think.build.connect.maintain

FY2018 FULL YEAR

RESULTS REVIEW

GROUP RESULTS OVERVIEW

BSA | Maintain have been providing services to the JLL – Telstra Commercial portfolio across the east coast of Australia since October 2017. The Service Agreement includes delivery across all technical hard services including preventative maintenance to air-conditioning and ventilation systems, BMS, fire protection and electrical assets.

Full Year Results

Summary ($000)	FY2018	FY2017
Revenue	562,301	492,317
EBITDA	9,041	11,061
EBITDA %	1.6%	2.3%
Depreciation	5,273	4,260
Amortisation	674	738
EBIT	3,094	6,063
Interest (net)	621	429
Net Profit Before Tax	2,473	5,634
Income Tax Expense	909	1,671
NPAT	1,564	3,963
NPAT %	0.3%	0.8%

EBITDA and NPAT excluding Significant Items

Summary ($000)	FY2018	FY2017
EBITDA	9,041	11,061
Significant Items	5,764	6,751
EBITDA Excluding Significant Items	14,805	17,812
EBITDA Excluding Significant Items %	2.6%	3.6%
NPAT	1,564	3,963
Significant Items (net of tax)	4,035	4,726
NPAT Excluding Significant Items	5,599	8,689
NPAT Excluding Significant Items %	1.0%	1.8%

Note: Significant Items includes: business reorganisation and restructure costs, other contract one offs and legal costs relating to legacy issues.

- Revenue up 14% with further improvement in recurring revenue quality and overall mix.
- Increase in proportion of recurring revenue businesses now representing 61% of Group revenue.
- Substantial growth in BSA | Connect revenue and margin during the year despite decline in Foxtel volumes.
- Reported EBITDA of $9.0m (FY2017: $11.1m) impacted by $5.8m of significant one off items including:
  - $4.0m business reorganisation and restructure costs relating to delayering of the Group structures and the scaling down of operations of HVAC Build in WA and QLD.
  - $1.0m legal and professional fees relating to legacy issues excluding nRAH.
  - $0.8m nRAH losses in the period with Defects Liability period ended on 13th June 2018.
- EBITDA excluding significant items (Underlying EBITDA) $14.8m (FY2017: $17.8m).
- BSA HVAC | Build losses heavily impacted the year (see slide 12). Underlying EBITDA percentage margin excluding the BSA HVAC | Build business for the year was 5.4% (FY2017: 4.0%).
- NPAT excluding significant items $5.6m (FY2017: $8.7m).
- Basic earnings per share of 0.37 cents (FY2017: 0.94 cents).
- Investment continued in:
  - End to end integrated energy solutions including solar.
  - Expansion of BSA | Maintain relating to Multi-Service and Fire.
  - Key markets including smart metering, mobile, small cell and wifi solutions.
- Underlying recurring business EBITDA margin increased to 6.7% (FY2017: 6.4%).
- Final dividend of 0.5 cents per share declared.

Growth Highlights

✓ Strong Underpinning Business

- Recurring revenue now 61% of full year revenue.
- Initiatives on recurring businesses led to underlying EBITDA of 6.7% and are ongoing.
- Group underlying EBITDA margin percentage excluding BSA | HVAC Build now 5.4%.
- Net cash $7.0m with increased funding facilities.

✓ Improving Revenue Quality

- Connect margins continuing to increase.
- Integrated packages growing.
- Another increase in margin from recurring business in the year.
- BSA | HVAC Build revenue continues to fall as a proportion of Group revenue.

✓ Organic Growth

- nbn – volumes substantially increased.
- BSA | Fire - continues strong growth.
- Multi-Service – further increases in the year.
- Small cell/wifi trial underway with national provider.
- Further expansion in new markets including energy, solar and storage and infrastructure.

