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MMA to Acquire Subsidiaries of Jaya Holdings Limited

Highlights

- **Mermaid Marine Australia Limited ("MMA" or "Company") has entered into an agreement to acquire 100% of the subsidiaries of SGX listed Jaya Holdings Limited ("Jaya" and "Jaya Subsidiaries" respectively) for S$625 million in cash (A$550 million[1])**

- **The purchase is inclusive of approximately A$101 million of pro forma[2] net cash held within the Jaya Subsidiaries (as at 31 December) implying an enterprise value for the business of A$449 million**

- **Jaya is an established international offshore oil & gas marine services provider with a fleet of 27 vessels, two strategic ship yards in Singapore and Batam, Indonesia, and a new build pipeline of six high specification vessels, with three vessels scheduled to enter the fleet by early FY2015. The fleet operates across South East Asia, the Middle East, West Africa and more recently, East Africa**

- **The acquisition delivers immediate scale to MMA's international operations and represents a strategic platform for further growth as well as expanding the scope of MMA's integrated offshore service offering**

- **MMA will fund the acquisition payment of S$625 million (A$550 million[1]) through a A$317 million equity raising and new debt facilities from its existing relationship banks NAB and ANZ, including a US$227 million (A$253 million[3]) US dollar denominated acquisition facility**

[1] Based on an AUD:SGD exchange rate of 1:0.8805 as at 24 February 2014
[2] Based on Jaya's unaudited and unreviewed balance sheet at 31 December 2013, adjusted for sale of Sovereign (net of additional capex spent prior to sale) and Amethyst (under contract for sale), and an AUD:USD exchange rate of 1:0.8966 as at 24 February 2014
[3] Based on an AUD:USD exchange rate of 1:0.8966 as at 24 February 2014

- **The equity raising will be structured as a 7 for 18 underwritten pro rata accelerated renounceable entitlement offer ("Entitlement Offer") priced at A$2.40 per share to raise gross proceeds of A$217 million plus an Institutional Placement ("Institutional Placement") to raise A$100 million, underwritten at the same price**

- **The acquisition is subject to a number of customary closing conditions, including majority shareholder approval from Jaya shareholders, with the shareholder vote expected to be held in April 2014. MMA has irrevocable undertakings from shareholders representing approximately 53% of Jaya shares to vote in favour of the transaction, subject to no superior offer**

- **The acquisition represents a strategic expansion of MMA's international operations and a new pillar of growth that is expected to deliver mid-single digit EPS accretion on an FY14 pro forma basis[4]**

Overview

MMA today announces that it has executed a Share Sale Agreement with SGX-listed Jaya to acquire 100% of the Jaya Subsidiaries for S$625 million (A$550 million). Including pro forma net cash in the acquired Jaya Subsidiaries as at 31 December 2013 of A$101 million[5], this price is equivalent to an A$449 million enterprise value.[6]

The acquired businesses are Jaya's Offshore Support Services ("OSS") and Offshore Engineering Services ("OES") divisions. OSS is an established vessel provider to the offshore oil and gas market with 27 vessels currently operating in South East Asia, the Middle East and East and West Africa. OES operates two strategic shipyards, with one located in Batam, Indonesia and the other in Singapore, providing MMA with access to high specification vessel construction facilities in South East Asia. OES has an existing vessel newbuild pipeline of six high specification vessels for delivery to OSS through to December 2015.

The acquisition expands MMA's geographic reach, delivers immediate scale in the South East Asian and Middle Eastern markets, increases MMA's exposure to high specification vessels and extends MMA's integrated business model through the acquisition of complementary shipyards.

[4] EPS accretion is based on underlying NPAT of MMA for the year ending 30 June 2014 and excludes expensing of transaction costs. Refer to Investor Presentation released to the ASX for further detail
[5] Adjusted for sale of Sovereign (net of additional capex spent prior to sale) and Amethyst (under contract for sale)
[6] Refer note 1 and 2 above

MMA has undertaken detailed analysis and sees the acquisition of Jaya as an opportunity to establish a strong platform for growth in international markets, leveraging combined client relationships to cross-sell services and optimise utilisation of the combined fleet across multiple markets. In addition, the acquisition will increase MMA's exposure to larger AHTS[7] vessels and augment MMA's existing PSV[8] strategy. The acquisition delivers a newbuild pipeline of six new, high specification vessels providing new opportunities in the Subsea and Inspection, Maintenance and Repair (IMR) markets.

Key Jaya management will be retained by MMA and an integration plan for the business will be implemented by a team of internal MMA staff and external advisers.

The acquired businesses generated pro forma revenue of US$117 million (A$121 million) and EBITDA of US$55 million (A$57 million) for the year to 31 December 2013.[9]

The acquisition is expected to deliver mid-single digit EPS accretion on a pro forma basis in FY14 (excluding transaction expenses and theoretical ex-rights price ("TERP")[10] adjusted) and is expected to be completed before the end of April 2014.

