



LASERBOND[®]

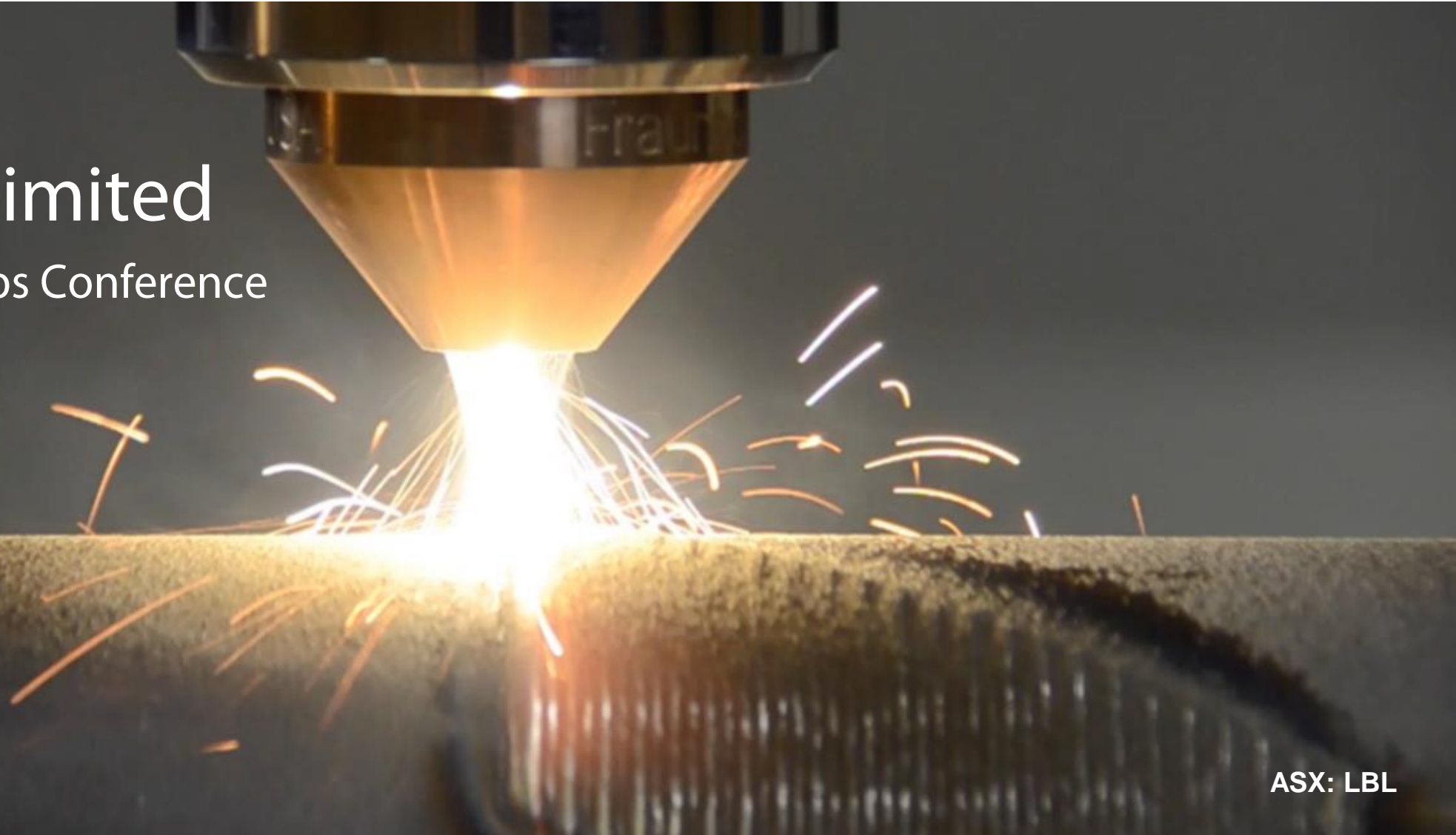


PRODUCTIVITY | INNOVATION | CONSERVATION

LaserBond Limited

ASX Small & Mid Caps Conference

9 September 2020



ASX: LBL

WHY LASERBOND?

