

28 February 2024

Verbrec Half Year FY2024 Interim Results Announcement

Verbrec Limited (ASX : VBC) (**Verbrec** or the **Company**) a leading engineering, project, training and mining technology service provider that supports customers across Australia, New Zealand, Papua New Guinea and beyond, today announces its half year financial results to 31 December 2023.

Half Year FY2024 Interim Results Summary

| | H1 FY2024 | H1 FY2023 | CHANGE TO PCP |
|---|-----------|-----------|---------------|
| Revenue | \$50.0 m | \$59.1 m | (\$9.1 m) |
| Gross Profit | \$17.4 m | \$15.1 m | \$2.4 m |
| Gross Margin | 34.9 % | 25.5 % | 9.4 % |
| EBITDA | \$5.0 m | \$1.3 m | \$3.6 m |
| EBITDA Margin | 10.0 % | 2.3 % | 7.7 % |
| Profit / (Loss) after tax for Continuing Operations | \$2.9 m | (\$1.4 m) | \$4.3 m |
| Profit / (Loss) after tax attributable to Discontinued Operations | (\$2.8 m) | (\$1.2 m) | (\$1.5 m) |
| Total comprehensive Profit / (Loss) attributable to owners of the Company | \$0.2 m | (\$2.6 m) | \$2.7 m |

Note: Revenue, Gross Profit, Gross Margin, EBITDA and EBITDA Margin in the above table are presented in the context of Continuing Operations only.

Half Year FY2024 Equity, Cash Balance & Finance Facilities

| | 31DEC23 | 30JUN23 | CHANGE |
|--|-------------|----------|---------|
| Total Equity attributable to owners of the Company | \$17.1 m | \$13.0 m | \$4.0 m |
| Cash Balance | \$5.9 m | \$4.4 m | \$1.5 m |
| Banking Covenants | PASS | FAIL | - |

The successful divestment in November 2023 of unprofitable parts of Verbrec's training business (**Discontinued Operations**) has improved the financial position of the business.

This included a one-off NPAT impact of \$2.8 million, made up of \$1.8 million written off intangibles (including goodwill) and \$1.0 million in operating losses related to the Discontinued Operations in H1 FY2024.

A more detailed statutory breakdown of financial results can be found in Verbrec's H1 FY2024 Interim Financial Report.

As the Discontinued Operations will not materially impact the performance of the Company moving forward, unless explicitly stated otherwise, all other financial metrics in this announcement are presented in the context of Continuing Operations.

Verbrec Limited

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Share Registry

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Results Commentary

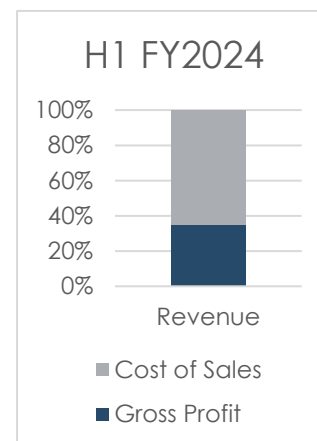
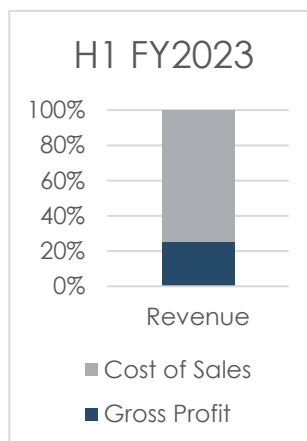
Improved financial performance in the half year resulted in Verbrec unconditionally passing all Westpac banking covenants.

| Covenant | Measurement | Result | |
|-----------------------------------|------------------------------|-----------|---|
| Financial Debt to Adjusted EBITDA | Less than 3.5 times | 1.2 times | ✓ |
| Adjusted Equity to Assets Ratio | Greater than or equal to 35% | 38 % | ✓ |

9.4% (\$2.4 million) increase in Gross Margins compared to previous corresponding period.

