



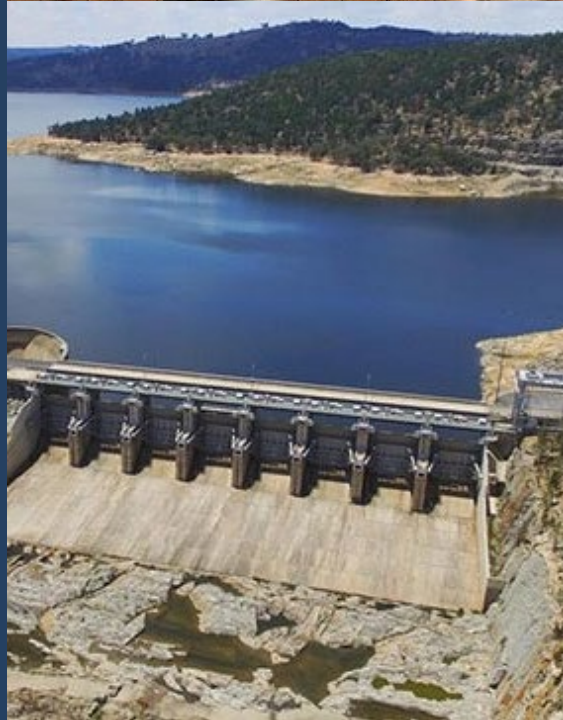
INNOVATION | EXCELLENCE | GROWTH

# Investor Presentation 2020

Mark Benson  
*Managing Director &  
Chief Executive Officer*

Rudy Sheriff  
*Chief Financial Officer*

August 2020





# Company Overview



Tank Construction  
& Maintenance

Industrial  
Maintenance  
& Shutdowns



ENERGY

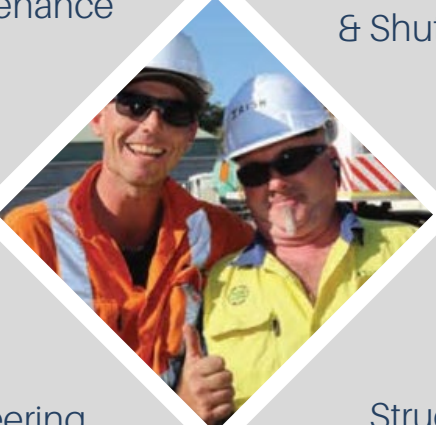
## SECTORS

DEFENCE



## SERVICES

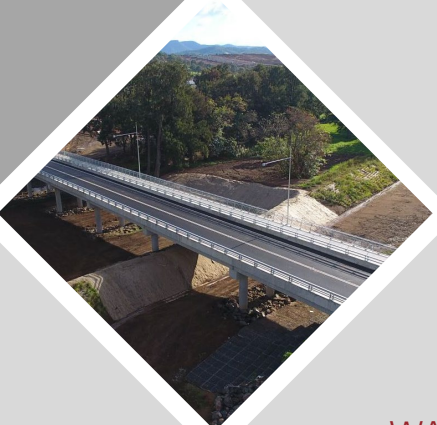
Engineering  
& Design



Structural  
Mechanic & Piping  
(SMP)



INFRASTRUCTURE



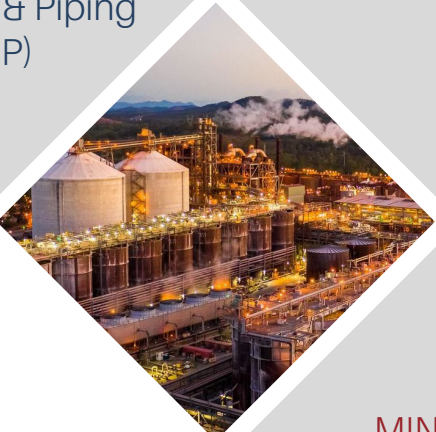
WATER



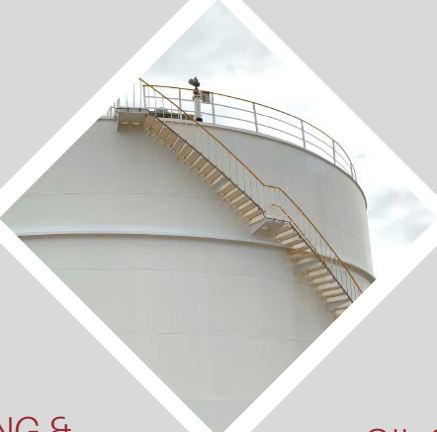
Civil Works  
Precast Fabrication  
Bridge construction



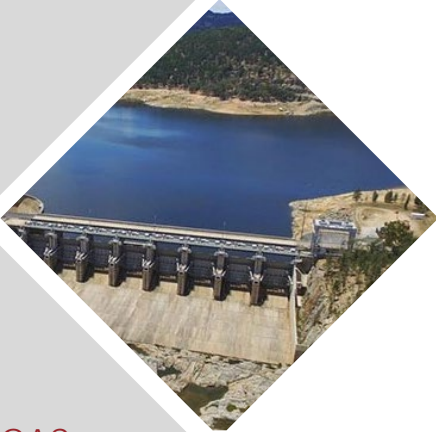
EPC Construction  
Mechanical  
Electrical  
Civil



MINING &  
MINERALS



OIL & GAS



# Company Overview

With 69 years of experience, Saunders uses in-house expertise to deliver a comprehensive range of projects including design, manufacture, construction, installation and maintenance services.

|             |        |
|-------------|--------|
| People      | 218    |
| Market Cap  | \$60M  |
| Share Price | \$0.56 |

