



LEGEND
CORPORATION

Annual General Meeting 19 October 2011

 **CABAC**

LEGEND
Performance Technology

 **CABAC**
POWER

 **Hendon**
semiconductors

mss fibre
systems 



Brad Dowe; MD & CEO AGM Presentation



Disclaimer

Outlook Statement

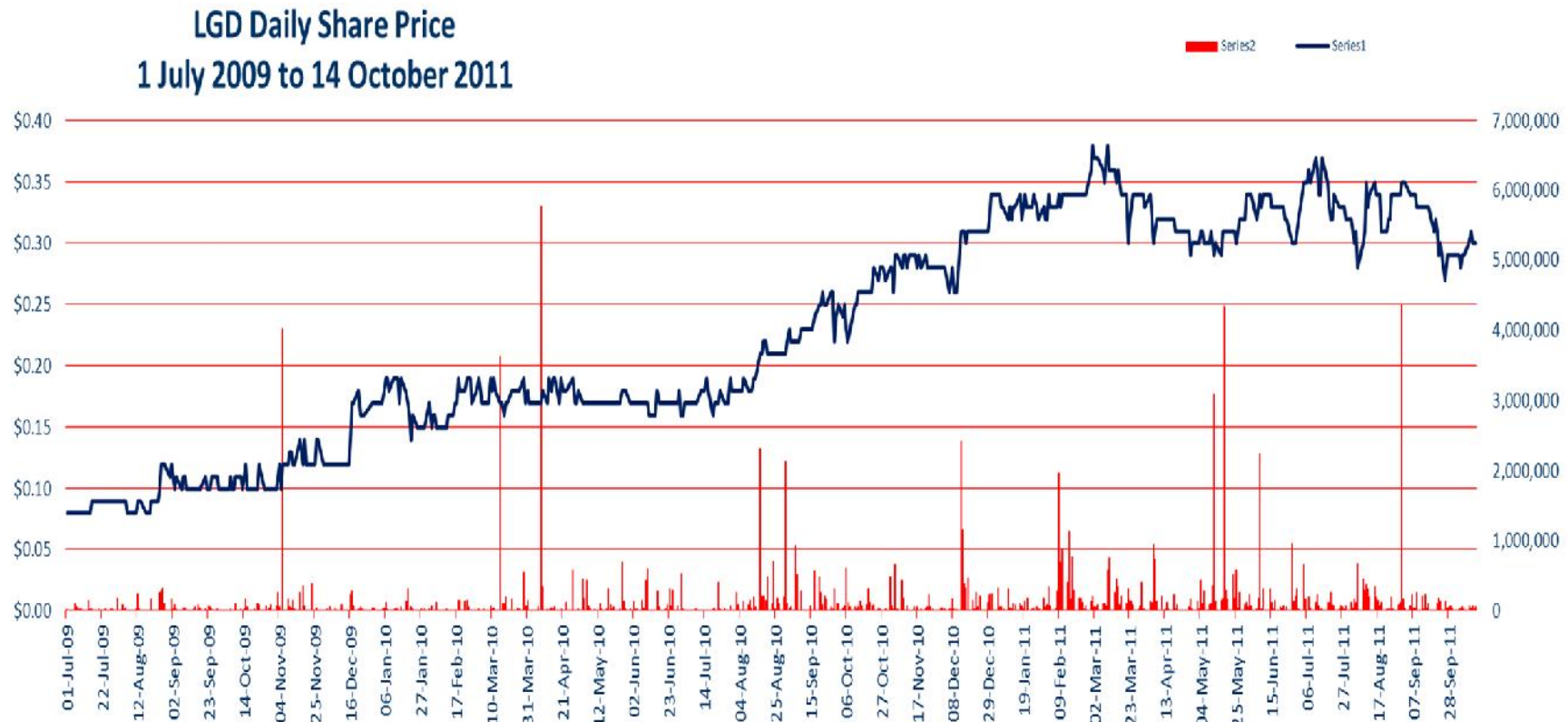
This presentation contains forward looking statements which may be subject to significant uncertainties outside of Legend Corporation Limited's (Legend) control.

No representation is made as to the accuracy or reliability of forecasts or the assumptions on which they are based.

Actual future events may vary from these forecasts. Users of this information are cautioned against placing undue reliance on any forward looking statements.

