



Investor Presentation – Q3 FY 2017

*C.K.Eng – M.D. AusGroup
Simon High – CEO AusGroup
Christian Johnstone – CFO AusGroup*

15 May 2017

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Overview - Group Structure



AusGroup Ltd (Singapore)

- Investor relations
- Bank and noteholders interface



- Provides services across the **energy, industrial** and **mining** sectors
 - _ Core maintenance
 - _ Construction
 - _ Manufacturing
 - _ Painting, insulation and fireproofing
 - _ Refractory
- Number of employees 1,204
- Number of facilities 2



- Provides access services across the energy and resource sectors in Australia and Asia
 - _ Scaffolding
 - _ Rope Access
 - _ Design, planning and engineering access systems
 - _ Labour supply
 - _ Training
- Number of employees 774
- Number of facilities 9



- Supports offshore LNG industry through the provision of marine services
 - _ Marine logistics
 - _ Equipment/module transportation
 - _ Asset operation
 - _ Fuel distribution and supply
- Number of employees 5
- Number of facilities 2

Overview - Senior Management Team



Eng Chiaw Koon
Managing Director

As Managing Director, Mr Eng (CK) is responsible for overseeing the performance of the Group including the Engineering Services and Port & Marine businesses. Based in Singapore, he works to maintain and develop relationships with banks, investors and shareholders.



Simon High
Chief Executive Officer

Mr High has over 40 years of experience in project execution and corporate management, with a proven track record in successful financial delivery, organisational turnaround and the development of high performance teams. Mr High was formerly the managing director and CEO of ASX listed Southern Cross Electrical Engineering (SCEE). Prior to that, Mr High held senior management and executive positions within Clough, United Construction and Kvaerner Oil & Gas.



Christian Johnstone
Chief Financial Officer

Mr Johnstone has over 20 years of finance and corporate advisory experience including a number of years in senior finance roles for publicly listed companies. He has extensive experience spanning the mining, gas and industrial sectors, having previously worked as chief financial officer for Iron Ore Holdings Ltd for over four years, and Wesfarmers Limited for over six years in its business development department and its industrial gas subsidiary in a senior finance role. Prior to Wesfarmers Limited, Mr Johnstone worked for KPMG Corporate Finance in Australia and Asia, and KPMG in Scotland for over 10 years.

Senior Management Team



James Stokes
Chief Operating Officer
AGC

Mr Stokes has over 20 years of experience in the natural resources sector across Australia. He has held senior management positions with Monadelphous Engineering Associates, Southern Cross Electrical Engineering, Calibre Global Pty Ltd, UEA Civil and Mining Pty Ltd and Rio Tinto, where he was responsible for a wide range of roles.



Simon MacLeod
Chief Operating Officer
MAS Australasia

Mr MacLeod has over 35 years of construction and maintenance experience in the LNG and natural resource industries across Australia. He has been involved in projects from the tender preparation phase through to negotiation and project management across projects including; INPEX-operated Ichthys Project, Pluto LNG Project, Karratha Gas Plant, Sino Iron Ore Project and Woodside Domestic Gas Plant.



Captain Chris Litowchak
Chief Operating Officer
NT Port and Marine

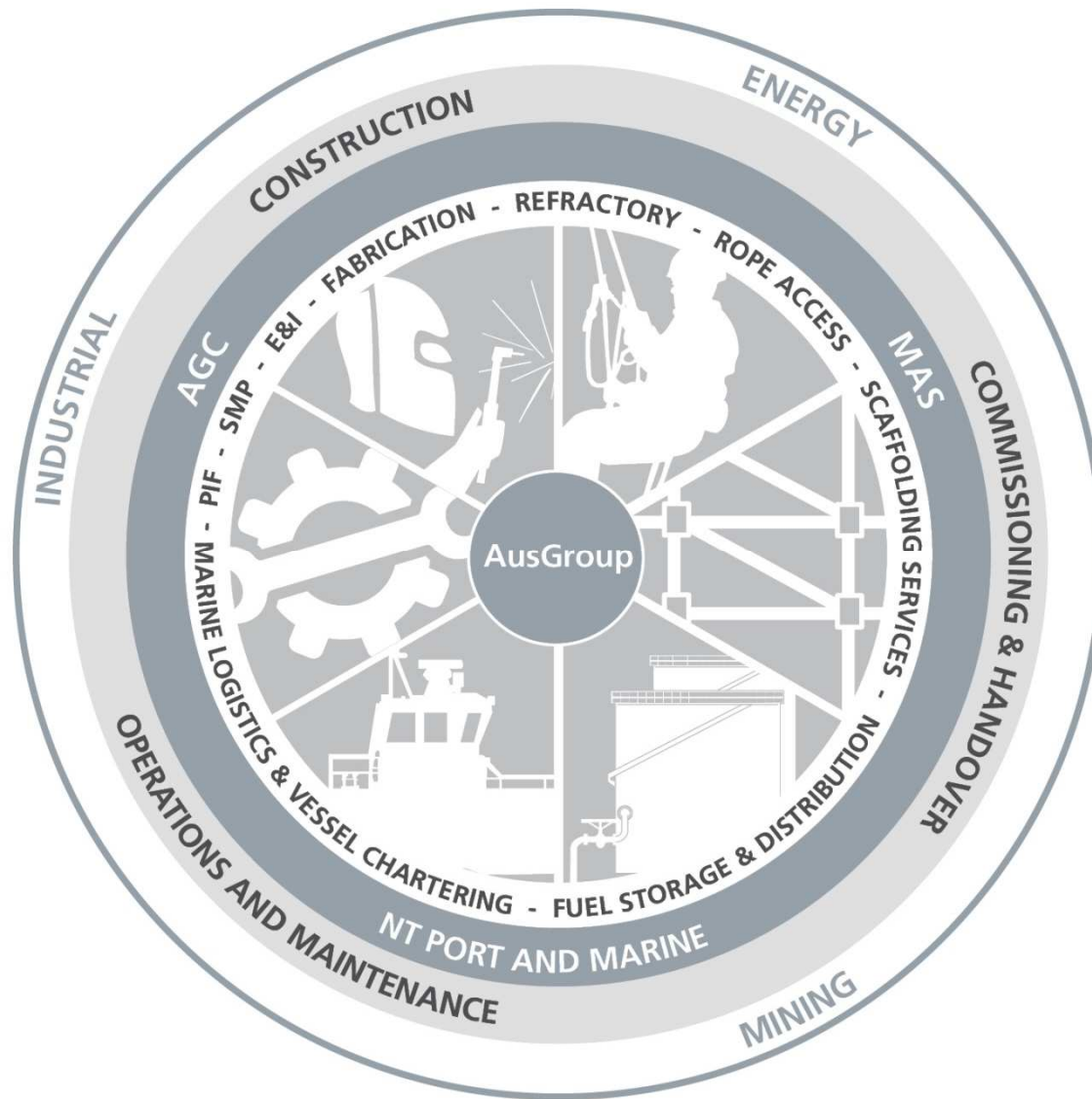
Captain Chris Litowchak has over 25 years of international experience in the maritime industry. He is a certified Master, qualified to command vessels of up to 3000 tonnes. Captain Litowchak was chief operations officer for a Tier 1 Marine Logistics Contractor on Chevron's Gorgon Project, from 2009-2016. He held the accountability and responsibility for the safety and security of all vessels and crews.



