

**PROGRAMMED  
MAINTENANCE  
SERVICES  
LIMITED**

# Half Year Report

## 30<sup>th</sup> September 2002

Presented by  
Max Findlay, Managing Director

# Agenda

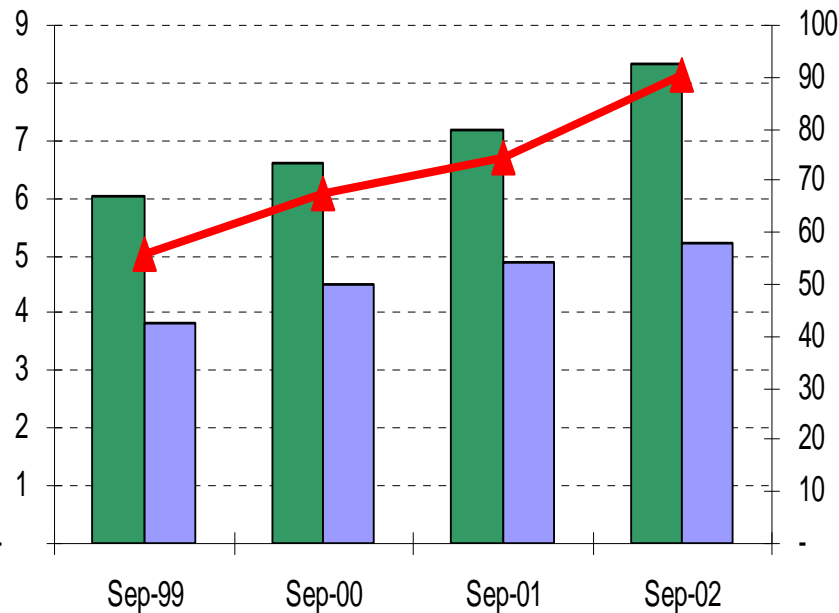
- Half Year Summary
- Financial Results
- Customer Base
- United Kingdom Operations
- Future Direction
- Appendix - Company Profile
  - Work in Progress adjustment
  - Five Key Strategies

# Half Year Summary

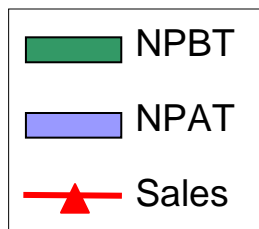
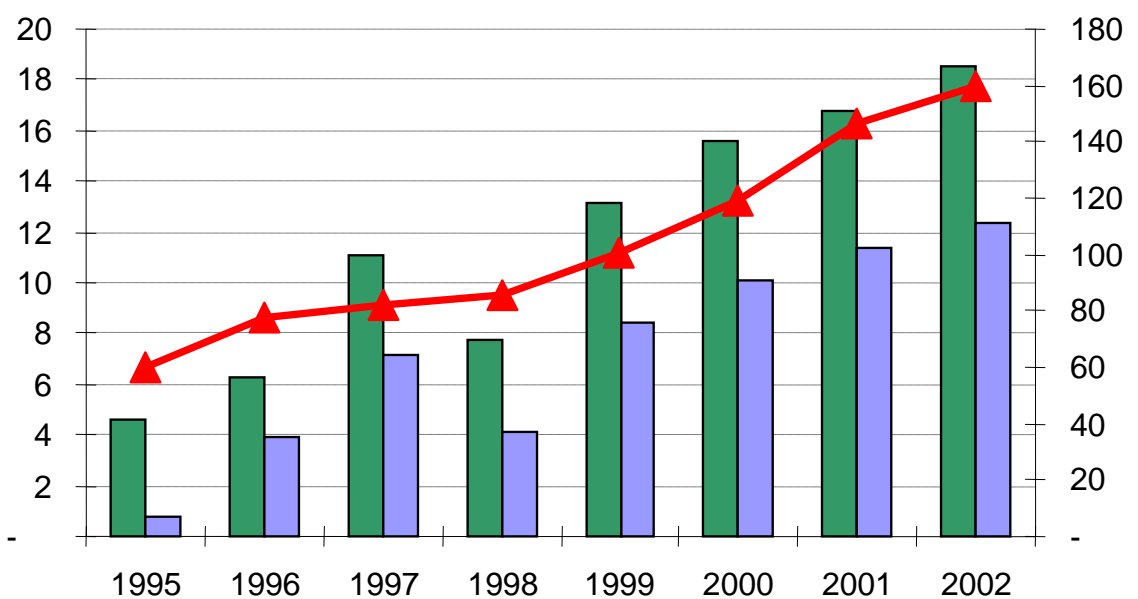
- Fourth consecutive year of growth in first half PMS Group revenues and profits
- Continued strong growth in New Zealand
- Difficult first half in Australian Painting
- Growth in Building Services activity
- Further growth in programmes in United Kingdom
- Strong increase in net operating cashflows
- Partial franking (30%) of interim dividend

# Continuation of Consistent Growth

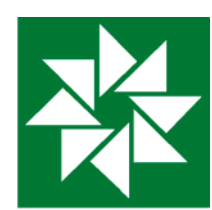
## First Half Results



## Annual Results



Profits shown on left-hand axis in A\$m  
Revenues shown on right-hand axis in A\$m



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# Results Summary

<u>A\$m</u>	<u>30/09/02</u>	<u>30/09/01</u>	<u>% change</u>
Revenue	89.6	74.3	20.6%
EBITDA	12.6	12.0	4.8%
EBIT	9.3	8.9	5.1%
Profit before Tax	7.7	7.2	7.9%
Income Tax Expense	(2.5)	(2.3)	9.2%
<b>Profit after Tax - Comparable Basis</b>	<b>5.2</b>	<b>4.9</b>	<b>7.2%</b>
WIP One-Off Impact on Profit after Tax	0.4	0.0	
Reported Profit after Tax	5.6	4.9	15.7%

