



VEEM

VEEM LTD

FY2021 RESULTS & OUTLOOK
AUGUST 2021

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FY2021 Highlights

- 01 Strong revenue, EBITDA and NPAT result – up 34%, 36% and 97% respectively on prior year.
- 02 The second and third VG1000SD VEEM Gyros were completed and delivered and have since been successfully sea trialled as well as other deliveries to prestige European yacht builders. Gyro enquiries and quotes are stronger than ever with the value of leads double that of 30 June 2020.
- 03 Propeller revenue was up strongly on the back of increased demand and increased capacity with two new machining centres due for delivery in 1H FY2022.
- 04 Defence revenue was strong with both the ASC submarine component contract and ride control for Austal contributing strongly. ASC have already placed an initial order for the next refit.
- 05 Engineering products and services business remained strong and profitable with increased sales of Forever Pipe and new patents applied for.
- 06 Outlook is very positive in all areas of the business and we continue to invest in expanding and improving our product range as well as reducing costs.



FY2021 Financial Highlights

- 01 Revenue of \$59.5m up 34% on FY2020.
- 02 Sales of VEEM Gyros \$7.4m, up 54% on FY2020. Current orders in hand of \$1.5m with stronger than ever leads and enquiries supporting continuing significant increases.
- 03 EBITDA of \$10.2m, up 36% on FY2020.
Profit before tax up 81% to \$5.9m.
NPAT up 97% on FY2020 to \$4.9m.
- 04 Continued investment in R&D of \$4.5 million. Creating and enhancing VEEM's own products and improving processes to reduce time, cost and waste and increase margins and capacity.
- 05 Cash Flow from Operations of \$6.3m, up 6%. This reflects increases in inventory and previously received progress payments flowing through the revenue for the year when compared to EBITDA.
- 06 Healthy cash balance of \$2.2m with unused overdraft of \$3.4m and term debt of \$7.2m (incl. HP).
- 07 Net Assets up 12% from \$32.6m to \$36.6m.
- 08 Propulsion revenue was up 17% from FY2020 on the back of strong demand and an increase in operational capacity.
- 09 Engineering products and services business remained strong and profitable with sales of Forever Pipe up 43%.
- 10 Defence revenue was very strong with almost all orders under the \$9m submarine contract delivered and continued strong sales of marine ride control fins.

2021 Full Year Financial Results Summary

	FY2021 A\$mil.	FY2020 A\$mil.	% Change
Revenue	59.5	44.4	34%
EBITDA[#]	10.2	7.5	36%
Profit before Tax[#]	5.9	3.2	81%
Net Profit after Tax (NPAT)	4.9	2.5	97%
Earnings Per Share (EPS)(cents)	3.78	1.90	97%
Cash Flow From Operations	6.3	6.0	6%
Net Assets	36.6	32.6	12%

[#]JobKeeper income is included in EBITDA and NPAT in both the 2021 (\$1.5m) and 2020 (\$1.5m) financial years.

Gyrostabilizer FY2021 Highlights

Sales of VEEM Gyros \$7.4m, up 54% on 2020. Sales for 2H 2021 were \$3.8m, up 5% on 1H 2021. Current order book is \$1.5m and the value of leads is more than double that at 30 June 2020.

Significant increase in higher probability leads and enquiries for all sizes provides confidence in expected forward sales increases. VEEM Gyros specified on a number of vessel tenders. Sales team increased.

