

AusGroup



# Investor Presentation

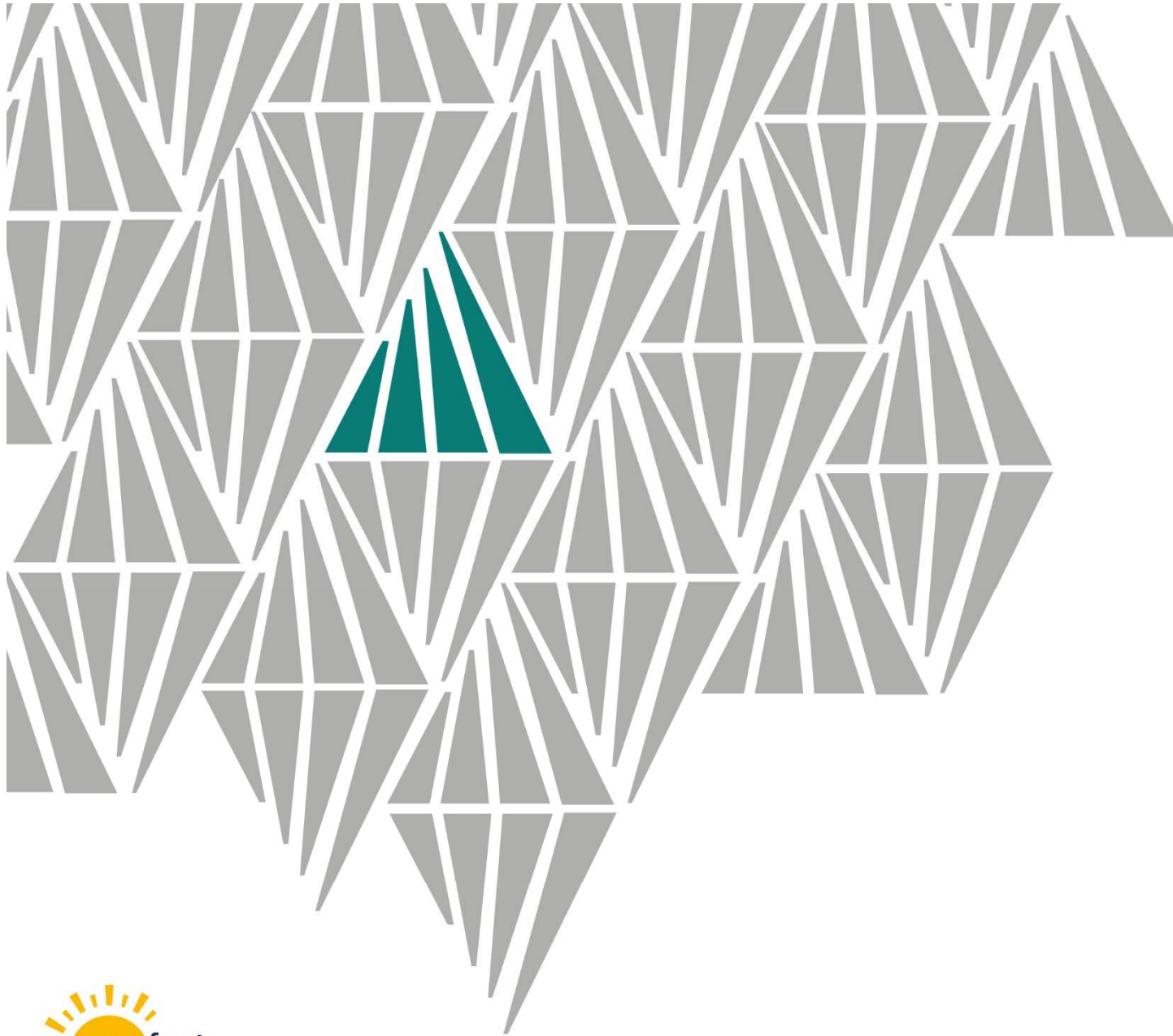
Q1 FY 2018



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- Company Overview
- Market Outlook and Strategic Intent
- Financial Performance
- Key Investment Highlights





# Company Overview



# Company Structure



## AusGroup Ltd (Singapore)

- Investor relations
- Bank and noteholders interface



An AusGroup Company

- Provides services across the **energy, industrial** and **mining** sectors
  - \_ Core maintenance
  - \_ Construction
  - \_ Manufacturing
  - \_ Painting, insulation and fireproofing
  - \_ Refractory
- Number of employees: 1,176
- Number of facilities: 2



AN AUSGROUP COMPANY

- 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: 1,057
- 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: 10
- Number of facilities: 2



# Senior Management



**Eng Chiaw Koon**  
Managing Director

Mr. Eng holds a Technical Diploma in Mechanical Engineering and brings 12 years of experience in the marine support industry. Currently executive director of AusGroup Limited, Mr. Eng was previously director, special projects with Ezion Group, CEO of Aqua-terra Supply Co. Ltd (a subsidiary of KS Energy Services Limited) and the chief operating officer of KS Distribution Pte at KS Energy Limited.



**Shane Kimpton**  
Chief Executive Officer and Executive Director

Mr. Kimpton has over 30 years of experience working in the resources sector in Australia and overseas. He has been responsible for maintenance, capital projects, commissioning and shutdowns across the onshore and offshore oil and gas, LNG, chemicals, power generation and mining sectors.



**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



# Senior Management



**James Stokes**  
Chief Operating Officer AGC

Mr. Stokes has over 20 years of experience in the natural resources sector across Australia. He specialises in the areas of operation and project delivery, organisational restructure, commercial management, policy and procedural development, risk management, integration and strategic planning.



**Simon MacLeod**  
Chief Operating Officer MAS Australasia

Mr. MacLeod has over 35 years of construction and maintenance experience in the oil and gas and natural resource industries across Australia. He has been involved in projects from the tender preparation phase through to negotiation and project management.



**Matt Prendergast**  
Executive General Manager Business Services / Project Director Chevron

Mr. Prendergast has over 25 years of experience across the energy, industrial and infrastructure sectors within Australia. With a background in commercial and project management, Mr. Prendergast has extensive experience in contract development and negotiation, as well as project financial reporting.



# Senior Management



**Jennifer McIlveen**  
**Group General Manager Strategy and Development**

Ms McIlveen has over 20 years of project management, strategic and business development experience across the engineering, maintenance and construction industries. As a qualified engineer, Ms McIlveen has spent over 15 years in management consulting, with a specific focus on providing maintenance and strategic infrastructure asset management advice.



