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**MEDIA & ASX ANNOUNCEMENT** **18 August 2016**

# SAI Delivers Stronger Results

- ***NPAT of $53.1m up from $39.3m in FY15, an increase of 35.1%***
- ***EBITDA of $123.9m, an increase of 19.7% on FY15***
- ***Underlying NPAT of $58.6m, an increase of 5.3% on FY15***
- ***Underlying EBITDA of $131.3m, an increase of 4.0% on FY15***
- ***Increased fully franked dividend of 17 cents***
- ***New regional operating model in place from 1 July 2015***
- ***Integrated sales and marketing strategy implemented and beginning to yield results***

**Sydney, Australia, 18 August 2016. SAI Global Limited (ASX: SAI) today announced a statutory net profit after tax attributable to shareholders of $53.1 million, up 35.1% from $39.3 million in the previous corresponding period (pcp). Underlying net profit, excluding significant items, was $58.6 million, an increase of 5.3% over the pcp.**

Reduced significant items in FY16 ($7.5m compared to $22.8m in FY15), has resulted in a closer alignment of statutory and underlying EBITDA and NPAT. Excluding significant items, underlying EBITDA for the year increased 4.0% to $131.3 million while "statutory" EBITDA grew 19.7% to 123.9 million. Revenue grew 4.1% to $570.2 million.

The directors have declared a final dividend of 9.5 cents per share fully franked, compared to 9.0 cents per share, partly franked in the pcp. The dividend will be paid on 23rd September 2016 and the record date is 31st August 2016.

Chief Executive Officer, Mr Peter Mullins, said: "This has been a busy but challenging year for SAI. We have been working consistently to finalise and consolidate the major change program that has been underway at the company. In our Risk Management Solutions business we have completed the implementation of the new operating structure. As a result of this work we saw momentum building in the final quarter of the year."

"Our Property business has continued to perform exceptionally well, with increased transaction volumes driving a strong margin improvement."

"International revenue and earnings benefited from growth across all of our product portfolios, with the exception of Assurance and the class room training component of Learning." Mr Mullins said.

## Outlook for FY17

Final quarter results were encouraging and the outlook for FY17 is for growth from each product portfolio.

Internal business targets assume the Australian dollar will remain at or below current levels.

SAI is progressing the expression of interest process for the Assurance business.This is a valuable asset that has served SAI well and we will only consider a sale if a compelling offer is received. This means that SAI is in the fortunate position of being well placed with or without Assurance. In the event of a sale taking place, the Board will update the market with a revised capital management plan.

We will advise on progress at the AGM.

**END**

**Attached: Key Financials FY16 and Segmental Overview**

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Attachment to ASX & Media Announcement 18th August 2016: “SAI Delivers Stronger Growth”

## FY16 KEY FINANCIALS & Segmental Overview

## Key Financials

| $M | FY16 | FY15 | Change |
|---|---|---|---|
| **Statutory:** | | | |
| Sales revenue | **570.2** | 547.7 | 4.1% |
| EBITDA | **123.9** | 103.5 | 19.7% |
| Significant Items | **7.5** | 22.8 | (67.3%) |
| Net profit after tax | **53.1** | 39.3 | 35.1% |
| EPS | **24.9c** | 18.6c | 33.9% |
| Total dividend | **17.0c** | 16.5c | 3.0% |
| **Underlying[1]:** | | | |
| EBITDA | **131.3** | 126.3 | 4.0% |
| Net profit after tax | **58.6** | 55.6 | 5.3% |
| EPS | **27.6c** | 26.3c | 4.9% |

1. The underlying basis is an unaudited non-IFRS measure that, in the opinion of the Directors, is useful in understanding and apprising the Company's underlying performance. The underlying basis excludes significant charges associated with impairment charges, acquiring and integrating new businesses, and costs associated with any significant restructuring within the business. Ernst & Young, the Company's auditor, have undertaken procedures to confirm that the information used and presented by the Directors in determining the underlying results is consistent with the Company's financial records and also applied on a comparatively consistent basis.

## Segmental Operating Performance

### Risk Management Solutions

| $M | FY16 | FY15 | Change |
|---|---|---|---|
| **Revenue** | **397.8** | 378.0 | 5.2% |
| **EBITDA** | **115.7** | 113.4 | 2.0% |
| **EBITDA Margin (%)** | **29.1%** | 30.0% | (0.9%) |

The new Risk Management Solutions division is managed on a regional basis; Asia Pacific (APAC), the Americas (AMER), and Europe, Middle East and Africa (EMEA). This business reported revenue of $397.8M, up 5.2% and an increase in EBITDA from $113.4M to $115.7M.

### APAC

| $M | FY16 | FY15 | Change |
|---|---|---|---|
| **Revenue** | **151.6** | 152.4 | (0.5%) |
| **EBITDA** | **56.6** | 54.9 | 3.0% |
| **EBITDA Margin (%)** | **37.4%** | 36.1% | 1.3% |

Notwithstanding an improved second half performance, the APAC region reported a decline in revenue of 0.5% (1.3% in constant currency terms) to $151.6M, from $152.4M in FY15. EBITDA increased by 3.0% from $54.9M to $56.6M with EBITDA margins expanding to 37.4% from 36.1% in the prior corresponding period.

The APAC region has been through significant change over the past 12 months as the new operating structure was successfully implemented. The comprehensive change impacted results from the business, particularly in the first half. The main area of weakness was in Assurance products, with a decline in business in China and Indonesia and the loss of some smaller clients in Australia. As the new structure was settled and additional personnel together with improved processes, training and staff development were introduced, the region began to experience a notable improvement in performance during the final quarter of the year. Revenue in the final quarter of FY16 was 10% above the first quarter of FY16, with all portfolios showing improvement.

