

Saunders International Ltd



August 2014

# CORPORATE SNAPSHOT

**Corporate Focus:** design, construction and maintenance of steel storage tanks and the project management of ancillary facilities

Price	A\$0.91
ASX Code	SND
Shares issued	79.0M
Options	-
Market Cap	A\$71.0M
Cash	A\$18.2M
Top 20 Shareholders	70%
Number of Shareholders	840 (approx.)
Substantial Shareholders	Desmond Bryant – 30.1% Timothy Burnett – 16.2% John Power – 5.1%

Share Price Performance and Volume as of 20/08/2014



# BUSINESS DESCRIPTION

The business was founded in 1951 and specialises in the design, construction and maintenance of steel bulk liquid storage tanks.

Saunders' products and services are provided via two inter related models:

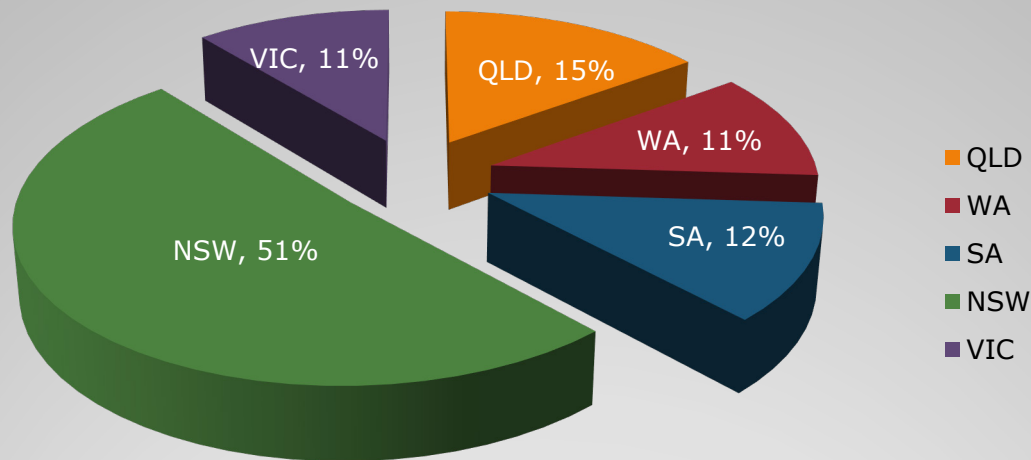
- Design & Construction; and
- Facilities Maintenance.

	DESIGN & CONSTRUCTION	FACILITIES MAINTENANCE
<b>Activities</b>	The design and construction of steel bulk liquid storage tanks.	The maintenance of steel bulk liquid storage tanks, focusing on repair and refurbishment of tanks for the petroleum industry.
<b>Key Industry Sectors</b>	<ul style="list-style-type: none"><li>– Oil and gas industry</li><li>– Water and waste water infrastructure sector</li><li>– Industries which manufacture, import, distribute and use bulk chemicals</li><li>– Mining and mineral processing industry</li></ul>	<ul style="list-style-type: none"><li>– Petroleum refineries and distributors</li><li>– Oil and gas producers and processing facilities</li></ul>