As at 24 August 2020

## Business Services

| Civil Construction and Fabrication   | Construction   | Maintenance  |
|--|--|--|
| <b>Services Provided</b> <ul style="list-style-type: none"> <li>Precast concrete</li> <li>Bridge construction works</li> <li>Concrete foundation works for heavy industry</li> <li>Foundation systems</li> <li>Jetty and wharf construction</li> <li>Building and construction management</li> </ul> | <b>Services Provided</b> <ul style="list-style-type: none"> <li>Design and construction of bulk liquid fuel and chemical storage tanks</li> <li>Water reservoirs and pumping stations</li> <li>Coal bins, hoppers and associated steel works</li> <li>EPC, Mechanical, Electrical and Civil</li> </ul> | <b>Services Provided</b> <ul style="list-style-type: none"> <li>Planned and recurring tank maintenance in refineries, terminals and mineral processing sites</li> <li>Refinery, energy and industrial services shutdowns and planned maintenance</li> <li>Structural, Mechanical and Piping (SMP)</li> </ul> |

## Target Sectors

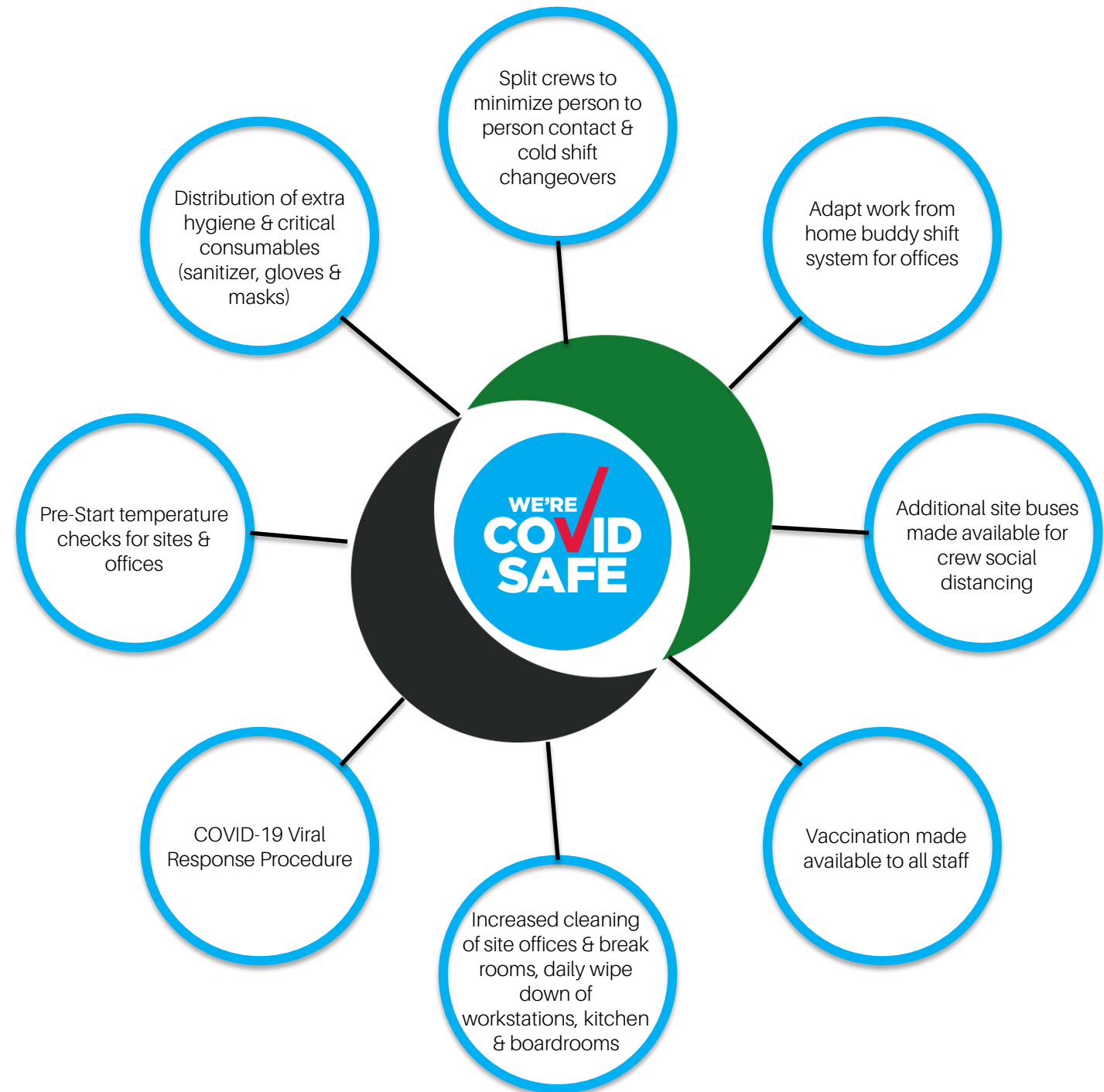
| Infrastructure   | Petrochemical & Resources  | Industrial & Power  | Defence  |
|--|--|---|--|
| Focus on the construction, upgrade and maintenance of road and rail bridges, wharves and jetties.            | Design, construction and maintenance of bulk storage of solids and liquids, and associated facilities including piping, mechanical. Focus on greenfield and brownfield projects, from full EPC of new terminals to long term service agreements. | Strategic focus in entering this market delivering piping, mechanical, shutdown services and permanent maintenance works. | Saunders recently entered this market with the delivery of a contract and two further contract awards in FY20. |
| <b>Clients include:</b> CPB, Downer, BGC, RMS, Sydney Metro, Sydney Trains and Local Government Authorities. | <b>Clients include:</b> BP, Caltex, Viva, Exxon Mobil, Sydney Water, Dialog and VOPAK.   | <b>Clients include:</b> BP, Caltex and Australian Paper Mill.   | <b>Clients include:</b> Australian Government, Lend Lease and Nova NACAP JV.                                   |

