

# 3 Year Business Plan

February 2007

The Verticon Group provides construction services and equipment hire to the building industry through a variety of projects in the high-rise, large commercial, residential and engineering sectors.



# Business Plan 2007-2010

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- » Introduction
- » Asset Analysis
- » Organisation Analysis
- » Market Analysis
- » Outlook
- » Action Plan
- » Conclusion



# Introduction

- » Since listing in 2004, Verticon has undergone a period of significant stress
- » Businesses and assets acquired as part of the original formation of the Verticon Group, and subsequently acquired, have not performed to expectation
- » Tower cranes were considered highest profit margin segment of the crane industry at IPO – not now
- » Operating margins have been reduced
- » Significant debt is draining profits via interest payments
- » Management in some regions has performed below reasonable expectations
- » It is apparent that the business has grown by way of acquisitions, creating a “satellite” structure, thereby minimising the potential efficiency and effectiveness of a consolidated group
- » The result for Verticon has been a rerating of the value of the company by the market, and confusion as to Verticon’s brand recognition



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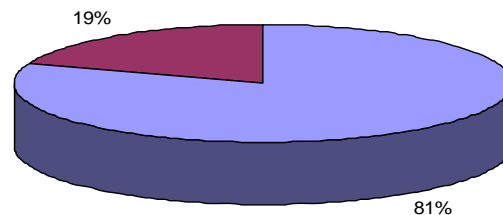
# Asset Analysis



# Fleet Analysis

<b>ALL ASSETS</b>	QLD	VIC	NSW	NZ	Total
Tower Crane	70	7	14	20	111
Hoist	32		13	3	48
Mobile Crane	2	2		11	15
Crawler Crane				17	17
<i>Total</i>	<i>104</i>	<i>9</i>	<i>27</i>	<i>51</i>	<i>191</i>
<b>READILY HIRABLE ASSETS</b>	QLD	VIC	NSW	NZ	Total
Tower Crane	55	4	12	18	89
Hoist	21		13	3	37
Mobile Crane				11	11
Crawler Crane				17	17
<i>Total</i>	<i>76</i>	<i>4</i>	<i>25</i>	<i>49</i>	<i>154</i>
<b>READILY HIRABLE %</b>	QLD	VIC	NSW	NZ	Total
Tower Crane	76%	54%	79%	90%	76%
Hoist	62%		62%	100%	64%
Mobile Crane	0%	0%		100%	73%
Crawler Crane				100%	100%
<i>Total</i>	<i>73%</i>	<i>44%</i>	<i>93%</i>	<i>96%</i>	<i>81%</i>

