

2015 AGM CEO Speech – Mr Peter Reichler

30 November 2015

Introduction

Thank you Ray.

As a company, Calibre continues to change shape.

This has been very evident during the past 12-months with the establishment of new service offerings, and major acquisitions that will change the way we engage with clients.

Some of the changes taking place in our business have been the result of contraction, particularly the parts of our business exposed to the mining sector.

This has been an unavoidable and necessary shift as we've adapted to the new reality in the mining industry.

However, the most significant reshaping we've seen has been a strategic and proactive program to grow our business and develop new revenue streams.

Today, I'd like to discuss some of this activity, as well as briefly review our FY15 results, and finish by looking at future opportunities for the business.

Safety

However, before doing any of that, I would like to discuss our safety performance.

A commitment to Zero Harm is one of our four core values – the others being Developing People, Delivering Value and Teamwork.

In FY15 Calibre continued its strong safety performance.

We saw a reduction in our Total Recordable Injury Frequency Rate (TRIFR) to 2.5 for the rolling full year, down from 3.1 in FY2014.

Calibre's Lost Time Injury Frequency Rate (LTIFR) for FY15 was 0.4 for the rolling full year compared to 0.2 in the previous year. This increase was the result of 2 injuries, compared with 1 in 2014.

Despite increased volatility in the labour market, we achieved reduced levels of injury and incidents through delivery on our commitment to lead indicators and improved workforce participation in safety initiatives.

Our safety focus will be complemented by a new initiative to address mental health issues in the workplace.

This initiative targets removing the stigma from mental health, and facilitating assistance for those needing help at work and at home.

I look forward to even better safety results this year.

FY15

Our Chairman has provided an overview of Calibre's financial highlights for 2015:

- Underlying EBITDA of \$29.1m
- Underlying NPAT of \$18.5m; and
- Operating cash flow of \$19.5m.

I'd like to briefly summarise our financial performance by segment.

Firstly, Infrastructure.

Revenue in Calibre's Infrastructure segment decreased by 14.3% to \$282.2m during financial year 2015. The majority of the revenue reduction can be attributed to the successful completion of the Caval Ridge project and ramping down of the Hay Point expansion project for BMA.

We had a full year of revenue contribution from the Ark Maintenance acquisition in WA, which delivered \$34.2m.

This contribution combined with increased activity in the Maintenance and Shutdowns business of \$13.4m partially offset the decrease in revenue from the Major Projects business.

Our Resources business also reported a drop in revenue, down 38.3% to \$192.9m.

Not dissimilar to our Infrastructure business, Resources was impacted by a combination of project completion and a ramping down of a number of large scale projects.

Continued tight market conditions across the Western Australian resources sector resulted in a significant reduction in new capital expansion projects and the deferral of capital investment decisions.

Both Resources and Infrastructure have been impacted by the downturn in the mining sector and as mentioned we have restructured our activity to reflect the current trading environment, with a reduced cost base now achieved. We remain committed to the key resources markets of iron ore and metallurgical coal. And we continue to invest in excellent, niche opportunities, as evidenced by our purchase of the SDV Longwall business.

I'm pleased to report our Consulting business grew by 34.8% to \$92.4m.

This was driven by both strong organic growth throughout the east coast of Australia, full year revenue from Spiire New Zealand, which was acquired in February 2014, and the addition of Town Planning Management Engineering (TME) revenue, acquired in February 2015.

During the past 12-months our Consulting business has been involved in successful projects throughout Australia, Singapore and New Zealand.

The growth of this part of our business goes some way to off-setting the downturn in our other segments but more pleasingly it is evidence that our diversification strategy is delivering.

Debt & Liquidity

We achieved strong cash flow generation in FY2015. Our net operating cash flow of \$19.5m represented an operating cash conversion ratio of 81%.

Calibre's continual focus on the conversion of working capital to cash flow enabled us to achieve an improved net cash position at 30 June 2015 of \$6.6m against \$2.8m in the prior period.

