

2017

Annual General Meeting Presentation

INNOVATION | EXCELLENCE | GROWTH

31 October 2017

 **SAUNDERS**
INTERNATIONAL

| BOARD OF DIRECTORS & KEY MANAGEMENT



TIM BURNETT
Chairman



MARK BENSON
Managing Director / Chief Executive Officer



GREG FLETCHER
Non-Executive Director



MALCOM McCOMAS
Non-Executive Director



ROBERT PATTERSON
General Manager - Engineering Construction



IAN McLOUGHLIN
General Manager - Asset Services



DAVID GRIFFITHS
General Manager - Commercial



JONATHON BROMILOW
General Manager - Civilbuild

| CHAIRMAN'S ADDRESS



MR TIMOTHY BURNETT
Chairman



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I would like to take this opportunity to thank you as fellow shareholders for your continued support of Saunders during this past year.

The 12 months since the 2016 AGM has seen some significant developments and initiatives which I expect to deliver lasting positive outcomes for the Company.

The acquisition of the Civilbuild assets and business was completed on 31 March 2017 for a consideration of \$6.6 million including earnout. Civilbuild is a Newcastle based civil engineering business, established in 1969 and it specialises in the design and construction of road and rail bridges and associated precast concrete components.

We welcome to Saunders approximately 40 employees including engineers, project managers and construction personnel and look forward to the positive contributions that they and the Civilbuild business will make to Saunders going forward.

Civilbuild is accredited, very experienced and well located to participate in the projected ongoing growth in new road and rail infrastructure projects in NSW. Over time, it is our plan to geographically expand Civilbuild's capability of bridge design, construction and maintenance to other prospective markets.

During the last 12 months, Saunders has established its capability to operate in PNG including setting up a wholly owned subsidiary there and is now performing two tank construction projects. PNG has a sizeable base of existing oil & gas and mining infrastructure and there is a range of prospective new projects and we expect PNG to provide an ongoing source of earnings into the future.

In early September of this year, Saunders announced a capital raising via a placement and a rights issue. The capital raising was successfully completed earlier this month. The Company raised approx. \$8.0 million after costs and issued approx. 17.1 million new shares.

The capital raising will enable the Company to hold the cash reserves required for its ongoing initiatives over the medium term as more fully detailed in the CEO's presentation to follow.

We were very pleased with the breadth and depth of support from our existing shareholders for the capital raising and we also welcome some significant new institutional shareholders to our share register.

CHAIRMAN'S ADDRESS (continued)

Mark Benson, who was appointed CEO and Managing Director two years ago, has been instrumental in developing the foundations and strategic objectives for future growth and the management team to achieve this. When considering these objectives and the Civilbuild acquisition and the recent capital raising, Saunders decided to create the new management role of CFO and has recently appointed Rudy Sheriff to this position. We welcome him to Saunders and we look forward to his contributions to the management team's efforts.

The financial results for Saunders for the year to 30 June 2017 were disappointing. The revenue was \$45.8 million, including a 3 month contribution of \$5 million from Civilbuild. The net profit after tax was \$1.4 million after some positive adjustments resulting from the Civilbuild acquisition. This profit result is a 50% reduction on the prior year, caused principally by lack of revenue growth in tank design and construction and competitive pressure on margins which over shadowed the strong profit contribution from our maintenance activities.

The total dividend for the year was 2 cents per share fully franked. The company has ended the year in a strong financial position which has since been bolstered by the funds from the recent capital raising.

Mark Benson will expand on the FY17 financial result in more detail in his address.

Our strong safety culture and robust management systems have seen us continue to deliver great safety outcomes. TIFR was down this year by 19% on top of prior 2 year reductions of 32% and 50%. The alignment and integration of Civilbuild with Saunders safety culture, systems and expectations has been a priority. I wish to commend all the managers and employees across the whole Saunders Group for their focus and efforts during the whole of this year.

In conclusion, I wish to thank my fellow directors and on behalf of the board, I wish to thank all the Company's employees for their efforts during the past year.

| MANAGING DIRECTOR'S ADDRESS



**ENGINEERING
CONSTRUCTION**



**ASSET
SERVICES**



CIVILBUILD



Construction



Tank Maintenance



Bridge Construction & Maintenance



Structural Mechanical Piping



Wharf Repairs



Tank & Civil Construction



Fabrication



Concrete Repairs



Precast Manufacture



**SAUNDERS
INTERNATIONAL**



MARK BENSON
Managing Director /
Chief Executive Officer

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I would like to join Tim and extend a warm welcome to the Saunders International shareholders.

