

DURATEC LIMITED FY21 RESULTS PRESENTATION

27 AUGUST 2021



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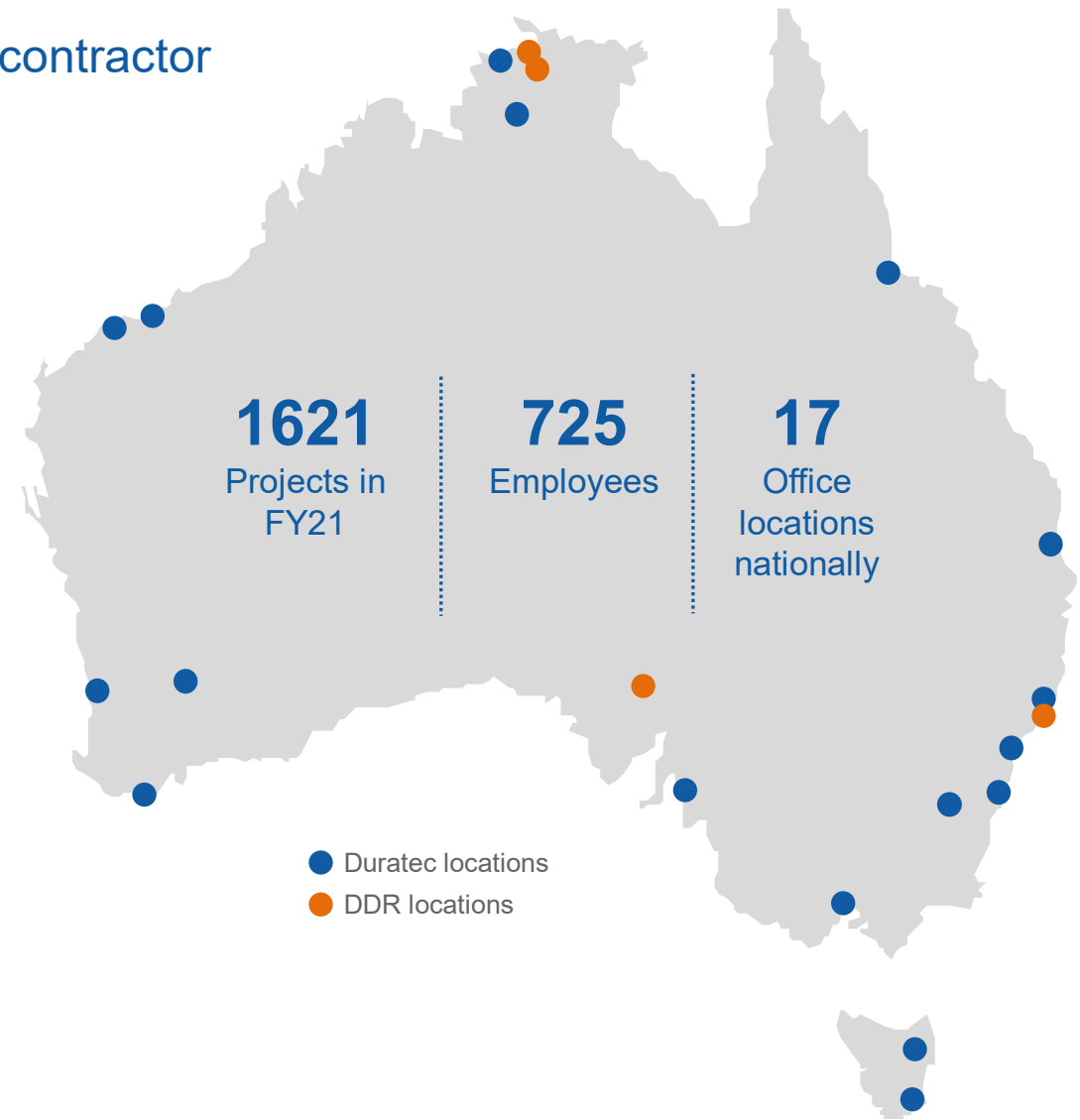
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Duratec Overview

