

Saunders International Ltd

August 2015



CORPORATE SNAPSHOT

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

Price	A\$0.65
ASX Code	SND
Shares issued	79.0M
Options	-
Market Cap	A\$51.0M
Cash	A\$17.9M
Top 20 Shareholders	68%
Number of Shareholders	968 (approx.)
Substantial Shareholders	Desmond Bryant – 28.7% Timothy Burnett – 12.4% John Power – 3.8%

Share Price Performance and Volume as of 27/08/2015



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:

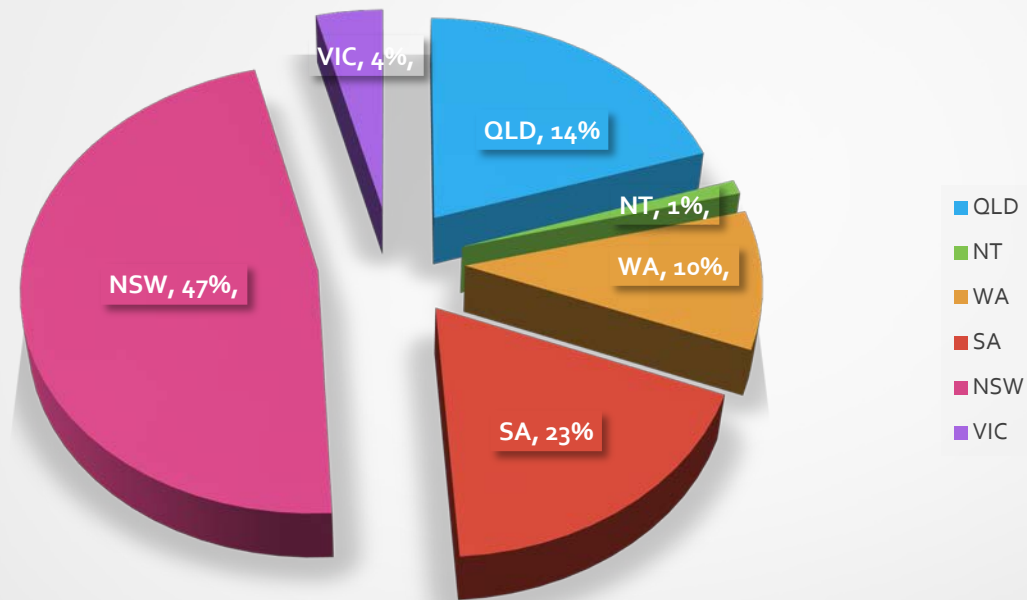
- Design & Construction; and
- Facilities Maintenance.

	DESIGN & CONSTRUCTION	FACILITIES MAINTENANCE
Activities	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.
Key Industry Sectors	<ul style="list-style-type: none">– Oil and gas industry– Water and waste water infrastructure sector– Industries which manufacture, import, distribute and use bulk chemicals– Mining and mineral processing industry	<ul style="list-style-type: none">– Petroleum refineries and distributors– Oil and gas producers and processing facilities

FY15 REVENUE

Total Revenue	\$43,954
Split of Facility Maintenance and Design & Construct	55/45
Total Number of Customers	14
Repeat Customers	11
Percent of Revenue	82%
New Customers	3
Percent of Revenue	18%

FY15 GEOGRAPHICAL REVENUE DISTRIBUTION



- ❖ **FY2015** – Storage Terminal expansion drives significant increase in revenue from NSW
- ❖ **FY2016** – NSW and South Australia to contribute large part of revenue

CONTRACT ACTIVITY



DESIGN & CONSTRUCTION

RECENT PROJECTS:

Tanks

Pelican Point, SA

Value \$20M



DESIGN & CONSTRUCTION

RECENT PROJECTS:

