

8 February 2016

DIBP extends Broad Spectrum's contract for 12 months to allow Department to revise scope of tender; Company further upgrades FY2016 guidance

- **DIBP extends contract for a further 12 months on existing expanded scope**
- **DIBP extends tender process; to award a new 5-year contract by the end of the year**
- **Broad Spectrum announces a further upgrade to its FY2016 earnings guidance – now expects Underlying EBITDA in the range of \$280 million to \$300 million**
- **Company expects net debt to reduce further to between \$370 million and \$390 million by 30 June 2016, representing a material de-leveraging to 1.3x¹**
- **Provides FY2017 outlook: Underlying EBITDA to exceed \$300 million**
- **Supplementary Target's Statement lodged**
- **Independent Expert maintains view that Ferrovial Offer is not fair and not reasonable**
- **Broad Spectrum Directors reiterate their recommendation that shareholders REJECT the current Offer**

Broad Spectrum has been advised that its contract with the Department of Immigration and Border Protection (DIBP or "the Department") to provide welfare and garrison support services at the Regional Processing Centres in Nauru and Manus Province is to be extended for a further 12 months from 1 March 2016 to allow the Department to formally review and revise the scope of the current tender.

The Company will continue to operate on the existing expanded scope of services it has been providing since 1 November 2015 on substantially similar terms. The contract includes two options, each for an additional four months, exercisable at the Department's discretion. The contract extension builds on the Company's existing relationship with the Department which commenced in September 2012.

In addition, the Department advised the Company of the need to extend the process in relation to the awarding of a new five year contract due to increases in scope from the original tender. It is understood that Broad Spectrum and one other party will receive a request to submit an amended tender. The Company understands that the DIBP

¹ Leverage ratio calculated as Net Debt divided by Underlying EBITDA.

intends to make a formal award of the new five year contract by the end of the calendar year.

Broadspectrum Managing Director and CEO, Graeme Hunt, said: "We are pleased to have our existing contract extended for a further 12 months under the current expanded scope of services, which further strengthens our FY2016 and FY2017 earnings.

"We understand the Department's position, and appreciate it needs additional time to formally review and revise the tender.

"We believe that, because of our incumbency and strong track record in Nauru and Manus Province, we're in a strong position to secure the new five-year contract when it is awarded later this year," added Mr Hunt.

Financial update FY2016 and FY2017

As a result of continued strong operational performance and improved revenue visibility for FY2016, the Company now expects to exceed its previous upgraded FY2016 Underlying EBITDA guidance range of \$265 million to \$285 million. Broadspectrum now expects to deliver Underlying EBITDA in the range of \$280 million to \$300 million in FY2016.

The Company is also able to provide further guidance on its improved net debt position, which is expected to further reduce to between \$370 million and \$390 million by 30 June 2016 from \$459 million at 31 December 2015, due to continued strong cash flow generation by the business. This continues a strong record of de-leveraging over a three-year period.

In addition, the outlook for FY2017 remains positive with contracted revenue for FY2017 increasing from \$2.3 billion at 31 December 2015 to \$2.8 billion at 5 February 2016 (vs \$2.1 billion at the corresponding period last year). Subject to no further material deterioration in current macro-economic conditions, the Company expects Underlying EBITDA for FY2017 to be in excess of \$300 million².

The continued strong operational performance and cash generation of the business – which is expected to generate in excess of \$100 million of free cash in FY2017 – further enhances the Company's ability to consider a range of capital management options including dividends or other capital returns, as well as continued debt repayment.

Supplementary Target's Statement

The Company this morning lodged a Supplementary Target's Statement with the Australian Securities Exchange, in which it outlines the impact on the business relating to the DIBP contract amendments and comments on a number of assertions contained in Ferrovial's Fourth Supplementary Bidder's Statement dated 1 February 2016.

² The FY2017 outlook for Underlying EBITDA is not a forecast and is subject to changes in macro-economic conditions. It is important to note that the actual FY2017 Underlying EBITDA will not be known for more than 16 months and there is the possibility for it to be materially higher or lower than \$300 million.

The Supplementary Target's Statement also includes a Supplementary Independent Expert's Report. The Independent Expert's opinion remains that Ferrovial's Offer is not fair and not reasonable, and now values Broad Spectrum shares at between \$1.60 and \$1.85.

The Directors of Broad Spectrum reiterate their recommendation that Shareholders reject Ferrovial's Offer. The Board will continue to work in the best interests of shareholders, and will consider any offer that maximises shareholder value.

ENDS.

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