

9 November 2016

Company Announcement Office  
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SYDNEY NSW 2000

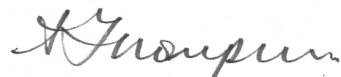
By ASX Online



**CHAIRMAN'S ADDRESS, MANAGING DIRECTOR'S ADDRESS AND PRESENTATION**

Attached are the Chairman's address, the Managing Director's address and a presentation to be delivered at Decmil Group Limited's (ASX: DCG) Annual General Meeting scheduled to commence at 10.00am WST this morning.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Alison Thompson".

**Alison Thompson**  
Company Secretary



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# Chairman's Address

**DECMIL GROUP LIMITED**

**2016 ANNUAL GENERAL MEETING**

**9 NOVEMBER 2016**

**BILL HEALY**

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Good morning ladies and gentlemen.

Welcome to the 2016 Decmil Annual General Meeting.

My name is Bill Healy and I am Chairman of the Board of Directors of Decmil Group Limited.

On behalf of my colleagues, I would like to welcome you to our head office to reflect on FY16 and give you an update on FY17 and the strategic direction of the Company moving forward.

As it is now 10am and a quorum is present, I declare this meeting open. I propose to take the Notice of Meeting as read.

I would like to take this opportunity to introduce my fellow directors.

**Scott Criddle, Managing Director and Group Chief Executive Officer**

Scott was appointed Chief Executive Officer in July 2009, and Managing Director of Decmil Group Limited in April 2010. He has been a Director of the Company since April 2010. He was previously the Managing Director of Decmil Australia from 2002, where he was responsible for the long-term growth and strategic direction of the company, playing a key role in building relationships with stakeholders and clients.

Scott joined Decmil Australia in 1993 as a construction labourer to gain experience and learn about the company from the ground up. He held a variety of roles within Decmil Australia including Construction Manager, Estimator, Business Development Manager and Area Manager.

**Denis Criddle, Non-Executive Director**

Denis was the founder of Decmil Australia, Decmil Group Limited's major construction and engineering division.

He was appointed to Decmil's Board as a Non-Executive Director in August 2007 and served as a Non-Executive Chairman from September 2009 to November 2011.

Denis is a civil engineer with more than 30 years' experience in construction and maintenance services for the oil and gas and resources sectors in central Queensland and north-west Western Australia.



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**Lee Verios, Non-Executive Director**

Lee has more than 40 years' experience as a commercial and property lawyer. Until he retired in July 2010, he was a partner in the international law firm of Norton Rose Fulbright, where he headed its Commercial Property division in Perth. Lee is also an experienced company director, currently serving as a Non-Executive Director of Finbar Group Ltd and Wyllie Group Pty Ltd. He joined our board in April 2010.

**David Saxelby, Non-Executive Director**

David was appointed to the Board in May 2016. He has held Managing Director and CEO roles for the past decade, most recently with Lend Lease as CEO of Construction and Infrastructure Australia. Prior to Lend Lease, David was with the Leighton Group for 18 years, where he held a number of senior positions, most recently as Managing Director of Thiess Pty Ltd. In addition to these roles, David has held a number of senior positions on Industry Boards and was listed in the Top 100 Engineers in Australia for the past four consecutive years.

Our other **Non-Executive Director, Giles Everist**, has sent his apologies for the meeting today as he is currently in London. Giles joined the Company in January 2010. He served as Non-Executive Chairman of Decmil from November 2011 to June 2014. In July 2014 he became Chair of the Audit and Risk Committee. Giles has more than 20 years' experience in the finance, resources and engineering services industry, holding senior executive roles with Coopers and Lybrand, Rio Tinto, Fluor Australia and Monadelphous Group where he was Chief Financial Officer from 2003 to 2009.

I would also like to introduce you to the Executive Team which includes:

- Scott Criddle - our Managing Director,
- Ric Buratto – the Chief Executive Officer of our construction & engineering business, and
- Craig Amos – our Chief Financial Officer.

