think.build.connect.maintain

Annual General Meeting

27 November 2018

Our Managing Director will be addressing the meeting shortly, and will run through operational outcomes and a more detailed look at our financial results.

I will therefore confine myself to the broader themes and portfolio implications of our 2018 result.

As noted in our previous announcements to the market, the annual report and investor presentation, the performance of our HVAC Build business was disappointing and unfortunately this masked some very significant progress elsewhere across the business. A key driver of the poor HVAC Build performance was due to specific project delays and issues that were beyond the control of BSA. The Board and Senior Management team are aligned in our thinking that we are unable to continue to work for tier one builders who require us to take on legal risks that do not allow us to recover fair costs where we are impacted by issues over which we have no control.

The vexing thing is that our HVAC Build team has a market leading capability with some very successful projects. However, from a Shareholder and Board lens, we are failing to deliver predictable and adequate financial returns for the risks being assumed as the significant mechanical contractor on these construction sites. It is important to note that whilst the disappointing result in HVAC Build was attributable to a select number of specific projects, our Fire business within this climate continued to show strong results with continued growth.

By way of stark comparison, in our Maintain business unit, we undertake special projects work which has strong parallels to the works undertaken by HVAC Build – yet without the legal and contractual concerns. The Maintain Special Projects work is secured from existing relationships and is driven by the value end users place on the work we do in the preventative maintenance space.

We have placed both our clients and internal team on notice, that if we can not shape the market to a more balanced sharing of risk versus return, then we will retreat from this part of the HVAC Build market, as we can not allow a repeat of the FY18 result.

Strategic Focus

- Multiple phase restructure occurred during 2018
- De-layering of organisation to reduce the Business Unit Management level and allow the most senior executives to get closer to the action
- Shift in focus at C-Level with Nick Benson (previous CFO) moving into role of Chief Strategy Officer, mandated to review the BSA Group Portfolio and focus on Merger and Acquisition opportunities.
- Tim Harris encompassing responsibilities for Business Unit management along with Finance and IT

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As previously announced to the market, our former CFO, Nick Benson has moved into the role of Chief Strategy Officer with a mandate to critically review the BSA Group Portfolio and focus on Merger and Acquisition opportunities. Additionally, Tim Harris, our Chief Operating Officer has taken on the management of the BSA finance function in addition to his existing operational responsibilities. Tim has extensive financial experience, having held CFO and other senior financial roles within both listed and unlisted entities. Tim will continue to focus on margin enhancement and cost base optimisation in this new role.

We have appointed key external advisors, Taylor Collison and PWC to work with Nick in his new role. We will have more to say about this in our half year results, as we better articulate our key areas of focus.

It is relevant to note that we have commenced exploratory discussions with parties sharing our view around the likely consolidation opportunities in the Connect space. Whilst very preliminary in nature we are keen to further bolster our range of capabilities in the telco and energy fields, whilst at same time continuing to build our book of higher margin annuity style contracts. The Board and Senior Management are approaching this in a very disciplined manner with the priority being to ensure shareholder value is maximised.

Strategic Benchmarks – 2018 Achievements

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	Objective	Status
Stable Financial Platform	• Carefully managed debt at low leverage • Debt facilities appropriate to the needs of the business • Tight working capital management	✓ New NAB agreement extends existing facility to December 2020 with additional working capital facility to fund future growth
Acknowledge Shareholder Support	• Return to dividends; • Growing earnings per share.	✓ Full Year Dividend announced and paid. ✓ Return of Dividend Reinvestment Plan
Revenue Mix	• Maintain focus on growing annuity revenue percentage	✓ Annuity percentage grew year on year, now 61% of group revenue.
Cash Management	• A strong focus on cash management	✓ Net cash position maintained
Forecasting	• A fundamental tool/competency to ensure financial success	✓ Continuing focus and progress being made on forecasting and risk management disciplines
Profit	• Target sustainable & consistent profit	✓ Initiatives on recurring businesses led to underlying EBITDA of 6.7% and are ongoing
Growth	• To allow us to gain benefits of being publicly listed	✓ Key growth areas -Connect, Fire and multi-services areas. ✓ Further expansion into new markets

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It is also important to note that despite the poor HVAC Build performance in FY18, we have had some good results across other parts of the business.

