

## **Austin Expands into South America with USD 19.6m Acquisition of Conymet Business**

**Brisbane, 3 August 2009:** Austin Engineering Limited (ASX trading code: **ANG**) is today pleased to announce another major international expansion with the acquisition of the Chile-based steel dump truck body business of Conymet Ltda for USD 19.6 million.

The business is the leading manufacturer and supplier of steel dump truck bodies in Chile. Based in Antofagasta in Northern Chile, the business is strategically located next to the major copper mines in the region including the Escondida mine, which is reported as currently being the highest-producing copper mine in the world. The acquisition of the business will enable Austin to further realise its international growth plans in a key area of mining activity and potential growth.

Austin's Chairman Peter Fitch said "The acquisition of the Conymet steel dump truck body business provides Austin with an excellent opportunity to further expand its international presence through market penetration of the Chilean and wider South American mining and resources markets. It also enables Austin to increase the market base for its market-leading Westech and JEC product ranges and for their operational advantages to be demonstrated and offered to customers in the region".

Established in 1973, the Conymet business serves the resources sectors across South America including Chile, Colombia, Argentina and Peru from its Antofagasta facility. It has long-standing supply arrangements with the major regional miners including Codelco (the Chilean state-owned copper mining company), BHP Billiton, Anglo American, Xstrata and Antofagasta Minerals. The business has its own design and range of dump truck bodies, which have been used and operated successfully by customers in the region for a number of years. The business generated an average of approximately USD 6.3m of EBITDA over its 2007 and 2008 financial years at a margin of around 34%. Based on these historical earnings levels, the purchase price of USD 19.6m represents a multiple of around 3.1 times EBITDA.

Mr Fitch said Conymet's steel dump truck body business was well understood by Austin as its business model, operating structure and client base were very similar to Austin's existing operations in Australia and the USA. "The requirement for good quality, productivity-enhancing equipment in Chile and the wider South American region is well-known to Austin and the equipment needs of the miners are well within the capabilities of Austin's existing product range, which is complementary to the products already marketed and manufactured by Conymet" he said.

"In addition, the market opportunity for Austin is believed to be significant as Chile is one of the world's lowest-cost, highest-volume producers of copper and the requirements for dump truck bodies and other equipment within Austin's product ranges are quite considerable".

Conymet's existing management has agreed to stay with the business for a period of time in order to ensure that there is minimal disruption from the change in ownership. The existing employees will be transferred to Austin. The business will be operated under the name of Austin Ingenieros Chile Limitada (Austin Engineering Chile) in order to closely align product offerings and operations with Austin's existing branding and international presence.

### **Strategic Advantages of Acquisition**

- Expansion into a key market where customers have significant, ongoing, equipment needs
- Low competition
- Relatively low operating costs, enabling higher margins to be generated
- Low operational risk as the business manufactures products similar to Austin, with key input costs such as steel and labour predictable and well-defined
- Blue-chip, quality customer base who want to develop strategic alliances with companies such as Austin in order to better service their needs
- Activity still strong in the region, with major miners progressing with expansion plans
- Introduction of new revenue streams and customers to Austin's existing businesses and operations
- Business development potential into other countries such as Peru, Colombia and Argentina, which can be serviced by Chile-based operations

### **Acquisition Highlights**

(Cont'd over)

## **Austin Expands into South America with USD 19.6m Conymet Acquisition (Cont'd)**

### **Acquisition Highlights**

- Funding for the USD 19.6m acquisition cost has already been secured from funds raised under Austin's AUD 26m Placement program as announced to the market on 16 June 2009 and completed on 23 July 2009
- Conymet dump truck body business has generated historical EBITDA of approximately USD 6.3m over the financial years 2007 and 2008 at margins of approximately 34%
- USD 19.6m acquisition cost represents a multiple of around 3.1 times average 2007 and 2008 EBITDA levels
- Forecast EBITDA of USD 3.8m for Austin's 09/10 financial year, based on a business model that assumes only dump truck body manufacture in the first year of operation
- Additional earnings contribution potential from the marketing and manufacture of Austin's Westech and JEC product ranges
- Further earnings contribution potential from maintenance contracts which are normally "part and parcel" of dump truck body sales
- Operations will commence with a defined forward workload, including completion of a number of existing bodies for the previous owners of the Conymet business
- New orders have already been received from Codelco for the manufacture of 14 large dump truck bodies under Austin ownership with orders for a further 20 expected to be secured in the near future from this customer
- Enquiry and tendering levels are currently very high, with orders from other miners and OEM dealers expected over the coming months
- Discussions with a range of clients have confirmed that the introduction of the JEC product range will be well received. The company has already received inquiries in relation to the establishment of strategic alliances for future equipment supplies. To accommodate this demand, the company will fast-track the construction of a new workshop, which is expected to be completed within 9 months
- The purchase price includes plant and equipment (the value of which is currently being finalised) and IP consisting of Conymet's dump truck body designs, which currently have wide customer acceptance in the region
- Existing property at La Negra, which is close to Antofagasta, will be acquired in a separate transaction for a value that is currently being finalised. The property consists of a 100,000m<sup>2</sup> block of land and 2,200m<sup>2</sup> of existing workshop and office facilities. The purchase of it will be funded from existing cash resources and, possibly, some attractively-priced Chilean bank loan facilities

### **Business Development Plans**

Using Austin's existing knowledge of the South American mining and resources market through Westech's long-term presence in the region, business development activities are already well underway in order to take advantage of the opportunities that exist in the region.

Over the course of the past few years, significant effort has been expended in analysing and understanding the South American market, the nature of mining operations and the requirements of the major miners. In more recent periods, extensive meetings have been held with key customers to explore long-term and expanded business arrangements as a result of Austin establishing a direct manufacturing presence in the region. The capabilities of Austin, together with the operational advantages of its Westech and JEC product ranges, engineering design expertise and international presence, have already been demonstrated successfully to customers. Support for Austin's presence in the region has already been acknowledged and confirmed by major customers, as evidenced by the award of new contracts.

The potential availability of attractive Chilean government funding to assist with capital expenditure programs will provide Austin with the opportunity to improve and expand the production equipment and facilities that will be acquired as part of the acquisition. Studies are already underway to determine the cost and logistics of constructing a new 2,500m<sup>2</sup> workshop and associated office space for the La Negra facility in order to expand and improve productive throughput, quality and operational performance.

In relation to the company's Brazilian joint venture, it is expected that this can be completed over the next 4-8 weeks now that the Chilean business has been acquired.

**End**

For further information contact Managing Director, Michael Buckland or Chief Financial Officer, Colin Anderson on +61 7 3271 2622.

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**About Austin Engineering:** Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA and the Middle East. The Australian facilities manufacture, assemble and overhaul products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North and South American mining markets and is an industry-leading designer and manufacturer of specialised lightweight dump truck bodies. The Middle East operation principally services the aluminium smelter industries in the region. Austin also own rights to innovative welding processes which have been introduced to improve welding productivity, coupled with robotic applications to suit product lines, general fabrications and any repetitive production processes.