LASERBOND
PRODUCTIVITY | INNOVATION | CONSERVATION

ASX Release

24 August 2023

Excellent Performance Underpins Investment in Growth

FY23 Highlights

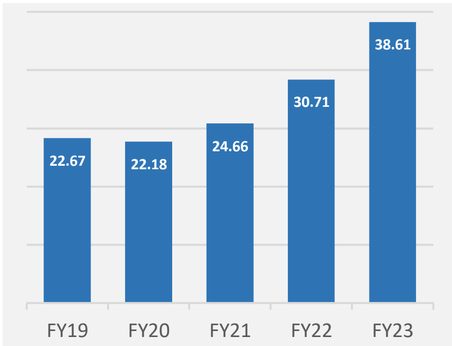
25.7%	17.5%	31.1%	84.5%
Revenue on pcp	EBITDA on pcp	NPAT on pcp	Cash flows from operations on pcp

LaserBond Limited (ASX: LBL) has performed strongly in FY23 with considerable increases in earnings, balance sheet and cash metrics, based on stellar performances from both the Products and Services divisions. This financial performance places the business in a desirable position as it continues to work on expanding into the Western Australian market as well as investigating an opportunity to locate a LaserBond facility closer to customers in the North American market.

Chief Executive Officer and Executive Director, Wayne Hooper, said, “We are embarking on the next chapter of the business as we analyse the optimum set of activities to advance our international expansion strategy with a balance sheet that provides significant flexibility in how we do it.

“After a 30-year passion for researching and developing superior applications and technologies, we have not only created a culture of innovation, we have built a brand and industry reputation founded on our willingness and expertise to address specific customer problems. This reputation and high standing with our customers has earned the business a 97% repeat business rate and is generating opportunities for growth, both in Australia and offshore.”

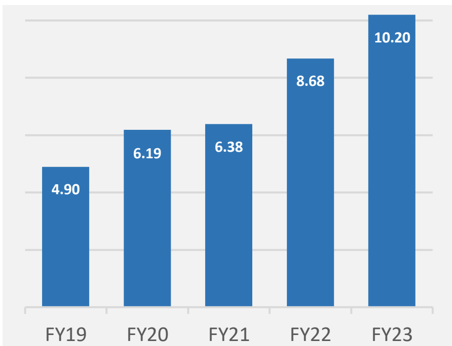
Revenue ($M)



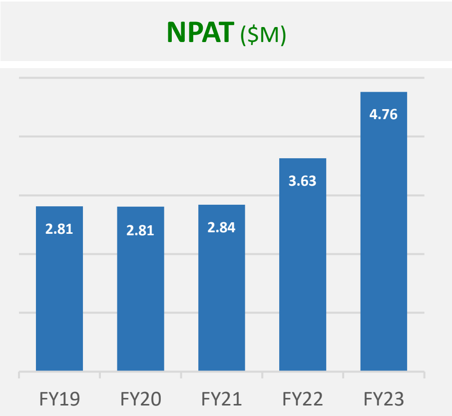
Financial Performance

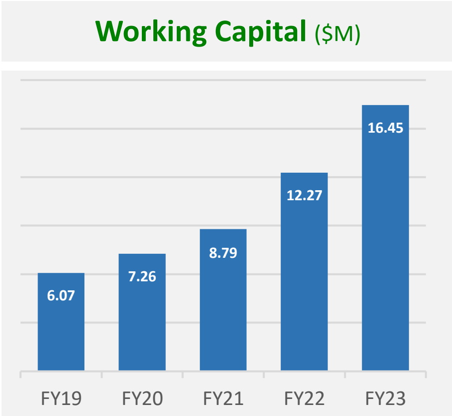
During FY23, LaserBond produced a 25.7% uplift in revenue to $38.61 million from $$30.71 million in FY22, driven by quantum increases in each of the Services and Products divisions, off the back of revenue growth of 24.5% between FY21 and FY22. The gross profit margin was largely maintained compared with recent years, despite vigorous inflation and associated cost pressures. The 14.2% compound annual growth rate, achieved in a difficult trading environment, is a validation of the relevance and attractiveness of LaserBond’s offering in large and critical industries.

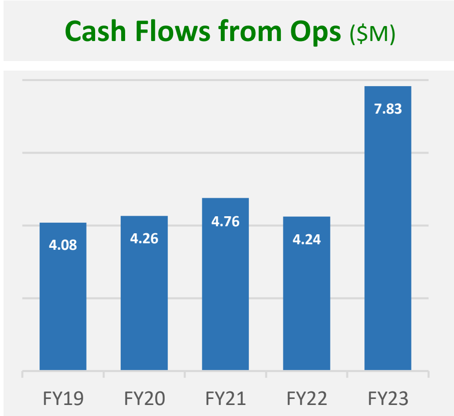
EBITDA ($M)



Earnings before interest, tax, depreciation and amortisation also rose significantly, with a 17.5% increase to $10.20 million from $8.68 million in FY22. Over the four years to FY23, the business has risen by a compound annual growth rate of 20.1%. Profit before tax was $6.37 million, growing by 19.4% from the $5.33 million achieved in FY22 and increasing every year from FY19 by an average of 13.5%. Profit after tax reached $4.76 million, representing a 31.1% gain on the $3.63 million achieved in FY22, and a 14.1% annual gain over the four years to FY23. Annual growth in earnings per share increased from 19.5% in FY22 to 22.9% in FY23.







Cash flows from operations rose by a substantial 81.6% to $7.70 million from $4.24 million in FY22. Consequently, net cash flows were boosted more than fourfold to $3.25 million from $0.78 million last year, leading to correspondingly high increases in cash on hand and working capital, rising by 57.1% to $8.93 million and 34.1% to $16.45 million, respectively. The balance sheet has been strongly reinforced by internally generated cash flows and a 16.0% reduction in equipment finance debt, rendering it well-positioned to capitalise on a range of growth options.