\$11.4 million reduction in Cost of Sales associated with only a \$9.1 million reduction in Revenue compared to previous corresponding period.

Verbrec is selecting lower risk, more economically attractive projects with its relationship clients.

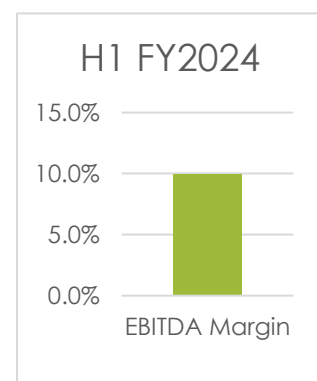
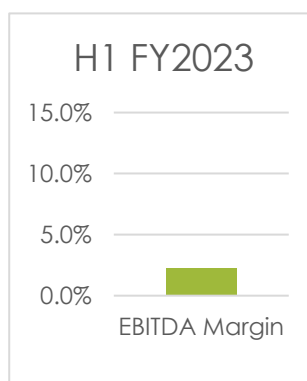


10.0% EBITDA margin (\$5.0 million) produced in H1 FY2024.

EBITDA margin has increased by 7.7% (\$3.6 million) compared to pcp.

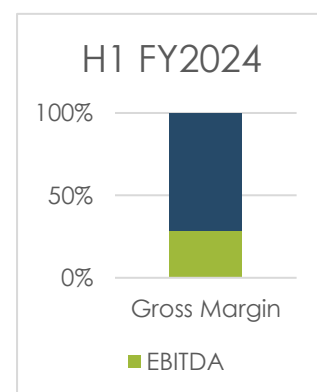
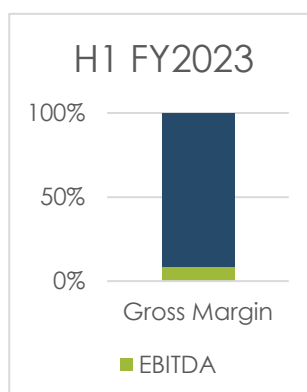
Impact of one-off's and legacy projects reduced during period.

The final legacy poor performing project was closed in H1 FY2024.



EBITDA as a proportion of Gross Margin increased from 8.9% (H1 FY2023) to 28.6% (H1 FY2024).

Verbrec management took measures to reduce overhead burdens, increase sell rates and deliver projects more efficiently in H1 FY2024.



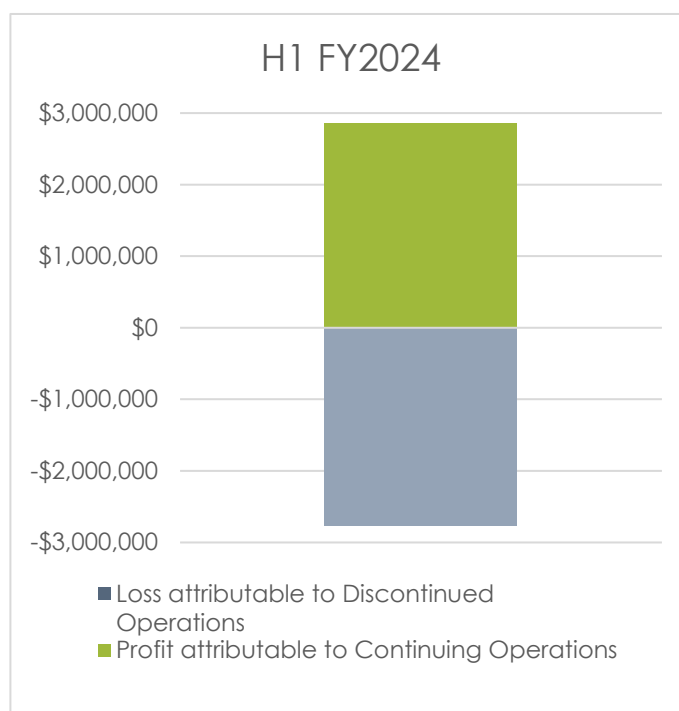
Comprehensive Profit attributable to Continuing Operations of \$2.95 million.

