ASX Release

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Programmed Maintenance Services Ltd
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FY14 NPAT $31.1 million*

- **Profit before tax up 5.5% to $44.4 million***
- **Final dividend up 10% to 11 cps fully franked**
- **Net debt down 37% to $42.2 million**

Programmed, which provides staffing, maintenance and facility management services, today announced an after-tax profit of $31.1 million for the year to 31 March 2014, before equity accounting its 27.5% interest in OneShift, a start-up online staffing business. This result was only 3% below the previous year ($32.1 million in FY2013) when there was an abnormal tax benefit of $2.7 million. After equity accounting a loss of $0.68 million on the company's interest in OneShift, net profit after tax was $30.5 million.

Importantly, profit before tax*, at $44.4 million, was up 5.5% over FY2013 ($42.1 million) due to lower interest costs of $7.4 million (FY2013: $9.9 million) arising from strong capital management and lower debt. Income tax expense was back at a normal level of $13.2 million, compared with $9.9 million in FY2013 due to the abnormal tax benefit.

EBIT (earnings before interest and tax)* was similar to the previous year at $51.8 million (FY2013: $52.0 million), with lower earnings from the Resources division offset by higher earnings from the Property & Infrastructure division, demonstrating the benefits of Programmed's diverse customer and industry base.

Revenue was $1,435 million, down 5% from FY2013 ($1,517 million), due mainly to a fall in revenue from the Resources division.

The Property & Infrastructure division's revenue was maintained, and margins were increased through better operational controls across the business to deliver a 21% increase in EBIT to $28.0 million (FY2013: $23.1 million).The Resources division's EBIT was 21% lower due almost entirely to reduced onshore mining project activity. The offshore oil and gas sector component delivered a similar result to the previous year, contributing all the Resources division's earnings. The Workforce division's EBIT was maintained at $10.5 million (FY2013: $10.7 million) despite lower revenue, due to improved margins arising from further reduction in operating costs.

Net debt at 31 March 2014 was $42.2 million, down 37% from 31 March 2013 ($67.1 million) and the net debt/equity ratio at 31 March 2014 was 10.3% compared with 17.1% at 31 March 2013.

The board has determined to pay a fully franked final dividend of 11 cents per share, up 10% from FY2013, bringing dividends for the full year to 17 cents per share fully franked (FY2013: 15 cents). The final dividend will be paid on 25 July 2014 to shareholders on the register at 4 July 2014.

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* As OneShift is a new, start-up, stand-alone business in which Programmed acquired a minority interest in October 2013, its result ($0.68 million loss) has been excluded in this release, unless noted, to aid comparison with FY2013 results.

Chris Sutherland, Managing Director of Programmed, said:

'We are pleased to have maintained EBIT (before equity accounting our interest in OneShift), delivered a strong operational performance (particularly with respect to safety, retention of customers, and employee engagement), reduced debt and increased dividends. This was despite the challenges presently confronting many businesses, where organic revenue growth is weak, costs continue to rise, and the online world is challenging traditional business structures.

'Our ability to offer staffing, maintenance and facility management services to all sectors means that Programmed's performance does not depend on one group of customers or one industry sector. The strength of our business model was demonstrated again last year, with our Property & Infrastructure division's earnings increasing by 21% to offset a similar decrease in our Resources division's earnings, while our Workforce division's earnings were similar to the previous year despite a fall in revenue.

'We are confronting the opportunities and challenges of a developing online and digital world by investing heavily in technology over the next two years to give the business a more efficient and lower cost base as well as significantly greater field capability to service our customers.

'There is a significant uptrend at present in outsourcing by government and industry, and we have a very large pipeline of opportunities to tender over the next 12 months.

'Our business model, providing staffing, maintenance and facility management services across all industry sectors, gives Programmed considerable strength and we will continue to manage the group conservatively, while pursuing and taking advantage of growth opportunities that arise.'

Group Results	**Year Ended 31 March 2014 $m**	**Year Ended 31 March 2013 $m**	**% change**
Revenue	**1,434.9**	**1,517.4**	**(5.4%)**
EBITDA [1, 2]	**64.0**	**67.0**	**(4.5%)**
Depreciation and amortisation	(11.2)	(12.4)	9.7%
Restructuring costs	(1.0)	(2.6)	
EBIT [2]	**51.8**	**52.0**	**(0.4%)**
Interest	(7.4)	(9.9)	25.3%
Profit before Tax [2]	**44.4**	**42.1**	**5.5%**
Income tax expense [3]	(13.2)	(9.9)	(33.3%)
Profit after Tax [2]	**31.1**	**32.1**	**(3.1%)**
Share of net loss of associates (OneShift)	(0.7)	0.0	0.0%
Profit after Tax (statutory basis)	**30.5**	**32.1**	**(5.2%)**
Earnings per Share [2]	**26.3**	**27.2**	**(3.2%)**
Earnings per Share (statutory basis)	**25.8**	**27.2**	**(5.2%)**
Weighted Average Shares on Issue (million)	118.2	118.2	

[1] *Before restructuring costs*
[2] *Before share of loss of associates accounted for using the equity method (OneShift)*
[3] *2013 includes $2.7m tax benefit from utilisation of tax losses carried forward from previous years*

Property & Infrastructure division	Year Ended 31 March 2014 $m	Year Ended 31 March 2013 $m	% change
Revenue	751.9	751.7	0%
EBIT	28.0	23.1	21%

The Property & Infrastructure division, which provides a range of maintenance, property and operational services, including painting, electrical, communications, grounds, signage, general building repairs and facility management, increased its margin through improved operational control across many areas of the business.

