



ASX ANNOUNCEMENT

VYSARN FINANCIAL RESULTS FOR FY2023

Vertically integrated water service provider Vysarn Limited (ASX:VYS) (Vysarn) (Company) announces its financial results for the twelve (12) months to 30 June 2023 (FY2023).

Summary of group results for FY2023:

- Revenue from Operations \$64.96 million
- EBITDA \$12.45 million
- NPBT \$7.08 million
- Net Tangible Assets \$30.50 million
- Cash and Cash Equivalents \$8.31 million

FY2023 Results Commentary

Vysarn's revenue from operations to 30 June 2023 of \$64.96 million exceeded previous corresponding period revenue from operations by \$18.66 million.

Revenue from operations in FY2023 represents a full twelve month operational contribution from all of the Company's wholly subsidiaries across consultancy, hydrogeological drilling, test pumping and managed aquifer recharge.

FY23 Key Financial Metrics	FY23	FY22	Variance	Variance
Description	\$	\$	\$	%
Operational Revenue	64,957,156	46,297,406	18,659,750	40%
EBITDA	12,453,788	9,075,292	3,378,496	37%
NPBT	7,075,570	4,095,180	2,980,390	73%
NPAT	3,872,558	2,856,729	1,015,829	36%
Operational Cashflow	9,664,934	9,499,462	165,472	2%

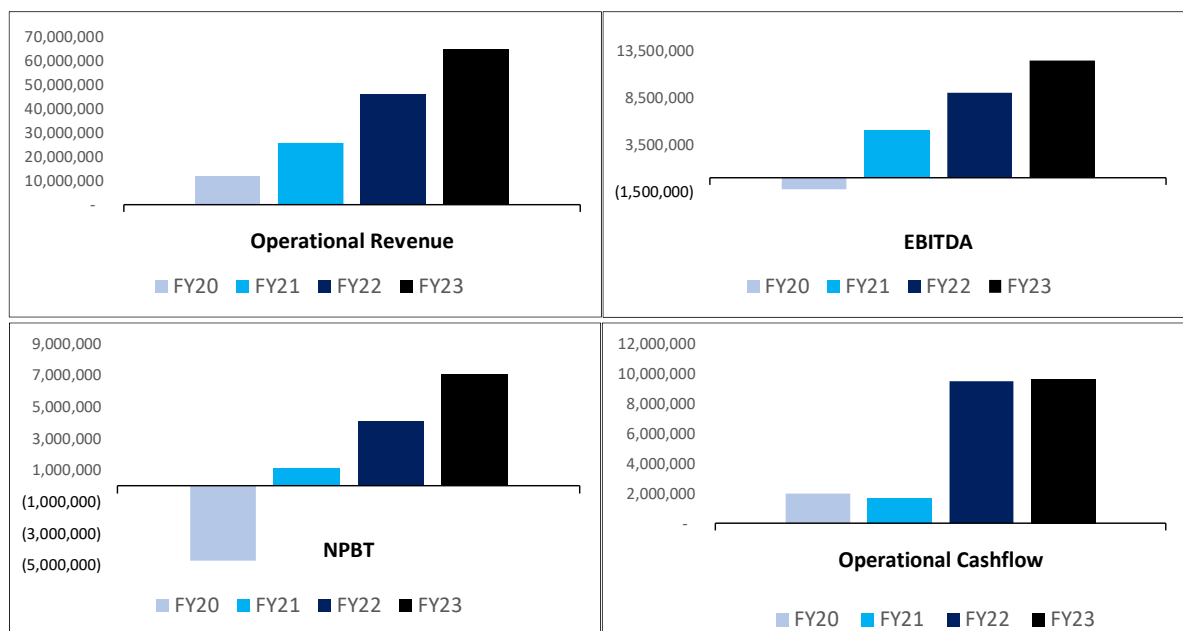
Net Profit Before Tax (NPBT) was \$7.08 million and Net Profit After Tax (NPAT) was \$3.87 million for the 12 months to 30 June 2023. The non-cash income tax expense of \$3.20 million in FY2023 reflects the Company's increase in existing deferred tax liability, primarily due to a change in the Company's corporate tax rate and utilisation of the ATO's instant asset write-off. The Company has carried forward tax losses of \$4.09 million that can be used to offset future income tax liabilities.