FY11 Legend Wrap

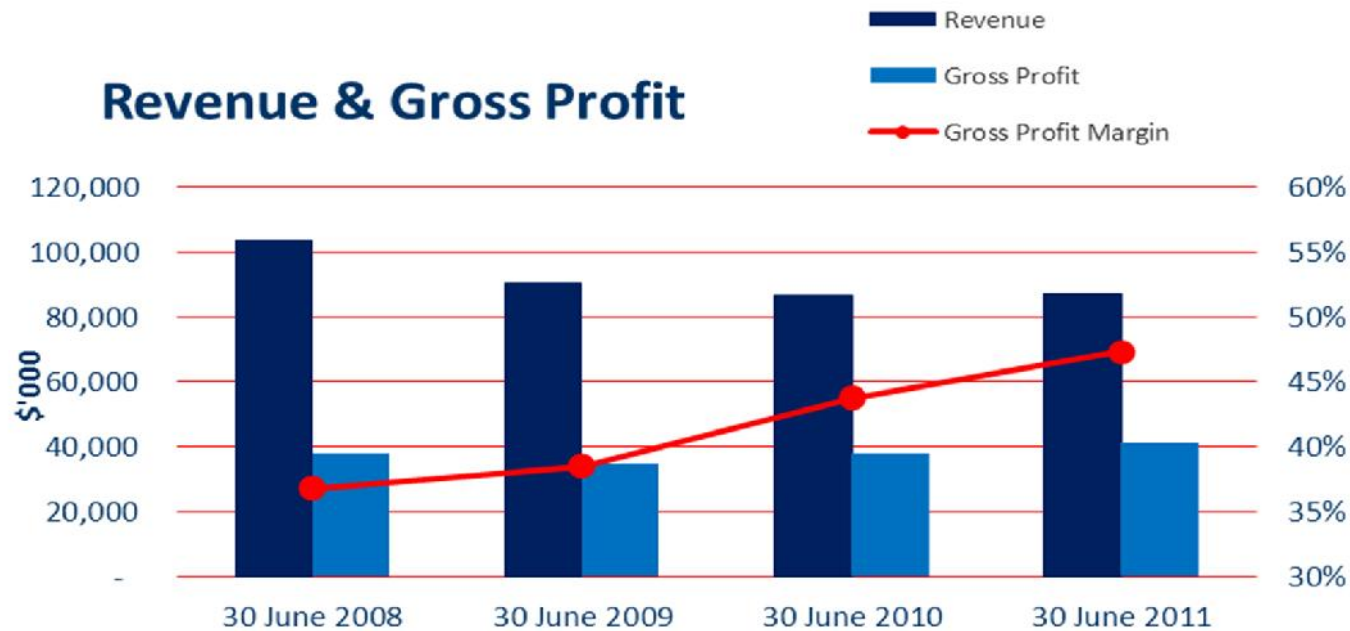
** Business Strategies delivering Growth for Shareholders, * Strong Cash Flows, * EPS Accretive Acquisitions, * Retirement of all debt from the underlying business, * Strong dividends.*