Leading Australian engineering, construction and remediation contractor

- Industry leader with specialist technical expertise
- Leading contractor to the Defence sector, on 37 bases nationally, a key strategic growth driver
- Also active in Buildings & Facades, Mining & Industrial, Power & Energy, Marine, Transport and Water infrastructure
- National presence with local teams
- Tier 1 client base
- ASX IPO November 2020
- Strong long term growth prospects
- DDR



FY21 Summary

Challenging year – poised for strong FY22

› Challenging Year

- COVID-19 created logistical challenges in delivering projects and delayed contract awards, especially Defence and Buildings & Façades
- Government stimulus spending increased, but typically smaller contract awards
- Duratec demonstrated resilience, performing without any JobKeeper assistance. State based teams successfully navigated challenges
- Grown to 725 employees (including DDR) and expanded geographic footprint

› Gross Margin of 19.4% consistent with PCP

- Overheads and business capabilities maintained throughout the period to support growth, providing operational leverage, but impacting operating profit

› Strong balance sheet

- \$41.2m in cash and low debt levels

› Dividend

- First post IPO dividend of 1.5 CPS, fully franked, within the 30% to 50% after tax policy

› Outlook

- Historically high work on hand and tendered works position, underpins strong growth prospects going forward
- Strong long-term outlook, short-term challenges as COVID-19 creates uncertainty with ongoing lockdowns

Corporate Snapshot

National leader with experienced board and management

Capital Structure

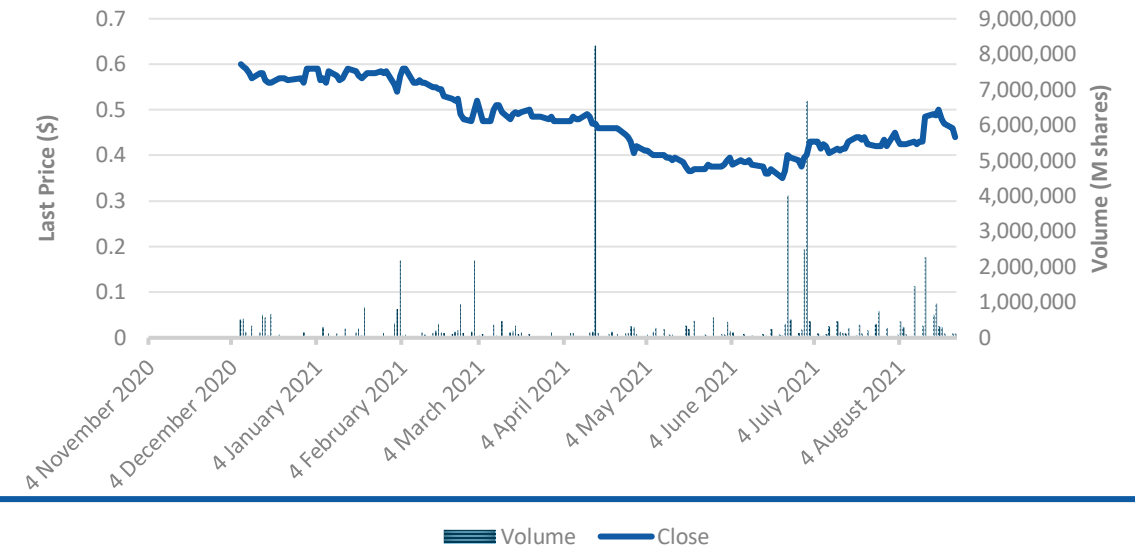
ASX Code	DUR
Shares on issue	237.4m
Share price as at 24 August 2021	44.0c
Market capitalisation as at 24 August 2021	\$104.5m
Net Cash as at 30 June 2021 ¹	\$27.8m
Enterprise Value as at 24 August 2021	\$76.7m

Board and Senior Management

Martin Brydon	Chairman
Phil Harcourt	Managing Director
Chris Oates	Executive Director
Gavin Miller	Non-Executive Director
Dennis Wilkins	Company Secretary

Note 1: Comprises cash less lease and interest bearing liabilities

Share Price and Volume since IPO



Substantial Shareholders

Jim Giumelli and related entities including Ertech (19.9%)	22.3%
Directors and senior management	35.5%



Financial Results

FY21 Financial Highlights

Resilient result in a challenging year

Revenue²
\$235.7m

EBITDA¹
\$18.8m
Margin 8.0%

NPAT¹
\$8.6m
Margin 3.7%

EPS
3.10 cents per share
Dividend
1.50 cents per share
fully franked
Post IPO dividend

