Full Year 2014 Results Presentation

Monday, 25 August 2014

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Overview

Richard Leupen, Managing Director & CEO

Group Highlights

- **Solid FY2014 result in line with market consensus**
  - Operating revenue up 6% to $4.5b with underlying NPAT of $111.7m up 22%
  - DTZ continues to perform strongly delivering another year of revenue and earnings growth
  - Stability in Engineering revenue with earnings growth and margin improvement, particularly in the second half
  - Engineering cost reduction program completed during the year with full year impact to be delivered in FY2015
  - Strengthening prospects in domestic infrastructure investment with UGL preferred and shortlisted for key projects
- **Growth achieved despite challenging operating conditions in domestic market**
  - Strong $8.1b order book of which 80% is recurring
  - $4.3b in new contract wins and extensions during the period
  - Strong growth opportunities in rail, transport infrastructure, power projects and maintenance with preferred tender status of $1.7b in pipeline opportunities for Engineering
  - Gearing reduced to 32.4% with the sale of non-core properties generating $72.5m in gross proceeds
- **Sale of DTZ progressing in accordance with schedule**
  - DTZ sale to TPG and PAG Consortium announced on 16 June 2014
  - Sale process is expected to complete late in 2014 dependent on the timing of regulatory approvals
  - Board intends to return surplus funds estimated at $400-500 million to shareholders after de-levering and determination of appropriate capital structure for UGL going forward

Financial Overview

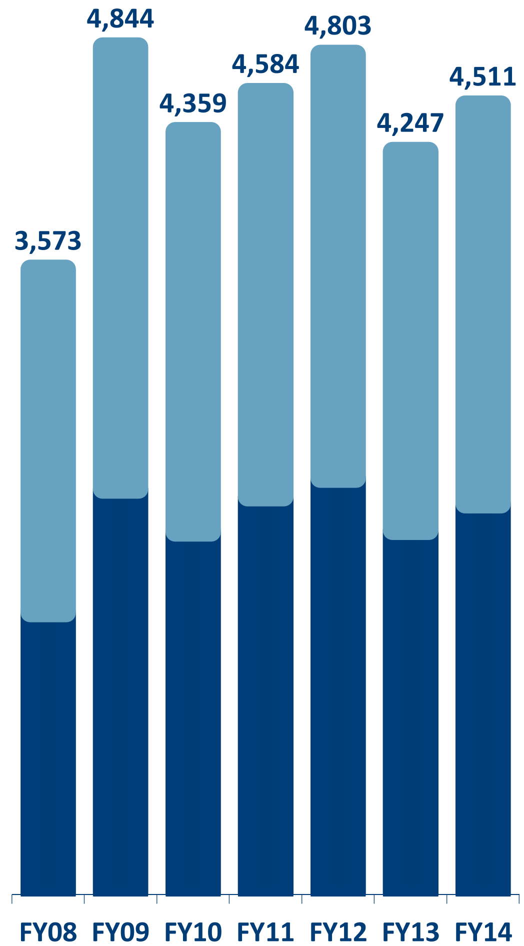
OPERATING REVENUE	**$4.5b^** UP 6%	**EARNINGS PER SHARE (¢)**	**67.1¢*** UP 22%
UNDERLYING NPAT	**$111.7m*** UP 22%	**GEARING**	**32%**
REPORTED NPAT	**$62.1m** UP 73%	**CAPEX**	**$64.2m** INVESTMENT IN SYSTEMS & PRODUCT DEVELOPMENT
OPERATING CASH FLOW	**$62.1m** (IMPACT OF RESTRUCTURING & DTZ SEPARATION COSTS)		

* Adjusted for restructuring costs, DTZ separation costs, the amortisation of acquired intangibles, property sales and release of DTZ pre-acquisition provisions
^ Includes UGL's share of joint venture revenue

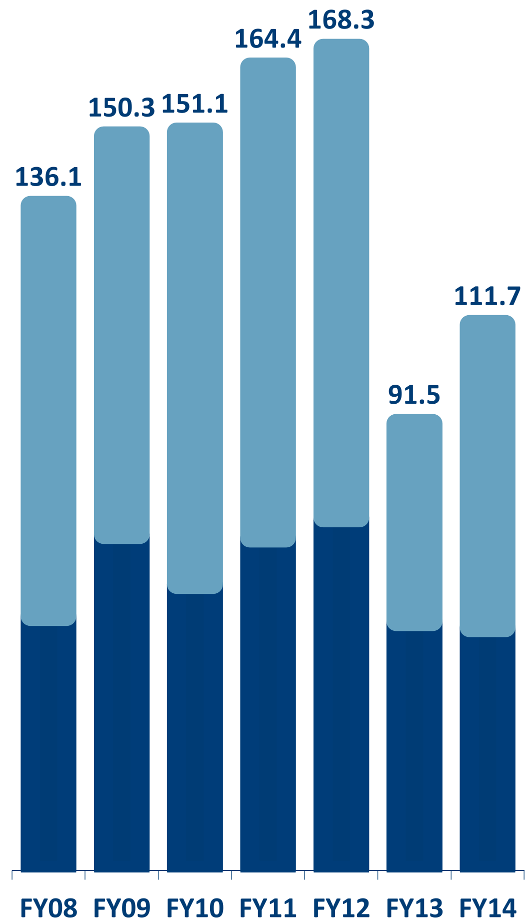
Results – Operating Revenue, NPAT & EPS

(Underlying)

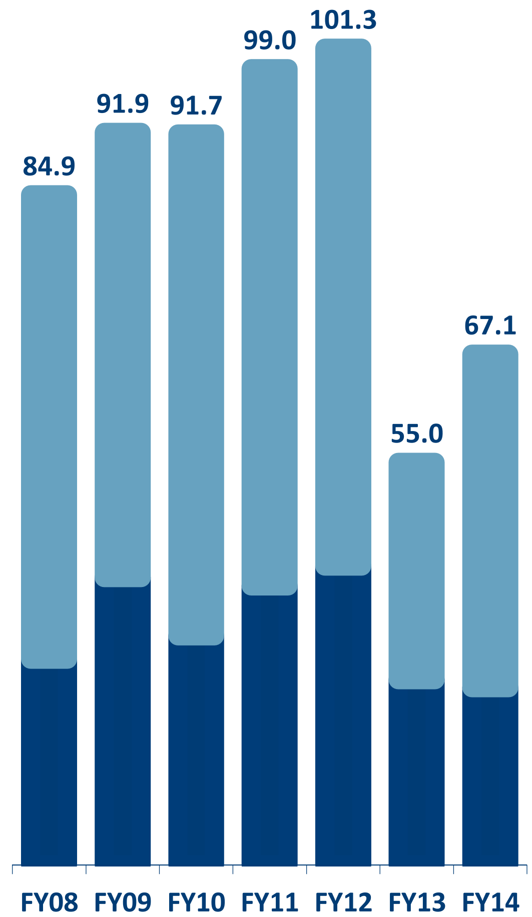
Operating Revenue ($m)