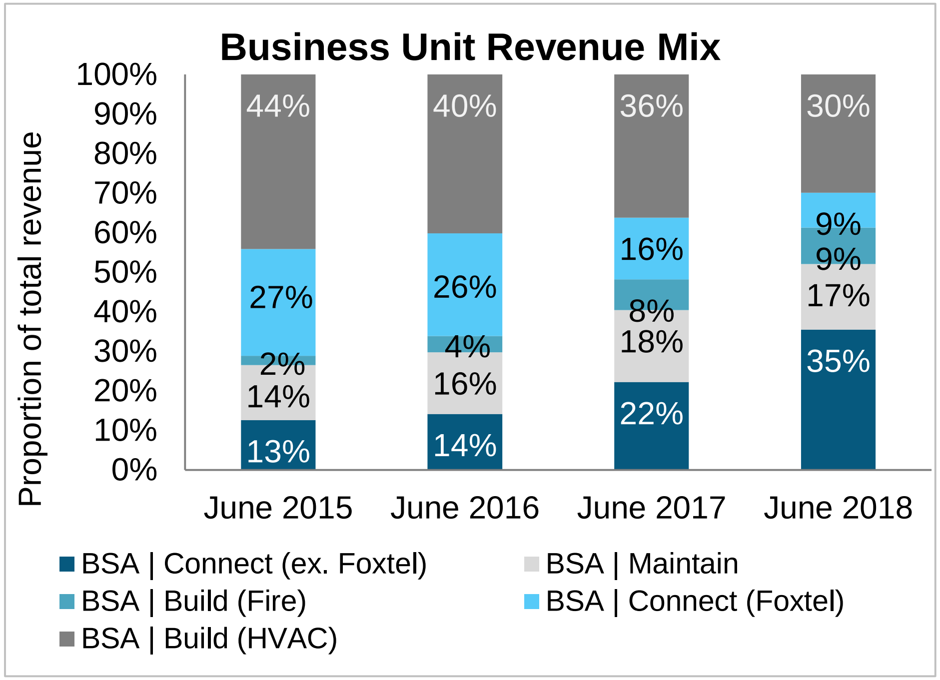
✓ Order Book

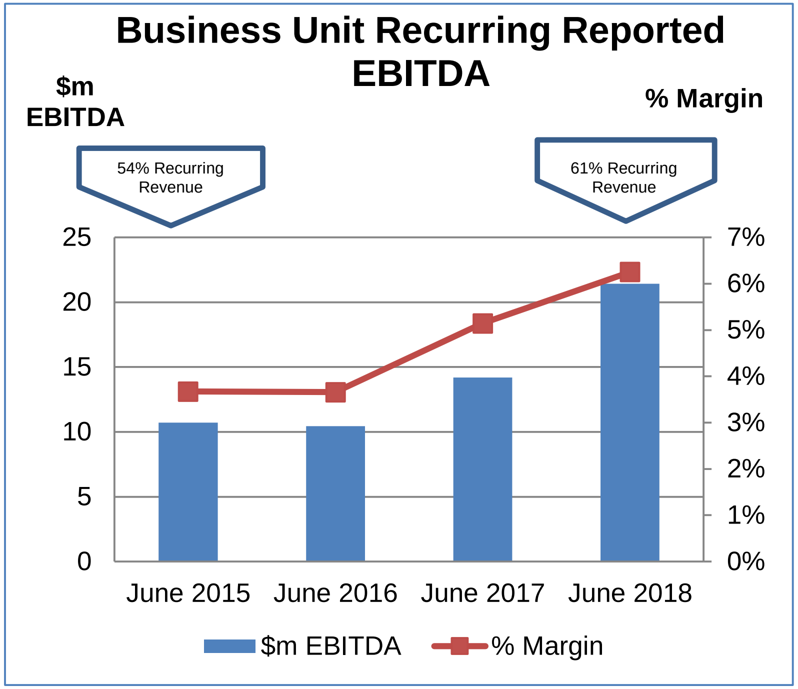
- BSA | Connect and BSA | Maintain combined recurring revenue stands at $273m.
- BSA | Fire Build order book increased to $50m.
- BSA | HVAC Build reduced to $119m.

✓ Innovation

- Commercial and residential solar contracts secured and growing.
- Smart metering contracts expanded.
- Northconnex Fire Infrastructure project secured through innovative delivery solution.
- Integrated energy management offerings growing.

