

SAUNDERS ANNOUNCES 2018 FINANCIAL RESULTS

Sydney – Wednesday 22 August 2018

Saunders International Limited (ASX:SND) today announced its financial results for the year ended 30 June 2018.

Group revenue for the year is \$75.3m, an increase of \$29.5m or 64.5% over FY17 (\$45.8m).

The result for the year is a loss after tax of \$2.84m, including a \$1.45m one-off restructuring provision. Excluding the provision for restructuring, the underlying result was a loss for the year of \$1.83m after tax.

The result has been mainly impacted by two loss-making projects, due primarily to client delays and increased costs to complete these projects. Practical completion has now been achieved on one of these jobs in Victoria and a provision has been made in respect of the other job in NSW that is ongoing.

The provision for restructuring is based on initiatives underway to improve the tank related business processes and project delivery performance. The restructure has commenced and involves significant changes to improve the position of the Group to operate profitably in the current competitive and cyclical market conditions. The long-term benefits will enable the business to be more productive and innovative in the way it delivers projects for customers. A business improvement manager has been appointed to ensure this initiative is implemented effectively.

The cash outflow from operating activities was \$1.37m and was driven mainly by the loss-making contracts (FY17: \$0.32m outflow).

The Group remains in a strong financial position at year end with cash and cash equivalents of \$12.38m (FY17: \$10.94m) which is equivalent to 13.2 cents per share (FY17: 13.5cps) and the group has no interest-bearing loans. During the year, Saunders repaid a \$2.5m interest free working capital loan from the previous owners of Civilbuild, the entity acquired in April 2017. The cash balance includes the net proceeds of the placement and rights issue completed in October 2017.

Commenting on the results, Saunders Managing Director Mark Benson said:

“The results are disappointing and reflect both a very competitive market and losses from challenging projects. The causes of this unsatisfactory result are being addressed in the restructuring and business improvement program underway.

Our strategic position as a market leader in the bulk liquid storage sector and the decision to diversify into the transport infrastructure space will continue to provide growth opportunities over the coming years. The combination of our Civilbuild acquisition, our expanded



maintenance operations, the pipeline of large tank construction projects and our international initiatives are budgeted to underpin a return to profitability in FY19.

Our decision to undertake construction and maintenance initiatives for major clients in PNG and a recent tank project in New Caledonia are providing growth opportunities for Saunders. We plan to continue to pursue opportunities in the Pacific region”.

OUTLOOK

In recent months, Saunders has secured \$10m in new and extended contracts growing our current order book to approximately \$42m at 30 June 2018. The value of live tenders is approximately \$170m and the pipeline (yet to be tendered) is approximately \$340m.

Our international projects in Papua New Guinea and New Caledonia have performed well and we are currently tendering for new work with these clients.

Although we are expecting market conditions in tank construction to remain challenging in the short term, we are confident that the push into the resources and infrastructure sectors and the current business improvement process will deliver positive results over the coming years.

The outlook for Civilbuild is positive with a strong pipeline of opportunities emerging from road and rail infrastructure projects in NSW.

DIVIDEND

No final dividend will be declared for FY18.

INVESTOR PRESENTATION

An updated Investor Presentation is provided on the ASX announcements platform and on the Group’s website.

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. It is one of Australia’s most experienced companies specialising in the design, construction and maintenance of bulk liquid storage facilities. The Saunders Civilbuild business specialises in the design and construction of bridges for road and rail infrastructure and manufactures a range of precast concrete products. It has constructed more than 200 bridges over its 40+ year history. The Saunders Group also provides a range of specialised design, construction and maintenance services for bulk liquid, industrial, marine and road and rail infrastructure.