

ASX Announcement

24 July 2019

MMA Offshore to acquire Neptune Marine Services business

- **MMA Offshore Limited ("MMA") to acquire the business of Neptune Marine Services Limited ("NMS"), an ASX listed subsea services provider, by acquiring its key operating subsidiaries ("Transaction")**
- **NMS is a leading provider of inspection, maintenance and repair solutions to the oil and gas, marine and renewable energy industries with operations in Australia, South East Asia, and the UK**
- **Consideration expected to total approximately \$18.5 million in aggregate, which would comprise \$5.0 million cash plus the issue of approximately \$13.5 million¹ worth of shares in MMA to NMS**
- **Consideration based on the assumed net asset value of the business² and determined on a cash and debt free basis**
- **The acquisition will provide MMA with a strong platform to expand its subsea services business and value add to MMA's existing subsea vessel offering**
- **Transaction is expected to contribute to MMA earnings in an improving market and as revenue and cost synergies are realised**
- **Combined business is expected to benefit from a recovery in offshore and subsea investment**
- **Completion of the acquisition is subject to a number of conditions including NMS shareholder approval, and the approval of the shareholders of MTQ Corporation Limited ("MTQ") of Singapore, the parent company of Blossomvale Investments Pte Ltd ("Blossomvale"), NMS's controlling shareholder, with general meetings for the purposes of seeking those approvals expected to be held in October and September, respectively**

¹ This assumes that the volume weighted average price of MMA shares in the 30-day period ending on the date that is two business days before completion (of the acquisition) is \$0.25 or less, in which case the assumed issue price will be (and the number of shares to be issued will be determined by reference to) that 30-day VWAP, subject to a minimum issue price of \$0.20 per share.

² The consideration payable by MMA will be subject to adjustment in the event the actual net asset value of the business at completion is less than the assumed value.

- **The Directors of NMS have unanimously recommended that NMS shareholders vote in favour of the Transaction in the absence of a superior proposal**
- **Blossomvale has indicated that, subject only to receipt of approval from MTQ's shareholders (as contemplated above and discussed elsewhere in this announcement), it intends to vote in favour of the Transaction in the absence of a superior proposal**

Overview

MMA Offshore Limited announces that it has entered into an agreement to acquire the business of Neptune Marine Services Limited by acquiring NMS's key operating subsidiaries ("Sale Agreement").

The purchase consideration, which is expected to total approximately A\$18.5 million, would comprise \$5.0 million cash ("Cash Consideration") with the balance of the consideration to be issued in MMA shares on completion ("Consideration Shares").³

MMA Managing Director, Mr. Jeffrey Weber, said: *"The acquisition of the Neptune business represents an important step in MMA's strategy to expand its subsea service offering to existing and new clients."*

Combining MMA's vessel assets with NMS's subsea equipment and technical expertise will result in a stronger service offering to both MMA's and NMS's existing clients and provide an opportunity for MMA to capture a greater proportion of the value chain.

Importantly, the services that NMS provides do not directly compete with our existing clients in the sector and we continue to see these partnerships as a key platform in our subsea strategy going forward.

The acquisition is expected to enhance MMA's return on assets through packaging value adding services to our vessels.

As the offshore market improves, we expect the combined business to benefit from a recovery in offshore and subsea investment".

³ This assumes the volume weighted average price of MMA shares in the 30 day period ending on the date that is two business days before completion (of the acquisition) is \$0.25 or less, in which case the assumed issue price will be (and the number of shares to be issued will be determined by reference to) that 30-day VWAP, subject to a minimum issue price of \$0.20 per share. If the 30-day VWAP is greater than \$0.25, then the implied value of the MMA shares will be more than approximately \$13.5 million up to a maximum implied value of approximately \$16.2 million – see the paragraph titled "Consideration and Funding" for further details.

About NMS

NMS is a leading provider of topside and subsea inspection, maintenance and repair solutions to the oil and gas, marine and renewable energy industries. Listed on the ASX and headquartered in Perth, Western Australia, NMS services predominantly Tier 1 oil and gas, and marine infrastructure clients through its operational centres in Australia, South East Asia and the UK.

