

FY2016

# Half Year Results

**SEDGMAN**

▲ Create

▲ Build

▲ Operate

Global Minerals

## Message from the Board & Executive



**Net Profit After Tax of A\$8.207 million for the half year is slightly above the previously announced range of A\$7.5 million to A\$8.0 million. It is a most credible outcome in the face of difficult and well documented market conditions that have affected the general mining industry for the past couple of years.**

Your company continues with its policy of paying an interim dividend of 3.5cps equal to the half yearly profit, together with a special dividend which has been increased to 8.8cps, fully franked. The total dividend of 12.3cps, fully franked, will be paid to shareholders registered as at 25 February 2016 and paid on 7 March 2016.

In January 2016, the major contractor group, CIMIC, a long time Sedgman shareholder launched an unconditional cash offer of A\$1.07 per share. CIMIC now holds some 46.5% of Sedgman. For those shareholders registered as at 25 February 2016 the CIMIC Offer price will reduce by the dividend declared, from A\$1.07 per share to A\$0.947 per share. Your board has recommended that the CIMIC Offer, which remains open until at least 9 March 2016, be accepted.

**Rob McDonald**  
Chairman, Independent Director



**The HY2016 results provide the fourth continuous half of strong profitability and delivery of sustained earnings through performance. Our Safety performance across the business has continued to improve, with a 40% reduction in our recordable statistics. Recent success into the Tier 1 Iron Ore sector demonstrates the ongoing success of our commodity and geographic diversification.**

We have maintained a strong pipeline with good visibility of future opportunities in both Projects and Operations.

Proudly, we have continued to differentiate from our peers in a challenging market through a relentless focus on delivering Value for our clients and reducing costs.

Our track record of successful Project delivery and Operations performance globally is more relevant than ever.

With a very clear strategy and a focus on performance across all aspects of the business we are well positioned to deliver ongoing outstanding performance.

**Peter Watson**  
CEO | Managing Director

## Group Performance

(\$million)	HY2016	HY2015
Combined Revenue <sup>1</sup>	<b>224.9</b>	160.3
EBITDA (underlying) <sup>2</sup>	<b>17.6</b>	13.6
EBITDA % Margin (underlying) <sup>2</sup>	<b>7.8%</b>	8.5%
EBIT (underlying) <sup>2</sup>	<b>13.2</b>	7.9
EBIT % Margin (underlying) <sup>2</sup>	<b>5.9%</b>	4.9%
NPAT (reported)	<b>8.2</b>	4.7

NOTES: 1. THIS REPRESENTS REVENUE OF SEDGMAN TOGETHER WITH SEDGMAN'S SHARE OF REVENUES FROM JOINT VENTURES AND ASSOCIATES.  
2. EXCLUDES REDUNDANCY COSTS OF \$0.6M PRE-TAX AND TAX ON EQUITY ACCOUNTED JOINT VENTURE PROFITS \$0.04M.

### PROJECTS



Revenue increased as a number of significant EPC Projects progressed, compared to lower activity in HY2015.



EBIT % margins increased due to lower Projects business costs.

### OPERATIONS

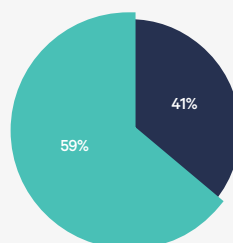


Revenue was in line with the prior corresponding period.

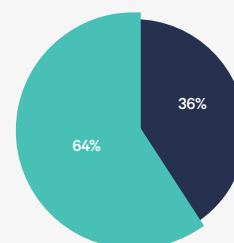


EBIT % margin shows a strong improvement as the business focuses on cost control and the continuous improvement in operational performance at all sites. Tonnages increased across a number of sites as clients took advantage of superior plant availability.

### DELIVERING ON DIVERSIFICATION – 1 YEAR PIPELINE



■ Coal  
■ Other commodities



■ Domestic  
■ International

## HY2016 Highlights

# 76%

Increase in net profit after tax (reported)

# 71%

Increase in reported earnings per share

# 68%

Increase in EBIT (underlying)

# 40%

Increase in combined sales revenue

# 96M

Net cash position at half year

# \$145M

Sedgman Civmec Joint Venture (SCJV) awarded Jimblebar project

# 7930H

Average annual run hours achieved at coal operations sites as at 31 December 2015

