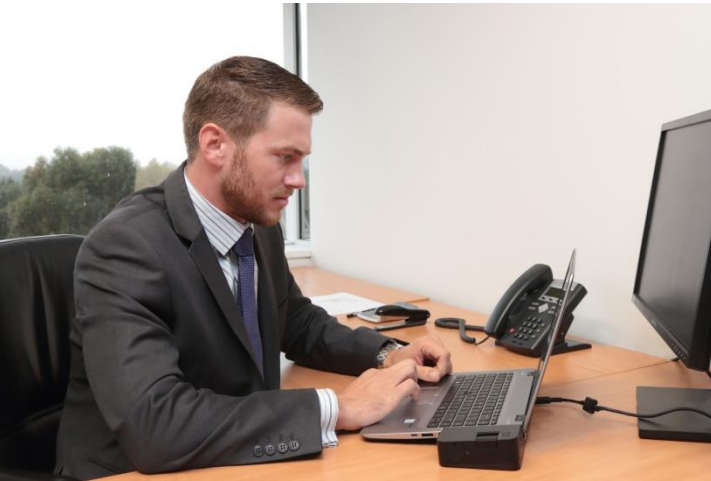




think.build.connect.maintain

# FY16 FULL YEAR

## RESULTS REVIEW





## GROUP RESULTS OVERVIEW

## BUSINESS UNIT REVIEW

## OUTLOOK

### **Eastlands Shopping Centre**

BSA completed the mechanical services upgrade and extension to one of Australia's premier shopping centres with Probuild.

## Year of Consolidation and Investment

- Revenue \$511.9m (2015: \$543.7m) with improved revenue mix.
- EBITDA \$4.1m (2015: \$14.2m).
- EBITDA impacted by significant restructure costs and legacy issue costs relating to the new Royal Adelaide Hospital (nRAH) and NSW Office of State Revenue (NSW OSR).
- Substantial investment in business development during the year to drive future earnings.
- NPAT loss of \$2.2m (2015: profit of \$3.9m).
- Net cash inflow from operations of \$2.0m (2015:\$19.6m) impacted by nRAH cash outflows and restructure costs.
- Net cash of \$18.5m (2015: \$18.4m).
- No final dividend declared.

## Streamlining Operations and Growing Order Book

- Significant major contract wins in the last 12 months.
- Cost reduction, restructuring and right sizing during the year.
- Further progress in resolution of legacy issues.
- Business stabilised and margins improving.
- Solid forward order book:
  - Further growth in recurring revenue with annualised value of \$303m.
  - Construction work in hand of \$175m.
  - Additional work won since 30<sup>th</sup> June 2016.
- Strengthening at the executive level and wider management team continuing.

Summary (\$000)	2015	2016
Revenue	543,693	511,856
EBITDA	14,200	4,100
EBITDA %	2.6%	0.8%
Depreciation	6,362	5,029
Amortisation	1,440	1,440
EBIT	6,398	(2,369)
Interest (net)	959	645
Net (Loss)/Profit Before Tax	5,439	(3,014)
Income Tax Expense/(Benefit)	1,564	(795)
NPAT	3,875	(2,219)
NPAT %	0.7%	(0.4%)

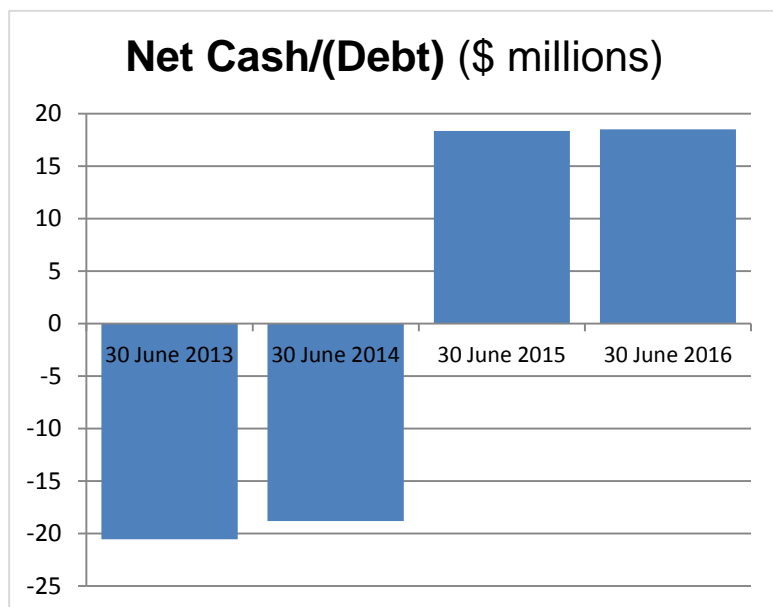
## EBITDA and NPAT excluding Significant Items

