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ASX/Media Release

Ausenco reports 2015 underlying EBITDA loss of \$13.7 million; 2016 off to a solid start with \$152 million of new revenue awards

Ausenco Limited (ASX: AAX) today reported 2015 full year revenue from operations of \$245.8 million, an underlying EBITDA loss of \$13.7 million and a net loss after tax of \$86.1 million.

As announced on 1 February 2016, Ausenco's after-tax results were impacted by \$60.1 million of non-cash goodwill impairment and other charges, largely as a result of weak oil & gas markets, adverse economic conditions in Brazil and Argentina and costs associated with redundancies and office closures.

Ausenco's forward work on hand, including preferred contracts and work delivered, has increased to \$256 million. Key project wins since the start of 2016 total \$152 million.

Financial summary

- Underlying net loss after tax was \$25.1 million before goodwill impairment charges of \$26 million, the derecognition of withholding taxes and income tax losses of \$18.6 million, \$9.5 million associated with office closures and redundancies and \$6.9 million foreign exchange reclassifications from closures.
- Improved business conditions in APAC/Africa delivered a second half underlying EBITDA of \$1.3 million following prior period losses
- Achieved controllable cost savings of \$23.5 million against the initial target of \$20.0 million
- \$10.7 million placement to cornerstone shareholder and alliance partner Duro Felguera (DF)
- \$23.6 million convertible debt and bonding facility provided by cornerstone shareholder Resource Capital Funds in February 2016

Operational summary

- Strong increase in asset optimisation solutions, including growth into new markets, delivered 2015 revenues of \$15.7 million with significant growth anticipated for 2016
- Studies, consulting and engineering services continue to be in good demand and provide critical entry to projects as they progress to development
- Focused on organically diversifying into growth markets through technology-related sales and the strategic alliance with DF to expand the EPC offering
- 2016 revenue target of \$280 to \$300 million with \$169 million of work already secured against that target

\$m	FY15	FY14	
Revenue from operations	245.8	357.2	↓
Underlying EBITDA	(13.7)	1.4	↓
Underlying EBITDA margin (%)	(5.6%)	0.4%	↓
Net (loss)/profit before tax	(76.9)	(29.5)	↓
Attributable (loss)/profit after tax	(86.1)	(25.0)	↓
Underlying net loss after tax	(25.1)	(10.2)	↓
Basic earnings per share (cents)	(49.0)	(15.0)	↓
Net operating (out)/in cash flow	(16.1)	(9.2)	↓

Attributable earnings and underlying earnings relate to losses attributable to shareholders of Ausenco.

Underlying EBITDA is defined and reconciled to reported earnings on page 4.

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.

Ausenco CEO Zimi Meka said the company's financial results reflected the challenging operating environment and the ongoing volatility in a number of key markets.

"Overall, market conditions in 2015 were weaker, largely as a result of low commodity prices across most sectors," Mr Meka said.

"This has affected business confidence and has led to an environment of fewer and smaller capital projects, enhanced competition and shortened planning horizons which has resulted in reduced levels of Create phase revenues from new capital expenditure projects.

"Revenues from our consulting and engineering businesses have remained fairly stable benefiting from the opportunities that the reduction in capital expenditure has created.

"During the year we completed a record number of asset optimisation and value engineering assignments for clients; these regularly resulted in capital cost reductions or operating cost savings of over 20%. Operating savings have been easily captured and our clients are benefiting from the contributions these make to their cost reduction goals.

"Clients' access to capital to progress their projects to the next stage of development remains the challenge. Nevertheless, we have strengthened our service offering to enable projects to be completed with cost certainty on a fixed price basis. This has been complemented by our alliance with DF which positions the Company to pursue a broader range of EPC projects globally."

Innovative engineering solutions and technology provide platforms for growth

"We have strengthened our efforts in the delivery of technology and consulting solutions to further identify and deliver value adding opportunities for our clients through reduced operating costs, improved productivity and increased process efficiency.

"We have achieved outstanding results, in some cases reducing operating costs for our clients by over 30%. We are focused on further strengthening the marketing and delivery of these services to capitalise on the increasing demand for Ausenco's asset optimisation solutions.

"The growth potential of these services is supported by our proprietary software technology which identifies the value improvement opportunities for our clients."

Strategic alliance to pursue global EPC projects

"In the current resources sector environment, clients with projects in the delivery phase are heavily focused on cost certainty and risk management. This has created an increased demand for projects to be delivered on an Engineering, Procurement and Construction (EPC) / fixed price basis.

"To provide a further point of difference to our service offering, to enhance our competitiveness and to expand the size and range of projects to be undertaken on an EPC basis, we established a strategic alliance with Spanish multinational construction company, Duro Felguera (DF). The alliance is focused on jointly pursuing and delivering EPC projects globally.

"DF has a strong history of EPC project delivery and both DF and Ausenco are strategically positioned in key global markets with a comprehensive range of service offerings and little overlap. The alliance aims to leverage each party's extensive geographic footprint and strong engineering and project delivery expertise to pursue an expanded pool of EPC project opportunities and create value for clients and shareholders."

Share placement and financing package to support growth

Mr Meka said Ausenco had strengthened its financial capacity and enhanced its relationship with two key shareholders through a share placement to DF and a financing package provided by US-based, resource-focused private equity firm Resource Capital Funds (RCF).

"As a further strengthening of the alliance between DF and Ausenco, we completed a \$10.7 million private placement to DF in 2015 which resulted in DF becoming a cornerstone shareholder with a 14.5% interest in Ausenco," he said.