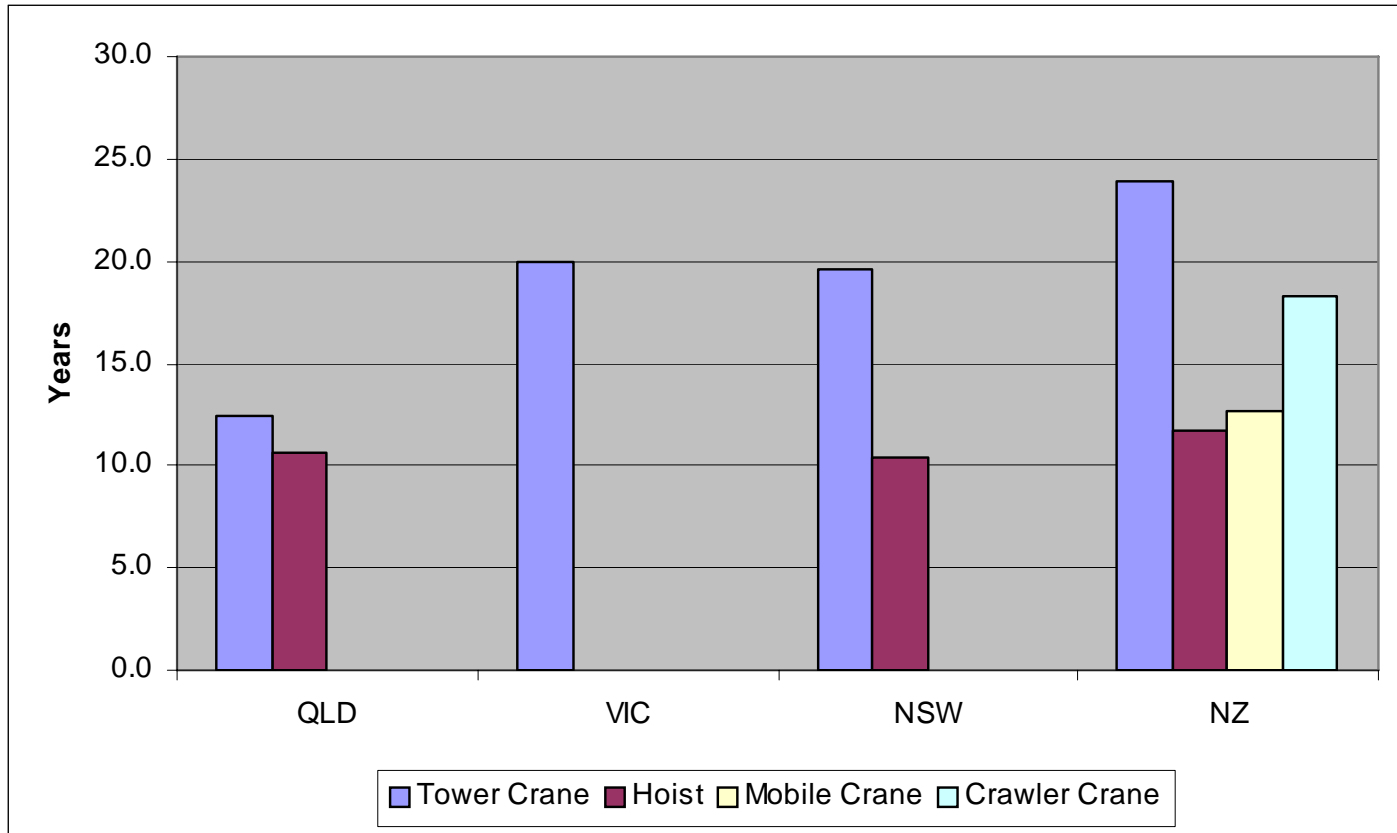
» Surplus assets have been identified for disposal, the proceeds of which will be used to retire debt



■ Readily Hirable ■ Other Assets



# Average Useful Life



# The Key is Utilisation

- » From a current utilisation of between 40% and 80%

<b>UTILISATION CURRENT (ALL)</b>	QLD	VIC	NSW	NZ
Tower Crane	50%	40%	75%	70%
Hoist	65%	0%	50%	70%
Mobile Crane	0%	0%	0%	75%
Crawler Crane	0%	0%	0%	80%

- » We will improve utilisation to 85% across the entire fleet by 2010, by undertaking a comprehensive fleet revitalisation, involving strategic disposals and acquisitions, and a focus on maximising utilisation using cross-border efficiencies
- » This would represent a potential direct benefit to EBITDA of \$3.5m



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# Organisation Analysis





# Organisation Analysis

- » Organisation currently encumbered by legacy structures
- » Verticon has not yet exploited the efficiencies of the National structure
  - Geographical locations continuing to operate as separate businesses
- » Need to align organisation structure to business model
- » Need to establish a succession plan for key positions



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# Market Analysis



# Trends

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- » Melbourne construction market soft but expected to grow post 2007
- » Lower margins in QLD due to influx of cross-border suppliers
- » NSW markets in current downturn
- » NZ market holding



# Customer Consultation

- » We surveyed a number of customers to determine Verticon's position relative to the market:

## Victoria

- » Strong growth expected '07 onwards
- » 20-30 projects >\$100m
- » Trend to more larger cranes because of new building techniques and high rise projects
- » Invest in new technology & focus on technical support

