



23 February 2017

PS&C Ltd announces half year results and restructure

- Half year operating revenue of \$38.39m (PCP: \$41.23m)
- Half year normalised EBIT before head office and acquisition costs of \$3.76m (PCP: \$4.20m)
- Statutory net loss after tax \$5.99m (PCP: net profit after tax \$3.06m) after a goodwill write down in the Communications group of \$6.85m
- The company announces the outcome of the strategic review:
 - Appointing investment banks to undertake a separate listing of the group's Security and Communication businesses
 - Business to be headed by an industry specialist
 - Looking to capitalise on the need for full service businesses in cyber security – an industry expected to more than double in the next five years
- Glenn Fielding appointed as CEO of PS&C Ltd
- Kevin McLaine to become Non-Executive Director

As outlined in the guidance note released on 7 February 2017, normalised operating EBIT before head office costs was 11% down on the previous corresponding period (PCP). Due to a reduction in long term forecasts for the Communication segment, goodwill has been written down by \$6.85m.

The Communication businesses variance in EBIT from PCP represented the full amount of the group's shortfall compared to the half year to December 2016. The People and Security segments were both above PCP EBIT numbers.

The People business continues to perform well with a strong contribution from the Bexton general IT services business. The Security group, while above last year's EBIT number, was impacted by integration and capacity constraints. The sector continues to be very strong and the recent passing of the Mandatory Data Breach Notification Bill is expected to create significantly increased demand for cyber security services.

Management expects the Communication business to improve in the second half given the existing pipeline.

The Company remains positive on the outlook for the group given the steady performance of the People business and the continued increase in activity in the Security segment.

As also announced in the recent guidance note, the company undertook a strategic review to determine to best way to optimise performance and shareholder value.

The company is finalising the appointment of an investment bank to begin the process of creating a separately listed security business on the ASX. This will involve selling PS&C's Security and Communication units to the new entity as well as acquiring some complementary businesses upon listing. The transaction will be subject to regulatory and shareholder approval.

The company believes there is an outstanding opportunity to create a full service, one stop shop in cyber security services. This business will be dedicated to cyber security services only and will include existing services as well as more solutions and scalable services. Cyber security services are expected to grow at a compound growth rate of around 15% in APAC over the next five years years¹.

The proposed CEO of this new group is a very experienced executive in the cyber security industry, external to the existing PS&C group. We expect the transaction to complete in mid-2017.

PS&C Ltd will receive cash and shares for vending its Security and Communications businesses into the new listing. Cash will be used to retire debt and the shares in the new entity will be distributed in specie to PS&C Ltd shareholders.

Executive Changes

Kevin McLaine has decided to step back from his executive role and become Non-Executive Director following a transition period. Effective today, Glenn Fielding will be appointed as CEO of PS&C Ltd. Glenn is a very experienced senior executive in the IT services industry and has a history of creating value through his positions at SMX, DWS, IGL and UXC. Post the de-merger of the Security assets, additional People assets will be merged into PS&C Ltd to create a singular focused IT services business. There is significant opportunity in the areas in which the People segment operates and Glenn is the ideal person to expand the business.

PS&C expects these initiatives to create material value for shareholders.

¹Markets and Markets

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