



- ▶ CONSTRUCTION MATERIALS
- ▶ TRANSPORT SERVICES
- ▶ CEMENT, FLYASH & LIME
- ▶ PRECAST CONCRETE
- ▶ REINFORCING STEEL
- ▶ COMPOSITE FIBRE TECHNOLOGIES

**HEAD OFFICE:**  
1 AIRPORT DRIVE  
1511 TOOWOOMBA CECIL PLAINS ROAD  
WELLCAMP QLD 4350

**POSTAL ADDRESS:**  
PO BOX 151 DRAYTON NORTH QLD 4350

**INT. PREFIX STD PREFIX NUMBER**  
TELEPHONE: (61 7) (07) 4637 7777

**EMAIL:** wagners@wagner.com.au

**WAGNERS HOLDING COMPANY LIMITED**  
**ACN 622 632 848**



25 February 2020

The Manager  
Market Announcements Office  
Australian Securities Exchange  
4<sup>th</sup> Floor, 20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

**Wagners Holding Company Limited (WGN)**  
**Investor Presentation for Half Year ending 31 December 2019**

Please find attached the Investor Presentation relating to the Company's half year results ending 31 December 2019, for immediate release to market.

This announcement has been authorised for release to the market by the Board.

For further information, please contact:

**Karen Brown**  
Company Secretary  
Ph. 07 3621 1131

**About Wagners:**

Wagners is a diversified Australian construction materials and services provider and an innovative producer of New Generation Building Materials. Established in 1989 in Toowoomba, Queensland, Wagners is now an ASX-listed business operating in domestic and international markets. Wagners are a producer of cement, concrete, aggregates, new generation composite products and are world leaders in development of new technology to reduce the impact of heavy construction materials on the environment. Wagners are also providers of transport services, precast concrete and reinforcing steel.

Ocala Beach Boardwalk - Florida USA

**WAGNERS**

# HY 20 INVESTOR PRESENTATION

FEBRUARY 2020

# DISCLAIMER

The material contained in this presentation is a summary of Wagners Holding Company Limited's (Wagners) activities and results, current at the date of preparation, 25 February 2020. The information in this presentation is in summary form only, general in nature and does not purport to be complete.

This presentation may contain certain forward-looking statements. No representation or warranty is made regarding the accuracy, completeness or reliability of the forward-looking statements or opinion, or the assumptions on which they are based and undue reliance should not be placed upon such statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors and are based on a number of estimates and assumptions that are subject to change, many of which are beyond the control of Wagners and its directors, and which may cause the actual results or performance to differ materially from those expressed in any forward looking statements.

The information contained in this presentation has been prepared in good faith by Wagners, however no guarantee, representation or warranty, expressed or implied, is given as to the accuracy, reliability, correctness, completeness or adequacy of any statements or other information contained in this presentation. To the maximum extent permitted by law, Wagners and its other affiliates and their respective directors, officers, employees, consultants and agents do not accept any liability, including, without limitation, arising from fault or negligence, for any loss arising from the use of the information contained in this presentation or its contents or otherwise arising in connection with it.

Nothing in this presentation should be read or understood as an offer or recommendation to buy or sell Wagners securities neither is the information in this presentation intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

**WAGNERS**

# AGENDA

- 1 HY20 Summary
- 2 Financial Performance
- 3 Outlook

**WAGNERS**



# HY20 SUMMARY

*Taking our vision and expertise to the world*



Keltbray/Capital Concrete – EFC pile in Central London

**WAGNERS**

# FINANCIAL OVERVIEW

(\$m)	1H FY20	2H FY19	Change	1H FY19	Change
<b>Total Revenue</b>	<b>122.3</b>	<b>116.0</b>	<b>6.3</b>	<b>123.8</b>	<b>(1.4)</b>
Gross Profit	67.3	76.2	(8.9)	74.4	(7.1)
<b>EBITDA</b>	<b>11.3</b>	<b>15.5</b>	<b>(4.2)</b>	<b>22.4</b>	<b>(11.1)</b>
<b>EBIT</b>	<b>2.5</b>	<b>8.8</b>	<b>(6.3)</b>	<b>16.1</b>	<b>(13.6)</b>
<b>Net profit after tax</b>	<b>(1.2)</b>	<b>5.9</b>	<b>(7.1)</b>	<b>6.9</b>	<b>(8.1)</b>

- This half and last half revenue and EBIT have both been impacted by the loss of cement volumes due to a dispute.
- Increased pressure in the Concrete market in South East Queensland.
- Revenue is consistent with the prior corresponding period due to increased Transport, at a lower margin.
- There were no major project revenues in this half.
- Revenue and EBIT for New Generation Building Materials continue to improve.