FY11 Results Overview

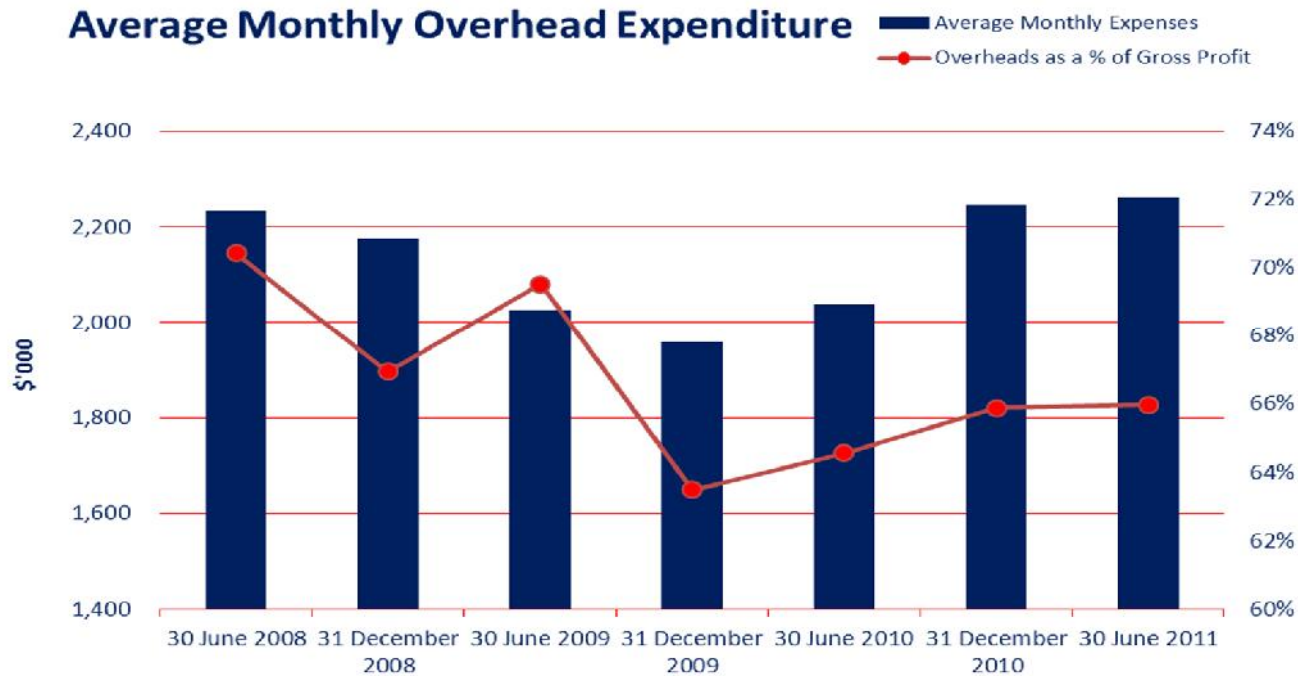
	30 June 2011	30 June 2010
Revenue	\$87.3m	\$86.8m
Cost of Goods Sold	\$45.9m	\$48.7m
Gross Profit	\$41.4m	\$38.1m
Gross Profit Margin	47.4%	43.9%
EBITDA	\$14.0m	\$13.4m
EBITDA Margin	16.0%	15.5%
EBIT	\$12.3m	\$11.3m
EBIT Margin	14.1%	13.0%
NPBT	\$11.5m	\$9.7m
NPBT Margin	13.2%	11.2%
NPAT	\$8.0m	\$6.6m
NPAT Margin	9.1%	7.6%
Operating Cash Flow	\$14.6m	\$12.4m
Earnings per share	\$0.037	\$0.031
NTA per share	\$0.104	\$0.090

Financial Performance Overview



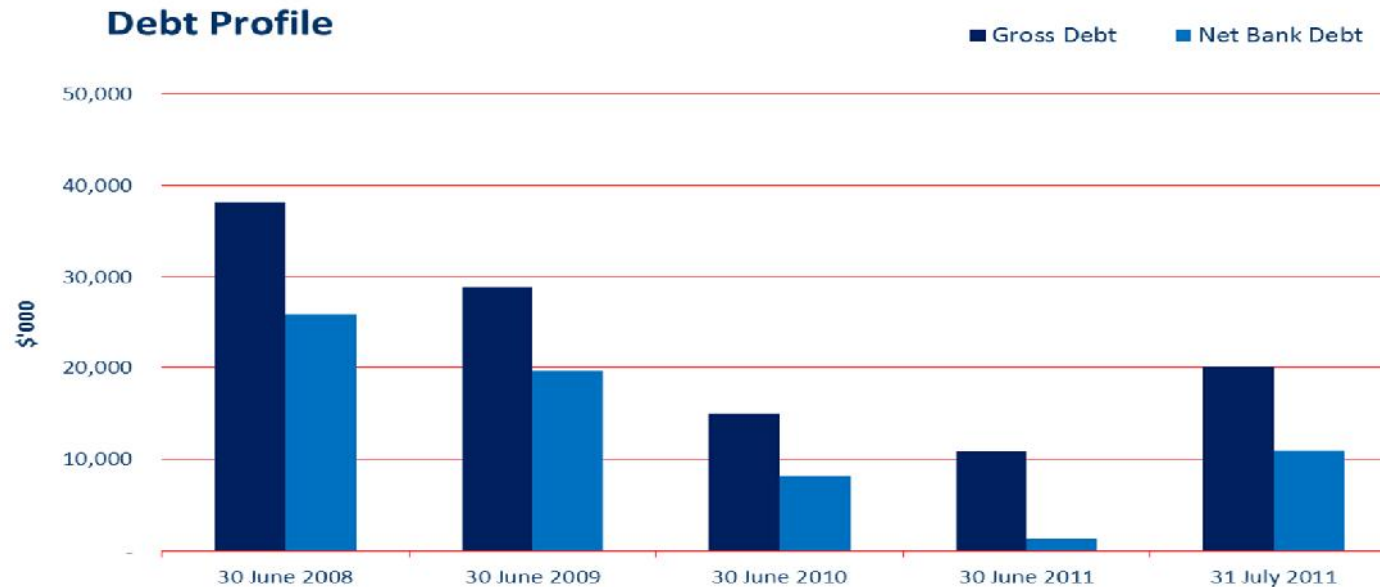
- Decline in non-mining construction and delays to major infrastructure growth impacts on revenue growth.
- Continued focus on product mix and quality of earnings the driver for increased margins.
- Stronger Australian dollar contributed less than 1.5% to the improved margins.

