

ASX Announcement

18 November 2015

**2015 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS – MAC DRYSDALE**

Good morning ladies and gentlemen. Thank you for joining us this morning and for your continued support of Seymour Whyte.

Growth strategy driving opportunities

As we reflect on the previous financial year, it is clear that the strategic journey of transformation and diversification we have embarked on over the past 18 months has taken us beyond the Queensland border and repositioned Seymour Whyte in new markets and sectors which offer strong opportunities for growth. As a result of this strategy we have continued to win work and deliver solid financial results while broader industry conditions remain challenging.

We have been awarded \$373 million in new contracts since the last AGM continuing to strengthen the Group's order book. Including the \$149 million of project wins announced so far in the new financial year, the current order book is valued at \$389 million representing a 69% increase on the same time last year. Importantly, some of this work is with new clients in markets outside Queensland and on projects across both transport infrastructure and utilities infrastructure.

This growth has been driven by our track record for success in the Queensland market, as well as our strong push into New South Wales where we are firmly established as a successful contractor across transport infrastructure and utilities projects. During the year we won a total of five new projects in New South Wales. This market now represents 58% of the order book and presents the best opportunities for immediate growth due to the strong outlook for the state's infrastructure sector.

We also established a formal presence in the Victorian market with the opening of a Melbourne office and we are actively pursuing tenders to capitalise on the opportunities in this region. A key focus of our strategy is to deliver bigger, more complex projects independently through our growing scale, service offering and financial capacity. We made excellent progress in this regard during the 2015 financial year, including securing the largest single contract in our company's history for the Townsville Ring Road Stage 4, being \$116 million.

Another good example of the strength of this strategy was our success in being awarded the Green Square Trunk Storm Water Project in Sydney – the largest storm water drain to be built in Sydney in decades. This project marked the first joint tender project to be awarded to our combined transport infrastructure and utilities businesses since the acquisition of the utilities business in 2014. Prior to this acquisition, we would not have been considered for such a project in our own right. It is the strong technical expertise and financial capacity of the combined group that is enabling Seymour Whyte to compete for and win larger projects like these.

Year in review

Industry sentiment, particularly within Queensland, remained cautious. During the year, there were state government elections in our key operating regions of NSW and Queensland, as well as in Victoria, which had an impact on the timing of government tendering of essential infrastructure construction, particularly in the first half of the year.

A level of stability has now returned, particularly in New South Wales where the State Government has a strong commitment to new infrastructure development, while conditions in Queensland remain subdued. The group attempted to remain focused on its goals and on actively pursuing new opportunities, posting solid financial results that were in line with guidance. Net profit after tax was \$9.9 million on the back of revenues of \$269.8 million.

Pleasingly, approximately half of the total group revenue during the year was achieved in states outside of Queensland which is providing balance and resilience to economic fluctuations in any one market.

While profit and revenue were down on the previous year, EBITDA remained relatively flat at \$17.3 million due to innovation and strong operational performance, including the delivery of a number of projects ahead of schedule, and with saved contingencies, resulting in the group earning some of its highest margins in recent years.

As a result of our strong balance sheet, the Board made the decision to declare a full year dividend of 8.0 cents per share, fully franked, which is higher than the previous full year dividend of 7.5 cents per share.

Leadership changes

Following the resignation of David McAdam as Managing Director and Chief Executive Officer of the Group, the Board appointed John Kirkwood as Seymour Whyte's new Managing Director and Chief Executive Officer. John commenced in this role from late October and on behalf of the Board, I am delighted to officially welcome him to the Group.

John is highly respected in the civil construction industry stemming from his many years in leadership positions at Abigroup Contractors and Leighton Contractors. He brings a unique combination of technical, commercial and strategic skills, together with an unwavering focus on people and relationships. We have the utmost confidence in John's ability to lead Seymour Whyte, deliver on our strategy and drive shareholder value.