The 2016/17 financial year was challenging with demand for engineering construction in the resources and energy sector continuing to decline and customers remaining focused on cost reduction which resulted in a lower backlog for us at the start of the financial year. Overall, the business performed solidly with another record safety performance and good progress being made in the delivery of our market diversification and growth strategy's. Throughout the year we had further success with our entry into Structural Mechanical Piping services with several contract wins adding extra revenue to our tank projects.

Conditions in the maintenance services market continued to be stable and our strong position in this market has enabled us to capitalise on a number of strategic opportunities.

The year also saw a landmark achievement in Saunders history with the acquisition of the Newcastle company Civilbuild.

Saunders Sustainability

Creating and sustaining positive engagement with customers, employees and the community is fundamental to our ability to deliver positive results for our shareholders.



A continued focus on safety leadership, culture and behaviour underlies the Company's commitment to continuous improvement in this critical area. Our total workforce at 30 June 2017 was slightly up on 2016 at approximately 185 employees. Lower engineering construction numbers at the beginning of the financial year were offset by increasing activity levels in maintenance services and the addition of approximately 40 employees at Civilbuild towards the end of the year.

Safety is our prime commitment. Whilst we have achieved a third consecutive year without a Lost Time Injury, we retain a focus on eliminating risks in everything we do. This year we undertook a major initiative to improve engagement at our daily pre-start and toolbox meetings, and worked with an external consultant to provide small group and individual coaching for our supervisors.

Winning two major contracts in PNG and the creation of Saunders (PNG) Limited has given us the opportunity to engage with local personnel either directly or as subcontractors. This is a process that both creates opportunities for PNG nationals to learn from Saunders experience and expertise, whilst Saunders Australian personnel gain exposure to another culture that will stand us in good stead as we grow our international business.

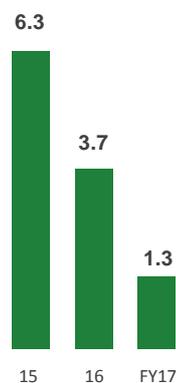
We continued to refine and implement changes in the Company's support structure, as part of an initiative to improve the efficiency in delivery of business and project services, and to support a more diversified business. As announced on the ASX platform we welcome Rudy Sheriff to the new company role of CFO.

Operating Results

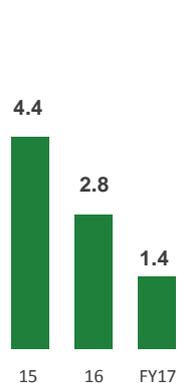
Revenue - \$M
FY



NPBT - \$M
FY



NPAT - \$M
FY



This financial year has seen both Revenue and EBIT below budget and the continued squeeze on margins due to competition. During these challenging times, the company has continued with restructure and growth initiatives that will put us in good shape to capitalise on opportunities as the market improves. We have a reasonably fixed overhead structure and while we have made saving where possible, the company did not make cuts that would be counter productive to future capability and growth.

Our operating results for FY17:

Revenue for the year \$45.8 million

Net profit before tax \$1.3 million

Net profit after tax \$1.4 million

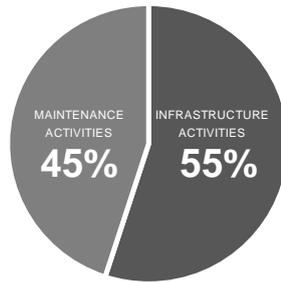
Full year dividend of 2 cents

Civilbuild contributed approximately \$5 million of revenue

Our Business

Our strong order book is evidence that our **diversification strategy** is on track through acquisition and organic growth.

Revenue Distribution



International Footprint



Order Book

As at 30 June 2017

\$46M

Up **88%**

Live Tender

Up **62%**

Pipeline

Up **78%**

(Compared to 30th June 2016)

We finished the year in a stronger position with our orderbook up 88% at \$46 million, live tenders up 62% and the project pipeline up 78%.