Key Financial Metrics	Operational Revenue			EBITDA			NPBT		
	1H FY23	2H FY23	FY23 Total	1H FY23	2H FY23	FY23 Total	1H FY23	2H FY23	FY23 Total
Description	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Vysarn	-	-	-	(1,201,193)	(1,642,055)	(2,843,248)	(1,205,573)	(1,694,866)	(2,900,439)
Pentium Hydro	21,976,872	29,005,338	50,982,210	3,732,743	8,212,796	11,945,539	1,444,808	5,885,785	7,330,593
Pentium Test Pumping	1,422,937	1,336,353	2,759,290	594,959	262,269	857,228	374,854	55,268	430,122
Pentium Water	1,714,951	2,350,992	4,065,944	305,242	467,209	772,451	240,669	401,847	642,516
Project Engineering	3,968,363	3,181,348	7,149,711	809,370	912,450	1,721,819	740,849	831,929	1,572,778
FY23 Group Total			64,957,155			12,453,788			7,075,570

Operational Cashflow was \$9.66 million. The reduction in the conversion of earnings to Operational Cash Flow compared to the previous corresponding period is primarily a reflection of increased working capital requirements created by the redeployment of drill rigs to Tier 1 iron ore miners with less favourable trading terms.

The Company has Net Tangible Assets (NTA) of \$30.50 million, representing a NTA backing of \$0.075 a share. Net Current Assets were \$10.67 million, Cash and Cash Equivalent position was \$8.31 million and Net Debt was \$1.39 million as at 30 June 2023.

Key Financial Metrics



Operations and Outlook

FY2023 has proven to be another defining year for Vysarn with the water services vertical integration strategy maturing. The board and management continue to maintain the view that one of the largest and growing impediments to ongoing iron ore production is the removal and disposal of surplus water. This thematic has since proven to be sound and has provided a unique opportunity to build a business of scale in a short period of time.

While Vysarn anticipates continued growth underpinned by the iron ore sector surplus water thematic, the Company has also identified new and real avenues for future growth across other services, commodities, sectors and geographies.

Pentium Water

Wholly owned subsidiary Pentium Water Pty Ltd (Pentium Water – www.pentiumwater.com.au) completed its first full year of operations in FY2023 after being organically launched in February 2022 to provide consulting services covering ground water, surface water and environmental planning.



The business experienced material expansion in staff head count growing to more than 20 advisors providing advisory solutions to Tier 1 clients across resources, urban development, utilities, government and traditional owner groups. During this period Pentium Water had early success in developing its model to derive more revenue from lump sum project work rather than the hourly rates model associated with traditional consultancy practices. While this model is designed to accentuate more meaningful long term engagements with clients, it has created an opportunity to incrementally improve productivity (and margin) while supporting the ability to grow the number of advisors and specialisations across the team.

In the period Pentium Water's advisory model evolved to include Company backed internal projects focussing on water and environmental opportunities rather than purely advising clients on their own projects. Pentium Water has developed a portfolio of internal early stage projects focussing on opportunities across water pipeline infrastructure and associated mechanisms to control, own or toll water. These early stage projects in turn are creating partnerships and new opportunities associated with the supply of large volumes of water for irrigated agriculture and carbon sequestering.

The outlook for Pentium Water is strong. Head count is anticipated to grow in future periods with the breadth of service offerings also anticipated to widen. In addition to current specialisation in ground water, surface water and environmental planning, growth prospects are already being developed to provide expanded capability in water resource engineering, environmental monitoring, mine closure, mine repurposing and traditional owner engagement.

Pentium Hydro

As disclosed in previous market updates throughout FY2023, wholly owned subsidiary Pentium Hydro Pty Ltd (Pentium Hydro – www.pentiumhydro.com.au) made a strategic decision to pull multiple rigs from the field in the first half of the financial period for compliance upgrades to meet Tier 1 iron ore miner standards. While operational and financial performance in the first half was subsequently negatively affected, it provided an opportunity to redeploy these rigs on improved terms. This strategy was realised in the second half of FY2023 which helped underpin full redeployment of the Pentium Hydro rig fleet as well as record second half earnings for the subsidiary.

Operational performance in the period was rewarded with an increase in rates by key clients as well as several contract extensions. Pentium Hydro successfully started double shifting one rig in the period whilst continuing to pursue opportunities for multiple rigs to double shift in future financial periods.

The outlook for Pentium Hydro remains robust with demand for dual rotary rigs particularly strong. Due to limited supply of dual rotary rigs in the Australian market, in hand with the long lead times and prohibitive expense to import new dual rotary rigs, Pentium Hydro anticipates opportunities to increase the number of rigs double shifting for clients to meet this demand.