**Chris Litowchak**  
**Operations Manager NT Port and Marine**

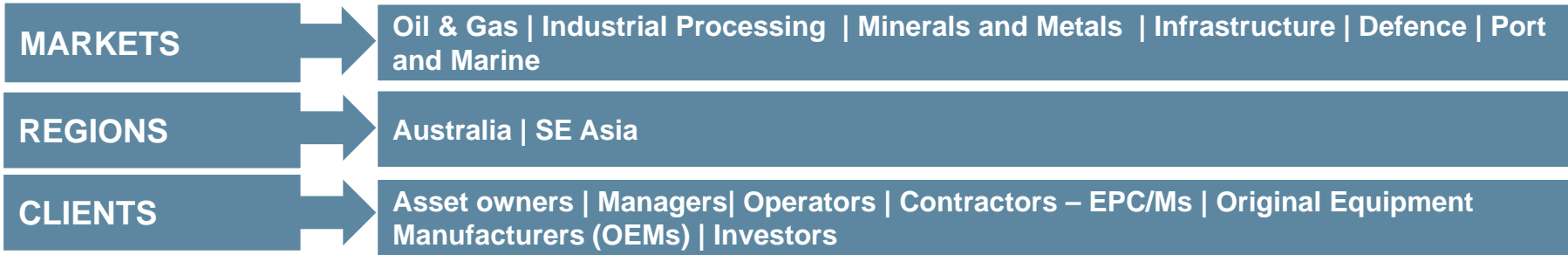
Captain Litowchak has over 25 years of international experience in the maritime industry. He is a certified Master, qualified to command vessels of up to 3000 tonnes. He has a proven record as an innovative and solutions-based marine logistics professional and has been recognised for his leadership and mentoring of Indigenous Australian seafarers and cargo handlers on the projects on which he works.



# Overview

- Established construction, operations and maintenance service provider with 29 years' experience
- Cohesive management team with an extensive track record in project delivery
- Market leaders in the brownfield maintenance services & greenfield construction
- Speciality services in subsea fabrication, protective coatings and access
- Outstanding HSE performance driven by a mature management culture
- Over 2,000 employees across 12 locations throughout Australia and South East Asia

## Supporting clients to plan, build and manage their assets







# Market Outlook and Strategic Intent



# Market Outlook

- Market is now stabilising amid transition from capital to operational expenditure.
- Group is well-positioned in Western Australia with the greatest number of facilities requiring ongoing maintenance.
- Hundreds of maintenance events scheduled to kick off across Australia within the next 2 years.
- A moderate recovery is forecast from 2018/19, mainly driven by brownfield expansions in oil and gas and iron ore, as well as new base metals, gold, and rare earths projects.
- Oil and gas and iron ore still represent the majority of the work forecast to be done in coming years.



# Sustainable Business Strategy

## 1. Safety focus

- Award-winning HSE track record
- In-house developed world class HSE program, *Perfect Day*

## 2. Efficient delivery and cost competitiveness

- Providing clients with agile solutions and efficient delivery through the use of specialised in-house systems
- Lean and agile business model, lean overheads
- Flexible employment opportunities

## 3. Cohesive Management team

- A dedicated team of high-performing individuals with proven track records
- Strong relationships with blue chip clients and industry leading associations
- Collaborative culture with a focus on client delivery

## 4. Positioned for Growth

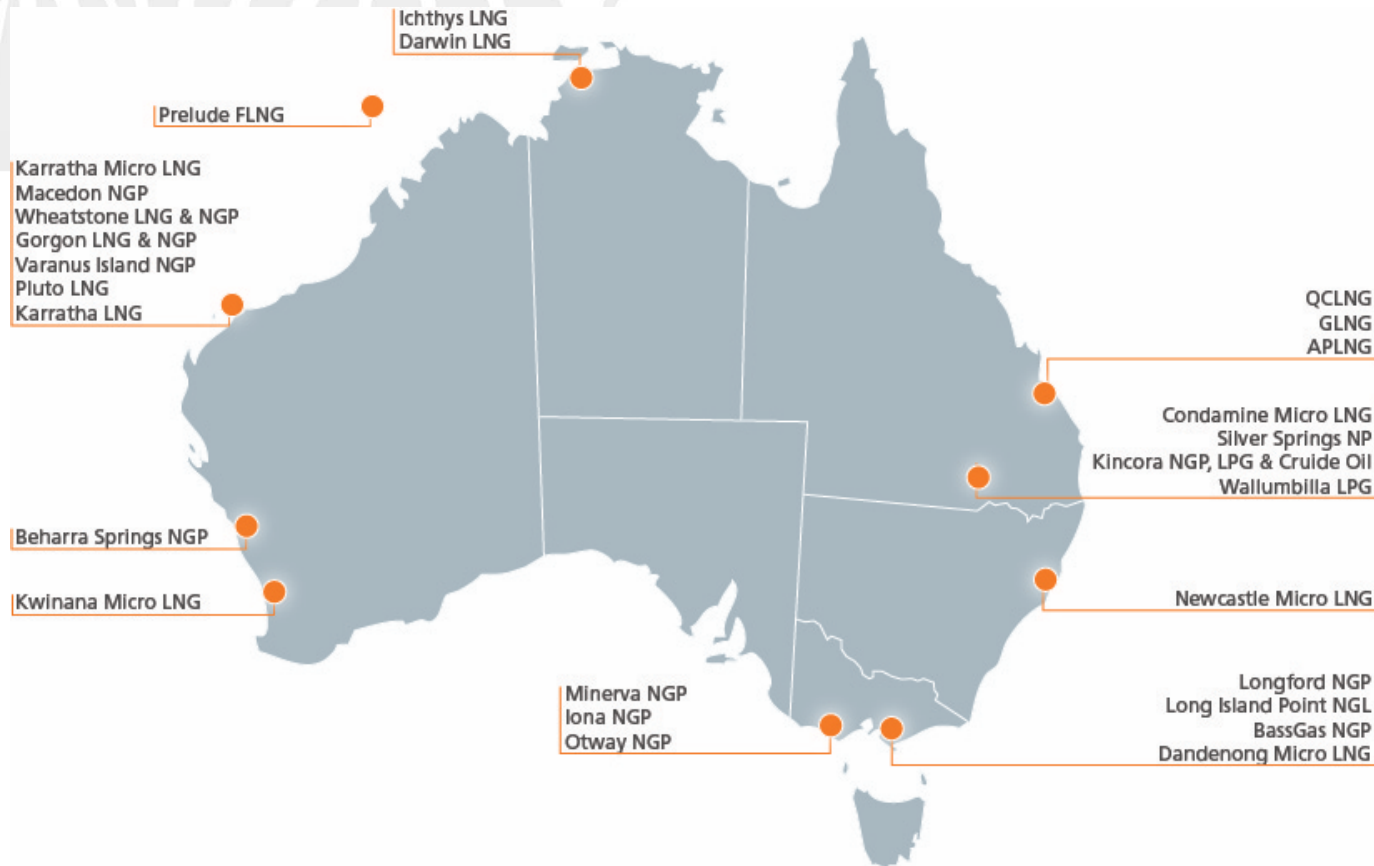
- Solid Australian client base, with the capability to expand into adjacent market sectors
- Scalable platform to address global markets

## Project Experience

- INPEX-operated Ichthys Project
- Chevron Australia Master Services Maintenance Contract
- Shell Prelude FLNG
- Chevron-operated Gorgon Project
- APLNG Project
- OneSteel Whyalla
- Petronas RAPID Project
- QAL Maintenance Services



