



# 2017

## Capital Raising Investor Presentation

INNOVATION | EXCELLENCE | GROWTH

Managing Director & CEO Mark Benson | 11 September 2017



# S| Disclaimer

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# Transaction overview

Saunders is seeking to raise approximately \$5.8 million by way of a non-renounceable offer to Eligible Shareholders of 1 New Share for every 8 Shares held on the Record Date at a price of \$0.50 per New Share.

The Offer is fully underwritten by Taylor Collison Limited.

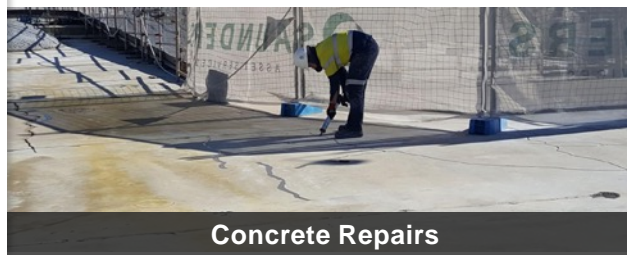
<b>Placement</b>	The Company has made a Placement to institutional and sophisticated investors to raise \$2.75 million via the issue of 5.5 million Shares at \$0.50 each. This Placement increased the Company's shares on issue to 92.7 million (before the Offer).
<b>Rights Offer</b>	The Offer Document was lodged on the ASX platform on 8 September 2017. The Offer proposes to raise approximately \$5.8 million via the issue of approximately 11.6 million New Shares on a 1:8 basis priced at \$0.50 each. Enlarged share capital: 104.3 million.
<b>Top up facility</b>	Shareholders may subscribe for New Shares in excess of their Entitlement under the Top-Up Facility. Please refer to Sections 2.2 and 2.3 of the offer document for details. There is no guarantee that shareholders will receive any Top-Up Shares
<b>No rights trading</b>	The Offer is non-renounceable. There will be no trading of Rights on the ASX and Rights may not be sold, assigned or transferred to any other person.
<b>Closing Date</b>	The Closing Date is 5pm on Monday 9 October 2017. Subject to the Listing Rules, Saunders may extend this closing date.
<b>Use of funds</b>	<p>The funds raised under the Placement and the Offer will enable the Company to hold the cash reserves required for its ongoing initiatives over the medium term and will be used to:</p> <ul style="list-style-type: none"> <li>• replenish the cash used for the acquisition of, and provision of working capital in, the recently acquired Civilbuild Business (approximately \$6 million);</li> <li>• provide working capital for business growth (approximately \$1 million);</li> <li>• fund capital expenditure to upgrade existing plant and equipment and to facilitate the geographical expansion of the Civilbuild Business (approximately \$1 million); and</li> <li>• pay the costs of the Placement and Offer (approximately \$0.5 million).</li> </ul>
<b>Underwriting</b>	The Offer is fully underwritten by Taylor Collison. The terms of the underwriting agreement are set out in Section 6 of the Offer Document.

The background of the slide is a photograph of an industrial facility, likely a refinery or chemical plant. It features a complex network of large, dark-colored pipes and metal structural beams. In the upper right, a tall, white cylindrical smokestack or chimney rises into a clear blue sky with some wispy clouds. The lighting suggests a bright, sunny day, with a warm glow on the left side of the image.

# Company Overview

*“Saunders is a company built on integrity with a  
commitment to safety, performance & excellence”*

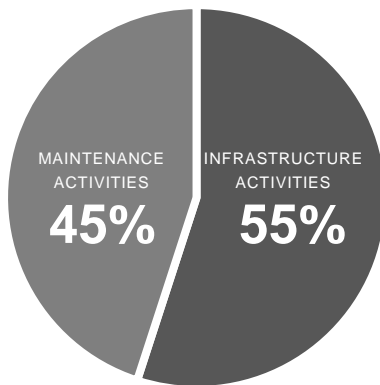




# Our Business

Our strong order book is evidence that our diversification strategy is on track through acquisition and organic growth.