PBF Terminal Project

Port Bonython, SA

Value \$16M



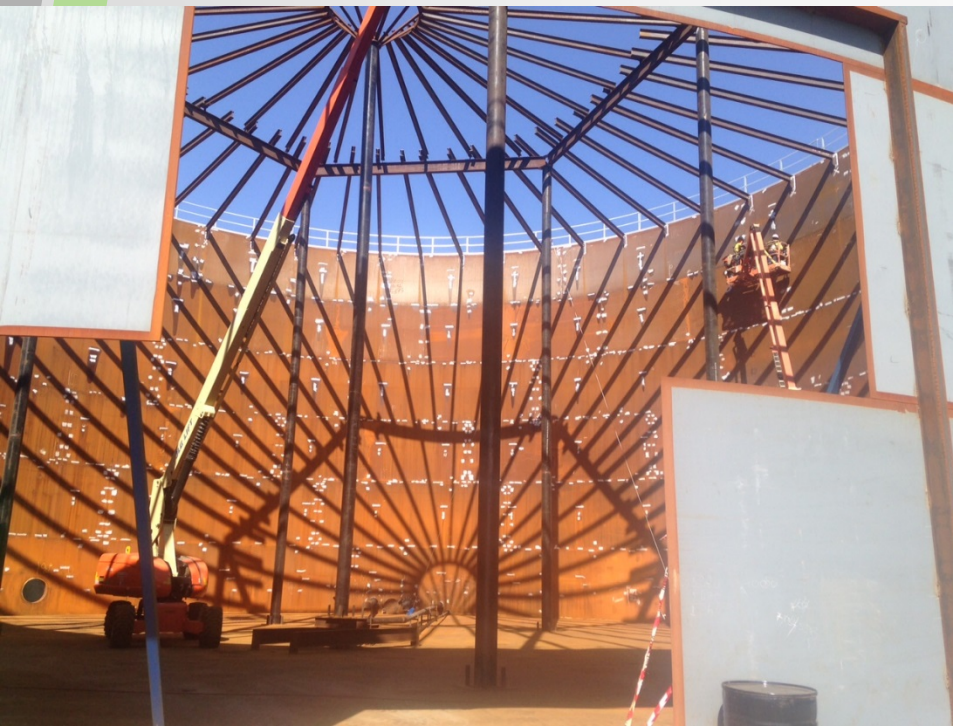
DESIGN & CONSTRUCTION

RECENT PROJECTS:

Diesel Storage Facility

Mayfield, NSW

Value \$6.1M

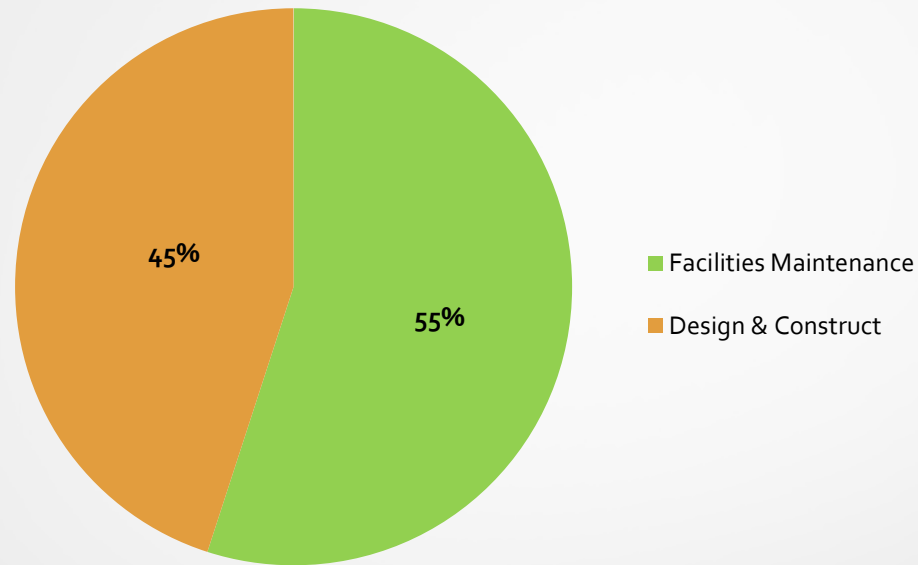


FACILITY MAINTENANCE

BP Kwinana Refinery, WA



FY15 REVENUE – SECTOR DISTRIBUTION



- ❖ **Total Revenue \$43M**
- ❖ **100% of activity in Oil and Gas Sector split between –**
 - **New Terminal Construction**
 - **Refinery Conversions**
 - **Refinery Maintenance**
 - **General Maintenance**

OUTLOOK FY16

Design and Construct -

- ❖ **Current live tenders valued at \$78 million and strong pipeline with approx. \$72 million to be tendered in first half. FY15 live tenders valued at \$57M and \$52M to be tendered in the first half**
- ❖ **Competitive environment exists**

OUTLOOK FY16

Facility Maintenance -

- ❖ **Caltex Refinery conversion work continues at Kurnell**
- ❖ **Successful in winning conversion projects of Shell Clyde and BP Bulwer Island. Both projects will contribute to FY16 revenue**
- ❖ **Continue focus on non refinery maintenance work**

