

Saunders International Limited ABN 14 050 287 431
A 271 Edgar Street, Condell Park NSW 2200
M PO Box 281 Condell Park NSW 2200
P (02) 9792 2444
F (02) 9771 2640
E mail@saundersint.com
www.saundersint.com



Announcement to Shareholders and the ASX

SAUNDERS INTERNATIONAL TO ACQUIRE CIVILBUILD BUSINESS

Sydney – Monday 27 February 2017

Highlights

- Acquisition of the business and assets of the Civilbuild business
- The business specialises in the design, precasting and construction of bridges for road and rail infrastructure
- Cash and shares of approximately \$6.2 million with a potential additional element of deferred consideration based on financial outcomes
- Forecast FY17 revenues of approximately \$22 million
- Complementary to Saunders' diversification strategy with exposure to the growth of road and rail infrastructure projects
- Delivers significant scale to Saunders
- Acquisition funded from existing cash holdings and the issue of new shares
- Acquisition expected to be completed in March 2017

Overview

Saunders International Ltd (Saunders; ASX - SND) today announced it has entered into a binding agreement to acquire the business and various assets of the Civilbuild group of companies (Civilbuild Pty Ltd and Civilbuild Precast Pty Ltd) from their owners (Acquisition).

The consideration for the Acquisition will initially be approximately \$6.2 million, comprising cash and shares and there is provision for additional deferred payment based on the financial performance of the business in the balance of this financial year. The purchase is subject to various conditions being met at completion, including the novation of ongoing project contracts, no material adverse change in the business and approval by the Saunders Board.

The fixed assets being acquired include land and buildings (independently valued at \$4.55 million) and a range of specialised plant and equipment for precasting concrete bridge components and bridge construction.

The acquisition of this niche engineering and construction business is strategically important in that it should enable Saunders to deliver more sustainable growth across multiple sectors and through market cycles. The acquisition will diversify Saunders' sources of earnings and give it greater exposure to the growth of new road and rail infrastructure projects.

About Civilbuild

Civilbuild is a Newcastle, NSW based civil engineering business established in 1969 and specialises in the design and construction of bridges and associated precast concrete components. Civilbuild has a strong relationship with local government and industry and has constructed more than 200 bridges over its 40+ year history. Its offices, factories and precast operations are based in Newcastle where it produces beams, planks, abutments and parapets for Civilbuild projects and for infrastructure projects being undertaken by other contractors. The business has a dedicated team of approximately 40 Engineers, Project Managers and Construction staff with extensive industry experience who will transfer to Saunders.

Saunders has secured the services of Steven Wood the Managing Director (for 12 months) and Scott Bryant the Operations Manager (ongoing) to ensure the integration of the business and oversee the future growth of the business.

SND will not assume any liabilities for projects that Civilbuild will have completed prior to the acquisition. Completion of the Acquisition is anticipated to occur prior to 31 March 2017.

Comments from Mark Benson

Mark Benson said: *"The acquisition diversifies Saunders' earnings into the growing infrastructure sector providing opportunity for growth into the future. The business has an excellent reputation as a reliable and innovative civil contractor in NSW and the Hunter Valley region. We plan to utilise Civil Build's competency and reputation in bridge building to grow the business nationally.*

The transaction is expected to create synergies across the Engineering Construction division by reducing reliance on civil contractors and increasing the utilisation of our existing workshop facilities.

We also plan to expand Civilbuild's participation in the growth of the maintenance sector across Australia's existing networks of road and rail bridge assets".

Attractive Financial Metrics

Civilbuild's annual revenue has averaged \$22 million over the last six years and revenue for the financial year to 30 June 2017 is expected to be a similar amount.

The Acquisition is expected to be EPS accretive in the medium term, following integration and order book building.

The initial Acquisition consideration of approximately \$6.2 million will be funded from Saunders' existing cash balances with an initial payment of \$3.7 million and the issue of new Saunders shares to the value of \$2.5 million. 60% of these shares will be escrowed for 12 months. A further deferred cash payment will be made if the acquired business achieves certain profit targets during the balance of FY17.

Saunders will provide further details of the acquisition and the associated diversification strategy in the half year investor presentation which will be issued in conjunction with the results for the half year on 27 February 2017.

For further information, please contact:

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

About Saunders International Limited

Saunders International is a multi-disciplined and integrated engineering and construction business and is one of Australia's most experienced companies specialising in the design, construction and maintenance of steel bulk liquid storage tanks and associated facilities. Saunders also encompasses a diverse range of specialist services including structural, mechanical, piping, remedial maintenance and general shutdown solutions.