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The Blenheim Report

Numbers

Mining Services

October 2014

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We were founded in 2012 by leading figures in Executive Search and Consultancy. Members of the team have advised in Leadership and Succession Planning to over 45 of the ASX 100, 9 FTSE 100, Multinational, Private Family and Mutually Owned Companies.

Our philosophy is to develop deep and committed relationships with a small number of clients and help them deliver a superior performance by optimising the composition of their executive teams.

- We only partner with one to two companies per sector to ensure our clients receive sector expertise and have access to the very best candidates.
- We do not have “Conflicts of Interest” or “Off Limits” restrictions as a result of our partnering model.
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- We support our client’s long term planning capability with Strategic Succession Planning.
- We provide global reach. Over 90% of our searches are international.
- We provide an end to end search process, including Assessment and a 90 day On Boarding Programme.
- We provide a fixed fee of which the final 25% is only payable if our client assesses that expectations have been exceeded.
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MINING SERVICES DIVERSE

Company	REVENUE FY 2014 / Calender 2013	REVENUE FY 2013/ Calender 2012	EBITDA FY 2014	EBITDA FY 2013	EBITDA MARG 2014 %	EBITDA MARG 2013 %	EBIT FY 2014/ Calendar 2014	EBIT FY 2013/ Calendar 2013	EBIT Margin 2014/ 2013 %	NPAT FY 2014/ Calender 2013	NPAT FY 2013/ Calendar 2012	NPAT Margin 2014 %	NPAT Margin 2013 %	ROA FY14/ 2013[3]	ROA FY13/ 2012[3]	Return funds employed 2014[6]	Return funds employed[6] 2013[6]
Downer Group	7,734,500	9,132,400	607,500	653,600	7.8	7.3	341,100	358,800	4.4	216,000	204,000	2.7	2.2	5.3	4.8	16.8	17.7
Downer Infrastructure	4,742,000	5,242,600					191,100	230,300	4.0							21.0	25.8
Downer Mining	1,982,900	2,551,900					171,400	174,200	8.6							20.9	20.3
Downer Rail	1,002,800	1,335,700					22,100	59,000	2.2							4.7	12.5
Leighton Group	24,411,000	23,127,000	1,924,000	1,838,000	7.9	7.9	991,000	780,300	4.0	509,000	450,000	2.4	1.9	4.2	3.8		
Leighton Contractors Division	7,941,000	7,136,000					393,100	298,600	4.9								
Thiess	6,863,000	7,237,000					434,300	298,800	6.3								
John Holland	4,755,000	4,546,000					128,400	32,800	2.7								
Leighton Asia, India & Offshore	3,267,000	2,629,000					-1,100	173,700	n/a								
Habtoor Leighton Group	499,000	445,000					1,100	-67,000	0.2								
Leighton Commercial & Residential	642,000	558,000					-44,400	25,900	n/a								
Transfield Services Group	3,728,100	3,667,100	216,700	201,700	5.8	5.5	124,400	95,100	3.3	66,900[1]	60,300[1]	1.8	1.7	2.8	2.5		
Infrastructure ANZ	2,338,900	2,300,400	165,400	132,400	7.1	5.8	139,000	102,500	5.9								
Resources & Energy ANZ	919,800	865,700	70,600	78,400	7.7	9.0	38,000	37,200	8.5								
Americas	466,100	496,100	6,000	27,100	1.3	5.5	-6,800	11,600	n/a								

