UGL

Half Year 2016 Results Presentation

Monday, 22 February 2016

Progress against key objectives for FY2016

FY16 Turnaround Year

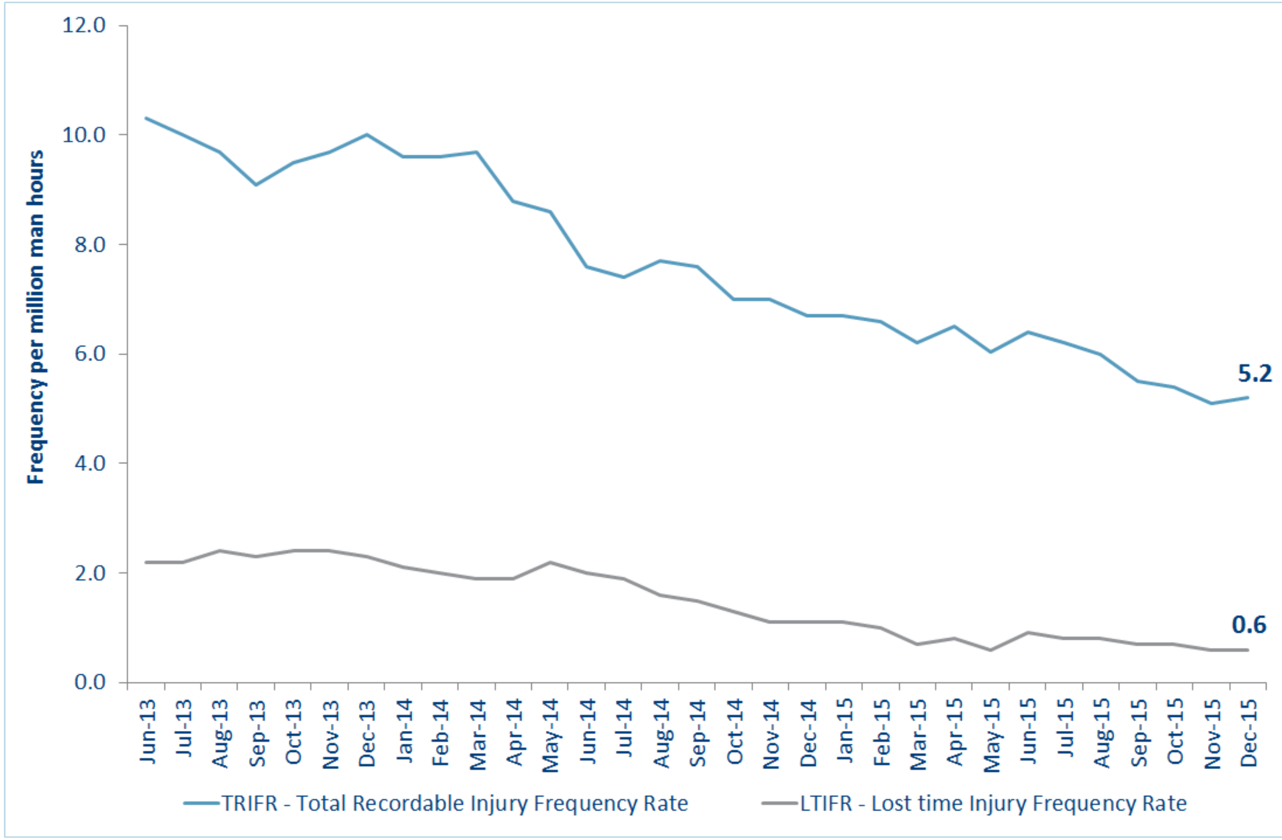
Deliverable	HY16 Progress	Status
Improve project gross margin delivery	• Strong governance continued with roll out of *UGL Way* • Program to strengthen project management capabilities	✓
Convert identified pipeline opportunities	• $1.0 billion wins • 97% sold for FY16	✓
Realise full run-rate of cost reduction initiatives implemented in FY15	• Corporate overhead on track for 1.7% of revenue	✓
Revenue $2.3 billion	• $1.2 billion revenue	✓
EBIT margin increase to 3%	• EBIT margin 2.9%	✓
Deliver average operating cash flow* conversion of 100% of EBITDA excluding Ichthys CCPP	• Operating cashflow of $70m#	✓

UGL

* OCF adjusted for interest & tax

Excluding Ichthys CCPP cash outflow

Safety – 12 month rolling



- Greater focus on proactive reporting measures
- Enhanced focus on high potential incidents
- Safety performance reporting by site

Update on Ichthys CCPP and SMP Projects

Ross Taylor

Ichthys CCPP

- UGL & CH2M HILL JV project scope 72% complete
  - Design 99% complete
  - Procurement 98% complete
  - Construction 52% complete
- Project tracking to revised schedule and productivity rates
- Cash flow revised to reflect commercial settlement announced in November 2015

Cashflow Phasing ($m)

Actual		Forecast		Total
FY-15	FY16-H1	FY16-H2	FY17-H1	
56	67	44	8	175

Ichthys SMP

- Construction approaching 30% complete on the base scope
- Margin recognition will commence once we have achieved an outcome on commercial discussions with the client
- Client has advised of delivery dates for all client supplied materials and components
- Currently working with client on the revised completion schedule and associated claims and variations in accordance with advised delivery dates
- Discussions with client are ongoing with resolution expected in the coming months

HY2016 Results

Ross Taylor

Results overview

Underlying Results

$m	HY16	HY15*	Change
Operating revenue	1,187.4	1,229.1	(3%)
EBIT	34.9	28.7	22%
EBIT margin	*2.9%*	*2.3%*	
Interest	(4.1)	(9.5)	57%
Tax	(10.8)	(5.7)	(90%)
Non-Controlling Interests	(1.4)	(1.6)	13%
NPAT	18.5	11.9	55%
NPAT margin	*1.6%*	*1.0%*	
EPS	11.3	7.2	57%

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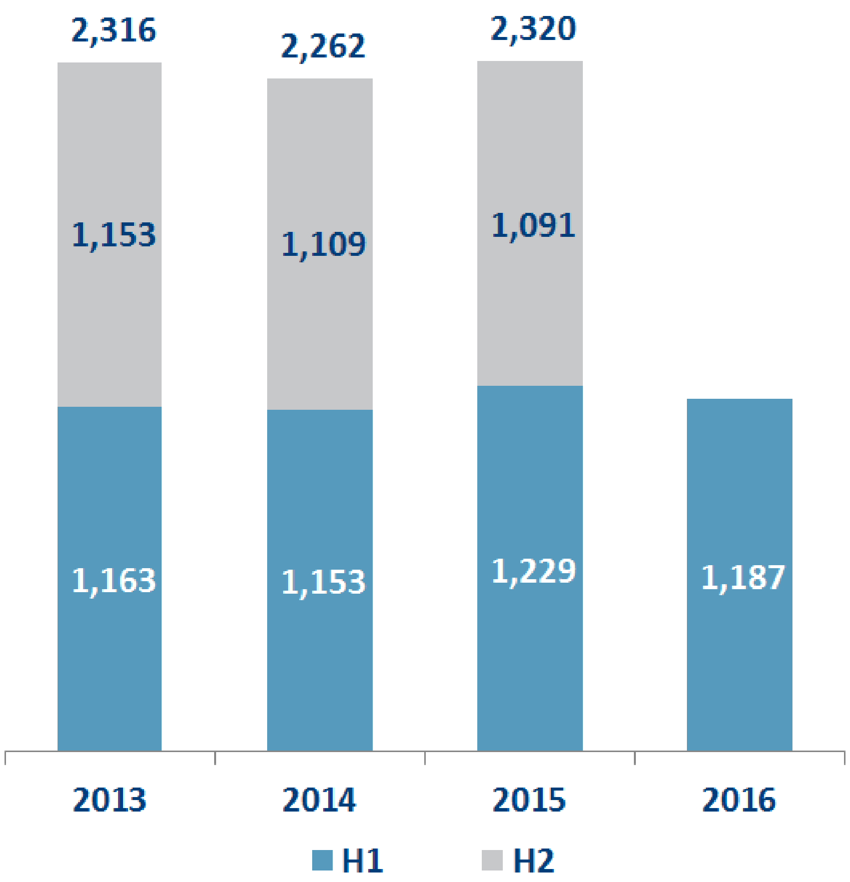
* HY15 underlying results exclude DTZ to provide a consistent comparative for HY16 financial performance. A table reconciling HY15 underlying results to those previously presented is provided in the appendix.