Summary (\$000)	2015	2016
EBITDA	14,200	4,100
Significant Items	4,199	14,534
<b>EBITDA Excluding Significant Items</b>	<b>18,399</b>	<b>18,634</b>
<b>EBITDA Excluding Significant Items %</b>	<b>3.4%</b>	<b>3.6%</b>
NPAT	3,875	(2,219)
Significant Items (net of tax)	2,939	10,174
<b>NPAT Excluding Significant Items</b>	<b>6,814</b>	<b>7,955</b>
<b>NPAT Excluding Significant Items %</b>	<b>1.3%</b>	<b>1.6%</b>

**Note: Significant Items includes: legal costs, provisions and write downs relating to legacy issues, restructure costs and other significant items.**

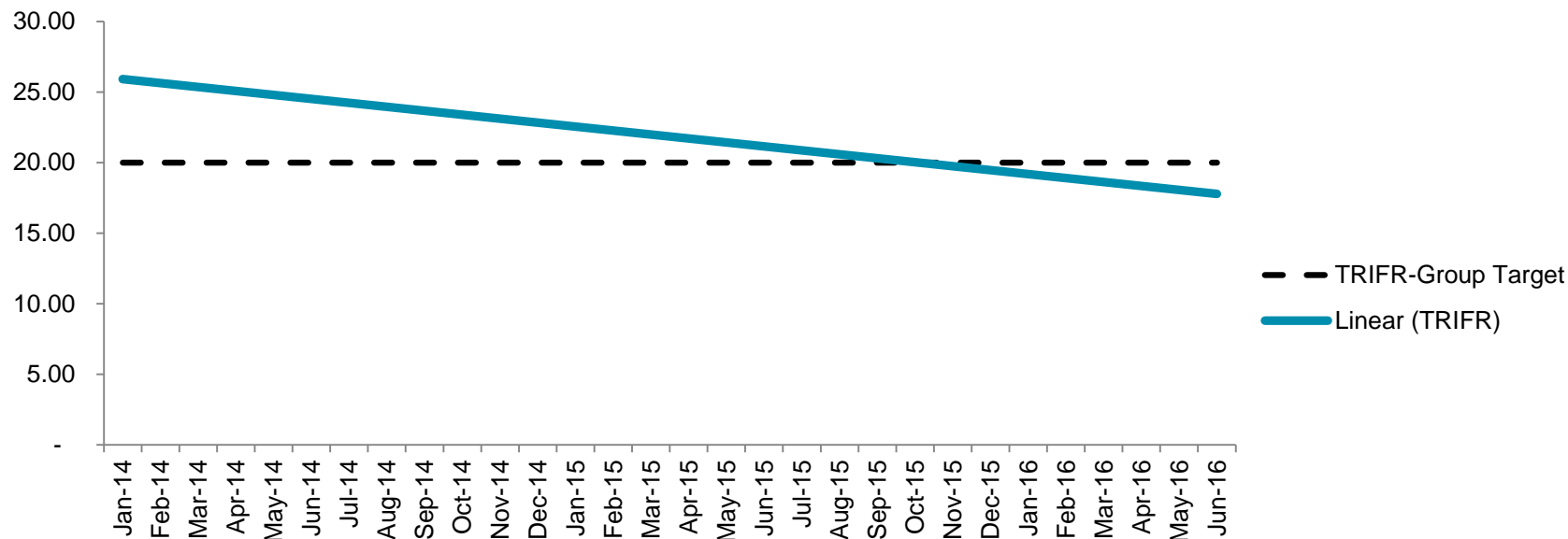
- FY2016 Revenue \$511.9m (2015: \$543.7m).
- Focus on increasing proportion of recurring revenues vs one off project revenues.
- Revenue also affected by the wind down of nRAH and reduced Foxtel volumes as well as timing of revenue from new wins.
- FY2016 EBITDA profit of \$4.1m (2015: \$14.2 m) impacted by \$14.5m of significant one off items including:
  - \$7.5m nRAH commissioning and completion costs.
  - \$3.5m legal costs relating to legacy issues.
  - \$3.3m restructure costs.
- FY2016 EBITDA excluding significant items \$18.6m (2015: \$18.4m).
- FY2016 NPAT excluding significant items \$8.0m (2015: \$6.8m).
- Basic loss per share of 0.52 cents (2015: basic earnings per share of 1.11 cents).
- Depreciation continuing to fall following containment of capex.
- Interest costs dropping as a result of a further reduction in borrowings.

