

ASX RELEASE

25 March 2020

Market Update

LaserBond Limited (ASX: LBL) is pleased to confirm that to date there have not been any significant effects on its national or international supply chains from COVID-19 or any apparent effects on its customers and demand. The company is comfortable in its ability to achieve short term and medium term revenue targets. The business continues to receive expected orders from its industrial customer base, raw materials from its industrial suppliers and delivery channels remain open with freight being exempt from the various state border closures announced by governments to date.

Measures instituted by the business in response to the coronavirus pandemic include:

- working from home arrangements for all staff that can work from home
- social distancing of all employees. (The layout of plant and equipment allows this without inconvenience)
- increased health and hygiene procedures, including frequent hand washing and frequent cleaning and sanitising
- split manufacturing shifts with no overlapping contact between members of each shift
- continual monitoring of employee health
- frequent information updates to all employees.

The board and management will continue to monitor events in recognition that this is a very fluid situation and will respond accordingly if and when any changes are required.

1H20 Performance Review

Last month, the business reported a pleasing performance across all metrics with a 30.7% increase in underlying EBITDA, revenue from continuing operations up 7.3% and gross profit up 12.7% compared with the previous corresponding period.

Highlights

↑ **7.3%**

Revenue from Continuing Operations on pcp

↑ **12.7%**

Gross Profit on pcp

↑ **30.7%¹**

Underlying EBITDA on pcp

↑ **15.7%¹**

Underlying NPAT on pcp

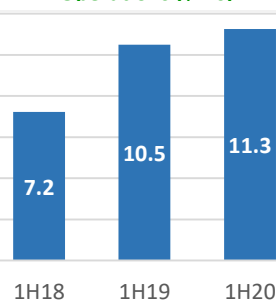
1. Underlying EBITDA and NPAT growth figures are on a comparable basis, excluding the AASB16 change & Other Income from the NGMIP

Financial Performance

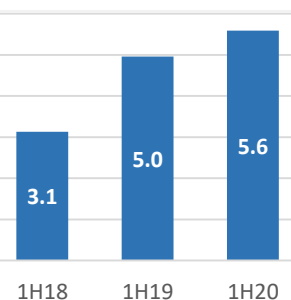
Revenue from continuing operations increased by 7.3% to \$11.3 million compared with the previous corresponding period. Similarly, gross profit increased by 12.7% to \$5.6 million as a result of strong sales and a 2.4% reduction in the cost of sales. Gross margin therefore increased from 47.2% in 1H19 to 49.6% in the half.

While overall sales performance has fallen short of the company's stated target of double-digit sales growth, the board remains confident that it will not affect the medium-term revenue target of \$40 million by 2022.

Revenue from Continuing Operations (\$Ms)



Gross Profit (\$Ms)



Impact of AASB 16

In response to a number of market enquiries, LaserBond's financial results have been normalised to enable a proper comparison with results from previous corresponding periods.

EBITDA Impact

EBITDA increased significantly by \$0.68 million or 32.8%. Some of this resulted from changes required by the Australian Accounting Standards Board 16 (AASB16) which removed property rental expenses from the company's earnings above the EBITDA line and replaced them with non-matching interest and depreciation costs below the EBITDA line. Of the \$0.68 million increase in reported EBITDA, \$0.48 million relates to the re-categorisation of the rental expense. During 1H19, there was extraordinary Other Income above the EBITDA line from the Next Generation Manufacturing Investment Program (NGMIP) which was completed that year. On a like-for-like basis, 1H20 EBITDA would have reached \$2.37 million, an increase of 30.7%.

Profit Impact

Net profit was similarly impacted by the replacement of property rental expenses with non-matching interest and depreciation charges. Adding these back and adjusting for the NGMIP Other Income enables a more accurate comparison of NPBT between the two operational periods, and reveals a 15.6% increase from the previous corresponding period. Underlying net profit after tax shows a similar increase.

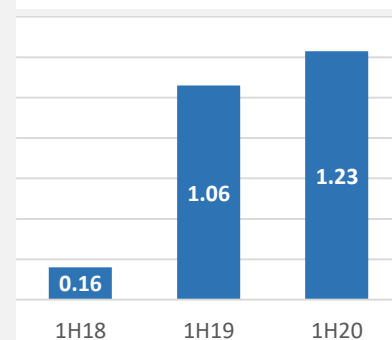
Reconciliation of 1H20 EBITDA to 1H19

	1H19	1H20	Change
Underlying NPBT	\$1,450,058	\$1,676,977	↑ 15.6%
Reported Depreciation & Interest	360,738	1,171,803	
Add back AASB 16 Depreciation & Interest	-	(\$482,857)	-
EBITDA (pre AASB16 change)	\$1,810,796	\$2,365,923	↑ 30.7%

Reconciliation of 1H20 NPBT to 1H19

	1H19	1H20	Change
Reported NPBT	\$1,608,117	\$1,575,415	↓ 2.0%
Rent	-	(\$381,295)	-
AASB 16 Additional Interest	-	\$116,959	-
AASB 16 Additional Depreciation	-	\$365,898	-
Less NGMIP Other Income	(158,059)		
Underlying NPBT (pre AASB16 & NGMIP)	\$1,450,058	\$1,676,977	↑ 15.6%
Tax	(\$385,296)	(\$446,076)	NA
Underlying NPAT (pre AASB16 & NGMIP)	\$1,063,762	\$1,230,901	↑ 15.7% ¹

Underlying NPAT (\$Ms)



In recognition of the strong first half performance, a 0.5 cent per share fully franked interim dividend will be paid.

Position

The pipeline of opportunities currently open to the business is both vast and diverse, and the 2022 target of \$40 million in sales revenue remains in place. The board continues to focus on international expansion, investment in skills and R&D and, where appropriate, selective bolt-on acquisitions. While the company has been largely engaged in work for the mining and minerals sector, there are also significant opportunities further afield in other heavy industry sectors, such as agriculture, manufacturing and large-scale property development.

Chief Executive Officer and Executive Director, Wayne Hooper, said, "While we don't know how this pandemic will unfold, we believe that the business is in as good a position as possible with no negative impact to date on our operations."

~ ENDS ~

Authorised for release by the Board of LaserBond

Further Information

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About LaserBond

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear-life of capital-intensive machinery components. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. As almost all components fail at the surface, due to material removal through abrasion, erosion, corrosion, cavitation, heat and impact, and any combination of these wear mechanisms, a tailored surface metallurgy will extend its life and enhance its performance.