Ausenco

Ausenco records $27.0 m underlying earnings

Business Highlights

- Revenue from operations of $432.5 million and underlying earnings of $27.0 million
- Turnaround of operating cashflows of $20.3 million in second half reduces net gearing to 0.2%
- Improving business conditions provide record project and tender pipeline of US$24.8 billion
- Record levels of new feasibility and detailed engineering projects deliver revenues of $260 million
- Cross-selling by business lines provides expanded growth base
- Strategic diversification into Energy (renewable and clean energy) and new local presence in Saudi Arabia/North African region
- Acquisition of 50% of Kramer Group positions Ausenco well for growth in PNG
- Program Management business line adds value for clients through project delivery capabilities

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m	%	
Revenue from operations	432.5	607.0	28.7%	↓
Underlying EBITDA[1]	43.3	102.0	57.5%	↓
Underlying EBITDA[1] margin	10.0%	16.8%	40.4%	↓
Net profit before tax	17.0	71.4	76.2%	↓
Attributable profit after tax	20.1	56.3	64.2%	↓
Underlying earnings[1] after tax	27.0	68.9	60.8%	↓
Basic earnings per share (cents)	19.0	62.7	69.7%	↓
Net operating cash flow	(2.3)	(16.6)	86.3%	↑
Underlying EBITDA interest coverage (times)	5.8	24.9	76.8%	↓
Dividends per share (cents)	9.5	31.75	70.1%	↓

[1] Attributable earnings and underlying earnings relate to profit attributable to equity shareholders of Ausenco.
Underlying earnings is defined and reconciled to attributable earnings on page 4.
EBITDA represents profit before: tax, net finance items, depreciation and amortisation.
Underlying EBITDA excludes the same items, in pre-tax terms, that are excluded from underlying earnings.

Ausenco Limited (ASX: AAX) today announced an underlying earnings of $27.0 million for the full year ended 31 December 2009, with the group expecting further growth into the second half of 2010 and 2011 as the resource and energy markets continue to improve.

CEO Zimi Meka said the $20.1 million profit after tax for the 2009 full year demonstrated an improved second half through business improvement measures, increased new project opportunities and the stabilisation of global business conditions.

“Our first half was challenging, with business and economic conditions resulting in clients delaying the commencement of projects and awarding of contracts,” Mr Meka said.

“Our underlying EBITDA margin remained steady at 10%, despite lower second half revenues, through cost management initiatives, better utilisation rates and greater collaboration across our global company.

“Despite these initiatives, the strengthening of the Australian dollar and longer than anticipated tender to contract lead times has seen full year earnings come in at the lower end of 2009 guidance,” he said.

Mr Meka said the group expected further growth into 2010 and 2011 across all business lines, particularly in Process Infrastructure, Minerals & Metals and Program Management.

"Our recent wins on the Prodeco Puerto Nuevo coal terminal and the Kinsevere Stage II copper project reflect increasingly positive business conditions, which we expect will continue throughout 2010.

"In 2009, we secured US$10.3 billion in Evaluate and Innovate projects across all sectors, providing a critical early entry into projects and positioning us well for further work.

"We are confident we will convert a share of our estimated US$16.6 billion pipeline of study and design projects into further work," he said.

Mr Meka said the group had continued to deliver on its strategy of diversification, broadening its geographic reach, solution offering and sector experience in 2009.

"In 2009, we were awarded US$0.5 billion in new Create projects across our five business lines, including securing additional work in infrastructure and energy where significant future growth is expected.

"We established a local presence in Papua New Guinea, through our 50% acquisition of Kramer Group, and opened a new office in Saudi Arabia.

"We further expanded our solution offering by establishing the Program Management business line, which harnesses our decades of expertise in this area.

"We also worked to further strengthen our stable, recurring revenue base, such as our Environment & Sustainability business line, which delivers work in counter-cyclical sectors such as water and landfill management."