Comprehensive Loss attributable to Discontinued Operations of \$2.77 million.

Statutory total Comprehensive Profit attributable to owners of the Company of \$0.18 million.

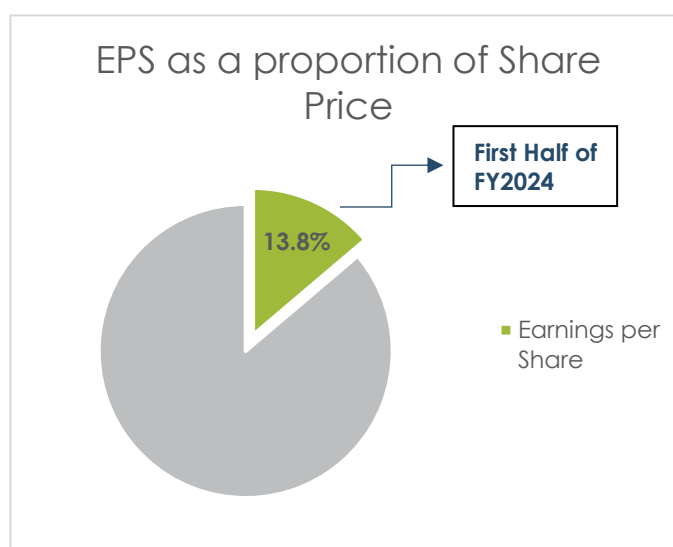
Verbrec's Profit attributable to Continuing Operations has substantially offset the Loss attributable to Discontinued Operations in H1 FY2024.

No material impacts of Discontinued Operations to affect H2 FY2024.



Basic earnings per share attributable to Continuing Operations is 1.2 cents for H1 FY2024, an increase of 1.9 cents compared to the previous corresponding period.

The EPS attributable to Continuing Operations in H1 FY2024 alone represents a 13.8% proportion of Verbrec (ASX : VBC) share price of 8.7 cents on 27 February 2024.



Foundations Established for Verbrec Profitability and Growth

Throughout the calendar year ended 31 December 2023, Verbrec undertook the following pivotal activities, establishing a new foundation for profitability and growth:

| Activity Checklist | |
|---|----------|
| COMMITMENT / ACTIVITY | PROGRESS |
| Sale of non-profitable training business resulting in annualised EBITDA savings of \$2.0 million | ✓ |
| Review of projects including high risk construction activities resulting in annualised EBITDA savings of up to \$1.0 million | ✓ |
| Operational review and reduction in overheads resulting in annualised EBITDA saving of \$1.8 million | ✓ |
| Finalise legacy projects (Reduce the impacts of and eliminate the legacy poor performing projects which have resulted in unacceptable level of one-off expenses impacting Verbrec's bottom line.) | ✓ |
| Review of StacksOn mining technology business | ✓ |
| Strengthen client relationship program | ✓ |
| Operational efficiencies from leadership changes, streamlined structure and GM accountability | ✓ |
| Introduce improved project management systems and procedures | ⌚ |
| Gross margin improvements (review of underlying rates on MSA contracts with a focus on profitable work) | ⌚ |
| Increase work winning skills and effectiveness | ✓ |
| Grow existing high performing businesses (including Asset Management, Infrastructure Services and Competency Training) over 24 months. | ⌚ |
| Address the changing nature of the market the Company serves and focusing on sustainability. | ⌚ |

The positive impact of these activities is evident in the results for the half year ended 31 December 2023.

Verbrec acknowledges the trust, patience and commitment shown by shareholders in the past few years. This has been demonstrated by the tightly held Verbrec stock and the successful and oversubscribed capital raise in late 2023.