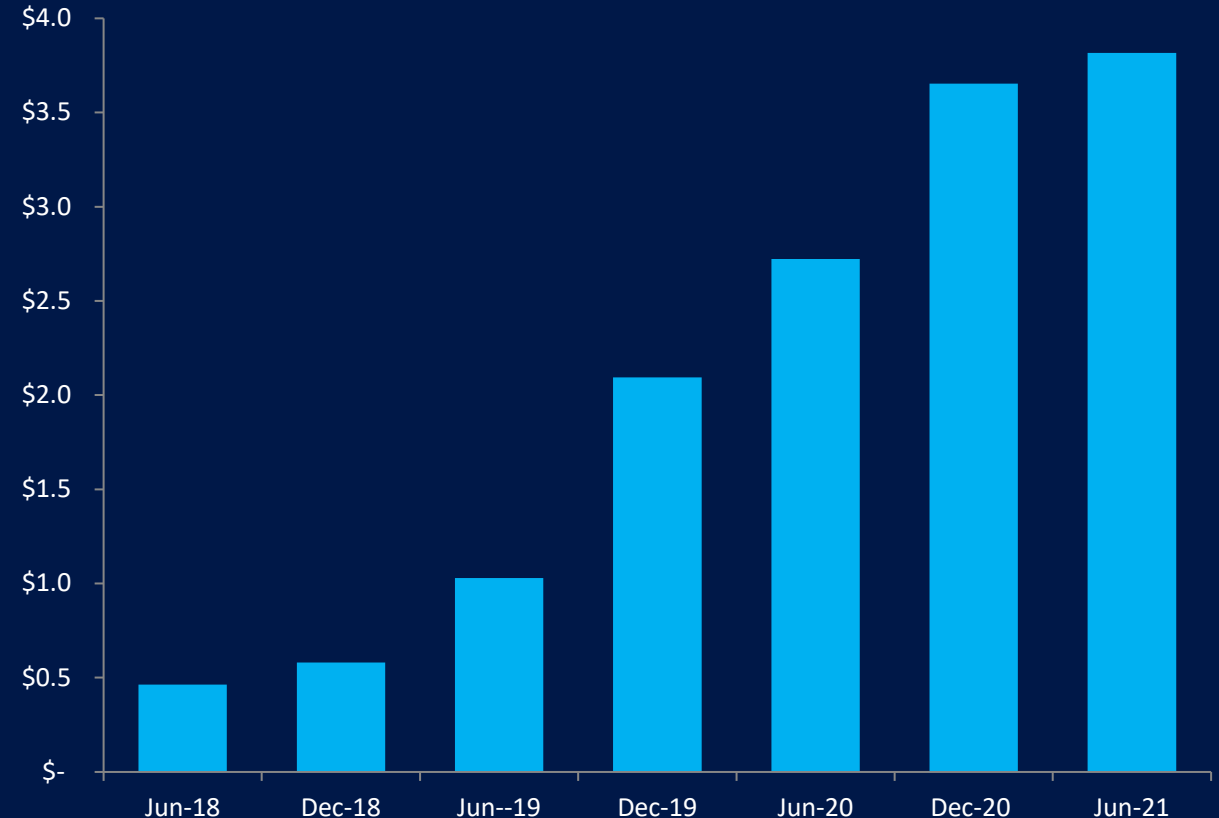
New gyro facility running well and build efficiencies are evident. Now building to a plan based on forecast probable sales which will generate efficiencies in labour and materials.

Staffing and systems significantly improved over the year with new senior managers now appointed in key roles. Strong technical capability has also been added in Europe with a strong emphasis on after-sales.

Engineering development work has been focused on further improving the performance of the gyro, increasing the flywheel on the larger gyro to provide even more stabilization torque and after-sales servicing.

Potential gyro market size identified as US\$14.6bn with US\$1.1bn being new builds. The scope for growth in this market is huge across commercial, superyachts and defence.

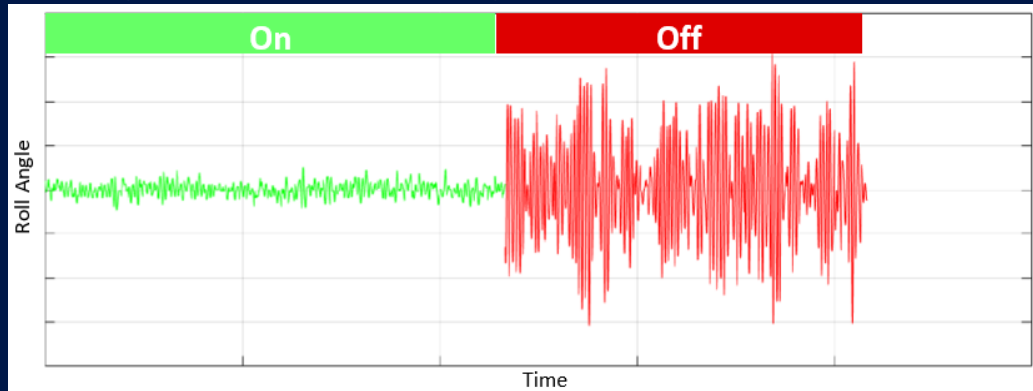
Sales of VEEM Gyros (\$m)



Gyrostabilizer FY2021 Highlights (cont.)



The MV Leonardo with the VG1000SD VEEM Gyro installed on the deck (below the yellow crane boom) ahead of sea trials. Anecdotally, Damen representatives and crew on board during the trials were very impressed with the vessel comfort and performance when the VEEM Gyro was turned on.



