



# AusGroup Limited

## Shareholder Update

### Quarter Three 2014 Financial Results

**Mr Stuart Kenny**  
CEO & Managing Director

**Mr Gerard Hutchinson**  
Chief Financial Officer

# Forward looking statement – important note



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The following presentation contains forward looking statements by the management of AusGroup Limited ("AusGroup"), relating to financial trends for future periods, compared to the results for previous periods.

Some of the statements contained in this presentation that are not historical facts are statements of future expectations with respect to the financial conditions, results of operations and businesses, and related plans and objectives. Forward looking information is based on management's current views and assumptions including, but not limited to, prevailing economic and market conditions.

While AusGroup considers the assumptions on which these statements are based to be reasonable, whether circumstances actually occur in accordance with these statements may be affected by a variety of factors. These include, but are not limited to, levels of actual demand, currency fluctuations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risk, project delay or advancement, approvals and cost estimates. These could cause trends or results to differ from the forward looking statements in this presentation.

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"S\$" means Singapore dollars and "A\$" means Australian dollars unless otherwise indicated. Any discrepancies between individual amounts and totals are due to rounding.



- Important Note
- Introduction
- Business Overview
- Operating Performance
- Operating Outlook



# Introduction



# Introduction – who we are and what we do



- AusGroup's strategy is to provide a range of asset maintenance, manufacturing, and construction services to the natural resources sectors with geographic diversity across Australia and Asia. Our focus is towards:
  - **Oil and Gas** – Fabrication, installation and long term maintenance of specialised equipment such as wellhead platforms, process modules and skids, subsea modules, and cryogenic insulation (for LNG plants). Operates out of Australia, Singapore, and Thailand.
  - **Mining** – Construction, fabrication and maintenance services in respect of plant and equipment for the mining sector in Australia.

## AusGroup Singapore

AusGroup Singapore services the marine and offshore drilling industries. They provide a range of subsea fabrication and specialist machining solutions, strategically located in Singapore.



## AGC

AGC is a Western Australian based construction, insulation, maintenance and fabrication company. We have been providing services to the oil and gas, mining and minerals sectors for 25 years.



## MAS

MAS specialises in providing scaffolding and access services for construction, overhaul, repair and manufacturing and maintenance projects in the oil and gas, minerals and infrastructure industries. MAS operates throughout Australia, Singapore and Thailand.





# Business Overview



Pluto LNG Site, Courtesy of Woodside

## Strategic Operating Locations



- The Group maintains Head Office in Perth where the bulk of the Company's activities are operated through its wholly owned subsidiaries, AGC Industries ("AGC") and MAS Australasia ("MAS").
- AusGroup has fabrication and manufacturing facilities in Western Australia (Kwinana and Henderson), and facilities in South East Asia (Tuas Road, Singapore and Laem Chabang, Thailand).
- The Group provides asset maintenance, fabrication, manufacturing and construction services to the LNG, oil and gas and industrial sectors.
- The Company's service offering is at the latter stage of the project development cycle with contracted, recurring maintenance style revenues.
- Oil & Gas sector focus is providing protection from the recent pullback in the greenfield capital development spend in the mining sector.
- The Group's growth is directly linked to activities around new project developments and expansions, as well as the provision of long-term maintenance services to clients in these sectors.

