ASX Release

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Programmed Maintenance Services Ltd
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First half NPAT $12.4 million, up 1%

Net debt down 40% to $40 million
Interim dividend up 20% to 6 cps, fully franked

Programmed (ASX:PRG), which provides staffing, maintenance and facility management services, today announced an after-tax profit of $12.4 million for the six months to 30 September 2013, an increase of 1% over the first half of FY2013 ($12.3 million) when there was a one-off tax benefit of $1.7 million. Pre-tax profit was up 16% to $17.7 million from $15.3 million for the first half of FY2013.

Revenue was $724 million, down 5% due mainly to reduced activity on onshore mining projects in the Resources division. Lower earnings from the Resources division were offset by improved earnings from the Property & Infrastructure and Workforce divisions. As a result, the group's earnings before interest and tax (EBIT) were 7% higher at $21.8 million.

Interest paid was down 20% to $4.1 million due to a reduction in net debt to $40.1 million at 30 September 2013, 40% lower than at 31 March 2013 ($67.1 million).

The board has determined to increase the interim dividend by 20% to 6.0 cents per share fully franked, payable on 23 January 2014 to shareholders on the register at 9 January.

Chris Sutherland, managing director of Programmed, said: 'We are pleased to have maintained profit, lowered debt and increased the dividend in challenging market conditions. This result demonstrates the strength of our business model, providing services to all major sectors of the economy.

'Activity in some of the industry sectors we serve remains subdued, with customers focusing on lowering costs to improve their business performance. Demand for new staff across a range of industries is still flat, as shown by recent employment data[1]. Since July, a number of state governments and their trading enterprises have cut expenditure, which has reduced our revenue from some existing contracts.

'However, as governments and businesses seek to lower costs, new outsourcing opportunities often eventuate, and we have a pipeline of opportunities developing in the public infrastructure sector. An example is our recent success in securing a long-term maintenance contract for Barwon Water Authority in Victoria, which will commence in July 2014.

'We also have good visibility of future opportunities in the oil and gas sector. Importantly, we have been successful in securing $100 million of marine services work associated with Inpex's Ichthys project, as well as further work associated with both the Gorgon and Wheatstone projects.

'Overall, weakness in some sectors is being offset by growth in other sectors and on balance, we project for the full year, a similar net profit to FY2013[2], with continuing strong cash flow, lower debt and capacity to pay a similar or increased final dividend.'

1. ABS Employment Data Oct 2013
2. subject to no major industrial action arising from current marine EBA negotiations; excluding equity accounting impact of OneShift investment and noting that FY2013 net profit included a one off tax benefit of $2.7 million.

Group Results	1H FY14 30 Sep 2013 $m	1H FY13 30 Sep 2012 $m	% change
Revenue	**723.6**	**757.7**	**(5%)**
EBITDA (before restructuring costs)	**28.1**	**27.9**	**1%**
Depreciation and Amortisation	(5.7)	(6.3)	(10%)
EBIT (before restructuring costs)	**22.4**	**21.6**	**4%**
Restructuring costs	(0.6)	(1.2)	
EBIT	**21.8**	**20.4**	**7%**
Interest	(4.1)	(5.1)	(20%)
Profit Before Tax	**17.7**	**15.3**	**16%**
Income Tax Expense[1]	(5.3)	(3.0)	
Profit After Tax	**12.4**	**12.3**	**1%**
Earnings Per Share	**10.5**	**10.4**	**1%**
Weighted Average Shares on Issue (million)	118.2	118.2	

[1] *1H FY13 includes $1.7m tax benefit from utilisation of tax losses carried forward from prior years*

Property & Infrastructure	1H FY14 30 Sep 2013 $m	1H FY13 30 Sep 2012 $m	% change
Revenue	381.3	372.1	2%
EBIT	11.0	8.3	33%

The Property & Infrastructure division consists of the property services business, the KLM electrical / communications business, the facility management (FM) business and the Turnpoint specialist turf business.

