Transfield Services Limited ABN 69 000 484 417

TRANSFIELD SERVICES

We are rebranding

watch this space

ASX Statement

27 August 2015

Transfield Services delivers on upgraded EBITDA guidance despite challenging conditions

Transfield Services Limited (the "Company") today confirms it had delivered on its previously upgraded guidance, despite challenging market conditions.

Performance Highlights

- Revenue, Underlying EBITDA, Operating Cash Flow and ROCE continue a positive 3-year trend.
- The Company's Leverage Ratio is now within target levels.
- Revenue growth of 2 per cent to $3.8 billion, up from $3.7 billion in the prior comparative period.
- Underlying EBITDA of $265 million, up 22 per cent against the prior period and within the previously announced upgraded guidance range
- Underlying NPAT of $72 million in FY2015, compared to $73 million in the prior comparative period.
- Statutory NPAT of $49 million, which decreased from $53 million in the prior comparative period as a result of provisions and one-off items of $36 million for legacy contracts, primarily announced at the half year.
- Strong operating cash flow of $299 million, an increase of 27 per cent, with cash conversion at 113 per cent.
- Steady safety performance – focus on continuous improvement through leader led interventions and a behavioural based safety approach.
- Group Strategy and Operating Model now fully embedded.
- Portfolio strongly weighted towards government clients with over 50 per cent of total contracted revenue in this category.
- Strong pipeline of contracted revenue and growth opportunities of approximately $26 billion, with $3.6 billion currently in either "Shortlisted" or "Preferred Status" stages.

The Company today announced that revenue increased 2 per cent to $3,797 million compared to the prior period. This reflects increased customer activity and a strong focus on non-discretionary, value adding services within stable and growing sectors.

Pleasingly, Underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for the 12 months to 30 June 2015 (FY2015) was up 22 per cent to $265 million and in line with both upgraded guidance and market consensus.

Statutory Net Profit After Tax (NPAT) of $49 million for FY2015 fell 8 per cent compared with FY2014, primarily reflecting provisions, other one-off items, higher tax expense and interest costs.

“Over the last two years the focus has been on stabilising the business and embedding our strategy by focusing on non-discretionary client spending in essential services,” said Transfield Services’ Managing Director and CEO, Graeme Hunt.

“Our turnaround journey is progressing well, with positive trends in revenue, Underlying EBITDA, operating cash flow and return on capital employed. The Company’s balance sheet also continues to improve, providing a stable platform for the business going forward.”

“While safety performance as measured by a Total Recordable Injury Frequency Rate of 5.5 per million hours worked was broadly in line with last year, the Company remains firmly committed to the concept of Zero Harm. We were deeply saddened by two deaths on Company work sites earlier in the year. This highlights that despite comparing favourably to industry peers, there is still much more work to be done to achieve our goal.”

Segment Performance

The Defence, Social and Property Sector reported strong year on year growth in FY2015 with revenues increasing 29 per cent. This was driven by continued delivery and growth of high quality, non-discretionary services to a broad range of public sector clients. Underlying EBITDA increased by $150 million, driven by new contract wins, including the new and expanded Defence Base Services (DBS) contract awarded in August 2014, scope expansion on the NSW Housing contract and a full 12 month benefit of the expanded Immigration contract.

The Infrastructure Sector has reported a subdued operating result, with Underlying EBITDA of $48 million, falling by $15 million, or 23 per cent against the prior period. Included in this number was provisioning of $18 million for legacy, onerous contracts. Excluding provisions, Underlying EBITDA increased by $3 million against the prior period, with growth delivered in the Telecommunications and Transport sub-sectors.

Underlying EBITDA for the Resources and Industrial Sector fell by $56 million, or 84 per cent, due primarily to reduced work volumes, lower margins and the delayed commissioning of large oil and gas project operations by clients. Market conditions in the mining, oil and gas and industrial sub-sectors remained challenging and this was largely driven by lower oil and commodity prices. The Company has positioned itself to retain key clients by offering reductions in its rates until the sector recovers. This approach has been made possible due to the strength of the Company’s broader portfolio. The Company sees significant opportunity in this Sector as delayed offshore and onshore LNG projects come on line in FY2016.

In the Americas, Underlying EBITDA fell by $16 million. Included in the result was provisioning of $9 million for onerous, legacy roads maintenance contracts in Canada and the US, as well as $9 million of one-off items relating to a bad debt written off and a reduction in the FTS joint venture carrying value. Excluding these provisions and one-off items, the Americas Underlying EBITDA result rose by $2 million compared to the prior period.

We are rebranding

watch this space

ASX Statement

With the resolution of long dated disputes and the restructuring of onerous contracts, the Company's Americas business is now well positioned for a return to profitability and growth in FY2016 and beyond.

Rebranding

As previously advised, the Company is focused on running a cost effective and efficient rebranding process and will announce its new brand as part of its Notice of 2015 Annual General Meeting. This is expected to be on 25 September 2015. As also advised, there will be no change to our core values – Integrity, Collaboration, Challenge and Ingenuity.

Risk Management and Productivity

Following implementation of the Company's new Operating Model, an enhanced focus has been placed on the management and mitigation of Environmental, Social and Governance risks. This reflects the Company's commitment to ensuring that the processes, policies and activities across the Group reflect high standards of internal control.

The Company's focus into FY2016 is on safety, execution effectiveness and growth. The company is targeting business improvement benefits over the next two years of $75 to $100 million.

Outlook

The Company's strong weighting towards non-discretionary spending in essential services continues to position us well to capitalise on longer term growth trends and market opportunities.

Consistent with prior periods, the Company enters FY2016 with a healthy level of revenue visibility based on current levels of Work in Hand. Further, the Company has contracted revenue of $9.8 billion and a further $3.6 billion of opportunities in the Shortlisted or Preferred status stages.

The positive momentum of the previous two financial years positions the Company well. Notwithstanding the continued challenging macroeconomic environment, the Company expects to maintain Underlying EBITDA into FY2016.

ENDS

Investor Enquiries	Media Enquiries
Chris Jeffrey Executive General Manager *Strategy, Markets and Investments* P: +61 2 9464 1701 M: +61 400 154 176	**Angelique Nesbitt** Executive General Manager *Compliance & Group Company Secretary* P: +61 2 9464 1643 M: +61 402 056 935

Please call **+61 2 9464 1000** for any contracting or employment enquiries.