COVID-19 resulted in a general slowdown in European shipyards which has flowed on to vessel completions, gyro installations and commissioning. This in turn pushes out the customer experience and feedback and hence re-orders.

Three year supply agreement signed with Damen Shipyards, one of Europe's largest shipyards producing 175 vessels per annum.

Three VG520/1000SD gyros have been built and sold to date (two during FY2021). The second VG520/1000SD was a retrofit installed on a Naviera Integral offshore oil field workboat in the Gulf of Mexico (Damen FCS5009).

The Naviera Integral gyro was the first VG520/1000SD to be commissioned and during the sea trials roll motion data was recorded with roll reduction measurements exceeding customer expectations.

The third VG520/1000SD VEEM Gyro has been installed on a privately owned Damen FCS vessel in Western Australia with commissioning and sea trials successfully completed in August.

Sales of the three VEEM Gyros for installation on Damen workboats and significant leads from other commercial players has indicated the rate of take-up within the commercial market will be more rapid than expected.

Highlights since Year End



Successful sea trials of a VG520/1000SD VEEM Marine gyrostabilizer on the privately owned MY Umbra, a Damen 60m explorer vessel of Fremantle, Western Australia



Launch of the VEEM Marine brand combining VEEM's gyrostabilization and propulsion products for the global market.

Refer to the appendices for further information on the above.

Outlook - Gyrostabilizers

Gyro sales are expected to continue to grow rapidly given the current strong level of orders, leads and enquiries and the huge potential market.

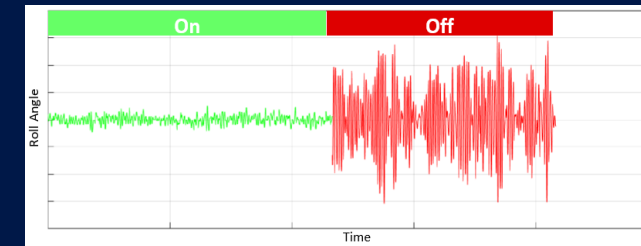
VEEM's strategy of building to a production plan based on sales forecasts should appeal to the retrofit market in particular as it will provide inventory available for short delivery and installation periods.

VEEM will continue to add to its European-based staff in the coming months to further enhance shipyards and owners knowledge and experience of VEEM Gyros. The after-sales area of the business will continue to increase as more VEEM gyros are in service.

VEEM continues to expand and formalize its capability in the area of after-sales and support. Ensuring the business is correctly resourced close to key markets in order to support the future installed base.

Commercial retrofit and luxury superyacht new build markets are expected to be the major growth areas with defence expected to take longer to implement new technologies.

The positive results from the Gulf of Mexico and Fremantle sea trials and the Damen product launch of the FCS7011 later this quarter are expected to drive further interest from the commercial sector through Damen and others.



Outlook – Propulsion & Defence



PROPULSION

- Expected to continue to grow due to increased demand globally. Many yards booked out to 2023-4.
- New key superyacht builders adding VEEM as primary supplier
- Two new machine centres due shortly to increase capacity to meet demand.
- Increased sales of new propulsion products such as shaftlines.
- Engineering innovation to continue to deliver improvements in time and cost of manufacturing which will allow VEEM to continue to offer the premium product at reasonable prices while maintaining gross margins.



DEFENCE

- FY2022 will see the tail of the current submarine component contract and the initial deliveries of the next full cycle docking (initial order already received) along with normal levels of spares.
- Deliveries to Austal for the LCS ride control will continue through to the end of 1H 2022. Other Austal ride control and propulsion work is expected to be ongoing.
- Federal government's increased drive for local content, on naval vessels in particular, is expected to drive growth through BAE Systems Australia and others.
- BAE Systems Australia has placed an order for a pilot propeller blade as part of qualification for the Hunter Class Frigate Program

Outlook – Forever Pipe & Engineering On-Demand



FOREVER PIPE

- Forever pipe is expected to continue to increase its presence in domestic and overseas markets with an expanded product range.
- R&D has led to breakthrough developments of bends and T-pieces which will significantly improve the life-cycle and plant safety even further.
- The bends and T-pieces allow the full system to now be better protected and screened for wear enhancing safety and lowering costs significantly. This is expected to drive enquiries and subsequently sales as the product is rolled out.



ENGINEERING ON-DEMAND

- Continuing to bid on, and win, work across the country where utilisation of the Company's foundry and precision machining capability enables VEEM to provide specialist solutions for customers.
- Maintaining the engineering capability and expertise also supports the marine and defence businesses.
- Local 24/7 dynamic balancing division is very busy and this is expected to continue.

