



# Sedgman Limited

*2007 Results Presentation*

*24 August 2007*



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# Contents

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2007 Highlights

Financial Results

Order Book

Outlook

Summary





## 2007 Highlights

- Record full year results exceeding prospectus forecast.
- Significant contract wins for coal division – Sonoma, Lake Lindsay, Middlemount.
- Completion of the Saraji, Wilpinjong and New Acland CHPP's.
- Diversification into metalliferous market via acquisitions of Pac-Rim in December 2006 and Internet in July 2007.
- Strong cash flow and sound financial position.
- 71% growth in personnel from June 2006 (455 v 266):
  - Pac-Rim acquisition (117)
  - Organic growth (72)
- Employees at August 07 total 535 with Internet acquisition.



# Financial Results

Record Full Year Result

Exceeded FY2007 Prospectus Forecast

- Record full year result as follows:

(\$million)	IPO Prospectus			Actual 2007 vs: IPO Prospectus		
	Actual 2007	Forecast 2007	Actual 2006		Forecast 2007	Actual 2006
Combined Revenue <sup>1</sup>	371.1	308.2	235.6	↑	20.4%	57.5%
EBITA <sup>2</sup>	32.8	25.3	20.6	↑	29.6%	59.2%
EBIT <sup>2</sup>	30.8	25.3	20.6	↑	21.7%	49.5%
NPAT <sup>2</sup>	20.9	17.4	15.0	↑	20.1%	39.3%
EPS <sup>3</sup> - cash (cps)	13.3	10.2	10.6	↑	30.4%	25.5%
DPS (cps)	7.0	5.6	n/a	↑	25.0%	n/a

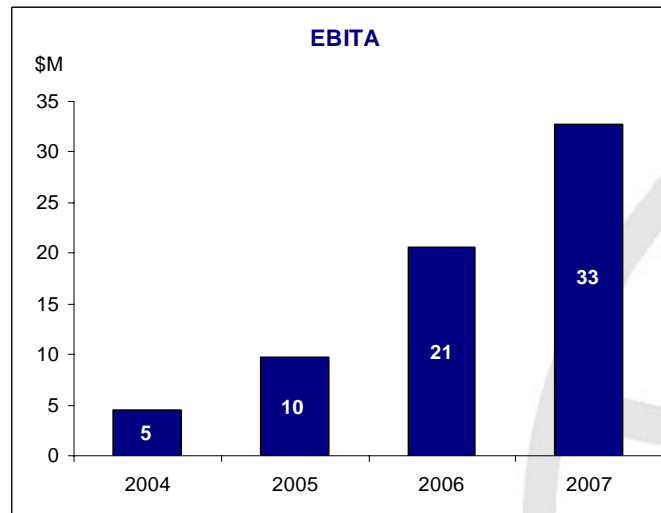
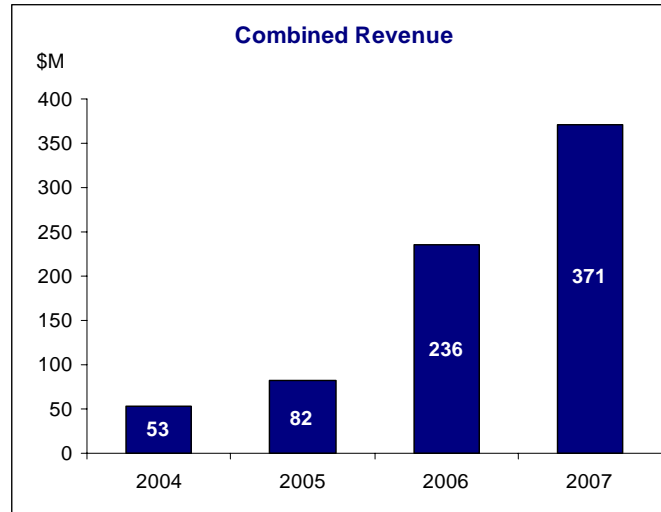
- Achieved FY2007 EBITA of \$32.8m – exceeds market guidance given in February 2007 by \$0.6M and is 59% higher than prior year and 30% higher than IPO prospectus forecast.
- Includes seven months contribution from Pac-Rim.
- Fully franked final dividend of 4.0 cps. Total full year dividend of 7.0 cps exceeds prospectus forecast of 5.6 cps.

