

**Singapore and Australia**  
12 May 2017

## **AusGroup continues to improve its financial performance, delivers net profit of AU\$3.3 million for Q3 2017**

### **Q3 FY2017 highlights**

- Increased level of revenue at AU\$107.4m for the quarter compared to revenue recognised in Q1 and Q2 of FY2017, underpinned by strong performance from energy and process based projects.
- Gross profit and margin increased both on YoY and QoQ basis to AU\$15.8m and 14.7% respectively.
- Cost savings initiative reduces operating expenses<sup>1</sup> significantly by 41% YoY to AU\$7.9m for the quarter.
- Consecutive quarters of growing profitability with EBIT increasing from AU\$4.8m to AU\$8.1m QoQ.
- Robust order book valued at AU\$286.3m as at end March 2017, with increasing exposure to maintenance projects and LNG sector.
- Improvement in balance sheet as net debt decreases by AU\$21.7m since June 2016.

**AusGroup Limited** ('AGL' or 'AusGroup' or the 'Group') today announced its results for the three months ended 31 March 2017 ('Q3 2017'). This release should be read in conjunction with our SGX Announcement.

| <b>Income statement (abstract)</b>      | <b>Q3 2017<br/>AU\$'000</b> | <b>Q3 2016<br/>AU\$'000</b> | <b>+/(-)<br/>%</b> | <b>9M 2017<br/>AU\$'000</b> | <b>9M 2016<br/>AU\$'000</b> | <b>+/(-)<br/>%</b> |
|---|-----------------------------|-----------------------------|--------------------|-----------------------------|-----------------------------|--------------------|
| Revenue                                 | <b>107,441</b>              | 116,418                     | (7.7)              | <b>313,807</b>              | 368,190                     | (14.8)             |
| Gross profit                            | <b>15,764</b>               | 12,472                      | 26.4               | <b>35,178</b>               | 25,477                      | 38.1               |
| <i>Gross margin</i>                     | <b>14.7%</b>                | 10.7%                       |                    | <b>11.2%</b>                | 6.9%                        |                    |
| Other operating income                  | <b>190</b>                  | 1,188                       | (84.0)             | <b>1,180</b>                | 1,212                       | (2.6)              |
| Administration, marketing & other costs | <b>(7,850)</b>              | (13,207)                    | (40.6)             | <b>(22,370)</b>             | (38,594)                    | (42.0)             |
| Impairment                              | -                           | (11,875)                    | n.m.               | -                           | (56,496)                    | n.m.               |
| <b>EBIT</b>                             | <b>8,104</b>                | (11,422)                    | n.m.               | <b>13,988</b>               | (68,401)                    | n.m.               |
| Discontinued operations                 | <b>233</b>                  | (8,139)                     | n.m.               | <b>1,546</b>                | (14,468)                    | n.m.               |
| <b>Net profit/(loss) for the period</b> | <b>3,277</b>                | (24,164)                    | n.m.               | <b>2,210</b>                | (93,458)                    | n.m.               |
| <i>Margin</i>                           | <b>3.1%</b>                 | (20.8%)                     |                    | <b>0.7%</b>                 | (25.4)%                     |                    |

*n.m – not meaningful*

The results for Q3 2017 and 9M 2017 reflect a significant improvement since the previous year and the return to profitability demonstrates the business is on track to a sustainable future. There has been a strong

<sup>1</sup> Including administrative, marketing and other costs.

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contribution to the underlying results from the energy and process contracts in the Northern Territory (NT) and Western Australia (WA), with an increase in both gross profit and margin to AU\$15.8m and 14.7% respectively.

The net profit of AU\$2.2m for 9M 2017 shows a significant improvement of AU\$39.2m when compared to the 9M 2016 results after excluding impairment charges of AU\$56.5m that were incurred in the previous year.

**Operational Performance**

**Revenue** for the quarter of AU\$107.4m was down 7.7% as compared to the corresponding period Q3 2016 but is underpinned by a strong performance from the energy and process sector which is expected to continue into the future reporting periods. The main revenue contribution was from work undertaken in our core projects in WA and the NT, producing consistent results which should lead to a strong end to the financial year.

**Gross profit** for the quarter was AU\$15.8m, up 26.4% from a gross profit of AU\$12.5m in the corresponding period Q3 FY2016 with growing profitability now demonstrated in consecutive quarters. This indicates that the results being delivered, reflect the operational efficiencies that have resulted from the re-organisation of the business and improved project support.