Mr Meka said the group had undertaken a number of initiatives throughout the year to ensure it was best positioned to respond to new opportunities as the global economy strengthened.

"Our strongly supported capital raising generated $90.5 million in additional capital to fund new project and acquisition opportunities.

"Ausenco's solutions will now be delivered through the following phases – Evaluate, Innovate, Create and Optimise.

"These changes more effectively communicate our differentiators to clients, and will further build global recognition of Ausenco and our capabilities, assisting our entry into new markets.

"In addition, we developed a unified brand, refined our market positioning and re-defined how we communicate our solution offering to the market.

"These initiatives, along with our strong balance sheet, position us well to capitalise on the future growth expected in the markets we operate in," Mr Meka said.

Safety performance

Ausenco achieved a Lost Time Injury Frequency Rate (LTIFR) of 0.88 per million hours, including a record period of 358 days of zero Lost Time Injuries (LTIs) across the whole business.

An additional safety measure was introduced to deliver a clearer picture of the group's safety performance – Total Recordable Injuries. The group's Total Recordable Injury Frequency Rate for 2009 was 3.62 (based on 37 total recordable injuries).

During the period, the group progressed the implementation of an integrated Health, Safety and Environment (HSE) Management system across our global operations. The system includes policies, procedures, plans and tools to ensure risks are identified, assessed and controlled.

“We remain committed to improving our safety performance and continue to strive for our zero harm goal,” Mr Meka said.

“In addition to our integrated HSE system, we have introduced a number of new safety initiatives with a strong focus on key risk areas, such as contractor management and safe travel, to further reinforce our zero harm culture across the group.”

Capital management

The group’s gross cash position at 31 December 2009 was $78.7 million, up from $46.4 million in 2008. The group raised $90.5 million through a well supported share placement and share purchase plan. Net debt has decreased by $66.0 million to $0.5 million, reducing the net gearing ratio to 0.2%. The underlying EBITDA to total interest expense was 5.8 times (2008: 24.9 times).

Net operating cash outflow for the year was $2.3 million. The second half 2009 cash flow saw net operating cash inflows of $20.3 million, a significant improvement on the first half as a result of stabilising working capital factors.

At 31 December 2009, using available cash of $78.7 million and $92.6 million of available banking and bonding facilities, $171.3 million was available for working capital, project security and new business acquisition requirements. The group was in compliance with all financial covenants at 31 December 2009.

Dividend

Directors have declared a final 2009 dividend of 4.5 cents per share, franked to 100% and payable on 14 April 2010.

Corporate governance

On 20 January 2010, Miss Belinda Smith was appointed Company Secretary, having performed the role of Assistant Company Secretary since August 2008. Belinda brings extensive commercial and corporate governance experience to the role and this appointment supports the company’s objective of best corporate governance practices.

On 18 August 2009, Mr Bob Thorpe was appointed to the Audit and Risk Management Committee (ARMC). Bob brings extensive industry experience and knowledge to his new role on the ARMC.

Operational review

Each business line continued to win new work in 2009 and delivered solid earnings throughout the period.

Mr Meka said the group’s operational results were particularly commendable given the economic challenges faced by all businesses around the globe.

“We worked hard during the year to optimise our business, win new work and deliver exceptional results for clients,” he said.

“As a result, we have a more efficient business with strong client relationships and a more diversified portfolio of projects.”

The 2009 result included a number of abnormal non-recurring items. In order to present the results in a transparent manner which enables comparison with the 2008 performance, Ausenco has reported underlying EBITDA and NPAT. The differences between underlying EBITDA and EBITDA are set out in the following table:

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Underlying EBITDA	43.3	102.0
Abnormal items	(7.4)	(0.3)
Receivables impaired due to project award delay	(2.1)	-
Investment impairments	0.9	(1.8)
Liquidated damages costs	-	(13.0)
Acquisition costs expensed	(0.4)	(3.8)
EBITDA	**34.3**	**83.1**

The 2009 underlying earnings after tax of $27 million reconciles to the attributable profit after tax of $20.1 million by adjusting for the tax effect of the above amounts plus $0.3 million of government stimulus incentives.

