

**Ironbridge**



## **AUSTRALIAN DRILLING SOLUTIONS Investment Report**

### **1. Summary of the Deal**

On 30 May 2008 Ironbridge completed the acquisition of 3 drilling services businesses including Gorey & Cole, Sides and Nudrill (together Australian Drilling Solutions "ADS") from each of the founding shareholders. ADS followed up with 2 additional bolt-on acquisitions in the form of Colby and Peak, both based in Western Australia. The Ironbridge Funds maintain a controlling interest in ADS with the balance owned by founding shareholders and a newly appointed senior management team..

The businesses currently provide drilling services to a number of sectors including minerals / resources, infrastructure, construction and oil & gas with all sectors continuing to experience solid growth in the Australian market. This is expected to continue over the long-term driven by Australia's unique position as one of the closest resource based trading partners for the emerging Asian economies and due to the expected increase in government spending on infrastructure projects.

Ironbridge has advised adopting a "buy and build" strategy in relation to the investment and has negotiated a \$50m acquisition and capex facility in order to accelerate the growth of ADS. Expansion opportunities are being driven by the group's objective of establishing a drilling services business exposed to minerals, infrastructure and the oil & gas sectors providing the business with a number of avenues for growth. To date the acquisitions have been focused on minerals and infrastructure with due diligence continuing in the energy sector.



The investment strategy will provide ADS with the capital to respond to the significant growth opportunities and the internal resources to allow the business to adopt best practice strategies in asset utilisation, OH&S and a more formalised training, development and succession plans for its employees.

To this end the founders were attracted to Ironbridge due to the demonstrable value add, particularly in relation to our past experience in the mining services sector and our background in growing private and family owned companies. Ironbridge's portfolio team will assist with a "soft" corporatisation strategy and also assist in executing their acquisition strategies.

*"The Australian mining services industry is undergoing significant growth driven by Australia's competitive advantage in most major commodities. We have adopted a buy and build strategy with an initial investment in 3 high quality, specialised and complementary businesses in order to create a large scale mining services operation"*

- Director – Josh McKean

## 2. Background & Business

ADS is the combination of 5 specialist drilling services businesses operating in the Australian market, including:

- **Gorey & Cole** - Founded in 1946 and sold to a senior employee Viv Oldfield in 1988. The business started as a water well drilling specialist offering services to the agricultural industry before it moved into the mining sector in 1990. The business's background meant it was well suited to dewatering / water depressurisation and backfill in mining operations due to the depth and diameter of the production holes required compared to exploration drilling. Since then it has secured long-term contracts with BHP-Billiton, ERA (subsidiary of Rio-Tinto) and Newmont. It continues to provide water well drilling services to the water authorities based in the Northern Territory as a preferred supplier;



- **Nudrill** – Founded by Mike Norburn in 1982 the business provides de-watering / water depressurisation services to major mining companies. The business has been operating with Rio-Tinto in the Pilbara iron ore region for c. 25 years and is benefiting from significant growth in the iron ore market;
- **Sides** – Founded by the Sides family in 1923 the business provides a range of drilling services to mining, oil & gas and infrastructure clients. Sides specialises in offshore / nearshore geo-technical drilling and operates 4 of the 10 transportable jack-up barges in the Australian market putting them in a strong competitive position;
- **Colby Drilling** - Founded by James Colby in 1986 the business is a water well driller specialising in de-watering services to the major mining companies. The business also brings a dual rotary drilling capability to the group which is suited to regions such as the Pilbara;

- **Peak** - Founded by Richard Bennett in 2000 the business performs diamond and RC exploration work for a number of emerging Australian resource companies such as Atlas Iron and Hancock Resources to name a few. Although the team is young they are very experienced and are expected to take a leadership role in the business going forward.

Ironbridge was introduced to the opportunity by Bill Cook (a former member of the Cashcard management team, which had been backed by members of the Ironbridge team). Bill has been a long-term mentor to Viv Oldfield and has assisted him in growing his business through the 1990's. Bill is currently Executive Chairman of the business.

Ironbridge conducted extensive financial, legal and commercial diligence using Deloitte, Baker & McKenzie, Crescendo Partners and Pacific Road, a specialist advisor to the resources sector.

## 3. The Management Team

Michael Ferguson was appointed to the role of Chief Financial Officer, ADS shortly after Ironbridge completed the 3 initial acquisitions. Michael is a Chartered Accountant by trade and was previously the Global Financial Controller for Dyno Nobel where he was responsible for global financial accounting and reporting and tax, financial integration of acquisitions and some treasury responsibilities.

Each of the founders remains Managing Directors of their current business and some are members of the Board.

*"We are very pleased to be part of this transaction and strongly believe this places us on a stronger financial footing to meet the increasing demands of our key customers. Together with Ironbridge's expertise in dealing with private and family owned companies we have the right partner to assist us in building a leading Australian mining services business"*

- Nudrill, Mike Norburn (MD)

## 4. Transaction Rationale

Ironbridge views ADS as an attractive investment opportunity due to:

- Highly specialised nature of their services including mine de-watering / depressurisation, back-fill and offshore /

nearshore drilling capability which improves the barriers to entry;

- High quality customer base including BHP Billiton and Rio-Tinto with long term contracts (up to 5 years) and long term relationships;
- Operates in Australia's highest quality mines and mining regions eg. Pilbara (iron ore), Olympic Dam (copper / gold / uranium) and Ranger / Jabiru (uranium);
- Potential for rationalization of operations with Gorey & Cole operating in South Australia and the Northern Territory; Nudrill, Colby and Peak in Western Australia; and Sides based out of Melbourne but servicing clients nationally; and
- Tangible consolidation opportunities across a number of different industry sectors including minerals, infrastructure and energy will provide Ironbridge with the opportunity to create a diversified drilling business.