

# H1 FY21 RESULTS PRESENTATION

February 2021



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# Executive Summary

- ✓ **Company Profile**
- ✓ **1H Result**
- ✓ **Operating and Financial Highlights**
- ✓ **Refocussed Growth Strategy**
- ✓ **ELM acquisition**
- ✓ **Board renewal**
- ✓ **Outlook**

# Company Profile

Verbrec Limited is a leading mid-tier engineering, project delivery and operations services business executing work across Australia, New Zealand, PNG and the Pacific Islands.

## Our Services (spanning all phases of the life cycle of assets)



We provide some or all of these services | in each of our 6 Technical Specialties (Service Lines)



# Company Profile (cont'd)

**Verbrec's core industry markets** Focused on Australia, New Zealand, PNG and the Pacific.

Revenues are roughly evenly split between:



## Hydrocarbons

### A cyclical industry

- FY20 demand decline and weaker pricing led to reduction in capex
- Capex and investment expected to rebound strongly with demand back to pre-COVID levels by 2023 (source: World Energy Outlook report 2020)



## Mining

### A large and growing industry

- Iron ore and some precious metals particularly strong
- Bolstered management team and BD effort in West to maximise our position within this strong market



## Infrastructure (Nearly All Water)

### A sector in transformation, digitalization and industry 4.0

- Infrastructure spend remains strong with Govt investment set to increase
- Replacement/upgrades of legacy systems
- Operational technology (control and automation), data management and analytics



# H1 FY21 Financial performance

	H1 FY21	H1 FY20	Change to PCP
Revenue	47.6m	64.5m	(16.9m)
Gross Profit	15.9m	20.0m	(4.1m)
Gross Margin %	33.3%	30.9%	2.4%
General & Admin Costs	(14.8m)	(16.8m)	(2.0m)
Statutory EBITDA	4.0m	4.9m	(0.9m)
Statutory EBITDA Margin %	8.3%	7.6%	0.7%
NPAT	1.1m	2.1m	(1.0m)
Basic EPS (Cents)	0.6	1.0	(0.4)
Net Cash Position <sup>2</sup>	3.5m	0.1m	3.4m
Closing Cash Position	11.1m	10.6m	0.5m

<sup>2</sup> Cash on hand less borrowings and lease liabilities

- H1 FY20 results benefited from a large pipeline EPC project that reached practical completion and contributed revenues of circa \$7.9m during that prior period.
- COVID impacts are summarised in the following slides

# Operating & Financial Highlights

## Operating Highlights

- ✓ Board and Management renewal completed
- ✓ Rebranding of LogiCamms to Verbrec
- ✓ Acquisition of EIM, delivery of first stage of Verbrec's growth strategy
- ✓ **Transformation of the business now complete following successful merger of OSD and LogiCamms**

## Financial Highlights

- ✓ **Outperformed against internal EBITDA and NPBT budgets**
- ✓ Continued strong focus on cost and working capital management with net cash increasing \$3.4M over prior corresponding period
- ✓ Gross Margins increased 2.4% over prior corresponding period to 33.3% through work mix, new project delivery systems and strengthened project delivery capability
- ✓ Statutory EBITDA margins improved 0.7% over prior corresponding period to 8.3%
- ✓ New ERP system launched in early January 2021 which will deliver efficiency benefits across the business and provide a platform for growth



# Operating overview by Service Line

## The Verbrec Legacy

Verbrec continues to reinforce its core competencies as recognised experts in each of its six specialty areas, an overview of trading conditions for H1 FY21 follows:



Performed above expectations even with impact of lower oil & gas prices and reduced sell rates offered to some long-standing clients at their request. Continued to develop opportunities in WA, a major area of future growth



Some clients reluctant to attend face-to-face courses. Responded by rolling out remote learning, virtual reality and e-learning. Margins remained strong by flexing costs. Training delivered in new markets including NT and NZ



Ongoing execution of control system upgrades for major water utility companies throughout Australia. Some COVID induced productivity impacts experienced which remain subject to notice of delay and variations



