



HRL Holdings Limited

Level 8 Waterfront Place, 1 Eagle Street
Brisbane Queensland 4000, Australia

GPO Box 216

Brisbane Queensland 4001, Australia

Tel +61 7 3105 5960

Email admin@hrlholdings.com

ASX Announcement
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HRL Completes Acquisition of Morrison Geotechnic

HRL Holdings Limited (ASX: HRL) (**HRL** or the **Company**) is pleased to announce that it has now completed the purchase of Morrison Geotechnic Holdings Pty Ltd (**Morrison Geotechnic**).

About Morrison

Established for over 17 years, Morrison Geotechnic services the civil, engineering and construction industries primarily across South East Queensland. The Company has 3 branches covering Brisbane, Gold Coast and the Sunshine Coast. With a portfolio of over 12,000 completed projects, Morrison Geotechnic provides a breadth of engineering and laboratory expertise across its target sectors and geography.

Morrison Geotechnic provide a range of services and analysis including:

- Geotechnical investigations and studies;
- Temporary works designs and inspections;
- Construction phase verification;
- Earthworks supervision;
- Soil, concrete and aggregate testing in its NATA accredited laboratories; and
- Onsite mobile laboratory testing.

Acquisition Details

In consideration for all of the share capital of Morrison Geotechnic, HRL will pay a maximum purchase price of \$4,500,000 to the Sellers.

The Purchase Price will be paid as follows:

- Initial payment on completion of the Morrison Geotechnic acquisition of \$3,750,000 in cash which has now been paid; and
- earn-out consideration of up to \$750,000 in cash.

The amount of earn out consideration is to be calculated based on Morrison Geotechnic's earnings before interest and taxes (EBIT) for the 12 months ending 31 March 2018:

EBIT	Earn Out Consideration
Less than \$1.1 million	Nil
\$1.1 – \$1.3 million	\$250,000
\$1.3m to \$1.5 million	\$500,000
More than \$1.5 million	\$750,000

If applicable, half of the earn-out consideration will be paid 12 months after settlement. Payment of the remaining half of the earn-out consideration will be paid in 12 equal monthly instalments thereafter.

Payment of the earn-out consideration is contingent on the four vendor's ongoing service with Morrison Geotechnic. The vendors will remain employed with Morrison Geotechnic for a minimum period of two years after acquisition. In the situation where employment is terminated prior to completing one year of service, no earn-out is payable. If employment is terminated after one but before the minimum two-year period, the earn-out consideration will be reduced proportionately to the length of time not employed.



Strategic Expansion

Morrison Geotechnic brings a number of strategic benefits to HRL:

Established Performing Business	Industry Leading Performance
<ul style="list-style-type: none"> ✓ High level of repeat revenues with around 65% revenues deriving from existing major customers and referrers ✓ Blue-chip customer base ✓ Operated by an experienced and qualified management team who are continuing after acquisition ✓ Balanced portfolio of clients with its top 10 customers accounting for only around 54% of revenues ✓ Diversified revenues sourced across NATA laboratory and engineering services over 3 locations ✓ Synergy achieved between services with large scale engineering work generating laboratory work 	<ul style="list-style-type: none"> ✓ 3-year average normalised EBITDA of \$1.3 million ✓ Consistent revenues in excess of \$7.5 million over the past 4 years ✓ Average gross profits margins of around 39% over the past 4 years ✓ Average EBITDA margins of around 12% over the last 4 years, growing to 17% in the last 2 years. ✓ Consistent and successful focus on high margin work ✓ Very low levels of bad debts due to repeat tier 1 client base ✓ Strong working capital position
Significant Competitive Advantage	Tangible Opportunities for Growth
<ul style="list-style-type: none"> ✓ Highly regarded brand - established 17 years ✓ Limited direct competition of comparable geotechnical firms with credible scale due to breadth of engineering and laboratory expertise ✓ Operate at scale with 58 staff across 3 locations ✓ Exceptionally loyal and experienced workforce ✓ Portfolio of over 12,000 completed projects ✓ 50 to 60 active clients at any one time ✓ NATA and ISO9001 accredited ✓ Pre-Qualified Contractor with QLD Dept. Housing and Public Works ✓ Standing Offer Arrangement with QLD Dept. Transport and Main Roads ✓ Client relationships shared amongst management team, i.e. not dependent on any single Owner 	<ul style="list-style-type: none"> ✓ Recent project wins have increased the Business' pipeline for the next 12-24 months ✓ Recent ISO9001 accreditation will enable the Business to bid for a greater range of work ✓ Recent Pre-Qualified Contractor status with Department of Housing and Public Works could generate new revenues ✓ Application of resources could enable the business to qualify for tier 1 contractors and developers ✓ Opportunity for regional expansion by increasing human resource and project management capability ✓ Investment in technologies to support field staff real-time data collection and sample registration



CEO comments

HRL CEO Steven Dabelstein commented that “We are very excited to welcome the Morrison Geotechnic team into the HRL Group. Morrison Geotechnic is a highly-respected company with a fantastic track record delivering thousands of projects over its 17-year history.”

“This acquisition provides real opportunity for existing HRL business to promote their services to the Morrison client base and vice-versa. Through discussion with the Morrison team we have also identified opportunities to introduce all new service lines leveraging off existing resources.”

“The Morrison Geotechnic acquisition represents HRL’s first step into its next phase of expansion. We will continue to look at high quality businesses that offer a strategic benefit to the group and to create shareholder wealth over the long-term.”

For further information contact:

Investor and media:

Mr Steven Dabelstein
CEO

Ph: +61 405 770 166
steven.dabelstein@hrlholdings.com