

# HALF YEAR RESULTS 2016



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# HY16 financial highlights

## Solid HY16 NPAT performance; sustained margin improvement; positive revenue trend emerging

- ✓ NPAT of \$265m up 3.1% yoy, margin up 180bp yoy<sup>1</sup>
- ✓ EPS up 5% yoy boosted by the benefits of the share buyback
- ✓ EBIT and PBT margins up 120bp and 200bp respectively yoy
- ✓ Revenue<sup>2</sup> down 31.4% yoy; 5.6% increase in 2Q16 versus 1Q16, positive trend emerging

## Net cash (including op. leases) positive at \$12m, a \$227m improvement yoy and \$117m qoq

- ✓ Net cash (including op. leases) at 30 June 2016 would have been \$355m adjusted for the cash outflow from the share buyback program and the purchase of shares in Sedgman and Devine<sup>3</sup>
- ✓ Net finance costs<sup>4</sup> reduced by \$68m yoy to \$8m in HY16

## Operating cash flow<sup>5</sup> of \$335m generated in 2Q16

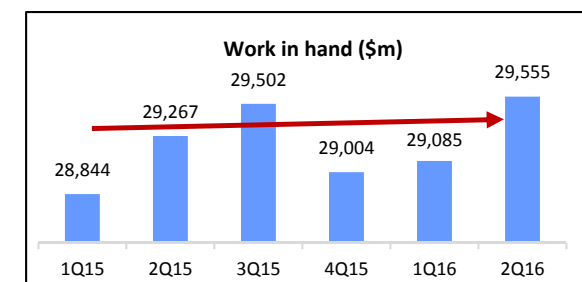
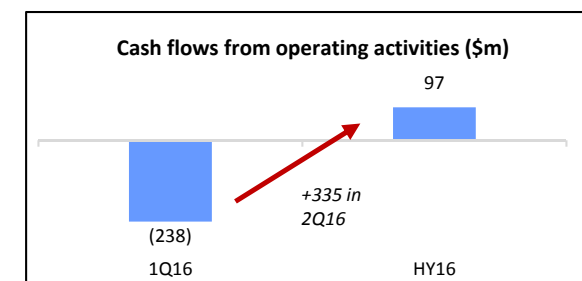
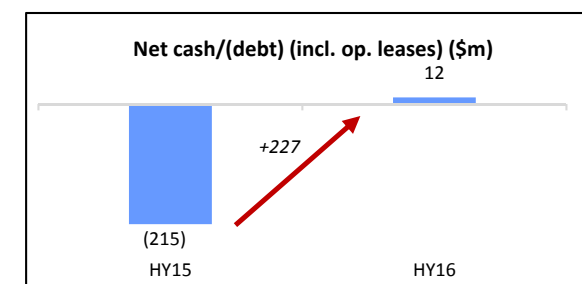
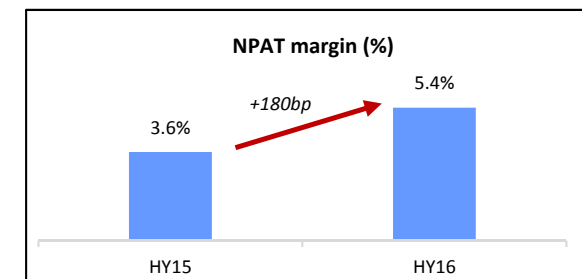
- ✓ Generated nearly \$1.2b of operating cash flow during the last 12 months (LTM)<sup>6</sup>
- ✓ Gross capex<sup>7</sup> reduced by \$65m yoy to \$91m
- ✓ Free cash flow generation<sup>8</sup> of nearly \$830m during LTM; \$316m in 2Q16

## Steadily improving level of WIH<sup>9</sup> at \$29.6b, up nearly 2% since December 2015

- ✓ New work<sup>10</sup> of \$6.8b won during HY16 in line with HY15
- ✓ More than \$25b of projects to be tendered and awarded in the remainder of the year that are relevant to CIMIC and a further \$250b identified coming to the market in 2017 and beyond

## FY16 NPAT guidance confirmed

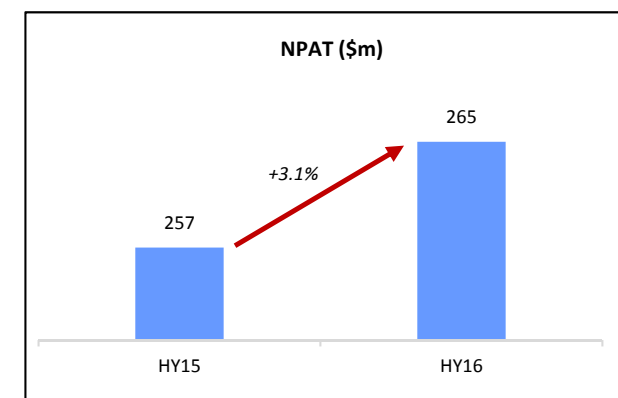
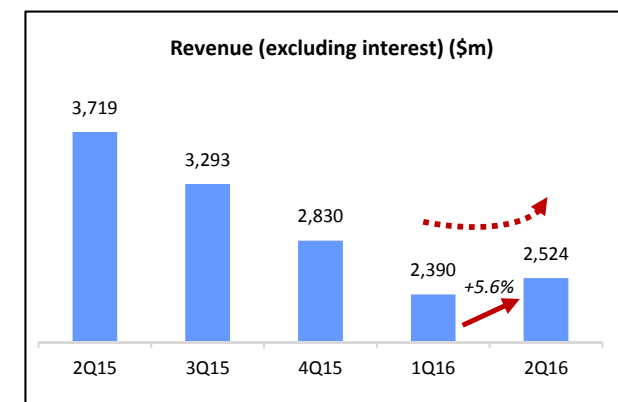
- ✓ \$520m-\$580m, subject to market conditions
- ✓ Continued focus on sustainable cash-backed profit generation and bidding discipline
- ✓ Sound balance sheet provides flexibility to pursue future growth opportunities



