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UXC Limited (ASX: UXC) recently reported underlying NPAT of \$18.85 million for the year ending June 2009 down 28.8 percent from the previous year. Second half NPAT was \$13.1 million compared with \$5.7 million in the first half. Is the second half result indicative of earnings in the current year ending June 2010?

Executive Chairman Geoff Lord

We see the first half of FY09 as an aberration. We experienced reductions in our pipeline and revenue base during the global financial crisis but didn't keep up in reducing our cost base. We believe the second half represents a return to normality. We believe we've now got our cost base right and even though there may still be a degree of uncertainty in the markets, we'd expect to continue our growth trajectory from the second half.

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Revenue was \$384.3 million in the second half, 16.2 percent higher than the first half, while EBITDAC was \$31.5 million in the second half up 66.8 percent compared with the first half. You've attributed this to cost cutting and restructuring. What scope is there to reduce costs further if business conditions continue to deteriorate or start to improve?

Executive Chairman Geoff Lord

Regardless of whether the general business environment continues to deteriorate, we have scope to reduce our costs further and are doing that. The cost cuts that

helped improve our second half result were by and large the quick and easy ones. The more structural cost cutting we're currently doing will take longer but will also deliver better earnings and margins. This includes further consolidation of many of our back office functions, by putting certain business units onto standard systems and delivery platforms where it makes sense to do so, in order to realise additional, long term cost and scale benefits. That's underway in both our Field Solutions Group and Business Solutions Group. For instance, in the Business Solutions Group, we are putting several business units onto the UXC Getronics platform, which leverages the infrastructure investment we made in conjunction with our acquisition of Getronics.

We're focused on our utilisation, and being more flexible and adaptable at ensuring we're protecting our margins, rather than holding costs and hoping that things improve. We're confident we'll do a good job at managing our cost base.

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You expect revenue to be close to \$800 million for FY10 implying revenue growth of 11.9 percent from FY09. What assumptions have you made for this revenue guidance?

Executive Chairman Geoff Lord

We'll have a full 12-month contribution from Ingena which we acquired in December 2008 and from the solar hot water program that started in the second half of FY09. Both of these only made a contribution to the second half of FY09. We'll also have contributions from brand new programs such as the EnviroSaver Home Health Check energy assessment program, and our insulation program that takes advantage of the budget stimulus package.

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Second-half operating cash flow was \$23.7 million compared with a cash outflow of \$8 million in the first half. To what extent has cash flow been impacted by delays in government audit of the carbon abatement and renewable energy certificates and how will this affect working capital in FY10?

Executive Chairman Geoff Lord

We hope to get a better cash to cash cycle on these in the future and we're working with the relevant authorities to help that. The good news is that while there's still a long lead time between generating our carbon abatement and renewable energy entitlements and getting paid for them, the abatement programs are becoming a lesser component of our overall working capital and overall revenue. So there should be a decreasing effect on working capital.

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Net debt was \$57.7 million at the end of June 2009 down from \$82.8 million six months earlier. What is the trend for debt in the current year ending June 2010? What capacity do you have for further acquisitive growth?

Executive Chairman Geoff Lord

We'll continue to pay our debt down in accordance with our normal amortisation schedule, although that may be offset by new drawings for acquisitions or for

working capital to support our growth. Our facilities were just renewed with the bank, along with some new facilities. Acquisitions are always part of our strategy, but always in the context of creating shareholder value.

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The debt facilities were renewed in August for three years to August 2012. How much head room do you have within your existing and new facilities and how have the terms of the debt facilities changed?

Executive Chairman Geoff Lord

We have the headroom we need to implement our plans. The terms haven't changed much at all and we have a very good relationship with our bankers. We've seen an increase in our borrowing margins, but that's been in the normal course of business not as a result of renewing our facilities.

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EBITDA from Business Solutions Group was \$28.7 million down 21 percent from the previous year. EBITDA to sales margin was 6.5 percent down 2.5 percent, what plans do you have to improve this margin going forward?

Executive Chairman Geoff Lord

A large contributor to an improvement in our margins will be the fundamental change we're targeting in our cost base through adopting common back office platforms and standardising our systems, which I talked about before. Utilisation is another big factor: when you carry a "bench" it affects your margins. In the first half of FY09, we didn't do as well as we would like to in managing scope creep, so being able to manage and deliver projects better as a result of the changes we have made will have a positive impact on our margins as well.

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You acquired Ingena Group Limited in December 2008 and formed the Professional Services Group around Ingena. How is this business performing versus expectations? What is the expected contribution from this business in FY10?

Executive Chairman Geoff Lord

We're pleased with Ingena's performance. When we started negotiating the purchase, Ingena had a forecast in the market which we thought was pretty bold, especially in the difficult economic conditions. Ingena met that forecast in FY09 despite the economic conditions, which is a stellar performance from our point of view. It's definitely performed in line with our expectations.

Ingena was an off-market take-over bid for a public company. Even in that structure, we were able to keep some risk with the vendors, in terms of an earn-out. They've achieved their earn-out for FY09, so that's good for both sets of shareholders.

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EBITDA to sales margin for Field Solutions Group was 7 percent down 3 percent in FY09. You mentioned that you have a number of emerging opportunities namely in the environmental division of the Field Solutions Group. Will the earnings contribution from these opportunities improve margins in FY10?

Executive Chairman Geoff Lord

We expect they will. For instance, our solar hot water program started from nil in the second half of FY09. When you start a new business like that, you incur up-front establishment costs and so forth before you achieve critical mass. This year we'll have the program running at greater volumes over the full year and those margins should improve.

As we get better at running those programs, we should be more efficient in our delivery and our margins should improve. Other new programs we're doing in environmental, for example the insulation program and the EnviroSaver Home Health Check Energy assessments, should also help to improve our margin.

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You announced a fully franked final dividend of 3.5 cents per share. What is the outlook for dividends in the current year?

Executive Chairman Geoff Lord

Even though we did poorly in the first half, we still found a way to make a distribution to our shareholders. That's important to our shareholders and we acknowledge that. The 1 for 10 bonus options we issued in lieu of our interim dividend had a strike price of 45 cents. Today that dividend is worth more than 4 cents a share. We were innovative to be able to deliver some value to shareholders that way.

Going forward, we hope it will be back to business as usual. We have a policy of paying fully franked dividends as earnings allow. Creation of shareholder wealth is a major focus for us, a key element of what this business is about and so the dividend stream is part of it. As earnings increase and we continue on our growth trajectory, our dividends will increase as well.

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Thank you Geoff.

For more information about UXC Limited, visit www.uxc.com.au or contact Geoff Lord on 03 9941-3100 or Mark Hubbard, UXC Finance Director / Company Secretary, on 03 9224-5777.

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