ASX ANNOUNCEMENT

24 FEBRUARY 2021

STRONG FIRST HALF PERFORMANCE DELIVERS RECORD EARNINGS & CASHFLOW

Highlights

- **Sales revenue of $61.1 million, a 45% increase on the previous six months**
- **Record EBITDA of $6.1 million**
- **Record $7.3 million of cash flow generated from operations**
- **Forward order book of $215 million**
- **67% of forward orders represent recurring revenue**
- **Largest ever Asset Services contract secured with Origin Energy**
- **Significant pipeline of construction and service opportunities valued at circa $1.1B**

Diversified energy and infrastructure services group, Valmec Limited ("Valmec" or the "Company") (ASX: VMX), a leading energy, infrastructure and asset services group is pleased to announce its financial results for the half year ended 31 December 2020.

Commenting on the strong first half performance, resulting in record earnings and cash flow and significant growth of the forward order book, Valmec Managing Director, Steve Dropulich said *"The performance of the Company and resilience of our people over the past six months has been extremely pleasing and something I am incredibly proud of. As domestic markets start to rebound after the peak of the COVID-19 pandemic, to be announcing record earnings and cashflow is testament to the Valmec team, our business model and the strength of relationships we have with our tier-one, national client base.*

"We finished the first half with significant momentum, securing our largest ever asset services contract of $100 million with Origin Energy, growing our current forward order book to $215 million and identifying a pipeline of opportunities across energy and infrastructure valued at $1.1B.

"Moving forward, the Company is in a strong position to deliver record revenues for the full year. We expect demand across the construction and asset services divisions to significantly grow, whilst we will leverage our growing national profile to build on the strong growth platform set over the past six months."

Revenues

Valmec recorded sales revenue of $61.1 million for the half year, supported by a strong recovery in the energy and infrastructure sectors, from the peak of COVID-19 six months prior.

Revenues for the half, whilst down on the prior corresponding period ("pcp"), represented a 45% increase on the previous six months and were reflective of a stronger order book entering 1H FY21, underpinned by resilient and growing water and resource infrastructure markets.

Revenue generated from the Construction division for the period was $36.1 million, down 25% on pcp, reflecting the gradual re-commencement of projects post COVID-19. Looking ahead, Valmec entered the second half of FY21 with substantial levels of secured Construction work, underpinned by diverse contracts within the Energy, Water and Resources sectors and the Company expects this division to grow to record levels of revenue activity in the second half.

The Asset Services division contributed revenues of $24.9 million, up 13% on pcp. The Company unveiled its strategy to grow the Asset Services division during the first half, which is focused on transitioning the Valmec business from its current weighting, to having at least 50% of the order book dominated by recurring Asset Services revenues.

The increased focus towards Asset Services was timely. In December, Valmec secured its largest ever contract through an agreement with Origin Energy to deliver compression facility, wellsite mechanical and electrical maintenance services. The contract is valued at $100 million over five years.

Sustaining capital investment and service opportunities for Valmec continued to grow during the period, with the Company entering the second half with a record forward order book of $215 million. Importantly, 67% of forward orders represent repeat client recurring revenue streams.

Earnings

The Company reported record earnings before interest, tax, depreciation and amortisation (EBITDA) of $6.1 million, a 13% increase on the pcp.

First half earnings were supported by a strong performance across water and resource infrastructure, which played a key role in an improved Gross Margin of 18.2%, compared to 16.2% from the pcp.

Valmec expects second half EBITDA to be stronger, recognising increased activity and resourcing levels and an order book currently dominated by recurring construction work.

Earnings per share for the reporting period was 2.42 cents, a 34% increase from pcp of 1.81 cents.

Balance Sheet

Cashflow generated from the first half increased by $11 million, generating a record $7.3 million of net cash from operations.

Valmec ended the half year with a cash balance of $8 million and total assets of $69 million, an increase of 7% for the half.

Stronger earnings reduced the Company's low gearing ratios, with external gearing now at 16% compared to 25% at 30 June 2020.

Net Assets of the consolidated group were $33.2 million at the reporting date, representing growth of 10% during the half, compared to $30.1 million at 30 June 2020.

Safety

Valmec lives its core value of Safety every day.

Our people continued to perform at an exceptionally high-level across critical health, safety and environment (HSE) workstreams, whilst recording impressive revenue growth during the half.

This was highlighted by Valmec finishing the half year with a recorded TRIFR (total recordable injury frequency rate) of 0.56. Importantly, Valmec celebrated over 3 million hours lost time injury free during the period.

The Company's long-term commitment to local and indigenous relationships was also acknowledged by the accreditation of our Reconciliation Action Plan, being recognised for the ongoing development of our INNOVATE framework.

John Holland Pty Ltd Litigation

Valmec remains confident in its pursuit of John Holland Pty Ltd ("John Holland") in the Supreme Court of Western Australia for the outstanding payment of its claims on the NorthLink WA Project. The project was successfully completed by Valmec in March 2018.

With the Company completing and filing its Independent Expert's Reports in relation to its claims in 2020, Supreme Court Orders now require John Holland to file its responding Independent Experts Report by the end of February 2021.

Recent Court Orders have also now determined that the parties must attend a mediation during May 2021.

All funds recovered through the litigation will result in a one-off lift in Company earnings and free cash flow, with all ongoing costs being expensed as and when they occur.

Dividends

Subject to Valmec achieving its current earnings expectations for FY21, the Directors anticipate payment of a dividend in respect of the full year ended 30 June 2021.

The directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2020.

Further, subject to a satisfactory resolution of the John Holland litigation matter during this period, the Directors also anticipate payment of an additional Special Dividend in respect of the same.

Outlook

Valmec is well placed to deliver record revenues for the full year.

Supported by the recent 5-year, $100 million Origin Energy contract, a growing pipeline of project tender and ECI prospects within all its delivery sectors and a forward order book of $215 million, Valmec enters the second half of FY21 with strong momentum.

Valmec will also continue to focus on expanding its presence in the exciting and rapidly growing Hydrogen sector. Valmec's positioning as an early mover in this sector through the successful completion of works at Australia's first Hydrogen facilities in South Australia for Australian Gas Infrastructure Group, places the Company in a strong position to be a major player in this new growth industry.

With a long-term, major energy maintenance cycle imminent, Valmec, across both the Asset Services and Construction divisions, will continue to leverage its existing national footprint to target growth through Government-funded infrastructure initiatives, the re-emergence of gas as a cheap energy source, early opportunities in the hydrogen sector and the growing importance of national water infrastructure, as the Company works toward achieving its annual revenue target of $300 million by FY23.

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