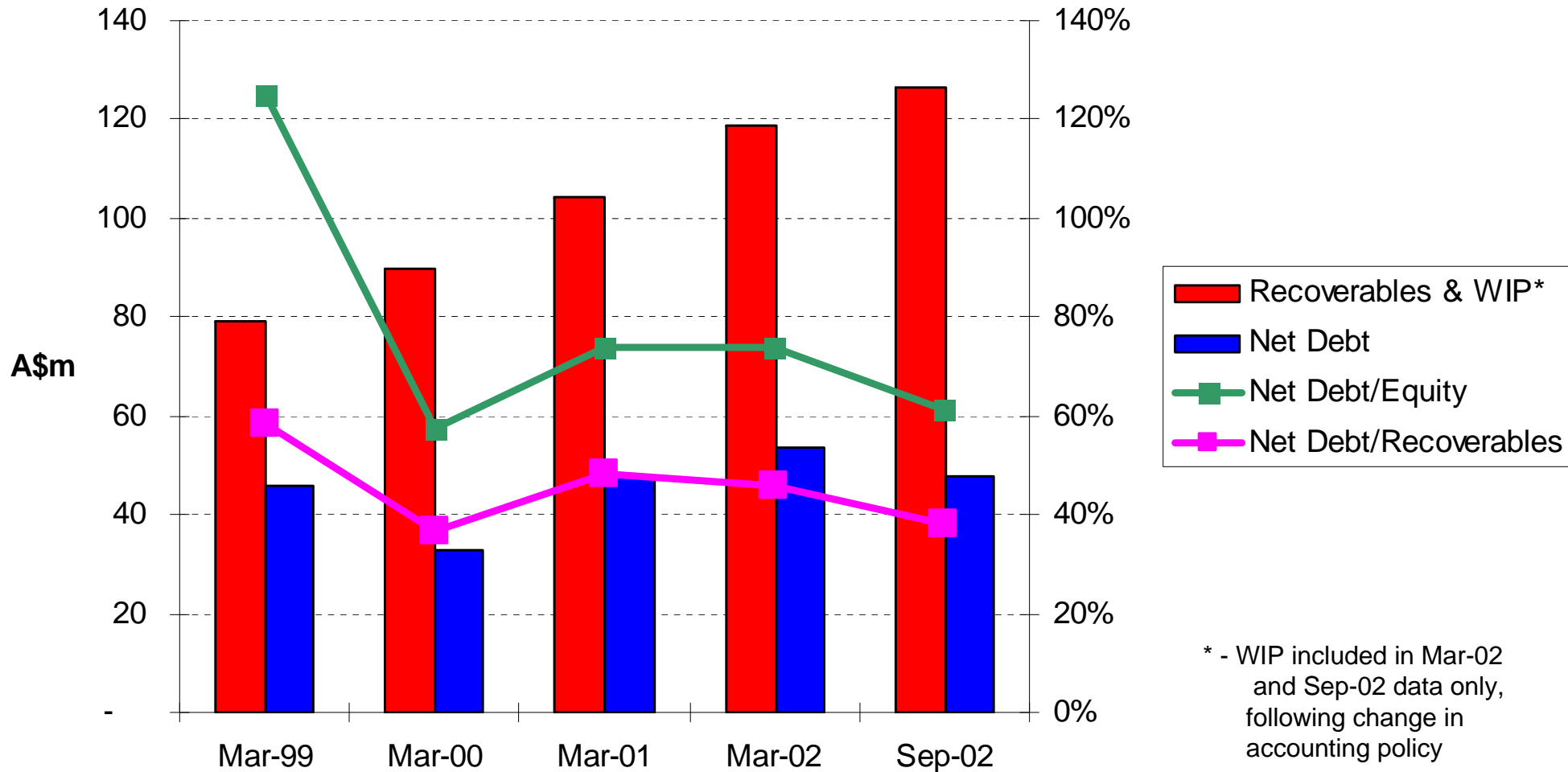
Revenue and earnings data exclude \$0.6m of WIP one-off impact

# Consolidated Statement of Cashflows

A\$m

	30/09/02	30/09/01
Gross operating cashflows	10.1	4.1
Net interest payments	(1.6)	(1.7)
Income tax payments	(0.4)	(0.8)
<b>Net operating cashflows</b>	<b>8.1</b>	<b>1.6</b>
Net investing cashflows	(0.4)	(1.0)
Net financing cashflows	(8.8)	0.6
<b>(Decrease)/Increase in cash held</b>	<b>(1.1)</b>	<b>1.2</b>
Cash at beginning of period	0.8	(1.1)
<b>Cash at end of period</b>	<b>(0.3)</b>	<b>0.1</b>

# Recoverables, WIP & Net Debt



# Aust. Property Maintenance Results

<u>A\$m</u>	30/09/02	30/09/01	% change
Revenue	61.1	50.0	22.1%
EBITDA	7.9	7.9	(0.6%)
EBIT	6.0	6.1	(1.9%)
<b>Profit before Tax</b>	<b>4.9</b>	<b>5.1</b>	<b>(2.6%)</b>
EBIT Margin	10%	12%	

# Australian Property Maintenance

- **Painting**

- downturn in protective coatings volume in Qld & WA placed pressure on margins
- reduced contribution from SA - exceptionally strong first half in previous year with major winery rollovers
- increased level of sundry work in NSW Education sector

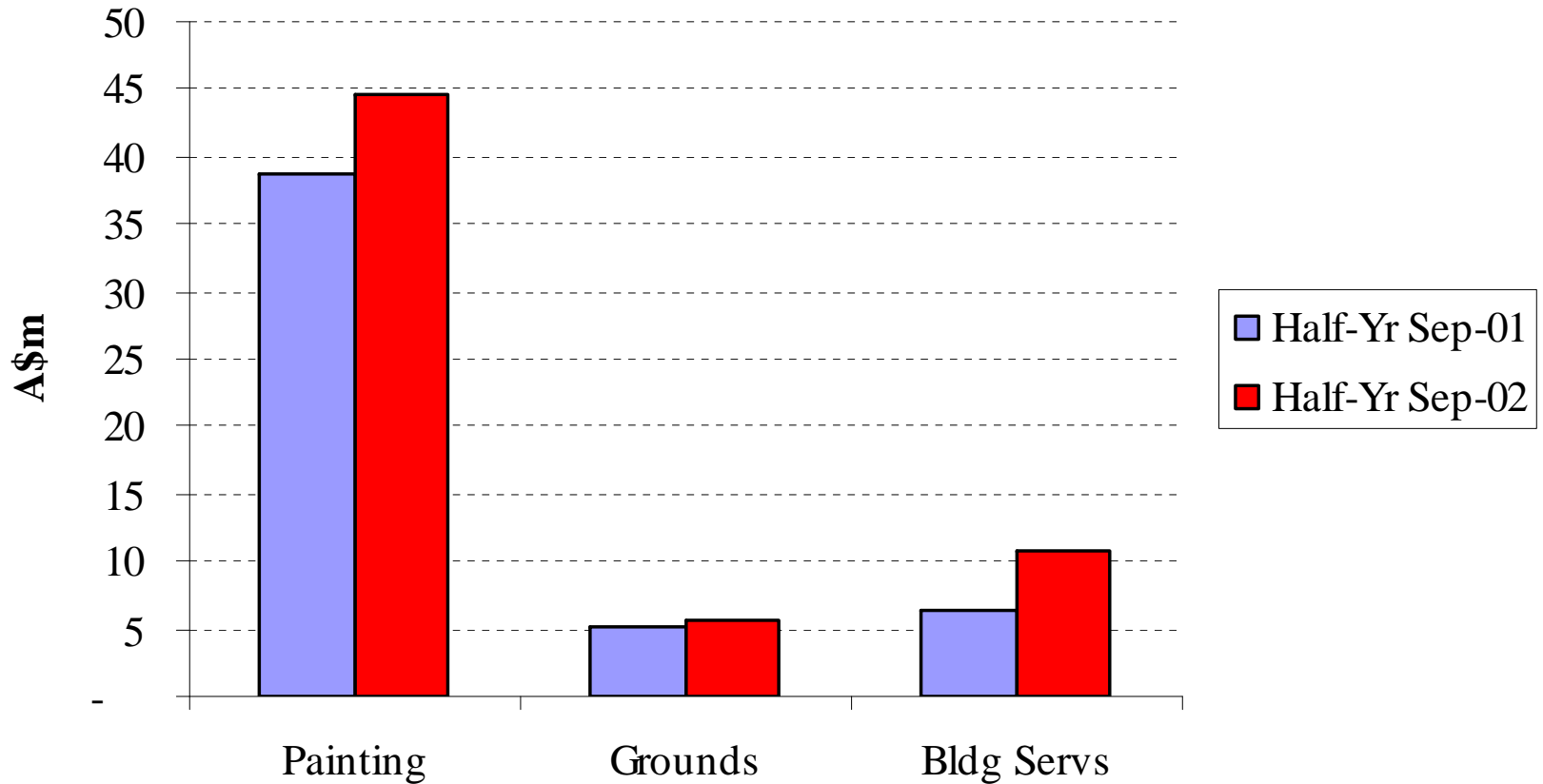
- **Building Services**

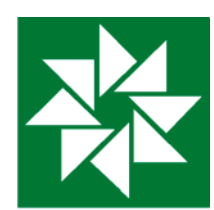
- growing revenue at "service company" margins
- further establishment of people and resources

