	19



Executive Summary

- Mastermyne Group Limited (ASX:MYE) (“**MYE**”) is a leading provider of specialised services to the Australian coal mining industry.
- MYE has agreed to acquire Diversified Mining Services Ltd (“**DMS**”), a leading maintenance, engineering and contract mining services provider for \$20.0 million¹.
- The acquisition of DMS is in keeping with MYE’s strategy of:
 - Expanding MYE’s service offering through its Services Division; and
 - Complementing and leveraging from the very strong position MYE has in the underground coal sector.
- The acquisition is expected to be EPS accretive in FY2015 and on a full year pro-forma basis.²

1. \$9.7 million of MYE shares and \$10.3 million of cash used to payout DMS’s debt and other restructuring costs which excludes approximately \$0.6 million of DMS transaction costs.
2. MYE Management forecast for DMS for FY2015 on a full year, pro-forma basis and before one off transaction and restructuring costs.





Executive
Summary

**Transaction
Overview**

Overview
of DMS

Strategic
Rationale

DMS
Financials

Transaction
Timetable

Transaction Overview

- The \$20.0 million consideration will be structured as:
 - 15.6 million MYE shares with a total issue price of \$9.7 million of shares issued to the shareholders of DMS.
 - \$10.3 million of cash from which will be applied to DMS debt and restructuring costs¹.
- Cash consideration to be funded through existing debt facilities.
- DMS is an unlisted public company and MYE and DMS have entered into a Scheme Implementation Deed (“**SID**”) under which it is proposed that MYE will acquire all of the DMS shares outstanding by way of a scheme of arrangement (“**Scheme**”).
- As part of the transaction, DMS has put in place a plan to significantly reduce overheads and premises not required following a combination with MYE.
 - Surplus head office staff and leases will be rationalised on completion of the transaction.
- Acquisition is expected to earn approximately \$6.7 million EBITDA and \$5.5 million EBIT on a full year pro-forma basis after taking into account cost savings as a result of the restructure of the business and combination with MYE.²
 - MYE is acquiring DMS on 3.0x FY15 EV/EBITDA and 3.6x FY15 EV/EBIT.²

1. \$10.3 million is an estimate of the cash required to payout DMS’s outstanding loans and other restructuring costs after estimated DMS profits from August to Implementation and excludes approximately \$0.6 million of DMS transaction costs.
2. MYE Management forecast for DMS for FY2015 on a full year, pro-forma basis and before one off transaction and restructuring costs.





Executive
Summary

Transaction
Overview

Overview
of DMS

Strategic
Rationale

DMS
Financials

Transaction
Timetable

Overview of DMS

- Leading provider of services to a range of industries, primarily focussed on maintenance and mining services in Queensland and NSW.
- Established in 2009 by experienced industry professionals and private equity investors through the aggregation of several well respected businesses in the mining services sector focussed on the coal industry.
- Over 300 employees.
- DMS operations throughout QLD and NSW include:
 - Bowen Basin – Mine site operations.
 - Gladstone – DMS engineering and fabrication workshop and industrial facility operations.
 - Mackay – Engineering and fabrication workshops, administration office and coal export facility operations.
 - Hunter Valley – Administration office, workshop and mine site operations.



Overview of DMS

A leading maintenance provider – Corrosion inspection, painting and protective coatings



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Overview of DMS

A leading maintenance provider – Scaffolding, rigging and facility repair



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Overview of DMS

A leading maintenance provider – Equipment shutdown support and poly welding



Overview of DMS – Business Units

Maintenance



Leading industry expertise in industrial, mining and offshore facilities

- Scaffolding and rigging
- Protective coatings
- Poly welding
- Scheduled maintenance
- On-site repairs

Engineering



Leading provider of engineering services via fully equipped workshop facilities and on-site line boring

- Specialist fabrication
- Machining
- Line boring
- Design and consulting

Mining



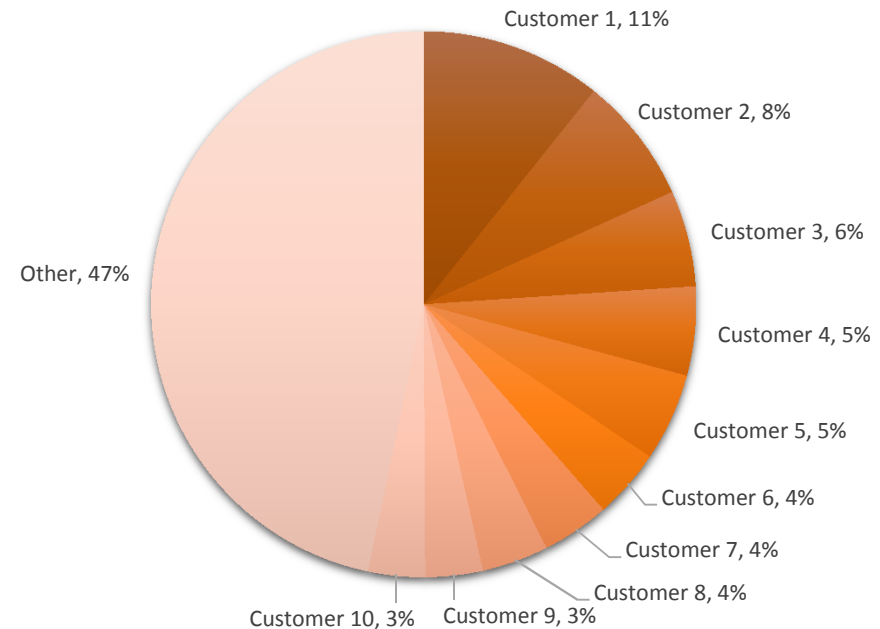
Full range of specialist support services to the underground coal mining industry

