# FY19 HALF YEAR

## RESULTS REVIEW

# Agenda

1. Half year highlights
2. Group financials
3. Operational performance
4. Strategy update
5. Outlook

# Half Year Highlights - Financial

## Strong underlying earnings growth leading to record underlying first half result

**$285m**
**H1 Revenue on track for Full Year**

- Revenue broadly in line with H1 FY18 ($292.4m) with revenue growth in Maintain and Fire offsetting reduced revenue due to the completion of the nbn construction program of works (MIMA).
- On track to deliver at or above guidance ("FY19 revenue in excess of $500m").

**$11.8m**
**Underlying EBITDA growth +31.0%**

- Underlying EBITDA of $11.8m, up 31% on prior year (reported EBITDA $7.6m, up 4.8% on prior year).
- Strong growth in our recurring Maintenance business & significant improvement in performance in our HVAC Build operations.

**4.1%**
**Underlying EBITDA margin improvements +1.0 ppt**

- Underlying EBITDA margin 4.1%, up 1.0ppt on prior period.
- Margin performance driven by strong uplift in the recurring Maintenance businesses, continued growth in Fire Build (relatively high margin business) and improved performance within HVAC Build.

**~60%**
**Stable proportion of recurring revenue**

- Proportion of recurring revenues delivered consistent with FY18.
- We anticipate this to increase as we strategically reduce our exposure to HVAC Build (H1 FY19 order book reducing 17% vs prior period), and continue to grow our Maintenance and New Energy revenue streams in line with strategy.

**~$298m**
**Recurring revenue order book growth by +9.2%**

- Connect & Maintain order book stands at $298m, with numerous additional market opportunities being actively pursued.
- Record multi service order book and pipeline.
- Further Investment undertaken in Business Development & Account Management to leverage opportunities.

**+21%**
**Strong Fire Build revenue growth**

- Fire Build has continued its track record of successfully delivering innovative engineering solutions.
- Fire Build order book up +28.6% to record levels, with continuing focus on traditional & new markets.
- Margin stabilisation & optimisation through this growth period is a key priority - tangible initiatives across supply chain, execution & delivery in place.

**$6.5m**
**Positive net cash**

- Net cash $6.5m, representing marginal reduction from 30 June 2018.
- Continued emphasis on project cash flow management, collection of trade debt & optimisation of working capital cycles.
- Cash levels materially maintained despite significant outflows in relation to HVAC Build downsizing in line with strategy.

# Half Year Highlights - Operational

## Strategic priorities on track with solid growth in core areas

| | |
|---|---|
| **New contracts wins** | ▪ Awarded National YMCA Multi Services agreement.<br>▪ Awarded numerous ‘bolt-on’ contracts across the Connect & Maintain existing portfolio. |
| **HVAC Build strategic repositioning** | ▪ Exits from Western Australia and Queensland on track and largely finalised within H1 FY19.<br>▪ Enhanced risk management framework has assisted in optimising performance within the continuing portfolio. Selective tendering has driven a deliberate reduction in HVAC Build order book value (down 17%).<br>▪ Advisors appointed and market testing commenced in relation to strategic options for HVAC Build business. |
| **Strong growth in Maintenance** | ▪ Strong Maintenance (HVAC, Fire and Multi-Service) performance, with optimisation of delivery & client support teams driving increased tendering success rates and improved operational efficiencies.<br>▪ Growth across all key financial metrics within Maintain business unit. |
| **Investments in technology & workforce** | ▪ Multi year Technology investment in Field Service Management commenced which will deliver significant end user & field productivity improvements as well as enhanced administration and working capital efficiency.<br>▪ Strategic workforce investments actioned including expansion & upskilling of in-house field resources as well as increased capability & experience in key growth areas of New Energy, Fire Maintenance and Infrastructure. |
| **nRAH finalisation complete** | ▪ new Royal Adelaide Hospital (nRAH) Deed of Settlement signed, provides for the resolution of all outstanding claims and disputes.<br>▪ Financial impact is largely neutral to profit & loss with a positive cash inflow. |
| **Diversification into new & related markets** | ▪ Further enhancement of Smart Metering & New Energy footprints.<br>▪ Successful expansion into Commercial Solar. |

