



MOTION METRICS

Weir Motion Metrics Vert

IMAGE SOURCE: ESCO Group LLC

Weir to acquire Artificial Intelligence and Machine Vision technology leader Motion Metrics

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The Weir Group has agreed to acquire Motion Metrics, a leading Canada-based global mining technology business, for an initial consideration of £89m payable in cash upon completion, subject to customary net debt and working capital adjustments.

Motion Metrics is the market leading developer of innovative Artificial Intelligence (AI) and 3D rugged Machine Vision Technology used in mines worldwide. Its technology helps miners increase safety, efficiency and sustainability of their operations. As part of the agreement, Motion Metrics Vancouver headquarters will become Weir's global centre for excellence in AI and Machine Vision technology.

Motion Metrics applications are highly complementary to Weir's product portfolio. It will join the **ESCO** division reflecting the early adoption of its technology in ground engaging tools (GET) where ESCO is an established global leader. Motion Metrics AI and Machine Vision capabilities are expected to be leveraged across the whole mining value chain served by the Weir Group.

Transaction highlights

- Strengthens Weir's industry leadership in making mining more sustainable and efficient
- Significantly increases the Group's capability in critical AI and Machine Vision Technologies
- Fully aligned to ESCO's ambitious growth strategy through further digitisation of its portfolio
- Enables rapid globalisation of Motion Metrics technology through Weir's global network
- Highly complementary to Weir's aftermarket-focused business model

In 2021, Motion Metrics generated revenues of £9m and was modestly profitable. Initial integration efforts will focus on leveraging Weir's global sales network and the ESCO division's large installed base to rapidly expand adoption of this value enhancing technology by our mining customers thereby driving significant revenue growth. Motion Metrics is expected to be accretive to ESCO's margins by 2023 with returns expected to exceed the Group's cost of capital by 2024 in line with Weir's capital allocation policy. Up to a further £59m will be payable in cash by Weir at the end of 2024, depending on revenue and profit performance. The transaction will be funded through cash and existing banking facilities. Over the next two years integration costs are expected to total £3m.

Jon Stanton, Weir Group CEO said:

"The combination of Weir and Motion Metrics will be extremely powerful and reflects our ambition to play a leading role in mining's technology transformation. Motion Metrics not only provides access to innovative and highly relevant technology that will accelerate growth in our ESCO division, but it also brings world-class expertise in AI, rugged 3D Machine Vision technology and data science that is applicable across the Group. This acquisition is fully aligned with our strategy and our commitment to grow ahead of our markets, expand our margins and significantly reduce our customers' environmental footprint."

A leading mining technology business specialising in AI and Machine Vision applications

Miners are increasingly focused on improving the safety, efficiency and sustainability of their operations. Motion Metrics has developed proprietary products and solutions that supports these critical ambitions leveraging innovative Machine Vision, distributed AI and machine learning.

Motion Metrics produces smart, rugged cameras that monitor and provide valuable and timely data on equipment performance, faults, payloads and rock fragmentation. This data is then analysed using embedded and cloud-based machine learning to provide real-time feedback to the mining operation. This enables immediate identification of potential issues that could impact safety and cause expensive unplanned downtime. This includes boulder and foreign body detection to dislodged ground engaging tools that can critically damage crushing equipment if undetected. It also provides information that can be used to optimise asset efficiency, supporting better decision making as miners seek to increase productivity while reducing energy consumption, particularly in areas such as comminution (crushing, screening and grinding), one of the most energy-intensive processes in mining.

These technologies were initially developed for GET applications but have recently been extended into a suite of products and solutions that can be applied from drill and blast through to primary processing. Motion Metrics technology is currently used on more than 80 mine sites and its customers include some of the world's largest mining companies. Its revenues are generated from the initial sale of equipment and subsequent recurring aftermarket revenues including subscriptions to its cloud computing platform, services and spare parts; a model that is highly complementary to Weir's aftermarket-based business model.

Motion Metrics was founded in 1999 by Dr. Shahram Tafazoli. In addition to its headquarters in Vancouver, Canada, Motion Metrics has offices in Chile, Australia, Brazil, Russia and South Africa. The business employs c.125 people focused largely on research and development, alongside sales and field support. Dr. Tafazoli will continue to lead the business when it joins the Weir Group, overseeing the new Weir centre for excellence in AI and Machine Vision technology. Weir's existing Canadian operations employ c.600 people and include manufacturing facilities as well as sales and service centres.

Motion Metrics Founder, Dr. Tafazoli said:

"Motion Metrics was established to harness the power of AI and Machine Vision to help the global mining industry make its essential transition to safer, more productive and sustainable operations. Having proven our technology and grown rapidly over recent years, the time is right for us to accelerate our development as part of

the Weir Group, which brings access to every major mining region in the world, from pit to plant. I am also excited to establish in Canada a global centre of excellence for AI and Machine Vision for mining applications, reflecting Canada's domain expertise in both mining and machine intelligence."

Motion Metrics will become part of Weir's ESCO division, with its extensive team of researchers, data scientists and engineers also supporting the increased digitisation of the broader Weir product portfolio.

Accelerating ESCO's growth strategy following its successful integration into the Group

ESCO was acquired in July 2018 and the business has been successfully integrated into the Weir Group over the past 3-years. Cost synergies in excess of US\$30m were realised ahead of schedule and the business is on track to surpass its acquisition margin targets. Despite the impact of the COVID pandemic on market conditions over the past 18-months, returns on capital employed will exceed the Group's cost of capital in 2021, in line with the Group's capital allocation policy.

Moving forward, ESCO's focus is on accelerating growth through geographic expansion and the continued extension of its market leading front-of-shovel offering, creating new solutions to support customers' safety, efficiency and sustainability goals. Motion Metrics is fully aligned to this strategy, including the early realisation of the digitally instrumented smart bucket concept which provides information on bucket and GET health alongside payload and ore fragmentation analysis. Combining ESCO's deep knowledge of mining operations with the data-led insights from Motion Metrics' AI capabilities will enable the business to create new solutions that integrate and extend the technological differentiation of its best-in-class offerings across the mine.

Andrew Neilson, Division President of Weir ESCO commented:

"This is a perfect partnership. Our customers want more digital solutions to help them improve safety, efficiency and sustainability and providing these is a key part of our growth strategy. Motion Metrics brings patent-protected technology that reduces expensive downtime in GET applications, helping improve ESCO's differentiated technology offering even further. The additional capability in AI and Machine Vision will also accelerate our expansion into adjacent markets including developing smart eco-system offerings encompassing the load and haul operations of our customers."

The acquisition is expected to complete in the fourth quarter of 2021.

Source: Weir Group PLC; ESCO Group LLC