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ASX Media Release

Ausenco 2013 full year results ahead of recent guidance

Ausenco Limited (ASX: AAX) today reported a full year net loss after tax of $35.2 million, equating to an underlying net profit of $6.8 million, ahead of previous guidance.

Ausenco responded to market conditions in 2013 by right-sizing the business, reducing overheads and flattening and reshaping the organisational structure to support organic growth. These initiatives have positioned the business to deliver improved earnings and margins in 2014.

Financial summary:

- Revenue from operations of $453.9 million
- Underlying EBITDA of $27.1 million; underlying EBITDA margin 6.0%
- Operating cash inflow of $9.0 million
- $15 million in right-sizing overhead costs which will deliver $35 million in savings in 2014
- Successfully completed rights issue to strengthen balance sheet and provide additional working capital, raising $31.4 million
- Work on hand increasing, with new opportunities being won globally in major markets
- No full year dividend declared in line with Ausenco's dividend policy

Operational summary:

- APAC/Africa restructure delivering new work and increased market share
- Strengthened presence in Canada's high growth oil sands sector through Projex acquisition; Oil & Gas, Power expected to generate 10% of group revenues in 2014
- Implemented management restructure to strengthen the focus on business development and project delivery and drive organic growth
- Growing recurring revenues remains an important focus; currently represent 7% of group revenues
- Completed roll-out of Oracle ERP system across major global offices, on time and on budget.

$m	FY13	FY12	
Revenue from operations	453.9	619.5	↓
Underlying EBITDA	27.1	67.9	↓
Underlying EBITDA margin (%)	6.0%	11.0%	↓
Net profit/(loss) before tax	(40.9)	55.5	↓
Attributable profit/(loss) after tax	(35.2)	41.4	↓
Underlying earnings	6.8	41.4	↓
Basic earnings per share (cents)	(25.0)	29.8	↓
Net operating cash flow	9.0	41.2	↓
Underlying EBITDA interest coverage	6.7	19.4	↓
Dividend per share (cents)	-	20.1	↓

Attributable earnings and underlying earnings relate to profit attributable to shareholders of Ausenco
Underlying EBITDA is defined and reconciled to reported earnings on page 5
EBITDA represents profit before tax, net finance items, depreciation and amortisation.
Underlying earnings excludes the same items, in after-tax terms, as are excluded from underlying EBITDA.
The 2012 numbers have been restated to reflect the application of AASB 11. Joint arrangements.

Ausenco CEO Zimi Meka said the company's full year result was impacted by the significant deterioration in market conditions during the year which was reflected in a number of project deferrals, increased peer competition, delayed client payments and pressure on margins for new work.

"Ausenco took decisive action throughout 2013 to respond to market conditions by right-sizing the business, flattening the leadership structure to support a sharper focus on project delivery and business development, and reducing fixed costs to suit the business environment," Mr Meka said.

"Our cost base is now more evenly spread across our global business and is structured to deliver profitable growth. We have realigned our strategy to focus on organic growth, which we will achieve by leveraging our global diversity and wide range of service offerings to increase market share through the cross-selling of services.

"We are starting to see early positive results from the actions we took in 2013 and have been awarded $26 million in new work to date in 2014. Importantly, we are winning an increasing number of assignments in sectors or for services that we consider to be growth areas and which have been a key focus of our strategy, in particular in the asset management and project optimisation area.

"We restructured the APAC/Africa business line in early 2013 to enable the delivery of the full range of Ausenco's global services to clients in this region. This is now driving increased opportunities resulting in the award of a number of new assignments in recent months.

"In the present business environment, companies in the global resources and energy sectors are focusing on optimising the performance of their assets and lowering the capital intensity of new projects. Ausenco has a strong offering and track record in the business improvement area and is well positioned to win new opportunities in its markets as project activity returns to more sustainable levels," he said.