At today's meeting we have a number of resolutions to consider which will all be put to a poll.

However, before we commence the formal part of the meeting, I am going to give a brief overview of the Company's highlights over the past year, and will then invite our Managing Director, Scott Criddle, to give shareholders a review of the FY16 financial year, provide a update on FY17 and discuss the strategy and outlook for the Group going forward.

At the conclusion of formal proceedings, we would welcome you to stay on for light refreshments, and discuss any matters regarding the Company with the directors and senior executives present today.

I now turn to the Group highlights of FY16.



The 2016 financial year was a year of transition for Decmil and despite challenges in our traditional markets, the Group achieved a revenue of \$300.3m, an adjusted NPAT of \$10.3m and declared a final dividend of 2c per share.

This result was based on a number of achievements including:

- Securing over \$100m of defence work,
- Strong performance on the QGC wellhead programme,
- Organic growth into the New Zealand civil and building market, and
- Diversification into new markets through targeted acquisitions.

With the dramatic change in the natural resources sectors, and the reduction in Decmil's traditional source of work, the Group reassessed its work profile and associated organisational structures to create a business that is stronger and more sustainable.

A number of steps were taken to accelerate the Groups diversification strategy which included:

- Entry into the NSW and Victorian civil infrastructure markets with the acquisition of Cut & Fill,
- Exposure to the EPC market with the acquisition of Scope Australia,
- Entry into the NZ civil and building markets with the establishment of an office in Auckland,
- Securing two new projects in the Renewables space, and
- Entry into the wireless and fibre telecommunications markets with the acquisition of SC Services.

In 2016, the Group progressed its diversification strategy through targeted acquisitions in industries with good potential for growth and through organic expansion into new locations.

The new businesses of Cut & Fill, SC Services and Scope Australia have now been firmly transitioned into the Group and we continue to focus on the development of these businesses.

Our business in New Zealand continues to expand with a number of Government projects already underway and the recent award of its first Defence project.

It is this transformation that the Board and Management believe will create a business with a more diverse, sustainable and better quality of earnings entering the 2017 financial year and beyond.

In closing, I would again like to take this opportunity on behalf of the Board to thank our loyal shareholders for their ongoing support and of course our staff for their dedication to Decmil.

I would like to now hand over to Decmil's Managing Director, Scott Criddle.



# Managing Director's Address

**DECMIL GROUP LIMITED**

**2016 ANNUAL GENERAL MEETING**

**9 NOVEMBER 2016**

**SCOTT CRIDDLE**

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Thank you Bill.

Good morning ladies and gentlemen and thank you for joining us today for our 2016 Annual General Meeting.

As you have heard from our Chairman, 2016 has been a year of transition for Decmil, expanding the business into new markets and geographies and welcoming a number of new businesses into our Group. I would now like to give you an overview of each of the new businesses and a trading update for FY17.

The 2016 financial year saw a dramatic turnabout in the resources and energy sectors, but despite the challenging economic environment, Decmil achieved the following key highlights during the FY16 financial year:

- A strong performance across national Defence and Queensland CSG projects;
- New projects secured in the WA Iron Ore sector for BHP Billiton Iron Ore and Sino Iron;
- Further simplification of our management structures with the C&E business now operating as a single national business unit;
- Growing our presence in New Zealand with an established office and presence in the market, and
- Increased tendering activity in the Defence, transport infrastructure and renewables sectors.

During the year Decmil accelerated its plan to move into new markets with more stable and recurring demand patterns.

One of these moves was into the Victorian and NSW civil infrastructure markets through our acquisition of Cut & Fill.

The Cut & Fill business has performed well since acquisition and we see further growth potential in this market with significant commitments made to transport infrastructure spend in both Victoria and NSW.

Our strategy is to maximise the growth potential of Cut & Fill by increasing its capacity to undertake larger projects and by expanding the business into the NSW market.



The Scope Australia business was acquired earlier this year as a standalone engineering, design and consulting business.