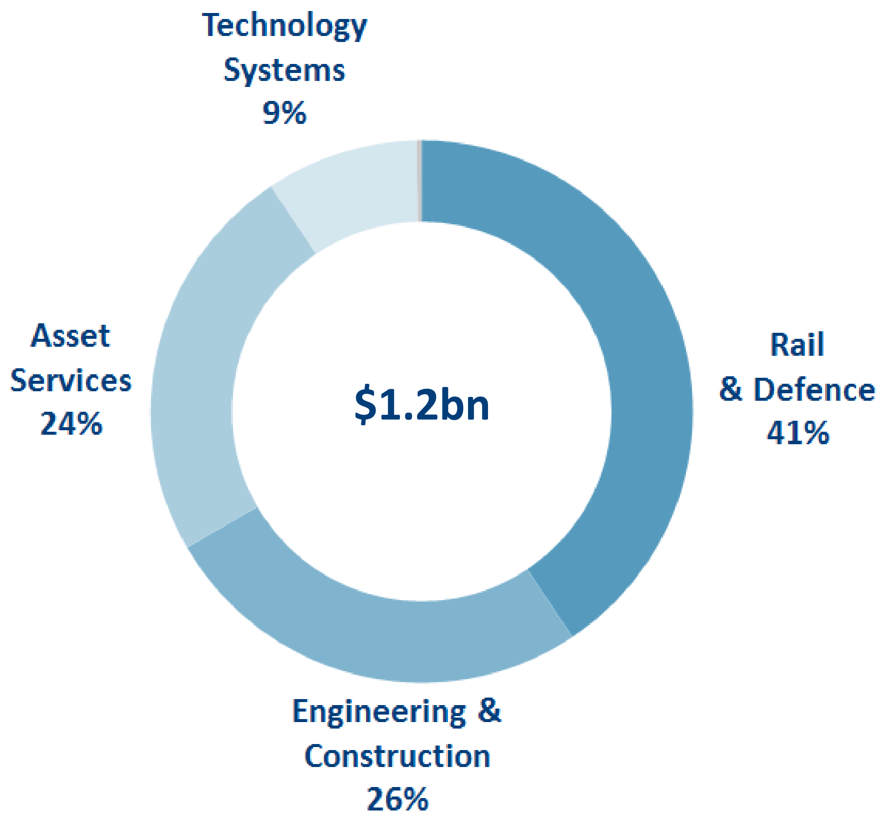
Operating revenue

Underlying ($m)

UGL Total Revenue



HY16 Revenue by Division



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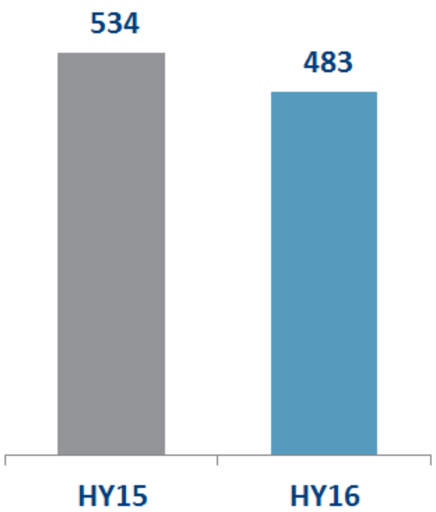
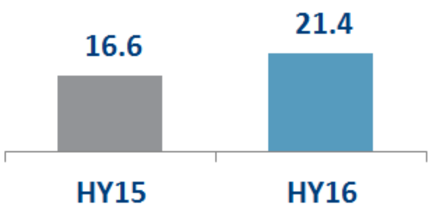
Rail & Defence

	HY16	HY15	Change
Revenue - $m	482.5	534.3	(10%)
EBIT - $m	21.4	16.6	29%
EBIT margin	4.4%	3.1%	
Order book - $b	2.3	2.5	(7%)

Revenue $m



EBIT $m



HY16 Overview

- Revenue impacted by coal freight locomotive sales volume
- Improved EBIT performance following rationalisation of under-utilised rail facilities
- Strong performance across freight services and Defence NSM contract
- Ongoing solid contribution from MTM and UGL Unipart contracts
- Solid order book with 95% recurring
- Key opportunities secured
  - ✓ Tangara technology upgrade
  - ✓ Bogie kits and frames to GE

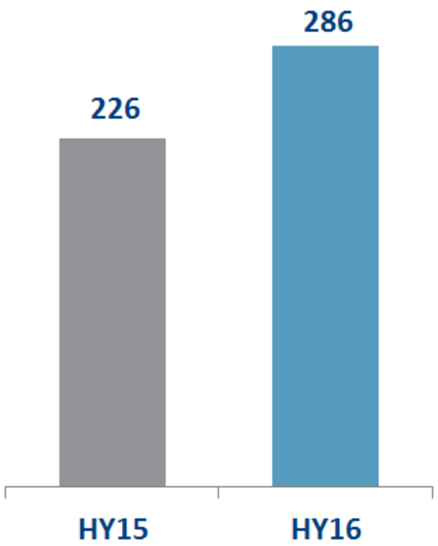
Outlook

- H2 expected to be in line with HY16 with continued strength in maintenance and upgrade markets offsetting subdued freight locomotive sales

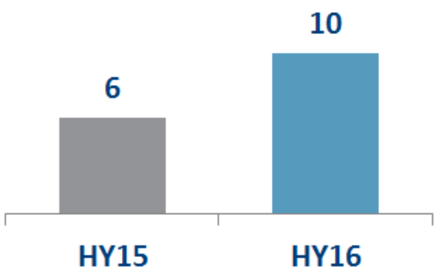
Asset Services

	HY16	HY15	Change
Revenue - $m	285.5	226.2	26%
EBIT - $m	10.5	6.2	67%
EBIT margin	3.7%	2.8%	
Order book - $b	1.0	1.0	0%

Revenue $m



EBIT $m



HY16 Overview

- Revenue growth driven by contracts secured in FY15, ramp up of Chevron and increased shut down and turnaround projects on Stanwell
- Improved EBIT margins driven by closure of WA design business in June 2015 and reset of coal sector to new base
- Order book remains stable and predominately recurring revenue
- Key opportunities secured:
  - ✓ Karratha Life Extension Program

