



SYNERTEC

# Synertec Corporation Limited (ASX: SOP)

Investor Presentation, June 2020



Synertec Corporation Limited (ASX:SOP)

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expertise  experience

# Investment Highlights

Synertec Corporation Ltd (ASX: SOP) is commercialising globally scalable technology through an established diversified engineering consulting business.



Pursuing **an immediate global growth opportunity** by commercialising innovative oil & gas technology, delivering into multibillion-dollar markets on the cusp of acceleration



A sustainable competitive advantage providing engineering services to sectors with **high barriers to entry** and high client reputational risk: critical infrastructure, pharma and energy



Base business generates **cashflow to fund growth**, with a diverse revenue base built on long-term relationships with customers in high-risk and highly regulated industries





# Corporate snapshot

ASX Stock Code	SOP
Listing date	11 Aug 2017
Share price as at 26 June 2020	\$0.023
Shares on issue	220.7m
Listed options (SOPOA, 5.3c, 7 Aug 2020)	16.2m
<b>Fully diluted market cap</b>	<b>\$5.1m</b>

## Experienced, commercial and invested leadership team

Director	Role	Shares held
Ms Leeanne Bond	Independent Non-Exec Chair	2.8m (1.3%)
Mr Michael Carroll (Founder)	Managing Director and CEO	94.8m (43%)*
Mr Kiat Poh	Independent Non-Exec Director	2.4m (1.1%)
Mr Dennis Lin	Independent Non-Exec Director	0: appointed Aug 2019
Mr David Harris	CFO and Company Secretary	1.4m (0.63%)
<b>Total Board</b>		<b>55.3m (25.1%)</b>

\* Michael Carroll controls 52% of New Concept Corporation's 94.8m shares, i.e.. beneficial ownership = 49.4m shares (22.4%)

## Offerings



- Technology Design and Development
  - Replicable and scalable solutions to enhance industrial clients' profitability, efficiency and safety*



- Specialist Engineering Consultancy Services
  - Feasibility studies, commissioning, facility design and construction, project management, installation, automation & control, functional safety, inspection, compliance and maintenance services*

## Key Industries



Rail



Water



Pharma/Biotech



Oil & Gas

## Key Metrics

- ✓ FY19 revenue: **\$24.1m**
- ✓ FY19 net operating cash inflow: **\$0.8m**
- ✓ Total cash balance as at 31 Dec 2019: **\$2.9m**
- ✓ **Zero bank debt** with access to a covenant-free facility

# A blue-chip customer base



**70%+**  
of services revenue  
from repeat clients  
since FY17

- A key revenue driver for Synertec is its design, implementation and regulation of **mission-critical functional safety control systems** for critical infrastructure (e.g. water and rail) and regulated industries
- Synertec delivers with **unrivalled experience** into a global market where ~US\$3.7 trillion in global infrastructure spend is expected to 2040<sup>1</sup>, with the annual value of the global infrastructure functional safety control system market expected to grow from US\$4.6 billion in 2019 to US\$7.1 billion by 2024<sup>2</sup>

1: Oxford Economics: Global Infrastructure Outlook July 2017; 2: Markets & Markets, 2019

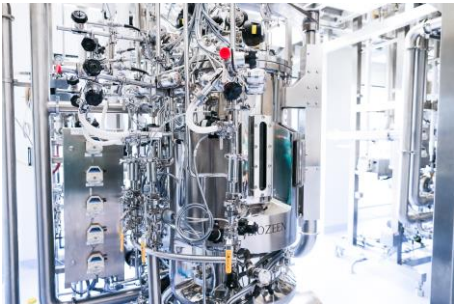
# Experienced APac pharma and biotech solutions provider

- Synertec's heritage is in pharma engineering design and construction services. We have earned **more than \$50 million in revenue** since 2014 developing “clean process” pharmaceutical good manufacturing facilities for customers who deal with sterile and high containment environments that present significant reputational risk
- Synertec is a trusted partner to Australian pharma and research heavyweights including **CSIRO, CSL and ANSTO**, where the company provides clinical trial facility design support, computer systems validation testing and other complex engineering services to the highest international compliance standards
- The Asian market for pharma engineering services is **poised for growth**, with an increasing focus on the quality and integrity of manufacturing facilities. Asian pharma, nutraceutical and biotech operators are now targeting world’s best practice in their development of brownfield and greenfield sites
- With >US\$150 billion invested by pharma companies for new plant and equipment in the past 5 years<sup>1</sup>, **pharma facility capital expenditure is continuing to grow**, with the largest companies’ expenditure rising the fastest as they invest heavily in biologic and injectable capabilities
- Synertec’s extensive experience as **an adept problem solver for complex industries** positions the company well to win more contracts in this growing market