Summary (\$000)	30 June 2015	30 June 2016
Net cash inflow – operations	19,630	2,036
Net cash at end of period	18,350	18,501
Equity	43,715	41,496
Working Capital	4,891	9,933
Capital Expenditure	2,283	2,079



- Balance sheet position provides strong capacity to fund future growth:
  - Solid net cash position following strong H2 net operating cash inflows.
  - Reflects continued focus on working capital containment and further resolution of legacy issues.
- Full year cashflow adversely impacted largely due to:
  - nRAH cash outflows and legal costs.
  - restructure costs.
- Working capital increased mainly as a result of mobilisation of new contracts towards the year end.
- Continuing strong bank relationship:
  - Significant milestone achieved during the year with the signing of a new 3 year facility agreement in January 2016.
  - Total current facilities of \$54.3m including guarantee facilities with improved terms, liquidity, and security.
  - Term debt fully repaid at 30<sup>th</sup> June 16.

## BSA Group-Monthly Total Recordable Injury Frequency Rate - Trend Improving



- Fundamental cultural and behavioural change enhancements in Health and Safety.
- Continued reduction in Lost Time Injuries throughout 2015-2016 with a resulting focus change to Total Recordable Injury Frequency Rate reporting. This too has seen improvement with a new reduction target being set for 2016-2017.
- The roll out of the BSA Group 3 Year HSEQ Strategy has continued with a focus on grassroots cultural change and an emphasis on Basic Safety Attitudes and risk identification and management.
- Renewal and recertification of the BSA Group Integrated Management System to AS/NZS4801, ISO14001 and ISO9001 in December 2015.

A background image showing a construction worker in a white hard hat and an orange high-visibility vest standing in a trench. In the foreground, several thick, purple cables are visible, curving across the trench. The background is slightly blurred, showing a blue vehicle and a white safety fence.

GROUP RESULTS OVERVIEW

BUSINESS UNIT REVIEW

OUTLOOK

**nbn Operate and Maintain Services**

BSA | Connect successfully launched fixed line technologies in Sydney, South Melbourne, and regional and remote NSW.

BSA has streamlined and simplified our branding. We are also changing our market positioning to highlight the great depth we have in technical expertise and smart solutions, and make this available to our clients in a more focused advisory/consulting format.

