

FY21 RESULTS PRESENTATION

August 2021



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Executive Summary

1. Corporate Profile
2. FY21 Results
3. Strategic Initiatives and Growth Strategy
4. Appendix



1. Corporate Profile

Corporate Profile

Verbrec Limited (ASX: VBC) is a **leading mid-tier engineering, training and infrastructure services business** executing work across Australia, New Zealand, PNG and the Pacific Islands.

Core industry markets spanning energy, mining and infrastructure. Geographically well positioned delivering repeat work for Tier 1 client base delivering revenue streams over the entire asset lifecycle.



Engineering

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

Training

- High Risk
- Hazardous Area
- Asset Management
- Pipeline Operations

Infrastructure Services

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

Core Markets

Verbrec provides services across diversified markets each experiencing significant growth and undergoing major transformation creating considerable opportunities



Mining & Minerals Key commodity prices remain very strong and mini-boom associated with battery minerals

- We are seeing increased activity in our core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training.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. Labour shortage creating opportunities for labour force to retrain via Verbrec's training business



Infrastructure Government stimulus measures accelerating infrastructure projects including Defence. Water sector actively implementing digital transformation projects

- We are currently executing digital transformation projects for water utilities. Significant increase in Defence bidding activity, recently secured Defence power upgrade project. Support longstanding clients transform infrastructure to process and transport hydrogen



Energy Prices rebounded strongly from CY20 lows, looming east coast gas shortage, transition to renewables, gas as a transition fuel

- We recently won a decommissioning design project for a gas field, bidding on significant projects providing gas peaker capacity, on-going recurring project work and O&M agreements to Coal Seam Gas industry, renewable connections in to grid

Safety - zero harm, always

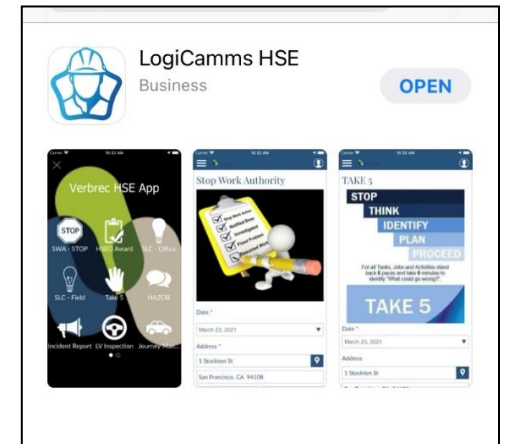
Key outcomes

- ❑ 3.5 years since last recordable injury, TRIFR remains at 0
- ❑ Managed COVID-19 risks, to date no confirmed cases amongst our team
- ❑ Obtained ISO45001 HSEQ recertification, following an external audit of our systems and processes

Key initiatives

- ❑ Safety leadership and values drive our continuous improvement
 - ❑ Use of mobile HSE App to digitalise recoding and reporting
 - ❑ Company wide training on Authority to Stop Work
 - ❑ Increased focus on fitness for work

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
LTIFR	1.14	0	0	0	0	0
MTIFR	1.14	2.39	1.45	0	0	0
TRIFR	2.28	3.59	4.35	0	0	0





2. FY21 Results

FY21 Financial performance

	FY21	FY20 (Restated)	Change to PCP
Revenue (\$)	98.3m	117.0m	(18.7m)
Gross Profit (\$)	27.7m	36.3m	(8.6m)
Gross Margin %	28.2%	31.0%	(2.8%)
Sales, General & Admin Costs (\$)	(27.7m)	(29.9m)	2.2m
Statutory EBITDA (\$)	1.2m	7.6m	(6.4m)
Statutory EBITDA Margin %	1.2%	6.5%	(5.3%)
Net Profit/(Loss) After Tax (\$)	(3.9m)	1.8m	(5.7m)
Basic EPS (Cents)	(1.9)	0.9	(2.8)
Net Cash Position ¹ (\$)	0.6m	7.2m	(6.6m)
Closing Cash Position (\$)	8.3m	15.9m	(7.6)

¹ Cash on hand less borrowings and lease liabilities

- Revenue and Margin impacted by delay claim; 3 poor performing legacy projects; COVID impacts; subdued level of bidding & delays in projects being awarded; reductions in sell rates to key clients; in-efficiencies with remote working
- Underlying Margins remained strong at 32.5% (after adding back Margins from 3 poor performing legacy projects to bid margin)
- One-off write-down of previous capitalised ERP system costs, totalling \$0.85m

