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Australian Securities Exchange Announcement

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The Manager
Companies Announcements Office
Australian Securities Exchange
Electronic Lodgment

TRADING UPDATE – FOR THE 6 MONTHS ENDED 31 DECEMBER 2016

As advised at the 2016 Annual General Meeting held 28 October 2016:

- Earnings Before Interest and Tax (EBIT) in the first quarter of the 2017 financial year were $1.1 million down on the prior corresponding period (pcp), that result included one off costs of $506,000 related to redundancies and integration of Victorian operations to a single facility.

- The EBIT shortfall against the pcp being entirely due to extraordinary demand from a major client pulling forward regular orders in the prior period (first half F16) amounting to an increased EBIT in that period of $1.5 million. Despite the good performance of our other businesses, we advised that we did not expect to fully recover the EBIT shortfall over the first half.

Based on the preliminary unaudited result to 31 December 2016 the Directors advise:

- Total one off costs of restructure and integration of all Victorian operations to a single facility now total $0.55 million which will realise cost savings in excess of $1 million over the full financial year.

- As advised, extraordinary prior period demand from a major client was not repeated this half, removing $1.5 million in gross profit from the result of our Innovative Electrical Solutions division although this income is expected to resume in the 2017 calendar year.

- A continuing strong focus on clearing slow stock has seen a reduction in Inventories for the half year of $2.3 million.

- In our New Zealand based Electrical, Power and Infrastructure division we have been working for some time to move away from the distribution of third party ranges by replacing them with our own higher margin brands as the performance of that business has been unsatisfactory. The directors expect to include a non-cash charge against the intangible assets of that division in the order of $1.3 million which will reduce our declared EBIT by the same amount.

Considering each segment revenues:

- Electrical, Power and Infrastructure recorded revenues approximately 5% lower PCP reflecting continued subdued demand from electrical wholesale and delays in the progress of power and infrastructure spending.

- Innovative Electrical Solutions (IES) did not have the benefit of the extraordinary demand noted above. Excluding this event, segment revenue is expected in line with pcp.

- Plumbing and Gas has maintained revenue in line with pcp despite the very late start to southern states summer which is a major seasonal demand driver. The division improved gross profit margin by 2%.

The underlying EBIT for the half is expected to be in the range of $4.2 to $4.3 million before providing for:

- Expected non-cash impairment of $1.3 million.
- One off costs of $0.55 million related to restructuring and integration to improve overall operating efficiencies.

This result represents an underlying EBIT improvement in the order of $0.6 to $0.7 million when compared to pcp after excluding the $1.5 million extraordinary demand IES saw in the first half of F16.

The non-cash impact of the $1.3 million impairment charge and one off restructure and integration costs of $0.55 million reduce our expected statutory EBIT to between $2.4 to $2.5 million for the half ($5.1 million pcp).

Operating cash flow remained strong at $5.3 million including the noted $0.55 million one off expenses ($6.0 million pcp). Net debt has been reduced by a further $2.5 million with net debt at 31 December of $15.4 million.

CEO Brad Dowe in commenting on the result said: “Despite some short-term softness in revenue due to a late start to summer and delayed income from infrastructure and power spending, significant expense reductions and improvements to working capital a result of inventory reductions are reflected in our continuing strong operating cash flows.

“Having reduced our ongoing cost base, Legend has achieved growth of over $0.6 million in our underlying EBIT and we remain well positioned for improved profitability in the second half of this financial year as we expect to realise improved revenues following delays in project spending in the first half.”

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