



# AGM Presentation

November 2018



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## Established and highly regarded industry leader

- VEEM is a Perth based high-technology specialist manufacturer of premium marine propulsion and gyro-stabilisation systems
- Passionate about design and engineering excellence
- An industry leader with an outstanding brand and reputation, celebrating its 50<sup>th</sup> anniversary this year!
- Financially strong with a long history of profitability
- A long term investor in R&D and technology, which has created significant intellectual property and barriers to entry
- A computerised numerical control (**CNC**) manufacturer with world class facilities using global best practice and substantial automation
- Embracing a step change in earnings, with an opportunity to increase sales within the global gyro-stabilisation market

# Company Overview



## The VEEM Board

**Brad Mioceвич**  
Chairman

**Mark Mioceвич**  
Managing Director & CEO

**Ian Barsden**  
Non Executive Director

**Mike Bailey**  
Independent Non Executive Director

**Peter Torre**  
Independent Non Executive Director  
Co Company Secretary

**Tracy Caudwell**  
Co Company Secretary

## VEEM Key Management

**Les Kay**  
General Manager

**Bruce Bell**  
Commercial Manager

**Jamie Robinson**  
Business Development Manager-

**Tracy Caudwell**  
Finance and Admin Manager

# VEE

ASX Code

# \$0.59

Share Price

# \$76.7 million

Market Capitalisation

# 130 million

Shares on Issue

# OUR BUSINESS

# VEEM Propellers



- World's most advanced CNC fixed pitch propellers able to operate at higher speeds - up to 54 knots.
- VEEM patented "Interceptor" pitch changing technology.
- World's most advanced fixed pitch propeller manufacturing facilities – now up to 4.6m in diameter. Robotically produced molds.
- Continuous development of production methods.
- Advanced CRM system linked to automated quoting, ordering, production programming and status tracking.
- Current production capacity 3,000 units/pa, current foundry capacity is 6,000 units/pa, CNC machining is 4,000 units/pa and scalable by adding machines.



Fully CNC machined VEEMStar propeller with Patented Interceptor pitch adjustment system

# Conquest Propellers



Conquest Propeller have been developed to specifically meet the demands of the replacement propeller market

- Since the release of Conquest in 2016, VEEM has been actively engaging propeller distributors around the world.
- Current number of dealers and stockists around the world: 61
- Number of Conquest propellers manufactured since inception May 2017: 694 units.
- Two new series introduced and diameters increased to 1.3m to meet demand.



# Propulsion Packages



Shaftlines packages now moving into commercial phase.

- New software to auto design and draw shaft lines completed and in use.
- Software provides minimal cost designs for shaft lines to all major surveying authorities.
- Working on new high efficiency drive system designs to compliment VEEM propellers.



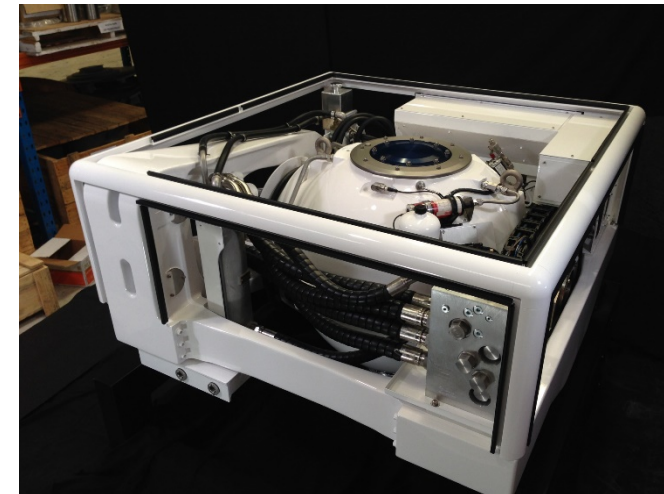
# Gyroscopic Stabilisers



VEEM Gyros are designed and packaged to reduce vessel roll which increases comfort and vessel operational performance in all sea conditions.

