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# Investor Update September 2014

**LEGEND**  
CORPORATION

# Disclaimer

## Outlook Statement

This presentation contains forward looking statements which may be subject to significant uncertainty outside of Legend Corporation Limited's (Legend) control.

No representation is made as to the accuracy or reliability of the forecasts or the assumptions on which they are based.

Actual future events may vary from these forecasts. Users of this information are cautioned against placing undue reliance on any forward looking statements.

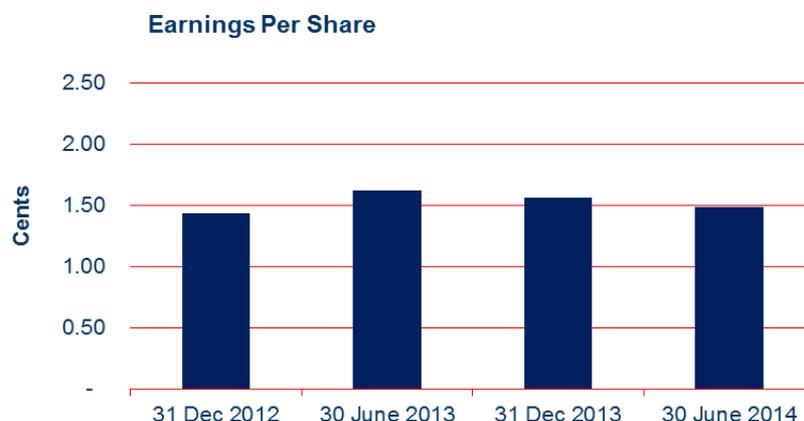
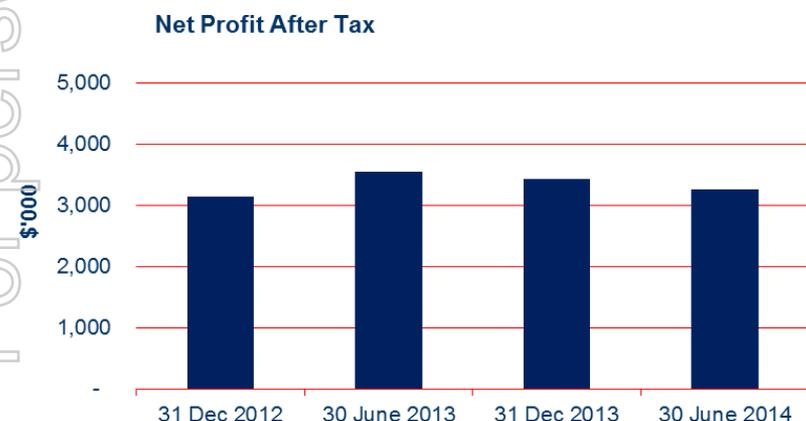
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## Legend FY14: Two Very Different Halves.

Net Profit after Tax (NPAT) was unchanged from the prior year at \$6.7 million or 3.1 cents per share.

In the first half of the financial year the strategies we had implemented to address the downturn in mining related engineering construction, including cost reduction, new product releases and marketing initiatives resulted in increased revenues (+2% pcp) and increased NPAT (+9% pcp).