#### Notes

1. This represents revenue of Sedgman together with Sedgman's share of revenues from Joint Ventures.
2. EBITA & EBIT of Sedgman has been increased by \$2.7m in FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made in FY2006.
3. Cash EPS excludes amortisation of intangible assets.



# Financial Results



- The significant growth in FY2006 was due to the commencement of the large TSJV projects such as Dawson, Hail Creek, Saraji and Wilpinjong.
- FY2007 growth has resulted from new projects such as Lake Lindsay (TSJV) Acland, Sonoma, Millennium and 7 months contribution from the newly acquired Pac-Rim Group.
- The CAGR for EBITA from FY2004 is 87%.



# Financial Results

## Business Unit Performance

(\$million)				Actual 2007 vs:	
	Actual 2007	IPO Prospectus Forecast 2007	Actual 2006	IPO Prospectus Forecast 2007	Actual 2006
<b>Revenue</b>					
Engineering Services	300.5	276.9	207.7	8.5%	44.7%
Operations	70.6	31.3	27.9	125.6%	153.0%
Combined Revenue <sup>1</sup>	371.1	308.2	235.6	20.4%	57.5%
<b>EBITA</b>					
Engineering Services	21.1	21.1	16.7	-	26.3%
Operations	11.7	4.2	3.9	178.6%	202.3%
Total EBITA <sup>2</sup>	32.8	25.3	20.6	29.6%	59.5%
<b>EBITA % Margins</b>					
Engineering Services	7.0%	7.6%	8.0%		
Operations	16.6%	13.4%	13.9%		
Total	8.8%	8.2%	8.7%		

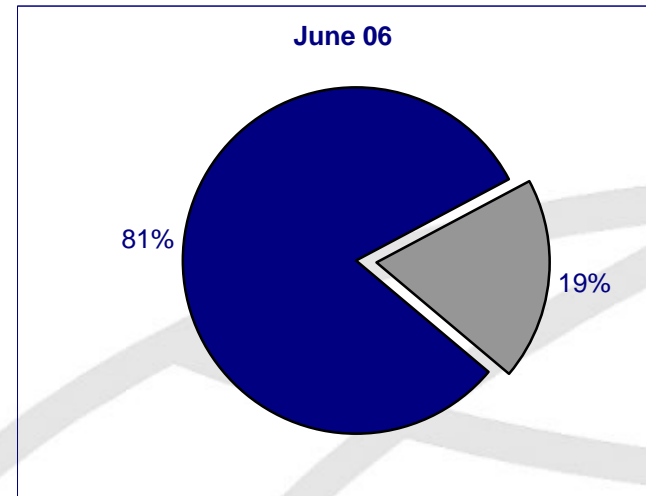
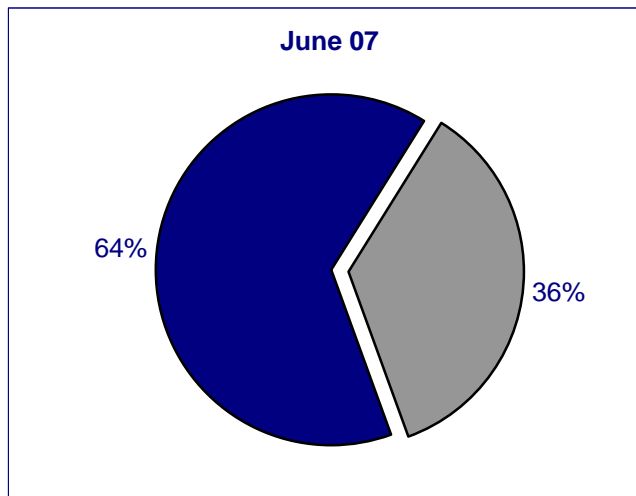
### Notes

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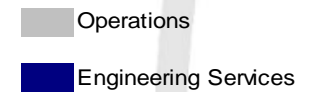


# Financial Results

## EBITA % Contribution by Business Unit



- Over one third of earnings in FY2007 generated from recurring income streams.
- Increase in EBITA contribution from Operations mainly due to 7 months impact from Pac-Rim acquisition.