Financial Performance Overview



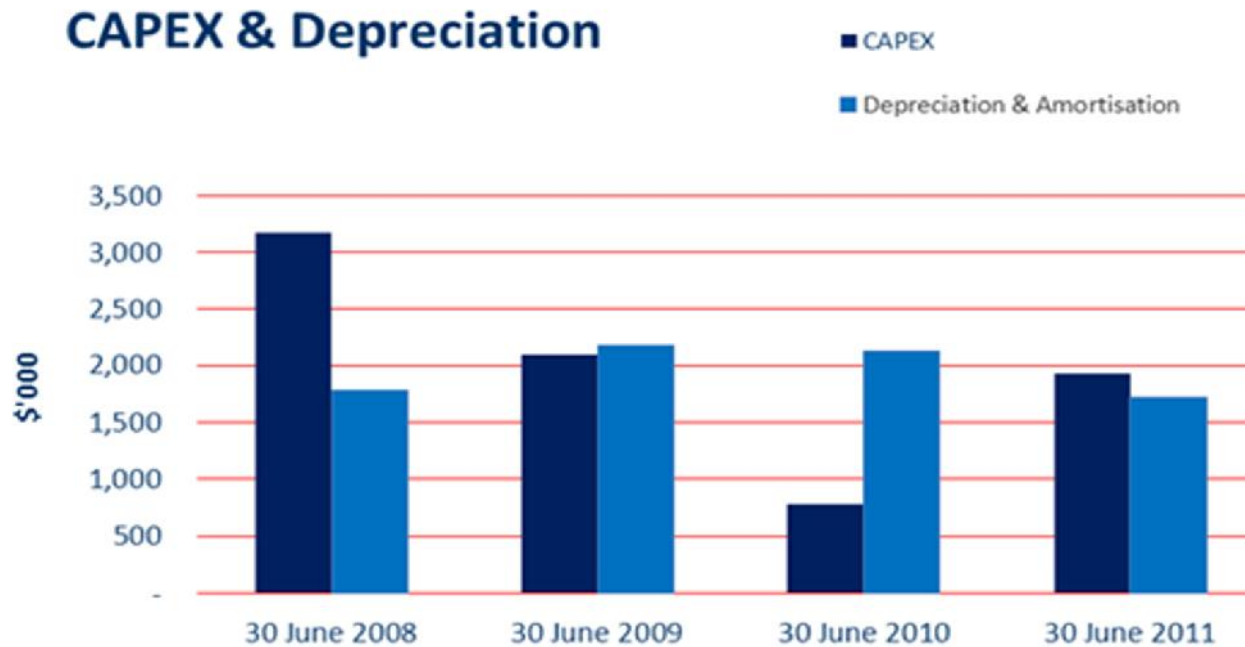
- Operating costs closely managed and aligned with our strategic growth strategies.