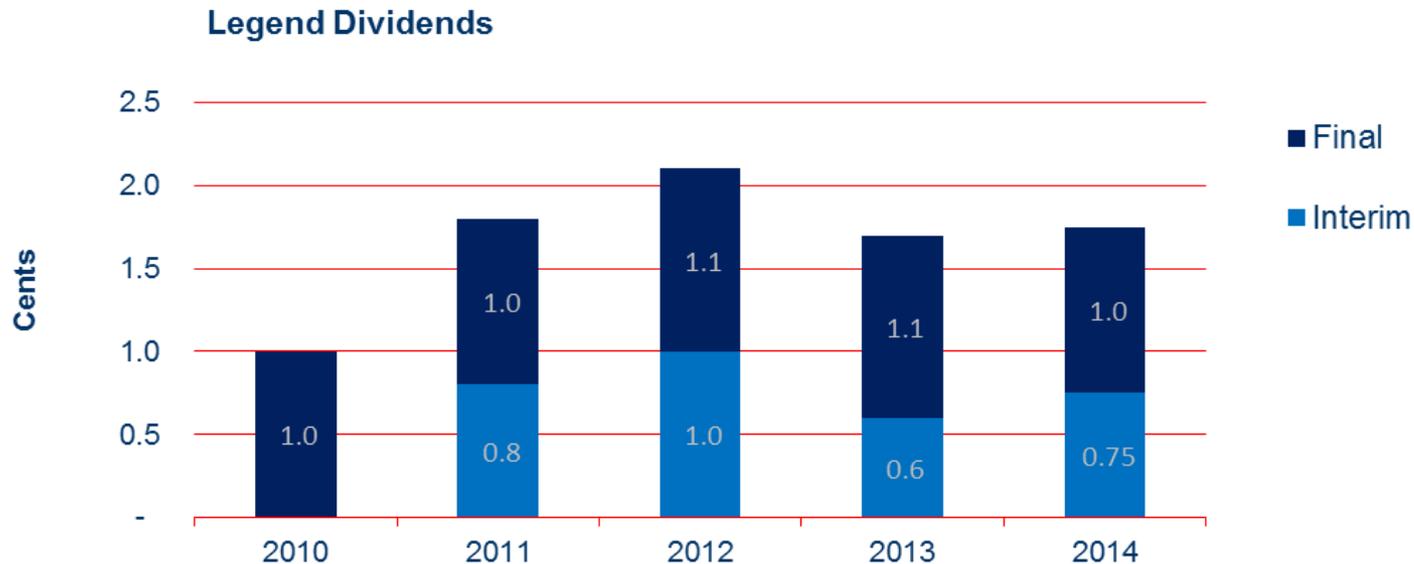
However the second half of the financial year saw us give back these gains as the continued decline in mining related engineering construction was augmented by the failure of several major contractors resulting in a slowdown in sales as activity was deferred (revenues -8% pcp). This had an adverse impact on NPAT (-8% pcp).



# Dividends

Dividends paid during the year were 1.85 cents per share, up 9% on the pcp of 1.7 cents per share.

A final fully franked dividend of 1.0 cents was declared for 2014 with a Record Date of 26 September 2014 and Payment Date of 24 October 2014.



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## Financial Highlights

- All business divisions operated profitably.
- Gross profit margins improved 1% to 44% in the second half of the year.
- No significant bad debts were incurred and there was no significant impact from foreign exchange movements.
- Operating costs were reduced by \$2.3 million (-7% pcp).
- Operating cash flow increased to \$9.8 million (+47% pcp).
- Net bank debt reduced to \$13.1 million or 1 times EBITDA (-18% pcp).
- Net assets of 29.1 cps (+4% pcp).

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## Financial Summary

	30 June 2014	30 June 2013	Change
<b>Revenue</b>	<b>\$102.1m</b>	<b>\$105.2m</b>	<b>(3.0%)</b>
Cost of Goods	\$57.6m	\$57.8m	0.3%
<b>Gross Profit</b>	<b>\$44.5m</b>	<b>\$47.4m</b>	<b>(6.2%)</b>
Gross Profit Margin	43.6%	45.1%	
<b>EBITDA</b>	<b>\$13.2m</b>	<b>\$13.8m</b>	<b>(4.8%)</b>
EBITDA Margin	12.9%	13.1%	
<b>EBIT</b>	<b>\$10.8m</b>	<b>\$10.7m</b>	<b>0.2%</b>
EBIT Margin	10.6%	10.2%	
<b>NPBT</b>	<b>\$9.7m</b>	<b>\$9.5m</b>	<b>1.4%</b>
NPBT Margin	9.5%	9.0%	
<b>NPAT</b>	<b>\$6.7m</b>	<b>\$6.7m</b>	<b>(0.2%)</b>
NPAT Margin	6.6%	6.4%	
<b>Earnings Per Share</b>	<b>\$0.031</b>	<b>\$0.031</b>	<b>(0.2%)</b>
<b>Net Assets</b>	<b>\$64.0m</b>	<b>\$61.2m</b>	<b>4.5%</b>
Net Assets per Share	\$0.291	\$0.279	4.3%
<b>Net Bank Debt</b>	<b>(\$13.1m)</b>	<b>(\$15.9m)</b>	<b>17.7%</b>
<b>Operating Cash Flow</b>	<b>\$9.8m</b>	<b>\$6.6m</b>	<b>46.9%</b>

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## Electrical, Power and Infrastructure

	30 June 2014	30 June 2013	Change	
	\$'000	\$'000	\$'000	%
<b>REVENUE</b>	<b>92,258</b>	<b>94,932</b>	<b>(2,674)</b>	<b>(3%)</b>
<b>EBITDA</b>	<b>9,150</b>	<b>10,355</b>	<b>(1,205)</b>	<b>(12%)</b>
<b>Operating Profit</b>	<b>6,989</b>	<b>7,521</b>	<b>(532)</b>	<b>(7%)</b>

In the past, this division's earnings have been closely tied to residential, industrial and commercial building approvals. These markets have remained subdued since the global financial crisis of 2008.

