Seymour Whyte Limited
ACN 105 493 203

2016 ANNUAL GENERAL MEETING
Chairman's Address – Mac Drysdale

16 November 2016

Good morning ladies and gentlemen. Welcome to the 2016 Annual General Meeting of Seymour Whyte Limited.

Year in review

The past financial year has been transformational for the Group, and your Directors thank you for your continued support as we confronted internal and external challenges to emerge stronger and more resilient.

We faced tough market conditions that brought our net profit after tax down to $1.3 million and ended the year with a surge in revenue growth bringing the full year revenue to more than $360 million, up by 34% on the previous year.

This growth was driven by our successful expansion into New South Wales and Victoria and diversification into new sectors. Employee levels across our civil and utilities divisions rose correspondingly by almost 25%, and it is testament to our robust company culture that the Group continued to deliver excellence in safety and project performance even with such rapid growth.

The diversification strategy we introduced had enabled the Group to leverage the increasing major infrastructure expenditure in the southern states while providing protection against the slowdown in the Queensland civil construction market.

However, as the poor financial results of FY16 show, this did not go far enough. As you are aware, the Group experienced losses on four projects that impacted heavily on our profitability. The last of these projects are scheduled for completion by the end of 2016, however will continue to affect the bottomline in the first half of FY17.

2020 Strategic Plan

The Group developed and implemented the *2020 Strategic Plan* to leverage the positive industry outlook, particularly in New South Wales and Victoria, which provides excellent opportunities for profitable and sustainable growth.

The plan outlines the Group strategy to move into the Tier 1 space, taking on opportunities in the $200 million to $500 million contract range through smart partnerships and effective, targeted tendering.

By the end of FY16, we started to see the effects of the plan. The number of strategic joint ventures have increased—the most notable being our recent successful 50/50 joint venture with civil contractor Fulton Hogan, which was awarded the $442 million contract for the Bruce Highway Upgrade Project. These strategic partnerships play an important role in the Group's capacity and capability growth, and will advance us towards our goal of winning larger projects in our own right. Accordingly, we will continue to pursue potential value-creating opportunities in the industry through strategic alliances, joint ventures and partnerships.

Under the plan, the Group has also taken a more stringent, disciplined approach to targeting new opportunities. This was reflected by a total forward order book of $465 million by the close of FY16, up 39% on the previous year. Today, our order book stands at $570 million.

With a motivated workforce led by a strong management team, the Board is confident that by 2020 we will be a leading infrastructure business that selectively competes in the Tier 1 space, while retaining our competitive advantages as a Tier 2 contractor.

The Group is tracking well against its strategy with a sound revenue base, improved project margins and cost controls, good progress on strategic partnerships, and ongoing diversification in new sectors and regions.

Looking ahead

To maintain this momentum, it is vital that we continue to invest heavily in the Group's planned expansion. We must continue to build our capacity to tender for and deliver profitable projects in our current markets and in new markets. The Group is pursuing opportunities in sectors such as airports, rail and ports and we need specialist skills to support these ventures.

For this reason and the fact of continuing low profit levels, it is highly unlikely that there will be an interim dividend in FY17. We will consider the Group's ability to make a final dividend at the end of FY17, and continue to monitor financial performance and plans for expansion as part of this review.

The market outlook for the Group and the industry is positive. Our total contestable market for both the civil and utilities infrastructure divisions within a predominantly four-year horizon is approximately $16.7 billion.

As the *2020 Strategic Plan* continues to be executed to capitalise on these positive market conditions, we expect increased revenue from joint ventures and further strategic expansion. FY17 will see the Group continuing to invest in tendering for higher margin projects and growing our skilled workforce.

Like shareholders, the Board has been disappointed by the company's share price performance during the year, particularly in the context of the significant growth opportunities that exist in the Australian east coast infrastructure market and the Group's capabilities and positioning to pursue the opportunities emerging. The Board is actively considering a range of opportunities to address performance and increase shareholder value. In addition to the continued implementation of the 2020 Strategic Plan, this will include an ongoing assessment of capital management initiatives, further growth opportunities and expansion, joint venture and strategic partnerships and other value maximising strategies for shareholders. We remain optimistic about the long-term fundamentals of the Group and its growth prospects and remain focused on delivering our strategy to maximise value for shareholders.

John Seymour

At the end of this meeting, John Seymour will resign as a Director of Seymour Whyte. Clearly without John and Garry Whyte deciding to step out on their own and start their own company in 1987, Seymour Whyte would not exist.

John's resignation is the close of a chapter in the 29-year history of this Company.

Recently we celebrated John's pending retirement. This gave long-serving staff members the opportunity to speak of John's contribution. It is telling and fitting that they spoke of his influence on them as individuals, as well as what his ethics and principles had meant to them and to the development of the Seymour Whyte culture.

John may be leaving the Board but he will not be leaving the business.

Thank you, John for your years of investment, service and guidance to what I believe to be a very good organisation. This Company is an absolute credit to you and your good friend Garry Whyte.

At the start of my address, I stated that the past year has been transformational for the Group. This transformation is tracking upwards, and the Board encourages our shareholders to come on the journey as the Group makes the transition to become a leading infrastructure business.

Thank you.

ENDS