



# AGM PRESENTATION

27 NOVEMBER 2018



# CORPORATE SNAPSHOT

## ABOUT US

Valmec is an energy and infrastructure services group providing equipment, construction, commissioning, asset testing and maintenance services to the oil and gas, resources and infrastructure sectors throughout Australia.

Valmec is now one of the leading domestic players in gas infrastructure development, service and operations.

## BOARD OF DIRECTORS



**Stephen Zurhaar**  
Non Executive Chairman



**Steve Dropulich**  
Managing Director



**Vincent Goss**  
Non Executive Director



**Stephen Lazarakis**  
Non Executive Director



**Peter Iancov**  
Non Executive Director



**Harry Singh**  
Company Secretary/CFO



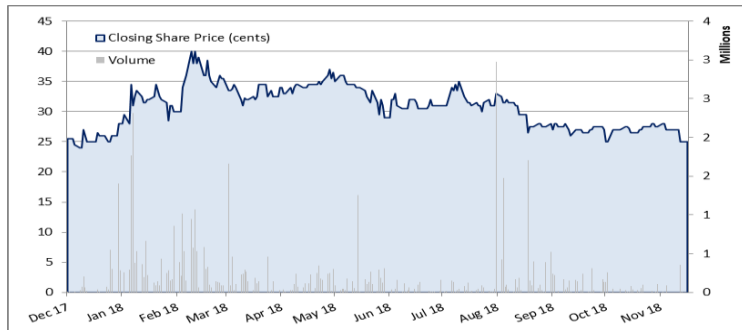
## CORPORATE SNAPSHOT

Share Price (23/11/2018)	25 cents
Shares on Issue	124.5M
Market Capitalisation	~\$32M

## KEY SHAREHOLDERS

- Directors/Management	46.3%
- Free Float	53.7%

## HISTORICAL SHARE PRICE PERFORMANCE



# YEAR IN REVIEW

## FY18



### FY18 FINANCIAL PERFORMANCE

- ✓ Revenue of \$104m, 42% increase
- ✓ EBITDA of \$7.5m, 83% increase
- ✓ EBITDA % increased to 7.3% (from 5.6%)
- ✓ EPS of 3.7cps, 95% increase
- ✓ NPAT % increased to 3.7% (from 2.1%)
- ✓ NTA backing of 22c per share



### OPERATIONAL ACHIEVEMENTS

- ✓ Successfully delivered key gas and water infrastructure projects for Tier 1 clients
- ✓ Awarded extensions to long term service contracts
- ✓ Significant increase in ECI and tendering activity
- ✓ Seven years LTI free



### OUTLOOK

- ✓ Outlook for Energy sector strong
- ✓ Robust order book and highly visible pipeline across all sectors
  - ✓ \$45m secured order book
  - ✓ \$20m preferred contractor extensions (unexecuted)
  - ✓ \$532m tender pipeline
- ✓ APTS acquisition earnings growth



# FINANCIAL PERFORMANCE

## FY18

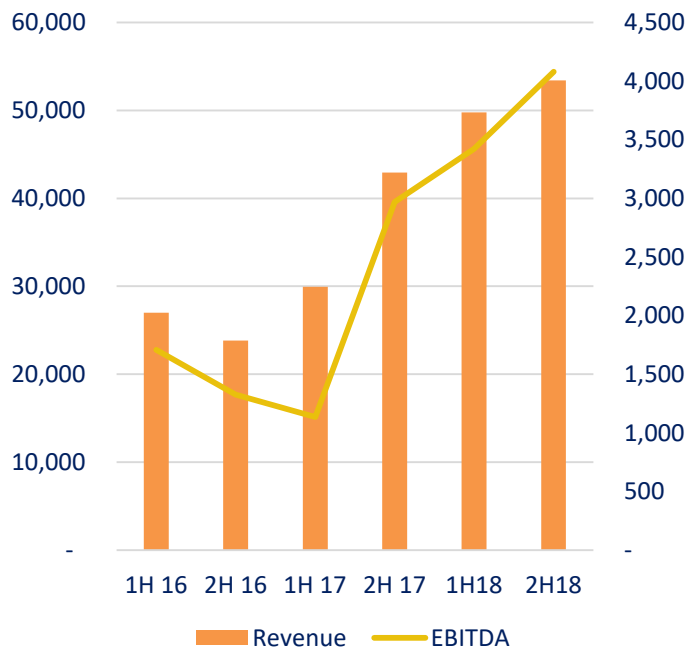
PERIOD ENDED 30 <sup>TH</sup> JUNE		FY18	FY17	CHANGE	
Sales Revenue	\$m	103,197	72,895	41.6%	↑
EBITDA	\$m	7,502	4,104	82.8%	↑
EBITDA Margin	%	7.3	5.6	1.6%	↑
NPAT	\$m	3,777	1,551	143.5%	↑
NPAT Margin	%	3.7	2.1	1.5%	↑
EPS	cps	3.7	1.9	94.7%	↑
NTA	cps	22	19	15.8%	↑
Net Assets	\$m	31.4	17.2	82.6%	↑

