



VEEM LTD

1H FY23 RESULTS PRESENTATION

23 FEBRUARY 2023

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Agenda

- 01 Executive Summary
- 02 Financial Results
- 03 Operational Performance
- 04 Outlook
- 05 Q&A



1H FY23 Highlights

Revenue \$27.4m +4% (1H22 \$26.3m)	EBITDA \$4.2m +47% (1H22 \$2.9m)	EBITDA Margin 15.3% +430bp (1H22 11.0%)
EBIT \$2.3m (1H22 \$0.6m)	PBT \$1.9m (1H22 \$0.3m)	NPAT \$1.8m (1H22 \$0.3m)
Operating Cashflow \$1.4m +23% (1H22 \$1.2m)	EPS 1.35c (1H22 0.24c)	Interim Dividend 0.4c (1H22 0.1c)



Executive Summary

- 1H FY23 revenue \$27.4m +4% on pcp. Material uplift in EBITDA margins (15.3% vs 11.0% in pcp), with overheads well managed, and higher input costs passed through to customers.
- Revenue from gyrostabilisers \$1.7m, up slightly on pcp. Qualified leads now higher than ever, both in number of units and probable value. Maintained dominant position as the only major supplier in the large marine gyrostabiliser market.
- Propulsion sales increased 19% to \$11.7m. Global demand for propellers is expected to remain strong and VEEM has recently installed three new machining centres which will significantly increase manufacturing capacity from March 2023.
- VEEM has a robust core foundry and engineering business, including its own products, which allows it to continue to invest and support the focus on driving the growth of the disruptive VEEM Gyro product into the global marine market.
- Cash flows from operations was \$1.4m, up 23%. During the period VEEM drew down an additional \$2m from its commercial facilities to fund capital equipment and product development (intangible assets). At 31 December 2022 VEEM had an undrawn overdraft facility of \$3.3m.
- VEEM has maintained its dividend policy of paying 30% of NPAT. The dividend for 1H FY23 is 0.4 cps, up from 0.01 cps for 1H FY22.





FINANCIAL RESULTS

1H FY23 Result

Profitability increase driven by propeller business

- 1H revenue +4% on pcp, with EBITDA stepping up materially on pcp.
- Strong contribution from the propeller business with revenues up 23%
- Successfully managed a tightening labour market and resultant rising costs.
- Margins remained solid and overheads were well managed resulting in a material improvement in EBITDA and net profit after tax.
- Customer Work in Progress increased by \$2.5m to \$9.2m during the period, highlighting activity levels increased far more than demonstrated only by the increase in sales.

	1H FY23 A\$mil.	1H FY22 A\$mil.	% Change
Revenue	27.4	26.3	4%
EBITDA*	4.2	2.9	47%
Profit before Tax	1.9	0.3	577%
Net Profit after Tax (NPAT)	1.8	0.3	452%
Earnings Per Share (EPS)(cents)	1.4	0.2	429%

*EBITDA is earnings before interest, tax, depreciation and amortisation.

Balance Sheet

Capital investment to drive future profitability

- The Company held cash on hand of \$1.4m at 31 December 2022 (30 June 2022: \$2.6m) and has an undrawn overdraft facility of \$3.3m.
- The working capital position remained steady with progress payments from customers covering part of the significant increase in WIP at 31 December 2022.
- During the period VEEM acquired \$2.2m of plant and equipment and developed \$1.4m of intangible assets.
- The Company drew down an additional \$2m from its commercial facilities to fund part of the capital equipment and the ongoing product development (intangible assets). The balance of the capital equipment was financed by HP agreements.

	31 Dec 2022 A\$mil.	30 Jun 2022 A\$mil.	% Change
Current Assets	34.7	31.9	9%
Non-Current Assets	51.4	49.1	5%
Total Assets	86.0	81.1	6%
Current Liabilities	15.4	12.8	20%
Non-Current liabilities	25.5	24.6	4%
Total Liabilities	40.9	37.5	9%
Net Assets	45.2	43.6	4%
Retained earnings	33.6	32.1	5%
Total Equity	45.2	43.6	4%

Cash Flow

Solid cash flow from operations and investments in assets

- Cashflow from operations was \$1.4m (2022: \$1.2m). The increase in WIP deferred some receipts to the next period.
- During the period VEEM drew down an additional \$2m of its commercial facilities to fund capital equipment and product development (intangible assets) of \$2.4m.
- In addition to the above \$2.4m, VEEM acquired \$1.1m of plant and equipment under HP arrangements.
- At 31 December 2022 VEEM had an undrawn overdraft facility of \$3.3m.