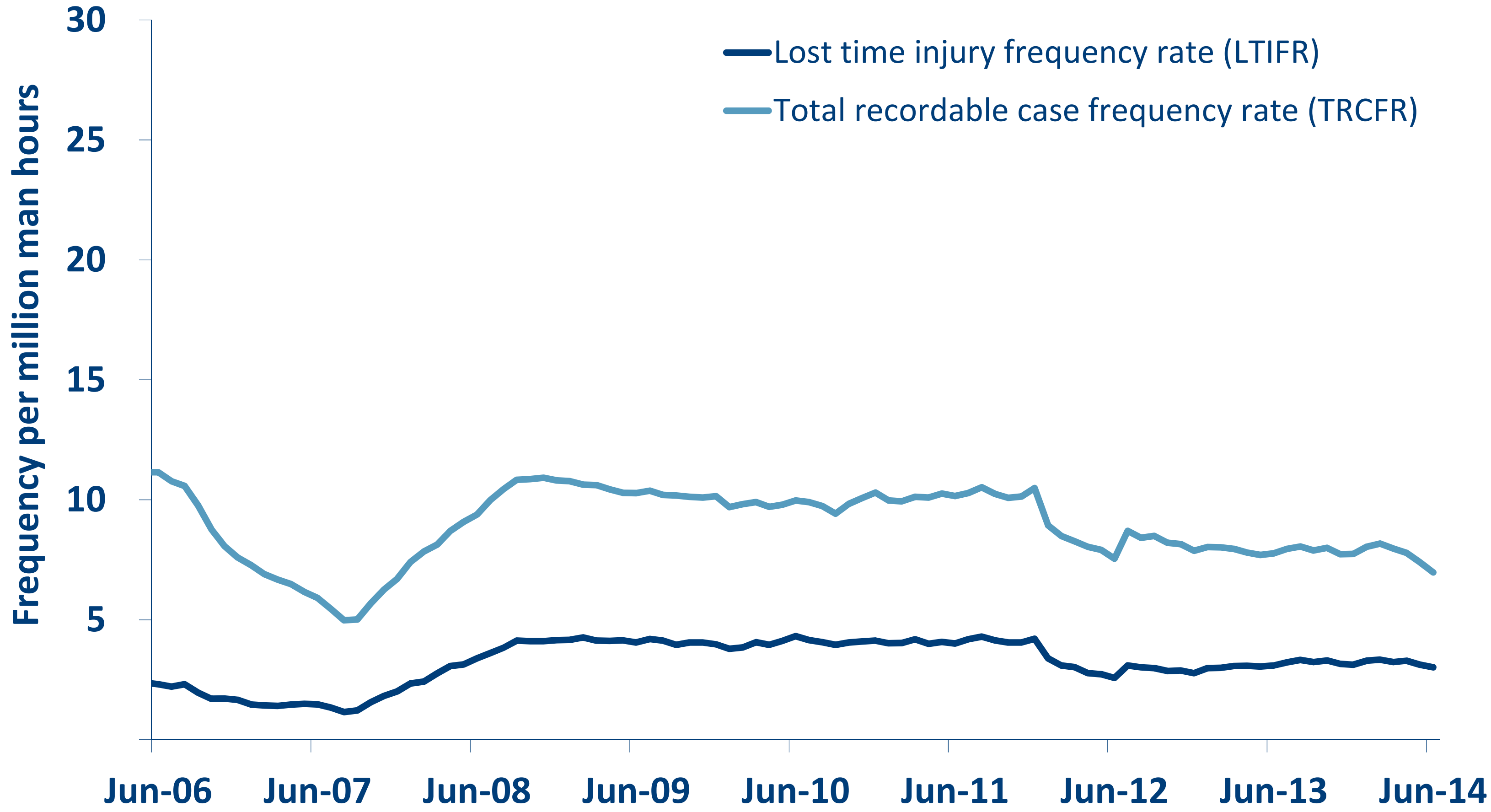
Net Profit After Tax ($m)



Earnings Per Share (¢)



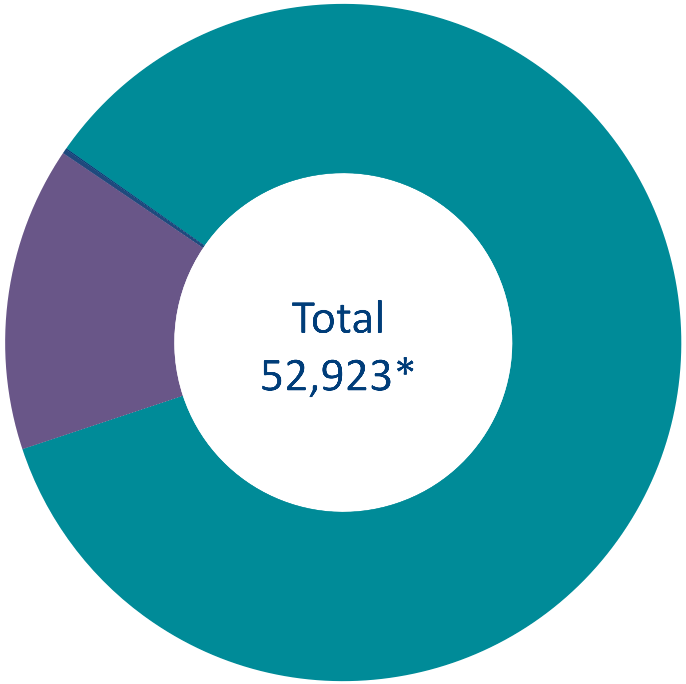
Safety



Frequency per million man hours
30
25
20
15
10
5
Lost time injury frequency rate (LTIFR)
Total recordable case frequency rate (TRCFR)
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Jun-11
Jun-12
Jun-13
Jun-14

People

Employee Numbers by Business



DTZ	45,081	85.2%
Engineering	7,699	14.5%
Shared Services	117	0.2%
Group	26	0.1%

Restructuring Initiatives

- Total employees down from 53,496 at 30 June 2013 to 52,923 at 30 June 2014
- Restructuring initiatives undertaken in the year to address impact of slowing in domestic resources markets
- Restructuring costs of $39 million incurred in FY2014
- Level of overhead in Engineering is 'right sized' to revised business outlook
- Full year impact of initiatives to be delivered in FY2015

** Includes 23,500 subcontractors*

Business Overview

Engineering

- Stability in revenue a positive outcome given continued challenging market conditions
- Margin improvement from cost reduction programme and turnaround in performance of power projects
- Impact on earnings of reduced freight locomotive sales and margin pressures associated with mining sector cost savings measures
- Engineering overhead reduction completed with further savings realised
- Order book contains 75% long term recurring style contracts providing stability in earnings
- Significant opportunities in rail, transport infrastructure, power projects and maintenance

DTZ

- Twelfth consecutive year of earnings growth
- Recovery in corporate real estate markets in the UK and increased capital markets activity in North Asia key contributors to FY2014 performance
- Increased activity in US markets
- Strong momentum in global and multi-regional mandates continues with 34 secured during the year
- Europe still challenging although signs of increased activity and improving business confidence
- Key multi-year facilities management contracts secured and first expansion of FM services into India achieved

New Contract Wins and Extensions

$4.3b in New Wins and Extensions

Engineering

- UGL Kentz Joint Venture awarded $740 million contract for SMP package for Icthys LNG project in Darwin
- 5-year contract to provide maintenance services for the operational phase of Chevron's Western Australian assets
- $280 million over 4 years with one year option and potential 5 year extension of contract with Stanwell Corporation for facilities & asset management and maintenance, overhaul and project works
- $136 million contract with Alinta Energy to design, procure and construct Newman to Roy Hill High Voltage Power System
- Over $180 million in various power systems projects in NSW, QLD, NT and VIC
- Preferred for North West Rail Link and key road infrastructure projects, and shortlisted for East West Link project

DTZ

- Vistaprint: global property advisor for a 2 million sq ft real estate portfolio across 19 locations worldwide
- CenturyLink: lease administration, rent analysis and bill payment services across global portfolio comprising more than 3,000 leases
- Victorian Department of Treasury & Finance: real estate and facilities management services for Victorian Government's owned and leased portfolio of 281 properties
- Multi-year facilities management contracts with Boston Properties, Highwoods Properties, Qatar Olympic Committee and University of Wellington
- Sale of the Oriental Financial Center in Shanghai for US$1.155 billion, representing one of China's largest office transactions and Pacific Century Place, a 1.8 million sq ft mixed use property in Beijing for US$928 million

Business Model Strengths

Business Positioning

- Sector and geographical diversity
- Exposure to long term growth trends
- Strong technical component
- World class technology

Diversified Earnings

- Stable recurring revenues
- Diverse earnings streams
- Strong order book
- Solid opportunity pipeline

Focus on Essential Services

- Property services
- Rail
- Transport & technology systems
- Power
- Water & civil
- Resources
- Defence

Risk Management

- Blue-chip and government clients
- Balanced trading terms
- Robust systems and processes

Financial Strength

- Solid balance sheet
- Low capital intensity

Leadership

- People
- Safety
- Technology partnerships
- Intellectual property
- Outstanding customer service

