

22 November 2022

2022 Annual General Meeting – Managing Director Presentation

Verbrec Limited (ASX : VBC) (**Verbrec** or the **Company**) a leading mid-tier engineering, training and infrastructure services provider is pleased to issue the attached presentation delivered by Managing Director and CEO, Linton Burns at Verbrec's 2022 Annual General Meeting.

- ends -

Authorised for release by the Board of Directors of Verbrec Limited.

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About Verbrec Limited

Verbrec is a leading mid-tier engineering and project services company that supports customers across Australia, New Zealand, PNG and beyond. The Verbrec group of companies serve the energy, infrastructure, and mining industries through their six service lines; asset management, competency training, digital industry, pipelines, power, and process plant, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

Verbrec Limited

ASX : VBC

ACN: 127 897 689

Verbrec.com

Share Registry

Computershare Investor Services Pty Ltd

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computershare.com

2022 Annual General Meeting

Tuesday, 22 November 2022



Managing Director's Address



Linton Burns



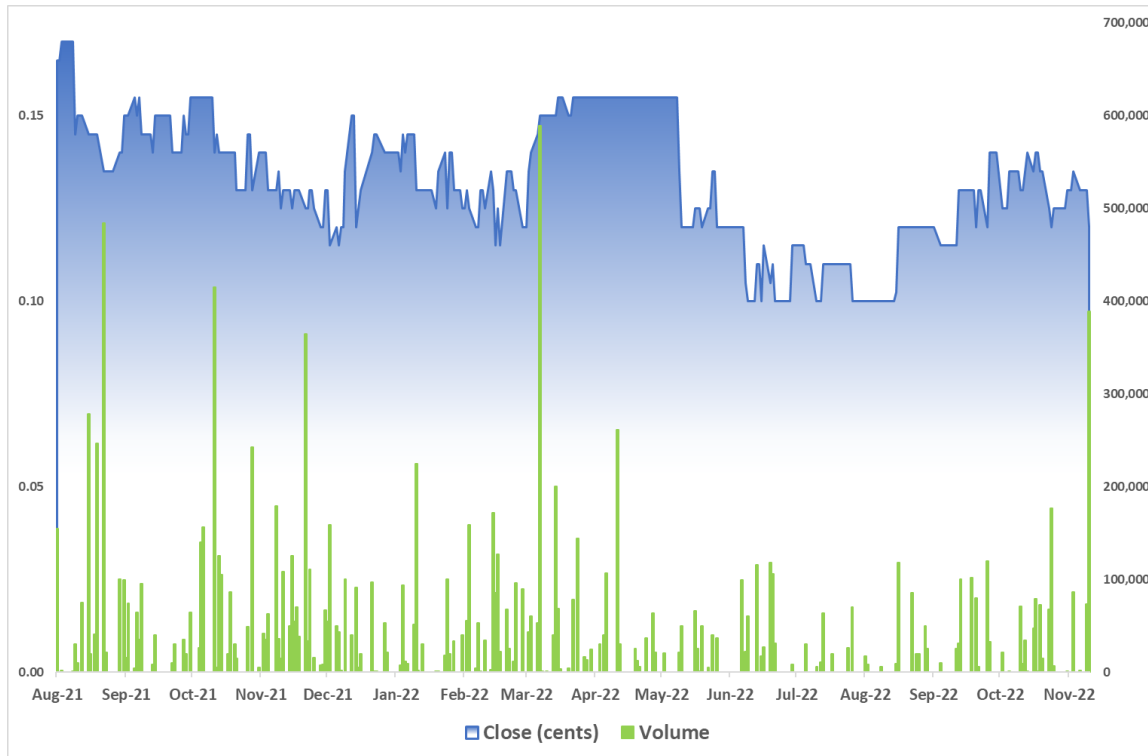
Executive Summary

1. Corporate Snapshot
2. Corporate Profile
3. A New Beginning
4. Key Messages
5. FY22 Results
6. Strategic Initiatives and Growth Strategy