Strong, Profitable, Growing Business

- LaserBond has specialised technology that is increasingly in demand across many industries globally
- ASX listed since December 2007, producing continuing growth in profits and shareholder returns
- Demonstrated history of growing fully franked dividends (whilst balancing the needs for growth funding)
- Very low debt with strong cash flow
- Strong growth
 - 4 Year Compound Annual Growth Rate (CAGR) of Revenue (FY16- FY20): 20.5% p.a.
 - 4 Year CAGR of Net Profit After Tax (FY16- FY20): 144% p.a.
 - 4 Year CAGR of Share Price: (5/9/16 – 4/9/20): 49.5% p.a.
- Recent acquisition funded by internal reserves allows accelerated growth in FY21
- LaserBond is well positioned to continue very strong growth

ABOUT LASERBOND

Purpose

- Capital intensive industries often have equipment that operates under severe conditions.
- Wearing components cause down-time (lost production), loss of productivity and high maintenance costs.
- LaserBond delivers reduced operating costs and increased productivity for many industries by extending the wear life of components through advanced *surface engineering*



ABOUT LASERBOND

Surface Engineering

- All wear occurs at surfaces
- LaserBond can modify and improve working surfaces to provide substantial improvement to wear life and performance
- LaserBond has a range of advanced surface engineering technologies, developed and/or optimised in-house through extensive and ongoing R&D
- Large range of materials providing different properties eg resistance to abrasion, erosion, heat, corrosion
- Materials and processes are engineered/ optimised to deliver maximum benefit.