## NSW

- » Very weak market
- » Waiting for state government to show lead on infrastructure spend
- » Should align fleet with expected growth in 09
- » Price is by far most important consideration

## Queensland

- » Strong market, very disbursed geographically
- » Price is a strong market driver
- » Safety, work practices and continuity of service are critical – would pay more for guarantee of no disruptions
- » Would use other if any choice



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# Outlook



# Outlook

- » Strong Australia-New Zealand presence (assets, people, market)
- » Opportunity for consolidation
- » Exploit efficiencies of National fleet, workforce
- » Utilise strong market position in key markets, e.g. hoists (NSW, QLD)
- » Major markets coming off a low point
- » Strong demand forecast in Melbourne in 2008 onwards
- » NSW market expected to grow post-election
- » Strong reputation, presence in key growth markets, e.g. NZ wind power
- » Focus on high utilisation, high margin assets
- » Opportunity to consider strategic initiatives re management, logistics, funding



# Risks & Mitigation Strategy

RISKS	MITIGATION STRATEGY
<b>ASSET RISKS</b>	
Low utilisation of the asset base, due to scheduling and/or hirability.	Ongoing inventory audits and revitalisation to ensure a strong match between the asset base and customer requirements. Maintain intimate relationship with suppliers and customers via strategic positioning (e.g. Comedil crane distributorship, Vertilift-GJJ hoist agency)
Increased maintenance costs	Ongoing turnover of asset inventory to ensure young assets.
Problems with reliability/safety	Refresh and continually reassess asset inventory.
<b>ORGANISATION RISKS</b>	
Tenure of former vendors	Actively seek recruits at senior levels in all states, in combination with centralisation or establishment of "Centres of Excellence".
Problems with safety and work practices	Establish quality and safety system utilising well documented and audited work practices.
Efficiencies associated with National Group not achieved	Corporate and regional functions to be reviewed consistent with integrated national organisation structure.
<b>MARKET RISKS</b>	
Increased competition in regions/sectors	Establish strong nationwide brand and reputation for reliability, quality and safety.
Insufficient resources (assets and skilled labour) to fulfill anticipated future demand	Capital expenditure in accordance with business cases supported by firm research and market intelligence.



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# Action Plan





# Action Plan - Objectives

- » Asset Plans
  - Increase utilisation
  - Rationalise fleet to dispose of unhirable assets
  - Decrease debt through asset rationalisation, cash generation
  - Strategic asset acquisitions and disposals to align to future business/construction methods
- » Organisation Plans
  - Comprehensive review of all overheads
  - Exploit efficiencies of National structure
  - Align organisation to business model
- » Market Plans
  - Consider change of business focus to high margin businesses, e.g. hoists
  - Operate better in fewer markets



# Action Plan - Timetable

Deadline	Task	Purpose
April 2007	Implement tight financial forecasting systems	To enable more reliable future information to be released to the market
June 2007	Establish meaningful Key Performance Indicators based on measurement of assets, organisation and market performance	To enable meaningful internal management and measurement of the performance of the company by key stakeholders
December 2007	Sell off surplus assets	To release cash for debt and to establish a more efficient operating asset base
June 2007	One-on-one discussions with customers and major shareholders	To pursue a strategy of open communication with stakeholders
Ongoing	Acquire assets in alignment with future market needs	To establish an asset base which will continue to be hireable to a maximum level
June 2007	Undertake cost and business review	To achieve an efficient, cost-effective business, thereby maximising return to shareholders
June 2007	Realign organisation structure based on National integrated model	To achieve the National integrated model proposed in the IPO
June 2007	Relocate key executives to business "hot points" to establish physical management presence	To address significant regional issues and to gain a strong understanding of any geographic nuances within the business
June 2007	Implement quality work practices and processes, including OH&S	To establish Verticon as a leader in Quality systems and work practices



# Conclusion

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The business plan for Verticon to 2010 reflects a recognition of our current position and an understanding of the opportunities ahead, with a firm action plan for exploiting these opportunities for the benefit of the company and our shareholders.

