



VEEM Ltd
Annual General Meeting
17 November 2021



Managing Director's Presentation

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1. 2021 Financial Results
2. Overview and outlook – Engineering Products and Services
3. Overview and outlook – Defence
4. Overview and outlook – Propellers
5. Overview and outlook – Gyrostabilizers
6. Corporate overview
7. Summary and trading update



1. 2021 Financial Results



FY2021 Highlights



- Revenue of \$59.5m up 34% on FY2020.
- EBITDA of \$10.2m, up 36% on FY2020. Profit before tax up 81% to \$5.9m. NPAT up 97% on FY2020 to \$4.9m.
- Sales of VEEM Gyros \$7.4m, up 54% on FY2020. Current orders in hand of \$2.7m with stronger than ever leads and enquiries supporting continued growth. Gyro enquiries and quotes were stronger than ever with the value of leads at year end double that of 30 June 2020.
- Second and third VG520/1000SD VEEM Gyros completed and delivered and have since been successfully sea trialled as well as other deliveries to prestige European yacht builders. Propeller revenue was up strongly (17%) on the back of increased demand and increased capacity with two new machining centres ordered for delivery in 1H FY2022.
- 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 and planning has commenced on the next refit.
- Engineering products and services business remained strong and profitable with increased sales of Forever Pipe (up 43%).
- Outlook is very positive in all areas of the business and VEEM continues to invest in expanding and improving product range as well as reducing costs.
- Healthy cash balance of \$6.1m with unused overdraft of \$3.4m and term debt of \$7.0m (incl. HP) as at 30 Sept 2021.
- A gyro market study was carried out which indicated the market size for gyros had grown to US\$1.1bn per annum for new builds and US\$13.5bn for the retrofit market.



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, PBT and NPAT in both the 2021 (\$1.5m) and 2020 (\$1.5m) financial years.

2. Overview and outlook – Engineering Products and Services



Engineering Products and Services



2021 Highlights

- First export order of Forever Pipe delivered, 43% increase in sales of Forever Pipe/Hollow Bar
- Overall 19% increase in revenue, generating profit and cash flow.
- R&D has led to breakthrough developments of bends and T-pieces which will significantly improve the life-cycle and plant safety even further.
- First deliveries for Hydro Tasmania cast and machined items completed. More to follow.

Outlook

- Continuing to bid on work across the country where utilisation of the Company's foundry and precision machining capability enables VEEM to provide specialist solutions for customers
- Continue to pursue opportunities for Forever Pipe/Hollow Bar domestically and overseas, including new applications
- Maintaining the engineering capability also supports the marine and defence businesses
- The revenue and margins will be impacted for 1H FY22 due to a number of non-conformances that had to be reworked. Processes and procedures have been improved and the quality is back on track.
- The very tight labour market in WA has also meant recruiting has been a challenge to employ skilled trades required, which has constrained capacity. Seeking novel ways to obtain people/skills.



3. Overview and outlook – Defence



3. Overview and outlook – Defence



2021 Highlights

- Delivered almost all the submarine components to ASC for the Collins Class FCD - \$12.4m
- Delivered marine ride control fins to Austal Ships generating \$9.4m revenue
- Achieved DISP* approval allowing for higher level tenders on the Hunter Class frigate program and more.

Outlook

- Production for the next full cycle docking has just commenced and 2H FY22 will see the initial deliveries of the order along with normal levels of spares.
- Deliveries to Austal for the LCS ride control will continue through to the end of 1H FY22. 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
- AUKUS has arrived and should bring greater opportunities for Australian industry involvement. Collins sub work should gradually rise.