Attendees at the FY2016 and 2017 AGMs may recall that a list of 'Benchmarks' were identified for the group. I am pleased to say that we have moved forward on these benchmarks throughout the year.

We have maintained our cash position, and also announced the extension of our existing financing facilities, with an additional working capital facility to support future growth.

Shareholders would have been pleased to see the announcement of the full year dividend and return of the dividend reinvestment plan.

We have previously stated our desire to recalibrate the revenue mix for the group, with a bias toward recurring revenues.

At the 2017 AGM, I forecast that recurring revenues would increase to 60% and we have achieved this, with recurring revenues now representing 61% of total Group revenue for 2018. We continue to see growth prospects in our annuity businesses. Initiatives within the recurring businesses led to an underlying EBITDA margin of 6.7% and further improvements in margin are anticipated.

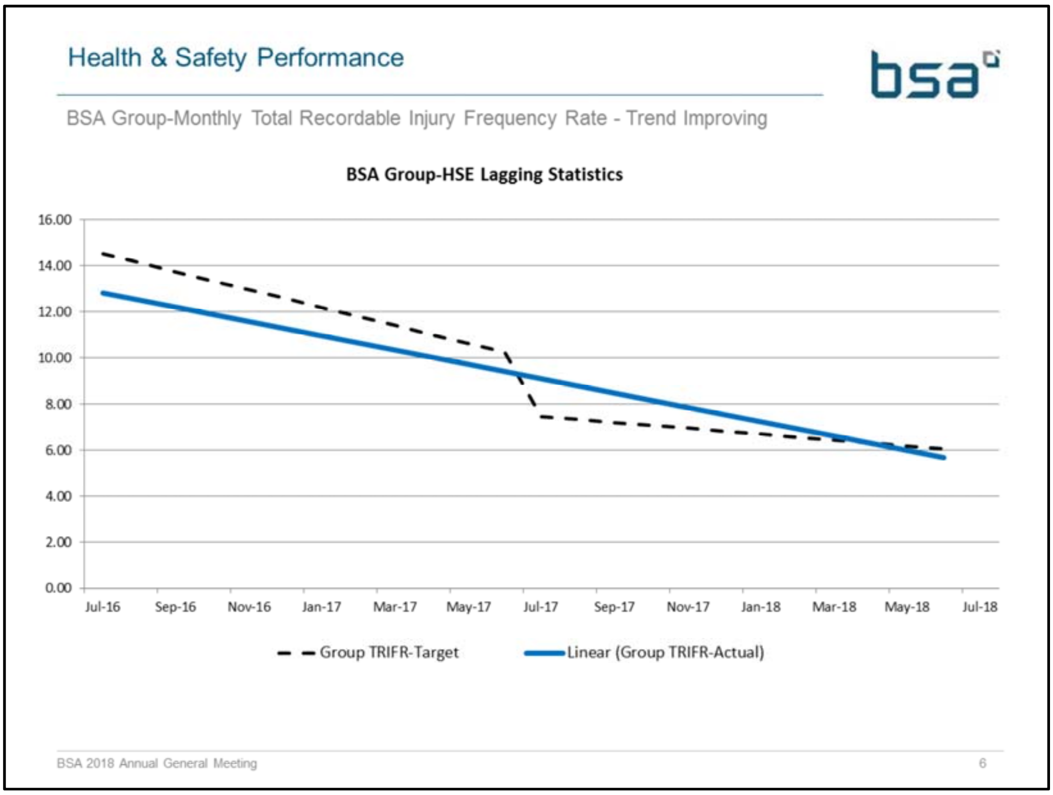
Organic growth targets were achieved in 2018 via increased volumes emanating from our nbn businesses, strong growth in the Fire Build business and further expansion into new markets including energy, solar storage and infrastructure.

We will continue to invest in Business Development and new technologies, whether it is our core Fixed Line work, the 5G roll out, energy, residential & commercial solar, smart meters, B2B maintenance or services to Home off the back of our B2B relationships. These growth sectors are all within our technical capabilities and can be underpinned by multi year contracts. These contracts ought to make our business easier to forecast, result in less volatility in working capital and allow for greater margin efficiencies due to a more streamlined overhead cost base.

I would like to take this opportunity to thank my fellow Directors for their support throughout the year, and recognise BSA Management and their staff for their ongoing contributions. I would also like to thank you, our shareholders for your continued support.

