



# **Company Update**

August 2014

## FY14 | Highlights

Substantial transformation towards diversified operations

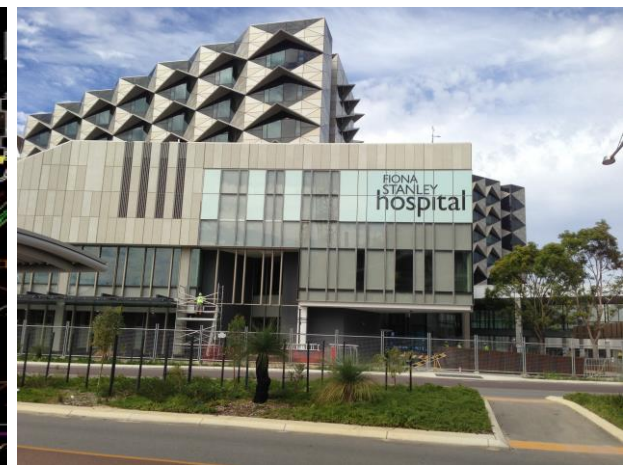
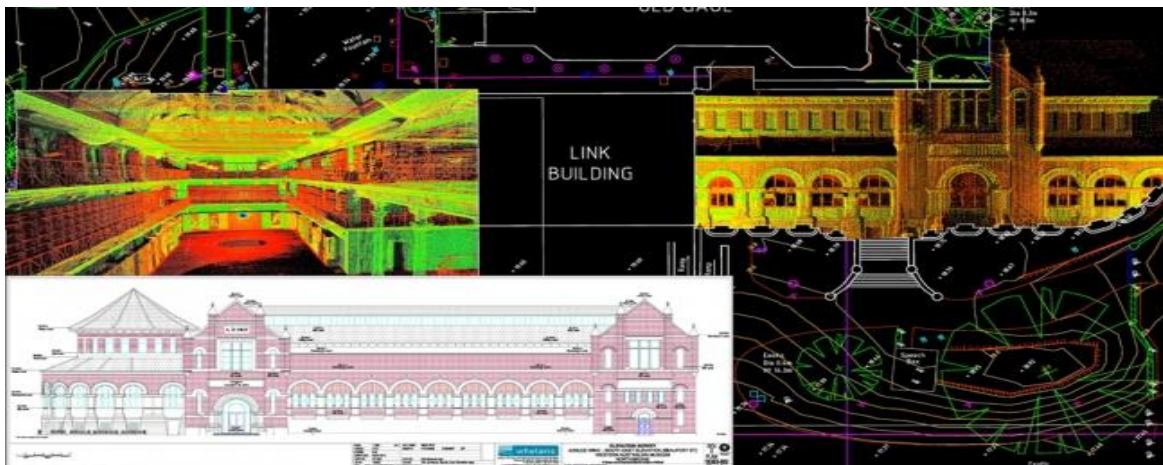
FY14 EBITDA (guidance) > \$10.9 million

12-month share price return of >70%

Reduced competition in the resources sector

Acquisition strategy underway

Trading at a significant discount to industry peers





# FY 2014 Highlights

## FINANCIAL

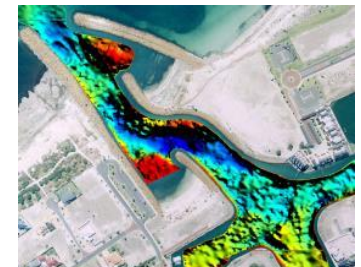
- Solid revenue and strong profit growth
- EBITDA to exceed FY13 of \$10.9 million
- Strong balance sheet to pursue acquisition strategy with cash post 30 June 2014 of approximately \$15.0m and \$8.2m Commonwealth Bank facility (undrawn at 30 June 2014)

## CORPORATE & OPERATIONS

- Appointment of Simon Thomas (former BHP Billiton senior executive) as CEO of OTOC
- Contract extensions with Federal Government (Nauru) and Rio Tinto
- Completed restructure of Whelans and implemented measures to lift profitability

