

## **2016 ANNUAL GENERAL MEETING**

### **CEO and Managing Director's Address – John Kirkwood**

**16 November 2016**

Good morning ladies and gentlemen.

#### **Operational performance**

The financial year of 2016 has been marked with challenges and successes. However, I am pleased to report that the smart work and commitment the team has invested in the execution of the *2020 Strategic Plan* is already paying off.

We have cemented our expansion in New South Wales, with the state's contribution making up 45% of civil revenue in FY16. And 12 months after we opened our office in Victoria, we were successfully awarded our first VicRoads contract. Having been shortlisted for tender on multiple bids including a joint venture with CPB on a Western Highway upgrade, I am confident we will be able to announce further success in Victoria in the near future.

In FY16, we invested significantly in extending our design management capabilities and developing strategic partnerships. This has paid off, with the Group winning the largest contract in our history to date—the Bruce Highway Upgrade Project, as part of a 50/50 joint venture award worth \$221 million in revenue to the Group over the next four years.

In addition, we are making solid in-roads into the targeted airport sector. We have won projects at Sydney and Brisbane Airports, and received an invitation to tender for a Melbourne Airport project.

The Group's expansion has been supported by an intensive recruitment drive, with more than 80 employees recruited in the second half of FY16. Even in a tight market, we have managed to attract candidates of high calibre, who have contributed to outstanding outcomes in safety and project delivery.

As the Chairman pointed out, we achieved a significant increase in revenue in FY16. Most of this revenue was generated from sole-performed projects including two of the largest in the Group's history—Townsville Ring Road (Section 4) and Great Western Highway: Hartley Valley to Forty Bends.

The total forward order book topped \$465 million by the end of the financial year. The order book today totals more than \$570 million, due to major wins such as the Bruce Highway Upgrade Project.

FY16's operating result was impacted by four loss-making projects and the margin compression in the Group's order book will have residual impact in FY17. Even as the remaining two legacy contracts near completion, we remain focused and confident in tendering and delivering future projects in a disciplined manner.

#### **Civil infrastructure division**

The civil infrastructure division won 12 projects totalling \$375 million in FY16. Our NSW expansion continues to progress well, accounting for 45% of the division's revenue last year—almost twice the FY15 contribution.

Having won our first VicRoads contract and currently shortlisted on several tenders, the division is also well positioned in Victoria. The focus in FY17 for Victoria is to win and execute small but strategically important projects, building capacity and a positive track record.

While state government clients make up the majority of revenue contribution, the division is working to minimise reliance on any one client group to reduce exposure to volatility in the sector. As part of our *2020 Strategic Plan*, a key focus in FY17 and beyond is to pursue private sector opportunities and achieve a more diversified contract base.

### **Utilities infrastructure division**

The utilities infrastructure division delivered a strong performance with higher operational margins in FY16. It was successful in winning 17 new projects resulting from increased tendering activity in south-east QLD. Growth in the division's revenue can be largely attributed to the increased scope of the Green Square Trunk Stormwater Drain Project in NSW.

Another key achievement of the division has been its successful integration of Group safety systems, demonstrated by a 69% improvement in its total recordable injury frequency rate since FY14.

### **FY17 and beyond**

After several years of tight economic conditions, the Australian engineering and construction sector is showing signs of a recovery. The market outlook in New South Wales and Victoria is positive. Infrastructure spending is continuing to grow in the five-year horizon. Given our solid reputation and established market presence, we are strategically positioned to capitalise on this significant growth.

More specifically, there are growing opportunities in road construction—our core capability area. NSW shows the strongest project outlook, while Victoria is expected to see an increase in activity levels over the current financial year. While reduced from the early part of the decade, opportunities continue to exist in Queensland with activity levels expected to improve fully from FY19. WA continues to experience a tight, competitive market for road construction.

FY17 will see the Group continuing to maximise opportunities for growth in New South Wales and Queensland, while continuing to expand into Victoria and new sectors. As market conditions improve and tendering pressures start to ease, the order book is displaying healthier margins and improved quality levels, which will generate improved returns in FY18.

Within the *2020 Strategic Plan's* three-year horizon, we expect to see greater revenue from joint ventures, as we sharpen our focus on strategic partnerships in tendering. We are also targeting an increased number of higher margin design and construct projects as we continue our investment in tendering for such projects and employ additional resources towards capability building.

These will form the building blocks of our capability to migrate to larger projects, enabling us to win projects in the \$200 million contract range in our own right.

I look forward to addressing you at the next Annual General Meeting and reporting on our progress against the *2020 Strategic Plan*.

Thank you.

ENDS