	Integrated Services	Manufacturing & Fabrication	Projects
<b>Business unit Description</b>	<p>Provider of asset management and maintenance services including:</p> <p><b>Oil and Gas</b></p> <ul style="list-style-type: none"> <li>▪ Access services for maintenance programmes</li> <li>▪ LNG related painting and insulation services</li> <li>▪ Mechanical maintenance and upgrade services to LNG plants</li> </ul> <p><b>Mining &amp; Industrial</b></p> <ul style="list-style-type: none"> <li>▪ Refractory, painting, and access services maintenance programmes</li> <li>▪ Demolition and remediation services</li> </ul>	<p>Offers manufacturing and Fabrication of specialised equipment including:</p> <p><b>Oil and Gas</b></p> <ul style="list-style-type: none"> <li>• Platforms, subsea modules, pressure vessels</li> </ul> <p><b>Mining and Industrial</b></p> <ul style="list-style-type: none"> <li>▪ Car dumpers, conveyors, stackers and reclaimers</li> </ul>	<p>Focused on erecting and installing structural, mechanical and piping works including:</p> <p><b>Oil and Gas</b></p> <ul style="list-style-type: none"> <li>▪ Processing equipment</li> </ul> <p><b>Mining and Industrial</b></p> <ul style="list-style-type: none"> <li>▪ Materials handling and mineral and processing equipment</li> </ul>
<b>Facility Locations</b>	<ul style="list-style-type: none"> <li>▪ Thailand, Singapore, Western Australia, Queensland and Northern Territory</li> </ul>	<ul style="list-style-type: none"> <li>▪ Singapore and Western Australia</li> </ul>	<ul style="list-style-type: none"> <li>▪ Western Australia, Queensland and Northern Territory</li> </ul>



# Operating Performance



CBH Shiploader Refurbishment scaffolding



# Improving operating performance...

## Profit & Loss

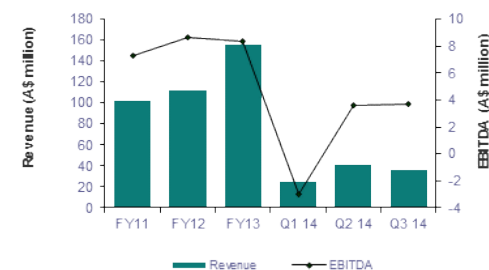
(A\$ million)	FY11	FY12	FY13	Q1	Q2	Q3
<b>Revenue</b>	<b>602.0</b>	<b>632.0</b>	<b>582.7</b>	<b>77.2</b>	<b>68.0</b>	<b>73.0</b>
<b>EBITDA</b>	<b>36.6</b>	<b>53.8</b>	<b>33.1</b>	<b>-19.3</b>	<b>3.7</b>	<b>2.6</b>
EBITDA%	6.1%	8.5%	5.7%	-25%	5.4%	3.6%
<b>EBIT</b>	<b>20.4</b>	<b>38.5</b>	<b>17.6</b>	<b>-23.6</b>	<b>0.1</b>	<b>-0.6</b>
EBIT%	3.4%	6.1%	3.0%	-30.1%	0.1%	-0.8%

- Revenue increased by 7.4% in Q3 on the preceding quarter to A\$73.0 million due to increasing levels of activity arising from the benefits of strategic adjustment in Q2.
- Gross margins increased 11.9% (Q2 11.4% and Q3FY13 8.7%).
- EBITDA and EBIT affected by A\$4.4 million of non-recurring costs related to refinancing and placement (A\$1.3 million) and decision to not proceed with ASX-listing (A\$2.3 million).
- On an adjusted basis, Underlying EBITDA was A\$7.0 million (9.6%) and EBIT was \$3.7 million (5.1%)
- Continued focus on cost management, as well as effective project delivery and risk management.