The BSA Transformation Journey





February 2015	December 2015	February 2017	February 2017	March 2018	March 2018	July 2018
Opened Fire business in QLD	Signed Operate & Maintain (OMMA) contract with nbn	Signed first Smart Metering Contract (Vector)	First BSA | Think Advisory Project commenced	Signed first Solar contract (Energy Australia)	NorthConnex Fire contract awarded – Key infrastructure market entry	Signed first small cell trial contract for national provider

Cash Flow and Funding

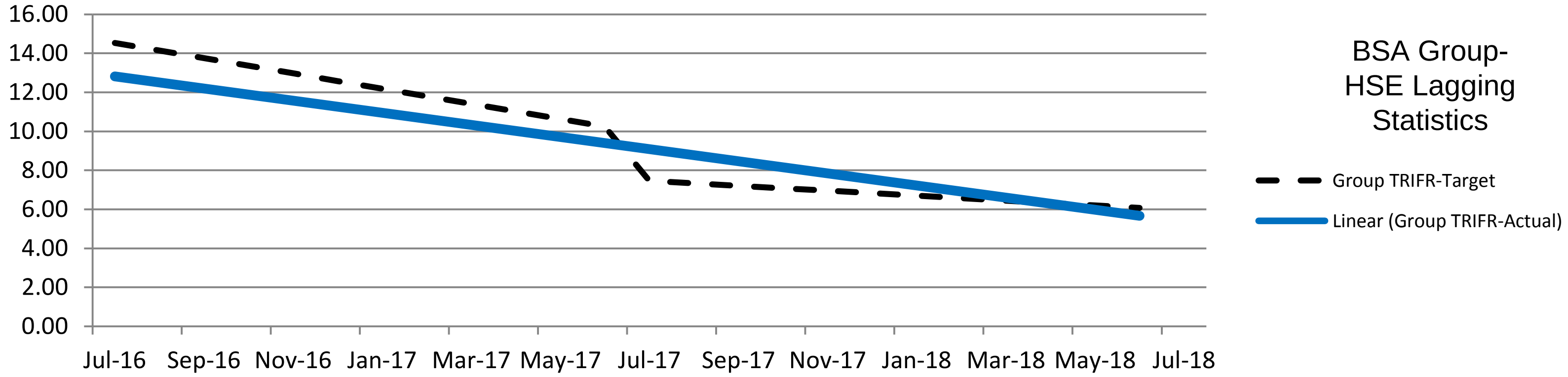
Summary ($000)	FY2018	FY2017
Net cash inflow - operations	**4,663**	**(778)**
Net cash at end of period	6,966	13,505
Working Capital balance	15,699	12,897

Cash and debt bridge ($000)	
Net cash at 30 June 2017	**13,505**
FY 2017 Dividend paid	(2,114)
nRAH - net cash outflows	(4,620)
OSR - cash payments for legacy issues	(1,848)
Cash capex	(4,582)
Increase in debt due to motor vehicle lease liability additions	(4,095)
Other operating cash and debt movements	10,720
Net cash and debt movement	**(6,539)**
Net cash at 30 June 2018	**6,966**

- Full year cashflow impacted by:
- Material cash and debt movements relating to:
  - nRAH - $4.6m largely relating to defects liability period and scope change costs. Commercial negotiations relating to contract close out underway.
  - OSR Payments for legacy issues - $1.8m.
  - Net cash capex of $4.6m for plant, equipment and IT investment including supporting nbn growth.
  - Leases of $4.1m to replenish and expand (capitalised) fleet.
  - Final FY2017 Dividend paid - $2.1m.
- Net cash inflows from operations in FY2018 despite investment in Fire, Energy and National contracts.
- Working capital increased in the last 12 months largely due to additional working capital with business growth.
- Continuing strong bank relationship:
  - New NAB facility agreement negotiated which extends the existing facility to 31st December 2020 as well as introducing an additional working capital facility to fund future growth.
  - Undrawn funding facilities at 30 June 2018:
    - $35.5m combined loan and leasing facility.
    - $15.3m bond and guarantee facilities.
- Net cash position maintained providing capacity to fund future growth.

