

# SAI REPORTS A DECREASE IN FIRST-HALF PROFIT, BUT EXPECTS A STRONGER SECOND-HALF

Sydney, Australia, 14 February 2013. SAI Global Limited (ASX: SAI) today announced a net profit after tax attributable to shareholders of \$18.4 million. This was a decrease of 14.9% over the prior corresponding period and is consistent with the guidance provided at the AGM. A stronger second-half is expected despite a reduction in the projected outcome for the full year.

SAI Global has continued to grow revenue in the first-half, achieving growth in sales revenue from \$222.6 million to \$237.8 million, an increase of 6.8%, (7.5% on a constant currency basis) despite the subdued, albeit improving, economic environment persisting across many of the regions in which the Company operates.

Growth in costs across the Group outstripped the growth in revenue for the second successive period as focus remained on responding to new business wins, developing new products and rationalising legacy IT platforms, all factors which underscore the Board's and Management's confidence that the business will return to profitable growth in the second-half of FY13.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$47.3 million, a decrease of 1.4% over the corresponding period's result of \$48.0 million. Operating cash inflows were \$29.5 million, up 20.4% from the \$24.5 million achieved in the previous corresponding period.

The directors have declared a fully franked interim dividend of 6.8 cents. The dividend will be paid on 27<sup>th</sup> March 2013. The record date is 25<sup>th</sup> February 2013.

## KEY FINANCIALS

<b>Sales revenue</b>	\$237.8 million	Up 6.8%
<b>EBITDA</b>	\$47.3 million	Down 1.4%
<b>Net profit after tax</b>	\$18.4 million	Down 14.9%
<b>Net operating cash inflows</b>	\$29.5 million	Up 20.4%
<b>Earnings per share</b>	9 cents	Down 16.7%
<b>Interim dividend</b>	6.8 cents, 100% franked	Unchanged

Chief Executive Officer, Mr Tony Scotton said: "whilst reporting a reduced profit on higher revenue is disappointing the reason for the reduced profit lies in higher costs; costs which have been added to build a stronger and more profitable business for the future. We expect 1H13 to mark the end of the contraction in our operating margins and expect to return to profitable growth in 2H13".

## Information Services

The Information Services division currently consists of two businesses being “Standards” and “Property”.

The Property business achieved revenue growth of 8.3% reflecting the increased mortgage services business flowing from the ANZ bank contract awarded in July 2011. Services to ANZ have been progressively rolled out to all States during the first-half and this, together with the scheduled rollout of further services to the Commonwealth Bank (CBA), will drive strong revenue growth for this business in the second-half. The need to enhance the IT infrastructure and take on resources ahead of rolling out these services to ANZ and CBA saw EBITDA reduce 13.8% in the first-half. A return to profitable growth is expected in the second-half which will see the full year FY13 revenue and EBITDA for this business ahead of those achieved in FY12.

The Standards business continued to experience softness in demand which, together with a reduced flow of new standards, saw sales of standards decline. However, subscriptions continued to grow. Revenue declined 1.7% from \$31,584k to \$31,005k. EBITDA was slightly firmer, up 0.4%. An improved performance in the second-half is expected as the flow of standards picks up.

Overall, the division achieved revenue growth of 5.1%. EBITDA reduced by 4.6% as a result of the lower contribution from the property business. Margins across the division reduced from 25.2% in 1H12 to 22.9% in 1H13 due to the lower margins achieved by the property business and the changing mix between the standards and property businesses.

	1H13	1H12	Change
<b>Sales revenue (\$M)</b>	<b>106.0</b>	100.8	<b>5.1%</b>
<b>EBITDA (\$M)</b>	<b>24.2</b>	25.4	<b>(4.6%)</b>
<b>EBITDA Margin (%)</b>	<b>22.9%</b>	25.2%	<b>(2.3%)</b>

## Compliance Services

The Compliance Services division has experienced both success and challenges in the first-half.

First-half successes include the successful integration of Compliance 360, a recognised leader in SaaS-based governance, risk and compliance (GRC) workflow solutions. This business has continued to enjoy strong organic growth in its core US markets, and took the first step towards globalisation by launching in Asia-Pacific in December 2012.

