

# Savcor Group Limited

Results for the half-year ended 30 June 2009

Friday, 28 August, 2009 in Sydney

Monday, 31 August, 2009 in Melbourne and Brisbane



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## Agenda

- H1 - 2009 Summary
- Balance Sheet
- Cash Flow
- Financing facilities
- Financial performance – FACE division
- Financial performance – ART division
- Financial performance – Corporate
- Outlook

## H1 - 2009 Summary

	H1 - 2009	H1 - 2008
Revenue	\$50.6m	\$58.4m
EBITDA	\$2.9m	\$11.3m
EBITDA margin	5.7%	19.4%
EBIT	\$(1.1m)	\$8.5m
EBIT margin	(2.3)%	14.5%
NPAT	\$(2.3m)	\$5.5m

- No dividend.
- Reduction in earnings: some projects deferred and tighter profit margins in ART business combined with soft demand in FACE business markets.

## Balance Sheet

(A\$m)	Jun 2009	Dec 2008
Cash	4.6	6.8
Receivables	24.3	25.9
Inventories	7.6	9.9
Plant & Equipment	36.9	42.0
Intangible & Other Assets	18.5	18.3
<b>Total Assets</b>	<b>91.8</b>	<b>102.9</b>
Payables	14.2	14.0
<b>Borrowings</b>	<b>39.2</b>	<b>42.4</b>
Other Liabilities	3.3	4.3
<b>Total Liabilities</b>	<b>56.7</b>	<b>60.7</b>
<b>Shareholders' Equity *</b>	<b>35.1</b>	<b>42.1</b>

Net Debt	34.6	35.6
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\* Note: Change in shareholders' equity consists of \$(4.3)m change in foreign currency translation reserve, \$(0.5)m of share buyback, \$0.1m of share based payments and the financial period's net result of \$(2.3)m.

## Cash Flow

(A\$m)	H1 - 2009	H1 - 2008
NPAT	(2.3)	5.5
Depreciation and amortisation	4.0	2.8
Other non-cash items	(1.4)	(1.5)
Working capital movement	2.8	(5.5)
<b>Operating cash flow</b>	<b>3.1</b>	<b>1.3</b>
Capital expenditure (net, excluding acquisitions)	(4.1)	(5.4)
Acquisitions	(0.5)	(3.0)
<b>Net cash flow after investments</b>	<b>(1.5)</b>	<b>(7.1)</b>
Share buyback	(0.5)	(0.2)
Pre-listing period dividends	-	(2.8)
<b>Net cash flow before funding</b>	<b>(2.0)</b>	<b>(10.1)</b>

## Financing facilities

(A\$m)	Aug 2009	Dec 2008
Cash advance - Australia	21.5	20.0
Cash advance – China (C¥133M)	23.3*	28.1*
Overdraft	1.0	-
Bank guarantee	4.4	-
Multi-option	-	5.0
Working capital	-	5.0
Other facilities	0.7	1.4
<b>Total facilities</b>	<b>50.9</b>	<b>59.5</b>

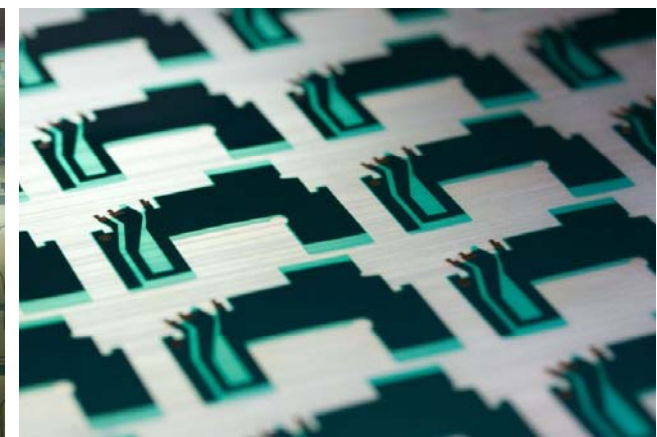
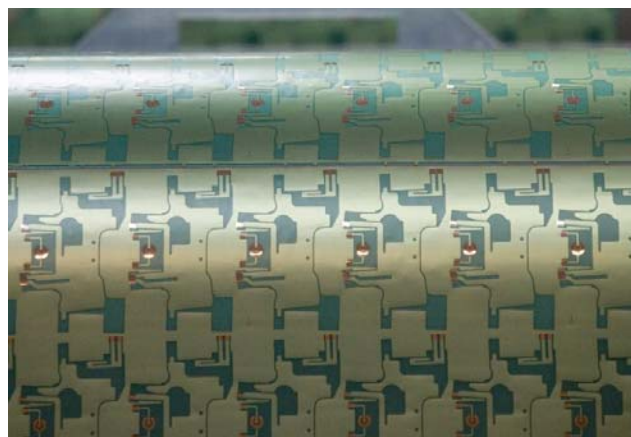
\* C¥133m converted to A\$ at 5.70 in August 2009 and at 4.73 in December 2008