This business is currently undertaking study and engineering consulting work for Roy Hill, Brockman Resources, Alcoa, Altura Lithium and Tox Free.

Decmil's strategy is to establish and grow Scope's capability in EPC delivery and process design. This plan is well underway.

Just under a year ago, Decmil made its entry into the wireless and fibre telecommunications markets with the acquisition of SC Services.

SC Services is well regarded by its clients which include Optus, Nokia, Ericsson and Huawei.

There has been some variability in trading in the first half of FY17 due to the delayed roll out of carrier network programs and the impact of mandatory embargos. However, with a new management team in place, SC Services is expected to increase its work volumes in the second half of FY17 through its existing panel agreements and further expansion on the East Coast.

In terms of Homeground, occupancy has improved compared to last year due to the demobilisation of the accommodation on Curtis Island and the commencement of the LNG operational cycle.

Compared to a FY16 occupancy of 12% we expect the average occupancy at Homeground to sit around 20 – 25% for FY17.

Homeground strives to be the premier workforce accommodation provider to clients such as ConocoPhillips, Bechtel, Rio Tinto, WICET and Cement Australia.

As Decmil's traditional sources of work have subdued, we have sought to enter new markets including the growing Renewables sector.

Decmil has already secured a number of construction projects in the Renewables space, by applying its remote project management capability and aligning with partners who have experience within the sector.

Project opportunities include wind farms, solar projects and bespoke energy solutions for isolated client facilities. The business is currently undertaking a significant amount of tendering in this space.

Turning to the FY17 outlook, Decmil still faces a subdued resources market with low levels of construction and engineering activity. Despite these factors, the business anticipates delivering in excess of \$400m of revenue which includes contributions from the newly acquired businesses.



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We continue to monitor our overhead spend and our organisational structure to ensure it is appropriate for the level of work undertaken. As a result, further restructuring has occurred within the FY17 financial year.

Our project at Hastings has also been impacted by further weather and productivity issues since the end of the financial year, however it is expected to be completed before Christmas.

These impacts have been partly offset by stronger than anticipated occupancy at Homeground in the first half of FY17, which is expected to be in the region of 30%.

A positive sign for the business is that for the first time in recent history tendering activity is increasing, particularly in defence, transport infrastructure and renewables projects.

Before I conclude I would like to thank Bill, our Chairman, and our fellow directors, for your support and advice over the past year.

I would also like to thank our dedicated staff and our loyal shareholders for the support afforded to the business during the past 12 months.

I will now hand back to Bill to conduct the formal business.



DECMIL GROUP LIMITED

2016

# Annual General Meeting

9 November 2016



# Welcome



# Board of Directors



**Bill Healy**  
Non-Executive Chairman



**Scott Criddle**  
Managing Director



**Denis Criddle**  
Non-Executive Director



**Giles Everist**  
Non-Executive Director



**David Saxelby**  
Non-Executive Director



**Lee Verios**  
Non-Executive Director

# Executive Team



**Ric Buratto**  
Chief Executive Officer



**Scott Criddle**  
Managing Director



**Craig Amos**  
Chief Financial Officer



# FY16 Review

# FY16 Group Highlights



## Financial

- Revenue of \$300.3m for FY16
- Adjusted EBITDA<sup>1</sup> of \$17.5m
- Adjusted NPAT<sup>1</sup> of \$10.3m
- Final dividend of 2.0c per share



## Operations

- Over \$100m in Defence work secured
- Strong performance on QGC's wellhead programme and secured brownfield work
- Established a presence in New Zealand
- New businesses acquired and transitioned

Note:

1 – Excludes investment property fair value adjustment and other one off items

# FY16 in Review

## Diversification accelerated in FY16

- Decmil has been diversifying its geographic reach and capability for the past 3 years
- The sharp downturn in the Resources sector in early FY16 saw the Group accelerate into sectors of the construction and engineering market that offer sustainable opportunities
- A number of steps were taken to move forward:
  - Entry to the NSW and VIC transport infrastructure market through acquisition of Cut & Fill
  - Added EPC capability through Scope
  - Organic entry to the NZ civil and building markets
  - Renewables capability developed and projects secured
  - Entry to national fibre and wireless telecoms market