# HY 20 SUMMARY

- HY 20 Sales decreased compared to HY 19
  - Concrete plants, Quarries and Transport revenue increased in HY 20
  - Cement was negatively impacted by the lower volumes due to the Boral dispute with offtake recommenced in late October 2019
  - No major project revenue
- HY 20 EBIT lower than HY 19
  - Increased costs associated with the establishment of the concrete plant roll out
  - Pricing pressure in south east Queensland cement and concrete market has significantly impacted margins
  - Increased corporate costs due to litigation
- Further investment in Transport assets, CFT production plants and Concrete batching plants
- Successful rights issue of \$40m

Note: All comparatives are prior corresponding period, HY19

# HY 20 SUMMARY<sub>(CONT.)</sub>

## SEGMENT RESULTS

### Construction Materials and Services

(\$m)	HY20	HY19	Change
Total Revenue	106.8	120.8	(14.0)
EBIT	6.9	19.3	(12.4)

#### FINANCIAL COMMENTARY

- Lower cement volumes due to Boral dispute has negatively impacted both sales and EBIT
- Concrete plants establishment costs/contribution in HY20 did not meet expectation
- Transport division had a strong performance based on long term contracts, but impacted by higher repairs and maintenance costs as the fleet ages
- No significant new project work in HY20

#### OPERATIONAL CHANGES

- Boral recommenced offtake of cement in late October 2019
- 3 additional Concrete plants operational in HY20
- Secured Cross River Rail tunnel segment supply in HY20, majority of benefit in FY21
- Commenced major contract crushing project in central Qld



# HY 20 SUMMARY<sub>(CONT.)</sub>

## Construction Materials and Services

### CEMENT

- Revenue decrease due to reduced volumes as a result of the Boral dispute
- Overall decrease in cement consumption across South East Queensland

### CONCRETE

- Growing presence in the SEQ concrete market
  - 6 Operational sites, another 3 pending
  - Start-up and operating costs have resulted in losses
  - Selling prices reset with tight controls on margins

### QUARRIES

- 4 quarries now in operation
- Focus on gaining operational efficiencies

# HY 20 SUMMARY<sub>(CONT.)</sub>

## Construction Materials and Services

### TRANSPORT

- Strong performance from mining contracts in N/W Queensland
- Currently engaged on 9 significant contracts, for 6 different customers
- Increased utilization and size of fleet has driven higher maintenance costs

### PROJECTS

- Lack of infrastructure projects has negatively impacted project revenues
- Have secured quarry work in central Queensland
- Working to secure a number of significant opportunities in FY20 and FY21

### PRECAST

- The decision to close the precast business has resulted in closure costs in this half
- Have secured the \$40m tunnel segment supply for the Cross River Rail project, with revenue starting in FY20.

# HY 20 SUMMARY<sub>(CONT.)</sub>

## SEGMENT RESULTS

### New Generation Building Materials

(\$m)	HY20	HY19	Change
Total Revenue	16.4	14.5	1.9
EBIT	0.8	0.6	0.2

#### FINANCIAL COMMENTARY

- Sales
  - Diversified and expanded customer base and geographic markets compared to the prior corresponding period
  - Sales secured into USA, Canada, UK and UAE
- EBIT
  - Increased EBIT margin, despite increased R&D expenses

#### OPERATIONAL CHANGES

##### CFT

- First pultrusion machine awaiting commissioning in the USA
- Expanded product line to include round poles

##### EFC

- Commissioning of activator production plant
- Continued BD/marketing including field trials in Europe and the UK



## New Generation Building Materials

### WAGNERS COMPOSITE FIBRE TECHNOLOGIES (CFT)

- CFT revenue up 13% and EBIT up 18% compared to HY 19
- Crossarms sales are currently in Australia and New Zealand, exploring international opportunities
- 
- Customer spread in CFT pedestrian infrastructure and bridge business
  - Diversified and expanded customer base and geographic markets compared to the prior corresponding period
  - Revenue generated from international markets (NZ, USA, UK, Canada, UAE)
- Increased sales personnel and travel expenses associated with international expansion

Note: All comparatives are prior corresponding period, HY19

## New Generation Building Materials

### WAGNERS EARTH FRIENDLY CONCRETE (EFC)

- Commissioned activator production plant to reduce production costs
- EFC DIBt approval attained in this period
- Poured the first EFC field trial in central London
- EFC BIS (Indian standard) further testing for approval carried out in this period
- Sold over 5,700m<sup>3</sup> of EFC in this half



# FINANCIAL PERFORMANCE



**WAGNERS**

EFC Slipform Paver – Qantas Flight Training Academy – Taxi Way EFC.