Technical Design and Construction Projects



**BSA | Build**

Technical Field Force Solutions



**BSA | Connect**

Technical Maintenance Services



**BSA | Maintain**

New Business Initiative to Focus on Consulting/Advisory



**BSA | Think**

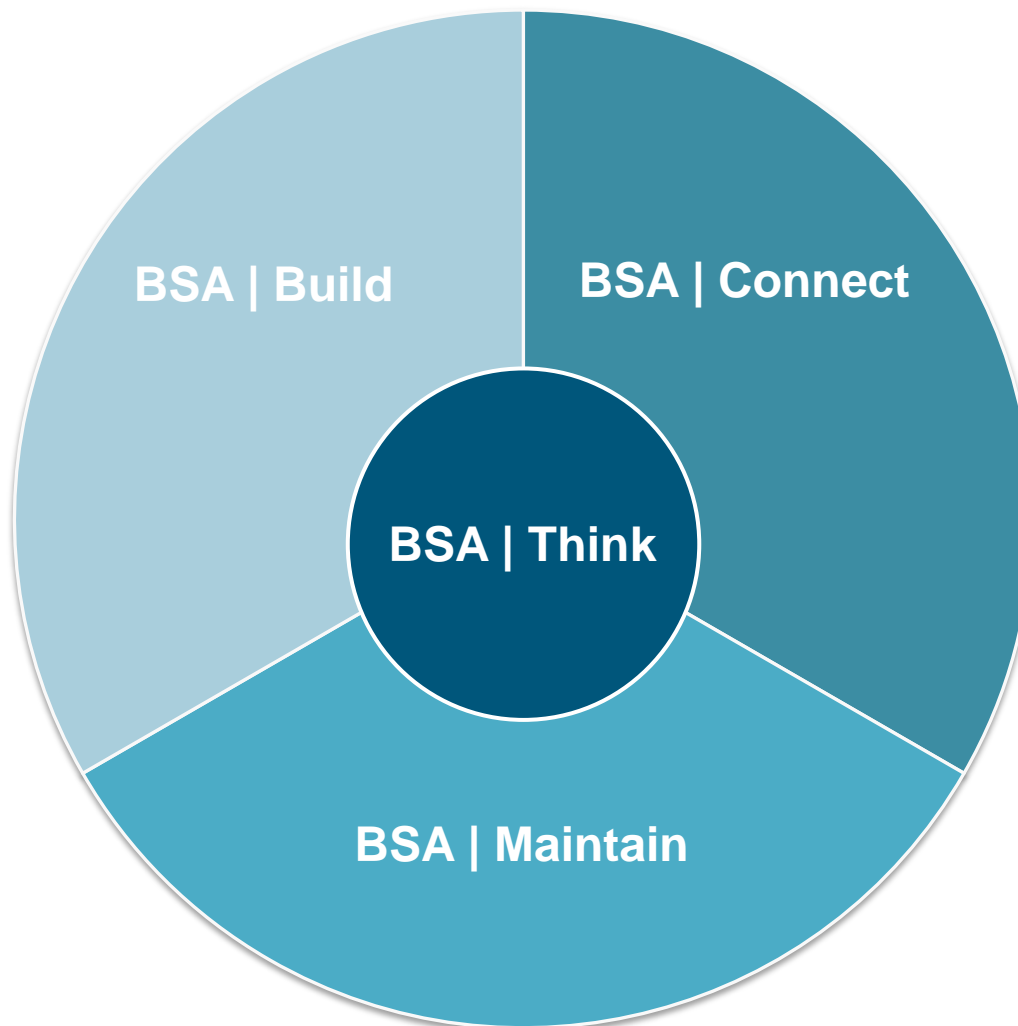
# BSA | Think

We don't just implement solutions at BSA, we create them.



## BSA | Build

Design and construct, manufacturing, and commissioning of heating, ventilation, air conditioning (HVAC) and fire systems. Commercial, large scale residential and industrial buildings. National presence.



## BSA | Connect

Communications, installation and maintenance services for major Australian telcos and media operations. National presence. Large scale workforce management systems.

## BSA | Think

Highlighting and selling our technical and consulting expertise in:

- Analysis and planning
- Problem solving
- Solution definition
- Design / BIM
- Asset management
- Energy/sustainability
- Compliance

## BSA | Maintain

Ongoing maintenance services for HVAC, hydraulic, electrical and fire systems. National presence. Leading mobility information systems.

## BSA | Build

- Revenue \$226.4m (2015: \$252.7m).
- EBITDA loss of \$1.5m (2015: profit of \$10.1m).
- Substantial incremental costs relating to commissioning and completion at the new Royal Adelaide Hospital of \$7.5m were incurred during the year as well as legal costs relating to the resolution of commercial issues.
- Significant restructuring and streamlining activities occurred during the year leading to one off costs of \$2.4m during FY2016.
- Contracted work on hand for the business unit is strong and stands at \$175m.
- Major contract wins worth over \$100m in total including Melbourne Convention Centre, Global Switch, Williamtown Airbase and Commonwealth Games Parklands in the second half.
- The fire business continues to expand with the Queensland operation now well established.
- Further major contract wins for both Fire and HVAC post 30 June 2016.