# COVID-19

- Proactive measures implemented to ensure business continuity
- All sites and offices are COVID safe compliant.
- Renewed policies and processes activated across the Group
- Disciplined focus on working capital management resulting in strong cash flow from operations

## Key COVID-19 Project Issues:

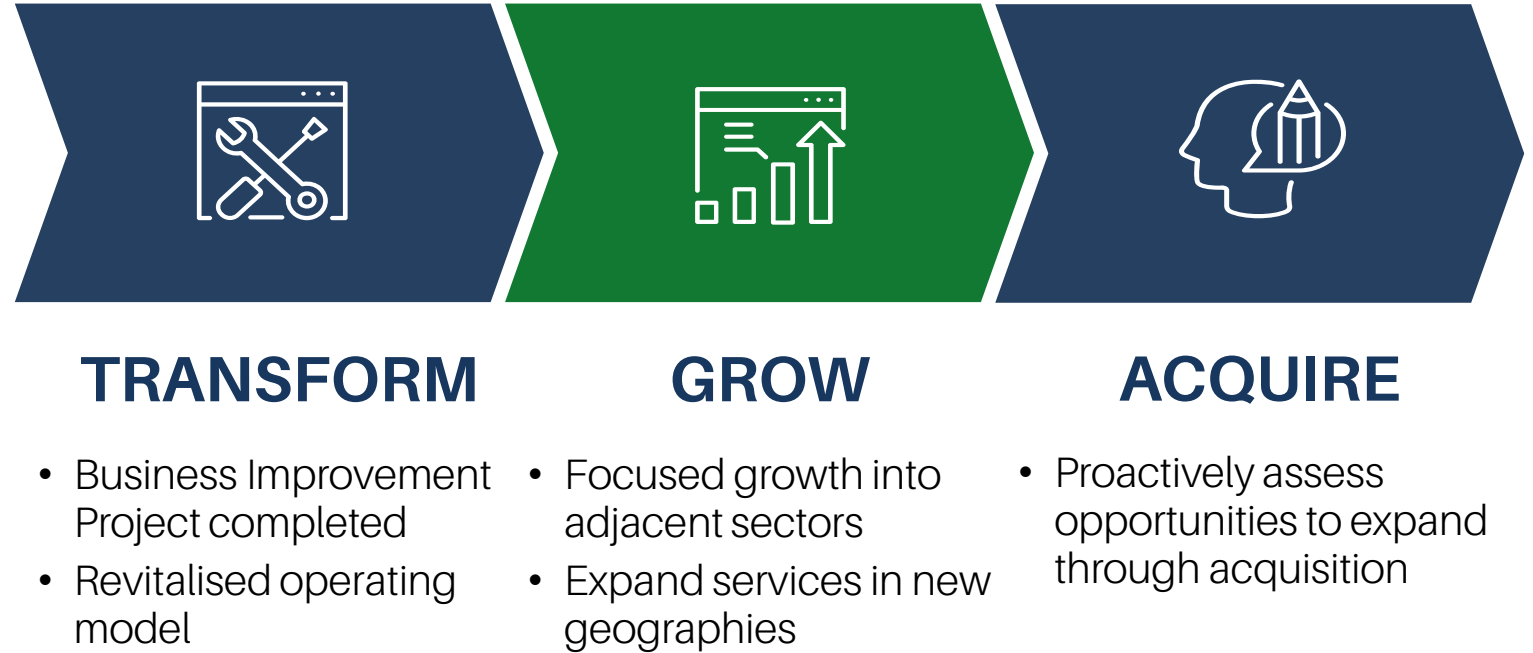
- Logistics
- Material supplies
- Border closures & resource allocation
- Productivity due to increased social distancing





# Strategic Focus

With the **Transform** strategy successfully completed, the focus is on executing the **Growth** strategy and generating increased shareholder value.



# Transformation Complete

We have achieved our key operating model objectives.

The business is now set to deliver operational excellence.

| AREA OF FOCUS   | STATUS  |
|---|---|
| <ul style="list-style-type: none"><li>• Reinforcement of project controls and commercial focus on all tenders</li><li>• Controlled and focussed pre-contract assessment process completed for all tenders</li><li>• Enhancement of weekly/monthly reporting of key project performance criteria</li></ul> |    |
| <ul style="list-style-type: none"><li>• Continual development and training to deliver operational excellence</li><li>• Right-sizing of overhead structures with ability to flex according to workload</li></ul>   |    |
| <ul style="list-style-type: none"><li>• Group wide adoption of customer relationship management (CRM) system</li><li>• Project controls focus within operations - centralised scheduling system</li><li>• Implementation of Saunders Project Management Systems (SPMS)</li></ul>                          |    |
| <ul style="list-style-type: none"><li>• Workshop closed safely, on time and within budget to reduce overheads</li><li>• Successful central relocation of plant and equipment to Newcastle</li><li>• Introduction of plant management system</li></ul>   |    |
| <ul style="list-style-type: none"><li>• Establishment of a national and international panel of fabricators</li><li>• Working capital management culture flowing from corporate HQ to projects</li><li>• IT architecture and security upgraded to best practise</li></ul>                                  |    |
| <ul style="list-style-type: none"><li>• New maintenance service offerings to be pursued</li><li>• Tank construction innovations to be introduced in FY21</li></ul>  |  |



# Growing Order book

\$100m in new contracts awarded to Saunders in FY20-H2 across all divisions.

We are confident that the recent momentum within the business will continue into FY21 and beyond.