Matt Prendergast
Group Manager
Business Services

As Group Manager Business Services, Matt's responsibilities include overseeing the Commercial & Risk, Procurement, Business Systems, HR & Remuneration, Industrial Relations and Recruitment functions across the business.

Who we are – Capabilities



Who we are - Capabilities



Painting, Insulation & Fireproofing

28%



- Passive Fire Protection (PFP)
- Industrial protective coatings
- Cryogenic, cold, acoustic and heat prevention insulation

Access Services

53%



- Scaffolding engineering and design services
- Management systems and stock control
- Hire and sales
- Logistics and transportation
- Rope access
- Training
- Skilled personnel network

Maintenance & Operational Support

11%



- Mechanical services
- Project management
- Planning
- Site management
- Quality assurance and quality control
- Shutdown planning and management



Who we are - Capabilities



Fabrication



- Wellhead platforms and jackets
- Preassembled pipe racks and modular frames
- Processing modules and skids
- Pressure vessels and storage tanks
- Subsea modules/pipespools

SMP and E&I



- Process modules and skids
- Pipeline and pipe spools
- Wharf infrastructure
- Jetty top sides
- Mechanical
- Electrical and instrumentation across construction and maintenance

Refractory



- Shutdown planning and management
- Insulation of brickwork, acid work and monolithic linings
- Associated demolition
- Inspection and testing services
- Material selection and inventory management