Summary

VEEM is a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defense industries.

From a precision engineering background, over decades VEEM has developed its own range of products concentrating on disruptive, technology-led, high-margin products with large addressable markets and significant barriers to entry.

Every year VEEM invests significantly in research and development. This is directed at the creation and enhancement of new products as well as the reduction in time and cost of production in order to keep pricing competitive, increase margins and add capacity.

VEEM has a strong underlying precision engineering business which generates ongoing profitability and cashflow as well as providing a foundation of technical skills and resources for the evolving product range.

VEEM's marine propulsion and stabilization products are world leaders in their markets with the relatively new marine gyro-stabilizer range being a new, disruptive technology in a potentially massive market.

VEEM's strong results for FY2021 reflect years of continued investment. It is this ongoing investment and continuous drive for excellence that will generate the future profit growth.



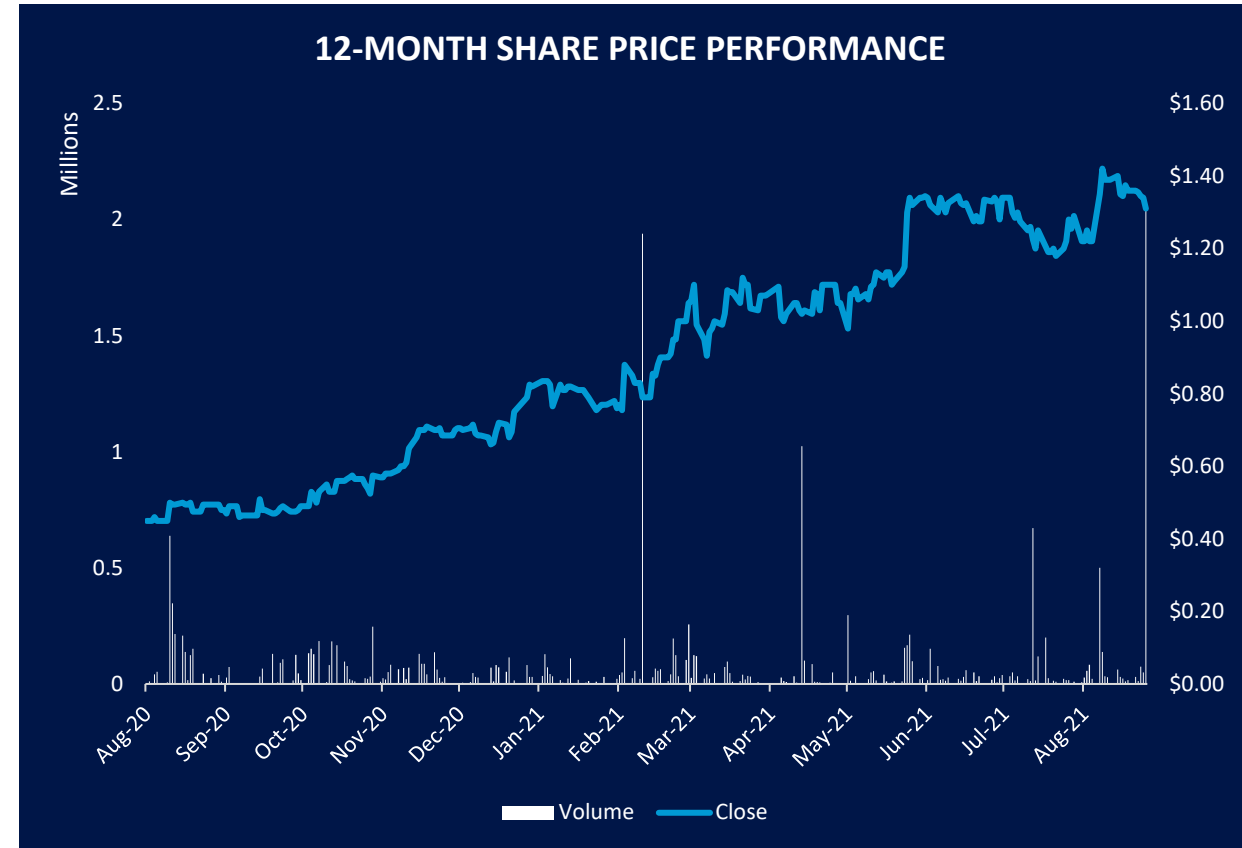
VEEM

APPENDICES

Corporate Overview

Corporate Snapshot	
ASX Code	VEE
Share Price (27 Aug 2021)	\$1.31
Market Capitalisation (27 Aug 2021)	\$170m
Shares on Issue	130m