## Major contracts awarded in FY20-H2 include:

|                    |  |
|--------------------|--|
| <b>Client</b>      | NAVFAC   |
| <b>Value</b>       | circa \$7m   |
| <b>Division</b>    | Mechanical Infrastructure - Defence  |
| <b>Description</b> | <p>Construction of two cut and cover fuel storage tanks for the Naval Facilities Engineering Command Pacific (NAVFAC).</p> <p>Site work will commence in FY20-H2 with works to be completed by 2022.</p> |

|                    |   |
|--------------------|---|
| <b>Client</b>      | Sydney Water  |
| <b>Value</b>       | circa \$15m   |
| <b>Division</b>    | Mechanical Infrastructure   |
| <b>Description</b> | <p>Detailed design, civil foundation, construction of a new welded steel reservoir (80m diameter x 13m high), electrical &amp; instrumentation and commissioning.</p> <p>Site work commenced Q2 2020, with works to continue over FY20-H2 and FY21.</p> |

|                    |  |
|--------------------|--|
| <b>Client</b>      | Rio Tinto Yarwun   |
| <b>Value</b>       | Portion 1 circa \$11m<br>Portion 2 circa \$19m   |
| <b>Division</b>    | Asset Services   |
| <b>Description</b> | <p>Design, supply, fabrication and repair of up to 16 precipitator tanks. Contract to be delivered in two separable portions.</p> <p>Portion 1 commenced Q1 2020 with works to continue over FY21.</p> |

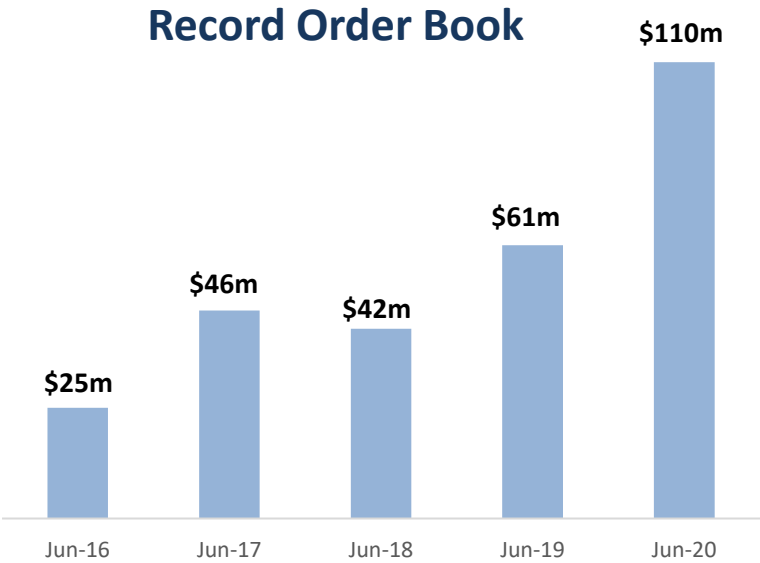
|                    |   |
|--------------------|---|
| <b>Client</b>      | Dialog/VOPAK  |
| <b>Value</b>       | circa \$20m   |
| <b>Division</b>    | Mechanical Infrastructure   |
| <b>Description</b> | <p>Sydney B4 Terminal Expansion - design, ground improvements, civil foundation and construction of three x 35 megalitre diesel tanks with geodesic dome roofs.</p> <p>Site work commenced Q2 2020, with works to continue over FY20-H2 and FY21.</p> |

# Positioned for Growth

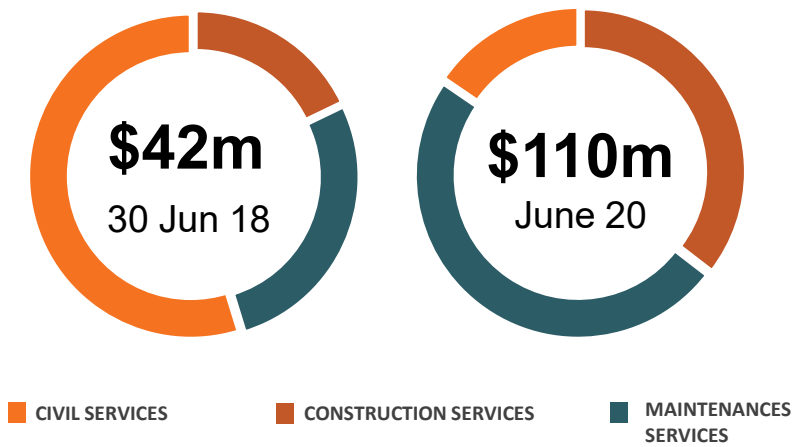
Record order book and new pipeline opportunities underpin the future growth of Saunders.

We will continue to leverage client relationships across all of our sectors.