Corporate Snapshot

Share Price Performance¹



1. Since [August 2021] 2. Cash on hand less borrowings

Capital Structure

ASX code	VBC
Market Cap (as at 18 November 2022)	\$26.6m
Share price (as at 18 November 2022)	\$0.12
Shares on issue	221.5m
Cash (as at 30 June 2022)	\$6.4m
Net Cash Position ² (as at 30 June 2022)	\$5.7m

Top 5 Shareholders

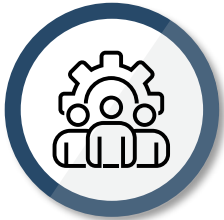
Brian O'Sullivan	31.3%
Thorney Investment Group	11.2%
Candyblossom/Bloemhof P/L	9.9%
GFNA Bartley Family	8.1%
Forager Funds Management	7.2%

Corporate Profile



About Verbrec

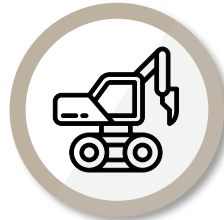
3 Large Industries



Resources



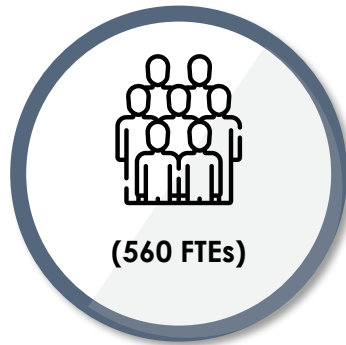
Energy



Infrastructure

16 Locations

863 Team Members



(560 FTEs)

1 Meaningful Purpose

Through strong relationships built on trust we transform assets and people

Transforming assets for a sustainable and smarter future

3 Services across Asset Lifecycle



- Asset Management
- Digital Industry
- Power
- Pipelines
- Process Plant



- High Risk
- Hazardous Area
- Mobile Plant



- Pipeline & Compressor Station Operations
- Cathodic Protection
- Leak Surveys
- Pipeline Integrity



Core Markets

Verbrec provides services across diversified markets each undergoing significant transformation and creating substantial opportunities. Labour shortages are also creating opportunities for labour forces to retrain via Verbrec's training business.

Mining & Minerals



Key commodity prices remain very strong and mini-boom associated with battery minerals.

Verbrec seeing increased activity in our core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training. StacksOn™ is an example of digital transformation securing long term software licences resulting in recurring high margin revenue streams.

Infrastructure



Government stimulus measures accelerating infrastructure across a number of sectors including Defence, Utilities and Energy.

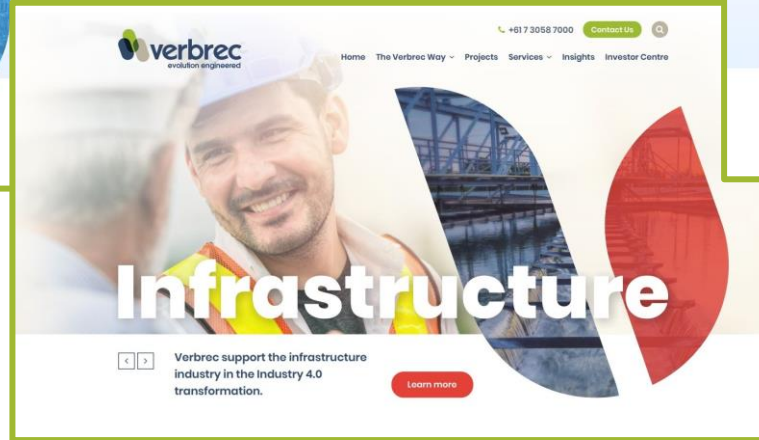
Verbrec currently executing digital transformation projects for utility companies. Significant increase in Defence power projects. Supporting longstanding clients transform infrastructure to process and transport hydrogen.