# Robust HY operating performance

- ✓ NPAT \$265m up 3.1% yoy; margin 5.4% up 180bp yoy
- ✓ EPS up 5% yoy boosted by the benefits of the share buy back
- ✓ PBT margin 7.1% up 200bp yoy
  - ✓ Improved margins in Construction and Contract mining
  - ✓ Significant reduction in net finance costs of \$68m to \$8m
- ✓ Revenue of \$4.9b down 31.4% yoy; 2Q16 up 5.6% qoq
- ✓ Positive trend in quarterly revenue expected to continue

| Financial performance (\$m)  | HY15         | HY16         | Chg. %       | Chg.       | FY15         |
|------------------------------|--------------|--------------|--------------|------------|--------------|
| Revenue (excluding interest) | 7,157.7      | 4,913.7      | (31.4)%      | (2,244.0)  | 13,280.8     |
| EBIT                         | 439.3        | 358.7        | (18.3)%      | (80.6)     | 838.9        |
| <b>EBIT margin</b>           | <b>6.1%</b>  | <b>7.3%</b>  | <b>1.2pp</b> |            | <b>6.3%</b>  |
| Net finance costs            | (75.7)       | (8.0)        | (89.4)%      | 67.7       | (103.9)      |
| Profit before tax            | 363.6        | 350.7        | (3.5)%       | (12.9)     | 735.0        |
| <b>PBT margin</b>            | <b>5.1%</b>  | <b>7.1%</b>  | <b>2.0pp</b> |            | <b>5.5%</b>  |
| Income tax                   | (105.4)      | (106.1)      | 0.7%         | (0.7)      | (220.6)      |
| Profit after tax             | 258.2        | 244.6        | (5.3)%       | (13.6)     | 514.4        |
| Non-controlling interests    | (1.0)        | 20.6         | N/A          | 21.6       | 6.0          |
| <b>NPAT</b>                  | <b>257.2</b> | <b>265.2</b> | <b>3.1%</b>  | <b>8.0</b> | <b>520.4</b> |
| <b>NPAT margin</b>           | <b>3.6%</b>  | <b>5.4%</b>  | <b>1.8pp</b> |            | <b>3.9%</b>  |
| Earnings per share (basic)   | 76.0c        | 79.8c        | 5.0%         | 3.8c       | 153.7c       |

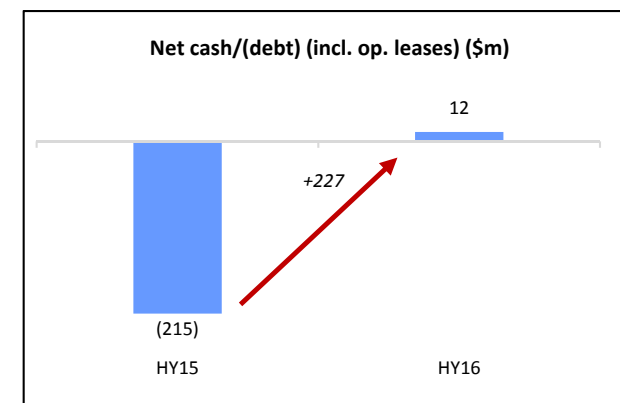


# Strong financial position

**Net cash position (including op. leases) positive at \$12m, a \$227m improvement yoy and \$117m qoq**

- ✓ Net cash (including op. leases) at 30 June 2016 would have been \$355m adjusted for the cash outflow from the share buyback program and the purchase of shares in Sedgman and Devine

| Balance sheet (\$m)                       | June 2015      | June 2016   | Chg. %     | Chg.         | December 2015 |
|-------------------------------------------|----------------|-------------|------------|--------------|---------------|
| Net cash/(debt) (excl. op. leases)        | 355.1          | 534.6       | 50.5%      | 179.5        | 1,111.5       |
| Operating leases                          | (570.0)        | (523.0)     | (8.2)%     | 47.0         | (583.4)       |
| <b>Net cash/(debt) (incl. op. leases)</b> | <b>(214.9)</b> | <b>11.6</b> | <b>N/A</b> | <b>226.5</b> | <b>528.1</b>  |
| Gearing (%) <sup>11</sup>                 | 5.3%           | (0.3)%      | N/A        | N/A          | (14.7)%       |
| Net contract debtors <sup>12</sup>        | 1,894.3        | 1,871.9     | (1.2)%     | (22.4)       | 1,499.2       |