FY21 Margin Analysis

- FY21 results impacted by 3 poor performing legacy projects; COVID impacts and unresolved delay claim
 - Detailed bottom-up reviews of project costs through to completion conducted in May 2021
- Underlying Margins remained strong at 32.5% (after adding back Margins from 3 poor performing legacy projects to bid margin)

FY21	Statutory	Impact of 3 poor projects	One-off's	Underlying
Gross Profit (\$)	27.7m	6.3m	-	34.0m
Gross Margin %	28.2%	4.3%	-	32.5%
EBITDA (\$)	1.2m	6.3m	0.2m	7.7m
EBITDA Margin %	1.2%	6.0%	0.2%	7.4%

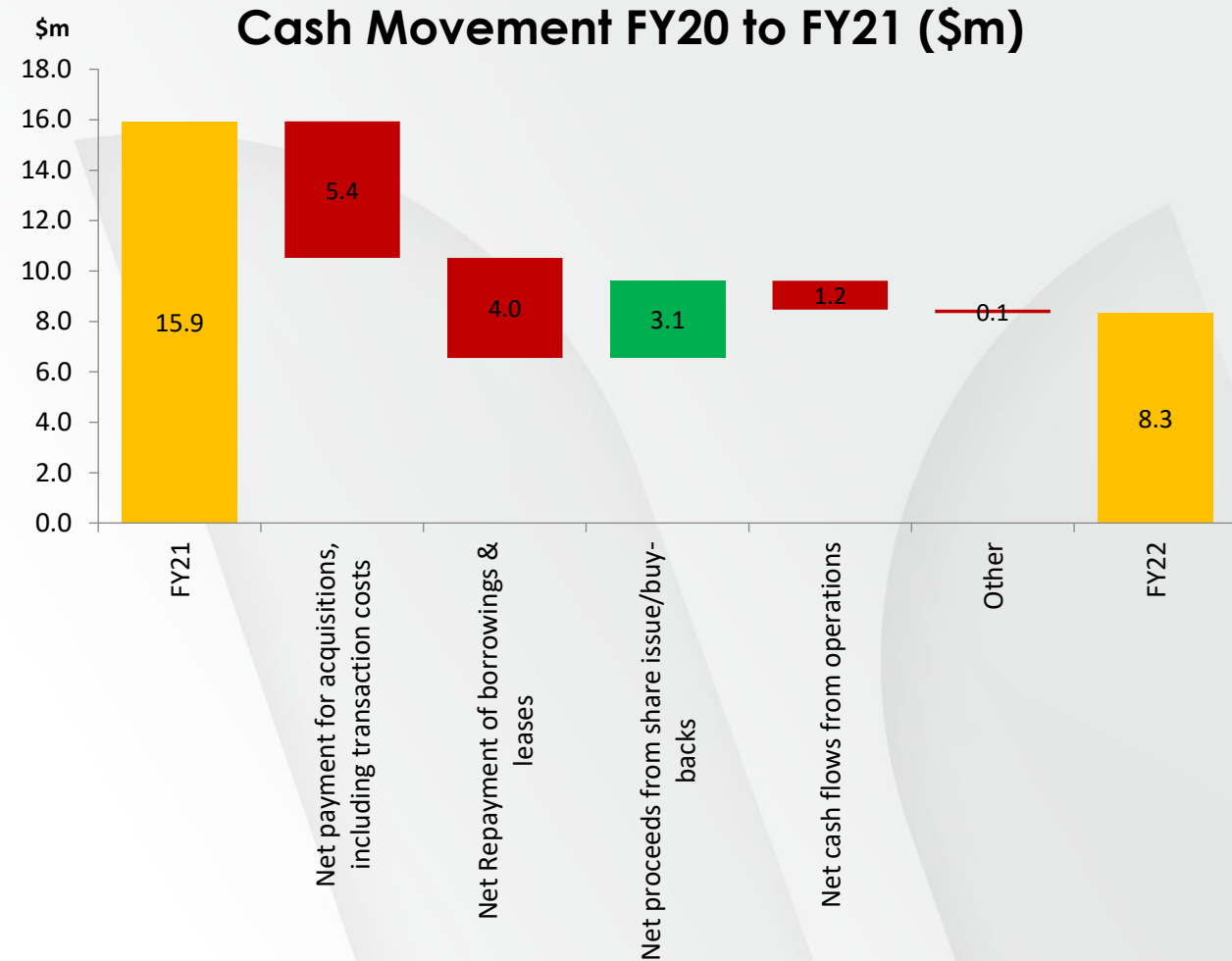
Margin improvement plan

- Review of our project delivery systems conducted, recommendations being implemented by taskforce
- Tighter controls over pricing and bid review implemented
- Vigorously pursue \$2.3m delay claim
- Complete legacy projects as soon as possible and move delivery teams to much higher margin generating projects
- One-off's include JobKeeper less ERP implementation costs, redundancy costs, acquisition costs and provision reversals
- Overhead savings of \$1.7m per annum realised, including \$1.2m per annum in real estate overhead savings