# New Businesses

A number of new businesses were added to the Group in FY16



Business	Sector	Status & Outlook
Cut & Fill	<ul style="list-style-type: none"><li>Vic and NSW Transport Infrastructure</li></ul>	<ul style="list-style-type: none"><li>R5/B4 technical accreditation in Vic, NSW and ACT</li><li>Financial rating lifted to F150+</li><li>Long standing relationship with VicRoads</li><li>Strategy to enter NSW on track</li></ul>
SC Services	<ul style="list-style-type: none"><li>Fibre and Wireless design, installation, commissioning and maintenance for the Telco sector</li></ul>	<ul style="list-style-type: none"><li>Active in both fibre (NBN) and wireless sectors</li><li>Strong presence in WA – growing in NSW, VIC and SA with Eastern region offices established</li></ul>
Scope Australia	<ul style="list-style-type: none"><li>Engineering consulting, design and EPC services</li></ul>	<ul style="list-style-type: none"><li>Decmil Group backing allowing Scope to enter EPC market</li><li>Minerals sector have active opportunities</li></ul>
Decmil NZ	<ul style="list-style-type: none"><li>Public sector building and construction</li></ul>	<ul style="list-style-type: none"><li>Permanent office established in Auckland</li><li>Current focus on public infrastructure</li><li>Projects on both North and South island</li></ul>



# FY17 Business & Trading Update



## Resources construction market remain subdued

- Strong performance across national portfolio of Defence projects and Queensland CSG projects
- New projects in the WA Iron Ore sector for BHP Billiton Iron Ore and Sino Iron
- Further simplification and restructuring of management layers – Australian C&E business now operating as a single national business unit
- Hastings project ~90% complete with target completion pre Christmas 2016. Further weather issues experienced through August to October impacting productivity and cost
- NZ office established and growing presence in the market
- Resources market continues to be subdued with low levels of construction and engineering opportunities
- Tendering in Defence, transport infrastructure and renewables sectors rising due to activity in these markets

# Cut & Fill



## C&F has become an important growth platform for the Group

- Business has performed well since acquisition and in-line with expectations
- New business plan for C&F based on:
  - Grow capacity to undertake larger projects (up to \$100m)
  - Move back into NSW
  - Build a sustainable and profitable \$100m per annum revenue business from FY18 onwards
- Shortlisted on 2 larger VIC road and bridge project (values >\$20m) and tendering larger projects in the range of \$30m to \$50m
- Significant committed transport infrastructure spend in VIC and NSW
- Strategic opportunity to partner on upcoming Melbourne outer suburban arterial road network projects

# Scope Australia



Scope Australia was acquired on 1 March 2016

- Scope successfully transitioned into Decmil Group, operating as a standalone engineering, design and consulting business
- Minerals sector EPC market active with fewer competitors than the broader resources engineering market
- Current study and engineering consulting work for Roy Hill, Brockman Resources, Alcoa, Altura Lithium and Tox Free
- Strategy under Decmil Group ownership to convert study and engineering work into EPC projects

# SC Services



**SC Services is an approved provider to most Telco operators**

- Well regarded by client base – Optus, Nokia, Ericsson, Huawei
- Approved service provider to Telco carriers through equipment manufacturers (OEM's) and contractors
- Business planning on track to expand into East Coast with recruitment of skilled and experienced resources and establishment of offices in Melbourne and Sydney
- Some variability in trading in H1FY17 due to slow roll out of carrier network programs and embargos
- Work volumes expected to increase and stabilise in H2FY17
- New management team in place

# Homeground Villages



## Occupancy has improved in FY17

- FY17 occupancy for Homeground has improved on FY16 levels due to demobilisation of accommodation on Curtis Island and commencement of LNG operational cycle
- FY16 occupancy averaged 12% for EBITDA breakeven
- Expect FY17 occupancy to average in the range of 20% to 25%
- Current clients include ConocoPhillips (APLNG), Bechtel, Rio Tinto (Yarwun), WICET, Cement Australia
- Ambition to become the premier provider of workforce accommodation to the Australian LNG sector

