

# Walter Diversified Services Limited

Results for the year to 30 June 2007



August 2007



# Disclaimer

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**The material in this presentation comprises general background information about the Company's activities current at the date of the presentation, 20 August 2007, and a summary of the audited results for the 12 months ending 30 June 2007. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.**



# Agenda

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- Highlights
  - FY2007 Financial results
  - Operations
  - Growth strategy and outlook



# Financial Highlights for FY07



- **Adjusted NPAT\* of \$12.97 million compares favourably to prospectus forecast of \$12.36 million**
- **EBITDA\*\* of \$31.34 million broadly in line with prospectus forecast of \$31.55 million**
  - **WM result below and the DCC result above prospectus forecasts**
- **Group revenue of \$221.0 million compares favourably to prospectus forecast of \$214.2 million and is up 80.7% on the 2006 prospectus pro-forma of \$122.3 million**
- **Final fully franked dividend of 4.8 cents in line with prospectus forecast**
- **Consolidation opportunities**
- **\$309 million of work in hand at end July**
- **Group outlook remains strong**

\*Adjusted NPAT is adjusted for post-tax net IPO costs of \$0.95 million dollars and pre-IPO minority interests of \$0.914 million

\*\* EBITDA is before pre-tax IPO costs of \$1.4 million



# Operational Highlights for FY07



- **Operating conditions for Walter Mining fell short of expectations due to tough industry conditions**
  - **EBITDA margins of 14.0% remain strong, although about 1% below prospectus forecasts**
  - **Revenue up 23.3% from pcp to \$103 million but short of prospectus forecast**
  - **WM's technical consulting service growing in strength**
    - **Feasibility studies for third parties conducted in India and Australia**
  
- **Buoyant conditions in oil, gas and water pipelines drove a strong performance from DCC**
  - **Revenue of \$118 million exceeded prospectus forecast by 89%**
  - **EBITDA margins of 14.5% ahead of prospectus forecasts of 14.3%**
  - **Growth in the Queensland coal seam methane market was a strong revenue driver for DCC and will remain strong in the short to medium term**
  
- **Hooper Engineering acquisition on 1 July 2007 has further added to the capacity of Walter Mining to provide maintenance services to clients in the coal and metalliferous mining industry**

# Financial Results





# Financial Performance FY2007



A\$ million	FY 07 Actual	Pro-forma FY06	% Change from pro-forma FY06	Prospectus pro-forma FY 2007	% Change from Prospectus FY 2007
<b>Revenue</b>	<b>221.0</b>	<b>122.3</b>	<b>80.7%</b>	<b>214.2</b>	<b>3.2%</b>
WM	103.0	83.4	23.5%	151.8	(32.2)%
DCC	118.0	38.9	203.3%	62.4	89.1%
<b>EBITDA**</b>	<b>31.3</b>	<b>18.4</b>	<b>70.1%</b>	<b>31.6</b>	<b>(0.7%)</b>
WM	14.3	12.7	12.6%	22.7	(37.0)%
DCC	17.0	5.7	198.2%	8.9	91.0%
<b>Adj NPAT*</b>	<b>13.0</b>	<b>8.3</b>	<b>56.6%</b>	<b>12.4</b>	<b>4.9%</b>
EPS (cents)***	16.5	11.1	48.6%	15.8	4.9%
<b>Cap-Ex</b>	<b>27.7</b>			<b>27.5</b>	

- Group revenue \$221 million 3.2% ahead of prospectus
  - above forecast in DCC driven by strong organic growth in all sectors
  - behind forecasts in WM due to port and rail constraints, cost pressures, slower than planned startup of projects and adverse weather conditions
- EBITDA/Revenue margin of 14.2% in target range of 14-15%
- Group tax rate for FY07 of 26.3% assisted by R&D tax benefits of \$0.5 million which are anticipated to continue over the medium term, and a prior year benefit of \$0.2 million
- FY Capex of \$27.7 million in line with plan
- Operating cash flow increased to \$8.3 million
- Statutory profit of \$11.1 million up 137% on pcp assisted by full year contribution from acquisitions made in FY07

\*Adjusted NPAT is before post-tax net IPO costs of \$0.953 million dollars and pre-IPO minority interests of \$0.914 million. Statutory NPAT was \$11.1 million for FY07.