Energy



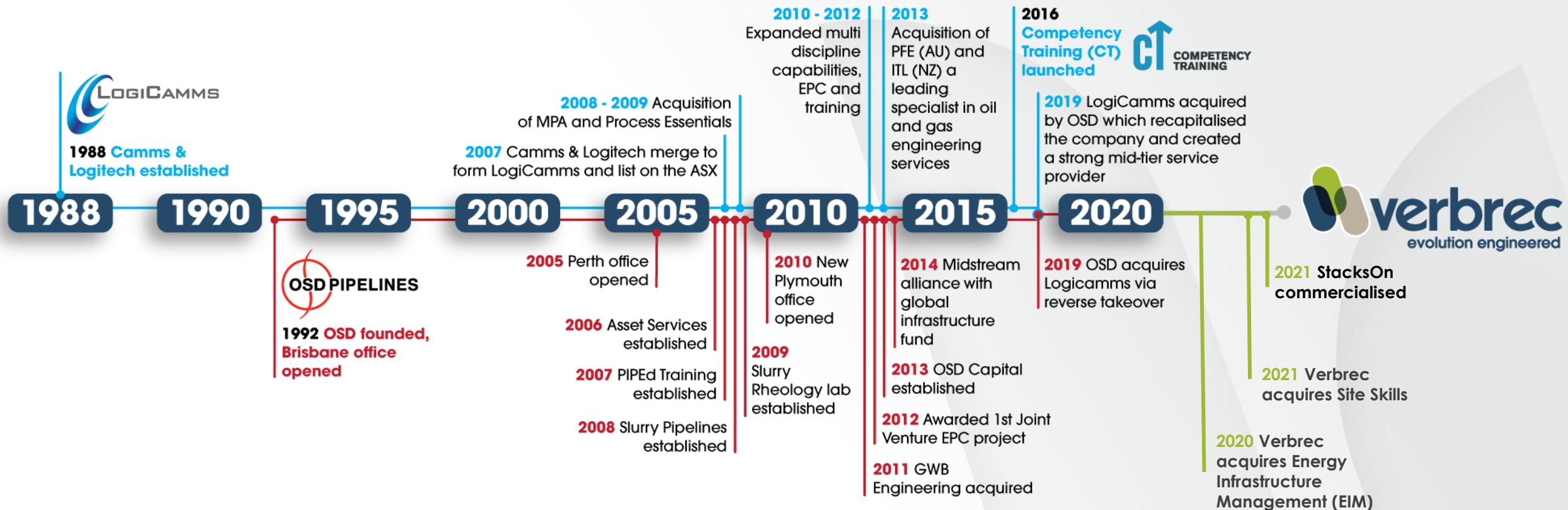
Prices at historical highs due to a range of factors; East coast gas shortage, Ukraine war, the transition to renewables and increasing adoption of gas as a transition fuel.

Verbrec executing decommissioning design project for gas field, won and executing projects providing gas peaker capacity, on-going recurring project work and O&M agreements to Coal Seam Gas industry, renewable connections into the grid.



