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UGL reports underlying FY2013 NPAT of $92.1 million in line with revised guidance

- Reported result includes impact of restructuring costs, rebranding and underperforming power projects
- Underlying net profit after tax of $92.1 million[1] and underlying EPS of 55.4 cents per share[1]
- Reported net profit after tax of $36.5 million and reported EPS of 21.9 cents per share
- Operating revenue of $4.2 billion[2]
- DTZ delivers a record revenue contribution and its eleventh consecutive year of earnings growth
- Rail operations performing solidly due to its market leading position
- Total dividend of 39 cents per share; 70% dividend payout ratio maintained
- $4.3 billion in new contract wins and extensions
- High quality $8.3 billion order book supporting outlook
- Underlying NPAT of $120-130 million expected in FY2014, subject to a continued reasonable economic outlook

Sydney: UGL Limited (ASX: UGL) today reported underlying net profit after tax (NPAT) of $92.1 million[1] (FY2012: $168.3 million[3]) for the full year ended 30 June 2013, in line with the revised earnings guidance provided in May 2013.

Reported NPAT for the full year was $36.5 million (FY2012: $134.3 million). Reported NPAT includes net costs of $55.6 million representing costs for restructuring, the rebranding of DTZ, the amortisation of acquired intangibles, and a gain on the sale of property. A reconciliation of underlying NPAT to reported NPAT is set out in the Appendix.

A final unfranked dividend of 5 cents per share has been declared by the Board and will be payable on 6 September 2013 to shareholders on the register at 23 August 2013. The Board has maintained a 70 per cent dividend payout ratio for the 2013 financial year, with a total dividend of 39 cents per share.

Operating revenue declined 12 per cent to $4.2 billion[2] (FY2012: $4.8 billion) and earnings before interest and tax (EBIT) was $154.7 million[1] (FY2012: $247.0 million).

[1] Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property. The Board believes that underlying NPAT and underlying EPS provide a more accurate reflection of operating performance as the adjustments reflect costs incurred by the business which are associated with business acquisitions, the sale of non-core assets and business repositioning
[2] Includes UGL's share of joint venture revenue
[3] Adjusted for acquisition related costs and amortisation of acquired intangibles

UGL Managing Director & CEO, Richard Leupen said: "The 2013 financial year has been a year of significant transition for UGL. We have undertaken substantial restructuring, rebranding and business repositioning initiatives to strengthen the company and address the challenging Australian marketplace.

"The further slowdown in capital investment across the Australian resources and infrastructure sectors combined with the rigorous cost reduction focus of the major miners has adversely impacted UGL's financial performance across its Engineering and Operations & Maintenance businesses this year.

"As previously disclosed in May 2013, underperformance across several power projects has also disappointingly impacted our earnings performance. These projects are expected to be closed out over the coming months.

"Despite these events, our global property services business, DTZ, delivered a record revenue performance of $1.9 billion[2]. This year also represents DTZ's eleventh consecutive year of earnings growth, reflecting the strength of the unique, integrated property services platform we have built over this time.

"UGL's rail operations continued to deliver a solid performance this year due to our market leadership position in both freight build and freight and passenger rail maintenance services."

To address slowing markets in Australia, UGL continues to focus on strict management of its cost base and during the current financial year, a significant cost reduction programme was undertaken to reduce overheads and ensure a lower, more sustainable cost base. Under this programme, $45 million in restructuring costs were incurred in FY2013.

Mr Leupen said: "We have now completed the vertical integration of the Operations & Maintenance business into UGL's traditional sector-focused Engineering business. By refocusing the business, we are able to more efficiently provide integrated, end-to-end service delivery to our clients in the core sectors of rail, transport & technology systems, power, water, resources and defence.

"As announced in May 2013, we are targeting a further $20 million reduction in overheads across the Engineering business. This work is on track to be completed by the end of August 2013."

Despite softer market conditions, UGL continued to win new work at a solid rate during the year, with total contract wins and extensions of $4.3 billion being awarded during the period. The order book remains strong at $8.3 billion with 85 per cent of the order book consisting of long term recurring maintenance style contracts.