Financial Performance Overview



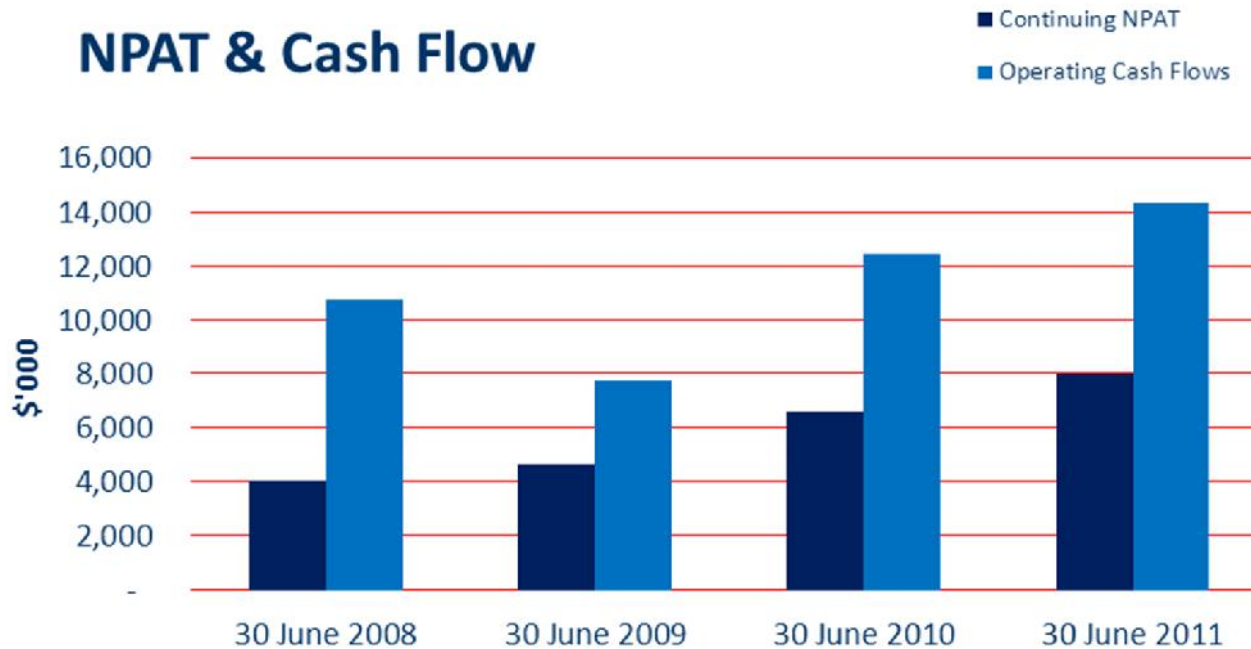
- The Group reduced gross debt by a further \$4.1 million during the year to \$10.9 million at 30 June 2011 with strong cash flow from operating activities resulting in the elimination of all debt from the underlying business.
- The Group borrowed a further \$9.1 million 1 July 2011 to fund the acquisitions of MSS Fibre Group and MSS Power with net debt at 31 July 2011 of \$11m.
- Banking facilities in place through 2014 and offering capacity for further growth initiatives.

Financial Performance Overview



- Capital projects during the FY11 included the refit of the Perth warehouse, tooling acquired through the acquisition Kulak, and a new lathe for the manufacturing facility at Seven Hills.
- Future capital expenditure will be closely aligned with our growth strategies.

Financial Performance Overview



- Operating cash flow improved during FY11 as management reduced working capital requirements from \$24.1 million for the 2010 financial year to \$23.1 million during 2011.