# GROUP FINANCIALS

# Group Financials

## H1 FY19 underlying NPAT $5.6m, +32% vs prior period. Increased significant items largely reflects closure of HVAC Build WA & QLD operations in line with strategy

| Summary ($000's) | H1 FY19 | H1 FY18 | Change % |
|---|---|---|---|
| Revenue *a)* | 285,004 | 292,359 | (2.5%) |
| **EBITDA** | **7,591** | **7,244** | **4.8%** |
| *EBITDA %* | *2.7%* | *2.5%* | *0.2ppt* |
| Depreciation & amortisation | (3,366) | (2,791) | (20.6)% |
| **EBIT** | **4,225** | **4,453** | **(5.1)%** |
| Interest | (352) | (375) | 6.1% |
| **Net Profit Before Tax** | **3,873** | **4,078** | **(5.0)%** |
| Income Tax expense | (1,217) | (1,065) | (14.3)% |
| **Net Profit After Tax** | **2,656** | **3,013** | **(11.8)%** |
| *Net Profit After Tax %* | *0.9%* | *1.0%* | *(0.1)ppt* |
| Significant items | 4,169 | 1,732 | 140.7% |
| **EBITDA Excluding Significant items** | **11,760** | **8,976** | **31.0%** |
| EBITDA Excluding Significant items % | 4.1% | 3.1% | 1.0ppt |
| NPAT Excluding Significant items | 5,574 | 4,225 | 31.9% |
| **NPAT Excluding Significant items %** | **2.0%** | **1.4%** | **0.6ppt** |

*a) Revenue includes $108,000 of non trading revenue ($198,000 in H1 FY18)*

- Reported EBITDA of $7.6m impacted by $4.2m of significant one off items including:
  - $2.8m due to the scaling down and closure of operations of HVAC Build in WA and QLD (largely complete);
  - $0.8m business reorganisation and restructure costs to establish an efficient overhead base to suit evolving portfolio mix; and
  - $0.6m legal and professional fees relating to legacy issues.
- EBITDA excluding significant items (Underlying EBITDA) $11.8m (H1 FY18: $9.0m)
- NPAT excluding significant items $5.6m (H1 FY18: $4.2m)

# Group Financials

**Positive $6.5m in net cash at 31 December 2018. Marginal decrease from prior period relates largely to HVAC Build closure costs, dividend payment and capex investment**

| Summary ($000's) | H1 FY19 | H1 FY18 |
|---|---|---|
| Net cash inflow – Operations | 3,085 | 1,444 |
| Net cash at end of period | 6,500 | 6,896 |
| Equity a) | 38,638 | 46,438 |
| Working Capital | 6,263 | 16,955 |
| Capital Expenditure | 3,042 | 7,130 |