Our strategy has been to take the engineering capabilities from this segment into high growth markets and we have seen strong returns from mining and power related engineering construction.

With the downturn in mining related engineering construction during the period under review and, despite the introduction of new product ranges and market initiatives, revenue for this segment fell by 3% to \$92.3 million (2013: \$94.9 million).

EBITDA was down 12% to \$9.1 million (2013: \$10.4 million), primarily as a result of reduced revenue.

Price management and strategies to take advantage of the opportunities that will arise from increased residential and infrastructure construction is the primary focus for this segment.

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## Innovative Electrical Products

	30 June 2014	30 June 2013	Change	
	\$'000	\$'000	\$'000	%
<b>REVENUE</b>	<b>12,501</b>	<b>11,460</b>	<b>1,041</b>	<b>9%</b>
<b>EBITDA</b>	<b>4,010</b>	<b>3,372</b>	<b>638</b>	<b>19%</b>
<b>Operating Profit</b>	<b>3,781</b>	<b>3,140</b>	<b>641</b>	<b>20%</b>

New products developed within this segment have been the key contributors to a revenue increase of 9%.

Improved export sales and cost control together with improved margins, a result of product development and exchange rates, all contributed to strong growth in EBITDA of more than 18%.

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# Innovative Electrical Products : Engineered in Australia



Minute Timer 2-Wire  
HNS410TM



Electronic Switch 2-Wire  
HNS430SW



Hourly Timer 2-Wire  
HNS420TM



Minute Heavy Duty Timer  
3-Wire HNS210TD  
Comes with wall plate.



Minute Timer 3-Wire  
HNS440TM



Hourly Timer 3-Wire  
HNS450TM



Electronic Switch 3-Wire  
HNS460SW



Booster Relay 3-Wire  
HNS010RL

New products engineered within this segment include our Sclick range of energy saving timer switches targeting domestic and commercial markets.

The development of new products remains the key focus of this segment with several new lines already released to market through existing sales channels.

Further launches of innovative product ranges will be made in the coming year.

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## Revenue & Gross Profit

Sales revenue for the period was \$102.1 million, down 3% on the prior year (2013: \$105.2 million) as a result of the continued decline in mining related engineering construction together with the financial failure, in the second half, of several major contractors which deferred activity pending the reassignment of contracts.

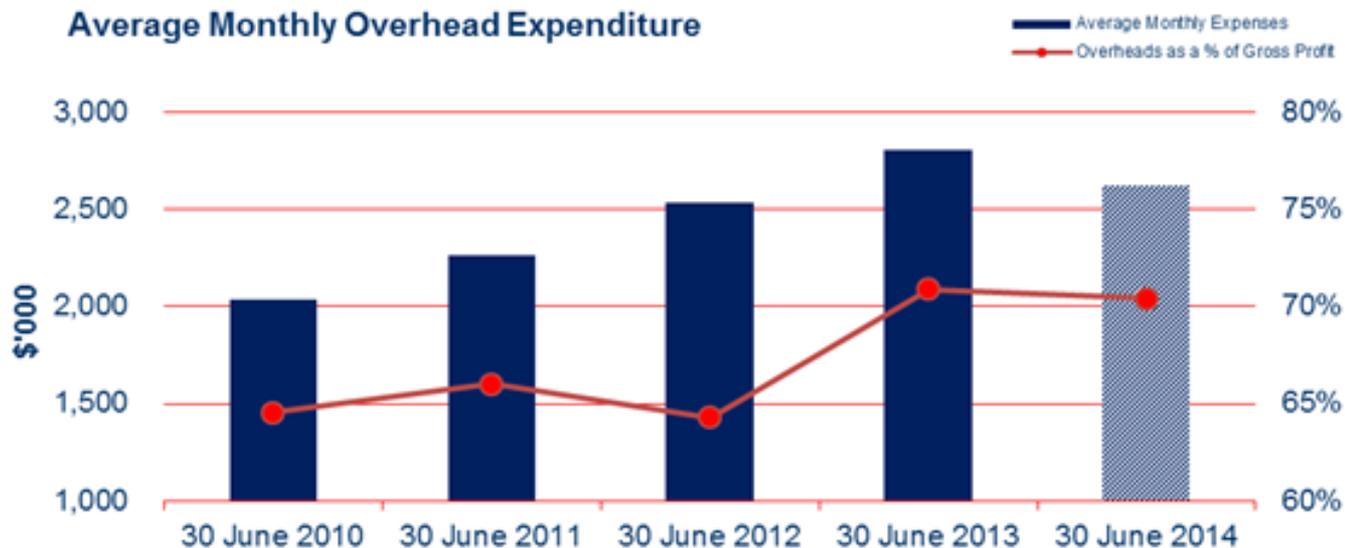
Gross profit of \$44.5 million was 6.1% down on the prior year (2013: \$47.4 million) a result primarily of reduced revenues. Gross profit margin was softer at 43.6% (2013: 45.1%), however this improved from 43.1% in the first half of the year to 44.0% in the second half as a result of the introduction of new higher margin product lines and price management.