Food auditing revenue in the final quarter of FY16 was the strongest result since the first quarter of FY15. A new contract with Woolworths is expected to drive further growth in FY17.

The APAC region achieved constant currency product revenue changes as follows:

- 4.5% increase in Risk Software from $11.8 million to $12.4 million.
- 6.7% decline in Learning from $10.9 million to $10.2 million
- 4.9% decline in Assurance from $73.5 million to $69.9 million.
- 3.3% increase in Knowledge from $56.2 million to $58.0 million.

**EMEA**

| **$M** | **FY16** | FY15 | Change |
|---|---|---|---|
| **Revenue** | **81.0** | 80.3 | 0.8% |
| **EBITDA** | **3.9** | 10.8 | (63.9%) |
| **EBITDA Margin (%)** | **4.8%** | 13.4% | (8.6%) |

The EMEA region reported revenue growth of 0.8% to $81.0M, up from 80.3M in the prior corresponding period, which includes the impact of the weaker Australian dollar. On a constant currency basis revenue declined 4.1%. EBITDA declined from $10.8M in FY15 to $3.9M in FY16, reflecting the loss of some high margin business, costs of undertaking an improvement programme for Assurance, plus investments in recruitment and upskilling across the region.

Overall the region had a challenging year in Assurance. Pleasingly, Risk Software, Learning and Knowledge portfolios all achieved revenue growth.

New business increased across all products which will underpin revenue growth into FY17. This is particularly the case in Assurance where the delay between winning a contract and delivery, especially in the "quick service" restaurant sector, means that a substantial portion of revenue from new business won in FY16 will be recognised in FY17.

The challenges in Assurance have largely been addressed and should not have a detrimental impact on the performance in FY17. The nature of those issues and, where possible, the measures taken to remedy them are as follows:

- The loss of two large customers due to the customers taking audits in-house and moving from a decentralised to a centralised audit programme.
- Lower than expected retention rates for smaller customers due to operational service delivery shortfalls which have been overcome through improved service quality and operational processes.
- Structural changes in the non-core Italian inspection business.

The significant investment, focus and effort in re-engineering audit delivery in EMEA has created a vastly improved support function. These improvements have resulted in positive feedback from the "Voice of the Customer" program. The change in audit delivery has been far-reaching and some of the key actions undertaken include: closing down small offices in Europe to create centres of excellence in Madrid and Warsaw; reorganising team structures within SAI's audit team; rolling out a common IT platform for food audits; establishing more effective training programmes; introducing better performance measures and metrics; and recruiting additional skilled personnel. These broad-reaching changes to improve operational effectiveness are expected to precipitate growth in the EMEA region in FY17.

The EMEA region achieved constant currency product revenue changes as follows:

- 4.6% increase in Risk Software from GBP801K to GBP838K.
- 1.9% increase in Learning from GBP5.8 million to GBP6.0 million
- 9.5% decline in Assurance from GBP26.3 million to GBP23.8 million.
- 6.3% increase in Knowledge from GBP9.5 million to GBP10.1 million.

**AMERICAS**

| **$M** | **FY16** | FY15 | Change |
|---|---|---|---|
| **Revenue** | **171.3** | 149.0 | 14.9% |
| **EBITDA** | **55.2** | 47.7 | 15.8% |
| **EBITDA Margin (%)** | **32.2%** | 32.0% | 0.2% |

The Americas region achieved revenue growth of 14.9% (2.6% in constant currency terms) and EBITDA growth of 15.8% (3.4% in constant currency terms). EBITDA margins increased slightly to 32.2%, up from 32.0% in the prior corresponding period.

Consistent with the APAC and EMEA regions, the Americas also went through significant change in FY16. A comprehensive training program for customer facing resources was undertaken to facilitate the integrated selling of the Company's entire range of risk management solutions.

Operational effectiveness has improved throughout the year and the savings generated in the back office have enabled larger investments in the Commercial team.

In spite of all the change, the region has continued to win new customers and, importantly, retain existing customers. Customer retention has improved across all portfolios and is now at an all-time high in Assurance. Feedback we are receiving from our "Voice of the Customer" indicates that our personnel are meeting the needs of customers, although there is room for continued improvement.

The Americas region achieved constant currency product revenue growth as follows:

- 8.7% increase in Risk Software from US$26.7 million to US$29.0 million.
- 0.4% increase in Learning from US$41.4 million to US$41.6 million
- 1.3% increase in Assurance from US$50.4 million to US$51.0 million.
- 1.6% increase in Knowledge from US$5.5 million to US$5.6 million.

**Property Services**

| **$M** | **FY16** | FY15 | **Change** |
|---|---|---|---|
| **Revenue** | **172.3** | 169.7 | **1.6%** |
| **"Net" revenue** | **89.1** | 83.9 | **6.1%** |
| **EBITDA** | **34.1** | 28.7 | **18.7%** |
| **EBITDA Margin (%)** | **19.8%** | 16.9% | **2.9%** |

SAI Global's Property Services division achieved revenue growth of 1.6% (6.1% in "net revenue" if the authority fee component of revenue is excluded) and EBITDA growth of 18.7%. EBITDA margins increased from 16.9% to 19.8% compared to the previous corresponding period.

The business provides two core areas of services: business process outsourcing (BPO), and information broking and data services.

This year's strong performance was driven by growth in existing BPO client mandates; growth in new commercial information products; and the contribution in the second half from new client NAB Broker and continued efficiency initiatives in our national operations group.

The BPO business was involved in 614,000 advances and discharges relating to property settlements which resulted in revenue increasing 6.8% from $61.4 million to $64.5 million. The Information Broking business experienced a 4.6% increase in net revenue from $23.5 million to $24.5 million. Net revenue excludes the authority fee component of revenue.

**ENDS**