## BSA | Connect

- Revenue \$205.7m (2015: \$215.4m).
- EBITDA \$7.7m (2015: \$8.3m).
- Won and mobilised nbn OMMA contract during the year.
- Major nbn HFC MIMA contract secured after 30<sup>th</sup> June 2016.
- Cross bidding with other Business Units to diversify service offering.
- NSW Office of State Revenue payroll tax issue remains open. BSA is continuing to progress resolution.
- In line with a focus on diversifying the client base, a new contract was secured with Ericsson post 30<sup>th</sup> June 2016.
- Major focus on further expansion of resource base to meet increased market demand.
- Continued focus on restructuring and streamlining the business unit during the year to enhance margins.

## BSA | Maintain

- Revenue \$79.9m (2015: \$75.6m).
- EBITDA \$2.0m (2015:\$1.7m) impacted by restructuring costs and cost reduction activities during the year.
- Annuity revenue grew by \$10m compared with the corresponding period.
- Commenced new maintenance contracts worth over \$20m including Land and Housing Corporation NSW Maintenance, Metronode, Global Switch, Barangaroo and Yarra Fertilisers.
- Continued to build multi-service offering including bundled services across mechanical, fire, electrical, plumbing and building repairs.
- Expansion of additional value add services including energy management, indoor air quality and predictive maintenance solutions.

EBITDA excludes corporate recharges

## BSA | Build

- Continued focus on project controls, project management capability and disciplines to reduce risk and deliver sustainable margin improvement.
- Further expansion of fire services into new markets.
- Focus on early project lifecycle involvement – design, value engineering and cost planning.
- Seek further joint bids with other business units to diversify overall BSA offering and unlock group potential.
- Maintain focus on quality of opportunities rather than quantum.



## BSA | Connect

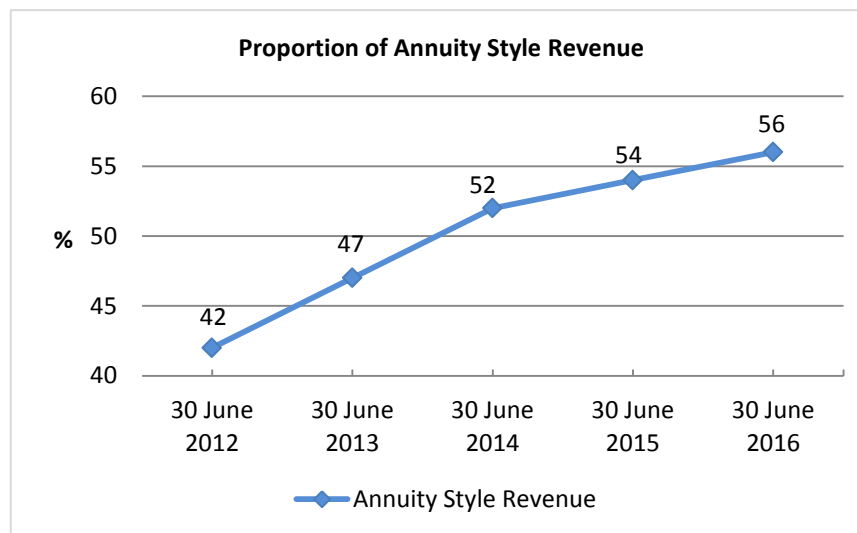
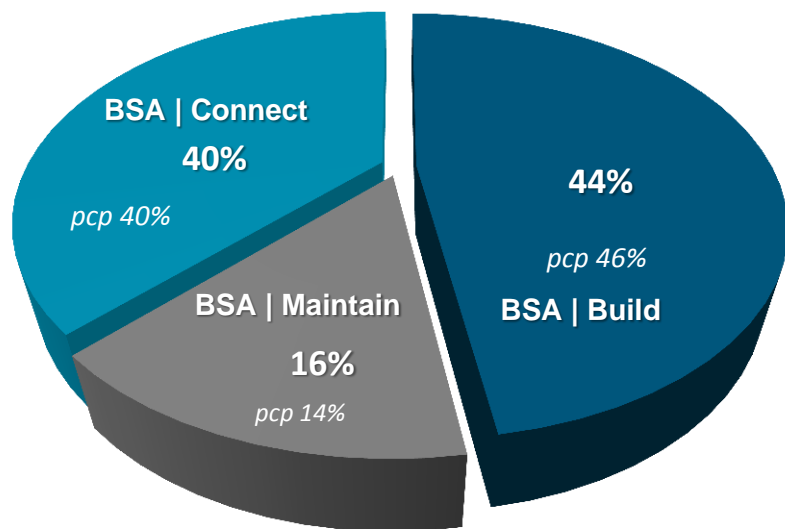
- Successfully mobilise major contracts secured and expand service scope.
- Expand field resources and skill sets to underpin further new wins in the growing telecommunications market.
- Continue diversification of client offerings and expand market segments.
- Further develop longer term workforce management and service strategies.
- Deliver improved margin performance across all platforms.