# Overhead Expenditure

A significant reduction in overhead expenditure of \$2.3 million was achieved (2014: \$31.3 million, 2013: \$33.6 million).

New products with higher margins and price management combined to increase the gross profit percentage by 1% in the second half of the year and despite a full year reduction of 6.1% in gross profit, we have been successful in containing overhead as a portion of gross profit to 70%.



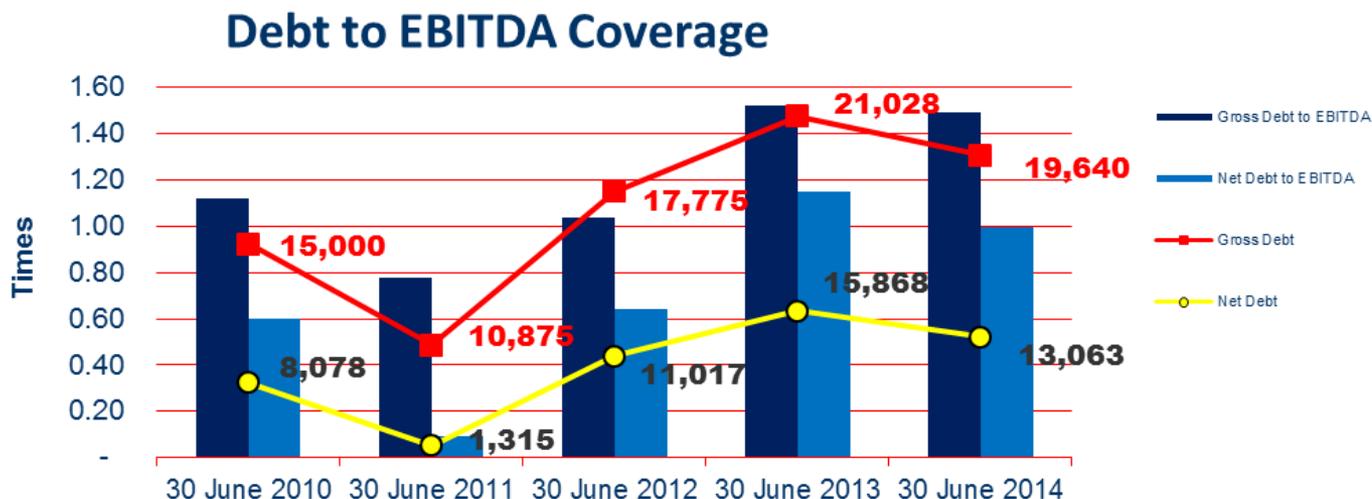
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## Bank Debt

Net debt decreased to \$13.1 million at year end (2013: \$15.9 million), representing a modest 1 times EBITDA.

\$1.8 million in debt was drawn down during the year to fund the deferred consideration for the acquisitions of MSS Power Systems Pty Ltd and Ecco Pacific Limited.

Banking facilities were moved from National Australia Bank to Australian and New Zealand Banking Group Limited on 23 June 2014. These new facilities do not require renegotiation until June 2017 and offer improved capacity and local resources for further organic and acquisitive growth.



