

ASX Announcement
31 August 2018

LogiCamms FY18 earnings

LogiCamms Limited (ASX: **LCM**) today reported a loss after tax of \$0.8 million for FY18, reduced from a loss of \$23.6 million in the previous financial year. Revenue remained steady at \$81.8 million compared to \$81.1 million for FY17 (\$74.4 million from continuing business units for FY17).

The Company reported earnings before interest, depreciation, amortisation and impairment (EBITDAI¹) of \$1.84 million, compared to a loss of \$8.1 million in 2016-17.

	FY18	FY17
Revenue	\$81.8m	\$81.1m
NPAT	\$(0.8)m	\$(23.6)m
EBITDAI	\$1.84m	\$(8.1)m
Operating cashflow	\$(1.6)m	\$(9.2)m

Key points

- Revenue higher than FY17, constrained by external factors impacting major clients.
- Annualised FY18 cost savings of \$10.5 million after FY17 restructuring.
- Workload² equates to more than 50% of forecast FY19 revenue, with increasing activity in core markets of Hydrocarbons, Minerals and Metals, and Infrastructure.
- Work in hand of \$30.8 million as at June 2018 (June 2017: \$25.1 million).
- FY19 earnings guidance – revenue of \$90.0+ million with mid-single digit EBITDA.

Interim Chief Executive Officer, Dan Drewe said, “The cost reductions in FY17 were successfully executed and help to position the business to deliver cost-effective solutions and achieve profitable growth as market activity increases on the back of improved fundamentals in our core markets.

“In FY19, the engineering operations will increase their focus on LogiCamms’ core competencies in Controls & Automation, Electrical & Instrumentation, Facilities Engineering, and Asset Performance. This will provide a sound platform from which we can grow our Technology and Innovation initiatives.

“Business development efforts will focus on our key range of offerings to permit a larger pool of like technical resources to be engaged more efficiently within the business, driving improved utilisation of staff in FY19 and into the future.

“In addition to growth in traditional markets of Hydrocarbons, Minerals & Metals and Infrastructure, the business has started to expand in the Manufacturing, Rail Transport and Defence sectors where we are seeing demand for our Controls and E&I offerings.

¹ EBITDAI is unaudited and unreviewed and is intended to provide a measure of financial performance before the impact of non-cash items such as depreciation and amortisation, as well as interest income and expenses.

² Workload includes July and August revenues, current engineering order book, and FY19 training revenue forecast.

"Our Technology and Innovation group will continue to develop advanced solutions for our key clients and to address identified industry challenges, while complementary service lines of Environmental Consulting, Competency Training and Technology consulting will continue to provide revenue diversification, higher margin opportunities and future growth potential."

FY18 Overview

FY18 earnings were affected by a number of external events that impacted major clients, including the impact of the February 2018 PNG earthquake on Oil Search and the organisational restructure at Origin Energy during the second half of the financial year. Although a substantial amount of work was deferred or cancelled as a result of these events, LogiCamms elected to retain staff in anticipation of a return to normal activity levels within a short timeframe, and these clients are now beginning to return to the market.

On a continuing business basis, revenue increased from \$74.4 million to \$81.8 million (up 10%) when Hunter Valley and Petromod, which were both closed at the end of FY17, are excluded from 2017 revenue.

The Hydrocarbons and Minerals & Metals markets remain competitive with increased demand for specialist capability to extract productivity improvements and to complete deferred capital works projects. Significant opportunities exist for LogiCamms' Asset Performance business and engineering service lines to work with clients to generate increased value from existing assets.

Hydrocarbons work accounted for 43% of total revenue, or \$35.2 million compared with \$46.6 million in the previous financial year. This decline resulted from the impact of the events affecting Oil Search and Origin described above, as well as a decline in spend following completion of LNG projects in Queensland in recent years. Major clients in this sector include Santos, Origin Energy, Oil Search, BP and Vector.

Minerals and Metals revenue was \$23.7 million (29% of total revenue), up from \$22.1 million in the previous financial year. The majority of work in this market was carried out for iron ore clients such as Rio Tinto, Fortescue and BHP on the back of solid commodity prices.

The Company continued to grow work volumes in the Infrastructure market, particularly for water utilities such as SA Water, SEQ Water and Water Corporation (WA). Revenue in this market totalled \$22.9 million or 28% of total revenue, up from \$13.1 million in the previous financial year. LogiCamms has been successful in winning fixed price EPC projects in this market in the sub-\$5 million range as a result of a focused business development strategy. However, due to the procurement element of these projects they attract a lower average margin compared with traditional engineering consulting work in other markets.

The Company continues to apply a disciplined approach to working capital management and recorded net operating cash outflows of \$1.6 million during the reporting period, compared to outflows of \$9.2 million for the previous financial year.

The Board has elected not to declare a dividend for the year ended 30 June 2018.

Outlook

The Company expects to achieve FY19 revenue of \$90+ million and EBITDA margins in mid-single digits.

With market conditions improving in all of LogiCamms' core markets, the Company has contracted work in hand equivalent to more than 30% of FY19 budget.

Mr Drewe said, "We are seeing a marked improvement in Hydrocarbons and Minerals & Metals markets with improved commodity prices, and expect continued volume growth in Infrastructure, particularly for water utilities and agribusiness clients."

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Further information

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About LogiCamms

LogiCamms is an agile, flexible engineering and related services company which draws upon our wealth of experience to deliver innovative tailored solutions to our clients, including leading owners and operators of minerals and metals, hydrocarbons and infrastructure assets. The Company works to reduce costs, increase efficiencies, and enhance the value of our customers' operations. LogiCamms is also an Australian leader in the provision of automation and control systems. LogiCamms is an Australian Securities Exchange listed Company (ASX: **LCM**) with offices across Australia, New Zealand and Papua New Guinea. LogiCamms' Vision is to be a market leader delivering outstanding customer solutions.

1.EBITDA Reconciliation

Underlying EBITDAI is not an IFRS measure and is not audited. It is calculated by adjusting statutory net profit after tax by adding back interest, tax, depreciation, amortization and goodwill impairment. A reconciliation of NPAT to EBITDAI is provided below. Statutory net profit after tax is reconciled to EBITDAI as follows:

	FY18	FY17
NPAT	(\$0.78)m	(\$23.6)m
<i>Add back</i>		
Interest	\$0.35m	\$0.1m
Tax	\$0.52m	\$1.7m
Depreciation	\$1.75m	\$2.7m
Impairment	\$0.0m	\$11.0m
EBITDAI	\$1.84m	(\$8.1)m