Port and Marine Services

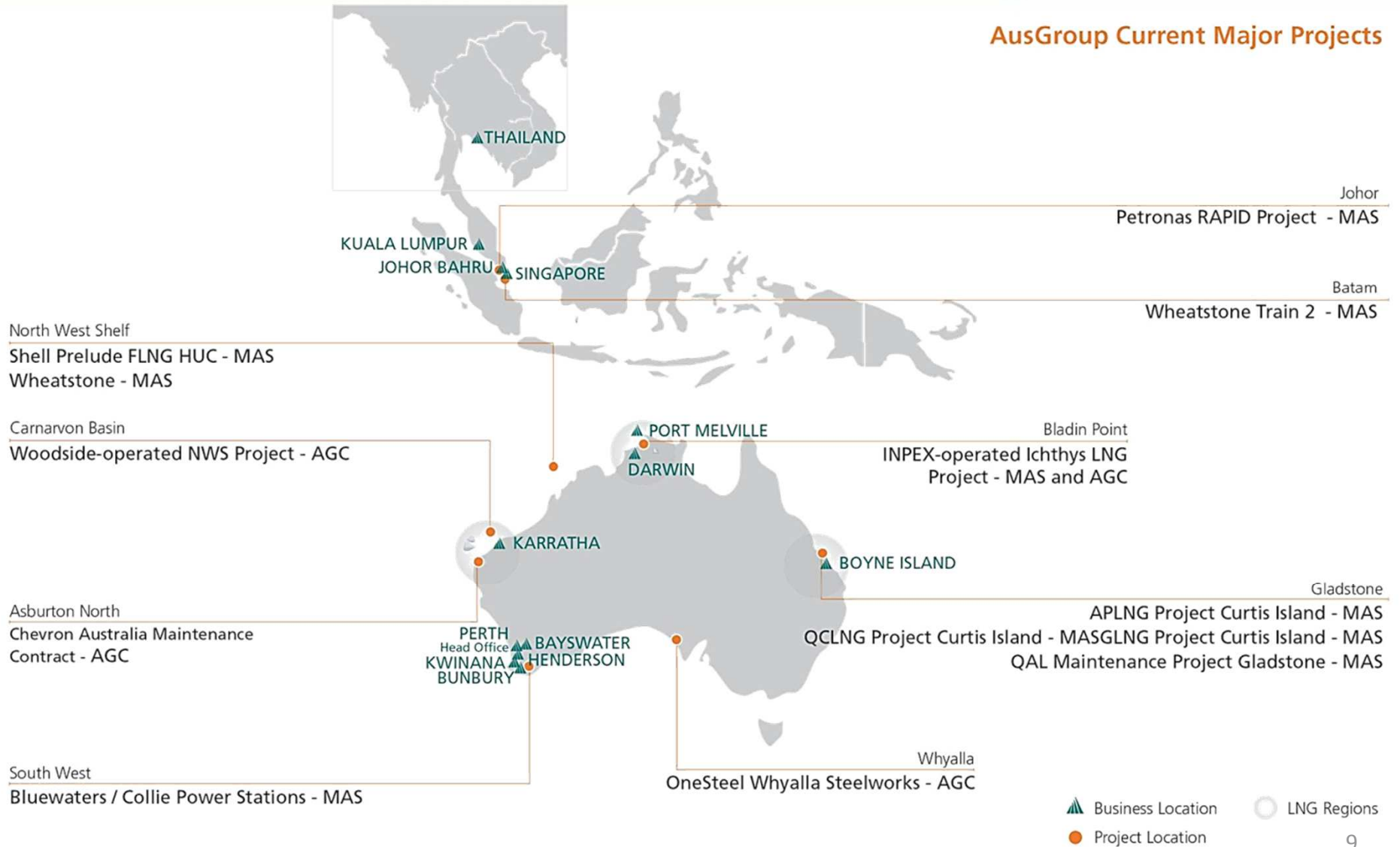


- Logistics support for offshore platforms and operations
- Equipment / modules transportation
- Tug and barge operator
- Supply bases / fuel distribution
- 30ml capacity fuel storage

Who we are - Current Major Projects



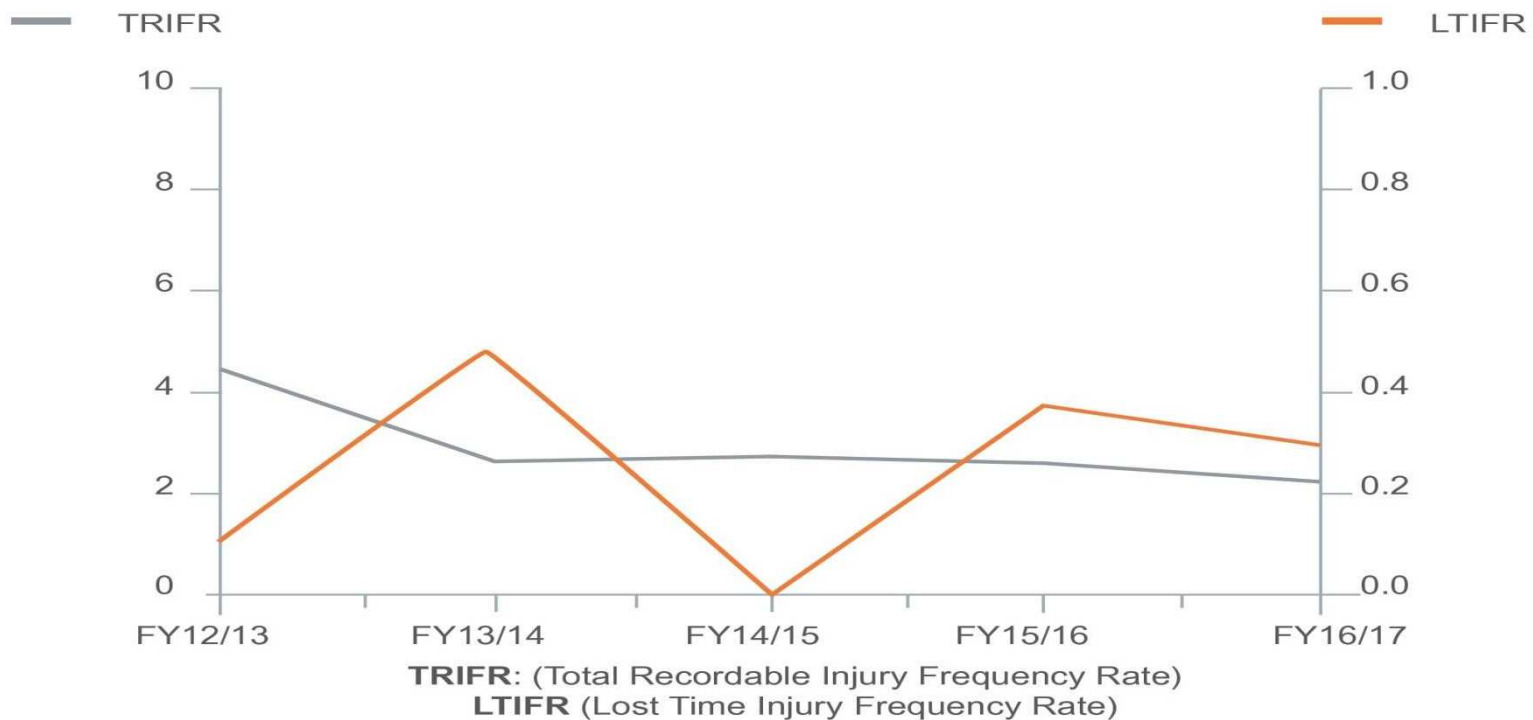
AusGroup Current Major Projects



Who we are - Safety Record



- There has been a downward trend of the TRIFR over the five year period. At the end of December 2016 the TRIFR was **1.87**, a 38% decrease from the Corporate target of 3.0.
- A good safety record is a 'must have' in this industry: it is expected by the Board and employees and has a tangible financial benefit.
- Frequency rates are measured as a 12 month rolling average per million man hours worked.