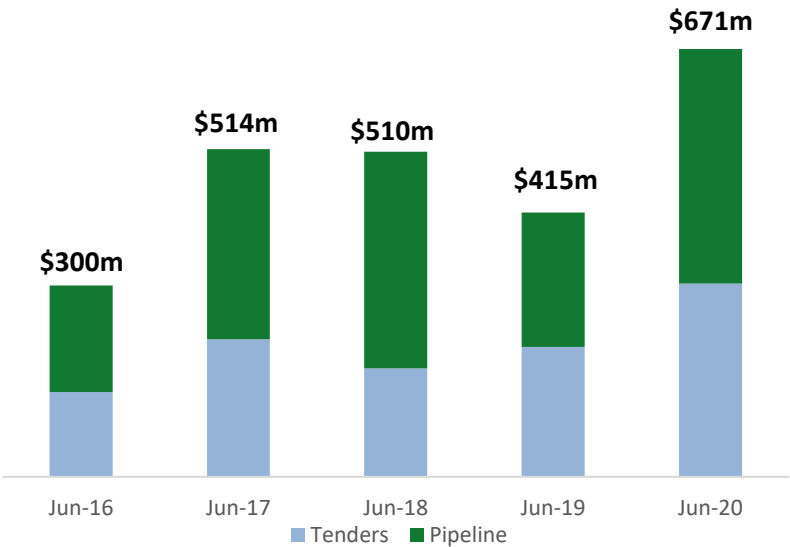
Record Order Book



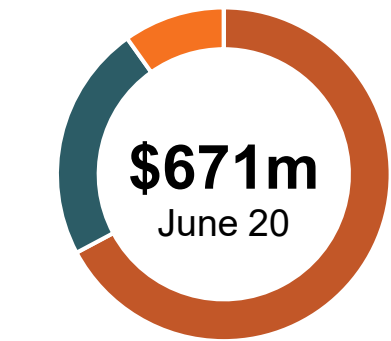
Diversified Order Book



Live Tenders & Pipeline



Opportunity Mix



Preferred Status





# Growth Opportunities

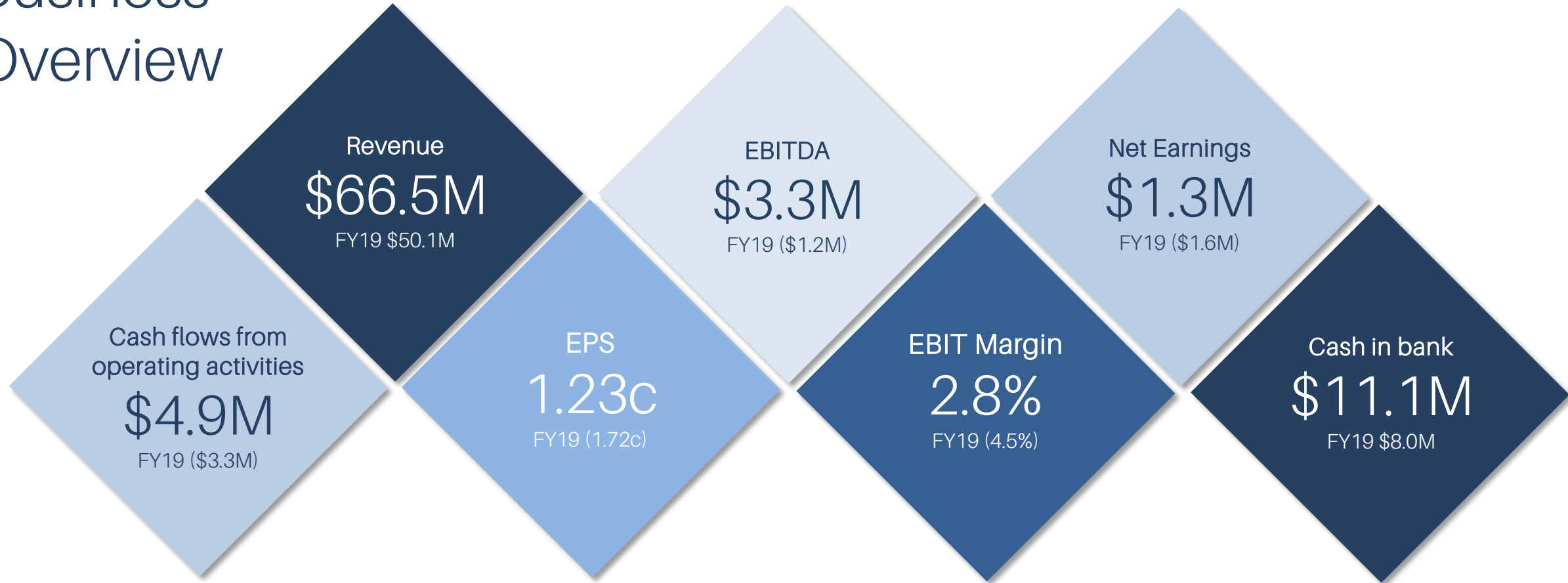
Saunders is experiencing strong growth in its core businesses and an increasing level of new contract business enquiries and requests for tenders.

## There are three principal drivers behind the growth outlook:

1. **Strong spend in infrastructure, industrial, oil and gas, minerals and defence sectors**
  - Current **infrastructure boom** forecast to continue through Federal and State governments.
  - **COVID-19** is likely to involve further economic stimulus.
  - **National bridge replacement programme** - \$640m committed (2015-2023) - further commitment of \$85m p.a. thereafter.
  - **Defence** - Government spend is forecast at 2% of GDP by 2022.
  - **National Fuel Storage** - to be expanded throughout Australia.
2. **Improved competitive landscape**
  - The competitive landscape in the Mechanical Infrastructure market has improved recently due to financial constraints of several key competitors.
3. **Increasing barriers to entry**
  - **Increasing contract values** and **lower client risk appetite** requires market participants to fund project bonding and working capital requirements.
  - **Saunders has a transparent balance sheet**, financial institutional support and access to public equity markets which are attractive to prospective clients.
  - **Saunders' financial capacity** will enable it to win larger and more complex projects.

# FY20

## Business Overview





# FY20 YTD Highlights

The positive results reflect the renewed operating model, the practical execution of our corporate strategy and our continued focus on improving shareholder value.

## Safety performance

- LTI free hours - 2.7m – Zero LTIs since May 2013.

## Positive financials

- Return to positive EBIT through delivery of increased margins and focussed overhead cost management leading to increased operating cash generation.
- Revised operating model and organisational structure delivering savings.

## Record order book and live tenders

- Multiple contracts awarded - record work in hand balance in excess of \$110m.
- Current order book & live tenders/pipeline up 80% & 48%, respectively compared to FY19.

