

# RCR Tomlinson Ltd

## HY17 Results and Company Update



E.I. Engineering Intelligence



### Investor Presentation

Managing Director & CEO | Dr Paul Dalglish

Chief Financial Officer | Mr Andrew Phipps

23 February 2017

# Highlights



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## Order Book & Preferred Status

- Current Order Book of **\$1.0B** plus preferred contractor status of **\$0.8B**, up 20%
- Stronger backlog across all businesses
- Continued large contract awards announced over last three months

## Strategy & Markets

- Sector diversification in transport, renewable energy and EPC resources
- Focus on innovation and technology for cost competitiveness
- Commodity prices strengthening, leading to increased activity in pipeline

## HY17 Results & Outlook

- Revenue of **\$484M**, up 20% from the previous six months<sup>1</sup>
- EBIT **\$13.7M**, up 74% from the previous six months
- Profit after tax of **\$9.0M** exceeded consensus estimates
- Order Book and preferred expected to increase revenues in H2 FY17 and FY18

<sup>1</sup> Previous six months represents H2 FY16 Continuing Operations

# HY17 Financial Results Snapshot

## Overview

- Positioned for stronger earnings growth in H2 FY17 and into FY18
- Order Book and preferred contractor status of **\$1.8B**, up 20% from June 2016 and up more than 60% from December 2015
- Newly won major projects and preferred contractor status expected to increase revenue and earnings
- Revenue of **\$484M**, up 20% from the previous six months, similar to PCP<sup>1</sup>
- EBIT of **\$13.7M**, up 74% from the previous six months, down 33% on PCP<sup>1</sup>
- NPAT of **\$9.0M**, exceeding consensus<sup>2</sup> estimates
- Gearing ratio of **17.6%**

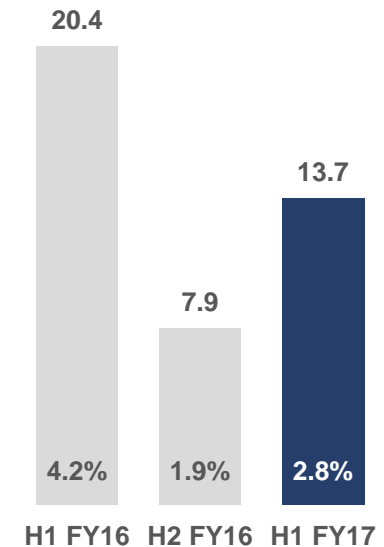
1 Refer to Supplementary Information for Reconciliation of Statutory Earnings on slide 24

2 Consensus - RCR is covered by four sell side analysts who have published reports since 25 August 2016, which provide forecast earnings for FY17. Two analysts have forecast first half NPAT of between \$7.5M to \$8.5M with an average of \$8.1M