Divisional leadership transitioned from Andy Wyszowski (who has announced his retirement) to Tim Whipple. Tim has deep credentials in product/service integration, international expansion and organic growth. Tim is working with new leaders in our key product/service lines to complete operational and strategic plans that drive growth over the next 3 years.

First-half challenges included weaker trading conditions in the EMEA and APAC regions. Our largest line of business, Compliance Learning has continued to address the technical challenges that emerged in the second-half of FY12 with its new learning content platform. Notwithstanding solid new business growth, lower than expected levels of renewals had an adverse impact on organic growth during the period.

The division achieved revenue growth of 18.8%, driven by the acquisition of Compliance 360. EBITDA also increased by 7.0% to \$15,502k, up from \$14,492k in the prior corresponding period.

	1H13	1H12	Change
<b>Revenue (\$M)</b>	<b>47.6</b>	40.0	<b>18.8%</b>
<b>EBITDA (\$M)</b>	<b>15.5</b>	14.5	<b>7.0%</b>
<b>EBITDA Margin (%)</b>	<b>32.6%</b>	36.2%	<b>(3.6%)</b>

## Assurance Services

The Assurance Services division achieved revenue growth of 3.2% (4.8% on a constant currency basis, of which 2.4% was organic). This is below our medium term trend of 5% to 7% and reflects a decline in training revenues across key markets, particularly Australia.

Our Asian businesses performed strongly delivering double digit revenue growth primarily as a result of expansion of both our ethical and 2nd party supplier audit programmes. The America's business continued to grow revenue at above trend rates, despite a reduction in training.

EBITDA was flat (1.4% growth on a constant currency basis) reflecting the impact of the decline in training revenues and investment in sales and account management resources, particularly in EMEA, that are expected to deliver revenue and EBITDA growth in the second half.

We continue to grow our share of the global retail-agri-food market, with key new customer wins in EMEA. The acquisition of the Global Trust business in 2012 has helped secure key new customer wins in the USA and Asia and the recent acquisition of QPro in South Africa is expected to help deliver further growth in this sector. Our global accounts programme has also continued to show success with a number of key new account wins that will drive growth in future periods.

Our new global business operations platform has successfully been implemented in Australia and will be progressively rolled out across all locations by the end of FY14. Common systems coupled with the single global management structure, under the leadership of Paul Butcher, are expected to drive increased harmonisation and improved operational performance. Paul has extensive experience in managing international businesses in an IT and professional services environment.

Our focus on strengthening our account management capabilities and increasing our value add to customers continues.

	FY12	FY11	Change
Revenue (\$M)	85.5	82.9	3.2%
EBITDA (\$M)	14.5	14.5	(0.1%)
EBITDA Margin (%)	16.9%	17.5%	(0.6%)

## Acquisitions

On 6 December 2012 the Company acquired 100% of Quality & Safety Risk Professional Services International Proprietary Limited, trading as "QPRO". QPRO provides a comprehensive range of services, partnering with clients to manage their food safety, quality and brand standards programs. QPRO is a leading provider of food safety auditing, microbiological testing and related services in Southern Africa. It has an established track record of providing services to a blue chip client base in the retail, catering, hospitality and food manufacturing sectors.

This acquisition provides the following benefits for SAI Global:

- Technical capability, scale and credibility
- Capability to better service existing global accounts
- New global account opportunities
- Enhanced management capability and depth
- Elevation of SAI's South African operations from sub-scale to sustainable

Consideration for the acquisition was A\$6.1 million plus an adjustment for working capital.

## Outlook for FY13

A stronger than normal bias to the second-half result is expected as revenues increase and costs remain relatively stable.

The second-half is expected to benefit from:

- An uplift in the property services business driven by the ANZ contract and the continuing ramp up of services provided to CBA
- An improved performance from the Standards business
- A stronger second-half from the Assurance business

However, the second-half outlook for Compliance and Assurance Training has weakened resulting in reduced full-year expectations.

Expected outcomes based on assumed second-half average exchange rates<sup>1</sup> are:

	<b>Statutory &amp; Underlying</b>
EBITDA:	Between A\$100M and A\$105M
NPAT:	Between A\$40.5M and A\$44.0M

1. AUD: USD 1.0400; AUD:GBP 0.6500

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