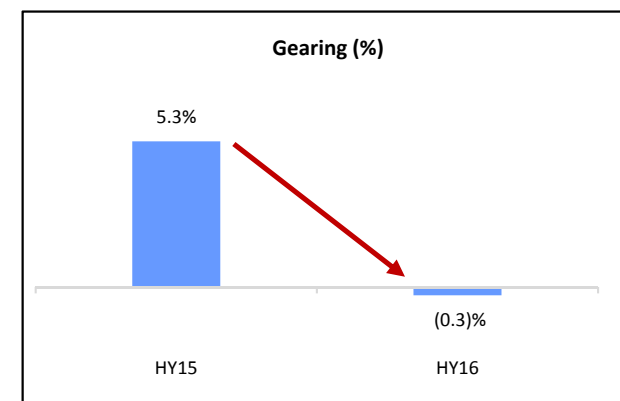
**Net finance costs reduced by \$68m yoy (including debt restructuring cost in HY15) to \$8m in HY16**

- ✓ Strengthened balance sheet position
- ✓ Efficient financial management
- ✓ HY16 average cost of debt of 5.8% (impacted by the higher cost of US bonds and finance leases representing around 75% of gross debt)
- ✓ \$1,646m of undrawn debt facilities

| Finance cost detail (\$m)                            | HY16         |
|------------------------------------------------------|--------------|
| Debt interest expenses                               | (34.9)       |
| Facility <sup>13</sup> fees, bonding and other costs | (13.1)       |
| Total finance costs                                  | (48.0)       |
| Interest income                                      | 40.0         |
| <b>Net finance costs</b>                             | <b>(8.0)</b> |

| Average cost of debt HY16 calculation (\$m) | HY16    |
|---------------------------------------------|---------|
| Debt interest expenses (a)                  | (34.9)  |
| Gross debt <sup>14</sup> at June 2016       | 1,127.2 |
| Gross debt <sup>14</sup> HY16 average (b)   | 1,195.0 |

|                                         |             |
|-----------------------------------------|-------------|
| <b>Average cost of debt HY16 (2a/b)</b> | <b>5.8%</b> |
|-----------------------------------------|-------------|



# Solid Q2 cash flow generation

## Cash flows from operating activities of \$335m in 2Q16

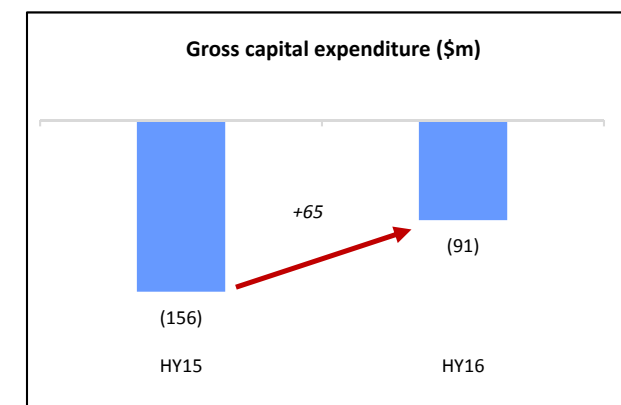
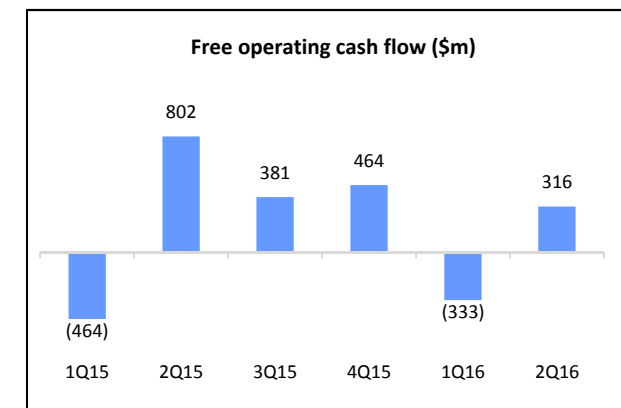
- ✓ 2Q15 cash flows from operating activities of \$1,186m boosted by property sales and the initial benefits of the working capital strategy
- ✓ LTM cash flows from operating activities of \$1,164m in line with LTM EBITDA of \$1,206m (97% conversion rate)
- ✓ Focus remains on working capital management and cash flow generation

| EBITDA conversion (\$m)                  | LTM June 2016 |
|------------------------------------------|---------------|
| Cash flows from operating activities (a) | 1,163.7       |
| EBITDA (b)                               | 1,205.8       |
| EBITDA conversion (a)/(b)                | 97%           |