Commenting on the transaction, MMA Managing Director, Jeffrey Weber said:

> *"The acquisition represents an excellent opportunity to deliver on one of our key strategic objectives by delivering immediate scale in international markets.*
>
> *The acquisition provides increased geographic diversification for our vessel operations through the addition of a complementary vessel fleet which already has operations in markets across South East Asia and the Middle East. Ownership of two shipyards located in Asia will allow us to combine MMA's existing marine technical expertise with OES' technical shipbuilding capability."*

[7] Anchor Handling Tug Supply ("AHTS") vessel
[8] Platform Supply Vessel ("PSV")
[9] Jaya financials based on actual earnings for the 12 months ended 31 December 2013, excluding Gain on Disposal of vessels and other adjustments disclosed in Jaya's financial statements considered as one-off, non-recurring items. Includes unaudited actual underlying earnings for the 6 months ended 31 December 2013 and underlying earnings for the 6 months to 30 June 2013 extracted from audited annual financial statements. Jaya financials converted to A$ based on an average AUD:USD exchange rate over the 12 months ended 31 December 2013 of 1:0.9680.
[10] The theoretical ex-rights price ("TERP") is the theoretical price at which MMA shares should trade immediately after the ex-date of the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which MMA shares trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not equal the TERP. The TERP is calculated by reference to MMA's closing price of A$2.81 on 24 February 2014 and by deducting the interim dividend of A$0.055 / share to reflect that the New Shares will not be entitled to receive this dividend payment.

Approvals

Completion of the Transaction is subject to majority approval by Jaya shareholders at an Extraordinary General Meeting ("EGM") to be held in April 2014, vendor regulatory approvals, the equity raising condition described below and other usual conditions. MMA has secured irrevocable undertakings from three of Jaya's shareholders representing approximately 53% of shares outstanding to vote in favour of the transaction, subject to no superior offer being received by Jaya.[11]

The Share Sale Agreement contains various exclusivity and deal protection mechanics including "no shop" and "no talk" provisions, notification rights in relation to competing offers and matching rights in favour of MMA. In addition, Jaya is obliged to pay MMA a break fee equal to 1% of total cash consideration in certain limited circumstances.[12]

MMA is also obliged to pay Jaya a break fee equal to 1% of total cash consideration if MMA invokes the equity funding condition precedent to terminate the Share Sale Agreement, which can only occur where the underwriting agreement for MMA's equity financing described below is terminated by the underwriter in reliance on the market fall or market disruption termination events set out in the underwriting agreement.

Acquisition Funding

The acquisition of Jaya will be funded via a combination of debt and equity financing:

Entitlement Offer and Institutional Placement

MMA's acquisition will be part funded by an A$317 million equity raising comprising an A$217 million underwritten pro rata accelerated renounceable Entitlement Offer and an A$100 million underwritten Institutional Placement of new ordinary shares in MMA ("New Shares").

The Entitlement Offer will be structured as a 7 for 18 fully underwritten pro rata accelerated renounceable Entitlement Offer priced at A$2.40 per New Share to raise gross proceeds of A$217 million. The Entitlement Offer comprises a pro rata Institutional Entitlement Offer of approximately $137 million and Retail Entitlement Offer of $80 million.

Eligible shareholders will be entitled to subscribe for 7 New Shares for every 18 MMA shares held as at 7:00pm (Sydney Time) on Friday, 28 February 2014. The offer price of A$2.40 per New Share represents a 12.9% discount to the dividend adjusted closing price of MMA shares

[11] These irrevocable undertakings will terminate (and, accordingly, not bind those major Jaya shareholders to vote in favour of the proposed acquisition) only in circumstances where a superior offer is received by Jaya. A "superior offer" is one where, among other things, the consideration offered under it is equivalent to no less than 105% of the aggregate of the cash consideration offered by MMA under the proposed acquisition plus an amount of US$10 million (in relation to an acquisition of 100% of the Jaya Subsidiaries' assets) or US$5 million (in relation to a takeover or scheme of arrangement in relation to Jaya Holdings Limited).

[12] Refer to Important notices on page 8 for further information.

on 24 February 2014 (being the last trading day before announcement of the acquisition and Entitlement Offer) and a discount of 8.6% to the dividend adjusted TERP of A$2.63.

Approximately 91 million New Shares are expected to be issued in MMA under the Entitlement Offer.

All MMA directors have stated that they intend to take up some or all of their entitlements to the extent that their financial circumstances permit.

In addition, MMA will conduct an Institutional Placement to existing eligible institutional shareholders and new institutional investors to raise A$100 million. The Institutional Placement will be conducted by way of a bookbuild at a fixed price of A$2.40 per share (the same price as the Entitlement Offer). The Institutional Placement will result in the issue of 42 million New Shares.