Cash
\$41.2m

Order Book
\$236.2m
up from \$145.0m at 31
July 2020

Tendered
\$657.2m
up from \$392.0m at 31
July 2020

Strong Pipeline³
\$2.2b
up from \$1.03b at 31 July
2020

Note 1: Prepared on a normalised basis which exclude one-off IPO costs and Fortec contribution – refer Appendix 1 for calculations

Note 2: Revenue excludes DDR (49% share). Revenue inclusive of DDR (49% share) is \$260.5m

Note 3: Pipeline includes 49% share of DDR of \$148.4m

FY21 Financial Result

Resilient result in a challenging year

- Satisfactory performance in FY21
- Lower revenue due to:
 - Delays in contract awards, particularly in Defence and Buildings & Facades partially offset by strong Mining & Industrial sectors; and
 - COVID-19 related project productivity impacts
- 30.0% increased contribution from DDR investment
- Normalised margins (EBITDA and NPAT) down on PCP due to lower sales and COVID-19 related delays, though partly offset by increased contribution from DDR
- Dividend – within policy range of 30% to 50% of after tax earnings
- Strong balance sheet with \$41.2m cash and continuing low debt levels (net cash \$27.8m)
- Statutory reported result includes pre-tax IPO costs of \$2.5m expensed and DDR equity accounted earnings inc. \$1.5m dividend

	FY21	FY20	Variance
Revenue	\$235.7m	\$247.3m	(4.7%)
Reported EBITDA	\$15.9m	\$22.4m	(28.8%)
Normalised EBITDA¹	\$18.8m	\$22.0m	(14.3%)
Statutory NPAT	\$7.1m	\$13.0m	(45.2%)
Normalised NPAT¹	\$8.6m	\$12.2m	(29.4%)
Key operating metrics			
Reported EBITDA margin	6.8%	9.1%	(25.3%)
Normalised EBITDA margin¹	8.0%	8.9%	(10.1%)
Statutory NPAT margin	3.0%	5.3%	(42.5%)
Normalised NPAT margin¹	3.7%	5.0%	(25.9%)
Earnings per share (diluted) - cents	3.1		
Dividends per share² - cents	1.5		

Note 1: Prepared on a normalised basis which exclude one-off IPO costs and Fortec contribution – refer Appendix 1 for calculations.

Note 2: Dividend relates to the period from 4 November 2020 – Post IPO

Revenue by Region and Operating Segment¹

Maintained business diversification

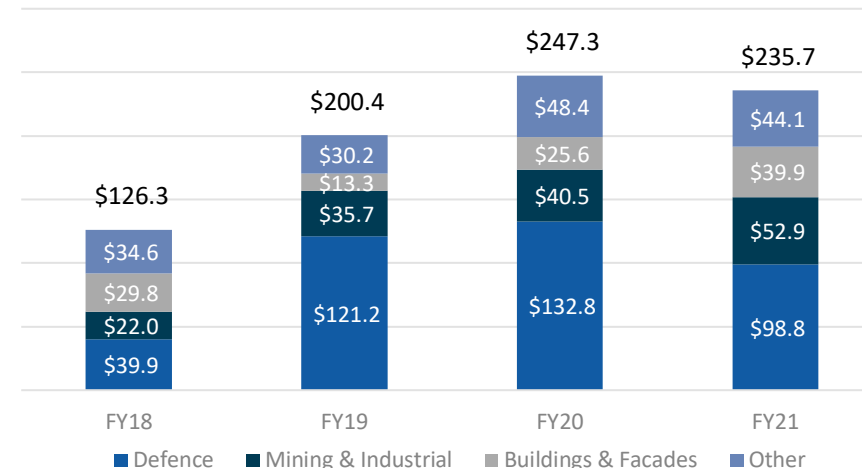
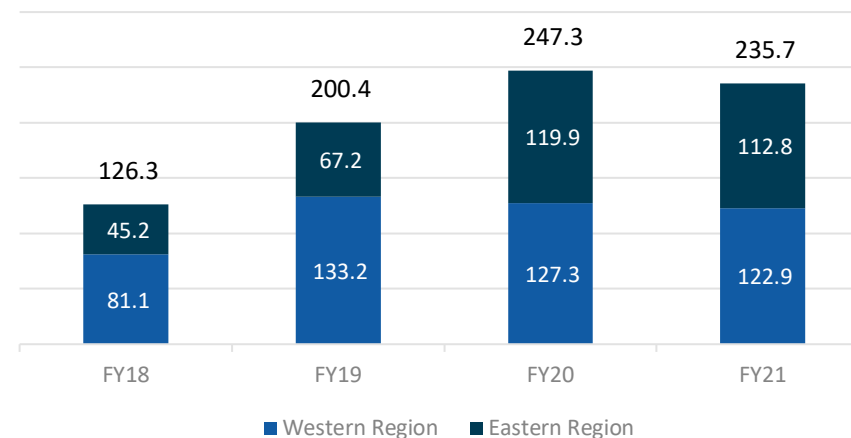
- › FY21 down 4.7% compared to PCP (but 17.6% increase over FY19)
- › Average gross margin 19.4%, consistent with PCP
- › Key drivers for change