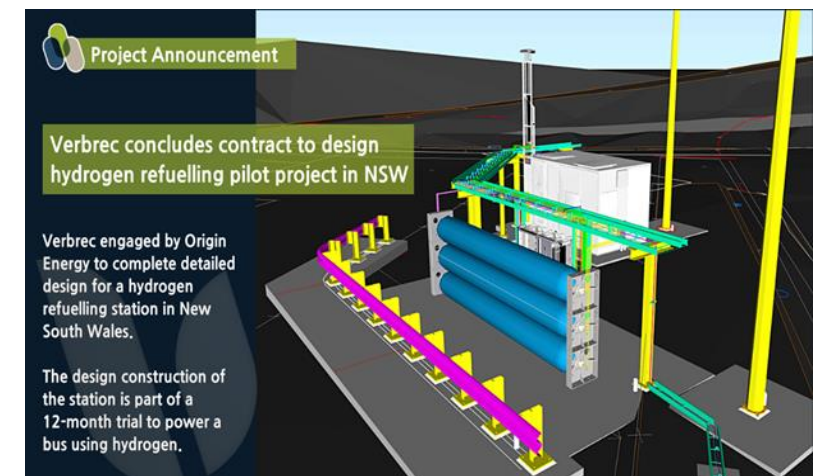
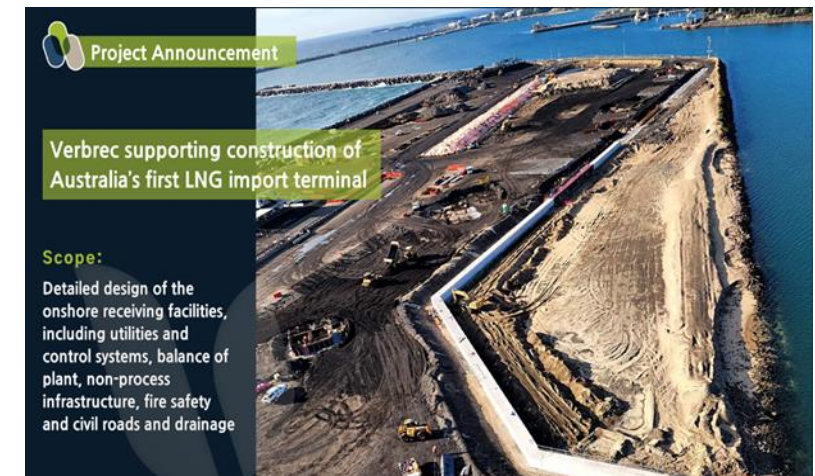
A new beginning

Verbrec's History

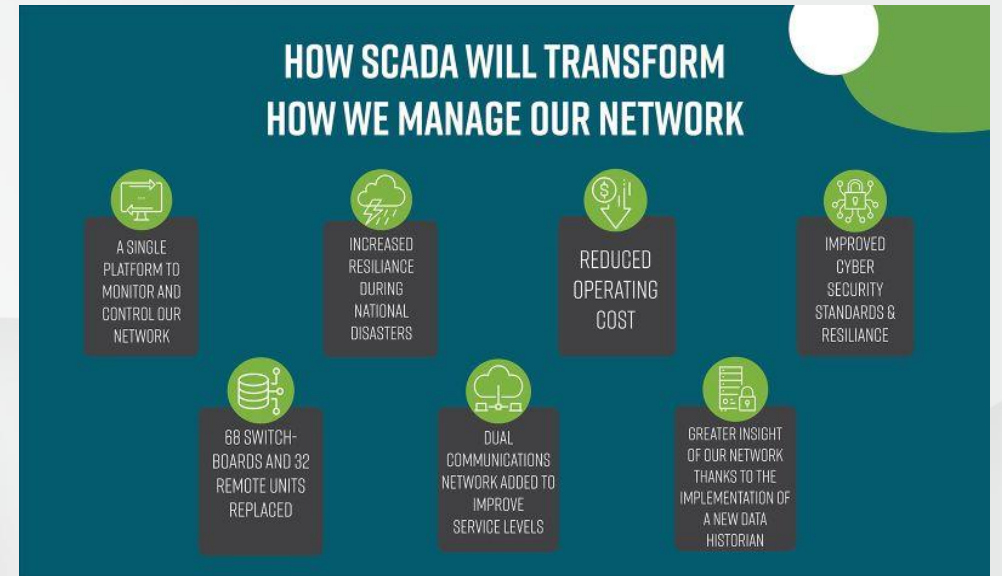


Merger Implementation Scorecard

\$3M in annualised savings	Removal of duplication in corporate and local management, consolidation of offices led to a further \$1.2M per annum in overhead savings
New Board and Management	Diverse skill sets, bid review committee established
New Strategy	Three operating divisions providing services across the whole asset lifecycle
Growth	Organic, all services in all markets. Strategic M&A, bolt-on acquisitions, Site Skills and EIM.
Common Meaningful Purpose	Through strong relationships built on trust we transform assets and people for a more sustainable and smarter future
New ERP system	One common system across the whole business improving productivity, visibility and profitability and platform for growth
Margin Improvement Plan	Revamped project delivery system; tighter controls over pricing with bid reviews and proportional contingency allowance; close out legacy projects as soon as possible whilst vigorously pursuing claims.
Rebranding	Rebranding to Verbrec to signify successful completion of the merger and LogiCamms has been transformed (as evidenced by above)



Key Messages



Last remaining legacy project is upgrading the outdated monitoring and control system of the drinking water, recycled water, and sewerage network across S.E. Queensland to reduce costs and improve network resiliency.