- Banking facilities renegotiated for Australia and China in August 2009.
- \$44.5m drawn as at 27 Aug 09 consisting of \$41.5m in loans and leases and \$3.0m in bank guarantees.
- \$6.4m undrawn of \$50.9m financing facilities (as at 27 August 2009).



# Financial performance

## Face Division





## Financial performance - Face Division

	H1 - 2009	H1 - 2008
<b>Revenue</b>	<b>\$15.5m</b>	<b>\$19.8m</b>
<b>EBITDA</b>	<b>\$0.5m</b>	<b>\$4.9m</b>
EBITDA margin	3.3%	24.8%
<b>EBIT</b>	<b>\$(2.0m)</b>	<b>\$3.6m</b>
EBIT margin	(12.9)%	18.3%

Note: Royalties and service fees of \$0.3m in H1 – 2009 and \$0.7m in H1 – 2008 paid by Savcor FACE Division companies to Savcor Group Limited have not been added back to the divisional results.

- “Product margins” are only slightly smaller than earlier – the low volume of work is a serious issue.
- Mobile phone market globally is fluctuating – total volumes for this year are still unknown.

## Face Division:

- Guangzhou decorative factory works technically very well.
- Forecasts fluctuate more than ever. We assume global mobile phone market is very volatile this year.
- Savcor starts to look at markets outside the mobile phone industry such as the cosmetics and automotive industries.

## Face Division:

- Savcor believes its market share in camera modules has increased. Prices started to deteriorate last year. Prices were stable during H1.
- New camera categories to come online. Savcor believes it is well-positioned because of early involvement in the development of next generation cameras.
- Antennae production has been slow due to reduced global demand and destocking.
- RFID business has been hit in the global crisis. H2 is believed to be better.

## Financial performance ART Division



## Financial performance - ART Division

	H1 - 2009	H1 - 2008
<b>Revenue</b>	<b>\$35.5m</b>	<b>\$39.1m</b>
<b>EBITDA</b>	<b>\$3.6m</b>	<b>\$7.4m</b>
EBITDA margin	10.3%	18.9%
<b>EBIT</b>	<b>\$2.8m</b>	<b>\$6.7m</b>
EBIT margin	8.0%	17.0%

Note: Corporate fees of \$1.5 m in H1 – 2009 and \$1.3m in H1 – 2008 paid by Savcor ART Division companies to Savcor Group Limited have not been added back to the divisional results.

- ART profit was hit by a sudden stop in all maintenance work at an important customer site – now Savcor is back working at full speed.
- According to Savcor’s forecasts, H2 will be much better than H1.
- New innovative hi-tech products may start selling during H2 – IPI, Wedge, Futurtec – structural health monitoring.
- IPI related technology may have a new application in water and wastewater treatment.

## Financial performance – Corporate

	H1 - 2009	H1 - 2008
Revenue	\$1.9m	\$2.0m
EBITDA	\$(1.2m)	\$(1.0m)
EBIT	\$(1.9m)	\$(1.7m)

Note: Revenues include corporate fees of \$1.5 m in H1 – 2009 and \$1.3m in H1 – 2008 from Savcor ART Division and royalties and service fees of \$0.3m in H1 – 2009 and \$0.7m in H1 – 2008 from Savcor FACE Division .

- Cost reduction program continues.  
 During H1 almost \$1 million in overhead costs were cut in ART alone.

## Outlook

- CY2009 EBITDA guidance was revised in June to 30-40% below last year's EBITDA of \$24.2 million due to the weak first half and minimal visibility in the FACE business for the rest of the year.
- Immediate priority is to make sure that the whole organisation understands the importance of meeting our financial targets for H2.
- Savcor continues to focus on finding the competitive edge in its offerings. New technologies will play an important role in combatting price pressures.
- Savcor pays special attention to its pricing policies.
- Savcor continues to reduce its costs.
- Separation of FACE and ART continues to be under review. There are some options under consideration but there is no certainty that this transaction will occur.



# Questions

