



GR ENGINEERING SERVICES
ENGINEERING CONSULTANTS AND CONTRACTORS

ASX RELEASE

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For immediate release to the market

GR Engineering Acquires Leading Process Controls Business

GR Engineering Services Limited (ASX: GNG) (**GR Engineering** or the **Company**) is pleased to announce that it has entered into an agreement to acquire Mipac Holdings Pty Ltd (**Mipac**), a leading global provider of control systems engineering, automation and technology services.

Transaction highlights

- Diversifies GR Engineering's offering into the delivery of standalone process control design, control systems technology supply and automation solutions.
- Enhances GR Engineering's control system design capabilities and expands its service offering from both its broader mineral processing design and construction business and Upstream Production Solutions Pty Ltd, the Company's oil, gas, energy and water business.
- Mipac is forecasting FY21 revenue of approximately \$25 million. Similar revenue is anticipated for FY22, supported by Mipac's current order book and pipeline.
- Purchase price of up to \$21.4 million, with \$14.5 million payable on completion by a combination of existing cash plus scrip, and the balance deferred subject to meeting EBITDA targets.
- Mipac's current management team have agreed to continue in their roles post-completion.
- Anticipated that the transaction will be immediately earnings per share (EPS) accretive.

About Mipac

Founded in 1997, Mipac has operated for nearly 25 years on projects in Australia and internationally. Mipac employs approximately 85 employees across its offices and project site locations. The business is headquartered in Brisbane and has a satellite office in Vancouver.

Mipac has a proven business model and long term relationships with tier 1 and other clients requiring continuous control systems solutions for complex, business critical operations, primarily in the mineral processing, energy and water industries. Mipac provides products and services globally, with over 300 projects completed across the six major continents.

The business has a strong order book of projects in Australia and globally, providing services and products to assets owned and operated by leading resources companies and infrastructure operators. The business has a strong safety record and culture across its skilled workforce.

Mipac's strong management team, represented by the majority of the selling shareholders, have committed to continuing their roles in the Mipac business and are aligned with GR Engineering to maintain Mipac's strong performance and deliver anticipated growth.



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Benefits for GR Engineering

Mipac is forecasting FY21 revenue of \$25 million. Mipac's current order book and pipeline support similar revenue assumptions for FY22. GR Engineering anticipates that the transaction will be immediately earnings per share (EPS) accretive.

Process controls have become increasingly relied upon as a platform to extract efficiencies and improve safety outcomes in processing operations through the adoption of technology and software solutions. Advances in control system design and product technologies and their adoption in operations are being mandated across the industry by leading industry participants to support the safe and optimised performance of assets.

The acquisition of Mipac provides GR Engineering with an opportunity to offer standalone control systems engineering, automation and technology solutions to its clients through the supply of advanced control systems design services, product supply, installation and procurement works.

GR Engineering self performs design, procurement and installation works for control systems within its mineral processing design and construction operations through its in-house process control systems engineering team. It is anticipated that Mipac will supplement and enhance GR Engineering's offering in this area. An opportunity also exists for Mipac's skillset and capabilities to be leveraged into a broader offering from Upstream Production Solutions Pty Ltd, the Company's wholly owned oil, gas, energy and water services business.

Key Transaction Terms

GR Engineering has agreed to acquire 100% of the shares of Mipac for up to \$21.4 million. The sellers of Mipac comprise 19 shareholders, 17 of which are associated with existing personnel engaged by Mipac.

The initial purchase price consideration of \$14.5 million is payable on completion, with \$7.5 million payable in cash (subject to completion adjustments for working capital and net debt) and \$7.0 million of scrip payable in fully paid ordinary shares of GR Engineering.

Further consideration of up to \$6.9 million (\$2.0 million in cash and the balance in GR Engineering shares) may become payable on or prior to 31 October 2021 (up to \$3.5 million) and 31 October 2022 (up to \$3.4 million), subject to Mipac achieving agreed normalised EBITDA targets. Mipac's results will be subject to external audit.

The purchase price is structured to promote the ongoing alignment of the sellers with GR Engineering through earnings based deferred consideration and the retention of key Mipac personnel.

The cash payment to be paid or that may be payable under the share sale agreement is to be funded from GR Engineering's existing cash reserves.

Scrip consideration payable under the transaction is to be valued at the 30 day volume weighted average price of GR Engineering's ordinary shares trading on ASX, calculated prior to the signing date of the share sale agreement in respect of the initial purchase price consideration and as at the relevant payment dates for any deferred scrip consideration. All shares issued as purchase price consideration will be subject to a 12 month voluntary escrow arrangement from the date of issue.

Completion of the share sale agreement is conditional upon the satisfaction of conditions precedent, including in respect of obtaining third party consents, retaining the services of key personnel and other conditions customary for an agreement of this nature. It is anticipated that completion will occur prior to 31 May 2021.



Given the proposed timing for completion of the transaction, it is not anticipated that the acquisition of Mipac will have a material impact on GR Engineering's earnings in the financial year ending 30 June 2021.

Key management and personnel

Mipac has been managed by its major shareholders since its inception in 1997. Mipac's current Managing Director and major shareholder, Mr Eddie De Rivera, has agreed to continue in this role post-completion.

Commenting on the acquisition, Mr Geoff Jones, Managing Director of GR Engineering said:

"Mipac is a highly regarded control systems design engineer and supplier of innovative technology solutions to the mineral processing industry. The acquisition of Mipac is a unique opportunity for GR Engineering to expand the breadth of the group's offering and to leverage Mipac's capability as an enhancement to GR Engineering's existing businesses."

Mipac's Managing Director, Mr Eddie De Rivera, said:

"Mipac is excited to become a part of GR Engineering. The Mipac team is looking forward to contributing to GR Engineering's vision and strategy, and providing a broader and enhanced offering to the combined customer bases of GR Engineering and Mipac."

Ends.

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