

IPD Group to acquire CMI Operations and announces fully underwritten equity raising

28 November 2023

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Highlights:

- IPD Group Limited (“**IPD**”) to acquire CMI Operations Pty Ltd (“**CMI**”), a leading distributor of electrical cables and manufacturer and distributor of plug brands in Australia, from ASX listed Excelsior Capital Limited (“**Excelsior**”)
- CMI is a strategically compelling acquisition in highly complementary sectors that extends IPD’s product suite, increases supplier diversity, strengthens its overall value proposition with existing customers and broadens customer reach
- The acquisition results in pro forma FY23A EPS accretion of over 30% (excluding synergies)¹
- Acquisition to be funded with a combination of new debt facilities and a \$65 million equity raising (“**Equity Raising**”) comprising of a \$40 million institutional placement and a \$25 million accelerated non-renounceable entitlement offer (“**ANREO**”)
- IPD also provides a H1 FY24 EBIT guidance of between \$13.5-14.0 million

Transaction overview

IPD Group Limited (ASX:IPG) is pleased to announce that it has entered into a conditional agreement to acquire 100% of the issued shares in CMI Operations Pty Ltd, from ASX listed Excelsior Capital Limited (ASX:ECL) for a total of up to \$101 million (the “**Acquisition**”). The consideration comprises an upfront payment of \$92.1 million, subject to customary working capital and net debt adjustment, and a maximum contingent payment of \$8.9 million². IPD will fund the CMI acquisition through a combination of a fully underwritten Equity Raising and new debt facilities.

Established in Sydney in 1991, CMI is a leading distributor of electrical cables and manufacturer and distributor of plug brands in Australia.

¹ EPS accretion calculation has been performed for the financial year ended 30 June 2023 and excludes any synergies, incremental costs, or one-off transaction or integration costs. It has also been adjusted for the Theoretical Ex-Rights Price (“TERP”) resulting from the Equity Raising and assumes that the maximum contingent payment of \$8.9 million is paid

² The contingent portion of the consideration is calculated as \$6 for every dollar by which CMI’s FY24A EBIT result exceeds FY23A EBIT, up to a maximum of \$8.9m

CMI consists of two core divisions:

- CMI's **cable division** supplies electrical cable to major construction, infrastructure and renewables projects nation-wide targeting orders of between \$0.25-\$10 million
- CMI's **plug division** "Minto" is the market leader in hazardous environments and other safety focused applications for its best-in-class couplers and receptacle products and its leading track record of safety and reliability

Since its establishment, CMI:

- has grown organically to generate revenue of \$104.3 million and EBIT of \$15.5 million³ in FY23A
- has expanded to operate Australia-wide, with six warehouses located across four states
- now employs ~60 people who service ~500 customers annually

CMI is exposed to growing industries, with end-users in construction, infrastructure, renewables, mining, tunnelling and precious metals.

Strategic rationale

The Acquisition will further enhance IPD's position as a leading distributor to the Australian electrical market. The strategic rationale includes:

- ✓ Highly complementary product portfolio
- ✓ Strengthens customer relationships with broader offering
- ✓ Adds engineering and R&D capabilities
- ✓ Diversifies supplier concentration
- ✓ Broadens customer base and provides significant cross-sell opportunities
- ✓ Financially compelling
- ✓ Capitalises on growth opportunities through energy transition and electrification of the economy

IPD's Executive Director and CEO, Michael Sainsbury said: *"We see significant potential in combining the two complementary businesses of IPD and CMI. CMI is a strategically compelling acquisition for IPD and is similarly highly leveraged to the electrification of the Australian economy. CMI has a long history of profitable growth and has developed strong market positions in its core markets of cables and plugs. Supported by the clear cultural alignment between the two businesses, we expect the combination of IPD and CMI to deliver meaningful revenue synergies and open new growth markets for IPD. We are excited for the CMI team to join IPD and look forward to extending the partnership between our two companies."*

An investor presentation with further details in relation to the Acquisition of CMI and the Equity Raising has also been lodged with the ASX today.

³ Post AASB 16

Acquisition detail

IPD is acquiring CMI, a wholly owned subsidiary of Excelsior, for total cash consideration of up to \$101 million, subject to certain conditions, approvals and adjustments.

The consideration comprises:

- an upfront payment of \$92.1 million (equivalent to ~6x CMI's FY23A EBIT of \$15.5 million), subject to customary working capital and net debt adjustment; and
- a contingent payment of \$6 for every dollar by which CMI's FY24A EBIT result exceeds FY23A EBIT, up to a maximum of \$8.9 million

The Acquisition of CMI is subject to certain conditions including approval by shareholders of Excelsior at a shareholder meeting expected to be conducted in January 2024. In the ASX announcement released by Excelsior today, the Excelsior directors (representing approximately 50.4% of Excelsior's issued capital) confirmed that they intend to vote or cause to be voted, any Excelsior shares that they hold or control in favour of the transaction in the absence of a superior proposal and subject to the Independent Expert Report concluding, and continuing to conclude, that the transaction is in the best interests of Excelsior shareholders.