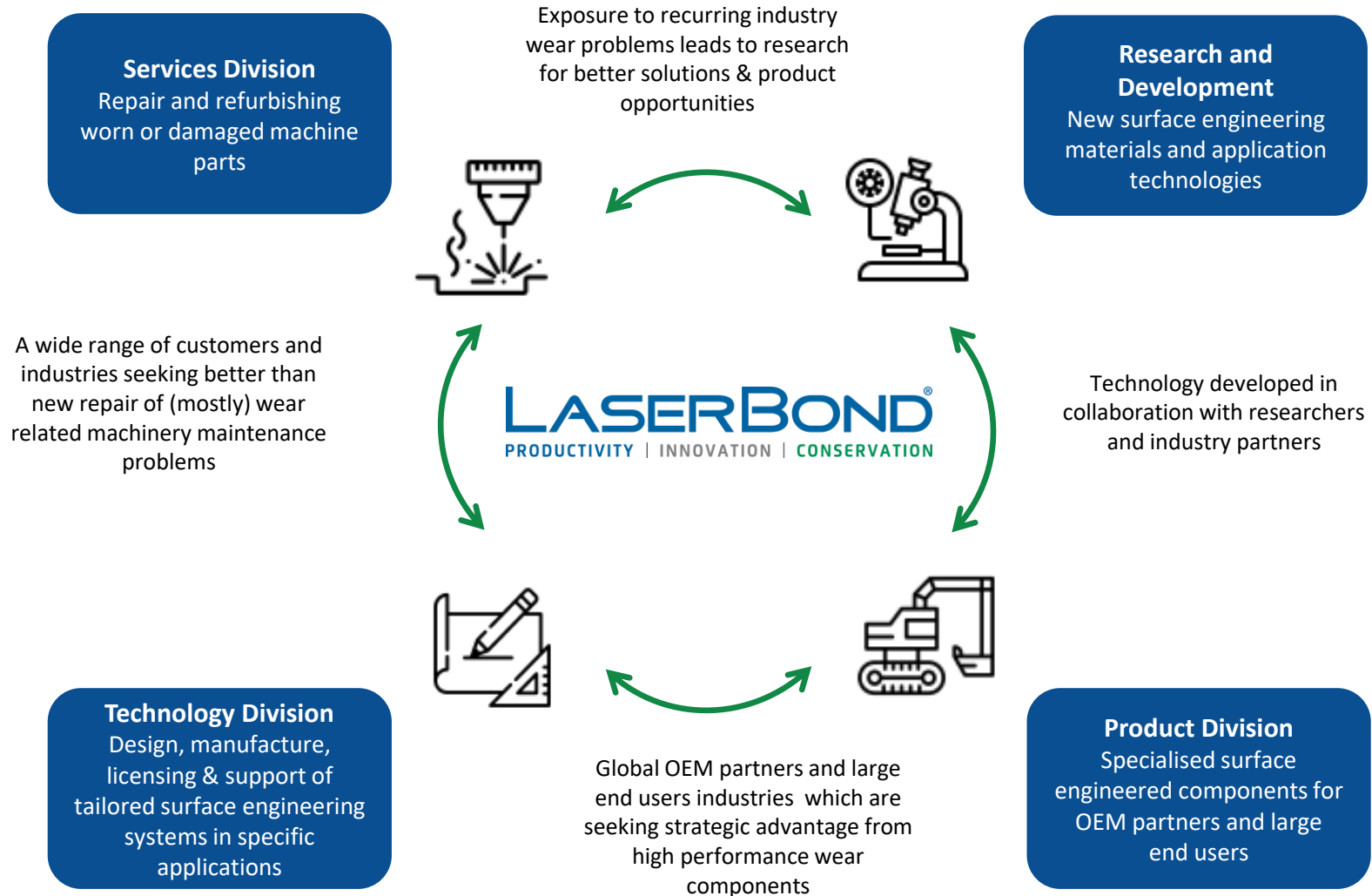


BENEFITS

- Services Division reclaims worn parts, usually delivering “better than new” wear life performance (up to 10x) with reduced costs of replacement, and shorter lead times.
- Products Division manufactures new replacement components utilising surface engineering to deliver superior wear performance and productivity gains (again up to 10x). Products are exported globally directly by LaserBond and by our OEM customers.
- Customers benefit from longer maintenance cycles, reduced down-time, higher efficiency of equipment, reduced inventory of spares, improved product quality, lower maintenance costs, lower supply chain risks etc.
- Reduced frequency of maintenance delivers significant WHS benefits
- Customers & society benefit from the reduced scrapping of worn-out components and improved efficiency of operation of equipment, delivering reductions in energy usage and waste.
- OEM customers are able to differentiate their product & service offering and achieve market share growth by delivering all these benefits to their customers.



WHAT WE DO

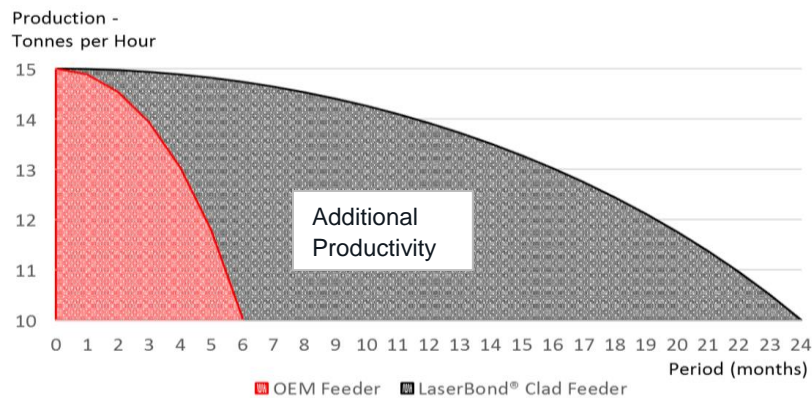


Case Study – Services and Products Divisions

- ❑ Pneumatic conveying and spreading of mulch, soil, sand & aggregate is a rapidly expanding application globally. One worker and a blower truck can do the work of many labourers with much greater safety.
- ❑ Transport infrastructure development requires the distribution of sand, soil, mulch & seeding over large areas. Another rapidly growing application is “green roofs” on urban and high rise developments requiring high pressure blowers to convey product up to the height of many stories onto the roof.
- ❑ **Challenge:** Blower productivity is highly dependent on the condition of the seal on the rotary feeder which feeds the material into the high pressure zone for blowing. Conveying aggressive materials such as sand and gravel leads to accelerated wear in OEM feeders, lost productivity & high costs.
- ❑ **Solution:** LaserBond® surfaced engineered rotary feeders lead to a dramatic reduction in the wear rate. LaserBond’s surface engineering performance has been proven over many years with customers obtaining 4 – 10 times service life and dramatic improvements in throughput/productivity delivering significant cost reductions.
- ❑ **Export Markets:** LaserBond manufactures replacement feeders for a local exchange service, and is opening up export markets for the Products and Technology Divisions.