**Administration, marketing and other costs** in the quarter were AU\$7.9m, representing a 40.6% decrease from the corresponding period Q3 FY2016. The significant reduction in these expenses demonstrates the effectiveness of the cost saving strategy implemented in FY2016 by management, with normalised overheads<sup>2</sup> projected to produce a saving YoY of AU\$22.1m by June 2017.

**Discontinued operations** recorded a profit in the quarter of AU\$0.2m. Included in 9M FY2017 discontinued operations profit of AU\$1.5m are the gains related to the sale of the equipment in the Singapore fabrication and manufacturing business, realising AU\$1.3m from the disposal.

**Financial position**

|                         | 31 Mar 2017<br>AU\$'000 | 30 Jun 2016<br>AU\$'000 | +/(-) % |
|-------------------------|-------------------------|-------------------------|---------|
| Cash & cash equivalents | 27,865                  | 22,095                  | 26.1    |
| Total borrowings        | 169,663                 | 179,150                 | (5.3)   |
| Equity                  | (6,832)                 | (14,867)                | 54.0    |

**Cash and cash equivalents** for the Group as at 31 March 2017 have risen by 26.1% to AU\$27.9m mainly due to improvement in the recovery of trade receivables during the quarter, coupled with final payments received on completing contracts within the Access business.

**Net Borrowings**<sup>3</sup> have reduced AU\$21.7m since Q4 FY2016 to AU\$170.6m due to upfront partial redemption of the Multi Currency Notes of AU\$3.7m, and scheduled repayments of existing bank and non-bank debt balances, signifying that underlying operational cash flows are returning to normal debt servicing levels.

**Total shareholders' equity** as at 31 March 2017 has improved by 54.0% to AU\$(6.8m). AusGroup continues to assess the options available to ensure that sufficient cash flow is available for the Group to meet its obligations as they fall due. These options include the potential for some of the Group's current debt providers to convert their debt to equity. The Group was in a net current asset position of AU\$11.1m as at 31 March 2017.

<sup>2</sup> Impairment, bad debt and other provisions taken at end of FY2016 have been excluded.

<sup>3</sup> Includes cash at bank, bank debt and non-bank obligations under payment plans.



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**NT Port and Marine** has been rebranded following the decision to rationalise the business to a more streamlined operating model. The business operating model is now focused on targeted opportunities that will accrue consistent, long term benefits to generate sufficient cash flow for the business to independently service its debt and return dividends to the shareholders.

**Summary**

Managing Director Eng Chiaw Koon said: “To report consecutive quarterly profits, with the Q3 FY2017 profit of AU\$3.3m being significantly higher than the previous quarter is particularly pleasing and reflects the hard work put into achieving the turnaround in the business. For the second quarter in a row, we are able to report that the return to a sustainable profitable future is on track and is built on the foundations of our core capabilities demonstrated in the work we undertake in the energy and process sector.

The key to our success now is to ensure that we continue the hard work and continue to provide a high service level offering to our clients and enhance our reputation in the industry further.

Following a difficult period, there has been a re-branding of the port and marine business, now renamed “NT Port and Marine” with a focus on commercially viable opportunities that will produce a consistent, profitable return to our shareholders and investors and establish this business as a sustainable port and marine operation.

The overall business has performed well during this financial year and it is hoped that this performance level will continue to ensure that the Group can focus on the important task of re-building our balance sheet, repaying our debt and returning value to shareholders”.

**Background Information**

AusGroup offers a range of integrated service solutions to the energy, industrial and mining sectors across Australia and South East Asia. Our diversified service offering supports clients at all stages of their asset development and operational schedule.

Through subsidiaries AGC, MAS & NT Port and Marine, we provide maintenance, construction, access services, fabrication and marine services. With over 27 years of experience, we are committed to helping our clients build, maintain and upgrade some of the region’s most challenging projects.

The Group wishes to inform that an investor briefing pack will also be available on its website on 15 May 2017 - [www.agc-ausgroup.com](http://www.agc-ausgroup.com).

**Ends**

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Issued by AusGroup Limited.

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ABOUT AUSGROUP LIMITED (Bloomberg Ticker: AUSG.SP)  
Main board-listed, AusGroup Limited is an energy and resources specialist providing fabrication, precision machining, construction and integrated services to natural resource development companies. The Company also provides access services for construction and maintenance contracts through MAS Australasia Pty Ltd (MAS). AusGroup has an established operations network strategically positioned throughout Australasia. For more information visit [www.agc-ausgroup.com](http://www.agc-ausgroup.com)