



**asxstatement**

**NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES**

13 December 2010

## **Transfield Services to acquire Easternwell for \$575 million**

- Transfield Services to acquire Easternwell, a leading Australian services provider to the mining, oil & gas and infrastructure sectors
- Funded through a combination of debt and equity, including approximately \$271 million in drawn debt under new facilities and a 2 for 9 accelerated non-renounceable entitlement offer to raise \$294 million
- Easternwell expected to contribute over \$40 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") to Transfield Services for the six months ending in June 2011

Transfield Services today announced that it has entered into an agreement to acquire Easternwell for \$575 million (comprising \$540 million in cash and \$35 million in Transfield Services shares issued to management who are shareholders in Easternwell and other vendors).<sup>1</sup>

In addition, an earn-out of up to \$17 million is payable if certain earnings milestones are reached for the financial year ending in June 2012. The transaction is on a cash free and debt free basis and follows extensive due diligence on Easternwell as part of an exclusive process.

Queensland-based Easternwell is a leading Australian well services and well construction business, focused on the mining, oil & gas and infrastructure sectors. It provides mainly production-focused, high margin services both earlier in the asset lifecycle and throughout the production phase. Key services include well servicing and maintenance activities, coal seam gas ("CSG") drilling, production-related iron ore mine dewatering, backfill drilling, near-shore geotechnical drilling and dam remediation services.

Easternwell employs over 800 people across Australia and operates 65 rigs, with blue chip customers such as BHP Billiton, Cameco, Chevron, Rio Tinto, Santos and Woodside. Existing Easternwell senior management are expected to continue in the business and are rolling over a proportion of their equity in Easternwell into Transfield Services shares. Easternwell will report as part of the Transfield Services Australian and New Zealand business unit.

This transaction represents Transfield Services' latest initiative in delivering its strategy to build on its existing service offering by providing more technical and niche services in targeted end markets. The acquisition strengthens Transfield Services' position as one of Australia's leading oil & gas service providers. Importantly, it offers Transfield Services earlier engagement with clients in the asset lifecycle. Easternwell also deepens Transfield Services exposure to growth opportunities within Australia's expanding resources sector, such as in iron ore, conventional oil & gas and CSG.

Transfield Services Managing Director and Chief Executive Officer, Peter Goode, said:

"This acquisition is consistent with our stated strategic objective to expand our services and capabilities into adjacent sectors and to pursue higher value work."

"Acquiring Easternwell enables Transfield Services to build out its existing suite of operations and maintenance services to include higher margin technical services."

<sup>1</sup> Subject to post completion adjustments to reflect transfer of economic ownership of Easternwell to Transfield Services with effect from 1 December 2010.

For personal use only



## { asxstatement }

"The transaction will also enhance our ability to secure incremental downstream work and offer our clients a more integrated end-to-end service capability across the entire asset lifecycle, particularly in the oil & gas and minerals sectors."

Continuing Chief Executive Officer for Easternwell, Troy Campbell, said:

"Easternwell has established a strong reputation and track-record in operating in remote locations, as well as developing long term customer relationships and a quality asset base.

We are excited by this opportunity to join forces with Transfield Services and build on Easternwell's existing position as the leading player to capture the growth opportunities in the sector."

For the financial year ending in June 2011, pro forma sales<sup>2</sup> and EBITDA for Easternwell are expected to be \$267 million and \$76 million respectively. This compares to \$68 million in pro forma EBITDA for FY2009 and \$50 million in pro forma EBITDA for FY2010. EBITDA contribution to Transfield Services for the 6 months ending in June 2011 is expected to be over \$40 million.

The transaction is expected to be earnings per share accretive (pre amortisation) for Transfield Services. This is on a pro forma illustrative basis taking into consideration the impact of specific growth opportunities with new and existing blue chip customers.<sup>3</sup> These growth opportunities relate to the award of near-term contracts and initiatives that are well progressed and have the potential to contribute an additional \$30 million in pro forma EBITDA, and which require incremental capital expenditure of \$83 million through to 30 June 2012.

Completion of the acquisition is scheduled for 22 December 2010, subject to the satisfaction of conditions precedent that include Transfield Services receiving proceeds from its debt and equity funding arrangements and there being no material breach of vendor warranties between signing and completion of the transaction.

### **Operational update**

Transfield Services' outlook remains solid, reflected in a record pipeline of A\$29.0 billion in current opportunities and A\$2.2 billion of work secured year-to-date to 13 December 2010. The Company began the year with forward contracted revenue (inclusive of contract renewal options) of A\$13.9 billion.

As a result, Transfield Services' Board today reiterated that, subject to no further deterioration in economic conditions, it is targeting mid-single digit percentage growth for FY2011 NPAT<sup>4</sup> (normalised to exclude one-off significant items), based on FY2010 normalised NPAT of \$96 million. Similar to previous years, earnings will be weighted to the second half of FY2011, although this weighting will be more pronounced than in the recent past. First half EBITDA is expected to contribute c.35%-38% to the full year.

