



ASX Release

25 February 2021

BABYLON ADDS THIRD PILLAR OF GROWTH WITH AUSBLAST ACQUISITION & MAJOR FUNDING PACKAGE

Highlights

- Babylon to acquire 100% of Ausblast, a specialised mining services business providing high pressure water blasting to Tier 1 clients in Western Australia
- Ausblast has a proven track record of delivering consistent high margin financial performance and in FY20 generated revenue of \$8.5m and EBITDA of \$2.0 million
- Key acquisition terms are an upfront cash payment of \$4.4 million, \$1.0 million in Babylon shares and a deferred milestone payment of \$1.0 million
- Consideration represents an FY20 EV/EBITDA multiple of 2.7x (upfront) and 3.2x (upfront and deferred) and a price / asset value ratio of 1.3x (upfront) and 1.5x (upfront & deferred)
- Babylon has firm commitments for an equity Placement of \$4.3 million and will conduct a share purchase plan to be underwritten to \$0.5 million, both priced at \$0.025 per share
- Highly experienced Ausblast management team will continue to lead the Ausblast business under Babylon's ownership
- Transformational transaction for Babylon which provides a third growth pillar and significantly enhance Babylon's scale and service offering, and ability to accelerate growth and deliver strong financial outcomes

Specialist resources service provider Babylon Pump & Power Limited (**Babylon**), (ASX: BPP) is pleased to announce that it has entered into a binding agreement to acquire Pilbara Trucks Pty Ltd trading as Ausblast (**Ausblast**) on a cash and debt free basis for an enterprise value of up to \$6.4 million (the **Acquisition**).

Ausblast is a well-established and successful business, with strong asset backing and a proven track record of consistent high margin financial performance under its existing management team which will continue to lead the business under Babylon's ownership.

Consideration for the Acquisition consists of an upfront cash payment of \$4.4 million and \$1.0 million in Babylon shares (subject to a 12-month escrow and issued at Babylon's equity raising price) and a deferred payment of \$1.0 million.

The deferred payment is subject to the Ausblast business achieving at least \$1 million EBITDA in FY23 (to be settled in cash or shares at the election of Babylon with the issue of shares being subject to shareholder approval following satisfaction of the milestone).

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The Acquisition represents an FY20 EV/EBITDA multiple of 2.7x (upfront) and 3.2x (upfront & deferred) and a price / asset value ratio of 1.3x (upfront) and 1.5x (upfront & deferred).

Completion of the Acquisition is expected in March 2021.

Babylon Executive Chairman Michael Shelby said:

“The Ausblast business is a standout opportunity and logical fit for Babylon. With our WA operations going from strength-to-strength, now is the right time to expand our offerings to include a specialist services division.

“The acquisition of Ausblast gives us a third pillar for growth without an increase in corporate overhead. The acquisition provides a broader service offering to our client base, operational efficiencies with asset maintenance and utilisation, and will deliver a step-change in our operating scale, revenue and margins.

“We are pleased that Ausblast’s proven management team will continue to lead the business and that Ausblast owners are becoming shareholders in Babylon to share in the upside and we are excited by the significant growth and benefits that can be realised under Babylon’s ownership”.

Ausblast General Manager Angus McSparran said:

“I am excited Ausblast is joining Babylon given our complementary business fit, well aligned culture and strong combined growth potential.

I consider there to be significant opportunity to grow and build upon the successful business developed by Ausblast’s founders, management team and dedicated workforce.

The Ausblast team and I are committed to continuing to provide excellent service to clients and driving the future success of the Ausblast business and Babylon.

I am also pleased the Ausblast founders have confidence in the merits of combining with Babylon and are taking Babylon shares as partial consideration and have exposure to Babylon’s future upside.”

About Ausblast

Established in 2006, Ausblast is a specialist provider of integrated maintenance and shutdown services to Tier 1 clients in the West Australian mining sector. Ausblast’s key service is high-pressure water blasting with ancillary services including abrasive blasting, vacuum loading and protective coatings.

Ausblast has an excellent health & safety record and operates a well-maintained fleet of specialised equipment from facilities in Newman and Port Kennedy to service clients across the Pilbara, Goldfields and South-West.

Ausblast is led by a highly experienced management team and utilises a specialised contract workforce of approximately 80 skilled personnel. Ausblast has a strong financial track record and in FY20 had revenue of \$8.5m and EBITDA of \$2.0 million.

There is significant opportunity to grow Ausblast’s business given large and growing demand for services, high barriers to entry and limited competition.





Ausblast's speciality services complements Babylon's existing specialty equipment rental and diesel maintenance businesses. Ausblast also adds a transformational third pillar to Babylon's business and growth strategy.

