

ASX ANNOUNCEMENT



16 February 2023

SRG Global Enters Binding Agreement to Acquire ALS Asset Care, a Market Leader in Asset Integrity Services

SRG Global Ltd (“SRG” or the “Company”) (ASX: SRG) is pleased to announce that it has entered into a binding agreement with ALS Industrial Holdings Pty Ltd, a subsidiary of ALS Ltd (ASX: ALQ) to acquire 100% of the issued shares in ALS Industrial Pty Ltd (ALS Asset Care) (“Asset Care”) for A\$80 million.

Highlights

- SRG has entered into an agreement to acquire 100% of ALS Industrial Pty Ltd (ALS Asset Care) for A\$80 million.
- The Acquisition Price implies an FY23E EBITDA multiple of 5.2x¹ and is expected to be accretive to FY23E earnings pre any revenue and cost synergies.
- SRG intends to fund the acquisition via a combination of:
 - Up to A\$51.4 million in equity raised via a A\$46.4 million fully underwritten institutional placement and a non-underwritten SPP for up to A\$5 million;
 - A\$30 million drawn from a new secured term loan with National Australia Bank; and
 - Existing cash on hand as at 31 December 2022.
- The acquisition is highly strategic, with Asset Care’s market leading technical expertise in front-end asset integrity and reliability services complementing SRG’s existing back-end maintenance expertise.
- The combined group brings together two highly complementary businesses that provide significant cross selling opportunities with existing and complementary customers.
- The acquisition accelerates SRG’s transition to recurring, annuity earnings, with ~99% of Asset Care’s FY23E revenue maintenance related and a significant proportion contracted.

Overview of Asset Care

Asset Care is a 100%-owned subsidiary of ASX-listed ALS Ltd (ASX:ALQ) and specialises in asset integrity and reliability services with core end-markets in mining, oil & gas, energy, infrastructure and utilities. Asset Care has been operating for 65+ years and employs 600+ people, with sites located across Western Australia, Victoria, New South Wales and Queensland, and a 70% East / 30% West geographic split.

Asset Care provides a broad range of services, including integrity & reliability engineering, inspection, testing, condition monitoring and certification. Asset Care is expected to deliver FY23E revenue of A\$135 million¹ and EBITDA of A\$15.4 million¹, prior to realising any revenue or cost synergies.

¹ Annualised estimate based on Asset Care’s actual results for the 9-months ended 31 December 2022 and 3-month forecast to 31 March 2023, given ALS Ltd report on a March FY-end basis.

ASX ANNOUNCEMENT



Strategic Rationale

Asset Care is highly complementary to SRG's existing business. It is also consistent with SRG's stated strategy of delivering step change growth in recurring Asset Maintenance Services and completing the asset management lifecycle by adding capability and expertise in front-end inspection and testing.

1. Strategic Highlights

- Asset Care is the Australian market leader in asset integrity and reliability services across core common end-markets to SRG.
- Asset Care's front-end inspection and testing services complement SRG's existing back-end maintenance expertise, broadening SRG's services offering to provide a full end-to-end asset lifecycle sustainability solution.
- Multiple avenues for growth by leveraging Asset Care's existing platform, market position and leading in-house developed technology across the existing SRG business.
- Well tenured Asset Care management team and highly skilled workforce of 600 FTEs to be retained with the business, bringing decades of relevant experience and technical capability to SRG.

2. Financial Highlights

- The Acquisition Price implies an FY23E EBITDA multiple of 5.2x¹ and is expected to be accretive to FY23E EPS(A) basis prior to realising any revenue or cost synergies and is expected to be accretive to margins.
- Delivers a step-change in EBITDA +21%¹.
- Asset Care operates a capital-light business model (capex ~2-3% of revenue) and has historically delivered free cash flow conversion in excess of 100%.
- Accelerates SRG's strategy to transition towards recurring earnings, with 99% of Asset Care's FY23E revenue derived from recurring, annuity-style maintenance services.