Key Messages – well positioned for Margin expansion

- LogiCamms transformed to create Verbrec via OSD reverse take-over
 - **\$3M+** in annualised overhead savings, OSD balance sheet strength used to pay down LogiCamms debt
 - New **Board and Management** with **improved bidding processes** and **common ERP system** implemented
- Delivering on our Purpose under-pinned by strong market conditions
 - Sustainable future – high energy prices and transition to net zero
 - Smarter future – digital transformation
 - **Won more work during FY22 than derived in revenue**, work-in-hand at record levels
- Strong commercial stance taken with last of three poor performing legacy projects
 - Two of three **bid by LogiCamms management**, third bid in early days of COVID-19
 - **\$6.7M impact to FY22 EBITDA and cash-flow**
 - **Underlying margins remain strong**, statutory margins to grow to underlying margins once last poor performing project closed out
- **Effectively managed headwinds** arising from COVID disruptions; labour shortages and cost pressures
 - Cost escalation built in to project pricing
 - **Significant increase** in management project contingency reserves
 - Trainer shortages and COVID impacted Training business

Infrastructure
Services



Engineering
Services



Training
Services



FY22 Results



FY22 Operating Highlights

0

Zero harm
nil lost time injury

\$121.4m

Revenue
for FY22 up 24.6% from PCP

\$77.4m

Work-in-hand
at historically high levels

1

One Meaningful Purpose
investment in energy transformation evident, 55% of FY22 revenue from Energy

\$6.7m

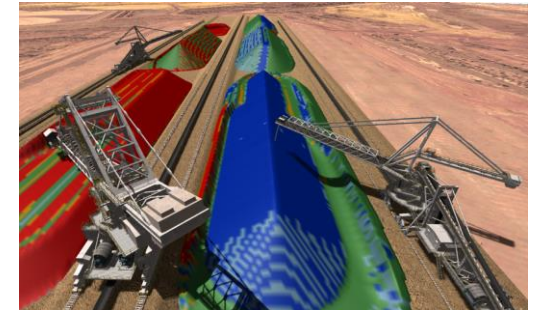
Increase in contract value
including milestone payments on poor performing legacy projects

First

Commercialised technology product
StacksOn™ - Live at all BHP WA Iron Ore sites

Launched

Verbrec Academy
Emerging Leaders Program; Project Management & Grad Development Program



FY22 Margin Analysis

FY22 margin improvement plan executed (source FY21 results investor presentation)

Review of our project delivery systems conducted, recommendations being implemented by taskforce	✓ Revamped project delivery system implemented
Tighter controls over pricing and bid review implemented	✓ Risk pricing tool implemented ✓ Significant increase in management reserves
Vigorously pursue \$2.3m delay claim	✓ Settled in December 2021 ✓ Negotiated additional \$6.7m in contract value across all legacy projects
Complete legacy projects as soon as possible and move delivery teams to much higher margin generating projects	✓ 2 of 3 legacy projects completed during FY22 ✓ Acceleration resources on 3 rd legacy project, now terminated

