

# ASX RELEASE

23 August 2017

ASX Market Announcements  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

## **Watpac Limited 30 June 2017 Financial Year Full Year Results**

Watpac Limited ('Watpac' or 'Group') today announced its full year results for the 30 June 2017 financial year, reporting a Statutory loss after tax of \$31.4 million.

This result translates to an underlying net profit after tax of \$1.1 million, after adjusting for items not considered part of the Group's underlying operations.

A press release is attached.

Yours sincerely,  
WATPAC LIMITED



Mark Baker  
COMPANY SECRETARY

**WATPAC LIMITED**  
ABN 98 010 562 562

Level 1, 12 Commercial Road  
Newstead QLD 4006  
PO Box 2053  
Fortitude Valley QLD 4006

**Phone** 07 3251 6300  
**Fax** 07 3251 6393  
**Web** [www.watpac.com.au](http://www.watpac.com.au)



# PRESS RELEASE

23 August 2017

## Watpac Limited FY17 Full Year Results Announcement

National Construction and Civil and Mining services group Watpac Limited (ASX: WTP) has today announced a consolidated underlying net profit after tax of \$1.1 million for the financial year ended 30 June 2017 (FY16: \$8.0 million).

The Statutory loss after tax reported of \$31.4 million was adversely impacted by \$32.5 million in post-tax costs not considered part of the Group's underlying operations, with \$29.6 million of this amount constituting non-cash impairment charges recorded against the Group's investment in assets deployed in its Civil & Mining business.

While Watpac's core businesses still performed profitably at an underlying level, performance was adversely impacted by challenging market conditions.

Pleasingly a healthy balance sheet and strong liquidity levels were maintained, with surplus capital existing from which to explore various capital management initiatives which are anticipated to enhance shareholder value.

### Key FY17 highlights:

- Revenue of \$1,108.7 million (FY16: \$1,223.1 million).
  - Construction revenue of \$954.8 million (FY16: \$1,043.5 million).
  - Civil & Mining revenue of \$148.9 million (FY16: \$166.5 million).
- Construction segment pre-tax profit of \$11.8 million (FY16: \$26.0 million).
- Civil & Mining segment underlying pre-tax profit of \$7.1 million (FY16: \$0.8 million loss).
- \$32.5 million in post-tax statutory adjustments, inclusive of \$29.6 million in non-cash impairment charges.
- \$229.0 million in gross cash and deposits as 30 June 2017 (30 June 2016: \$251.5 million).
- Aggregate work-in-hand of \$1.37 billion (adjusted 30 June 2016: \$1.53 billion).

Commenting on the results, Watpac Limited Chair Richard McGruther said the Group's FY17 financial performance was disappointing and below what is considered an acceptable return for shareholders.

"The Board is aware that results have not met the expectations of shareholders," Mr McGruther said.

"Despite the successful conversion of several high-profile projects during the financial year, cost escalation pressures resulting from heightened residential construction levels persisted for longer than anticipated, and this has had a significant adverse impact on our financial result.

"The Group's more tactical approach to tendering over the past 12 months is however demonstrated by the quality of the projects converted towards the latter part of FY17 and to date in the new financial year.

"The quality of the work-in-hand is therefore improving, with our more selective tendering approach that focusses on opportunities that have higher entry barriers, both at an execution credentials and capital support structure level."

Mr McGruther said the Group's Civil & Mining business reported a substantially improved underlying profit result in FY17.

"Despite the persistence of lower activity levels across this sector for the majority of the past 12 months the underlying trading performance of the Group's Civil & Mining business continued the improvement shown in the second half of FY16.

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“This business’s innovative approach to its activities and the flexibility of our plant fleet has contributed greatly to this improved financial performance.

“As a consequence of our lower work-in-hand levels at 30 June 2017, however, we assessed the carrying value of assets deployed in the Civil & Mining business, and this has resulted in a pre-tax non-cash impairment charge being recognised in FY17 of \$29.6 million.

“That said, market conditions appear to be improving and we expect significantly more opportunities to come to market over the next 12 months, providing good prospects for enhanced work levels and growth in profitability in future income years.”

#### **Targeted tendering practices and healthy balance sheet to improve value**

With a healthy balance sheet and significant project bonding capacity Watpac Limited Managing Director, Martin Monro, said the Group enters FY18 in a strong position from which to convert a number of key near-term project opportunities.

“We have improved the diversification of our work-in-hand mix over FY17 such that it now more appropriately comprises projects in our targeted sectors, including Health & Science, Education and Defence and Secure Environments.

“In FY17 over \$940 million of new contracts and extensions were secured, including the award of the \$373 million contract for Australian Unity’s Herston Quarter Redevelopment, the \$73 million contract for Jewish Care Victoria’s Senior Living and Community Precinct and the \$63 million contract with Health Infrastructure (NSW) for the redevelopment of the NSW Forensic Pathology and Coroners Court.

“The Group was also announced in May this year as Managing Contractor for Stage One of the new \$250 million North Queensland Stadium in Townsville and last month was awarded the \$187 million Arthur Phillip High School and Parramatta Public School project in Sydney.”

Mr Monro said these contracts, coupled with the current pipeline of tender opportunities, places the Group in a good position for improved future operational and financial performance.

“The Group has been working hard to address our performance issues and create a stable platform for much improved profitability.

“We continue to invest in the development of our people to enhance the capabilities of the Group and deliver operational excellence for our clients and create value for our shareholders.

“We remain confident that Watpac can return to increased underlying profitability in FY18 and look forward to achieving improved operational and financial success in future years.”

- ENDS -

**For further information:** Media - Amanda Campbell, Corporate Affairs Manager on 07 3251 6453 or 0402 023 015  
Investor Relations - Mark Baker, Chief Financial Officer on 07 3251 6442.

**Note to editors:** Watpac is a leading national construction and mining services group with operations in all mainland States and Territories. We have been listed on the Australian Securities Exchange since 1985 and have offices in Brisbane, Sydney, Melbourne, Adelaide, Perth, Townsville and Port Macquarie. More information is available at [www.watpac.com.au](http://www.watpac.com.au).

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