Financial Performance - Highlights - Q3 FY2017



FINANCIAL	OPERATIONAL	STRATEGIC
<ul style="list-style-type: none"> • Revenue increased to AU\$107.4m for Q3 2017. • EBIT of AU\$8.1m for Q3 2017. • NPAT for Q3 2017 of AU\$3.3m and \$2.2m YTD as at 31 March 2017. • Work in Hand of AU\$286.3m as at 31 March 2017. • Bids being evaluated as \$750m. • Debt Extended MTN loan debt facilities for 2 years to October 2019. 	<ul style="list-style-type: none"> • Re-structured cost base leading to overhead savings YoY of \$22.1m. • Re-structured management team provide strategic direction to business. • Singapore and Kwinana fabrication businesses restructured, the former has been closed – in recognition of the changing landscape as work migrates to maintenance and sustaining capital. • Other loss making contracts renegotiated or closed. 	<ul style="list-style-type: none"> • Transitioning towards maintenance and sustaining work capabilities. • Existing order book and the expected organic growth will provide revenue & cash flow viability. • Long-term relationships with Clients provides ability to cross-sell in multi-disciplinary fashion. • Well positioned for further opportunities in expanding LNG sector maintenance in Australia.

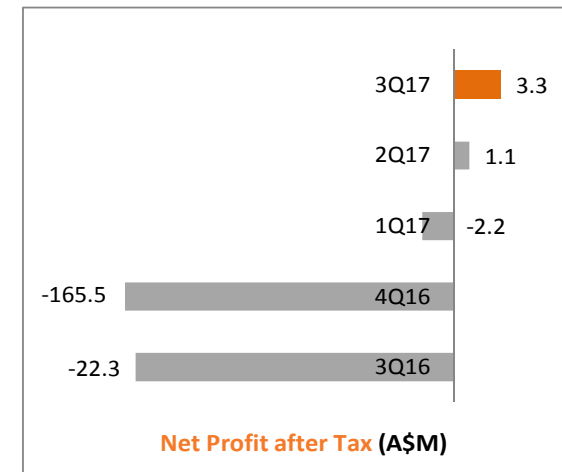
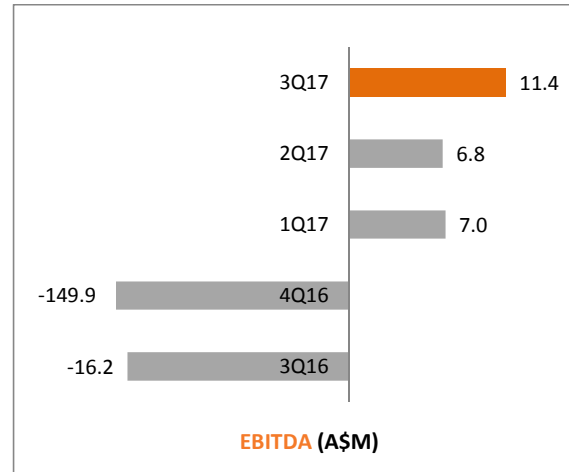
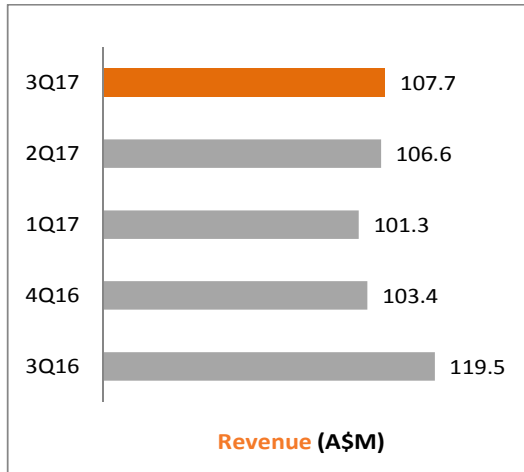
Financial Performance - Income Statement Extracts



Income Statement Extract	Q3 FY 2017	Q3 FY 2016	+ / (-)	9M FY 2017	9M FY 2016	+ / (-)	9M FY17 Energy & Process	9M FY17 Port & Marine	9M FY17 Total
	AU\$m	AU\$m	%	AU\$m	AU\$m	%	AU\$m	AU\$m	AU\$m
Revenue	107.4	116.4	(7.7%)	313.8	368.2	(14.8%)	307.9	5.9	313.8
Gross profit	15.8	12.5	26.4%	35.2	25.5	38.1%	37.7	(2.5)	35.2
Gross margin	14.7%	10.7%	4.0%	11.2%	6.9%	4.3%	12.2%	-42.4%	11.2%
Other operating income	0.2	1.2	(84.0%)	1.2	1.2	(2.6%)	1.2	0.0	1.2
Admin, marketing & other costs	(7.9)	(13.2)	40.6%	(22.4)	(38.6)	42.0%	(18.4)	(4.0)	(22.4)
Impairment	0.0	(11.9)	100.0%	0.0	(56.5)	100.0%	0.0	0.0	0.0
EBIT	8.1	(11.4)	171.0%	14.0	(68.3)	120.5%	20.5	(6.5)	14.0
EBIT margin	7.5%	(9.8%)	17.4%	4.5%	(18.6%)	23.0%	6.7%	(110.2%)	4.5%
EBITDA	11.3	(7.3)	254.3%	23.6	(57.1)	141.3%	28.1	(4.5)	23.6
Finance Costs	(4.7)	(5.3)	188.7%	(12.7)	(10.6)	(19.9%)	(2.5)	(10.2)	(12.7)
Net profit / (loss) for the period	3.3	(24.2)	113.6%	2.2	(93.5)	102.4%	19.2	(17.0)	2.2