Now to the Business of the Meeting.


MANAGING DIRECTOR'S ADDRESS
Nicholas Yates
Chief Executive Officer
& Managing Director
An 81 metre shaft that has been excavated to provide a main access point to transport workers to the tunnel at the NorthConnex Wilson Road Compound.



Thank you Mr Chairman.

Ladies & Gentlemen

The Health and Safety of our employees is a key priority for all of us at BSA. Despite excellent progress in the previous year, we again set ourselves stringent improvement targets, including a 20% reduction in Total Reportable Injury Frequency Rate (TRIFR) and I am pleased to announce that we exceeded our goals – reaching a 60% reduction in employee LTIs and a 20% reduction in employee Medical Treatment Injuries (MTIs) year on year.

This improvement can be attributed to the focus on the identification, management and mitigation of BSA 'Significant Risk Activities' which has allowed us to better understand and manage our hazard risk profile.

In addition, utilising the BSA Group Business Process Framework, HSEQ Strategy and individual Business Unit documentation, we achieved a transition to the new ISO Standards of Environment and Quality in April 2018.

BSA views its responsibilities in relation to the fair treatment of workers employed and contractors engaged extremely seriously and we remain confident of our workplace model.

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.

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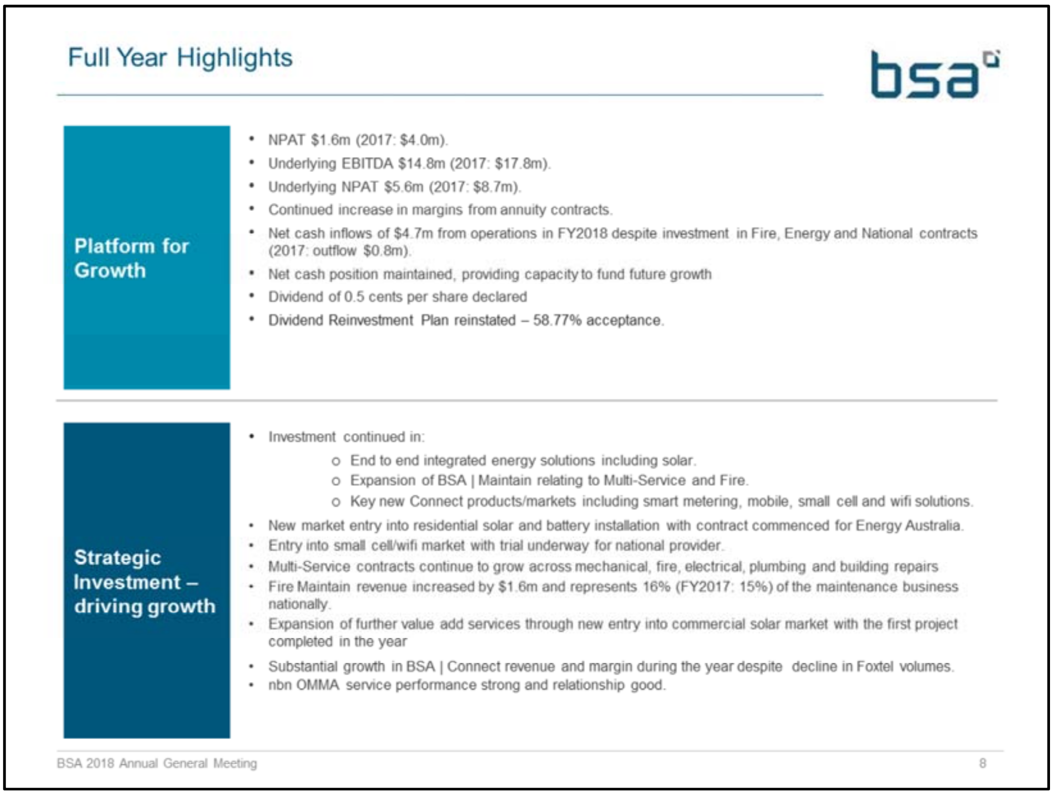
As foreshadowed in our prior market announcement and discussed in our annual report, BSA financial results were affected this year by the underperformance of the BSA | Build HVAC business.

Despite this, the revenue generated increased by 14% with further improvement in recurring revenue quality and overall mix.

