



29 June 2017

PS&C market update

PS&C Ltd (ASX: PSZ) provides an update to the market on expected full year result to 30 June 2017.

Subject to deliveries up to the end of June and finalisation of the audit for the twelve-month period, the company expects normalised EBIT, before corporate overhead, to be up to 15% lower than the previous corresponding period (pcp).

The People and Security businesses will be up to approximately 10% lower than the pcp, while the Communication business could be up to 35% lower, subject to final deliveries of products and services and revenue recognition matters in the last days of the financial year. The reported statutory result will be significantly lower than last year as a result of the goodwill write down disclosed at the half year result in February 2017.

PS&C management is pleased to announce it has completed two acquisitions to bolster the People business. These are Melbourne-based cloud services provider Sacon Pty Ltd and Salesforce consulting business Coroma Consulting Pty Ltd. PS&C will pay a multiple of earnings upfront, primarily in shares and earn outs, based on growth in earnings for 2018 and 2019. The company believes the acquisition of these profitable and growing companies adds value to the People segment, with an expected contribution to EBIT for FY18 to be more than \$2m.

The Communication segment has been restructured and the disruption associated with that has impacted the results, particularly in the first half. The business is well placed to improve with a focused offering that will look to grow annuity income services.

The Security segment is poised to grow into the future. While the business has been impacted by integration and restructure during 2017, additional billable staff have been added in the latter half of the financial year to take advantage of the ongoing growth in cyber security services. Mandatory breach notification laws and the increasing awareness of the cyber security threat in executive management is fuelling growth in this segment.

The Security group has significantly increased billable staff by the end of this financial year and plans to continue to grow capacity in 2018. It is also important to note that PS&C's security segment is growing its solutions to clients and has also grown recurring revenue amongst the customer base. 25% of segment EBITDA is expected to come from scalable, annuity services in 2018. This income stream has the potential for significant growth given these services are currently supplied to less than 15% of the existing customer base.

The company will continue to explore a value releasing transaction with its assets in Security and Communication and, if any such transaction is to occur, it is unlikely to be completed prior to the final quarter of this calendar year.

For further information contact:

Glenn Fielding, Managing Director
Julian Graham, Chief Financial Officer
+61 3 9682 2699

Matt Wright
NWR Communications
+61 451 896 420