## Enhanced earnings stability

- Diversified service offering established over the past two years, FY18 revenue profile (Construction 46%, Civil Services 29% and Maintenance 25%) v FY20 forecast (Construction 15%, Civil Services 38% and Maintenance 47%).

## Execution on new capabilities

- First defence project completed - two further contracts awarded in FY20.
- Entry into Industrial sector with successful delivery of two shut down projects.

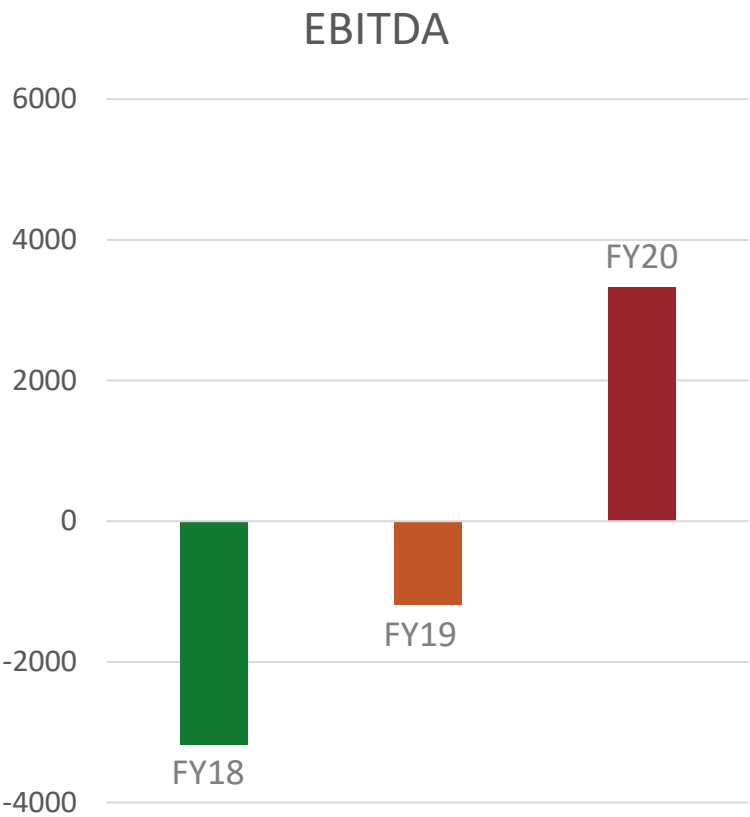
## Balance sheet flexibility

- A strong balance sheet – continued support of our financial institutions.
- Bonding facilities tripled to \$15m.

# Financial Highlights

Earnings are forecast to improve through further implementation of strategic initiatives and the delivery of recent project wins.

The transformation of Saunders’ operating model and organisational restructure will ensure that the Company can effectively and efficiently continue to meet the demands of future increased revenue with no material impact to overheads.



|          | FY20<br>\$'000 | FY19<br>\$'000 | \$'000<br>Change<br>(FY20-FY19) |
|----------|----------------|----------------|---------------------------------|
| Revenue  | \$66,642       | \$50,126       | \$16,516                        |
| EBITDA   | \$3,321        | (\$1,190)      | (\$4,511)                       |
| EBITDA % | 5.0%           | (2.4%)         |                                 |
| NPBT     | \$1,853        | (\$2,260)      | \$4,113                         |
| NPAT     | \$1,266        | (\$1,610)      | \$2,876                         |



# Balance Sheet

Improvement in free cash flow driven by continued financial discipline throughout the business, from projects to the corporate office.

Strong focus on working capital management and capex across the group.

| Balance Sheet Summary   | FY20<br>\$'000 | FY19<br>\$'000 | % Change |
|-------------------------|----------------|----------------|----------|
| Current assets          | \$31,505       | \$19,641       | 60.4%    |
| Non-current assets      | \$14,509       | \$13,177       | 10.1%    |
| Total assets            | \$46,014       | \$32,818       | 40.2%    |
| Current liabilities     | \$21,582       | \$11,008       | 96.1%    |
| Non-current liabilities | \$1,774        | \$613          | 189.4%   |
| Total liabilities       | \$23,356       | \$11,621       | 101.0%   |
| Net Assets              | \$22,658       | \$21,197       | 6.9%     |

| Working Capital Summary         | FY20<br>\$'000 | FY19<br>\$'000 | % Change |
|---------------------------------|----------------|----------------|----------|
| Receivables                     | \$13,297       | \$8,475        | 56.9%    |
| Net contract assets/liabilities | \$2,123        | \$896          | 136.9%   |
| Inventories                     | \$374          | \$169          | 121.3%   |
| Trade and other payables        | (\$14,246)     | (\$7,105)      | 100.5%   |
| Working Capital                 | \$1,548        | \$2,435        | (36.4%)  |

# Strategic Objectives

The focus remains on executing strategy and sustainable profitable growth.

## 1. Construction Services

- Proactively work with key customers and Federal/State government to offer innovative solutions for Australia Fuel Storage Program
- Leverage on Saunders strong balance sheet to target larger and more complex projects
- Expand services offering into – EPC, E&I and Civil

## 2. Maintenance Services

- Deliver increased services to core client base – e.g Shut down, piping services
- Expand maintenance service offering to adjacent sectors, e.g Industrial & Energy
- Position Saunders for major national fuels program for Defence sector

## 3. Civil & Precast Services

- Deliver Saunders “Raise the bar” initiative leading to safer and leaner production
- Capitalise on Federal and State Infrastructure spend
- Execute self perform strategy to diversify offering to existing customer base

## 4. Growth Focus

- Continue to expand into Defence and Utilities sectors
- Identification and pursuit of potential acquisition target to increase scale and operating leverage

# Guidance & Outlook

Saunders will leverage its diversified model to achieve a balanced contract portfolio and provide sustainable returns to shareholders.