The reported EBITDA result of $9.0 million was less than the $11.1million reported in 2017, this was impacted by $5.8million of significant one off items, plus the poor HVAC Build performance. Our EBITDA result excluding these significant one off items was $14.8 million.

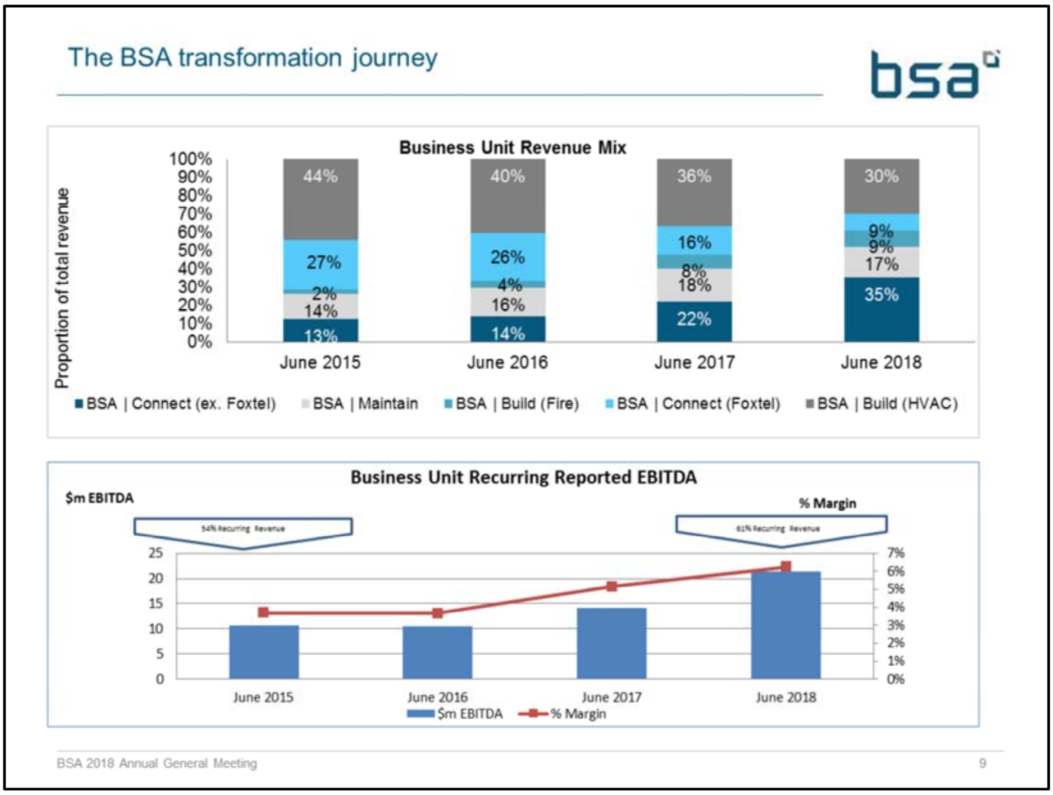
BSA was able to achieve net profit after tax (excluding significant items) of $5.6million whilst continuing to invest in end-to-end integrated energy solutions.



We have continued our investment in business development and key tactical growth areas such as residential and commercial solar, smart metering, mobile, small cell and wifi solutions.

This investment has begun to yield results with BSA entering the residential solar market via a contract with Energy Australia, expansion into the commercial solar market with the first project completed during 2018 and also entry into the small cell/wifi market via a trial for a national provider. None of these initial contracts were material in 2018 in terms of revenue generated, but each one represents an opening into new markets and upholds the strategic direction of the Group.

As mentioned, our nbn works have been going well and volumes have remained steady in this area, which has resulted in the strong BSA | Connect performance somewhat mitigating the predicted decline in Foxtel volumes.



Both Michael and I have mentioned this year's continued improvement in revenue mix and quality. Reducing our reliance on one-off project style revenue not only mitigates the impact to our financial position from one off underperforming projects but also provides a more predictable business model from a forecasting perspective and less volatility in inter and intra month working capital.

The graphs here show the journey from 2015 to 2018 and the steady decline in Build revenues matched by growth in Connect and Maintain business units and the improvements in margin that have been delivered as a result.

Business Units – Full Year Report

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.