1: PharmSource Trend Report, Bio/Pharma CapEx Trends

Synertec has built a strong book of customers across the Asia Pacific region:

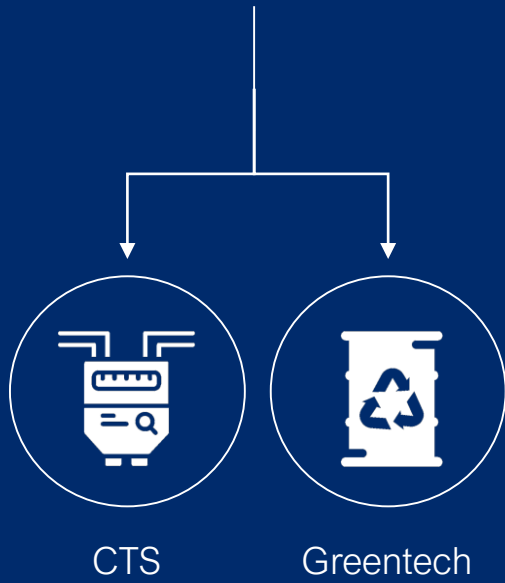
	Australia	Asia
ANSTO	✓	
Aspen Pharma	✓	
AstraZeneca	✓	
Bilcare		✓
Bioxcell		✓
Clini-Goods		✓
CSIRO	✓	
CSL	✓	
Ego Pharmaceuticals	✓	
Genentech		✓
GlaxoSmithKline	✓	✓
Hospira (Pfizer)	✓	
Idaman Pharma Manufacturing		✓
iNova Pharmaceuticals	✓	
Institute of Chem Eng Science (ICES)		✓
Mayne Pharma	✓	
Medical Developments Int'l (MDI)	✓	
Merck & Co. (MSD)	✓	✓
Novartis		✓
Nutrition Care Pharmaceuticals	✓	
Pharmaniaga		✓
Pharmaxis	✓	
Sanofi Aventis	✓	
Wyeth		✓
Xepa-Soul Pattinson		✓



Synertec’s delivery of a major upgrade to a vaccine facility in Victoria, Australia included complex integration of services and equipment



# Technology Design and Development: Commercialisation Opportunities



# CTS: Synertec's lead product in LNG



When transferring large, valuable volumes of LNG, an exceptionally accurate, certified and reliable custody transfer system (CTS) is crucial, as errors of 1% are common and can **dramatically impact profitability**.



The market-proven Synertec CTS can **unlock additional profit** of \$25 million per year, every year, for the life of a typical facility that generates \$5 billion worth of LNG per year. The technology is **suitable for all LNG applications** across both land and marine-based facilities.



The Synertec CTS can deliver **material financial gains**, having built a proven track record with organisations including Chevron and Exxon. Our clients tell us **our CTS is market-leading**, and they consider it the most precise in the world.