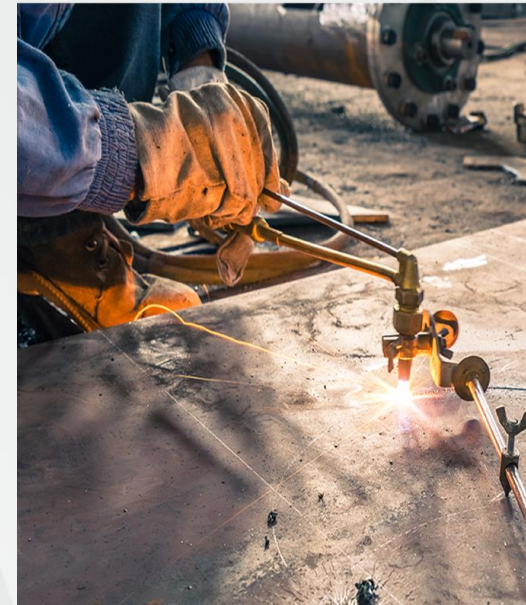
Some delays seen in award of new projects and deferral by asset owners of ad-hoc integrity works. Expect these delayed projects to be awarded and deferred integrity works to be undertaken in the near to medium term



Secure, cost-effective and robust power solutions including system design and modeling that are code compliant and tailored to client's requirements



Solid first half, contributed largest % of revenue of all service lines and planning expansion into SA and WA



Creating and Transforming Assets  
to Build a Smarter Future





# Refocussed Growth Strategy

## Achieved

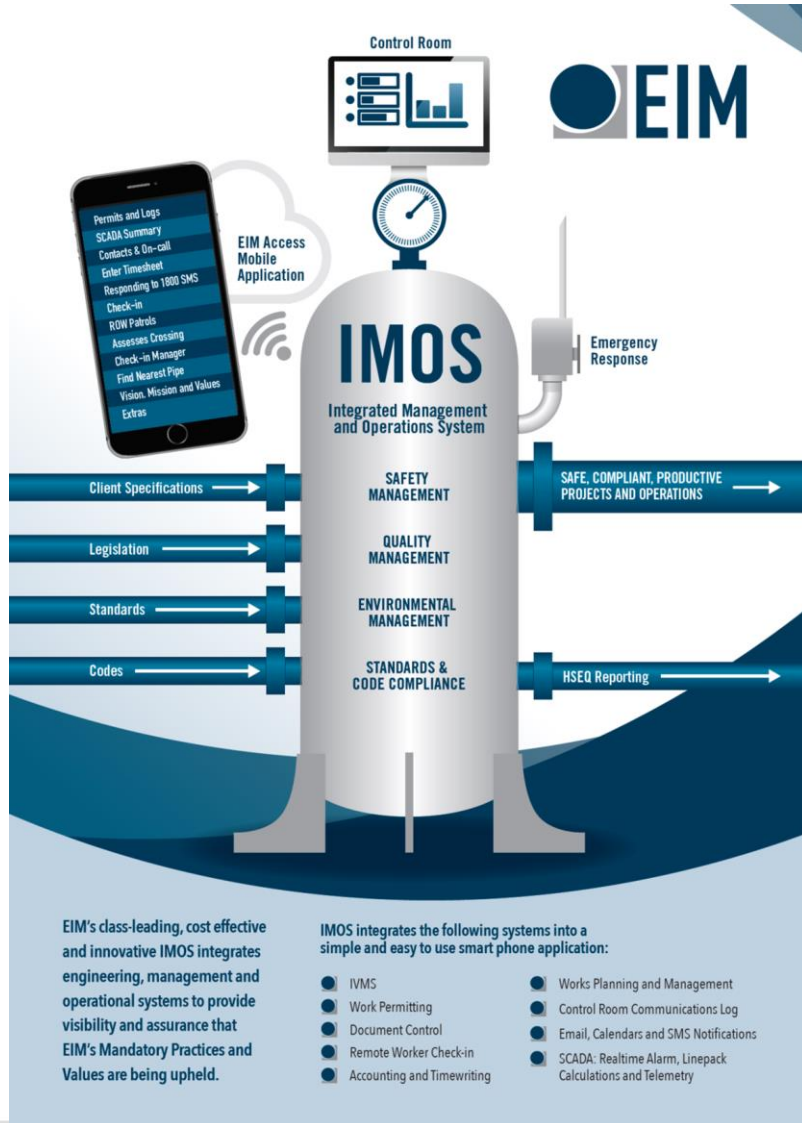
- Bolstered business development capability in key Australian markets
- Executed first strategic acquisition, **Energy Infrastructure Management (EIM)**, as a bolt on to Verbrec's OSD Asset Service Line (ref announcements 29th/31<sup>st</sup> December 2020)
  - Providing additional capability and critical mass to better serve the oil & gas industry
- Continual reinforcement of our core capabilities across our six service lines through increased marketing efforts and appointment of technical service line leads
- Grew non-project-based revenue including commercialisation of technology products
  - Significant portion of EIM's revenues come from long-dated Operations and Maintenance contracts
  - *StacksOn<sup>TM</sup>* being deployed by global mining company
- The Board has adopted a Dividend Policy of 30% to 60% of NPAT<sup>1</sup>

