



FY23 RESULTS PRESENTATION

24 AUGUST 2023



PRINCESS YACHTS

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Agenda

1. FY23 Highlights
2. Executive Summary
3. Financial Results
4. Operational Performance
5. Outlook
6. Q&A



FY23 Highlights

Revenue \$59.6m +10%	Total Activity ¹ \$63.5m	EBITDA ² \$10.0m +64%
EBITDA Margin ² 16.8% +552bp	EBIT ² \$5.9m +186%	NPAT ² \$4.1m +226%
Operating Cashflow ² \$6.1m +143%	EPS ² 3.03cps +226%	Final Dividend ² 0.51c

1. Total Activity = Sales + change in WIP

2. Includes receipt of a government grant of \$0.5m which is considered non-recurring.



Executive Summary

- VEEM's revenue for the year was \$59.6m (up 10% on FY22) with total activity (Sales + change in WIP) for FY23 of \$63.5m.
- EBITDA and NPAT were \$10.0m and \$4.1m, up 64% and 226% respectively on FY22. Cashflow from operations was \$6.1m, up 143% on FY22. These amounts include a government grant of \$0.5m.
- Gyro sales for the year were \$5.0m with orders in hand of \$11m.
- VEEM 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.
- Three new propeller machining centres, associated equipment and tooling were installed and commissioned with May and June 2023 each recording a new record for propeller sales.
- Revenue from the submarine program was \$12.3m for the year with total defence spending of \$17.0m.
- VEEM has invested over \$9.6m in capital and development expenditure during FY23 including the three machining centres and associated equipment noted above.
- EPS of 3.03 cents per share, up 226% on the prior period.





FINANCIAL RESULTS



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FY23 Result

Profitability increase driven by propeller and defence businesses

- Customer Work in Progress increased by \$3.9m which, when added to revenue, demonstrates \$63.4m of activity over FY23.
- Three new propeller machining centres, associated equipment and tooling were installed and commissioned increasing capacity materially.
- Overall propulsion sales were up 19% on FY22 with VEEM's own propeller products up 23%.
- ASC revenue was up 72% on the prior year with a large portion of a full cycle docking being delivered.
- Hollow bar revenue was up 11% on FY22. Margins remained solid and overheads were well managed resulting in a material improvement in EBITDA and net profit after tax.
- Successfully managed a tightening labour market and resultant rising costs.
- Grant funds of \$0.5m were received in FY23 (non-recurring).

	FY23 A\$mil.	FY22 A\$mil.	% Change
Revenue	59.6	54.2	10%
EBITDA*	10.0	6.1	64%
Profit before Tax	4.9	1.4	249%
Net Profit after Tax (NPAT)	4.1	1.3	226%
Earnings Per Share (EPS)(cents)	3.03	0.93	226%

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

Balance Sheet

Capital investment to drive future profitability

- The Company held cash on hand of \$2.4m at 30 June 2023 (30 June 2022: \$2.6m) and had an undrawn overdraft facility of \$3.4m.
- A \$2m trade facility was set up to facilitate the propeller business and was drawn to \$1.7m at year end.
- The working capital position remained relatively steady with progress payments from customers covering part of the significant increase in WIP.
- VEEM has invested over \$9.6m in capital and development expenditure during FY23 including the three new propeller machining centres, associated equipment and tooling.
- \$4.4m of the capital purchases above were funded through HP arrangements and \$2m was drawn from the commercial facility.

	FY23 A\$mil.	FY22 A\$mil.	% Change
Current Assets	35.0	31.7	11%
Non-Current Assets	56.5	49.1	15%
Total Assets	91.5	80.8	13%
Current Liabilities	16.8	12.6	33%
Non-Current liabilities	27.9	24.6	13%
Total Liabilities	44.7	37.2	20%
Net Assets	46.8	43.6	7%
Retained earnings	35.4	32.1	10%
Total Equity	46.8	43.6	7%