# Financial Results

## Summary Income Statement

### (Equity Method)

(\$million)	Actual	Actual
	2007	2006
<b>Revenue</b>	<b>176.6</b>	<b>55.2</b>
<b>EBITDA</b>	28.5	<b>8.8</b>
Depreciation	(4.9)	(2.1)
Amortisation of Intangibles <sup>1</sup>	(2.0)	-
<b>EBIT before JV profits<sup>2</sup></b>	<b>21.6</b>	<b>6.7</b>
Sedgman share of JV profits <sup>3</sup>	9.2	13.9
<b>EBIT after JV profits</b>	<b>30.8</b>	<b>20.6</b>
Net interest (expense)/revenue	(0.8)	0.2
<b>Profit before Tax</b>	<b>30.0</b>	<b>20.8</b>
Income tax expense	(9.1)	(5.8)
<b>Profit after tax</b>	<b>20.9</b>	<b>15.0</b>

#### Notes

1. Represents amortisation of intangible assets resulting from Pac-Rim acquisition.
2. EBIT of Sedgman has been increased by \$2.7m in FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made for FY2006.
3. After allocation of indirect costs. No income tax is payable by the joint ventures.



# Financial Results

\$17m  
increase in  
Net assets

## Consolidated Balance Sheet

(\$million)	June 2007	Dec 2006	June 2006
Cash	41.5	25.5	45.3
Trade receivables	27.5	22.4	8.0
Work in progress	2.5	1.0	0.3
Investments <sup>1</sup>	0.9	0.6	23.2
Property, Plant & Equipment	45.2	44.9	9.7
Intangibles	35.8	37.1	-
Other	5.3	4.2	4.9
<b>Total Assets</b>	<b>158.7</b>	<b>135.7</b>	<b>91.4</b>
Trade Payables	11.7	7.7	3.8
Payable to Joint Ventures <sup>1</sup>	18.7	15.5	30.5
Claims in advance	9.3	2.2	1.6
Debt	45.7	48.1	5.8
Provisions	9.7	8.8	8.7
Tax	2.8	1.0	3.5
Other	7.6	5.8	1.3
<b>Total Liabilities</b>	<b>105.5</b>	<b>89.1</b>	<b>55.2</b>
<b>Net Assets</b>	<b>53.2</b>	<b>46.6</b>	<b>36.2</b>

➤ Total net debt equals \$4.2m.

➤ Increases in PPE, intangibles, and total debt are mainly due to acquisition of Pac-Rim.

➤ After Internet acquisition on 1 July 07, net debt increases to \$20.6M.

➤ Gearing<sup>2</sup> at 1 July 07 remains conservative and is less than 5%.

### Notes

- In FY2006 investments comprised Sedgman's share of profits from Joint Ventures while the Payable to Joint Ventures comprised actual cash distributions from Joint Ventures. During FY2007 the Joint Ventures formally declared profits resulting in an offset between the Investment and Payable accounts. The balance of Investments at 30 June 2007 comprises undeclared profits.
- Net Debt divided by Net Debt plus Market Capitalisation. Market capitalisation is based on a share price of \$3.00 per share.