## STRATEGY

- Diversification strategy has enabled OTOC to record earnings growth despite subdued resources infrastructure market
- Two-fold growth strategy to further expand and diversify OTOC's revenue base:
  - Organic growth: focus on government infrastructure, communications and facilities
  - Acquisition strategy: targeting geographic expansion of surveying, town planning, and mapping business



# Corporate Snapshot

## Capital Structure

Share price (ASX: OTC)	c	13.0
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Ordinary shares on issue	m	193.1
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Market cap	\$m	25.1
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Cash (as at 30 June 2014)	\$m	6.8
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Cash (post - 30 June 2014)	\$m	15.0 <sup>1</sup>
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Debt and Facilities (drawn – 30 June 2014) <sup>2</sup>	\$m	9.6
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Enterprise Value	\$m	19.7
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2014 EBITDA	\$m	>10.9
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Note 1: Following receipt of a client approved project receivable

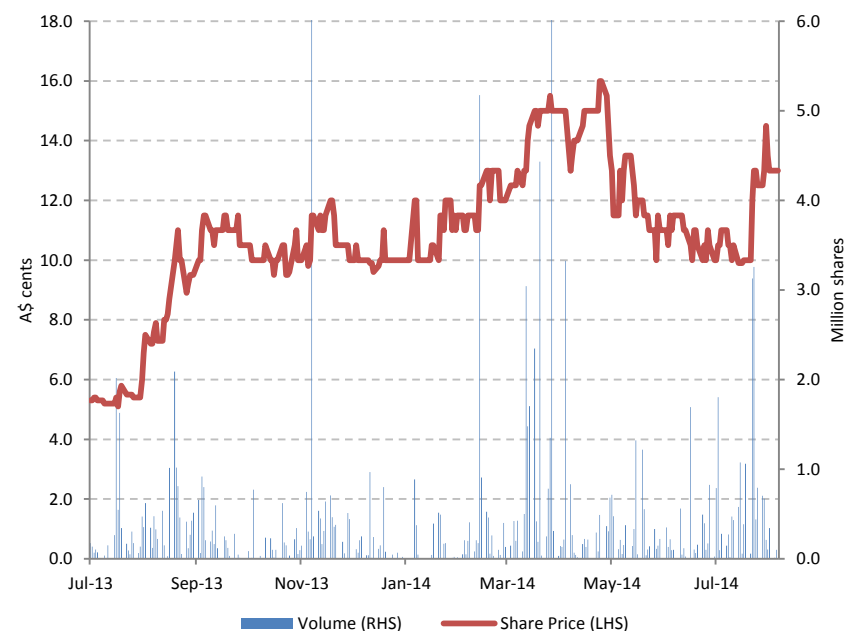
Note 2: Comprises Hire Purchase liabilities

## Shareholder Base

Directors & Management	30%
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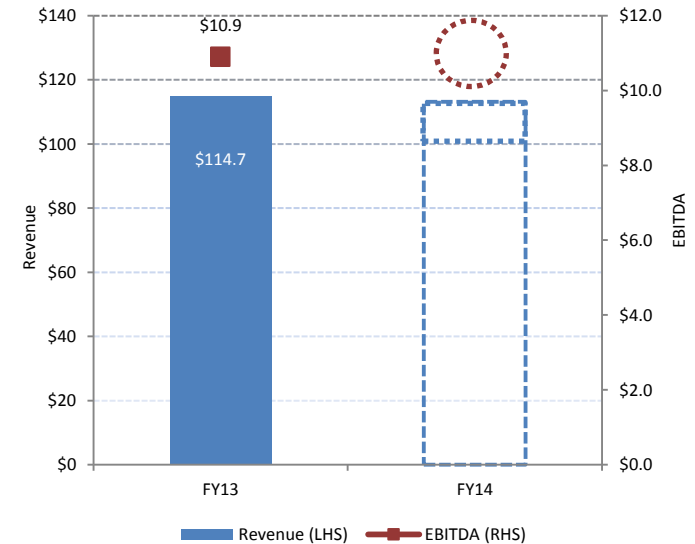
Institutional Investors	25%
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## Share Price