- **Grounds**

- major grounds contract in SA - local government customer reverted to in-house operations

# Aust. Property Maintenance Revenue

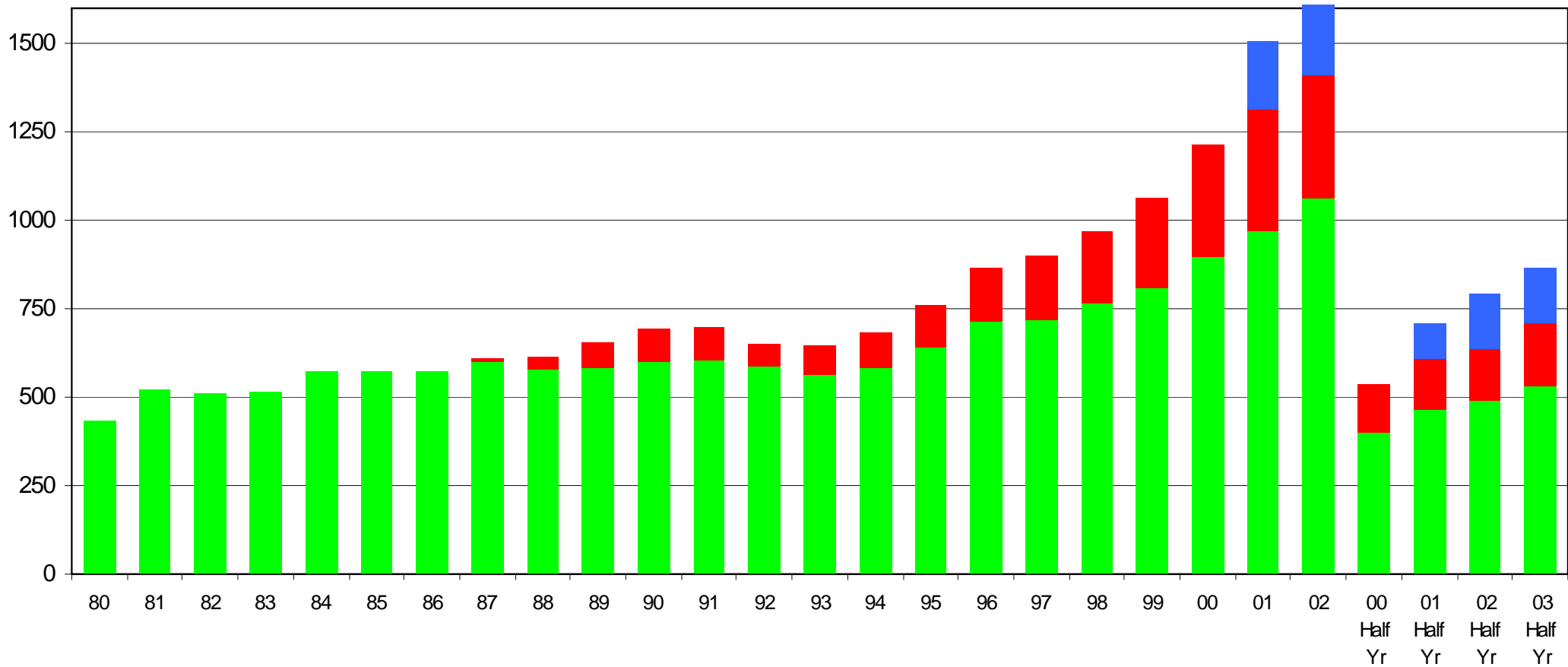




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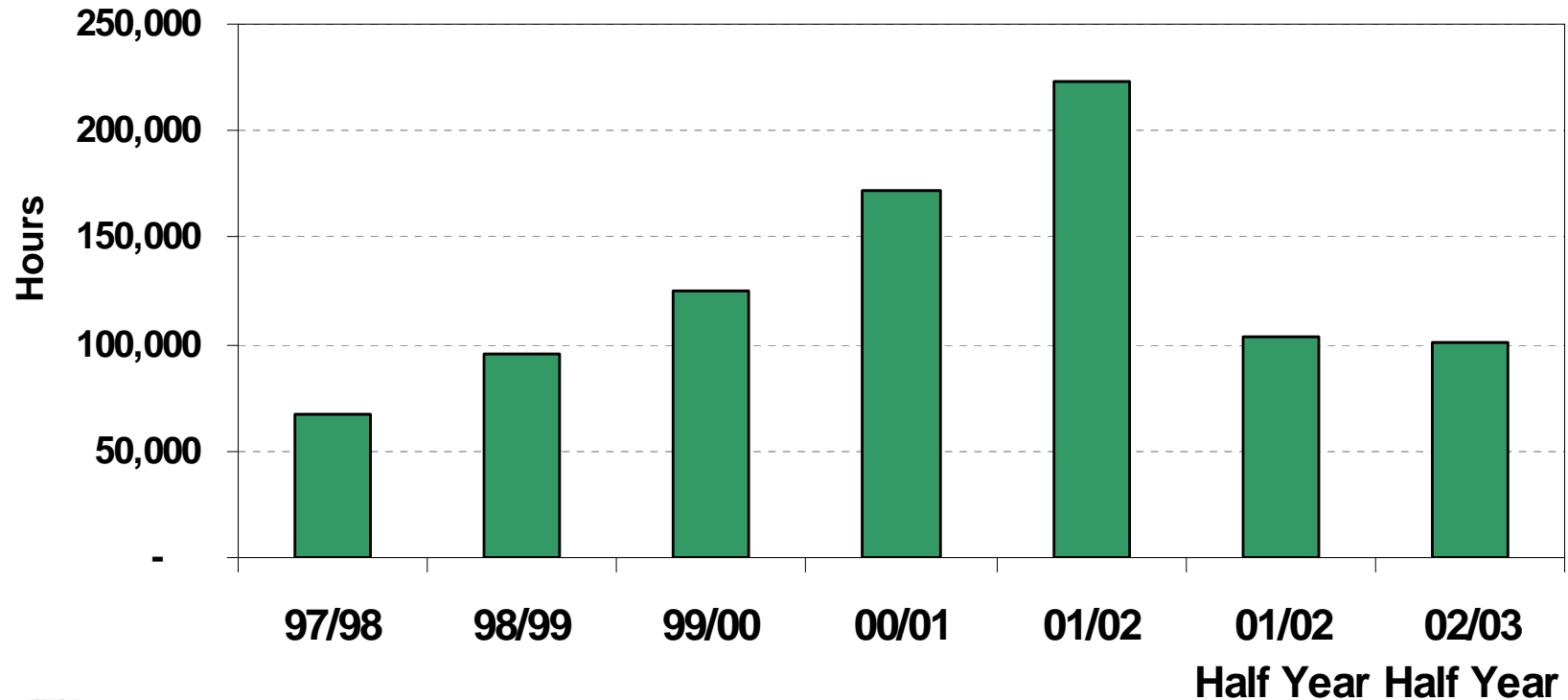
# Operational Hours Worked

