



VEEM

VEEM LTD

BUSINESS & TRADING UPDATE

26 JUNE 2023

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Agenda

- 01 Trading Update Highlights
- 02 Executive Summary
- 03 Operational Update
- 04 FY23 Capital Investment
- 05 Outlook



Trading Update

- VEEM expects its activity level (Sales + change in WIP) for FY23 to be ~\$60m with EBITDA and profit to be ahead of analyst forecasts of \$8.3m and \$2.9m respectively.
- Gyro sales for the year are expected to be \$5m (included in the \$60m activity above) with orders in hand of \$11m including the orders under the recently announced exclusivity agreement with Strategic Marine.
- VEEM has signed an exclusivity agreement with Strategic Marine for fast crew boats servicing offshore energy in SE Asia. Strategic have committed to purchase a further 12 gyros over the next three years. Refer ASX release of 26 June 2023.
- Three new propeller machining centres, associated equipment and tooling were installed and commissioned with May recording a record month for propeller sales (\$2.3m) and June continuing the stepped up production levels.
- Revenue from the submarine program is expected to be over \$6m for 2HFY23 taking the full year revenue for submarines alone to \$12m.



Executive Summary

- VEEM has had a highly productive half-year to 30 June 2023, particularly the last quarter, providing good momentum into FY24.
- Three new propeller machining centres, associated equipment and tooling were installed and commissioned with May recording a record month for propeller sales (\$2.3m) and June continuing the stepped up production levels.
- Trevor Raman was appointed Operations Manager for the traditional manufacturing facilities in April and this, along with a number of other staff changes, has seen increased overall hours and productivity in May and June to date.
- VEEM expects its activity level (Sales + change in WIP) for FY23 to be ~\$60m with EBITDA and profit to be ahead of analyst forecasts of \$8.3m and \$2.9m respectively.
- Gyro sales for the year are expected to be \$5m (included in the \$60m activity above) with orders in hand of \$11m including the orders under the recently announced exclusivity agreement with Strategic Marine.
- The initial casting for the Hunter Class Frigate demonstration propeller blade was successfully poured and VEEM continued to deliver submarine components to ASC for the Collins Class FCD.
- During the period VEEM has increased its marketing and brand-building efforts for its marine products with a focus on digital and social media.
- VEEM has invested over \$5.5m in capital and development expenditure during the half-year to June 2023 including two of the three machining centres and associated equipment noted above*.



* The first of the three machining centres was included in capital expenditure in the half year to 31 December 2022.

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OPERATIONAL UPDATE

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Gyrostabilizers

- Revenue from gyrostabilisers is expected to be \$5m for the year with 2HFY23 being \$3m, almost double 1HFY23. Orders on hand are \$11m including the Strategic Marine orders per below.
- Exclusivity agreement signed with Strategic Marine for fast crew boats in SE Asia. Strategic have committed to purchase 12 gyros over the next three years. This agreement underscores the value of a gyro in a workboat environment in terms of safety, efficiency, productivity, operability and financially. Refer to the ASX release of 26 June 2023.
- During the period VEEM has increased its marketing and brand-building efforts for its marine products with a focus on digital and social media. As an example see Nautistyles on Instagram and youtube.
- VEEM has continued to invest in the development of its gyro product over the period including a smaller gyro design.
- During the period VEEM focused on its service techs visiting customers (post-COVID) to ensure that the gyros were commissioned efficiently and the customers were satisfied.
- 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.



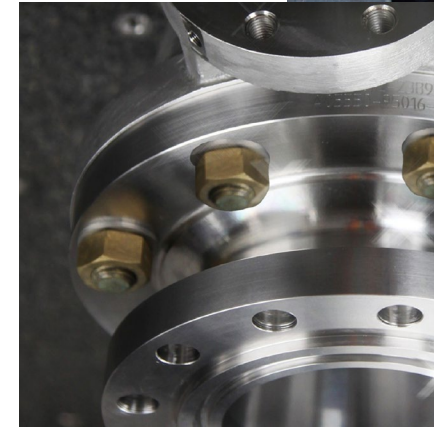
Propulsion

- Three new propeller machining centres and associated equipment and tooling were installed and commissioned with May recording a record month for propeller sales (\$2.3m) and June continuing the stepped up production levels.
- With the increased production VEEM has put in place a specific \$2m propeller trade facility to finance the trade cycle of props from purchase of metals through to receipts from customers.
- In addition to the machining centres and associated equipment, VEEM has also invested in a large 3D printer, large laser scanner and process improvement to bring further efficiencies to the propeller manufacturing process. Further equipment is on order for 1HFY24.
- Despite this increase in capacity, strong demand has kept pressure on lead times.
- VEEM continues to develop its processes and pursue new initiatives in relation to the propeller business where it can leverage its reputation and client base as the premium product in the market for high-speed, high-performance propellers.