## Free operating cash flow \$316m in 2Q16

- ✓ Gross capex reduced by more than 40% or \$65m yoy, to \$46m in 2Q16
- ✓ Nearly \$830m of free operating cash flow generated in LTM

| Cash flow, quarterly (\$m)                           | March 2015 | June 2015 | September 2015 | December 2015 | March 2016 | June 2016 |
|------------------------------------------------------|------------|-----------|----------------|---------------|------------|-----------|
| Cash flows from operating activities                 | (333.0)    | 1,186.2   | 496.8          | 569.6         | (238.2)    | 335.5     |
| Interest, finance costs, taxes and dividend received | (63.3)     | (295.8)   | (74.4)         | (35.9)        | (50.1)     | 27.0      |
| Net cash from operating activities                   | (396.3)    | 890.4     | 422.4          | 533.7         | (288.3)    | 362.5     |
| Gross capital expenditure                            | (67.4)     | (88.2)    | (41.0)         | (69.7)        | (44.6)     | (46.1)    |
| Free operating cash flow                             | (463.7)    | 802.2     | 381.4          | 464.0         | (332.9)    | 316.4     |



# Steadily improving level of WIH

**Work in hand of \$29.6b, up nearly 2% on December 2015 and 1.6% on March 2016**

- Positive trend in core activities:
  - ✓ WIH in Construction up 5.8% on December 2015 and up 2.6% on March 2016
  - ✓ WIH in Mining & mineral processing up 4.4% on December 2015 and up 4.7% on March 2016

**New work of \$6.8b won during HY16; similar level to HY15**

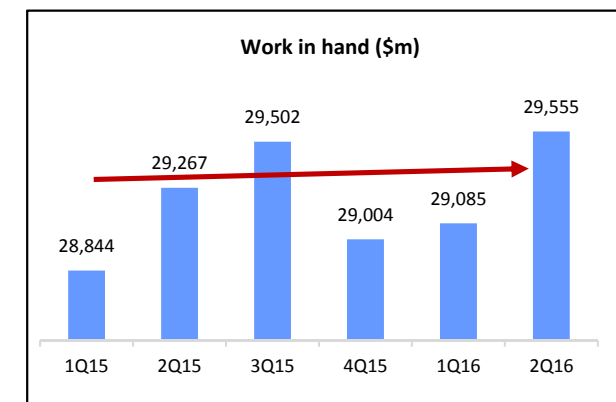
- Several major contract wins, domestically and internationally e.g.:
  - ✓ Gold Coast light rail stage two in Queensland
  - ✓ Level crossing removals in Victoria
  - ✓ Canberra light rail (a PPP project) in ACT
  - ✓ Maker Maxity phases two and three in India (retail and hospitality development)
  - ✓ Melak coal mining extension in Indonesia

**Solid pipeline**, both short and longer-term in CIMIC's markets

- ✓ Over \$25b in the remainder of FY16, 65% Australia and New Zealand, of which \$8b in mining
- ✓ Around \$250b, 60% Australia and New Zealand, in subsequent years of which more than \$55b in mining
- ✓ Good level of project opportunities in CIMIC's markets as a result of infrastructure investment

Pursuing major domestic and international tenders such us:

- Melbourne Metro in Victoria; Parramatta and Sydney Metro in NSW and Perth MAX Light Rail in WA
- Northern Road Upgrade in NSW
- Canberra Hospital Redevelopment in ACT
- Puhoi to Warkworth project in New Zealand
- Marina East desalination plant in Singapore
- Desalination Plant at Tseung Kwan O in Hong Kong



| Work in hand (\$m)          | June 15       | December 15   | June 16       | Chg. %<br>June 16 vs June 15 | Chg. %<br>June 16 vs<br>December 15 |
|-----------------------------|---------------|---------------|---------------|------------------------------|-------------------------------------|
| Construction                | 12,427        | 12,448        | 13,176        | 6.0%                         | 5.8%                                |
| Mining & mineral processing | 9,352         | 9,600         | 10,021        | 7.2%                         | 4.4%                                |
| HLG                         | 2,353         | 2,404         | 1,968         | (16.4)%                      | (18.1)%                             |
| Commercial & residential    | 2,099         | 1,427         | 945           | (55.0)%                      | (33.8)%                             |
| Corporate                   | 3,036         | 3,125         | 3,445         | 13.5%                        | 10.2%                               |
| <b>Total work in hand</b>   | <b>29,267</b> | <b>29,004</b> | <b>29,555</b> | <b>1.0%</b>                  | <b>1.9%</b>                         |

## FY16 NPAT guidance confirmed

- ✓ \$520m-\$580m, subject to market conditions
- ✓ Continued focus on sustainable cash-backed profit generation and bidding discipline
- ✓ Sound balance sheet provides flexibility to pursue future growth opportunities

## Shareholder returns

### Strong share price performance

- ✓ CIMIC shares have increased 36.9% from 31 December 2015 to 18 July 2016 compared with a 3.6% increase in the All Ordinaries index over the same period
- ✓ CIMIC shares have increased 47.1% from 31 December 2015 to 30 June 2016 compared with a 0.6% decrease in the index

### Dividend

- ✓ Interim ordinary dividend of 48 cents per share (\$158.2m), franked at 100%, payable on 5 October 2016
- ✓ Final ordinary dividend for the 2015 year of 50 cents per share (\$164.9m), franked at 100%, paid on 8 April 2016