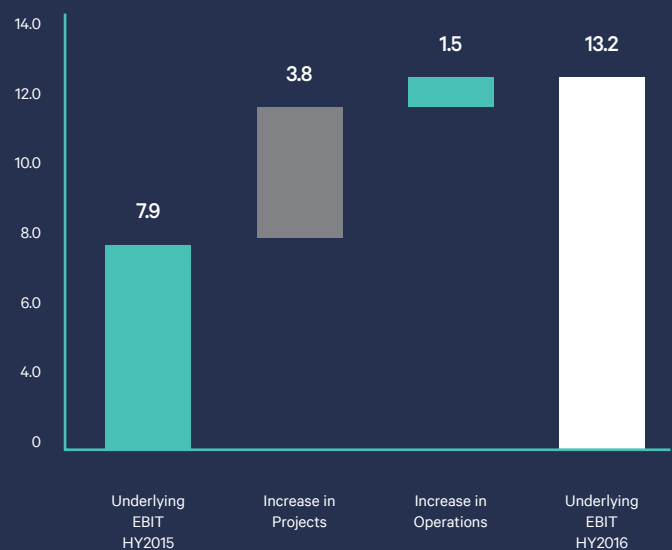
# 12.3CPS

Dividend per share

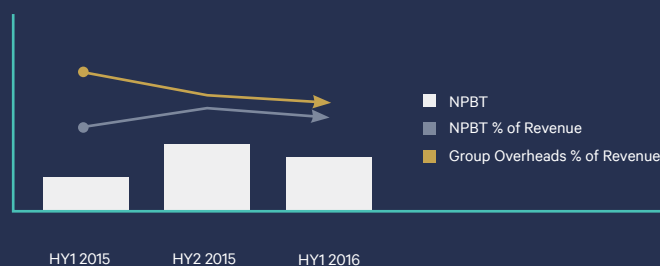
Summary Financial Information (\$million)	HY 2016	HY 2015
Combined Revenue <sup>1</sup>	224.9	160.3
EBIT (underlying) <sup>2</sup>	13.2	7.9
EBIT % Margin (underlying) <sup>2</sup>	5.9%	4.9%
NPAT (underlying) <sup>2</sup>	8.6	5.7
NPAT (reported)	8.2	4.7
EPS (underlying) <sup>2</sup> (cps)	3.8	2.5
EPS (reported) (cps)	3.6	2.1
DPS (cps)	12.3	3.5

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2. EXCLUDES REDUNDANCY COSTS \$0.6M PRE-TAX, AND ALSO FOR EBIT (UNDERLYING) TAX ON EQUITY ACCOUNTED JOINT VENTURE PROFITS \$0.04M.

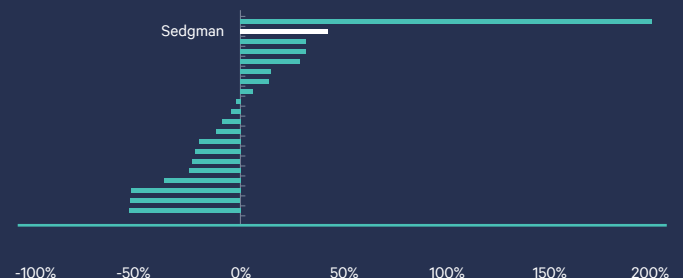
### Movement in Underlying EBIT



### NPBT & Group Overheads as % of Revenue



### HY2016 TSR Performance vs Peer Group <sup>1</sup>



NOTE: 1. THE COMPANY WITH THE HIGHEST TSR PERCENTAGE FOR THE SIX MONTH PERIOD WAS COFFEY INTERNATIONAL LTD. COFFEY RECEIVED A TAKEOVER OFFER OF \$0.425 PER SHARE IN OCTOBER 2015 WHICH REPRESENTED A 173% PREMIUM TO THEIR 6 MONTH VOLUME WEIGHTED AVERAGE PRICE.

## Safety Performance

Our first priority is safety and Sedgman is committed to improving our safety performance.

# 40%

Reduction in Recordable Injury Frequency Rate

# 60%

Reduction in Operate Recordable Injury Frequency Rate

# 1.9M

Aurora Project achieved 1.9 million hours Lost Time Injury Free

# 1.2M

Red Mountain achieved 1.2 million hours Lost Time Injury Free

## Order Book & Pipeline

Order book at December 2015 totals \$372m.

