

ASX Announcement
30 August 2017

LogiCamms FY17 earnings

LogiCamms Limited (ASX: **LCM**) today reported revenue of \$81.1 million, in line with recent guidance, and an underlying EBITDAI loss of \$8.1 million for the 2016-17 financial year.

12 months to 30 June 2017	FY17 (\$m)	FY16 (\$m)
Revenue	81.1	108.2
NPAT	(23.6)	(38.1)
EBITDAI¹	(8.1)	(8.4)

Highlights

- Organisation restructure completed to remove \$10.5 million in annualised operating costs and re-balance client-facing resources and corporate overheads for the current market
- The Company enters FY18 with strong order book momentum – more than \$25 million in work in hand at 30 June 2017 and a further \$13 million in new work won in FY18 as client spending deferred in FY17 begins to convert to revenue
- NAB support to increase approved limit on multi-option facility and extend term, to support working capital needs and current order book growth.
- Increasing client spending in traditional markets in LogiCamms' principal area of focus: optimising operating asset performance.
- Technology investments reaching critical level of maturity and client acceptance with LogiCamms' proprietary Automated Infrastructure Design Engine contracted to blue-chip CSG company.

Chief Executive Officer, Flora Furness said, "During the year, we responded decisively to tough market conditions by restructuring to reduce our operating costs and re-balance the levels of client-facing resources and overheads for the current business."

FY17 overview

The Company operates in Australia and New Zealand across three key segments of the capital goods market: hydrocarbons, minerals and metals and infrastructure.

- Hydrocarbons formed the majority of client work, representing \$46.23 million or 57 per cent of revenue (FY16: \$51.94 million, 48 per cent) which reflected continued work with upstream gas producers such as Santos, Origin Energy, Oil Search, BP and Vector.
- The Company continued to expand its services into new segments of the infrastructure sector, carrying out a significant volume of work for water utilities including SA Water and Watercorp (WA) and for Viterra in agri-business. Infrastructure accounted for \$12.98 million or 16 per cent of revenue (FY16: \$14.07 million or 13 per cent) and is expected to grow substantially in the 2018 financial year.
- Revenue from the minerals and metals market declined to \$21.90 million or 27 per cent of total revenue (FY16: \$42.20 million, 39 per cent) following the completion of the Roy Hill project in the third quarter of FY17. The majority of revenue from this market came from work carried out for iron ore clients such as Rio Tinto, Roy Hill, Fortescue and BHP.

Technology and innovation investments

LogiCamms' technology and innovation investments are beginning to reach a critical level of maturity and client acceptance, with the business securing its first significant commercial agreement for its proprietary Automated Infrastructure Design Engine (AIDE), with a blue-chip CSG company. AIDE was developed by LogiCamms software engineers and GIS (Geographic Information Systems) specialists to reduce design time and costs for linear infrastructure projects such as gas pipelines and telecommunication, road, rail and energy networks.

Restructuring and operating cost reductions

The Company achieved annualised cost savings of \$10.5 million during the reporting period, including reductions of \$8.8 million in labour costs at a one-off cash cost of \$2.1 million, and \$1.7 million across IT and communications, premises costs and other general and administrative costs.

LogiCamms' workforce was reduced by a total of 80 roles, from non-reimbursable overheads, as a result of restructuring initiatives and natural attrition. The Company's workforce at 30 June 2017 was approximately 405 people on an FTE basis (FY16: 450 people). The low margin Petromod and Hunter Valley maintenance businesses were also closed as at 31 July 2017, freeing up more than \$1.5 million of working capital.

Banking Facilities

After the end of the financial year, the approved limit on LogiCamms' NAB multi-option facility has been increased by \$4.0 million to \$11.0 million and extended to 31 August 2018, to support the working capital needs of the business and current order book growth. The Company also has a further \$7.3million of available bank guarantee and bonding facilities.

As previously reported, the Company reviewed the carrying value of its goodwill assets and has recognised a non-cash statutory impairment of \$11.0 million in FY17.

