

SAUNDERS ANNOUNCES ACQUISITION OF AQUA METRO AND ASSOCIATED EQUITY RAISING

15 July 2025

Transaction Highlights

- Saunders International Limited (ASX: SND) (“Saunders” or “the Group”) has entered into a **Share Sale Agreement to acquire 100% of the issued shares in Aqua Metro Pty Ltd** and its associated entities (“Aqua Metro”) for up to **\$30.0 million**.
- Aqua Metro is a leading provider of **water infrastructure services**, generating strong **annuity-style revenue** through long-term program and project agreements with utilities and government agencies.
- Strong outlook with **\$411 million* order book (work in hand)**, supported by a **pipeline exceeding \$1.4 billion****.
- The acquisition supports Saunders’ strategic expansion into the **water sector**, adding **complementary capabilities** across hydraulics, mechanical, civil and water infrastructure.
- Aqua Metro will continue to service its existing client base as part of the Saunders Group. The business currently holds positions on **four water authority framework panels**, with average expiry terms extending through to 2028 (excluding available extensions).
- The acquisition will be funded through a **\$5.0 million institutional placement**, a new **\$10.0 million acquisition debt facility with CBA** (of which \$8.0 million will be drawn) and existing cash reserves.
- Subject to satisfaction of conditions, the transaction is expected to complete in the first quarter of FY2026.
- The transaction is expected to be **earnings per share (EPS) accretive** in FY2026 based on Aqua Metro’s FY26 budget.
- Aqua Metro’s forecast revenue for FY2025 is \$102.0 million, with expected EBITDA of \$8.2 million. Based on its **FY2026 budget**, revenue is projected to increase to approximately **\$135.0 million**, with EBITDA of **\$11.0 million**.

Transaction Overview

Saunders announces it has entered into a Share Sale Agreement to acquire 100% of the issued shares in Aqua Metro and its associated entities. Aqua Metro is a Victoria-based business specialising in delivering integrated services to the water sector.

As a leading end-to-end partner in design, engineering and project execution, the acquisition enhances Saunders’ national footprint and diversified infrastructure capabilities. It strengthens our presence in key regions and unlocks additional value in the water sector.

About Aqua Metro

- Operates across both urban and rural Victoria.
- Delivers a client-focused approach, with long-term program and project agreements in place with utilities and government agencies.
- Diversified customer base, including clients complementary to Saunders.
- Established working relationship with Saunders, having successfully collaborated on projects in recent years.
- A highly skilled workforce of over 100 people.
- Proven track record, having delivered more than 300 projects and achieved significant growth.

Conditions

The Share Sale Agreement is subject to customary closing conditions for an acquisition of this nature. These include the obtaining of consents of counterparties to Aqua Metro's material contracts to the change in control of Aqua Metro, the continuing correctness of various warranties Aqua Metro has provided to Saunders under the agreement, no material adverse change in the Aqua Metro business arising before closing and various procedural conditions. In addition, Saunders is consulting with ASX under Listing Rules 11.1.

Subject to the satisfaction of these conditions, Saunders expects that the acquisition will complete in the first quarter of FY2026.

Strategic Benefits for Saunders

The acquisition supports Saunders' long-term strategy to increase its presence in the water sector – one of its key growth markets. By combining Aqua Metro's capabilities with Saunders' expertise in tank construction, pipework and control systems, Saunders expects to enhance its multidisciplinary project delivery capability.

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Purchase Price and Earn-Out Structure

If all conditions to completion in the Share Sale Agreement are satisfied (or if capable of waiver, waived), Saunders will acquire Aqua Metro Pty Ltd and associated entities for up to \$30.0 million.

The total purchase price includes an initial payment of \$18.0 million on completion, comprising \$11.0 million in cash and \$7.0 million in Saunders shares, with the share component subject to a 12-month escrow period.

Under the Share Sale Agreement, the shares to be issued to the vendors on completion will be issued in two tranches, with the first tranche expected to be issued shortly after completion under Saunders' available 15% capacity under ASX Listing Rule 7.1. The issue of the second tranche to the vendors (being the excess above the 15% capacity) is subject to shareholder approval, which will be sought at Saunders' Annual General Meeting later this year.