# FY14 REVENUE

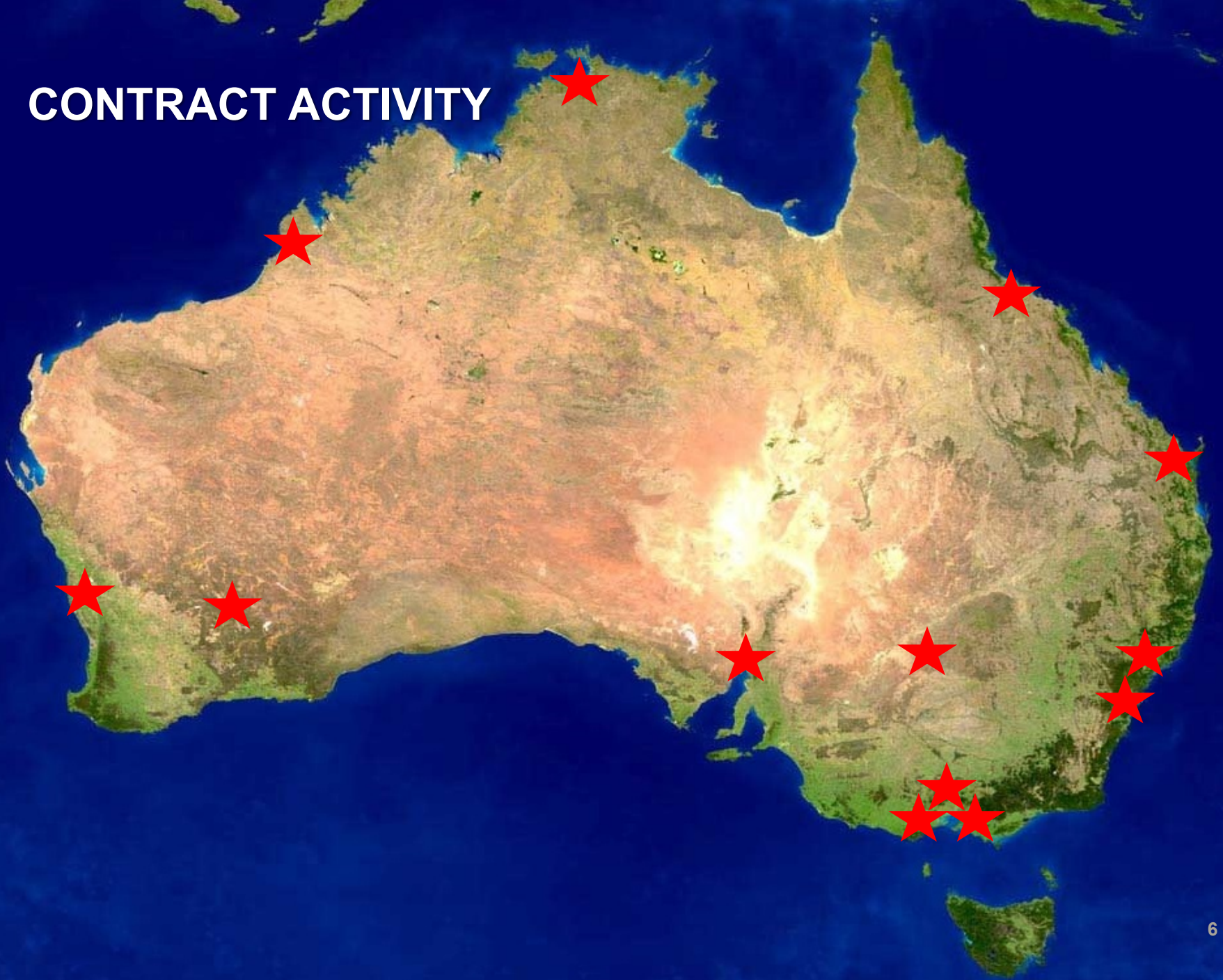
Total Revenue	\$69,359
Split of Facility Maintenance and Design & Construct	45/55
Total Number of Customers	15
Repeat Customers	13
Percent of Revenue	93%
New Customers	2
Percent of Revenue	7%

# FY14 GEOGRAPHICAL REVENUE DISTRIBUTION



- ❖ **FY2014** – Majority of Revenue from Western Australia and South Australia
- ❖ **FY2015** – Storage Terminal expansion drives significant increase in revenue from NSW
- ❖ **FY2015** – South eastern states to again contribute large part of revenue