- Strong revenue growth underpinned by growth in core gas construction markets.
- Continuous earnings growth year on year.
- Well positioned for continued growth into FY19 / FY20.

# FINANCIAL PERFORMANCE

## FY18

REVENUE & EBITDA BY HALF (\$'000)



	1H '16 \$'000	2H '16 \$'000	1H '17 \$'000	2H '17 \$'000	1H '18 \$'000	2H'18 \$'000
REVENUES	26,996	23,811	29,959	42,936	49,778	53,419
EBITDA	1,707	1,325	1,134	2,970	3,421	4,080
EBITDA Margin	6.3%	5.6%	3.8%	6.9%	6.9%	7.6%
NPAT	353	(167)	83	1,468	1,620	2,156



# BALANCE SHEET

## FY18

BALANCE SHEET AS AT 30 <sup>TH</sup> JUNE 2018	\$'000
Cash	2,747
Receivables	29,014
Inventories	7,129
Other current assets	601
Property, plant and equipment	10,606
Deferred tax assets	1,637
Intangible assets	3,510
<b>Assets</b>	<b>55,244</b>
Trade and other payables	19,001
Borrowings	2,870
Provisions	1,883
<b>Liabilities</b>	<b>23,754</b>
<b>Net assets</b>	<b>31,490</b>

FACILITIES AS AT 30 <sup>TH</sup> JUNE 2018	\$'000
Working Capital	\$15,636
Bank Guarantee/Bonding	\$15,364
Asset Finance/Other	\$3,500
<b>TOTAL FACILITIES</b>	<b>\$34,500</b>
Less: Working Capital Utilised	(\$6,807)
Less: Bank Guarantee/Bonding Utilised	(\$7,810)
Less: Asset Finance/Other Utilised	(\$3,032)
Plus: Cash	2,747
<b>AVAILABLE FACILITIES</b>	<b>\$19,596</b>