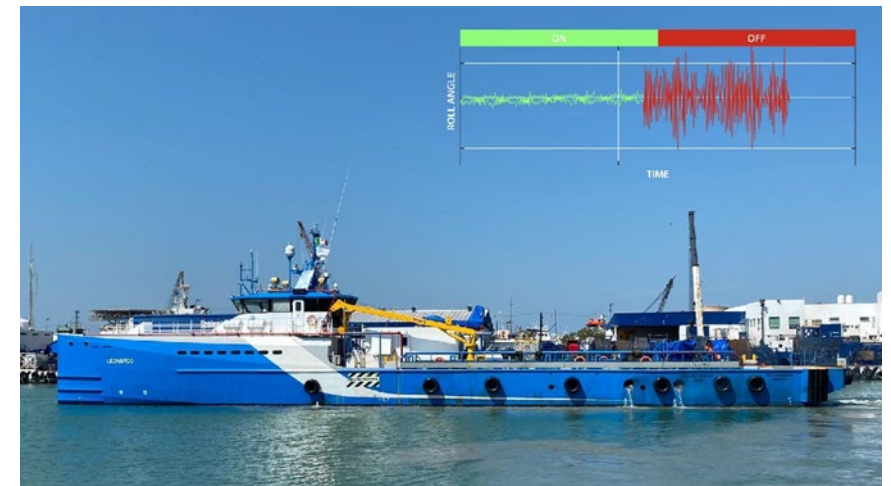
	1H FY23 A\$mil.	1H FY22 A\$mil.	% Change
Cash flow from operations	1.4	1.2	23%
Cash flow from investing activities	(2.4)	(3.4)	-28%
Cash flows from financing activities	(0.2)	4.3	-105%
Net (decrease)/increase in cash	(1.2)	2.3	-152%
Cash at end of period, net of overdraft	1.4	4.6	-69%



OPERATIONAL RESULTS

Gyrostabilizers

- Revenue from gyrostabilisers was \$1.7m for the period, up slightly on pcp. Current orders on hand total \$4.8m.
- After-sales, installation and commissioning teams in Europe and the US were extremely busy with all yards now flat out post-covid.
- In November, VEEM exhibited at the world's largest marine equipment exhibition (METSTRADE) in Amsterdam, the first time it has been run full-scale since 2019.
- Head of Sales and Business Development - Europe now in the job for a year, with qualified leads higher than ever, both in number of units and probable value.
- VEEM continued to invest in research and development, with a number of staff working on a smaller gyro model and continual development of the current gyro range.
- High rates of qualified leads, evidence of take-up in the small boat recreational market (smaller than VEEM's products) and continual product development provide confidence that wide adoption of the technology is well on the way and VEEM is the only manufacturer with the products to capitalise on this.



Propulsion

- Propulsion sales increased 19% to \$11.7m for the half-year and work in progress also increased \$0.8m over the same period.
- VEEM continues to have the premium product in the market for high-speed, high-performance propellers.
- The two new machining centres installed in FY22 were at full availability for the period with sales of VEEM propellers alone (excludes shaftlines and Conquest) being a record \$10.4m, up 23% on the prior comparative period.
- Despite this increase in capacity, lead times did not reduce indicating continued strong demand.
- Three new machines have now arrived and are all expected to be fully available and productive by the end of March 2023, hence a further significant increase in capacity.



Defence

- Defence sales +18% to \$8.1m mainly due to sales to ASC of \$5.9m in relation to the Collins Class submarine full cycle docking program. Sales to Austal were lower at \$1.6m with some large jobs in progress at 31 December 2022. Work in progress for defence customers also increased \$1.9m over the period.
- Received an order during the period from BAE Systems Australia, prime contractor for the Hunter Class Frigate Program (HCFP), to manufacture two propeller blades and a hub under the demonstrator program. The value of the contract is \$1.7 million, with successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP.
- Success with this project could lead to the export of equipment for other naval shipbuilding programs around the world, including other T26 programs.
- BAE Systems Australia is expected to issue a 'request for proposal' for the propeller and brake blade manufacture for the first batch of three Hunter class frigates in the coming months. Contract award is anticipated in 2024/5.
- VEEM continues to monitor developments with AUKUS and other defence initiatives to ensure it is in the best position to win its share of the local precision manufacturing work programs.



Engineering Products and Services

- VEEM's hollow bar product revenue was steady at \$2.4m with a significant order received from Latrobe Magnesium for their Latrobe Valley Stage 1 Demonstration Plant for delivery over the next three years.
- Engineering products and services revenue, excluding hollow bar and defence, was down \$1.4m to \$3.6m with the prioritisation of defence work.
- Demand generally for foundry-led, precision engineered products remains strong, partly due to the closure of several Australian foundries in recent years.