The other conditions precedent to the Acquisition are:

- there being no material adverse change in CMI up until completion; and
- the landlords of specified properties occupied by CMI giving consent to the change of control of CMI (or waiving consent) in accordance with those leases as result of the Acquisition.

Completion of the Acquisition is anticipated to occur by February 2024 (subject to change), subject to satisfaction of the conditions precedent (including the Excelsior shareholder approval).

The total purchase consideration of \$101 million (subject to completion adjustments) and \$4 million in estimated transaction costs will be funded via a combination of proceeds from a fully underwritten Equity Raising and an additional debt facility of \$40 million.

The Acquisition agreement contains customary exclusivity arrangements for the benefit of IPD, which are detailed further in Excelsior's ASX announced released today, and the potential right to receive a break fee of \$1 million. IPD has also agreed to pay a reciprocal break fee of \$1 million in certain limited circumstances.

Underwritten Equity Raising

The \$65 million (before costs) Equity Raising is fully underwritten and comprises a:

- ~\$40 million institutional placement ("**Placement**") to new and existing investors; and
- ~\$25 million, 1 for 13.65 accelerated pro-rata non-renounceable entitlement offer ("**Entitlement Offer**")

Approximately 16.5 million new IPD shares will be issued under the Equity Raising ("**New Shares**"), representing 19.0% of IPD's existing shares on issue. New Shares will rank equally with existing IPD shares and IPD will, upon issue of those shares, seek quotation of the shares on ASX.

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 New Share for every 13.65 existing IPD shares ("**Entitlement**") held on the Record Date, being 7:00 pm (Sydney time) on Thursday, 30 November 2023.

All New Shares offered under the Equity Raising will be issued at a fixed price of \$3.93 per New Share ("**Offer Price**"), representing a:

- 6.4% discount to the last close of \$4.20 as at Monday, 27 November 2023
- 5.9% discount to the 5-day VWAP of \$4.18 up to and including Monday, 27 November 2023

- 5.0% discount to the theoretical ex-rights price (“**TERP**”)⁴ of \$4.14 as at Monday, 27 November 2023

The Entitlement Offer will be conducted in two parts, an institutional component (“**Institutional Entitlement Offer**”) and a retail component (“**Retail Entitlement Offer**”).

The Entitlement Offer is non-renounceable, and therefore Entitlements cannot be traded on the ASX, sold or otherwise transferred. 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.

Bell Potter is acting as Sole Lead Manager, Underwriter and Bookrunner to the Equity Raising. Grant Samuel is acting as Financial Adviser to the Company and Hamilton Locke as Legal Counsel. Shaw and Partners is acting as Co-Manager to the Equity Raising.

Debt facility and other sources of funding

Commonwealth Bank of Australia has provided IPD with a binding commitment, subject to execution of documentation and satisfaction of customary conditions precedent, for a \$40 million new debt facility which will be utilised to partially fund the up-front consideration of the Acquisition.

Total sources and uses of the funding for the Acquisition are summarised below.

Sources (A\$m)		Uses (A\$m)	
Placement and Entitlement Offer	65.0	Upfront Acquisition payment	92.1
Drawn debt facilities	40.0	Contingent Acquisition payment	8.9
		Transaction costs	4.0
Total Sources	105.0	Total Uses	105.0

Immediately post Acquisition, IPD will have drawn ~\$31 million for the Acquisition and will have sufficient headroom available to pay up to the maximum contingent payment (\$8.9 million). The leverage ratio following completion of the Acquisition and Equity Raising will remain conservative at ~0.9x EBITDA on a pro-forma FY23A basis.

The Board has established an ongoing target to maintain drawn net debt⁵ at a level no higher than 1.0x EBITDA (recorded over the preceding 12 months) with a maximum of 1.5x EBITDA.

Details of Placement

The fully underwritten Placement of ~\$40 million (before costs) will be offered to new and existing sophisticated and institutional investors in Australia and certain overseas jurisdictions at the Offer Price. The Placement will be conducted concurrently with the Institutional Entitlement Offer (as described below) in reliance on the Company’s ASX Listing Rule 7.1 placement capacity.

New Shares issued under the Placement will not be eligible to participate in the Entitlement Offer. The Company reserves the right to accept oversubscriptions under the Placement.

⁴ The TERP which IPD shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which IPD shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to IPD’s 5-day VWAP of \$4.18 on 27 November 2023

⁵ Debt is on a pre-AASB16 basis (excludes lease liabilities)

Details of Institutional Entitlement Offer

Eligible institutional shareholders, being institutional shareholders with a registered address in Australia, New Zealand, Norway, Hong Kong or Singapore, will be invited to participate in the Institutional Entitlement Offer, which is being conducted today, Tuesday, 28 November 2023 and tomorrow Wednesday, 29 November 2023. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. Entitlements cannot be traded on ASX or transferred.

Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to new institutional investors and existing institutional shareholders concurrently with the Institutional Entitlement Offer.

IPD's shares will remain in a trading halt pending completion of the Placement and the Institutional Entitlement Offer.

