



# COMPANY UPDATE

Acquisition of KP Electric

---

JULY 2017



## Overview of KP Electric

- A nationally operated electrical service business, founded by Peter King in 1995.
- Recurring preventative, programmed, reactive, minor works and compliance electrical services.
- Clients include many of Australia's largest corporations and government institutions.
- Headquartered in Sydney, with 12 operating bases, and a large network of electricians across Australia.
- FY 2017 (June year end) EBITDA estimated to be approximately \$2.7 million.



## Transaction Summary

- Upfront (100% cash) consideration of ~\$6.8 million, representing a multiple of 2.5x FY17 estimated EBITDA.
- Deferred (100% cash) consideration payable over subsequent 2 years, as follows:
  - ~\$1.6 million in FY18 and FY19 (provided EBITDA of at least \$2.4m in given year, or average over the 2 years is at least \$2.4m); plus
  - 20% of the amount by which EBITDA exceeds \$2.4m in FY18 only.
- The Acquisition is expected to be EPS accretive immediately.
- KP Electric to be delivered with a sufficient level of working capital at completion, and no debt or surplus cash.
- Completion expected prior to end of July 2017 subject to satisfaction of standard conditions precedent.

# STRATEGIC RATIONALE

<b>Recurring Revenue Streams</b>	<ul style="list-style-type: none"><li>▪ Provides Tempo with profitable, low risk, and recurring earnings.</li><li>▪ Reduces dependence from lumpy resources based construction work.</li><li>▪ EPS value accretive transaction.</li></ul>
<b>National Footprint</b>	<ul style="list-style-type: none"><li>▪ Enhances Tempo's footprint, establishing a stronger national presence with 12 operating bases across Australia.</li><li>▪ Supported by large workforce of electrical tradespeople employed nationally.</li></ul>
<b>Sector Expansion</b>	<ul style="list-style-type: none"><li>▪ Establishes Tempo as a specialised national electrical and telecommunication maintenance service provider carrying out recurring preventative, programmed, reactive, and compliance electrical services.</li></ul>
<b>Quality and Diversified Clients</b>	<ul style="list-style-type: none"><li>▪ KP Electric has many of Australia's largest corporations and government institutions as clients (see sample list below).</li></ul>
<b>Increased Technical Capabilities</b>	<ul style="list-style-type: none"><li>• Facilitates the offering of a unique end-to-end service (installation, testing and maintenance) to telecom clients.</li><li>• Cross-selling opportunities from the relationships established with KP Electric's tier one clients.</li><li>• Organisational synergies by merging with Tempo's Perth metropolitan maintenance division.</li></ul>
<b>Shared Values</b>	<ul style="list-style-type: none"><li>• Tempo and KP Electric have shared values and visions. Both organisations value the skills and expertise of their people and are highly committed to the use of technology to drive day to day efficiencies and productivity.</li></ul>

# CORE MARKETS AND SERVICE OFFERINGS

## National Maintenance

- Electrical and lighting maintenance works, including
  - planned and reactive maintenance
  - preventative maintenance
  - compliance testing
  - fit-outs
- Able to offer a single point of contact and pricing structure for national clients.

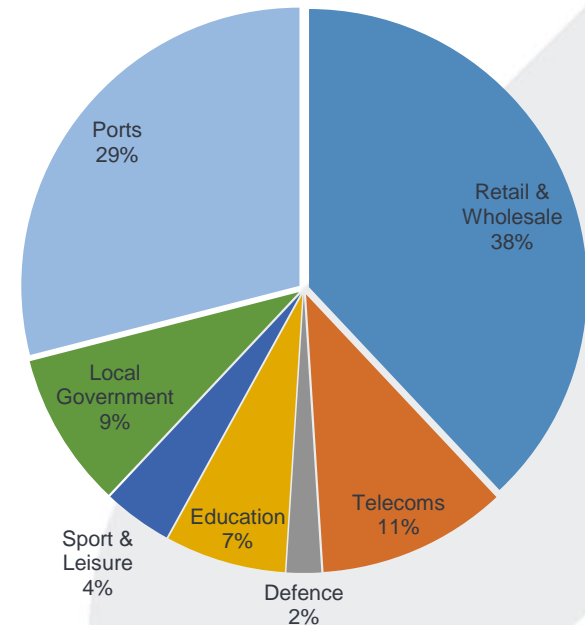
## National Infrastructure Projects and Maintenance

- Working for large infrastructure sites such as ports, universities, councils and government precincts, etc.
- Comprehensive electrical, lighting, and security network maintenance and upgrades.
- Ability to work with partners to provide additional non-electrical services to clients.