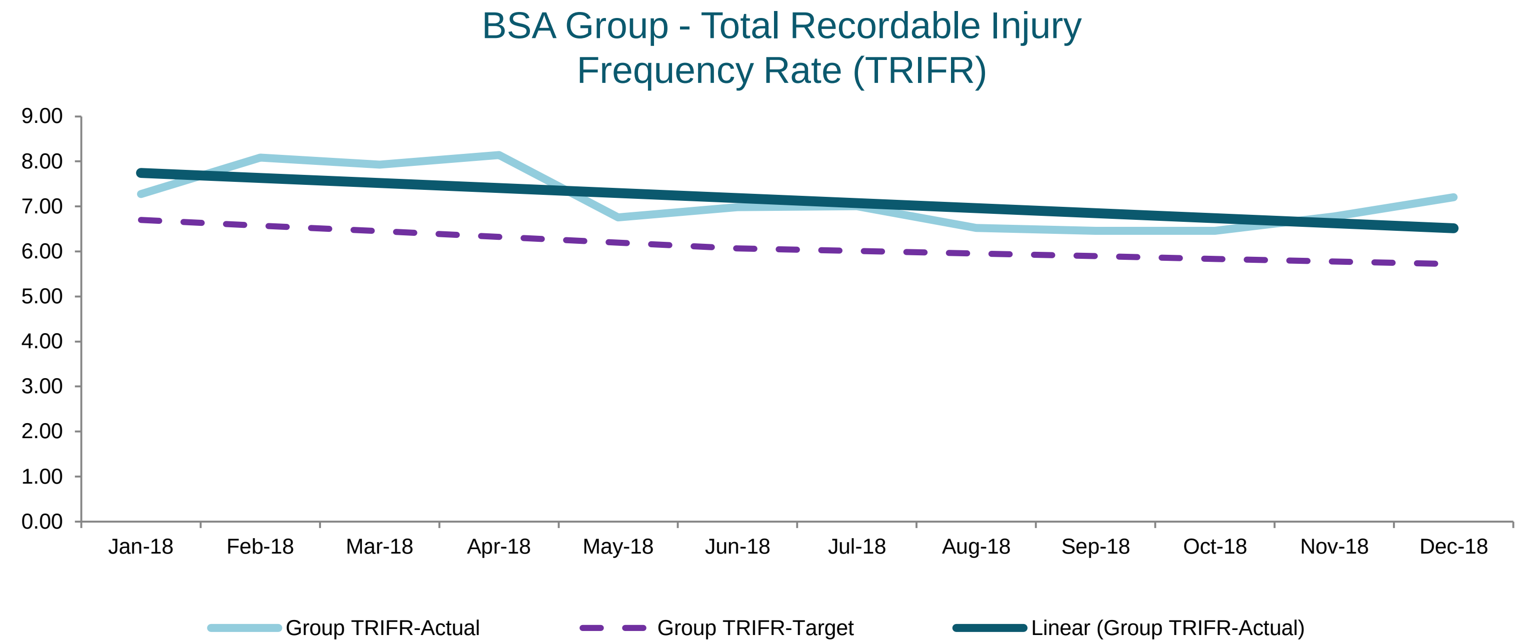
*a) Reduction in 31 December 2018 equity due to opening balance adjustment on application of AASB15*

| Summary ($000's) | |
|---|---|
| **Net cash at 30 June 2018** | **6,966** |
| Dividend paid | (873) |
| OSR | (780) |
| Capex | (3,042) |
| HVAC Build closure costs – WA & Queensland | (2,744) |
| Other cash / debt movements | 6,973 |
| Net cash / (debt) movement | (466) |
| **Net cash at 31 December 2018** | **6,500** |

- Half year cash flow impacted by material cash and debt movements relating to
  - HVAC Build QLD & WA project completion and closure costs (cash outflows) of $2.7m;
  - Increased capex investment during H1 FY19 for renewed plant, equipment and IT infrastructure to support further growth across platforms;
  - OSR payments for legacy issues of $0.8m; and
  - H1 FY19 dividend payment of $0.9m.
- Undrawn funding available at 31 December 18
  - $32.5m (loan facilities)
  - $3.4m (leasing facility)
  - $8.5m (guarantee facility)
  - $10.8m (bonds)


# OPERATIONAL PERFORMANCE

# Health & Safety Performance




## H1FY19 performance

- Utilising the BSA Group Business Process Framework and individual Business Unit documentation, the BSA Group successfully achieved recertification in ISO 14001, 9001 as ASNZS 4801 in November 2018.
- BSA has seen a continued reduction in TRIFR since 2016 with current performance reported at 7.20 vs 18.83 (2016).
- BSA will continue to concentrate on a range of initiatives to drive further improvements in the health and safety performance of the business. This will include continued focus on leading indicators and targeted programs to continually improve our processes around high risk activities.

# Business Performance - Connect

## Strong margins continue on reduced revenue due to completion of nbn construction (MIMA) program of works

| Summary ($000) | H1 FY19 | H1 FY18 | Change % |
|---|---|---|---|
| Revenue | 117,663 | 137,662 | (14.5)% |
| **EBITDA** | **8,638** | **11,071** | **(22.0)%** |
| EBITDA % | 7.3% | 8.0% | (0.7) ppt |
| **EBITDA (excl significant items)** | **9,131** | **11,608** | **(21.3)%** |
| EBITDA (excl significant items) % | 7.8% | 8.4% | (0.6) ppt |

- The nbn MIMA construction program was successfully completed to agreed timelines in the period.
- The run-off of MIMA volumes as per program significantly impacted on the half year results.
- nbn OMMA service performance remains strong with market leading performance metrics.
- Strong OMMA volume growth forecast for H2 FY19 driven by HFC rollout.
- Commenced investment in the next generation of field service management technology.
- Achieved growth across the Smart Metering and other Telecommunications platforms.
- Strategic investments actioned to expand workforce capability have impacted H1 FY19.