No dividend has been recommended by the Company for the six months ended 30 June 2017.

FY18 OUTLOOK

During FY17, LogiCamms completed a restructuring to put in place appropriate levels of overheads and billable resources for the current business. The Company is now seeing improvement in client spending, which is converting into a strong order book.

LogiCamms entered FY18 with work in hand of \$25.1 million, representing approximately 33 per cent of forecast engineering consulting revenue for the year. Since the start of the financial year, the Company has also secured further new contracts with a value in excess of \$13.0 million, with client spending deferred in FY17 beginning to convert into revenue.

In light of these factors, the Board has reiterated its June 2017 guidance that the Company expects to deliver a similar level of revenue for this financial year as reported for FY17, and achieve EBITDA margins in the mid-single digits.

In addition to recent order book growth, a number of positive trends within the business underpin the Company's outlook for FY18.

- Clients in LogiCamms' traditional market segments are increasing their investments in specialist engineering services that optimise operating asset performance and improve productivity, which is the Company's principal area of focus.
- During FY17, LogiCamms increased the number of Master Services Agreements (MSAs) with clients which position the Company as a preferred supplier. The Company currently has approximately 35 agreements actively delivering an increase in firm work orders.

- The business is now recruiting specialist engineering and technology staff to support order book growth.
- A number of clients are currently evaluating LogiCamms' proprietary technology innovations including the AIDE platform, UAV (unmanned aerial vehicle) surveying and monitoring capability and the 'StacksOn' grade tracking solution for optimising materials stockpiles. These solutions are generating new, higher margin opportunities and the Company is confident of securing further commercial contracts during FY18.
- As announced in July 2017, LogiCamms signed a Memorandum of Understanding with Dassault Systèmes to jointly pursue technical and business development opportunities in natural resources, energy and utilities, defence and life sciences. Under this strategic partnership, Dassault Systèmes has identified LogiCamms as its partner of choice to jointly pursue growth opportunities in engineering, project management, technology and innovation.

The Company continues to refine its strategic direction under the theme of Clear Focus, concentrating on value proposition, markets, and alliance partners to maximise shareholder value through profitable expansion of the business in FY18 and beyond. The plan builds on the strategic initiatives reported in June 2017, and will outline actions to:

- Develop LogiCamms' strong market position in its core professional consulting & engineering services
- Broaden services and capabilities through its technology and innovation investments and new commercial models
- Expand into new growth industries and segments.

Ms Furness said, "We are seeing increasing client activity in our traditional engineering, training and environmental consultancy markets. The re-shaped business is now well positioned to capitalise on this and we have started the financial year with strong order book momentum."

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Further information

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1. EBITDA Reconciliation

Underlying EBITDAI is not an IFRS measure and is not audited. It is calculated by adjusting statutory net profit after tax by adding back interest, tax, depreciation, amortization and goodwill impairment. A reconciliation of NPAT to EBITDAI is provided below. Statutory net profit after tax is reconciled to EBITDAI as follows:

	FY17	FY16
NPAT	(\$23.6)m	(\$38.1)m
<i>Add back</i>		
Interest	\$0.1m	\$0.1m
Tax	\$1.7m	(\$2.5)m
Depreciation	\$2.7m	\$4.0m
Impairment	\$11.0m	\$28.1m
EBITDAI	(\$8.1)m	(\$8.4)m

About LogiCamms

LogiCamms is an agile, flexible engineering and related services company which draws upon our wealth of experience to deliver innovative tailored solutions to our clients, including leading owners and operators of minerals and metals, hydrocarbons and infrastructure assets. The Company works to reduce costs, increase efficiencies, and enhance the value of our customers' operations. LogiCamms is also an Australian leader in the provision of automation and control systems. LogiCamms is an Australian Securities Exchange listed Company (ASX: LCM) with offices across Australia, New Zealand and Papua New Guinea. LogiCamms' vision is to be a market leader delivering outstanding customer solutions.