Right-sizing initiatives

Ausenco implemented an overhead cost and head count reduction program in 2013 to address market conditions and align the business with the current operating environment.

These initiatives resulted in extraordinary, one-off redundancy costs of $10.7 million that adversely impacted Ausenco's 2013 financial result. The initiatives, together with other management and overhead cost control initiatives, are expected to deliver $35 million in savings annually from 2014 and contribute to improved earnings and a more competitive business model.

Strategic investments and non-recurring costs

Ausenco's financial performance was also impacted by one-off costs, a goodwill write-off and lower revenues and margins in 2013. Underperforming contracts impacted margins by $8.8 million, abnormally high project work in progress provisioning and write-offs of $7.7 million, additional high receivables write-offs of $8.2 million and $12.5 million goodwill was written off the Environment & Sustainability business.

A number of strategic investments were also completed during the year representing the significant portion of capital expenditure of $26.2 million. These included the $16.3 million acquisition of the Projex oil sands business in Canada and completion of the roll-out of the Oracle Enterprise Resource Planning (ERP) system across the company's global offices totalling $7.8 million in 2013.

Mr Meka said these strategic investments would underpin Ausenco's long term growth.

"The Projex acquisition was a key part of our strategy to expand our presence in Canada's high growth oil sands sector. We have been very pleased with the contribution of the Projex acquisition to date and forecast that 10% of 2014 revenues, or $45 million, will be generated by the Oil & Gas, Power business.

"Also in 2013 we successfully completed the implementation of the ERP system across all of our major global offices, on time and on budget. This is a significant achievement for a system of this size and complexity. The system is already delivering enhanced visibility of financial and business performance. It has provided a solid systems platform for growth and will underpin our ability to work-share globally."

Rights issue

In order to compensate for the working capital shortfalls and capital expenditure, Ausenco successfully completed a rights issue that raised $31.4 million to lower debt and provide balance sheet strength to manage the working capital dynamics of the current operating environment.

The rights issue was fully underwritten by Deutsche Bank AG and Morgans Corporate Limited and received strong support from existing shareholders, including Ausenco Directors and management, as well as new investors through the institutional shortfall bookbuild.

Leadership restructure

A restructure was implemented in late 2013 to flatten the leadership structure, enhance organic growth opportunities and improve oversight in the delivery of projects. All operational presidents now report directly to the CEO. Nick Bell, who was previously in the position of Chief Operating Officer, will lead all business development and marketing activities with a focus on conversion of key projects globally.

Mr Meka said the restructure would ensure Ausenco continues to provide a seamless and comprehensive solution offering to clients.

"The leadership restructure will support our enhanced focus on project delivery and underpin our efforts in winning new work, growing revenues and executing profitable projects," he said.

OUTLOOK

Mr Meka said he expected conditions to remain largely unchanged throughout the first half of 2014, with a modest improvement expected in the second half. Financial results for the last two months of 2013 were ahead of plan, with January seeing the highest levels of new work won over the last 6 months.

"We entered 2014 with a renewed strategy, a strengthened balance sheet, a flatter organisational structure and a reduced cost base. While market conditions remain subdued, we are starting to see early benefits from the actions we took during 2013, most notably the APAC/Africa restructure and the strengthening of our asset management and project optimisation service offering," he said.

"The bulk of opportunities in the near term will come from the Americas and tender activity in this region is very strong. In particular, we see promising opportunities for our Oil & Gas, Power business in Canada where we now have a much greater client base and enhanced service offering to drive organic growth.

"With over 85% of our business and new work opportunities coming from the Americas and Africa, we are now benefiting from the weakening Australian dollar in terms of reported earnings as well as the competiveness of our Australian based business in selling its services globally.

"Project activity in South America remains solid and our growing reputation for project delivery in this region is creating new opportunities and enquiries. In addition, the demand for our asset management and optimisation services is increasing in all of our markets and will remain an important focus throughout the coming year.