# Business Performance - Maintain

## Strong growth across all key financial metrics

| Summary ($000) | H1 FY19 | H1 FY18 | Change % |
|---|---|---|---|
| Revenue | 49,740 | 44,966 | +10.6% |
| **EBITDA** | **1,838** | **945** | **+94.5%** |
| EBITDA % | 3.7% | 2.1% | +1.6 ppt |
| **EBITDA (excl significant items)** | **1,838** | **998** | **+84.2%** |
| EBITDA (excl significant items) % | 3.7% | 2.2% | +1.5 ppt |

- Enhanced Service Delivery and Account Management structures established, including a dedicated National Accounts multi services team.
- A number of recent contract wins including YMCA (national multiservice) and Curtin University (WA). Order book continues to increase, up +11.3%.
- Mobilised a number of new contracts during the period.
- Fire Maintain revenue up $1.4m on prior corresponding period, representing 19% of maintenance business nationally (FY18: 16%).
- Building Management Controls & Technology expanded nationally.
- Increased activity in WA mining sector is contributing to increased service and project delivery opportunities.

# Business Performance – HVAC | Build

**Risk mitigation frameworks driving reduced downside exposure - exits from WA and QLD markets principally complete**

| Summary ($000) | H1 FY19 | H1 FY18 | Change % |
|---|---|---|---|
| Revenue | 86,499 | 84,020 | +3.0% |
| **EBITDA** | **(1,684)** | **(4,128)** | **+59.2%** |
| EBITDA % | (1.9)% | (4.9)% | +3.0 ppt |
| **EBITDA (excl significant items)** | **1,354** | **(3,410)** | **+139.7%** |
| EBITDA (excl significant items) % | 1.6% | (4.1)% | +5.7 ppt |

- Continuing NSW and Victorian operations demonstrated significantly improved performance, with newly embedded risk management frameworks supporting.
- $2.8m in costs relating to discontinuing QLD & WA operations, with minimal further costs expected in H2 FY19.
- Order book  reduced by 17% in line with strategy.
- nRAH deed finalised, with neutral P&L impact to the H1 FY19 period.

# Business Performance – Fire | Build

**Strong Revenue (+21%) & Order Book (+29%) growth, with EBITDA margin % reductions reflecting capability investments to maximise future growth**

| Summary ($000) | H1 FY19 | H1 FY18 | Change % |
|---|---|---|---|
| Revenue | 31,098 | 25,696 | +21.0% |
| **EBITDA** | **2,296** | **2,708** | **(15.2)%** |
| EBITDA % | 7.4% | 10.5% | (3.1) ppt |
| **EBITDA (excl significant items)** | **2,331** | **2,708** | **(13.9)%** |
| EBITDA (excl significant items) % | 7.5% | 10.5% | (3.0) ppt |

- Revenue growth reflecting successful mobilisation and delivery of works across the portfolio.
- Order book +28.6%, with major projects secured across Infrastructure and Commercial Sectors.
- Healthy EBITDA% of 7.4% despite investment in resources to support future growth (prior year also benefited from one off project settlement upside).
- Focus continues on existing markets (Infrastructure, Commercial Towers, Data Centres), new markets (Commercial Kitchen Suppression) and combined service offerings (Fire & Mechanical) where risk profiles fit Corporate strategy.
- NorthConnex – program changes expected to be timing issues only.