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Energy Transition

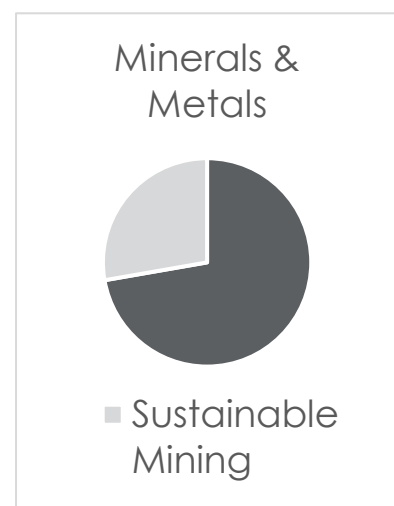
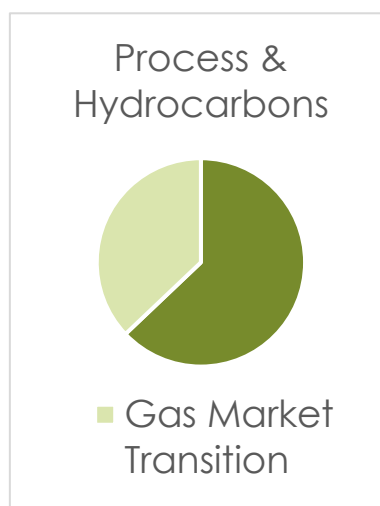
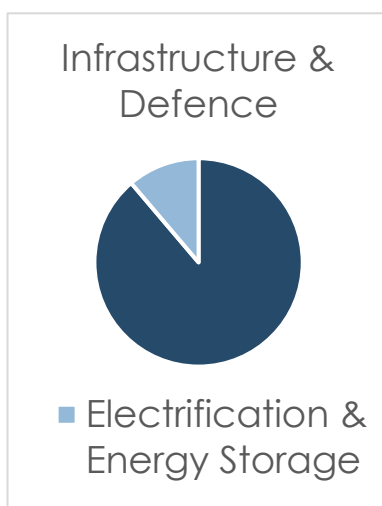
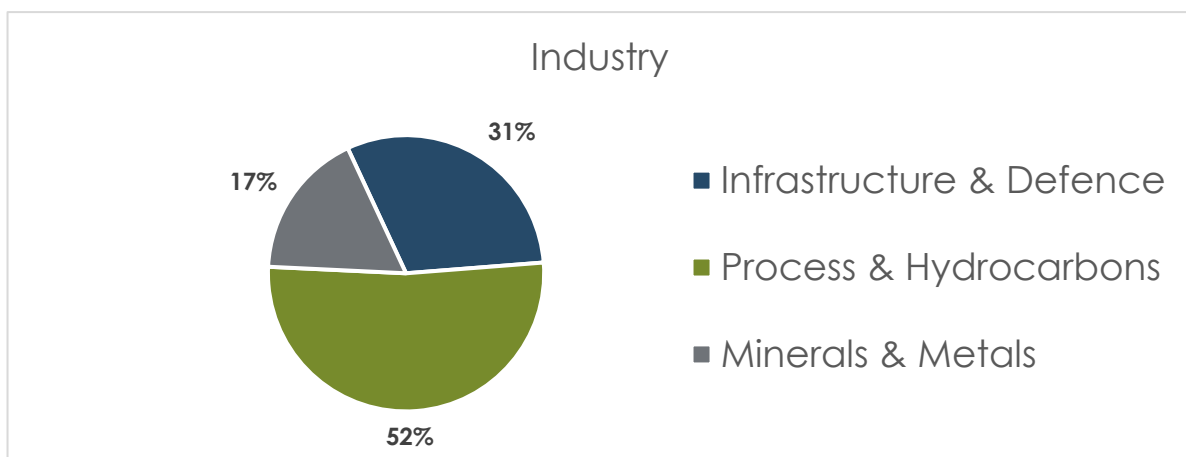
Verbrec primarily serves the Energy, Mining and Infrastructure sectors. Our clients in these areas are all focused on sustainability, decarbonisation and net-zero emissions by 2050.

Aligned with this trend, Verbrec is focused on enabling a sustainable future for our Clients and their Customers.