# FY2014 Earnings Guidance

- Based on unaudited management accounts and current projections, OTC expects FY2014 EBITDA to exceed FY2013 EBITDA of \$10.9 million.
- The Directors of OTC are pleased to report good profit growth in the context of subdued conditions in the resources sector.
- The key driver of this performance is improved operating margins on Construction projects through better internal controls, management systems and experienced management.
- Initiatives including government infrastructure and growth of Telecommunications have contributed to higher margins and a much greater degree of cost-plus contracts.



Source: OTOC Management



# Financial Performance by Division & Outlook

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## OTOC

- OTOC Australia is expected to report strong EBITDA growth on lower revenue.
- Revenue growth driven by strong contribution from government infrastructure works at Nauru and expansion of remote telecommunications. EBITDA margins enhanced due to improved contract management.

## Whelans

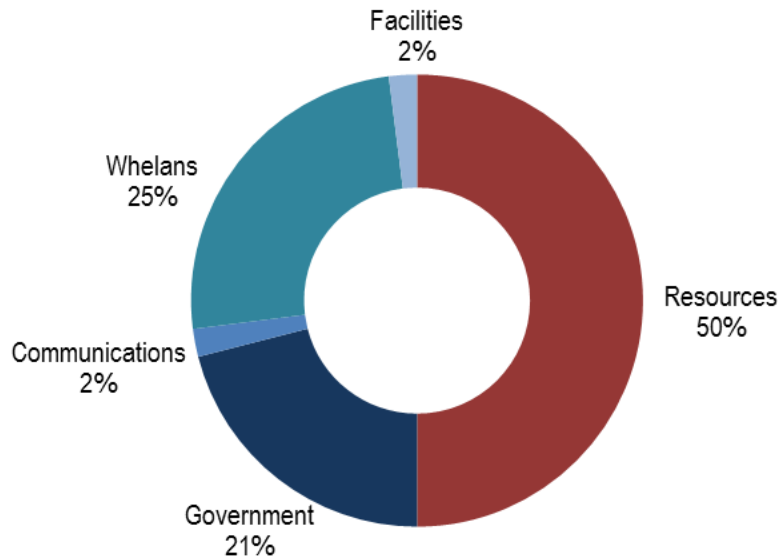
- Whelans lower revenue in resources market partially offset by an increased workload in the property development market. Major restructuring of Whelans performed during the year including closure of several regional offices.

## Outlook

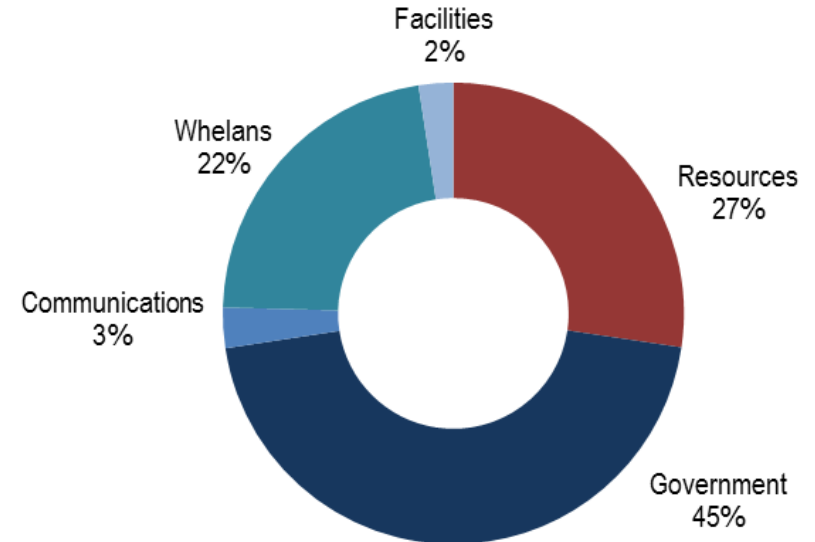
- Resource market improving with less risky cost-plus prospects appearing
- Government division outlook appears strong, with the prospect of expansionary work at Nauru
- Whelan's outlook is positive post the restructure work which is now complete
- Good prospects to grow through acquisitions