# Niche Markets: LNG Maintenance



- High competition and barriers to entry – innovation essential
- Confirmed maintenance spend kicking off FY18-20 of \$185M across 21 major events: 40% spend in WA, 34% NT, 24% QLD



# Total Available Market

- 1,971 future projects worth AU\$319B:
  - Currently in planning or engineering with kick-off before end of FY2023, or
  - Planned maintenance before end of FY2023
- Of those, 120 projects worth \$9B already have capital approval

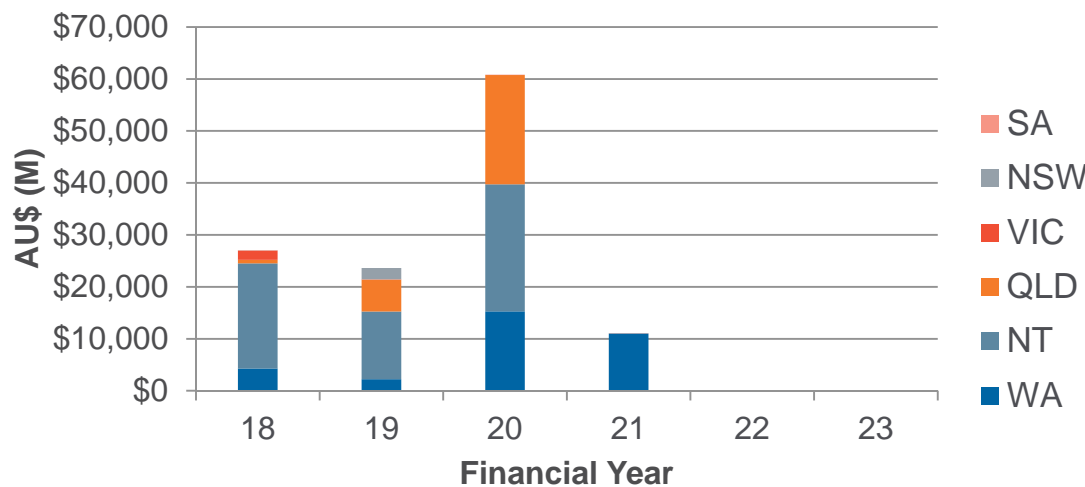




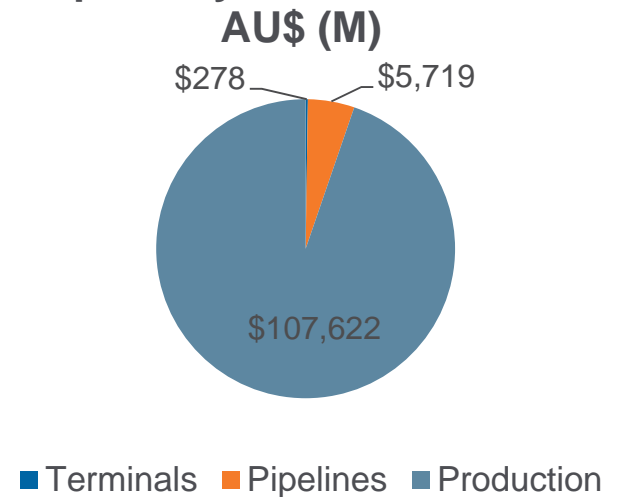
# Core Markets: Oil & Gas

- Cost-conscious investment following project blow-outs
- Transition to OPEX: 85 maintenance events scheduled to kick off within 2 year period (AU\$573M)
- 47% of spending within next 5 years in NT, followed by WA (27%) and QLD (23%)

**Expected Capital Approval**



**Spend by Sector FY18-23**

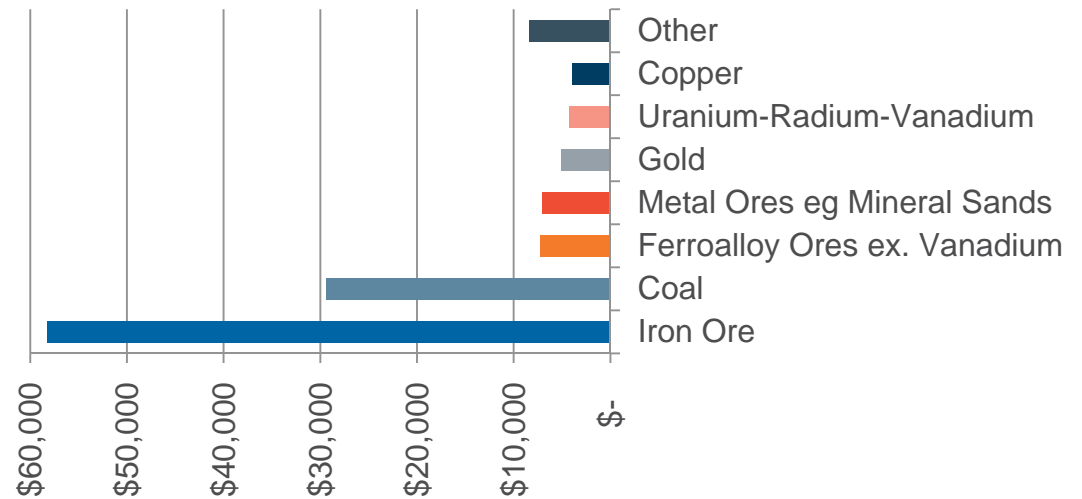




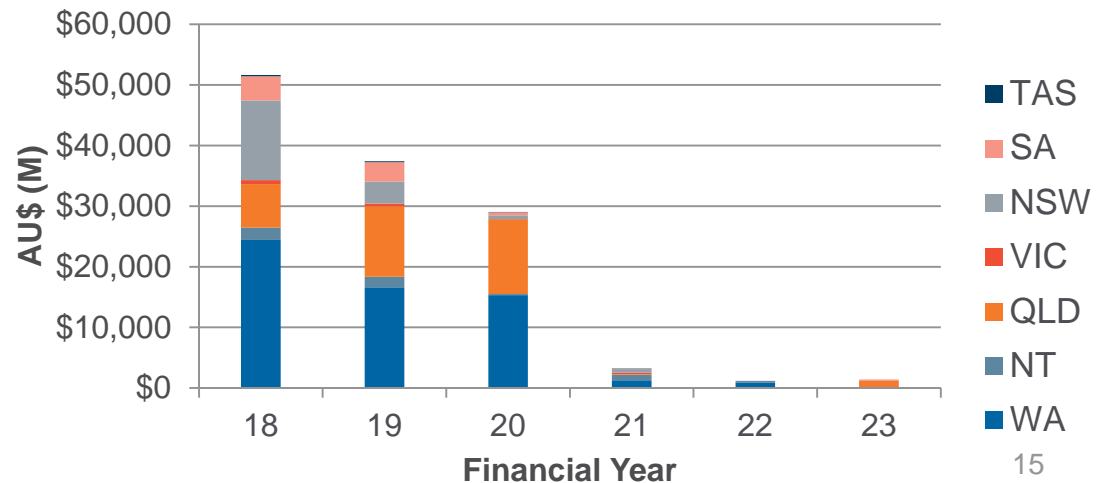
# Core Markets: Metals & Minerals

- Focus on pursuing low CAPEX growth options, extracting more value out of existing assets
- 47% of spending within next 5 years in WA, followed by QLD (26%) and NSW (14%)
- 155 maintenance events scheduled to kick off within 2 year period (AU\$490M)

