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Monday 18 June 2018

FOR IMMEDIATE RELEASE

General Manager
ASX Market Announcements
Australian Securities Exchange Limited
PO Box H224
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Sydney NSW 1215

BSA LIMITED MARKET UPDATE

Sydney, 18 June 2018: BSA Limited (ASX: BSA) announced today that following on from a poor performance in the HVAC Build Business (excluding Fire and new Royal Adelaide Hospital (nRAH) Project) in the first half, BSA has undertaken a further in depth review of all aspects of the HVAC Build Business Unit and the markets in which it operates.

The HVAC Build commercial market continues to be highly competitive both in terms of pressure on margins and generally accepted contractual risk profiles. We have had a number of underperforming projects which have been primarily impacted by matters outside our control, mainly Head Contractor delays. Whilst we are able to secure extensions of time for these delays (which are outside of our control) and therefore mitigate liquidated damages penalties, we are not able to fully recover our costs.

As a result, the HVAC Build Business has incurred further losses in the second half. We therefore expect FY18 reported Group EBITDA for the year of \$8m-\$10m (\$12-\$14m excluding significant items) after HVAC Build Business losses of circa \$8.5m. This compares to a reported Group FY17 EBITDA of \$11.1m (\$17.8m excluding significant items).

In response, the Board and Management have implemented the following:

- Selective tendering of major HVAC Build Business projects, as foreshadowed at the 2017 AGM, including a tightened review mechanism on new contract commitments where delays outside of our control cannot be financially mitigated.
- Strict minimum margin thresholds.
- Adjustment of our delivery model and operating structure to focus on projects, clients and asset types where our expertise is fully valued and risk fairly apportioned.
- A review of options in relation to the role of the HVAC Build Business in the overall BSA Portfolio.

The underperforming HVAC Build Business contracts will be substantially completed by the end of the financial year and forecast impacts will be provided for in this financial year.

We are pursuing our contractual rights in relation to these projects.

Going forward we have sound committed revenue in the HVAC Build Business for FY2019 and the business is forecast to return to profit under the revised arrangements.

Overall all other parts of the BSA portfolio are performing well, including our work with nbn.

The Fire business continues to perform strongly and mobilisation work on our landmark NorthConnex Project is progressing well.

As per our stated strategy, we continue to expand into new annuity style markets. In this regard:

- BSA has secured a contract with Vector Advanced Metering Services (VAMSA) for installation and maintenance of smart meters. While the contract covers NSW, QLD, Victoria and South Australia, the initial work is in NSW. The contract is evergreen and is expected to grow. BSA is looking to establish a long term partnership with VAMSA.

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- BSA has also secured a Solar and Battery Domestic Installation contract with EnergyAustralia. The contract allows for national coverage, however initial works are in NSW. First installations commenced in May. The contract is 2+1+1 years. This provides the opportunity to work collaboratively with Energy Australia in this growing sector.
- BSA has entered into an agreement with Flextronics Australia Pty Ltd, working with their subsidiary Energy Matters to partner as the EPC (Engineer, Procure and Construct) Contractor for all commercial scale solar projects. This will provide all Energy Matters and BSA clients access to BSA's national footprint of project delivery expertise coupled with Energy Matters Australia's 10 years of experience in Australia's commercial solar market and their globally supported supply chain providing market leading delivery.

These contracts will be modest contributors to revenue in FY19 but they represent entry into strategic new markets and we expect strong growth in future years. In addition, we are mobilising capability into the fixed wireless space.

As shareholders are aware we have, over a number of years, reduced our reliance on major hard dollar construction contracts, whilst developing the annuity side of the business. With the recent wins, we are targeting to push annuity style revenue to 65%-70% of Group revenue in FY19.

In conclusion, in FY19 we not only expect the HVAC Build Business to return to profit, we also expect solid profitability and strong cash generation from BSA's non HVAC Build Businesses. BSA also retains significant funding flexibility following the recent extension and expansion of our banking facilities as announced on 27th April 2018.

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For and on behalf of the BSA Limited Board of Directors

Further Information:

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