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OUTLOOK

PRINCESS YACHTS



Outlook

Gyrostabilisers:

- Take-up rate of gyrostabilizers in the small boat recreational market, and VEEM's increasing rates of qualified leads, provides confidence COVID impacts have passed.
- Continued investments into marketing, new models and further development of the current large gyros will lead to significant revenues and profits in coming years.

Propulsion:

- Global demand for propellers is expected to remain strong.
- Recent installation of three new machining centres to significantly increase manufacturing capacity from March 2023, with sales of propellers to continue to increase in line with capacity.
- Margins protected against cost increases by regular pricing reviews.

Defence:

- Defence revenue expected to remain strong with deliveries under the upcoming Collins Class submarine full cycle docking to continue for at least the next quarter.
- Other defence work for a number of different prime contractors, including Austal, is also expected to continue with the building of patrol boats and other platforms.
- VEEM will continue work on the Hunter demonstrator program and will pursue other options to supply to overseas T26 programs.
- VEEM is also active and well positioned to take advantage of further defence work opportunities that may arise out of AUKUS and other defence programs.

Engineering:

- Demand for the traditional engineering products and services is expected to continue.
- VEEM is working on a number of initiatives to minimise the impact of labour constraints.



Q & A

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APPENDICES

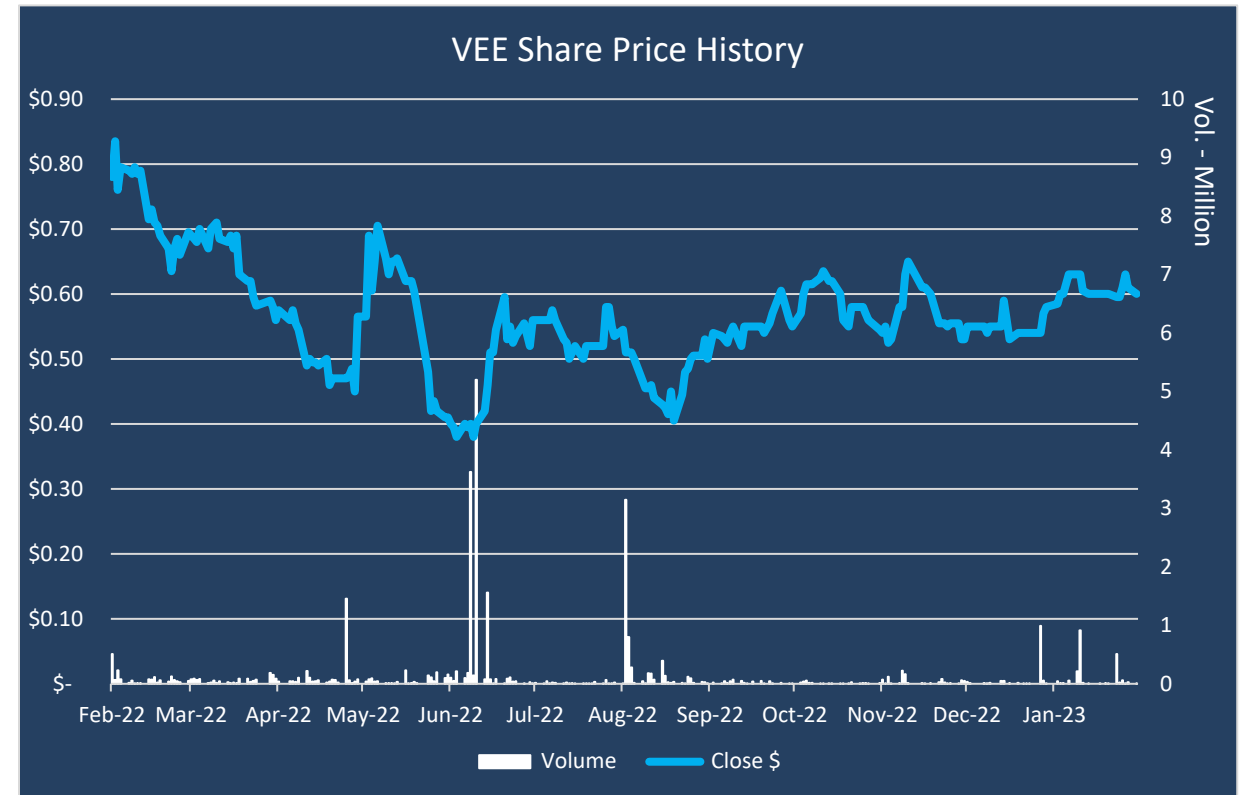
Corporate Overview

Corporate Snapshot

ASX Code	VEE
Share Price (22 February 2023)	\$0.64
Market Capitalisation (22 February 2023)	\$87m
Shares on Issue	136m

Substantial Shareholders

Miocevich Family	50.20%
Perennial Value Management	13.87%
Salter Brothers Emerging Companies	7.74%





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