

ASX MEDIA ANNOUNCEMENT

26 August 2016

GCS Reports Strong Underlying Performance in FY16

Key Highlights

- Underlying NPAT up 38% to \$12.0m
- Underlying EBITDA up 8% to \$30.3m
- Operating cashflow before tax up 5% to \$31.4m
- Net debt down 55% to \$13.8m
- Strong balance sheet and cash position of \$20.7m
- Fully franked dividend declared of 1.0 cent per share
- Approved re-finance of debt facilities to reduce cost of debt going forward
- One-off non cash impairment of assets and goodwill of \$88.9m (after tax) reflecting certain underperforming assets and current market conditions
- Strong pipeline of projects in WA commercial sector
- East coast expansion strategy has commenced with the signing of the first Binding Term Sheet to acquire Podium Glazing Australia and a number of other acquisition targets shortlisted

Commenting on the FY16 results, Group Managing Director, Enzo Gullotti said "The Group delivered a very strong underlying financial result with a year of further consolidating of the WA business. We now have a significant focus on east coast expansion opportunities which will allow the company to operate on a national basis"

The result reflects GCS' diversified revenue streams and broad product offerings which underpin the Group's profitability and growth potential, despite variable market conditions in WA. The Group has strengthened its position in its core maintenance contracting and labour services operations and continues to execute on the strategy to build annuity style revenue streams. In addition, the SmartScaff joint venture continues to exceed expectations driven by strong demand on the east coast

The continued reduction in net debt and approved re-finance of the Group's debt facilities leaves the balance sheet in a very strong position, and will deliver significant savings in terms of debt servicing costs going forward.

The non-cash write down of the carrying value of certain trading assets and goodwill reflects current market conditions and will assist reported earnings through a reduction in depreciation and amortisation charges going forward.

Commensurate with the improved financial position and outlook for the company, the Board of Directors is pleased to declare a fully franked dividend of 1.0 cent per share, payable to shareholders on the 14th October 2016 with the record date for entitlements being 15th September 2016. This represents the first dividend payment since 5th April 2013. The Board is confident of the company's ability to pay regular dividends going forward, which adds to the investment appeal of GCS.

GCS is well placed to continue to improve performance, take advantage of a significant pipeline of new projects, and to actively pursue growth and market consolidation opportunities in FY17 and beyond.

The announced signing of a binding term sheet to acquire 51% of Podium Glazing Australia marks the beginning of a new phase for GCS as the company embarks on



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further expansion of its east coast operations and increasing GCS' geographic diversification. The fragmented nature of the industry in which the company operates offers significant consolidation opportunities. A number of key acquisition targets have been shortlisted in Melbourne, Sydney, and Brisbane and further announcements will be forthcoming in FY17.

Commenting on the outlook Mr Gullotti said "we are fortunate, given the diversity not only in the products and services we offer, but also in the ability to transfer key assets and resources across Australia to take advantage of the significant pipeline of opportunities not only in the WA commercial sector but also in Melbourne, Brisbane, and Sydney"

"The current strategic growth objective on the eastern seaboard could see GCS become one of the major operators of its kind across Australia, with revenue potential within 3-5 years of circa \$500 million"

-ENDS-

ABOUT GCS

The GCS Group is an Australian construction and maintenance services company that offers a diverse range of integrated products, services, and solutions covering the Infrastructure; Energy; Oil & Gas; Resource & Industrial; Commercial; and Residential sectors. The GCS Group's strategy for growth is to continue to capitalise on opportunities in the sectors it currently services, explore new markets and products, diversify into related industry sectors, and acquire selected new businesses that create value for shareholders.

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