Spend by Commodity FY18-23 AU\$ (M)



Expected Capital Approval

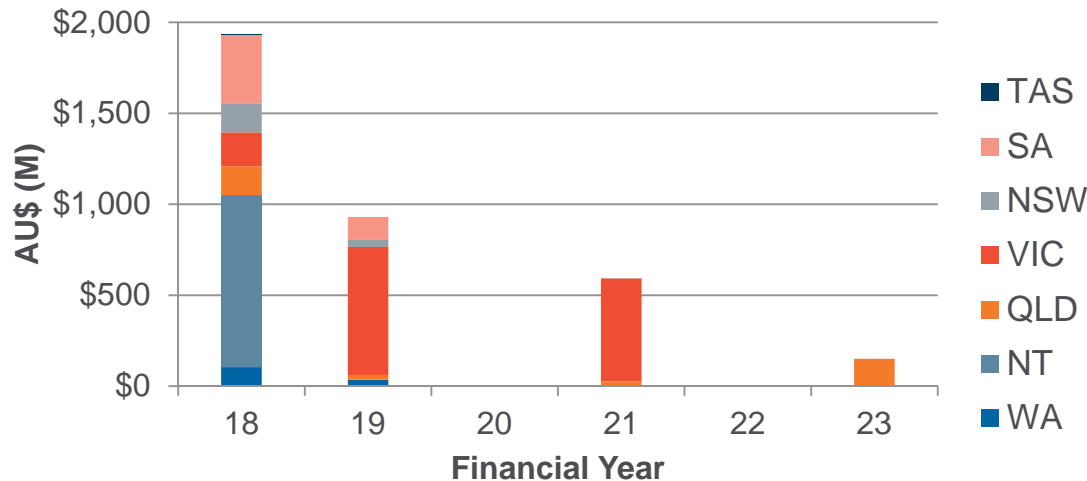




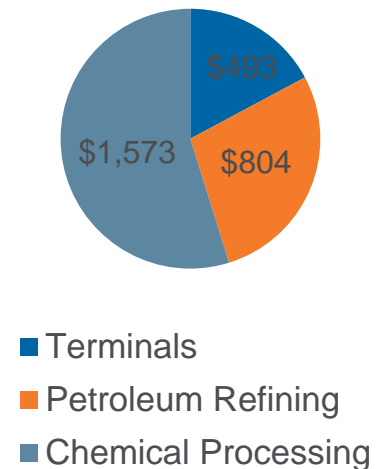
# Core Markets: Chemical Processing & Refining

- Mature and/or declining markets, rationalised over last 5 years
- 40% of spending within next 5 years in VIC, followed by NT (26%) and SA (14%)
- 46 maintenance events scheduled to kick off within 2 year period (AU\$117M)

Expected Capital Approval



Spend by Sector FY18-23  
AU\$ (M)



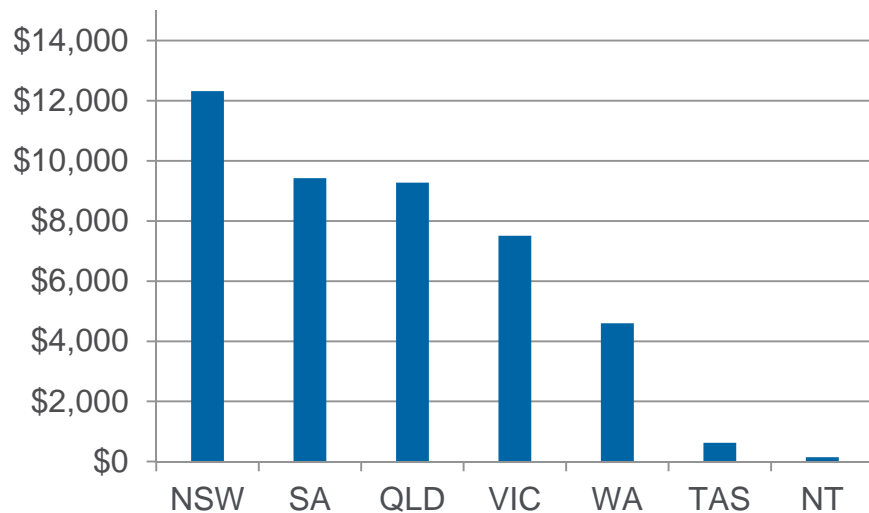




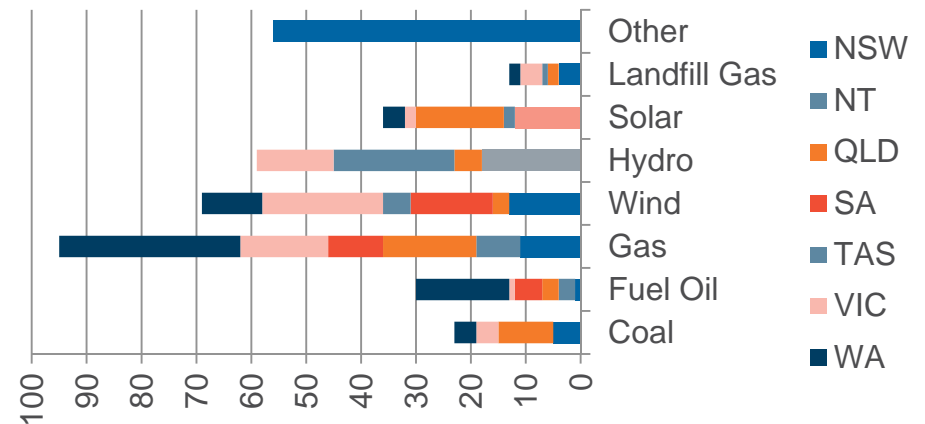
# Growth Market: Power

- Future project spend is strongly weighted towards renewables, particularly wind and solar: \$42B in projects awaiting FID in the next two years: 32% in VIC, 26% NSW
- 56% of AU\$632M FY18-19 maintenance spend in coal-fired plants, 31% in gas-fired, 10% hydro