Health & Safety Performance

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



- FY2018 has seen a sustained focus upon continual improvement in Health and Safety and the systemisation of BSA processes.
- BSA set itself a strong improvement target (20% TRIFR Reduction) with regards to injury reporting (noting the continued focus upon TRIFR rather than LTIFR as key evidence of a maturing safety and reporting culture) and the management and prevention of injury escalations.
- BSA was able to meet (and better) this target and saw a 60% reduction in employee LTIs and a 20% reduction in employee MTIs (compared to FY2017).
- Utilising the BSA Group Business Process Framework, HSEQ Strategy and individual Business Unit documentation, the BSA Group successfully achieved a transition to the new ISO Standards of Environment and Quality in April 2018.
- An ongoing focus this year on the identification, management and mitigation of BSA 'Significant Risk Activities' has also allowed the Group to better understand and manage our hazard risk profile which has contributed to the continued improvement.

BUSINESS REVIEW

Northconnex tunnel construction 90 metres below the surface. BSA | Fire will install over 18 kilometres of sprinkler deluge once excavation is completed.

Business Units – Full Year Review

BSA | Build

BSA | HVAC Build (including nRAH)

- Revenue $167.9m (FY2017: $178.4m).
- EBITDA loss of $10.0m (FY2017: loss of $1.2m).
- Client delays and adverse cost movements on specific BSA | HVAC Build projects led to EBITDA loss in HVAC Build in the year. Projects now substantially complete.
- BSA | HVAC Build EBITDA also impacted by $0.8m nRAH losses as well as $1.4m of restructure costs.
- Work on hand for the BSA | HVAC Build stood at $119m at 30 June 2018.

BSA | Fire Build

- BSA | Fire Build Revenue $51.8m (FY2017: $38.2m).
- BSA | Fire Build EBITDA $4.0m (FY2017: $2.6m).
- The Fire business continues to grow strongly with over $84m of contracts secured in the year and is delivering improved margins.
- Fire reported 7.8% EBITDA margin for the year and now represents 24% (FY2017 18%) of BSA | Build business revenue.

BSA | Connect

- Revenue $249.4m (FY2017: $186.5m).
- EBITDA $18.5m (FY2017: $9.5m).
- Revenue up by 34% on prior period largely due to growth in nbn revenues.
- Reported EBITDA at 7.4% (FY2017: 5.1%)
- EBITDA impacted by legal costs relating to legacy issues of $0.8m, as well as restructure costs of $0.5m incurred during the year.
- Underlying EBITDA percentage at 7.9% (FY2017: 6.8%).
- nbn OMMA service performance strong.
- New market entry into residential solar and battery installation with contract commenced for Energy Australia.
- Entry into small cell/wifi market with trial underway for national provider.

BSA | Maintain

- Revenue $93.5m (FY2017: $89.5m).
- EBITDA $2.9m (FY2017:$4.7m).
- Revenue up 4.5% on the prior period largely due to contract wins in the last 12 months.
- EBITDA impacted mainly by $0.4m restructure costs and investment in national accounts and fire maintenance delivery and growth.
- Order book continues to increase with growing opportunities in the pipeline.
- Key contracts won during the year exceeding $12.6m and include Telstra Non-Network Properties (Northern) and Curtin University.
- Multi-Service contracts continue to grow across mechanical, fire, electrical, plumbing and building repairs.
- Fire revenue increased by $1.6m and represents 16% (FY2017: 15%) of the maintenance business nationally.
- Expansion of further value add services through new entry into commercial solar market with the first project completed in the year.
- Further growth in infrastructure/mining.