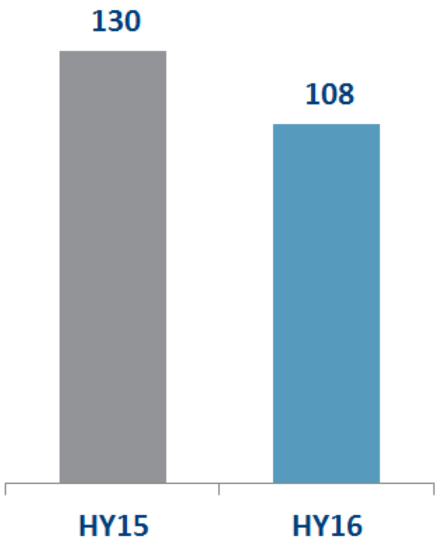
Outlook

- H2 is expected to be in line with HY16 with ongoing strong contribution from Chevron and ramp up of BP contract
- Shutdown revenue expected to increase significantly in FY17 as LNG plants enter first shut down cycle

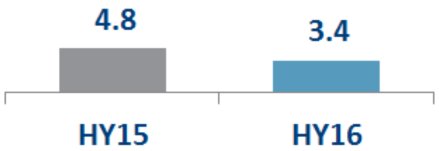
Technology Systems

	HY16	HY15	Change
Revenue - $m	108.3	130.4	(17%)
EBIT - $m	3.4	4.8	(28%)
EBIT margin	3.1%	3.7%	
Order book - $b	0.7	0.6	14%

Revenue $m



EBIT $m



HY16 Overview

- Revenue and EBIT contraction driven by the completion of Regional Rail Link in FY15
- Reduced revenue also from DTRS in HY16 as the project nears completion
- EBIT margin impacted by nil margin revenue from DTRS and Sydney Metro Northwest (not yet reached recognition threshold)
- Key opportunities secured
  - ✓ NorthConnex
  - ✓ Design and installation of radio communication system in rail sector

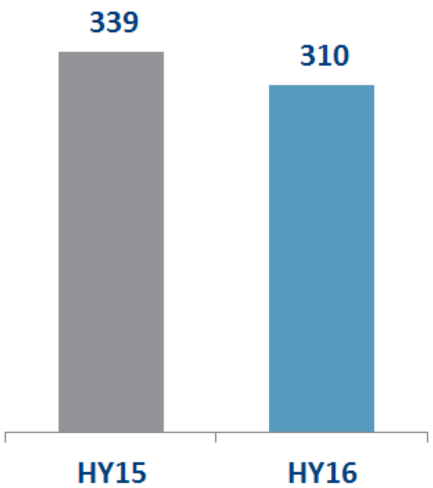
Outlook

- Revenue in H2 is expected to remain subdued pending the ramp up of major projects in FY17
- Improved EBIT margin in H2 as Sydney Metro Northwest reaches profit recognition threshold

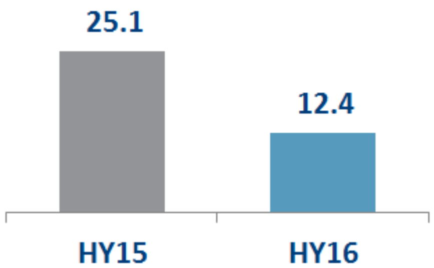
Engineering & Construction

	HY16	HY15	Change
Revenue - $m	309.5	339.0	(9%)
EBIT - $m	12.4	25.1	(50%)
EBIT margin	4.0%	7.4%	
Order book - $b	0.6	0.7	(17%)

Revenue $m



EBIT $m



HY16 Overview

- Revenue and EBIT down due to the ongoing impact of contraction in the resources sector
- Partially offset by increased revenue from Ichthys CCPP & SMP however no margin recognised
- Key opportunities secured
  - ✓ Wagga Wagga water treatment plant
  - ✓ Darwin Solar project
  - ✓ Heatherton substation refurbishment

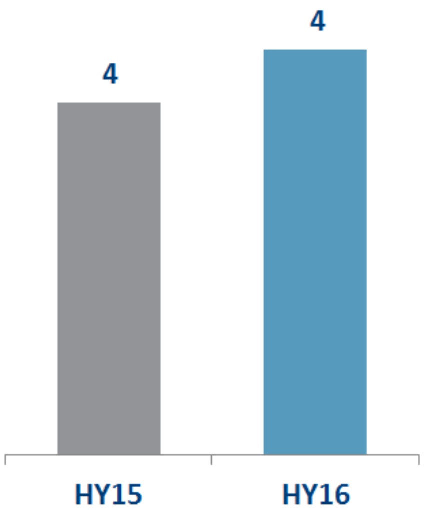
Outlook

- H2 revenue growth driven by increased contribution from Ichthys SMP with margin recognition to commence in H2 once commercial negotiations are complete
- FY16 EBIT margin will continue to be impacted by nil margin revenue recognised on Ichthys CCPP, with this impact reducing in FY17

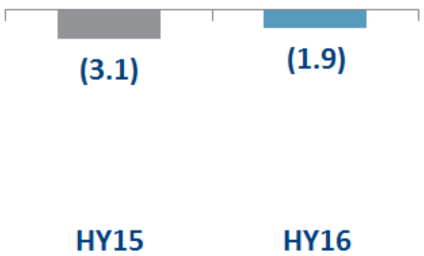
International

	HY16	HY15	Change
Revenue - $m	4.1	3.6	15%
EBIT - $m	(1.9)	(3.1)	38%
EBIT margin	NM	NM	
Order book - $m	60.5	35.0	73%

Revenue $m



EBIT $m



HY16 Overview

- Loss in H1 as new projects secured are yet to move to delivery phase
- Cost base now right sized to support operational scale
- Unprofitable Texmaco JV exited in FY15
- Secured Chao Chu Kang water works upgrade

Outlook

- H2 revenue is expected to be materially higher than HY16 as new projects secured move to the delivery phase
- There remains a strong pipeline of prospects in South East Asia in the near to medium term

Financial Analysis

Ray Church

Results overview

Underlying Results

$m	HY16	HY15*	Change
Operating revenue	1,187.4	1,229.1	(3%)
Divisional EBIT	45.8	49.6	(8%)
Corporate	(16.6)	(20.9)	(21%)
FX Gain on USPP Hedge	5.7	-	100%
EBIT	34.9	28.7	22%
EBIT margin	*2.9%*	*2.3%*	*26%*
Interest	(4.1)	(9.5)	57%
Tax	(10.8)	(5.7)	(90%)
Non Controlling Interests	(1.4)	(1.6)	13%
NPAT	18.5	11.9	55%
NPAT margin	*1.6%*	*1.0%*	
EPS	11.3	7.2	57%
ROFE	8.4%	7.0%	
ROE	4.1%	2.2%	
CAPEX	9.2	17.3	

UGL

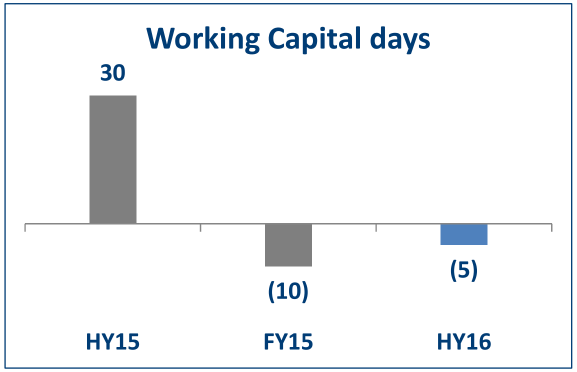
* HY15 results exclude DTZ to provide a consistent comparative for HY16 financial performance. A table reconciling HY15 underlying results to those previously presented is provided in the appendix.