Commenting on the acquisition, SRG Global Managing Director, David Macgeorge, said:

"A combined SRG Global and Asset Care brings together two highly complementary market leading businesses that enhance and accelerate the combined group's growth ambitions.

"Asset Care is a business that we have followed for some time and see a significant opportunity to create value by combining our complementary asset maintenance services, portfolios of tier-1 clients, core end markets, strategic locations Australia-wide, and market leading technologies and systems. Importantly, the acquisition will enhance SRG Global's capabilities to provide a full end-to-end asset lifecycle sustainability solution, strengthening our offering to clients and re-enforcing our market leading position in asset sustainability services.

ASX ANNOUNCEMENT



“SRG Global has maintained prudent financial discipline in relation to the transaction, with the acquisition expected to be accretive on an FY23E EPS(A) basis (before any revenue or cost synergies) and funded with a mix of equity, debt and cash to ensure we maintain a strong balance sheet.

“We acknowledge the expertise and professionalism of Asset Care’s 600+ employees and the significant amount of work undertaken, alongside ALS Ltd, to grow the business into the market leader it is today. We are delighted to welcome the Asset Care team to the SRG Global family and look forward to the exciting future that lies ahead for the combined Group.”

Proposed Acquisition Funding

SRG will acquire 100% of the issued shares of Asset Care for A\$80 million (“**Acquisition Price**”).

The Acquisition Price and associated transaction costs will be funded through a combination of the following funding sources (together, the “**Acquisition Funding**”):

- Up to A\$51.4 million in equity raised via a fully underwritten institutional placement for A\$46.4 million and a non-underwritten Share Purchase Plan (“**SPP**”) for up to A\$5 million (together the “**Offer**”).
- A\$30 million drawn from a new secured term loan with National Australia Bank; and
- Existing cash on hand as at 31 December 2022.

New Shares issued via the Placement and SPP will rank equally with existing SRG shares from respective issue dates and will be entitled to the interim dividend for the half year ended 31 December 2022 of 2 cents per share, payable on Friday, 14 April 2023.

Institutional Placement

SRG is undertaking a fully underwritten institutional placement of approximately 64.4 million new fully paid ordinary shares (“**New Shares**”) to raise A\$46.4 million (before costs) at an issue price of A\$0.72 per New Share (“**Offer Price**”) (“**Placement**”).

The Offer Price represents a:

- 4.6% discount to the last closing price of A\$0.755 per share on Wednesday, 15 February 2023; and
- 6.0% discount to the 5-day volume weighted average price of A\$0.766 per share up to and including Wednesday, 15 February 2023.

The Placement will take place in a single tranche pursuant to the Company’s existing placement capacity in accordance with ASX Listing Rule 7.1. Accordingly, no shareholder approval is required for the Placement. The Placement will result in approximately 64.4 million New Shares being issued, representing approximately 14.4% of SRG’s existing issued capital. New Shares issued under the Placement will rank *pari passu* with the Company’s existing fully paid ordinary shares from the date of issue. Settlement of New Shares under the Placement is expected to occur on Tuesday, 21 February 2023, with allotment scheduled for Wednesday, 22 February 2023.

ASX ANNOUNCEMENT



Barrenjoey Markets Pty Ltd (“**Barrenjoey**”), Shaw & Partners Ltd and Euroz Hartleys Ltd are acting as the Joint Lead Managers to the Placement, with Barrenjoey also acting as the sole Underwriter to the Placement. Barrenjoey acted as exclusive financial adviser, PwC as accounting and tax adviser and, Herbert Smith Freehills as legal adviser to the Company.

Further details of the Offer are set out in the Company’s investor presentation lodged with the ASX today. The investor presentation contains important information including key risks of investing in SRG and foreign selling restrictions with respect to the Placement.

Share Purchase Plan

Eligible SRG shareholders, being shareholders who had a registered address in Australia or New Zealand on SRG’s register at 7.00pm (AEDT time) on Wednesday, 15 February 2023 (**Eligible Shareholders**), will be invited to subscribe for up to \$30,000 of New Shares under the SPP at the Offer Price (A\$0.72 per New Share).