\*\*EBITDA is before pre-tax IPO costs of \$1.362 million

\*\*\* Basic EPS based on Adjusted NPAT



# Financial Performance FY2007



- **Growth has been strong across the business, particularly in DCC**
  - **New contracts for DCC followed acquisition of equipment and organic growth in all contracts**
  - **Balance of business has changed due to extremely strong growth in oil, gas and water sectors**
  - **Maintenance services on client equipment becoming a significant driver of revenue and profitability for WM**
  - **Outlook for Group remains strong in the short and medium term**
  
- **FY2008 revenue targets are 75% secured through contracted work**
  - **First six months revenue mostly secured, seasonality will mean a stronger H2 relative to H1**
  - **Strong organic growth in current projects anticipated particularly in coal seam methane area**
  - **Work in hand as at end July stands at \$309 million**
  
- **Key financial targets are being achieved**
  - **EBITDA margins at 14.2% in the target range of 14-15%**
  - **Gearing (net debt divided by net debt plus equity) at 53.4% in the targeted range of 33-66%**
  - **Interest cover greater than five times**
  - **Return on shareholders funds at 34% compares to target of 25%**
  - **Final dividend of 4.8 cents per share (fully franked) to be paid on 26 September 2007**



# Balance Sheet: 30 June 07

Assets	A\$ million	Liabilities and Equity	A\$ million
Cash	8.8	Payables	12.3
Receivables	27.3	Borrowings	25.6
Inventory	0.6	Tax Liabilities	0.0
Other	9.3	Provisions	9.6
<b>Total Current Assets</b>	<b>46.0</b>	<b>Total Current Liabilities</b>	<b>47.5</b>
Property, plant and equipment	53.7	Payables	0.0
Intangible assets	5.1	Borrowings	23.2
Tax assets	3.7	Deferred Tax and Provisions	2.9
<b>Total Non-Current Assets</b>	<b>62.5</b>	<b>Total Non-Current Liabilities</b>	<b>26.1</b>
<b>Total Assets</b>	<b>108.5</b>	<b>Total Liabilities</b>	<b>73.6</b>
		Share capital	18.1
		Retained earnings	16.8
		<b>Total Equity</b>	<b>34.9</b>

- Robust balance sheet**
- Gearing ratio 53.4% (net debt/net debt + equity)**
- Dividend reinvestment plan with 2.5% discount being introduced**