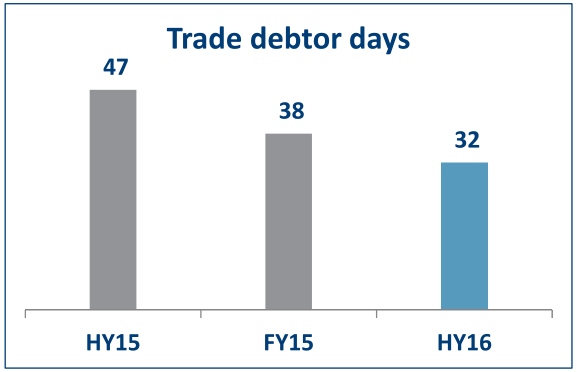
Reconciliation to statutory

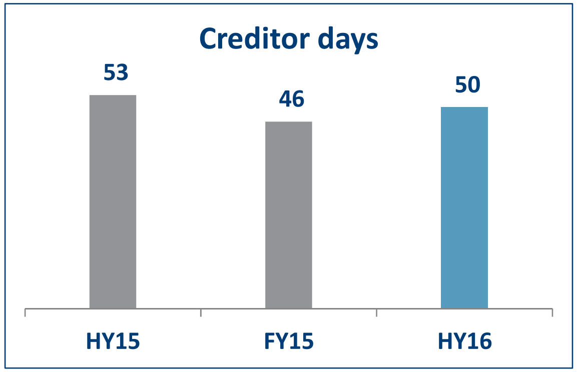
$m	UGL HY15	Equity accounted JVs	Statutory HY16
Operating revenue	1,187.4	(164.4)	1,023.0
EBIT	34.9	(2.6)	32.3
Interest	(4.1)	0.1	(4.0)
Tax	(10.8)	2.5	(8.3)
Non-Controlling Interests	(1.4)	-	(1.4)
NPAT	18.5	-	18.5

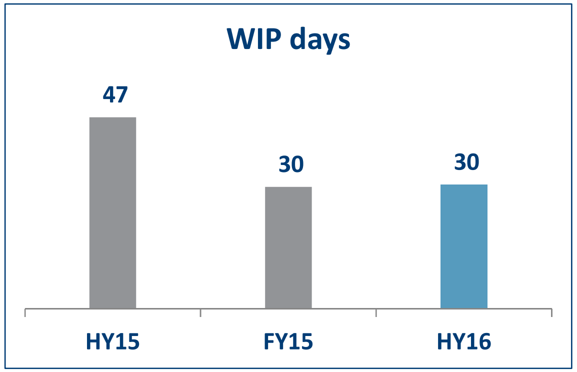
Working capital

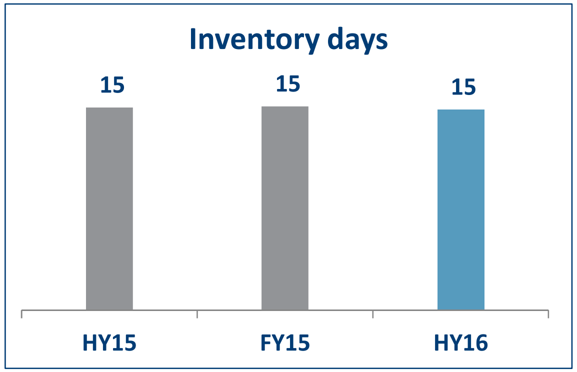
Working capital cash positive.
Debtors and creditors improving. Billings in advance drawing down.

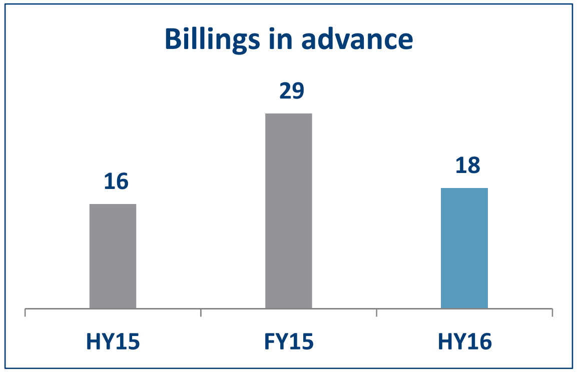










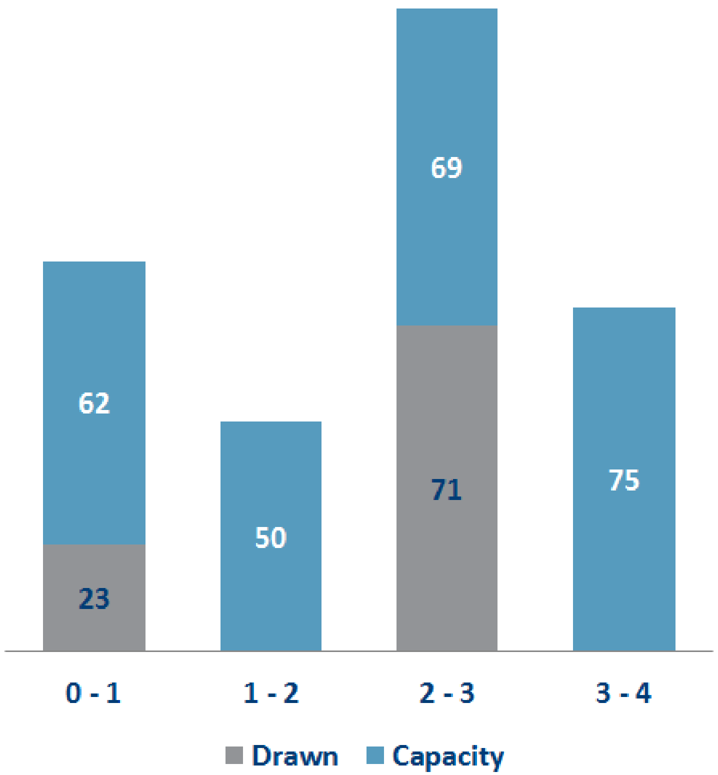


Cashflow conversion

$m	YTD Actual
EBITDA	**47.0**
Operating Cash Flow	3.0
Net Interest Paid / (Received)	5.0
Tax Received	(21.3)
Tax Paid	3.5
Ichthys CCPP	67.0
Restructure Cash	12.7
Adjusted Operating Cash Flow	69.9
EBITDA Conversion	**149%**

Debt structure

Debt maturity profile by years - $m



Credit metrics	HY16	FY15
Net cash ($m)	23	34
Net debt / (net debt + equity)	-	-
Net debt / EBITDA	-	-
Interest Cover	5.3x	4.0x