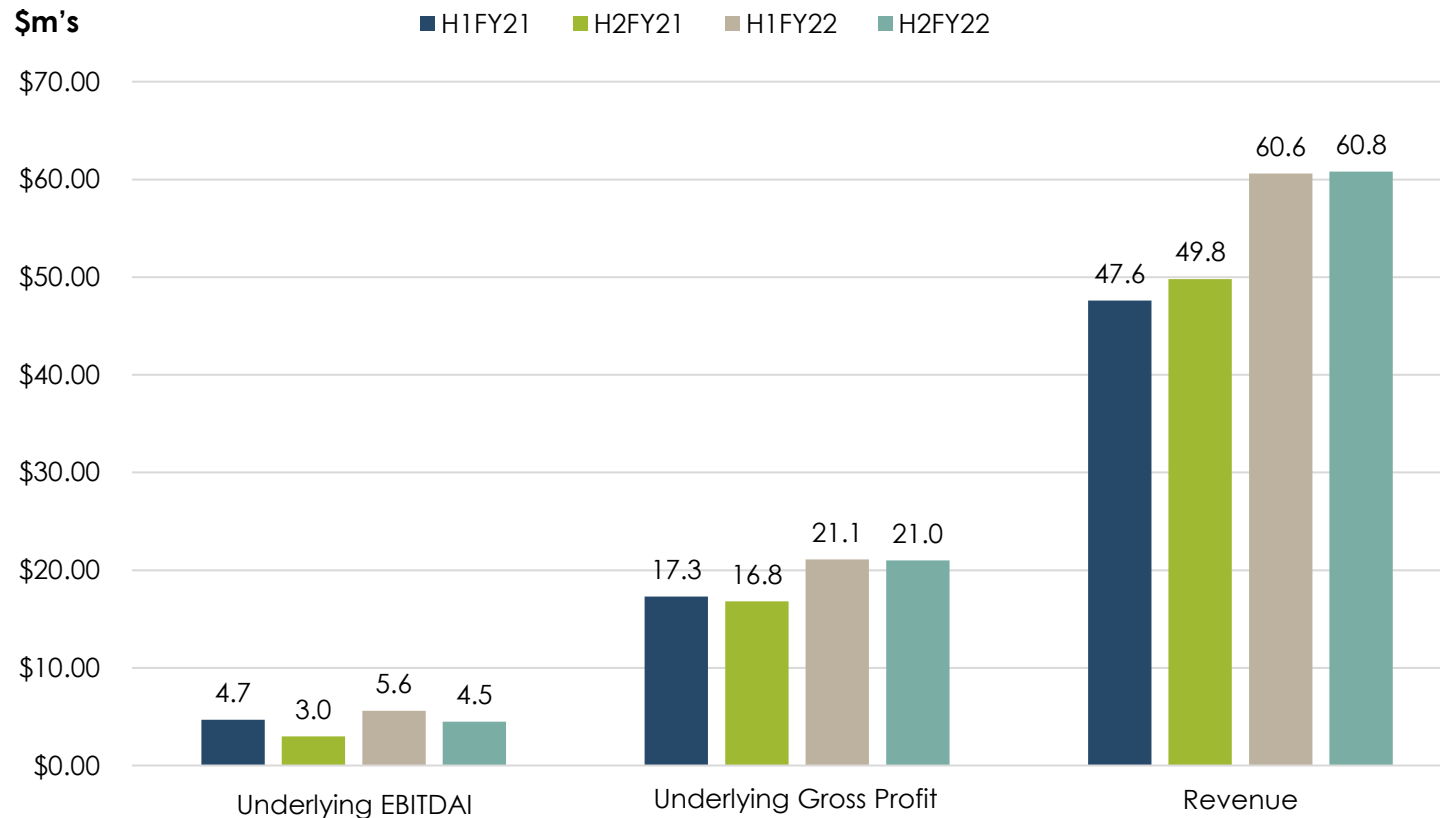


FY22	Statutory	Impact of 3 poor projects	One-off's	Underlying ¹	FY21 Underlying
Gross Profit (\$)	35.4m	6.7m	-	42.1m	34.0m
Gross Margin %	29.2%	5.5%	-	34.7%	34.9%
EBITDAI (\$)	3.0m	6.7m	0.4m	10.1m	7.7m
EBITDAI Margin %	2.5%	5.5%	0.3%	8.3%	7.9%

¹ Underlying refers to Statutory results adding back impact of 3 poor performing projects and one-offs