MINING SERVICES DIVERSE																	
Company	REVENUE FY 2014 / Calender 2013	REVENUE FY 2013/ Calender 2012	EBITDA FY 2014	EBITDA FY 2013	EBITDA MARG 2014 %	EBITDA MARG 2013 %	EBIT FY 2014/ Calendar 2014	EBIT FY 2013/ Calendar 2013	EBIT Margin 2014/ 2013 %	NPAT FY 2014/ Calender 2013	NPAT FY 2013/ Calendar 2012	NPAT Margin 2014 %	NPAT Margin 2013 %	ROA FY14/ 2013[3]	ROA FY13/ 2012[3]	Return funds employed 2014[6]	Return funds employed[6] 2013[6]
UGL Group	4,511,500	4,247,000	237,000	217,000	5.3	5.1	185,800	154,700	4.1	111,700	91,500	2.5	2.2	3.7	3.1		
UGL DTZ Division	2,253,400	1,933,000					123,900	113,400	5.5								
UGL Engineering	2,261,700	2,315,400					84,100	81,600	3.7								
Worley Group	7,363,700	7,627,000					428,200	527,000	5.8	249,100	322,100	3.4	4.2	4.9	6.8		
Worley Hydrocarbon segment	5,371,500	5,492,900					627,300	654,400	11.7								
Worley Minerals, Metals & Chemicals segment	1,065,900	1,096,500					131,200	142,800	12.3								
Worley Infrastructure	926,300	1,037,600					64,000	107,300	6.9								

Notes

[1] NPAT is pre impairments & amortisation

[2] Return on Capital Employed. This is the measure Downer uses in their 2013 results presentation 2013, page 9. ROFE= underlying EBIT divided by average funds employed (AFE). AFE = average opening and closing net debt plus equity.

[3] ROA recalculated by Blenheim, based on annual report figures, to make numbers relatively comparable across segments.

[4] Segment profits for FY14 and FY13 are from annual report, and do not exactly match stated profit/loss numbers elsewhere. They are before unallocated expenses, net finance costs and income tax. Numbers do give good indication of relative performance of each respective segment.

MINING SERVICES															
Company	REVENUE FY2014	REVENUE FY2013	EBITDA FY 014	EBITDA FY2013	EBITDA MARGIN 2014 %	EBITDA MARGIN 2013 %	EBIT FY 2014	EBIT FY 2013	EBIT Margin 2014	NPAT FY 2014	NPAT FY 2013	NPAT Margin 2014 %	NPAT Margin 2013 %	ROA FY134%[3]	ROA FY123%[3]
MACA	595,400	475,900	138,000	116,300	23.2	24.0	85,500	76,900	14.3	55,400	49,500	9.3	10.4	13.7	16.5
Macmahon	1,017,400	1,173,400	172,900	67,500	16.9	5.8	67,300	84,500	6.6	30,400	-29,500	3.7	2.8	3.4	-3.1
Monadelphous	2,329,600	2,614,100	221,200	251,600	9.5	9.62	205,203	221,159	8.8	138,600	156,300	5.95	5.98	18.2	21.3
NRW Holdings	1,134,500	1,385,800	123,000	168,300	10.8	12.1	65,500	119,400	10.5	44,200	74,100	3.8	5.3	5.5	8.9
NRW Civil Contracting	842,300	860,600					59,800	92,000	7.1						
NRW Mining	186,900	404,500					13.1	17.9	7.0						
NRW Drill & Blast	110,000	150,500					7.0	16.8	6.4						
NRW Mining Services	28,000	41,800					-2.9	3.3	n/a						
WDS GROUP	369,470	351,950	34,550	28,120	9.4	8.0	19,700	13,026	5.3	13,300	8,250	3.6	2.3	5.5	3.4
WDS ENERGY DIVISION	282,620	233,870	34,780	22,310	12.3	9.5	27,780	15,680	9.8						
WDS MINING DIVISION	86,270	118,670	3,710	8,960	4.3	7.6	-3,850	750	n/a						

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PROFIT GUIDANCE

28 OCTOBER 2014
The Sydney Morning Herald
WorleyParsons says conditions still tough

Engineering firm WorleyParsons expects challenging conditions in global resources markets to continue.

The company's annual profit dropped 23 per cent in 2013/14, and chief executive Andrew Wood says the resources and energy markets in which it operates would continue to present challenges in the short term. But he did not provide shareholders at the company's annual general meeting with specific earnings guidance for the current year.

"We expect the earnings for financial year 2015 to show a similar profile to financial year 2014, that is, biased to the second half," he told the meeting.

The company's key oil and gas customers were focussed on cutting spending and completing current projects, Mr Wood said.

WorleyParsons' hydrocarbons business, including oil and gas, generates more than 70 per cent of its revenue.

"Therefore we believe that capex spend in financial year 2015 will be relatively flat particularly for the international oil companies," Mr Wood said.