## Painting Division



# Operational Hours Worked

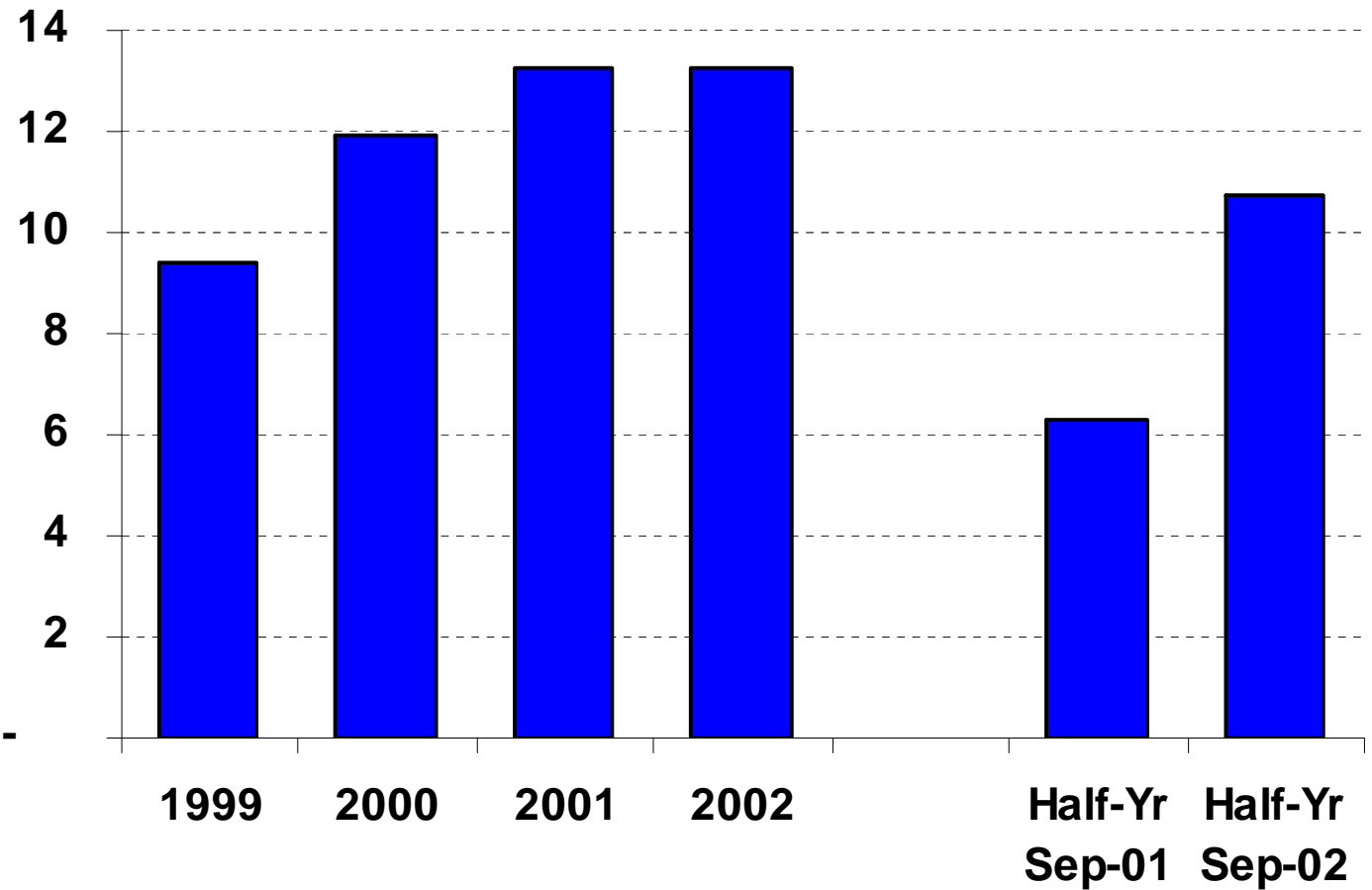
## Grounds Management Division



# Revenue – Building Services



A\$m



# Industrial Services

<u>A\$m</u>	<u>30/09/02</u>	<u>30/09/01</u>	<u>% change</u>
Revenue	8.6	7.4	16%
EBITDA	1.5	1.0	43%
EBIT	0.5	0.2	167%
<b>Profit before Tax</b>	0.40	0.03	<b>1,292%</b>
EBIT Margin	6%	3%	

- Improvement in operational planning and equipment utilisation
- Second half may be impacted by drought conditions on eastern seaboard

# PMS New Zealand

<u>A\$m</u>	<u>30/09/02</u>	<u>30/09/01</u>	<u>% change</u>
Revenue	11.6	8.2	42%
EBITDA	3.3	2.6	29%
EBIT	3.1	2.3	35%
<b>Profit before Tax</b>	2.8	2.0	<b>43%</b>
EBIT Margin	27%	28%	

- Further reduction in proportion of revenue from education sector to 43%
- Significant growth in the food sector

# PMS United Kingdom

<u>A\$m</u>	<u>30/09/02</u>	<u>30/09/01</u>	<u>% change</u>
Revenue	8.9	8.7	2.8%
EBITDA	0.5	0.5	10.1%
EBIT	0.3	0.3	19.6%
<b>Profit before Tax</b>	0.14	0.08	<b>71.2%</b>
EBIT Margin	4%	3%	

- Revenue from long-term programmes now 15% of total (5% in prior 12 months)

# Current Initiatives

## Continued Implementation of integrated information system

- **now implemented**
  - ◆ contracts administration
  - ◆ financial modules
  - ◆ customer relationship management
  - ◆ estimating & costing (using PDAs) now being tested
  - ◆ customer web-based project reporting
- **currently being reviewed**
  - ◆ data warehouse/ customised reporting
  - ◆ online interfaces with suppliers