# CONTRACT ACTIVITY



# DESIGN & CONSTRUCTION

## RECENT PROJECTS:

### *Tanks*

Newcastle, NSW

Value \$8M



# DESIGN & CONSTRUCTION

## RECENT PROJECTS:

### *Roof High*

Great work needs great people

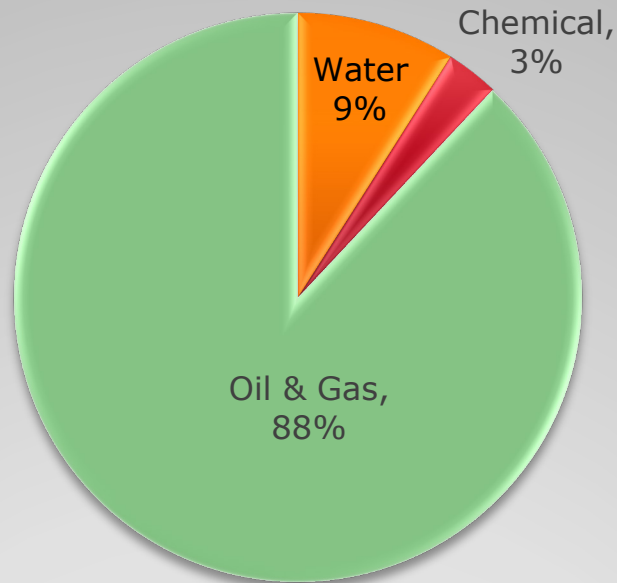


# FACILITY MAINTENANCE

## Roof Repair, NSW



## FY14 REVENUE – SECTOR DISTRIBUTION



Water Chemical Oil & Gas

- ❖ **Total Revenue \$69M**
- ❖ **Increased activity in Terminal Construction and Maintenance**

# OUTLOOK FY15

## Design and Construct -

- ❖ **Current live tenders valued at \$57 million and strong pipeline with approx. \$52 million to be tendered in first half**
- ❖ **Competitive environment exists**
- ❖ **First half likely to experience reduced revenue but strong second half expected**

# OUTLOOK FY15

## Facility Maintenance -

- ❖ Caltex Refinery conversion work continues at Kurnell
- ❖ Conversion project at Shell Clyde to start late 2014. If successful majority of work to be executed in 2015/2016
- ❖ Continue focus on non refinery maintenance work

# BACKLOG at 30 JUNE 2014

Work in hand

30 Jun 2014  
28m

30 Jun 2013  
39m

# FINANCIAL METRICS

KEY FINANCIAL STATISTICS	FY2011	FY2012	FY2013	FY2014
Revenue	\$52.8 m	\$46.0 m	\$60.5 m	\$69.4 m
EBITDA	\$2.6 m	\$6.2 m	\$8.2 m	\$9.3 m
<i>EBITDA % margin</i>	5%	13.5%	13.5%	13.4%
EBIT	\$2.0 m	\$5.7 m	\$7.7 m	\$8.6 m
NPBT	\$2.7 m	\$6.3 m	\$8.3 m	\$9.1 m
NPAT	\$1.9 m	\$4.5m	\$5.8 m	\$6.4 m
EPS	2.4 cents	5.7 cents	7.4 cents	8.1 cents

## Dividend History

Interim Dividend per Share (fully franked)	<b>1.0 cent</b>	<b>1.0 cent</b>	<b>2.0 cents</b>	<b>2.0 cents</b>
Final Dividend per Share (fully franked)	<b>3.0 cents</b>	<b>3.0 cents</b>	<b>3.0 cents</b>	<b>4.0 cents</b>
Special Dividend per Share (fully franked)		<b>5.0 cents</b>		

- ☐ Revenue up 14.6%
- ☐ NPAT increased 10%
- ☐ Recurring revenue streams steady
- ☐ Increase Final Dividend to 4 cents. 20% increase in full year dividend.