"We are committed to restoring shareholder value and have taken all of the necessary actions to ensure that we maximise the opportunities in our markets as conditions improve."

Ausenco anticipates 2014 full year revenues of between $450 and $460 million and EBITDA of between $24 and $28 million.

BUSINESS SUMMARY

Safety performance

Ausenco reported a Lost Time Injury Frequency Rate (LTIFR) of 0.23 in 2013, a 63% reduction on 2012 and the lowest in the company's history. This result was achieved on the back of a near record of over 17.7 million man hours under management.

The Total Recordable Injury Frequency Rate (TRIFR) was 3.71 per million hours worked, an increase from 2.55 in 2012, reflecting a near five-fold increase in the reporting of incidents due to the improved safety focus throughout the workforce.

A number of significant safety milestones were achieved during the year including three million man hours LTI-free at the Kwale project in Kenya and two million man hours LTI-free at the Grande Cote project in Senegal.

Mr Meka said Ausenco's highest priority is always the safety of its people.

"I commend all of our people for their ongoing, dedicated focus towards achieving our goal of zero harm, and for their contribution to our pleasing safety performance in 2013. This result reflects our concerted efforts to instil best practice safety measures as business-as-usual and we remain committed to continual improvement."

Capital management

Ausenco's gross cash position at 31 December 2013 was $37.6 million. Net debt increased to $24.7 million during the period (2012: $11.8 million) and the net gearing ratio increased to 8.7% (2012: 4.1%).

Total capital expenditure was $26.2 million, primarily due to major costs associated with the Projex acquisition and completion of the Oracle ERP system roll-out.

The net operating cash inflow for the year was $9.0 million (FY12: $41.2 million inflow), with an underlying EBITDA to cash conversion of 34%. The abnormally high level of redundancies, work in progress provisioning and write-offs, as well as additional high receivables write-offs, impacted cash flow.

At 31 December 2013 facilities available for working capital amounted to $151.7 million, comprising $37.6 million cash and $114.1 million banking and bond facilities. Ausenco has already commenced discussions with financiers on the terms associated with refinancing bullet payments of $35 million scheduled for November 2014. This refinancing is anticipated to be completed mid-2014.

With the successful roll-out of the ERP platform and a stable office and IT infrastructure in place, Ausenco does not have any major capital expenditure initiatives planned for 2014. Forecast 2014 depreciation and amortisation is expected to be less than $10 million.

Dividend

In light of the full year loss incurred in 2013, the Directors have determined not to pay a full year final dividend.

Underlying results comparison

In order to present the results in a transparent manner, enabling comparison with 2012 performance, Ausenco has reported underlying EBITDA and earnings. The differences between underlying EBITDA and earnings and reported EBITDA and earnings are set out in the table below.

Underlying results	**EBITDA**		**NPAT**	
$m	**2013**	**2012**	**2013**	**2012**
Underlying results	**27.1**	**67.9**	**6.8**	**41.4**
Redundancy costs	(10.7)	-	(7.5)	-
Trade receivable write-offs	(8.2)	-	(5.8)	-
Work In Progress write-downs	(7.7)	-	(5.4)	-
Underperforming contracts	(8.8)	-	(6.2)	-
Acquisition related costs	(1.0)	-	(0.7)	-
E&S goodwill impairment	(12.5)	-	(12.5)	-
Accelerated amortisation	-	-	(3.2)	-
Forfeiture of foreign tax credits	-	-	(0.8)	-
Reported results	**(21.8)**	**67.9**	**(35.2)**	**41.4**

ENDS

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About Ausenco

Ausenco is a global, diversified engineering and project management company providing services in Minerals & Metals, Process Infrastructure, Environment & Sustainability and Oil & Gas, Power. We deliver new and better ways to add value to our clients' projects no matter how demanding and we deliver results in some of the world's most challenging environments. Listed on the ASX in 2006, our growth strategy is focused on sector, solution and geographic expansion. We operate from 30 offices in 18 countries.