## Review of Internal Business Processes

- clear focus on “end to end” process flow and documentation

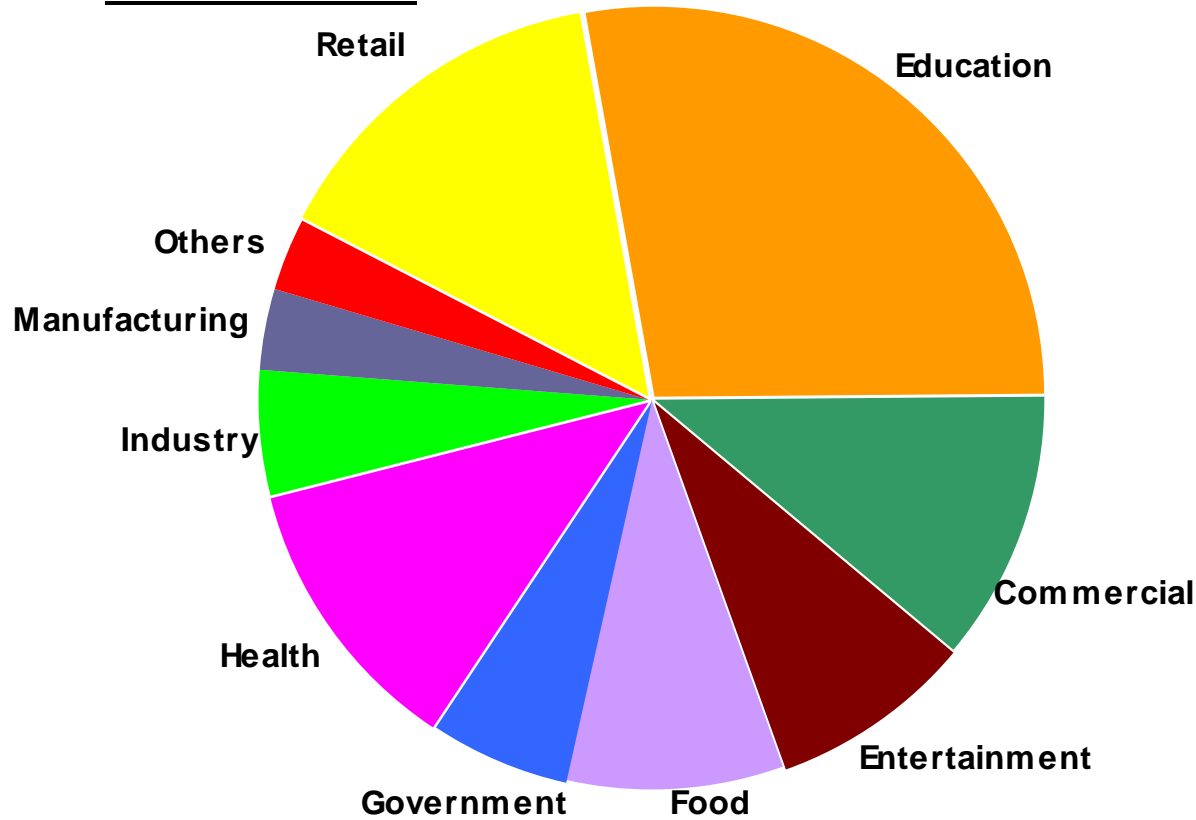
## Continued Commitment to Occupational Health & Safety

- emphasis on risk awareness and “return to work” strategies

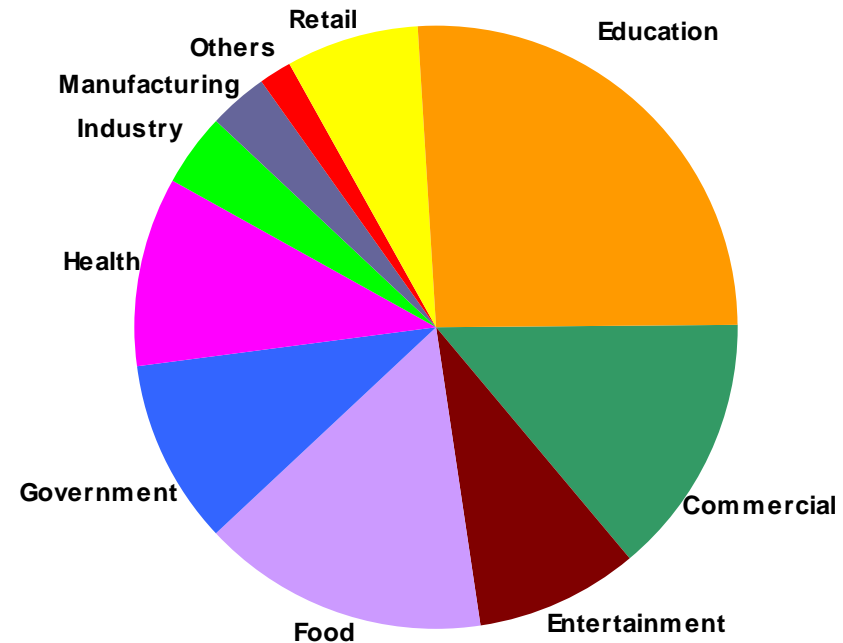
# Customer Base

## Australia and New Zealand (Painting Division)

Half Year 02/03



Half Year 01/02



# Customer Base

Some major contracts written during our first half year include;

## Painting Division

### Victoria

- John Danks Ltd (Home Hardware re-image)
- Woolworths Ltd
- Glen Eira City Council
- Star of the Sea College
- Yarra Valley Grammar School
- Billanook College

### New South Wales

- Frigmobile Pty Ltd
- Westfield Liverpool
- Mid North Coast Area Health

### Queensland

- Stamford Plaza Hotel, Brisbane
- Somerset College, Gold Coast
- Paradise Palms Golf Course, Cairns
- Cairns International Hotel, QLD

### South Australia

- Scotch College
- Australian Vintage Ltd
- Amcor Packaging

### New Zealand

- Cadbury Confectionery Limited (Auckland & Dunedin Plants)
- Wellington Region Free Kindergarten Assoc.
- Aorere College Auckland
- Freyberg High School, Palmerston Nth
- Tamatea High School, Hawkes Bay
- Ngaruawahia High School, Waikato
- Goodman Fielder, Palmerston Nth
- Heinz Wattie's Limited, Hawkes Bay

# Customer Base

Some major contracts written during our first half year include;

## Grounds Maintenance Division

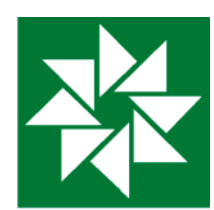
- **Domaine Chandon, VIC**
- **Marist Sion College Warragul, VIC**
- **Alfred Hospital (Tempo Health Services), VIC**
- **Parks Victoria (Braeside), VIC**
- **James Brown Memorial Trust, Adelaide, SA**
- **Smithfield Memorial Trust (Adelaide Cemeteries Authority), SA**
- **Water Corporation (Subiaco Waste Water Treatment Plant), WA**

## Industrial Services Division

- **Appleton Dock, Melbourne, VIC (Aqua-cutting)**
- **Bayswater Power Station, Newcastle, NSW (High pressure cleaning)**
- **Road Traffic Authority, Sydney, NSW (Non destructive digging)**
- **Fitzroy River Water, Rockhampton, QLD (High pressure cleaning & CCTV)**

## Building Services Division

- **Dept of Education & Training, NSW (additional \$2.5m revenue in upgrade works to Mt Druitt Region Govt Schools)**
- **Aged Care Sector (additional \$1.5m revenue for upgrade works to Anglican Retirement Villages and Village Care units)**
- **Travelodge Hotels, (national contracting and consulting services)**
- **Aboriginal Housing Authority, SA**
- **Dept of Housing, NSW (Home Purchase Assistance Division, 12 month contract extension for an additional \$2m in revenue)**



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# Our platform for increased growth..