Key services include Asset Integrity and Inspection; Commercial Diving; Survey and Positioning; Shallow water ROVs; Subsea, Pipeline and Topside Engineering; Subsea Protection and Stabilisation, NEPSYS™ Dry Underwater Welding; and Manufacturing, Assembly and Testing services.

NMS generated revenue of \$84 million and EBITDA of \$0.4 million for the financial year ended 31 March 2019 up from revenue of \$68 million and an EBITDA loss of \$(7.9) million the prior financial year. Net assets as at 30 June 2019 excluding cash and related party loans were approximately \$18.5 million⁴.

Strategic Rationale

The acquisition is consistent with MMA's strategic growth objectives and represents a key milestone in MMA's strategy to expand its subsea service offering.

Key strategic benefits include:

- **Expansion of MMA's subsea service offering** through the combination of MMA's vessel assets and NMS's subsea equipment and technical expertise;
- **Strong regional and cultural fit** with an overlapping regional presence in Australia, South East Asia and a strong focus on quality and safety;
- **Complementary Tier 1 Client Base** enabling cross selling of services and enhancement of client relationships across multiple levels of the oil and gas development cycle;
- **Improved service offering** to both NMS and MMA clients - the Transaction will enable NMS to offer an improved service to its clients through guaranteed access to MMA's owned and chartered fleet, MMA's fleet capability will be enhanced with pre-mobilised equipment and packaged services and the combined business will have a broader scope of innovative engineering capability;

⁴ The net asset was derived from NMS's consolidated accounts for June 2019, which have not been audited.

- **Increased asset utilisation** expected through the improved combined service offering utilising vessels which can be drawn from MMA's existing fleet;
- **Enhancing Return on Assets** through the acquisition of a low capital-intensive business combined with the incremental margin on MMA's vessels through the provision of additional value-added services to our clients;
- **Revenue synergies** through incremental margin on MMA vessels, improved asset utilisation and cross selling of services;
- **Cost synergies** that may be realisable are estimated to be approximately \$2 million per annum (pre-tax) post completion; and
- Combined business is projected to benefit from a **recovery in offshore and subsea investment**

Transaction Structure and NMS shareholder approvals

Under the Transaction, MMA would acquire NMS's key operating subsidiaries. To ensure that such operating subsidiaries effectively comprise the entire operating business of NMS, NMS has contractually undertaken to carry out a suitable restructure of its operations prior to completion.

As the Transaction comprises the disposal of NMS's main undertaking, the Transaction must be approved by a simple majority of NMS shareholders at a general meeting of NMS Shareholders expected to be held in October (for the purposes of ASX Listing Rule 11.2 and all other purposes). As a requirement of the Singapore Exchange (on which the parent company of Blossomvale (NMS's controlling shareholder), MTQ, is listed), the shareholders of MTQ must also approve the Transaction (and MTQ's proposed guarantee of NMS's obligations under the Transaction documentation) at a general meeting of MTQ shareholders expected to be held in September. See the paragraph titled "Key Terms of the Transaction documents" for further details.

At the General Meeting of its shareholders, NMS will also seek approval to change its name (subject to completion of the Transaction). If that approval is obtained and the Transaction completes, NMS will be required to change its name within three months from the completion date.

In addition to unanimously recommending that NMS shareholders vote in favour of the Transaction in the absence of a superior proposal, the Directors of NMS also intend to vote

any NMS shares they hold or control in favour of the Transaction (again, in the absence of a superior proposal).

The Directors of NMS have stated their intention to distribute the cash and Consideration Shares in specie to all NMS Shareholders at some time following Completion. Under the Sale Agreement, the parties have agreed that the Consideration Shares issued to NMS may not be sold, transferred or otherwise disposed of for a period of 12 months following Completion, except where the Consideration Shares are transferred by way of such an in-specie distribution to all NMS shareholders.

Consideration and Funding

The purchase consideration payable pursuant to the Transaction is expected to total approximately \$18.5 million, which would comprise the Cash Consideration of \$5.0 million in cash and the issue of approximately \$13.5 million worth of Consideration Shares on completion.

The Cash Consideration has already been paid to an escrow agent as an upfront refundable deposit and was funded from MMA's existing cash resources.