# STRONG NATIONAL PRESENCE



Valmec Offices / Workshops



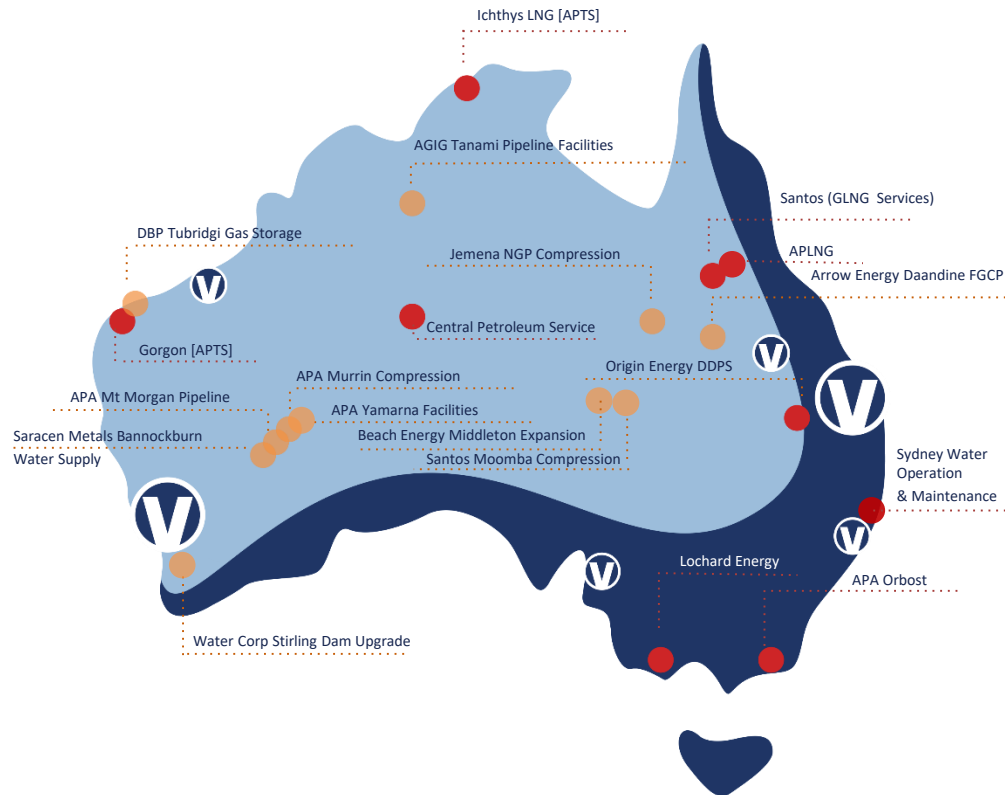
Key Valmec Projects



Service Contracts



270+ Employees



# MAJOR CONTRACTS

## FY18

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CLIENT	VALUE	PROJECT WORKS
APA Group	\$19.1m	WA resource sector led expansion of GGP
Jemena	\$15.2m	ML1A DDP brownfields and NGP Mt Isa compression
Australia Pacific LNG JV	\$15m pa	Long term services contract
Arrow Energy	\$12.0m	Daandine compression, construction and installation works
WA Water Corporation	\$10.5m	Turnkey construction panel works
Saracen Metals	\$7.5m	Water supply and infrastructure works
CBH Group	\$5.0M	CBH Panel Works



