

## HEAD OFFICE

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20 July 2015

### **Austin launches \$51.6m capital raising for debt reduction**

Austin Engineering Limited (**Austin** or the **Company**) is pleased to announce that it is undertaking a A\$51.6 million capital raising comprising:

- a fully underwritten pro-rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) to raise approximately A\$31.6 million before costs; and
- a three year subordinated loan from LIM Advisors Special Situations Fund to raise approximately \$20 million before costs (**Subordinated Loan**)

(together the **Capital Raising**).

The proceeds from the Capital Raising will be used to reduce senior debt.

If the Capital Raising is completed successfully, the Company's net debt will be reduced to approximately \$61 million comprising \$33 million syndicated senior bank debt (with nil US dollar syndicated bank debt owing), \$14 million of other bank debt, \$20 million subordinated loan and \$6 million of cash.

On completion of the Capital Raising, Austin will seek proposals to refinance the remaining syndicated senior bank debt to further stabilize its capital structure.

The Company expects FY15 revenue to be \$205 million and normalised EBITDA to be in the range of \$14.5 - \$15.5 million. FY16 earnings are expected to improve with revenue of approximately \$235 million and normalised EBITDA of approximately \$20 million.

Attached is an investor presentation which provides further details.

### **Entitlement Offer**

The Entitlement Offer consists of an institutional entitlement offer to raise approximately \$20.1 million and a retail entitlement offer to raise approximately \$11.5 million (**Retail Entitlement Offer**). The Entitlement Offer is fully underwritten by Argonaut Capital Limited and Bell Potter Securities Limited.

Eligible shareholders will be entitled to subscribe for 5 new shares for every 6 shares held as at 7.00pm (Sydney time) on Thursday 23 July 2015. The offer price of \$0.45 per new share represents a 18.2% discount to the last traded price on 17 July 2015 (being the last traded price before announcement of the Entitlement Offer) and a discount of 10.8% to the theoretical ex-rights price (**TERP**)<sup>1</sup> of the Company's shares.

Approximately 70,228,337 new shares are expected to be issued under the Entitlement Offer. New shares will rank equally with existing shares.

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<sup>1</sup> TERP is the theoretical price at which the Company's shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which the Company's shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price. TERP is calculated by reference to the closing price of the Company's shares on ASX of \$0.55 on 17 July 2015 2015.

### Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from Monday, 20 July 2015 to Tuesday 21 July 2015 (**Institutional Entitlement Offer**).

Eligible institutional shareholders can choose to take up all, part or none of their Entitlement,

Institutional entitlements that eligible institutional shareholders do not take up by the close to the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, will be placed through an institutional shortfall bookbuild.

Austin shares have been placed in trading halt whilst the Institutional Entitlement Offer is undertaken.

### Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Issue Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Monday, 27 July 2015 and close at 5:00pm (Sydney time) on Monday, 10 August 2015.

Eligible shareholders may also apply for new shares in excess of their entitlement, although any application for additional new shares may be scaled back at the Company's and the Underwriters' discretion.

Entitlements are non renounceable and will not be tradeable on ASX or otherwise transferable. Eligible shareholders who do not take up their entitlement under the Entitlement Offer in full or in part, will not receive any value in respect of those entitlements not taken up.

### Indicative Timetable\*

Event	Date
Announcement of terms of the Entitlement Offer Institutional offer opens	Monday, 20 July 2015
Institutional offer closes	Tuesday, 21 July 2015
Record Date to determine entitlements	Thursday 23 July 2015
Retail Entitlement Offer opens Despatch of Retail Entitlement Offer Booklet and acceptance forms	Monday, 27 July 2015
Quotation of new securities issued under the Institutional offer	Thursday, 30 July 2015
Retail Entitlement Offer closes	Monday, 10 August 2015
Announcement of shortfall (if any) under the Retail Entitlement Offer	Thursday 13 August 2015
Allotment date of new shares issued under the Retail Entitlement Offer	Thursday 13 August 2015
Normal trading of New Shares issued under the Retail Entitlement Offer	Friday 14 August 2015
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Monday 17 August 2015

*\*The Company reserves the right, in consultation with the underwriters, and subject to the Corporations Act, the Listing Rules and other applicable laws, to vary the dates of the Entitlement Offer, including extending the closing date of the Entitlement Offer or accepting late applications, without notice. The commencement of quotation and trading of new shares is subject to confirmation from the ASX.*

Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet. The Retail Entitlement Offer will be conducted in accordance with section 708AA of the *Corporations Act 2001 (Cth)* and eligible shareholders will be sent an entitlement offer booklet including a personalised entitlement and acceptance form on Monday, 27 July 2015 which will provide further details of how to participate in the Retail Entitlement Offer. Those shareholders who the Company determines to be ineligible shareholders will also be notified.

### **Subordinated Loan**

The key terms of the Subordinated Loan are as follows:

- **Amount** - A\$20 million
- **Term** - 36 months from drawdown
- **Interest rate** - 9% p.a.
- **Security** – second ranking general security over Austin and unsecured guarantees from Australian subsidiaries, each subordinated to senior debt
- **Options** – 12 million 3 year options expiring on 31 July 2018 will be issued in consideration for the loan as follows: 4 million options at \$0.60, 6 million options at \$1.00 and 2 million options at \$1.75
- **Fees**: - 2.0% establishment fee, 2.0% redemption fee (early repayment) and 1.0% maturity fee (if no early repayment)
- **Covenants** – Senior Debt must be less than 4.0x last 12 months normalised EBITDA. LIM has first and last right to provide any additional capital during term of the loan.
- **Director** – LIM will have a right to nominate 1 director to the Board of Austin
- **Conditions precedent** – definitive legal agreements and grant of securities

Austin expects to draw on the loan by 28 July 2015.

### **Michael D Buckland Managing Director**

For further information on the above contract award please contact Managing Director, Michael Buckland or Chief Financial Officer, Scott Richardson on +61 7 3271 2622.

### **Important Notice**

This announcement is not an offer or an invitation to acquire securities. In particular, this release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any 'US Person' as defined in Regulation S under the US Securities Act of 1933 (**Securities Act**) (**US Person**) or in any other jurisdiction. This announcement may not be released or distributed in the United States or to any US Person. Any securities described in this announcement have not been, and will not be registered under the Securities Act or the securities law of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, or to, or for the account of or benefit of, any US Person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act.

**Forward-looking statements**

This release contains forward-looking statements. The words 'forecast', 'estimate', 'likely', 'anticipate', 'believe', 'expect', 'project', 'predict', 'outlook', 'guidance', 'intend', 'should', 'could', 'may', 'target', 'plan' and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this release include statements regarding our strategy, future operational and financial results, acquisitions, future projects, the results of the capital raising and the use of proceeds therefrom. You are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements, opinions and estimates provided in this release are based on assumptions and contingencies that are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

Forward-looking statements are subject to known and unknown risks and uncertainties, there can be no assurance that actual outcomes will not differ materially from forward-looking statements and readers are cautioned not to place undue reliance on these forward looking statements. The Company assumes no obligation to update or revise these forward-looking statements to reflect any change in expectations or assumptions.

**About Austin Engineering**

Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, and Indonesia. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) 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, industrial radiator and cooling products as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American, Mexican and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit [www.austineng.com.au](http://www.austineng.com.au).