ASX Release

25 August 2014

UGL reports growth, margin improvement and underlying full year NPAT of $111.7 million

- **Underlying net profit after tax of $111.7 million[1] up 22 per cent and underlying EPS of 67.1 cents per share[1]**
- **Reported net profit after tax of $62.1 million and reported EPS of 37.3 cents per share including impact of restructuring and DTZ separation costs**
- **Operating revenue of $4.5 billion[2] up 6 per cent**
- **$4.3 billion in new contract wins and extensions**
- **Strong Engineering order book of $4.9 billion plus preferred status of $1.7 billion on current tenders**
- **$400-500 million estimated return to shareholders following completion of DTZ sale**

Sydney: UGL Limited (ASX: UGL) today reported underlying net profit after tax (NPAT) of $111.7 million[1] (FY13: $91.5 million[3]) for the year ended 30 June 2014.

Reported NPAT for the year was $62.1 million (FY13: $35.9 million) including restructuring and DTZ sale costs of $68.3 million.

Operating revenue increased 6 per cent to $4.5 billion[2] (FY13: $4.2 billion) and earnings before interest and tax (EBIT) was $185.8 million[1] (FY13: $154.7 million) up 20% on the prior year.

UGL Managing Director & CEO, Richard Leupen said: "This is a solid result for UGL, with revenue and earnings growing amidst the ongoing impact of challenging domestic operating conditions. DTZ delivered its twelfth consecutive year of earnings growth with the United Kingdom and North Asia being key contributors.

"Our Engineering business revenue was in line with the prior year while a 3 per cent increase in earnings resulted in margin improvement for the 2014 financial year, particularly in the second half. These improvements are derived from our large recurring revenue base and strong position in key markets such as rail, transport and power.

[1] Adjusted for restructuring costs, DTZ separation costs, the amortisation of acquired intangibles, gain on property sales and release of DTZ pre-acquisition provisions. 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 repositioning, the DTZ sale and business acquisitions as well as non-recurring items in this period associated with the sale of non-core land and buildings and the release of DTZ pre-acquisition provisions.
[2] Includes UGL's share of joint venture revenue
[3] Adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property

"During the year we secured $4.3 billion of new projects across the business. Our order book stands at $8.1 billion with 75 per cent of the $4.9 billion Engineering order book consisting of long term, recurring maintenance contracts.

"We are bidding on several large projects in the rail, transport infrastructure, power and oil & gas sectors. Prospects in transport infrastructure are high, with UGL shortlisted, preferred or winning many key infrastructure projects. With preferred status on $1.7 billion worth of tenders, including the North West Rail Link in Sydney and key road infrastructure projects, and other shortlisted opportunities, the outlook in this sector is solid.

"The turnaround in the performance of our power projects was a key achievement with 24 per cent growth in revenue in the 2014 financial year. Tender activity is strong, and with high win rates and a strong reputation for service delivery, we are positioned well for growth in this sector in the 2015 financial year.

"UGL was also successful in securing key resources sector maintenance contracts during the year including works for Stanwell Corporation and Chevron Australia on the Gorgon and Wheatstone LNG projects."

NPAT

FY2014 underlying NPAT was $111.7 million, an increase of 22 percent on the prior year.

Reported NPAT for the year was $62.1 million including net costs relating to restructuring $28.0 million, the DTZ sale $40.3 million and amortisation of acquired intangibles $7.7 million. Also included in reported NPAT is the gain on sale of property of $13.8 million and the release of $12.6 million of DTZ pre-acquisition provisions. Reconciliation between underlying and reported NPAT is set out in the appendix.

DTZ

Revenue increased 17 per cent to $2,253 million[2] and EBIT by 9 per cent to $123.9 million[1].

Economic recovery in the United Kingdom generated strong revenue growth in corporate real estate services. Continued growth in capital markets in mainland China saw the execution of significant real estate transactions which contributed strongly to the financial performance.

The business is expected to again build on its strong performance as DTZ prepares for separation from UGL.

Engineering

Revenue declined marginally to $2,261.7 million[2] and EBIT increased by 3 per cent to $84.1 million[1] resulting in an improved margin of 3.7 per cent (FY13: 3.5 per cent). The margin in the second half of the year increased to 4.3 per cent.

Earnings were impacted by reduced freight locomotive sales and margin pressure associated with the cost focus of mining sector clients. However, there was a strong turnaround in the performance of power projects and completion of overhead cost savings initiatives contributed to earnings, particularly in the second half.

Strong performance in power systems resulted in both earnings growth and over $300 million in project wins including a $136 million contract with Alinta Energy to design, procure and construct the Newman to Roy Hill high voltage power system.

Rail maintenance continued to deliver a solid contribution to earnings with a stable and long term revenue base via UGL's partnership with MTR Corporation.

The performance of the Engineering business in the second half reflected the impact of cost savings initiatives completed in that period, with margins increasing to 4.3 per cent compared to 3.1 per cent in the first half.

Engineering’s $4.9 billion order book remains solid with recurring revenues comprising 75 per cent of the order book, providing UGL with stability of earnings. Strong tender activity in infrastructure positions UGL favourably on key opportunities in transport, power projects and maintenance.

Cashflow and gearing
Operating cashflow for the year was $62.1 million impacted by restructuring and DTZ separation costs. Gearing (defined as net debt to net debt plus equity) was 32.4 per cent as at 30 June 2014 and interest cover remained solid at 5.2 times.