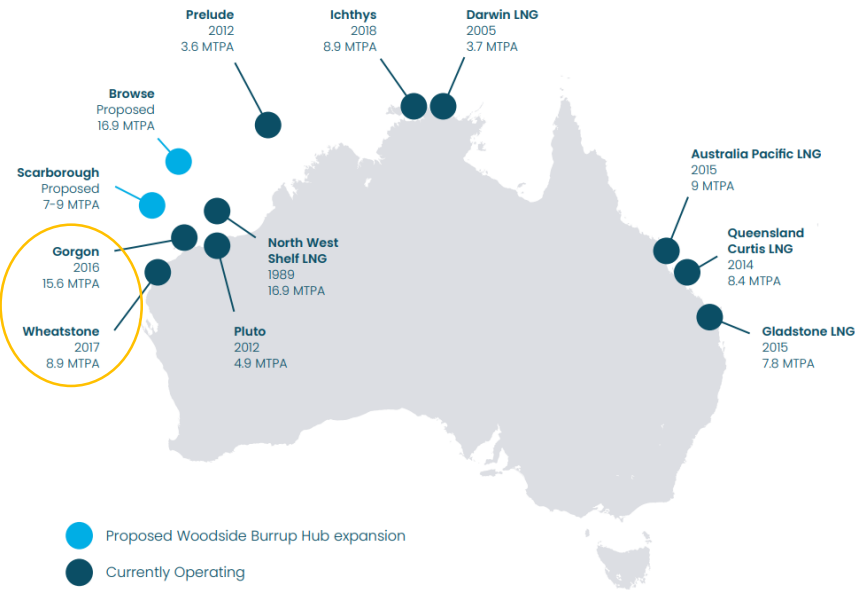
Synertec's CTS has gained the certification and endorsement of EffectTech, the global leader in gas measurement for the energy industry. This led to Synertec becoming EffectTech's exclusive APac regional representative in 2020

Synertec has successfully delivered two land-based CTS systems in Australia, to the Gorgon and Wheatstone projects in WA (circled at right), earning more than \$30m revenue since 2014



Click image above to view a video introducing Synertec's CTS

Australian LNG Projects and annual capacity – current and proposed



Source: SMH



# Marine LNG global mega-trend

Marine LNG is a **key target market** for Synertec and a core driver of its technology design and development-led growth strategy.

- Growth in the global fleet of floating LNG production, storage and bunker vessels presents an immediate opportunity to leverage Synertec's experience and niche capability in LNG custody transfer (metering) systems
- There are currently more than 200 floating LNG production projects in planning, and over the next three years, there is expected to be **the greatest number in history** of floating production storage and offloading (FPSO) project sanctions in any one period
- Significant planned **industry spend on new and existing facilities** over the next 5 to 10 years, with Synertec positioned well to capture market share in the emerging niche of LNG custody transfer systems (CTS) and related products and services – including on the east coast of Australia
- Increasing trading of LNG between countries and vessels, and monumental regulatory change covering ship emissions effective from 1 January 2020, are driving **an immediate unmet need** for more LNG storage and transmission from floating facilities – underpinning a sustainable growth opportunity for Synertec

## A spike in large-scale projects

Between 2019 and 2022, 33 FPSO vessels are due to be sanctioned.

Demand for FPSOs has become a worldwide phenomenon: the Americas are responsible for the largest number of sanctions expected in the period with 15, followed by Asia with 6, Europe and Africa with 5 each, and 2 more in Oceania.

In 2018, 88 projects were sanctioned, and the same number are scheduled for 2020. 2019 saw the sanctioning of at least 122 projects: 17 floating solutions and 105 offshore field projects.

The flood of FPSOs may cause bidding issues: a new sort of development strategy may be needed, as firms struggle to find bidders.

*Source: Oil and Gas IQ, 2019*





# Synertec's immediate opportunity in marine-based CTS

- Synertec has invested more than 30,000 man-hours in developing **best-in-class LNG CTS technology** which can be installed on new and existing LNG vessels, securing the **first-mover advantage** with a significant barrier to entry
- A **strategic alliance with Trelleborg Group**, a global leader in oil & gas transfer technology, allows Synertec to leverage Trelleborg's global marine salesforce with operations in >50 countries
- Synertec is **collaborating** with a major listed owner, operator and manager of LNG carriers, to jointly develop and deploy the first example of Synertec's patented marinised CTS
- This new marine-based solution is similar to CTS that Synertec has deployed on land, only smaller. This collaboration will provide **proof of concept, investment validation** and is expected to position Synertec favourably for **future awards on floating LNG projects**
- Each such award could be worth between \$0.5 and \$2 million to Synertec, with dozens of potential new projects to target globally each year
- Synertec is also exploring ways to present this technology through innovative financial models that can minimise clients' capex outlay and provide Synertec with **longer-term recurring revenue streams**



*Synertec's CTS as deployed for Gorgon and Wheatstone – the marinised solution is similar but scaled down*

Total Addressable Market:	>US\$200 billion Capital expenditure on new LNG plants expected by 2025 <sup>1</sup>
Serviceable Available Market:	>US\$4 billion Estimated global capital expenditure on new and brownfield LNG CTS

1: Wood Mackenzie 2019, 'LNG primed for \$200 billion capex boom - will it drive cost inflation?'