## Revenue Distribution



ENGINEERING  
CONSTRUCTION



ASSET  
SERVICES



CIVILBUILD

## International Footprint



NSW, VIC, QLD, SA, WA, PNG

## Order Book

As at 30 June 2017

**\$46M**

Up **88%**

## Live Tender

Up **62%**

## Pipeline

Up **78%**

(Compared to 30th June 2016)

# FY17 Highlights

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**Safety TRIFR<sub>36</sub> reduced by 19% in FY17**

Maintained Zero LTIFR



Acquisition of CivilBuild Business - Performing to expectations



**Leveraged new CivilBuild business** with first combined project with Saunders E&C group



Solid order book for FY18



Recovery in Engineering Construction group



Record year in Maintenance group



Geographical diversification into PNG





# Our Strategy

*“To continue our diversification strategy through engineering innovation, removing interfaces for our clients & providing value added services”*

# Our Strategy

Strengthen  
& diversify

Profitable &  
sustainable growth

Increasing  
Shareholder  
returns

## Grow core business

- Expand maintenance offering to existing clients
- Diversification outside of refineries
- Maintain our focus on Engineering Construction projects
- Vertical integration into EPC / SMP contracting
- Partnering / joint ventures to expand our capability to address terminal projects in the pipeline

## Sector diversity

- Commercial and industrial maintenance through Asset Services
- Wharf repairs, concrete repairs, blasting and painting, waterproofing

## Acquisition

- Exposure to long term growth trends in infrastructure projects through acquisition
- Infrastructure, road and rail bridge construction
- Bridge maintenance
- Value adding civil services to our Engineering Construction group

# Strategic Objectives

Engineering Construction

Asset Services

CivilBuild

New Market Sectors

Delivering to Shareholders

**“Building on our foundations  
to deliver for our shareholders”**

## Execution

- Continue to explore partnering opportunities with our civil business
- Vertical integration EPC / SMP contracting
- Partnering / JV to expand our capabilities to address terminal projects in the pipeline
- Expand our maintenance offering
- Expand our geographical footprint
- Develop bridge maintenance business
- Expand our geographical footprint
- Continue to pursue international opportunities with our key clients
- Growth through our existing sources of revenue and strategic acquisitions



# Growth Sectors

Strong  
Pipeline

\$298M

## Infrastructure

- Capitalise on NSW infrastructure boom
- Partner for larger bridge construction projects
- Precast capability – Take advantage of the Sydney infrastructure spend

## EPC

- Build on our current success in EPC projects
- Leverage off growth in high demand rare minerals
- Continue to develop synergy with civil business
- Target opportunities in AUSTRALIA, NZ and PNG

## SMP

- Further develop capability in large SMP projects
- Leverage combine package with civil business

## Maintenance

- Expanding our maintenance offering
- Bridge and concrete repair
- Geographic expansion with current key clients