Western Region¹

- Slower than expected award and commencement of landmark Central Park façade project
- Increased resources activity - Hamersley Iron structural remediation works, Dampier Salt and DEJV (now close to completion)

Eastern Region¹

- NSW and Vic down largely due to COVID-19 related operating inefficiencies
 - SA up due to major port remediation project
 - ACT up \$11.0m on PCP on major water infrastructure refurbishment projects
- › Positive FY22 outlook based on work on hand and pipeline



Note 1: Western region means Western Australia and Northern Territory. Eastern region means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania.

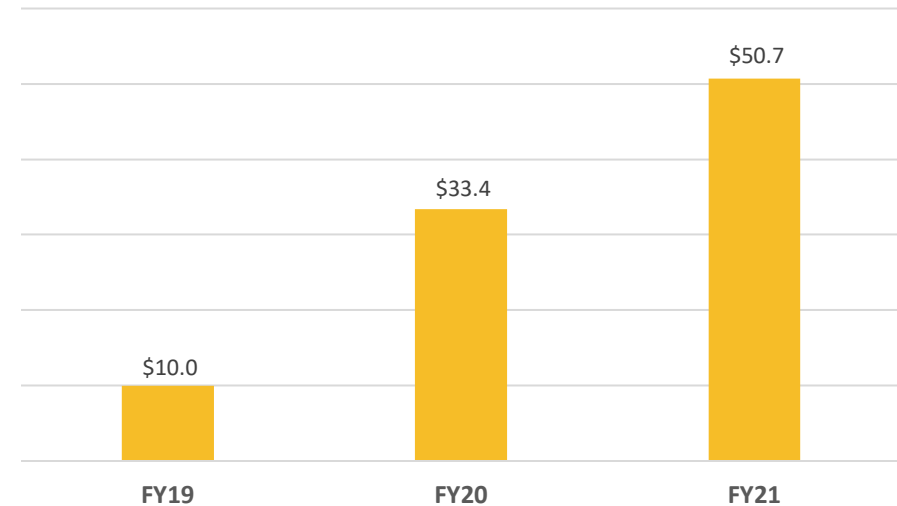
DDR Australia Pty Ltd (DDR)

Significant contributor in FY21

- › Equity accounted investment owned by: Duratec (49%) and Dundee Rock (51%)
- › Provides meaningful work and training opportunities to Aboriginal and Torres Straits people
- › Delivered \$45.9m in Supply Nation Certified project works in FY21
- › Spent \$8.3m with Supply Nation Certified suppliers
- › Dedicated leadership team strengthened by additional key appointments
- › Diverse workforce with 43% Aboriginal staff and 38% women
- › Increased focus on project pipeline forecasts and diversification of services and industry sectors over the past 6 months
- › Safety and quality focus
- › Zero TRIFR



DDR Revenue (\$m) (100% of business)



› FY21 Highlights

- > Strong FY21 performance with NPAT increasing 30% delivering \$1.5m dividend to Duratec
- > Current Work on Hand of \$31.0m and \$302.8m of Identified Opportunities
- > Outlook remains very positive, expectation of sustained financial performance