Acquisition Rationale

Ausblast is a highly complementary and accretive acquisition for Babylon which will significantly enhance Babylon's scale and service offering, accelerate growth and deliver strong financial outcomes. The compelling acquisition rationale includes:

- **Highly complementary business:** Ausblast's specialist services have significant pumping and maintenance components consistent with Babylon's core capabilities and expertise. This will enable operational efficiencies, cross-selling opportunities and cost savings to be realised. Common clients and operating regions, together with similar can-do, client first and operational excellence culture further supports a highly complementary fit.
- **Proven, high margin business:** Ausblast has consistently generated revenue of approximately \$9 million per annum at an EBITDA margin of +20% over the past 7 years under the current management team. In FY20, Ausblast had revenue of \$8.5m and EBITDA of \$2.0 million. Based on Babylon's FY20 revenue of \$17.1 million and EBITDA of \$1.0 million the acquisition of Ausblast will deliver Babylon a significant earnings and margin step-change and will be highly accretive.
- **Valuable fleet:** Ausblast provides a well-maintained fleet of specialised and valuable equipment from which Babylon can realise significant operational benefits. In November 2020, independent valuer Grays valued Ausblast's fleet to have a market replacement value of \$4.2 million.
- **Strategic operating presence:** Ausblast's facilities in Port Kennedy and in particular Newman, in the Pilbara of Western Australia, will provide Babylon an enhanced strategic operating presence, the ability to realise operational synergies and a strong platform for future growth.
- **Significant growth opportunity:** There is significant and growing demand for Ausblast's key high-pressure water blasting services given high barriers to entry and limited competition. Ausblast is considered the third largest high-pressure water blasting service provider in Western Australia with significant scope for growth. The removal of Ausblast's private ownership constraints will enable significant growth opportunities to be realised by Babylon.
- **High quality management team:** Ausblast has a highly experienced management team with leading expertise and relationships. Ausblast's management team will continue to lead Ausblast as an independent business within Babylon and are well aligned to deliver on-going success. This continuation in conjunction with Ausblast's specialised workforce provides Babylon the immediate benefit of ongoing expertise and capability that can be leveraged.



- **Attractive acquisition structure:** The acquisition of Ausblast has been attractively structured to minimise upfront cash consideration while providing Ausblast vendor's positive upside exposure through upfront share ownership.

Acquisition & Growth Funding

Funding for the Acquisition and future growth will be via a short-term unsecured bridge loan of \$3.5 million (**Bridge Loan**), an equity placement to raise approximately \$4.3 million (**Placement**) and a Share Purchase Plan that is to be underwritten to the amount of \$0.5 million (**SPP**), subject to shareholder approval. Babylon has received firm commitments for the Placement.

The Bridge Loan is being provided by Belgravia Strategic Equities Pty Ltd (an entity associated with Babylon's strategic adviser and supportive 19.1% shareholder Geoff Lord) on commercial terms with no early repayment fee and maturity of 31 May 2021. Babylon's expectation is to refinance the Bridge Loan via future bank facilities.

The Placement will raise approximately \$4.3 million and will involve the issue of approximately 172 million new fully paid ordinary shares (**New Shares**) pursuant to the Babylon's existing placement capacity under ASX Listing Rules 7.1 and 7.1A. The Placement was well supported by existing shareholders and new investors, including several family offices and small institutional investors.

Babylon will also conduct a SPP for eligible shareholders in Australia and New Zealand that is to be underwritten to an amount of \$0.5 million. The SPP underwriting is subject to shareholder approval. Babylon reserves the right to accept SPP applications up to a total amount of \$2.0 million, or to scale back applications at its discretion, subject to the ASX Listing Rules and all applicable laws.

SPP offer documentation will be dispatched in early March 2021. A General Meeting will be held in early April 2021 to approve the SPP underwriting.

All New Shares offered under the Placement and SPP will be issued at \$0.025 per New Share, which represents a:

- 16.7% discount to Babylon's last close of \$0.030 per share (22 February 2021);
- 16.5% discount to the 10 day VWAP of \$0.0299 per share; and
- 17.1% discount to the 30 day VWAP of \$0.0302 per share

New Shares issued under the Placement and SPP will rank equally with Babylon's existing fully paid ordinary shares from their time of issue.

Babylon also intends to undertake a subsequent placement of up to \$2.0 million, which will be subject to shareholder approval, on the same terms as the Placement. Babylon's strategic adviser and supportive 19.1% shareholder Geoff Lord, will assist Babylon in coordinating the placement. This placement is not underwritten. Further details will be provided in a Notice of Meeting to shareholders.

Placement & SPP Timetable

An indicative timetable of key dates in relation to the Placement and SPP is set out below.

Timetable	Date
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Trading Halt and Placement Opens	Tuesday, 23 February 2021
Record Date for eligibility to participate in SPP	Wednesday, 24 February 2021
Announcement of the results of Placement	Thursday, 25 February 2021
Despatch SPP Offer Documents and SPP offer open date	Tuesday, 2 March 2021
Anticipated Placement DvP Settlement Date	Tuesday, 2 March 2021
Issue date of the Placement Shares	Wednesday, 3 March 2021
SPP closing date	Wednesday, 7 April 2021
Announcement of SPP participation results	Friday, 9 April 2021
General Meeting	Friday 9 April 2021
Issue of new shares under the SPP	Thursday, 15 April 2021

Note the above timetable is indicative only and may be subject to change.

Further Information

Further details on the acquisition of Ausblast and the funding package are set out in Babylon's Investor Presentation released to the ASX today.

Argonaut Capital Limited is financial adviser to Babylon in relation to the Acquisition.

Canaccord Genuity (Australia) Limited (**Canaccord**) and Argonaut Securities Pty Limited are Joint Lead Managers to the Placement. Canaccord is Manager and Underwriter to the SPP.

GTP Legal is legal adviser to Babylon.

Authorised for release by the Babylon Board.

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