

9 November 2023

## Business Update

- **Divestment of non-profitable training sites and assets results in estimated \$2 million annualised EBITDA savings.**
- **Operational review resulting in estimated \$1.8 million annualised EBITDA savings.**
- **Phasing out of low margin, higher risk construction activities, resulting in up to \$1 million in annualised EBITDA savings.**
- **Return to positive EBITDA margin in Q1 FY2024, 7.3% for Engineering and 12.6% for Training.**
- **Addressing the changing sustainable landscape and Verbrec's pathways for growth.**

Verbrec Limited (ASX : VBC) (**Verbrec** or the **Company**) a leading engineering, training, mining technology and infrastructure services business executing work across Australia, New Zealand, PNG and Pacific Islands, provides the following business update and investor presentation.

Mark Read was appointed as Chief Executive Officer in March 2023, and has taken the first six months to undertake a thorough review of the Company, better understand its current state, its future prospects and meaningfully collaborate with some of Verbrec's key clients to understand their short- and medium-term drivers. The period of analysis and consultation has delivered various cost saving outcomes, operational improvement and a greater focus on future market opportunities that are relevant to Verbrec's core competencies.

### **Divestment of various non profitable training assets and contracts related to underperforming parts of Verbrec's training business will result in approximately \$2 million annual EBITDA savings:**

Verbrec have entered a binding agreement to sell assets and contracts of unprofitable parts of its training business, including training locations at Gladstone, QLD and Belmont, WA. The transaction includes the majority of staff at these facilities as well as all equipment, training materials and manuals.

Verbrec has retained the Competency Training business and will continue to deliver its core offerings focussing on high voltage and hazardous area training courses, which, have traditionally been higher margin and profitable for Verbrec.

The completion of the transaction is expected to occur in mid-November 2023 and is subject to several conditions precedent, including the transfer of personnel, assignment of property leases and release of security over the divested assets from Westpac.

#### **Verbrec Limited**

ASX : VBC

ACN: 127 897 689

[Verbrec.com](http://Verbrec.com)

#### **Share Registry**

Computershare Investor Services Pty Ltd

Ph: +61 3 9415 4000

[computershare.com](http://computershare.com)

**Operational review of current business state, and actions taken by CEO and management has resulted in \$1.8 million of annualised overhead savings:**

After undertaking a thorough review of the business structure and overheads, a concerted effort by CEO and management has resulted in overhead reduction of approximately \$1.8 million, including an adjustment to overall headcount and reduction in non-essential overheads.

These changes have been gradual since July 2023, and while the clear targets for reduction have been addressed, management will continue to pursue additional overhead efficiencies throughout FY2024.

**Phasing out of low margin, higher risk construction activities from the Company's portfolio, and focussing on areas of higher economic attractiveness to result in up to \$1 million annual EBITDA savings:**

In FY2023, Verbrec wrote down \$3.5 million related to higher risk construction activities undertaken by the business.

CEO and management have undertaken a thorough review of the types of work that are economically attractive for the Company to pursue, and by limiting portions of construction activities that the Company may have traditionally pursued, up to \$1 million in annual EBITDA savings can be expected for FY2024.

When taking into account the progressive operational changes, the combined annualised EBITDA savings of \$4.8 million since July 2023 and comparing those to FY2023 results, the indicative improvement in performance is clear:

Indicative Q1-FY2024 EBITDA Margin		
REPORTING SEGMENT	FY2023 EBITDA MARGIN	INDICATIVE Q1 FY2024 EBITDA MARGIN
Engineering	(3.2%)	7.3%
Training	(10.7%)	12.6% *

\* Excludes divested training business.

Note: The above table has been provided for information only. The figures are indicative values taken from Verbrec's Q1-2024 Management Accounts and are unaudited. Nothing in this table should be construed as earnings guidance for FY2024.

From this new baseline, ensuring Verbrec is in the position to capitalise on current client drivers, market trends and the full breadth of the Company's internal IP is now the focus for the CEO and management team.



### **Addressing the changing nature of the market the Company serves and focusing on sustainability:**

The Company's focus is expanding to ensure that we can meet client needs in a move to a more sustainable future.

Leveraging the Company's diverse pool of talented engineers, and by selectively recruiting where necessary to improve the group's consolidated skillset, Verbrec is in a position to participate in:

- Electrification by addressing the need for gas firming in a renewables rich grid, assisting our clients transition to an electrical economy with projects currently being delivered in batteries, biogas and hydrogen.
- Gas Market Transition to guide and deliver solutions to our client base to design fit for purpose solutions for their existing assets to address gas as a peaking fuel rather than a base load fuel, with current prospects to participate in projects related to carbon capture utilisation and storage and biofuel / hydrogen augmentation / replacement.
- Green Commodities assisting and advising our clients in minimising their scope 3 emissions, maximising the yield of their higher grade 'green' metals such as magnetite, minimising waste by using the power of StacksOn to give clients greater grade control at iron ore mines / ports and developing innovative product transport solutions.

### **Positioning for growth of Verbrec's business offerings:**

The Company is focused on areas of growth for each of our business units, including:

- Engineering, providing innovative engineering and project delivery solutions to clients, through our technical specialties, including automation & control, power, process plant, pipelines and asset management.
- Asset Management, working with owners and operators across Australia, New Zealand and PNG to provide asset management solutions that increase efficiencies, reduce cost and improve productivity, unlocking higher value from client's assets.
- Infrastructure Services, providing clients full lifecycle services for project delivery from inception through procurement and/or construction, commissioning and operations.
- Training, delivering a range of hazardous area, high voltage and high-risk training courses and qualifications to help students in the mining, resources, oil, gas, construction and engineering industries.
- StacksOn, Verbrec's innovative software as a services product, equipping our clients with full visibility over stock-pile grade inside inventories with visualisation and reclaim prediction tools to help ensure every delivery is on-specification.

This recent focus on our competencies and our key clients has improved gross margins from 28.7% (FY2023) to 33.1% (indicative Q1 FY2024) as we place greater focus on

building stronger Client relationships, greater focus on our core competencies and stronger project delivery.

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

### **Company Enquiries**

**Phillip Campbell**

Chairperson

Phillip.Campbell@verbrec.com

### **Investor Relations**

**Joel Voss**

Company Secretary

Investors@verbrec.com

### **Media Enquiries**

**Joel Voss**

Company Secretary

Investors@verbrec.com

### **About Verbrec Limited**

Verbrec is a leading engineering and project services company that supports customers across Australia, New Zealand, PNG and beyond. The Company serves the energy, infrastructure, and mining industries through their technical specialties; asset management, automation and control, pipelines, power, process plant and training, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

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