# HY20 CONSOLIDATED RESULTS

(\$m)	1H FY20	2H FY19	1H FY19
<b>Total Revenue</b>	<b>122.3</b>	<b>116.0</b>	<b>123.8</b>
Gross Profit	67.3	76.2	74.4
<b>Operating Costs</b>			
- Employee expenses	(23.0)	(25.3)	(24.7)
- Repairs & maintenance	(12.3)	(9.7)	(8.9)
- Services/Subcontractors	(6.3)	(6.2)	(3.7)
- Other	(14.3)	(18.7)	(14.7)
<b>EBITDA</b>	<b>11.3</b>	<b>15.5</b>	<b>22.4</b>
Depreciation and amortization	8.8	6.7	6.3
<b>EBIT</b>	<b>2.5</b>	<b>8.8</b>	<b>16.1</b>
Net Financing Costs	4.2	2.7	3.3
Tax Expense	(0.4)	0.2	5.9
<b>Net profit after tax</b>	<b>(1.2)</b>	<b>5.9</b>	<b>6.9</b>

## COMMENTARY

- Gross Profit lower at 55.0% due to mix of revenue
- EBIT also impacted by higher operating costs
  - R&M increased mainly due to increased utilization of transport and quarry assets
  - Higher Subcontractors and services costs to meet short term contracts in transport and quarry businesses
- AASB16 adoption has had \$1.4m negative impact on this half's result – no cash impact

# CASHFLOW

(\$m)	HY20	HY19	Change
<b>EBITDA</b>	<b>11.3</b>	<b>22.4</b>	<b>(11.1)</b>
Non-cash items	(0.4)	(0.8)	0.3
Changes in working capital	(19.4)	14.4	(33.8)
Changes in provisions	0.1	0.6	(0.5)
<b>Cash flow from operations</b>	<b>(8.3)</b>	<b>36.7</b>	<b>(45.0)</b>
Capital Expenditure	(7.2)	(22.8)	15.6
Proceeds from sale of assets	0.5	0.7	(0.2)
<b>Net cash flow before financing and tax</b>	<b>(15.1)</b>	<b>14.5</b>	<b>(29.6)</b>

## COMMENTARY

- Cash flow from operations impacted by lower EBITDA and a negative working capital movement.
- Working capital position negatively impacted by higher debtors as a result of award of new projects and sale of concrete plants, which have since been received.
- Capital expenditure in HY20 reduced with the major spends in CFT manufacturing capacity, concrete plant expansion and stay in business capex for quarries and transport

# WORKING CAPITAL

(\$m)	HY20	HY19	Change
Trade and other receivables	52.1	42.7	9.5
Inventories	20.0	19.5	0.5
Trade and other payables	(26.1)	(28.2)	2.1
<b>Net working capital</b>	<b>46.0</b>	<b>33.9</b>	<b>12.1</b>

## COMMENTARY

- Increase in working capital due to some large invoices written for new projects awarded and sale of concrete plants

# NET DEBT

(\$m)	HY20	HY19	Change
Cash and cash equivalents	9.6	6.1	3.5
Gross debt	80.0	96.4	(16.4)
<b>Net debt</b>	<b>70.4</b>	<b>90.3</b>	<b>(19.9)</b>

## COMMENTARY

- Net Debt has decreased as a result of capital raise offset by capital spend during the year
- Significant head room on term debt and equipment finance facilities



# OUTLOOK



Abu Dhabi – 2.2km Jubail Mangrove Park Walk



# OUTLOOK

## Construction Materials and Services

### Significant opportunities

- Cross River Rail tunnel segment supply – secured
- Central Queensland contract crushing project – secured
- Additional Bulk Haulage contracts in NW Queensland – secured and under tender review
- Return to contracted cement offtake volumes
- International LNG project work – not secured currently in tender evaluation stage
- Concrete Project Work – not secured, many projects under tender

### Continuing Challenges

- Cement and concrete market conditions
- Timing of major projects commencement

### Contingency

- Outcome of litigation

# OUTLOOK

## New Generation Building Materials

### Composite Fibre Technologies (CFT)

#### Australia and New Zealand

- Continue to invest in innovation and the expansion of the manufacturing capacity our Toowoomba factory
- Increase revenues through sales of recently developed composite round pole
- Increase sales of crossarms into Victoria, Tasmania & New Zealand
- Improve production and efficiency utilising the Crossarm Automation Line.
- Continue to grow Pedestrian Infrastructure and Bridge sales

#### International

- Continue to grow Pedestrian Infrastructure and Bridge sales, leveraging of sales delivered to the UAE and UK
- Production facility to be established in the USA
- Build international crossarm business



# OUTLOOK

## New Generation Building Materials

### Earth Friendly Concrete (EFC)

#### Development and Accreditation

- Continue to invest in R&D and geographical expansion
- Leverage off DIBt (European) approval granted and grow sales to construction companies in Germany and throughout Europe and the UK.
- Further R&D on in house activator manufacturing capability.

#### Trials and Pre-sales

- Further field trials in London later this month
- EFC field trials continuing in India.

#### Sales and Commissioning

- Deliver EFC through our concrete plant network
- Partner with interested parties, internationally and domestically

# OUTLOOK

## Financial Outlook

We have reduced our earnings expectations

- continued challenges in the South East Queensland construction materials business
- uncertainty over the timing of commencement of major projects\*
- no allowances for the litigation outcome

As a result of the above we have reduced our FY 20 EBIT outlook to a range of \$12.5m to \$17.5m.

\* The lower end of this range assumes no new project revenue in FY20 from the opportunities mentioned earlier in the presentation



**WAGNERS**

[wagner.com.au](http://wagner.com.au)