Drivers of Future Growth in Engineering

Government Infrastructure Spend	✓ Significant government infrastructure commitment ✓ Preferred on North West Rail Link and key road infrastructure projects ✓ Shortlisted for East West Link project ✓ Consortium sole bidder for Pakenham-Cranbourne rail corridor
Power	✓ Strong order book and pipeline driving growth through power systems ✓ Potential for geographic expansion ✓ Market leading reputation and strong track record
Rail Operations and Maintenance	✓ Existing sizable contracts in Sydney and Melbourne ✓ Strong partnerships with rail operator Mass Transit Corporation (MTR) and logistics provider Unipart Rail ✓ Potential for future expansion to other major cities ✓ Opportunity for extension of outsource O&M model across Sydney network
Maintenance	✓ Opportunities as capital projects in mining and oil & gas reach operational phase ✓ Competitor rationalisation in resources sector

DTZ Sale Update

- DTZ sale progressing well and in accordance with programme
- Completion is dependent on satisfying a number of conditions and receiving necessary regulatory approvals
- Expected to conclude later in the 2014 calendar year dependent on timing of regulatory approvals
- Business as usual for the DTZ business during the interim period
- Intention of the Board to return surplus funds estimated at $400-500 million to shareholders after paying down debt and determining the appropriate capital structure of UGL for the future
- Options are being evaluated to determine the most efficient return of funds to shareholders and while we anticipate this will be in the form of a capital return, further details will be communicated following completion of the sale
- Board has determined to not pay a final dividend for FY2014 in order to further evaluate the most efficient return of funds to shareholders

Financial Analysis

Rob Bonaccorso, Chief Financial Officer

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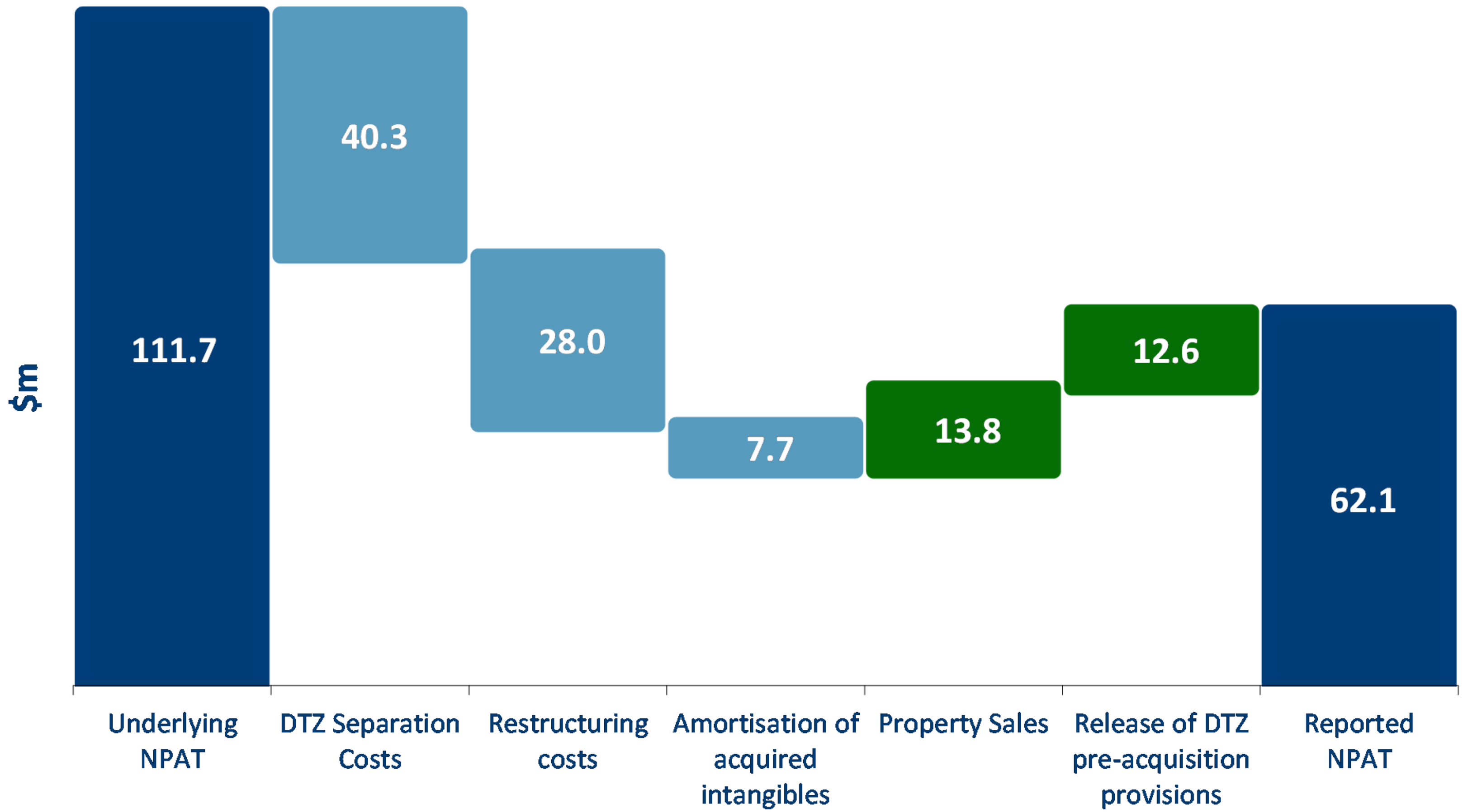
Results Overview

(Underlying Results)

$m	FY14	FY13	Change
Operating revenue	4,511.5	4,247.0	6%
EBIT	185.8	154.7	20%
EBIT margin	*4.1%*	*3.6%*	
Interest	(37.4)	(33.2)	(13%)
Tax	(30.2)	(24.7)	(22%)
Minority interest	(6.4)	(5.3)	(22%)
NPAT	111.7	91.5	22%
NPAT margin	*2.5%*	*2.2%*	
EPS	67.1	55.0	22%

NPAT Waterfall

Underlying to Statutory NPAT



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Reconciliation to Statutory

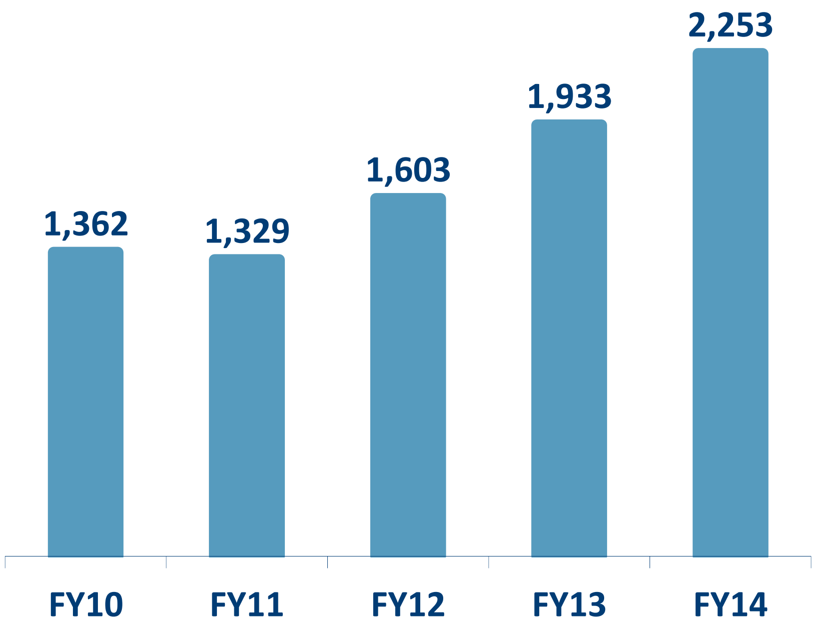
$m	Underlying	JVs	Amort of intangibles acquired	DTZ separation costs	Restructuring costs	Release of DTZ pre-acq provisions	Property gain on disposal	Statutory
Revenue	4,511.5	(469.7)	-	-	-			4,041.8
EBIT	185.8	(5.6)	(10.7)	(52.8)	(39.3)	12.6	15.3	105.3
Net interest	(37.4)	-	-	-	-	-	-	(37.4)
Tax	(30.2)	5.6	3.0	12.5	11.3	-	(1.5)	0.7
	118.1	-	(7.7)	(40.3)	(28.0)	12.6	13.8	68.5
Non-controlling interests	(6.4)	-	-	-	-	-	-	(6.4)
NPAT	111.7	-	(7.7)	(40.3)	(28.0)	12.6	13.8	62.1