### Share buy back

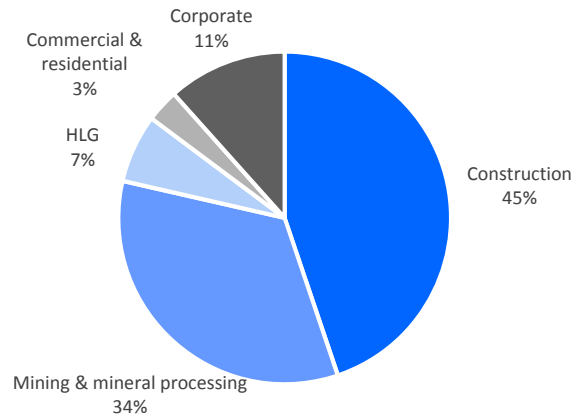
- ✓ As at 30 June 2016 8,827,386 shares (representing 2.6% of total CIMIC shares outstanding before the start of the share buyback) had been bought back totaling \$265.9m

## APPENDICES

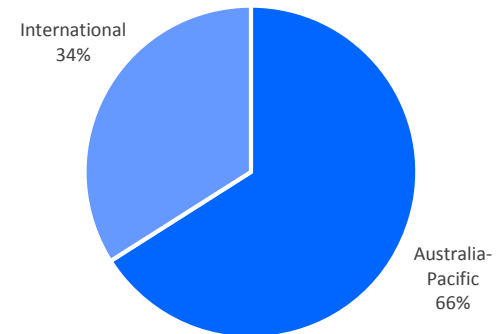


# WIH by activities and markets

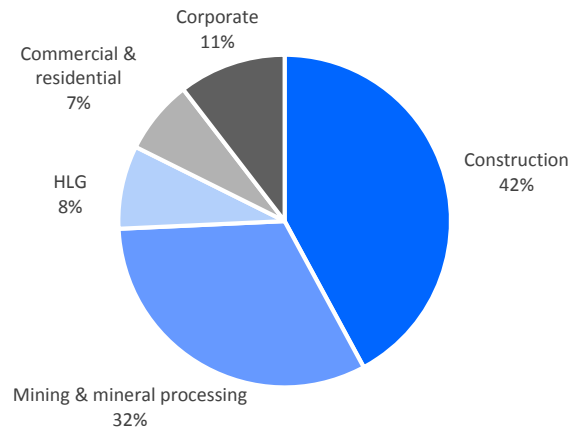
% WIH by activity (HY16)



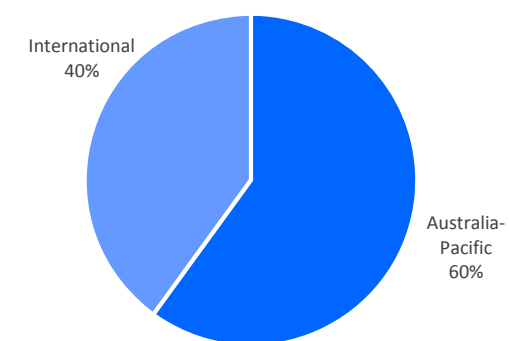
% WIH by market (HY16)



% WIH by activity (HY15)

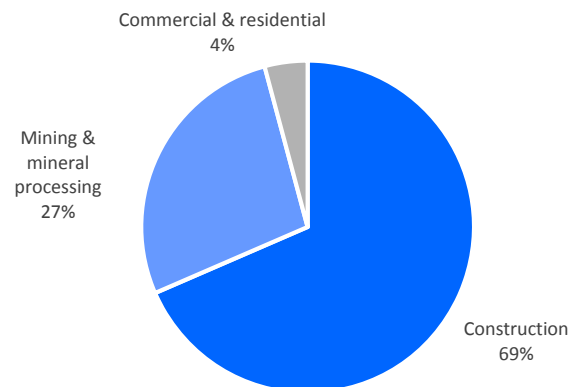


% WIH by market (HY15)

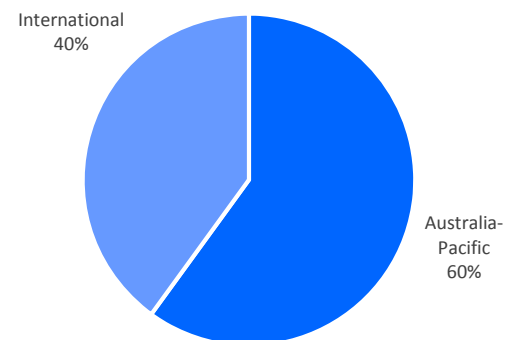


# Revenue<sup>2</sup> by activities and markets

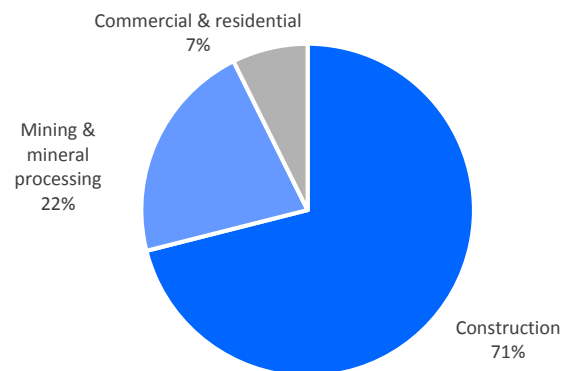
% Revenue by activity (HY16)