## Telecommunications

- Electrical, data and other ancillary services for telecommunications facilities for companies such as Nokia and Ericsson.
- Non-electrical works, and potential installation and decommissioning, for telecommunication hubs.
- Battery, UPS and air conditioning replacement and testing for telecom huts.

KP Electric FY17 revenue split by market



# AUSTRALIAN ELECTRICAL, DATA & TELECOM MARKET

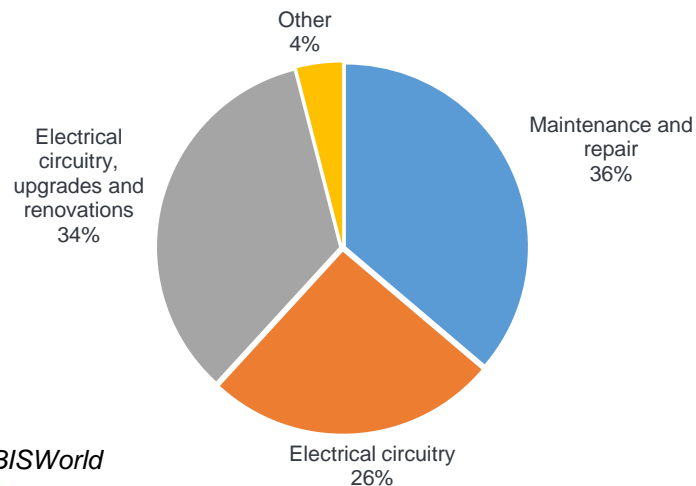
- KP Electric operates predominantly in “Maintenance and Repair”, as well as the “Electrical Circuitry Upgrade and Renovations” segments of the Electrical Services industry - which IBISWorld estimates represent \$7.0b and \$6.6b annual markets respectively.
- KP Electric’s clients are generally commercial and retail property operators, and mixed customers (such as universities, schools, etc).
- The market is a very fragmented with over 98% of companies employing less than 20 people.
- The increase in demand for technologically advanced products has seen an increase in work which combines electrical, data cabling, fibre optics and or mobile telecommunication integration.

## Electrical Services Industry Market

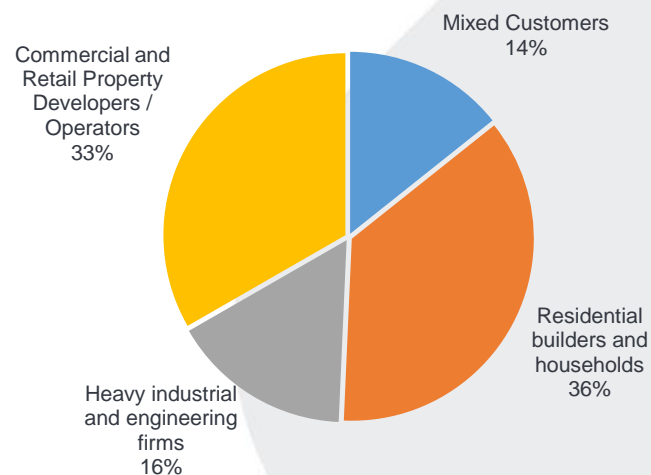
Electrical Industry Revenue  
**\$19.4b/pa**

Annual Growth 15-20  
**1.8%**

### Products and Services

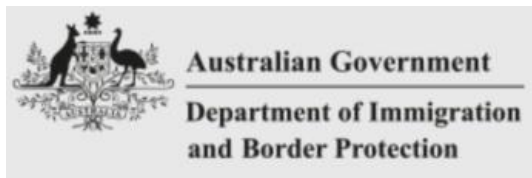


### Major Market Segmentation



Source: IBISWorld

# DIVERSE BLUE CHIP CUSTOMER BASE



# TEMPO GROUP OPERATING MODEL (POST ACQUISITION)

---

- KP Electric to become Tempo's national electrical and telecommunications maintenance group and will operate as an independent group within Tempo.
- Peter King, KP Electric's founder, and all the management team will remain in the business and will work closely with Tempo's executive team in order to further expand the group's reach in Australia, and target a larger share in electrical and telecom infrastructure maintenance market.
- KP Electric's IT systems which schedules and work-packs all national activities from a central operational hub will be complemented by Tempo's, quality, environmental, health and safety management systems providing a further competitive advantage.
- Tempo will also seek to enhance the service offering to KP Electric's clients by offering its productivity systems and tools, including its proprietary worksite tool time monitoring system.
- Cablelogic maintenance work will be merged into the KP Electric group, allowing Tempo to better service the current clients and gain operational synergies.
- Cablelogic electrical project delivery division will continue operating as a division of Tempo and target and execute project development work for the telecommunications, commercial and industrial building industry.
- A Tempo presence will be established in KP Electric key offices for the purpose of targeting resources, and project based commercial and industrial works.

# END