## Strategic Direction . . .

# United Kingdom

- **60 long term maintenance painting programmes sold to date - total contract value of £1.7m (A\$4.7m)**
- **strong take-up by UK personnel of the programme concept**
- **improving operational productivity and discipline**
- **improved corporate imaging (e.g. vans, uniforms, signage)**
- **keen interest in programmes from private school sector following presentations at industry association functions**
- **local debt facility to finance development of UK business**
- **continued profitable operation of the business**

# Five Key Strategies

- Strategy 1: Growth - UK & organic growth, plus acquisition opportunities
- Strategy 2: People - Become an “employer of choice”
- Strategy 3: Product and Brand Development
- Strategy 4: Improve Internal Business Processes
- Strategy 5: Customer and Account Management

Future Direction . . .

# Future Outlook for the Group

**Growth targets in our core maintenance painting business**

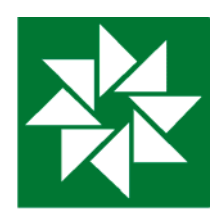
- **Australia**                    **10%**
- **New Zealand**            **12%**
- **United Kingdom**    **rapid growth from small base**

**Continuing growth of conventional cashflow businesses;**

- **Industrial Services**
- **Grounds Maintenance**
- **Building Services**
- **Possible acquisitions**

**Strong work projections over Xmas - January period will support continued growth in second half**

**Now focussing our marketing efforts to ensure a strong start to the new financial year**



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# Providing a total property maintenance solution . . .



# Appendix

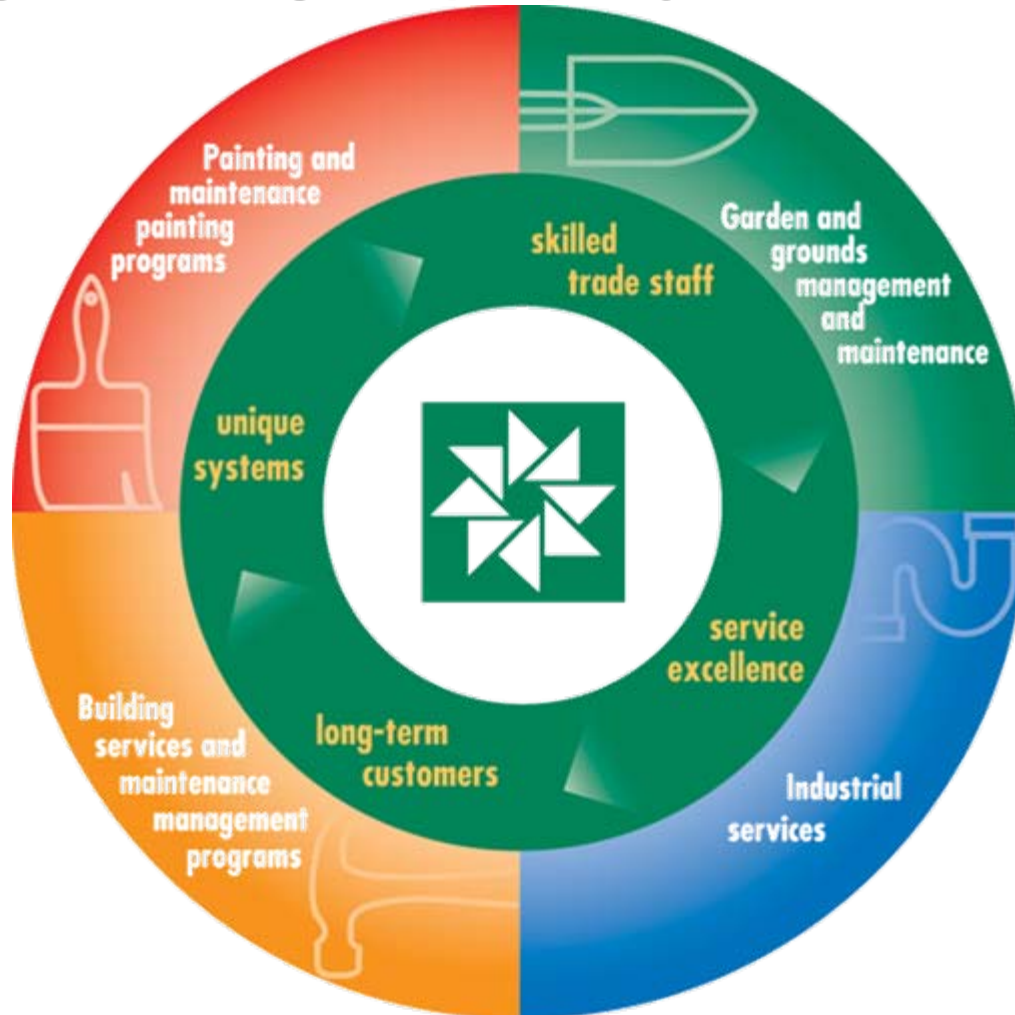
- Company Profile
- Core Strengths
- Australian Painting Market
- Long-Term Maintenance Programs
- Group Structure & Locations

# Company Profile

- The business was founded in 1951
- Floated on the ASX on 1<sup>st</sup> October 1999
- Largest contract painting business in Australia & NZ, with a growing contract painting business in the UK
- One of Australia's largest grounds maintenance businesses with over 200 employees
- An integrated Building Services business, maintaining a range of property assets
- Industrial services business providing industrial and underground asset maintenance services
- Currently maintain 60,000 buildings and structures for over 5,000 customers, throughout Australia, NZ and the UK
- Branch office network in Australia (30), NZ (13) and UK (5)
- Over 1,500 employees

# Company Profile . . .

An integrated range of property maintenance services . . .



# Painting Division

The Painting Divisions operate from 30 branches in Australia, 13 branches in New Zealand and 5 branches in the United Kingdom.



Painting  
Maintenance  
& Painting  
Programs

Comprehensive range of

maintenance painting services:-

- interior and exterior painting programs
- specialised surface preparation
- heavy-duty protective coatings
- graffiti removal
- signwriting
- corporate re-identification

# Grounds Management

Specialist grounds improvement and maintenance programs, with key services:-



- grounds maintenance
- landscaping
- garden development
- herbicide programs
- arboriculture
- irrigation

Operations are focused in Victoria, New South Wales, South Australia & now Western Australia

# Building Services

Management programs for both planned and reactive building maintenance, including:-

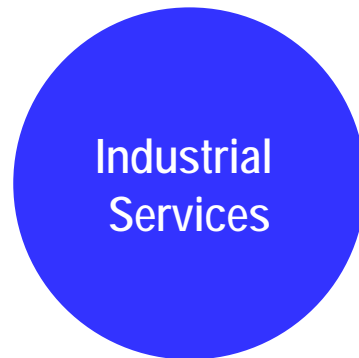
- compliance with essential services and OH&S regulations
- 24-hour maintenance support systems, covering carpentry, electrical, plumbing and painting services
- maintenance of high-value plant & equipment



Operations are focused in Victoria, New South Wales & South Australia

# Industrial Services

Industrial Services trades as Barry Bros. Specialised Services, and provides industrial and underground asset maintenance services:-