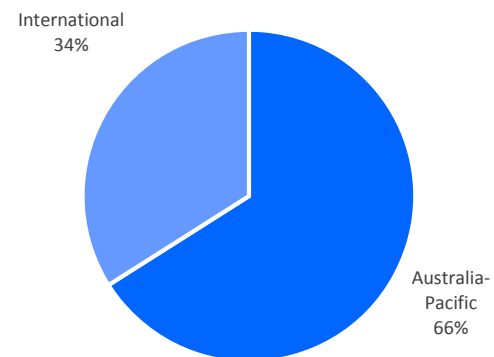
% Revenue by market (HY16)



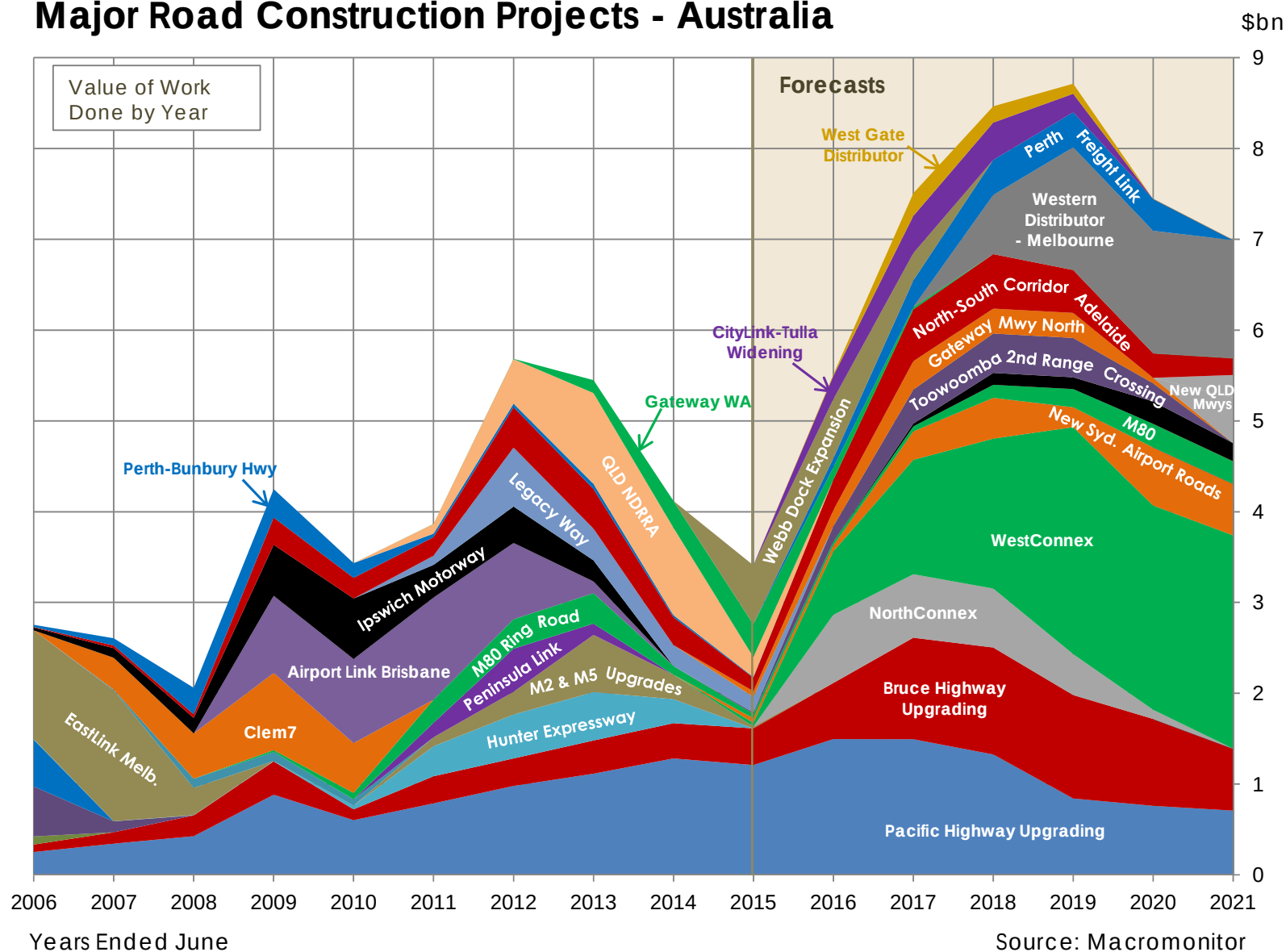
% Revenue by activity (HY15)