Overall, revenues and margins were consistent with the prior year (excluding the contract dispute provision relating to a Queensland electrical project booked in the first half of FY2013).

The property services business, which includes painting and grounds maintenance, delivered moderately higher earnings than the first half of FY2013, with demand consistent with the previous year.

The KLM electrical / communications business returned to profit, with increased focus on upgrades, fit-outs and servicing, rather than new construction work.

Lower budgets for a number of state government-related contracts resulted in lower earnings for FM activities. A new four-year maintenance contract (with six years of options) with Barwon Water

Authority in Victoria will start in July 2014, with forecast revenue of approximately $15 million p.a.

The specialist turf maintenance business Turnpoint continues to perform in line with expectations. New business opportunities across Australia will develop as the business continues to leverage existing Programmed relationships with golf, horse racing and sports stadia.

Resources	1H FY14 30 Sep 2013 $m	1H FY13 30 Sep 2012 $m	% change
Revenue	148.4	179.2	(17%)
EBIT	11.9	14.0	(15%)

The Resources division provides workforce, maintenance, construction support and operational services to the offshore marine and onshore mining sectors. Due to the end of a major contract and reduced onshore mining project activity, revenue from the onshore sector was lower at $10 million, compared with $35 million for the previous corresponding period.

Offshore marine work continued strongly, benefiting from a number of major oil and gas developments off the north-west of Australia. Work continued through the period on the Gorgon pipelay marine services contract, which is due to finish shortly; additional work related to Gorgon was secured and is due to commence near the end of this calendar year.

The pipelay marine services contract for the Wheatstone LNG project will commence shortly, along with additional work associated with the project which has been secured recently.

Higher revenue for the Resources division is projected in second half of FY2014 compared with the first half, assuming no major industrial action. Negotiations for a new marine EBA (Enterprise Bargaining Agreement) continue and there is a risk of industrial action in the near term which would defer some revenue and earnings.

Induction and training have begun for key personnel attached to Programmed's $100 million Ichthys marine services contract which is scheduled to commence in the middle of the 2014 calendar year.

Workforce	1H FY14 30 Sep 2013 $m	1H FY13 30 Sep 2012 $m	% change
Revenue	192.2	204.6	(6%)
EBIT	4.9	4.6	7%

The Workforce division provides staffing services across most industry sectors, and particularly the manufacturing, light industrial, transport and logistics, construction and mining sectors.

Revenue was affected by continuing weak economic activity, with businesses not increasing staff numbers, as shown by employment data. Growth in online sales in the retail sector and lower output in the manufacturing and light industrial sectors have reduced demand for blue collar casual staff across a wide cross section of manufacturing, light industrial, materials, warehousing and logistics customers.

The division has a low cost base and is well placed to increase its earnings when general economic activity improves.

Programmed announced recently that it had invested $5 million in the emerging online recruitment business, OneShift, acquiring a 27.5% equity stake.

The business of staff recruitment is undergoing rapid structural change. The traditional placement fee paid to recruitment firms for searching and finding a worker is being replaced by customers using online search and database systems to find and match candidates for specific jobs. The placement fee revenue of many white collar recruitment firms is at historical lows and is unlikely to recover to previous levels.

Traditionally, our Workforce business' placement fee income has not been significant, so OneShift is complementary and its capability will be marketed across the group's customer base.

Unallocated costs

These relate to corporate overheads and a range of non-trading income and expenses, including foreign exchange movements from UK and New Zealand payments and amortisation of contract intangibles. Net unallocated costs for the period were $5.4 million (1H FY13: $5.3 million).

Balance sheet and cash flow

Gross operating cash flow was $56.6 million, an increase of 39% over the first half of FY2013 ($40.8 million). Net operating cash flow was $43.0 million, compared with $19.1 million.

The group's net debt at 30 September 2013 was $40.1 million, compared with $95.9 million at 30 September 2012 and $67.1 million at 31 March 2013. The net debt: equity ratio at 30 September 2013 was 10.1%.

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