EBITDA excludes corporate recharges

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Whilst BSA | Build HVAC did not have a particularly successful year, the results were largely attributable to client delays and adverse cost movements on a number of specific contracts. These projects are now substantially complete and the financial impact has been predominantly contained within the FY18 year.

BSA | Build Fire performed well during FY18 and generated increased revenue, EBITDA and margin results year on year. As previously announced to the market, in March 2018 BSA secured the major infrastructure contract for the Project Management, Procurement, Installation and Commissioning of the sprinkler deluge system for over 18km of main line road tunnel for the NorthConnex project. This marquee contract was secured via the application of innovative design and market leading prefabrication principles.

BSA | Connect delivered a strong uplift in revenue, a 34% increase from the prior year. Much of this increase is attributable to the growth in work volumes on the nbn Operate and Maintain (OMMA) contract. This growth also mitigated the impact of the nbn Hybrid Fibre Coax (HFC) pause which was announced by nbn in late 2017 and reduced volumes on the Foxtel contract due to competition within the traditional subscription television market from streaming services.

As previously mentioned, we continue to grow into a number of different markets in the new energy space and are proactively assessing emerging sector opportunities in mobile and 5G.

Business Units – Full Year Report

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.
- 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

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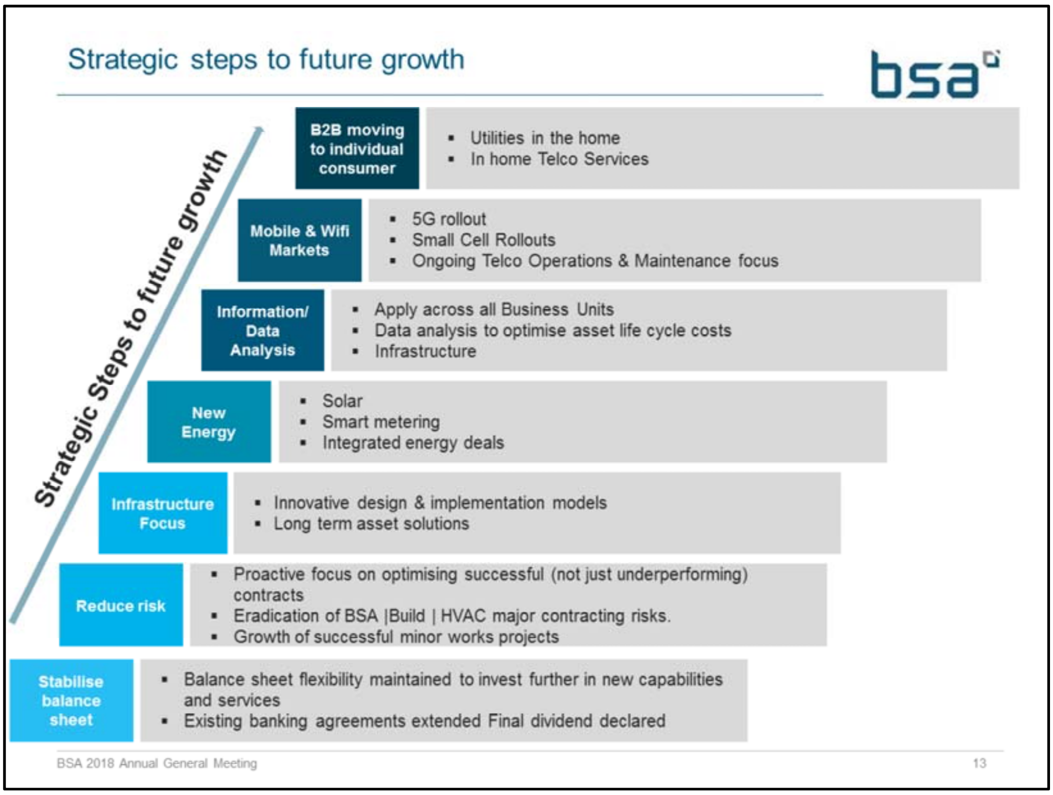
BSA | Maintain generated increased revenue for the year, however due largely to mobilisation costs associated with national contracts and the growth of the fire maintenance business, EBITDA decreased.

