



# **AJ LUCAS GROUP LIMITED**

**RESULTS PRESENTATION**

Year ended 30 June 2007



# Presentation Outline

---

- Highlights
- Group Financial Performance
- Business Unit Performance
- CSG Assets
- Balance Sheet
- Strategy
- Outlook



# Highlights

---

- Strong earnings improvement
  - EBITDA increased by 77.1% to \$14.9 million
  - EPS increased by 95.1% to 11.9 cents
- Net results unfavourably impacted by impairment provisions (\$3.3m), legal fees (\$3.6m), amortisation of customer contracts (\$1.8m) offset by profit on acquisition of McDermott Drilling of \$2.7m
- Normalised EBITDA of \$19.0m equivalent to 8.8% of revenue
- Results adversely affected by delay in commencement of construction contracts (revenue reduction of \$35 million)
- Drilling performing very strong
  - Capricorn Weston Drilling Group acquired on 10 August 2007
  - Market leadership in coal and coal seam gas drilling in NSW and QLD
- Western Corridor proceeding on time and to budget
- Strong order backlog (\$234m)
- Strong demand for water and energy infrastructure
- Gloucester Basin exploration expenditure being accelerated



# Group Financial Performance

- Strong earnings growth
- Result adversely affected by non-recurring items
- Maiden earnings contribution from McDermott Drilling
- Taxation expense favourably impacted by R&D tax concession and recognition of previous year losses
- Significant investment in plant and equipment for growth opportunities
- Strong order book
- Strong cash flow supports high level of gearing

	2007	2006	Change %
Revenue	\$216.4m	\$171.2m	26.4
EBITDA	\$14.9m	\$8.4m	77.1
EBIT	\$5.9m	\$3.1m	90.8
Net profit after tax	\$6.4m	\$3.0m	111.1
Normalised EBITDA	\$19.0m	\$10.6m	80.1
Net cash from operations	\$9.6m	\$15.7m	
Assets acquired	\$15.8m	\$10.4m	
Earnings per share	11.9¢	6.1¢	95.1



## Divisional report – Pipelines

- HDD reporting reclassified from Pipelines to Drilling
- Weston Corridor Project proceeding satisfactorily
- Goro Project nearing completion – conservative margin recognition
- Award of Brooklyn to Lara project (\$43 million) by APA Group
- Significant water infrastructure expenditure forecast

	2007	2006	Change %
Revenue	\$73.2m	\$42.0m	74.3
EBITDA	\$4.3m	\$3.6m	
Impairment losses	\$1.8m	-	
Normalised EBITDA	\$6.1m	\$3.6m	
Normalised EBITDA margin	8.3%	8.6%	



## Divisional report – Drilling Services

- HDD brought under Drilling Management
- Market leadership in coal and coal seam gas drilling
- Major customers include BHPB, Rio Tinto, Xstrata, Anglo Coal
- Significant maiden earnings contribution from McDermott Drilling (acquired July 2006)
- Capricorn Weston Drilling Group acquired post year-end
- 49 rigs in operation
- Improved contracting terms for surface to in-seam (SIS) and HDD
- High growth profile as coal export capacity and coal seam gas usage increase

	2007	2006	Change %
Revenue	\$67.6m	\$50.9m	32.8
EBITDA	\$14.6m	\$6.5m	
P&E write-down	\$0.5m	\$1.0m	
Normalised EBITDA	\$15.1m	\$7.5m	
Normalised EBITDA margin	22.3%	14.7%	



## Divisional report – Construction and Civil

- Specialised civil engineering activity commenced
- Delays in project commencement (Ivy and Hyundai)
- Facilities management performance disappointing – full provision for Mace business and legal action commences
- Strong order book but margins tight

	2007	2006	Change %
Revenue	\$75.5m	\$78.4m	(3.7)
EBITDA	\$0.5m	\$1.9m	
Impairment losses	\$1.0m	\$0.4m	
Facilities management operating loss	\$0.5m	\$0.1m	
Normalised EBITDA	\$2.0m	\$2.4m	
Normalised EBITDA margin	2.6%	3.1%	



# Coal Seam Gas

---

- Gloucester Basin
  - Dedicated management and exploration team established
  - Drilling programme accelerated
  - Land acquisition programme commenced
  - Expenditure commitments being funded out of Group cash flow
  - First reserves certification due early calendar 2008
  - Commercial negotiations commenced
- ATP651 (AJL 15% / QGC 85%)
  - Maintaining equity interest through cash contributions
- Other
  - Investigating other coal seam gas prospects
- Next stage strategy to be unveiled





## Balance Sheet

- \$25 million 3 year convertible note issue completed
  - Refinance \$10.0 million of existing notes
  - Finance for coal seam gas exploration expenditure
  - Working capital

	\$m
• Capricorn Weston Drilling Group purchase price	21.0
Less debt	<u>(4.5)</u>
Purchase consideration	16.5
Less deferred (payable over 3 years)	<u>(6.5)</u>
Paid at settlement – 100% debt funded	<u>10.0</u>

- Further investment planned (pipelines and drilling) to meet demand
- Strong cash flow; Interest cover 2007/08 – more than 10 times
- Decline in 2006/07 operating cash flow reflects Western Corridor project timing; expected to turn around in 2007/08
- Gearing to be reduced from operating cash flow



# Strategy

---

- Sector focus: water & waste water, energy, resources and property
- Balanced business mix
- Market leadership in chosen sectors
- Risk mitigation through project alliances and partnerships
- Diversify activities into Asia with local partners, commence activities in China
- Develop CSG business and prove up reserves at Gloucester Basin
- Consider bolt on acquisition opportunities



# Outlook

---

- High demand for pipeline work (water and gas) over foreseeable future
- CSM gas sector plans significant capex
- Resources industry continuing to expand as export capacity increases
- Attractive prospects in China – HDD, coal and CSG drilling services, pipelines
- Order book of \$234m