*DISP is the Defence Industry Security Program

4. Overview and outlook – Propulsion



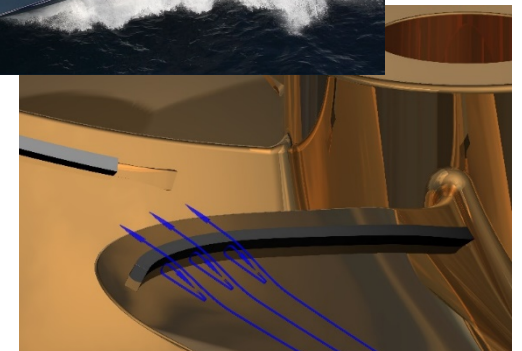
4. Overview and outlook – Propulsion

2021 Highlights

- 17% increase in revenue to \$16.4m through increased capacity in the second half
- Global marine leisure market very strong with reports some builders are booked out for over two years
- Premium position retained in the market
- Ordered two new machines to increase capacity in FY22
- Shaftlines and the Conquest range of propellers both had increases in revenue in FY21

Outlook

- Very strong demand from the global marine leisure market continues to drive orders,
- First new machine now installed. Second due Jan-22 which should see sales increase significantly. Three more machines under consideration.
- A price increase has been implemented in response to increased commodity and freight costs. This affected 1H FY22, but is now starting to flow through to revenue.
- Some non-conformances in 1H FY22 impacted margins. These have been rectified and margins are now back on track.



4. Overview and outlook – Gyrostabilization



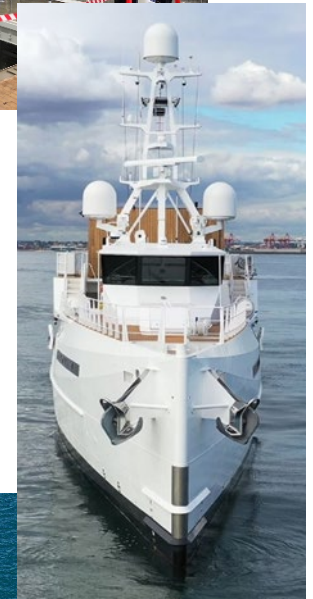
“Within ten years every new vessel built will have gyrostabilization”

Mark Miocevich 2020

Gyrostabilizer Update



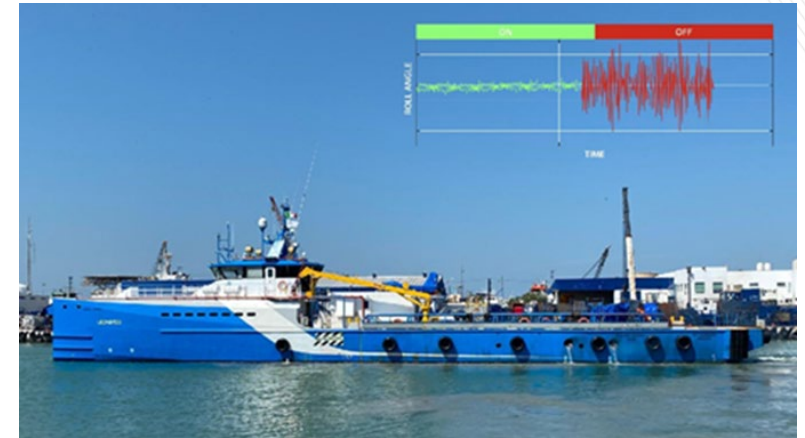
- New orders received for four gyros worth \$1.7m. Current order book is \$2.7m. Orders “lumpy” with many very close.
- One new order was for a commercial retrofit which required immediate delivery to fit a servicing window. VEEM was able to deliver from inventory, validating the build-to-plan strategy.
- New European Sales Manager appointed to drive gyro sales growth through direct representation of VEEM in the large European markets.
- New Production Manager - Gyrostabilizers appointed to continue driving improvements in costs and capacity of the VEEM Marine gyrostabilizer products, facility and supply chain.
- New After-Sales Manager with global marine product support experience appointed.
- New technical services technician appointed USA to ease COVID implications.
- VEEM is receiving a higher proportion of enquiries from vessel designers, operators and owners looking for larger gyrostabilizers to suit larger vessels. This is an encouraging sign that VEEMs unique offering of gyrostabilizers that are engineered and sized for commercial, defence and large motor yachts are recognized as the best and possibly only roll reduction solution for vessels in these categories.