Segment Overview

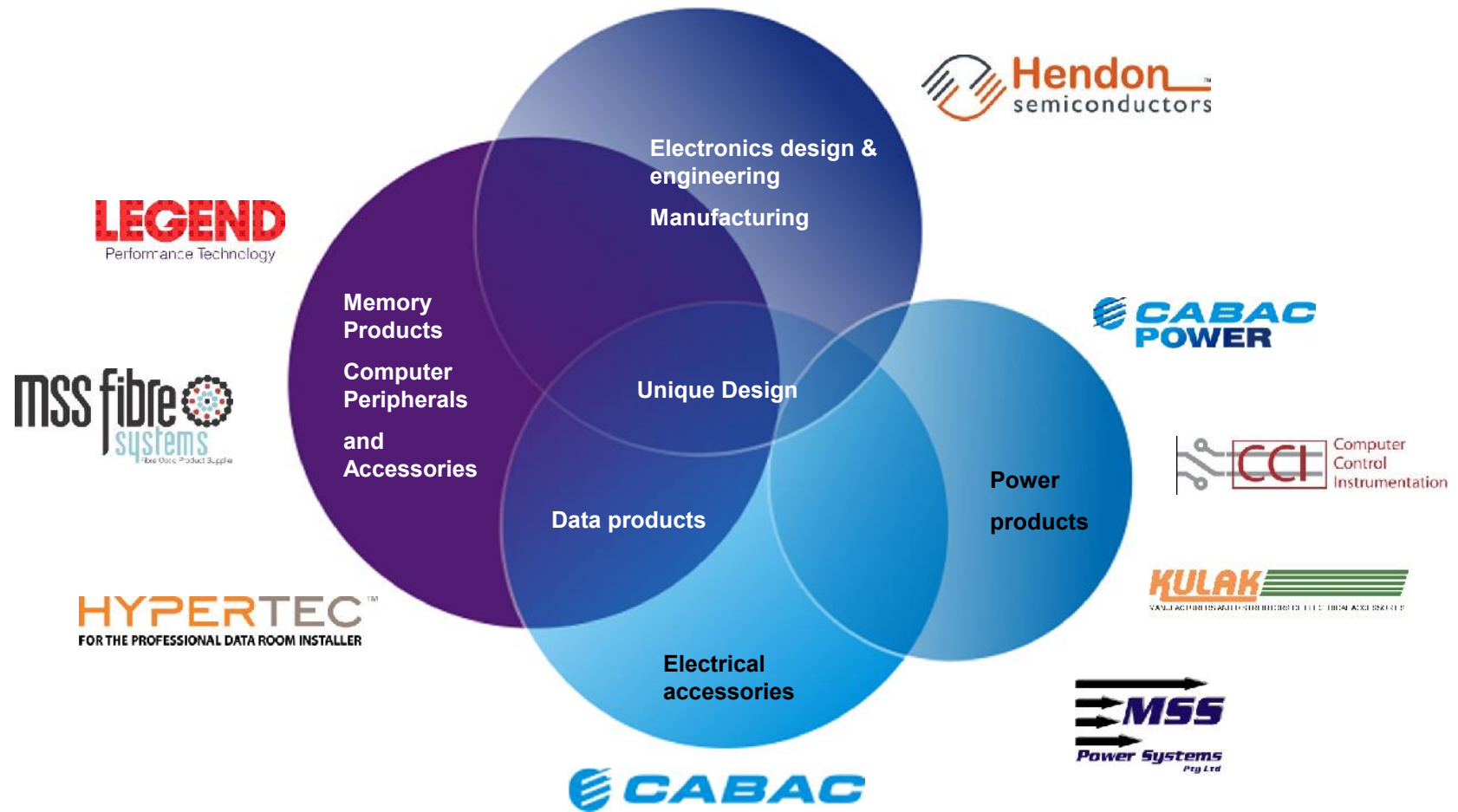


One Company : Five Divisions



About Legend Corporation

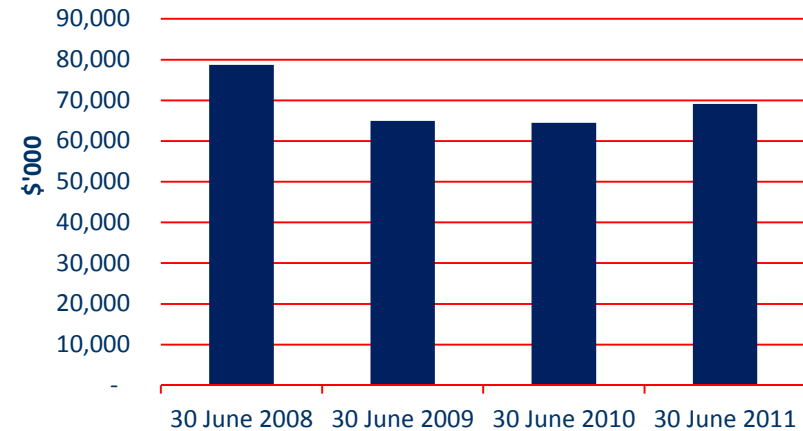
- Australian Engineering Solutions Group
- +\$100 million revenue, 250 people
- Five sales divisions delivering Nine Brands into Australia, NZ, China & USA.