Typical Bark Blower Feeder Productivity - Mixed Materials



Case Study – Services and Products Divisions

- ❑ Rollers are an essential component of the steel making process, conveying hot steel forms between forming and shaping processes in Steel Mills. Rollers are designed with very specific application depending upon the final steel form and attributes targeted.
- ❑ Due to heat, impact and friction, standard rollers wear rapidly and are a source of major production losses due to maintenance closures for replacement or refurbishment and direct high operating costs
- ❑ **Challenge:** Steel mill roller longevity is highly dependent on the surface engineering of the product. Too hard and the product risks cracking, too soft and it will wear prematurely. These two conditions need to be optimised with the roller usually operating in an extremely high temperature environment. LaserBond's task was to design bespoke Mill Rollers for every task and application to meet the customers functional requirements whilst saving maintenance, time and money.
- ❑ **Solution:** LaserBond® surfaced engineered Steel Mill Rollers and Shells with a composite carbide leading to a dramatic reduction in wear rates. LaserBond's surface engineering performance has been proven over many years with customers obtaining up to 20 times the service life of standard OEM rolls, delivering significant cost reductions.
- ❑ **Export Markets:** After monopolising the Australian market, LaserBond turned its focus to manufacturing and selling Steel Mill Rollers and Shells into the large North American market, where over 140 Steel Mills are currently functioning. Until LaserBond no comparable, laser clad Composite Carbide rollers were available in the market. LaserBond's proven product offering is quickly converting mills and building market share. Within a short timeframe over 10% of North American mills now buy LaserBond Steel Mill Rollers
- ❑ **Customer Quotes:** “LaserBond have met and exceeded our KPI's as a supplier at every level, including cost reduction, on-time delivery, QA/QC Inspection” and “in every case the LaserBond have far exceeded our expectations in terms of the service life we are now achieving”



Technology Development – Hard Chrome Replacement

- ❑ Hard Chrome plating is an established surface engineering technique used extensively in applications such as hydraulic cylinders.
- ❑ Market size is > US\$1.2 billion p.a.*
- ❑ Uses Chromium 6 (aka “Hexavalent Chromium”) which is carcinogenic & environmentally hazardous, creating severe OHS & environmental issues.

Challenge:

- ❑ Hard Chrome is toxic and not suitable in corrosive environments due to micro-cracking.
- ❑ Regulators are demanding alternatives, and imposing strict regulation.
- ❑ Current alternatives provide higher wear performance but at higher costs, limiting applications.

LaserBond’s Proprietary Solution:

- ❑ LaserBond has developed an alternative treatment process for cylindrical components with lower costs and superior performance to hard chrome.
- ❑ University laboratory wear testing has proven superior performance with volume loss less than 1/3 of commercially available hard chrome.
- ❑ The micro-cracking inherent in hard chrome is eliminated which, together with the welded bond, makes the LaserBond process far more suitable in corrosive environments
- ❑ LaserBond’s process is lower cost, typically taking 1-2 hours per component vs 24 hours for chrome electroplating (depending on the size of the component).
- ❑ LaserBond will launch its hard chrome replacement technology H1 2021 representing a major export market opportunity for the Technology Division.