Cash Flow

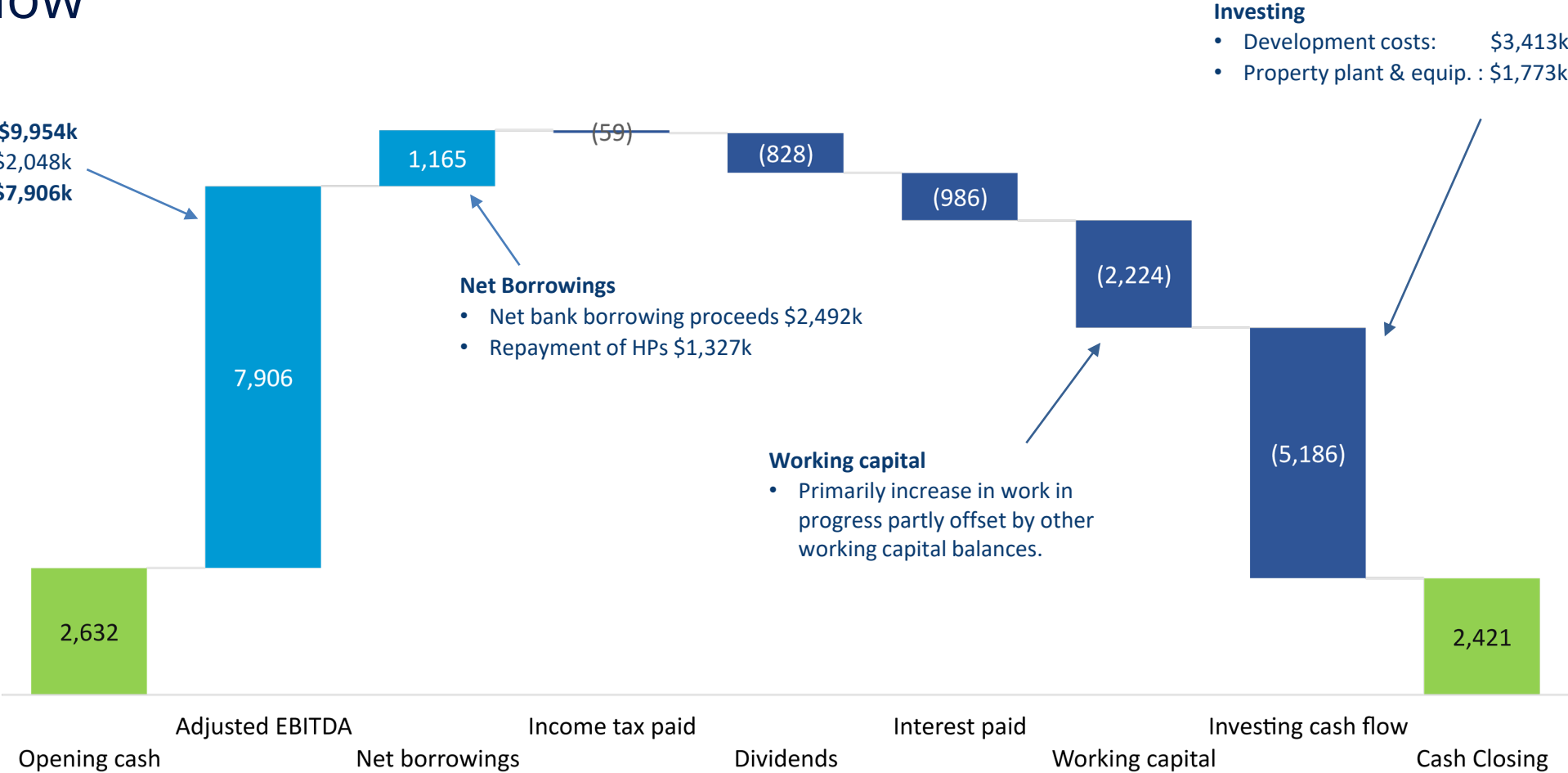
Solid cash flow from operations and investments in assets

- Cashflow from operations was \$6.1m (2022: \$2.5m). The increase in WIP deferred some receipts to the next period.
- The investment of \$5.2m is the portion of the \$9.6m of capital and development expenditure not funded by HP arrangements.
- As part of the funding for the \$5.2m above, VEEM drew down an additional \$2m of its commercial facilities during the year. \$1.2m of commercial facilities were repaid.
- A \$2m trade facility was set up to facilitate the propeller business and was drawn to \$1.7m at year end.
- At year end VEEM had an undrawn overdraft facility of \$3.4m.

