



Quarterly Activity Report & Appendix 4C 2QFY2022

31 December 2021



EVZ limited
Engineering The Future

Quarterly Update

Cash Generation with New Major Contract Win

Key Highlights

- **Building the pipeline:** Revenue backlog at 31 December 2021 of \$54M, consistent with the prior period. Backlog expected to grow by more than 60% in Q3 upon contract execution of the Viva Energy Diesel Tank project (c\$40M).
- **Significant upcoming industry contracts:** Brockman well positioned to secure additional BADSP contracts following recent wins with Viva Energy and Ampol. A further \$450M of new BADSP tank construction contracts are expected to be awarded prior to 31 December 2022.
- **Tender activity remains strong:** Syfon tender activity increasing as Australian and Asian communities return to normal lifestyles reenergising the building investment cycle. TSF Power experiencing increasing demand for hybrid power generation solutions as the market shifts to a carbon neutral future.
- **Cash flow positive and ongoing debt reduction:** Positive operating cash flow of \$750k in Q2. Net cash balance at 31 December 2021 was \$3.0M, cash on hand \$3.9M. Debt reduction of \$0.3M during the quarter. Total term debt balance of \$0.9M at 31 December 2021 planned reduction to zero balance by 30 September 2022.

GENERAL BUSINESS

In the second quarter of FY22, EVZ delivered a solid operating performance with new contract wins to position the group for profit growth from 2HFY22. The business commenced an investment phase in additional new talent and management resources to prepare for revenue growth and increasing workload from recently successful tenders and negotiated contracts.

We remain confident in the industry outlook in the liquid fuels, building construction and gas energy sectors forecast to rebound driving revenue growth in the remainder of FY22 and FY23.

BROCKMAN ENGINEERING

Brockman recently secured a letter of intent from Viva Energy for three new 30ML diesel tanks at the Geelong refinery with the expected total contract value to be circa \$40M.

Brockman were also appointed by Ampol for the design phase of two further 30ML diesel tanks at their Newport Terminal which are expected to convert to a design and construction contract in 4QFY22 with the expected contract value of circa \$15M.

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Tendering activity increased significantly during the quarter as the first group of federal governments “Boosting Australia’s Diesel Storage Program” (BADSP) grant supported construction contracts were awarded.

The BADSP grant funding injection by the Federal Government will support more than \$520M of new capital investment in bulk diesel storage in Australia. The capital investment will comprise new large diesel storage tanks and associated infrastructure in the ten selected locations.

The Australian bulk fuel tank construction industry comprises three players who will competitively bid for these works for delivery in FY22, FY23 and FY24. It is forecast that revenues in industry from the BADSP will increase by more than 60% during these years. It is expected that \$450M of BADSP contracts will be awarded in the tank construction industry before 31 December 2022.

Brockman is well positioned to secure a share of these contracts and remain available for further contract wins from our current client base in the liquid fuels, gas and water sectors

SYFON SYSTEMS

Syfon Systems delivered a consistently strong performance in the second quarter. The outlook remains positive for the remainder of FY22 and beyond as the worldwide economy returns to business as usual.

Syfon in Asia has also returned to full capacity as the major Asian markets respond to increased demand for our services for new large infrastructure and building developments in Kuala Lumpur, Penang and Vietnam.



Intel Pelican Project, Bayan Lepas Penang – Syfon Systems project underway

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The Light City, Penang – Syfon Systems project

The mid term and long term outlook in Asia is positive for 2HFY22 and we expect activity levels to increase further in FY23.

Work in hand remains at historically high levels supporting growth in future periods.

TSF POWER

TSF Power service workload and parts sales have grown consistently in recent months with the demand for renewable gas energy continuing to rise as the economy demands more options to manage the impact of climate change. Customer demand for our technical support and our value for money offering is rising as we seek to grow our expertise footprint to more locations across Australia and New Zealand.

As the power industry shifts emphasis to a carbon zero future our offering of hybrid renewable power generation solutions and distributed power generation solutions with integrated operational support will deliver value as the market expands.

BALANCE SHEET

The group made term debt reductions of \$300,000 in the second quarter, reducing term debt to \$900,000. Net assets have increased to \$25.0M.

Current asset and current liability balances remained stable during the quarter as trading stabilised across our network of projects. Improved operating environments across the Australian and Asian markets in 2HFY22 and FY23 will provide further opportunities for organic growth through new large contract wins. We are also assessing and pursuing strategic acquisitions in our sectors to expand the scale of our operations.

Appendix 4C

Name of entity

EVZ Limited

ABN

87 010 550 357

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	14,961	31,115
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,471)	(10,229)
(c) advertising and marketing	(64)	(127)
(d) leased assets	(240)	(362)
(e) staff costs	(6,666)	(14,291)
(f) administration and corporate costs	(2,663)	(5,205)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(85)	(208)
1.6 Income taxes paid	(22)	(23)
1.7 Government grants & tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	750	670
2. Cash flows from investing activities		
2.1 Payments to acquire of for:		
(a) entities		
(b) businesses		
(c) property plant and equipment	(23)	(169)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(23)	(169)
3.	Cash flows from financing activities		
3.1	Proceeds from issue of equity securities (excluding convertible debt securities)		
3.2	Proceeds from of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(300)	(600)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(300)	(600)
4.	Net increase/(decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,434	3,960
4.2	Net cash from / (used in) operating activities (item 2.6 above)	750	670
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(23)	(169)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(300)	(600)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,861	3,861

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,861	3,434
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should be equal to item 4.6 above)	3,861	3,434

6.	Payments to related entities of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1	
6.2	Aggregate amount of cash flow from loans to these parties included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	900	900
7.2	Credit standby arrangements		
7.3	Other (Bank Guarantee Facility)	5,000	3,108
7.4	Total financing facilities	5,900	4,008
7.5	Unused financing facilities available at quarter end		1,892
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entering into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	The above secured loan and bank guarantee facilities are provided by the Commonwealth Bank of Australia. The interest rate on the term loan is 3.75% plus the variable bank bill rate. The interest rate on the bank guarantee facility is 3.5% on drawn balance. The current facility agreement expires on 31 October 2022.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	750
8.2 Cash and cash equivalent at quarter end (item 4.6)	3,861
8.3 Unused finance facilities available at quarter end (item 7.5)	1,892
8.4 Total available funding (item 8.2 + item 8.3)	5,753
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flow in item 1.9, answer item 8.5 as N/A. Otherwise a figure for the estimated quarters of funding available must be included in item 8.5</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: Where item 8.5 is less than 2 quarters, all questions, 8.6.1, 8.6.2 and 8.6.3 must be answered.</i>	

Compliance statement

1. This statement has been prepared in accordance with the accounting standards and policies which comply with listing rule 19.11A
2. This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2022
Authorised by: Pieter van der Wal

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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