Substantial Shareholders	
Miocevich Family	61.54%
Perennial Value Management	11.78%



VEEM Gyro Potential Market Size \$14.6bn - by Segment

Commercial



Potential Market Size:
Order book – US\$0.7bn
Fleet – US\$9.6bn

Defence



Potential Market Size:
Order book – US\$0.1bn
Fleet – US\$1.4bn

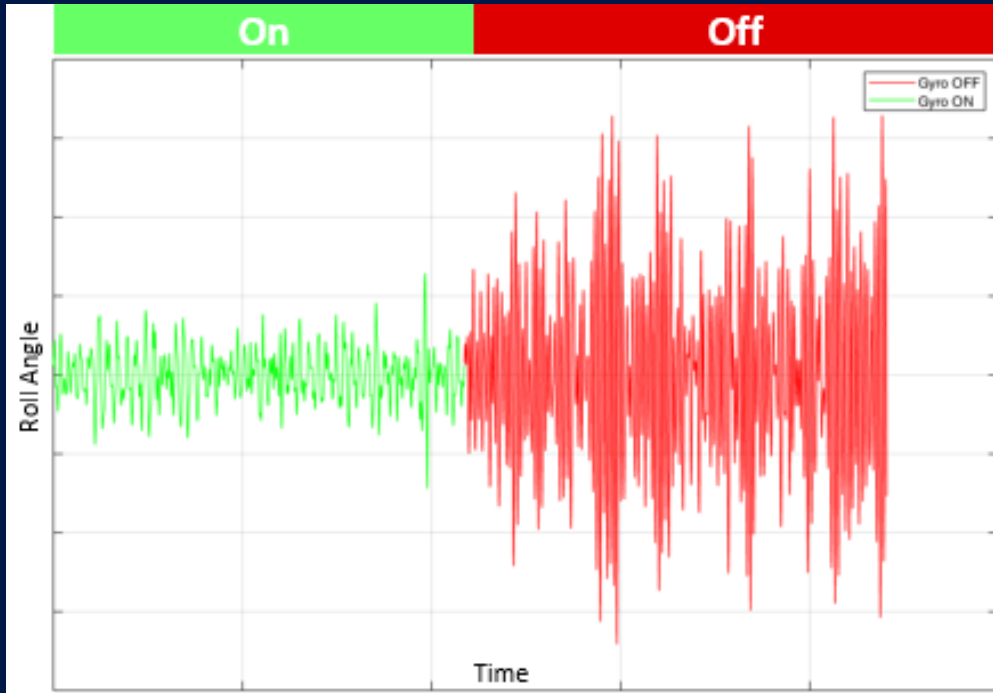
Superyachts



Potential Market Size:
Order book – US\$0.3bn
Fleet – US\$2.5bn

Refer to VEEM's ASX Release of 12 May 2021 for details and assumptions.

Successful Sea Trials on MY Umbra



"I was very surprised with how well it worked and how instantly it worked. From being on the vessel for 3 years, this has made a major improvement to the vessel."

Mr Braeden Carruthers
Captain – M/Y UMBRA

VEEM Marine's third VG520/1000SD Gyrostabilizer, the world's most powerful in-service marine gyrostabilizer, has been installed and commissioned on a privately owned 60m Damen YS 5009 exploration vessel

Recent sea trials with the VG520/1000SD VEEM Marine gyrostabilizer on the M/Y Umbra YS 5009 off the coast of Fremantle, Western Australia generated exceptional results



VEEM Marine

The launch of VEEM Marine combines our VEEM Gyrostabilizer and VEEM Propeller brands.

VEEM has now arrived at the point where its customers will benefit from a single point of contact to take them on the journey from vessel concept to after-sales service.

VEEM Marine will actively grow its footprint in Europe and further expand its already extensive North American presence.

VEEM Marine combines the long-standing design and manufacturing expertise of VEEM Propellers with the industry-leading VEEM Gyrostabilizers.

VEEM Marine is well-placed to meet the growing market demand as the global market leader in the high-end marine propulsion and gyrostabilization sectors.

Combining VEEM Gyrostabilizers and VEEM Propellers provides major benefits for our customers. VEEM's marine propulsion and stabilization systems go hand in hand, improving vessel efficiency, performance, safety and sustainability.





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