Operational Highlights

FY21 Operational Highlights

Strengthened the platform for growth

Safe & Sustainable Operations	<ul style="list-style-type: none">› Zero lost time injuries and continued investment to foster a culture of ZERO HARM› Solid financial result in challenging conditions› No JobKeeper assistance received
High performance and activity levels	<ul style="list-style-type: none">› Key market segments remain very active, strong Mining result in line with sector activity though some delays in Defence and Buildings & Facades› Engaged in over 1,621 projects (including 119 DDR) and performed well despite COVID-19 challenges› Equity accounted DDR investment performed strongly
Platform for growth	<ul style="list-style-type: none">› Key industry needs continue to underpin growth strategy› Grown to 725 employees including DDR, positioned for further growth› Expanded geographic footprint in the Eastern states› Executive Manager Deane Diprose relocated from WA to Eastern States to support growth› Strategic investment in assets to capitalise on niche marine structure remediation and mining works

Maintained operational leverage by retaining the right people and capabilities throughout FY21, in readiness for FY22 growth and beyond

FY21 Projects Delivery

Key sector and project overview

Core Service Offerings



ENGINEERING

Our industry professionals provide rapid and accurate diagnosis of asset condition and degradation, including cost-effective durability solutions.



REMEDIATION

We offer the complete range of remediation services including responsive, scheduled and performance-based maintenance programs.



CONSTRUCTION

As a licensed builder in all states, we offer design and construction services to replace structures that have reached the end of their serviceable life.

FY21 Projects

Defence

RAAF Base Richmond works, Fisherman's Bend building refurbishment, Gallipoli Barracks fuel installation works, HMAS Stirling works, Oakey fire safety, RAAF Pearce building & electrical, RAAF Williamstown building & civil, RAAF Point Cook building works, ACT Cadets Accommodation Refurbishment.

Buildings & Facades

108 St Georges Terrace Facade Spandrel replacement, Chermiside Medical Complex and Central Park Facade refurbishment.

Mining & Industrial

Boddington blast & paint services, Yandi structural works, Yara fertiliser plant maintenance and MIM concrete repairs.

Power & Energy

Mt Piper Power Station.

Marine Infrastructure

Bunbury Port fender replacement, Fremantle Port wall remedial works and Flinders Ports remediation works.

Transport Infrastructure

Cockle Creek Bridge refurbishment and Dunbogan bridge rehabilitation.

Water Infrastructure

Roof replacement for Power and Water Corporations, Mugga Reservoir roof replacement and repair and Gold Coast Desalination corrosion mitigation.

HSECQ Overview

Working towards ZERO HARM

- › No Lost Time Injury (LTI) recorded in FY21
- › Established Safety Culture Committee to escalate and address issues across the business
- › Mental Health First Aid Training implemented to better equip team leaders
- › Federal Safety Accreditation
- › Implementation of new systems
- › Updated Critical Control System – a risk focused approach to processes critical to health and safety issues
- › Renewed focus on reducing low severity hand injuries

Period	LTIFR	TRIFR	AIFR	Hours Worked
FY18	0.98	11.70	70.30	1,023,684
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400
FY21	0.00	6.07	55.76	1,811,255



Operational Outlook

Strong activity across key sectors

> Defence

- Sustainment spending forecast to more than double over the next decade

> Mining & Industrial

- Teams well positioned nationally to meet increasing demand for remediation and life extension of ageing infrastructure
- Clients increasingly focused on infrastructure integrity which is critical to their processes and production output

> Buildings & Facades

- Good momentum with increasing demand for Duratec's Technical Team and ECI in projects
- Flammable cladding replacement programs continue to gain momentum nationally

> Other infrastructure

- Increased activity in energy, water & wastewater, & transport ports infrastructure