# BALANCE SHEET

BALANCE SHEET (\$ Million)	30 JUNE 2014
<b>Assets</b>	
Cash	18,219
Trade receivables	10,673
Plant and equipment	1,787
Deferred tax assets	1,378
Others	454
<b>Total Assets</b>	<b>32,511</b>
<b>Liabilities</b>	
Payables	8,504
Tax Liabilities	1,024
Provisions	3,780
<b>Total Liabilities</b>	<b>13,308</b>
<b>Net Assets</b>	<b>19,203</b>

- ☐ Strong cash reserves
- ☐ No debt
- ☐ NTA per Share of approx. 20.8 cents

## FY2014 CASH

**Cash at 30 June -**

**2013**  
**13M**

**2014**  
**18M**

**Cash impacted by:-**

- ❖ CapEx spend of \$0.65M
- ❖ General increase in construction activity

# FINANCIAL PERFORMANCE

## BUSINESS STRATEGY

### ❑ Design & Construction:

- The opportunity pipeline for Terminal tankage is strong and Saunders is well positioned to capitalize on this.

### ❑ Facility Maintenance:

- Broaden and grow the business unit's revenue base outside the major Oil Refineries
- Position the business to participate in the Conversion Projects planned for the Shell, BP and Caltex Refineries

### ❑ Strategic Acquisitions:

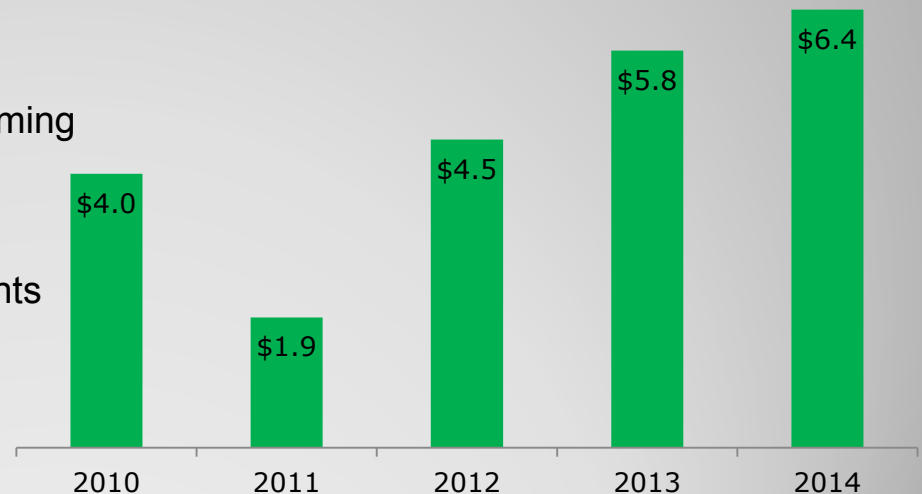
- Continue search for acquisitions that will enhance the existing business
- Capital required already available minimizing need for debt or equity

# FINANCIAL PERFORMANCE AND OUTLOOK SUMMARY

## PERFORMANCE SUMMARY

- Revenue up
- PAT up
- Maintenance services revenue up
- Build organization and skills base to provide more comprehensive service to customers

## 5 YEAR PERSPECTIVE NET PROFIT AFTER TAX



## OUTLOOK SUMMARY

- Demand for Terminal tankage is growing but timing of award of contracts is uncertain
- Live tenders valued at \$57 million
- Continue emphasis on servicing blue chip clients
- Key clients trending to quality subcontractors

# BUILDING FOR THE FUTURE

## Improve Manufacturing Efficiency

- ☐ New Laser Profiling Machine
- ☐ New Wheelabrator (blasting) Process

## Improve Construction Performance

- ☐ Employ market leading Welding Technology
- ☐ Further develop Tank Jacking System

## Grow Management Skills Base

- ☐ Expand organization to be able to provide EPC (Engineer, Procure & Construct) services to our clients
- ☐ Recruit experienced personnel to enhance senior management depth and support succession planning



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