**FY18-19 Expected Capital Approval AU\$ (M)**



**Plant Count: Operational & Under Construction**

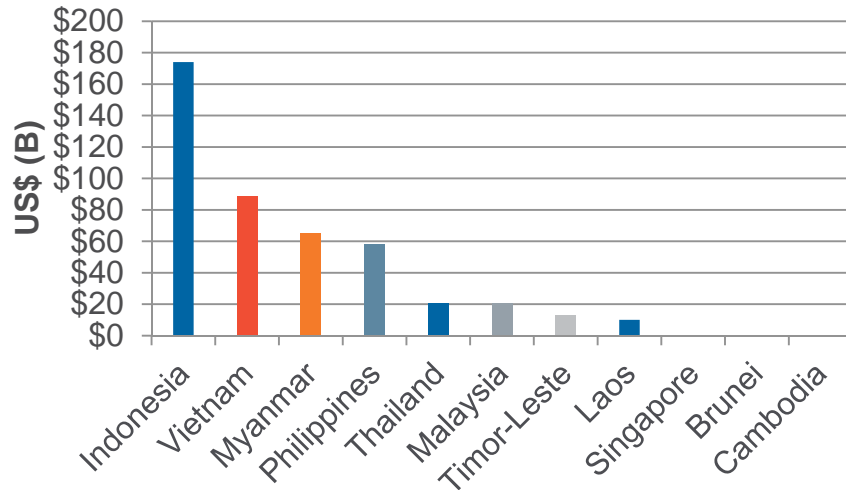




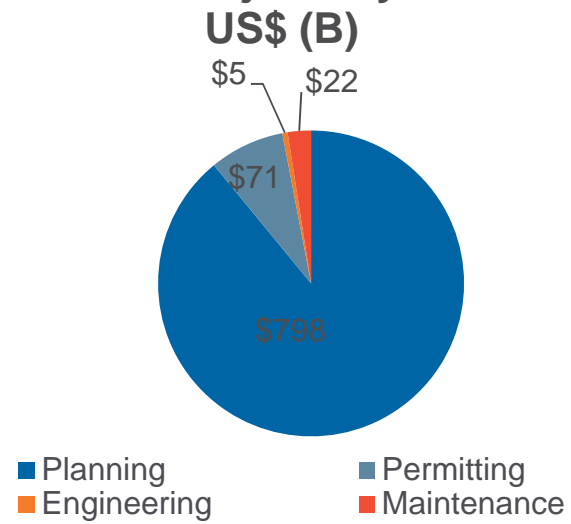
# South East Asian Outlook

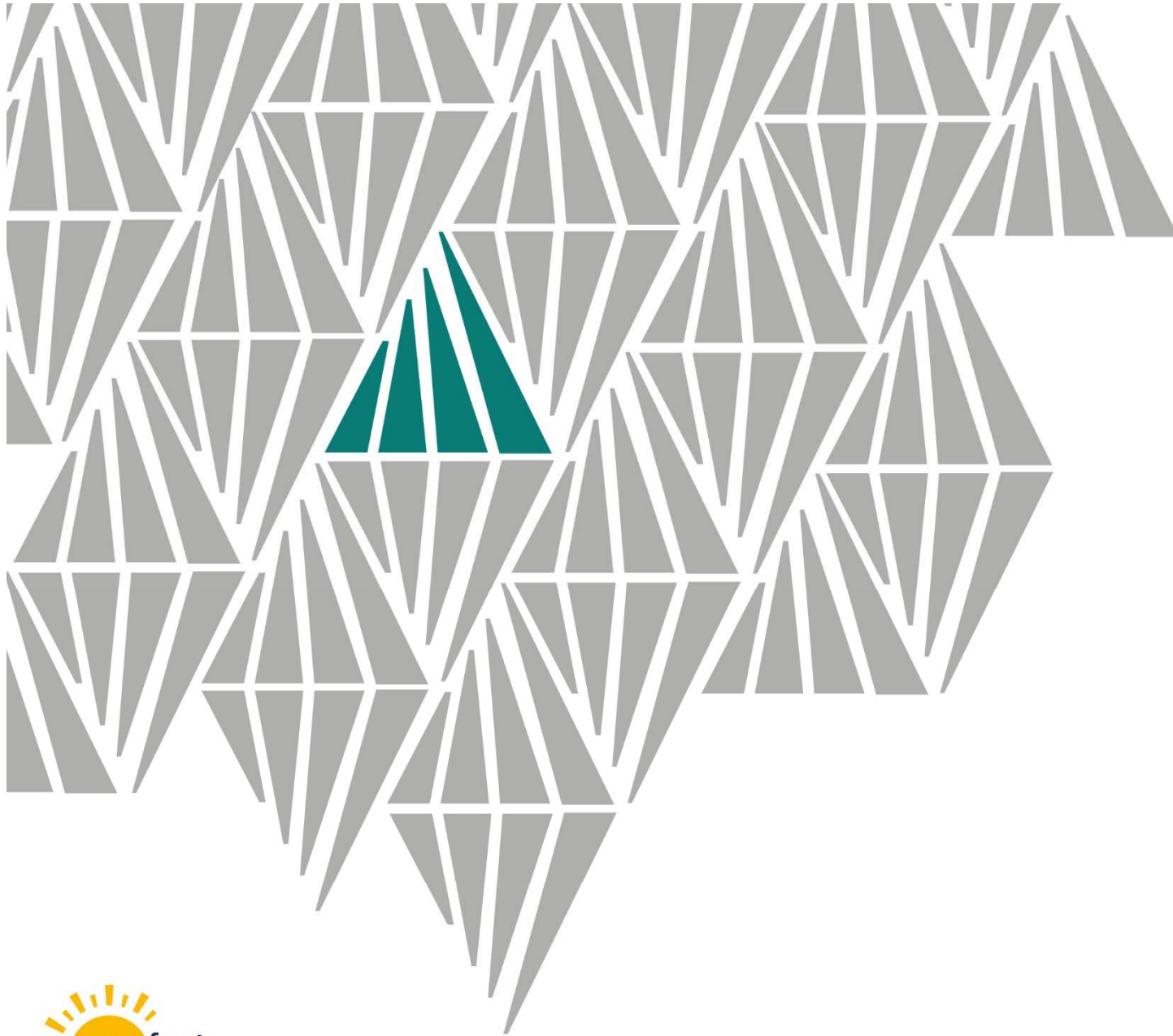
- Regional spending strongly weighted towards Power industry at 62%
- \$455B in projects kicking off in the next two years: 12% Metals & Minerals, 5% Oil & Gas
- Oil & Gas market focus on value-add on a project entry basis

