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Sedgman delivers solid half year result

Sedgman Limited (ASX:SDM) today reported interim Earnings Before Interest Tax and Amortisation (EBITA) of \$21 million, in line with the previous corresponding first half result, and pointed to continuing strength in the Company's order book.

Earnings per share of 7.9 cents, excluding amortisation and write-down of intangible assets, was also in line with the previous corresponding period enabling the Directors to declare a fully-franked interim dividend of 3 cents a share.

However, Sedgman reported a net after-tax loss for the six months to December 31, of \$7.1 million after a write-down of goodwill associated with the Internet business, compared with a profit of \$11.3 million in the previous corresponding period.

The result was achieved on combined revenue of \$178.1 million which was down 15.6 per cent from \$211.1 million previously, largely reflecting a decline in Engineering Services due to the run-off of the Dawson and Lake Lindsay projects.

Managing Director Mark Read said the result was underpinned by longer term operating contracts in both Coal and Metals and was particularly pleasing given the tougher economic conditions being experienced across the resources sector.

"Sedgman generated strong operating cash flows during the half year and has continued to secure new contracts based on its reputation for being the world leader in coal-processing and materials-handling technologies," he said.

"The contribution from Operations (now over 40%) also continues to grow, consistent with the Company's strategy."

Mr Read said the Company's order book stood at \$600 million at the half year and was continuing to be replenished from a \$4.3 billion pipeline of project opportunities.

"Sedgman is currently involved in over 90 per cent of projects in the one-year timeframe and more than 75 per cent of the other projects identified," he said.

"So the long term outlook remains positive and our workload pipeline remains strong in coal where we have seen some project slippage but no cancellations."

Internet

However, Mr Read said Sedgman had not been immune from the global slowdown.

The fall in metals prices has had a significant impact on the Internet business, resulting in Sedgman providing for \$3.7 million of doubtful debts and writing down Internet's goodwill by \$20 million.

“The current subdued trading conditions in the metals sector are expected to persist for a minimum of 12-18 months so Sedgman has reduced the headcount within Internet and implemented cost-cutting initiatives,” Mr Read said.

“However, Internet does have specialist skills and a proven track record in servicing the Metals sector, particularly gold which continues to expand in response to strong international pricing and growth in global demand for bullion.”

Key figures are presented below:

(\$million)	Half year ending 31-Dec-08	Half year ending 31-Dec-07	Var
Combined Revenue ¹	178.1	211.1	(15.6%)
EBITA	21.0	21.0	-
EBITA % Margin	11.8%	10.0%	n/a
NPAT (adjusted) ²	14.4	14.0	2.9%
NPAT (reported)	(7.1)	11.3	(162.8%)
EPS (adjusted) ² (cps)	7.9	7.9	-
DPS (cps)	3.0	3.5	(14.3%)

1. This represents revenue of Sedgman together with Sedgman's share of revenues from Joint Ventures.
2. Excludes amortisation of intangible assets and \$20m write-down of Internet goodwill.

Gearing levels

At the end of the half year, gross debt stood at approximately \$64 million with net debt of \$37 million after taking into account existing cash reserves of \$27 million.

Interest cover (EBITA divided by net interest expense) at the half year remained robust at approximately 17 times with a gearing level of 32 per cent (based on net debt divided by net debt plus market equity at a share price of \$0.43 a share).

Dividend Reinvestment Scheme

The interim dividend will be payable on 24 March 2009 to shareholders registered on 10 March 2009. However, the Dividend Reinvestment Plan has been suspended with respect to this dividend until further notice.

Updated FY2009 Guidance

As advised in the recent trading update, full year FY09 earnings per share, excluding amortisation and the write-down of intangible assets, is expected to be broadly in line with the previous corresponding full year result (16.1 cents).

Outlook

Mr Read said Sedgman's core business remained in the delivery of the resource sector staples of coking and thermal coal both in Australia and abroad and that the long term demand outlook remained positive.

"Sedgman is confident of its future growth and remains committed to its long term strategic direction," Mr Read said.

"The \$4.3 billion project pipeline of opportunities we have identified remains in place and we are working with our clients to determine how and when we can continue to service their needs."

Mr Read said in addition to the recently won Bengalla and New Acland contracts worth almost \$40 million, Sedgman was well positioned to secure several other coal contracts on major projects both in Australia and abroad.

"Furthermore, we have recently received a letter of intent to proceed with the \$55 million design and construction of a coal handling plant upgrade in Chile, reinforcing the benefit of the Company's geographic diversification strategy," he said.

About Sedgman

Sedgman Limited (ASX:SDM) was established in 1979 and is a leading provider of mineral processing solutions to the global resources industry. Specialising in the design, construction and operation of coal handling and preparation plants (CHPPs), Sedgman is recognised internationally for its coal processing and materials handling technologies.

After listing on the ASX in June 2006, Sedgman expanded into the metalliferous sector in December 2006 with the acquisition of ore crushing and screening services provider Pac-Rim. In July 2007, Sedgman further expanded into this sector with the acquisition of minerals process engineering and project management company Internet Engineering Pty Ltd.

Sedgman's structure comprises two core divisions of Sedgman Coal and Sedgman Metals, encompassing the business units of Engineering Services and Operations. Based in Brisbane, the company has approximately 700 staff and a market capitalisation of approximately \$75 million.

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