# STRATEGY & OUTLOOK

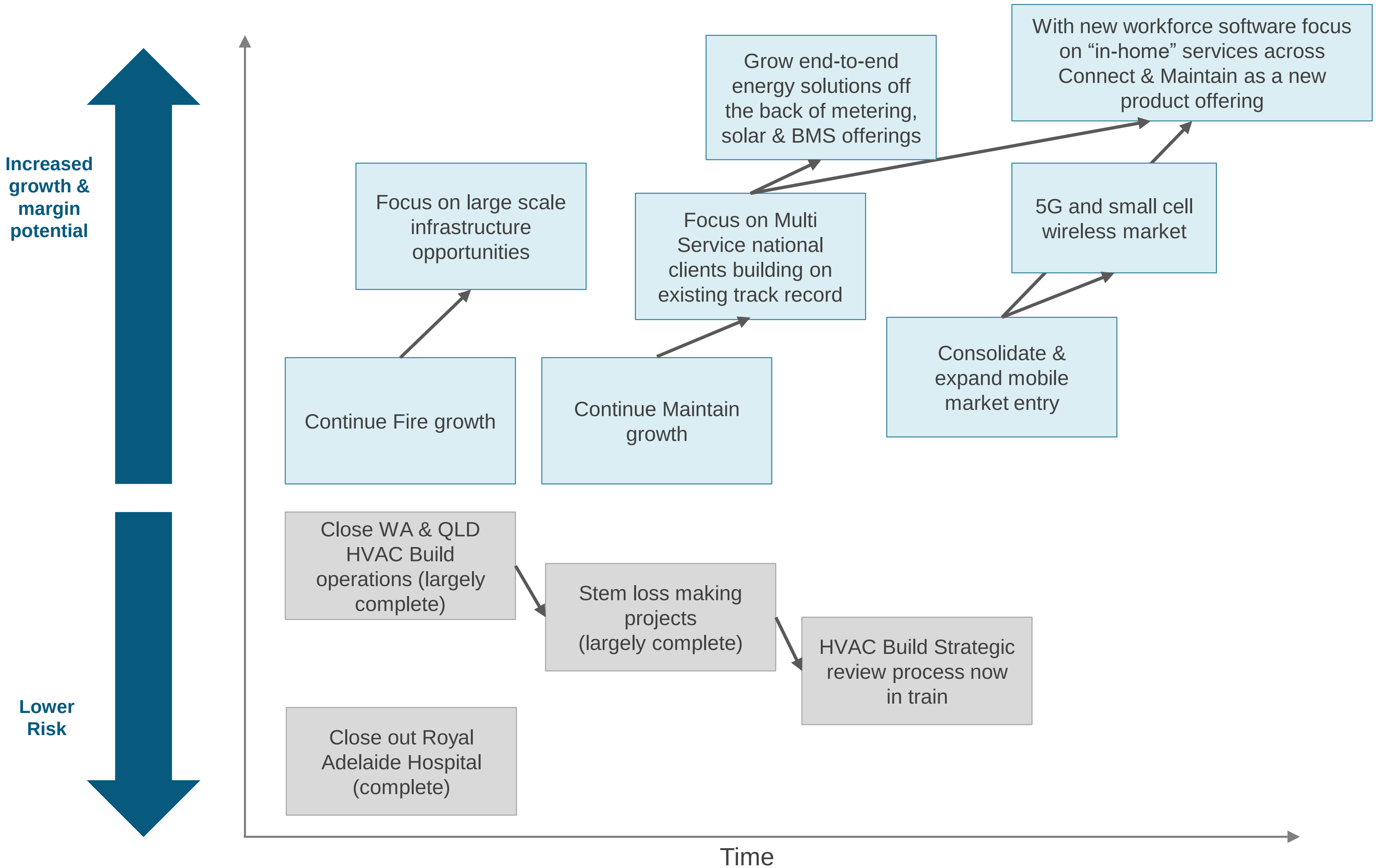
# Strategy Update

| Vision | To be our clients indispensable partner to design, deliver and manage innovative asset solutions |
|---|---|