## Revenue - \$M



## EBIT - \$M



Order Book  
& Preferred **\$1.8B**

# Positioned for Growth



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Chart 1: New Contract Wins

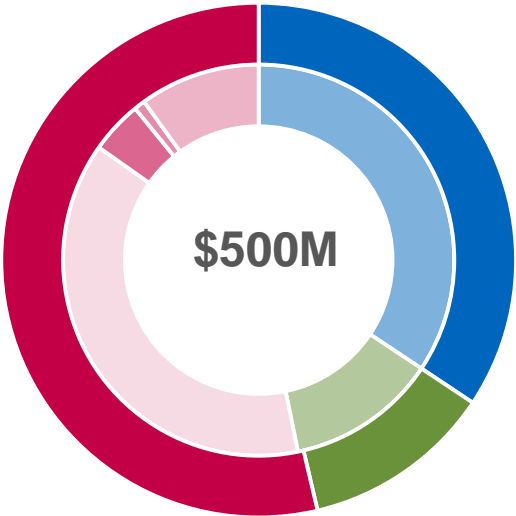


Chart 2: Order Book and Preferred

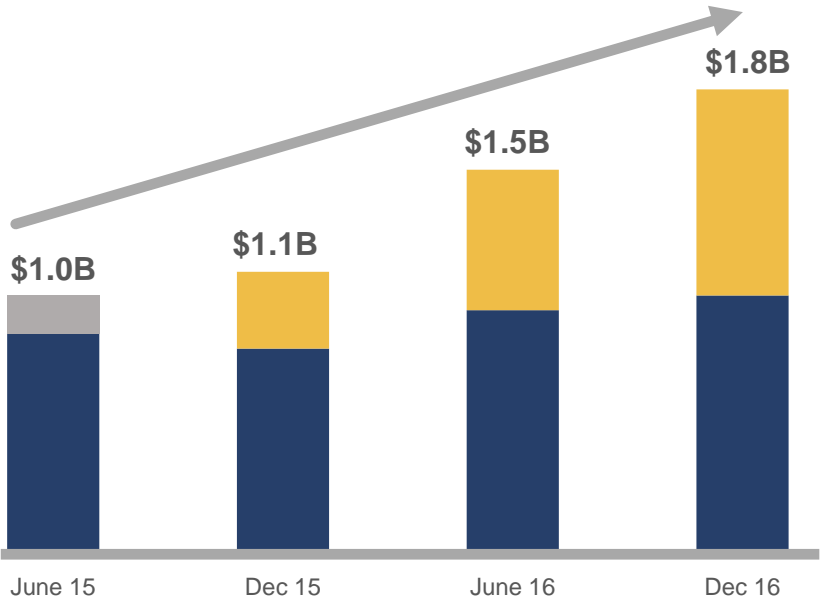
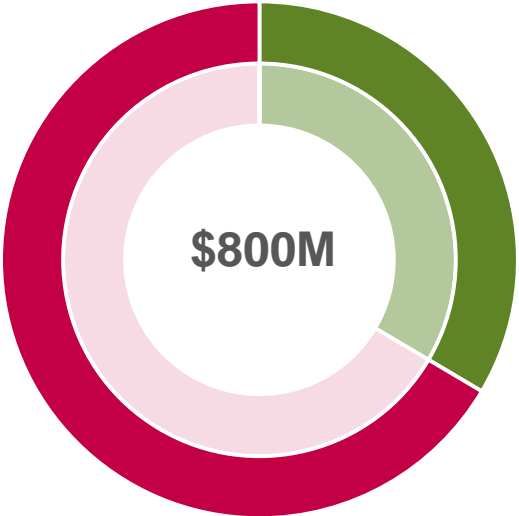


Chart 3: Preferred Status



Infrastructure	Energy	Resources
Sun Metals - Solar Farm	Red Stag Timber	Pilbara Minerals - Pilgangoora
Luggage Point STP	Matura Valley	FMG - Crushing Plant
Yaloak - BOP Wind Farm	Chandra (Indonesia)	Multiple Apron Feeders
Alstom - North West Rail	Package Boilers	Oil & Gas Fabrication

**LEGEND:**

Charts 1 & 3 - By Business

- Infrastructure
- Energy
- Resources

Charts 1 & 3 - By Sector

- Oil & Gas
- Rail & Transport
- Water
- Property Services
- Renewables
- Energy
- Minerals

Chart 2

- Order Book
- Water Business Acquisition
- Preferred Contractor Status

**Secured \$0.5B** in new contract wins in the past few months





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# Our Strategy





# Our Strategy



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To continue to diversify our business, through an engineering led approach, using innovation and technology to provide cost competitive solutions for our clients

Deliver long-term shareholder returns



5 Year TSR

112%

7 Year TSR

~500%

# Strategic Objectives



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## Strategic Focus

## Execution

E.I Engineering Intelligence

- Use E.I. Engineering Intelligence to create advanced processes, systems, technology, equipment and materials to ensure RCR's competitive advantage
- Establish partnerships that bring proven innovative engineering solutions
- Acquire Intellectual Property for innovative solutions & materials

Integration of Engineering Capabilities  
- End to End Service Provision

- Build on previous experience on large complex turnkey EPC projects
- Expand products and services across sectors & whole of life approach

Geographical Diversification

- Build on Asia Pacific footprint using our existing presence in Malaysia as a Hub
- Target potential acquisition opportunities in SE Asia for infrastructure