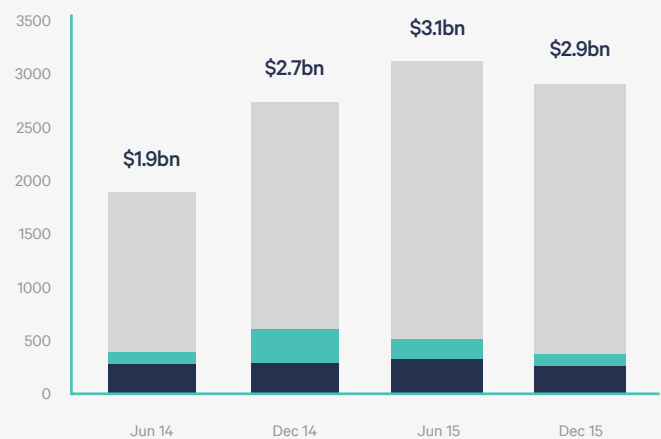
PROJECTS \$106M

— Executable over 12 months

OPERATIONS \$266M

— Contract terms range from 1 to 10 years.

- 1 year pipeline
- Projects order book
- Operations order book



## Business Unit Performance

(\$million)	HY2016	HY2015
<b>Combined Revenue<sup>1</sup></b>		
Projects	168.8	104.7
Operations	56.1	55.6
<b>Total</b>	<b>224.9</b>	<b>160.3</b>
<b>EBIT (underlying)<sup>2</sup></b>		
Projects	7.0	3.2
Operations	6.2	4.7
<b>Total</b>	<b>13.2</b>	<b>7.9</b>
<b>EBIT % Margins (underlying)<sup>2</sup></b>		
Projects	4.1%	3.0%
Operations	11.1%	8.4%
<b>Total</b>	<b>5.9%</b>	<b>4.9%</b>

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## Outlook

The resources sector will continue to face challenging market conditions in the near term. Sedgman's strategic focus targeting the global minerals sector, coupled with our strong balance sheet, allow us to identify and create opportunities which will deliver value for our 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.

## Create – unlocking value for clients

Sedgman's Create Build Operate business model enables us to provide complete solutions for our clients. Our Create business unit focuses on converting opportunities, resulting in the application of Sedgman's world-leading processing expertise to new commodities.

In HY2016 study activity levels have been high with opportunities across an increasingly diverse range of commodities.

In Australia, activity has focused on coal, iron ore, gold and industrial minerals. In South America, studies have included silver, copper and gold.

In North America, studies have included coal and copper/gold. In Africa, where we have a strong history of project execution, we have an exciting pipeline of work across coal, graphite and gold.

Our client base has also diversified from success with tier ones in major

traditional mining centres through to mid and junior miners who recognise Sedgman's value assurance.

Sedgman's technical innovations and build delivery options are leading to a greater number of viable projects coming on line in the next year compared with peers. Our differentiators have enabled us to continue to deliver results and sustained earnings in continued challenging market conditions.

### Differentiators



#### PROCESS & INNOVATION

Sedgman has a strong history in pioneering new and improved processes and we are committed to driving performance through innovation. Our approach to innovation is focused on improving client outcomes.



#### TIME & COST ASSURANCE

Sedgman consistently achieves and exceeds our contracted performance requirements. We specialise in capital efficiency and understand that time and cost assurance is critical.



#### SAFETY & ENVIRONMENT

Sedgman is committed to providing a workplace free from injury and harm, preventing pollution and reducing our environmental impact. Our HSEQ Management System encompasses all phases of project delivery.



#### QUALITY & PERFORMANCE

Sedgman employs extensive, planned review processes which are embedded in our work methodology. Our global procurement quality assurance has matured with over ten years' experience in Asia.



#### OPERATIONAL & COMMERCIAL ASSURANCE

In the past ten years Sedgman has delivered more than \$4 billion in projects. Our track record and credibility in completing world-class projects successfully, safely and on schedule provides assurance to our clients.



#### OPPORTUNITY ORIGATION

Our balance sheet, technical knowledge and network allow us to support the financing and progression of particular projects. By identifying and facilitating the development of opportunities Sedgman can take a preferred position as projects progress.

## Flexible Delivery Models

Sedgman offers flexibility in all forms of contracting models however fixed price contracting for EPC delivery is our core business.

We are able to offer clients a fixed price supported by performance and time guarantees which reduces risk while still providing a cost-effective delivery model. Sedgman can offer EPC contracting with confidence based on our strong track record

of successful EPC delivery. We often invite clients to jointly review estimates and contingencies.

Time, cost and quality risks associated with design, construction and commissioning

shift from the client to the contractor, Sedgman, who is most able to mitigate risks. EPC contracting streamlines processes and communication with Sedgman assuming responsibility for time, cost and quality risks.



## Joint Venture Initiatives

Sedgman has a successful history in joint venturing where the complementary skills and capability of a constructor as a joint venture partner suit the particular challenges of a project size or location.