The New Shares to be issued under the Entitlement Offer and the Institutional Placement will rank pari passu in all regards with existing ordinary MMA shares, however will not carry any entitlement to receive the FY14 interim dividend (record date of 11 March 2014) announced by MMA today.

Debt Financing

MMA has arranged new acquisition debt facilities from its existing relationship banks National Australia Bank ("NAB") and Australia and New Zealand Banking Group ("ANZ") and, including a US$227 million (A$253 million) US dollar denominated Acquisition Facility. The new facility will be for a term of five years and carries a floating interest rate. MMA has entered into a credit approved commitment letter with its existing relationship banks for them to underwrite this Acquisition Facility. However, drawdown under the Acquisition Facility is subject to various conditions precedent, including the execution of a long form facility agreement and other conditions which are usual for a facility of this sort.

Half Year Results and Outlook

MMA today also announced its financial results for the half year to 31 December 2013, reporting an underlying Net Profit After Tax of A$24.2 million, in line with guidance provided on 15 November 2013. The 1HFY2014 performance was impacted by lower vessel and wharf utilisation due to lower drilling activity and delays to commencement of vessel scopes.

MMA confirms previous guidance that it expects to deliver a full year NPAT for FY2014 in line with the previous financial year (excluding the impact of the acquisition). Performance in the second half is expected to be stronger than the first half, driven by commencement of key vessel scopes, delivery of Mermaid Leeuwin (with 18 month Woodside drilling contract commencing in February 2014) and increased wharf activity levels at the Dampier Supply Base.

Further details on MMA's result are contained in a separate announcement.

Entitlement Offer Timetable[13]

The Institutional Entitlement Offer will be open from 10:00am (Sydney Time) Tuesday, 25 February 2014 to 2:00pm (Sydney Time) Wednesday, 26 February 2014. Eligible institutional shareholders can choose to take up all, part or none of their Entitlement. New Shares equivalent in number to the New Shares not taken up by eligible institutional shareholders by the close of the Institutional Entitlement Offer, and New Shares that would have been offered to ineligible institutional shareholders, had they been entitled to participate, will be sold through the Institutional Shortfall Bookbuild to be conducted on Thursday, 27 February 2014. The bookbuild for the Institutional Placement will be held on Wednesday, 26 February 2014.

The Retail Entitlement Offer will open on Wednesday, 5 March 2014 and close on Friday, 21 March 2014. New Shares equivalent in number to the New Shares not taken up by eligible retail shareholders and New Shares that would have been offered to ineligible retail shareholders had they been eligible to participate will be sold through the retail Shortfall Bookbuild to be conducted on Wednesday, 26 March 2014.

Event	Date
Announcement of Acquisition and Entitlement Offer	Tuesday, 25 February 2014
Institutional Entitlement Offer opens	Tuesday, 25 February 2014
Institutional Entitlement Offer closes	Wednesday, 26 February 2014
Institutional Placement Bookbuild	Wednesday, 26 February 2014
Institutional Shortfall Bookbuild	Thursday, 27 February 2014
Record date under the Entitlement Offer	Friday, 28 February 2014
Retail Entitlement Offer opens	Wednesday, 5 March 2014
Despatch of Retail Offer Booklet and Entitlement and Acceptance Form	Wednesday, 5 March 2014
Settlement of Institutional Entitlement Offer	Tuesday, 11 March 2014
Allotment of New Shares issued under the Institutional Entitlement Offer and Institutional Placement and commencement of trading on ASX	Wednesday, 12 March 2014
Despatch of payments (if any) in respect of Entitlements not taken up under the Institutional Entitlement Offer	Tuesday, 18 March 2014

[13] Dates and times are indicative only and subject to change

Retail Entitlement Offer Closes	Friday, 21 March 2014
Retail Bookbuild	Wednesday, 26 March 2014
Settlement of Retail Entitlement Offer and Retail Bookbuild	Tuesday, 1 April 2014
New shares allotted under the Retail Entitlement Offer and Retail Bookbuild	Wednesday, 2 April 2014
New Shares issued under the Retail Entitlements Offer and Retail Bookbuild commence trading on the ASX	Thursday, 3 April 2014
Despatch of Holding Statements	Friday, 4 April 2014
Despatch of payments (if any) in respect of Entitlements not taken up under the Retail Entitlement Offer	Tuesday, 8 April 2014

Further Information

For further details regarding the acquisition of Jaya and the Entitlement Offer shareholders are advised to refer to the Investor Presentation released to the ASX.

Morgan Stanley acted as sole financial adviser to MMA on the transaction and advised on the debt and equity raisings. Ashurst Australia and Allen & Gledhill acted as legal advisers to MMA on the acquisition. Ashurst Australia acted as legal adviser to MMA in relation to the Entitlement Offer, Institutional Placement and the new debt facilities.