During the year a number of properties were sold as part of initiatives to reduce gearing, generating $72.5 million in gross proceeds.

Safety
UGL’s commitment to safety is unchanged and remains a core value across all parts of the business. UGL’s total lost-time injury frequency rate (LTIFR) fell to 3.02 per million hours worked. The total recordable case frequency rate (TRCFR) reduced to 6.98 per million hours worked. Engineering’s LTIFR was stronger at 1.8 and the TRCFR of 7.3 was down significantly on the prior year.

Restructuring initiatives
Restructuring initiatives were undertaken midway through FY2013 in anticipation of the slowing domestic market that has now eventuated. Ongoing subdued conditions led to further restructuring initiatives being undertaken in FY2014 with costs of $39 million incurred. These initiatives were completed during FY2014 with a significant full year impact of savings to be delivered in FY2015.

DTZ sale update
On 16 June 2014 UGL announced the sale of DTZ for $1.215 billion to a private equity consortium led by TPG Capital.

The sale process is expected to conclude late in 2014, dependent on achieving regulatory approvals. UGL’s Board intends to return surplus funds to shareholders after paying down debts and determining the appropriate capital structure of UGL for the future. It is estimated that surplus funds will be in the range of $400-500 million.

The Board has determined not to pay a final dividend for FY2014 but rather to implement an effective capital management plan at close of the DTZ sale.

Options have been evaluated to determine the most efficient return of funds to shareholders with a capital return expected to be a likely outcome. Details will be communicated in relation to the value of surplus funds and the form of return to shareholders following completion of the DTZ sale. The Board will seek approval from shareholders at the Annual General Meeting in October 2014.

The DTZ sale and debt reduction will also permit the Board to implement a clear dividend policy based off stable Engineering earnings and the low capital intensity of the business.

Outlook

Mr Leupen said: “We are witnessing an improved outlook for the Engineering business, with strong momentum in infrastructure opportunities. In 2014 we also saw a pleasing improvement to margins. We are actively tendering and winning significant projects in rail, transport & technology, power and oil & gas, and are shortlisted or preferred tenderer for some of Australia’s largest transport infrastructure projects.

“Strong maintenance opportunities are emerging as new assets commence operation, particularly in the oil & gas and power sectors where UGL is well placed with proven history. Contract wins such as Stanwell and the Gorgon and Wheatstone projects demonstrates our world class competitiveness and strengthens our recurring revenue streams providing earnings stability into the future.

“Diversity in our earnings streams as well as a strong order book with 75 per cent generated from recurring revenue has placed UGL in a stable position through a challenging economic period. We have exposure to many key growth sectors in the domestic economy and are well positioned to capitalise on existing and emerging opportunities.

“With an order book of $4.9 billion of which $1.9 billion will be delivered in FY2015, the Engineering business is well placed to deliver revenue of around $2.4 billion this year. The completion of restructuring initiatives in FY2014 will see the business achieve normalised trading margins of around 4-5% in FY2015 after corporate costs.

“The sale of DTZ is expected to complete late in 2014 and the 2015 financial year will report a partial contribution from DTZ until the date of sale. Rationalisation of the existing UGL corporate office will also be completed on the sale of DTZ.

Annual General Meeting

UGL will hold its Annual General Meeting at the ASX Auditorium, Exchange Square, 18 Bridge Street, Sydney at 2:00pm on 30 October 2014. The company will send a notice of meeting with full details in September 2014.

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Appendix: UGL Full Year 2014 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 repositioning, the DTZ sale and business acquisitions as well as non-recurring items in this period associated with the sale of non-core land and buildings and the release of DTZ pre-acquisition provisions.

Table 1: Underlying Results Overview

$m	FY14	FY13	Change
Operating revenue[1]	4,511.5	4,247.0	6%
EBIT[2,3]	185.8	154.7	20%
EBIT margin[2,3]	*4.1%*	3.6%	
Interest	(37.4)	(33.2)	(13%)
Tax	(30.2)	(24.7)	(22%)
Minority interest	(6.4)	(5.3)	(22%)
NPAT[2,3]	111.7	91.5	22%
NPAT margin[2,3]	*2.5%*	2.2%	
EPS[2,3] (cents per share)	67.1	55.0	22%

Table 2: Reconciliation of Underlying Results

$m	Underlying	JVs	Amort of intangibles acquired	DTZ separation costs	Restructuring costs	Release of DTZ pre-acq provisions	Property gain on disposal	Statutory
Revenue	4,511.5	(469.7)	-	-	-	-	-	4,041.8
EBIT	185.8	(5.6)	(10.7)	(52.8)	(39.3)	12.6	15.3	105.3
Net interest	(37.4)	-	-	-	-	-	-	(37.4)
Tax	(30.2)	5.6	3.0	12.5	11.3	-	(1.5)	0.7
	118.1	-	(7.7)	(40.3)	(28.0)	12.6	13.8	68.5
Non-controlling interests	(6.4)	-	-	-	-		-	(6.4)
NPAT	**111.7**	**-**	**(7.7)**	(40.3)	**(28.0)**	**12.6**	**13.8**	**62.1**

[1] Includes UGL's share of joint venture revenue
[2] FY14 adjusted for restructuring costs, DTZ separation costs, the amortisation of acquired intangibles, gain on sale of property and release of DTZ pre-acquisition provisions
[3] FY13 adjusted for restructuring costs, rebranding, the amortisation of acquired intangibles and gain on sale of property