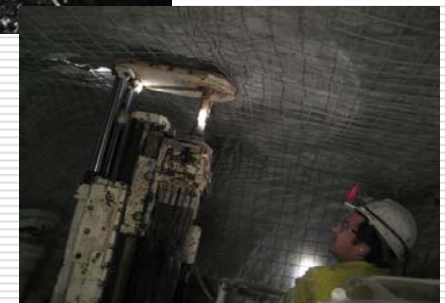
# Operations





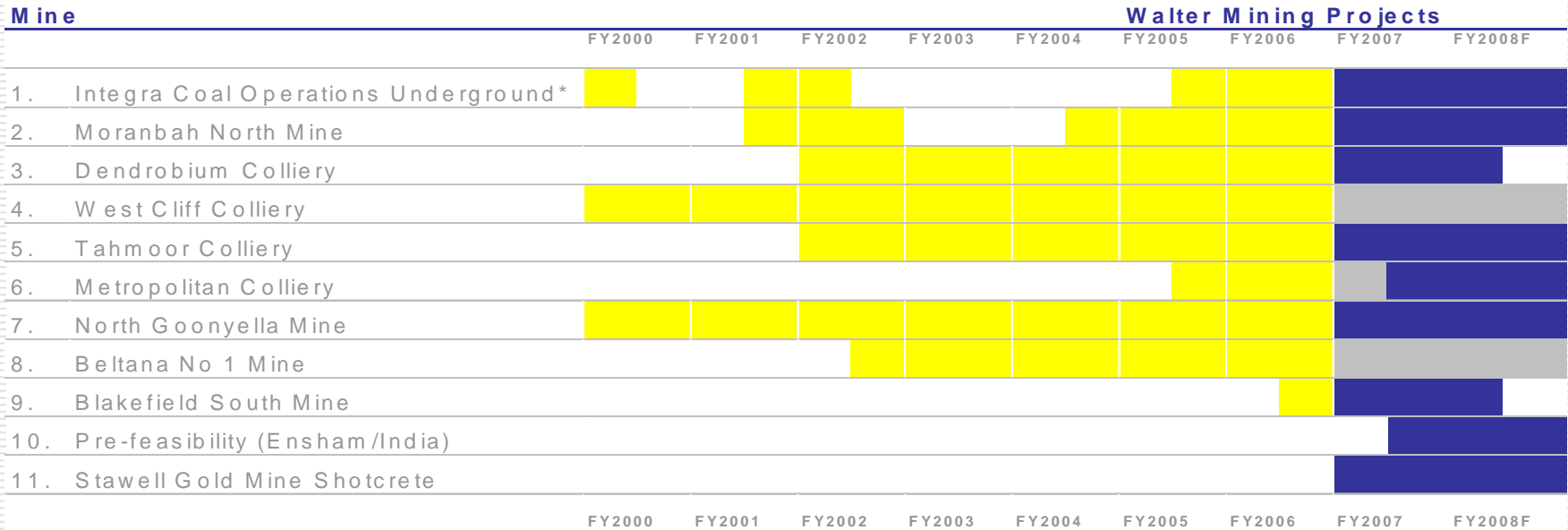
# Underground Mining

- ❑ **WM has forged a strong position in relation to new underground mining projects commencing in the second half of 2008**
- ❑ **Service related contracts including electrical works and maintenance of conveyor systems and plant are a growing focus and revenue driver**
- ❑ **Consulting services are a focus in both the Australian and Indian markets**
  - ❑ **in conjunction with an international original equipment manufacturer, WM is assisting Coal India in its task to double its production over the next five years by mechanization**
- ❑ **Greater opportunities in metalliferous area include roadheader driveage and shotcrete works**
- ❑ **Utilisation of plant forecast at higher level compared to FY07**
- ❑ **Opportunities in hard rock civil tunnelling to increase in Australia**





# Underground Mining: current projects



\* formerly Glennies Creek Colliery

■ Previous services provided    
 ■ Contracted    
 ■ On site and providing services

- Feasibility study consistent with strategy of expanding service offering to mining sector
- Dendrobium Colliery driveage contract not extended
  - workforce placed in other projects in Illawarra region. Outbye works continue
- Moranbah North
  - Bord and Pillar contract finished. General services contract now in place



# Oil and Gas

- ❑ Pipeline of opportunities in Queensland/NSW very strong in both oil and gas
- ❑ Opportunities in Western Australia/South Australia in gas and slurry pipelines
- ❑ Coal seam methane opportunities at both Fairview (for Santos) and Berwyndale (for Queensland Gas Corporation) to provide strong organic growth opportunities
- ❑ Opportunities for early works in carbon capture and storage
- ❑ Further expansion into complete pipeline service provider





# Water and Waste Water

- ❑ **Water and wastewater opportunities in all capital cities**
- ❑ **Water and waste water opportunities in many regional centres**
- ❑ **Extension of Brisbane City Council contract to repair and replace water mains and install pressure reduction valve pits, and related work**
- ❑ **Re-cycled water network pipelines will provide many opportunities over the next few years**
- ❑ **Pipeline opportunities associated with desalination plants in most states**