During the year, both the KLM electrical business and the Turnpoint landscaping business were further integrated into the division and were rebranded as Programmed Electrical Technologies and Programmed Turnpoint respectively.

Demand for long term painting maintenance programs stabilised, with invested capital of $110.2 million at the end of FY2014 compared with $113.6 million a year earlier. While painting volumes were similar, margins were higher due to lower overheads and improved job management.

The division has been steadily reducing its exposure to new commercial building electrical works and increasing its focus on fit-out, maintenance and upgrades of electrical, data and communications systems in existing buildings and infrastructure. This has improved profitability despite lower revenue and allows greater opportunity to work with the division's customers.

Revenue from the facility management operations increased as a number of new contracts commenced. Margins, however, were slightly lower as expenditure was increased on business development and tendering to target a significant number of substantial opportunities that arise from governments across Australia and New Zealand seeking to outsource the operations and maintenance of public infrastructure.

Existing public assets are getting older and require upgrades and greater levels of maintenance to maintain service. The growing population is requiring new assets to be built, thus creating further opportunities, and increasingly governments at all levels are looking for privately funded and managed solutions.

Resources division	Year Ended 31 March 2014 $m	Year Ended 31 March 2013 $m	% change
Revenue	306.9	354.3	(13%)
EBIT	24.4	31.0	(21%)

The Resources division provides a range of workforce, maintenance, construction support and operational services to both the offshore oil and gas and onshore mining sectors. Both revenue and EBIT were lower due to the completion of a major onshore mining project where Programmed provided workforce services during the construction phase. The offshore oil and gas sector, however, delivered a similar result to the previous year and contributed all the division's earnings in FY2014.

Demand for vessel management, manning, catering and logistical services remained strong throughout most of the year across Australia and New Zealand.

However, some customers have become concerned about the current stalemate in negotiations for a new Australian marine EBA, following expiry of the previous EBA last year, and thus some work may be deferred in the short term to avoid any potential industrial action. These continue to be difficult negotiations as it is completely impractical to accept the present union demands, and there is some risk of industrial action with associated short term revenue and cost impacts during the negotiation period.

A major contract was secured for works associated with Inpex's Ichthys project which will commence later in the FY2015 year.

Workforce division	Year Ended 31 March 2014 $m	Year Ended 31 March 2013 $m	% change
Revenue	372.8	407.1	(8%)
EBIT	10.5	10.7	(2%)

The Workforce division, which provides a range of staffing services across all industry sectors, maintained its earnings by reducing costs throughout the business.

The staffing industry is facing major digital disruption to its traditional methods, affecting costs and margins. Large employers are investing in online technology and using social media to recruit and maintain their own database of potential full-time and part-time employees. The placement fee revenue of many recruitment firms, although not a material component of Programmed's income, is at historic lows and is unlikely to fully recover.

The Workforce business is being reshaped by:

1. Undertaking a significant upgrade of the core Workforce business system to provide new capability that operates simply and efficiently across any mobile device. This will significantly enhance Programmed's ability to find and support job seekers, increase engagement with its casual workforce, and improve customer service and satisfaction. The company invested more than $2 million in this system over the past 12 months and will be launching it across Australia and New Zealand in the coming months.
2. Using the upgraded system capability to further centralise recruitment functions in each state, expand the mobile account / sales network, reduce the need for some branches, and lower overall overhead costs.
3. Encouraging customers to appreciate the advantages of hiring staff from Programmed to access the skills and services offered across the entire group, and to value the "Programmed Difference".
4. Investing $5 million for a 27.5% equity stake in a start-up online business, OneShift, which focuses on the temporary employment market, matching potential candidates with businesses seeking temporary workers on a fee per candidate basis. As this is a start-up business, we have forecast losses in the short term as we build scale and improve the product.

Net Unallocated Costs (FY2014: $10.1 million vs $10.2 million pcp)

These relate to corporate overheads and a range of non-trading income and expenses, including foreign exchange movements on UK and NZ payments.

Restructuring Costs (FY2014: $1.0 million vs $2.6 million pcp)

These relate to redundancy and termination expenses associated with overhead cost reductions.

Balance Sheet and Cash Flows

Gross operating cash flow was $80.6 million, 11% lower than FY2013 ($90.6 million) and 129% of EBITDA (earnings before interest, tax, depreciation and amortisation). Net operating cash flow was $55.8 million, 2% lower than FY2013 ($56.9 million).

With the continued focus on capital management and strong operating cash flow, the group's net debt reduced to $42.2 million at 31 March 2014, from $67.1 million at 31 March 2013. The net debt to equity ratio fell to 10.3% from 17.1%.

In December 2013, new financing terms were agreed with the company's banks (Westpac Banking Corporation and National Australia Bank), replacing facilities which were due to expire in October 2014. Programmed's considerably strengthened balance sheet enabled the company to negotiate facilities extending to December 2017 and to reduce its revolving debt capacity by $50 million.

The bank syndicated facility includes three financing tranches aggregating $200 million (previously $250 million) comprising:

- Working capital and overdraft facility of $60 million (rolling 1 year term); previously $70 million;
- A revolving debt facility of $70 million (4 year term); previously $120 million and 3 year term; and
- A bank guarantee facility of $70 million (3 year term); previously $60 million and 1 year term.

Other arrangements remain for ongoing support of asset finance requirements ($17 million).

The group operated throughout the year well within its loan covenants.

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