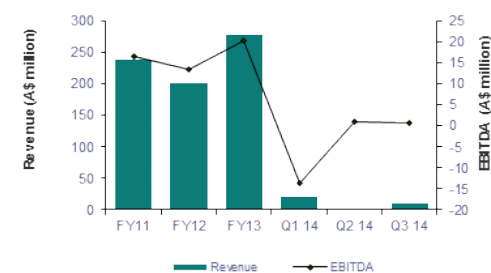
## Integrated Services



## Manufacturing & Fabrication



## Projects





# ... and improved financial position

## Summary balance sheet

(A\$ million)	31 Mar 2013	30 June 2013	30 Sept 2013	31 Dec 2013	31 Mar 2014
Cash	18.1	11.7	34.8	31.4	21.9
Receivables	120.0	160.6	96.9	87.2	106.9
Property, Plant & Equipment	93.0	94.4	71.4	65.8	62.7
Intangible Assets	24.0	27.3	27.1	26.3	25.3
Other Assets	16.6	11.8	57.7	38.6	37.5
<b>Total Assets</b>	<b>271.7</b>	<b>305.8</b>	<b>287.9</b>	<b>249.6</b>	<b>254.3</b>
Payables	67.2	84.3	79.7	66.3	60.2
Debt	12.9	30.1	27.9	0.8	0.4
Other Liabilities	23.5	18.2	22.1	21.1	20.9
<b>Total Liabilities</b>	<b>103.6</b>	<b>132.6</b>	<b>129.7</b>	<b>88.2</b>	<b>81.5</b>
<b>Net Assets</b>	<b>168.1</b>	<b>173.2</b>	<b>158.2</b>	<b>161.4</b>	<b>172.8</b>
Net Tangible Assets	144.1	145.9	131.1	135.1	147.5

- Net asset position of A\$172.8m and net tangible assets of A\$147.5m (representing S0.30c and S0.26c per share), with increase resulting from Placement in January.
- The current cash balance is A\$21.9m of which A\$15m of cash being held by the existing banks against contingent bank guarantee liabilities.
- Trade debtors increased compared to the previous quarter mainly driven by an increase activity and work in progress.
- Trade debtors typically Tier 1 contractors and natural resource companies including Woodside, Alcoa, Chevron and BHP Billiton.
- Payables have been kept at previous period levels, despite the increase in activity, while Other Liabilities have reduced.
- Utilisation of contingent facilities as at the end of March was A\$21.4m.

## Current

- The Company completed a Placement Agreement with DBS Bank to place 96,100,000 ordinary shares for gross proceeds of S\$16.1m with a small number of cornerstone investors on 24 January 2014. This increased the issued share capital of the Company to S\$97.5 million divided into 578,276,475 ordinary shares (up from S\$81.4 million)
- As at 31 March 2014, AusGroup had fully repaid its senior debt facilities with the Group's then club bank facility with Australia & New Zealand Banking Group Limited and HSBC Australia Pty Ltd as the facilities expired in January 2014. Deed of Termination and Release had been executed by the Group and the Banks.
- The Company completed its refinancing by drawing down on a 2.5 year A\$20 million term credit facility through its subsidiary, AGC Australia Pty Ltd with a Wingate House led consortium on 24 April 2014.
- The Company is also in the final stages of completing the documentation related to a \$50 million bankers guarantee facility with DBS Bank Limited in Singapore to provide additional bonding capacity.

## Future

- Presently, a portion of the Company's performance bond facilities provided by banks are 100% cash collateralised. Going forward, we are working with a number of financial institutions to release that cash into working capital.
- Pursuing other options to recycle capital currently locked up across the business.