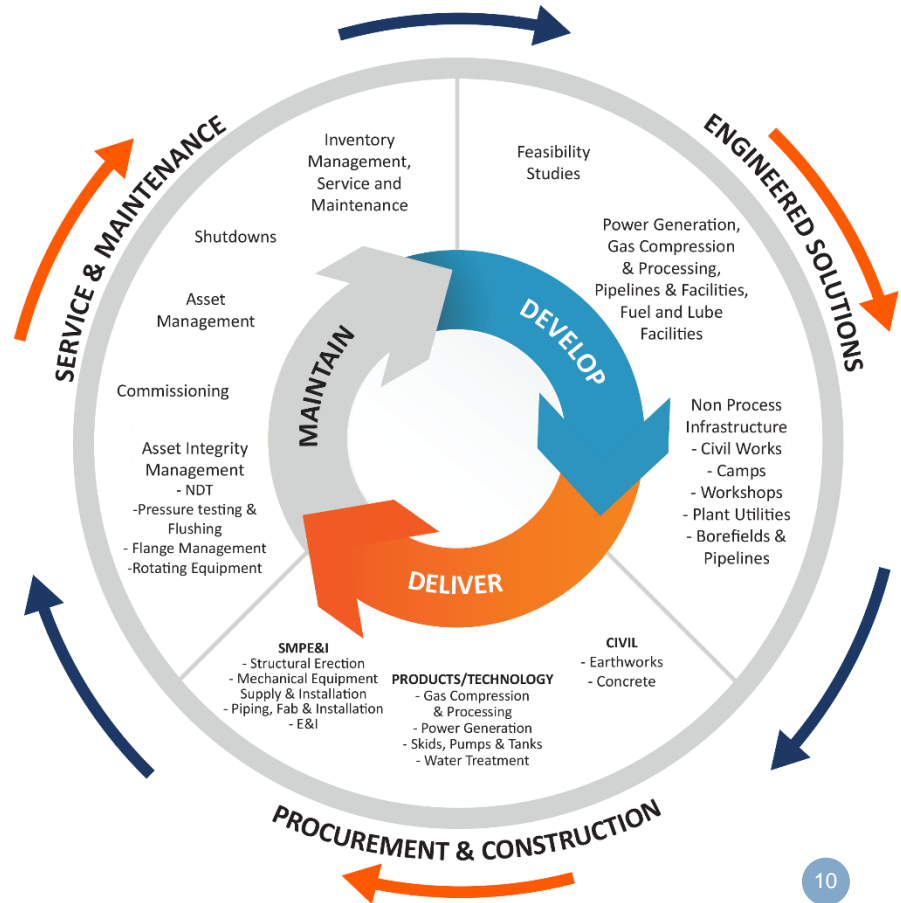
# 2019 OUTLOOK

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# CAPITALISING ON STRENGTHENING GAS THEMATIC

- Increased investment in Gas Infrastructure driven by gas pricing dynamics
- Valmec well positioned for future and sustainable growth as clients address the gas supply gap in the East Coast Gas Sector.
- Valmec uniquely placed to deliver off-balance sheet equipment / development options. (BOOM/BOOT)
- New wave of LNG, upstream and storage developments as existing contracts expire.
- Gas forecast to continue increasing beyond 2019 to meet forecast demand.

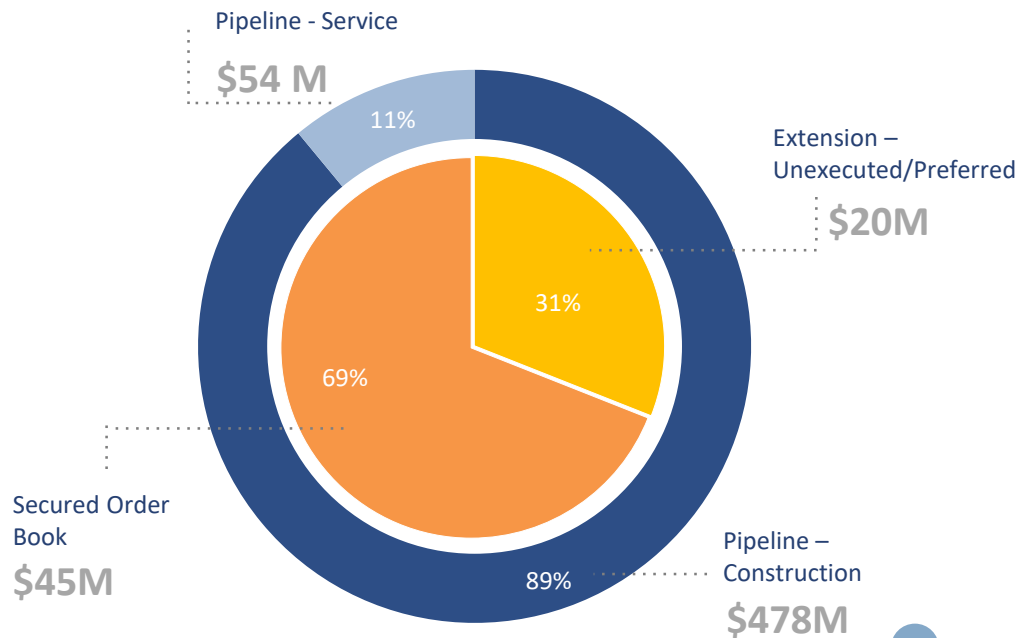


# FY 19 UPDATE

Valmec has been able to leverage off full construction and service capabilities to quickly establish increased market share during this new growth cycle.

- Secured Order Book & Preferred Contractor Extensions of **\$65M**
- Service streams (Valmec Service & APTS) performing strongly during 1<sup>st</sup> half.
- Larger Gas and Infrastructure project activity set to ramp up in new calendar year.
- Mergers and Acquisition activity set to expand in 2019

## ORDER BOOK & TENDER PIPELINE | 31<sup>st</sup> October 2018



# FY 19 UPDATE

## LITIGATION

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- Supreme Court proceedings commenced against John Holland Pty Ltd in August 2018
- The value of the Valmec summons is approximately \$11.6 million, plus interest and costs
- Legal claims in respect of unpaid project variations prepared and reviewed by external construction lawyers and by independent project engineering experts
- On receipt of a \$2 million “good faith” payment from John Holland in September 2018, Valmec re-commenced commercial discussions on a without prejudice basis to explore resolution
- Court proceedings continue in parallel with first hearing date set for March 2019.