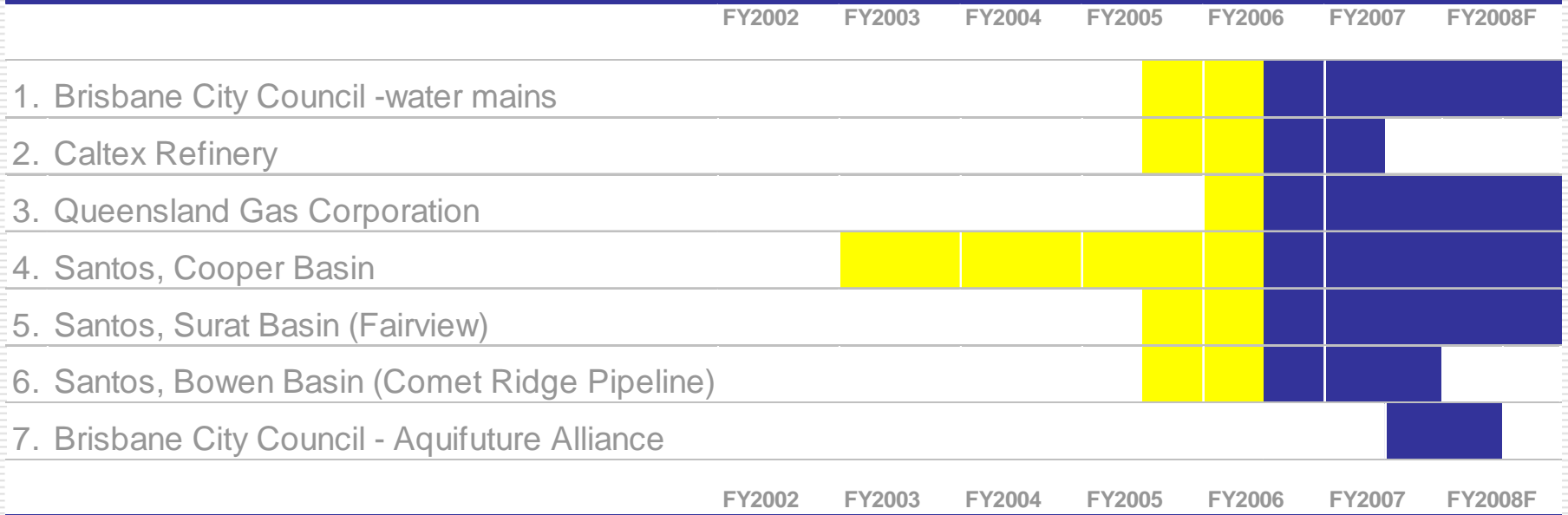


# Oil and Gas; Water and Waste Water: current projects



## Project

## Diversified Construction Corporation Projects



■ Previous services provided    
 ■ Contracted    
 ■ On site and providing services

- Aquifuture Alliance with Brisbane and Caboolture Councils commenced in H2 2007**
- Acceleration of Santos Cooper Basin oil program, Jackson to Moomba pipeline tender brought forward**
- Strong organic growth across all major projects**