A potential second instalment will be payable based on Aqua Metro's EBIT performance during a 12-month earn-out period commencing 1 July 2025. This amount will be calculated as the average of FY2025 and FY2026 EBIT, multiplied by 4.0x and is subject to a maximum earn-out cap of \$12.0 million.

If the earn-out target is achieved in full, the second instalment will comprise \$7.0 million in cash and \$5.0 million in Saunders shares, also subject to a 12-month escrow. All cash components of the transaction will be funded from Saunders' cash reserves. The structure is designed to align incentives and support sustained performance post-acquisition. The issue of the earn-out shares is subject to shareholder approval, which will be sought at Saunders' Annual General Meeting later this year.

Key Management and Personnel

Saunders is committed to preserving the strong culture, customer relationships and operational excellence that have underpinned Aqua Metro's success. Following completion of the acquisition, Aqua Metro's management team and personnel will remain in their current roles, ensuring continuity and stability across the business.

The Victoria-based team will continue to lead local operations, while Manish Pancholi will join the Saunders Leadership Team as **Executive Vice President, Saunders Aqua Metro**. With clear synergies between the two businesses, the integration is expected to deliver long-term value creation.

Leadership Commentary

Saunders' Managing Director and Chief Executive Officer, **Mark Benson**, said,

"We are pleased to welcome Aqua Metro to the Saunders Group. Over the past few years, we've developed a strong working relationship through project delivery and identified clear cultural alignment. This acquisition strengthens our capabilities in the water sector and enhances the value we deliver to clients. We are proud to partner with Marcus, Manish and the Aqua Metro team as we embark on this next exciting phase of growth together."

Aqua Metro's Management Team, including owner, **Marcus Wade** and Chief Executive Officer, **Manish Pancholi**, commented:

"We are excited to join Saunders. Our shared values and complementary capabilities make this a natural fit. Together, we're positioned to deliver even greater results for our customers, enhance our service offering and accelerate our growth journey."

Acquisition Funding

The acquisition and associated transaction costs will be funded through a combination of:

- **\$5.0 million** raised via an institutional placement; and
- **\$8.0 million** in acquisition debt financing; and
- Saunders **cash** reserves.

Placement

The \$5.0 million Placement was made to two of Saunders' existing substantial shareholders (Ahrens Group and Anacacia Capital) and within Saunders' available 15% capacity under Listing Rule 7.1. The Placement will result in the issue of approximately 7.69 million new shares. These new shares will rank equally with existing Saunders shares from the date of issue.

Details of Acquisition Debt Financing

Saunders has entered into a new loan facility of \$10 million of which \$8 million will be drawn which, subject to satisfying customary conditions precedent, will be available to fund the debt component of the acquisition, along with related costs and expenses. The loan facility is secured against Saunders' real property and assets, and is structured with a seven-year amortisation period along with a three-year term. The interest is calculated at 2.7% above the BBSY. The loan facility is subject to quarterly covenant reporting requirements, including key covenants such as the Debt Service Cover Ratio and Adjusted Leverage Ratio targets.

About Saunders International Limited

Saunders International Limited (ASX: SND) is a multidisciplinary Australian company providing engineering, construction and industrial asset services across the complete asset lifecycle. Saunders specialises in bulk liquid storage and transfer, structural, mechanical and piping (SMP), industrial automation and electrical, civil infrastructure and industrial asset services. We serve clients across the Defence & Government, Energy, Water, Resources and Industrials sectors. For more information, visit www.saundersint.com.

For further information, please contact:

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This announcement was authorised for release by the Board of Saunders International Limited.

***Order book:** Includes secured projects and anticipated work under existing framework agreements (FY2026–FY2028), based on historical weighted win rates.

****Pipeline:** Includes standalone project opportunities and potential framework agreement extensions (FY2026–FY2031), also based on historical weighted win rates.

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