



29 August 2014

**BSA LIMITED RESULTS ANNOUNCEMENT
FOR IMMEDIATE RELEASE**

ASX Company Announcements
Australian Securities Exchange Limited
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Sydney NSW 1215

BSA RETURNS TO EBITDA PROFIT AND POSITIVE CASH FLOW IN THE SECOND HALF

- Revenue \$492 million (2013: \$474 million);
- H2 EBITDA profit of \$3.1 million (H2 2013: \$5.6 million profit);
- Full Year EBITDA loss of \$10.7 million (2013: \$12.8 million profit);
- Operating cash inflow \$5.6 million (2013: \$16.5 million outflow);
- Net debt reduced to \$18.8 million (2013: \$20.5 million);
- Net loss after tax of \$54.8 million (2013: \$3.8 million net profit);
- Net loss includes \$40 million non-cash goodwill impairment;
- Basic loss per share of 23.97 cents (2013: earnings per share of 1.64 cents);
- No final dividend declared;
- Business transformation by new management team gaining traction;
- Strong Technical Design & Construction forward order book of \$250 million;
- Record annual recurring revenue streams of \$250 million in Technical Maintenance Services and Technical Field Force Solutions; and
- FY15 Revenues expected to be in excess of \$500 million.

Sydney: 29 August 2014: Building and communication services company BSA Limited (ASX: BSA) today announced its results for the 2014 financial year including revenue growth to \$492 million (2013: \$474 million), a net loss after tax of \$54.8 million (2013: net profit of \$3.8 million) and a loss before interest, tax, depreciation, impairment and amortisation of \$10.7 million (2013: earnings of \$12.8 million) for the full year.

The second half earnings before interest, tax, depreciation, impairment and amortisation were a profit of \$3.1 million (H1: loss of \$13.8 million). EBITDA in the half was \$6.9 million excluding key project provisions, write downs and debtor provisions taken which were largely related to legacy issues. The Group achieved significant improvements in cash management, resulting in net operating cash inflow of \$5.6 million (2013: 16.5 million outflow) and a net debt reduction of \$13.9 million to \$18.8 million from 31 December 2013.

Goodwill has been assessed based on value in use using discounted future cash flows. In light of the performance of the business over the last 24 months, and considering the current market capitalisation of BSA, the Board has resolved to write down the carrying value of goodwill in the three divisions of the business by a total of \$40 million. This impairment is non cash and does not affect the business fundamentals or the future improving and positive outlook for FY15 and beyond.

BSA new Managing Director & Chief Executive Officer, Nicholas Yates said today:

“In my first six months I have been impressed with the robustness of our markets and the service quality we deliver on the ground. Lack of fundamental disciplines in the past have contributed to poor operating results. The vastly improved second half result and the return to positive EBITDA performance is a direct result of a ‘back to basics’ approach which we are pursuing with vigour across all aspects of the business. The pleasing cash performance and net debt reduction is evidence of the application of this approach.”



Mr Yates added:

“We have taken a ‘clear the decks’ approach in this half including a review of carrying values and now look to start the new financial year on a strong foundation unencumbered as far as possible by project issues from prior periods”

BSA’s new management team are undertaking a comprehensive operational transformation of BSA including enhanced bid review processes, embedding of contractual benchmarks, a tightening of project and contract controls and review mechanisms, along with on-going Group-wide efficiency and cost reduction initiatives that will continue into 2015.

BSA is now a leader in the provision of HVAC design and construct services with a strong order book and outstanding reputation. BSA is also a leading field force communications and maintenance services provider across Australia. The changes implemented by BSA’s new management team are designed to ensure that the profitability of BSA’s growing businesses reflects the strength of the services its business units provide.

Technical Design & Construction Projects

Excluding Corporate Recharges & Impairment

Technical Design and Construction Projects (TDCP) achieved revenue of \$234.2 million (2013: \$249.7 million) and an EBITDA loss of \$12.4 million (2013: \$6.0 million profit). This business unit, which includes Group brands BSA, Allstaff Airconditioning and Triple ‘M’, is now the major provider of heating, ventilation, air conditioning (HVAC) and fire protection services in Australia.

FY14 has seen the TDCP business unit undertake works on landmark projects including:

- New Royal Adelaide Hospital (completion due April 2016);
- Indooroopilly Shopping Centre in Queensland (Completed June 2014);
- Park Lane (mixed used residential and retail towers) in Sydney (Completed April 2014);
- Charles Perkins Centre in Sydney (Mechanical and Fire) (Completed February 2014);
- Fiona Stanley Hospital in Perth (Completed December 2013); and
- Olivia Newton John Wellness Centre in Melbourne (Completed June 2013).

TDCP also commences financial year 2015 with a healthy forward order book of \$250 million following the award of a number of major projects including:

- Wagga Wagga Hospital;
- Dubbo Hospital;
- 5 Martin Place in Sydney;
- Royal Victorian Eye and Ear Hospital Stage 2 works;
- Eastland Shopping Centre in Melbourne;
- Werribee Shopping Centre in Victoria;
- IKEA Marsden Park in Sydney;
- Pacific Fair redevelopment on the Gold Coast;
- Old Treasury Building in Perth;
- Barangaroo in Sydney (Fire Services JV with Premier Fire); and
- Kings Square 2 and 3 in Perth.

The FY14 TDCP EBITDA result was impacted by the take up of specific project provisions and write downs primarily in the first half. The projects at the heart of these issues, however, are now largely completed and TDCP’s processes have been improved in order to protect the business unit from experiencing similar issues in the future. FY14 also saw the resolution of a number of outstanding claims for variations and modifications on existing TDCP projects.