# Synertec and Greentech: strategic synergies

- Sichuan GreenTech Environmental Co., Ltd. (Greentech) was founded to commercialise innovative technology that provides **an environmentally friendly and cost-effective solution** for the treatment of toxic sludge and various forms of waste water
- Greentech's patent-pending lead product, **Composite Dry Powder** (CDP), provides a quick, effective and affordable way to process water-based oil & gas sludge into non-polluting, high-strength building materials. CDP is customisable for diverse global applications beyond energy production, including mine tailing sludge and municipal sewage sludge



- Through its technology design and development business unit, Synertec seeks to commercialise **replicable and scalable solutions** which enhance industrial clients' profitability, efficiency and safety
- Given its current focus and strong experience in the oil & gas industry, Synertec views Greentech's exciting recent progress as **an attractive opportunity** to bolster the Company's technology portfolio
- Greentech is seeking a loan facility from Synertec** which will partly fund Greentech's pilot programs. The proposed loan facility will be secured, repayable with interest by 31 December 2020 and have customary terms and conditions.

# Board of Directors



**Leeanne Bond**

Independent  
Non-Executive  
Chairperson  
*Australia-based*

- Ms. Bond has 30 years' experience in business strategy, technology and innovation, risk management, infrastructure and governance of major capital projects across a range of industrial sectors including energy, minerals, infrastructure and water
- Non-Executive Director of Snowy Hydro Ltd, Aurecon and Mining3; Board member of the Clean Energy Finance Corporation; 10 years in management at Worley and former Executive for Diversity and Inclusion at Downer EDI
- Owner and sole director of Breakthrough Energy Pty Ltd, a project and business development consulting firm



**Poh Kiat**

Independent  
Non-Executive  
Director  
*Singapore-based*

- Mr. Kiat has over 30 years' experience at the senior management level in construction, real estate development, manufacturing and financial markets, also holding senior positions in corporate finance and investment companies in Malaysia
- Since 2005, has managed a Singapore-based investment advisory company focused on participating in strategic stakes in listed companies
- Former Non-Executive Director of Centrex Metals Limited (ASX:CXM)



**Dennis Lin**

Independent Non-Executive Director  
*Australia-based*

- A Chartered Accountant and solicitor, Mr. Lin is Founding Partner and Chairman of Cortina Capital, an independent private equity firm focused on middle-market businesses with great export potential to Asia
- Chairman of Bubs Australia Ltd (ASX: BUB) and Non-Executive Director at Buderim Group Ltd (ASX: BUG)



**Michael Carroll**

Managing Director  
& Chief Executive  
Officer  
*Australia-based*

- Synertec founder and visionary, highly commercial and strategic thinker who is hands-on in the day-to-day management of the company
- Founded Synertec in 1996 and has grown the business significantly during this time
- Extensive experience in Australian and Asian engineering markets
- Experienced and effective contract negotiator
- Focused on delivering Synertec's growth strategy; responsible for business development coordination (particularly for larger-scale strategic project opportunities) and IP development
- Major Synertec shareholder; effective ownership of >22% of shares on issue



**David Harris**

CFO and Company  
Secretary  
*Australia-based*

- Experienced ASX executive, skilled in strategic corporate development, governance, financial control, leading enterprise-wide system projects
- Works closely with CEO and Board to provide:
- Leadership, facilitation of strategy and aligned corporate development activities
  - Planning, management, reporting and control of all financial, taxation and treasury activities
  - Oversight of key systems and processes delivering operational excellence and financial control
  - Company secretarial duties and corporate governance activities



# Contact and disclaimer

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Unless marked, all currency is denominated in Australian dollars.