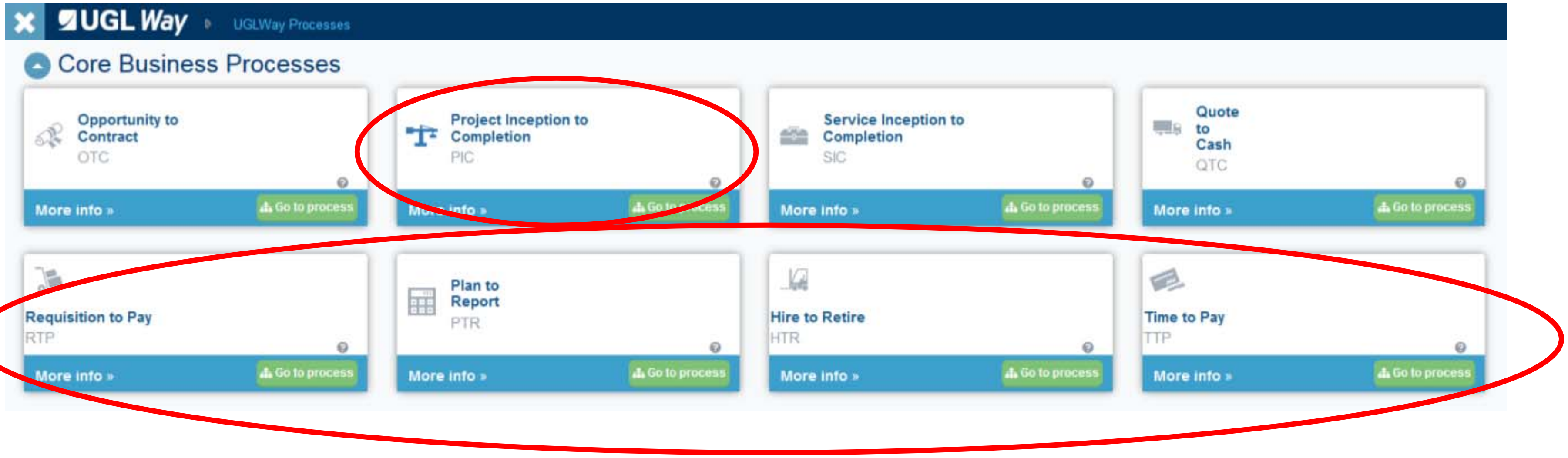
Debt	$m
Total facilities	350
Drawn	94
Cash	117
(Net cash)	(23)
Available Facilities	256
Total Liquidity	373

Bonding facilities	$m
Total facilities	527
Drawn	377
Available facilities	150

Progress against FY16 priorities

Priorities	1 Maintain lean overhead cost base	2 Embed consistent and standardised commercial and project management disciplines	3 Execute well to maintain gross margin	4 Disciplined portfolio management of business driving capital allocation decisions
Complete	✓ Overhead annualised run rate 1.7% of revenue	✓ Enhanced risk and governance framework in place	✓ Consolidated execution of higher risk projects within a single division under experienced leadership ✓ Standardised project management reporting	✓ Balance sheet distributed to Divisions ✓ Cashflow management responsibility devolved to Divisions and projects ✓ FY16 KPIs measure return on capital as well as sales and earnings performance
Solid Progress		• *UGL Way* deployment continues on program	• Structured program to strengthening project management capabilities	

The **UGL *Way***



Go Live March 2016

- UGL Way aims to standardise and streamline all practices everywhere within UGL
- Positive engagement across the business with strong senior management support
- Drive enhanced risk management across the organisation
- Significant progress on implementation – tracking to original timetable
- Development of first modules complete – Project management focus

A structured approach to strengthen project management capabilities

Q4 2015	Q1 2016	Q2 2016	Ongoing
Assessment	Development	Roll Out	Embedment

Project Management Capability Enhancement Program

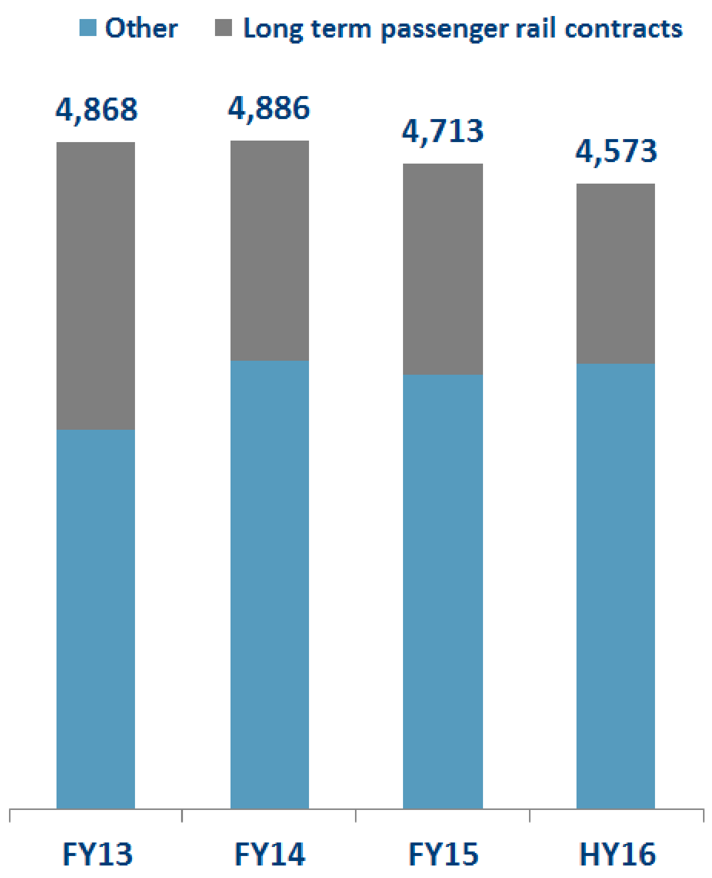
Formal learning	Learning at work		Certification
Workshops	Application of program in workplace	Ongoing workplace application and assessment of capabilities	Diploma of Project Management

Order Book & Pipeline

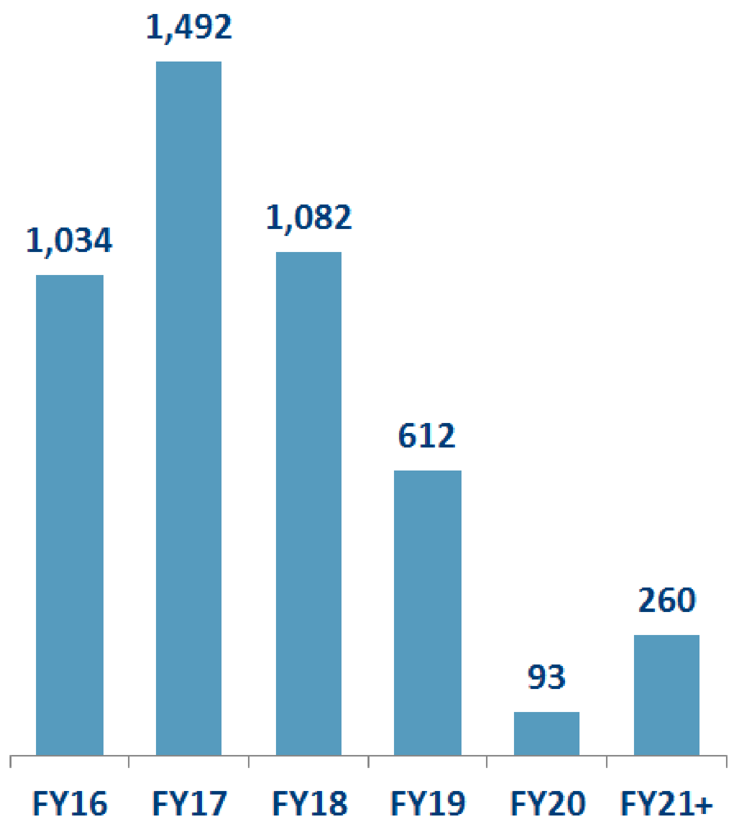
Ross Taylor

Order Book

Order Book Over Time ($m)