"It is too soon to call what impact the recent decline in oil prices will have on our customers' capex intentions, but we know they generally take a longer term view on their investments."

Mr Wood did say he expected increased spending on oil and gas in some regions this year, including North America - due to shale developments and increasing LNG exports.

A restructure and cost cutting measures, including the axing of 1,700 WorleyParsons jobs in the last year, was made in response to depressed demand, and the company's share price has tumbled 40 per cent in the past 12 months amid several profit warnings. WorleyParsons' shares dropped 36 cents, or 2.65 per cent, to $13.25 on Tuesday.

Source: http://news.smh.com.au/breaking-news-business/worleyparsons-says-conditions-still-tough-20141028-3j1nj.html

23 OCTOBER 2014
The Australian
Leighton on track to meet profit target

CONSTRUCTION giant Leighton says it is on track to deliver a full year profit of up to $620 million after winning major infrastructure contracts including Sydney's North West Rail Link. THE company made a net profit of $430 million in the nine months to September 30, down from $444 million in the same period last year. Leighton said the previous year's profit was boosted by one-off gains from the sale of 70 per cent of its telecommunications assets.

Chief executive Marcelino Fernandez Verdes said the company had produced a strong result in the third quarter of 2014, and was on track to deliver a full year underlying net profit between $540 and $620 million. The company had improved its operating cash flow and reduced its net debt by $302 million in the quarter, he said.

Significant contracts were won during the quarter, including the operations, trains and systems package for the North West Rail Link, worth around $2 billion, as well as the Ravenhall Prison project in Victoria, worth $650 million.

"Within Australia, a significant overhaul of infrastructure is underway, with governments and the private sector investing in new projects and upgrading existing facilities," Mr Fernandez Verdes said. "Much of the work is occurring in sectors where Leighton has extensive experience, and this is translating into significant contract wins for the group."

A restructure of Leighton's businesses was on track for "substantial completion" by the end of 2014, he said.

Source: http://www.theaustralian.com.au/news/latest-news/leighton-says-profit-guidance-on-track/story-fn3dxity-1227099530957

13 OCTOBER 2014
The Australia Financial Review
WDS shares dive on earnings downgrade

Mining services contractor WDS has been savaged on the market after releasing a shock earnings downgrade and announcing the sudden departure of managing director Terry Chapman.

Shares in WDS plunged 69 per cent to close at 26¢ on Monday after WDS said net profit in 2014-15 would be between $1 million and $3 million. That compares with a forecast in August that signalled profit would increase from the $13.3 million recorded in 2013-14.

WDS cited several factors for the woeful forecast, including a fatality at its energy division, which interrupted work at an LNG project site in Queensland. It also noted that its energy -division had failed to win a follow-up contract at a major coal seam gas project, while its mining division has suffered problems with a contract at a coalmine in Queensland.

The energy division has taken a hit of about $9 million as a result, while the impact on the mining division is about $4 million, WDS said.

Revenues would be between $330 million and $350 million, WDS advised. The drastic deterioration in the outlook for WDS has triggered a wide scale independent review of the strategy and operations, to be completed by the year-end.

The Sydney head office will be closed and operations relocated to Brisbane, while the MD will be changed.

Source: http://www.afr.com/p/business/companies/wds_shares_dive_on_earnings_downgrade_2e0Ofh7av7lw8oW6kaUHDP

29 AUGUST 2014
The Sydney Morning Herald
Transfield shares soar as company returns to black

Transfield Services' shares have surged 25 per cent as it forecast higher earnings in 2015. The company has swung to a full-year net profit of $53 million from a hefty $254.5 million loss a year earlier as income from its core Australian and New Zealand infrastructure operations offset falls in its American business.

"We feel that we've turned the corner," said Transfield chief executive Graeme Hunt, adding "positive momentum" from the second half of 2014 would continue this year as the company wins every second contract it bids for, and renews more than two thirds of its existing contracts.

"Overall, our business is on a much more stable footing," he said.

Analysts were pleased to see Transfield give a firm forecast for fiscal 2015 earnings before interest taxation depreciation and amortisation (EBITDA) of between $240 million and $260 million. Most large engineering and contracting companies, including WorleyParsons, have refrained from giving specific targets this year.