## FY14 | Diversified Revenue Base Percentage %

FY2013



FY2014



- Government, Communications and Facilities divisions (established in 2012 as part of diversification strategy) represented approximately 50% of annual revenue
- Approximately 50% of FY14 revenue was on a cost-plus basis (low risk)
- Reduced reliance on Resources Construction activity going forward

## Balance Sheet






		FY14	FY13
Operating Cash Flow	\$m	3.6	7.9
Cash (as at 30 June 2014)	\$m	6.8	3.9
Shareholder and Director Loans	\$m	Nil	1.4
Other Loans and Bank Overdraft	\$m	Nil	Nil
Hire Purchase Liabilities	\$m	9.6	6.9
Commonwealth Bank facility (up to \$8.2m)	\$m	Undrawn	n/a
Net Assets	\$m	~28.0	22.0

- Strong operating cash flow has enabled OTOC to maintain a healthy balance sheet
- Cash expected to be \$15 million following receipt of a client approved project receivable
- Commonwealth Bank facility is an endorsement of our business model and financial performance
- Balance sheet flexibility to fund organic growth and strategic acquisitions





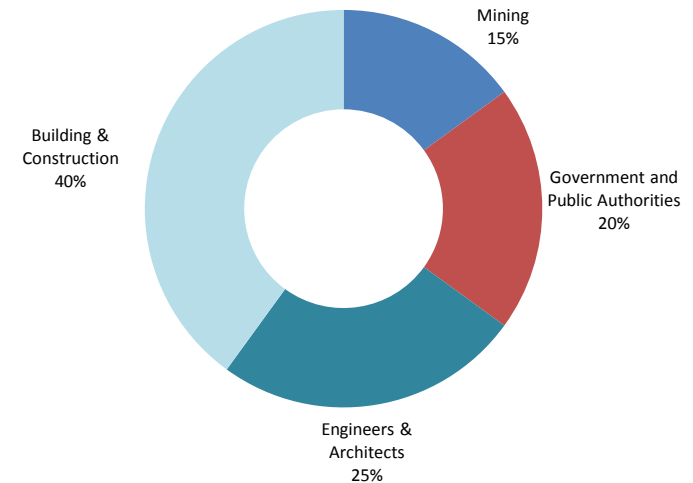
## Diversification Strategy – Moving to Recurring Revenue