Operational Report - DTZ

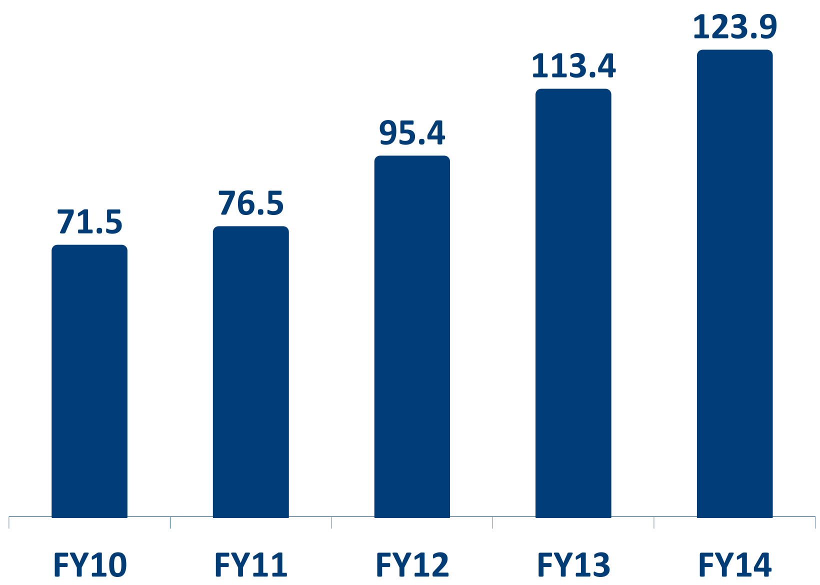
	FY14	FY13	Change
Sales - $m	2,253.4	1,933.0	17%
EBIT - $m	123.9	113.4	9%
EBIT / sales	*5.5%*	*5.9%*	
Order book - $b	3.3	3.5	(6%)

- Solid growth in key markets
- Strong turnaround in UK
- China outperforming

Revenue $m



EBIT $m

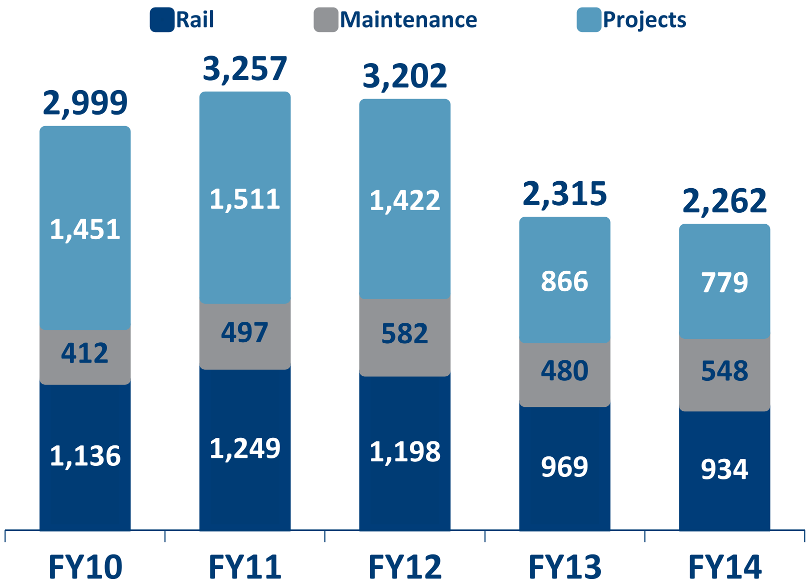


Operational Report - Engineering

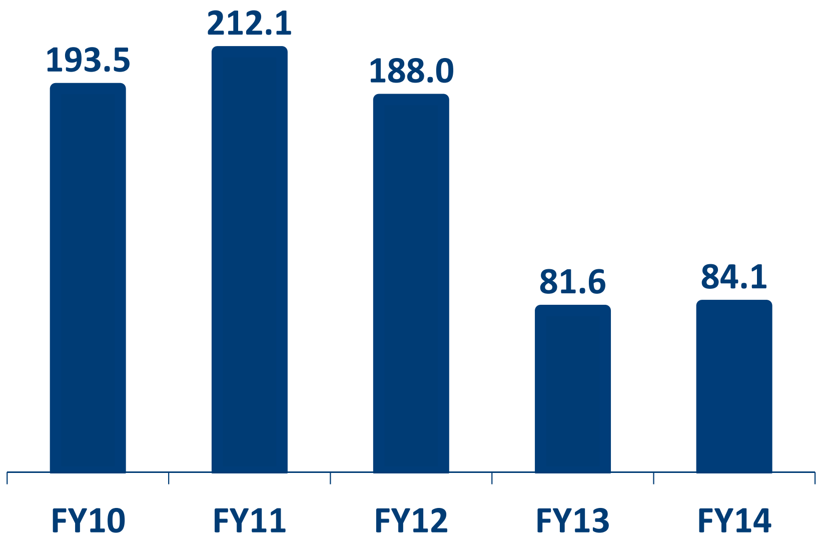
	FY14	FY13	Change
Sales - $m	2,261.7	2,315.4	(2%)
EBIT - $m	84.1	81.6	3%
EBIT / sales	*3.7%*	*3.5%*	
Order book - $b	4.9	4.9	0%

- Power sector growing
- Increasing maintenance revenues
- Project revenues stablising