Cash Analysis

Investment in growth and repayment of debt

- ❑ Cash outflows used to fund growth and repay debt
 - ❑ \$5.4m used to fund EIM and Site Skills cash consideration
 - ❑ \$4.0m in net debt repayments
- ❑ Cash flows from operations (\$1.2m), impacted by
 - ❑ Project delay costs and poor performing projects
 - ❑ Investment of \$0.85m in new ERP system
- ❑ Capital Management strategy:
 - ❑ Strong working capital management through cash generation from operating activities
 - ❑ Payout 30-60% of NPAT in dividends to shareholders, noting Australian tax losses total \$30m
 - ❑ Other Capital Management options being considered to fund growth
- ❑ Undrawn Working Capital and Equipment Leasing lines of \$1.5m and \$1.15m respectively to service further growth (as at 30 June 2021)



FY21 Operating Highlights

Transformation of the business now complete following successful merger of OSD and LogiCamms

- ❑ Rebranding of LogiCamms to Verbrec
- ❑ Acquisitions of EIM and Site Skills Training, delivery of first stage of Verbrec's growth strategy
 - ❑ EIM merged in to existing Infrastructure Services business creating **THE leading independent operator of pipelines and associated facilities**
 - ❑ Site Skills Training merged in to existing Training Services business creating **THE leading high risk and hazardous area trainer** to the Mining, Resources, Infrastructure and Manufacturing sectors
- ❑ New ERP system launched in early January 2021 delivering efficiency gains across the business and providing a platform for growth – one simple way of managing projects, people and finances across the Verbrec group
- ❑ Strengthened competitive position through \$1.7m per annum in overhead savings in addition to the \$3.0m per annum in savings resulting from the merger of OSD and LogiCamms

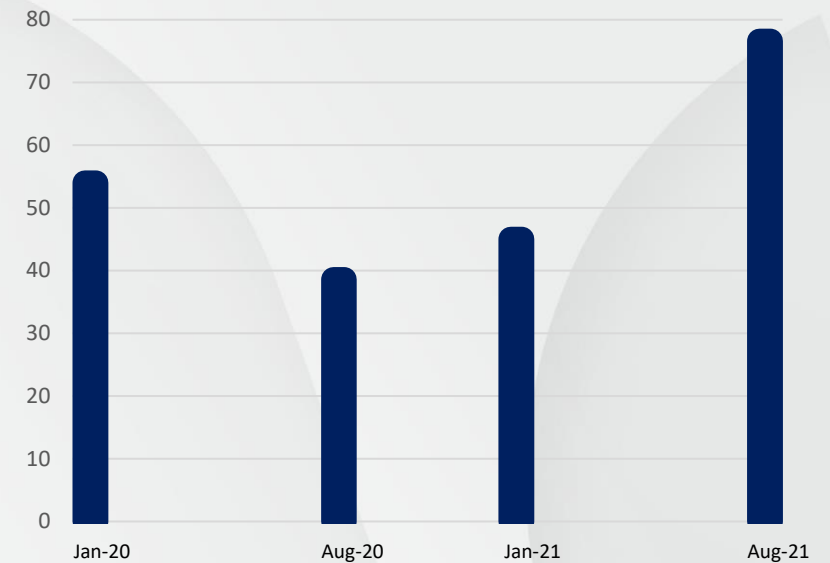


FY21 Impacts of COVID-19

	FY21	Current	Notes
Key commodity prices			
Oil & Gas	Low of \$US30/barrel	\$US67/barrel	Project delays experienced. Recently seen strong rebound, significant increase in bidding activity to energy clients
Iron Ore	\$82/tonne	\$160/tonne	Driving significant activity in Western Australia
Revenue and Margins			
Training revenues	Revenue down 5% of FY19	Recent lock-downs continue to impact course delivery	Face-to-face courses impacted by lock-downs, moving on-line where possible
Reduced sell rates	Revenue and Margin impact of c\$500K	Reduced sell rates back to pre-COVID levels	Reduced sell rates to long standing clients
Work-in-hand ¹	\$45m	\$76.6m	Subdued bidding activity impacted work in hand, rebounded strongly
Bidding Activity ¹	\$98m	\$103m	Factored estimate of revenue based on our probability of success, many active bids recently converted to work-in-hand