"In early 2016 we agreed the key terms of a US\$16.5 million (\$23.6 million) financing package with existing shareholder, Resource Capital Fund VI LP (RCF). The package includes convertible debt and

bonding facilities and will provide Ausenco with a US\$6.5 million (\$9.2 million) unsecured debt facility to 31 December 2018.

“In conjunction with the financing package, RCF has committed to providing additional bonding facilities of US\$10 million, taking our current bonding capacity to \$44 million.

“The share placement with DF and the financing package with RCF represent significant achievements in strengthening Ausenco’s balance sheet. Discussions are advancing with Ausenco’s banks to achieve a refinancing of Ausenco’s borrowings. These are positive steps forward with key stakeholders and will provide many strategic benefits to the Company.”

Outlook

Mr Meka said Ausenco expected 2016 revenues of between \$280 and \$300 million based on the successful conversion of a number of current project pursuits.

“We are well positioned against this 2016 target with current work on hand, preferred positions and delivered revenues of \$169 million,” Mr Meka said.

“Completed restructuring and rightsizing initiatives should result in a significant improvement in earnings based on achieving these revenue targets. In 2015, we achieved \$23.5 million of controllable cost savings against our target of \$20.0 million.

“We expect industry conditions to remain challenging over the coming year. However, we are well positioned on a number of opportunities and are experiencing increasing levels of enquiries in some areas.

“During the second half of 2015 we were successful in the conversion or extension of a number of significant opportunities, predominately in the gold and copper sectors.

“We are particularly excited about the dynamics of the gold sector where clients and their financiers are advancing a number of new projects and studies to the next stages.

“We expect the demand for our consulting, engineering and asset optimisation services to continue growing as clients remain focused on reducing the capital intensity of their operations. We are also seeing the ownership of many resource assets changing hands and are well positioned to assist owners to add value to and improve the performance of their new assets.

“We envisage significant growth in the markets for our asset optimisation technology software solutions. These can be delivered globally into a wide range of industrial, manufacturing, logistical and service businesses in addition to the resources and energy sectors. We are evaluating alternative financing, alliancing and marketing arrangements to enable us to increase our marketing and development efforts in this arena.”

BUSINESS SUMMARY

Safety and sustainability performance

In 2015, the Group continued to make solid progress towards its goal of achieving zero harm across all of its operations. Ausenco achieved its lowest-ever Total Recordable Incident Frequency Rate (TRIFR) of 0.94, a 56% reduction on the previous year.

Ausenco completed a number of significant projects during 2015 with an excellent safety record. This included eight million man hours Lost Time Injury (LTI) free on the Constancia project in Peru and over eight million man hours LTI free at the Ad Duwayhi project in Saudi Arabia. In addition, Ausenco recorded eight months which were free of recordable incidents across the Group’s entire global operations.

Ausenco was again recognised for its safety performance in 2015. It was awarded Silver Recipient winner in the category of Mining and Natural Resources at Canada’s Safety Employer Awards and was named a Finalist in the Australian National Safety Council awards.

During 2015, Ausenco maintained its commitment to making a positive and sustainable difference to the communities in which it operates. The Ausenco Foundation supported five organisations across four countries throughout the year, including a new employee-led initiative in Lima which involved constructing a security fence to protect a local orphanage from violent intruders.

Capital management

The Group's cash position at 31 December 2015 was \$8.7 million. The Company has not declared a dividend for 2015.

Net debt increased during the year from \$43.1 million to \$53.1 million with the net gearing ratio increasing to 26.2% from 16.0% which is within the Board's acceptable gearing range.

The net operating cash outflow for 2015 was \$16.1 million which included redundancy costs and operating losses of \$12.2 million associated with our Oil & Gas business and our Brazil and Argentina offices. We do not anticipate this will recur in 2016. Net operating cash outflow in 2014 was \$9.2 million.

Total borrowings at year end decreased by \$3.8 million to \$61.8 million reflecting debt repayments and proceeds from the placement to DF. Importantly, as part of the refinancing agreement reached with RCF in February 2016, RCF and the Company's financiers (ANZ and NAB) commence discussions this week with a view to refinancing Ausenco's current bank borrowings with extended maturity dates and terms to better align with the recovery in our performance.

Underlying results comparison

Ausenco's 2015 results were affected by a number of non-cash after-tax charges totalling \$51.5 million compared with \$10.0 million in 2014. In order to present the 2015 results in a transparent manner, and to allow comparison with 2014 performance, Ausenco has reported underlying EBITDA and Net Loss After Tax (NLAT). The differences between underlying EBITDA and NLAT and reported EBITDA and NLAT are detailed in the table below.

\$'m	EBITDA		NLAT	
	2015	2014	2015	2014
Underlying results	(13.7)	1.4	(25.1)	(10.2)
Office closures	(5.5)	(2.3)	(4.6)	(3.2)
Redundancy costs	(5.9)	(4.5)	(4.9)	(1.6)
Foreign exchange reclassifications from closures	(6.9)	-	(6.9)	-
Goodwill impairments	-	-	(26.0)	(10.0)
Income tax losses derecognised	-	-	(12.8)	-
Forfeiture of foreign tax credits	-	-	(5.8)	-
Reported results	(32.0)	(5.4)	(86.1)	(25.0)

ENDS

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About Ausenco

Ausenco is a global, diversified engineering, construction and project management company providing services in Minerals & Metals, Process Infrastructure, Program Management, Environment & Sustainability and Oil & Gas. 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.