Revenue $m

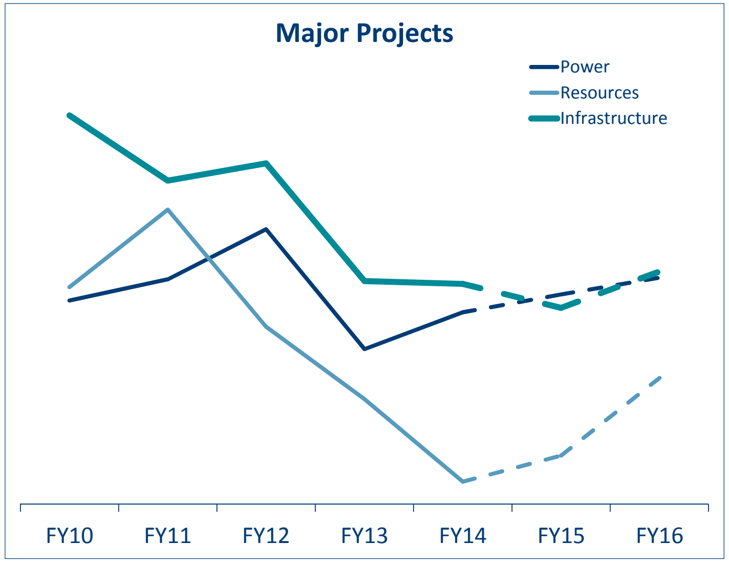


EBIT $m

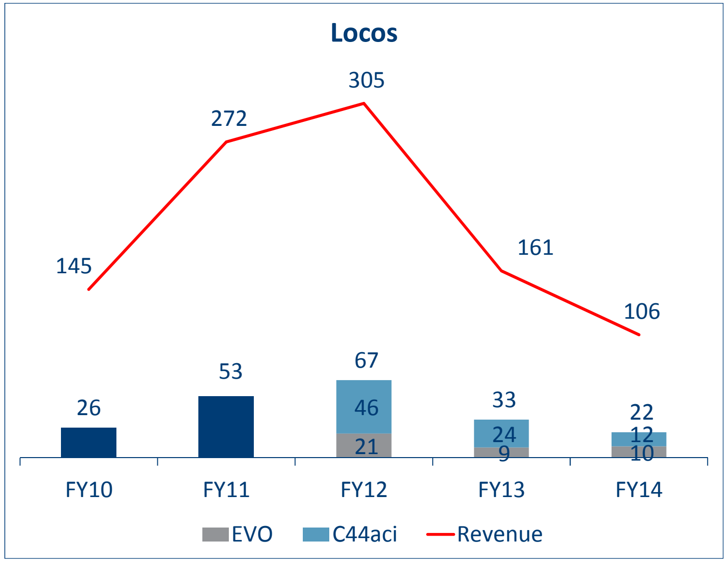


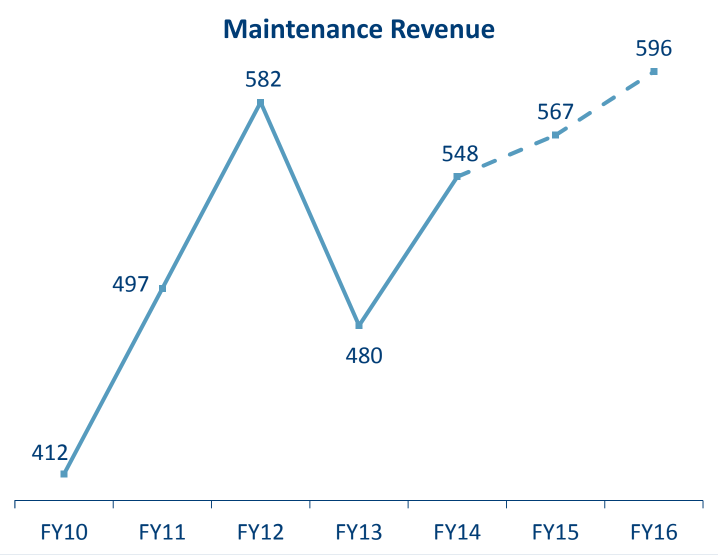
Operational Report - Engineering

	H2 14	H1 14	Change
Sales - $m	1,109.0	1,152.7	(4%)
EBIT - $m	48.2	35.9	34%
EBIT / sales	*4.3%*	*3.1%*	
Order book - $b	4.9	4.6	6%

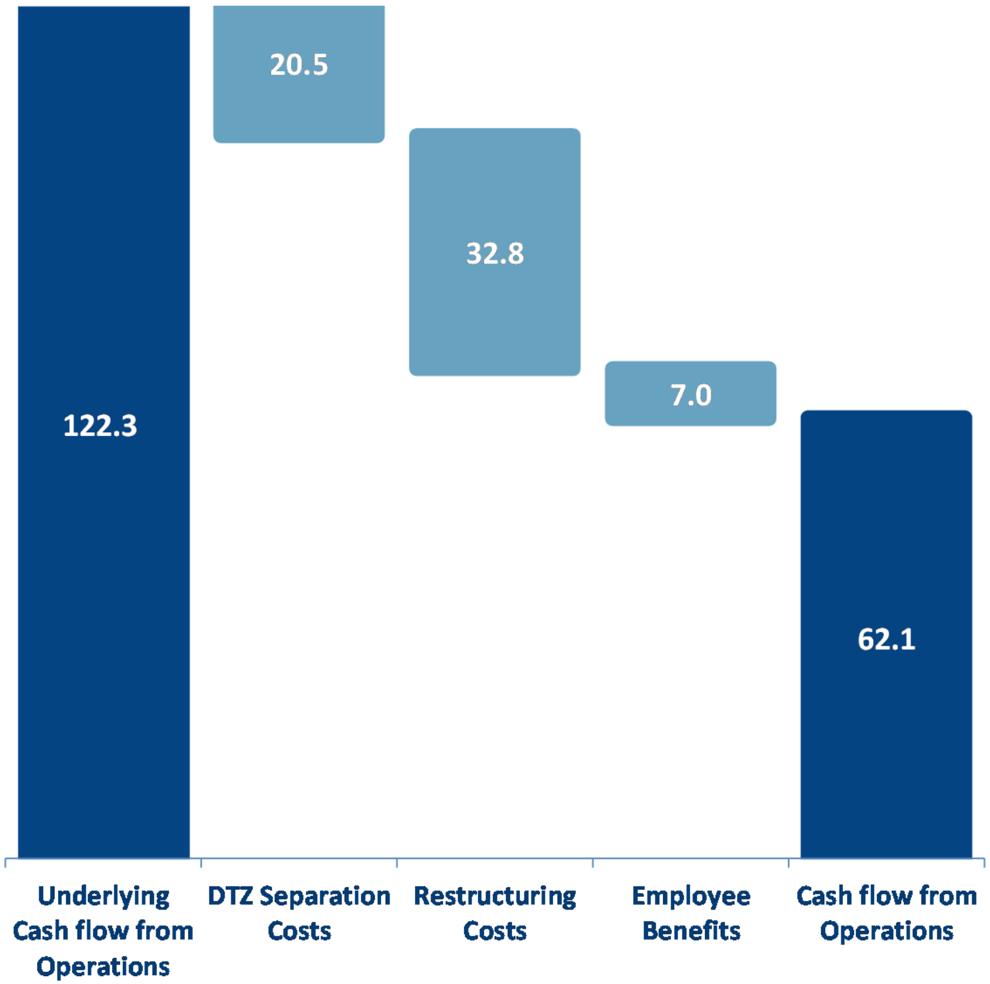


	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Power	365	403	493	278	344	376	406
Resources	389	528	318	188	40	87	226
Infrastructure	697	580	611	400	395	352	417
Major Projects	1,451	1,511	1,422	866	779	815	1,049





Operating Cash Flow ($m)



- Separation and Restructure costs affecting operating cash
- DTZ growth driving debtors
- Claim settlements impacting cash

Underlying Cash Conversion ($m)

	FY14	FY13
Underlying EBITDA	237	217
Less Trade and other receivables	(57)	(22)
Less Valuation claims settled	(21)	(4)
Plus Trade & other payables	31	35
Other	(22)	23
Underlying Operating cash flow before Interest & Tax	**168**	**249**
Underlying Cash conversion	**71%**	**115%**
Less Interest & Tax	(46)	(66)
Underlying Operating cash flow	**122**	**183**
Less cash restructuring costs	(33)	(45)
Less employee benefits	(7)	(11)
Less DTZ separation costs	(20)	
Less DTZ one-time costs		(21)
Statutory Operating cash flow	**62**	**106**

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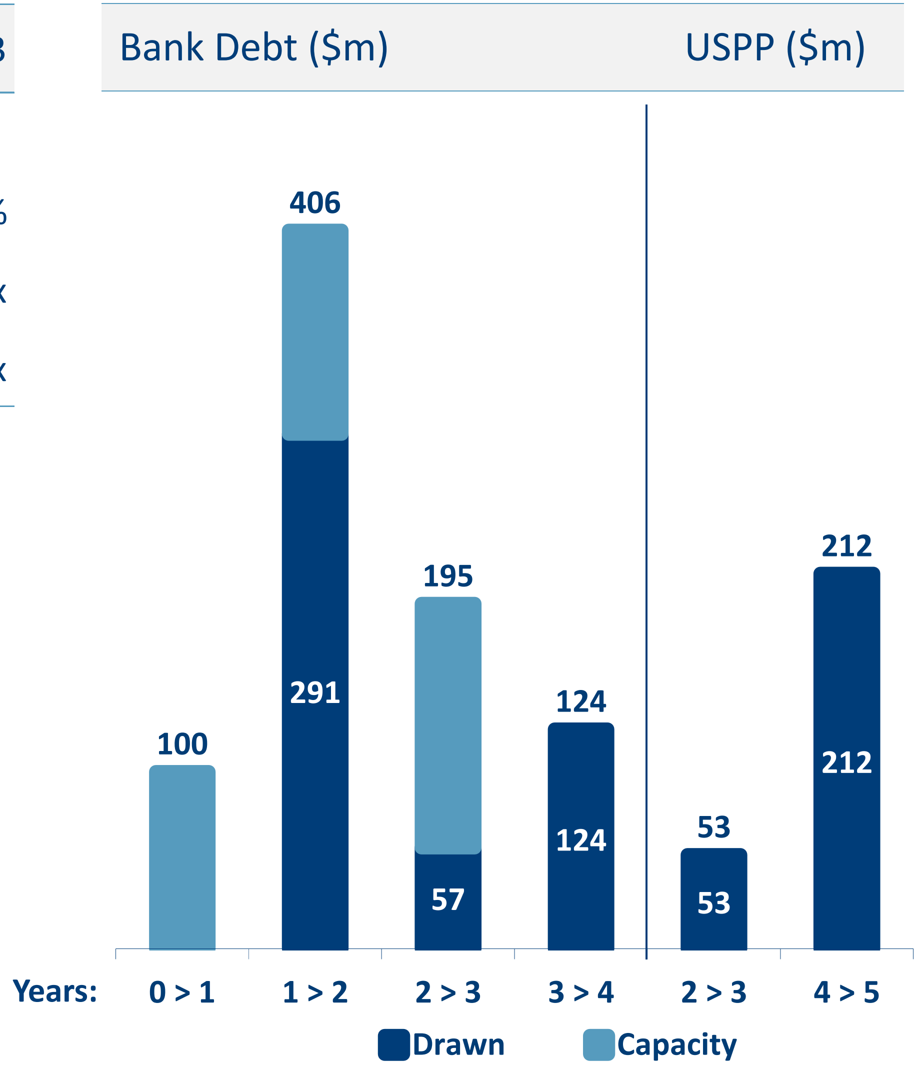
Separation costs ($m)