- Increase in EBIT over last year – return to profitable and sustainable results for the second quarter in a row.
- Significant reduction in the operating cost base with administration costs reducing by 41% YoY.
- Finance costs are currently at 58% of Q3 EBIT – as the return to profitability continues debt servicing cover improves.
- Energy & Process underlying results represents significant reversal from losses in prior year.
- Port & Marine Services now operating under rationalised and optimised framework – set up in place for future growth plans after commercialisation of business.
- *Discontinued operations representing the closure of the Singapore fabrication & manufacturing business accounts for AU\$0.23m and AU\$1.55m of the Q3 and 9M net profit for FY2017 respectively*

Financial Performance - Key Performance Indicators

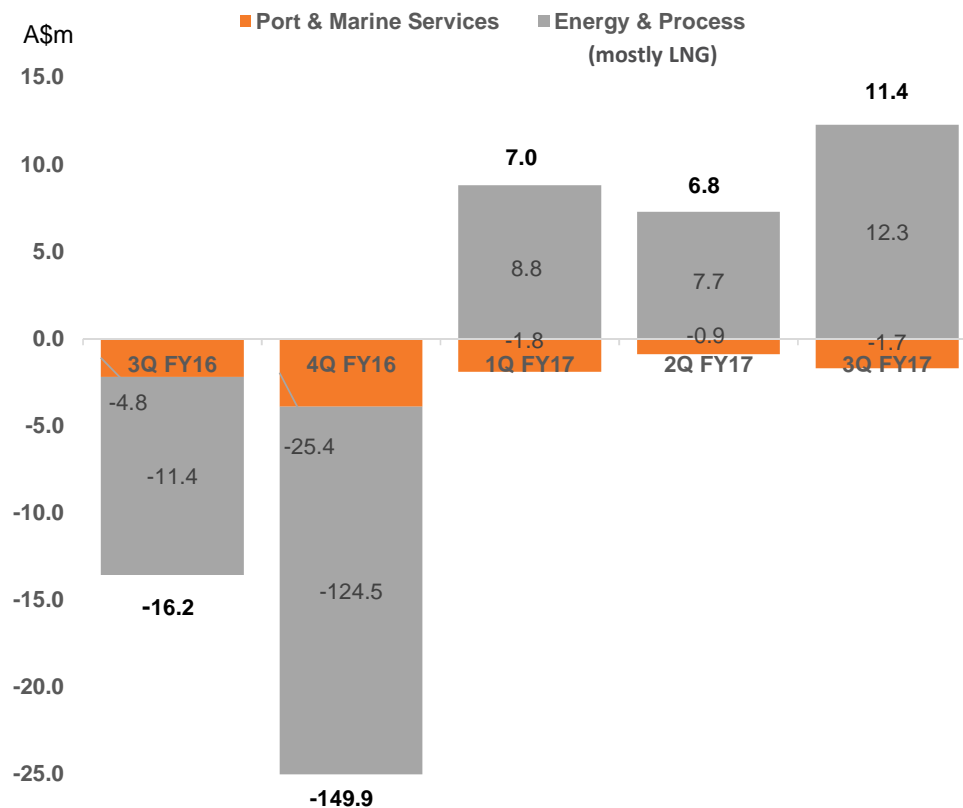


- Revenue growth sustained for the last 3 quarters on the back of strong performances from the Energy & Process based projects at INPEX and Gorgon/Wheatstone.
- EBITDA growth represents a return to more sustainable and realisable earnings.
- Net Profit after tax shows the significant turnaround and growth overall from last year and builds quarter by quarter.
- Finance costs are now serviceable from free operating cash flows in the underlying Energy and Process business.
- Port & Marine Services business restructure is undertaken with operating costs now rationalised to optimum levels.

Financial Performance - Key Performance Indicators



EBITDA contribution by business sector



- Significant contribution from Energy & Process sector
 - Maintenance & Support Services
 - Access Services
 - Painting, Insulation & Fireproofing
 - Fabrication support services
- Port & Marine Services
 - Re-structure completed
 - Re-branding of company completed
 - Marketing of business now re-launched
 - Fuel supply options now being discussed
- Operating cost base rationalised
 - Corporate support model now optimised to provide expertise to operating business units

Financial Performance - Balance Sheet



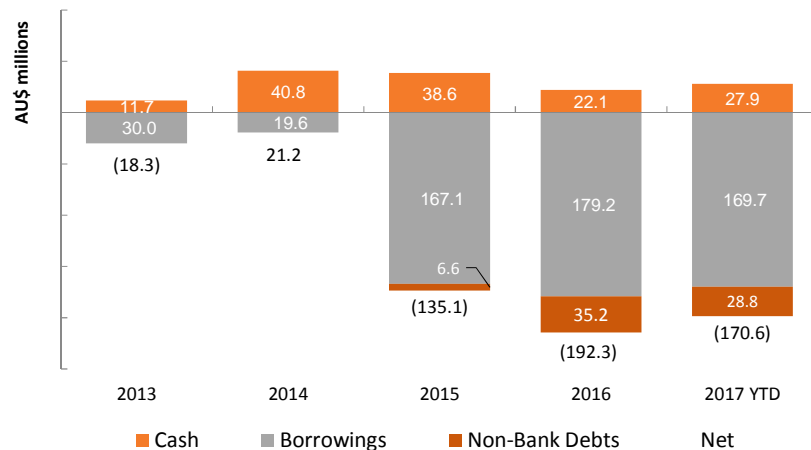
(A\$ million)	31-Mar-17	30-Jun-16
Cash	27.9	22.1
Receivables	124.0	132.9
PPE	87.8	96.4
Intangible Assets	48.4	51.0
Other Assets	7.8	20.4
Total Assets	295.9	322.7
Payables	111.2	124.0
Debt	169.7	179.2
Other Liabilities	21.9	34.4
Total Liabilities	302.8	337.5
Net Assets	(6.8)	(14.8)
Net Tangible Assets	(55.2)	(65.8)

- Improvement in Net Assets since FY16 year end reflecting the underlying profitability in business.
- Debt repayments have been made in line with obligations resulting in reduction of \$10m.
- MTN debt now classified as non-current following extension of repayment date to October 2018.
- Cash balance shows improvement since FY16.
- Bank facilities now extended to December 2019.
- Balance sheet re-structure underway including options such as:
 - Debt to Equity swap
 - MTN redemption of loan notes.

