

Recall H1 FY2014 Trading Update

Norcross, Ga. and Sydney, Australia—February 19, 2014—[Recall](#) Holdings Limited (ASX: REC), a global leader in information management solutions, today released a trading update¹ for the six month period ended 31 December 2013.

Highlights^{2,3,i,ii}

- Demerger successfully completed 18 December 2013
 - Transition from Brambles ownership is progressing smoothly
 - New experienced Recall Board in place
 - Key stand-alone roles have been filled
- Revenue +\$17.4m (+4.3%)
 - Good performance in Document Management Services (“DMS”) and Data Protection Services (“DPS”) partially offset by weaker performance in Secure Destruction Services (“SDS”)
- EBITDA +\$0.5m (+0.5%)
- Underlying profit -\$0.5m (-0.7%)
 - Re-investment to support revenue growth, to replenish prior year cost-outs and to establish a sustainable cost base will be largely completed this year
 - Management focus on demerger is behind us
- Completed two small bolt-on acquisitions in December (UK and USA)

The period was marked by the successful completion of the demerger from Brambles Ltd, effective on 18 December 2013. The Board is pleased to report that the transition from Brambles ownership is progressing smoothly and according to plan.

In the six months to 31 December 2013, Recall achieved sales revenue growth of \$17.4 million, (+4.3%), in constant currency. On 31 October 2013, Recall completed the acquisition of 51% of Recall Singapore that it did not already own. Revenue growth, excluding the acquisition of the Singapore interest, was +2.8%. All regions delivered constant currency revenue growth.

Revenue growth in actual currency was +\$1.9m (+0.5%), including the Singapore acquisition.

Commenting on the results, President and CEO Doug Pertz, said, “We had good results across the major parts of our business, with revenue up 4.3% in constant currency terms. All of our regions delivered revenue growth, with especially strong performances from Europe (+6.0%) and Asia (+37.4%), which includes the

¹ Recall Holdings Limited was granted relief by ASIC from the requirement to comply with sections 302 or 306 of the Corporations Act for its first half year as a disclosing entity. The relief means that Recall is not required to lodge a financial report and directors report with ASIC for the half year ended 31 December 2013. The ASX has provided a waiver to Recall from Listing Rule 4.2A to allow recall not to lodge a half year report and Appendix 4D. The financial information in this trading update has not been subject to audit or review.

² All financials in this statement are presented in USD and on a pro forma basis, as explained and defined at the end of the press release. The pro forma reflects the legal structure of Recall Holdings Ltd (‘REC’) as at 18 December 2013, the effective date of the demerger from Brambles Ltd. It includes Recall Singapore as a JV contribution for the four month period to 31 October 2013 and at 100% thereafter. The pro forma also adjusts for standalone costs, demerger costs, Brambles corporate charges and other one off or significant items.

³ Period on period percentage growth rates are based on constant currency as defined at the end of the press release.

impact of the Singapore acquisition. Our more mature market of Australia/New Zealand delivered revenue growth of 1.4%, and revenue growth in the Americas of 1.7% was impacted by Secure Destruction Services.”

He added, “Our core Document Management Services business was up 7.7% in constant currency, which was driven by increasing carton holdings of 2.6% to 108.1 million and price, as well as increased revenue from activity and digital services. Our Data Protection Services revenue also grew by 7.7%. Sales revenue growth was impacted by weaker results from our Secure Destruction Services business, due to reduced service revenues, the impact of re-pricing a major customer and reduced paper prices.”

	Actual	Constant currency		
	1H 14	1H 14	1H13	% change
Revenue	405.5	421.0	403.6	4.3%
By Region				
ANZ	101.6	114.5	112.9	1.4%
Americas	172.4	177.1	174.2	1.7%
Europe	106.8	103.7	97.8	6.0%
Asia	24.7	25.7	18.7	37.4%
Total	405.5	421.0	403.6	4.3%
<i>Total ex-Singapore</i>	<i>399.8</i>	<i>415.1</i>	<i>403.6</i>	<i>2.8%</i>
By Service Line				
DMS	309.1	320.7	297.9	7.7%
DPS	42.8	44.8	41.6	7.7%
SDS	53.6	55.5	64.1	-13.4%
Total	405.5	421.0	403.6	4.3%

The major headwind to otherwise strong revenue growth was experienced in the SDS business, where revenue was down 13.4% (-\$8.6 million) in constant currency, which was predominantly experienced in North America. The SDS business in Australia/New Zealand continued to perform well. Of the \$8.6 million reduction, \$1.1 million was attributable to declining paper prices (down 9% to U.S.\$166/tonne) and the balance of \$7.5 million to a reduction in service revenue. The reduction in service revenue was due to certain events that positively impacted the prior comparable period, in particular, the finalisation of a major contract in the prior comparable period (September 2012) that had material one-off service revenues, and the re-pricing of a major contract in Q3 FY2013. These changes were effected in FY2013, and consequently, their impact will continue to be felt through H2 FY2014, although to a lesser extent.

