



ASX / JSE ANNOUNCEMENT

29 July 2022

DRA AGREES TO SELL APAC MAINTENANCE AND CONSTRUCTION BUSINESS

- The business of DRA's APAC maintenance, shutdown and structural mechanical piping construction business subsidiary G&S is to be sold to technical industrial services provider KAEFER Integrated Services Pty Ltd ('KAEFER')
- The transaction will see the transfer of selected key contracts, assets and liabilities to KAEFER for \$8M (before adjustments), with KAEFER maintaining a strong workforce
- A non-cash, pre-tax impairment in the range of \$17M to \$20M (revised) is expected to be recognised in DRA's HY22 statutory accounts
- DRA withdraws its underlying EBIT guidance for FY22

DRA Global Limited (ASX / JSE: DRA) ('DRA' or 'the Company') and KAEFER Integrated Services Pty Ltd ('KAEFER') have executed an agreement for the sale and purchase of the business of G&S Engineering Services Pty Ltd and G&S Support Services Pty Ltd (collectively 'G&S'), comprising selected contracts, assets and liabilities for \$8M ('Sale Agreement'). Under the terms of the Sale Agreement KAEFER will offer continued employment to the majority of G&S employees.

The sale is subject to conditions precedent standard for a transaction of this nature and is currently expected to complete before the end of the September 2022 quarter.

G&S, based in Mackay, Queensland, has a 25 year track record of delivering services to the Australian resources sector, with a focus on maintenance and shutdown services and structural mechanical piping ('SMP') construction services.

KAEFER Integrated Services is a leading provider of technical industrial services specialising in insulation, access, surface protection, passive fire protection, as well as mechanical services.

DRA Interim Chief Executive Officer James Smith said: "DRA has been undertaking a strategic review of its business, to ensure that we re-focus on our core strengths of engineering, project delivery and operations management. G&S, with its focus on operational maintenance, SMP construction and shutdown services, is not part of this core focus. We believe the G&S business will be best served under the ownership of KAEFER, where it can benefit from having an owner that is strategically aligned to providing the required investment and management focus."



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The sale comprises certain key contracts, assets and liabilities of G&S. Importantly, the new owner, KAEFER, is committed to building on G&S' work program and connection with clients and suppliers and maintaining a strong workforce.

The sale is subject to customary conditions precedent, as well as:

- novation of key contracts;
- KAEFER receiving approval for key regulatory licences held by G&S;
- replacement of existing financial guarantees or other financial securities provided by G&S under contracts; and
- execution of a transitional services agreement between G&S and KAEFER.

The transitional services agreement will be for a period of not more than three months from completion date, with corporate services principally charged on a cost reimbursable basis between the parties. DRA has agreed to guarantee the obligations of G&S under the Sale Agreement.

DRA will retain the respective legal entities and remaining elements of the business not acquired by KAEFER. Net proceeds from the sale will be applied to the funding of remaining net working capital and to reduce the residual liabilities of G&S. Current claims, which are the subject of existing litigation to which G&S is a party, will not transfer to KAEFER and will continue to be managed by the DRA Group.

The sale price is subject to adjustments including in respect of employee entitlement balances transferred at completion, restoration estimates on leased properties transferred, and no material change to the condition and existence of relevant plant and equipment.

DRA previously announced the cessation of its APAC construction business. G&S is currently loss-making, as a result of some poorly performing construction projects, and is no longer considered a core part of DRA's activities. For the financial year ended 31 December 2021, G&S contributed approximately 20.1% of Group revenue, EBITDA and profit contributions were negative, and accounted for approximately 10% of Group assets. Those proportions have since decreased.

As a result of entering into the Sale Agreement, the assets and liabilities being disposed of, including associated goodwill, will be classified as held for sale in the DRA Group's half year accounts for the period ended 30 June 2022 ('HY22'). In accordance with accounting standards, immediately before this reclassification, the recoverable amount for goodwill and other intangible assets is estimated. A revised pre-tax, non-cash impairment¹ in the range of \$17M to \$20M, primarily related to goodwill, is expected to be recognised in statutory EBIT for HY22. This will be excluded from DRA's underlying EBIT² disclosure.

The Company is also accelerating commercial negotiations to reach settlement on certain loss-making contracts that will not be transferred to KAEFER.

The re-focus of DRA's APAC business on engineering, project delivery and operations management requires a restructure to optimise these operations. Further, the Group is finalising the outcomes of its previously announced³ operating model review which is also expected to optimise the Group's corporate overhead structure.



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Considering the uncertainty regarding the final cumulative financial impact of this transaction and the above-mentioned factors on the forecast Group results for FY22, DRA withdraws its underlying EBIT² guidance for FY22. DRA anticipates providing updated underlying EBIT² FY22 guidance, which is expected to be lower, with the release of its half year results in August 2022.

- ENDS -

This announcement was approved for release by the Board of Directors of DRA Global Limited.

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About DRA Global Limited

DRA Global Limited (ASX: DRA | JSE: DRA) (DRA or the Company) is a multi-disciplinary consulting, engineering, project delivery and operations management group predominantly focused on the mining and minerals resources sector. DRA has an extensive global track record, spanning more than three decades and more than 7,500 studies and projects as well as operations, maintenance and optimisation solutions across a wide range of commodities.

DRA has expertise in mining, minerals and metals processing and related non-process infrastructure including sustainability, water and energy solutions for the mining industry. DRA delivers advisory, engineering and project delivery services throughout the capital project lifecycle from concept through to operational readiness and commissioning as well as ongoing operations, maintenance and shutdown services.

DRA, headquartered in Perth, Australia, services its global customer base through 16 offices across Asia-Pacific, North and South America, Europe, Middle East and Africa.

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DRA Global Limited
(Incorporated in Australia under the *Corporations Act 2001* (Cth))
ACN 622 581 935
ASX / JSE Share Code: DRA
ISIN: AU0000155814
("DRA" or "the Company")
JSE Sponsor: Pallidus Exchange Services Proprietary Limited

¹ Anticipated impairment is unaudited. DRA had previously estimated impairment of goodwill in the range of \$10M to \$15M as announced on 11 May 2022.

² DRA's results are reported under the Australian Accounting Standards (AAS) as issued by Australian Accounting Standards Board which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. DRA discloses certain non-IFRS measures including underlying EBITA, underlying EBIT, earnings per share and headline earnings per share that are not prepared in accordance with IFRS. These non-IFRS measures should only be considered in addition to and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

³ Refer to ASX release dated 11 March 2022.