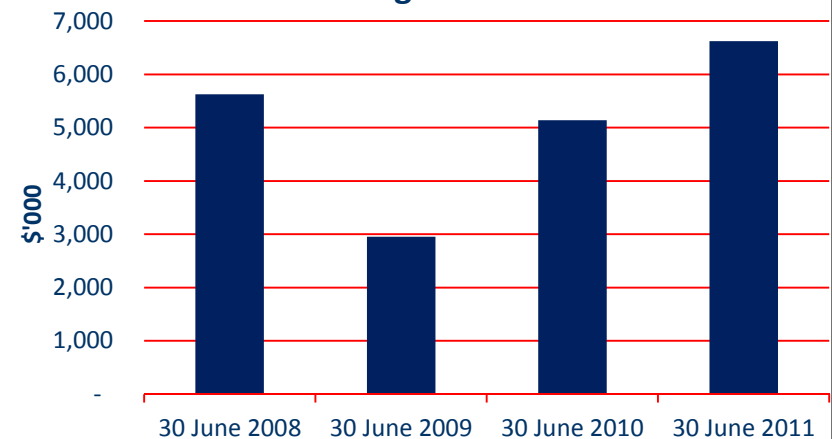
FY11 : Electrical, Data and Communications : Performance

- Declines in new housing and commercial building starts.
- Delays in power infrastructure projects.
- New products brought to market.
- Expanded facilities and team in Western Aust.
- Little revenue growth
- EBITDA \$8.0 million (19% increase YonY FY10 \$6.8 million)

Electrical, Data and Communications - Revenue



Electrical, Data and Communications - Segment Profit



FY12 : Electrical, Data and Communications Strategies

- **Growth through:**
 - Optimisation of service model to defend premier position
 - Expand and refine product range responding to client and market demand
 - Continue to build brand awareness through marketing.
- **Continue to expand; NZ business (launched FY11)**
- **Realise further growth from WA facilities (expanded in FY11)**
- **Creation of a new Contracts, Tenders and Projects Division to drive demand for CABAC branded products in the specified market.**
- **Invest in Engineering section development.**

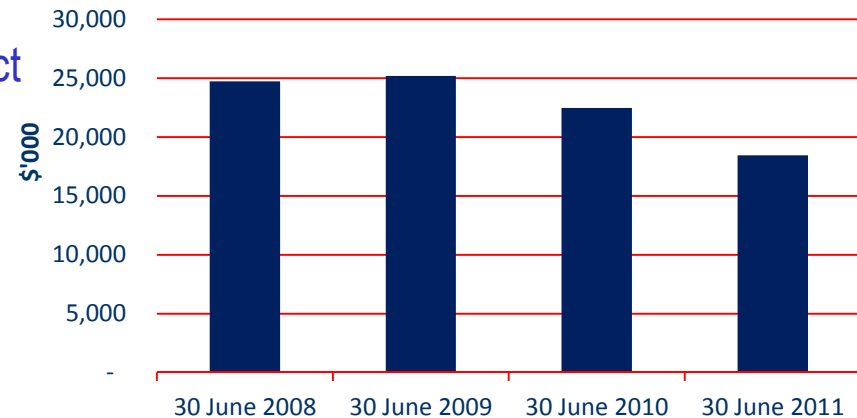


FY11 : Memory Modules and Semiconductors Performance

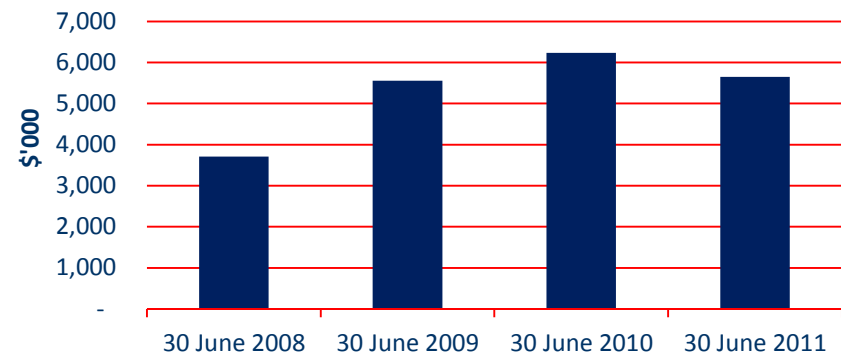
- EBITDA \$5.9 million (12% decrease YoY FY10 \$6.7 million)
- Revenue down on exports due to GFC impact on existing clients.
- Stronger AUD a negative impact.
- Managed exit from low margin memory.
- Invested in engineering section.