Financial Performance - Group Net Debt & Debt Maturity



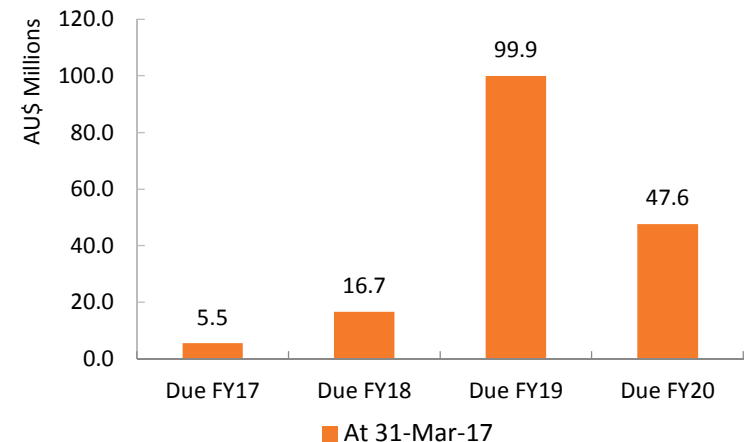
Group Cash & Debt



- Net debt reduces by \$21.7m.
- Cash at bank balance increased by \$5.8m.
- Loan repayments made YTD as at Mar'17 - \$15.9m
 - MTN loan paid in the period - \$4.0m
 - Bank loan and facility repayments in period \$3.4m
 - Bank vendor financing - \$2.1m
 - Other non-bank debt repaid during the year - \$6.4m.

- MTN notes now due for payment in October 2018 (FY19), with the potential that this will be extended to October 2019 (FY20).
- The long term bank debt will be repaid in April 2018 (FY18).
- Bank loans due for payment according to agreed instalment plans will be fully repaid by Dec'19 (FY20).
- The shareholders loan is fully sub-ordinated to all bank loans, hence will not be repayable until FY20.

Debt maturity



Financial Performance - Operating Cost Base



Normalised Overhead Analysis	FY 2017 Estimated	FY2016	+/(-)
	AU\$m	AU\$m	AU\$m
<u>Function</u>			
Operating overhead	10.8	26.2	15.4
Administration overhead	28.0	33.3	5.2
Marketing & distribution overhead	1.2	2.6	1.4
Total	40.0	62.1	22.1
<u>Nature</u>			
Salaries & Wages	17.8	32.7	14.9
IT related	1.6	2.5	1.0
Legal & consultancy	6.7	7.7	0.9
Rent & office running costs	3.9	4.6	0.7
Depreciation	2.6	7.5	4.9
Others	7.4	7.2	(0.2)
Total	40.0	62.1	22.1

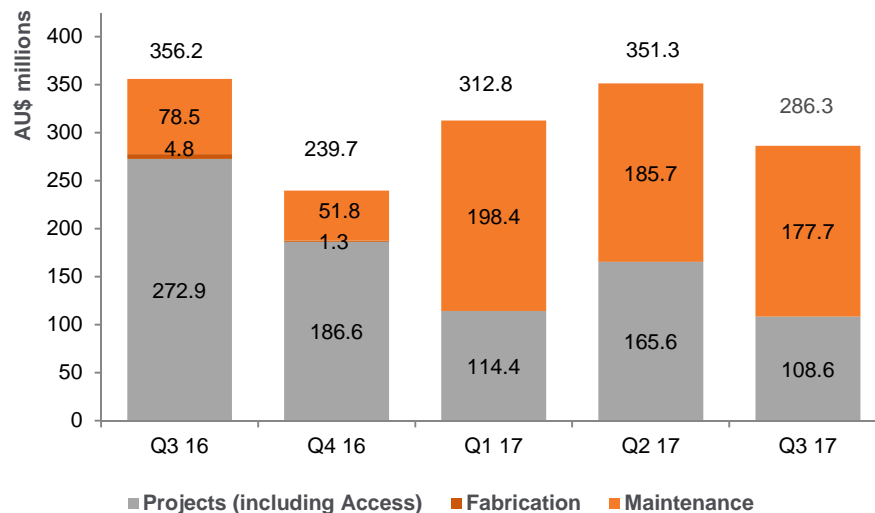
- *Normalised overheads removes costs of impairment, bad debts and internal management recoveries for comparative purposes only*

- \$22.1m of normalised overhead savings YoY to June 2017 in addition to ~\$15m in Q2 FY16.
- Significant reduction in operating support costs has improved operational efficiencies.
- Salary & Wages reduced YoY by \$14.9m following staff rationalisation program.
- Legal & consultancy costs incurred in relation to on-going Arbitration hearings during FY2016 and FY2017. This is expected to reduce further in FY2018.
- IT related costs have reduced following change in IT service provider and re-negotiation of key supply contracts.
- Depreciation savings represents the decrease in the carrying value of assets following impairments conducted in FY2016.
- Corporate organisational structure will be further simplified and improved to service the current projects and position the business for growth in new markets/work.