Projects with Kick-off FY18-19



Future Projects by Phase

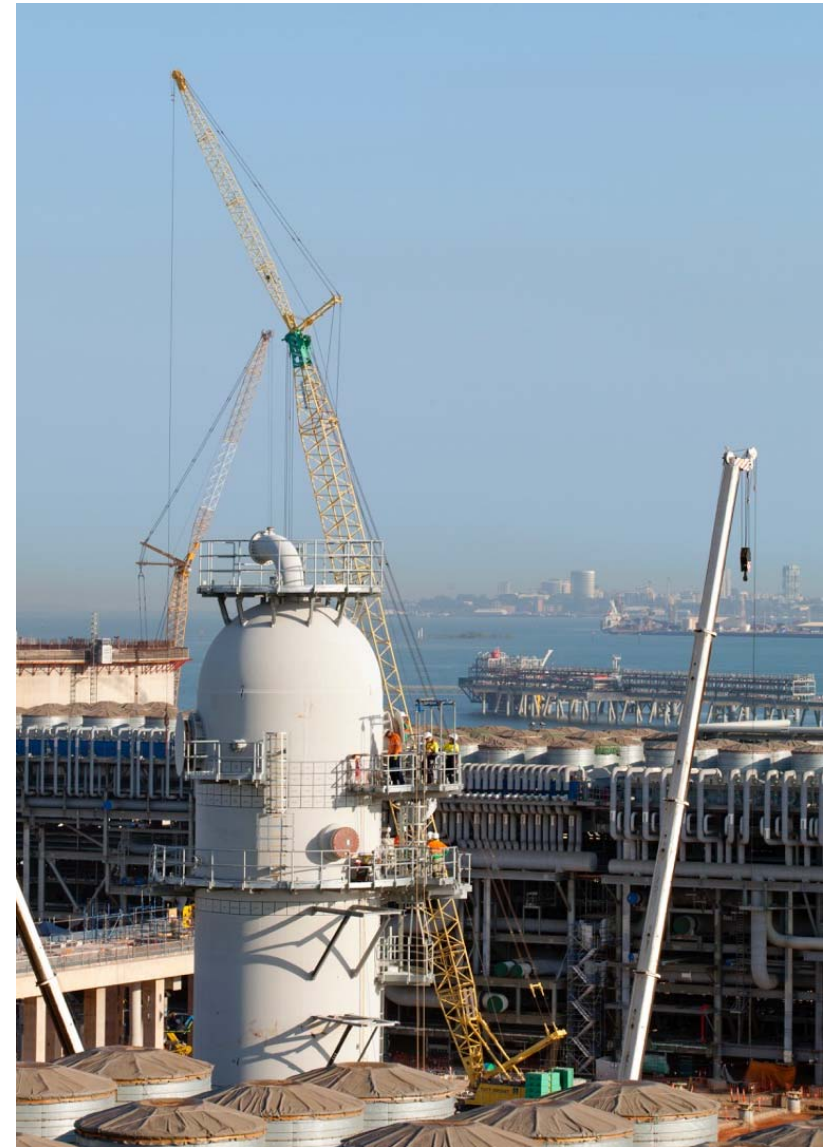




# Financial Performance

# Highlights – Q1 FY2018

FINANCIAL	OPERATIONAL
<ul style="list-style-type: none"> <li>Revenue – \$153.7m.</li> <li>Gross margins improvement - \$11.4 m (\$9.0 m for Q1 17)</li> <li>EBIT of \$6.8m and EBITDA of \$8.8m.</li> <li>Profitable since Q2 17 – established profitability quarter on quarter.</li> <li>W-I-H of \$358.8m and extended order book due to extensions on key projects.</li> <li>Net Debt reduced in the quarter by \$35m.</li> <li>Ongoing strengthening of balance sheet – Net Assets increased to \$29.9m</li> <li>Continued reduction in admin, marketing &amp; other costs - \$5.6m (\$7.3m for Q1 17)</li> <li>Improved cash at bank to \$50.8m.</li> </ul>	<ul style="list-style-type: none"> <li>\$165m extension of AMJV's contract with reduced risks on the INPEX-Operated Ichthys Project.</li> <li>Extension to MAS's Access contract on the INPEX - Operated Ichthys Project.</li> <li>Award of off-shore Access and Painting contracts to MAS on Shell's Prelude Project.</li> <li>Significant growth in manning for Gorgon and mobilisation to Wheatstone under Chevron maintenance contract.</li> <li>Commissioning of fuel operations at Port Melville now anticipated to be completed in Q2 18.</li> <li>Licencing &amp; approvals received for fuel sale operations to commence end Nov'17.</li> </ul>





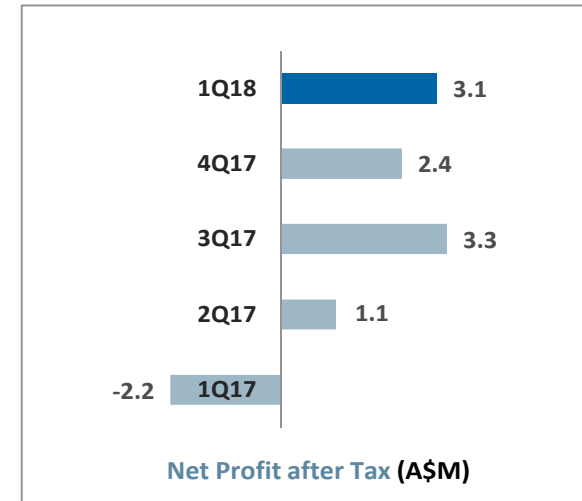
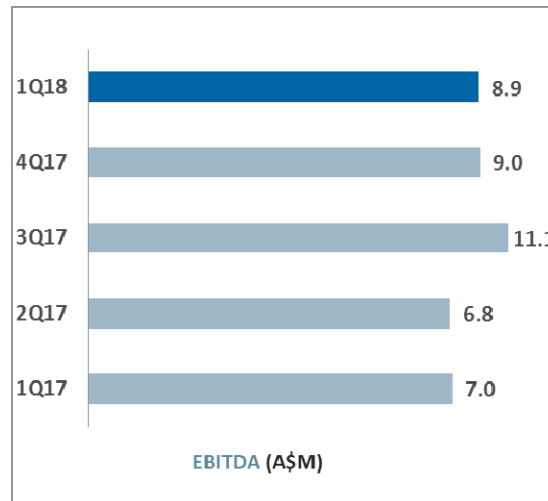
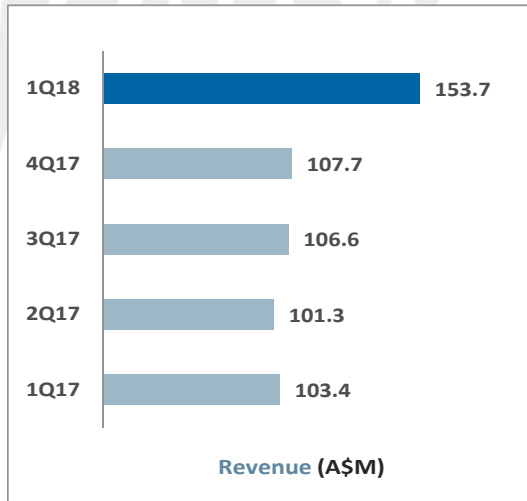
# Income Statement

