



**VEEM LTD**

FY22 RESULTS PRESENTATION

19 AUGUST 2022

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# FY22 in Review

01

Revenues of \$54m. Propulsion and engineering products and services were strong in FY22. Defence reduced due to completed major contracts, gyro unit numbers steady, but revenue less.

02

Revenue, EBITDA and NPAT down on the prior year due to raw materials and freight cost increases, general staff shortages and COVID impact on customers, suppliers and staff.

03

Foundry issues impacted profitability in Q2FY22. These issues were addressed and rectified during Q3FY22 and defect levels have remained low.

04

Maintained dominant position as the only major supplier in the large marine gyrostabiliser market, with significant investment and ongoing development providing major barriers to entry for potential competitors.

05

Increased propeller capacity by over 25% with two new machines commissioned in FY22. Lead times did not reduce indicating strong demand.

06

Net assets increased by \$7.0m to \$43.6m. Cash on hand of \$2.6m at 30 June 2022 (30 June 2021: \$2.2m) plus an undrawn overdraft facility of \$3.4m and an undrawn commercial loan facility of \$2.0m.



# FY22 Full Year Financial Results Summary

|  | <b>FY22<br/>A\$mil.</b> | <b>FY21<br/>(Excluding Jobkeeper*)<br/>A\$mil.</b> | <b>% Change</b> |
|--|-------------------------|--|-----------------|
| <b>Revenue</b>                         | <b>54.2</b>             | 59.5   | -9%             |
| <b>EBITDA</b>                          | <b>6.1</b>              | 8.7  | -30%            |
| <b>Profit before Tax</b>               | <b>1.4</b>              | 4.4  | -68%            |
| <b>Net Profit after Tax (NPAT)</b>     | <b>1.3</b>              | 3.8  | -67%            |
| <b>Earnings Per Share (EPS)(cents)</b> | <b>0.93</b>             | 2.95   | -67%            |
| <b>Cash Flow From Operations</b>       | <b>2.5</b>              | 4.1  | -38%            |
| <b>Net Assets</b>                      | <b>43.6</b>             | 36.6   | 19%             |

\*Refer to slide 13 for the reconciliation between the FY21 audited result and the above data which is shown excluding the JobKeeper subsidy received in FY21. Net assets are not adjusted for JobKeeper.

# Gyrostabilizers

- VEEM sold 12 gyros (in line with prior year) worth \$5.5m in FY22 and had orders on hand of \$1.3m at 30 June 2022. Current orders on hand is \$2.4m.
- VEEM maintains the dominant position as the only major supplier in the large marine gyrostabilizer market (est. US\$1.1bn for new builds and US\$13.5bn for retrofits\*).
- Commencement of Head of Sales and Business Development - Europe has already resulted in an increase in the volume and quality of leads and enquiries from European customers and shipyards.
- Development of an international service team was brought forward to counteract the impact COVID had on our ability to provide after-sales support.
- Damen's new walk to work vessel, the FCS 7011, launched in early 2022 (over 12-month delay). VEEM has subsequently received enquiries for gyros on the back of this vessel.
- The level of volume and quality of leads provides confidence of strong orders and sales in the near to medium term.



\*Refer to the ASX release of 12 May 2021.

# Propulsion

- Sales of propellers and shaft lines totalled \$20.7 million for FY22, up 26% on FY21, on the back of very strong demand for recreational boating products globally.
- New key superyacht builders added VEEM as a primary supplier, with some requesting possible long-term, volume-based contracts.
- Several price rises were implemented during FY22 to account for cost increases.
- Propeller manufacturing capacity was increased by two new propeller CNC machining centres delivered during FY22.
- Three smaller machines are scheduled for delivery in late 2022. This will increase capacity by a further 25%.
- No pull back in demand currently evident, with key customers globally forecasting increased production, evidenced by many yards being booked out to 2023-4.
- R & D focus is to continually increase the automation of the propeller process reducing time and cost and, notably in the current environment, the requirement for highly skilled labour as capacity expands.





# Defence

- As expected, revenue from the defence sector was down 39% to \$14.3 million in FY22, with revenue from both ASC (\$7.2 million) and Austal (\$4.7 million) lower on the prior year.
- Deliveries for the next Collins Class FCD order (\$9m) commenced in FY22 along with the normal levels of spares. Collins Class submarines will continue well into the 2040s with a life of type extension program as well as ongoing FCD.
- Austal ride control and propulsion work is ongoing, with overall revenue lower due to completion of LCS contract after 14 years.
- Deliveries of the Evolved Cape-class Patrol Boat (ECCPB) and the Pacific Patrol Boat (PPBR) from Austal to the RAN are underway, with VEEM providing the propulsion equipment. Austal aim to deliver nine vessels to the RAN this calendar year, of which all vessels comprise VEEM products.
- Phase 1 of the qualification program for the manufacture of the Hunter Class Frigate propellers for BAE Systems Australia and Kongsberg was successful and Phase 2 has been tendered. VEEM is one of only a very small number of manufacturers globally able to meet the demanding standards.



# Engineering Products and Services

- VEEM's traditional engineering and industrial products business was a strong contributor to profits and margins with revenue of \$8.4 million for the year, up 20% of FY21 (includes hollow bar, excludes defence).
- This growth was due partly to strong demand from the mining sector and several large orders for foundry-led precision engineering work.
- Within this category, hollow bar revenue (which includes the Forever Pipe product) was steady at \$5.6 million for the year, with second half sales improving on a weaker first half.
- Sales and marketing resources for the Forever Pipe product recently increased, with the expectation this will drive sales within the mining sector.