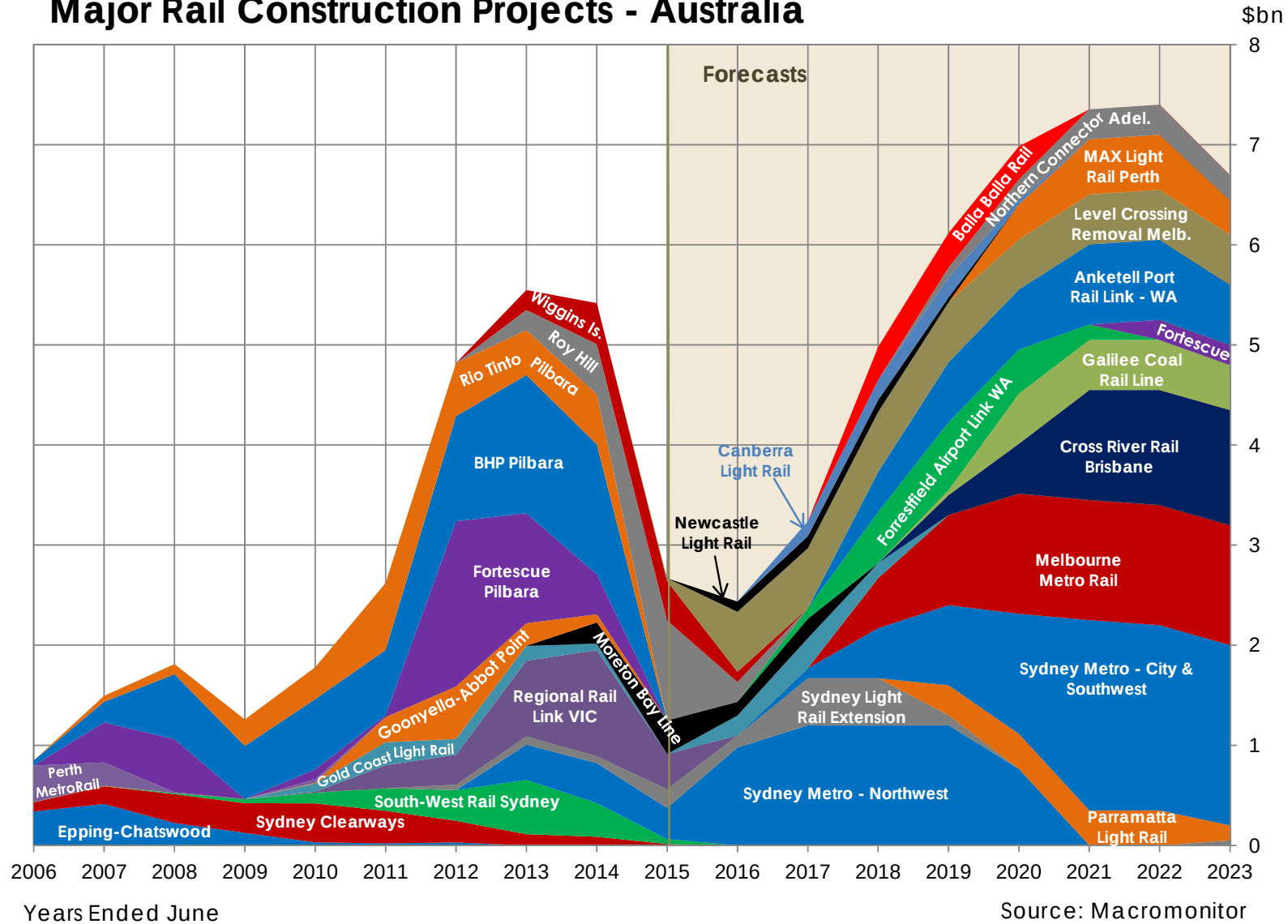
% Revenue by market (HY15)



