



AGM Presentation

Kevin McLaine CEO and MD

PEOPLE SECURITY & COMMUNICATION

PS&C Today



A national ICT security, communications and services provider delivering holistic solutions to blue chip, government and SME sectors

People

Low risk people provider to blue chip customer base diversifying into more general, higher margin IT

- Consulting
- Contractor management
- Recruitment
- Project augmentation



Security

High growth security business with high franchise value in dominant market position

- Security consulting
- Managed Services
- Penetration testing
- Red Teaming
- Product sales
- Education



Communication

Significant panel agreements for hardware and services expanding into national markets

- Unified communications and IP telephony
- Network infrastructure
- Consulting and managed services



Acquisition and growth strategy across all sectors leveraging from current dominant position in security sector

FY16 Highlights



- Purchased Bexton IT Services in October 2015
- Purchased Certitude in January 2016
- Businesses within growing sectors with federal and state government panel wins
- Trading:
 - **PEOPLE** performed well and above pcg assisted by Bexton contribution.
 - **SECURITY** results down on pcg. Last quarter not strong enough to pick up first half short falls. Integration of businesses commenced.
 - **COMMUNICATION** result down on pcg with slower activity in last 2 months of the year.
- Recruited and retained highly skilled staff across all segments

Financial Highlights



- Revenues of **\$85.33M** an increase of **1%** (\$84.47M FY15)
- Normalised Operating EBIT before head office costs of **\$10.25M** (normalised \$10.83M FY15) down **5%**
- Normalised Group EBIT **\$7.95M** (normalised \$8.72M FY15) down **9%**
- No final dividend as cash conserved for growth plans

Our People Business



- ✓ Growth on FY15 – largely due to addition of project augmentation services via Bexton
- ✓ EBIT was up 23% on FY15 (normalised)

	FY16	FY15	Change
	\$'000	\$'000	%
Revenue	57,055	51,730	10%
EBIT	4,364	3,549	23%
Margin	8%	7%	

**Normalised results*

Solid track record of delivering consulting, contractor management and recruitment services to blue-chip sector with capacity for growth through diversification

Our People Business



CURRENT

- ✓ Solid blue chip client base with less exposure to discretionary spend
- ✓ Access to Sydney market
- ✓ Top recruitment specialists with a breadth of experience in SAP & General IT
- ✓ Growing general IT business



OPPORTUNITIES FOR GROWTH

- ✓ Acquisition opportunities to develop offering with geographical expansion
- ✓ PS&C will have a wider offering with both SAP and general IT, leading to a larger client base
- ✓ A stronger presence in the Sydney market
- ✓ Winning more of existing client work

Our Security Business



- ✓ Revenue up slightly and Normalised EBIT down 11% on FY15 (normalised)
- ✓ Purchased Certitude to be able to engage with clients earlier in the sales cycle
- ✓ Not enough year end work completed to make up first half shortfalls
- ✓ Significant integration planning and restructuring undertaken in FY16
- ✓ Security group now under specific Security leadership
- ✓ The opportunity to grow in the cyber security sector organically and via acquisition remains an area of focus for the group

		FY16	FY15	Change
		\$'000	\$'000	
Revenue		12,359	12,017	3%
EBIT		4,511	5,095	-11%
Margin		36%	42%	

**Normalised results*

Largest penetration tester in AU & NZ also providing security consulting, managed services, red teaming, product sales and education capable of major expansion with high margins

Our Security Business



CURRENT

- ✓ One of the largest assurance service providers in Australia and New Zealand
- ✓ Dominant position with an excellent reputation
- ✓ Staff are industry experts with highly specialised and in-demand skills
- ✓ High margins and high franchise value
- ✓ Strong growth industry



OPPORTUNITIES FOR GROWTH

- ✓ Opportunities to diversify and scale offering
- ✓ Acquisition opportunities to grow segment
- ✓ Build annuity income base
- ✓ Research suggests spend in the industry will continue to grow significantly
- ✓ Grow the existing market share

Our Communication Business



- ✓ Customer demand is usually busy in the last 2 months, however not as strong as previous years
- ✓ Revenues down 22% and 37% at EBIT level on FY15
- ✓ The businesses have upgraded internal infrastructure and processes
- ✓ The segment will continue to look for larger, longer term projects

		FY16	FY15	Change
		\$'000	\$'000	%
Revenue		16,146	20,720	-22%
EBIT		1,380	2,185	-37%
Margin		9%	11%	

**Normalised results*

Provides unified communications and IP telephony and network infrastructure with major expansion opportunities cross leveraging from existing and new security business

Our Communication Business



CURRENT

- ✓ Excellent customer base in NSW, regional governments and corporates
- ✓ Significant performer on NSW Government ICT Procurement Contract
- ✓ ATO Panel Contract
- ✓ Cisco award "Outstanding Performance in 2015 - Security Partner"
- ✓ Nimble Storage Rising Star award
- ✓ Dedicated staff with a wealth of experience in the Comms industry



OPPORTUNITIES FOR GROWTH

- ✓ Managed services growth
- ✓ Larger, long term projects a focus
- ✓ Increase infrastructure service offering
- ✓ Expansion into other states
- ✓ Collaboration opportunities with Security segment to widen existing customer base

Revenues and Earnings



Revenue		FY16	FY15	Change
		\$'000	\$'000	
People		57,055	51,730	10%
Security		12,359	12,017	3%
Communication		16,146	20,720	-22%
Total		85,560	84,467	1%
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EBIT		FY16	FY15	Change
Normalised		\$'000	\$'000	
People		4,364	3,549	23%
Security		4,511	5,095	-11%
Communication		1,380	2,185	-37%
Total		10,254	10,829	-5%
Corporate		(2,309)	(2,108)	10%
Total		7,945	8,721	-9%

Summary on FY2016



- Disappointing result but we believe the businesses will perform stronger in FY17
- SECURITY industry continues to grow and PS&C exploring expansion opportunities – there is significant opportunity to widen offering
- PEOPLE business has opportunity in general IT into existing client base
- Conserving cash to explore growth opportunities across the group

Outlook



- People current tracking in line with internal expectation. Initiatives:
 - Developing additional expertise in general IT
 - Adding capacity to grow the businesses
- Security results to date below internal expectation. Initiatives impacting earnings in the short term:
 - Additional sales personnel – look to grow the business significantly – should be felt in 2nd half
 - Creation of Melbourne and Sydney operating centres requiring integration and some interruption.
 - Working to develop into more scalable, annuity income services
 - These initiatives will grow the business and we expect a strong 2nd half as the sector is very buoyant.
- Communication results below expectation due to lumpy nature of revenues and some one off expenditures. Initiatives:
 - Reset of offerings and structure
 - Additional sales costs in the organisation
 - Initiatives set to make delivery more efficient and to widen the client base.
- We are currently working on initiatives to create shareholder value
- We believe the businesses within the group have higher unit value than current trading suggests

Summary



- The businesses within PS&C have significant franchise value
- The board and management are working hard and are determined to create value for shareholders
- We are confident that our initiatives will release value for PS&C shareholders
- Thanks to our shareholders that have supported us
- Thanks to our terrific team of management and staff who continue to work diligently to improve the businesses.

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Page 17

Contact Details



PS&C LTD
Level 10, 410 Collins Street
Melbourne, VIC, 3000
(03) 9682 2699

Kevin McLaine
Chief Executive Officer

Julian Graham
Chief Financial Officer