Due to this ongoing demand Pentium Hydro has continued its search for quality second hand dual rotary rigs both domestically and internationally. As such, Pentium Hydro has recently identified an opportunity to acquire an additional used dual rotary rig. Subject to proceeding with the rig's acquisition, it is anticipated that this rig would be acquired and rebuilt to Tier 1 standards within FY2024.



The rig purchase being considered is not driven by a strategy to grow the size of the Pentium Hydro rig fleet, but rather to change the rig fleet mix to consist primarily of dual rotary rigs. The board and management view this initiative as a strategy primarily designed to shore up an already strong competitive moat for the hydrogeological drilling division. In line with changing the rig fleet mix, it is anticipated that the funding for such a purchase and rebuild of an additional dual rotary rig would in part be funded by the divestment of one of Pentium Hydro's non-core conventional rigs.

Operational improvements will continue to be rolled out in FY2024 such as the establishment of a Pilbara based critical spares facility which will help reduce any downtime associated with programmed maintenance and breakdowns, as well as a continued recruitment drive to bring more experienced water well drillers, supervisors and managers into the business.

Pentium Test Pumping

Pentium Test Pumping Pty Ltd (Pentium Test Pumping – www.pentiumtestpumping.com.au) produced another strong operational performance in FY2023. Traditional day shift utilisation in the period was high with a growing stream of double shifting opportunities also being realised in the period.

The strong operational performance was rewarded with an increase in rates and a contract extension by Pentium Test Pumping's key client.

The next generation test pumping unit did not meet its initial anticipated deployment timeline of 30 June 2023, with the extension of the delivery date due to delays in the construction and delivery of the reel unit out of Queensland. Despite the deployment delay, the advancement in technology of Pentium Test Pumping's second unit is in line with expectations underpinning management's confidence that the unit will be industry leading in its capability.

With the addition of a second technologically advanced test pumping unit, Pentium Test Pumping is anticipated to produce another strong performance in FY2024. The second unit is on track to be commissioned, deployed and operational inside the September quarter of FY2024 with multiple avenues of client enquiry providing opportunities for high utilisation rates from the outset. To support the deployment of the second test pumping unit, considerable work has been done in recent months to establish an expanded test pumping technician team to not only support the deployment of the second test pumping unit but to provide the ability to pursue further double shifting opportunities should they arise.

Incorporated within the new unit is the ability to injection test in addition to test pumping. This has been made possible via the inclusion of injection technology acquired from Project Engineering. To the Company's knowledge, there is no other provider in Australia that can provide a single unit that can both test pump and injection test.

The initial injection testing work will be conducted under a commercial trial format on a client site and project, flagged to begin in the first half of FY2024. Subject to the success of the initial trials and the growing propensity of key clients to reinject surplus water via Manage Aquifer Recharge, management anticipates that injection testing has the potential to be a high growth and material offering in Pentium Test Pumping's suite of services in future periods.

Project Engineering

During FY2023 the acquisition of wholly owned subsidiary Project Engineering Pty Ltd (ProEng – www.proengwa.com) was completed effective from 1 July 2022.

In its first year of operations under Vysarn ownership, ProEng exceeded initial expectations set during the acquisition due diligence phase with material growth experienced in the construction and provision of managed aquifer recharge (MAR) units. This was primarily driven by a more active business development program which in turn provided opportunities to start moving the business to a production line model rather than manufacturing on a 'just in time' basis. This approach has also enabled ProEng to get greater visibility on longer term MAR opportunities and to start planning accordingly.

In response to this anticipated growth, ProEng is currently sourcing new premises that will enable the establishment of an expanded MAR unit production line as well as bolstering staff numbers and expertise. These strategic initiatives will require a commensurate level of increased investment.

The outlook for ProEng is strong with management anticipating year on year growth in MAR unit output in FY2024 underpinned by the Western Australian iron ore sector, in addition to ongoing business development paving the way for an expansion into other commodities, sectors and geographies.

Group

In FY2023 the Company continued to successfully execute its vision and strategy to become a leading end to end, whole of life vertically integrated water service provider. This strict focus on strategy execution and building scale through diversification has the Company well positioned with strong maintainable earnings and cashflow.

The diversification across the vertical service offerings will not only continue to insulate the Company from the operational and financial risks often associated with a single service model but will help create long term shareholder value by driving expanded valuation multiples traditionally afforded to multi-faceted businesses. The early stages of this thesis have already started to play out.

Vysarn is well positioned as it enters FY2024. The Company is well funded, anticipates material earnings growth and has identified a range of organic and acquisitive growth prospects. As always, the Company's board and management will continue to focus on driving long term and sustainable value for its shareholders.

This ASX announcement has been authorised for release by the Board of Vysarn Limited.