

Australian Securities Exchange Announcement

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LEGEND ACQUIRES SYSTEM CONTROL ENGINEERING GROUP

Legend Corporation Limited (Legend) is pleased to announce it has reached agreement to acquire selected assets of the Australian operations of System Control Engineering Pty Ltd and the shares of New Zealand based System Control Engineering (NZ) Limited ("SCE"). This is a strategic acquisition that significantly enhances Legend's value chain with a range of high quality industrial products and project capabilities.

Key Highlights

- SCE has been an industry leader for almost 50 years in the supply of products and parts for industrial and commercial gas, heating, refrigeration and air conditioning components, appliance spares and related value added systems in Australia and New Zealand.
- SCE forecast revenue for the year ended 30 June 2015 will be approximately \$28.5 million with Earnings before Interest and Taxation (EBIT) of \$1.85 million (unaudited).
- Net tangible assets at completion will be approximately \$8.7 million.
- Legend will acquire SCE for \$10.2 million by way of an initial payment of \$9.2 million upon completion with the remaining \$1 million payable 31 December 2015. The vendors will remain with the business and can achieve a total in deferred payments of up to \$7.7 million based on the EBIT results for the financial years ended 30 June 2016 through 30 June 2019.
- SCE will operate as a distinct division of Legend.
- The effective acquisition date is back dated to 1 May 2015.

Acquisition of SCE

SCE has significant history and expertise in the supply of industrial and commercial gas, heating, refrigeration, electrical and air conditioning components, appliance spares and related value added systems to contractors and resellers (refer <http://www.systemcontrol.com.au>).

Headquartered in Melbourne, SCE has office-warehouses in NSW, QLD, SA and NZ staffed by over 75 employees.

Legend will acquire SCE for \$10.2 million by way of an initial payment of \$9.2 million upon completion with the remaining \$1 million payable 31 December 2015. A further four deferred payments, up to a maximum of \$7.7 million, are possible dependent upon the EBIT achieved in the financial years ended 30 June 2016 through 30 June 2019. EBIT targets are increased annually with a final EBIT of at least \$3.8 million required for the year ended 30 June 2019 to achieve the maximum deferred payment. These deferred payments will be settled in August each year.

The acquisition will be funded through existing debt facilities and working capital. It is expected that the acquisition will be earnings per share and operating cash flow positive in the first year.

SCE has strong synergies with Legend's industrial products focus; our NATA laboratories, warehousing, proven ERP and marketing, and sales platforms. Legend expects to achieve operating cost savings of \$1 million per annum and \$3.5 million in working capital improvements through the enhanced management of SCE's balance sheet.

The executive directors and key staff will remain with the business.

Legend and SCE Commentary

Legend's CEO Brad Dowe said "The acquisition of System Control Engineering business is very complimentary to Legend and delivers a business with a track record of strong growth and leadership in supply of products and parts for industrial and commercial gas, heating, refrigeration, electrical and air conditioning components, appliance spares and related value added systems in Australia and New Zealand. There is significant opportunity for Legend to lever SCE with access to our comprehensive national distribution, broader resources base and sales channels. SCE will maintain a separate divisional identity within our Group and continue a strong focus on growth and service delivery for SCE's client base".

Scott Rimes, Managing Director of SCE said "The SCE team is looking forward to merging operations with Legend and utilising Legend's strong warehousing, marketing and back room resources. We have an experienced client service focused team that has worked to build close relationships with our customers. With Legend's complimentary resources we look to deliver improved outcomes for our clients, products and services internationally."



Brad Dowe
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