Revenue distribution was close to evenly spread at 45/55%, between maintenance activities and infrastructure construction. During the year we worked throughout Australia and incorporated Saunders (PNG) Limited, which was triggered by winning two new projects in Papua New Guinea.

FY17 Highlights



Safety TRIFR₃₆ reduced by 19% in FY17
Maintained Zero LTIFR



Acquisition of CivilBuild Business - Performing to expectations



Leveraged new CivilBuild business with first combined project with Saunders E&C group



Solid order book for FY18



Recovery in **Engineering Construction** group



Record year in Maintenance group



Geographical diversification into PNG

Some highlights for FY17 were:

Our safety total recordable injury frequency rate was reduced by 19%.

Saunders completed its first acquisition since listing on the ASX and Civilbuild has been fully integrated from an operational point. We are pleased that it is performing to our expectations.

We won our first combined project between the new Saunders Civilbuild business and our Engineering Construction Group. The project includes the construction of new tanks and Saunders Civilbuild constructing the bunds surrounding the tanks.

There was some recovery in the Engineering Construction group towards the end of the financial year with our Maintenance group making a solid contribution throughout the year.

As previously mentioned we geographically diversified into PNG.

Strategic Objectives

Engineering Construction

Asset Services

CivilBuild

New Market Sectors

Delivering to Shareholders

**“Building on our foundations
to deliver for our shareholders”**

Execution

- Continue to explore partnering opportunities with our civil business
- Vertical integration EPC / SMP contracting
- Partnering / JV to expand our capabilities to address terminal projects in the pipeline
- Expand our maintenance offering
- Expand our geographical footprint
- Develop bridge maintenance business
- Expand our geographical footprint
- Continue to pursue international opportunities with our key clients
- Growth through our existing sources of revenue and strategic acquisitions



Our strategy over the next 12 months will build on our foundations to deliver for shareholders:

- Expanding our maintenance offerings to existing clients
- Further vertical integration into Engineering Procurement Construction, and Structural Mechanical Piping contracting for our Engineering Construction group
- Sector diversity with commercial and industrial maintenance
- Consolidation of our new infrastructure business with a view of geographical scaling and bridge maintenance
- Continue to pursue international opportunities

Positioned for Growth

Order Book

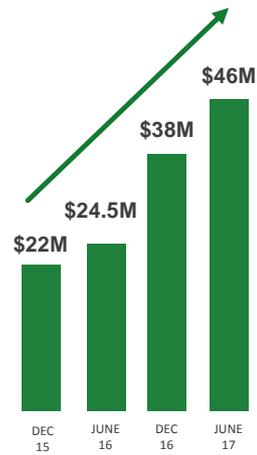


- ENGINEERING & CONSTRUCTION
- ASSET SERVICES
- CIVILBUILD

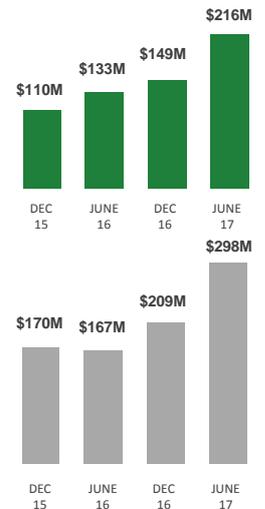
Preferred Status



Order Book



Live Tenders Pipeline



We have started this new financial year with a stronger order book, up 88% on the 12 months prior, and the pipeline of live tenders and expected project pipeline has increased.

We have preferred contractor status on approximately \$60 million worth of work, and our latest intel is that the major component of this work continues to be delayed, but we should see some movement on minor projects this financial year.

Placement Rights issue Sources and uses of funding

Replenish the cash used for the acquisition of, and provision for working capital in, the recently acquired Civilbuild Business

Approx.
\$6 million

Provide working capital for business growth

Approx.
\$1 million

Fund capital expenditure to upgrade existing plant and equipment and to facilitate the geographical expansion of the Civilbuild Business

Approx.
\$1 million

Pay the costs of the Placement and Offer

Approx.
\$0.5 million

On the 6 September this year, Saunders International Limited successfully completed a placement to institutional investors of 5.5 million new shares at \$0.50 each to raise a gross amount of \$2.75 million. The placement received strong support from existing institutional shareholders as well as new institutional and sophisticated investors.