		RESOURCES CONSTRUCTION	GOVERNMENT CONSTRUCTION	COMMUNICATIONS	FACILITIES	SURVEYING
EXISTING BUSINESS		<ul style="list-style-type: none"> <li>• Installation of mine site and remote area infrastructure</li> <li>• North-West WA</li> <li>• Tier1 clients – RTIO, BHP, Roy Hill, FMG</li> <li>• Mining and Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>• Nauru Processing Centre</li> <li>• Incumbency at Nauru</li> <li>• Federal Government accreditations</li> <li>• Off-shore construction experience</li> </ul>	<ul style="list-style-type: none"> <li>• Specialised communications services for remote sites</li> <li>• One of only handful of companies accredited with majors in N-W WA</li> </ul>	<ul style="list-style-type: none"> <li>• Remote facilities solutions</li> <li>• Kitchen – 700 person kitchen/diner facility</li> <li>• 150 person kitchen</li> <li>• Mobile kitchen, power generators, fuel tanks, water treatment plants</li> </ul>	<ul style="list-style-type: none"> <li>• Surveying</li> <li>• Mapping</li> <li>• Town planning</li> <li>• Resources</li> <li>• Civil infrastructure</li> <li>• Regional office network</li> <li>• Strong brand</li> </ul>
	GROWTH and DIVERSIFICATION	 <ul style="list-style-type: none"> <li>• Appointment of Simon Thomas strengthens OTOC's relationships in this market</li> <li>• New market entrants retreating/reducing head count</li> <li>• RTIO – brownfields</li> <li>• Roy Hill (contract with NRW)</li> <li>• Greater oil &amp; gas focus – onshore support bases (oil &amp; gas)</li> <li>• Maintenance and Life of Mine services</li> </ul>	 <ul style="list-style-type: none"> <li>• Ongoing variations and new work at Nauru</li> <li>• Other infrastructure at Nauru (power generation, remote communications, prison and Hospital upgrades)</li> <li>• WA Government</li> <li>• Construction projects in the Pacific</li> </ul>	 <ul style="list-style-type: none"> <li>• IT infrastructure and ongoing communications</li> <li>• Upgrade mine sites from copper wiring to optic fibre networks – large pipeline</li> <li>• Nauru Comms. contract – first government related work</li> <li>• NBN</li> </ul>	 <ul style="list-style-type: none"> <li>• Assist clients seeking to optimise capital expenditure and on balance sheet items</li> <li>• Strategic acquisitions to build out business</li> <li>• Leverage client relationships and remote services expertise</li> </ul>	 <ul style="list-style-type: none"> <li>• Capitalise on strong Whelans brand and reputation</li> <li>• Enhance utilisation and profitability</li> <li>• Mobile laser scanning</li> <li>• Unmanned aerial surveying</li> <li>• Geographic expansion</li> <li>• Complementary products</li> </ul>

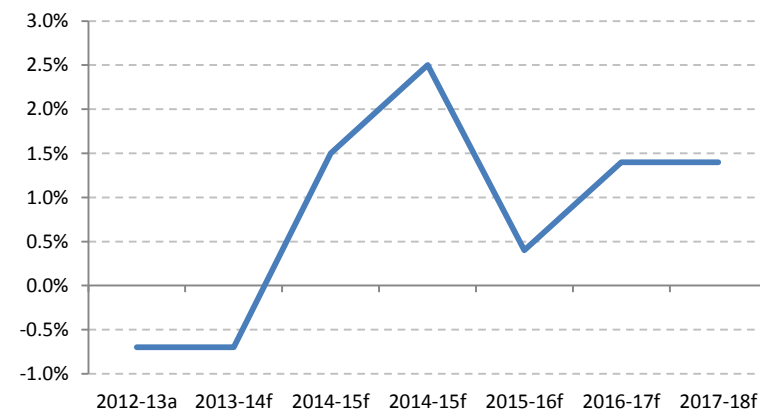
# Surveying Industry

- The Surveying and Mapping Services industry is highly fragmented, comprising many small-scale firms contesting narrow geographic or specialist markets
- According to IBIS World, the industry consists of over 3,500 small businesses. The industry's four largest companies account for less than 10% of annual industry revenue
- \$3.4bn in industry revenue in the year ended 30 June 2013, forecast to grow by an annualised 1.4% over the five years to 2018-19 to \$3.6 billion
- EBIT margins of ~14% in the year ended 30 June 2013, forecast to grow by an annualised 3.0% in the five years 2018- 19 to 15.0% of revenue
- The industry generates about 40% of its annual revenue from the provision of services to building companies and real estate property developers, with input from surveyors at most stages of the development and construction process.
- The recent upswing of investment into new housing construction has resulted in demand for building surveying on new housing subdivisions

## Major Markets



## Revenue Growth



Source: IBIS World

## Investment Highlights

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- Infrastructure services group with a diversified service offering and low-risk business model
- Successful execution of diversification strategy enabled stabilisation of revenue and earnings growth despite weak market conditions in resources
- Enhanced senior management team to manage growth and strengthen OTOC's relationships in the surveying and resources sector
- Whelans better positioned to generate improved profitability and returns for shareholders
- Funding capacity and management team in place to pursue strategic acquisitions
- Focussed on opportunities to further diversify and enhance group earnings
- Low valuation metrics