# Positioned for Growth

Recent contract wins

**\$23M**

## Order Book

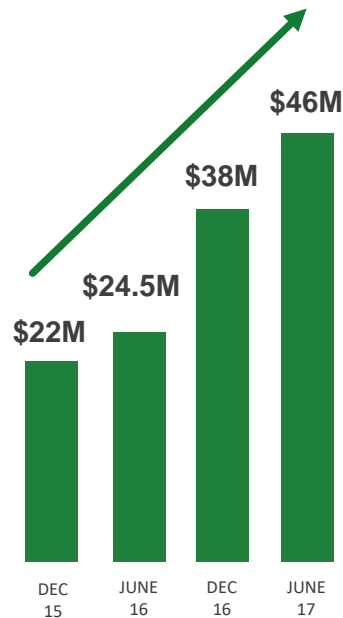


- ENGINEERING & CONSTRUCTION
- ASSET SERVICES
- CIVILBUILD

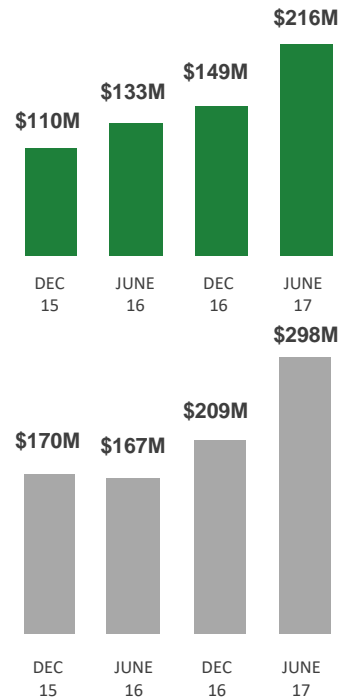
## Preferred Status



## Order Book



## Live Tenders Pipeline





# Financial Snapshot

Order  
Book

\$46M



Positioned for **stronger earnings in FY18**



Order book of \$46M up 21% from Dec 2016 and up more than 88% from June 2016



Newly won major projects and preferred contractor status expected to increase revenue and earnings



Revenue for H2 \$27M is up 46% from H1  
- total of \$46M for FY17



NPAT for H2 \$1.1M up 267% from H1  
- total of \$1.4M for FY17 <sup>(1)</sup>

*(1) NPAT affected by a number of one offs due to acquisition with underlying A\$1.2M*

# Our Outlook

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- Order book \$46M, up 21% on H1
- Live tenders \$216M, up 45% on H1
- Pipeline \$298M, up 43% on H1
- Strategy is **delivering**
- Momentum building in pipeline
- Strong infrastructure spending
- Business well positioned to take advantage of **growing pipeline**
- Continued **expansion of maintenance business**
- **Project awards** improving
- Competition **remains high**
- Expect results to be better than underlying FY17 NPAT

# Offer - Key Details

<b>Placement</b>	<ul style="list-style-type: none"> <li>o \$2.750 million institutional placement.</li> <li>o 12% discount to the closing price of Company's shares on 1 September 2017 - \$0.57;</li> <li>o 15% discount to the 5 trading-day VWAP as at 1 September 2017 - \$0.588; and</li> <li>o 11% discount to the theoretical ex-rights price (TERP)<sup>1</sup> - \$0.562.</li> </ul>
<b>Rights Offer</b>	<ul style="list-style-type: none"> <li>o 1 for 8 pro-rata non-renounceable entitlement offer to raise approximately \$5.8 million. <ul style="list-style-type: none"> <li>• Approximately 11.6 million new fully paid ordinary shares ("New Shares").</li> <li>• Fully underwritten.</li> </ul> </li> <li>o \$0.50 Offer Price: <ul style="list-style-type: none"> <li>• 11% discount to TERP - \$0.562</li> <li>• 12% discount to the closing price of \$0.57 per share (Friday 1 September 2017).</li> </ul> </li> <li>o Record date - 7pm on Friday 15 September 2017.</li> <li>o Eligible shareholders may subscribe for New Shares in excess of their Entitlement under the Top-Up Facility.</li> </ul>
<b>37% pre-commitment</b>	<ul style="list-style-type: none"> <li>o Desmond Bryant has indicated that he intends to subscribe for his full entitlement in the Offer which amounts to 2.98 million New Shares (\$1.490m).</li> <li>o The Chairman, CEO and all Saunders NED's have agreed to take up 100% of their entitlements - 1.32 million New Shares (\$660k).</li> </ul>

**Notes:**

The Theoretical Ex-Rights Price (TERP) is calculated by reference to Saunders' closing price of \$0.57 per share on 1 September, 2017, being the last trading day prior to the announcement of the Offer. TERP is a theoretical calculation only and the actual price at which Saunders' shares trade immediately after the ex-date of the Offer will depend on many factors and may not approximate TERP.

# Sources and uses of funding

The Company intends to use the proceeds of the Offer for the following purposes:

Replenish the cash used for the acquisition of, and provision for working capital in, the recently acquired Civilbuild Business

Approx.  
\$6 million

Provide working capital for business growth

Approx.  
\$1 million

Fund capital expenditure to upgrade existing plant and equipment and to facilitate the geographical expansion of the Civilbuild Business