Underlying Results Confirm Rebound

Margins improving after add back of three poor performing legacy projects



Mitigating impacts of Legacy Projects

- 2 of 3 legacy poor performing projects completed during FY22
- Successfully pursued claims on 2 of the 3 poor performing projects, additional revenue totalled \$6.7m
- Achieved two of three \$0.7m milestones on the Utilities SCADA Upgrade project

Margin's in H2FY22 lower than H1FY22 due to:

- Acceleration Resources on legacy project impacted gross margins as cost recovery
- 40% increase in procurement revenue in H2FY22 over H1FY22, with procurement margins being less than labour margins

Strategic Initiatives & Growth Strategy



Delivering on our Growth Strategy

Growth focussed on expanding existing capabilities in key markets whilst at same time adding scale and increasing exposure to recurring and non-project revenues

01 Maximise returns from core business	02 Expand existing Capabilities in Key Markets	03 Improve our sustainability
<ul style="list-style-type: none"> Implement single ERP system <ul style="list-style-type: none"> ✓ WorkDay implemented in Jan 2021 	<ul style="list-style-type: none"> ✓ Two bolt-on acquisitions completed 	<ul style="list-style-type: none"> ✓ 1 additional long dated O&M Agreement and 8 additional MSA's – all with Tier 1 clients
<ul style="list-style-type: none"> Strengthened project delivery systems <ul style="list-style-type: none"> ✓ Implemented revamped project delivery system 	<ul style="list-style-type: none"> Identify and execute bolt-on acquisition opportunities <ul style="list-style-type: none"> ✓ Acquired EIM and Site Skills bolstering Infra and Training Services 	<ul style="list-style-type: none"> Training margins better than those from engineering projects <ul style="list-style-type: none"> Focus on increase student numbers on courses to lift margins – govt funding and B2C marketing
<ul style="list-style-type: none"> Bid on projects under appropriate commercial arrangement <ul style="list-style-type: none"> ✓ Commercial framework developed 	<ul style="list-style-type: none"> Leverage EIM and Site Skills acquisitions to expand into other markets <ul style="list-style-type: none"> ✓ Infra Services growth in SA and WA ✓ Training Services growth in Tasmania 	<ul style="list-style-type: none"> Commercialised StacksOn™ <ul style="list-style-type: none"> ✓ Executed long dated high margin licence agreement
<ul style="list-style-type: none"> Execute record work-in-hand <ul style="list-style-type: none"> ✓ Revenues up 24.6% year-on-year 		
<ul style="list-style-type: none"> Convert current tender pipeline opportunities <ul style="list-style-type: none"> ✓ Won more work during FY22 than delivered 		

Improved earnings from increased scale off-setting fixed overhead base

Key Growth Drivers

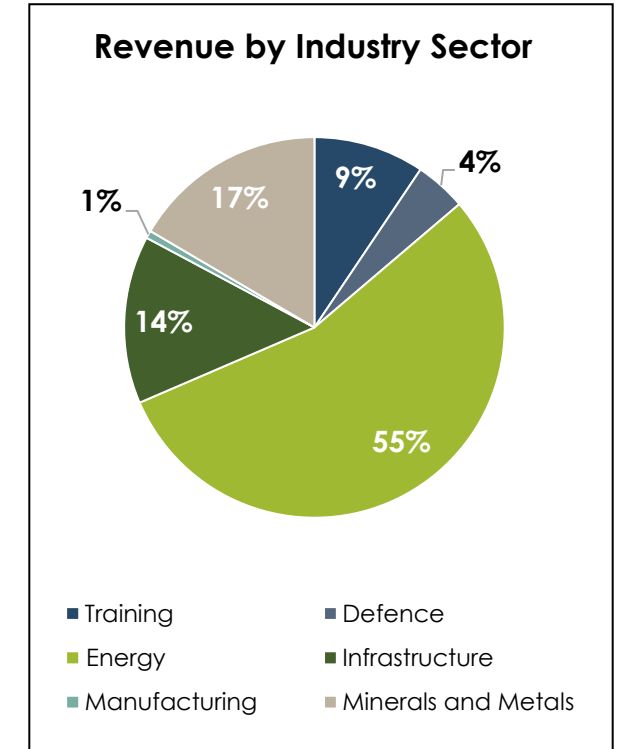
Organic Growth

Significant investment in our key markets particularly in relation to Energy and Digital transformations