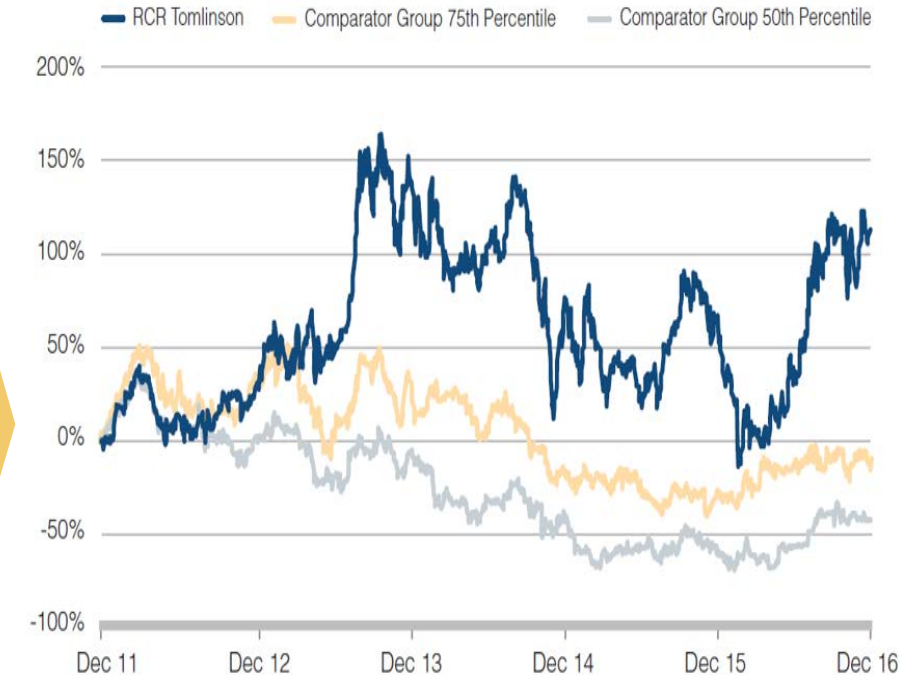
New Market Sectors

- Focus on rail, transport, renewable energy & water through technology
- Build relationships as an entry point into the defence market

Enhance Shareholder Value

- Continue growth through new and existing organic revenue streams as well as strategic mergers and acquisitions

## Total Shareholder Returns - 5 Years



RCR will strive to **exceed market expectations** in delivering shareholder returns

# Targeting Growth Sectors



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## Rail and Transport

- Major pipeline of rail and tunnel projects across Australia and NZ
- Partnering with Rhomberg Rail
- Focus on EPC through technology, innovation and partnering

## Renewables

- Renewable generation is forecast to be the fastest growing energy sector
- Developed an advanced system delivery approach for large solar projects
- Pipeline of renewable energy projects > 9,000MW

## Water

- Secured long-term service arrangements with water authorities
- Targeting opportunities in Australia, NZ and SE Asia

## Commodities

- Innovative Technology approach to EPC (Silvergrass, Pilgangoora & FMG)
- Agreement with Kiruna 'Helix wagon and car dumper' technology
- Commodity prices strengthening, leading to increased activity in pipeline



Strong  
Pipeline

\$11B





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# HY17 Financial Results



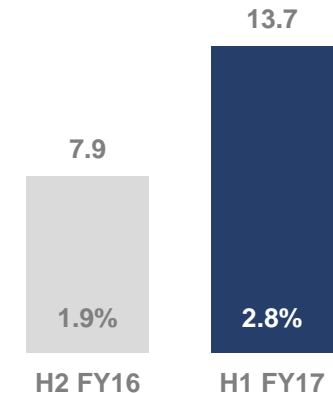
# HY17 Financial Results

- Positioned for stronger earnings growth in H2 FY17 and into FY18
- Order Book and preferred contractor status of **\$1.8B**, up 20% from June 2016 and up more than 60% from December 2015
- Newly won major projects and preferred contractor status expected to increase revenue and earnings
- Revenue of **\$484M**, up 20% from the previous six months<sup>1</sup>
- EBIT of **\$13.7M**, up 74% from the previous six months<sup>1</sup>
- NPAT of **\$9.0M**, exceeding consensus<sup>2</sup> estimates
- Gearing ratio of **17.6%**

## Revenue - \$M



## EBIT - \$M



<sup>1</sup> Refer to Supplementary Information for Reconciliation of Statutory Earnings on slide 24

<sup>2</sup> Consensus - RCR is covered by four sell side analysts who have published reports since 25 August 2016, which provide forecast earnings for FY17. Two analysts have forecast first half NPAT of between \$7.5M to \$8.5M with an average of \$8.1M