During FY15 Calibre refinanced its debt facilities which enabled the Group to benefit from lower borrowing costs, increased borrowing capacity and an extended loan maturity profile. These new facilities will help provide resilience during these continued tough market conditions and provide capacity for further growth under our diversification strategy.

Strategy

This takes me back to the start of my presentation when I talked about the reshaping of our business, which is essentially about re-positioning our business to capture new opportunities.

And we have been doing this on two fronts – organically and acquisitively.

The establishment of our Transport Infrastructure division earlier this year is an example of the former.

Calibre could see there were major transport infrastructure projects in the pipeline in Australia and overseas.

We also knew we had deep expertise in transport, infrastructure and engineering across all parts of our business; through ground breaking work we have done on heavy haul rail, light rail and road infrastructure projects over many years.

The formation of our Transport Infrastructure division is designed to harness this embedded corporate knowledge and expertise, respond to opportunities, and grow our business and revenue.

Of course this is easy to say, delivering is more challenging, which is why we hired former Yarra Trams CEO, Michel Masson, to oversee the establishment of Calibre's new strategic growth platform in the transport infrastructure space.

In terms of re-shaping our business by way of acquisitions, Calibre has been doing this incrementally, and successfully, during recent years.

Calibre Chairman Ray Horsburgh and I have referenced some of our acquisitions – Ark Maintenance, Spiire New Zealand, Town Planning Management Engineering, Newell Engineering and SDV Longwall.

Ray also spoke of our most recent, and most significant acquisition, Diona.

This acquisition represents a step change for Calibre.

It significantly strengthens our capacity in the Utilities Infrastructure sector and supports our strategic plan to broaden and deepen our service offering to clients in Australasia.

We'll be able to enhance our service offering to existing clients through the expertise in the Diona business.

Conversely, we'll also be able to offer Calibre's skills and expertise to Diona's blue chip client base.

Delisting

With regard to Calibre's ASX delisting, Ray has outlined in some detail the rationale behind the Board's recommendation.

Information has also been provided to Calibre shareholders in advance of today's meeting.

Therefore, I won't spend long on this topic other than to say the proposed delisting will not alter Calibre's strategic approach.

As outlined, we have shown an ability to take advantage of the current down cycle to make strategic acquisitions.

And we will continue to be alert to opportunities, which we can be because of our strong cash position and access to funds.

In some respects, not being listed on the ASX will enable us to be even more nimble and responsive to growth opportunities as they arise.

Outlook

Looking ahead, market conditions will continue to be characterised by reduced client capital expenditure and focus on costs, putting downward pressure on Calibres' revenues and margins in our two key business segments.

However, we're excited about further growth in our Consulting business and the continual build out of our new service offerings, Transport Infrastructure and Utilities.

Central to everything we do is maintaining our strong long term client relationships, underpinned by unrelenting service excellence and value.

Conclusion

Before concluding, I would like to acknowledge and thank the people of Calibre.

Our employees have shown an incredible resilience during difficult conditions. They have also shown a great ability to adapt to new business opportunities, whether that be through our new service offerings or supporting our latest acquisitions.

To our newest employees from Diona, again, welcome, and we look forward to your contribution to the success of the group.

To my leadership team, thank you for your efforts throughout the year, including the newest member, Max Bomben, who was appointed as Managing Director of Consulting in August this year.

On behalf of the executive group I'd like to thank the Calibre Board for their support.

And to Ray Horsburgh, Peter Housden and Paul Dougas, thank you for your contribution to the business and we wish you all the best for the future.

Throughout my time at Calibre, I've worked particularly closely with Ray and have valued his support and advice. I know this thanks also comes from my executive team as well, who have all benefitted from his wealth of business experience, his pragmatic approach, and his laser focus on looking after our people, our customers, and our investors.

The business is stronger for his Chairmanship.

Finally, thank you to the support of all of our shareholders.

On that note, back to you Ray.

ENDS

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