

STOKES ACQUIRES STREET LIGHTING BUSINESS ARTCRAFT URBAN GROUP

“FURTHER EXPANDING ITS TECHNOLOGY OFFERING”

28 October 2016; Melbourne: Stokes Limited (ASX:SKS) is expanding into the high-growth street lighting business with the acquisition today of Artcraft Urban Group (AUG) a street lighting and pole business.

AUG has been trading over 30 years with current revenues exceeding \$5 million per annum and earnings before interest and tax (ebit) over \$400,000 per annum. The upfront purchase price is \$1.6 million with further payments subject to milestones being met over the next 12 months. The purchase price is payable by \$1 million in cash and \$600K by the issue of shares in Stokes. Included in the purchase price is \$1 million in net tangible assets and working capital.

AUG has 11 employees in three states VIC (Head office) NSW and South Australia. It operates in the street lighting and pole sectors of the lighting industry with key customers being state road authorities, councils, power authorities, civil and electrical contractors.

All public lighting luminaires must be approved by these authorities in each state. AUG has a number of products approved including new LED lanterns and AUG remains a preferred supplier to a number of these organisations.

Street lights in Australia are moving towards LED technology and AUG is well placed to be a leading supplier of these products in the coming years.

The newly acquired business is being merged with Stokes existing commercial LED lighting business under the new trading name of “Urban Lighting Group” (ULG)

AUG and Stokes now have combined work in hand of over \$12 million

“This is a highly complementary acquisition for Stokes and it was also attractive to us for its high profitability and the keen acquisition price,” said Mr Con Scrinis executive director of Stokes.

The combined sales and marketing teams will be better resourced and we expect rapid sales growth across the existing customer base.

AUG company principal Mr Murray Saint is staying with the business on a new 3 year contract.

The acquisition boosts the company’s revenues and profitability and is in line with management’s previously stated strategy of combining organic growth with acquisitions to achieve the midterm target of \$50 million per annum in revenues.

Capital Raising

The acquisition is being funded the following way.

- \$1 million in cash via a 2 year secured debt facility with interest payable at 10% pa provided by a company associated with executive director Greg Jinks.
- \$600K by the issue of 1,621,622 ordinary shares in Stokes @ issue price of 37 cents per share to the vendors of AUG.
- \$400K by the issue of 1,081,081 new unsecured unlisted convertible notes to sophisticated investors. Note terms: interest payable at 10% pa, 2 years, convertible anytime at 37 cents prior to redemption.
- Included in the acquisition price is the working capital of \$1 million that is subject to adjustments post completion

Further Information:
Con Scrinis
Executive Director
0412 331618

Rudi Michelson
Monsoon Communications
03 9620 3333