Order Book  
& Preferred **\$1.8B**

# HY17 Operating Cash Flow

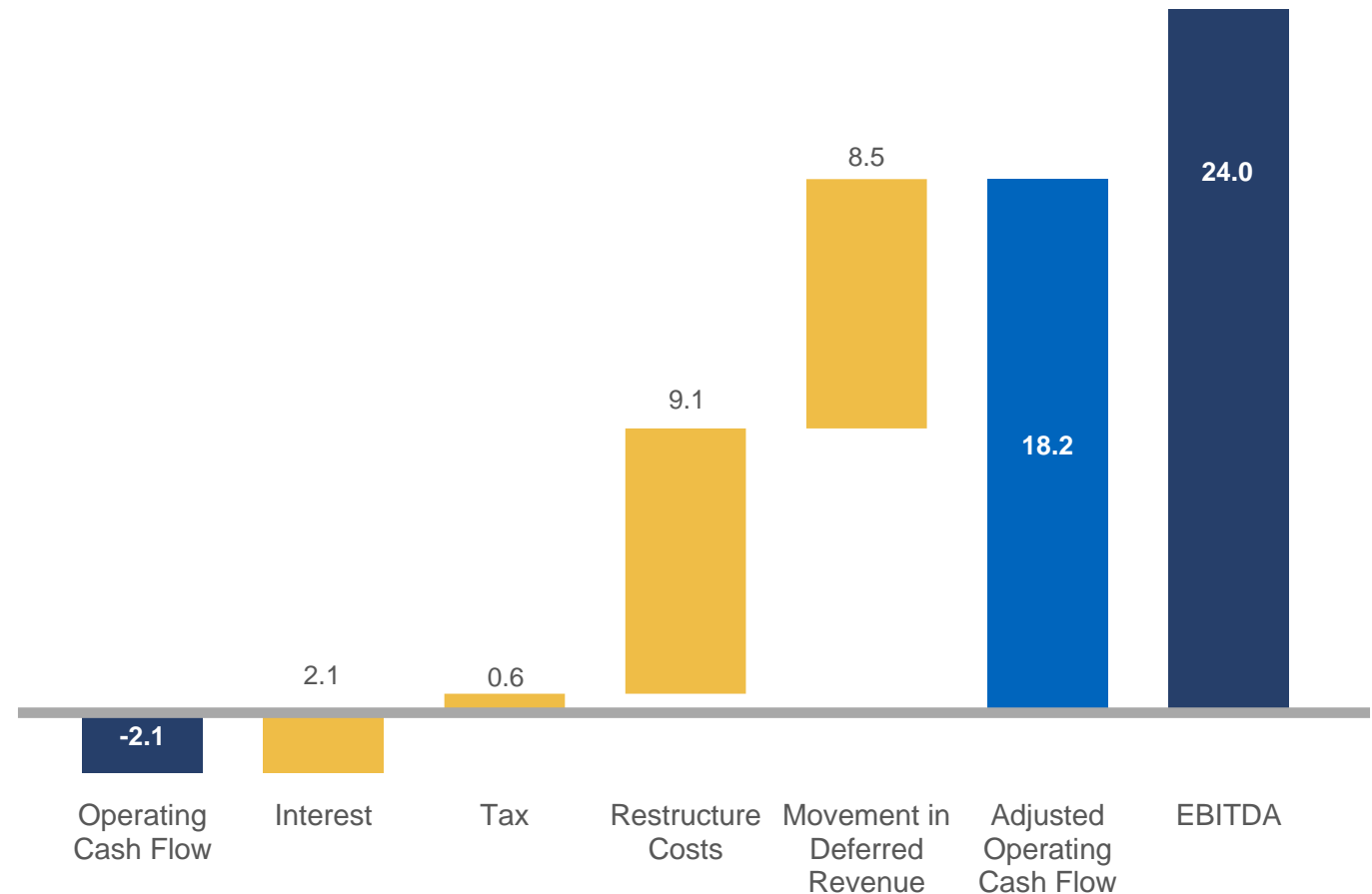


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## Key Metrics

- Adjusted operating cash flow **\$18.2M**
- **75.8%** conversion of EBITDA
- Resources projects utilising working capital
- Interest paid **\$2.1M**
- Tax paid **\$0.6M**
- Restructure costs **\$9.1M**
- Movement in Deferred Revenue **\$8.5M**
- Operating cash flow expected to improve in H2 FY17