# Group Overview



OTOC LIMITED.COM.AU

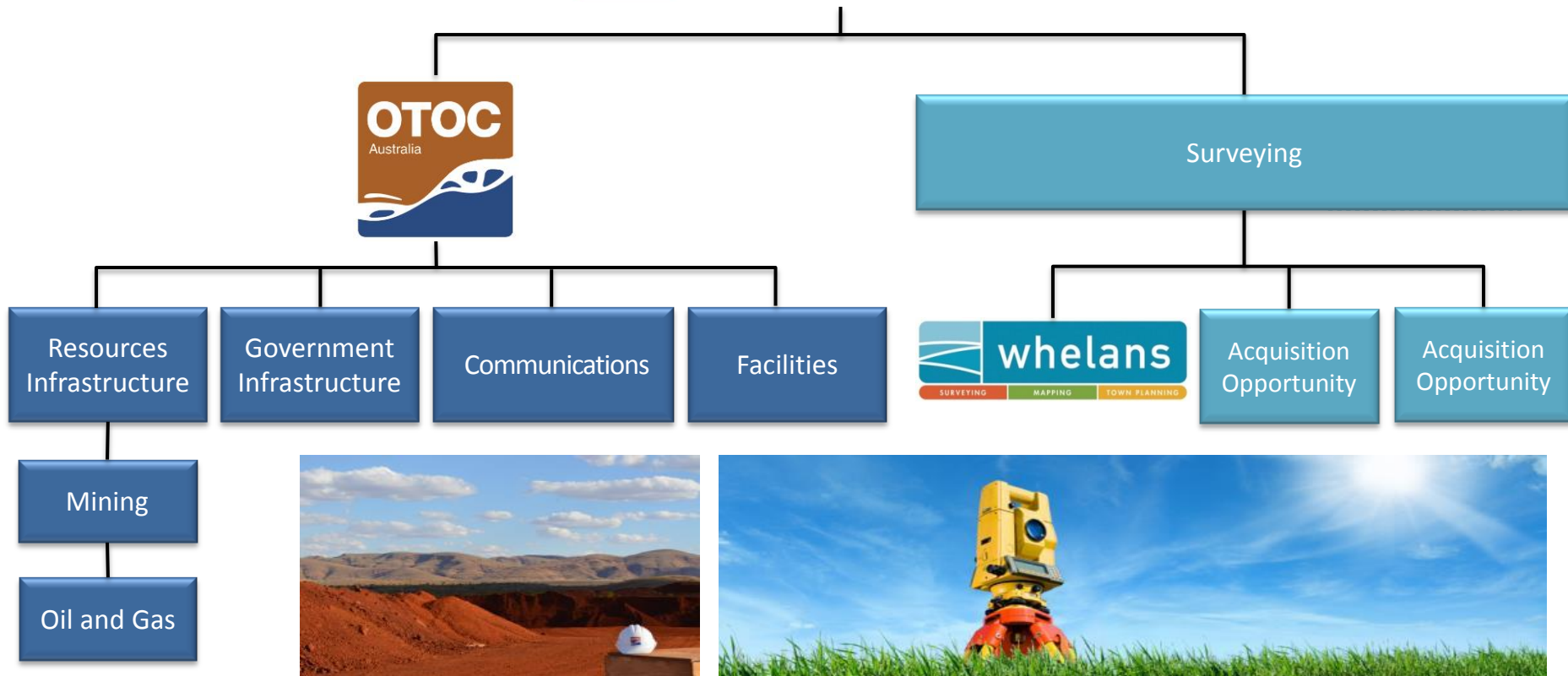




# Group Structure



OTOC is an infrastructure services group




## Resources Construction

- OTOC Australia was formed in 2003 and has a successful track record of delivering turnkey infrastructure solutions for blue-chip clients in the mining and oil and gas sectors.
- Long term relationships with tier one customer base including Rio Tinto, BHP, Roy Hill and FMG.
- Non-process infrastructure has a lower risk profile compared with mining contractors.
- Recently completed the installation of accommodation units at Rio Tinto's Brockman 4 Operations Village (Nammuldi).



