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## INTERCEPTS

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### QMASTOR adds new link in logistics chain

Staff reporter, 27 April 2009

MOST mining service and technology companies are waiting and watching on the M&A front but IT minnow QMASTOR has decided now is a good time to pounce on Hunter Valley logistics management company Coal Link Australia. ABN AMRO Morgans agrees.

The Royal Bank of Scotland unit says in a research note on QMASTOR its proposed \$A1.4 million acquisition of CLA will give the suitor exposure to key coal suppliers not already on its customer list, and immediately boost earnings.

"CLA increases QMASTOR'S scope of services and technical expertise ... [and] the business is also highly profitable, with EBIT margins in excess of 40%," ABN said.

"At a price of 3.5x EBIT the deal is favourable for QMASTOR, in our view."

The transaction would increase QMASTOR'S gearing level to 7.5% on a net debt to equity basis.

QMASTOR agreed to pay \$A483,000 cash and issue about 2.1 million shares (average price A28c) to CLA as part consideration for the deal, with further scrip to be issued based on CLA's performance. The cash component of the acquisition would be funded from a new debt facility.

Eight-year-old CLA was a "respected independent provider of logistics management and documentation services for more than a dozen leading coal suppliers and traders in the Hunter Valley coal supply chain", QMASTOR said in an Australian Securities Exchange statement. Its revenues for fiscal 2009, ending June 30, were projected to be \$A800,000-900,000.

Based on the target revenues, QMASTOR expects to issue at least 3.27 million shares to CLA – about 7.5% of its new total issued capital (about 8.1% of the current, worth just under \$A1 million at this week's share prices). The acquisition would build on QMASTOR'S recent entry into the port management systems space, the company said, with "CLA's expertise in this space ... adding significantly to QMASTOR'S software and reputation in the industry".

"Both companies expect to leverage significant synergies from our combined knowledge and customer base," said QMASTOR managing director Trent Bagnall. "QMASTOR currently carries out logistics services for BHP Billiton in the Illawarra region of NSW. The acquisition of CLA will help build on these services. CLA is a profitable niche company in the port logistics space. The acquisition of CLA will add significant value for QML shareholders and delivers on the promise of acquiring profitable companies that are synergistic and accretive to EPS."

ABN said it assumed "no synergy benefits at this stage, which may provide upside to our numbers".

It expects a two-month revenue and profit contribution from CLA to lift QMASTOR'S FY09 revenues to \$A9.1 million and net profit after tax to \$A1.6 million.

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