WORK IN HAND at 30 JUNE 2015

Work in hand

**30 Jun 2015
28m**

**30 Jun 2014
28m**



Added a further 6.6M of work in hand since 1 July 2015

FINANCIAL METRICS

KEY FINANCIAL STATISTICS	FY2012	FY2013	FY2014	FY2015
Revenue	\$46.0 m	\$60.5 m	\$69.4 m	\$43.9 m
EBITDA	\$6.2 m	\$8.2 m	\$9.3 m	\$6.4 m
<i>EBITDA % margin</i>	13.5%	13.5%	13.4%	14.6%
EBIT	\$5.7 m	\$7.7 m	\$8.6 m	\$5.8 m
NPBT	\$6.3 m	\$8.3 m	\$9.1 m	\$6.3 m
NPAT	\$4.5m	\$5.8 m	\$6.4 m	\$4.4 m
EPS	5.7 cents	7.4 cents	8.1 cents	5.6 cents

Dividend History

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

- ❑ Revenue down 36.7%
- ❑ NPAT decreased 30.5%
- ❑ Maintained final dividend of 4 cents and full year dividend of 6 cents

BALANCE SHEET

BALANCE SHEET (\$ Million)	30 JUNE 2014
Assets	
Cash	17,874
Trade receivables	5,014
Plant and equipment	1,992
Deferred tax assets	993
Others	804
Total Assets	23,692
Liabilities	
Payables	4,819
Tax Liabilities	107
Provisions	2,411
Total Liabilities	7,337
Net Assets	18,915

- ☐ Strong cash reserves
- ☐ No debt
- ☐ NTA per Share of approx. 22.8 cents

FY2015 CASH

Cash at 30 June -

2014
18M

2015
18M

Cash impacted by:-

- ❖ CapEx spend of \$0.85M
- ❖ Positive net cash provided by operating activities

FINANCIAL PERFORMANCE

BUSINESS STRATEGY

❑ Design & Construction:

- Saunders was successful in winning contracts for new Terminal Tankage for independent operators valued at \$22 million.
- The opportunity pipeline for further 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
- Saunders already successful in winning contracts to execute various tankage modification work at the Shell, BP and Caltex Refineries
- Continue to build on this presence to grow our relationship with the converted terminals

❑ 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

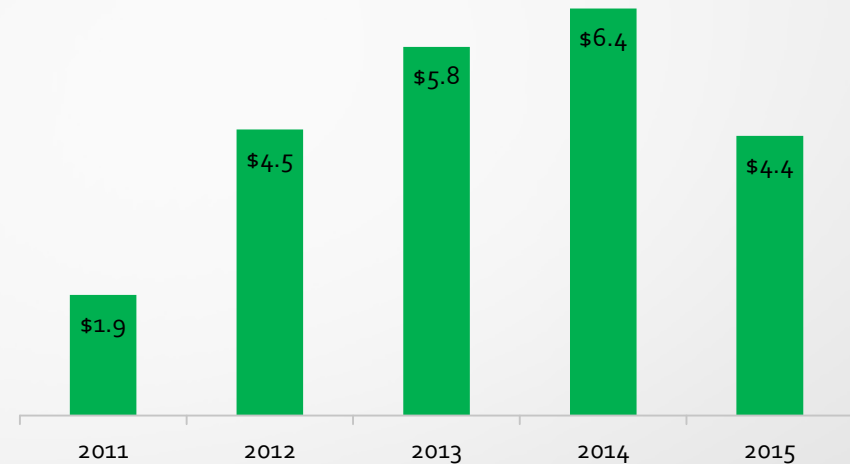
PERFORMANCE SUMMARY

- Revenue down
- PAT down
- Maintenance services revenue now split between reimbursable work and fixed priced work
- Build organization and skills base to provide more comprehensive service to our customers

OUTLOOK SUMMARY

- Demand for Terminal tankage is growing but timing of award of contracts is uncertain
- Live tenders valued at \$78 million
- Continue emphasis on servicing blue chip clients
- Grow our EPC capabilities

5 YEAR PERSPECTIVE NET PROFIT AFTER TAX



THE FUTURE IS NOW

Manufacturing Efficiency

- ❑ Replacement of major manufacturing equipment complete
- ❑ Efficiencies already evident

Construction Performance

- ❑ Saunders welding technology now world class
- ❑ Accredited to AS4801 and ISO 14001 helping to deliver on our safety and environmental responsibilities

Grow Management Skills Base

- ❑ Process Engineering Capability now established allowing to provide EPC (Engineer, Procure & Construct) services to our clients
- ❑ New CEO, Mark Benson joined on 10 August and will assume the roles of Managing Director and CEO on 5 October 2015
- ❑ The organization has added experienced people in Engineering and BDM roles

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