

30 August 2022

Verbrec FY2022 results: Significant improvement in headline numbers

- Revenue **up 24.6%** to \$121.4 million
- Gross profit **up 32.1%** to \$35.4 million
- EBITDAI¹ **up 900%** to \$3.0 million
- Underlying Gross Margins remain **strong at 34.7%** after adding back margins from poor performing legacy projects
- Cash flow from operations before interest and tax (OCFBIT) **improved significantly** to \$4.1 million, up from (\$0.2) million
- The Group's work-in-hand **remains strong at \$77.4 million** at the end of August 2022, the same level as 12 months prior

FY2022 will go down as the year we transitioned from the impact of the poor performing legacy projects to the higher margin generating record work in hand.

Verbrec Limited (ASX:VBC) a leading mid-tier engineering, training and infrastructure services business executing work across Australia, New Zealand, PNG and Pacific Islands, today announces its full-year financial results for 2022.

FY2022 Results

	FY2022	FY2021	CHANGE TO PCP
Revenue (\$)	121.4m	97.4m	24.0m
Gross Profit (\$)	35.4m	26.8m	8.6m
Gross Margin %	29.2%	27.6%	1.6%
Sales, General & Admin Costs (\$)	(33.0m)	(27.7m)	(5.3m)
EBITDAI (\$)	3.0m	0.3m	2.7m
EBITDAI Margin %	2.5%	0.3%	2.2%
Net Profit/(Loss) After Tax (\$)	(3.1m)	(4.5m)	1.4m
Basic EPS (Cents)	(1.4)	(2.2)	0.8
Net Cash Position ² (\$)	5.7m	6.2m	(0.5m)
Closing Cash Position (\$)	6.4m	8.3m	(1.9m)

¹ EBITDAI = Earnings before interest, tax, depreciation, amortisation and impairment

² Cash on hand less borrowings

Verbrec Limited

ASX : VBC

ACN: 127 897 689

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Share Registry

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Financial overview

The Company delivered revenues of \$121.4 million and a statutory EBITDAI of \$3.0 million for the 2022 financial year (FY2022). Gross margins were 29.2% (up from 27.6% in FY2021) and the statutory EBITDAI margin was 2.5% (up from 0.3%). Allowing for the impact of the poor performing projects and other one-off's, the underlying EBITDAI was \$10.1 million (up from \$7.7 million in FY2021).

The results are evidence of the improving financial performance of the Company as we complete the previously described three poorly performing legacy projects and enjoy strong market conditions.

The impact of these legacy projects was also minimised by \$6.7 million in additional contract value being negotiated.

Balance Sheet

Subsequent to financial year end, the Company executed a new banking facility agreement with Westpac. The total available limit of the facility is \$23.8 million, up from the prior \$9.9 million facility limit. The additional limit will provide Verbrec with the flexibility to access required working capital to be used to grow the business as and when required.

The Group was in a net cash position of \$5.7 million at the end of 30 June 2022 which is down from \$6.2 million as of 30 June 2021 (cash on hand less borrowings).

The Company took an impairment charge to goodwill of \$866,000, due to lower earnings than expected from the Training services business as it recovers from the impacts of COVID-19 along with an increase in the weighted average cost of capital (WACC) used to assess the carrying value of goodwill.

Cash Flow

Verbrec continued to maintain a strong focus on cash collections during the year and as a result the company generated operating cashflow before interest and tax (OCFBIT) of \$4.1 million for the year as compared to (\$0.2) million in the prior period. The strong operating cashflows resulted in an EBITDAI to OCFBIT conversion rate of 121%.

Closing cash for the FY2022 was \$6.4 million compared to \$8.3 million as of 30 June 2021. The main reasons for this decrease include:

- Bank debt and equipment loan repayments of \$1.4 million; and
- Repayment of other borrowings and office leases of \$2.7 million; offset by
- Net cash-inflows from operations of \$3.1 million.

Operational overview

Two of the three legacy projects were completed during FY2022 with significant progress being made on the third with the achievement of several commercial and technical milestones.

StacksOn™, our 3D visualization software of commodity stacker, reclaimer positioning, product location and material properties, continued development as a commercial software solution.

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A highlight of FY2022 was the commercialisation of *StacksOn™*, with a long-term licence agreement executed with BHP with the software now operational at all their WA iron ore mine sites and port.

Following several changes to Verbrec's Board and management team in FY2021, FY2022 was a year of relative stability with no changes at Board level, the internal promotion of Joel Voss to Company Secretary and the appointment of Melissa Morrison as Chief People Officer being the only key management changes.

Organic growth via recurring revenues was further underpinned by an additional 9 master agreements (35 in total) and 1 (9 in total) Operations & Maintenance agreements all with Tier 1 companies. Rate increases and rise and fall mechanisms, which largely reference indices such as CPI and WPI, provide hedge against cost escalation pressures.

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. This investment across diversified markets, each undergoing significant transformation, is creating substantial opportunities. Energy and commodity prices remain strong.

Labour shortages are creating opportunities for the labour force to retrain via Verbrec's industry training business, supported by increased student funding under government contracts and increasing migration.

All this combined, gives us significant confidence in the future and is the reason why our work-in-hand remains at historically high levels.

With the increased finance facilities and improving margins, the Company will return to evaluating strategic bolt-on merger and acquisition opportunities in core markets.

A fundamental objective for the Board is restoring dividends as we recognise that shareholders invest in our company to achieve their own goals. We will keep the situation under review and should be in a better position to update investors at the half year.

- 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).

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