Saunders also completed a 1 for 8 underwritten rights issue which closed on Monday 9 October 2017 and was oversubscribed. The rights issue sought to raise approximately \$5.8 million (before costs) by the issue of approximately 11.6 million new shares at \$0.50 per share.

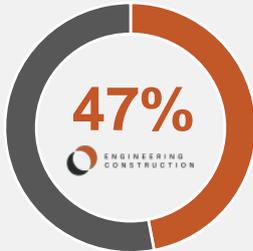
The rights issue was strongly supported by Saunders shareholders and approximately 15.4 million new shares were applied for under the shareholder entitlement offer and the top-up facility. This represents an over-subscription of approximately 33%.

Sources and use of funding was to:

- Replenish the cash used for the acquisition of, and provision for working capital in, the recently acquired Civilbuild Business
- Provide working capital for business growth
- Fund capital expenditure to upgrade existing plant and equipment and to facilitate the geographical expansion of the Civilbuild Business
- Pay the costs of the placement and offer

Engineering Construction

Revenue
Contribution
FY17



Projects

Bulk Storage

- Terminals Site C Port Botany
- Sami Bitumen
- Mobil Yarraville
- Viva Clyde

Structural Mechanical & Piping

- Mobil Yarraville SMP
E&I Package

Engineering Procurement & Construction (EPC)

- Mobil – Port Moresby
- Civil works tank D&C and
SMP package

Mining

- D&C of 2x leach tank for Lihir Gold



Some key Engineering Construction projects contributing 47% of Revenue are outlined on the slide:

Included in this list is our first major Structural Mechanical and Piping (SMP) job at Yarraville which is progressing well.

Asset Services

Revenue Contribution FY17



Projects

- Mobil Altona
- Multiple tank projects at Viva Clyde refinery conversion
- Recurring project wins at Caltex Kurnell
- Regular stream of projects from non-core customers being awarded
- Broome Port Outer Berth Fender System - Protective coatings
- Shire of Carnarvon - Fascine Wall Remediation Works
- Royal Perth Hospital Pedestrian Links waterproofing



Some key Asset Services projects contributing 42% of Revenue:

We continue to see terminal conversion projects generating Asset Services maintenance revenue.

Civil Build

Revenue Contribution

FY17 * 3 Months only



Projects

- Tamworth Swamp Creek - Single span precast bridge
- BGC Mt Pleasant Bengalla Road - Single span Super T bridge
- Glencore Road and rail bridge
- Macquarie Rivulet - Construction of 150m bridge
- St Albans Hawkesbury Council - Construction of 2 bridges
- Ourimbah - Construction of 3 bridges
- Westconnex - Sydney Wattle Street and Concord Road - Supply of 1051 pre pressed concrete panels



We welcome our new Saunders Civilbuild employees to the expanding Saunders group. Over the first six months we have restructured areas of the business to allow for future scaling.

Our Outlook

- **Order book \$46M**, up 21% on H1
- **Live tenders \$216M**, up 45% on H1
- **Pipeline \$298M**, up 43% on H1
- Strategy is **delivering**
- **Momentum building** in pipeline
- **Strong infrastructure** spending
- Business well positioned to take advantage of **growing pipeline**
- Continued **expansion of maintenance business**
- **Project awards** improving
- Competition **remains high**
- Expect results to be better than underlying FY17 NPAT

Our outlook has not materially changed since the 30th June. We have commenced the financial year with a stronger order book and will be looking to build on this. Our full year result will be dependent on our clients proceeding with tendered projects and Saunders being successful in winning its share. We are continuing to see strong activity in the civil infrastructure side of our business. This should see an increase in our revenue but in the short term we still see challenges with higher levels of competition which is impacting profit. We will continue to work hard at increasing our profitability which is a key focus for the business.

In closing, Saunders is in good shape. We remain in a leadership position in our core market and are making good progress to diversify our business into new services and customer markets, both domestically and internationally. Importantly, our strong balance sheet provides us with substantial capacity to continue to pursue investment opportunities, particularly in the infrastructure and maintenance sector. I would like to take this opportunity to thank our Board for their guidance, all our stakeholders for their loyalty and support, and particularly our people for their ongoing dedication, commitment and highly valued contribution.



MARK BENSON

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SI Disclaimer

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