## Operating Cash Flow from Continuing Operations (\$M)





# Funding Facilities

## Renewed and Extended Facilities

- Total Syndicated Facility **\$286M** - term Dec 2019:
  - **\$66M** senior debt
  - **\$75M** working capital / cash advance
  - **\$145M** guarantee facility
- Additional project financing available via:
  - **\$175M** insurance bonding facilities

## Key Metrics

- Gearing ratio **17.6%** with Net Debt of **\$63.6M**
- Cash and available facilities **\$294.6M**, up \$78.3M from June 2016

## Funding Summary

Facility	HY17 \$M	FY16 \$M
Senior Debt and Working Capital Facility	286.3	236.3
Insurance Bonding Facilities	175.0	150.0
<b>Total Facilities</b>	<b>461.3</b>	<b>386.3</b>
Less: Senior Debt Utilised	66.3	41.3
Less: Cash Advance	30.0	30.0
Less: Non-Cash Facilities Utilised	101.6	114.3
<b>Available Facilities</b>	<b>263.4</b>	<b>200.7</b>
Plus: Cash	31.2	15.6
<b>Total Cash/Funding Facilities Available</b>	<b>294.6</b>	<b>216.3</b>

## Key Financial Ratios

Net Debt	\$63.6M	\$55.6M
Gearing Ratio*	17.6%	16.2%
Facility Utilisation	42.9%	48.0%
Available Cash	\$76.2M	\$85.6M
Debt Facility Expiry	Dec 2019	Nov 2017

\*Gearing Ratio = Net Debt/(Net Debt + Equity)





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# HY17 Review of Operations



# Infrastructure



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## Performance

- Revenue **\$300M**, up 10% from previous six months<sup>1</sup>
- EBIT **\$12.4M**, up from previous six months<sup>1</sup>
- Delivering critical rail projects:
  - Wynyard Station Upgrade
  - Hornsby turn-back
  - Signaling works on NorthConnex
- Renewable portfolio growing:
  - Won 116MW Sun Metals solar farm, with further options to expand
  - Preferred for 350MW of solar projects
- Expanding water business:
  - Picton WWTP and Subiaco WWTP
  - Sydney Water Panel Agreement
- Recurring revenue base stable for HVAC & facilities management

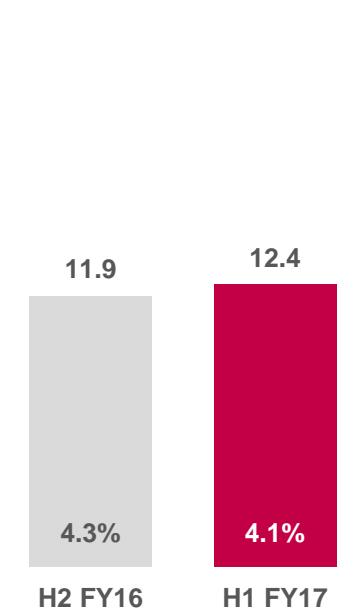
## Opportunities

- Preferred on multiple projects worth **~\$530M**
  - Including seven solar projects
- Positioned for major spend in solar and wind:
  - Targeting potential market of 9,000MW
- Targeting large opportunities in rail, transport and water:
  - Large road/rail tunnels and rail/light rail projects in Australia and NZ
  - Substation and cabling projects in NSW, QLD and VIC
- Large FM opportunity with BAE Systems for defence
- Asian infrastructure growth

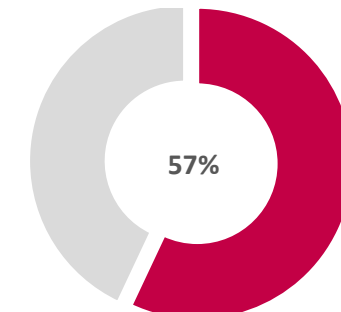
## Revenue - \$M



## EBIT - \$M



## Revenue Contribution



<sup>1</sup>Refer to slide 25 for reconciliation by business unit, revenue and EBIT