The number of Consideration Shares to be issued on completion will be calculated by reference to the volume weighted average share price of MMA shares in the 30-day period ending on the date that is two business days before completion ("VWAP") in accordance with the table **below**. As shown below, the implied value of the Consideration Shares will only be approximately \$13.5 million if the 30-day VWAP is less than or equal to \$0.25. If the 30-day VWAP is greater than \$0.25, then the implied value of the Consideration Shares will be greater than approximately \$13.5 million, but can be no higher than approximately \$16.2 million (in which case, absent any post-completion adjustment to the Consideration, the total consideration payable would be approximately \$21.2 million).

30-day VWAP per MMA Share	Number of MMA Shares to be Issued to NMS	Issue Price
Less than or equal to \$0.25	13,531,000 / the Issue Price	The higher of \$0.20 and the 30-day VWAP
Greater than \$0.25 but less than \$0.30	54,124,000 shares	\$0.25
\$0.30 or greater	16,237,000 / the 30-day VWAP	The 30-day VWAP

Under all issue price scenarios, the Consideration Shares would represent less than 15% of MMA's total issued share capital. As such, MMA shareholder approval will not be required under the ASX Listing Rules to issue those shares to NMS on completion.

Based on the maximum number of Consideration Shares to be issued under the scenarios

above, NMS is expected to hold no more than approximately 7.3% of the issued capital in MMA.

Key Terms of the Transaction documents

The key terms of the Sale Agreement are summarised in Schedule 1 to this announcement. At this stage, subject to the conditions precedent to completion being satisfied or waived, completion is expected to occur by October/November 2019.

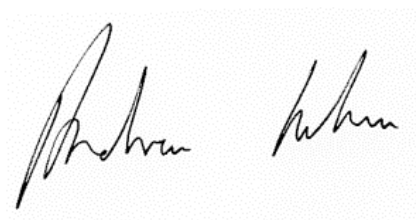
MTQ and MMA have also entered into a deed of guarantee pursuant to which MTQ has agreed to guarantee the performance of NMS's obligations under the Sale Agreement and any document contemplated by the Sale Agreement, and certain exclusivity and restraint undertakings. The guarantee component of the deed of guarantee will not become binding unless and until MTQ shareholders approve the Transaction (including the guarantee component of the deed of guarantee) at the MTQ shareholders' meeting to be convened by MTQ.

Important notices

The disclaimers contained in the accompanying investor presentation are incorporated into, and apply in respect of, this announcement.

Kind regards,

MMA OFFSHORE LIMITED



ANDREW EDWARDS
Chairman

Schedule 1

Completion of the Transaction is subject to a number of conditions precedent, including:

- approval of the Transaction by NMS's and MTQ's respective shareholders;
- there being no material adverse change in respect of NMS or MMA;
- completion of the required internal restructuring by NMS;
- counterparties to certain contracts consenting to the change of control to the target companies resulting from the Transaction; and
- certain specific authorisations being obtained by one of the target companies.

The Sale Agreement contains exclusivity and deal protection mechanisms including “no shop” and “no talk” provisions, notification rights in relation to competing offers and matching rights in favour of MMA.

In addition, each party has agreed to pay a prescribed, liquidated amount (of \$200,000) in certain limited circumstances. Insofar as MMA and its business is concerned, the quantum of that amount is not material.

The circumstances in which NMS would be required to pay such an amount include where:

- any of the conditions precedent for which NMS is responsible for satisfying is not satisfied prior to the end date of 30 November 2019 where NMS has failed to use reasonable endeavours to satisfy any such condition;
- prior to the end date of 30 November 2019 any NMS director withdraws or changes his or her recommendation in respect of the Transaction (other than where there has been a material adverse change in respect of MMA), and MMA terminates the Sale Agreement;
- MTQ shareholders do not approve the Transaction at the MTQ shareholders meeting; or
- NMS is in material breach of the Sale Agreement and MMA terminates the Sale Agreement.

In the case of MMA, it would only be obliged to pay the amount in circumstances where the Sale Agreement is terminated because MMA:

- has failed to obtain any required consent or approval of its financiers in respect of the Transaction, or a material adverse change in respect of MMA has occurred, in either case only in circumstances where MMA failed to use reasonable endeavours; or
- is in material breach under the document.

Until completion, NMS is subject to customary conduct of business restrictions, which also contemplate certain consultation rights for MMA in respect of prescribed matters.

Following completion, NMS will be subject to customary non-compete and non-solicit obligations.