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Announcement to Shareholders and the ASX

## **SAUNDERS ANNOUNCES HALF YEAR PROFIT RESULT AND INTERIM DIVIDEND**

Sydney – Monday 27 February 2017

Saunders International Limited (“Saunders” or “the Company”) today released its Interim Financial Report for the half year to 31 December 2016.

The net profit after tax was \$0.304 million which was 78.2% lower than the previous corresponding period (FY2016 H1: \$1.396 million). Earnings per share for the period were 0.39 cents.

The half-year revenue was \$18.605 million which was 9.9% lower than the previous corresponding period (FY2016 H1: \$20.640 million). Saunders has continued to experience delays in the award of new contracts and has seen reduced revenue in Engineering Construction which has in large part been offset by strong growth in our maintenance operations in the first half FY17.

The decrease in revenue and margin in FY2017 H1 is attributable to the delay in the start of recently awarded major projects in the Engineering Construction business and margin pressure driven by increased competition.

Cash flow from operations for FY2017 H1 was an out flow of \$6,000, driven by elevated debtors at the half, which have subsequently reduced.

The financial position remains strong with a cash balance of \$13.438 million or 17 cents per share, no interest-bearing debt and net assets of \$16.781 million (\$17.297 million FY2016).

### **Managing Directors Comments**

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

*“Business conditions remain challenging with margin pressure, due to the increased competition and ongoing delays in the award of major projects. Despite these challenges we remain committed to our strategy to diversify our revenue streams and gain exposure to larger projects through partnering and we remain preferred contractor on a significant opportunity in the bulk liquid storage terminal sector.*

*Our Asset Services operations continue to make good progress and we anticipate further market penetration over time. The Facility Maintenance group performed above expectation for the half with strong revenue growth and margins improving.*

## Outlook

Mr. Benson said; *"The ongoing delay in recently awarded major Engineering Construction projects has adversely impacted the first half however, we are continuing to see increasing levels of tendering in the Engineering Construction sector and improving margins from our maintenance operation. We will continue to invest resources in the maintenance sector to take further advantage of that growth."*

Work in hand at 31 January 2017 was at \$38 million and tendering activity remains strong with the value of live tenders at \$148.5 million. The project pipeline (yet to be tendered) is at \$209 million.

Engineering Construction group profit will be weighted to the second half of FY2017 & FY2018 H1 due to client delays in starting the recently awarded projects.

Mr. Benson further commented; *"We remain confident that our strategic direction will deliver benefits over time as we convert some major pipeline opportunities, continue with our diversification strategy and expand our maintenance operations."*

## Dividend

The Board has declared an interim dividend of 1.0 cents per share fully franked and payable on 20 April 2017 (FY2016 H1 interim dividend 2.0cps). The record date for determining dividends is 27 March 2017.

## Dividend Reinvestment Plan

The Dividend Reinvestment Plan remains activated as announced for this dividend. A copy of the DRP can be found on the Saunders website. In the next week, shareholders will receive documentation to enable them to elect to participate in the DRP or to vary their current level of participation. The value of shares to be allotted for each dividend will be the VWAP (volume weighted average market price) of all SND shares sold on the ASX on the record date and the four business days immediately following less any discount as determined by the Directors. For this dividend, the Directors have determined that the discount will be 5%.

## 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 4D  
Interim Financial Report

## For further information, please contact:

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## 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.