Financial Performance – Revenue Pipeline - Work-in-hand



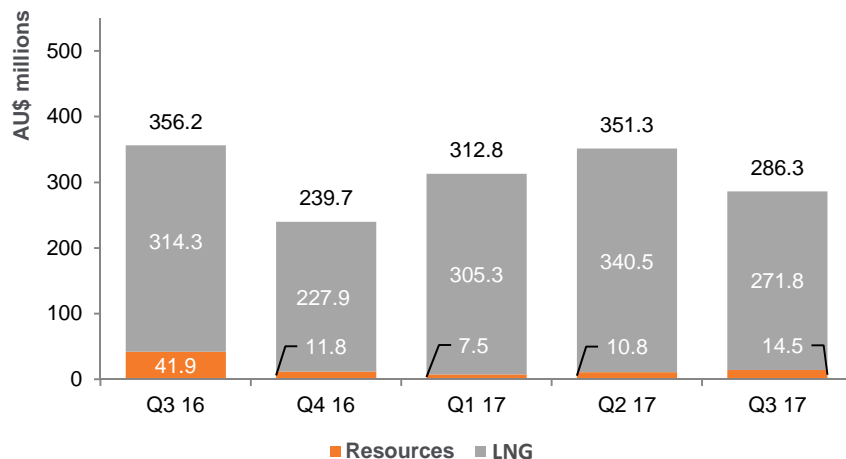
External Work in Hand by Quarter by Business Unit



Work Growth

- Organic growth during the year as Inpex contracts progressed.
- Rectification and repair work has added additional work to original scopes for both the painting & insulation and scaffolding contracts.
- Contractor is busy re-organising the work scope and resources required to complete the LNG plant on time – this will provide additional opportunity for increases in the contract value as the year progresses.

External Work in Hand by Sector



Tenders and Tracking

- Current tendering activities are centered on the re-work and re-pricing of the packages of work that Inpex requires to be rectified or replaced due to defective materials.
- LNG tendering activities are limited for the remainder of the year and into next year (FY18).
- Exploring opportunities to remain on the Inpex contracts – securing the sustaining maintenance work's contractor role on site.

Strategy - Market Overview



Ongoing transition from the investment phase to the production phase of the energy and resources boom

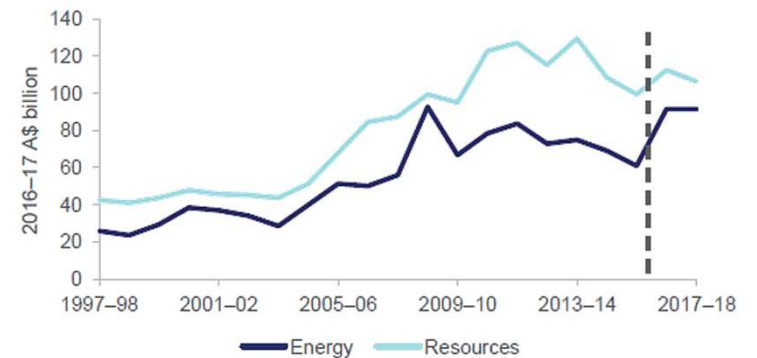
Key points

- All major Energy & Resources construction projects within Australia nearing completion.
- Iron ore, Coal and LNG production dominate Australian exports.
- Australia's resource commodity exports will continue to be highly dependent on global steel making and, in particular, China's residential construction sector.
- The value of Australia's LNG exports is forecast to increase by 50% a year to \$37 B in 2017-18, supported by higher LNG prices and export volumes.
- The investment pipeline for the LNG, Gas and petroleum industry is almost four times greater than Coal.

Impact

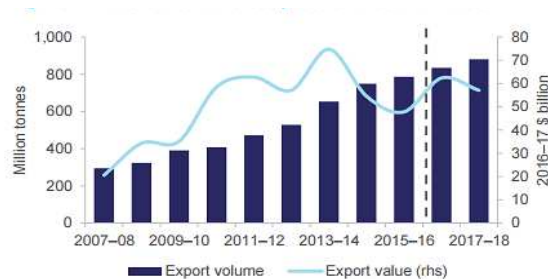
- Contractor revenue streams to move from Construction to Maintenance and specialist services with a focus on WA, NT and QLD.
- Barriers of entry for non established contractors in the highly competitive QLD market.
- Target Maintenance services in WA and NT where AusGroup has a footprint.

Australia's resources and energy export earnings



Source: ABS (2016) International Trade in Goods and Services, 5368.0; Department of Industry, Innovation and Science (2016)

Australia's iron ore exports volumes and values



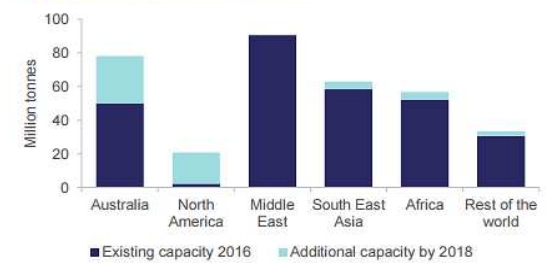
Source: ABS (2016) International Trade, Australia, cat. no. 5465.0; Department of Industry, Innovation and Science (2016)

Australia's LNG exports



Source: ABS (2016) International Trade in Goods and Services, 5368.0; Department of Industry, Innovation and Science (2016)

