ASX/MEDIA RELEASE

27 August 2015

Sedgman delivers sustained earnings improvement and increases dividend

Highlights

- Full year reported NPAT is $16.5 million
- Full year underlying NPAT is $19.4 million
- Full year combined sales revenue is $390.4 million
- Net cash flow from operations of $45 million
- Strong balance sheet with net cash of $109 million
- Awarded $292 million of Projects contracts during FY2015
- Awarded $125 million in extensions to Operations contracts during FY2015
- Fully franked final dividend of 3.8 cps and fully franked special dividend of 2.2 cps
- Capital management plan to pay ongoing special dividends

Leading resource sector services company Sedgman Limited (ASX:SDM) today announced a reported Net Profit After Tax (NPAT) of $16.5 million for the full year ended 30 June 2015. Sedgman's underlying NPAT is $19.4 million.

The result was positively impacted by improved performance in the Projects and Operations businesses and lower overhead and support costs, delivering a sustainable improvement in earnings.

Chief Executive Officer and Managing Director Peter Watson said that despite subdued market conditions the Company performed well.

"The FY2015 full year results represent the third consecutive half year of strong profitability and delivery of sustained earnings through improved business performance. We have increased our order book, improved our pipeline and successfully differentiated ourselves from our peers.

"Our commodity and geographic diversification continues to strengthen the business and our track record of successful Project and Operations delivery has continued. With a very clear strategy we are focused on driving superior performance across all aspects of the business."

The Company's order book has grown to $509 million of contracted work in the Projects and Operations business at 30 June 2015, compared with $385 million at 30 June 2014.

Consistent with the revised dividend plan announced in February 2015 to pay 100% of NPAT, the Sedgman Board has approved the payment of a fully franked 3.8 cps final dividend and a fully franked 2.2 cps special dividend. With a fully franked interim dividend of 3.5 cps, the full year payout is 9.5 cps, up from 4.0 cps in 2014.

As part of an enhanced capital management plan, the Company intends implementing a series of fully franked special dividends each of 2.2 cps paid together with each interim and final dividend subject to prevailing market conditions and opportunities.

Chairman Rob McDonald said he was delighted that the Company's sustained performance, strong balance sheet and accumulated franking credit account enabled the Board to introduce the enhanced capital management plan.

"Consistent with our determination to create ongoing shareholder value we are delivering a very attractive yield, particularly at a time of unusually low interest rates and heightened market volatility."

Summary Financial Results

	FY2015	FY2014
Combined sales revenue[1]	$390.4m	$355.9m
Underlying EBITDA[2]	$36.8m	19.1m
Underlying EBITDA margin[2]	9.4%	5.4%
Underlying EBIT[2]	$26.3m	$3.9m
Underlying EBIT margin[2]	6.7%	1.1%
Reported NPAT	$16.5m	($7.7m)
Underlying NPAT[2]	$19.4m	0.0m
Operating cash flow	$45.0m	$10.8m
Reported earnings per share	7.3 cents	(3.4 cents)
Dividend per share	9.5 cents	4.0 cents

Business Unit Review

Combined sales revenue for the Projects business of $278.6 million increased by $57.5 million from the previous financial year, as a number of significant Engineering, Procurement and Construction (EPC) projects progressed, compared with lower activity in FY2014.

Projects underlying EBIT was $13.8 million, representing 5.0% of combined sales revenue which was a significant improvement from the (3.3%) margin achieved in FY2014. Projects margin was higher than the prior year due to higher utilisation of Projects staff, the settlement of a contractual claim, lower business costs and the recovery of previously impaired receivables.

Combined Operations sales revenue of $111.8 million decreased by $23.0 million compared to the prior year as anticipated. Four operating sites managed for part of FY2014 on behalf of clients were transitioned back to owner operation.

Operations underlying EBIT was $12.5 million, representing 11.2% of combined sales revenue. Margins have improved as the Operations business focuses on cost control and continuous improvement in operating performance at all sites. Tonnages increased across a number of sites as clients took advantage of superior plant availability offered by Sedgman's operations performance. The underlying Operations result excludes the impact of an impairment of idle assets of $2.3 million.

Peter Watson said that Project margins are likely to remain under pressure, however, Sedgman is responding to market conditions by maintaining its focus on cost management and delivering commercially effective solutions.

"Our experience in lump sum EPC project delivery, specialist global engineering capability and technology knowledge provides a competitive advantage.

"Our Operations business remains focused on delivering value through achieving industry leading facility performance metrics in areas such as annual run hours, process efficiency, operating costs and safety. Our Operations Consulting initiative is identifying a range of value add opportunities with new and existing clients."

Outlook

Current subdued market conditions continue to present suitable scale opportunities that require delivery assurance on cost, time and facility performance. Sedgman's 36 year track record in delivering projects, with over 25 years' experience in EPC, provides our clients with this certainty.

Sedgman's strategic focus targeting the global minerals sector coupled with our strong balance sheet allow us to identify and create opportunities which will deliver value for our clients and shareholders. Our secured Projects and Operations order book, together with a number of near term opportunities and continued focus on controlling overheads, give us confidence in our capability to deliver sustained earnings in FY2016.

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1 Combined sales revenue represents revenue of Sedgman together with Sedgman's share of revenues from joint ventures.

2 Excludes impairment of operations assets $2.3m pre-tax, redundancy costs $1.7m pre-tax, and also for EBIT (underlying) and EBITDA (underlying) tax on equity accounted joint venture profits $0.7m.