# Growth Strategy and Outlook

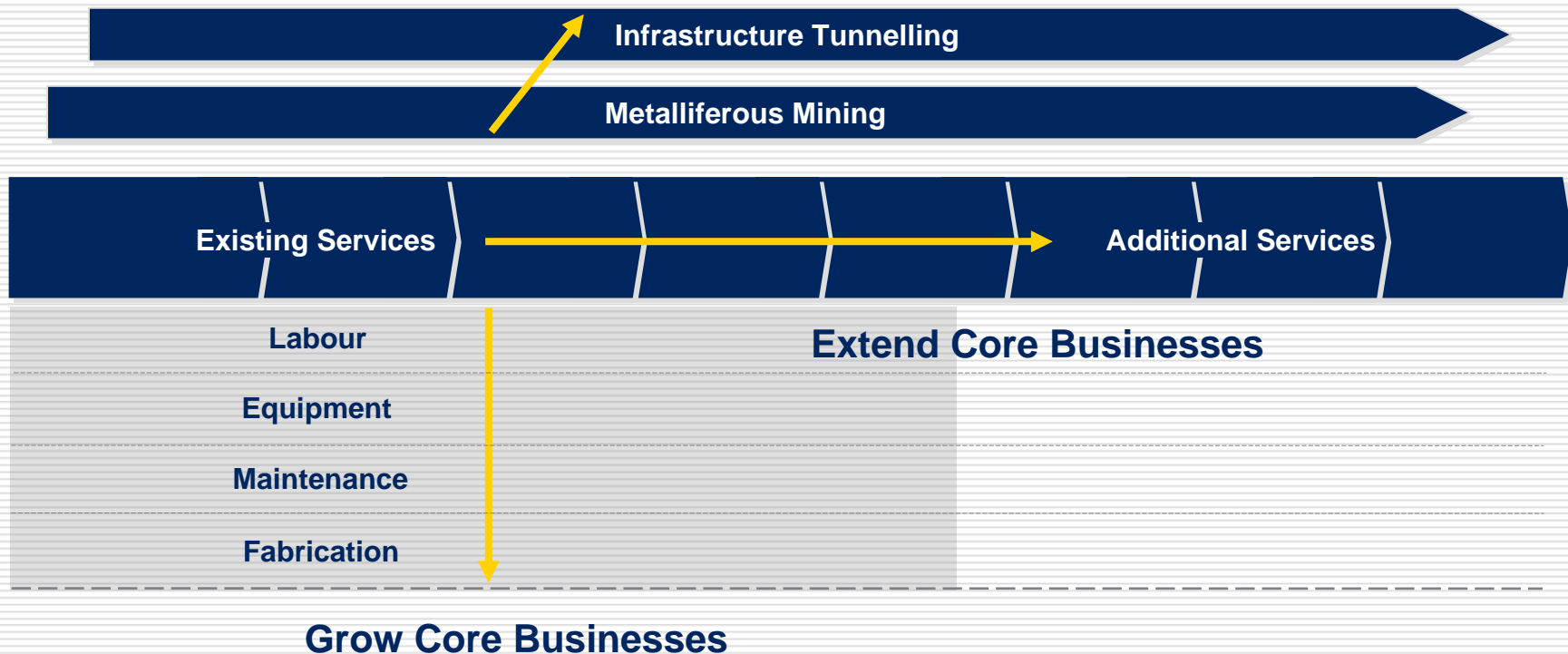




# Growth Strategy

- Walter Diversified Services has demonstrated the capacity to expand its operations through the continued development of its core businesses and the application of its expertise to adjacent industries

## Apply expertise across adjacent industries





# Growth Opportunities

<b>Increase water, recycled water and wastewater pipeline operations</b>	➤ Opportunities increasing across Australia due to prolonged drought and planned government initiatives to overcome decades of neglect
<b>Increase participation in emerging coal seam gas markets</b>	➤ Focus on Queensland and New South Wales market. Abandonment of PNG pipeline has presented strong opportunities for DCC in coal-seam methane area
<b>International expansion</b>	➤ Looking at opportunities in India around the mechanization of the coal industry
<b>Acquisitions</b>	➤ Continue to pursue strategic acquisitions to consolidate position in underground mining and pipeline construction services industries
<b>Provide additional coal mining services to new and existing clients</b>	➤ Expand service offerings to include electrical services, technical services, conveyor and equipment maintenance, safety/training services
<b>Metalliferous mining and infrastructure tunnelling industries</b>	➤ Leverage the Company's large fleet of road headers and experience in the underground coal mining industry to pursue a number of opportunities
<b>Clean Coal/Carbon Sequestration</b>	➤ Growth opportunities in providing services to new technologies –carbon sequestration eg Santos Cooper Basin plan



# Summary & Outlook

- **Financials:**
  - **Audited Adjusted Net Profit After Tax exceeded prospectus forecasts**
  - **Expect to maintain EBITDA margins in the 14-15% range over the medium term**
  - **Current gearing ratio sitting at 53.4%**
  - **Headroom available in GE Facility**
  
- **Well placed to continue medium term growth through organic initiatives and strategic acquisitions**
  
- **DCC expected to continue strong growth**
  - **Opportunities in the buoyant WA and SA resource sector provide strong short to medium term growth opportunities**
  - **Coal Seam Methane projects in Queensland**
  - **Cooper Basin works**
  
- **WM will grow at a slower rate in FY2008 but increase growth again in FY2009**
  - **WM's consulting operations in India and Australia provide strong growth potential**
  - **Clean coal initiatives provide longer term growth opportunities**
  - **Electrical, mechanical and conveyor maintenance activities and services becoming revenue and profit driver**



# Walter Diversified Services



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**Walter Diversified Services aims to deliver double digit earnings growth over the medium to long term through being the leading provider of specialist technical services to the underground mining, water and energy service industries in Australia.**

**WDS has two main operating divisions:**

**Walter Mining - underground mining and maintenance services**

**DCC – oil and gas; water and wastewater pipeline and infrastructure services**



# Walter Diversified Services Limited

