

26 August 2024

Tasmea Limited Announces Strategic Acquisition of Future Engineering Group: Strategic Expansion to capitalise on the rapidly growing electrification demand in Australia

Investment Highlights

- Tasmea Limited ("Tasmea") to acquire Future Engineering & Communication Pty Ltd and associated entities for an estimated A\$84.5 million, the acquisition is expected to deliver A\$15.5 million in maintainable EBIT under Tasmea's ownership.
- The acquisition is expected to be highly Earnings per Share ("EPS") accretive, delivering approximately 21% EPS accretion, enhancing shareholder value and reflecting the strong financial performance projected under Tasmea's ownership.
- This acquisition positions Tasmea to capitalise on the rapidly growing electrification demand in Australia, supporting the integration of critical renewable energy sources into existing grids to ensure stability, reliability and a more sustainable supply that aligns with our customers focus to reduce their carbon emissions.
- Significant synergistic benefits with existing Tasmea subsidiaries such as Tasman Power, Sigma Power Services, Tasman Rope Access, A Noble & Sons, ICE, Dingo Concrete Services and other Tasmea subsidiaries to drive immediate operational efficiencies, with opportunities to cross-sell our services to a new suite of customers.
- The acquisition further strengthens Tasmea's strategy to expand its specialist trade skill services offering focusing on maintenance, shutdown, breakdown and brownfield upgrade services of fixed plant and essential assets into industries/sectors with strong tailwinds.

Summary of Acquisition

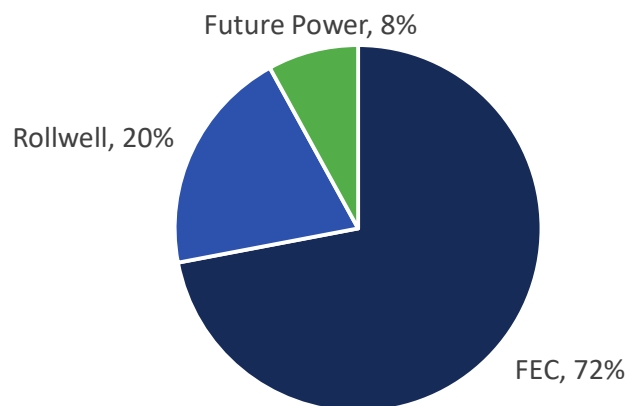
Tasmea is pleased to announce that it has executed Share and Unit Purchase Agreements with the unitholders and shareholders of Future Engineering Group of entities to acquire 100% of the units and shares in Future Engineering Group, which includes Future Engineering & Communication Unit Trust ("FEC") and its associated entities Future Power Pty Ltd ("Future Power"), Rollwell Pty Ltd ("Rollwell") and Westplant Pty Ltd ("Westplant") (collectively referred to as "Future Engineering Group" or "FEG"). Completion is expected to occur on or about 30 August 2024.

Future Engineering Group, established in 1992 and based in Western Australia, specialises in the design, supply, and installation of communication structures and high voltage powerline infrastructure. With a workforce of 139 employees, Future Engineering Group serves a diverse range of customers, including electricity providers, mobile phone carriers, and mining companies across Australia and overseas.

The Future Engineering Group of companies provide the following specialist trade skill services:

- FEC provides design, fabrication, installation and maintenance of high-quality powerline and communication infrastructure solutions;
- Future Power provides design, construction, installation, maintenance and inspection of overhead power lines, high voltage substation and switchgears, and other electrical services;
- Rollwell provides design, fabrication, and rolling and pressing for engineering projects; and
- Westplant is an internal plant and equipment holding entity.

FY2024 FEG Revenue Contribution



FEG generates its revenue from a long-term and diversified customer base, with 41% of FY2024 revenue derived from its top 10 customers. FEG has achieved a 3-year revenue Compound Annual Growth Rate ("CAGR") of circa. 10% and EBIT CAGR of circa. 28% between FY2021 and FY2024, with a strong pipeline and three Master Service Agreements in place underpinning the secured and recurring revenue in FY2025.

The acquisition consideration consists of the following elements:

- 1) upfront cash payment after purchase price adjustments of A\$52.5 million;
- 2) the issue of A\$17.5 million in Tasmea shares (7,000,000 escrowed shares at an issue price of A\$2.50 per share, which has been guaranteed at the time the shares are released from escrow following the release of Tasmea's FY2025 full year audited results); and
- 3) 37.7% of NPAT generated by FEG for FY2025, FY2026 and FY2027 as an uncapped cash earn-out payment paid on 31 October for the financial year just ended.

The acquisition is expected to be highly Earnings per Share accretive, delivering approximately 21% EPS accretion, enhancing shareholder value and reflecting the strong financial performance projected under Tasmea's ownership.

FEG key management executives have committed to long term employment agreements and will participate in Tasmea long term incentive plan which will enable them to share in the expected electrification trends and growth of the business.

The acquisition is to be funded from existing cash reserves, the issue of Tasmea scrip and a new A\$50 million debt acquisition facility, with the earn-out payments being funded from future cash profits generated by FEG.

Delivering Value

In particular, all of Tasmea's main customers are key participants in Australia's need to transition to green energy. The acquisition of Future Engineering Group aligns with Tasmea's core strategy of focusing on essential infrastructure services, supporting the transition to green energy, and expanding our specialist trade skill services offering across Australia.