Approx.  
\$1 million

Pay the costs of the Placement and Offer

Approx.  
\$0.5 million

# Offertime table

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## INDICATIVE TIMETABLE

### EVENT

Announcement of Offer

Lodgment of Appendix 3B, Offer Document and Cleansing Notice with ASX

Dispatch of notices to Shareholders informing them of the Offer

Shares quoted on ex-entitlement basis

Record Date for determining Entitlements

Offer opens – dispatch of Offer Document and Acceptance Form

Closing Date

Shares quoted on deferred settlement basis

Company notifies the ASX of under-subscriptions

Allotment and issue of New Shares

Trading of New Shares on ASX expected to commence

Dispatch of holding statements

### DATE

Wednesday, 6 September 2017

Friday, 8 September 2017

Monday, 11 September 2017

Thursday, 14 September 2017

7pm, Friday 15 September 2017

Tuesday, 19 September 2017

5pm, Monday, 9 October 2017

Tuesday, 10 October 2017

Wednesday, 11 October 2017

Monday, 16 October 2017

Tuesday, 17 October 2017

Wednesday, 18 October 2017



An aerial photograph of an industrial facility, likely a refinery or chemical plant, situated along a body of water. The facility features numerous large, white, cylindrical storage tanks arranged in rows. To the right of the tanks is a large, white, rectangular building with a corrugated metal roof. Adjacent to this building is a shipping yard filled with many colorful shipping containers (red, blue, green, yellow) and several semi-trailers. A road runs along the top and right sides of the facility, with some vehicles visible. The water is a deep blue, and a rocky breakwater is visible on the right side. The text "Appendix: Additional background information on Saunders" is overlaid in white on a dark grey semi-transparent background across the middle of the image.

# Appendix: Additional background information on Saunders



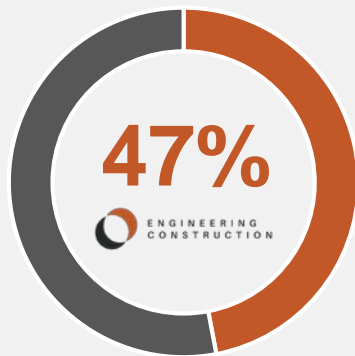
A large industrial facility, likely a refinery or chemical plant, featuring a prominent yellow storage tank in the foreground. The tank is mounted on a multi-axle trailer. In the background, there is a complex network of steel structures, pipes, and walkways. A white truck is parked near the tank, and a yellow crane is visible on the right side. The sky is blue with scattered white clouds. The overall scene conveys a sense of industrial scale and operational complexity.

# Operations & Results

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# Engineering Construction

Revenue  
Contribution  
FY17



## Projects

### Bulk Storage

- Terminals Site C Port Botany
- Sami Bitumen
- Mobil Yarraville
- Viva Clyde

### Structural Mechanical & Piping

- Mobil Yarraville SMP  
E&I Package

### Engineering Procurement & Construction (EPC)

- Mobil – Port Moresby
- Civil works tank D&C and  
SMP package

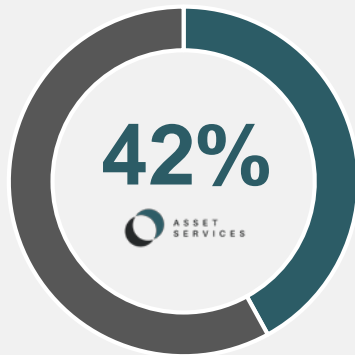
### Mining

- D&C of 2x leach tank for Lihir Gold



# Asset Services

## Revenue Contribution FY17



## Projects

- Ongoing provision of tank maintenance and management services at Mobil Altona
- Continued success of multiple tank projects as part of the Viva Clyde refinery conversion
- Recurring project wins at Caltex Kurnell
- Regular stream of projects from non-core customers being awarded
- Broome Port Outer Berth Fender System - Protective coatings
- Shire of Carnarvon - Fascine Wall
- Remediation Works
- RPH Pedestrian Links waterproofing and miscellaneous works

