



16<sup>th</sup> August 2007

## **CXG Acquires GEMCO Rail shares for \$33.8m**

### **Earnings Accretive for CXG**

### **NPAT Multiple of 6.75x**

### **CXG forecast FY08 NPAT to increase to \$14.7m on total sales of \$208.8m**

### **CXG EPS for FY08 to increase to 17.2c**

Yesterday Jim Ireland principal of GEMCO Rail and Mike Coote Managing Director of Coote Industrial signed a Share Sale Agreement for the purchase of GEMCO Rail by Coote Industrial Limited (CXG).

This acquisition represents a significant step forward in Coote Industrial's plans to expand its rail maintenance capabilities.

Coote Industrial's Rail Maintenance Service Division has been created to house:

Acquisition of GEMCO Rail which is a Perth based company that specialises in the manufacturing of rail products and the provision of maintenance services to rail operators in Western Australia, Queensland, South Australia, Victoria and New South Wales. Gemco provides wheelsets, bogies and in-field wagon maintenance and manufactures new and refurbished wagons, bogie component parts and customised remote controlled ballast car discharge gates. The Company also supplies a broad range of rail track maintenance equipment and recently founded Railway Bearings Refurbishment Services a wholly owned subsidiary that refurbishes bearings; and

Our team of Mechanical, Electrical, Electronic and Rollingstock Engineers, as well as, a number of very experienced rail project managers, mechanical fitters, trades and other rail related parties located mostly in Western Australia and New South Wales.

GEMCO currently employs around 200 staff mostly in Western Australia with the balance in New South Wales, Victoria and South Australia. GEMCO is forecasting FY08 NPAT of \$5.01m on total sales of \$63.8m, which increases Coote Industrial's Consolidated forecast NPAT to \$14.7m from annual sales of \$208.8m

Gemco was founded in Perth, WA in 1997 by Jim Ireland who will continue in his current role and steer the planned expansion of the operations.

*"To enable GEMCO Rail to continue to expand required capital, operational infrastructure, and additional engineering support. I was pleased to find these requirements and customer focus within the Coote Group. With completion of the sale I look forward to continuing to grow*

***CXG – Integrated Transport and Services Group***

***"Innovation, Dedication, Reliability"***

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*Gemco and to see our efforts of the last ten years bare fruit. It was very important to me personally to see the business go to a Company that I trusted and was like minded.*

*Our staff are a wonderful loyal group of people, many of those who joined us when the Company was incorporated in 1997 are still with us today. To all of our staff, Tricia and Myself would like to say a sincere thank you, the Company has grown to what it is today through your efforts. We are very proud of what has been achieved by Gemco and look forward to continuing to work with our staff in growing the business" Jim Ireland said"*

Mike Coote said he was pleased with the acquisition of this very reputable and extremely well run business. Gemco is second to none in the rail maintenance services business and has a unique capability that is not available elsewhere. Their customers are literally every major rail operator in Australia. Gemco puts us several years ahead of our plans to grow and consolidate our Rail Services business. Simply walking in the door at Gemco highlights how well structured, organised and managed the business is. The management team is first class; they know their business, their customers and their industry extremely well.

Gemco and it's people are down to earth, team orientated and have high values. Jim's values of trust, honesty, integrity and sincerity and that of his people make this company a perfect fit with our group and its values.

This Company operates within one of our five key markets and meets all of our growth criteria:

- High barrier to entry
- History of strong profits
- Stable high recurring earnings

The sale share price of \$33.8m will be satisfied by payment in cash from increased debt facilities and \$4.1m in shares with delivery of \$9.0m NTA prior to vendor dividend payment. The shares will be issued subject to shareholder approval

#### **Financial Information**

Gemco will be earnings accretive and make a positive contribution to Coote Industrial forecast FY08 numbers. Gemco is forecast to contribute \$5.01m NPAT to Coote Industrial this financial year, on sales of \$63.8m, representing an NPAT multiple of 6.75x.

Coote Industrial is targeting an increase in FY08 Group NPAT to \$14.7m increasing forecast EPS for 08 to 17.2c.

Further more detailed guidance for the 08 Year will be provided in due course.

For further information contact:

**Mike Coote    Chief Executive Officer**  
**(08) 9251 8000**

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