Equally, in light of this performance, the Board has declared a final dividend of 0.8 cents per share, bringing the full year, fully franked dividend to 1.6 cents per share. Dividends for the period increased from 1.4 cents in FY22 to 1.6 cents in FY23.

Operational Performance

While the Services and Products divisions achieved high revenue growth resulting from increased productivity, the Technology division, which in previous years had been hampered by closures and restrictions, did not achieve expected revenue from two licence agreements due to timing, change of scope and supply chain issues. Despite this, the division advanced discussions and negotiations with several valuable potential customers in Asia and North America.

The issues associated with labour shortages and wage inflation, that are currently being experienced across Australia, are issues that LaserBond ordinarily manages and has done so for years. As a business that relies on specially skilled workers, the business has managed an ongoing recruitment program to support growth expectations as well as providing annual incremental rises in wages to avoid significant increases in one period.

The Services division was the outstanding performer for the year with a 50.7% uplift in revenue to $20.64 million from $13.70 million in FY22. The result also reflects a full-year contribution from the Queensland facility, which is performing extremely well. Earnings before interest, tax, depreciation and amortisation reached $6.47 million, reflecting a 77.8% jump from $3.64 million in the previous year. The result reflects the preservation of margins as well as more rapid order fulfillment as skilled migrant workers who were hired and trained during the year became fully operative in all state-based facilities. In FY24, the division will begin targeting the cement, marine, manufacturing, construction, water and timber industries.

The Products division also increased productivity with skilled migrant workers to optimise equipment capacity, reducing lead times and increasing sales. The division achieved a 19.1% rise in revenue from $14.96 million in FY22 to $17.83 million in FY23. Earnings before interest, tax, depreciation and amortisation decreased by 9.5% from $5.02 million in FY22 to $4.54 million in FY23 due to the impact of inflation on agreed pricing with original equipment manufacturers. New pricing agreements will restore the traditional gross margins to the business in FY24.

While the financial performance in the Technology division did not meet initial expectations, in-roads were made in North American and Asian markets with new customers who were impressed by LaserBond's applications, quality of work, and ability and willingness to tackle industry problems. On the financial front, the technology division was not able to recognise revenue on two technology sales, due to issues associated with timing, changes of scope and supply chain issues. These two delayed projects will deliver revenue in FY24. In FY23, Technology revenue was $0.14 million with a negative EBITDA of ($0.30) million, reflecting the investment made in developing new markets with high-value customers.

On the operational front, the technology sale to Swinburne University in Victoria is expected to be commissioned late in the first half of FY24 with revenue following soon after completion. Another agreement with an Indian firm for a laser cladding cell was signed in June this year, while a potential sale to a large offshore original equipment manufacturer could also possibly generate revenue in FY24.

A critical element of LaserBond's business model is to develop bespoke solutions for customers that can then be further developed and adapted for application in a broader market. Consistent with this approach, LaserBond's industry-leading R&D program was recently enhanced with the recruitment of a Technical Product Development Manager to identify industry wear problems and work with the R&D team to solve them. The applications and solutions developed through this process will be assessed for market demand and, if worthwhile commercialised to develop new sources of revenue.

After much progress in capability and capacity, training skilled migrant workers and deploying them to each of the four facilities, productivity has increased, and equipment optimisation has improved significantly. While this focus will not wane, there is a comprehensive business development drive commencing in FY24 to realise the value of increased productivity and further build revenue, reach and reputation.

Strategy and Outlook

LaserBond's strategy is founded on four core tenets: to expand into new markets with existing and new offerings; to build capacity and capability by investing in people and equipment; to innovate and stay ahead of the market; and to extract maximum value from its intellectual property by licensing its technology under long-tailed licensing agreements. Progress was made in all four areas with an assessment on acquisition opportunities both locally and in the US underway. The business increased productivity with more workers to optimise equipment capacity, increased, dedicated R&D resources as well as marketing cladding applications to new markets, and advancing discussions for technology licensing agreements.

With respect to geographic expansion options, investigations into options for a LaserBond facility in Western Australia continued during the year, with two possible options that will be further investigated in the current year. Similarly, in response to customer demand, the board and management are evaluating the feasibility of locating a LaserBond facility near a large Products division customer in the US to enable greater efficiencies for the large body of work produced for that customer, as well as more efficiently servicing the needs of other existing customers in the North American market. While offshore expansion activity has focused on the Products and Technologies offering, a US facility would also open up possibilities for the Services division work. These opportunities will be further assessed in FY24.

Mr Hooper also said, "While there is much speculation about future economic performance, with Australia's economic pressures largely aligned with those being singled out at the global level, LaserBond's demand has shown no sign of abating, which is no doubt partly due to the nature of its products, services and technology being core requirements of a multitude of critical industries.

"We are also receiving a high level of interest from potential customers in offshore markets who indicate that they cannot readily source the level of quality and expertise that LaserBond brings to the table. This growing confidence in our brand, as well as continually increasing demand, interesting opportunities for new facilities in Australia and the US, and a strong balance sheet to fund our expansion activities, render LaserBond in a strong position to maintain the level of growth we have experienced in the last few years. The board remains confident that it can achieve its stated revenue target of $60 million in FY25."

~ ENDS ~

Authorised for release by the Board of LaserBond Limited.

Further information about the company's financial and operational performance can be found in the Appendix 4E and FY23 Annual Report also lodged with the ASX today.

Further Information	Matthew Twist Chief Financial Officer (02) 4631 4500 matthewt@laserbond.com.au

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.