"We are actively tendering for opportunities across the LNG, iron ore, property and rail sectors and we are well positioned on a number of significant near term opportunities. Reflecting this positive momentum, during the year UGL was selected as one of two consortia tendering for the North West Rail Link project in Sydney as well as a preferred contractor to tender for a proposed $1 billion of capital works projects under Melbourne Water's 2013 Water Plan," Richard Leupen commented.

"We are also pursuing a number of targeted strategic initiatives to drive long term growth including the expansion of Engineering into Asia. We have recently established an office in Mumbai, India and appointed a number of experienced local staff whose objectives are to win and deliver work on the subcontinent. In addition to India, we are also expanding UGL's South East Asia business, based on our existing water capabilities in Singapore and Malaysia."

Cashflow and gearing

Operating cashflow for the year was $105.6 million, strongly improving in the second half of the 2013 financial year and returning to more normalised levels. Gearing (defined as net debt to net debt plus equity) was 33.9 per cent as at 30 June 2013 and interest cover remained sound at 6.5 times. UGL has $350 million in available bank capacity and the average term of committed debt facilities is 2.6 years.

Although gearing remains at the lower end of UGL's target gearing range of 30-40 per cent, we are committed to actively reduce gearing over the next 12 to 18 months. Initiatives include the restriction of expansionary capital expenditure, reduced working capital requirements through improved management of debtor days and divestment of non-core property.

Safety

UGL's commitment to the safety and security of our people is unchanged and remains at the forefront of management's focus. In the 2013 financial year, UGL's lost-time injury frequency rate increased marginally from 2.58 to 3.10 per million hours worked. Our total recordable case frequency rate remained relatively flat moving from 7.55 to 7.77 per million hours worked.

DTZ

DTZ delivered revenue of $1.9 billion[2], an increase of 21 per cent from the previous financial year. EBIT rose 19 per cent to $113.4 million[1], representing a margin of 5.9 per cent and DTZ's eleventh consecutive year of earnings growth. The strength of DTZ's financial performance reflects the momentum already being delivered from the acquisition of the trading operations of DTZ Holdings plc, as well as strong organic growth generated by the underlying business.

The US recovery continued to drive increased activity across the US corporate real estate and facilities management markets during the year. While European markets remained challenging, weakness in France and Germany was to some extent offset by the solid performance of our UK business. Our China and Asia Pacific businesses continued to perform strongly supported by our market leading positions in key markets.

Globally, bidding levels for property services are strong and DTZ is well positioned to benefit from the macro trends which continue to support growth in corporate real estate outsourcing and the rationalisation of service providers. DTZ is expected to grow in line with its key markets and continue to perform solidly in FY2014 given its favourable positioning in the recovering North American markets and exposure to the growth potential in Asia, particularly China. Emerging signs of improved activity in Europe are also encouraging.

Engineering

Engineering revenue declined 30 per cent to $1.8 billion[2] affected by the continued slowdown in capital investment in the Australian resources and infrastructure sectors resulting in further delays and cancellations of major projects.

EBIT declined 58 per cent to $62.5 million[1] reflecting the decline in revenue as well as underperformance across several power projects. While a significant cost reduction program was implemented to address the decline in revenue this year, margins were affected by the timing of the cost outs, in addition to the underperforming power projects.

UGL's rail operations continued to deliver a solid performance with both the MTM Melbourne and the RailCorp contracts continuing to perform strongly. The business secured a number of important wins during FY2013 including the $540 million renewal of the maintenance contract with Pacific National Rail which includes the upgrade and provision of maintenance services for a portion of their locomotive fleet as well as locomotive orders with various blue chip clients including Rio Tinto, CFCLA and Pacific National Rail.

Within UGL's major projects operations, the BHP Billiton Iron Ore Jimblebar project is being successfully executed and on track for completion in September 2013. The Ichthys LNG power station is ramping up and will be a key contributor to major projects earnings in FY2014.