- Ventilation services
- Outbye services
- Ventilation products
- Gas drainage equipment fabrication/installation
- Secondary support

Overview of DMS – Customers

- Blue chip clients in the mining, downstream metalliferous processing, prime contracting and mining infrastructure industries.
- Specialist in overwater scaffolding.
 - In April 2014 was awarded a five year multi-million dollar contract for the provision of scaffolding services at a major coal export facility in Mackay.
- DMS's major customers include:
 - Major coal export facility – Maintenance
 - BMA – Maintenance
 - Queensland Alumina Limited – Engineering
 - Xstrata – Mining
 - Peabody – Mining
 - Vale – Mining

Low customer concentration¹



Note: Percentages represent the proportion of DMS's revenue based on the pro-forma FY14 results of continuing businesses.



Overview of DMS – Business Highlights

- The restructured DMS business will consist of DMS's Maintenance, Engineering and Mining business units, their required facilities and staff.
- MYE plans to actively grow each of the DMS business units and is not planning for any staffing changes, other than rationalisation of head office employees which would otherwise create unnecessary duplication.
- Strengths of the restructured DMS business include:
 - ✓ Diversified service offering
 - ✓ Significant presence in coal sector
 - ✓ Recurring revenue streams
 - ✓ Dedicated and well respected management team and workforce
 - ✓ High quality customer base
 - ✓ Right-sized business positioned for growth





Executive
Summary

Transaction
Overview

Overview
of DMS

**Strategic
Rationale**

DMS
Financials

Transaction
Timetable

Strategic Rationale

✓ Diversification

- Well respected service provider which will significantly increase the range of services that MYE can offer to the mining and other industries.

✓ Business fit

- Business operations on similar commercial and operational terms as the Company currently operates.
- Enhances Mastermyne's current capabilities and specialities to existing customers.

✓ Growth

- Provides a platform for Mastermyne to pursue new opportunities in maintenance.

✓ Synergies

- Potential synergies with MYE's existing operations.
- Cross marketing opportunities.

✓ Attractive valuation

- 3.0x FY15 EV/EBITDA and 3.6x FY15 EV/EBIT¹.
- EPS accretive.

1. MYE Management forecast for DMS for FY2015 on a full year, pro-forma basis and before one off transaction and restructuring costs.





Executive
Summary

Transaction
Overview

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Strategic
Rationale

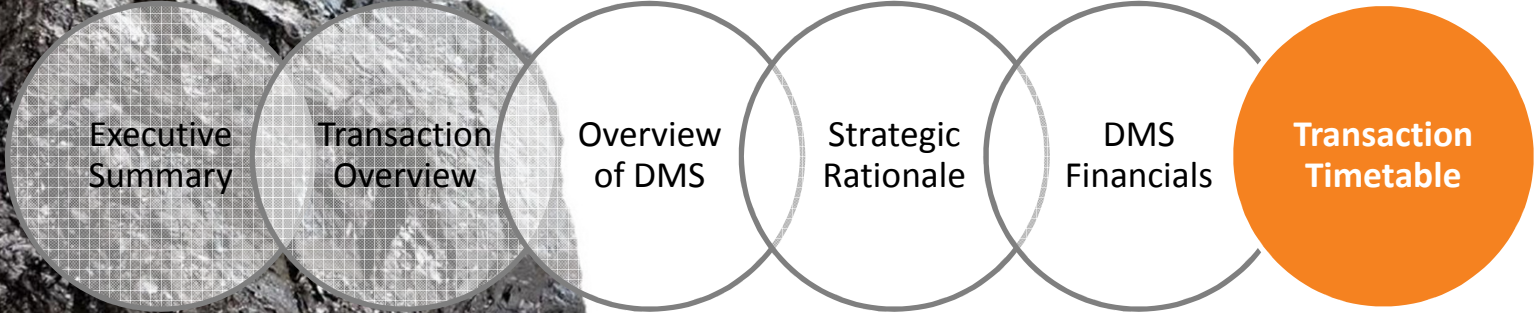
**DMS
Financials**

Transaction
Timetable

DMS Financials

- Over the past 12 months DMS has been through a process of restructuring its business to meet market conditions.
- In March 2014, DMS divested its Mining Equipment manufacturing, service and support business.
- DMS forecast the continuing business will earn revenue of \$57 million in FY15.
- MYE Management forecast for DMS for FY15 on a full year, pro-forma basis and before one off transaction and restructuring costs is approximately \$6.7 million EBITDA and \$5.5 million EBIT.
- MYE and DMS have put in place a plan to rationalise surplus head office staff, leases not required, insurance and IT services on completion of the transaction.
- DMS owns approximately \$7.5 million of plant and equipment.





Transaction Timetable

Event	Date
Announcement of the transaction	26 September 2014
First Court hearing	Early November
Despatch of Scheme booklet to DMS shareholders	Early November
DMS Scheme Meeting	Late November
Second Court hearing	Early December
Implementation	Mid December



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