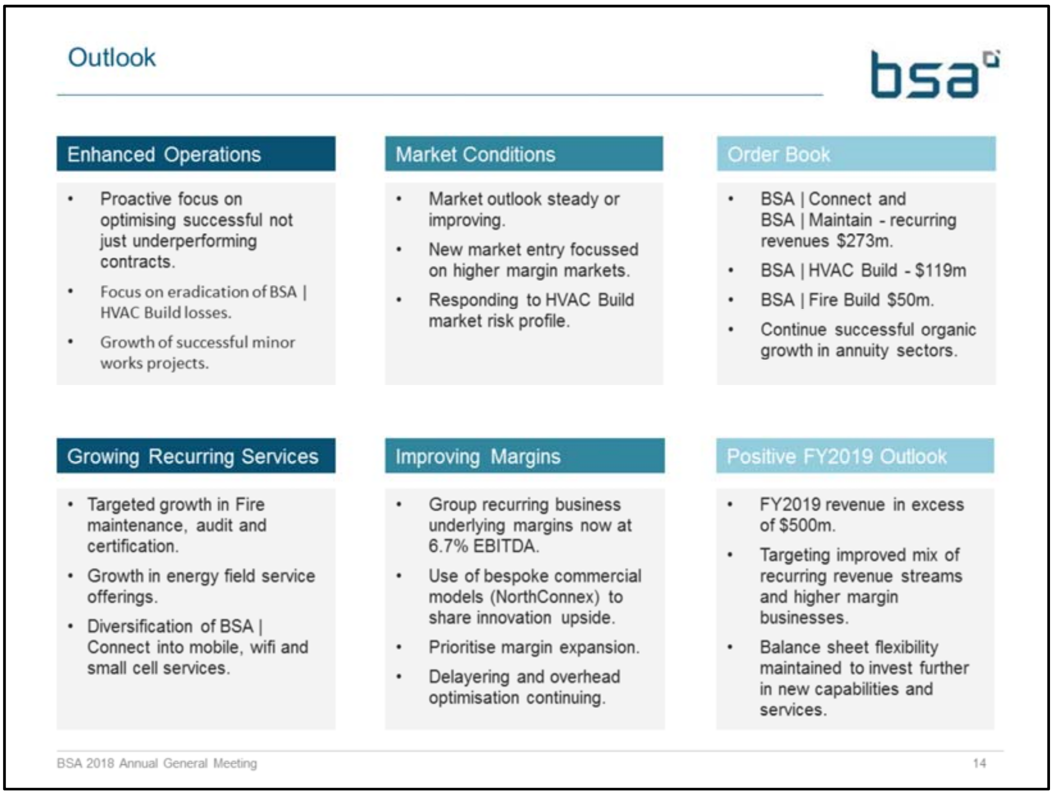
Growth has been a key priority for this business unit, in line with the Group goals on annuity revenue. To this end, Maintain continued to expand geographically and introduced additional service offering through the development of the Building Automation Division across WA, Victoria and Queensland. Fire now represents 15% of the national maintenance business and is continuing to grow.

The Business Unit won new contracts with the Curtin University, St John of God Hospital, Baptiscare, Pan Pacific Hotel and various local councils in WA. Key contracts renewed or extended during the year include Charter Hall, University of Sydney, and Power & Water Corporation.



As we continue to move ahead and take advantage of market trends across our businesses, it is clear that the boundaries between our businesses are fading. Information and data analysis is the common thread that will be the future of end-to-end asset management across telco, energy and utilities. This will all be underpinned by smart and innovative end-to-end solutions in terms of design, implementation and ongoing asset optimisation.

Our strategic future lies in those areas where the markets are providing significant opportunity for the application of integrated end-to-end asset solutions driven by data collection and analysis.



The outlook for BSA remains positive, with markets in which we operate either holding steady or improving.

The Group has a respectable forward order book, with the best pipelines we have had for years and a bias toward recurring revenues and annuity contracts. We are placing a proactive focus on optimising successful contracts (not just underperforming ones), margin expansion from new market entries as they scale and using bespoke commercial models to share in innovation upside.

We have maintained balance sheet flexibility in order to invest further in new capabilities and services. We anticipate FY2019 will be in excess of $500m revenue as we target an improved mix of recurring revenues and higher margin businesses.

I would like to thank my fellow directors for their support throughout 2018 and to express my gratitude to the BSA Limited Management team and their staff for their contributions throughout the year.

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