We also welcomed David Wilson as a non-executive director and I would like to take this opportunity to sincerely thank David for stepping into the role of Acting Managing Director and Chief Executive Officer in the interim period. David's extensive experience includes more than 14 years as General Manager and Executive General Manager at Leighton Contractors across various divisions and we look forward to his continued guidance and advice as a Board member.

Operational review

Given John Kirkwood has only recently commenced in the role of Managing Director and CEO, I will be providing the operational review at today's AGM. In the 2015 financial year, the transport infrastructure business won nine significant projects across New South Wales and Queensland, including the \$116 million Townsville Ring Road and the \$90 million Great Western Highway – Forty Bends in New South Wales. The business was impacted by lower revenues due to the timing of work packages being released to market following state elections, as well as adverse weather events which impacted construction programs and deferred revenue into the current financial year. It also experienced an increase in tendering costs due to participating in larger design and construct projects.

A focus on innovation and operational excellence resulted in higher project margins and a strong operational result, which was assisted by a number of projects reaching practical completion late in the year. The business is now fully established in New South Wales and is focused on growth and expansion in Victoria from the Melbourne office base.

The utilities infrastructure business won seven significant projects and achieved revenue of \$60 million, a 10% increase on 2014 full year revenue. The business worked on 25 projects in total across Queensland, New South Wales, Western Australia, Victoria and the Northern Territory.

It is well regarded for its specialist expertise in micro-tunnelling infrastructure which delivers high margins and has led to new opportunities, necessitating the purchase of specialist tunnelling equipment for current projects. The EBITDA margin for the utilities business was impacted by a challenging working environment on the Roy Hill project in Western Australia, resulting in a negative margin project. The project is nearing the expected completion date which we anticipate will be late December.

To enhance operational oversight and streamline efficiencies across the business, the management structure was flattened during the year to support our growth in markets outside of Queensland. This has resulted in regionally-focused leadership roles reporting directly to the CEO.

In 2015, our projects and people were recognised by industry through a number of awards. The \$32 million North Coast Slope Stabilisation Project was recognised at a state and national level by the Civil Contractors Federation for project performance, innovation and safety. Our mobile safety and quality solutions that have been adopted on projects won the Innovation Category at the Australian Business Awards. Seymour Whyte Project Engineer, Amandine Daniel also won the 2015 National Association for Women in Construction award in Civil Engineering.

Strong safety performance

The Group's expansion and diversification across clients, geography and projects has helped to facilitate a focus on continuous improvement in safety practices across the business. This has resulted in a 32% reduction in the Total Recordable Injury Frequency Rate (TRIFR) in the transport infrastructure business over the past 12 months, together with the introduction of best practices to the utilities business. A key focus for the current year is to further improve safety performance in the utilities business and continue the relentless pursuit of the elimination of incidents and injuries across the group.

Looking ahead

We have made significant progress on our strategy over the past 12 months and are seeing positive results of the diversification through the strong order book, increased resilience and solid financial performance. There is still much to achieve and the Board and management are resolutely committed to further pursuing our growth agenda and driving shareholder value throughout the current year and beyond.

We have been awarded \$149 million in new work to date in 2016 financial year and revenue of \$334 million has been secured thus far for FY16. We expect scope growth and tenders which are close to being awarded to further contribute to this amount.

As announced to the market on the 2nd November, the first half result will be impacted by two loss making projects and we expect net profit after tax for the six months ended 31 December 2015 to be in the range of breakeven to \$1 million.

We expect a stronger second half with net profit after tax to be greater than the second half of 2015, driven by higher revenues as a result of the group's strong order book. Our balance sheet remains strong, providing the financial capacity to pursue our growth objectives.

I would like to thank my fellow Board members, Seymour Whyte's management and all of our employees for their continued commitment and contribution to our company. It gives me great pleasure to now hand over to our Seymour Whyte's new Managing Director and CEO, John Kirkwood.

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