	FY23 A\$mil.	FY22 A\$mil.	% Change
Cash flow from operations	6.1	2.5	143%
Cash flow from investing activities	(5.2)	(4.8)	8%
Cash flows from financing activities	(1.2)	2.6	-145%
Net (decrease)/increase in cash	(0.2)	0.3	-183%
Cash at end of period, net of overdraft	2.4	2.6	-8%

Cash Flow

Statutory EBITDA \$9,954k
Less AASB 16 leases - \$2,048k
Adjusted EBITDA \$7,906k





OPERATIONAL RESULTS



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Gyrostabilisers

- Revenue from gyros was \$5m for the year with 2HFY23 being \$3m, almost double 1HFY23. Orders on hand at 30 June were \$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 in the large gyro market with the products to capitalise on this.



Propulsion

- Three new propeller machining centres and associated equipment and tooling were installed and commissioned with May and June 2023 each recording a record for propeller sales.
- With the increased production VEEM has put in place a specific \$2m propeller trade facility to finance the trade cycle of propellers 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.



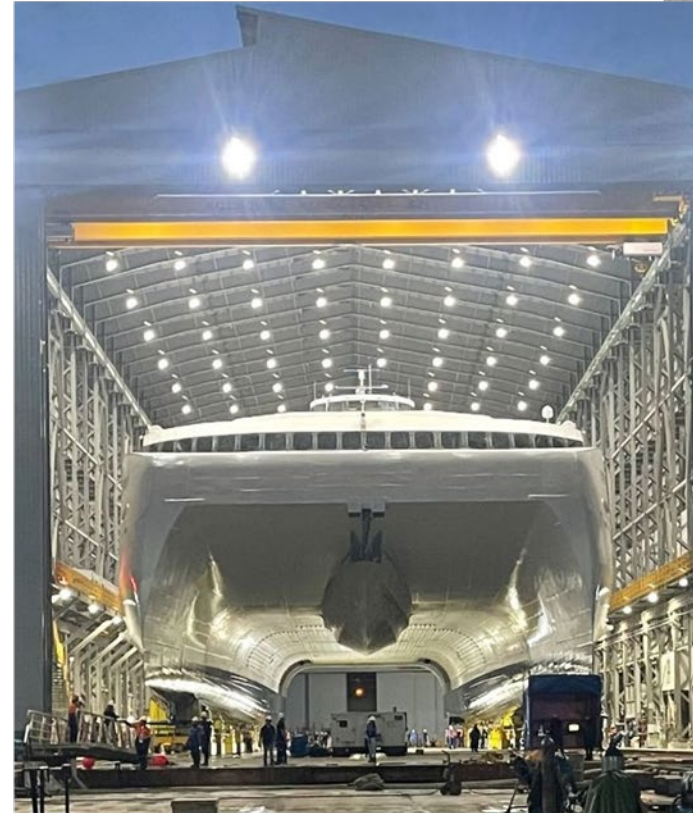
Defence

- VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program was \$12.3m for the year.
- VEEM is currently manufacturing blades and hubs for 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 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 submarines.



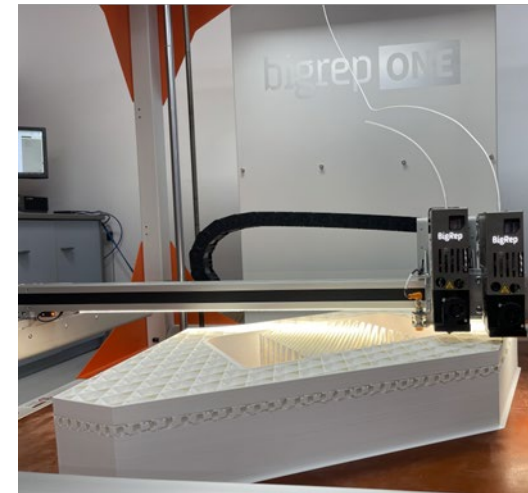
Engineering Products and Services

- VEEM's hollow bar product revenue for FY23 was \$6.2m which is an 11% increase over FY22 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 2023 saw increased hours worked through a number of initiatives to improve recruitment and retention of staff. These have been maintained into FY24.



FY23 Capital & Development Investment

- FY23 saw a total of \$9.6m of investment in plant and equipment and engineering development including:
 - Three 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 hire purchase arrangements (\$4.4m) with a further \$2m of commercial debt drawn down.
- This new equipment started to contribute to improved financial performance in the last quarter of FY23 and into FY24.
- Some new equipment related to improving propeller manufacturing efficiency has been ordered for delivery in 1H FY24.
- VEEM's R&D expense for the year was \$2.8m.