Pro-forma underlying profit was down \$0.5m (-0.7%) in constant currency. A certain level of re-investment has been required to support revenue growth, to replenish prior year cost-outs and to establish a sustainable cost base as an independent entity, which will be largely completed this year. The key stand-alone roles have now been filled, and management is pleased that the focus on the demerger is behind us.

Capex for the period was \$42.3 million, which included \$11.7 million on a new flagship facility in Northeast USA, replacing the Landover facility which was damaged by a partial roof collapse in June 2012. The new facility has increased capacity by 0.5 million cartons.

Recall completed two small bolt-on acquisitions in December 2013. Both were predominately in the DMS service line, with one located in the USA and the other in the UK, and have combined annualised revenue of approximately \$5m. These acquisitions will be accretive to Recall earnings per share in FY2014.

Key Priorities

The acceleration of organic growth in Recall's core business requires re-investment in sales and marketing, which had been reduced under previous cost reduction programs. Detailed growth plans are being implemented by country, service line and industry vertical to drive increased penetration of the unvented market and increase cross-selling of services and solutions. The investment required will be substantially complete in FY2014.

The implementation of a more rigorous capacity planning process, including a project to evaluate facility consolidation opportunities, will over time improve utilisation rates of facilities, generate incremental returns and reduce capex as a percentage of revenue.

An operational plan to improve the performance of SDS in North America is being implemented, and the German SDS business is being reviewed.

The completion of two small acquisitions demonstrates a commitment to acquisition-led growth. The focus will be on bolt-on opportunities in existing service lines and markets that provide operational and administrative synergies. Once integrated, these will deliver incremental margins and be accretive to earnings per share.

Outlook

Based on Recall's performance in the first half of FY2014 and the current pipeline, Recall expects to deliver FY2014 pro forma revenue⁴ growth, approaching mid-single digits. FY2014 pro forma underlying profit growth⁵ is expected to be slightly less than revenue growth, due to investment required in overhead to support revenue growth, to replenish prior year cost-outs and to establish a sustainable cost base, which will be largely completed this year.

Recall expects H2 FY2014 to be stronger than H1, and growth in DMS and DPS to be partially offset by SDS North America.

The Recall Board intends to initially target a dividend payout ratio of at least 60% of net profit after tax, and for the first dividend to be paid October 2014, based on earnings for the six month period to 30 June 2014. Recall expects to frank dividends to the extent practicable, however, it is not anticipated that dividends will be franked prior to FY2015.

Recall's outlook is based on assumptions regarding present and future business strategies and the environment in which Recall will operate in the future. Recall's future results are subject to market conditions and unforeseen circumstances and risks.

⁴ Pro forma as defined and in constant currency

⁵ Pro forma as defined and in constant currency

For information about investing in Recall, please visit recall.com.

For further information, please contact:

Bill Frith
Senior Director, Investor Relations
Bill.Frith@recall.com
+61 2 9582 0244

About Recall

Recall is a global leader in information management solutions, offering customers complete management of its physical and digital information assets with one partner. Recall's innovative solutions empower organizations to make better business decisions throughout the information lifecycle, while keeping regulatory compliance and eliminating unnecessary resources, time and costs. Recall services more than 80,000 customer accounts in more than 300 dedicated operation centers, spanning five continents in over 20 countries. For more information, please visit recall.com.

ⁱ Pro forma performance reflects the legal entity structure of Recall Holdings Limited ('REC') as at 18 December 2013, the effective date of the demerger from Brambles Limited, being in existence for the six month period to 31 December 2013. Due to corporate restructuring leading up to demerger, not all of REC's subsidiary companies were part of REC for the entire six month period to 31 December. As such, REC's statutory reported results will differ from the consolidated pro forma results of the REC group.

Recall Singapore is reported as a JV contribution for the period to October 31 2013, and at 100% thereafter. Recall Singapore is reflected in the PCP to 31 December 2012 as JV contribution only. Recall Singapore became a 100% owned entity on October 31, 2013.

Pro forma underlying profit is also adjusted for Brambles corporate charges, demerger costs, pro forma standalone expenses and other one-off or significant items.

ⁱⁱ Constant currency results are presented by translating both current and prior corresponding period (PCP) foreign currency results into US dollars at the exchange rates applicable in the comparable period, so as to show relative performance between the two periods before the translation impact of currency fluctuations.