¹ Excludes Training services

Work-in-Hand (\$m's)



Acquisition Integration

Bolt-on acquisitions seamlessly integrate to existing BU's providing opportunities to expand capability, add scale and extract synergies

- ❑ EIM now fully integrated with targeted \$0.75m in synergies achieved and long dated O&M agreements extended providing recurring revenue streams
 - ❑ One common system managing all assets - IMOS
 - ❑ Secured 3 year extension to O&M agreement with Arrow Energy
 - ❑ 3 year extension to existing O&M agreement with Tier 1 oil & gas company
- ❑ SST integration in-progress and on-track, revenue holding firm in line with \$12m per annum forecast
 - ❑ Some 23 personnel not hired by CT, saving \$1.8m per annum
 - ❑ SST high risk courses transferred to Competency Trainings (CT) RTO designation #31299
 - ❑ New funding agreements secured with all State govt funding bodies
 - ❑ Merging of CT and SST systems and locations progressing well, SST back office support agreements terminated





3. Strategic Initiatives & Growth Strategy

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	02	03
Maximise returns from core business	Expand existing Capabilities in Key Markets	Increase recurring and non-project revenues
✓ Single ERP system	✓ Two bolt-on acquisitions completed	✓ 26 additional long dated O&M Agreement and 8 additional MSA's – all with Tier 1 clients
✓ Strengthen project delivery systems	➤ Identify and execute additional bolt-on acquisition opportunities	✓ Training margins better than those from engineering projects
✓ Bid on projects under appropriate commercial arrangement	➤ Leverage EIM and Site Skills acquisitions to expand into other markets	➤ Commercialise StacksOn™
✓ Execute \$76.6m in won work		
➤ Convert current tender pipeline opportunities		

Improved earnings from increased scale off-setting fixed overhead base

Key Growth Drivers

Organic Growth

- ❑ **Recurring revenues:** under-pinned by:
 - ❑ 26 Master Service Agreements with Tier 1 companies
 - ❑ 8 Operations & Maintenance Agreements with Tier 1 companies
- ❑ **StacksOn™:** Commercialise and further develop StacksOn™ – 3D visualization software of commodity stacker, reclaimer positioning, product location and material properties. Commercialise as a software solution

Strategic M&A, Bolt-on Acquisitions

- ❑ **Increase service offering:** Focus on strategic locations that offer strong growth opportunities and add scale to existing service offerings
- ❑ **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



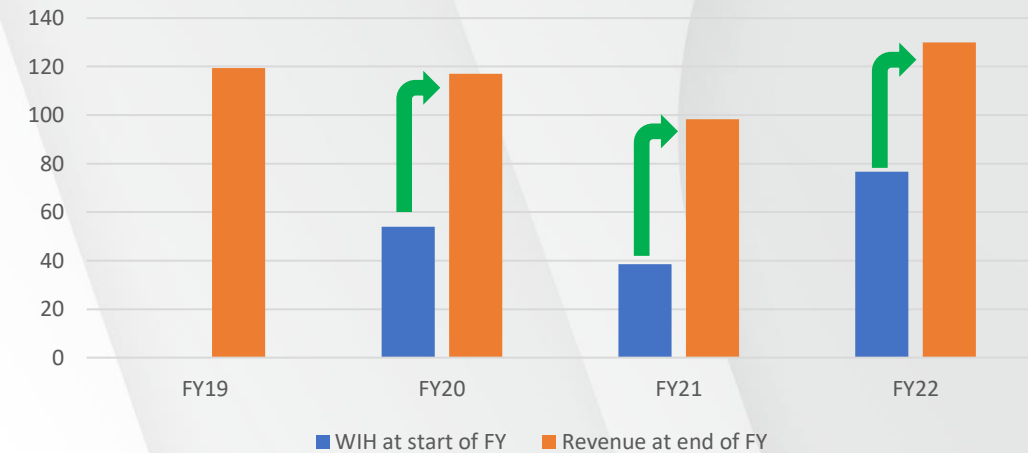
¹ Excludes Training revenue

Outlook

Key Industry sectors have rebounded strongly from CY20 lows - well positioned to grow both Revenues and Margins