## In-flight

- Bidding on several larger projects including EPC within our core capabilities
- Further bolt-on M&A opportunities being assessed

<sup>1</sup>Subject to the Board's discretion taking into account the general business and financial conditions, current budgets and financial forecasts, working capital requirements, taxation position and future capital expenditure requirements.

# Why EIM? Bolt-on to Asset Services

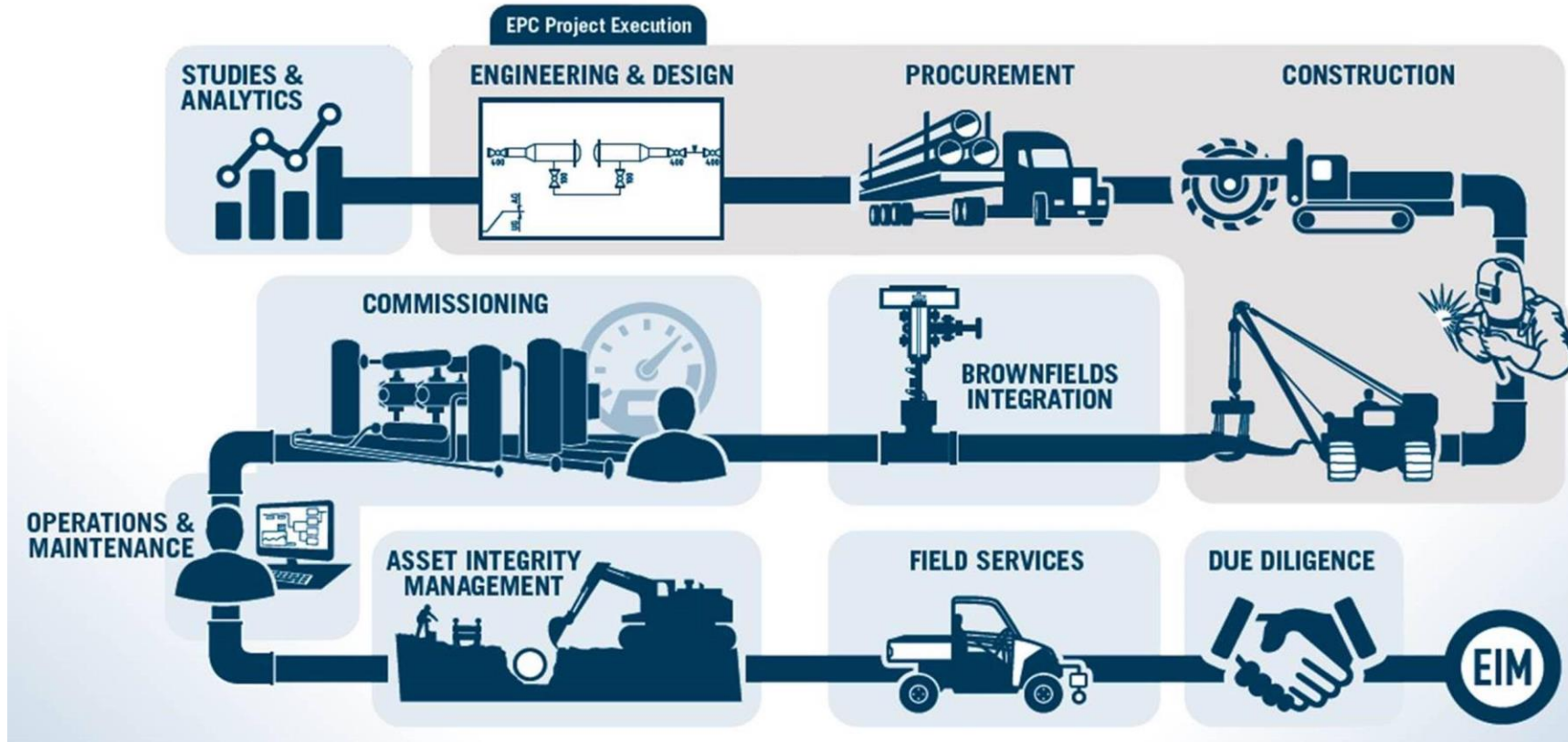


The acquisition of EIM provides additional scale (capability, systems, footprint) to Verbrec's Asset Services and Pipelines Engineering capability and cements the Company as a leading mid-tier engineering and operations service provider servicing the Oil & Gas industry.

- Paid \$3.2M, net of cash acquired
- As part of the transaction Arrow Energy agreed to extend existing O&M agreement by a further 3 years
- Significant revenue diversification with EIM's long dated operations and maintenance contracts with tier 1 clients, as VBC strategically moves to increase revenues from non project-based sources
- Expected to generate c.\$4M in revenue uplift in H2FY21
- Substantial cost saving synergies (at least \$0.75M per annum) to be realised due to adjacency of operations, on track to deliver
- \$3.2M in franking credits, available when Verbrec restores dividends
- Fully integrated management and operating systems which is being rolled out across the OSD Pipelines business
- EIM will be earnings accretive in FY22

# About EIM – What it does

EIM (now rebranded OSD) is a full-service engineering, constructions and operations management company with capabilities across engineering, project execution and operations and maintenance of pipelines and associated infrastructure. It also has a long and strong reputation for producing high quality work. Very complimentary to the OSD Pipelines business. Adds additional capability; critical mass and systems



EIM complimentary to OSD

- EIM particularly strong in Commissioning; Operations & Maintenance; Asset Integrity Management and Field Services