"It is a testament to the improving visibility of Transfield's earnings that it was able to provide guidance," said Danny Younis, senior analyst at Shaw Stockbroking. "Transfield's turnaround is well on its way and management are not only 'talking the talk', but 'walking the walk'."

Transfield's stock rose 34¢ in early trading on Friday to $1.75, taking the stock to its highest levels in more than 12 months.

Group underlying EBITDA in fiscal 2014 beat analysts' expectations, rising 7 per cent to $217 million, while pre-tax profits of $59.2 million were also higher than consensus forecasts. Underlying EBITDA in Transfield's Australian and New Zealand infrastructure business rose 25 per cent to $165 million. Transfield has been less exposed to the slump in commodity prices than some of its contracting peers, because only about 6 per cent of its group revenues are derived from mining. But EBITDA fell 10 per cent in its resources business to $71 million and slid 78 per cent to $6 million in its American business.

Transfield's net profit from continuing operations of $66.4 million was within its own forecasts, a significant improvement on the prior year's loss of $244 million, while net debt fell $8 million to $534 million. Transfield's debt levels are still relatively high, running at 41 per cent, and operating cash flow before interest and tax fell to $116.7 million from $249.9 million a year earlier.

Source: http://www.smh.com.au/business/transfield-shares-soar-as-company-returns-to-black-20140829-109ubi.html#ixzz3HxPP8unA

29 AUGUST 2014

The Australia Financial Review

Engineering market to consolidate: UGL

UGL's outgoing chief executive, Richard Leupen, has forecast "significant" consolidation in the engineering sector as the contractor nears completion of the $1.2 billion sale of its DTZ property arm. "If you're a $300 million listed engineering company then you shouldn't be there, you should be merged with someone else," Mr Leupen told The Australian Financial Review after UGL delivered a 22 per cent rise in underlying net profits to $111.7 million.

UGL's engineering business will have revenues of about $2.4 billion when the sale of its property business is completed between October and December, and will carry very little debt. The company plans to use proceeds from the DTZ sale to pay off most of its $567 million in net debt and return between $400 million and $500 million to shareholders.

UGL's underlying net profits missed the company's $120 million forecast but Mr Leupen claimed the contractor had "done well" to deliver close to revised guidance, arguing that profit margins in the group's engineering business were improving.

Group cash flows were also weaker than expected, with operating cash falling to $62.1 million from $105.6 million a year earlier due to restructuring and costs associated with the DTZ sale. UGL did not pay a final dividend.

Source: http://www.afr.com/p/business/companies/engineering_market_to_consolidate_q4ByNXNd4DIlIhXcytDgjN

29 AUGUST 2014

The Australia Financial Review

MACA expects 10pc year-on-year growth

Mining services group MACA has started the new fiscal year with a double dose of good news, advising of the award of a sizeable contract and the expectation of a net profit comfortably in excess of the previous corresponding year's $49.5 million.

Management conceded industry conditions were challenging, but said the company had continued to perform well across its mining and civil projects, laying the foundation for revenues in the order of $600 million in 2014-15.

This would be an outstanding result given it implies year-on-year growth of approximately 10 per cent compared with 2013-14 guidance. The award of a $90 million contract to complete major works at the Karara iron ore project in mid-Western Australia over a 17-month period will help to boost income out to 2015-16.

Providing substantial earnings visibility is the fact MACA has several major projects generating income until December 2017, with some extending to 2020. Argonaut has a buy recommendation on the company with a 12 month price target of $2.80, substantially ahead of its recent trading range and just above its all-time high of $2.67.

Source: http://www.afr.com/p/markets/market_wrap/maca_expects_pc_year_on_year_growth_gGHIKZwg05z5SyKhokGkHI

26 AUGUST 2014
The Australia Financial Review
Broker Watch Macmahon Holdings (MAH)

Hartleys Research upgraded Macmahon Holdings to a “buy” with a 12-month price target of 25¢ a share as the industry continues to face difficult operating conditions.

“But MAH looks very cheap, and operating performance appears to have stabilised. We are upgrading from our ‘speculative buy’ recommendation to ‘buy’.