# Financial Results

## Summary Cash Flows

(\$million)

	2007	2006
EBIT <sup>1</sup>	30.8	20.6
Consulting fees <sup>1</sup>	-	(2.7)
Depreciation & amortisation	6.9	2.1
Movement in working capital	2.8	3.7
Net interest	(0.7)	0.2
Timing difference between joint venture profit and cash	10.6	9.6
Income tax paid	(11.5)	(4.7)
<b>Net operating cash flow</b>	<b>38.9</b>	<b>28.8</b>
Net proceeds from capital raising	-	27.0
Net proceeds from / (repayments of) borrowings	29.6	(0.9)
Acquisition of Pac-Rim	(61.9)	-
Net capital expenditure	(5.3)	(2.4)
<b>Free cash flow</b>	<b>1.3</b>	<b>52.5</b>
Opening cash at 1 July	45.3	7.8
Dividend payments	(5.1)	(15.0)
<b>Closing cash at 30 June</b>	<b>41.5</b>	<b>45.3</b>

➤ Strong operating cash flows generated.

➤ Income tax paid impacted by timing of tax payments and tax paid by Pac-Rim.

➤ Free cash flow impacted by Pac-Rim acquisition.

### Notes

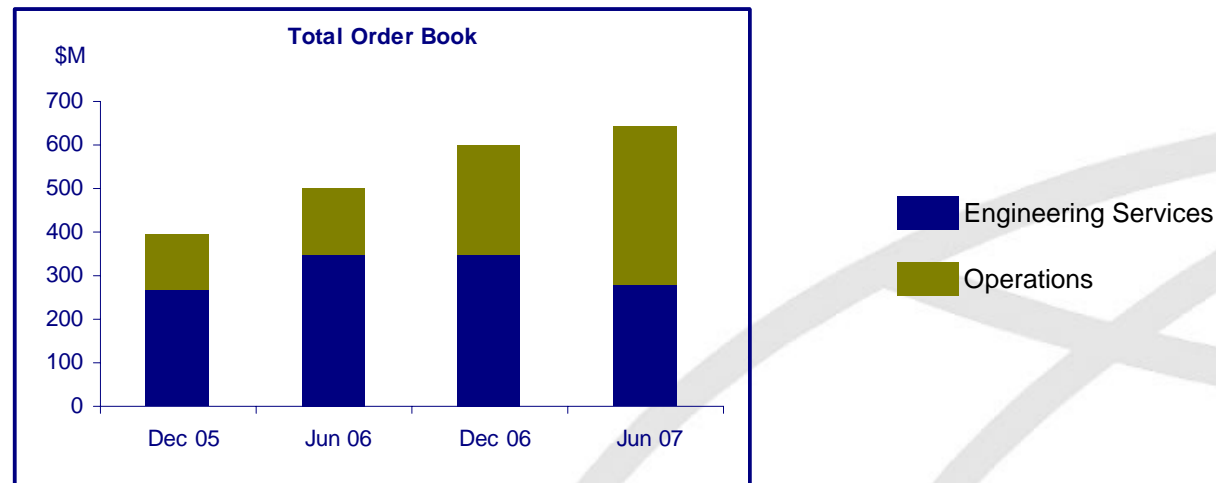
1. EBIT of Sedgman has been increased by \$2.7m in FY2006 for consulting fees paid to shareholders. This arrangement terminated on 31 December 2005. Resulting adjustments for taxation and net profit have also been made impacting on closing cash position in FY2006.



# Order Book at 1 July 2007

Strong order book

- Record order book at 1 July 2007 of approximately \$640 million:
  - Engineering Services - \$280 million (executable over 12 – 18 months)
  - Operations - \$360 million (contract lives vary between 1 – 10 years)



- Decrease in Engineering Services order book due to run off in large TSJV projects.
- The smaller Sedgman only jobs are feeding the Operations business unit. The Operations order book now exceeds 50% of the total.
- Greater than 80% of FY2008 revenues are locked-in by the order book.