TDCP's largest current contract is the new Royal Adelaide Hospital (nRAH). nRAH is Australia's first fully integrated 6D Building Information Modelling (BIM) Project. BSA's scope as the tier one mechanical services contractor includes the documentation and construction of mechanical, infrastructure and essential services and being the lead BIM Co-ordinator for all services within a BIM MEP Aus national standard environment.

The nRAH project has a number of significant and as yet unapproved variations which are the subject of ongoing negotiations. They will be submitted for payment in the normal course of carrying out the subcontract. Despite this, work on nRAH is progressing well and the working relationship is excellent.

Technical Field Force Solutions

Excluding Corporate Recharges & Impairment

Technical Field Force Solutions (TFFS) had a successful year in 2014 and increased revenue by 17.9% to \$158.9 million (2013: \$134.8 million) and it completed approximately 600,000 installations, upgrades and service calls across Australia. The business unit is now positioned as a leader in high volume ticket of work order management.

The TFFS EBITDA result of \$3.6 million (2013: \$5.1 million), was affected by major contract mobilisation costs of \$1.5 million.

As reported in last year's Annual Report, following Foxtel's acquisition of Austar, TFFS was awarded a contract to undertake 100% of Foxtel's regional works (along with an extension of our Metro works through to 2017). In November 2013, TFFS successfully mobilised this contract and completed its field work force transition into regional Australia. This expansion has increased the business unit's footprint across Australia allowing it to support the provision of installation and maintenance services to Foxtel nationally.

In December 2013, TFFS was awarded a contract with Optus to deliver Hybrid Fibre Coax (HFC), Unconditioned Local Loop (ULL) and National Broadband Network (NBN) installation, maintenance and service assurance services for consumer, wholesale and Optus Business customers for a term of three years.

In February 2014, TFFS successfully completed its contract with the Department of Broadband, Communication and the Digital Economy to provide services to convert customers under the Household Assistance Scheme (HAS) and Satellite Subsidy Scheme (SSS) to digital television. The HAS provided both practical and technical in home assistance to vulnerable Australians who may otherwise have had difficulty converting to digital television.

BSA's registered training organisation, BSA Advanced Learning (BAL), continues to grow, providing training to over 2,000 students in FY14. Over the next 12 months, under a newly appointed General Manager, focus will shift to growing and diversifying revenue streams for this business, with an emphasis on online training courses.

During FY14, TFFS has invested significant resources into a number of information technology research and development initiatives, which have resulted in improvements to operational efficiency.

Technical Maintenance Services

Excluding Corporate Recharges & Impairment

Technical Maintenance Services (TMS) increased revenue by 9.7% to \$98.5 million (2013: \$89.8 million) in 2014. This increase was achieved despite a downturn of activity in our minor projects operations, particularly in the resources sector. The EBITDA result for TMS was \$3.1 million (2013: \$5.5 million) and was impacted by non-recurring project write-downs.

During FY14 TMS was awarded a number of contracts, including:

- Harvey Norman National Multi-Services;
- Monash University Maintenance Contracts; and
- Maintenance Services at Gold Coast University Hospital.



Whilst our maintenance work bid pipeline is increasing, price competition continues. Accordingly, TMS has focused on improving value-add solutions for its clients – which we see as key to the success of future TMS bids. We have continued to enhance our mobility systems by expanding features such as customer portal reporting, detailed asset level reporting, real-time service records, dashboard reporting, work order management and data capture from the field. Customer feedback about our mobility system is very positive and this value-add solution provides TMS with a significant market advantage.

NSW Office of State Revenue

BSA has previously advised the market about a possible payroll-tax related liability with the NSW Office of State Revenue (OSR). BSA has continued, along with our legal representatives, to constructively work with the OSR to ensure an equitable and timely conclusion to this matter. BSA has a provision in its FY14 accounts of \$2.0 million (FY13 \$2.0 million) and at this time there is no further information that would suggest this provision should be changed.

Outlook

During FY14, BSA appointed a new Managing Director and Chief Executive Officer, Nicholas Yates, and a new Chief Financial Officer, Nick Benson. The Board is confident that this new, strengthened executive team will be able to lead BSA through the next phase of its development.

An in-depth Group-wide review of all operations is continuing, with the objective of reducing operating expenses and increasing operational efficiencies. This review covers all discretionary spend areas, office and facility accommodation, head count and remuneration. The review will also include further research into areas where BSA can improve its efficiency by automating manual processes, refining reporting requirements and optimising productivity.

A number of key initiatives have already been implemented as a result of the review and we are seeing the business improve month to month, we anticipate further improvements in coming months. This expectation is bolstered by a healthy Technical Design & Construction Projects forward order book of \$250 million along with Technical Maintenance Services and Technical Field Force Solutions ongoing annuity based contracts of over \$250 million per annum.

Management are committed to meeting the challenges and opportunities facing BSA; specifically focussing on improving earnings and cash flow, whilst also promoting BSA's capabilities across a variety of new markets and customers.

Of the FY14 Result, and BSA's outlook, Managing Director & Chief Executive Officer Nicholas Yates commented:

“These results show that the immediate changes made in key areas of the business are bearing fruit. We have seen consistent improvement throughout the second half of FY14, and we are confident that as further contract management and operational efficiencies are implemented, our results will continue to improve and we will be well placed to return to profit in FY15.”

- ENDS -

For and on behalf of the BSA Limited Board of Directors

Further information:

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