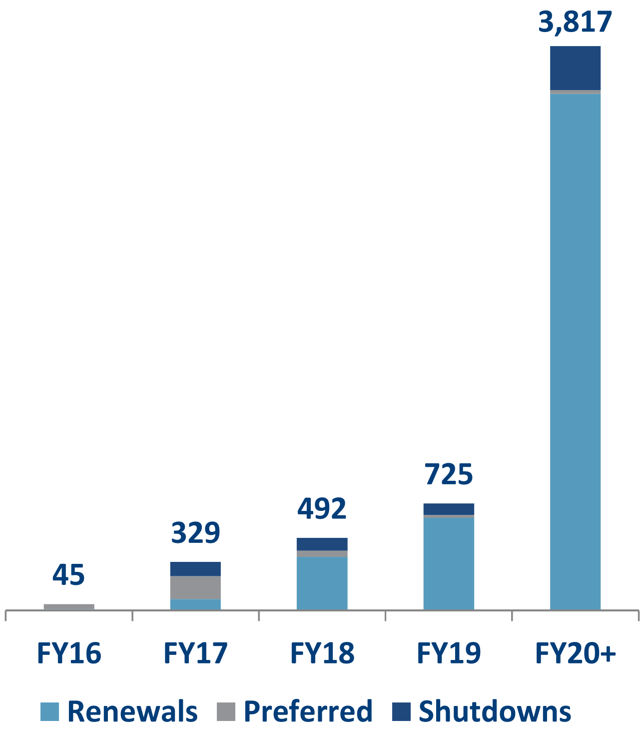
Order Book By Year ($m)



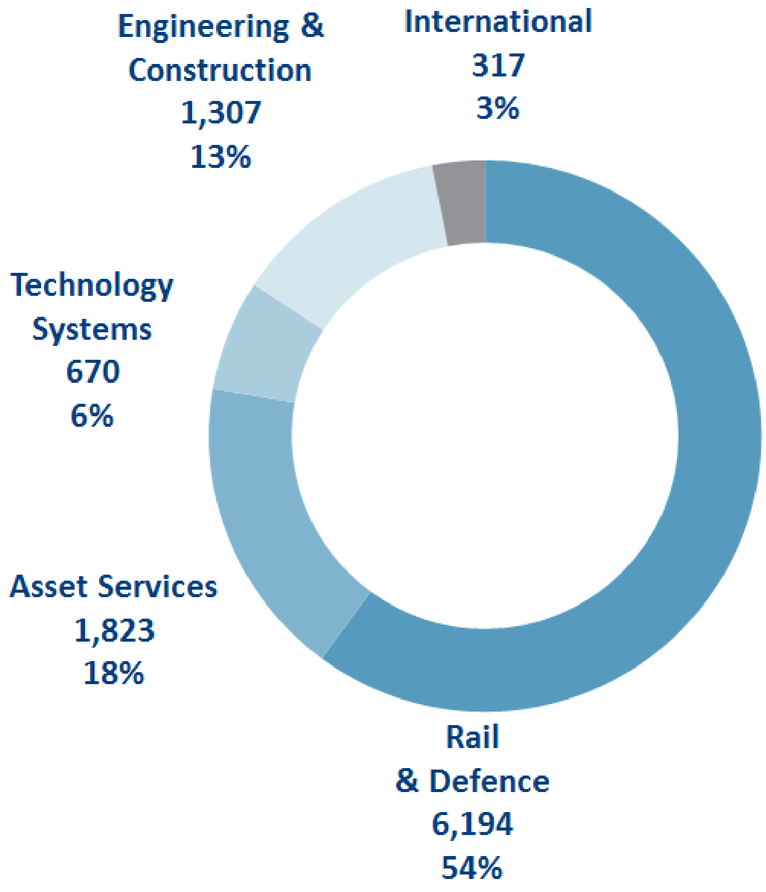
Pipeline

Preferred Opportunities ($m)

In addition to our $4.6 billion secured order book we have $5.4 billion of preferred opportunities including contracts with renewal and extension options & shutdown work under existing contracts



By Division ($m)



Outlook

Ross Taylor

Market outlook

Division	Operating Sectors	Market Outlook	UGL Positioning
Rail & Defence	Freight Rail	→	🟢
	Passenger Rail	↑	🟢
	Defence	↑	🟡
Asset Services	Oil & Gas	↑	🟢
	Power Generation	→	🟡
	Mining Services	→	🟢
Technology Systems	Intelligent Transport Systems	↑	🟢
	Rail Signaling	→	🟢
	Wireless Communications	↑	🟡
Engineering & Construction	Power	→	🟢
	Resources	↓	🟡
	Water	→	🟢
	Renewables	↑	🟡

Realising improved performance from FY16

	Description	
FY15 Step 1: Reset	• Complete project reviews and implement new initiatives • Complete restructure of divisional and corporate overheads to right size the business • Focus on and reduce WIP balance	*Completed*
FY16 Step 2: Turnaround	• Improve project gross margin delivery • Convert identified pipeline opportunities • Realise full run-rate of cost reduction initiatives implemented in FY15 • Revenue $2.3 billion and EBIT margin increase to 3% plus $5.7m FX gain in HY16 • Deliver average operating cash flow* conversion of 100% of EBITDA excluding Ichthys CCPP	*On Track*
FY17 Step 3: Step change	• Revenue step change by at least $300m driven by exposure to transport infrastructure and LNG maintenance • Commencement of major contracts within Technology Systems and Asset Services divisions • Improvement in margin due to replacement of nil margin revenue with new profitable contracts • Further EBIT margin improvement towards 4%	*On Track*
FY18 + beyond Step 4: Growth	• Sustainable enterprise and industry leader • Continue to seek opportunities for growth and value enhancement	

UGL

* OCF adjusted for interest & tax

UGL

maintaining today
creating tomorrow

Appendices

Major Contracts

Remaining contract value > $100 million

Name	Description	Division	Original Value ($m)	Duration	Contract type
UGL Unipart	In JV with Unipart Rail, heavy maintenance and logistics management services on 1,050 passenger cars in Sydney's passenger car fleet for Sydney Trains & Transport for NSW	Rail	1,400 +$900m extension option	2012-2019 + 5 year extension option	Schedule of rates
Metro Trains Melbourne	Operations and maintenance of Melbourne's passenger train franchise	Rail	1,300 excluding capital works	2009-2017 + 7 year extension option	Schedule of rates
North West Rail Link	Design, build, finance and operate the new rapid transit service as a member of the NRT consortium		Total consortium contract $3.7bn		
	• Design and deliver the tunnel systems, rolling stock, rail signalling and overall control systems in JV with MTR Corporation	Technology Solutions		2015-2019	Lump sum
	• Operations and maintenance of the service in JV with MTR & John Holland	Rail		2019-2034	Schedule of rates