Minerals & Metals

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Operating revenue	219.8	383.5
Underlying EBITDA[1]	39.3	87.4
Underlying EBITDA margin	17.9%	22.8%

The Minerals & Metals business line is focused on the delivery of projects across all solution phases to the global minerals sector.

Ausenco's Minerals & Metals business has continued to grow and further diversify throughout the year. Lower 2009 revenues were due to a reduced level of new Create project conversions, including lower contributions from EPC work. An expansion of the traditional focus on precious and base metals into coal, iron ore, phosphate and potash means that bulk commodities now represent 25% of the Minerals & Metals business.

Strong client relationships and long-term involvement in projects have resulted in the awarding of new Create phase contracts during the year including Newcrest's Gosowong gold extension project and G-Resources' Martabe gold project, both located in Indonesia. The award of the US$130 million Kinsevere Stage II project will underpin Create project revenue growth into 2010.

Four Create projects were successfully completed in 2009, including the Carborough Downs Coal Handling and Preparation Plant Expansion project and the Sabodala Gold project in Senegal.

Ausenco expects to see an increase in the number of Create project opportunities as external conditions continue to improve. The business experienced a strong increase in demand for its Evaluate and Innovate phase solutions during the year. Early stage involvement in projects, delivered through these phases, presents further opportunities for growth in the future.

Process Infrastructure

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Operating revenue	162.4	166.2
Underlying EBITDA[1]	22.8	23.6
Underlying EBITDA margin	14.0%	14.2%

The Process Infrastructure business line is focused on the delivery of projects across all solution phases to the global port, pipelines, marine and transport infrastructure sector through the Ausenco Sandwell and Ausenco PSI businesses.

Strong client partnerships saw the conversion of a number of projects to the Create phase in 2009, including the Esperanza, Los Bronces and Los Pelambres pipeline projects.

Global demand for increased bulk and container port capacity continued to drive the port and marine business. In late 2009, the business commenced work on a number of Innovate phase port development projects to assess the viability of more than US$1.0 billion of new port capital developments in Australia, Brazil, Mozambique and Peru. In addition, the business is currently working on Evaluate phase port development projects in Brazil, Canada, Colombia and Papua New Guinea, with a strong focus on bulk commodities including coal, iron ore and potash. If these opportunities proceed to development, they will provide significant growth momentum into 2011.

During the year, work was advanced on a variety of small to large pipeline projects throughout the world, including the construction of the Ambatovy nickel laterite pipeline in Madagascar and a study for an ethanol pipeline for Brenco in Brazil. South America continued to provide opportunities for the pipeline business, with a number of projects currently underway in Chile.

Control systems technology has been identified as a key growth area within the Process Infrastructure business. The business line's expertise in systems support and development of control systems software positions it well to capture work from the large global control systems market.

Environment & Sustainability

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Operating revenue	39.9	38.3
Underlying EBITDA[1]	4.7	3.7
Underlying EBITDA margin	11.7%	9.7%

The Environment & Sustainability business line is focused on the delivery of Evaluate and Innovate solutions, including civil and geotechnical engineering, to the global resources sector through the Ausenco Vector business.

The Environment & Sustainability business line continued to win new work across a range of sectors throughout 2009. Notable wins included Evaluate phase work on a variety of transport facilities, resource development projects and involvement in the largest uranium mine in Africa and the second largest uranium mine in the world - the Imouraren project in Niger. These significant successes are located in the key growth markets of Middle East and North Africa (MENA), outside the business' traditional geographic market of North America.

During the year, the business continued to deliver stable baseline revenue through its early project lifecycle work as well as in counter-cyclical areas, such as landfill management. In 2009, work was completed on the Imperial Landfill Expansion project and the Group's 15 year involvement in the California Landfill Project continued.