$m	Cost	FY14 EBIT	FY15 EBIT
Retention	24.5	18.8	5.7
Group Restructure	14.1	14.1	-
Transaction Costs	29.9	19.9	10.0
	68.5	52.8	15.7
NPAT	52.4	40.3	12.1
Cash	68.5	20.5	48.0

Financial Position

$m	FY14	FY13
Net debt	567	581
Net debt to net debt plus equity	32.4%	33.9%
Net debt to EBITDA	2.4x	2.3x
Interest cover	5.2x	6.1x

- Average term 2.2 years
- $353m available bank capacity



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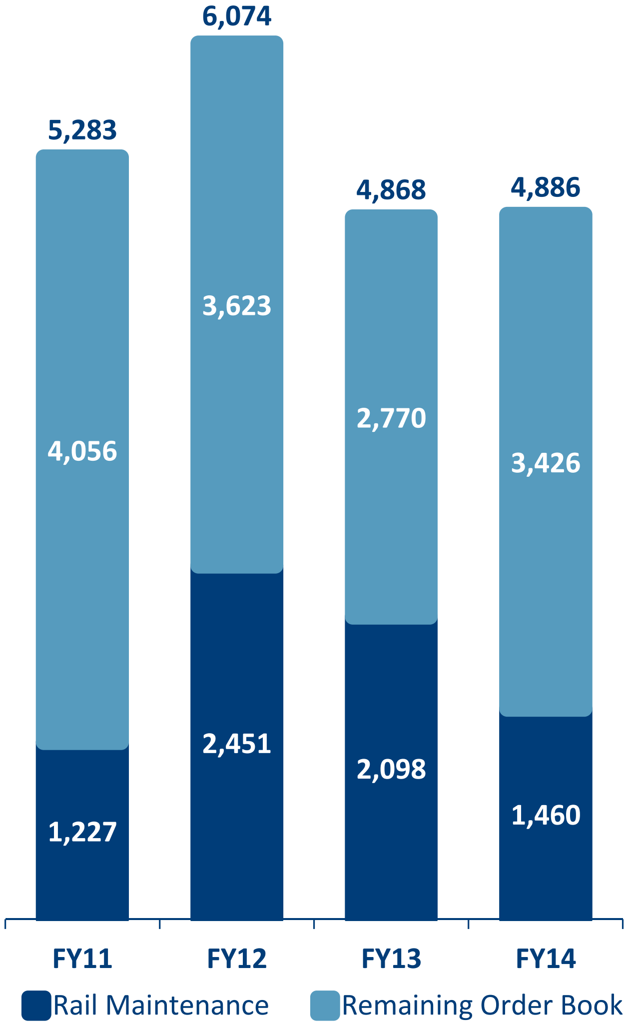
Engineering Outlook

Richard Leupen, Managing Director & CEO

UGL

Engineering Order Book

Order Book History ($m)



Order Book Excludes Significant Value

Rail maintenance renewals (unweighted value) — $2.3b

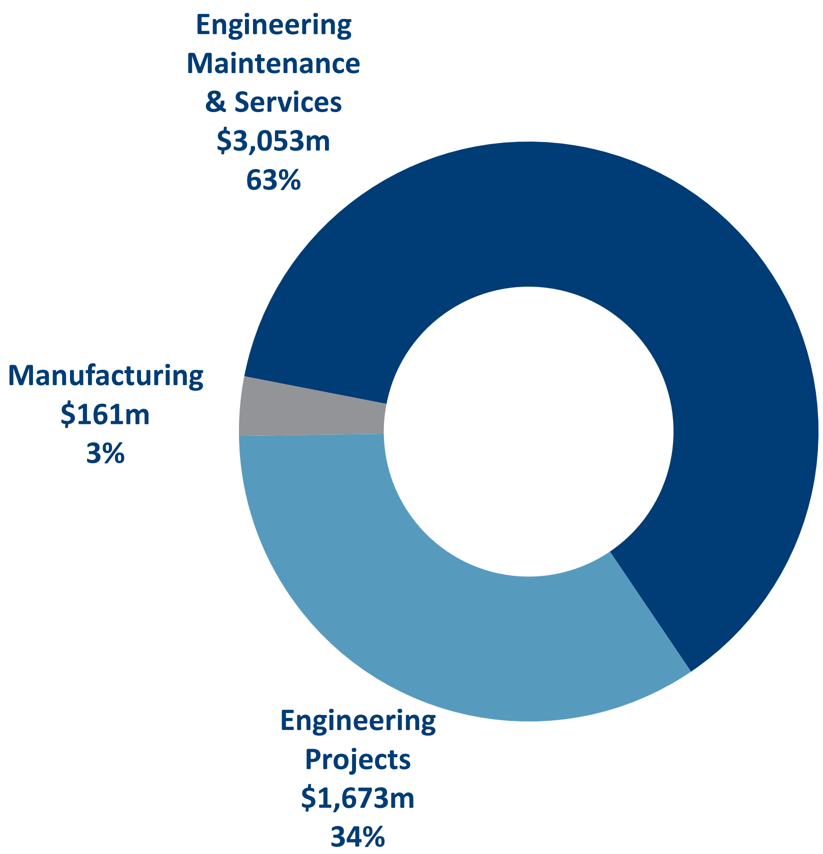
- Key contracts in Sydney and Melbourne
- Order book impacted by annual revenue burn
- Renewals included in pipeline at weighed and qualified value

Preferred tender status — $1.7b

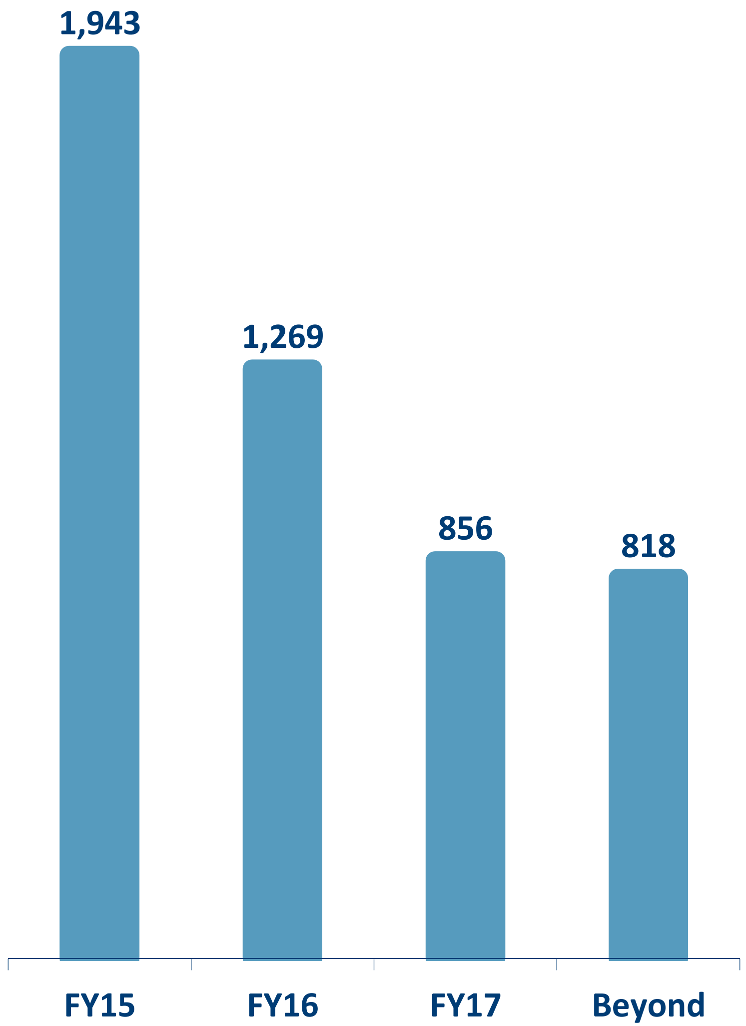
- Includes North West Rail Link and key road infrastructure projects