- ❑ Work in hand at end of August totals \$76.6m, significant increase from \$45.0m at end of January 2021
- ❑ Significant increase in bidding activity – confident of securing several large contract opportunities in the near term
- ❑ Full year revenue and margin impact from EIM and Site Skills acquisitions. Expect additional \$13-\$14m in FY22 revenue
- ❑ Margins expected to rebound in FY22 (as compared to FY21) as two of three poor performing legacy projects due for completion in H1FY22
- ❑ Commercialise technology product *StacksOn™* via execution of long-term licence agreement, recurring high margin revenue stream
- ❑ Ongoing focus on overhead cost saving initiatives and realise synergies across business with new ERP system. Renegotiated office leases saving \$1.2m per annum in real estate overheads, bringing total overhead saving since merger of OSD and LogiCamms to \$5.0m per annum
- ❑ Further bolt on M&A opportunities identified and being pursued

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



- No revenue guidance provided for FY22, for illustrative purposes only
- WIH at start of a year can relate to work expected to be performed in future years



4. Appendix

Corporate Snapshot

Share Price Performance¹



1. Since August 2020
2. Cash on hand less borrowing and lease liabilities

Capital Structure

ASX code	VBC
Market Cap (as at 24 August 2021)	\$32.0m
Share price (as at 24 August 2021)	\$0.145
Shares on issue	220.4m
Cash (as at 30 June 2021)	\$8.3m
Net Cash Position ² (as at 30 June 2021)	\$0.6m

Top 5 Shareholders

Name	Holding
Brian O'Sullivan	35.0%
Thorney Investment Group	11.2%
GFNA Bartley Family	8.3%
Forager Funds Management	6.5%
Candyblossom/Bloemhof P/L	6.4%

Board of Directors



Phillip Campbell
Non-Executive Chairman

Phillip joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. His executive experience includes MD and CEO roles in a range of manufacturing and engineering businesses, and he has significant experience in business turnarounds then growing businesses to restore value. Phillip has a Bachelor of Electrical and Electronics Engineering from the University of Queensland and is a graduate of the Australian Institute of Company Directors.



Brian O'Sullivan
Non-Executive Director

As the former founder and Chairman of OSD, Brian joined the Verbrec Board in June 2019, bringing with him over 30 years' experience in business management, project management and engineering, specialising in the design, construction and maintenance of major pipelines and petrochemical facilities across Australia, PNG and South East Asia. Brian's key strengths include a strong technical knowledge and an in-depth understanding of commercial business activities. Brian has been a company director holding board positions for a range of entities, including Chairman of the Australian Muscular Dystrophy Foundation.



Linton Burns
Managing Director

Linton has over 25 years of commercial, financial and business management experience in various roles including as Managing Director of OSD prior to the merger with Verbrec. Linton has significant corporate transaction experience including M&A and capital raising with ASX and Nasdaq listed entities and has held executive positions across a range of industries including Engineering; Infrastructure; Bio-technology and Credit Referencing. He has a Bachelor of Accountancy and is a member of the Institute of Chartered Accountants Australia.



Matthew Morgan
Non-Executive Director

Matthew joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. In addition to his role with Verbrec, he currently serves as a non-executive director and Chair of the Audit and Risk Committee for Total Brain (ASX:TTB). Matthew began his career as an Institutional Venture Capital fund manager with QIC Limited and brings significant commercial experience including M&A and capital raising to the Verbrec Board. Matthew has a Bachelor of Commerce from Griffith University, a Bachelor of Applied Science and an MBA from Queensland University of Technology, and was Australia's first Kauffman Fellow.



Sarah Zeljko
Non-Executive Director

Sarah joined the Verbrec Board in September 2020, bringing with her extensive executive, operational, governance and advisory experience gained across multiple large ASX listed, government and private corporations. She is recognised for her commercial acumen in negotiating commercial agreements, and experience in capital raising, M&A, construction, infrastructure and project management. Sarah is a Graduate of the Australian Institute of Company Directors (GAICD), a Graduate of the Australian Superannuation Trustees (GAIST) and an admitted Legal Practitioner. She has previously held roles as General Counsel and Company Secretary for G8 Education (ASX:GEM), the Wiggins Island Coal Export Terminal (WICET), and Cement Australia. Sarah currently holds positions on the Boards of Powerlink, Unitywater, Energy Super, Millovate and Stockyard Beef.