- Three-pronged energy strategy supporting clients
 - Provide Today's Energy Needs
 - Transform Infrastructure To Process And Transport Hydrogen And Renewables
 - Decommission obsolete oil & gas infrastructure
- **Recurring revenues** under-pinned by:
 - 35 (up from 26) Master Service Agreements with Tier 1 companies
 - 9 (up from 8) Operations & Maintenance Agreements with Tier 1 companies
 - Rate increases and rise and fall mechanisms mitigate cost escalation pressures
 - **StacksOn™**: Commercialised as a software solution, high recurring revenues

Return to Strategic M&A ... bolt-on Acquisitions

- Financial capacity:
 - **Improving cash position**: Operating cash-flows forecast to continue to improve as margins improve
 - **Increased working capital**: New finance facility
- Rationale:
 - **Add scale**: Increased scale provides opportunities to expand margins through improved cost coverage
 - **Integration**: By integrating into existing Business Units provides maximum opportunity to extract synergies



Outlook

Our expertise in control systems, grid connections and pipelines, uniquely positions Verbrec to play an important role in transforming assets for a more sustainable and smarter future.

- Work in hand remains at historical highs, as of August totalling \$77.4m, **increased further to now total \$81.5m**
- Revenue and Margins expected to continue to improve with gap between statutory EBITDAI (FY22 \$3.0m) and underlying EBITDAI (FY22 \$10.1m) expected to close, extent to which depends on how final remaining legacy project closes out
- Continue commercialisation of technology product StacksOn™, recurring high margin revenue stream
- Target bolt on M&A opportunities identified
- **Restoration of Dividends is a fundamental objective** - payout 30-60% of NPAT in dividends to shareholders, noting Australian tax losses total \$29.9m and carried forward franking credits of \$5.7m

One Team, Team Verbrec. With One Meaningful Purpose Sharing Common Values



Safety



Team Members



Integrity

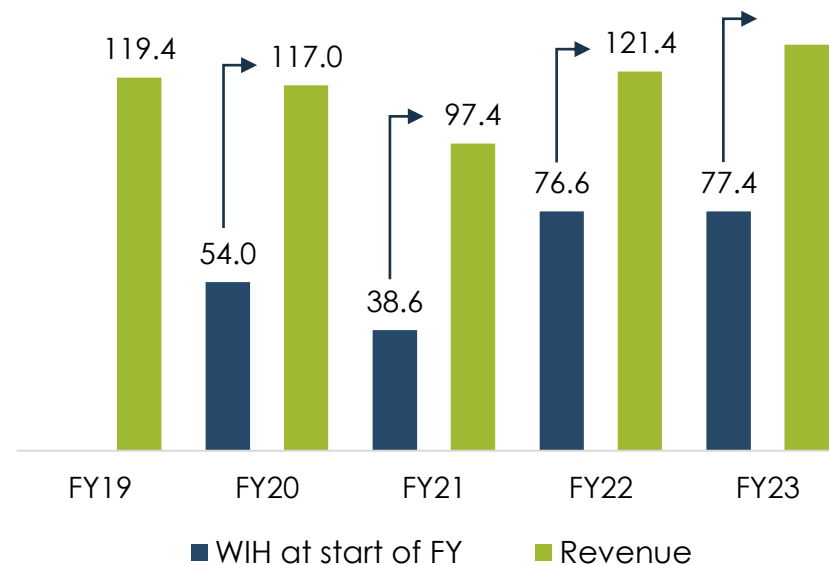


Delivery



Innovation

Correlation between Work-in-hand and Revenue (\$m's)



- No revenue guidance provided for FY23, for illustrative purposes only
- WIH at start of a year can relate to work expected to be performed in future years
- Training revenues not included in WIH