It is intended that the SPP raise up to A\$5 million and it is not underwritten. SRG retains the right to accept oversubscriptions or to scale back applications at its absolute discretion. New Shares issued under the SPP will rank equally with existing SRG shares from the date of issue.

The SPP is expected to open on Thursday, 23 February 2023 and close at 5.00pm (AEDT time) on Wednesday, 8 March 2023, unless extended.

Further details of the SPP will be set out in the SPP Offer Booklet, which will be released to ASX and made available to Eligible Shareholders on or around Thursday, 23 February 2023. The SPP Offer Booklet will contain instructions on how to participate in the SPP. The SPP is subject to the terms and conditions set out in the Offer Document.

Indicative Timetable

The key dates for the Placement and SPP are set out below:

Key events	Date
Record date for SPP	7.00pm AEDT, Wednesday, 15 February 2023
Trading halt and announcement of Acquisition, Placement and SPP	Thursday, 16 February 2023
Placement bookbuild	Thursday, 16 February 2023
Trading halt lifted – trading resumes on ASX	Friday, 17 February 2023
Settlement of New Shares issued under the Placement	Tuesday, 21 February 2023
Allotment and normal trading of New Shares issued under the Placement	Wednesday, 22 February 2023
Dispatch SPP offer documents and SPP offer open date	Thursday, 23 February 2023
SPP closing date	5.00pm AEDT, Wednesday, 8 March 2023
Allotment of SPP shares	Wednesday, 15 March 2023

SPP or amend all or any of these dates and times without notice (including extending the period for the SPP or accepting late applications), subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. All dates and times are Australian Eastern Daylight Time, unless otherwise specified.

ASX ANNOUNCEMENT



Investor Briefing

SRG will conduct an investor and analyst briefing at 08.00am (WST) / 11:00am (AEDT) today. The briefing will cover SRG's 1H FY23 financial results (also released to the ASX today), followed by the acquisition of Asset Care and the Acquisition Funding. Please click the access link below to join the call.

Access link <https://ccmediaframe.com/?id=T7ctCBng>

– ENDS –

CONTACT

Judson Lorkin
Group Financial Controller & Company Secretary
SRG Global
+61 8 9267 5400

ABOUT SRG GLOBAL

SRG Global is a diversified industrial services company bringing an engineering mindset to deliver critical services for major industry across the entire asset lifecycle of engineer, construct and sustain. The Company has over 2,600 employees across three operating segments of Asset Maintenance, Mining Services and Engineering & Construction. Our vision is to be the most sought-after in what we do through “Making the Complex Simple”. For more information about SRG Global, please click [here](#).

This announcement was authorised for release to ASX by the Managing Director.

ASX ANNOUNCEMENT



Important Notices

This announcement should be read subject to the disclaimer in the investor presentation released by SRG to the ASX today (as if references in that disclaimer to “this presentation” were to “this announcement”). The information contained in this announcement does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire SRG shares and is not intended to be used or relied upon as the basis for making any investment decision. The information in this announcement does not contain all the information necessary to fully evaluate an investment in SRG. It should be read in conjunction with the other materials lodged with ASX in relation to the Acquisition and Offer (including the investor presentation and the key risks set out therein), and SRG’s other periodic and continuous disclosure announcements. This announcement has been prepared without taking into account the investment objectives, financial situation or needs of any individuals. Before making any investment decisions, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. SRG is not licensed to provide investment or financial product advice in respect of SRG shares. Cooling off rights do not apply to the acquisition of SRG shares pursuant to the Placement or SPP.

Forward Looking Statements

This announcement contains certain forward-looking statements. These forward-looking statements are based on SRG's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of SRG, which could cause actual results to differ materially from such statements. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of SRG’s business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are strongly cautioned not to place undue reliance on forward-looking statements. SRG makes no undertaking to subsequently update or revise the forward-looking statements made in this announcement, to reflect the circumstances or events after the date of this announcement.

Not for release to US wire services or distribution in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act of 1933 and applicable US state securities laws.