- OSD particularly strong in Studies; Engineering & Design, Procurement & EPCM, Operations & Maintenance



# About EIM – O&M Services

## Operations and Maintenance Services:

- Licensed operator responsible for full compliance under P&G Act 2004
- Operation and maintenance of pipeline, CP system, mainline valve and delivery stations.
- Preventative and reactive maintenance support including 24/7 breakdown response.
- Asset integrity engineering, infrastructure surveys and direct inspections.
- Code-compliant surface infrastructure inspections, testing, validation and calibrations
- Emergency response and recovery.
- Landholder, regulator and 3rd party stakeholder liaison.



A pipeline dig-up which is required when an in-line inspection identifies some potential coating or corrosion issues



Performing gas leak detection services to ensure a pipeline is not leaking gas



Gas infrastructure routine inspections

# 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. In addition to his role with Verbrec, he is currently the non-executive Chair of Fleetwood Corporation Limited (ASX:FWD). 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.

# Outlook

Well positioned to grow both Revenues and Margins

- Oil & gas prices recovering from the lows of CY20, expect delayed projects to be awarded once economic conditions improve and delayed integrity works to be undertaken during CY21
- Base minerals commodity prices remain strong, seeing significant uptick in activity levels within our WA business unit
- Commercialise technology products such as *StacksOn™* via execution of long-term licence agreement
- Ongoing focus on overhead cost saving initiatives and realise synergies across business with new ERP system
- Grow the business organically and identify further bolt on M&A opportunities to increase capability and scale within our Service Lines and the business as a whole.

Work in hand at end of January totals \$45M. Assuming commodity prices hold firm and deferred projects are awarded we expect work in hand to increase between now and the end of FY21