# Order Book at 1 July 2007

COAL	Engineering Services	Operations
<b>Current contracts</b>	Dawson Lake Lindsay Sonoma Middlemount <i>+ other minor projects</i>	Coppabella Moorvale Blair Athol Millennium (consultancy) Sonoma Middlemount
<b>Contracts under negotiation<sup>1</sup></b>	Moatize	Millennium / Red Mountain

METALS	Engineering Services	Operations
<b>Current contracts</b>	<b><i>Intermet</i></b> Coyote Gwalia Deeps Simberi Palmarejo Canatuan <i>+ other studies</i>	<b><i>Pac-Rim</i></b> Agnew Cannington Ernest Henry McArthur River Mt Isa
<b>Contracts under negotiation<sup>1</sup></b>	Las Lagunas Guelb Moghrein <i>+ other various</i>	

Notes

1. Commercial terms are being negotiated.

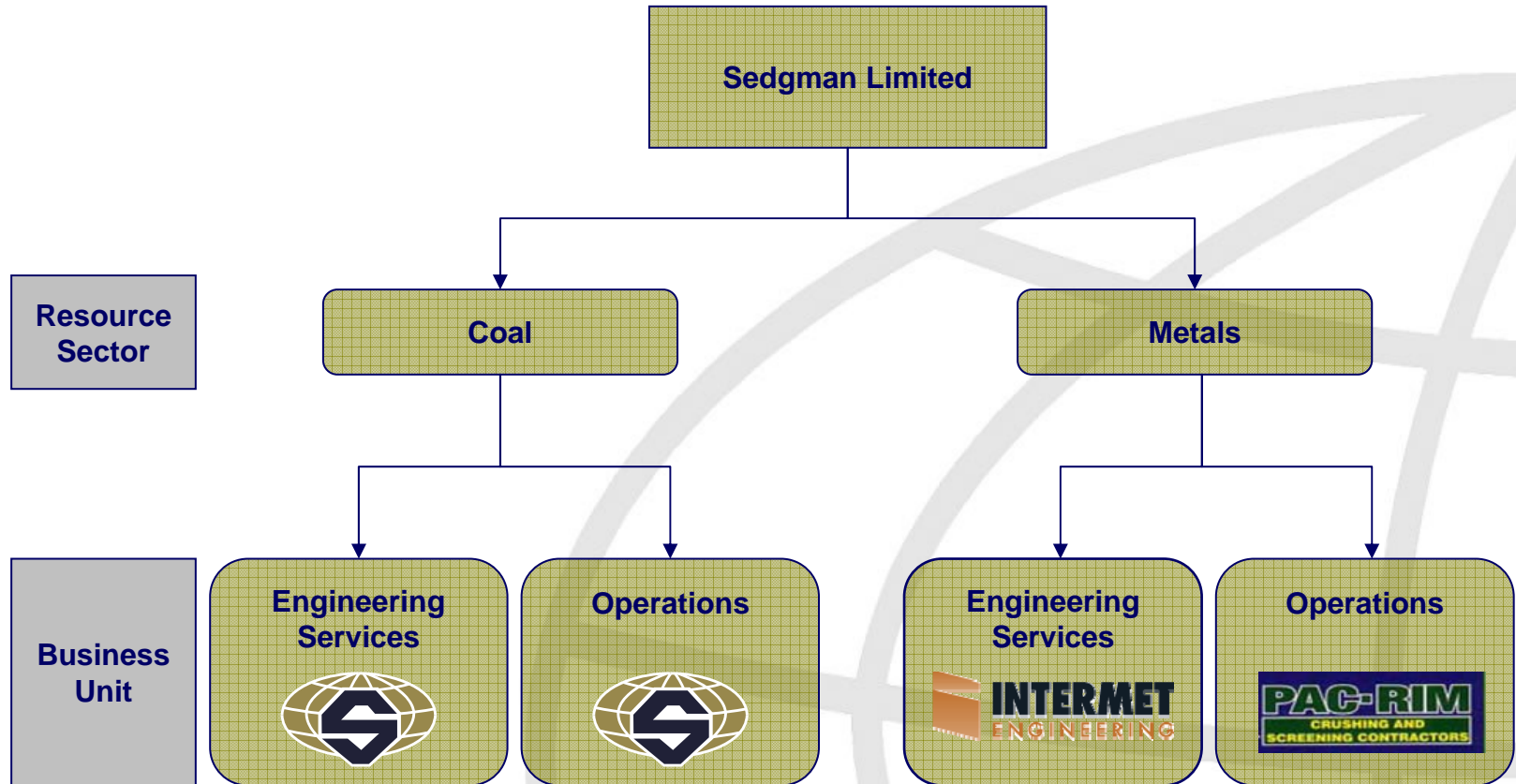


# Company Outlook

Sedgman Group

## Group structure

- Sedgman is replicating its coal business in the metals sector.
- The company now has a Metals division which includes Pac-Rim and the recently acquired minerals processing engineering company Internet.
- Mark Duffy appointed COO Metals. Adam Langford replaces Mark as CEO Pac-Rim.