“The company expects 2014-15 revenue of $0.75 billion to $1.0 billion with about $0.8 billion revenue visible for 2014-15 (total order book is $2.6 billion).

“We have revised our 2014-15 revenue estimate to $0.92 billion. We have lowered our 2014-15 NPAT estimate by 13 per cent to $25.2 million.

“We assume a 75¢ a share dividend (about 38 per cent payout ratio). For 2015-16, we assume flat revenue and flat EBITDA margins for NPAT of $27.4 million (the earnings uplift comes from lower interest expense).”

Source: http://www.afr.com/p/markets/market_wrap/macmahon_holdings_mah_oArYNdhHBoO31XVEut8SYJ

26 AUGUST 2014
The Australia Financial Review
Monadelphous rallies after long sharemarket slump

As was the case with most mining services companies, shares in Monadelphous Group were hit hard as the resources boom wound down. For a company that had consistently under promised and outperformed, as well as positioning itself to generate a substantial proportion of recurring revenue, though, the near halving in its share price from more than $28 in February 2013 to a low of $14.68 in the space of 12 months didn’t appear to account for its reputation.

Release of the company’s 2013-14 result in August sparked a recovery with its shares rallying more than 6 per cent on the day of the announcement. Despite an 11.3 per cent fall in net profit compared with the previous corresponding period and a similar downturn in sales, this represented a solid performance given challenging industry conditions.

Analysts at Bell Potter Securities noted the result was a little better than its expectations with the company having done well in terms of reducing costs. This is likely to extend into 2014-15, helping to maintain margins at reasonable levels. Acquisition opportunities also exist and the company has the balance sheet strength to take advantage of this environment.

Having secured new contracts and extensions to the value of $1.8 billion in 2013-14, including the company's largest ever construction project, relating to the $680 million Ichthys liquefied natural gas project in Darwin, Monadelphous has earnings visibility on its side. With a strengthened position in pipelines and marine, this could be a market management looks to regarding acquisitions.

Source: http://www.afr.com/p/markets/market_wrap/monadelphous_rallies_after_long_jtFbKU7P8dJjBu4VuisyGI

5 AUGUST 2014
The Sydney Morning Herald
Downer warns mining sector 'under intense pressure'

Downer EDI forecast lower profits for 2015 citing "very difficult" mining markets as the contractor reported 2014 net profits in line with expectations and announced a stock buyback. Downer said it was targeting net profits after tax of about $205 million for fiscal 2015 after reporting net profits in the year ended June 30 rose 6 per cent to $216 million, slightly higher than its guidance of $215 million.

Resources-based spending in 2015 is expected to be "flat, or declining, on current low levels," Downer said in a statement to the Australian stock exchange. "Underlying mining commodity markets are currently very difficult for a number of our major customers. The short-term impact of this pressure on service providers like Downer is hard to predict."

Full-year group revenue slid 15 per cent to $7.7 billion, while group earnings before interest taxation depreciation and amortisation (EBITDA) fell 7 per cent to $607.5 million compared with analysts' expectations of $620 million. Profits decreased in all of Downer's operating divisions. Earnings before interest and taxation (EBIT) dropped 17 per cent to $191.1 million in the group's infrastructure business; fell 1.6 per cent to $171.4 million in its mining business as contracts ended or were scaled back; and slumped 62 per cent to $22.1 million in its rail business because of declining resource sector demand for locomotives.

The loss of the BHP contract will reduce Downer's work-in-hand by about $360 million in fiscal 2015 and 2016. Investors have been concerned that Downer could lose other mining contracts as miners, feeling the pain of falling commodity prices, slash costs and bring what work they can back in house. Downer has typically generated some 40 per cent of EBIT from contract mining.

Chief executive Grant Fenn reiterated Downer's interest in using its strong balance sheet to pursue mergers and acquisitions, and said it would look for opportunities that "are strategic, the right price and grow our capability."

Source: http://www.smh.com.au/business/the-economy/downer-warns-mining-sector-under-intense-pressure-20140805-100eqy.html#ixzz3HxMNpi1Z blenheim partners

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