FY21 budget expecting increased revenue, margins and profitability compared to FY20.

## FY21 Outlook

- FY21 budget is based upon a revenue target of \$100m with EBIT margin of 3.75% to 4.75%
- Board's objective is to resume fully franked dividend payments in FY21

## FY21 and forward thematic

- Strong infrastructure spend to continue as both Federal and State Governments stimulate the economy during the COVID-19 pandemic
- A return to rational margin pricing in construction services due to reduced competitive capacity of several key competitors in this sector.
- Saunders well positioned to continue to win work at profitable margins

## Strategic Objectives

- Maintain focus of integrated service offering across key sites/customers.
- Sustainable expansion of mechanical maintenance offering into new sectors.
- Leverage civil construction and fabrications services for geographical expansion.
- Accelerate growth in Defence sector.
- Evaluate acquisition options.

## Balance sheet

- Maintain strong net cash position and expand bonding facilities to take on larger contracts.

## COVID-19

- The group has developed and implemented policies and protocols across all sites to ensure the business is best placed to mitigate impacts of COVID-19. This uncertainty has created risks and conditions that the Group has not encountered before. As a result there will be a continual assessment of the impacts of COVID-19 on the financial statements arising from this major global risk.



The background image shows a close-up of industrial equipment, likely a boiler or steam system. It features several metal pipes, valves with red handles, and circular gauges. One gauge in the foreground has a white face with a red border and a scale from 20 to 100. Another gauge to the left has a blue border. The word 'Appendix' is overlaid in white text on a dark blue rectangular background in the center of the image.

# Appendix

100  
80  
60  
40  
20

mbars

°C

Offen ↑  
Auto



# Board & Management

Balanced team comprising of Board of Directors with diverse experience and a management team with a proven track record in delivering operational excellence.



**Mr. Timothy Burnett**  
Chairman & Non-Executive Director

Prior to his current role, Mr. Burnett served as Managing Director of SND for 15 years. He has been a Non-Executive Director of the company since November 1990 and has over 46 years of relevant industry experience managing projects and companies in the field of Engineering & Construction. Mr. Burnett is a member of the Saunders Audit & Risk Committee and a member of the Remuneration Committee. Other listed company directorships in the 3 years immediately before the end of the financial year - NIL



**Mr. Mark Benson**  
Managing Director & CEO

AdvDipMan, AdvDipProjMgt, GAICD - Mr. Benson has over 27 years of relevant industry experience in executive management roles in Engineering & Construction. He served as General Manager of RCR Energy before joining SND and has been Managing Director and Non-Executive Director since October 2015. Other listed company directorships in the 3 years immediately before the end of the financial year - NIL



**Mr. Greg Fletcher**  
Non-Executive Director

Mr. Fletcher has been SND's Non-Executive Director since July 2015. He is the Chairman of the Saunders Audit & Risk Committee and a member of the Remuneration Committee. Mr. Fletcher is also Vice Chairman of Yancoal Australia Limited, Chairman of SMEG Australia Pty Ltd, a Director TAFE NSW Commission and Chairman and member of the Audit & Risk Committees of several NSW government owned entities. He was a partner of Deloitte Touche Tohmatsu until May 2009, and Deloitte Touche Tohmatsu has been the registered auditor of Saunders since the year ended 30 June 2007



**Mr. Rudy Sheriff**  
Chief Financial Officer

With over 15 years' experience in leading financial operations for large matrix structured companies within the engineering services industry, Mr. Sheriff fills the role of CFO at SND. His experience involves complex resources, infrastructure, rail and roads portfolios.






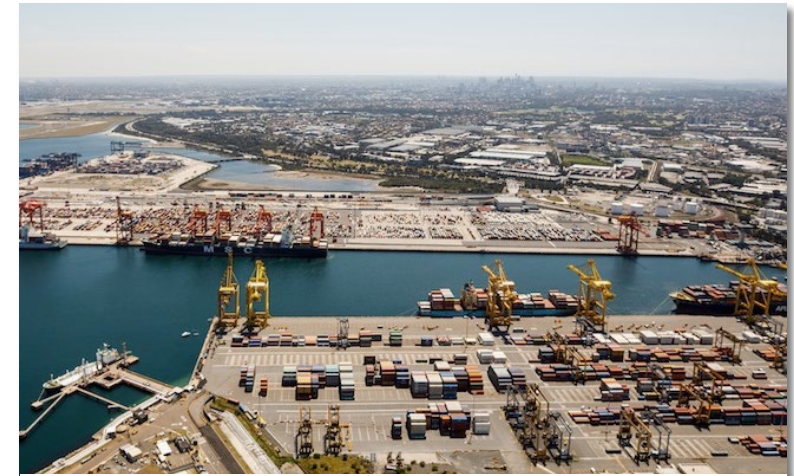
# Our Projects



# Construction Services



|             |  |   |
|-------------|--|---|
| Client      | Sydney Water   |  |
| Value       | circa \$15 million   |   |
| Description | <ul style="list-style-type: none"> <li>• Scope of works includes detailed design, civil foundation, construction of a new welded steel reservoir (80m diameter x 13m high), electrical &amp; instrumentation and commissioning works</li> <li>• Mobilisation to site commenced in Q1 2020 with works to continue over FY20 H2 and FY21.</li> </ul> |   |



|             |   |   |
|-------------|---|---|
| Client      | Dialog/VOPAK  |  |
| Value       | circa \$20 million  |   |
| Description | <ul style="list-style-type: none"> <li>• Early Contractor Involvement (ECI) for NSW Terminal Expansion project.</li> <li>• Design, procurement and fabrication of steel and early civil works. Works commenced late Feb 2020.</li> <li>• Scope of works for the contract includes design, civil foundation, construction of three 35 Megalitre multi purpose tanks with Geodesic Dome roofs.</li> </ul> |   |