- Strong reputation and commitment to this market
- Appointment of Simon Thomas as CEO (ex-BHP Billiton)
- Roy Hill contract with NRW
- Opportunity to secure further work at this project
- Prospects at other resources projects into FY2014/2015
- New market entrants are retreating or reducing headcount and installation teams in the North-West, resulting in less competition in the \$10-30m contract space

## Resources Construction | Case Studies

Client	Project	Contract	Description	
Roy Hill / NRW / Samsung C&T	Roy Hill	<ul style="list-style-type: none"> <li>\$3.0 million</li> <li>Awarded June 2014</li> </ul>	Mine Process Plant (Civil Works) in-ground services	  
Rio Tinto	Nammuldi	<ul style="list-style-type: none"> <li>\$60.0 million</li> <li>18 months</li> <li>Commenced Nov 12</li> </ul>	Installation of 800 rooms in double storey structure and 120 room variation	
2M Constructs / Kerman JV / Roy Hill Infrastructure	Roy Hill Rail Camps	<ul style="list-style-type: none"> <li>\$23.4 million</li> <li>11 months</li> <li>Commenced Sep 11</li> </ul>	Supply and installation of four fly camps and two 300 man permanent rail camps for the Roy Hill Iron Ore Project	
Calibre / FMG	Christmas Creek Construction Camp	<ul style="list-style-type: none"> <li>\$20.0 million</li> <li>11 months</li> <li>Commenced Dec 2009</li> </ul>	Installation of 900 rooms	
Onyx Projects / Rio Tinto	West Angelas Village Upgrade 2012	<ul style="list-style-type: none"> <li>\$14.4 million</li> <li>5 months</li> <li>Commenced Apr 12</li> </ul>	318 room expansion and buildings	
Rio Tinto	Hope Downs 1 Village	<ul style="list-style-type: none"> <li>\$10.0 million</li> <li>6 months</li> <li>Commenced Jan 11</li> </ul>	Brownfield turnkey installation of 400 additional rooms	
Calibre / Rio Tinto	Weelumurra	<ul style="list-style-type: none"> <li>\$6.5 million</li> <li>6 months</li> <li>Commenced Apr 11</li> </ul>	Turnkey installation of 140 rooms and site infrastructure	
SKM / Rio Tinto	Cape Lambert	<ul style="list-style-type: none"> <li>\$19 million</li> </ul>	Workshop / office and services	

# Government Construction

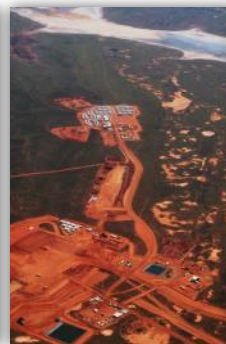
- OTOC Australia has leveraged its remote construction ability to secure work in the Commonwealth Government construction sector. Diversifies OTOC's earnings and order book and provides exposure to a significant sector.
- OTOC Australia was awarded an initial contract for Stage 1 of the Nauru Processing Centre.
- Government work to date exceeds \$60.0 million.
- The Nauru contract provides OTOC Australia with off-shore construction experience, Commonwealth Government accreditations and an incumbent position at Nauru. Identified a number of near-term opportunities including;
  - **Nauru Expansion:** ongoing variations and potential expansion of infrastructure
  - **Power and telecommunications infrastructure:** submitted proposals with the Government of Nauru for a whole of island power solution (including installation of a new power station and green energy solutions) and installation of a fibre optic network
  - **Offshore construction:** identified a number of opportunities at Nauru and other pacific nations associated with the "Implementation Plan for Energy Security in the Pacific" which suit OTOC's remote construction capabilities