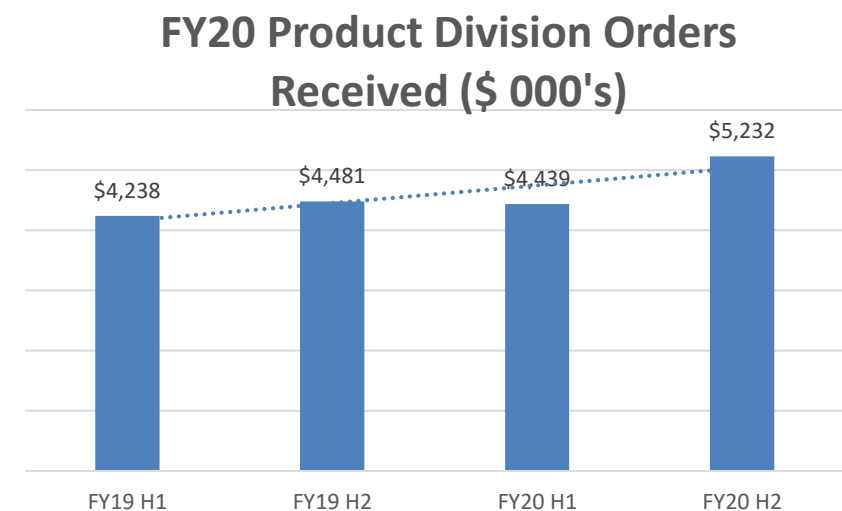
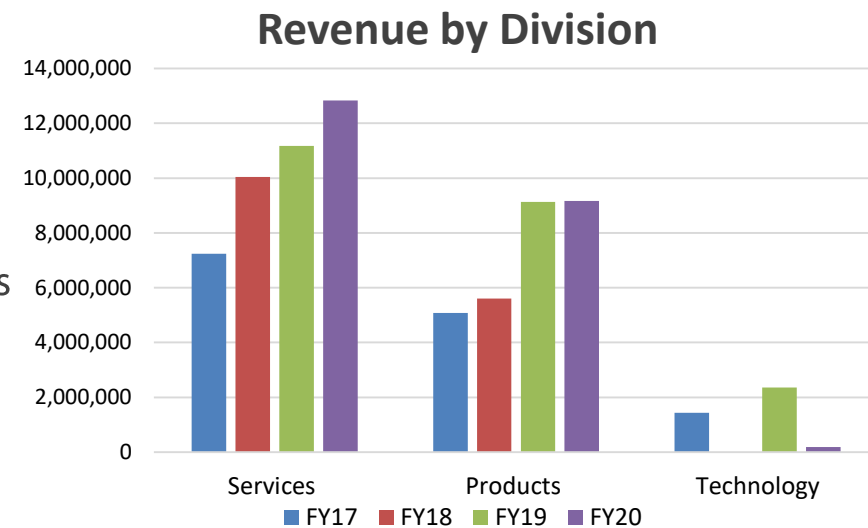
* Source: Thintri Inc: “Markets in Wear Coatings – Hard Chrome and its Alternatives” 2016

SOME OF OUR CLIENTS



FY20 - FINANCIAL PERFORMANCE

- LaserBond provides its services & products to essential industries, largely unaffected by Covid 19.
- FY20 Revenue for Products and Services Divisions exhibited continuing growth of 8.3% overall; 14.8% by the Services Division and 0.4% by the Products Division.
- However Products Division growth was much stronger than these figures indicate. Orders received for Products Division in FY20 were up 10.9% on FY19, with a change in raw material specifications for one customer resulting in longer supply lines and significant revenue that would have otherwise been recognised in FY20 delayed until FY21.
- International travel restrictions from Covid-19 had some impact on ability to secure Technology sales and grow export markets for Products. Tremendous export growth opportunities for both divisions remain, and we are developing alternative marketing channels.
- FY20 EBITDA up by 26.1%, a large part as a result of AASB 16 changes which require recognition of “right of use” assets (property leases) with associated interest and depreciation. Underlying EBITDA increased by 10.4%.
- Acquisition of UST in Victoria provides a profitable surface engineering base from which to provide LaserBond’s proprietary technology to a larger market.



FINANCIAL PERFORMANCE

Full Year	FY2020 (\$,000)	% Growth	FY2019 (\$,000)	% Growth	FY2018 (\$,000)	% Growth	FY2017 (\$,000)
Revenue	22,177	-2.2%	22,667	44.9%	15,648	13.8%	13,751
EBITDA	6,185	26.1%	4,904	120.6%	2,223*	-9.2%*	2,449
EBITDA Margin	27.9%		21.6%		14.2%		17.8%
Net Profit before Tax	3,765	-1.8%	3,835	173.5%	1,402*	-7.2%*	1,511
NPBT Margin	17.0%		16.9%		9.0%		11.0%
Net Profit after Tax	2,805	-0.2%	2,809	190.3%	968*	-13.0%*	1,113
NPAT Margin	12.6%		12.4%		6.2%		8.1%
Earnings per Share (cents)	2.94c	-1.0%	2.97c	185.8%	1.04c*	-14.8%*	1.22c
Fully Franked Dividends (cents per share)	1.1c	10%	1.0c	66.7%	0.60c	20%	0.50c