## BSA | Maintain

- Maintain focus on delivering enhanced and consistent margin performance.
- Continue to expand direct delivery of multi-service maintenance including HVAC, fire, hydraulic, electrical and building maintenance.
- Embed technical and advisory services in areas such as energy management, indoor air quality and fire engineering services as core competencies.
- Continue investment in mobility systems, asset management and lifecycle reporting.
- Develop improved outcomes for clients based on technology solutions.



Revenues 2016



- Proportion of annuity style revenue continued to grow and represented 56% of BSA revenue in FY16.
- Strong pipeline of annuity style opportunities across the Group maintained.
- Strategic focus on growing annuity style revenue with enhanced margin continues and is expected to increase further in FY17 as major new contracts ramp up.
- Diversification and integration of service offerings gaining momentum.
- BSA | Think established to provide technical and advisory services to enhance customer value and relationships at an earlier point in the project lifecycle and to provide integrated solutions.

	Objective	Status
Stable Foundation	<ul style="list-style-type: none"> <li>Secure longer term funding</li> <li>Working capital management</li> <li>Maintain low leverage</li> </ul>	<ul style="list-style-type: none"> <li>✓ New 3 year banking agreement signed January 2016</li> <li>✓ Metrics embedded within business units</li> <li>✓ Term debt fully repaid at 30 June 2016 and strong net cash</li> </ul>
People	<ul style="list-style-type: none"> <li>Strengthen management team</li> <li>Enhance commercial acumen</li> <li>Business development capability</li> </ul>	<ul style="list-style-type: none"> <li>✓ New Group General Manager for BSA   Build appointed</li> <li>✓ Project commercial management programmes in progress</li> <li>✓ Investment in business development delivering results</li> </ul>
Operational Execution	<ul style="list-style-type: none"> <li>Enhance gross margins</li> <li>Focus on underperforming areas</li> <li>Streamline operating models</li> </ul>	<ul style="list-style-type: none"> <li>✓ Improving gross margins</li> <li>✓ Rationalisation of low performing areas</li> <li>✓ Significant cost out programmes completed during the year</li> </ul>
Market Focus	<ul style="list-style-type: none"> <li>Replace completing nRAH project</li> <li>Target nbn work</li> <li>Improved client engagement</li> </ul>	<ul style="list-style-type: none"> <li>✓ nRAH revenue now largely replaced</li> <li>✓ 2 major nbn contracts secured in the last 12 months</li> <li>✓ New market positioning - solution focussed and technically proficient</li> </ul>