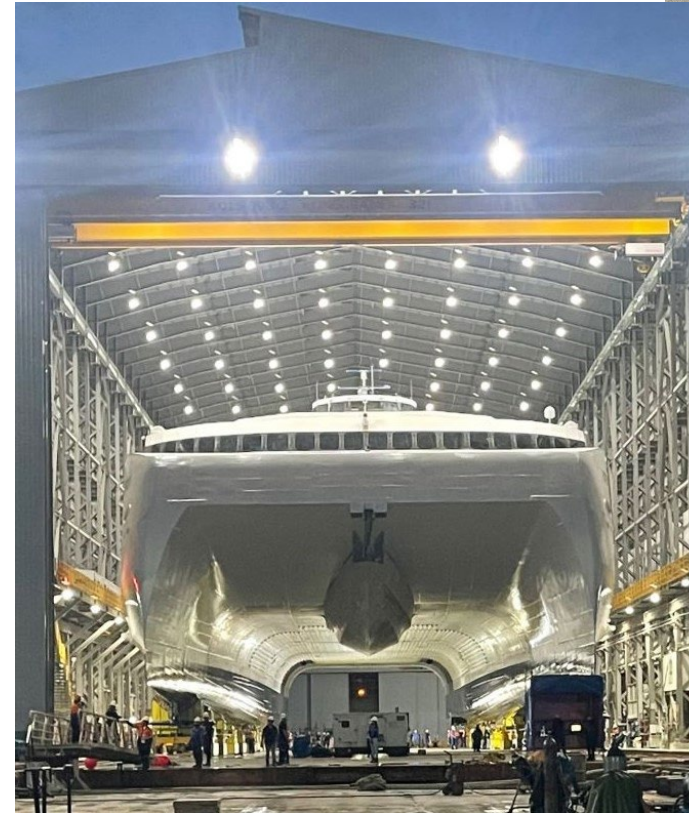
Defence

- VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program is expected to be over \$6m for 2HFY23 taking the full year revenue for submarines alone to \$12m.
- In May VEEM successfully poured the first blade casting as part of the Hunter Class Frigate Program (HCFP) demonstrator program for BAE Systems Australia. The value of the demonstrator contract is \$1.7 million, with successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP. VEEM is one of only two suppliers globally to be able to produce this level of precision.
- Success with this project and subsequent high-level defence supplier qualification is expected to lead to further Australian defence work as well as the potential to export of equipment for other naval shipbuilding programs around the world, including other Type 26 frigate programs.
- VEEM also continues to be awarded contracts for numerous other defence projects including army vehicles and naval projects such as patrol boats (eg. Austal's ECCPB).
- 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. BAE systems is the prime contractor for the new British AUKUS submarines which are to be used as the template for the new Australian subs.



Engineering Products and Services

- VEEM's hollow bar product revenue for 2HFY23 is expected to be ~\$3.2m which is a 30% increase over the first half due to strong demand and increased capacity.
- Delivery commenced for the Latrobe Magnesium's Latrobe Valley Stage 1 Demonstration Plant which will continue over the next three years.
- Demand generally for foundry-led, precision engineered products remains strong.
- May and June to date have seen increased hours worked through a number of initiatives to improve recruitment and retention of staff.

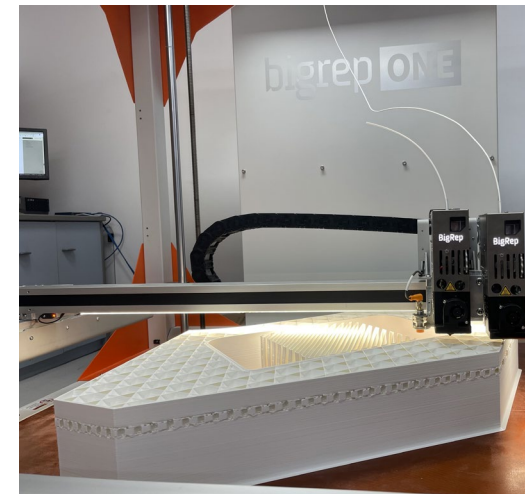




**FY23 CAPITAL & DEVELOPMENT
INVESTMENT**

FY23 Capital & Development Investment

- 2HFY23 saw a total of \$5.5m of investment in plant and equipment and engineering development including:
 - two new propeller machining centres, associated equipment and tooling*
 - Large 3D printer
 - Large laser Scanner
 - Product Development including gyro engineering related to product improvement and a small gyro design.
- All significant external equipment purchases and some internally generated plant and equipment are financed by HP.
- This new equipment has already started to contribute to improved financial performance in the last few months of FY23.
- Some new equipment related to improving propeller manufacturing efficiency has been ordered for delivery in 1HFY24



* The first of the three machining centres was included in capital expenditure in the half year to 31 December 2022.