# Renewables



## Developed capability in wind and solar

- Decmil applying its project management capability to secure project opportunities in Renewables sector
- Wind Farm Civils
  - Working with wind farm developers to provide balance of plant to design and construct wind turbine foundations and associated civil works
- Energy Solutions
  - In joint venture as designer/engineer to develop and execute “bespoke” power solutions for isolated client facilities
- EPC – Solar Projects
  - Design and Build PV solar farms from 2.5 to 100MW capacity
  - 10MW Gullen project in NSW secured

# FY17 Outlook



## Resources subdued – activity rising in Defence and infrastructure

- FY17 Group revenue still expected to exceed \$400m (FY16: \$300m)
- Further ongoing overhead reduction still expected in FY17
- Statutory H1FY17 profit to be impacted by:
  - Further weather issues at Hastings project in August to October impacting productivity and cost.<sup>1</sup> Expect project to be complete by Christmas;
  - Further one off restructuring costs as part of overhead reduction initiatives<sup>2</sup>; but
  - Partly offset by stronger than expected H1FY17 occupancy at Homeground<sup>3</sup>
- Resources market still subdued with low levels of construction and engineering activity
- Increased levels of tendering in defence, transport infrastructure and renewables market sectors

1. Additional project loss of ~\$3m in productivity loss in H1FY17 due to rain and wind
2. Primarily redundancy costs of ~\$1m
3. Occupancy ~\$30% expected for H1FY17



# **Decmil Annual General Meeting Items of Business**



# Financial Statements and Reports



To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the Directors, Director's Report, Remuneration Report and the Auditor's Report.

# Resolution 1

## Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a non-binding resolution:

**“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the financial year ended 30 June 2016.”**

# Resolution 1

## Adoption of Remuneration Report



PROXY SUMMARY	
FOR	69,045,992
AGAINST	692,515
ABSTAIN	341,002
PROXY'S DISCRETION	495,522
TOTAL VOTES	70,575,031
% OF SHARES ON ISSUE	42%

# Resolution 2

## Re-Appointment of Director – David Saxelby

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

**“That, for the purpose of clause 13.4 of the Constitution and for all other purposes, Mr David Saxelby, a Director, who was appointed as an additional Director on 11 May 2016, retires, and being eligible, is re-elected as a Director.”**

# Resolution 2

## Re-Appointment of Director – David Saxelby



PROXY SUMMARY	
FOR	95,999,064
AGAINST	195,364
ABSTAIN	61,906
PROXY'S DISCRETION	520,522
TOTAL VOTES	96,776,856
% OF SHARES ON ISSUE	57%

# Resolution 3

## Re-Election of Director – Lee Verios

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

**“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Lee Verios, a Director, retires by rotation, and being eligible, is re-elected as a Director.”**

# Resolution 3

## Re-Election of Director – Lee Verios



PROXY SUMMARY	
FOR	95,895,559
AGAINST	298,369
ABSTAIN	62,406
PROXY'S DISCRETION	520,522
TOTAL VOTES	96,776,856
% OF SHARES ON ISSUE	57%

# Resolution 4

## Re-Election of Director – Bill Healy

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

**“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Mr Bill Healy, a Director, retires by rotation, and being eligible, is re-elected as a Director.”**

# Resolution 4

## Re-Election of Director – Bill Healy



PROXY SUMMARY	
FOR	95,919,245
AGAINST	258,353
ABSTAIN	65,736
PROXY'S DISCRETION	533,522
TOTAL VOTES	96,776,856
% OF SHARES ON ISSUE	57%

# Resolution 5

## Spill Resolution

This resolution will not be put to the meeting as less than 25% of the votes validly cast on Resolution 1 were cast against that resolution.



**Thank You**

**2016**