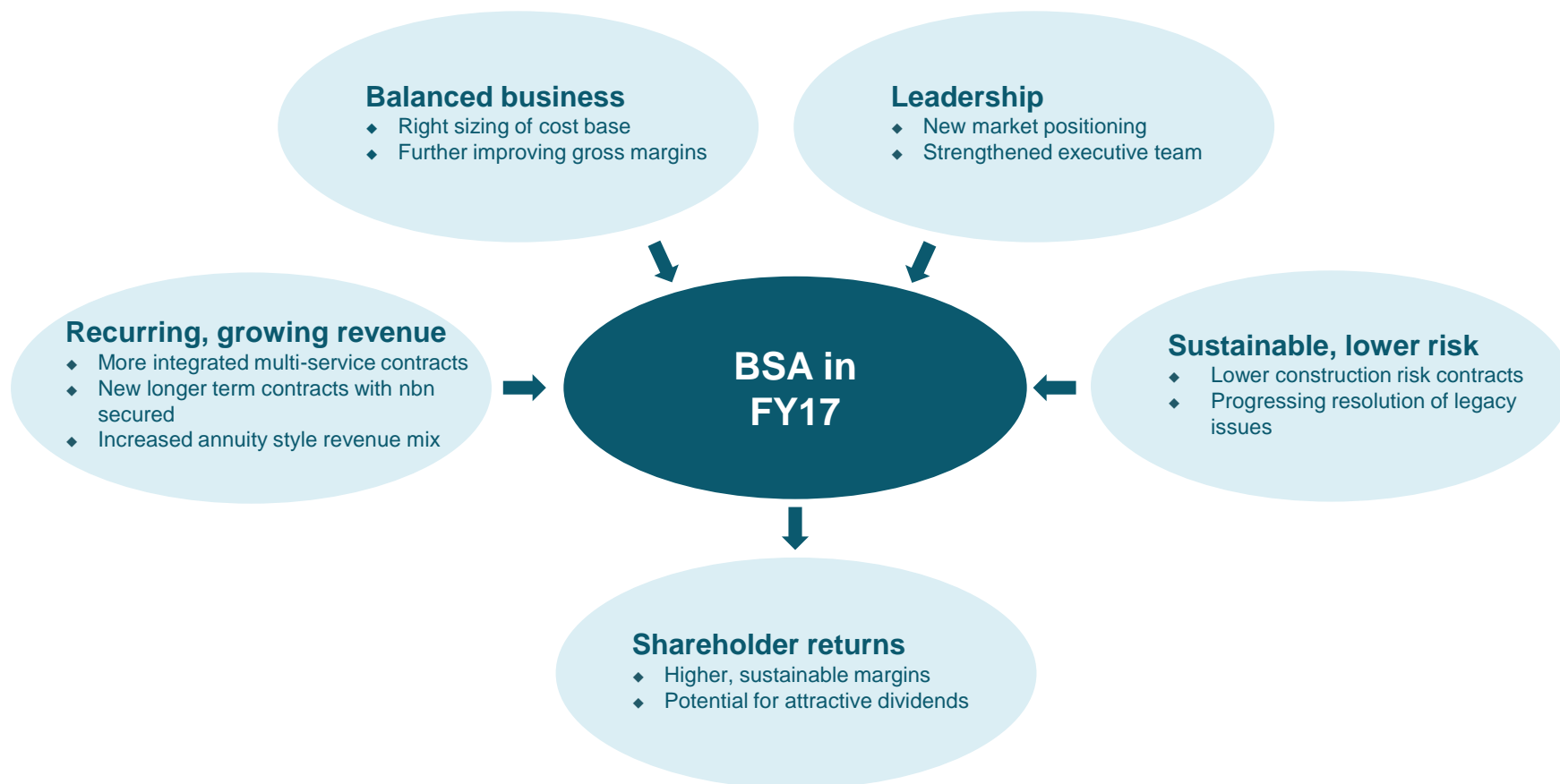


**GROUP RESULTS OVERVIEW**

**BUSINESS UNIT REVIEW**

**OUTLOOK**

We are continuing to shape BSA into a more profitable business in each market segment



## Operations

- Further streamlining and optimising of business units in progress.
- Tangible results in improving margins in key areas being delivered.
- Diversification of service offerings gaining momentum.
- Progress continuing on resolution of 2 remaining legacy issues (NSW OSR issue and nRAH variations).
- Continued focus on cost efficiency and containment activities to enhance margins in FY17 and beyond.

## Balance Sheet and Working Capital

- Term debt now cleared and conservative leverage position to be maintained.
- Working capital management improvements still a key focus in each business unit.

## Market Conditions

- BSA market conditions remain good with significant opportunities in the Telecommunications sector.
- Further investment in bench strength and business development teams to drive further growth.

## Solid Forward Order Book

- Annualised recurring revenues of \$303m and construction work in hand of \$175m.
- Pipeline of opportunities improving.

## Future Direction

- Targeting FY17 revenue in excess of FY16 (i.e. in excess of \$512m).
- Continuing significant focus on margin improvement in all areas.
- Positioning BSA | Think as a differentiator.
- Further right sizing will continue as business as usual.
- Diversification in services and clients maintained as a key business goal.
- Intention to return to dividends as earnings progress to a consistent profile and legacy issues are resolved.



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