

19 August 2015

ASX/Media Release

Ausenco first half loss; work on hand increased by 109% to \$278 million

Ausenco Limited (ASX: AAX) today reported an underlying EBITDA loss of \$3.4 million on revenue of \$135.2 million for the half year to 30 June 2015.

During the half-year work on hand, including preferred contractor awards, increased by \$145 million to \$278 million underpinning an expected increase in forward revenues and earnings.

Financial summary:

- Revenue from operations of \$135.2 million, down \$37.8 million from 2014 second half
- Underlying EBITDA loss of \$3.4 million, similar to 2014 second half loss of \$3.2 million
- EBITDA performance based on 22% lower revenue demonstrates greatly enhanced operational leverage and positive payback from 2014 controllable cost savings initiatives
- The Group is well-positioned to benefit from an upturn in revenue
- Weakening Australian dollar delivers earnings benefits as well as improving global competitiveness
- Tax expense of \$4.2 million includes \$8.9 million impact attributable to tax losses not recognised
- Debt repayments of \$7.7 million reduced gross borrowings to \$61.1 million as at 30 June 2015
- \$10.7 million share placement in July 2015, at \$0.60 per share, reduced net debt to \$43.6 million

Operational summary:

- Current work on hand, including preferred contractor awards, has increased to \$278 million up 109%
- The Group has direct line of sight visibility on additional new contract awards
- Following on positive first quarter EBITDA performance, performance for the half year was impacted by second quarter slippage in the timing of new contract awards, reduced oil & gas activity, office closure and redundancy costs
- Well placed in provision of asset management and optimisation solutions, providing growing revenue and earnings base
- Increasing number of early stage work program starts and enquiries; particularly in sustaining capital and mid-size project arena where Ausenco has a proven track record for value delivery
- Alliance with Duro Felguera (DF) commenced work on the phased EPC delivery of Royal Nickel Corporation's CAD911 million Dumont project in Quebec, Canada
- Alliance with DF actively pursuing new EPC projects in non-traditional markets

Six months ended 30 June \$m	1HY 15	1HY 14	
Revenue from operations	135.2	184.2	↓
Underlying EBITDA (loss)	(3.4)	4.6	↓
Underlying EBITDA margin (%)	(2.5)%	2.5%	↓
Net (loss)/profit before tax	(12.4)	(2.7)	↓
Attributable (loss)/profit after tax	(16.6)	2.0	↓
Underlying earnings	(14.5)	1.9	↓
Basic earnings per share (cents)	(9.9)	1.2	↓
Net operating (out)/in cash flow	(8.8)	(7.5)	↓
Dividend per share (cents)	-	-	□

Attributable earnings and underlying earnings relate to profit attributable to shareholders of Ausenco.

Underlying EBITDA is defined and reconciled to reported earnings on page 28 of the 2015 interim half-year financial report

EBITDA represents profit before tax, net finance items, depreciation and amortisation.

Underlying earnings excludes the same items, in after-tax terms, as are excluded from underlying EBITDA.

Ausenco CEO, Zimi Meka, said market conditions are still challenging due to ongoing market volatility and economic uncertainty. Demand drivers in China and Brazil remain unpredictable, and operations in those regions have been scaled back, and lower oil prices led to decreased activity in the second quarter. Both factors made a significant contribution to disappointing first half results.

“Looking forward, a number of recent significant contract wins, including preferred contractor awards, have lifted work on hand to \$278 million from \$133 million earlier in the year. Annualised baseline revenues of \$240 million from study, consulting, asset optimisation and maintenance assignments have been maintained at near historical levels.

“An additional \$300 million or more in revenue from near term EPCM project pursuits, and an increased pool of EPC project opportunities, have raised the prospects for improving revenues and earnings into 2016.

“As testimony to our focus on managing controllable costs, despite a \$38 million decline in revenues from the 2014 second half, we were able to maintain a similar underlying EBITDA performance during the first half of 2015. As a result of our improved earnings operational leverage, the prospects for a return to profitability from these levels are quite strong and the company is well placed to benefit from the improved revenue outlook.

“An \$8.9 million non-cash income tax expense, due to the non-recognition of income tax losses, increased the after tax loss for the half.

Mr Meka said the group had started work on three significant EPCM contracts and a number of new oil & gas assignments in the last few weeks. These are providing improved visibility of medium-term earnings.

Mr Meka said the establishment of the Strategic Alliance with Duro Felguera (DF) to pursue and deliver EPC projects globally is a key achievement and the benefits have already started to flow.

“The Alliance is focused on leveraging each group’s extensive geographic footprint, diverse industry sector experience, track-record and reputation to capitalise on the expanding global EPC market,” he said.