Memory Modules and Semiconductors - Revenue



Memory Modules and Semiconductors – Segment Profit



FY12 : Memory Modules and Semiconductors Strategies

- **Expand product and client range:**
 - Through our domestic sales team
 - Exploiting our export alliance client base.
 - Continued development of the new Hypertec range of computer room products.
 - Develop online strategy.
- **Investigate and develop:**
 - Industrial and Defense market opportunities
- **Developing new products:**
 - Sold through other sister sales divisions
- **Continue to find expense savings through the larger group.**





FY11 Acquisitions



FY11 Acquisition Summary

Kulak #1

Kulak, an existing supplier of poly ethylene pillar bases, a key component in our power distribution product ranger.

- Asset only acquisition 1 July 2010.
- EBIT prior to acquisition of \$116k for FY09 with the business break-even for FY10.
- Consideration consisted of \$300k for tooling and other intangible assets of the business, plus \$218k for stock on hand at acquisition.

CCI #2

CCI brings us Rail, industrial and defence battery charge and management capability and power audit meters, integrated into Hendon Semiconductors.

- Asset only acquisition 1 March 2011.
- EBIT prior to acquisition of FY09 \$255k and FY10 \$375k.
- Total consideration of \$1.542m consisting of \$169k in stock and assets and \$1.373 in goodwill and other intangible assets.



FY11 Acquisitions #3 Summary



Founded in 1998 in Melbourne, MSP provides a range of a premium heavy duty tools for hydraulic cut, strip, crimp and screw, used by Power utilities, telcos and their contractors.



- Highly Complementary to our core Lug, Link, Connector range
- FY11 Revenue \$4.7 million EBIT \$0.9 million
- Paid cash \$3.3 million 1 July 2011
- All management remains for at least a two year earn out
- Target EBIT; Year 1 \$1.1 million, Year 2 \$1.4 million
- Maximum consideration of 4 X EBIT



FY11 Acquisitions #4 Summary



In business since 2000 and based in Melbourne, MSF is a project group expert in design, engineering and supply of fibre optic cables and pre terminated solutions to the data and telecommunications markets.

- Optical Interconnect, aligned with our strategy.
- FY11 Revenue \$7.5 million EBIT \$1.5 million
- Paid cash \$5.75 million 1 July 2011
- All management remains at least for a one year earn-out
- Target EBIT Year 1 \$2.125 million
- Capped at maximum \$8.5 million consideration or 4 X EBIT





FY12 Outlook



FY11 in Review

Despite difficult and challenging market conditions;

- All divisions profitable:
 - Electrical, data and communications EBITDA \$8.0m (FY10: \$6.8m).
 - Memory modules and semiconductors EBITDA \$5.9m (FY10: \$6.7m).
- Earnings of 3.7 cents per share (up 19% on FY10: 3.1 cents).
- Dividends of 1.8 cents per share (FY10: nil).
- Return on Equity 15.1% (FY10: 13.6%).
- Net Tangible Assets increased by 14%.
- Nett bank debt reduced by \$6.8M across the period to \$1.3m (included \$3.9M in dividends, \$2.0M in acquisitions, \$1.6M in tax. Bank facilities continuing out to 2014. (Nett bank debt increased after 1 July 2011 by \$9.1M to fund further acquisitions)

FY12 Outlook : Operations

Continued focus on;

- Same prudent policies currently in place
- Growth in each division through development of product and market opportunities.
- Quality of earnings through refinement and expansion of product lines.
- Investigation and expansion of market segments and M&A opportunities.
- Risk reduction.

FY12 Outlook

Acquisition within available resources;

- Aligned with our strategic market, product and capability objectives
- Offer efficiencies on roll in
- Deliver sustainable growth
- Earnings accretive

FY12 Outlook Summary

Uncertainty and challenges remain;

- Dividend policy 35-50% (subject to M+A).
- Confidence in the strategies in place with each businesses, however uncertainty in relation to a return to growth in residential and commercial construction.
- Working to further focus the group to take advantage of the strong growth in engineering construction including Power, Rail, Mines and related primary resource projects.
- Continued focus on both organic and acquisitions to drive growth.
- The Group has not forecast earnings for the full financial year, however; NPAT for the first 6 months to 31 December 2011 expected in the region of **\$4.4 million to \$4.8 million** representing a significant improvement on the corresponding prior period of **\$4.0 million**.



Thankyou.

Brad Dowe, CEO
email: bdowe@legend.com.au
www.legendcorporate.com