Major Contracts

Remaining contract value > $100 million

Name	Description	Division	Original Value ($m)	Duration	Contract type
Pacific National	Upgrade and maintenance for a portion of the Pacific National Rail locomotive fleet	Rail	540	Maintenance: 2013-2020 Upgrade: 2012-2016	Schedule of rates Lump sum
Ichthys SMP	In JV with Kentz Corporation structural, mechanical and piping construction package for the Ichthys LNG Project	E&C	370	2014-2017	Lump sum
Stanwell	Facilities maintenance and management, overhauls and project works across Stanwell's coal, gas and hydro energy assets in Queensland	Asset Services	280	2014-2018 + potential for extension to 5 years	Cost plus
Ichthys CCPP Power Station	Design, supply of the balance of plant and the construction of a combined cycle power plant for the Ichthys LNG project	E&C	275	2012-2016	Lump sum
BP	Operation and maintenance of BP's 17 fuel terminals across Australia through a JV between UGL and BP	Asset Services	190	2015-2018 + 3 year extension option	Schedule of rates
Chevron Maintenance	Maintenance services for the operational phase of Chevron's Western Australian assets	Asset Services	NA	2014-2019 + 1 year ext + further extension options	Schedule of rates

Major Contracts

Remaining contract value > $100 million

Name	Description	Division	Original Value ($m)	Duration	Contract type
APLNG	Downstream maintenance, shutdown and modification project services for the operational phase of the Curtis Island LNG Facility	Asset Services	NA	2015-2019	Schedule of rates
GLNG	Maintenance, shutdown, engineering and project services for Santos GLNG's Curtis Island LNG facility	Asset Services	120	2015-2018 + extension options up to 4 years	Schedule of rates
Tangara Technology Upgrade	In joint venture with Unipart Rail, technology upgrade of fleet of 446 Tangara passenger railcars	Rail	131	2015-2018	Schedule of rates
NorthConnex	A four year alliance agreement with the Lend Lease Bouygues Joint Venture on the NorthConnex Project	Technology Systems	NA	2015-2019	Target Cost

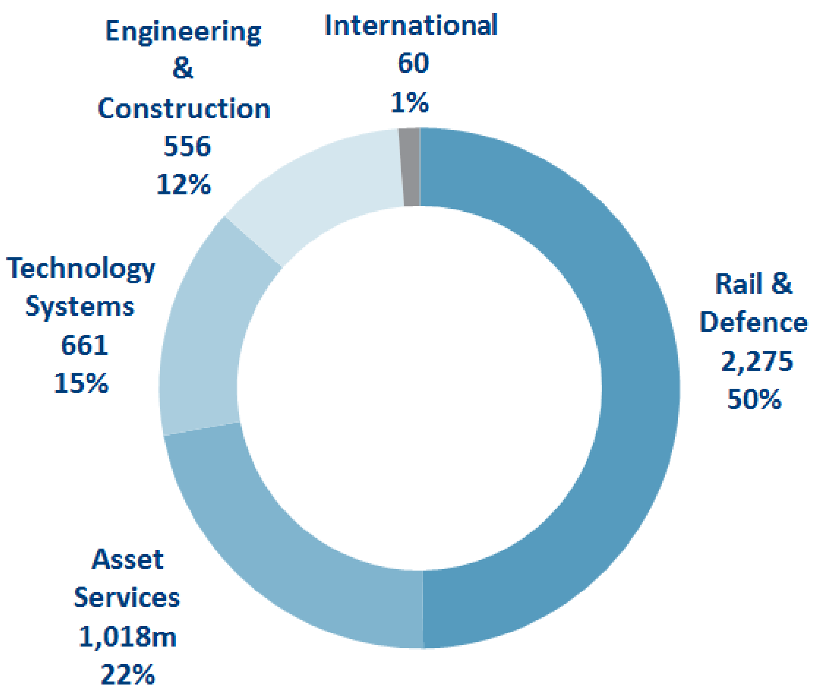
New Contract Wins and Extensions

✓ $1.0 billion in contract wins and renewals:

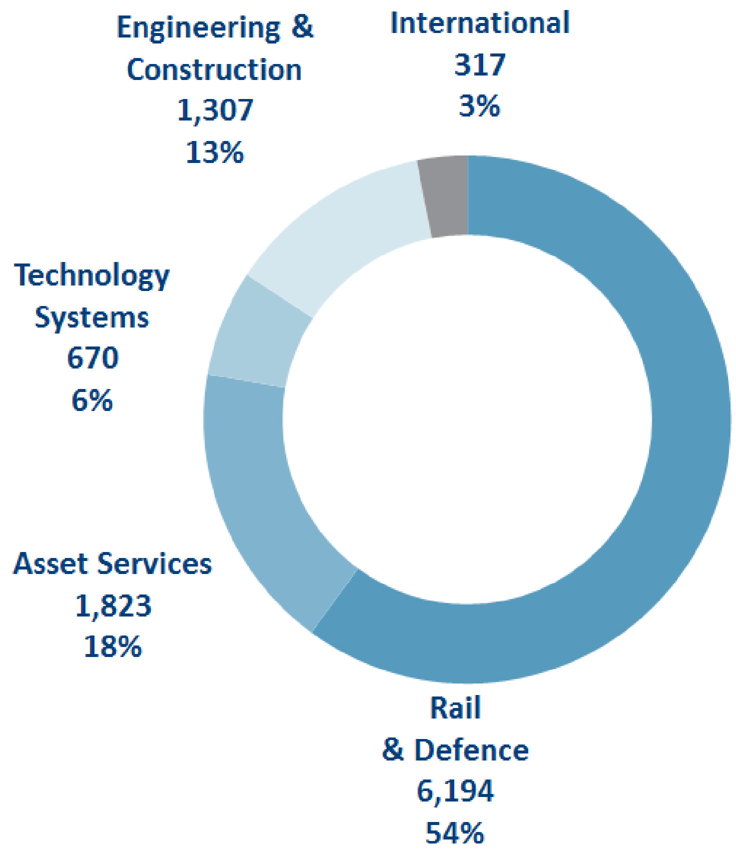
- Tangara Technology Upgrade: $131m contract undertaken by UGL Unipart Rail for technology upgrade of Tangara passenger rail fleet in Sydney
- NorthConnex: Four year alliance agreement with Lend Lease Bouygues Joint Venture for design, procurement, construction and commission of mechanical, electrical, control, fire and communication systems
- Two year contract in joint venture with Cape plc to provide a range of services to the Karatha Gas Plant Life Extension Program
- $55m contract for the design and installation of a radio communications systems in the rail sector
- Upgrade of Choa Chu Kang Water Works in Singapore

Order Book & Pipeline By Division

Order Book ($m)

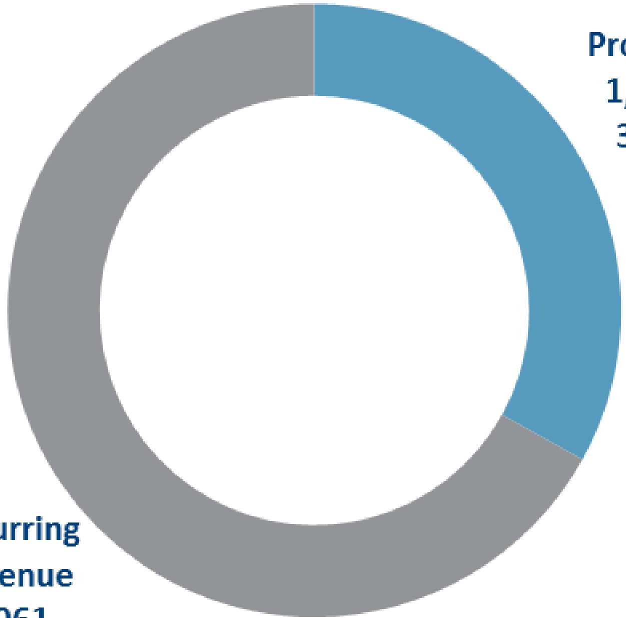


Pipeline ($m)

