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PS&C reports end of year results

PS&C Ltd (ASX:PSZ) Diversified information and communications group announces its results for the year ended 30 June 2016.

- Operating revenue up 1% to \$85.33m (pcp: \$84.47m)
- Normalised EBIT down 9% to \$7.95m (pcp: \$8.72m)
- Statutory net profit after tax \$6.97m (pcp: \$7.12m)
- No final dividend as cash is conserved for growth plans
- Acquisition of Bexton completed October 15
- Acquisition of Certitude in January 16

PS&C is pleased to report earnings at the higher range of those given in the announcement on 20 June 2016.

People

The People business performed well with revenue and EBIT growth in FY16 largely due to addition of general IT services via Bexton. Management expects the segment to continue to perform well into 2017 with the group's additional capabilities in project augmentation.

Security

Revenue of the Security business has increased slightly on the previous corresponding period however a larger proportion of revenue has come from lower margin product sales rather than the higher margin services income stream. Services income is down on last year due to delayed projects and non-completion of work, with the first half impact continuing into the second half resulting in the last quarter earnings not being as strong as previous years.

The sector remains active from a customer viewpoint and PS&C Security has made significant inroads to widening its offering. The acquisition of Certitude will assist in engaging with customers earlier in the process of developing their security plans. PS&C has a growing security governance offering and is adding more scalable services to this.

In addition, significant integration planning has taken place in the Security segment. The Melbourne and Sydney resources of Securus Global will be under the management of Rob McAdam, effectively creating Melbourne and Sydney Security practices. This will enable revenue and cost synergies.

Rob McAdam is the founder of Pure Hacking and the board of PS&C is very pleased that this experienced Security executive has taken over as Group General Manager of PS&C's Security segment.

Chris Gatford, founder of Hacklabs will become PS&C's Chief Technology Officer, and will continue to contribute to the Security group operationally.

PS&C is widening its offering in the security industry and these activities will provide growth into the future. The Security segment is being placed to take advantage of increasing customer spend on cyber security services.

Communications

The Communications segment is significantly down on FY15 with customer demand in the final quarter not as strong as previous years. In addition, timing of customer deliveries has impacted revenue and profits.

The business is moving towards longer term engagements that will provide recurring revenue and allow the business to be less reliant on end of financial year activity.

Outlook

PS&C Managing Director Kevin McLaine said:

"While the result for the year is disappointing on the whole, we were pleased that the structural changes that have occurred in the business are behind us. The operating units are well led and we are confident the businesses are in a position to take advantage in their respective markets. There is significant opportunity across our group and we will continue to look for opportunities to expand. This is one of the reasons for not paying a final dividend as we are looking to conserve cash to expend on growth related opportunities. We will look to resuming dividends for this financial year."

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