# Outlook

- FY22 challenges have been met and dealt with and the Company is in a strong position with an existing robust core business.
- VEEM Gyro product continues to improve and VEEM is the dominant player in the global marine market estimated at US\$1.1bn for new builds and US\$13.5bn for retrofits (current fleet).
- With the new senior staff now on board, more customers experiencing the benefits of the gyro and the quality and quantity of leads coming from many areas of the marine industry, VEEM is confident that gyro revenue will improve significantly over the coming months and years.
- VEEM is the premium supplier of fixed pitch propellers globally and revenue is expected to grow strongly in FY23 due to the increased capacity added in FY22 and the three new machines due for delivery in late 2022. Currently there are no signs of strong global demand abating.
- Defence revenue will remain strong with the Collins Class program. VEEM is well positioned to take advantage of further defence work that may result from the Federal Government's drive for increased local content, including opportunities arising out of AUKUS.
- The traditional engineering products and services business continues to underpin VEEM's operations. Revenues from the traditional business are expected to continue.



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# Q & A





## APPENDICES



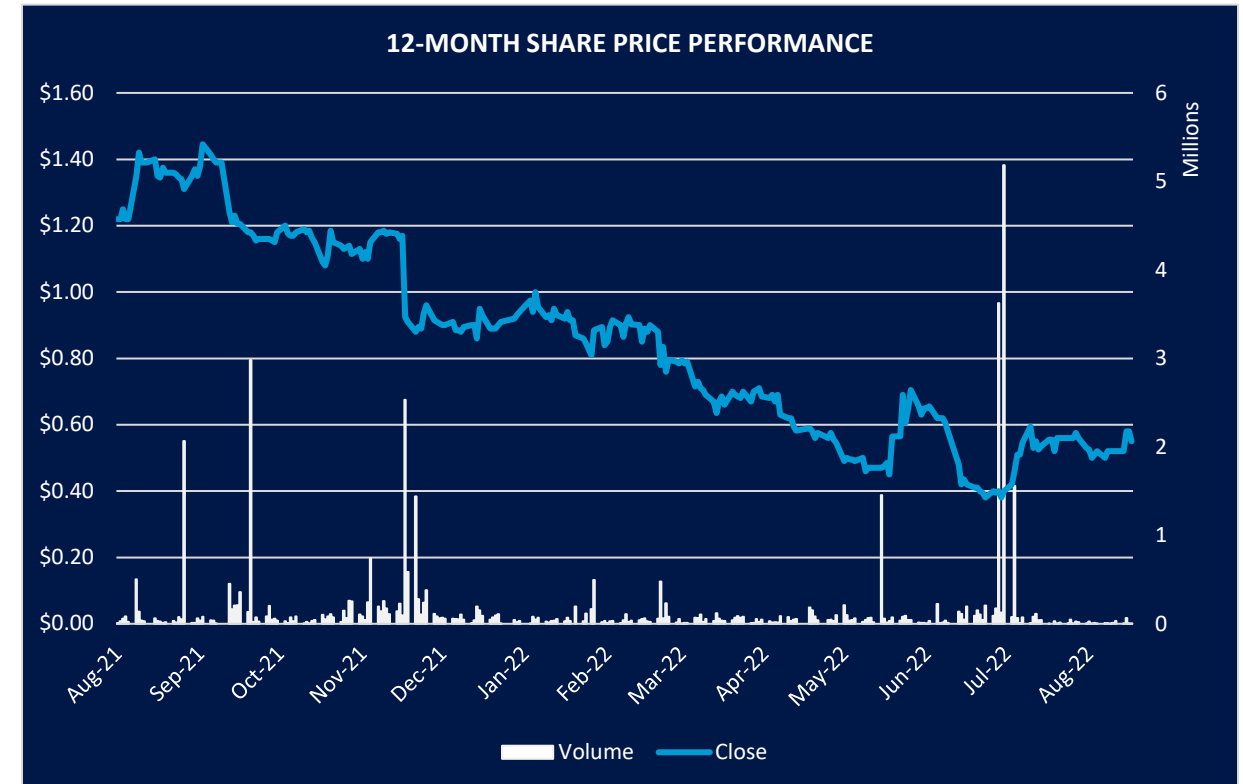
# Corporate Overview

## Corporate Snapshot

|  |        |
|--|--------|
| ASX Code                               | VEE    |
| Share Price (18 August 2022)           | \$0.55 |
| Market Capitalisation (18 August 2022) | \$75m  |
| Shares on Issue                        | 136m   |

## Substantial Shareholders

|                                    |        |
|------------------------------------|--------|
| Miocevich Family                   | 50.20% |
| Perennial Value Management         | 12.45% |
| Salter Brothers Emerging Companies | 6.63%  |



# FY21 Financial Results Reconciliation

|                                 | FY21<br>Audited Result<br>A\$mil. | JobKeeper<br>A\$mil. | FY21<br>Excluding JobKeeper<br>A\$mil. |
|---------------------------------|-----------------------------------|----------------------|--|
| Revenue                         | 59.5                              | -                    | 59.5                                   |
| EBITDA                          | 10.2                              | 1.5                  | 8.7                                    |
| Profit before Tax               | 5.9                               | 1.5                  | 4.4                                    |
| Net Profit after Tax (NPAT)     | 4.9                               | 1.1                  | 3.8                                    |
| Earnings Per Share (EPS)(cents) | 3.78                              | 0.83                 | 2.95                                   |
| Cash Flow From Operations       | 6.3                               | 2.2                  | 4.1                                    |



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