EBITDA excludes corporate recharges

Ongoing Strategic Growth Activities

Focus continues on key initiatives to deliver future targeted margin growth

Diversify Business

- Expand smart metering geographically
- Use metering platform to enter demand management market
- Grow Building Management System Service (BMS) Offering
- Enter mobile market
- Expand small cell/wifi trial with national provider
- Grow end to end energy solutions business including consolidating solar offering
- Focus on Fire maintenance opportunities

Grow Infrastructure Footprint

- Expand infrastructure offering following Northconnex Fire success
- Collaborate to deliver Infrastructure multi-service delivery
- Build off prefabrication innovation at NorthConnex
- Build on mining/resources rebound

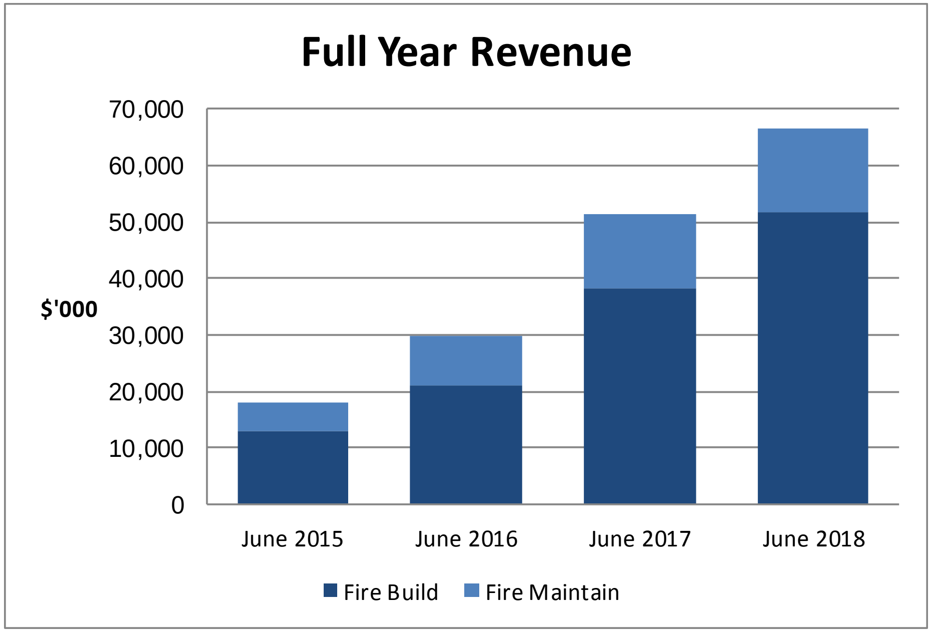
Continue Growth in Think/Advisory

- Innovative design/prefabrication solutions
- Energy management solutions
- Predictive maintenance
- Packaged project management
- Asset and energy projects
- Focus on site acquisition engineering and design in Connect

Margin improvement

- Streamlining of operating model continues
- Expand commercial capabilities through enhanced people plan
- Bid selection criteria strengthened
- Leverage technology to drive further efficiencies for clients and internal benefits
- Focus on contract risk in HVAC Build
- Grow profitable minor projects business

Case Study: BSA | Fire Total Business - Update

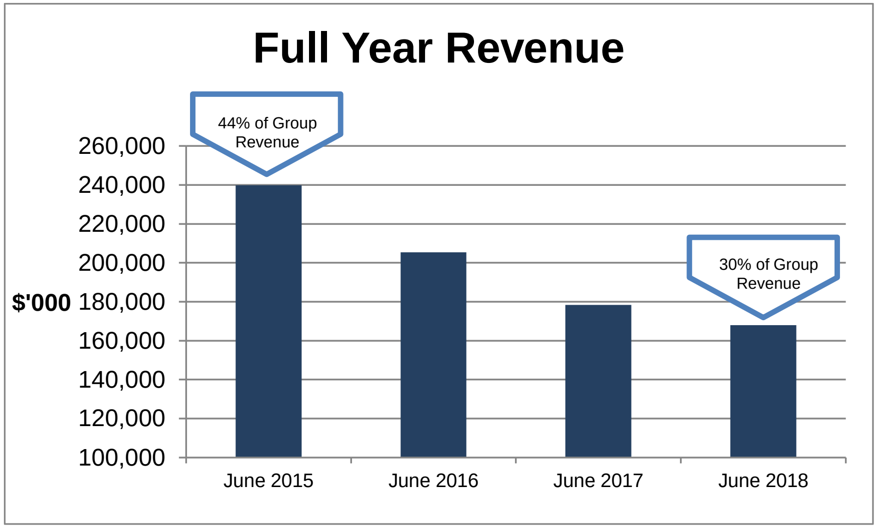


Recent Fire contract wins valued at over $84m including:

- University of Sydney (Engineering Precinct) - Fire (Build)
- Crown Casino Barangaroo– Fire (Build)
- Grafton Prison – Fire (Infrastructure)
- Northconnex – Fire (Infrastructure)
- The Ribbon – Fire (Build)

- **Fire revenue has increased by 29% from FY2017 to FY2018,with BSA | Fire Build increasing by 35% and BSA | Fire Maintain increasing by 12%.**
- **BSA | Fire has secured a record order book with landmark projects in the commercial, infrastructure and maintenance sectors.**
- **Our proven record of innovative engineering and delivery, combined with our market leading maintenance solutions, positions BSA perfectly to capitalise on the strong growth projected for the industry.**
- **BSA will continue to support the growth over the next three years by expanding and developing its national maintenance footprint.**
- **Our focus on annuity maintenance revenue will underpin the overall growth targets and limit the fluctuations inherent to the construction market.**
- **Targeting further growth in the infrastructure sector following the success winning the Northconnex Fire project with an innovative solution.**
- **The combined BSA | Fire business EBITDA grew by 24% during FY2018.**

BSA | HVAC Build



nRAH Update

- nRAH losses of $0.8m impacted FY2018 largely relating to site defect works and site overheads.
- The defects liability period ended on 13th June 18 and only minor site issues are still being closed out.
- The site team has been almost entirely demobilised.
- Commercial negotiations are continuing with a view to closing out in the coming months.

- **Recent years have seen reduced revenue associated with BSA | HVAC Build projects as a proportion of Group revenue.**
- **BSA | HVAC Build represented 30% of Group revenue in FY2018.**
- **BSA | HVAC Build experienced losses during FY2018 impacted by client delays outside of the control of the business.**
- **The market conditions continued to be challenging with the level of contract risk out of balance with the potential rewards of the business.**
- **Key actions taken during the year to enhance performance include the following:**
  - **Senior management changes have been made.**
  - **Operations in Western Australia and Queensland have been scaled back.**
  - **Highly selective tendering of major new HVAC Build projects with tightened review where delays outside of our control can't be mitigated.**
  - **Strict minimum margin thresholds.**
  - **An increased focus on profitable minor works has been instigated.**
  - **Contractual rights are being pursued where appropriate on projects.**
  - **A review of options in relation to the future BSA | HVAC Build business is well progressed.**

OUTLOOK

Outlook

Enhanced Operations

- Proactive focus on optimising successful not just underperforming contracts.
- Focus on eradication of BSA | HVAC Build losses.
- Growth of successful minor works projects.

Market Conditions

- Market outlook steady or improving.
- New market entry focussed on growth and higher margin markets.
- Responding to HVAC Build market risk profile.

Order Book

- BSA | Connect and BSA | Maintain - recurring revenues $273m.
- BSA | HVAC Build - $119m
- BSA | Fire Build $50m.
- Continue successful organic growth in new sectors.

Growing Recurring Services

- Targeted growth in Fire maintenance, audit and certification.
- Growth in energy field service offerings.
- Diversification of BSA | Connect into mobile, wifi and small cell services.
- Recurring businesses at 61% of Group revenue in FY2018.

Improving Margins

- Group recurring business underlying margins now at 6.7% EBITDA.
- Use of bespoke commercial models (Northconnex) to share innovation upside.
- Margin expansion from new market entries as they scale.
- Delayering and overhead optimisation continuing.

Positive FY2019 Outlook

- FY2019 revenue in excess of $500m.
- Targeting improved mix of recurring revenues streams and higher margin businesses.
- Balance sheet flexibility maintained to invest further in new capabilities and services.

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