PEOPLE SECURITY & COMMUNICATION PS&C LTD

18 August 2017

PS&C reports end of year results

PS&C Ltd (ASX:PSZ) Diversified information and communications group announces its results for the year ended 30 June 2017.

- Operating revenue down 13% to $73.90m (pcp: $85.33m)
- Normalised EBIT before corporate costs down 14% to $8.82m (pcp: $10.25m) in line with June 17 market update.
- Normalised EBIT down 27% to $5.81m (pcp: $7.95m)
- Operating cash flow strong - $7.10m (pcp: $0.08m)
- Reported NPAT impacted by Goodwill writedown
- Glenn Fielding appointed as Managing Director
- Acquisition of Sacon Group in June 17
- Acquisition of Coroma Consulting in June 17
- FY18 Revenue expected to be 25% - 30% above FY17
- FY18 Operating EBIT expected to be 40% - 60% above normalised FY17

People

The People segment revenue was 20% down on pcp mainly due to a reduction in the lower margin contractor management revenues. Normalised EBIT was 14% down on pcp. The general IT section of the business continues to grow whle the SAP business declined on pcp.

The previously announced accquisitions of Sacon Group and Coroma Consulting will add significant capability and earnings to the People segment in FY2018. These businesses operate in the high growth areas of transition to cloud and Salesforce implementation. In addition, the People group has started a Queensland business operated by a proven team which is expected to be highly profitable in FY2019.

We expect the People segment to show significant growth in FY2018.

Security

The Security segment revenue was flat on pcp and normalised EBIT was down by 10%. Business growth was impacted by integration and restructure during the year, however, billable staff have been increased to take advantage of the continuing growth in the cyber security industry. Capacity will continue to be increased during FY2018.

The Security segment continues to grow solutions to clients and has also grown recurring revenue among the customer base. 25% of EBITDA is expected to come from scalable, annuity services in FY2018. This income stream has potential for significant growth given these services are currently supplied to less than 15% of the existing customer base.
Given the increased capacity and growth in annuity income potential we expect the Security segment to show significant growth in FY2018.

Communications

The Communications segment revenue was flat on pcp while normalised EBIT was down 26%. The business has been restructured to provide a platform for growth and to lessen the reliance on last quarter activity for its earnings. Annuity income services will be a target for growth and revenue is expected to grow by up to 30% in FY2018. Often product deals were lost on price during the year and the segment believes a more aggressive approach in product pricing will lead to increased revenue and increased higher margin flow on work.

Outlook

Given the acquisitions and improved operating structures in Security and Communication, PS&C expects FY2018 Revenues to be 25% - 30% above FY2017 and Operating EBIT to be 40% - 60% above normalised FY2017 Operating EBIT.

The company is continuing to explore a value releasing transaction with its assets in Securiy and Communication.

PS&C Managing Director Glenn Fielding said:

"The group has had a year of restructure as the business units have come out of earn outs. In some cases, this has lead to indifferent results. We have made some important acquisitions in high growth areas and I expect these to add significant growth to the group. My leadership will focus on growing the businesses, eliminating single points of failure and creating value for shareholders. Our expectation is to have a significantly better year in FY2018."

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