

15 February 2016

## Broadspectrum delivers record first-half result<sup>1</sup>, continuing positive three year trend; announces intention to buy-back shares

- **Statutory NPAT up 198% to \$25 million**
- **Record Underlying EBITDA<sup>2</sup> of \$124.7 million, up 11%**
- **Underlying NPAT<sup>3</sup> of \$27.9 million, up 54%**
- **Material reduction in net debt to \$460 million, driven by continued strong cash flow**
- **Continued strong performance of Defence, Social and Property sector and turnaround in Americas business**
- **Improved safety performance – 16% reduction in TRIFR**
- **Major new contract wins and extensions with NSW Housing, Department of Immigration and Border Protection, AGL Energy and Queensland Urban Utilities**
- **FY2016 Underlying EBITDA guidance upgraded to range of \$280-\$300 million**
- **FY2017 Underlying EBITDA expected to exceed \$300 million**
- **Board announces intention to buy-back shares**

Broadspectrum today announced a record Underlying EBITDA of \$124.7 million for the first half of FY2016, up 11 per cent from the same period last year continuing a positive three year trend.

Underlying Net Profit after Tax (Underlying NPAT) was up 54 per cent to \$27.9 million, and Statutory NPAT was up 198 per cent to \$25 million. Underlying operating cash flow before interest and tax payments was also a feature of the result, up 42 per cent to \$129.6 million.

The Company further strengthened its balance sheet, reducing net debt to \$460 million (down from \$569 million at 31 December 2014), and reduced its leverage ratio to 1.7x<sup>4</sup>, comfortably within its target range of 1.5x – 2.0x.

<sup>1</sup> Record refers to Underlying EBITDA for the first half of the financial year

<sup>2</sup> Underlying EBITDA does not include restructuring, other significant non-recurring items or costs associated with the Ferrovial approach

<sup>3</sup> Underlying NPAT does not include restructuring, other significant non-recurring items or costs associated with the Ferrovial approach

<sup>4</sup> Leverage ratio calculated as Net Debt divided by 12-month rolling Underlying EBITDA

Broad Spectrum Managing Director and Chief Executive Officer, Graeme Hunt, said the result reflected the continued strong operational performance of the Company and represented a consistent three year improvement across key performance metrics.

"This is a very positive first half result, particularly in light of the difficult operating conditions we're experiencing in some of our sectors," he said.

"I'm pleased to report an improvement in our safety performance for the half year. Total Recordable Injury Frequency Rate reduced by 16 per cent to 5.3 per million hours worked," he said.

"Our strong performance in the first half, coupled with the 12-month extension of our contract with the Department of Immigration and Border Protection (DIBP) announced on 8 February, has enabled us to upgrade our FY2016 Underlying EBITDA earnings guidance and also provide further visibility for FY2017 earnings.

"We now expect to deliver Underlying EBITDA in the range of \$280 million to \$300 million for FY2016, and expect Underlying EBITDA for FY2017 to exceed \$300 million<sup>5</sup>.

"The strength of our diversified portfolio has been demonstrated through year-on-year revenue and Underlying EBITDA growth since FY2013, and we are well placed to capture the upside in our sub-sectors that are showing signs of recovery, including the Americas, telecommunications and on-shore and off-shore gas projects," he added.

On 12 February 2016, Broad Spectrum concluded amendments to its existing senior syndicated bank facility. The changes will deliver interest savings of approximately \$5m per annum, extend the funding commitment by a further 12 months to 1 July 2018, and improve flexibility.

Given the Company's continued strong cash generation, the Board has announced its intention to purchase up to 10 per cent of the Company's shares on-market over the next 12 months. The buy-back will commence no earlier than 8 March 2016.

## Performance overview

The increases in Underlying NPAT and Underlying EBITDA were primarily driven by the continued strong performance of the Defence, Social & Property sector, and supported by the expected significant turnaround in the Americas business.

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<sup>5</sup> 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 Defence, Social & Property sector reported solid earnings growth with revenue increasing 5 per cent to \$818 million. Underlying EBITDA increased by 7 per cent, primarily due to an expanded scope in the Australian Defence Base Services contract and a four month extension, on an expanded scope, to the contract with the DIBP in Nauru and Manus Province.

The Company announced a major new contract with NSW Land and Housing Corporation during the period. The new contract is expected to deliver at least \$950 million of revenue over the next five years.

The Company last week announced a 12 month extension of its existing contract with the DIBP and believes its incumbency and track record in Nauru and Manus Province means it remains well placed to secure the new five-year contract with the DIBP when it is awarded.

The Americas business reported solid earnings growth with revenue increasing 48 per cent to \$262 million. Underlying EBITDA increased to \$12 million (compared to negative \$16 million in the prior comparable period) driven by: growth in volumes and margins in the downstream energy business; the successful renegotiation of underperforming roads contracts, and; the close-out of a number of legacy issues across the business. This is a particularly pleasing result and the remediation of this business is now well progressed. The business is well positioned for future growth with solid prospects in road infrastructure projects, the Chilean copper sector, and the downstream energy sector.

The Infrastructure sector reported a subdued result, with revenue decreasing 13 per cent to \$447 million, and Underlying EBITDA decreasing by \$26 million. This result included a \$15 million provision taken against a legacy telecommunications contract in New Zealand, and was impacted by volume delays.

The Company announced a number of new contracts in the utilities, transport and water sub-sectors during the period, including; a \$200 million contract with AGL for the Transfield Worley Power Services Joint Venture to provide services at Loy Yang A power station; a \$170 million contract with Queensland Urban Utilities for Utilita Water Solutions (Broadspectrum's joint venture with Downer) to deliver electrical, civil and mechanical maintenance services.

Challenging macro-economic conditions and reduced work volumes contributed to a 20 per cent fall in revenue in the Resources and Industrial sector to \$335 million. Despite this, Underlying EBITDA was maintained at \$11.3 million largely driven by a range of cost reduction and business efficiency initiatives supporting an improvement in Underlying

EBITDA margins. The Company expects medium-term growth to be driven by new CSG and LNG projects that have come on-line in Queensland.

## Outlook and Guidance

As a result of continued strong operational performance and improved revenue visibility, the Company now expects to deliver Underlying EBITDA in the range of \$280 million to \$300 million in FY2016.

Net debt is expected to further reduce to between \$370 million and \$390 million<sup>6</sup> by 30 June 2016 from \$460 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 million.

Broadspectrum now expects to generate in excess of \$100 million of free cash in FY2017.

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<sup>6</sup> Note all forward debt and leverage metrics do not include dividends or capital management initiatives such as a share buy-back.

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Broadspectrum provides innovative solutions to clients across the social, defence, property, infrastructure, resources and industrial sectors. Our skilled workforce drives ingenuity and collaboration with clients and is backed by market-leading processes and systems delivered via a state-of-the-art technology platform. Our ability to generate true value and growth for our clients is complemented by an uncompromising commitment to safety and social responsibility. For more information on how Broadspectrum can assist your business, visit: [www.broadspectrum.com](http://www.broadspectrum.com)