# Operating Outlook



Chevron operated Gorgon Project- scaffolding

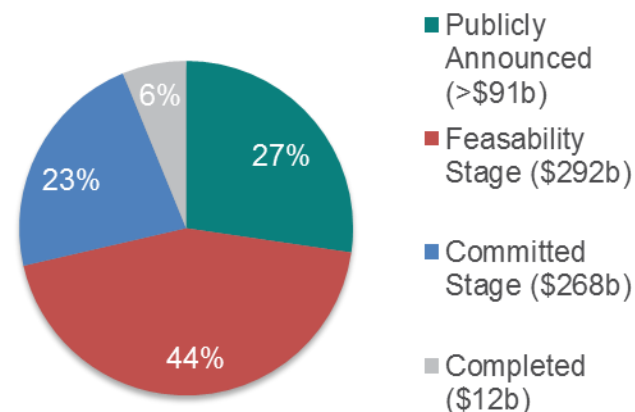


## Commentary

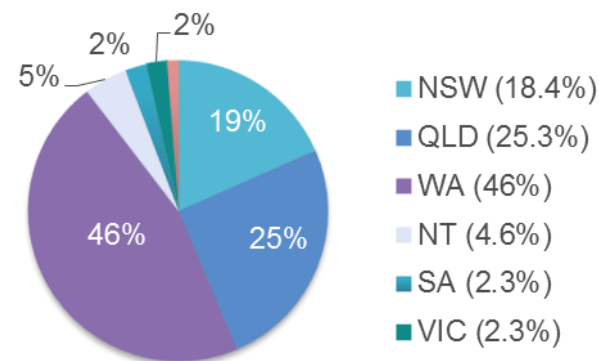
- Recently implemented strategic review shifted toward the oil & gas sector and long-term asset maintenance services, and away from construction services to the mining sector. Revenues from the Oil and Gas sector are expected to increase to approximately 80% in FY14 and FY15, from the 55% recorded in FY13.
- Despite the pullback in some areas of the resources sector and delay/cancellation of various major projects, the Company's pipeline remains robust with \$395m in Work-In-Hand.
- There are currently 11 "mega" resource projects worth A\$201 billion in Australia. AusGroup is very well placed to win additional work from a number of these mega projects through existing relationships, demonstrated track record and current project work:
  - Gorgon LNG (existing contracts)
  - Wheatstone LNG (existing contracts)
  - Worsley Alumina (existing contracts)
  - Ichthys LNG (existing contracts)
  - Australia Pacific LNG
  - Queensland Curtis LNG
  - Gladstone LNG

## Resources and Energy Projects

Number of Resource & Energy Projects by Stage;



Committed Stage Projects by Region;