Details of Retail Entitlement Offer

Eligible retail shareholders, being shareholders with a registered address in Australia or New Zealand at 7:00 pm (Sydney time) on the Record Date, will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Tuesday, 5 December 2023 and close at 5:00pm (Sydney time) on Thursday, 14 December 2023. Eligible retail shareholders can choose to take up all, part or none of their Entitlement. Entitlements cannot be traded on ASX or transferred.

In addition to each eligible retail shareholders' Entitlement under the Retail Entitlement Offer, Eligible retail shareholders will be offered the opportunity to apply for additional New Shares under a "top up" facility ("**Top Up Facility**"). Under the Top Up Facility, eligible retail shareholders may apply for New Shares in excess of their Entitlement at the Offer Price up to a maximum of 100% of their Entitlement.

Eligible retail shareholders are not assured of being allocated New Shares in excess of their Entitlement under the Top Up Facility. New Shares allocated under the Top Up Facility will be allocated in accordance with the allocation policy described in the Retail Offer Booklet. The Company retains absolute discretion regarding allocation under the Top Up Facility.

Further details about the Retail Entitlement Offer will be set out in the Retail Offer Booklet, which IPD expects to lodge with ASX and dispatch to eligible retail shareholders on Tuesday, 5 December 2023. The Retail Offer Booklet will also enclose personalised entitlement and acceptance forms.

Indicative Equity Raising Timetable

Event	Date
Announcement of the Equity Raising	Tuesday, 28 November 2023
Placement and Institutional Entitlement Offer bookbuild opens	Tuesday, 28 November 2023
Placement and Institutional Entitlement Offer bookbuild closes	Wednesday, 29 November 2023
Results of Institutional Entitlement Offer and Placement announced and trading resumes on an ex-entitlement basis	Thursday, 30 November 2023
Record Date for Retail Entitlement Offer (7pm Sydney time)	Thursday, 30 November 2023
Retail Entitlement Offer opens and Retail Offer Booklet despatched	Tuesday, 5 December 2023
Settlement of Institutional Entitlement Offer and Placement	Wednesday, 6 December 2023
Allotment and normal trading of New Shares under the Institutional Entitlement Offer and Placement	Thursday, 7 December 2023
Despatch of holdings statements for New Shares under the Institutional Entitlement Offer and Placement	Friday, 8 December 2023
Retail Entitlement Offer closes (5pm Sydney time)	Thursday, 14 December 2023
Results of Retail Entitlement Offer announced	Tuesday, 19 December 2023
Settlement of Retail Entitlement Offer	Wednesday, 20 December 2023
Allotment of New Shares under the Retail Entitlement Offer	Thursday, 21 December 2023
Normal trading of New Shares issued under the Retail Entitlement Offer	Friday, 22 December 2023
Despatch of holding statements for New Shares under the Retail Entitlement Offer	Wednesday, 27 December 2023

These above dates are indicative and subject to variation. IPD reserves the right to alter the timetable at its absolute discretion and without notice, subject to ASX Listing Rules and Corporations Act 2001 (Cth) and other applicable law. In particular, the Company reserves the right to extend the closing date of the Institutional Entitlement Offer or the Retail Entitlement Offer, to accept late applications under the Institutional Entitlement Offer or the Retail Entitlement Offer (either generally or in particular cases) and to withdraw the Institutional Entitlement Offer or the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date of New Shares. The commencement of quotation of the New Shares is subject to confirmation from ASX. All dates and times refer to Sydney time.

Management conference call and further information

IPD's management team will host an investor conference call in relation to the acquisition and Equity Raising at 10:00AM Sydney time today. To participate in this call, please use the following link <https://webcast.openbriefing.com/ipg-ann-2023/>

Further details of the Equity Raising are set out in the investor presentation lodged with the ASX today. The investor presentation also contains important information including key risks and foreign selling restrictions with respect to the Equity Raising.

IPD is also hosting its Annual General Meeting today. Information to be presented at the AGM has been lodged with ASX separately.

Nothing in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision. All dollar amounts are in Australian dollars unless otherwise indicated.

For further information, please visit our website <https://ipdgroup.com.au/> or contact us directly at investorrelations@ipd.com.au

The release has been authorised by the IPD Group Limited Board of Directors.

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About IPD

As a provider of electrical solutions in energy management and automation, IPD is dedicated to enhancing electrical infrastructure. The company focuses on energy efficiency, automation, and secure connectivity, prioritising the safety and wellbeing of people. Committed to innovation, IPD plays a pivotal role in the electrification and decarbonisation of the economy, paving the way for a cleaner, interconnected tomorrow.

Important Notice

Not for distribution or release in the United States

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. Any securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended ("**US Securities Act**") or the securities laws of any other state or other jurisdiction of the United States. Accordingly, the securities described in this announcement may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable laws of any state or other jurisdiction of the United States.

Forward-Looking Statements

This announcement contains certain "forward-looking statements". The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "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, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of IPD, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon as

an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of IPD's business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of IPD, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to IPD as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of IPD, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.