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OUTLOOK

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Outlook

Gyrostabilisers:

- The agreement with Strategic Marine highlights the commercial market for gyrostabilizers is becoming better educated at the operational, HSE and commercial benefits of gyros for crew transfers.
- Continued investments into marketing, smaller models and further development of the current large gyros will lead to significant revenue growth and profits in coming years.

Propulsion:

- Global demand for VEEM's propellers is expected to remain strong.
- Recent increases in production output expected to continue.
- New equipment on order expected to further increase efficiencies and margins.
- Margins protected against cost increases by regular pricing reviews.
- Potential for further expansion of VEEM's propulsion business in several areas.



Defence:

- Defence revenue expected to remain strong with deliveries under the next Collins Class submarine full cycle docking to commence in FY24.
- 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 to deliver on the Hunter demonstrator program and will pursue other options to leverage off the high-level qualifications with BAE/Kongsberg/Navy to supply other defence programs including 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 with BAE being the prime contractor for the British AUKUS submarine - the base model for Australia's new submarines.

Engineering:

- Demand for the traditional engineering products and services is expected to continue.
- VEEM will continue to focus heavily on recruitment and maintenance of labour resources through a number of initiatives.

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APPENDIX

PRINCESS YACHTS



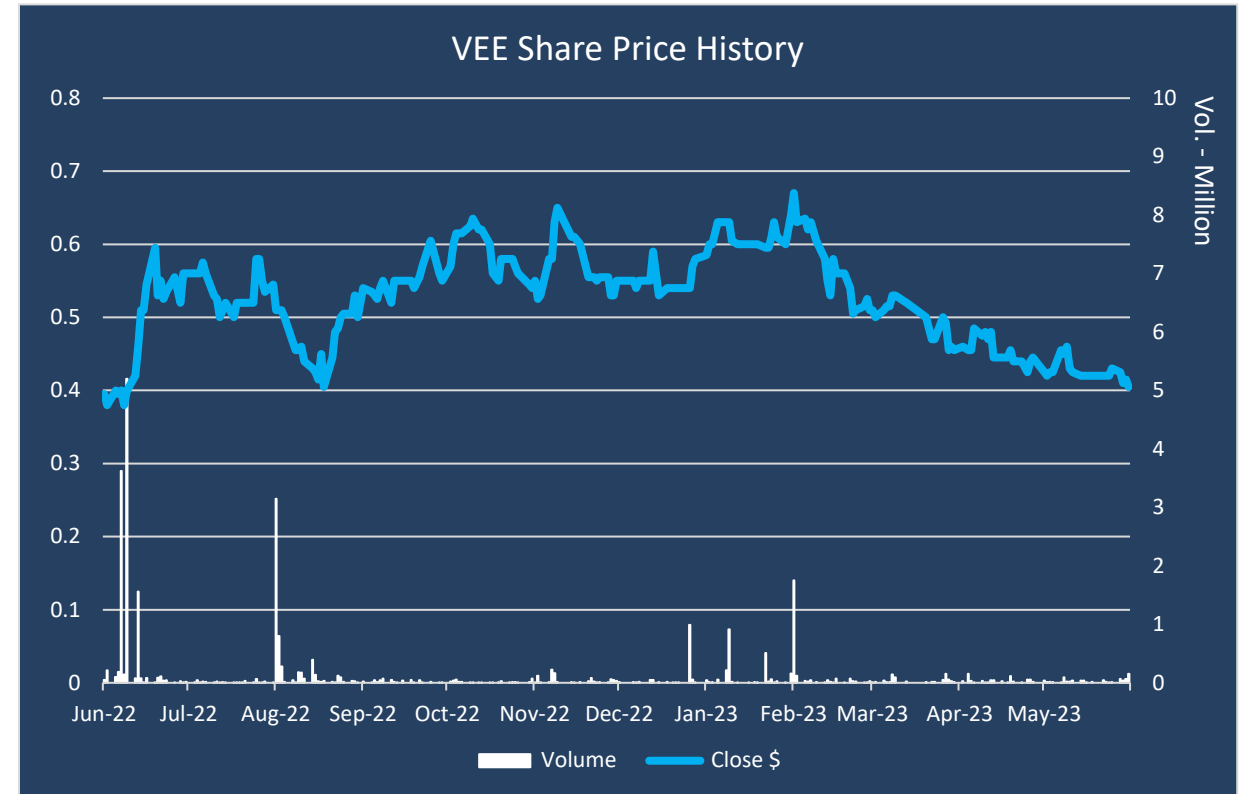
Corporate Overview

Corporate Snapshot

ASX Code	VEE
Share Price (23 June 2023)	\$0.41
Market Capitalisation (23 June 2023)	\$55m
Shares on Issue	136m

Substantial Shareholders

Miocevich Family	50.20%
Perennial Value Management	14.95%
Salter Brothers Emerging Companies	5.64%



This ASX announcement was
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