## Capital Expenditure

With the expansion of Victorian warehousing facilities, to meet increased local demand, being the only major capital work during the year, CAPEX requirements were lower at \$1.1 million (2013: \$1.5 million).

Depreciation and amortisation for the year included \$455,000 (2013: \$525,000) in amortisation of intangible assets generated through the MSS and Ecco acquisitions, including intellectual property, customer lists and restraint of trade agreements.

Depreciation charges were down \$611,000 on the prior year due largely to last year including \$377,000 of additional depreciation for leasehold improvements as a result of the relocation and consolidation of the Western Australian operations.

CAPEX & Depreciation and Amortisation

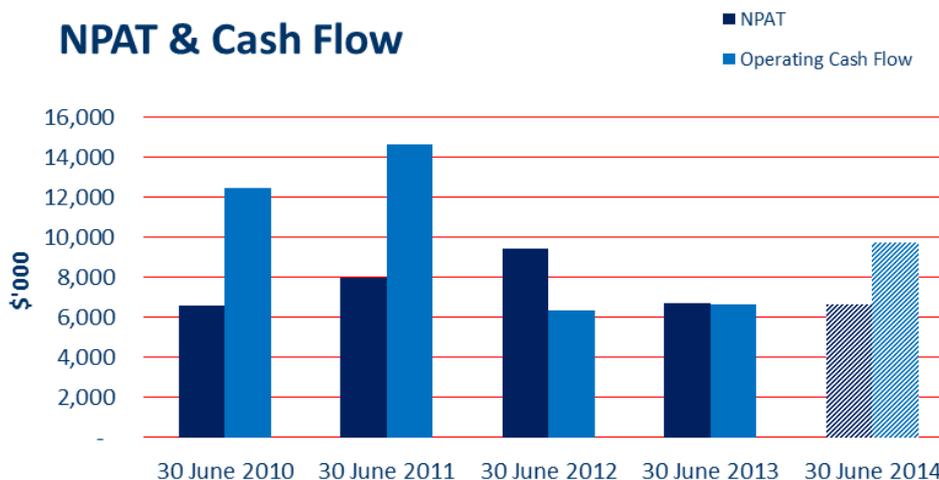


## Operating Cash Flow

As a result of difficult market conditions and consequent revenue reductions, stock increased from \$22.3 million to \$23.9 million. Stock days increased to 158 (2013: 140 days) and the reduction of this is a key objective of management in the coming year.

Pre-tax operating cash flow improved by 26% to \$12.6 million (2013: \$10.0 million) as a result of a reduction in debtor days to 53 (2013: 56 days), creditor days at 56 did not significantly change (2013: 57 days).

Tax paid for the year was \$2.9 million (2013: \$3.4 million).



## Acquisitions

During the 2014 financial year no new acquisitions were made.

We did make acquisition related payments of \$1.1 million by way of the final deferred payment for MSS Power and \$0.7 million as the first of two deferred payments for Ecco Pacific.

Management devotes significant effort and resource to the selection and appropriate engagement of acquisitions aligned with our strategic requirements that will add accretive and long term value to our business.

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## Outlook

Our business strategies have been effective in combating the declines in specific market and sales geographies, a positive reflection on the diversity of our markets and the strength of our capabilities. However we have not delivered any underlying growth in revenue for the year.

We are confident that the business is well placed to benefit from the strong growth in residential and infrastructure construction despite the expected challenges of a continuing decline in engineering construction. We are positioning the business to take advantage of these developing opportunities through both accretive acquisition and organic growth.

We continue to invest in the design and development of products targeting growth areas of the Australian economy with the aim of delivering continued positive results for our shareholders.

We have focused our product development on energy efficient and energy saving products for lighting, switching and power management. These will be sold through both our electrical and power divisions.

In addition; we are expanding our range of specialized power linesmen tools, jointing products (complimentary to our core range of lugs) and application specific heavy duty electrical connectors specific to power utilities.

## Outlook

Our core strategy to maintain and extend our leadership remains; quality, range, availability and service.

We will continue our focus on business development expanding our product range and channels to market in order to meet customer needs in the years ahead.

We will continue to invest in strengthening our expanded market reach and continue to deliver new service initiatives. Each of our businesses has a specific plan to deal with the challenges we see ahead and to deliver growth.

Our strong balance sheet, low net debt and prudent financial management will allow a continued focus on organic and acquisitive growth.

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# Thankyou



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