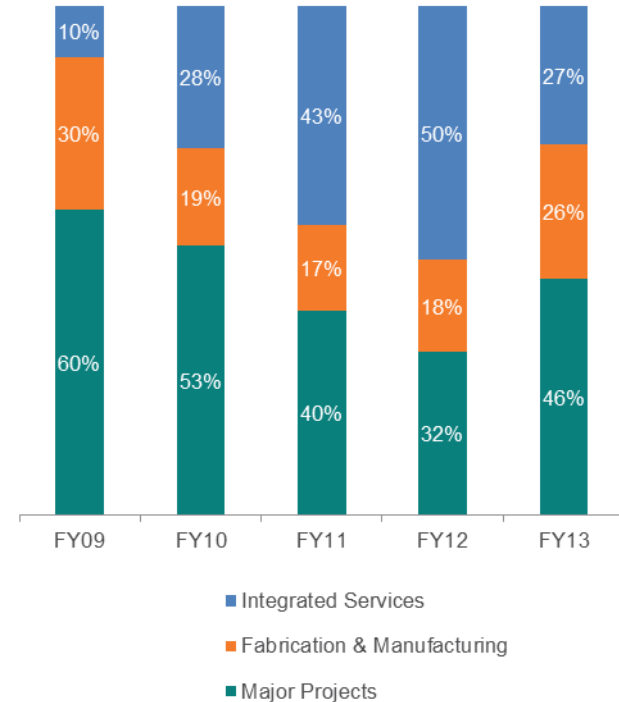




## Strategic Direction

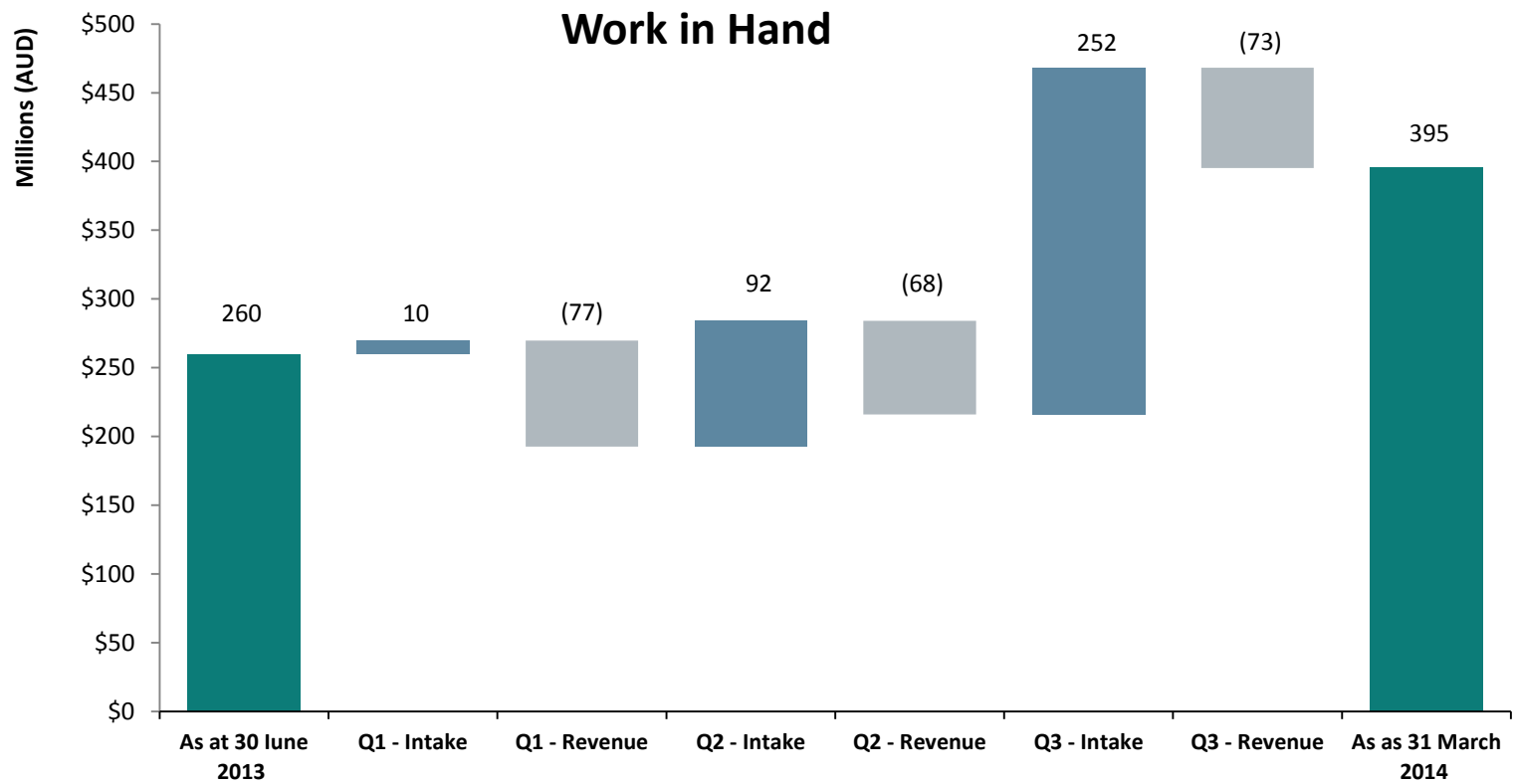
- Continue to focus on penetration in core markets and core businesses
  - Particular emphasis on Australia and its oil and gas sector
  - Expand geographical reach throughout Australia, particularly into Queensland and the Northern Territory, as well increase operations in Singapore
  - Focus on Tier 1 / Blue chip client base
  - Capitalise on cross selling opportunities created by the recent realignment of the company structure
- Continue to build business with strong annuity income focus – increase in Integrated Services (Asset Maintenance) over the medium term
- Improve profitability and drive scale and efficiencies across the Group.
- Strong focus on the Company's overall risk management framework.
- Improve management of working capital.

## Business Mix



- Given the growth strategy in place and operating environment, AusGroup expects the business mix over future years to be more skewed towards the Oil and Gas sector and the Integrated Services business