Current joint ventures include:

**THIESS SEDGMAN**

THIESS SEDGMAN JOINT VENTURE

**SCJV**

SEDGMAN CIVMEC JOINT VENTURE

**GyM** **SEDGMAN**

GRAÑA Y MONTERO SEDGMAN JOINT VENTURE

**SCGT**

SEDGMAN CGT JOINT VENTURE

### Jimblebar Iron Ore Project (\$145 MILLION)

**CLIENT:** BHP Billiton Iron Ore (BHPIO)  
**WORKSHARE BETWEEN:** Perth, Brisbane  
**LOCATION:** Pilbara, Western Australia, Australia



An example of Sedgman's success in joint venture delivery is the Sedgman Civmec Joint Venture (SCJV) which was awarded the Jimblebar Project from BHPIO to deliver the civil, structural, mechanical, piping, electrical and commissioning works under an EPC contract. Scope includes installation of a primary crusher, surge bin and 6.2km overland conveyor linking the existing downstream facility. The SCJV mobilised to site in October 2015 with earthworks and civil works well progressed. Commissioning will commence in the first half of FY2017 with the project due for completion by October 2016.



## Operations success

Sedgman's Operations business continues to deliver leading performance metrics in areas such as run hours, process efficiency, operating costs and safety. Facility annual run hours at Red Mountain Coal Handling and Processing Plant (CHPP), Middlemount CHPP and Sonoma CHPP almost surpassed the industry aspirational target of 8000 hours per annum at an average throughput rate in excess of the facility nameplate capacity for each plant.

Annual Run Hours as at 31 December 2015:

Red Mountain: 7958  
Middlemount: 7923  
Sonoma: 7908

## Financials

Income Statement Summary (\$million)	HY 2016	HY 2015	Consolidated Balance Sheet (\$million)	December 2015	June 2015
<b>Revenue</b>	<b>171.1</b>	<b>144.5</b>	<b>Working Capital</b>		
<b>EBITDA before equity JV profits</b>	<b>16.6</b>	<b>10.2</b>	Trade & other receivables	40.2	80.1
Depreciation	(3.9)	(4.7)	Net construction work in progress	23.6	(20.1)
Amortisation of intangibles	(0.4)	(1.1)	Inventories	2.5	2.2
<b>EBIT before equity JV profits</b>	<b>12.3</b>	<b>4.5</b>	Trade & other payables	(52.3)	(57.7)
Sedgman share of investments	0.4	1.7	<b>Net working capital</b>	<b>14.0</b>	<b>4.5</b>
<b>EBIT after JV profits</b>	<b>12.6</b>	<b>6.2</b>	<b>Non-monetary balances and other non-current items</b>		
Net finance gains	0.7	0.4	Intangibles	37.1	37.2
<b>Profit before tax</b>	<b>13.3</b>	<b>6.6</b>	Property, plant & equipment	16.4	16.1
Income tax expense	(5.1)	(1.9)	Deferred taxes (net)	3.3	5.2
<b>Reported profit after tax</b>	<b>8.2</b>	<b>4.7</b>	Other assets	1.9	2.8
<b>Summary Cash Flows (\$million)</b>	<b>HY 2016</b>	<b>HY 2015</b>	Investments accounted for using the equity method	6.3	5.7
<b>EBITDA</b>	<b>16.6</b>	<b>10.2</b>	Provisions	(12.1)	(12.6)
Movement in working capital	(9.9)	8.5	Other liabilities	(0.1)	(0.2)
Net interest	0.9	0.5	<b>Net non-monetary balances and other non-current items</b>	<b>52.7</b>	<b>54.3</b>
Income tax paid (net)	(2.2)	(2.7)	<b>Cash and debt-like items</b>		
<b>Net operating cash flow</b>	<b>5.4</b>	<b>16.6</b>	Cash and cash equivalents	100.9	111.0
Inflows / (outflows) of investments	0.5	(0.5)	Debt	(4.5)	(2.2)
Net repayments of borrowings	(0.3)	(2.8)	Current tax (payable)/receivable	(0.4)	1.6
Net capital expenditure	(1.8)	0.1	<b>Net cash and debt-like items</b>	<b>96.1</b>	<b>110.4</b>
<b>Free cash flow</b>	<b>3.8</b>	<b>13.4</b>	<b>Net Assets</b>	<b>162.9</b>	<b>169.3</b>
Opening cash at 1 July	111.0	97.8			
Effect of exchange rates on cash held	(0.3)	1.3			
Dividend payments	(13.6)	(4.5)			
<b>Closing cash</b>	<b>100.9</b>	<b>107.9</b>			

ROUNDING EXISTS WITHIN  
THESE REPORTS

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