### **Funding arrangements**

The acquisition of Easternwell will be funded through a combination of debt and equity, comprising approximately \$271 million in drawn debt under new facilities, approximately \$35 million in Transfield Services shares issued to management who are shareholders in Easternwell and other vendors and a 2 for 9 accelerated non-renounceable entitlement offer to raise approximately \$294 million ("Entitlement Offer").

<sup>2</sup> Including proportionately consolidated EBITDA from joint ventures.

<sup>3</sup> Pro forma EBITDA for this purpose means an annualised equivalent assuming these specific growth opportunities were all operating at normal levels with the same 12 month period. It is not a forecast of additional EBITDA to be earned within a particular financial year.

<sup>4</sup> Based on a foreign exchange rate of 1 AUD = 0.87 USD, the exposure to which is partially offset by a natural hedge.

For personal use only



## { asxstatement }

Mr. Goode said "The transaction funding structure is consistent with our strategy to maintain a conservative level of gearing with ongoing balance sheet flexibility to fund the right growth opportunities."

Funds raised under the retail component of the Entitlement Offer will be made available at completion of the acquisition scheduled for 22 December 2010 by way of a fully underwritten subordinated debt to equity bridge ("Equity Bridge").

The Equity Bridge is fully underwritten by JPMorgan Chase Bank, National Association.

### *Entitlement Offer*

Eligible Shareholders will be entitled to subscribe for 2 new Transfield Services shares for every 9 existing Transfield Services shares held as at 7.00pm (AEDT) on the Thursday, 16 December 2010. The offer price of \$3.00 per new share represents a 14% discount to the closing price of Transfield Services shares on 10 December 2010 of \$3.50 per share (being the last trading day before announcement of the acquisition and Entitlement Offer) and a 12% discount to the theoretical ex-entitlement share price ("TERP") of \$3.41 per share. New shares issued under the Entitlement Offer will rank equally with existing ordinary shares.

The institutional Entitlement Offer is open from 13 December 2010 to 14 December 2010 and the retail Entitlement Offer is open from 20 December 2010 to 12 January 2011. Further details of the retail Entitlement Offer will be despatched to all eligible retail shareholders on 20 December 2010. Existing retail shareholders will have the opportunity to apply for additional shares above their entitlement as part of the retail Entitlement Offer. The Entitlement Offer is non-renounceable, and entitlements will not be tradeable or otherwise transferrable.

The Entitlement Offer is fully underwritten by J.P. Morgan Australia Limited ("J.P. Morgan").

### *New facility agreement*

Transfield Services has taken the opportunity to refinance its existing debt facilities with the majority of its existing lenders to provide, in aggregate, underwritten commitments of approximately \$915 million expiring between FY2013 and FY2015.<sup>5</sup> The new facility agreement puts in place terms and conditions which reflect current market trends and resets pricing on this basis. It also provides adequate headroom and removes any near term refinancing risk by lengthening its debt maturity profile. As a result, Transfield Services will have a more flexible capital structure going forward.

J.P. Morgan is acting as co-ordinator and one of the mandated lead arrangers, underwriters and bookrunners in relation to the refinancing of Transfield Services existing debt facilities.

J.P. Morgan and Flagstaff Partners have been retained as joint financial advisers and Minter Ellison as legal adviser to Transfield Services in relation to the acquisition.

--ends--

---

<sup>5</sup> Includes bonding lines of \$165 million and excludes the option to increase facilities by \$40 million in guarantees.

For personal use only



## { asxstatement }

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer of securities for sale in the United States or any other jurisdiction. Any securities described in this announcement may not be offered or sold in the United States absent registration under the U.S. Securities Act of 1933 or an exemption from registration.

### Editors note

#### About Transfield Services

- Transfield Services is a leading international provider of operations, maintenance, asset management and project management services.
- Over 85 percent of the Company's services are delivered under long-term contracts and relationships with key clients.
- Transfield Services has a robust pipeline of work developing in oil and gas, power, defence, transport and social infrastructure, providing continuing diversification for the business.

#### About Easternwell

- Easternwell is a leading Australian well servicing and well construction business, with a large ancillary services capability
- Headquartered in Queensland, it currently operations 65 rigs and employs over 800 people across Australia

Investor Enquiries	Media Enquiries	
David Slack-Smith Ph +61 2 9464 1019 Mb +61 403 289 130	David Jamieson Ph +64 9 523 9908 Mb +64 27 523 9908	Amanda Lee or Andrew Stokes Ph +61 2 8298 6100

**Transfield Services** delivers essential services to key industries in the resources and industrial, property and infrastructure sectors. A leading global provider of operations, maintenance, and asset and project management services, Transfield Services has more than 28,000 employees in Australia, New Zealand, the United States, Canada, the United Arab Emirates, Qatar, India, Malaysia, Chile and New Caledonia. Transfield Services Limited is listed on the Australian Securities Exchange.

[www.transfieldservices.com](http://www.transfieldservices.com)

Transfield Services Limited ABN 69 000 484 417

For personal use only