



Mercer Group Limited

7 December 2018

Acquisition of Milmeq's Chilling and Freezing business

Mercer Group Limited (MGL) advises that its wholly owned subsidiary Haden & Custance 2016 Ltd (H&C), has entered into an agreement to acquire the Chilling and Freezing business of Milmeq Limited ('Milmeq'). The transaction is due to settle on 28th February 2019. This will provide more scale and diversification to MGL, and is aligned with our stated strategy of investing in technology led businesses.

Milmeq's Chilling and Freezing business designs, manufactures and installs automated chilling and freezing tunnels and plate freezing systems into the meat, poultry, dairy and seafood industries globally. It has strong market positions in the red meat industry in Australia and the cheese production sector globally. It has an installed base of over 140 plate freezer stacks in Australia and 110 carton tunnels globally. In addition to its core product offering, Milmeq has a growing Asset Management business that provides service, spare parts and support to its customers.

There is significant customer crossover between H&C and Milmeq. This should allow the combined business to provide further automated products and solutions to its customer base, leveraging the complimentary skills of the two businesses. Milmeq has a strong presence in Australia, with an office in Brisbane, providing more direct customer contact and ability to provide services for H&C's growing business in that country. At the same time, the H&C presence in Green Bay, Wisconsin, will allow for more targeted growth of Milmeq's products in the North American markets.

It is H&C's expectation that the key employees from Milmeq will be retained, allowing for continuity for customers. Milmeq will also be providing a transition team through to June 2019 to provide further continuity. The acquisition is structured as the sale and purchase of business and related assets, including working capital funding. The purchase price is based on net assets being acquired and will be determined by way of earn out in the period from settlement to 31 December 2019.

Trading Update:

As outlined at the AGM, MGL is trading positively with good workflows in both Mercer Stainless and H&C and for H&C, we have an order book approaching the half year FY19, of \$15.5m, significantly in excess of the whole year FY18 result. We expect to generate a net profit for the half year to 31 December 2018 and expect the momentum to continue into 2019 with a net profit for the full year to 30 June 2019. We would expect Milmeq's contribution to be accretive in the financial year from July 2019.

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