A strategic review of Verbrec's capability has solidified this purpose, with many of Verbrec's traditional technical specialisations aligned with the unprecedented level of innovation and growth in the areas of Electrification & Energy Storage, Gas Market Transition and Sustainable Mining (including Green Commodities).

H1 FY2024 Project Portfolio

(by contract value)



Approximately 30% of Verbrec's current project portfolio is in the Company's sustainable focus areas. Verbrec expects to increase its proportion of revenue related to each of these sustainable focus areas in H2 FY2024 and beyond.

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The Australian Market Energy Operator, in its draft 2024 integrated system plan estimates that the annualised capital cost of all generation, storage, firming and transmission infrastructure in the optimal development path [to 2050] has a present value of \$121 billion.

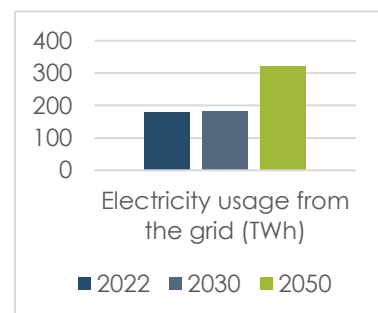
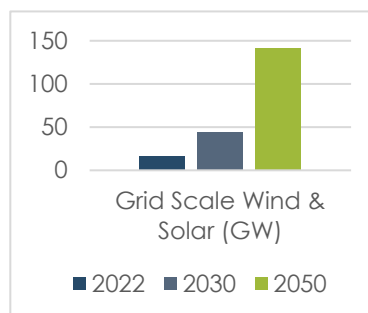
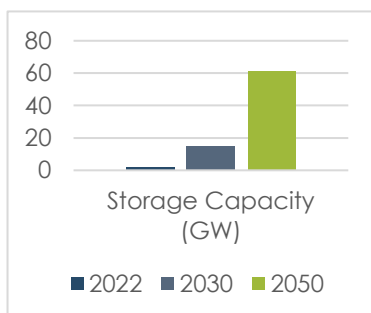
Electrification & Energy Storage

Verbrec's Infrastructure & Defence portfolio contains 11% projects related to Electrification & Energy Storage.

The investments into this space by government and our key client base will continue to grow, with prime opportunities expected to arise in the market to undertake early stage feasibility and concept select studies. As funding becomes available and the costs of new energy resources decreases, these studies will move into firmer engineering, construction support, asset management and maintenance opportunities for Verbrec.

The Australian Energy Market Operator (AEMO) in its 2022 integrated system plan predicts:

- Energy storage capacity to increase by a factor of 30 by 2050.
- Grid-scale solar and wind to increase nine-fold by 2050.
- Electricity usage from the grid to nearly double by 2050.



Gas Market Transition

A particular area of focus for Verbrec is the Gas Market Transition which makes up 37% of Verbrec's Process & Hydrocarbon project portfolio. This sustainable focus area fully aligns with Verbrec's current core capabilities and key client base. It is a prime area where Verbrec can maximise its offering by aligning with Client needs as they transition from gas as a base load fuel to a firming / peaking fuel.

AEMO's draft Integrated System Plan (2024) predicts that peaking gas-fired generators will play a crucial role as an on-demand fuel source during extended periods of low variable renewable energy (at utility scale) output, as significant coal fired generation retires.