OUTLOOK



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Outlook

Gyrostabilisers:

- Strategic Marine agreement, recent leads and enquiries highlight the commercial market for gyrostabilisers is becoming better educated at the operational, HSE and commercial benefits of gyros for crew transfers.
- With continued investment into marketing, smaller models and further development of large gyros VEEM expects to see solid revenue growth in coming years.

Propulsion:

- Global demand for VEEM's propellers is expected to remain strong.
- Recent increases in production output are 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 options to leverage off the high-level qualifications with BAE/Kongsberg/Navy to supply other defence programs including overseas T26 programs.
- VEEM is 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 will continue to focus on recruitment and maintenance of labour resources through a number of initiatives.

Q & A

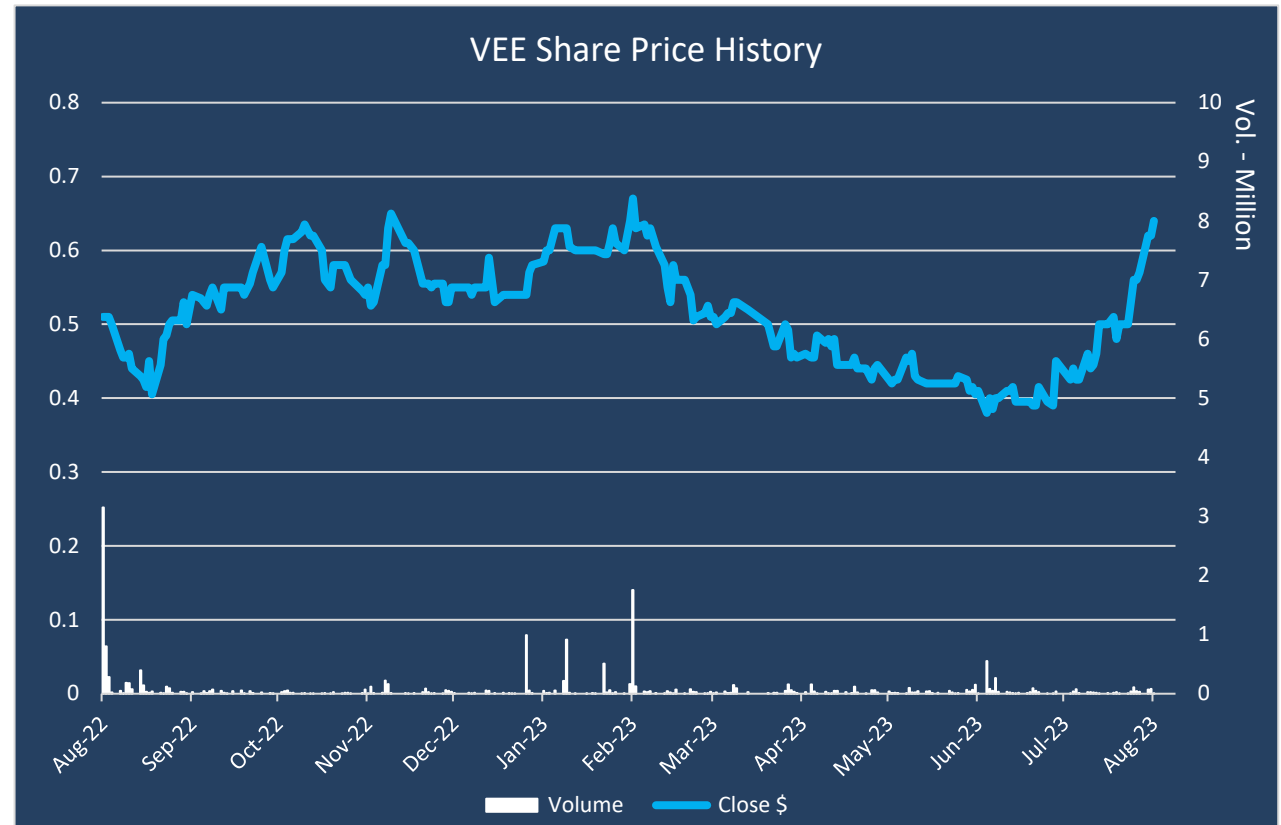


APPENDICES

Corporate Overview

Corporate Snapshot

ASX Code	VEE
Share Price (23 August 2023)	\$0.64
Market Capitalisation (23 August 2023)	\$87m
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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