



ACQUISITION OF REEF MAGIC CRUISES PTY LTD (“RMC”)

MONDAY 3RD APRIL 2017

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AGENDA

Acquisition Summary

The Business – overview

The Business - financials

Transaction Funding and Impact



ACQUISITION

On 2 March 2017, SKB executed a MOU with Reef Magic Cruises Pty Ltd (RMC) which set out the proposed terms of a potential transaction between the parties

On 31 March 2017, 6.30pm AEDT, SKB executed a Security Sale Agreement (SSA) which confirmed the proposed terms of the sale of shares in RMC to SKB

Under the terms of the SSA, SKB will acquire all of the shares in RMC for a consideration of AUD\$15m, with completion due 1 May 2017. The consideration is to be paid in the following manner:

Deposit \$500,000

Paid on completion \$14,000,000

Retention amount paid to lawyer trust account \$500,000



SKB has entered into an agreement to acquire Reef Magic Cruises Pty Ltd (“RMC”)

Transaction Overview	⦿ SKB to acquire RMC, one of Cairns leading Great Barrier Reef tourism company's' ⦿ RMC operate an outer reef snorkel and dive adventure in Australia's largest adventure, leisure and travel destination, Cairns, Far North Queensland ⦿ Operates under the brand Reef Magic Cruises and Marine World ⦿ Acquisition cost of A\$15m for business, vessels, pontoon and other assets (insured valuation of assets \$11.5m)
Compelling Strategic Rationale	⦿ Expected to be materially EPS accretive to SKB shareholders from settlement ⦿ Creates diversified portfolio of adventure tourism assets, activities and service offerings ⦿ Key RMC activities are growing strongly, expected to add in excess of A\$3.1m EBITDA (annualised) to SKB ⦿ Executes on SKB's growth strategy; acquisitions and diversification ⦿ SKB has an experienced leadership team with a track record of execution of successful strategic acquisitions and management of adventure tourism businesses

Transaction Funding	⦿ The transaction will be 100% funded through bank debt
Attractive Financial Rationale and Expected Financial Impact	⦿ Significant and complimentary synergies to cross promote reef tours with existing Cairns based skydiving, white water rafting, canyoning and hot air ballooning businesses (currently RMC have no shop front to sell products like SKB/Raging Thunder do) ⦿ Cost synergies, including but not limited to: kitchen and food preparation; RMC have an existing commercial kitchen operation where RMC self-prepare the food requirements for the RMC product; SKB currently outsource its food preparation for white water rafting and Fitzroy Island reef trip products ⦿ Anticipated to deliver significant value to SKB shareholders ⦿ Proposed transaction expected to be substantially EPS accretive in FY18 ⦿ SKB expected to maintain prudent capital structure, with low debt/equity ratio ⦿ Intention to maintain dividend in accordance with company dividend policy ⦿ Will continue to pursue strategic and synergistic growth opportunities in FY17 and beyond



OVERVIEW OF RMC

RMC was established in 1997 by Tim North as a provider of outer reef snorkel and dive adventures

In September 2002 RMC installed a 2-storey reef platform known as 'Marine World' at Moore Reef, a premium outer reef location 45km off the coast of Cairns.

RMC offer the following products:

Marine World Outer Reef cruise – the primary product which includes travel to the reef, snorkelling equipment, glass bottom boat and semi-submersible tours and catering. Optional activities can be purchased include marine biologist guided snorkel tour and safari, introductory diving, certified diving, helmet diving, reef scenic helicopter flights, SeaBob and professional remedial massages

Reef Opulence – exclusive use variation to the Marine World cruise, including travel by private charter helicopter and sole access to the Marine World platform for up to 3 hours

Magic 2 snorkel & dive – an outer reef snorkel and dive tour at 2 unique sites chosen from 12 outer reef moorings

Reef Magic Charters – chartering of RMC vessels over a 1,100km stretch from the Whitsundays (south) to Lizard Island (north)



OVERVIEW OF RMC (CONT)

Permit as issued by Marine Parks allows for an additional 46% passengers to Marine World per day; RMC has long tenure with its permits

Total annual passenger numbers across all products offered by RMC exceed 60,000 per year, an increase from approximately 16,000 in 2001

RMC employ around 100 people with almost 70 full-time staff. A number of key staff have been with the company for in excess than five years.

In addition to tour operational staff, RMC employs a marine biologist in the role of Reef Education Co-ordinator who is responsible for the Reef Education programme in more than 30 local schools.

Boats - In 2007 Reef Magic 2 was constructed – a \$4.5 million 30 metre fast catamaran (capacity 240). In 2013 Reef Magic 3 was constructed and has seating capacity of 350 .

Received a Gold Medal in the 2015 Queensland Tourism Awards for a ‘Major Tour and Transport Operator’





FINANCIALS OF RMC

Strong Passenger growth

	FY14	FY15	FY16	1H17
Passengers	53,048	55,468	60,810	35,792

Strong Revenue growth

	FY14	FY15	FY16	1H17
Revenue	9.5m	10.4m	12.0m	6.8m



FINANCIALS OF RMC

Strong Normalised EBITDA growth

	FY14	FY15	FY16	1H17
Normalised EBITDA	1.5m	2.4m	3.1m	1.9m

Improved Normalised EBITDA margins

	FY14	FY15	FY16	1H17
Normalised EBITDA (%)	15.8%	23.4%	26.1%	28.3%





TRANSACTION FUNDING OF RMC

On 29 March 2017, National Australia Bank (“NAB”) provided the Board of Directors of SKB a Credit Approved Term Sheet outlining the proposed funding model

NAB have agreed to fund 100% of the transaction through the combined financing structure of a Cash Advance and a Master Asset Finance Agreement



VISION OF SKB

The acquisition of RMC is part of the overall strategy that will see SKB become the largest and most respected adventure tourism company in the world





REAFFIRMATION OF FY17 OUTLOOK AND GUIDANCE

SKB reaffirms its FY17 outlook and guidance of Revenues of \$91.7m and EBITDA (normalised) of \$21.8m, provided normal weather patterns occur during this period.

With the acquisition of RMC, SKB announces the updated FY17 outlook and guidance (including 2 months contribution of RMC) will be:

Revenue \$93.2m

EBITDA (normalised) \$22.1m