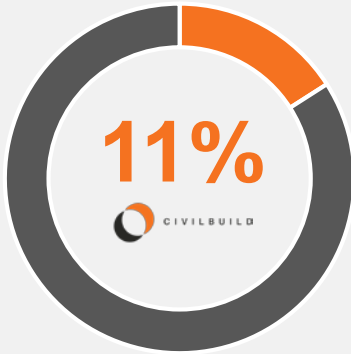




# Civil Build

## Revenue Contribution

FY17 *\* 3 Months only*



## Projects

- Tamworth Swamp Creek - Single span precast bridge
- CPB Tuggerah to Doyalson - In situ pour concrete storm water tank
- BGC Mt Pleasant Bengalla Road - Single span Super T bridge
- NRT Cherrybrook Station - Super T supply (precast)
- Glencore Road and rail bridge
- Macquarie Rivulet - Construction of 150m bridge
- St Albans Hawkesbury Council - Construction of 2 bridges
- Ourimbah - Construction of 3 bridges
- Westconnex - Sydney Wattle Street and Concord Road - Supply of 1051 pre pressed concrete panels





# Appendix: Key risks

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## 5.1 Introduction

The investment in New Shares offered under this Offer Document should be considered speculative because of the nature of the Company's business.

There are numerous risk factors associated with the Company's business and the industries and sectors in which it operates. The potential effect of these risk factors either individually, or in combination, may have an adverse effect on the future financial and operating performance of the Company, its financial position and prospects. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of the capital or price at which securities will trade.

The following is a summary of the main material risks to be considered. However, this summary is not exhaustive and potential investors should read, examine and consider carefully the contents of this Offer Document in its entirety. The Offer Document must also be read in conjunction with other publicly available information in relation to the Company.

Shareholders should consult their professional advisers before deciding whether to apply for Shares pursuant to this Offer Document.

# Appendix: Key risks

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## 5.2 Key business risks

The risks set out below highlight some of the key risks that could affect the Company's business. It is not exhaustive of all risks involved in an investment in Saunders.

### (a) Competition risk

The engineering and construction market is competitive. The actions of an existing competitor or the entry of new competitors into this market may make it difficult for the Company to grow or maintain its revenues and margins, which in turn, may have a material adverse effect on the Company's profitability.

### (b) Market risk

There is the risk of changes and delays in the demand for the products and services that the Company provides. There is a risk that reduced expenditure by the Company's customers and prospective customers will have a materially adverse effect on the Company and its earnings.

### (c) Key Personnel

The Directors' and senior managers' ability to manage successfully the Company's performance and business opportunities will directly affect the success of the Company. The Company may be adversely affected if any of the Directors or senior management leave the Company. The Company may not be able to replace its Directors or key employees with persons of equivalent expertise and experience within a reasonable period of time or at all and the Company may incur additional expenses to recruit, train and retain personnel. Loss of such personnel may also have an adverse effect on the performance of the Company pending replacements being identified and retained by or appointed to the Board of the Company.

### (d) Contractual risks and disputes

The Company's financial performance is reliant on a range of contract and contractual obligations and relationships with customers and suppliers and various other entities.

# Appendix: Key risks

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There is a risk that a customer or supplier may seek to terminate or modify the contract or terms and this may have an adverse effect on the Company's business and financial performance.

A customer or supplier may default in its obligations or become insolvent or it may be necessary for the Company to enforce its rights under a contract and pursue legal action. Such legal action may be costly with no guarantee that a legal remedy will succeed on beneficial terms.

Similarly, disputes may arise with customers or suppliers over contract interpretation. Disputes may require legal action with the cost and outcome being uncertain.

## **(e) Key operational risks**

**The Company's activities are subject to numerous operational risks including:**

- delayed or cancelled operations from diverse factors such as adverse weather conditions, mechanical difficulties, shortages in or increases in the costs of consumables, spare parts, plant and equipment, external services failure (such including energy and water supply), industrial disputes and actions and, difficulties in commissioning and operating plant and equipment, IT system failures, cyber security, mechanical failure or plant breakdown and compliance with governmental and regulatory requirements.
- a shortage of skilled persons resulting in a possible increase to the Company's costs and which in turn may materially and adversely affect production levels and profitability.
- adverse and severe weather or seismic or geological conditions that could lead to damage or loss to the Company's construction equipment and/or the work-in-progress which in turn could lead to delays and increased costs that may not be fully recoverable;
- industrial and environmental events or accidents that could lead to substantial claims against the Company for injury or loss of life, and damage or destruction to property, as well as regulatory investigations, clean up responsibilities, penalties and the suspension of operations; and

# Appendix: Key risks

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- the continued availability of financial products and credit facilities to Saunders. These products and facilities include the provision of performance guarantee financing and associated bank facilities including guarantees, leases and letters of credit that may or may not be secured over the assets of the Company and which may or may not be renewed by bankers currently providing such services to Saunders when they fall due.