### ***Project Update***

- *Valmec claims in relation to the NorthLink WA – Southern Section Project Sub-Contract for earthworks and road works*
- *Subcontract successfully completed in March 2018 with all client and supplier financial commitments satisfied*
- *Project provisions reviewed and signed off by Company auditors*



## APPENDIX

### OPERATING SEGMENTS

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# ENERGY AND INFRASTRUCTURE KEY HIGHLIGHTS

- **FY18 Revenues of \$74.8M**
- **Tender Pipeline at \$478M**
- **Award Highlights:**
  - APA GGP Expansion
  - Jemena Mt. Isa
  - Arrow Daandine Expansion
  - AGIG Tanami Facilities
  - Water Corp Stirling Dam
  - Saracen Minerals Water Infrastructure



## CONSTRUCTION

- Valmec provides in-house engineering and trade resources to fully self-execute earthworks, civil, structural, mechanical, piping, electrical and instrumentation construction scopes
- Our clients' requirements may range from minimalist, fit for purpose commercial and industrial installations through to international oil and gas / petrochemical standards and specifications



# SERVICE

## KEY HIGHLIGHTS

- **FY18 Revenue of \$28.5M**
- **40% of total order book**
- **Current Tender Pipeline at \$54M**
- **Award Highlights:**
  - APLNG Long Term Services Contract
  - APA Orbost
  - QGC Inventory Support
  - Santos GLG Services



## SERVICE

- Valmec supplies OEM parts and equipment for maintenance, repair, overhaul and rebuild of oil & gas engines and equipment
- Long Term Service Agreements (LTSA) with major oil and gas companies in place providing increased visibility on service revenues and leveraging of additional construction opportunities
- Rapid response times from geographically and strategically located purpose-built workshop and warehousing facilities
- Introduction of APTS - a leading provider of Non-Destructive Testing (NDT) Services, Hydrostatic and Pneumatic Pressure Testing
- NATA accredited and specialised calibration facilities, NDT X-Ray and fully accredited radiation equipment storage facilities.





# APTS PTY LTD

aps



APTS complements Valmec's existing business with immediate access to new pipeline testing capabilities, shutdown and maintenance services delivering additional revenue streams.



- Acquisition finalized 1 February 2018
- New management team / new technology / improved tender pipeline in place. Further development of Valmec recurring sales mix
- Significant growth in order book and resourcing during H1
- Highly synergistic to the Valmec delivery model – broadens oil and gas, power and water industry project capabilities / additional exposure to new higher value EPC projects further up the supply chain
- Industry changing and globally proven microwave inspection technology.

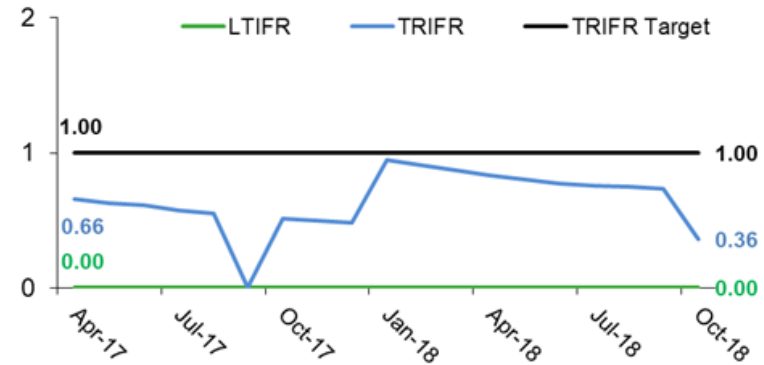




# WORK, HEALTH & SAFETY

- Significant safety performance milestones achieved
- Approx. 7 Years (2,525 days) LTI Free
- TRIFR of 0.36
- No Compromise strong safety culture

## LOSS TIME INJURY RATE & TOTAL RECORDABLE INJURIES



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**VALMEC**

**> Delivering Value**