Income statement	Q1 2018	Q1 2017	+ / (-) %	Q1 FY 18 Energy & Process	Q1 FY 18 NT Port & Marine	Q1 FY 18 Total
	AU\$'000	AU\$'000		AU\$'000	AU\$'000	AU\$'000
Revenue	153,746	100,082	53.6	153,300	446	153,746
Gross profit	11,393	9,024	26.3	12,134	(741)	11,393
Gross margin	7.4%	9.0%		7.9%	n.m.	7.4%
Other operating income	546	370	47.6	546	-	546
Administration, marketing & other costs	(5,534)	(8,275)	(33.1)	(4,360)	(1,174)	(5,534)
<b>EBIT</b>	<b>6,405</b>	<b>1,119</b>	<b>472.4</b>	<b>8,319</b>	<b>(1,914)</b>	<b>6,405</b>
EBIT Margin	4.2%	1.1%		5.4%	n.m.	4.2%
Net gain on debt conversion	452	-	n.m.	0	452	452
Finance costs	(3,297)	(4,224)	(21.9)	(1,258)	(2,039)	(3,297)
Income and withholding tax	(354)	(232)	52.6	(80)	(274)	(354)
Discontinued operations	(82)	1,176	n.m.	(82)	-	(82)
<b>Net profit/(loss) for the period</b>	<b>3,124</b>	<b>(2,161)</b>	<b>n.m.</b>	<b>6,900</b>	<b>(4,228)</b>	<b>3,124</b>
Net Profit Margin	2.0%	(2.2%)		4.5%	n.m.	2.0%
EBITDA	8,851	4,454	98.7	10,303	(1,451)	8,851
EBITDA Margin	5.8%	4.5%		6.7%	n.m.	5.8%

- Increase in EBIT and EBIT margin due to underlying performance from core projects, compared to Q1 FY17.
- Underlying EBITDA of AU\$8.9m comparable to Q4 FY17 (AU\$9.0m).
- Finance costs are at 51% of Q1 FY18 EBIT. As the return to profitability continues, debt servicing cover improves.
- Administration, marketing and other costs in the quarter were AU\$5.5m, representing 33.1% decrease from Q1 FY17.
- Energy & Process underlying results represents continuing operating efficiencies across major projects.
- NT Port and Marine Services commercialisation of fuel service offering to be completed in Q2 FY18 – slower start than budgeted.



# Key Performance Indicators



- Revenue growth sustained since Q1 FY17 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.
- NT Port and Marine business restructure is undertaken with operating costs now rationalised to optimum levels.



# Balance Sheet

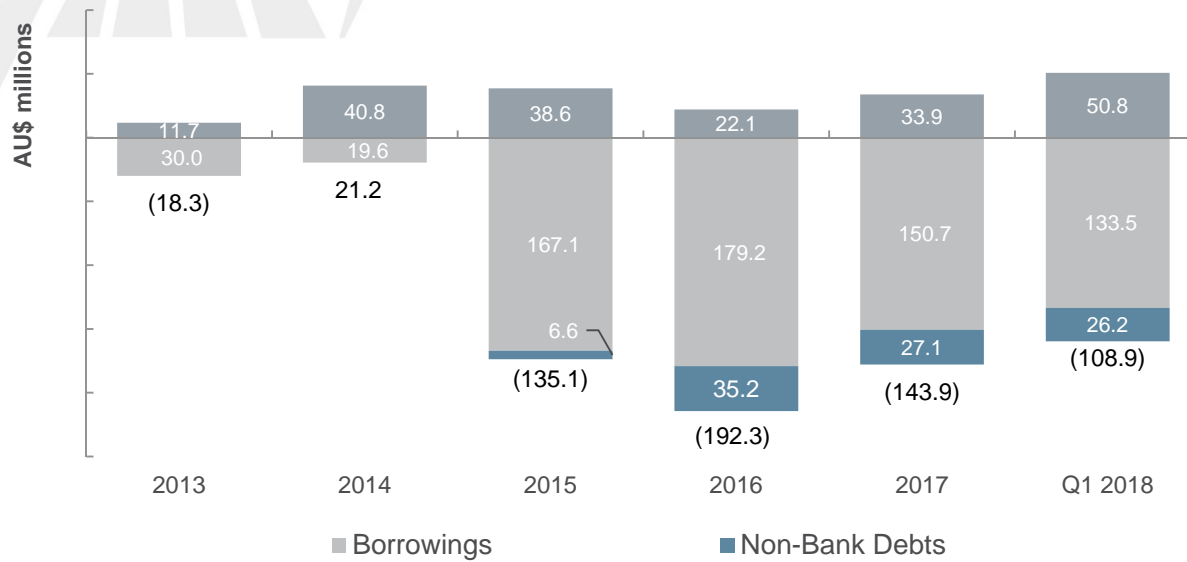
(A\$ million)	30-Sep-17	30-Jun-17
Cash	50.8	33.9
Receivables	132.7	133.1
PPE	86.3	87.4
Intangible Assets	46.5	47.6
Other Assets	9.5	10.2
<b>Total Assets</b>	<b>325.8</b>	<b>312.2</b>
Payables	135.0	114.7
Debt	133.5	150.7
Other Liabilities	27.4	23.5
<b>Total Liabilities</b>	<b>295.9</b>	<b>288.9</b>
<b>Net Assets</b>	<b>29.9</b>	<b>23.3</b>
Net Tangible Assets	(16.6)	(24.3)

- Improvement in Net Assets since FY17 year end reflecting the underlying profitability in business.
- Debt repayments have been made in line with obligations resulting in reduction of \$17.2m.
- MTN debt classified as non-current following extension of repayment date to October 2018.
- Cash balance shows improvement of \$16.9m since FY17, which includes restricted cash.
- Ongoing strengthening Balance Sheet :
  - Additional debt/equity conversion of \$2.7m
  - Improved Net Assets by \$6.6m since FY17



# Group Net Debt

Group Cash & Debt



- **Net debt reduces by \$35.0m.**
- Cash at bank balance increased by \$16.9m.
- Short term borrowings repaid and other repayments made - \$16.9m.