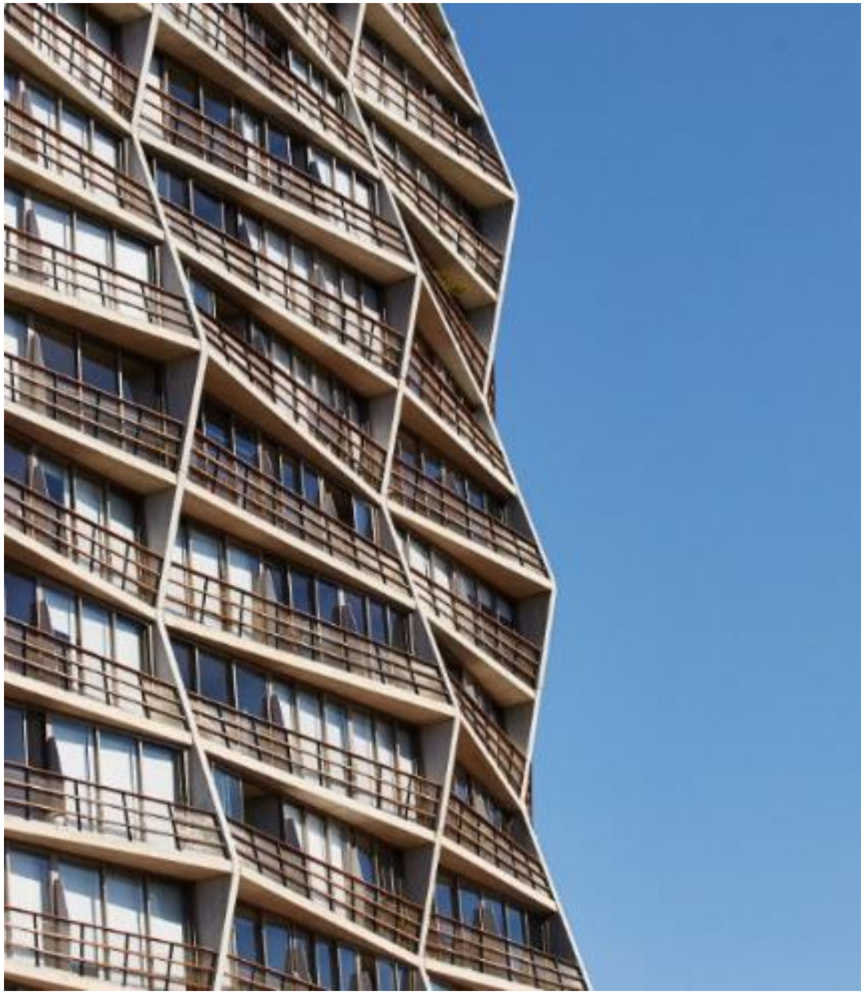
*Continue history of strong organic growth combined with enhanced strategic M&A focus*

| **Strategy** | **Grow** | **Diversify** | **Optimise** | **Innovate** |
|---|---|---|---|---|
| **Actions** | Accelerate multi-service growth | Integrated energy solutions expansion | Evolve technology solutions | Continue growth of Think & Advisory |
| | Expand Connect field force capability & create “in-home” services product | Further smart meter expansion | Streamline delivery models | Leverage further smart client solutions e.g. prefabrication |
| | Capitalise on further opportunities in Fire infrastructure and maintenance | Consolidate and expand mobile market entry | Complete HVAC Build review process | Expand outsource offerings and full managed services |
| | Increased cross sell conversion of existing clients | Increase solar and storage footprint | Continue expansion of annuity revenue streams | Acquisition strategy with strong momentum |

# Strategy – Increasing Margins & Reducing Risk



# Outlook



## Favorable Market Conditions (external factors)

- Strong pipeline - growth opportunities in all core markets.
- Identified potential in new strategic target markets.
- Continued client appetite for innovation in delivery – BSA perfectly positioned.

## Strong Business Fundamentals (internal factors)

- Streamlined scalable operating model now in place to deliver economies of scale.
- Enhanced risk management processes in place to mitigate downside risk and optimise performance.
- Strong order book in key strategic markets and geographies
- HVAC Build revenue forecast to decline in line with strategy.
- Strong balance sheet to invest.
- Portfolio focus underway to drive growth and enhanced bottom line performance – appointment of Chief Strategy Officer.

As a result

- we confirm previous revenue guidance – FY19 revenue in excess of $500m
- we expect H2 FY19 reported Group EBITDA to be above first half levels

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