The occurrence of any one or a combination of these events may have a materially adverse effect on the Company's performance and the value of its assets and Shares. Saunders may insure some of these risks whilst others may not be insured. In addition, the proceeds of any insurance claim, if available to Saunders may not fully cover the costs of such risk, claim or liability.

## **(f) Unforeseen expenses and delays**

Any unforeseen expenses or delays that arise in the future may adversely affect the budgeted expenditure on existing or future projects.

## **(g) Occupational health and safety**

The Company's operations are subject to extensive health and safety laws and regulations. The Company has in place robust health and safety policies and processes. However, a serious incident could result in enforcement action leading to monetary penalties and delays and contract cancellation. In addition, any significant incident and/or government investigation or enforcement of health and safety requirements could damage the Company's reputation as and/or could result in suspension or contract cancellations or closure of our operations.

## **(h) Industrial relations risk**

Industrial action between the Company and trade unions could disrupt the Company's operations resulting in cost increases and project delays.

# Appendix: Key risks

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## **(I) Regulatory and Sovereign Risk**

The Company operates within a framework of applicable laws, regulations and standards. Any failure to comply with aspects of these may adversely affect the Company's ability to fulfil its contractual obligations and the Company's financial performance.

The Company requires a range of permits, licences, accreditations and certifications in relation to the conduct of its business. Any failure to retain these or failure to comply with any requirements may adversely affect the Company's ability to fulfil its contractual obligations and accordingly adversely impact the Company's financial performance.

The Company operates in PNG and in future may operate in other foreign locations. There is a risk that the Company's financial performance may be adversely affected by actions of government, civil unrest, civil war, acts of terrorism and changes of laws, taxation or regulations.



# Appendix: Key risks

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## 5.3 General Investment Risks

The risks set out below together with other general risks not specifically referred to are applicable to all investments in listed securities and may affect the future value of the Shares.

### (a) Foreign exchange rates and interest rates

Adverse movements in exchange rates may impact sales proceeds received, product costs and price competitiveness and may impact the operations and financial performance of the Company. Also, adverse fluctuations in interest rates, to the extent that they are not anticipated may impact on the Company's financial performance.

### (b) Additional requirements for capital

The Company estimates that the funds raised under the Offer will be sufficient to meet the current proposed objectives of the Company. Additional funding may be required in the event future costs exceed the Company's estimates, to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

The Company may seek to raise further funds through equity or debt financing, joint ventures or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of its development programmes. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

### (c) General economic conditions

Economic conditions, both domestic and global, may affect the performance of the Company. Factors such as fluctuations in currencies, commodity prices, inflation, interest rates, supply and demand and industrial disruption may have an impact on operating costs and share market prices. The Company's future possible revenues and Share price can be affected by these factors, all of which are beyond the control of the Company or its Directors.

# Appendix: Key risks

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## **(d) Equity market conditions**

Securities listed on the stock market can experience extreme price and volume fluctuations that are often unrelated to the operating performances of listed companies. The market price of Shares may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

General factors that may affect the market price of Shares include economic conditions in both Australia and internationally (particularly Australian, US and Chinese economic conditions), investor sentiment, local and international share market conditions, changes in interest rates and the rate of inflation, variations in commodity prices, the global security situation and the possibility of terrorist disturbances, changes to government regulation, policy or legislation, changes which may occur to the taxation of companies as a result of changes in Australian and foreign taxation laws, changes to the system of dividend imputation in Australia, and changes in exchange rates.

## **5.4 Investment Speculative**

The above list of risk factors is not exhaustive of the risks faced by the Company or by investors in the Company. Other factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Offer Document. Therefore, the New Shares to be issued pursuant to this Offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Offer Document.



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