

ASX/MEDIA RELEASE

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Sedgman delivers sustained earnings performance

Highlights

- Half-year reported NPAT is \$8.2 million
- Half-year underlying NPAT is \$8.6 million
- Half-year combined sales revenue is \$224.9 million
- Strong balance sheet with net cash of \$96.5 million
- Sedgman Civec Joint Venture (SCJV) awarded \$145 million EPC contract for the Jimblebar project
- Fully franked interim dividend of 3.5cps and fully franked special dividend of 8.8cps.

Leading resource sector services company Sedgman Limited (ASX:SDM) today announced a reported Net Profit After Tax (NPAT) of \$8.2 million for the half-year ended 31 December 2015. Sedgman's underlying NPAT is \$8.6 million.

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

"The HY2016 results provide the fourth continuous half of strong profitability and delivery of sustained earnings through performance.

"Proudly, we have continued to differentiate from our peers through a relentless focus on delivering value for our clients and reducing costs."

The Company has maintained a strong order book of \$372 million with good visibility of future opportunities in both Projects and Operations.

Chairman Rob McDonald said that Sedgman has been most effective in reacting to the slowdown in the mining industry.

"Our core EPC business provides both cost and time assurance to new project development. As the tide has receded on the EPCM style "mega projects", Sedgman's pipeline of opportunities has grown as project financiers look to the certainty that EPC project delivery provides and the major mining houses revise their approach to project delivery for sustaining capital works and incremental production expansion projects.

"By effectively managing these conditions we have positioned Sedgman to prosper when the expected surge in industry activity occurs sometime in the future."

Sedgman continues with its policy of paying an interim dividend equal to the half-yearly profit. In addition, the Board has declared a special dividend. The Sedgman Board has approved the payment of a fully franked 3.5 cps interim dividend and a fully franked 8.8 cps special dividend. The total half-year payout is 12.3 cps, up from 3.5 cps in HY2015.

Summary Financial Results

	HY2016	HY2015
Combined sales revenue ¹	\$224.9m	\$160.3m
Underlying EBITDA ²	\$17.6m	\$13.6m
Underlying EBITDA margin ²	7.8%	8.5%
Underlying EBIT ²	\$13.2m	\$7.9m
Underlying EBIT margin ²	5.9%	4.9%
Reported NPAT	\$8.2m	\$4.7m
Underlying NPAT ²	\$8.6m	\$5.7m
Operating cash flow	\$5.4m	\$16.6m
Reported earnings per share	3.6 cents	2.1 cents
Dividend per share	12.3cps	3.5cps

Business Unit Review

Combined sales revenue for the Projects business increased by 61.2% to \$168.8 million as a number of major Engineering, Procurement and Construction (EPC) projects namely Gemco, Alcoa, Twin Pines, Aurora and Jimblebar progressed during HY2016.

The Projects underlying EBIT profit for HY2016 was \$7.0 million. The underlying EBIT margin of 4.1% for HY2016 was more than the 3.0% achieved in HY 2015 due to lower Projects business costs.

Combined sales revenue for the Operations business of \$56.1 million was in line with the prior corresponding period.

Underlying EBIT margin for HY2016 of 11.1% (HY2015: 8.4%) shows a strong improvement as the business focuses on cost control and the continuous improvement in operational performance at all sites. Tonnes increased across a number of sites as clients took advantage of superior plant availability.

Net cash from operating activities for the half-year was \$5.4 million, an \$11.2 million decrease on the previous corresponding period. This was due to significant working capital inflows (progress claims in advance received from Project clients) in the prior period.

Sedgman's net cash position at 31 December 2015 was \$96.5 million. The Company's strong balance sheet is viewed favourably by clients and gives Sedgman a competitive advantage compared to peers.

Outlook

Mr Watson said that despite the resources sector continuing to face challenging market conditions in the near term, Sedgman's strategic focus targeting the global minerals sector, coupled with the strong balance sheet, allow the Company to identify and create opportunities which will deliver value for clients and shareholders.

"While we are presently expecting a softer second half for FY2016 we have identified a number of near term Projects and Operations opportunities in our pipeline which give us confidence in our order book for FY2017 and beyond."

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

² Excludes redundancy costs of \$0.6m pre-tax, and also for EBIT (underlying) and EBITDA (underlying) tax on equity accounted joint venture profits \$0.04m.