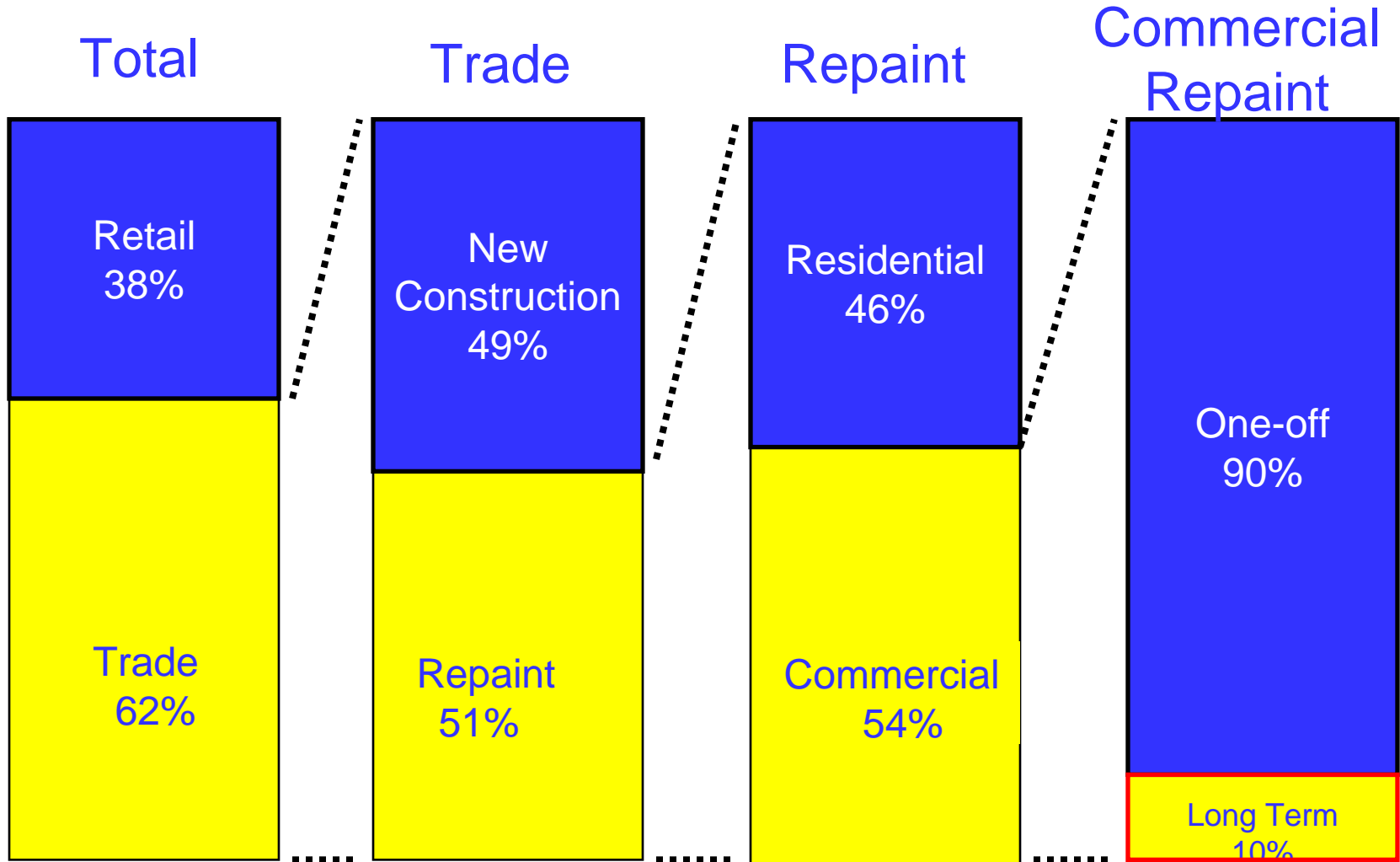
- sewerage and drainage management
- domestic drain maintenance
- vacuum loading
- high pressure cleaning
- drain maintenance
- non-destructive digging

Industrial Services' operations are focused across Victoria, New South Wales & Queensland

# Our Core Strengths

- Blue chip customer base of over 5,000 customers spread across a wide range of market segments
- Only one customer (in the public sector) contributes more than 1% of revenue
- Our business is focused on outsourcing of property maintenance services, not new building construction
- Long term revenue streams & certainty of future earnings
- Stable workforce of over 1,500 staff, & 80 apprentices in Australian operating businesses
- Long term programmes provide some insulation from economic cycles with a unique product offering
- Proprietary IT, estimating and customer knowledge systems
- A business model not easily replicated & unique worldwide

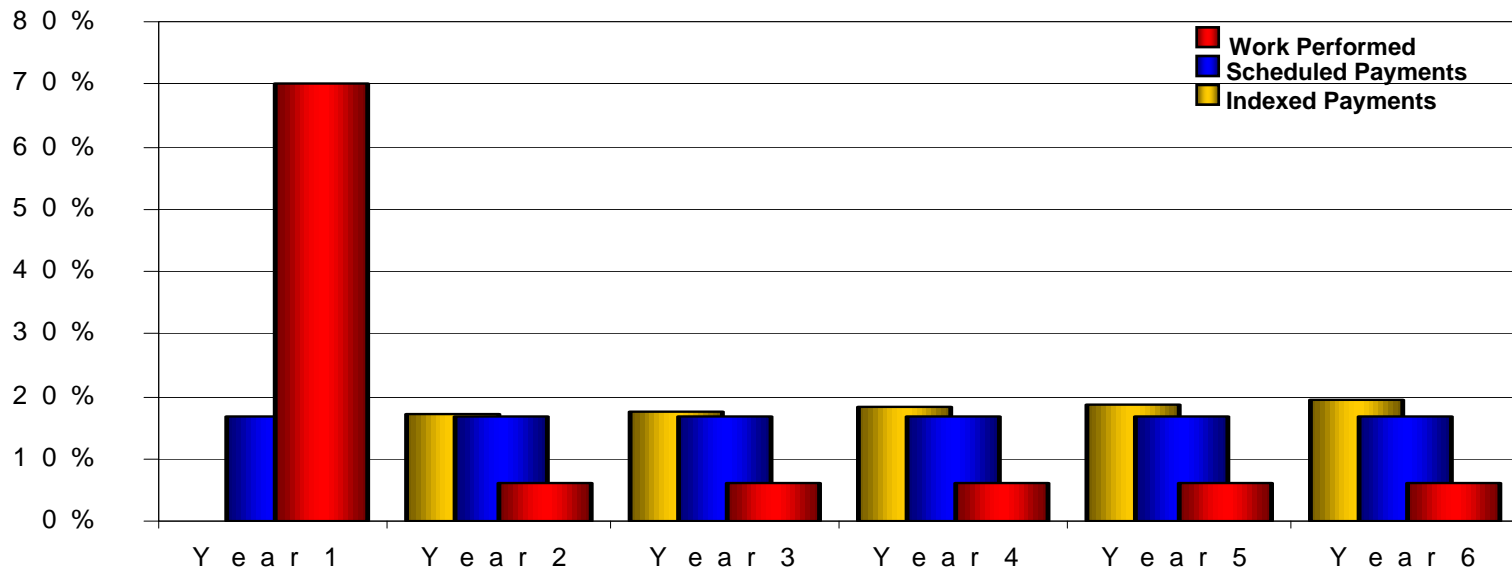
# Australian Paint Market



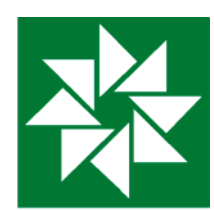
Our Business is based on . . .