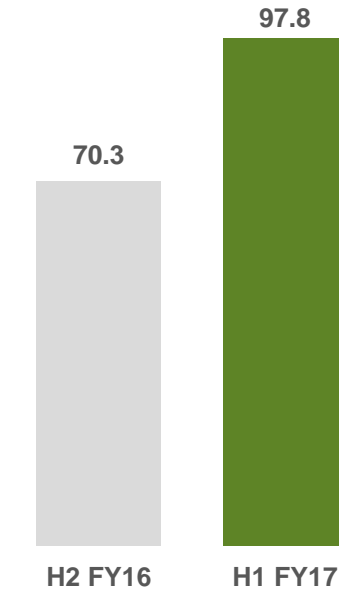
## Performance

- Revenue **\$98M**, up 39% from previous six months<sup>1</sup>
- EBIT of **\$1.8M**, up \$1.9M from previous six months<sup>1</sup>
- Delivering 80MW Cape Lambert PS
- Major shutdown and maintenance work:
  - AGL's Liddell Power Station
  - Origin Energy's Eraring Power Station
- Commissioning 53MW boiler for Fonterra
- Won new contracts:
  - 10MW biomass boiler for Red Stag
  - 20MW boiler for Mataura Valley Milk
  - boiler in Indonesia

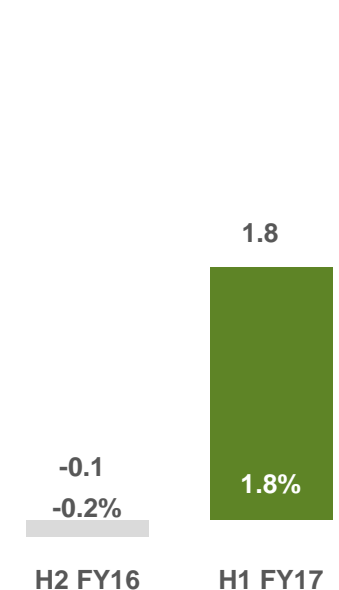
## Opportunities

- Preferred on projects worth **~\$270M**:
  - Includes large 100MW open cycle power plant
- Major shutdown and maintenance work:
  - Utility and industrial sectors
  - Australia and NZ
- Australian and NZ dairy sector
- Turnkey power projects in Asia Pacific:
  - PNG, Indonesia and Thailand
- Adani - MOU extended to March 2018

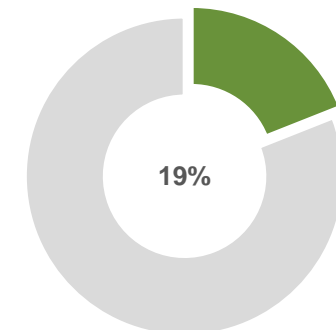
## Revenue - \$M



## EBIT - \$M



## Revenue Contribution



<sup>1</sup>Refer to slide 25 for reconciliation by business unit, revenue and EBIT

# Resources



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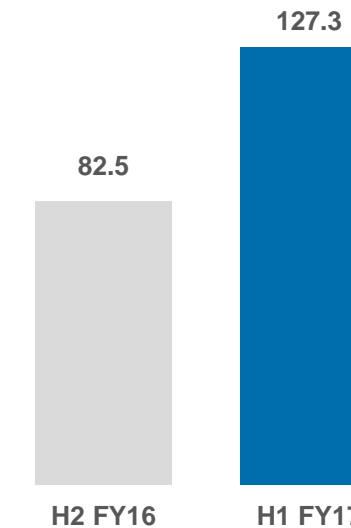
## Performance

- Revenue **\$127M**, up 54% from previous six months<sup>1</sup>
- EBIT of **\$4.2M**, up 250% from previous six months<sup>1</sup>
- Significant new contracts awards:
  - Pilbara Minerals - Lithium
  - Rio Tinto, Silvergrass - Iron Ore
  - Newcrest, Cadia - Gold
- Strong activity for asset maintenance and spares:
  - BHP Billiton
  - OEM support for all product streams
- Successful delivery of Cloudbreak crushing plant for FMG
- Other major works in progress:
  - MMG, Dugald River Project - Zinc

