

## ASX/MEDIA RELEASE

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### Sedgman delivers first half \$5.7 million underlying profit and increases dividend

#### Highlights

- Half year underlying NPAT is \$5.7 million
- Half year reported NPAT is \$4.7 million
- Half year combined sales revenue is \$160.3 million
- Net cash flow from operations of \$16.6 million
- Strong balance sheet with net cash of \$89.4 million
- Awarded \$300 million of Projects contracts
- Final stages of negotiating three core Operations contracts valued at over \$100 million
- Increased fully-franked interim dividend declared of 3.5 cps

Leading resource sector services company Sedgman Limited (ASX:SDM) today announced an underlying Net Profit After Tax (NPAT) of \$5.7 million for the half year ended 31 December 2014. Sedgman's reported NPAT is \$4.7 million.

The underlying result was positively impacted by higher combined sales revenue and improved margins in the Projects business partly offset by weaker revenues and margins in the Operations business. The Company's overheads and support costs have been reduced from the corresponding period by 32% with a continued focus on cost control across the business.

Chief Executive Officer and Managing Director Peter Watson said that despite challenging market conditions the Company performed well. "The first half of FY2015 has seen Sedgman continue to build on the momentum gathered through the latter portion of the last financial year. We have delivered cost reductions through a business restructure, re-focused the organisation on our core Global Minerals strategy, strengthened our low-cost sourcing capability in China, refreshed our Vision, and successfully differentiated ourselves in a very competitive market."

The Company's order book has grown to \$596 million of contracted work in the Projects and Operations business at 31 December 2014, compared with \$385 million at 30 June 2014.

	Financial Year	
	HY2015	HY2014
Combined sales revenue <sup>1</sup>	\$160.3m	\$153.9m
Underlying EBITDA <sup>2</sup>	\$13.6m	(\$0.2m)
Underlying EBITDA margin <sup>2</sup>	8.5%	(0.1%)
Underlying EBITA <sup>2</sup>	\$7.9m	(\$8.6m)
Underlying EBITA margin <sup>2</sup>	4.9%	(5.6%)
Reported NPAT	\$4.7m	(\$6.7m)
Underlying NPAT <sup>2</sup>	\$5.7m	(\$5.6m)
Operating cash flow	\$16.6m	\$5.5m
Reported earnings per share	2.1 cents	(3.0) cents
Dividend per share	3.5 cents	2.0 cents

<sup>1</sup> Combined sales revenue represents revenue from services (including Sedgman's share of revenue from joint ventures) and changes in construction work in progress as stated in the consolidated statement of profit and loss. It is noted this is a non-statutory item which has not been audited or reviewed.

<sup>2</sup> Excludes redundancy costs of \$1.4 million.

## Business Unit review

Combined sales revenue for the **Projects business** increased by 24.5% to \$104.7 million as a number of major Engineering, Procurement and Construction (EPC) projects, namely Boggabri, Aurora and Solomon, progressed during the HY2015 compared with the prior corresponding period where Mungari was the major EPC project under construction.

The Projects underlying EBITA for HY2015 was \$3.2 million. The EBITA margin of 3.0% for HY2015 was more than the (17.7%) margin achieved in HY2014. Project margins increased due to an improvement in utilisation of project staff, lower business costs and the recovery of previously impaired debtors.

In a challenging environment Sedgman continued to win major EPC projects across a range of commodities during the period:

- Sedgman was awarded a \$133 million EPC contract for GEMCO at its Manganese Mine in the Northern Territory;
- Sedgman was awarded the \$59.8 million contract for the filtration plant at Alcoa's Kwinana alumina refinery in Western Australia;
- Sedgman was awarded a \$36.7 million contract for turn-key delivery of the train load-out for Cockatoo Coal's Baralaba Mine in Queensland; and
- The Thiess Sedgman Projects joint venture was awarded a \$64 million EPC contract for a modular iron ore processing plant at FMG's Solomon mine in Western Australia (this project is under review by the client).

Combined sales revenue for the **Operations business** decreased by 20.3% to \$55.6 million, as three operating sites managed in HY2014 on behalf of clients have been either shut down or transitioned back to the owners. EBITA margin for HY2015 of 8.4% (HY2014: 9.1%) was within expectations as the business focuses on cost control.

## Outlook

Mr Watson said that with subdued market conditions continuing, the opportunities are typically smaller in scale, with heightened expectation on delivery assurance and facility performance.

"This plays to Sedgman's strength in EPC which enables us to provide certainty for our clients. We are confident in delivering a strong performance in the second half of FY2015 due to our projects and operations secured order book. We have robust risk management processes and 35 years of experience delivering projects in remote locations globally. Our technical expertise, outstanding people and strong Balance Sheet differentiates us from our competitors and positions us well to capitalise on opportunities."

## About Sedgman

Sedgman Limited (ASX: SDM) provides solutions to the global resources industry. Our services range from concept, pre-feasibility and design through to construction, commissioning, operations, maintenance and asset management. Established in 1979, Sedgman listed on the ASX in June 2006 and has approximately 700 employees. Headquartered in Brisbane, Australia with offices in Perth, Townsville, Newcastle and Mackay, Sedgman has international offices in Beijing, Shanghai, Ulaanbaatar, Santiago, Vancouver and Johannesburg, Sedgman delivers projects and operations across Australia, Africa, Asia and the Americas.

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