## Resources Construction | Oil and Gas

- OTOC Australia has the necessary experience and accreditations for oil and gas construction.
- OTOC Australia's first oil and gas construction contract was BHP Petroleum's Macedon accommodation village:
  - \$23.1m contract for the installation of 330 rooms and associated buildings
  - Included the installation of concrete works, supply and installation of portable water storage and reticulation, fire water storage, sewer reticulation, earthworks, lighting and communications pits.
- Significant opportunities exist to secure further construction work for LNG and domestic gas developments:
  - Large capital spend remains, potential developments include (i.e. Gorgon – 4<sup>th</sup> train, Wheatstone, Prelude FLNG, Scarborough FLNG, Browse FLNG, Pluto – 2<sup>nd</sup> train, Darwin – 2<sup>nd</sup> train, Sunrise FLNG, Bonaparte FLNG, Abadi FLNG)
  - On-shore support bases for offshore fields and floating LNG best suit OTOC's capabilities i.e. workshops, offices, helipads etc;
  - Transit Worker Accommodation is a growing market – overnight accommodation for staff that arrive at the onshore camp and depart via helicopter the following day



# Communications

- OTOC Australia provides specialised communications services for remote sites. Service offering includes IT, network, data, internet and infrastructure management, telephony, video on demand, entertainment and help desk.
- Remote Communications is a strong-margin business, with only a handful of companies accredited with the majors to perform these services in the North-West.
- Current contracts typically range in value from \$500,000 to \$3.0 million with strong margins.
- Remote Communications has great synergy with Resources Construction i.e. once on-site, there are a large number of opportunities to be captured in the areas of IT infrastructure management and ongoing communications and data requirements.
- Upgrading mine sites from copper wiring to optic fibre networks provides a large pipeline of opportunities.
- Identified a number of opportunities to deploy our Communications expertise into diverse sectors inclusive of managed service contracts, lifestyle facilities and other off-shore infrastructure projects.





OTOC Australia offers remote critical facility rental solutions in North-West Australia including:

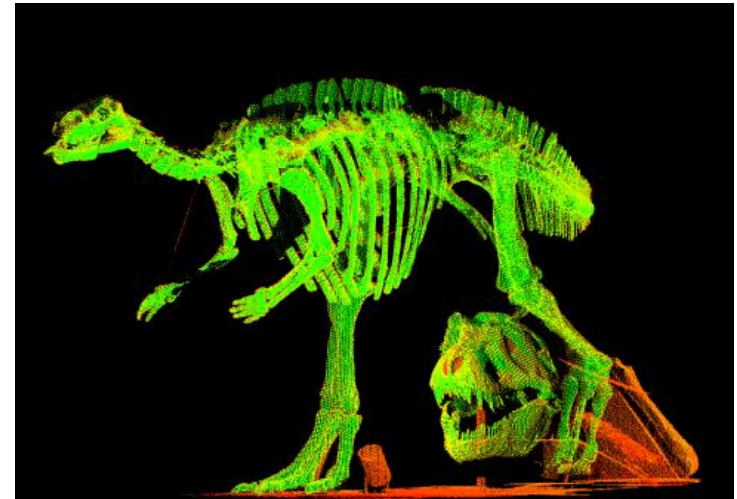
- Accommodation camps
- Large commercial kitchens
- Power Generation stations
- Water treatment plants
- Water supply plants

OTOC sees this as a growth business as clients seek to reduce capital expenditure and move items off balance sheet.

Facilities Division generated EBITDA in excess of \$2.0 million in FY2014.

## Whelans Australia

- Whelans is a leading Western Australian consultancy in the provision of surveying, mapping and specialist spatial services, and town planning.
- Diversified exposure across resources, civil and infrastructure projects, generating stable and reliable revenue.
- Top-tier private and public sector client base including Woodside, Water Corp, BHP, Rio Tinto and Main Roads. Repeat long term customers.
- Restructure of business undertaken during FY14 following appointment of New General Manager
- Current focus on improving utilisation levels and EBIT margins





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