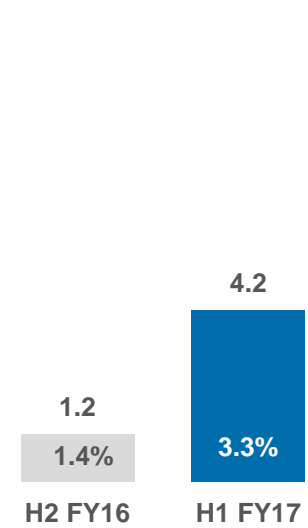
## Opportunities

- Strong pipeline due to increased commodity prices
- Provider for resource projects:
  - Iron ore, mineral sands, zinc, coal, nickel, bauxite, gold, lead and lithium
  - EPC pipeline increasing
  - RCR Proprietary equipment
- Innovative technology solutions
- Kiruna Wagon exclusive licence:
  - Enquiries for over 700 wagons
- Sustaining capital works:
  - oil & gas
  - mining

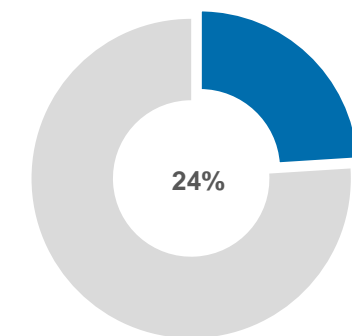
## Revenue - \$M



## EBIT - \$M



## Revenue Contribution



<sup>1</sup>Refer to slide 25 for reconciliation by business unit, revenue and EBIT





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# Outlook





# Outlook



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- RCR's strategy is to diversify into growing markets
- Focus on Engineering Intelligence (E.I.) and technology as a key differentiator:
  - Significant cost benefits to our clients
  - Substantial competitive advantage over peers
- Major pipeline of opportunities in:
  - Renewable energy
  - Transport, including rail
  - New power projects in Asia Pacific
- Lead the resources sector on technology led EPC projects:
  - Silvergrass
  - Pilgangoora
  - Dugald River
  - Kiruna Wagons
- With order book and preferred contractor status of **\$1.8B**, RCR expects further revenue and earnings growth in H2 FY17 and into FY18



RCR's strategy will  
**focus on key growth**  
areas



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# Corporate Overview

# Our Business



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**6** countries

Strategically located

Australia, New Zealand, Malaysia, Indonesia, Thailand and Vietnam

Order Book  
& Preferred

**\$1.8B**

Employees

**3,141**



**3** business units

Diverse operations

Infrastructure, Energy and Resources

Our **diversification & growth strategy is on track** and with a strong order book we are well positioned for the future



# RCR Core Capabilities



E.I. Engineering Intelligence

## Infrastructure



## Energy



## Resources



# Safety, Environment and People



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## HY17 Safety Performance

- All injury frequency rate continues to improve
- TRIFR of **7.25**
- LTIFR of **0.57** (currently **0.29**)

## Environmental Performance

- Zero reportable environmental incidents
- Remained below reporting level for carbon emissions

## Workforce

- Long tradition of employing our own people and trades
- Workforce of **3,141**
- Apprentices and trainees **146**