“There has been a recent shift in the resources industry towards project delivery on an EPC basis to ensure cost certainty. The Alliance is focused on pursuing projects within this growing market and is currently targeting a \$14 billion global project pipeline.

“The Alliance has already commenced work on the first stage of work on Royal Nickel Corporation’s CAD911 million Dumont project for EPC project delivery into 2016 and is currently tendering a number of other opportunities in a variety of industry sectors.

“Our traditional consulting businesses are performing well and continue to source new and varied opportunities”

Outlook

Mr Meka said Ausenco expected to deliver improved revenue and earnings in the second half of 2015 and into 2016.

“We’ve been nominated as preferred contractor on four new Create phase awards totalling over \$600 million in the last few weeks, this will contribute to our stronger forward performance. In addition, we are pursuing over \$300 million of new EPCM Create phase work which we expect to be decided within the next 9 to 12 months,” he said.

“As a result, we are forecasting 2015 full year revenue to be \$290 million with materially improved earnings given the operating leverage we’ve achieved through our ongoing focus on controllable cost

management. Revenues for the 12 months to 30 June 2016 are forecast to rise to between \$310 and \$350 million, excluding potential EPC revenue contributions.

Broadly, the decline in the volume of activities over the previous reporting periods has levelled out with a significantly improved pipeline of opportunities in each region. Market volatility continues to create uncertainty and often impacts the start time of new awards.

With its diversification strategy in place, the Group has a solid revenue and earnings base from clients focusing on non-greenfield capital sensitive assignments. These include many studies, consulting, sustaining capital, asset management and optimisation activities.

There has also been a significant increase in Evaluate and Innovate phase activities for mid-size projects, which are an important entry into Create phase project developments. In addition to these EPCM opportunities, the Alliance with DF has strengthened the Group's position in the delivery of global EPC projects.

The moderately improving market outlook, depth of opportunities across each of the Group's service offerings and the controllable cost reductions being delivered in 2015, position the Group for a strong earnings recovery over the next twelve months.

Mr Meka said Ausenco was experiencing strong interest from potential clients in its diversified, full-service offering, not only in the infrastructure sector but also across key commodities including gold, copper, nickel, bauxite, phosphates and potash.

"While oil & gas pricing volatility did impact our second quarter results, recent awards show signs of an improvement in this market. However, in the near term, the oil price is expected to continue to impact this service line. We are, however, well placed to capitalise on the activity in the midstream space where clients continue to invest.

"Our strategic presence across key markets, coupled with our track record for delivering value to clients, is creating a solid pipeline of opportunities for us to increase market share and grow revenue and earnings," he said.

BUSINESS SUMMARY

Safety and Sustainability

Ausenco recorded the best-reported safety record in the company's 24-year history during the 12 months to 30 June 2015, moving closer to achieving its goal of zero harm across its operations.

The group reported a Total Recordable Injury Frequency Rate (TRIFR) of 1.38, a 59% decline on the 2014 result and a Lost Time Injury Frequency Rate (LTIFR) of 0.19, a decrease of almost 30% on the 2014 outcome.

Notably, Ausenco's Constancia project in Peru recorded 7.7 million man-hours LTI free and the Ad Duwayhi project in Saudi Arabia recorded 8.2 million man-hours LTI free.

Capital Management

The gross cash position at 30 June 2015 was \$6.8 million, with repayments of \$7.7 million of borrowings during the period. Net operating cash flow was an outflow of \$8.8 million, compared with an outflow of \$7.5 million in the previous corresponding period, largely reflecting the operating losses in the period.

Net debt increased during the half-year from \$43.1 million to \$54.3 million, with the net gearing ratio increasing from 16.0% to 20.7%. Following the \$10.7 million share placement with cornerstone shareholder DF in July 2015, net debt has been reduced to \$43.6 million, with a net gearing of 17.3%.

The group's gross borrowings reduced to \$61.1 million at 30 June 2015, reflecting repayments tempered by a \$1.5 million upward revaluation in Australian dollar terms of the US and Canadian dollar denominated borrowings. All term borrowings are now due to mature on 31 August 2016. Discussions with financiers for a complementary financing package are well advanced and expected to be completed by the fourth quarter of 2015.

ENDS

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About Ausenco

Ausenco is a global, diversified engineering, construction and project management company providing services in Minerals & Metals, Process Infrastructure, Environment & Sustainability and Oil & Gas. We deliver new and better ways to add value to our clients' projects no matter how demanding and we deliver results in some of the world's most challenging environments. Listed on the ASX in 2006, Ausenco's growth strategy is focused on sector, solution and geographic expansion. We operate from 31 offices in 19 countries.