Engineering Order Book Breakdown

By Type

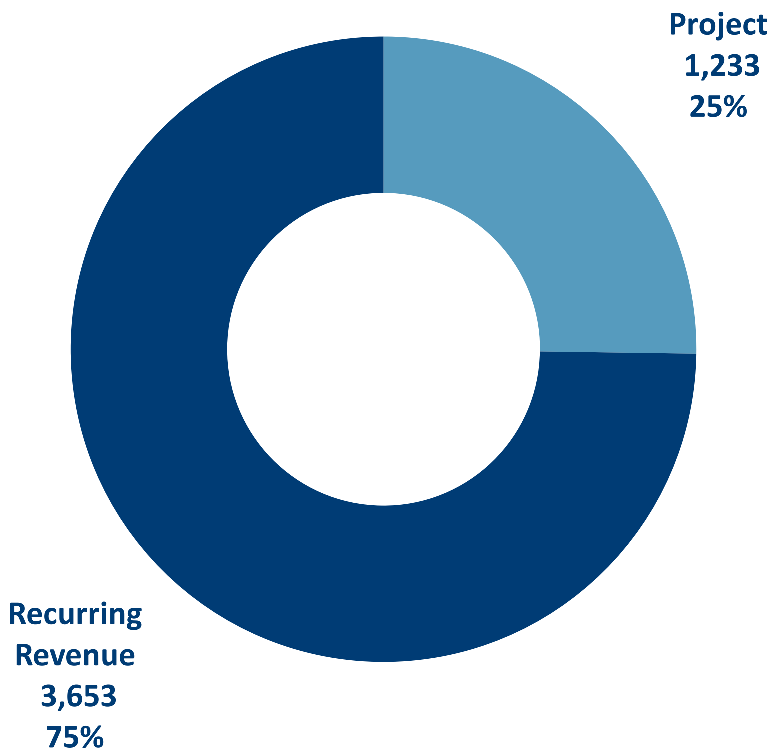


By Year ($m)

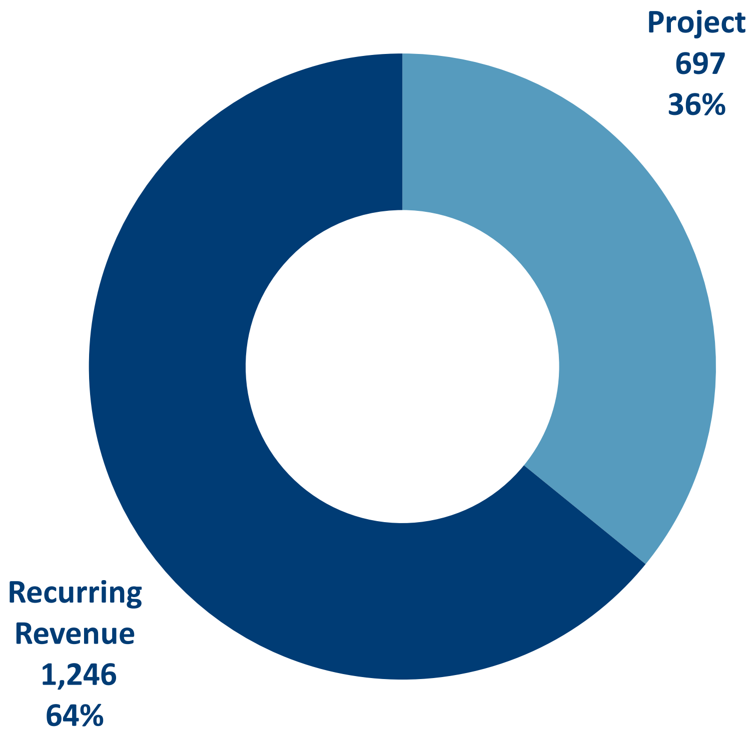


Engineering Order Book – Recurring Revenues

All Years

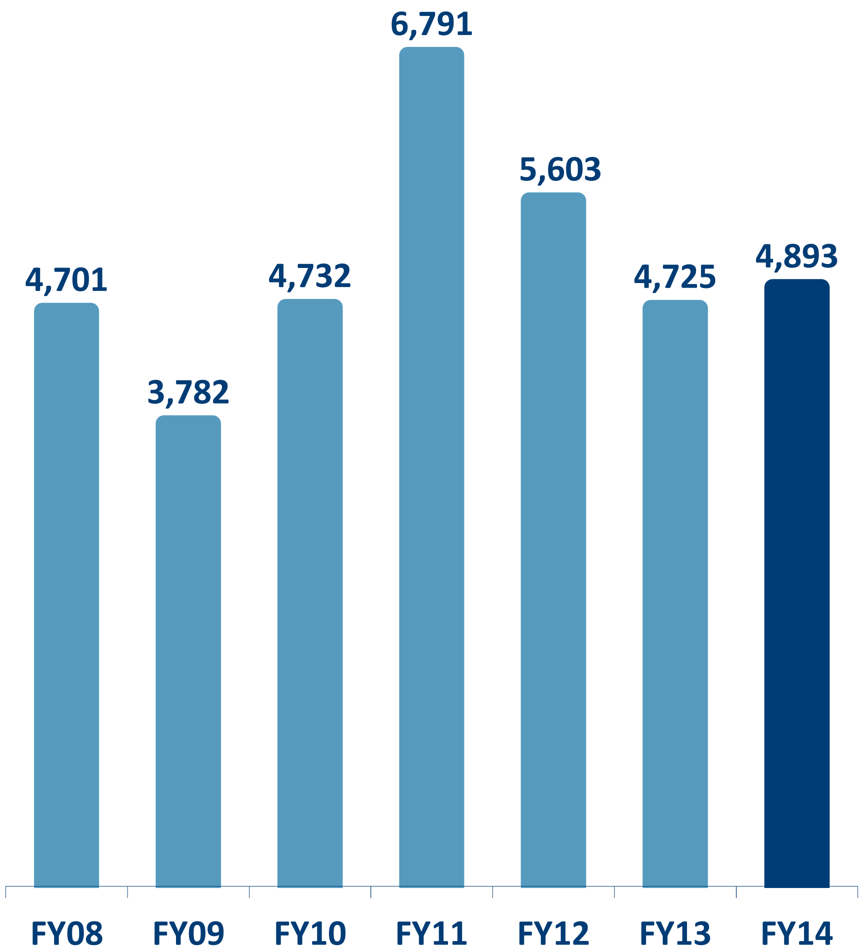


FY15

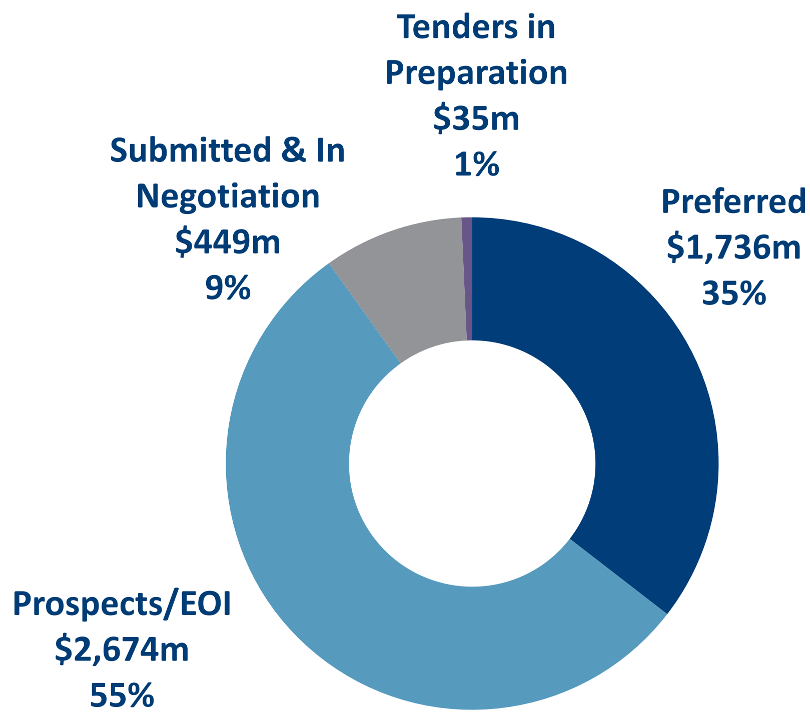


Engineering Pipeline

Weighted and Qualified ($m)