World liquefaction capacity



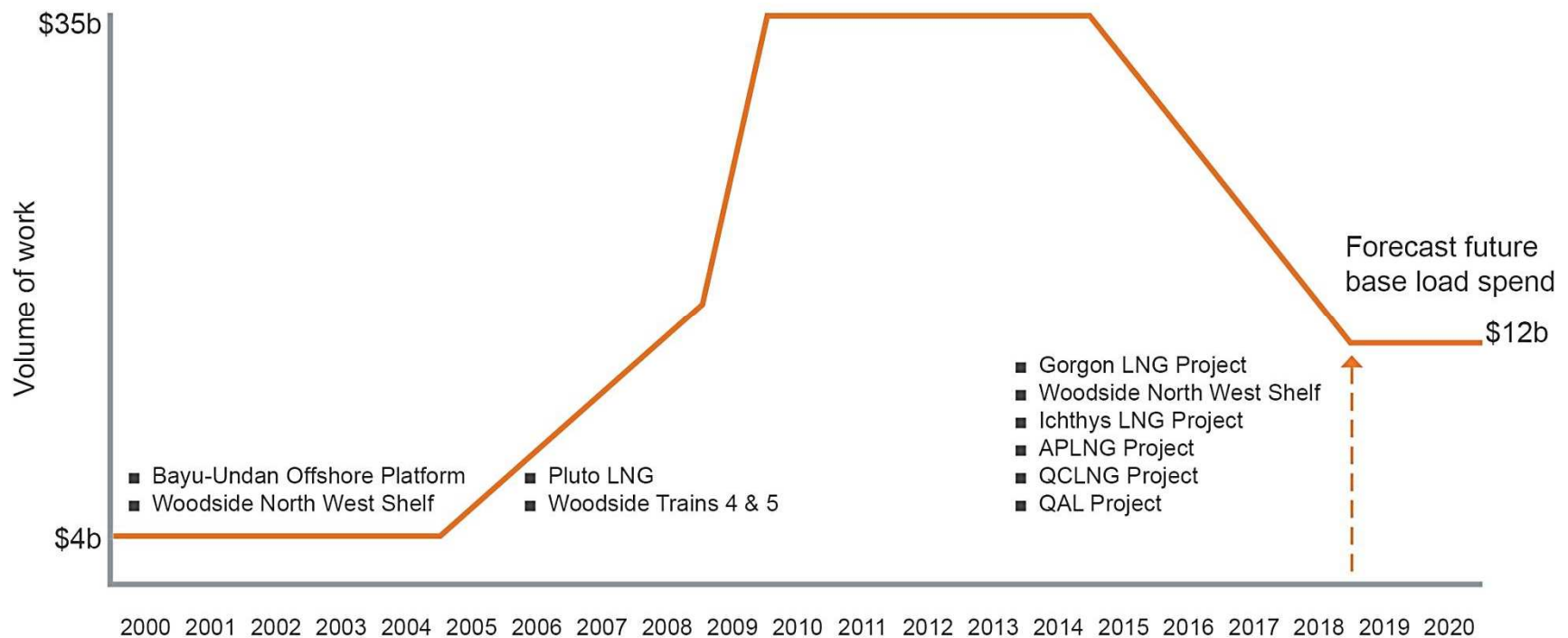
Source: Nexant World Gas Model (2016)

Strategy - Market Participation



Market Context

After the downturn in construction of new Australian LNG plants, it is forecast that the maintenance and operational support to the LNG industry will still be a significant receiving revenue base.



Strategy - Political and Market Landscapes



Competitor Landscape

Strategic advantage to contractors with a local footprint offering a broad range of maintenance services.

Key Points

- Energy and Resources construction phase nearing completion. Production phase to require maintenance and specialist services.
- Construction contractors will need to diversify to stay relevant (Downer).
- Competition to be high in the Maintenance Services, but so are barriers to entry.
- Specialist versus 'one stop shop' service provider.
- Strategic advantage to contractors with a local footprint offering a broad range of shop for maintenance services.
- Focus on core strengths and capabilities.
- AusGroup will increasingly focus on maintenance and operations support to the energy and process market in Australia and selected SE Asian countries of Malaysia, Thailand and Singapore.

Strategy - Growth Phases



Phase 1 Stabilise (2016-2017)

- Right size management and costs
- Reduce operating complexity
- Sell off non core assets
- Reduce debt
- Improve cash flow

Phase 2 Focus (2017-2018)

- Improve profitability through operational performance
- Continue to reduce debt
- Focus on core services
- Targeted capture plans
- Transform business platform
- Continue to simplify operating structure
- Enhance brand equity and Customer loyalty
- Commercialise Port and Marine facilities

Phase 3 Leverage (2019+)

- Leverage core services for organic growth
- Leverage knowledge to create value
- Continue to commercialise to maximise Port & Marine asset value (for potential future sale)

Strategy - NT Port and Marine



NT Port and Marine supports the offshore LNG industry through the provision of marine services at the following locations.

Port Melville

A fully regulated and operational port, primarily used for:

- Cargo operations.
- Fuel distribution.
- Logistical hub for the LNG industry.



East Arm Supply Base

An existing roll-on, roll-off marine loading and wharf facility with a four hectare laydown area.

Servicing local communities through regular cargo runs of Landing Craft vessels.

Ideally located and equipped to service offshore LNG operations and provide logistical services to the construction and mining industries.

Strategy - NT Port and Marine Facilities - Port Melville



3D Artist Impression

Strategy - NT Port and Marine Facilities - East Arm Supply Base



3D Artist Impression

Summary



- Return to profitability demonstrates business on track to sustainable future
- Significant improvement in underlying results in Energy & Process sector
- Core capabilities established in maintenance and sustainable capital works
- Organic growth within our core projects key to success
- Debt will be serviceable from operating cash flows
- Balance sheet re-build more attainable built on back of profitability and growth
- Port & Marine business restructured, re-branded and positioned for commercial growth and/or sale



Any questions?