* Reported profits for FY2018 were affected by an impairment of stock

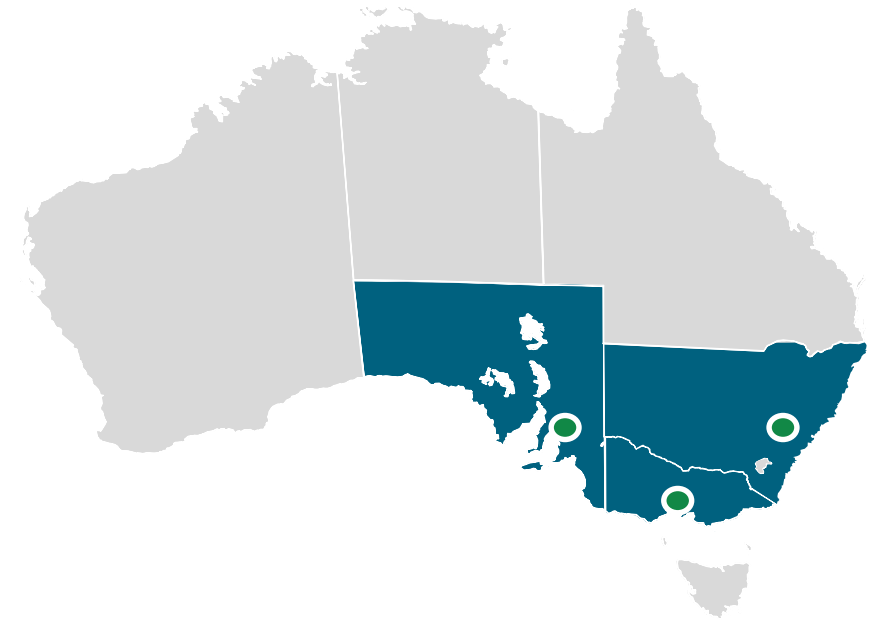
Geographic Expansion - UST Acquisition Highlights

- ❑ During August 2020 LBL completed the acquisition of United Surface Technologies in Melbourne. UST has been in operation since 1986, a strong, trusted brand which will facilitate speed of new customer acquisition and revenue growth
- ❑ Experienced management team with 40+ years in engineering businesses
- ❑ Surface engineering services are highly dependent on geographical proximity. Establishment of footing in Victoria allows expansion of client base and increased service to existing customers in new location. LaserBond® cladding system will be installed in first quarter of 2021 calendar year
- ❑ UST thermal spraying process is highly complementary to LaserBond® cladding – minimal cannibalisation of sales and increase in addressable market
- ❑ Skilled labour to integrate Laserbond technology into UST's current operations
- ❑ Like LaserBond, UST has been partnering with leading research organisations for product and technology development
- ❑ Expected FY21 additional revenue of \$4m, with growth beyond as LaserBond® cladding technology gains further acceptance



Growth Strategy

- ❑ LaserBond is the largest surface engineering business in Australia, benefitting from significant economies of scale
- ❑ Four year strategic plan to achieve \$40 million revenue by FY22 (+40% p.a.)
- ❑ It now has three major operations – Smeaton Grange, Sydney (HQ), Cavan, Adelaide and Altona, Melbourne.
- ❑ Growth drivers:
 - Domestic growth by broadening existing service offerings
 - International growth via further licensing of LaserBond® cladding technology to a range of industries including major global OEMs
 - Export growth through Products Division sales of steel mill rolls and a number of new products
 - Market entry for hard chrome replacement technology from FY21
 - Multiple acquisition opportunities for inorganic growth to penetrate key population centres nationally with close proximity to mining and industry
- ❑ Laserbond® laser cladding is a best-in-class service offering and will continue to approach businesses with complementary services to make acquisitions on favourable multiples



Investment Highlights

- **Industry leader** – market leader with 28 years of experience in surface engineering technology
- **Strategic geographic locations** – operations in 3 key service centres, Adelaide, Melbourne and Sydney
- **Proprietary solutions** – LaserBond® process developed to address critical customer requirements
- **Competitive advantage with high barriers to entry** – Surface engineering equipment designed & built in-house
- **Margin expansion** – Integration of technology with unsophisticated operators to increase earnings
- **Multiple revenue streams** – Diversified source of income from multiple geographies as well as shop services and products such as composite carbide steel mill rolls
- **Intellectual property** – Patents pending on industrial processes. Specialised laboratory facilities used to develop materials and applications, and entrench significant IP with opportunity for commercialization via licensing agreements
- **Primed for further geographic expansion via industry consolidation** – strategy to expand its footprint into new regions as earnings accretive opportunities arise
- **High organic growth** – Organic Revenue and EBITDA CAGR of 21% and 76% over the past four years (FY16 to FY20)
- **Strong balance sheet** – negligible debt, cash available, positioned for earnings growth

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