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# E&A LIMITED

## 2016 First Half



**Presentation on results, progress and outlook**  
Six months to 31 December 2015

# Half Year to 31 Dec 2015 - At A Glance

## Financial

- Revenue \$81.6m, down 24%, Underlying EBIT loss of \$710K, with improved underlying second quarter EBITDA of \$2.9M
- \$4.2 million recovered to 31 Dec 15 in adjudication determination. A further \$6.1 million recovered on 8 Jan 16.
- Market conditions continued to remain challenging for iron ore, oil & gas and renewable energy wind tower fabrication.
- Revenue and trading result impacted by finalisation of two onerous contracts, disputed contract claims and restructuring costs
- Statutory Net Loss after Tax of \$10.7m after non cash impairment of \$6.1M and significant one-off costs of \$1.5M.

## Operating

- Realigned business towards maintenance services, shutdowns and sustaining capital projects
- Productivity & Profit Improvement Program delivered annualised savings of \$6m with further \$2m of annualised savings expected in FY16
- Continued growth of Tasman Power and Tasman Rope Access maintenance opportunities
- Zero LTI record maintained across entire business
- Exited exposure to major onerous construction projects

## Strategic

- Establishment of LIM OCMF loan facility and restructure of banking facilities
- Continue to progress the recovery of the disputed, variation, delay and disruption contract claims for their existing carrying value
- Establishment of Tasman Rope Access business



# Key themes and progress for 2016 to date

Rebuilding shareholder value is after safety our key priority.

Our 4 point strategy has 3 main points of focus.

## Capital management

- ✓ 2 year loan facility agreement with LIM
- ✓ Refinance of working capital facilities
- ✓ Claims Recovery Team resourced and tasked
- ✓ \$10.3 million recovered to date in adjudication determinations to date
- ✓ Formal dispute proceedings initiated on outstanding claims

## Earnings generation and business improvement

- ✓ Productivity & Profit Improvement Program added \$2m annualised savings to \$6m already achieved
- ✓ Ottoway completed underperforming contracts. Won \$20m new contracts
- ✓ Tasman Power continued to expand market share in maintenance and shutdown.
- ✓ Successful establishment of Tasman Rope Access business
- ✓ Fabtech \$18m new contracts
- ✓ ICE \$8m new contracts

## Collection of Disputed Claims

- ✓ Collection of GELOR claim for \$4.2m
- ✓ Collection of NRAH disputed claim of \$6.1m in first week of January 2016
- ✓ Establishment of legal teams to facilitate resolution of remaining claims



# Market conditions

## Heavy mechanical & Electrical

- Sharp contraction in construction activity
- Increased share of revenue from shutdown maintenance and sustainable projects
- Clients enduring extreme price and margin pressure and acting accordingly
- RET policy uncertainty removed, tentative new investment in early stages
- Turnbull Govt. releases Defence White Paper with record commitments to naval ship building

## Maintenance Engineering & plant construction

- Maintenance & shutdown service market growing, competitive
- Plant construction, rig & heavy equipment repair market subdued
- Growing opportunities for Rope Access business

## Water and fluid solutions

- Ongoing work from water, waste and agribusiness sectors
- Ongoing contraction in Qld workload, LNG sector facing margin squeeze

## Investment & corporate advisory

- Team refocussed internally to support rebuilding of shareholder value through professional team input into Productivity Improvement Program and claim recovery



# Principal financial results

## Profit and loss

- Revenue down 23% to \$82.6M
- Underlying 1<sup>st</sup> Half EBIT loss of \$710K
- Underlying improved Second quarter EBITDA of \$2.9M;
- Non Cash goodwill impairment of \$6.1M

## Cash flow

- Cash outflow from Operations before tax and interest of \$11.7M
- Received \$6.1M on 8 January 2016 in relation to NRAH contractual dispute

## Balance sheet

- Net Current Assets \$14.6M compared to Net Current Liabilities as at 30 June 2015 of \$26.9M

<b>FY16 HALF YEAR RESULTS SUMMARY</b> <i>EAL GROUP (\$000's)</i>	<b>HALF YEAR</b> <b>FY16</b>	<b>HALF YEAR</b> <b>FY15</b>
Revenue (including 'Other Income')	<b>82,579</b>	107,713
Underlying EBIT from continuing operations	<b>(710)</b>	5,042
Net interest expense	(3,834)	(1,831)
Underlying profit before tax	<b>(4,544)</b>	3,211
Tax expense	1,397	(892)
Underlying net profit / (loss) after tax	<b>(3,147)</b>	2,319
<b>Significant items (after tax)</b>		
Goodwill impairment	(6,077)	-
Work in progress impairment	(261)	-
Finance establishment and restructuring costs	(1,248)	-
<b>Reported Statutory net profit / (loss) after tax</b>	<b>(10,733)</b>	2,319
Net Current Assets/(liabilities)	<b>14,582</b>	
Cash from Operations Before Tax and Interest	<b>(11,700)</b>	



