



Announcement to Shareholders and the ASX

SAUNDERS RELEASES FULL YEAR FINANCIAL REPORT

Sydney – Thursday 29 August 2019

Saunders International Limited (ASX:SND) today announced its financial results for the year ended 30 June 2019.

Group revenue for the year is \$50.1m, a decrease of \$25.2m or 33.5% over (FY18: \$75.4m) and the NPAT was a loss of \$1.6m, an improvement of \$1.2m or 43.3% over (FY18: \$2.8m), EBITDA was a loss of \$1.2m FY18 (\$3.2m) an improvement of 62.5%.

This year's financial result is largely attributable to the following:

- a highly competitive market in the core tank construction sector which resulted in significantly reduced revenue and margins;
- losses on the now completed NSW bridge maintenance project, as previously disclosed in H1, and
- an adverse \$0.6m impact on EBITDA with a Perth based client for the completed Lake Cowal project which entered into voluntary administration last week.

The Group is in a strong financial position at year end with cash and cash equivalents of \$8.0m (FY2018: \$12.3m). The major drivers to the reduction in cash and cash equivalents include; cost to complete the restructure project, including additional payments for employee entitlements (separate to the restructure provision), new CAPEX for the Civil Infrastructure group and FY19 operating loss. The Group has no interest-bearing loans, except for finance leases.

The past 12 months have been both challenging and productive for the Saunders Group. Due to the poor FY18 result, a number of measures have been taken to rectify and strengthen the Group through the recent operational and organisational restructure. The restructure focussed on the initiatives that would modify and strengthen the Group's operating model to deliver greater value to its customers and shareholders through a lean and agile organisation.

The measures implemented in FY19 include:

- Closure of the Sydney workshop and relocation of head office to Rhodes which will reduce fixed costs.
- Right-sizing of the organisational structure with the ability to flex in line with workload, without limiting the ability to service the current pipeline of projects.

These above corrective measures and changes will reduce the annualised fixed operating costs by approximately \$1.0m.

In addition, we are undertaken a review of Board composition, and a search to identify another industry professional to replace the position vacated by Mr. Malcom McComas, with a view to further diversify and enhance the current Board.

Outlook

Work in hand as at 30 June 2019 is reported as \$60.5m (FY18: \$42m), there has been a further \$5.7m already added in FY20. Tendering activity shows the value of live tenders at \$203.8m. The pipeline (yet to be tendered) is at \$210.7m.

Our new 2025 strategy was recently endorsed by the board and includes a clear initiative to continue the diversification and growth of the business, with a focus on higher margin projects driven by our technical engineering capabilities.

Managing Directors Comments

Commenting on the full year, Saunders Managing Director Mark Benson said,

"I am confident that the hard work undertaken over the past 12 months to restructure the operations has been a success and will serve us well in the 2020 financial year and beyond."

Dividend

The Board has declared that due to the financial performance in FY2019 there will not be a final dividend payable for FY2019. (FY2018 final dividend NIL).

Investor Presentations

Saunders will be undertaking investor presentations commencing today. A copy of Saunders' Investor Presentation will be provided on the ASX announcements platform and the Company's website.

Attachments

Appendix 4E
Financial Report 2019

For further information, please contact:

Mark Benson
Managing Director & Chief Executive Officer Saunders International Limited
(02) 9792 2444

About Saunders International Limited

Saunders International Limited (ASX code: SND) is a multi-disciplined engineering and construction company providing design, fabrication, construction and maintenance services to leading organisations across Australia, and the Pacific Region. The Saunders Group provides solutions to the bulk liquid storage, industrial, energy and resources sectors through the Saunders International business. Intelligent engineering and construction solutions to the road and rail infrastructure sectors are delivered by the Saunders Civilbuild business. The Saunders Group is driven by a commitment to safety, innovation, excellence and growth while delivering high quality engineered solutions across the complete asset lifecycle.