> DDR

- Outlook supported by government and corporate IPP initiatives

> People

- Grown employee base to capitalise on and execute growth opportunities



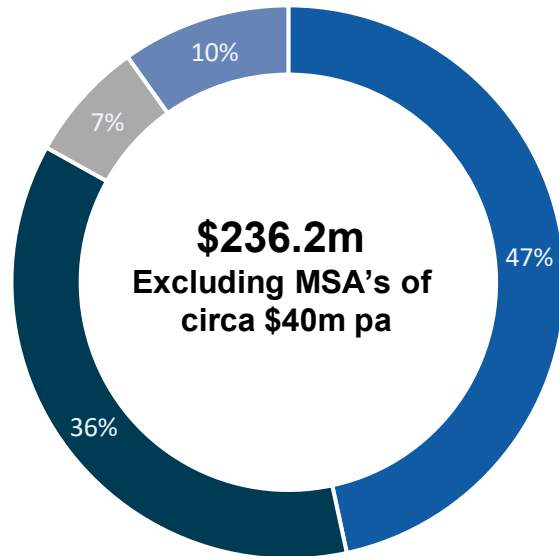


Outlook

Orderbook and Pipeline

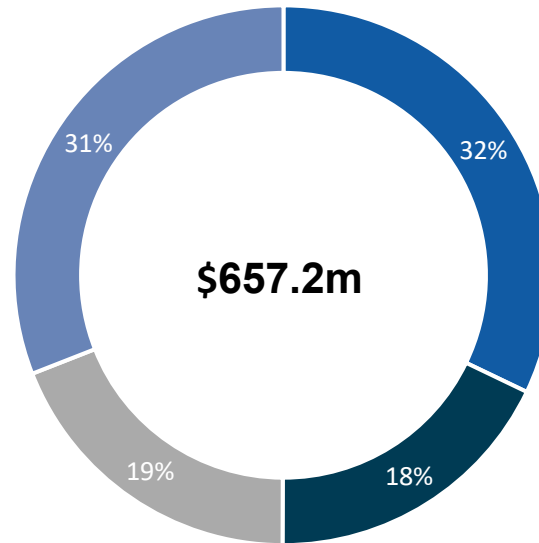
Diversified across industry sector and geographies and growing

Orderbook^{1,3}



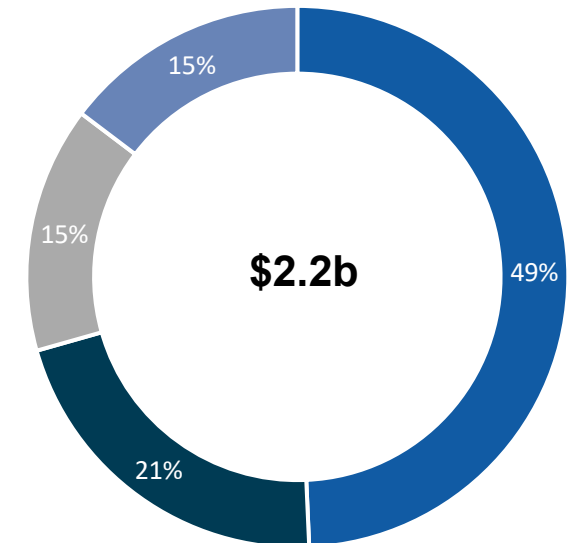
↑ from \$145.0m at 31 July 2020

Tendered²



↑ from \$392.0m at 31 July 2020

Identified Opportunities²



↑ from \$1.03b at 31 July 2020

Note 1: Order book reflects Work in Hand as at 16 August 2021 and includes 50% of DEJV and 49% of DDR

Note 2: Identified and Tendered Opportunities include 50% of DEJV and 49% of DDR

Note 3: Master Service Agreements (MSA's)

- Defence
- Buildings & Facades
- Mining and Industrial
- Other

Positive Business Outlook

Well positioned for growth in FY22

- Key macro themes and demand drivers that support Duratec's organic growth continue:
 - Strong commodity prices and high volumes underpin increased resource sector investment
 - Government infrastructure stimulus spending, including Defence nationally
 - Asset owners remain focused on asset maintenance, remediation and refurbishment
- People
 - Employee engagement, development of staff, focus on graduates to join and develop with Duratec
- Historically high work on hand and pipeline
- Robust balance sheet and operational capability to support growth strategy and operational leverage
- Well diversified to further capitalise on identified opportunities
- Continued focus on safety, systems and disciplined tendering (based on ECI)
- Continued low capital expenditure model
- COVID-19 challenges remain





APPENDICES & CASE STUDIES

Appendix 1 - Financial Information Reconciliation

Reconciliation of Statutory Reported results to Normalised results

Reported EBITDA Reconciliation (\$'000)	FY2021	FY2020
Profit before income tax	10,032	17,960
Depreciation & amortisation	5,236	3,834
Financing costs	659	587
Reported EBITDA	15,927	22,381 (28.84%)