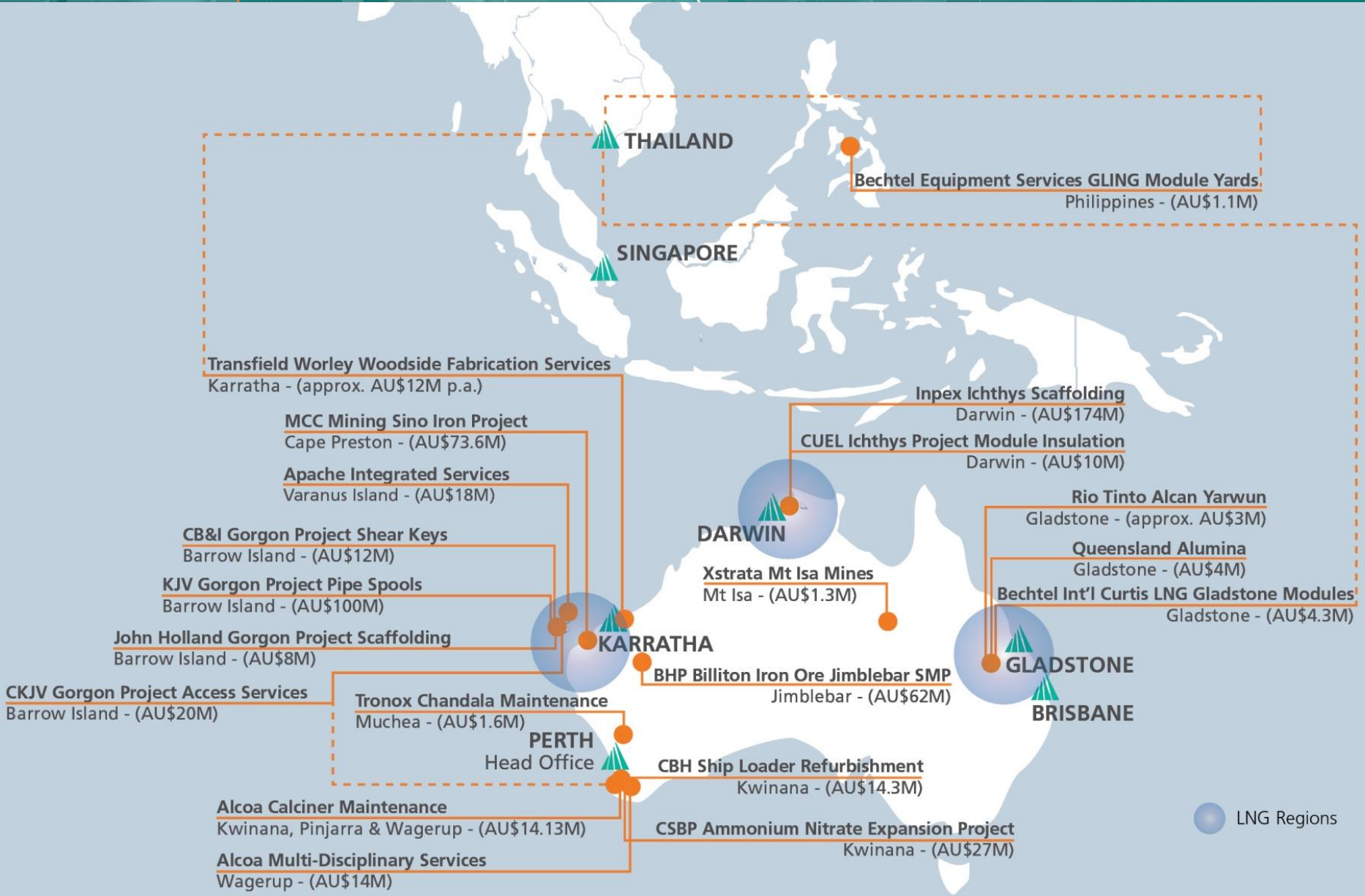
The following graph illustrated our work in hand movements over the current financial year.





- On 9 April 2014, the Company announced Ezion Holdings Limited (“Ezion”) had become a substantial shareholder in the Company (6.9%).
- In addition, the Company and Ezion (“The Parties”) entered into a Memorandum of Understanding (“MOU”), pursuant to which they intend to explore and pursue opportunities for collaboration in the following areas:
  - Utilising the capacity of Port Melville to augment Darwin Port with increased regional capacity for the oil and gas and resources industries;
  - The provision of logistics supply chain and related support services in the Region;
  - The development of tank farm and engineering services;
  - The development of oil and gas infrastructure development in the Region;
  - Training and development of indigenous workforce in the Region;
  - Project management and technical services support in the Region;
  - The joint marketing of a combined capability to offer a broader service offering to improve end to end services and logistics in the oil and gas and resources industries; and
  - Any other collaboration as agreed between the Parties.
- The Company intends to convene an EGM to seek approval of Shareholders for the Proposed Expansion, Placement, the Grant of Options, and new General Share Mandate.

# Our Projects



● LNG Regions