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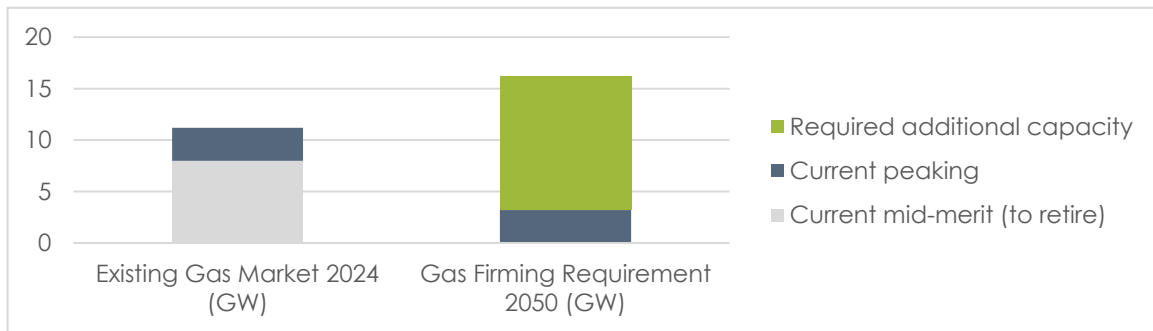
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In addition to the gas firming requirements, other key sustainability drivers in Verbrec's Gas Market Transition area of focus include study and design work related to Biogas, Hydrogen & Green Ammonia and other sustainable and emerging technologies complementing gas firming and peaking transition.

Sustainable Mining & Green Commodities

Verbrec's Minerals and Metals project portfolio contains 28% projects related to Sustainable Mining & Green Commodities.

Verbrec's digital twin product, **StacksOn** enables our mining clients to deliver on-spec product, in challenging conditions, whilst increasing throughput and reducing downtime, contributing to a more sustainable stockyard for our mining clients by:

- Providing best-in-class grade control, allowing for more efficient stockpiles and efficient reclaiming, which in turn is improving train loading times by over 10%.
- Addressing client reputational concerns by ensuring that their customers receive the correct specification, with the least amount of waste (ie: no longer needing to build in a large safety net of higher specification material to ensure minimum contract requirements are met).
- Utilising reclaimers more efficiently, and reclaiming more precise on-spec grade materials, lowering operating costs and extending the life of the mine.

The Company presented the benefits of StacksOn at the Austmine Smart Mining conference held in February 2024.

Another example of the Company's participation in this area is Verbrec's participation in the pre-feasibility stage of the Mid-West Infrastructure Project, funded by Mindax and AGIG. The study will specifically cost the capital and operational expenditure of a base case shipment of 30 million tonnes per annum of magnetite iron ore. It will also include factored estimates for 60 and 90 MTPA in order to verify a robust business case to further develop the infrastructure bringing high quality magnetite from the Yilgarn, to market. The pre-feasibility study will include the work areas of energy and power, concentrate transportation, return and top up water, end of line facilities, port, and marine. The energy supply is planned to be sourced from a blend of gas and renewables supported by a 60MW BESS (Battery Energy Storage System).

Outlook

Having achieved several key milestones on the path to improved profitability, Verbrec has addressed many of the issues that were previously impacting the organisation and is well placed to prioritise improvement in day-to-day operations in the second half of FY2024.

The impacts of the Discontinued Operations have substantially been absorbed by the profits produced by the Continuing Operations in H1 FY2024 and no further material impacts related to Discontinued Operations expected in H2 FY2024.

The impacts of the poor performing legacy projects was dramatically reduced in H1 FY2024 and no impacts of the poor performing legacy projects is expected in H2 FY2024. The poor performing legacy projects are finalised and closed.

Verbrec's high performing business units, including Asset Management, Infrastructure Services and Competency Training continue to perform strongly, with that trend anticipated to continue in the second half of FY2024.

StacksOn functionality continues to be enhanced in order to provide even more benefits to its client base. New opportunities are being pursued by the team and early interest from new clients established.

The Company's focus, in line with the commitments provided throughout FY2024, remains to strengthen client relationships, increase the proportion of the Company's revenue streams related to sustainable and renewable energy related projects, and protect gross margins by tightly controlling operating expenses and selecting economically attractive project opportunities.

The Company will continue to pursue opportunities to increase capability, pursue partnerships and alliances in the areas of electrification, gas market transition and green commodities.

Reintroduction of a dividend to shareholders remains a primary goal for the Board.

- ends -

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

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About Verbrec Limited

Verbrec is a leading engineering, project, training and mining technology service provider 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).

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