South America continued to present significant opportunities for this business, particularly in Colombia, Chile and Peru. The Environment & Sustainability business is already working on three significant projects in the region, including the delivery of heap leach solutions for BHP Billiton's Cerro Matoso and Minera Escondida mining operations.

2010 earnings for the Environment & Sustainability business are expected to continue to grow as sustainability initiatives gain momentum and resource exploration expenditure underpins environmental and heap leach expansion opportunities in line with the general recovery in the resources industry.

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Energy

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Operating revenue	5.7	14.8
Underlying EBITDA[1]	0.9	2.5
Underlying EBITDA margin	15.4%	17.2%

The Energy business line is focused on the delivery of the full lifecycle of project solutions to the gas, renewable energy and power sectors.

In 2009, the Energy business earnings were impacted by the lower level of new Energy project development opportunities and still to emerge renewable energy stimulus measures. New Evaluate and Innovate projects were awarded, from generation and conversion through to distribution, with business confidence impacting on the timely conversion to development. These projects spanned a range of energy sources – ranging from traditional fossil fuels to alternative fuel solutions.

The completion of detailed design work on the Neighbourhood Energy Utility in Canada was a major project achievement during the year – the first project in North America to use raw sewage to generate heat in an urban setting.

Ausenco made a strategic decision in 2009 to establish an office in Saudi Arabia to provide a local presence in the growing energy markets in the MENA. The Energy business was already operating in this area, completing Evaluate phase work on a solar and desalination study in Africa.

Renewable energy will continue to provide strong growth opportunities in the future, drawing on the experience and track record of the Energy business. The business line is currently delivering Evaluate and Innovate solutions on new biomass power plants in Canada. The strong focus on sustainability across the globe is expected to open up further opportunities in this specialist area.

Program Management

Twelve months ended 31 December	2009 FY A$m	2008 FY A$m
Operating revenue	0.2	-
Underlying EBITDA[1]	(1.4)	-
Underlying EBITDA margin	-	-

The Program Management business line is focused on best practice project delivery, from short term Evaluate solutions through to long-term, large-scale Create projects.

In 2009, Ausenco formalised its 60 years of Program Management experience into a new business line. This business line draws upon the combined program management expertise across the group, supported by tried and tested systems and processes and a global procurement network.

Program Management supports the other business lines in the specialist delivery of projects. The business also allows Ausenco to offer its extensive project management experience to a wide range of industry sectors.

Program Management has already identified opportunities in the bio-fuel, energy and infrastructure sectors and is currently tendering and in early stage negotiation on a number of projects.

Outlook

Mr Meka said the group expected to see growth into the second half of 2010 and into 2011 as a result of further improved business conditions and the implementation of sustainable growth initiatives.

“Tender activity continues at historically high levels and clients are continuing to award Evaluate and Innovate phase work in a bid to refine project scope and minimise capital costs,” he said.

“Our pipeline of opportunities remains at record levels. Importantly, as a result of our broader solution offering, the scope and size of the projects that we are participating in has increased significantly.

“This provides a stronger platform for growth as business confidence improves. We expect an increase in the number of projects being delivered through our Create phase, throughout 2010.

“We have continued to maintain capacity to ensure we are able to respond immediately to market opportunities and increases in economic activity.

“Our experience across growth sectors, local presence in key markets and enduring client relationships puts us in a strong position to win new projects as market conditions improve,” he said.

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About Ausenco

Ausenco sets high global standards for leading edge engineering and project management services in the resources and energy sectors. We're a growing company with big ambitions that thrives on reaching into new markets. Across 33 offices in 20 countries, our people seek ingenious solutions for our clients in the Energy, Environment & Sustainability, Minerals & Metals, Process Infrastructure and Program Management sectors. We're inspired to make a genuine positive impact on the world around us and in the communities in which we operate.