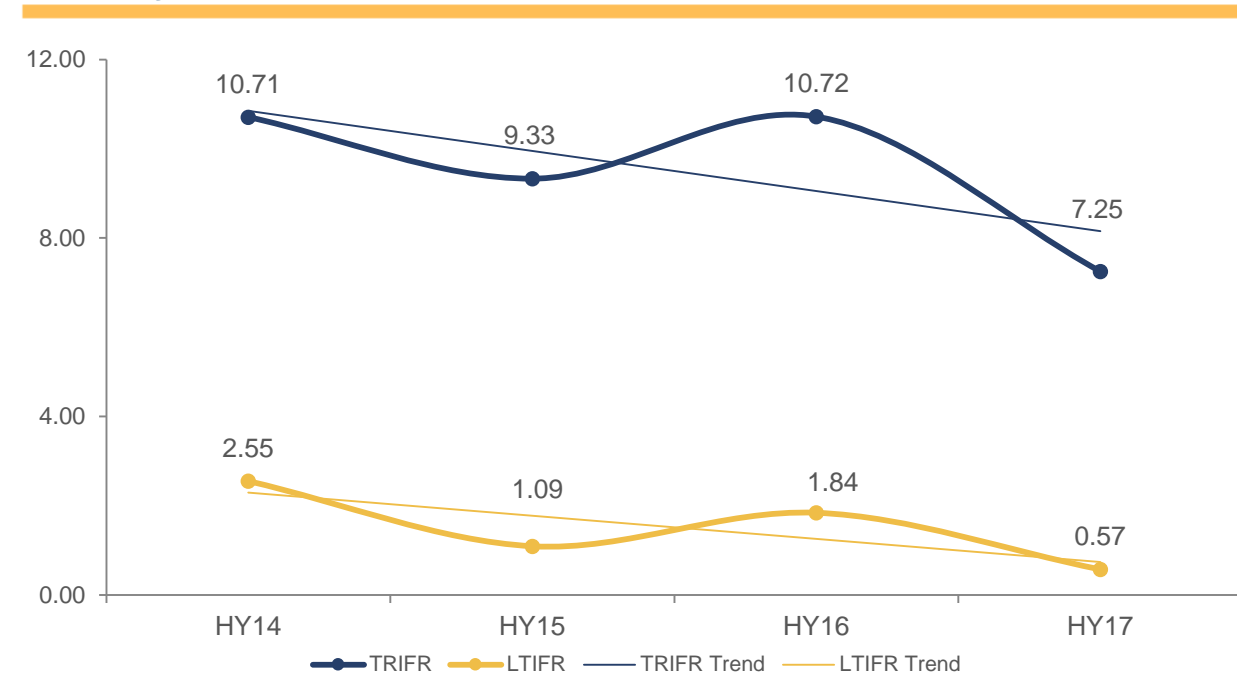
## Leading Safety Indicators

- **271,860** Take 5 actions completed
- **17,515** Tool Box and Pre-start meetings conducted
- **11,644** Safe Act Observations conducted
- **14,559** Job Safety Hazard Analyses completed

## Accreditations



## Safety Performance



LTIFR

Dec 2016

69%

Improvement





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## Supplementary Information



# Reconciliation of Statutory Earnings

Item	FY16	H1 FY16	H2 FY16	HY17
	\$M	\$M	\$M	\$M
Revenue	890.5	485.3	405.2	484.4
EBITDA	49.2	30.7	18.5	24.0
Depreciation and Amortisation	(21.1)	(10.3)	(10.8)	(10.3)
EBIT	28.1	20.4	7.7	13.7
Net Interest	(4.0)	(1.6)	(2.4)	(1.9)
Transaction Costs (after tax)	(1.1)	(0.7)	(0.4)	-
Tax	(4.0)	(4.9)	0.9	(2.8)
<b>Statutory Result from Continuing Operations*</b>	<b>19.0</b>	<b>13.2</b>	<b>5.8</b>	<b>9.0</b>
Restructuring & Legacy Legal & Claim Costs (After Tax)	(10.0)	-	(10.0)	-
<b>Statutory Result from Continuing Operations</b>	<b>9.0</b>	<b>13.2</b>	<b>(4.2)</b>	<b>9.0</b>
Net Loss After Tax from Discontinued Operations	(25.2)	(4.3)	(20.9)	-
<b>Statutory Net Profit/(Loss) After Tax</b>	<b>(16.2)</b>	<b>8.9</b>	<b>(25.1)</b>	<b>9.0</b>
Pre-tax Loss from Restructuring and Legacy Legal and Claim Costs	(14.3)	-	(14.3)	-
Pre-tax Loss from Discontinued Operations	(36.0)	(6.1)	(29.9)	-

\* This amount excludes FY16 Restructuring and Legacy Legal & Claim Costs  
All numbers are subject to rounding



# Business Unit Segments



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Item	Infrastructure				Energy				Resources			
	FY16	H1 FY16	H2 FY16	HY17	FY16	H1 FY16	H2 FY16	HY17	FY16	H1 FY16	H2 FY16	HY17
Units	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Sales Revenue	539.7	265.8	273.9	300.4	159.5	89.2	70.3	97.8	244.4	161.9	82.5	127.3
Segment EBIT (before FY16 transaction costs and non-recurring items)	24.3	12.4	11.9	12.4	1.5	1.6	(0.1)	1.8	12.5	11.3	1.2	4.2

Item	Corporate				Consolidated Group			
	FY16	H1 FY16	H2 FY16	HY17	FY16	H1 FY16	H2 FY16	HY17
Units	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Sales Revenue	(53.1)	(31.6)	(21.5)	(41.1)	890.5	485.3	405.2	484.4
Segment EBIT (before FY16 transaction costs and non-recurring items)	(10.1)	(5.7)	(4.4)	(4.7)	28.2	19.6	8.6	13.7

All numbers are subject to rounding

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