# Company Outlook

Continued  
sector growth

## Sedgman Coal

- The level of activity for coal remains strong with approximately \$6.1 billion of coal mine and coal infrastructure projects under development<sup>1</sup>.
- The continued growth of the coal market will deliver substantial opportunities for Sedgman. The number of studies currently being undertaken by the business is at a record high and we expect to convert a number of these into new D&C projects.
- Expansion of Operations remains a priority:
  - The Millennium operation has now commenced.
  - Sonoma expected to come on stream in the 2<sup>nd</sup> half FY2008 (5 year contract).
  - Middlemount expected to come on stream in 1<sup>st</sup> half FY2009 (10 year contract).
- International expansion will occur in FY2008:
  - Southern Africa - a letter of intent has been received from CVRD to provide design services on the Moatize project in Mozambique. The final scope is still being determined but this will be a significant opportunity for Sedgman.
  - China - senior company personnel have visited key provinces in China and have commenced discussions with potential partners. The opportunities in China are substantial.
  - India - evaluation of business partners and opportunities is continuing.

International  
growth in  
FY2008

Notes

1. ABARE – Australian Commodities. Volume 14 No 2.



# Company Outlook

Strategic  
acquisition of  
Intermet

## Sedgman Metals

- The outlook for the metalliferous market is positive with demand forecast to be strong and inventories to remain low.
- Sedgman Limited acquired minerals process engineering and project management company Intermet in July 2007.
- Intermet and Pac-Rim now give Sedgman the opportunity to replicate its coal business in Metals. They form a solid platform for growth in a sector that dwarfs the size of the coal market.
- The core focus will be on a step change in the growth of Intermet and Pac-Rim:
  - New management structure for Metals in place.
  - Formulating strategies to grow and retain personnel to capitalise on the significant pipeline of opportunities.
  - New office space secured in Perth to house 350 people.
  - Potential to expand Intermet's scope in projects by moving from EPCM to EPC where appropriate.
  - Utilise Sedgman's systems and processes to tender for larger jobs.
  - Drive growth in plant opportunities for Pac-Rim.



# Company Outlook

## Research and development

- R&D initiatives at Sedgman fall into three categories:
  - Continuous product improvement
  - Innovation and optimisation of existing technology
  - Pioneering development of new equipment, processes and technology
- The major focus of the pioneering activities will be in the areas of utilisation and sustainability together with coal preparation plant design.

## Future acquisitions

- The Company has demonstrated that it will penetrate additional markets by acquisition of complementary businesses. Whilst we are focussed on the integration of our recent acquisitions, we will continue to pursue this strategy.



# Company Outlook

## FY2008 Guidance

- Sedgman's growth outlook remains strong due to its exposure to the Australian and International resources industry.
- Cash EPS<sup>1</sup> is expected to increase by 15% - 20% in FY2008 with growth expected in both Engineering Services and Operations business units.

### Notes

1. Cash EPS excludes amortisation of intangible assets.



# Summary

- Record full year result of \$20.9m NPAT (EBITA \$32.8m).
- EBITA and Cash EPS exceeded IPO prospectus forecast by 30%.
- Expanded into the metals sector with the Pac-Rim and Internet acquisitions.
- Record order book of \$640m at 30 June 2007.
- Strong company outlook with 15% - 20% increase in cash EPS<sup>1</sup> expected for FY2008.

#### Notes

1. Cash EPS excludes amortisation of intangible assets.