Driving synergies

The acquisition presents numerous synergies with existing Tasmea subsidiaries:

- **Tasman Power & ICE Engineering:** Future Engineering Group's expertise in high voltage powerline infrastructure will complement Tasman Power and ICE Engineering's existing services, enhancing their project capabilities and expanding their service offerings in the energy sector.
- **Sigma Power Services:** Future Engineering Group's capabilities in powerline construction and maintenance will synergise with Sigma Power Services specialised high voltage engineering commissioning expertise and services, expanding their reach and enhancing their service delivery in the power and energy sector.
- **A Noble & Son:** Future Engineering Group's purchases a significant quantum of cable stays for its towers which it is expected that A Noble and Sons should be able to benefit from this relationship.
- **Dingo Concrete Services:** The acquisition with Future Engineering Group will allow Dingo Concrete to provide pre-cast concrete bases for powerline infrastructure customers, significantly reducing transport costs and improving operational efficiencies in the Pilbara region.
- **Tasman Rope Access:** The acquisition will enable cross-selling opportunities, where Tasman Rope Access can offer maintenance and inspection services for Future Engineering Group's powerline and communication structures, ensuring their longevity and reliability.

These synergies and collaboration between the Tasmea specialist trade services subsidiaries is expected to generate operational efficiencies, enhance service delivery, and open up new revenue streams across Tasmea's subsidiaries.

Furthermore, presently there is very little cross over between FEG's customer base and Tasmea's existing subsidiaries customer base, providing a significant opportunity to cross sell the specialist trade skill services which the Tasmea Group has to offer.

Importantly, this acquisition now positions Tasmea with end-to-end electrical capabilities, enabling us to offer fully integrated solutions from start to finish— a rare capability in the industry.

Comments from Management:

Stephen Young, Managing Director of Tasmea Limited, commented, “We are excited to welcome Future Engineering Group into the Tasmea family. This acquisition is not only a strategic fit but also a significant leap forward for our Company. Rapid electrification trends present a compelling opportunity for Tasmea, and Future Engineering Group’s expertise positions us perfectly to capitalise on these attractive tailwinds in the Australian marketplace. We foresee extensive synergies with cross-selling opportunities across our subsidiaries enhancing our service offerings and operational efficiencies. This acquisition reinforces our commitment to supporting Australia’s energy transition, investing in industries with strong investment themes and ensuring we remain at the forefront of this transformative phase of energy transition.”

Craig Davies, Managing Director of FEG, “we are very much looking forward to joining the Tasmea Family and working with its Executive Management Team on the many collaboration opportunities we believe exist between our two specialist trade services organisations and our respective customers to realise the growth opportunities for both of our businesses whilst providing value for our customers. We have already lodged a joint tender bid with one of Tasmea’s subsidiaries for one of their existing customers.”

For further information, please contact:

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This announcement was authorised for release by Stephen Young on behalf of the Board of Tasmea Limited.

About Tasmea Limited:

Tasmea owns and operates 22 inter-dependent leading Australian diversified specialist trade skill services businesses focused on essential shutdown, programmed maintenance, emergency breakdown, and brownfield upgrade services of fixed plant for a blue-chip essential asset owner customer base. Tasmea provides outsourced specialist maintenance to fixed plant for essential industry asset owners in six growing industry sectors: mining and resources, oil and gas, defence, infrastructure and facilities, power and renewable energy, telecommunications, and retail, waste and water.

About Future Engineering Group:

Future Engineering & Communication Pty Ltd is an Australian owned powerline and telecommunication engineering organisation specialising in the design, supply, and installation of powerline infrastructure, lattice towers, steel monopoles, guyed masts, and custom-designed structures. Rollwell provides tower fabrication capability services to FEC and Future Power as well as other third-party customers. With over 30 years of experience, Future Engineering Group has a proven track record of delivering high-quality, cost-effective solutions tailored to clients' needs.

Overview of the Australian Electrification Trends and Requirements:

The global shift towards electrification and renewable energy is driving substantial investment in infrastructure to support these changes. Australia's energy market is undergoing a transformative phase with increasing demand for telecommunication and powerline infrastructure to integrate renewable energy sources and stabilise the grid.

Key trends include:

- **Renewable Integration:** Significant investment is required to integrate renewable energy sources into the grid, necessitating advanced telecommunication and powerline infrastructure.
- **Grid Stability:** As renewable energy sources are intermittent, robust infrastructure is essential to ensure grid stability and reliable energy supply.
- **Regulatory Support:** Government policies and incentives are accelerating the adoption of renewable energy, further driving the need for enhanced infrastructure.

The Australian Energy Market Operator's ("AEMO") Integrated System Plan ("ISP") 'Step Change' Scenario has the following key statistics regarding the pace of Australia's electrification:

- storage capacity to increase by a factor of 16x by 2050 and by over 7x by 2030 driven by forecast growth in peak demand and the increasing penetration of intermittent generation in the power system¹;
- the retirement of up to 90% of coal-fired power stations before 2035, with the entire fleet expected to retire before 2040, making way for renewable energy sources to dominate the market²; and
- already, 12.5 gigawatts (GW) of new utility-scale generation and 1.3 GW/1.8 gigawatt-hours (GWh) of storage have entered the National Electricity Market this decade, with a further 20 GW of generation and storage progressing from planning to delivery².

The 'Step Change' scenario is AEMO's 'most likely' scenario for the 2024 ISP².

References:

1. Australian Energy Market Operator. June 2024. Energy roadmap lights the way to net zero. Accessible at: <https://aemo.com.au/newsroom/media-release/energy-roadmap-lights-the-way-to-net-zero>
2. Australian Energy Market Operator. June 2024. 2024 Integrated System Plan for the National Electricity Market. Accessible at: <https://aemo.com.au/-/media/files/major-publications/isp/2024/2024-integrated-system-plan-isp.pdf?la=en>

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