## Major Road Construction Projects - Australia

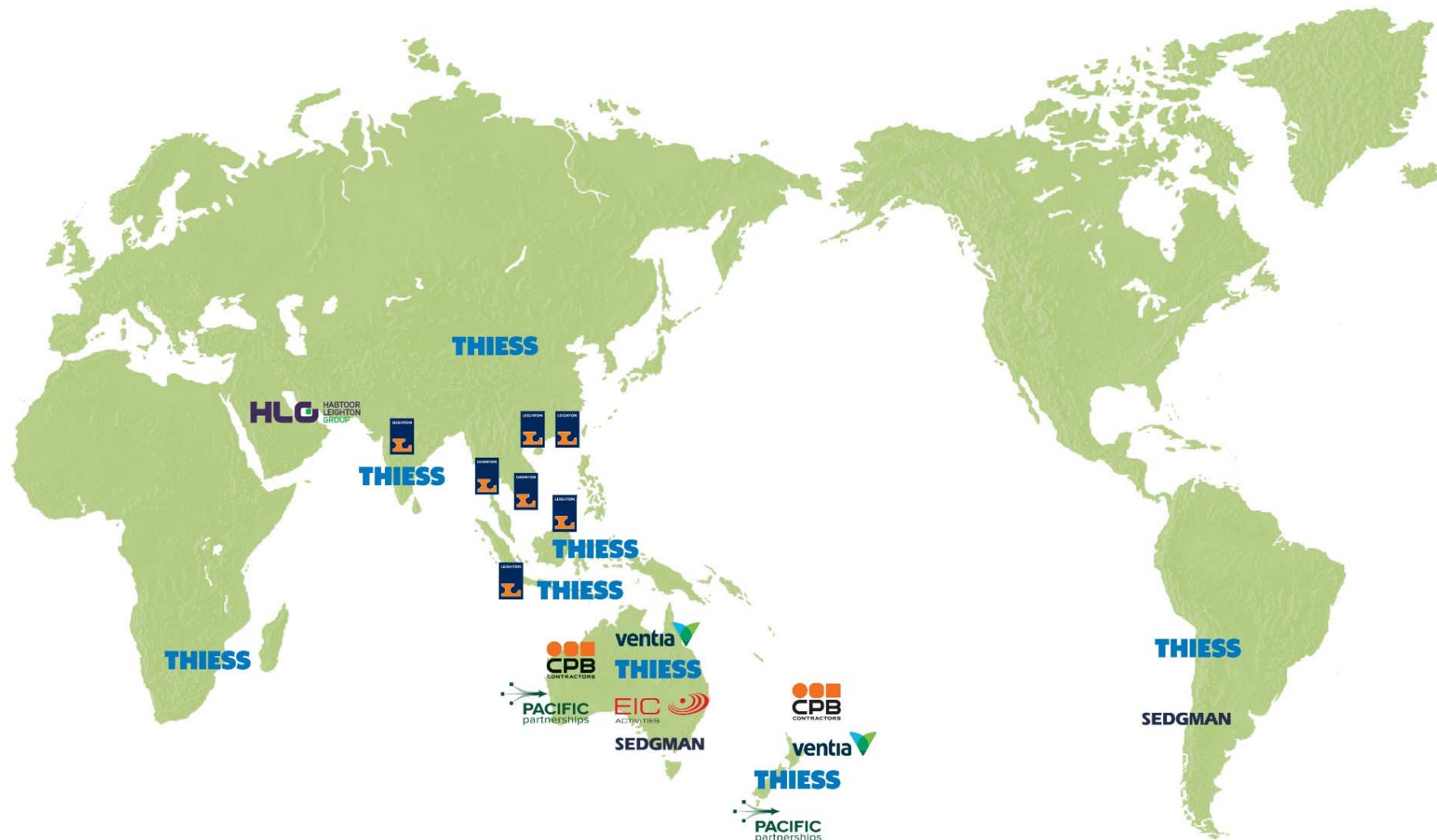


## Major Rail Construction Projects - Australia





# Group market position



| End of the period |           |           |         |            |
|-------------------|-----------|-----------|---------|------------|
|                   | June 2015 | June 2016 | Spot    | Chg. % yoy |
| AUD/USD           | 0.78      | 0.75      | (0.03)  | (3.8)%     |
| AUD/EUR           | 0.69      | 0.67      | (0.02)  | (2.9)%     |
| Period average HY |           |           |         |            |
|                   | June 2015 | June 2016 | Average | Chg. % yoy |
| AUD/USD           | 0.78      | 0.73      | (0.05)  | (6.4)%     |
| AUD/EUR           | 0.70      | 0.66      | (0.04)  | (5.7)%     |

- <sup>1</sup>Margins calculated on revenue excluding joint ventures and associates revenue of \$1,344.5m in HY16 and interest income of \$40.0m (HY15: \$1,469.4m and \$53.3m respectively; FY15: \$2,848.0m and \$89.9m respectively)
- <sup>2</sup>Revenue excludes joint ventures and associates revenue of \$1,344.5m in HY16 and interest income of \$40.0m (HY15: \$1,469.4m and \$53.3m respectively; FY15: \$2,848.0m and \$89.9m respectively)
- <sup>3</sup>\$266 million invested in share buyback during 1Q16. As at 30 June 2016 8,827,386 shares (representing 2.6% of total CIMIC shares outstanding before the buyback commenced) had been bought back. Shares subject to buyback are cancelled on a daily basis. Purchase of shares in Sedgman and Devine, less cash acquired from the consolidation of Sedgman, was \$77 million
- <sup>4</sup>Net finance costs in HY16 includes interest income of \$40.0 million (HY15: \$53.3 million; FY15: \$89.9 million) and finance costs of \$48.0 million (HY15: \$129.0 million; FY15: \$193.8 million)
- <sup>5</sup>Cash flow from operating activities before interest, finance cost, taxes and dividends received
- <sup>6</sup>LTM equals 1 July 2015 to 30 June 2016
- <sup>7</sup>Gross capital expenditure is payments for property, plant and equipment
- <sup>8</sup>Free operating cash flow is net cash from operating activities including gross capital expenditure
- <sup>9</sup>Work in hand includes CIMIC's share of work in hand from joint ventures and associates. Comparative periods work in hand has been restated to include work in hand beyond five years of FY15: \$1,663 million, HY15 \$760 million (Mining: FY15 \$921 million, HY15 \$82 million, Corporate: FY15 \$742 million, HY15 \$678 million). Mining and mineral processing work in hand has been restated to include Sedgman: FY15 \$92 million, HY15 \$157 million being reclassified from corporate
- <sup>10</sup>New work includes new contracts and contract extensions and variations including the impact of foreign exchange rate movements
- <sup>11</sup>Gearing is expressed as the ratio of net debt and operating leases to net debt, operating leases and shareholder's equity
- <sup>12</sup>Net contract debtors represents the net of amounts due from customers and amounts due to customers
- <sup>13</sup>Including \$1.8b working capital facility of which \$0.2b currently in use at 30 June 2016
- <sup>14</sup>Total interest bearing liabilities