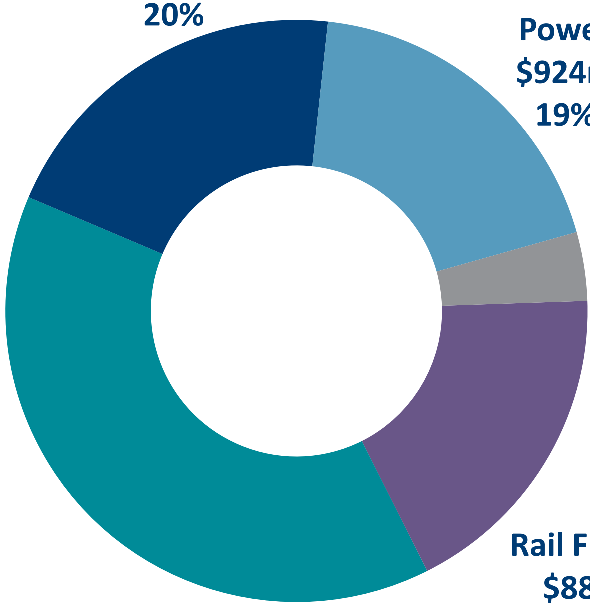
Status



Preferred tenders and tenders submitted & in negotiation represent $3.6 billion in unweighted opportunities

Engineering Business Outlook

- Actively tendering for significant project opportunities in rail, transport, power and oil and gas
  - Preferred for North West Rail Link and key road infrastructure projects
  - Shortlisted for East West Link
  - Member of consortium which is sole bidder for Pakenham-Cranbourne rail corridor in Victoria
- Opportunities in power sector particularly substations remain solid
- Broader public sector infrastructure spending is emerging
- Solid maintenance opportunities expected to emerge longer term as new assets come on line; particularly in oil & gas and power
- Strong opportunities in defence maintenance with outsourcing trend continuing
- Engineering is expected to achieve revenue around $2.4 billion in FY15 achieving normalised margins of 4-5% after corporate costs



Group Outlook

- **Positioned for future growth opportunities**
  - Diversified business model with exposure to key growth sectors
  - Strong track record in rail and road infrastructure project delivery and rail O&M franchise
  - Well placed to benefit from emerging infrastructure pipeline
  - Order book and pipeline for power sector strong for FY15
  - Solid maintenance opportunities as new assets commence operation
  - Strong Engineering order book of $4.9b of which 75% is recurring

- **DTZ sale to complete in 2014 calendar year**
  - DTZ sale expected to complete in later in the calendar year subject to the timing of regulatory approvals
  - Board intention to return net surplus funds estimated at $400-500 million to shareholders after paying down debt and determining appropriate future capital structure
  - Capital return is anticipated to be the most efficient method of returning surplus funds and further information will be communicated on completion of the sale process

- **Well positioned for moderate growth in FY15**
  - Engineering business is expected to deliver revenue of $2.4 billion in FY15
  - Margins should achieve normalised levels around 4-5% after corporate costs incurred post the sale of DTZ
  - DTZ will contribute earning until date of sale & UGL corporate office rationalisation will be completed on sale of DTZ
  - Key contributions in FY15 from recent maintenance and LNG wins, power projects and existing rail maintenance projects
  - The Board will be in a position to implement a clear dividend policy following the sale of DTZ and debt reduction, based on stable Engineering earnings and the low capital intensity of the business

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These consolidated financial statements are presented to show UGL's consolidated financial performance and financial position prior to the allocation of the DTZ businesses as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. This presentation format has not been audited

Consolidated income statement
for the year ended 30 June 2014

	2014 $'000	2013 $'000
Revenue	4,041,775	3,816,118
Other income	19,542	20,654
Raw materials and consumables	(751,989)	(633,250)
Employment costs	(2,251,146)	(2,150,467)
Depreciation and amortisation	(58,824)	(71,638)
Sub-contractor expenses	(499,337)	(433,143)
Finance costs (net)	(45,803)	(41,654)
Rental and occupancy expenses	(93,679)	(86,151)
Communication expenses	(12,725)	(12,957)
Insurance	(32,717)	(35,086)
Plant and equipment expenses	(26,423)	(38,106)
Motor vehicle expenses	(39,684)	(43,867)
Travel	(49,615)	(53,502)
Other expenses	(149,631)	(203,416)
Share of profit of equity accounted investees (net of tax)	18,153	5,051
Profit before income tax	67,897	38,586
Income tax benefit/ (expense)	610	2,609
Profit for the year	68,507	41,195
Attributable to:		
Owners of the Company	62,082	35,919
Non-controlling interests	6,425	5,276
Profit for the year	68,507	41,195
	Cents	**Cents**
Basic and diluted earnings per share (cents per share)	37.3	21.6

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Consolidated statement of comprehensive income
for the year ended 30 June 2014

	2014 $'000	**2013 $'000**
Profit for the year	68,507	41,195
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Defined benefit plans actuarial (losses)/ gains	(4,395)	2,859
Total items that will not be reclassified to profit or loss	(4,395)	2,859
Items that may be reclassified subsequently to profit or loss:	4,586	23,708
Foreign currency translation differences – foreign operations	143	-
Cash flow hedges	(1,059)	(1,379)
Cash flow hedges – equity accounted investees	-	(121)
	3,670	22,208
Other comprehensive income for the period (net of tax)	(725)	25,067
Total comprehensive income for the year	67,782	66,262
Total comprehensive income attributable to:		
Owners of the Company	61,214	60,374
Non-controlling interests	6,568	5,888
Total comprehensive income for the year	67,782	66,262

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Consolidated statement of financial position
as at 30 June 2014

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	182,497	161,070
Trade and other receivables	667,484	612,316
Inventories	330,519	351,577
Income tax receivable	32,982	43,128
Other financial assets	-	860
Disposal group and non-current assets held for sale	4,400	-
Total current assets	1,217,882	1,168,951
Non-current assets		
Trade and other receivables	9,429	2,949
Other financial assets	41,674	27,805
Investments accounted for using the equity method	50,315	46,805
Property, plant and equipment	107,885	170,826
Intangible assets	1,488,254	1,444,989
Deferred tax assets	75,090	51,908
Total non-current assets	1,772,647	1,745,282
Total assets	2,990,529	2,914,233
Current liabilities		
Trade and other payables	585,013	547,639
Loans and borrowings	27,963	11,552
Employee benefits	230,848	215,375
Other financial liabilities	6,382	4,331
Income tax payable	23,017	16,726
Provisions	52,926	72,804
Total current liabilities	926,149	868,427
Non-current liabilities		
Loans and borrowings	721,247	730,142
Employee benefits	20,790	17,823
Other financial liabilities	30,070	33,331
Deferred tax liabilities	11,472	14,507
Provisions	95,709	120,014
Total non-current liabilities	879,288	915,817
Total liabilities	1,805,437	1,784,244
Net assets	1,185,092	1,129,989
Equity		
Share capital	910,836	910,836
Reserves	(19,819)	(24,648)
Retained earnings	281,257	231,896
Total equity attributable to owners of the Company	1,172,274	1,118,084
Non-controlling interests	12,818	11,905
Total equity	1,185,092	1,129,989