# Long Term Maintenance Programs

Our business model is based on maintenance painting programs:



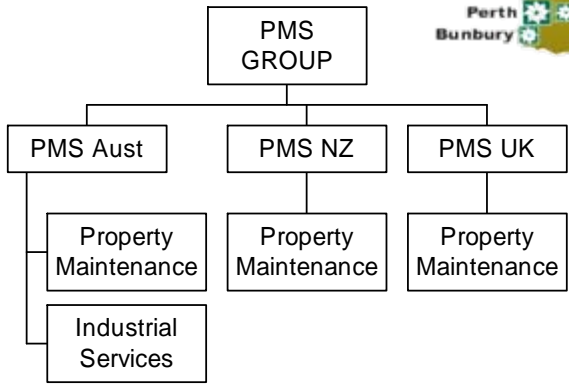
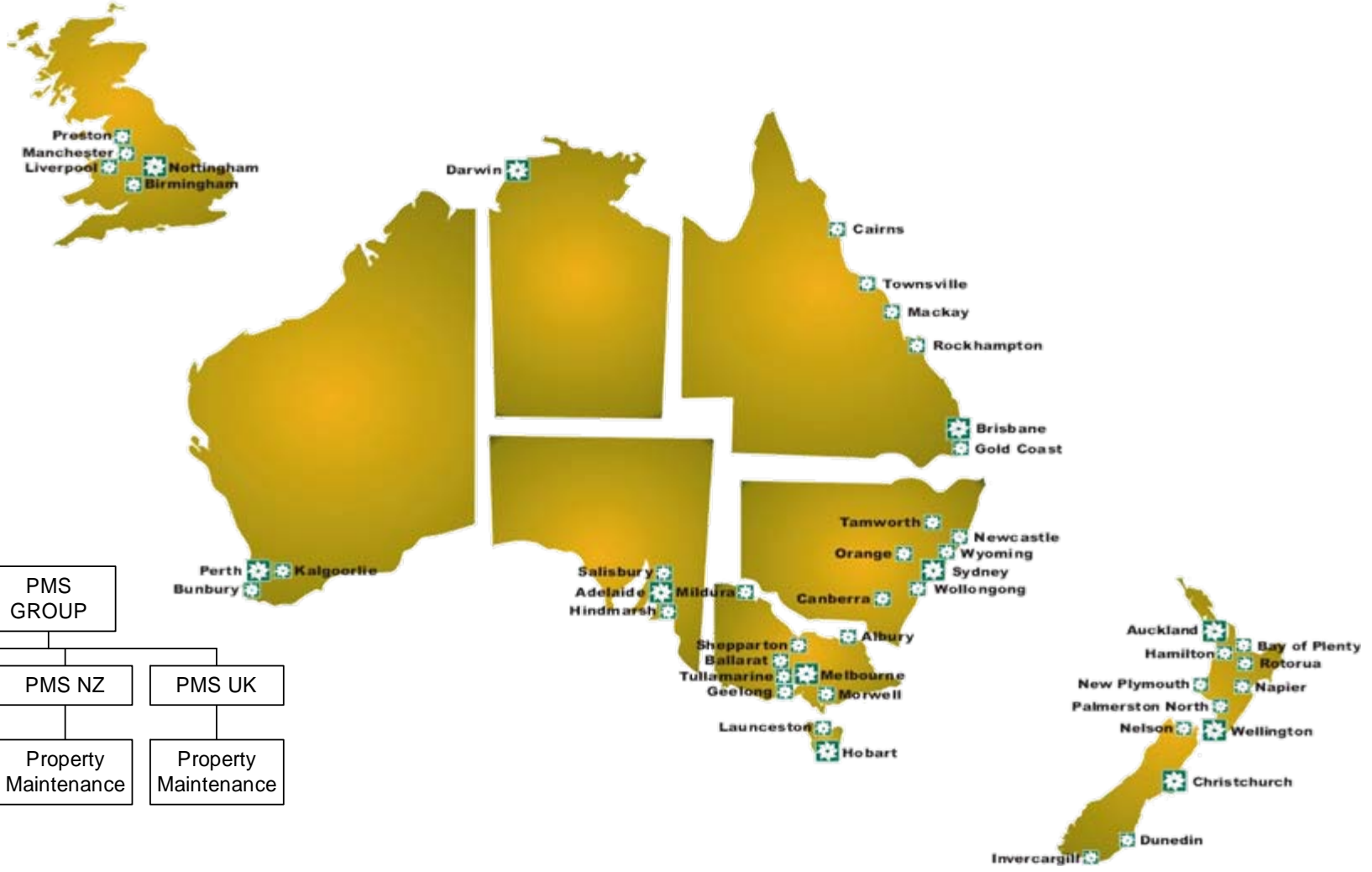
- Program terms range up to 12 years
- Year 1 – initial refurbishment
- Year 2 onwards – regular ongoing maintenance
- Funds are invested to provide for future revenue streams
- Customer payments are indexed to increases in costs
- Provides for forward work scheduling



Company Profile . . .

# Group Structure & Locations

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# United Kingdom Operations

## Key Statistics

### Whittle Painting Group Limited

- one of the larger painting contractors in the UK
- annual revenue from “one off” contracts is £6m
- 200 employees
- maintenance painting only of commercial buildings
- long established business & brands
- highly seasonal business, 70% of profits made in summer months



# Five Key Strategies - Detail

## **Strategy 1: Growth; Acquisition UK & organic**

Invest in the UK for growth

Acquire a property maintenance business with cash flow

Develop other existing business divisions (Grounds, Building Services & Industrial Services)

## **Strategy 2: People; Become an “employer of choice”**

Define and develop the corporate culture

Understand and develop competencies, recognise talent and develop successors

Optimise performance (clear objectives set, regular feedback, identify development needs)

## **Strategy 3: Product and Brand Development / Company Profile**

Re-define value proposition (competitors, differentiation, pricing strategy & policy)

Develop differential service

Undertake product reappraisal and development

## **Strategy 4: Improve Internal Business Processes**

Improve operational productivity (benchmark, output rates)

Re-engineer internal processes and systems

Further integrate OH & S practices into work systems

Develop a ‘cashflow’ strategy

## **Strategy 5: Customer; Account Management**

Improve customer account management processes

Develop a process to integrate the selling of ‘other’ services

# Work in Progress Adjustment

- new computerised contract administration system records individual contract progress against assessed hours and costs
- revenue (including an operating margin) is taken up on the proportion of work completed against assessment for each contract
- restatement of opening Work In Progress at 1st April 2002 to include revenue on those contracts
- restatement "one-off" impact was \$0.6m in revenue, \$0.4m in profit after tax