Operations & Maintenance
Operations & Maintenance revenue declined 18 per cent to $489.4 million[2] affected by the cost management programmes of the major miners which led to scope reductions and cancellations of asset management and maintenance projects in the resources sector.

EBIT declined 51 per cent to $19.1 million[2] during the year, resulting in an EBIT margin of 3.9 per cent. Margin performance was affected by the timing of the Group's cost restructuring program as well as some compression in margins driven by the cost reduction focus of the major miners.

Two of the significant wins during the year included a new $200 million five year contract to provide integrated maintenance services at Shell Geelong and a new $110 million three year contract with GDF SUEZ Hazelwood Power Partnership as the lead contractor performing outage planning and major outage maintenance works at the Hazelwood power station.

Outlook
Mr Leupen said: "As we start the 2014 financial year, UGL is well placed to respond to the challenging operating environment in Australia given its broad base of recurring revenues, which comprise approximately 85 per cent of our $8.3 billion order book.

"The combined revenue base in property services, rail and industrial maintenance generates approximately $3 billion annually and is expected to continue at that rate into FY2014 and beyond. This base will provide some degree of insulation against the slowdown being experienced in the Australian resources and infrastructure sector. In addition, approximately half of Group earnings are currently generated offshore.

"We anticipate DTZ will grow in line with its key markets and continue to perform solidly in FY2014 given its favourable positioning in the recovering North American markets and exposure to the growth potential in Asia, particularly China. The new property systems rollout is proceeding to plan and expected to be completed by March 2014, providing DTZ with a distinct competitive advantage.

"For Engineering, a combination of its order book (which is already 70 per cent sold for FY2014) and targeted growth opportunities should see UGL operate in FY2014 at similar revenue levels to FY2013.

"With the restructuring of UGL's cost base now largely complete, we expect to return to more normalised trading margins in the 2014 financial year. When considered together, UGL expects underlying NPAT of between $120-130 million in FY2014, subject to a continued reasonable economic outlook."

Annual General Meeting
UGL will hold its 2013 Annual General Meeting at the ASX Auditorium, Exchange Square, 18 Bridge Street, Sydney at 2.00pm on 29 October 2013. The company will send a notice of meeting containing full details in September 2013.

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Appendix: UGL Full Year 2013 Results Summary

The Board believes that underlying NPAT and underlying EPS provide a more accurate reflection of operating performance as the adjustments reflect costs incurred by the business which are associated with business acquisitions, the sale of non-core assets and business repositioning.

Table 1: Underlying Results Overview

$m	FY2013	FY2012	Change
Operating revenue[1]	4,247.0	4,803.0	(12)%
EBIT[2,3]	154.7	247.0	(37)%
EBIT margin[2,3]	*3.6%*	*5.1%*	
NPAT[2,3]	92.1	168.3	(45)%
NPAT margin[2,3]	*2.2%*	*3.5%*	
EPS[2,3] (cents per share)	55.4	101.3	(45)%
DPS (cents per share)	39.0	70.0	(44)%

Table 2: Reconciliation of Underlying Results

$m	Underlying	JVs	Amort of intangibles acquired	Restructuring costs	Rebranding costs	Profit on property sale	Reported
Revenue	4,247.0	(430.8)	-	-	-	-	3,816.1
EBIT	154.7	(3.7)	(14.1)	(45.2)	(37.3)	17.4	71.8
Net interest	(32.6)	-	-	-	-	-	(32.6)
Tax	(24.7)	3.7	3.8	9.4	12.1	(1.6)	2.6
	97.4	-	(10.3)	(35.8)	(25.2)	15.7	41.8
Non-controlling interests	(5.3)	-	-	-	-	-	(5.3)
NPAT	**92.1**	**-**	**(10.3)**	**(35.8)**	**(25.2)**	**15.7**	**36.5**

[1] Includes UGL's share of joint venture revenue
[2] FY2013 Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property
[3] FY2012 Adjusted for acquisition related costs and amortisation of acquired intangibles