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Important notices

This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. The new shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S. Securities Act (which MMA has no obligation to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

This announcement contains certain "forward-looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "forecast", "estimate", "likely", "anticipate", "believe", "expect", "future", "project", "opinion", "opportunity", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan", "propose", "to be", "foresee", "aim", "will" and other similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements, and include statements in this announcement regarding the conduct and outcome of the Entitlement Offer and Institutional Placement, the use of proceeds, the acquisition of Jaya and earnings guidance. You are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which 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 and 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 and may involve significant elements of subjective judgment, assumptions as to future events that may not be correct, known and unknown risks, uncertainties and other factors, many of which are outside the control of MMA. A number of factors could cause actual results, performance or achievements to vary materially from any forward-looking statements and the assumptions on which statements are based, including but not limited to the risk factors set out in the Investor Presentation released by MMA to ASX today. Except as required by applicable law or regulation (including the ASX Listing Rules), MMA undertakes no obligation to provide any additional or updated information or update any forward-looking statements, whether as a result of new information, future events or results or otherwise.

This announcement contains pro forma financial information. In particular, pro forma historical combined income statement data has been prepared based on MMA's and Jaya's underlying income statement for the year ended 30 June 2013 and the six month periods ended 31 December 2012 and 2013. The income statements for the Jaya Subsidiaries have been converted to A$ assuming the average AUD:US exchange rate over the 12 months ended 31 December 2013 of 1:0.9036. Adjustments made to the Jaya Subsidiaries' financials include removal of significant non-recurring items, alignment of Jaya and MMA's accounting policies, expected cost savings as well as additional ongoing costs resulting from the acquisition of the Jaya Subsidiaries by MMA, impact on depreciation of indicative purchase price accounting and estimated incremental interest expense to fund the acquisition. Prospective investors should also note that this announcement does not include financial statements of Jaya or the Jaya Subsidiaries. The pro forma historical financial information has been prepared by MMA in accordance with the measurement and recognition requirements, but not the disclosure requirements, of applicable accounting standards and accounting interpretations. Investors should also note that the pro forma historical financial information does not purport to be in compliance with Article 11 of Regulation S-X of the Rules of the U.S. Securities and Exchange Commission.

This announcement includes pro forma historical financial information for the Jaya Subsidiaries. The financial information has been derived from the audited financial statements of Jaya for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, as well as the unaudited and unreviewed financial information for the 6 month periods ended 31 December 2012 and 2013. The financial information has been prepared in accordance with the measurement and recognition requirements prescribed by SFRS. No differences between Australian Accounting Standards and SFRS have been identified that may be material to such financial information and financial statements.

This announcement includes certain financial measures that are "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. These measures include EBITDA, underlying NPAT and net cash. The disclosure of such non-GAAP financial measures in the manner included in the announcement may not be permissible in a registration statement under the U.S. Securities Act.

This announcement includes certain financial measures that are "non-IFRS financial information". These measures include EBITDA, underlying NPAT and net cash. This financial information is unaudited. The non-IFRS financial information and non-GAAP financial measures do not have a standardised meaning prescribed by the Australian International Financial Reporting Standards (or AIFRS) and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with AIFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial measures included in this announcement.

The sale and purchase agreement for the Jaya Subsidiaries includes various exclusivity and deal protection mechanics, including: (1) a "no talk" clause prohibiting Jaya from (whether directly or indirectly) entering into or continuing discussions or negotiations, or granting or continuing to grant any due diligence access, in relation to any competing offer (other than to clarify material terms and conditions for the purposes of informing MMA of such a competing offer); (2) a "no shop" clause prohibiting Jaya from (whether directly or indirectly) soliciting, initiating, encouraging or inviting (including, but not limited to, through the grant of any due diligence access) any competing offer; (3) notification rights that require Jaya to immediately notify MMA if it receives a competing offer and to provide details of that competing offer and the identity of the offeror to MMA; and (4) matching rights that entitle MMA to submit a counter-proposal (on terms no less favourable) if a competing offer is received by Jaya. Jaya is obliged to pay MMA the break fee equal to 1% of total cash consideration if any of the following conditions precedent is not satisfied or waived: (1) the EGM to consider the proposed acquisition is not convened; (2) a majority of Jaya's directors do not recommend that Jaya shareholders vote in favour of the proposed acquisition, or that majority withdraws its recommendation on or prior to the EGM; (3) the irrevocable undertakings from Jaya shareholders are terminated prior to the conclusion of the EGM or the applicable shareholders do not vote in favour of the proposed acquisition at the EGM; or (4) there is a material adverse change in the net asset value of the Jaya Subsidiaries before completion caused by an act or omission by any member of the Jaya group.