Ready for Large Gyro World Domination



- Gyro sales are expected to grow rapidly given the current strong level of orders, leads and enquiries and the huge potential market. Direct sales capacity increased in Europe with more to follow.
- 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 continues to expand and formalise 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.
- VEEM continues to develop its gyro product offering through a dedicated engineering team located within the gyro facility in Western Australia. In FY22 the team will work on improved performance of the current range, completing the VG750 and a new smaller frame size.



6. Corporate overview



- Capital raise (\$6.7m) completed in September 2021 to fund next stage of growth through expansion of its gyrostabilizer sales team, investment in R&D and increased working capital.
- Part sell down by the Miocevich family (now 50.2%) has increased liquidity and free float.
- Launch of VEEM Marine as marketing brand to encompass both VEEM Gyro and VEEM Propellers. The cross-selling feature of this is an important marketing concept for VEEM going forward.
- Accreditation for DISP and ISO45001 (Occupational Health and Safety Management System) achieved.
- Policies on global procurement being developed to include evaluation of slavery, corruption, government accountability.
- ISO 27001 (Information security management) accepted as the next standard to work toward to follow on from our DISP accreditation.



Quality
ISO 9001



Environment
ISO 14001



OHS
ISO 45001



7. Trading Update



- FY22 has had some early challenges in some areas which have impacted productivity, costs and the financial results. Confident that these specific issues have been rectified and the productivity and financial performance is back on track.
- Strong order book and global market for VEEM's propellers. Confident propeller sales and margins will be stronger than FY21 going forward. The first of two new machines has been installed with the second due Jan 2022. Commodity price increases led to some margin erosion on propellers. Price rises have been implemented and are now starting to flow through to revenue.
- The very tight labour market has also meant that we have been unable to recruit as many skilled trades as we desire, constraining capacity. We are working to solve this.
- Delays in installations and commissioning of gyros has led to delays in repeat business. This has meant that sales for the first half are only expected to be \$1.5m. The volume and quality of leads and recent orders provides confidence to expect 2H FY22 orders and sales to be significantly up on FY21 sales. As VEEM continues to build gyros to a plan, it will be able to sell from inventory in the 2H and beyond.
- Sea and air freight costs and duration have risen over the period since Jan 2019 as has been well reported.
- Much of the business continues to do well and overall we expect the above impacts to mean that 1H FY22 revenue is in the order of \$26m with EBITDA of around \$3m. We expect a strong 2H FY22 noting this may be impacted by labour shortages.



Summary

- VEEM is now without doubt the market leader in the production of large gyros. Leads and enquiries are continuing to grow giving increased confidence that the 1H FY22 lag is temporary and large sales increases are imminent. The sales and marketing team has been expanded to ensure VEEM is directly engaging with the key markets.
- Propeller market is very strong globally and VEEM has already increased capacity to take advantage of this, with further capacity coming in early 2H FY22. VEEM is also considering further strategic options in this market.
- Precision engineering and defence work will continue to underpin VEEM's operations, with the next ASC contract commencing delivery in 2H FY22.
- Continue to invest in R&D and ongoing improvements in all areas of the business to drive growth and margins.



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4. Additional Information



Company Overview



The VEEM Board

Brad Mioceвич
Chairman

Mark Mioceвич
Managing Director & CEO

Ian Barsden
Non-Executive Director

Mike Bailey
Independent Non-Executive Director

Peter Torre
Independent Non-Executive Director

David Rich
Chief Financial Officer
Company Secretary

VEE

ASX Code

\$1.16

Share Price

\$157 million

Market Capitalisation

135.7 million

Shares on Issue

Corporate Summary



Corporate Snapshot

ASX Code	VEE
Share Price (16 Nov 2021)	\$1.16
Market Capitalisation (16 Nov 2021)	\$157m
Shares on Issue	135.7m

Substantial Shareholders

Miocevich Family	50.20%
Perennial Value Management	11.28%

12-MONTH SHARE PRICE PERFORMANCE