# Performance by segment

HY16 Segment Contributions (in \$millions) - Underlying	Revenue		EBIT	
	HY16	HY15	HY 16	HY15
Heavy Mechanical & Electrical Engineering	43.8	72.4	-2.3	3.5
Water & Fluid Solutions	18.7	27.0	0.2	1.3
Maintenance Engineering & Plant Construction	28.3	10.9	1.6	0.2
Investment & Corporate Advisory	2.6	2.5	-0.2	0.1
<b>Total (before intercompany eliminations)</b>	<b>93.4</b>	<b>112.8</b>	<b>-0.7</b>	<b>5.0</b>

## Heavy Mechanical & Electrical

- Finalisation of problematic contracts
- General market conditions, delays in contract award
- RET recovery slow

## Water & Fluid Solutions

- Sales, activity down due to subdued conditions
- Agribusiness emerging source of work

## Maintenance Engineering & Plant Construction

- Revenue up on increased maintenance
- Margins tighter on competitive market conditions
- Tasman maintenance and rope access growth
- Heavymech QMM impacted by iron ore & steelmaking markets

## Investment & Corporate Advisory

- Shift from external to internal focussed workload assisting productivity improvement program and claims recovery.

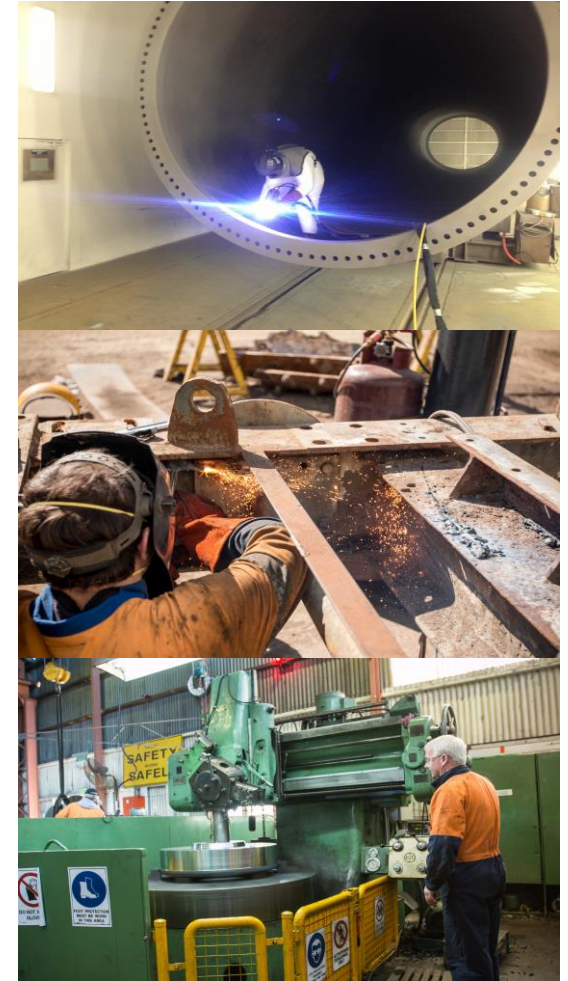


# Safety & Our People

## Outstanding Safety Performance

E&A Limited's safety performance resulted in significant milestones, during the first half of FY16 and subsequently:

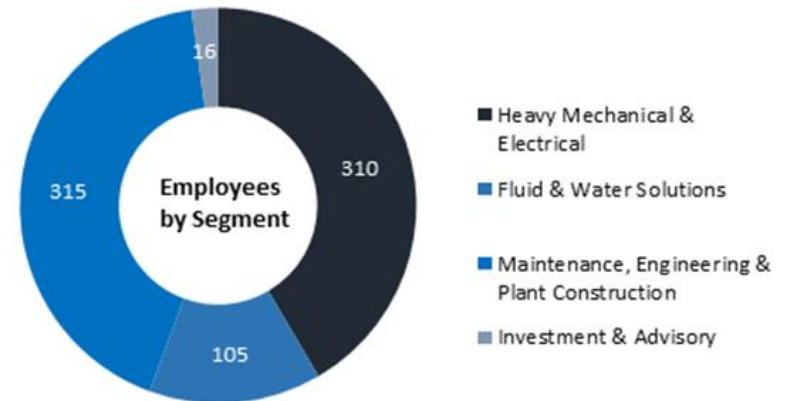
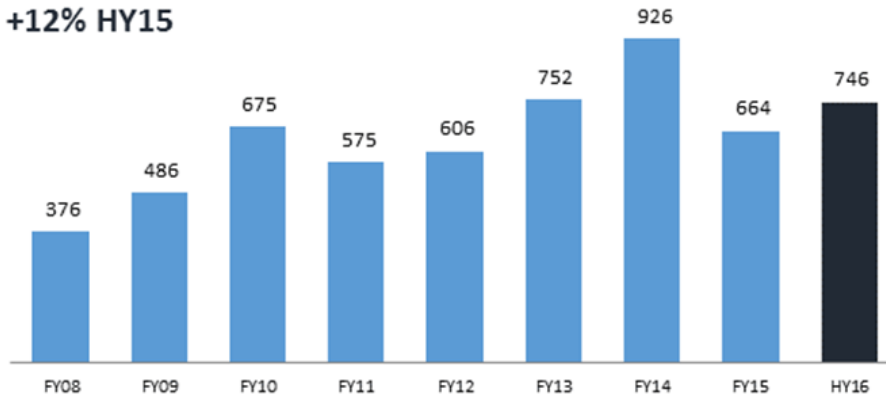
Subsidiary	LTI Free Days	LTI Free Hours Worked
ICE	3,458	>1,800,000
Fabtech	2,304	>1,600,000
Ottoway Engineering	1,964	>2,730,000
Ottoway Fabrications	1,891	>1,233,000
QMM	1,855	>510,000
Tasman Power & Tasman Rope Access	1,670	>913,000
Heavymech	1,105	>194,000



# Safety & Our People

## People Performance

Employee Numbers  
+12% HY15



- Throughout the first half of FY16, EAL subsidiaries have reduced their labour costs in line with the market demand.
- Total employee numbers have risen by 12% to 746 employees over the last six months with increasing contractual wins and work commitments particularly for Tasman Power, Tasman Rope Access and Fabtech.
- Since obtaining self-insurance status in July 2014, EAL has managed to resolve 11 out of the 12 workers compensation claims which were transitioned from Return to Work SA.
- EAL's focus on safety has enabled it to significantly reduce its workers compensation costs which it has in turn shared with its clients as part of EAL's subsidiaries commitment to meet their clients' expectation of cost reduction in everything they do.



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# Second half outlook

- Challenging market conditions is not expected to change during the second half of FY'16.
- Several EAL subsidiaries have started CY16 with improved order books and recent trading performance has been profitable as a consequence of these newly secured works.
- Maintenance, shutdown and sustaining capital projects in the oil & gas and mining sectors remains stable albeit at competitive margins.
- EAL has strategically repositioned its businesses, focusing on maintenance and sustaining capital projects which enjoy a stronger recurring work profile, and a lower contractual risk than major lump sum contracts.
- EAL also expects to benefit from the earnings contribution of the newly established Tasman Rope Access business during the second half of FY16.
- EAL is well positioned to capitalise on the anticipated surge of activity expected from RET for wind towers, however, this activity has been slower to pick up than originally forecast by management.
- In the medium to long-term, EAL expects to benefit from the recently announced \$39 billion of defence shipbuilding budget.
- Finally EAL expects to capitalise on the benefits of the Productivity & Profit Improvement Program focused on identifying and delivering further productivity improvements across its businesses.



# Rebuilding shareholder value FY16 second half

Points of action in second half for rebuilding shareholder value in period to June 2016

## Capital management

- Pursuit of outstanding claims, with \$6.1 million receipted on 8 January 2016
- Potential sale of one or more businesses if appropriate transaction on offer
- Repayment of debt from proceeds from claim recoveries

## Earnings generation and business improvement

- Further gains by Productivity & Profit Improvement Program with aim of \$2 million savings in FY16
- Expansion to Blucher product range
- Perform expanded order book for Fabtech
- Growth of Tasman Power and Rope Access Business
- Growth in maintenance opportunities

## Claim Resolution

- Collected NRAH disputed claim of \$6.1m in first week of January 2016
- Established legal teams to facilitate resolution of remaining claims



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