# Construction Services Defence



|             |  |
|-------------|--|
| Client      | NAVFAC   |
| Value       | circa \$7 million  |
| Description | <ul style="list-style-type: none"> <li>• Scope of works is the construction of two cut and cover fuel storage tanks for the Naval Facilities Engineering Command Pacific (NAVFAC).</li> <li>• Mobilisation to site will commence in Q3 2020 with works to be completed by 2022.</li> </ul> |



|             |  |
|-------------|--|
| Client      | Lendlease Building Pty Limited   |
| Value       | circa \$5 million  |
| Description | <ul style="list-style-type: none"> <li>• Scope of works includes design supply and installation of two new tanks, including the coordination of the interfacing trades including fire systems and electrical subcontractors.</li> <li>• Mobilisation to site will commence in Q2 2020 with works to be completed by FY21-H1.</li> <li>• This is the second Defence contract awarded to Saunders International by Lendlease.</li> </ul> |







# Civil

## Fabrication



|             |  |
|-------------|--|
| Client      | JHCPBG JV  |
| Value       | circa \$11.3million  |
| Description | <div>  </div> <ul style="list-style-type: none"> <li>• Scope of works is to supply precast components to the Sydney Metro project.</li> <li>• Sydney Metro is Australia’s largest public transport project, consisting of 31 metro stations and more than 66 kilometres of new metro rail.</li> <li>• Saunders are involved in the supply to Chatswood, Marrickville and Barangaroo sites.</li> </ul> |




|             |  |
|-------------|--|
| Client      | John Holland Rail  |
| Value       | circa \$2.5 million  |
| Description | <div>  </div> <ul style="list-style-type: none"> <li>• Scope of works is to construct a single span 27m long bridge over the North Coast rail line at Martins Creek to replace the life expired existing timber bridge.</li> <li>• The works will include construction of 200m of approach roadworks either side of the bridge.</li> <li>• This is the 2<sup>nd</sup> contract awarded to Saunders Civilbuild by JHR in Martins Creek.</li> </ul> |


# Civil

## Construction



|             |   |   |
|-------------|---|---|
| Client      | Mid Coast Council   |  |
| Value       | circa \$4.3 million   |   |
| Description | <ul style="list-style-type: none"><li>• Early stages of construction for 3 x bridges awarded by Mid Coast Council.</li><li>• Consists of the removal and replacement of 3 x aged timber bridges, with new pre-cast concrete structures, all of which will be performed by the Saunders Civilbuild team.</li><li>• The works are funded through the federal government's bridge replacement program and council's capital works program.</li></ul> |   |




|             |  |   |
|-------------|--|---|
| Client      | John Holland Rail Martins Creek  |  |
| Value       | circa \$2.5 million  |   |
| Description | <ul style="list-style-type: none"><li>• This contract is to replace an existing timber bridge, with a newly constructed pre-cast concrete single span bridge over the North Coast rail line at Martins Creek.</li><li>• In addition to the Bridge construction, Saunders are also completing demolition, roadworks and foundation works for this project.</li><li>• This is the 3<sup>rd</sup> project awarded to Saunders by John Holland and the 2<sup>nd</sup> Bridge replacement in Martins creek.</li></ul> |   |




# Maintenance Services




|             |  |   |
|-------------|--|---|
| Client      | Rio Tinto Yarwun   |  |
| Value       | circa \$30 million<br>(Portion 1 \$11m, Portion 2 \$19m)   |   |
| Description | <ul style="list-style-type: none"> <li>Saunders has been awarded the Stage 1 Precipitation Tank Repair contract for Rio Tinto’s Yarwun alumina refinery near Gladstone, QLD.</li> <li>The contract will be delivered over two separable portions. Works include design, supply, fabrication and installation works to repair up to 16 precipitator tanks.</li> </ul> |   |




|             |  |   |
|-------------|--|---|
| Client      | BP Bulwer Island   |  |
| Value       | \$8.1 million Stage 1 complete<br>\$12.5 million Stage 2 commenced   |   |
| Description | <ul style="list-style-type: none"> <li>Scope consists of civil and mechanical works; which include partial floor replacement, primary and secondary roof seals, floating roof repairs, internal and external protective treatment, tank foundation repairs, berm repairs, painting and testing.</li> </ul> |   |

# Maintenance Services



|             |  |   |
|-------------|--|---|
| Client      | Australian Paper Mill<br>(Nippon Paper Group)  |  |
| Value       | circa \$2 million  |   |
| Description | <ul style="list-style-type: none"> <li>• Scope of works for major plant shutdown outage included engineering, project management, mechanical maintenance, furnace and boiler maintenance, pressure welding, valve overhauls and upgrades, pipe manufacture and installation, pressure welding on a T&amp;M contract.</li> <li>• The project was completed in the tight timeline with zero safety incidents.</li> </ul> |   |



|             |   |   |
|-------------|---|---|
| Client      | BP Bulwer Island  |  |
| Value       | circa \$2.8 million.  |   |
| Description | <ul style="list-style-type: none"> <li>• The scope of work entails the installation and testing of SMP piping works associated with on BP Bulwer Island.</li> <li>• Included in the scope is also the installation of structural steel platforms, pipe support bridges, mechanical pumps and large valves.</li> </ul> |   |



# SI

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*The presentation contains certain forward-looking statements which have not been based solely on historical facts but, rather, on Saunders’s current expectations about future events and on a number of assumptions which are subject to significant uncertainties and contingencies many of which are outside the control of Saunders and its directors, officers and advisers.*



**MARK BENSON**

*Managing Director & Chief Executive Officer*

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