CALIBRE GROUP

HIGH-CALIBRE PERFORMANCE DELIVERS SUSTAINED GROWTH

To understand why **Calibre Group Ltd (ASX:CGH)** is on track to defy sector woes and deliver its 11th straight year of growth, just look to its successful diversification strategy and strong business model.

Established in 2002 with a long-range strategy to be a leading provider of a diversified range of engineering and project delivery services, Calibre Group continues to meet new targets and surpass them.

One of the keys in that tremendous run of performance successes, and an important driver of future earnings growth, has been Calibre's diversification of services and revenue streams, along with its flexible and resilient business model, which continues to provide it with the ability to meet changing market conditions. That was certainly borne out with the company returning another record first half profit performance of $27.5M for the period ending December 31, 2012 – up 15 per cent on last year – while at the same time reporting that it was on target for a remarkable achievement of growing its annual profits for 11 straight years – at a time when market conditions haven't been particularly conducive.

The Calibre formula is one that the market likes too, with the company attracting great support when it listed on the ASX on August 2, 2012 after completing a $75M initial public offering – the biggest on the ASX in 2012, at a challenging time for the mining services sector.

And while market conditions have been tough since that time, Calibre Group has been able to continue its run of strong financial performance, along with ongoing success in winning significant contracts, while also making some key strategic acquisitions.

The company's record first half result was a perfect example of how the Calibre strategy continues to pay off.

The company reported a 34 per cent increase in revenue to $367.5M based on its continuing capacity to successfully deliver project work for some of the world's leading mining companies across a range of service areas.

Critically, that work flow is set to continue– despite some delays in funding decisions for some of its junior iron ore clients– with Calibre having a future order book of approximately $1.3B and a strengthened unweighted pipeline of work valued at more than $12B.

The company also recently telegraphed some big tenders in the final stages, which if successful could add a further $300M to the future order book. Recent successful awards for the company include a $150M service order from Rio Tinto Iron Ore to provide sustaining capital services for the delivery of the $US1.7B Yandicoogina Sustaining Project. This project is scheduled to run to 2016 and continues a 10-year association with Rio Tinto at Yandicoogina.

Calibre was also recently awarded a service order for a preliminary feasibility study for Rio Tinto's proposed Koodaideri Mine, a greenfield project that would represent one of the final mines comprising Rio Tinto's plan to lift its Pilbara iron ore capacity to 360 Mtpa under its current expansion plans.

Calibre's carefully targeted corporate growth strategy has also been an important component of the company's ongoing growth, with five acquisitions completed in the past three years. This has continued to ring true with the company making another intelligent expansion move and significantly bolstering its exposure to asset management activity, with the acquisition of Queensland-based G&S Engineering Services Ltd.

G&S Engineering is already kicking goals, receiving a $46M project award for construction of coal stackers and reclaimers at BMA's Caval Ridge project and at the time of going to press was in the final stage of at least one further major tendor.

The impact on Calibre's bottom line has been a three-month contribution of $56M in revenue. With improving market conditions, G&S Engineering's revenue contribution to the group is forecast to climb as high as $160M by the end of June, a contribution of nine month's revenue to the group.

With a strong balance sheet that provides it with access to $196M of cash and available undrawn facilities, Calibre has already signalled that it has its eyes firmly set on other potential acquisitions.

The company's managing director, Rod Baxter, recently told the market Calibre continued to explore further organic and corporate opportunities.

"Our focus in this respect remains on opportunities which enable us to further enhance our current service capability and expand into new end-markets, providing a balanced and resilient platform for sustainable and quality earnings growth," he said.

It is Calibre's focus on providing a balanced and diversified service offering, covering both asset creation and asset management, that has played a critical part in allowing the company to continue to increase profits.

And while its long-term relationships with blue chip clients in the resource sector continue to be a key to its growing order book, newly identified opportunities are also starting to make their mark.

For example, Calibre's industrial technology business, a new area of growth for the business, continues to expand its footprint, including undertaking Calibre's first projects in the North American market. The aim is for this arm of the business to utilise innovations in technology to extract productivity improvements and efficiencies for clients. Calibre's CV includes Rio Tinto's AutoHaul™ project, the so-called "driverless trains" and the remote high-tech operating centre in Perth.

Calibre is also making inroads on its international expansion plans with its market leadership and capability in heavy haul rail seeing it continuing to undertake work with several major clients in Mozambique and West Africa, as well as progressing other international opportunities.

An important new growth area for Calibre's rail business involves building on its existing heavy haul rail capability through expansion into the freight and passenger markets. In October 2012, Calibre was awarded a consultancy services agreement with the Australian Rail Track Corporation on the Hunter Valley rail freight network, Calibre's first project in the freight rail sector. Calibre's entrée into the passenger rail market continued in Singapore, with support on activities associated with the extension of the mass rapid transport network, providing a growth platform in South East Asia.

Appointed managing director of Calibre in June 2009, Baxter brought to the position a wealth of mining management experience that has paid healthy dividends in giving the company a strong perspective on the needs of its blue-chip resources clients. So where to now for Calibre? According to Baxter, "it will be more of the same".

"Our ongoing growth will continue to come from a combination of building on our core business strengths and spreading our wings with further diversification through organic and corporate initiatives," he said.

"Calibre has a solid platform to navigate current market conditions"

"We are building on our core business of designing, delivering and supporting some of the largest resource projects in Australia, by following our clients into new markets, using our more diversified offering to enhance service delivery to clients, and applying our expanding asset management capability into adjacent markets.

"We are also looking to spread our wings by extending our infrastructure reach, expanding into adjacent rail transport markets, such as freight and passenger, extending our asset management services and building capabilities in new end markets.

"Calibre has a solid platform to navigate current market conditions, maintain growth, and capture the emerging opportunities that we see ahead of us.

"Key to this is Calibre's flexible, low-risk, high-margin, low-capital intensity business model, combined with significant exposure to blue chip clients.

"We are again demonstrating Calibre's capacity to quickly respond to changing conditions and client needs, through a flexible and responsive business model, enabling us to maintain strong margins. With around 37 per cent of our revenue this year expected to come from the asset management phase of the asset lifecycle and an increasingly diversified client base, we are achieving the kind of revenue balance that makes me feel very comfortable about future growth."

DIRECTORS

RAY HORSBURGH AM
Chairman

ROD BAXTER
Managing Director

PETER HOUSDEN
Non-Exec Directorr

GEOFF TOMLINSON
Non-Exec Director

RAY MUNRO
Non-Exec Director

BRIAN MACDONALD
Non-Exec Director

ALEX WILLIAMS
Non-Exec Director

REGISTERED OFFICE	CONTACT
Calibre House Level 2 50 St George's Terrace WA 6000 AUSTRALIA	P: + 61 (0) 8 9265 3000 F: + 61 (0) 8 9265 4000 E: enquiiries@calibregroup.com
ASX CODE: CGH	**CAPITAL BASE**
www.calibregroup.com	307.37 million shares