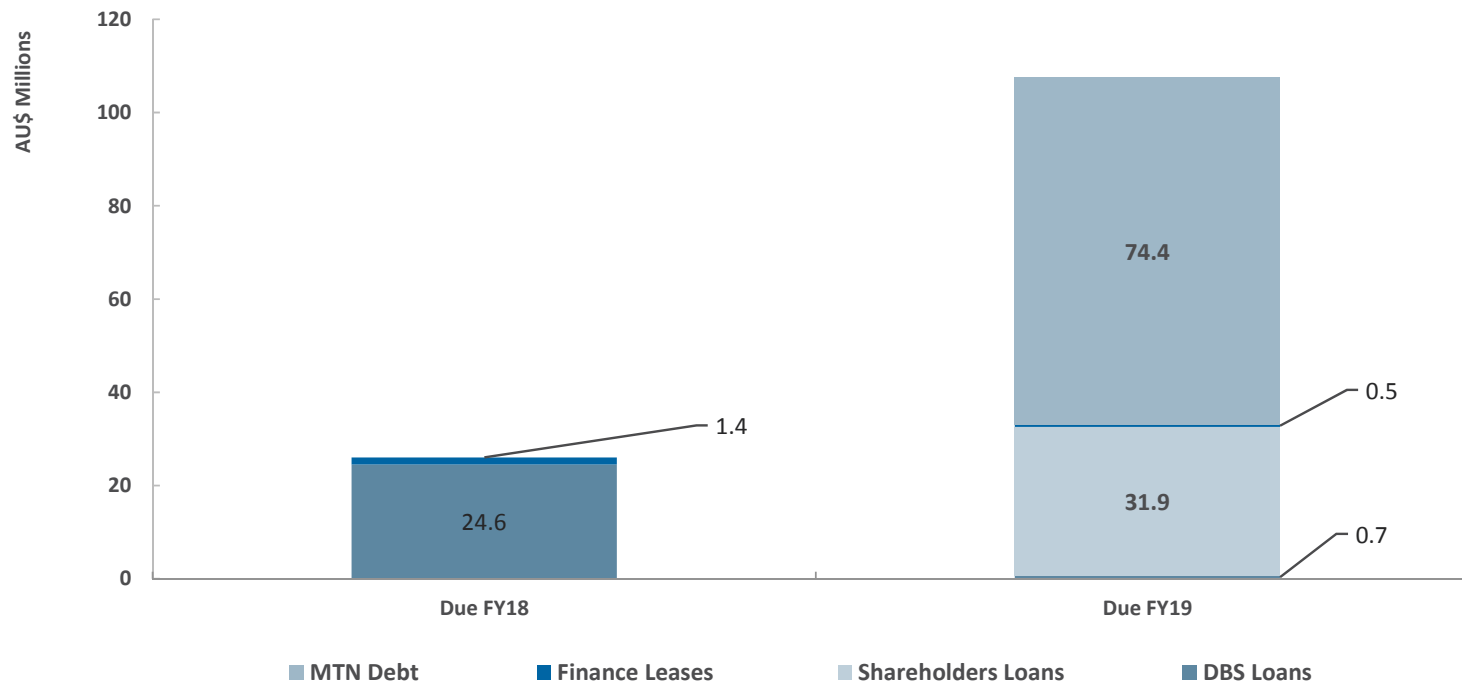
Finance leases and Foreign exchange movement on loans \$1.2m.





# Group Debt Maturity

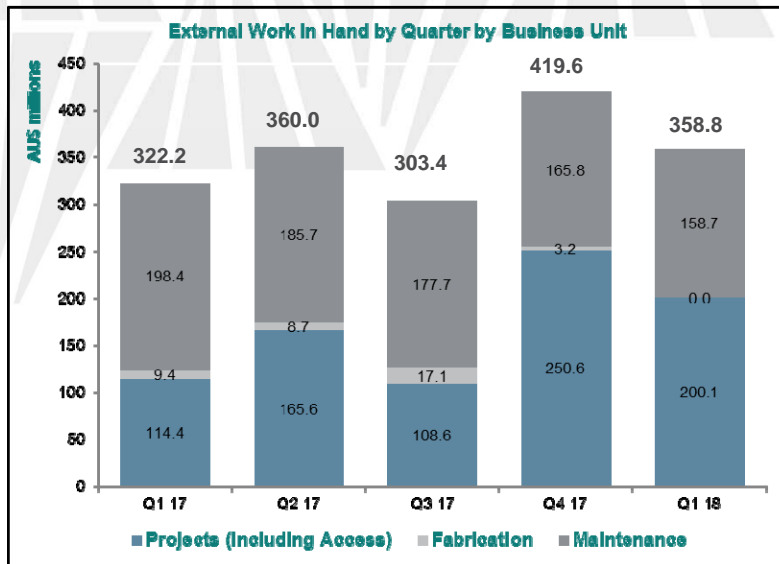
Debt maturity - September 2017



- 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, unless extended, will be repaid in April 2018 (FY18).
- Bank loans due for payment according to agreed instalment plans will be fully repaid by Sep'18. (FY19).
- The shareholders loan is fully sub-ordinated to all bank loans and is not be repayable until after December 18.

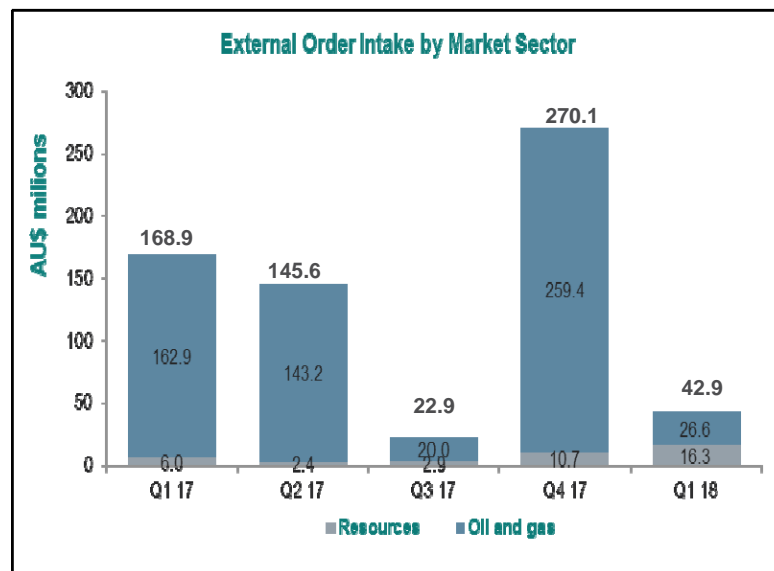


# Revenue Pipeline



## Work Growth

- Organic growth during the year as Inpex contracts progressed.
- Rectification and repair work has added additional work to original scopes for both painting and insulation and scaffolding contracts.
- Contractor is now in highly productive phase of the works and is working with the Client to increase scope on the current works and also to secure work post completion.
- MAS have been awarded the Shell-Technip offshore hook-up works.
- Scope of works at the Clough hook-up for Chevron is still on-going and increasing Order Intake each month. Contract was due to complete in FY2017.



## Tenders and Tracking

- WIH as at 30th September 2017 is \$359m.
- Extensions to both JKC contracts for AMJV and MAS have been included taking the projects completion to May 2018 and April 2018 respectively.
- LNG tendering activities are limited for the remainder of the year, however a number of tenders in the fabrication sector have been submitted.
- Exploring opportunities to remain on the Inpex contracts – securing the sustaining maintenance work’s contractor on site, post completion of the main contracts work.



# Key Investment Highlights



# Key Investment Highlights

## Outstanding track record with ability to deliver end-to end asset services

- Over 29 years' experience in the Australian and South East Asian markets
- Capability to provide full end-to-end project delivery: Planning, construction, hook-up, operations and maintenance

## Solid Australian presence with established customers

- Blue chip long term contracts
- Positioned to capture future works through strong client relationships

## Lean and flexible business model offering integrated service delivery

- Strong in-house capability that is scalable for growth
- Self performing delivery model eliminating interface management
- Industry leading recruitment model with flexibility to meet business requirements

## Clear strategic vision for the future

- Experienced core management team with clear growth strategy and targets
- Strong order book through 2018 leading to growing market share
- Visible pipeline of growth in a stabilised market