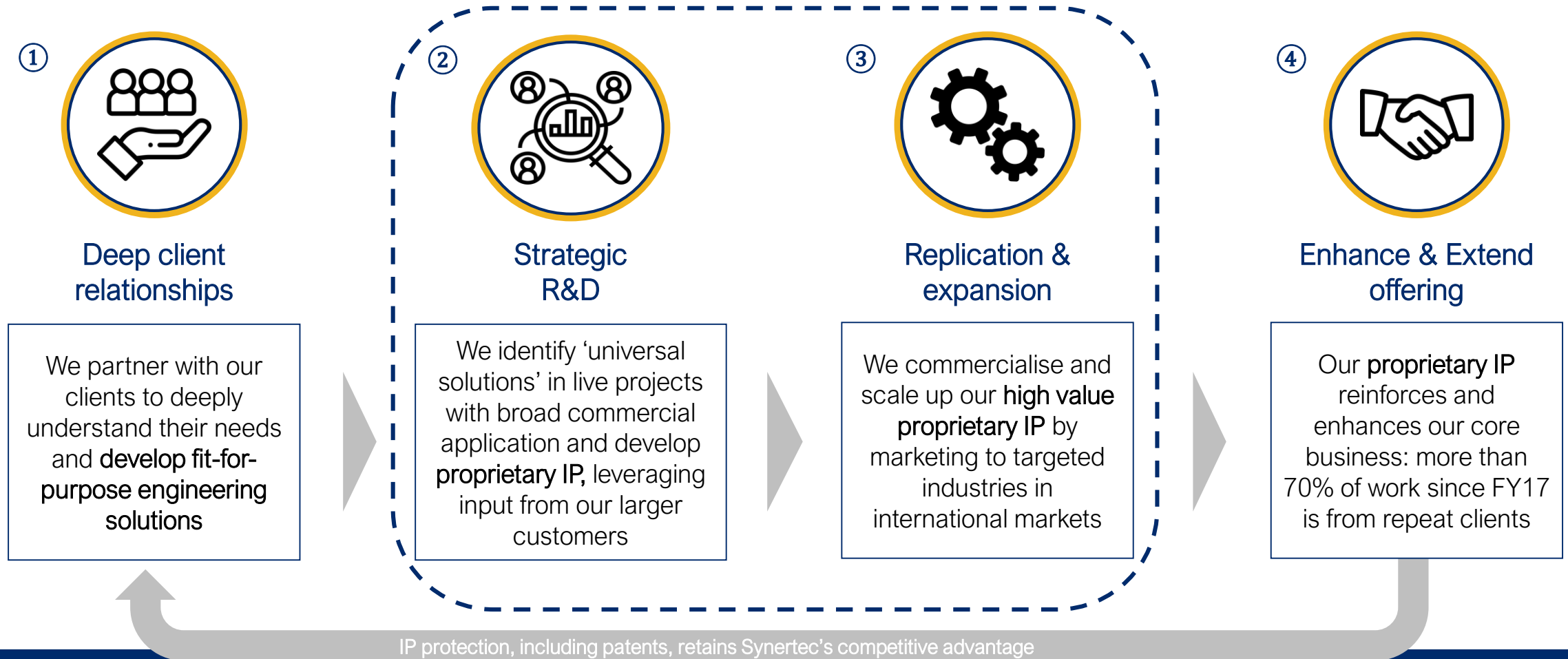
# Appendix

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# Synertec's competitive advantage

- We leverage our ability to develop commercial IP through innovative partnerships with our customers
- All engineering services businesses will claim points 1 + 4 – Synertec differentiates by performing stages 2+3





# Progress in FY20

- H1 FY20 revenue of \$7.3m, with significant year-on-year **margin expansion** as the business has skewed towards **higher-value rates-based consulting work**
- Some highly anticipated key project opportunities being deferred impacted H1 financial performance, however, Synertec gained a significant revenue contribution through its expertise in the water, pharma and biotech sectors, underlining the value of **well-diversified revenue channels** and long-term customer relationships
- In H1 FY20, Synertec successfully completed important projects in Australian critical infrastructure for key customers including Metro Trains Melbourne, Chevron Australia, Jemena and Melbourne Water
- These successful project deliveries have translated into immediate further opportunities and new project awards with these and other customers, as industry recognition builds for Synertec's unique ability to identify and deliver innovative solutions
- **Heavy investment in growth initiatives** during the period, including:
  - Further technology development in Synertec's LNG Custody Transfer System (CTS), resulting in a provisional patent application
  - Strategic international tendering and business development activities
  - Collaborating with a major LNG shipping operator to build and test Synertec's patented technology in LNG CTS, opening huge opportunities in the rapidly growing LNG marine market

Synertec revenue, FY14 to H1 FY20