Normalised EBITDA – Reconciliation (\$'000)	FY2021	FY2020
Reported EBITDA	15,927	22,381
IPO Costs expensed	2,472	717
DDR tax effect	737	601
Fortec - other income	-	(240)
Fortec - share of earnings	(149)	(520)
Fortec - shared services charges	-	(259)
Gain on disposal of Fortec	(151)	-
Administration - bad debts	-	(97)
Administration expense - listed company costs	-	(750)
Employee benefits expense	-	153
Normalised EBITDA	18,836	21,986 (14.33%)

Reported EBIT - Reconciliation (\$'000)	FY2021	FY2020
Profit before income tax	10,032	17,960
Financing costs	659	587
Reported EBIT	10,691	18,547 (42.36%)

Normalised EBIT – Reconciliation (\$'000)	FY2021	FY2020
Reported EBIT	10,691	18,547
IPO Costs expensed	2,472	717
DDR tax effect	737	601
Fortec - other income	-	(240)
Fortec - share of earnings	(149)	(520)
Fortec - Shared Services Charges	-	(259)
Gain on disposal of Fortec	(151)	-
Admin - bad debts	-	(97)
Administration expense - listed company costs	-	(750)
Employee benefits expense	-	153
Normalised EBIT	13,600	18,152 (25.08%)

Normalised NPAT – Reconciliation (\$'000)	FY2021	FY2020
Reported NPAT	7,131	13,011 (45.19%)
IPO Costs expensed	2,472	717
Tax effect of IPO costs	(742)	-
Fortec - Other income	-	(240)
Fortec - Share of earnings	(149)	(520)
Fortec - Shared Services Charges	-	(259)
Gain on disposal of Fortec	(151)	-
Tax effect of disposal of Fortec	83	-
Administration expense - bad debts	-	(97)
Administration expense - Listed company costs	-	(750)
Employee benefits expense	-	153
Net tax effect of 2020 normalisation adjustments	-	227
Normalised NPAT	8,644	12,242 (29.39%)

Fortec – refers to Fortec Australia Pty Ltd, a former 40% owned Associate entity, that was disposed of 31 August 2020 by way of in specie dividend to the Company's then shareholders



Case Studies

Department of Defence - HMAS Stirling Armament Wharf Extension

Marine Construction

› Scope

- Stage 1: A 156m long wharf extension to the existing Armament Wharf comprising a reinforced concrete wharf deck supported by steel driven piles, a berthing dolphin and two mooring dolphins. In addition to the extension, Duratec delivered all dredging works and wharf fitout comprising of fire services, potable water, ICT, security systems, power and lighting, mooring equipment and services cope points.
- Stage 2: Upgrades to HMAS Stirling naval fuel infrastructure including; construction of a fuel filter building, all pipework, six coalescers and two pre-filters, instrumentation and electrical, PLC Controls and integration and commissioning.
- Stage 3: A new Maintenance Hardstand Area (MHA Works) comprising a 1200m² concrete hardstand, with associated drainage and landscaping, power, lighting and adjoining ablution facilities.



City of Sydney - Woolworths Building Facade Remediation

Heritage Remediation

› Scope

- Supply and installation of safe access system
- Stripping of all paint from render
- Repairing of render and concrete, and repainting
- Removal of existing Plasteel windows to eighth and ninth floors
- Stripping of all paint from timber windows
- Repairing and repainting of timber window frames
- Waterproofing balcony on ninth floor
- Treatment of any corrosion and application of protective coating
- Cleaning of gutters and roof sheeting to awning



Rio Tinto - Iron Ore Sustaining Capital Structural Integrity

Maintenance - Structural Integrity

› Scope

- Utilising an in-house scaffolding team to build access platforms to work areas
- Carrying out of non-destructive testing of concrete and steel work
- Analysis of steelwork to determine cross sectional loss
- Ensuring new steel was welded in conformance to specifications
- Section loss of greater than 10% was structurally repaired as per RTIO specifications
- Utilising a mixture of in-house and third party NACE 2 inspectors to ensure all new steelwork coatings meet SS-P118 RTIO specification
- Undertaking concrete, grouting repairs and bolt repairs

