ASX Announcement

6 September 2023

Corrections to the FY2023 Results Announcement

Verbrec Limited (ASX:VBC) a leading engineering, training and infrastructure services business executing work across Australia, New Zealand, PNG and Pacific Islands, today provides some non-material corrections to the FY2023 Results Announcement published on 30 August 2023.

Attached to this notice is the FY2023 Results Announcement with corrections highlighted in yellow.

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Authorised for release by the Board of Directors of Verbrec Limited.

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About Verbrec Limited

Verbrec is a leading engineering and project services company that supports customers across Australia, New Zealand, PNG and beyond. The Company serves the energy, infrastructure, and mining industries through their technical specialties; asset management, automation and control, pipelines, power, process plant and training, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

30 August 2023

Verbrec FY2023 Results Announcement

Verbrec Limited (ASX:VBC) a leading engineering, training and infrastructure services business executing work across Australia, New Zealand, PNG and Pacific Islands, today announces its full-year financial results for FY2023.

Financial overview

The Company delivered revenues of $118.2 million and a statutory EBITDAI of ($0.7) million for the 2023 financial year (FY2023). Gross margins were 25.7% (down from 29.2% in FY2022) and the statutory EBITDAI margin was (0.6%) (down from 2.5%). Allowing for the impact of the legacy projects and other one-off's, the underlying EBITDAI was $4.3 million (down from $10.1 million in FY2022).

Financial performance has suffered throughout the period due to:

- The ongoing impacts and legal recovery efforts of the final legacy project, none of which has been recovered to date, whereby the Company wrote off a total of **$6.3** million ($3.5 million in foregone margins and a further **$2.8** million from impaired work in progress),
- Economic slowdown in some key areas in which Verbrec operates, and
- A skills shortage and constrained labour market, causing an increase in the labour cost base for the group and an increased attrition rate when compared to the prior period.

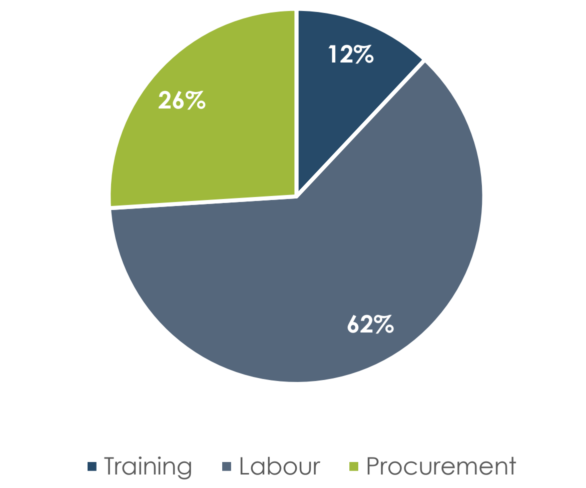
FY2023 Results

	FY2023	FY2022	CHANGE TO PCP
Revenue ($)	118.2m	121.4m	(3.2m)
Gross Profit ($)	30.4m	35.4m	(5.0m)
Gross Margin %	25.7%	29.2%	(3.5%)
Sales, General & Admin Costs ($)	(31.6m)	(33.0m)	**1.4m**
EBITDAI ($)	(0.7m)	3.0m	(3.7m)
EBITDAI Margin %	(0.6%)	2.5%	(3.1%)
Net Profit/(Loss) After Tax ($)	(9.5m)	(3.1m)	(6.4m)
Basic EPS (Cents)	(4.3)	(1.4)	(2.9)
Net Cash Position[1] ($)	(2.3m)	5.7m	(8.0m)
Closing Cash Position ($)	4.5m	6.4m	(1.9m)

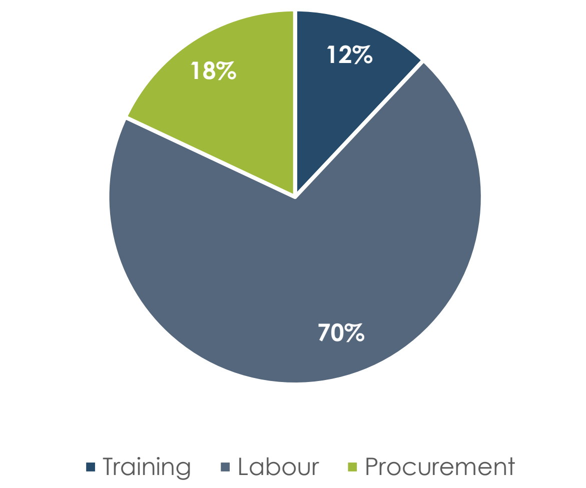
[1] Cash on hand less borrowings

Revenue Split

FY2023 REVENUE SPLIT



FY2022 REVENUE SPLIT



The impact of the forgone margin on the final poor performing legacy project and one-off's is as follows:

	FINANCIAL YEAR ENDING 30 JUNE 2023 STATUTORY	FINANCIAL YEAR ENDING 30 JUNE 2023 IMPACT POOR PERFORMING PROJECTS	FINANCIAL YEAR ENDING 30 JUNE 2023 ONE-OFF'S	FINANCIAL YEAR ENDING 30 JUNE 2023 UNDERLYING	FINANCIAL YEAR ENDING 30 JUNE 2022 UNDERLYING
Gross Profit ($)	30.4m	3.5m	0.0m	**33.9m**	42.1m
Gross Margin (%)	25.7%	3.0%	0.0%	**28.7%**	34.7%
EBITDAI ($)	(0.7m)	3.5m	1.5m	**4.3m**	10.1m
EBITDAI Margin %	(0.6%)	3.0%	1.3%	**3.7%**	8.3%

Balance Sheet

The Group was in a net cash deficit of ($2.3) million at the end of 30 June 2023 which is down from $5.7 million as of 30 June 2022 (cash on hand less borrowings).

The Company booked impairment charges against:

- Recoverability of contract assets of $2.8 million
- Goodwill of the Training Cash Generating Unit of $1.4 million due to the carrying value being greater than the recoverable amount

Cash Flow

Verbrec continued to maintain a focus on cash collections during the year and as a result the company generated operating cashflow before interest and tax (OCFBIT) of ($3.2) million for the year as compared to $3.7 million in the prior period.

Closing cash for the FY2023 was $4.5 million compared to $6.4 million as at 30 June 2022. The main reasons for this decrease include:

- Acquisition of property, plant and equipment and principal lease payments $3.6 million
- Net cash outflows from operations of $3.9 million, offset by
- $3.2 million inflow from financing activities including net borrowings of $6.0 million.

Operational overview

There have been notable changes to the Company's key management team and Board of Directors throughout the period. The Company's new Chief Executive Offer, Mr Mark Read commenced on 13 March 2023 and subsequently, on 15 March 2023, Mr Linton Burns resigned as Managing Director of the Company.

With the support of the Board, the new CEO appointed several new management personnel within the Company's business units and undertook swift overhead reduction measures including a reduction in headcount and progressing to close several unprofitable operating locations. Additionally, Mark has reinvigorated the management team and continues to take steps to drive to operational focus back to Verbrec's core competencies.

FY2023 saw the first full year of Verbrec's licensed software (SAAS) for stockpile management, StacksOn™, being utilised by BHP Iron Ore at both mines and ports in Western Australia. StacksOn™, in conjunction with the BHP's overall product variability program, is materially adding value to BHP's Western Australian iron ore operations [2].

Verbrec continues to focus on improving organic recurring revenues underpinned by 42 Master Services Agreements and Panel Agreements (up 7 since last period) and 11 Operational and Maintenance Agreement (up 2 since last period).

A constrained labour market and prevalent skills shortages impacted profit margins throughout the period. Costs of professional and trade labour increased at an aggressive rate due to inflationary effects on the Australian economy. This trend caused the attrition rate of Company personnel to increase when compared to previous years. Additionally, given the severity of increases in labour costs, escalation measures contained in the Company's suite of Master Agreements and Panel Agreements (typically linked to Consumer or Wage Price Indices published by the ABS) were not sufficient to counter the labour cost pressures observed internally.

The legacy projects are now all completed with the last project having been terminated in January 2023. During FY2023, the Company impaired a total of $2.8 million in works completed but not recovered throughout the period. The matter remains in dispute.

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[2] See the article titled 'Laura Tyler at World Mining Congress 2023' published on 28 June 2023 (https://www.bhp.com/news/media-centre/reports-presentations/2023/06/laura-tyler-at-world-mining-congress)

Outlook

Having taken measures to reduce overhead costs across the group and refocusing management on Verbrec's core competencies, Verbrec now has a solid platform to reinvigorate its strategic direction and recover from the impacts of one-offs and legacy projects.

The Company is focusing on building a shared commitment to look forward to future successes, and as a strong team, work together to build on existing client relationships, enhance systems and processes to drive operational efficiency and consistency in project delivery standards.

Our expertise in asset management, automation and control, pipelines, power, process plant and training, positions Verbrec to play an important role in transforming assets for a more sustainable and smarter future. Verbrec is well positioned to take advantage of significant industry investment in transformational and renewable energy projects.

A fundamental objective for the Board is improving the performance of the Company in order to restore dividends as we recognise that shareholders invest in our company to achieve their own goals.

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