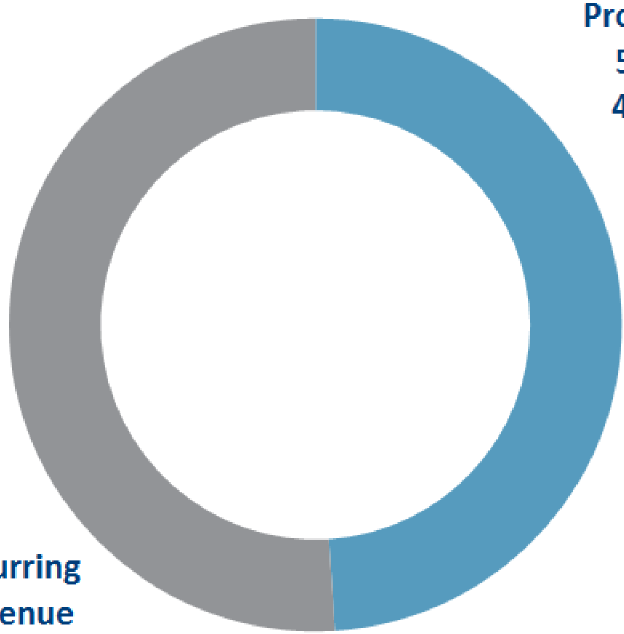


Order Book – Recurring/Project mix

All Years



FY16



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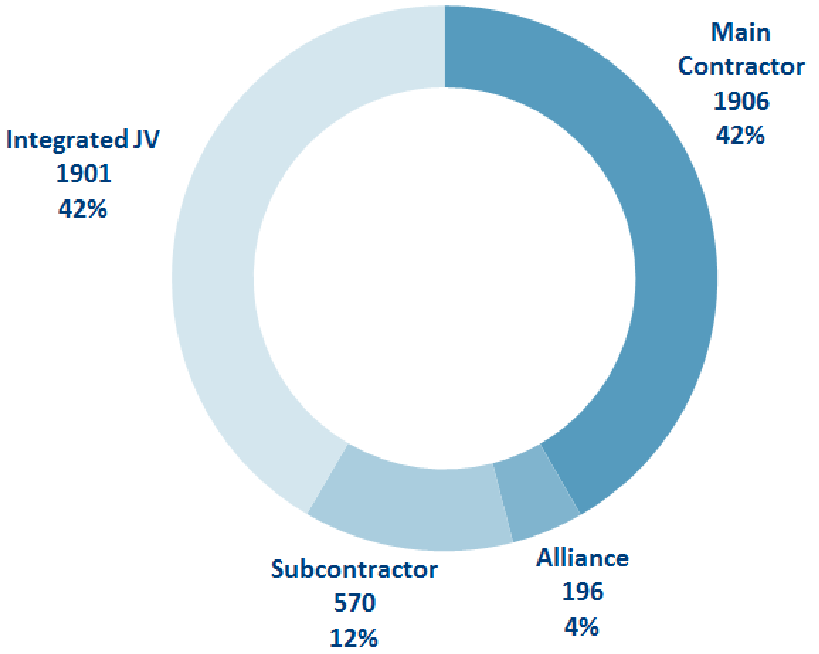
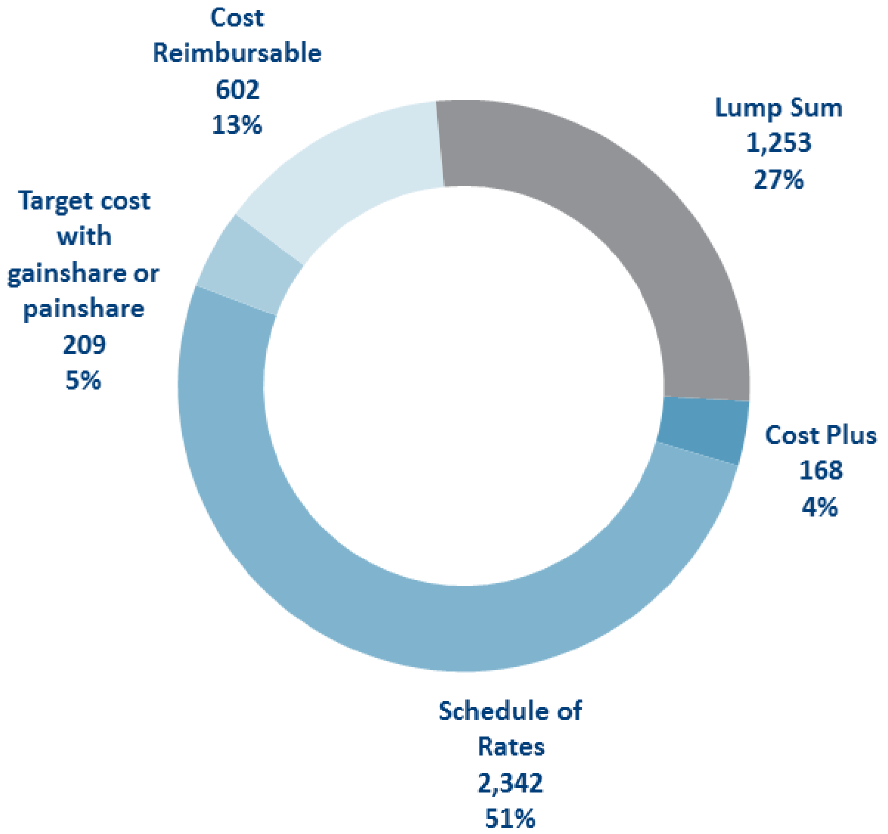
Order Book

By delivery structure ($m)



By contract type ($m)



Reconciliation of HY15

$m	UGL HY15	DTZ HY15	Underlying HY15	Equity accounted JVs	Provision for contract loss	Claims resolution and settlement	Resources slowdown	Tender costs written off	Discontinued operations	Continuing operations
Operating revenue	1,229.1	728.1	1,957.2	(231.8)	-	-	-	-	(717.5)	1,007.9
EBIT	28.7	27.8	56.5	(3.3)	(175.0)	(17.3)	(78.4)	(8.7)	(27.8)	(254.0)
Interest	(9.5)	(6.2)	(15.7)	-	-	-	-	-	6.2	(9.5)
Tax	(5.7)	(4.1)	(9.8)	3.3	52.5	5.2	20.6	2.6	4.1	78.5
Minority interest	(1.6)	(0.1)	(1.7)	-	-	-	-	-	0.1	(1.6)
NPAT	11.9	17.4	29.3	-	(122.5)	(12.1)	(57.8)	(6.1)	(17.4)	(186.6)
Profit attributable to discontinued operations (net of tax)										64.1
Statutory loss attributable to owners of the company										(122.5)