## VEEM Gyro Range

Size	Model	Torque	Boat size (approx. per 1 unit)
Small	VG120SD	120k Nm	25 to 30m
Small	VG145SD	145k Nm	30 to 35m
Medium	VG260SD	260k Nm	35 to 45m
Large	VG1000SD	1,000k	45 to 60m



- New “SD” or “Super Duty” series VEEM Gyros were introduced in January 2018 with larger stabilizing power.
- VEEM Gyros are designed for fatigue and long life using relevant international and European standards of design for materials endurance limit.
- Employs a global manufacturing model to ensure sustainability of product in a global market.

# Gyroscopic Stabilisers



- \$2,750,000 orders in hand for 2019 FYTD.
- Successful sea trials of VG260SD sea trials on Damen FCS 7011 in the Netherlands.
- Inventories of VG120SD and VG260SD built to cater for future demand.
- VG1000SD long lead time items in ordered.
- \$530,000 of gyro sales during FY2018.



# FY18 FINANCIAL RESULT

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## FY18 was another productive year for VEEM Ltd.

- Due to the cyclical nature of the submarine refit program, revenue for FY2018 was impacted by lower sales in this area, however other sales in the Company's traditional services resulted in total sales for the year being higher than 2017.
- Delays in some defence contracts exacerbated the fall in profits from FY 2017, along with a slower build up on Gyro inventory as the Company awaited orders on these products.
- Contributing to the lower GP was the delay in certain defence related contracts which resulted in lower productivity of the VEEM workforce until the contracts commenced late in FY 2018.
- A key milestone for the Company during the year was the successful sea trials of two VG260SDs with Damen Ships of the Netherlands in June 2018.
- The continued operating success provided allowed the Board to maintain its dividend policy of declaring a dividend subsequent to year end of 30% of Normalised Net Profit after Tax, representing 2.12 cents per share.

	FY18	FY17
Operating Revenue	\$40.71m	\$38.08m
EBITDA	\$4.92m	\$7.80m
Statutory NPAT	\$2.76m	\$3.85m
EPS	2.12c	3.21c
Net Assets	\$29.4m	\$28.81m



# MARKET UPDATE

## Solid progress made already in FYTD

### **VEEM Gyros**

- Increased exposure in the US market in May 2018 with an agent Halo Iron works who have placed two orders FYTD.
- Third repeat order from Netherland's shipbuilder Van Der Valk and further repeat engagement from three other customers. VEEM test vessel in Europe for 12 months has been invaluable.
- Damen trials have provided product legitimacy that are creating multiple opportunities in all markets.
- Meeting technical expectations
  - 5000+ hours for VG120 installations
  - Roll reductions estimations proving to be accurate "in situ"

## Solid progress made already in FYTD

### **Defence**

- Full cycle submarine docking valve orders are due in the next 12 months.
- Pacific Patrol Boat shaft line won, tender process underway with Future Frigate and new Subs.
- Fin ride control work load is strong for the next 24 months.

### **Propulsion**

- Conquest has achieved over \$640,000 sales in its first year of production.
- VEEM propellers making steady progress in Italian market.
- VEEM scan propeller scanning machine announced to dealer network

# Continued Strategy and Drivers for Growth



## Strategy

VEEM has strong capability and sees specific growth opportunities in:

- high-end marine propulsion equipment (propellers and shaft lines) for the Superyacht, Luxury and Sports Motor Yacht market;
- Conquest Propeller range for the replacement propeller market; and
- marine gyroscopic stabilisers for Superyachts and Luxury Sport Yachts
- Continue to pursue local defence and mining opportunities as they arise

## Drivers for Growth

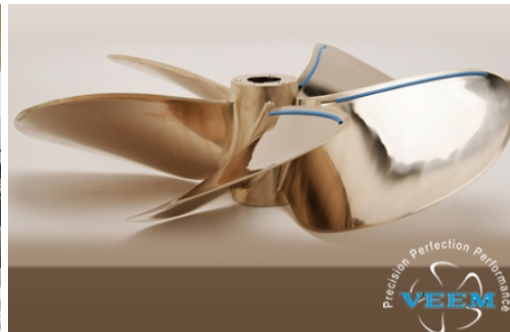
- Sales and Marketing via third party distributors and agents
- Continuous research and development
- VEEM has developed a global supply chain that allows the business to ramp up production without working capital restraints
- VEEM creates a natural hedge for business operations by using a range of global suppliers to provide an effective currency hedge and to protect its intellectual property

# Summary



## Total world domination of sophisticated marine products

- Traction and engagement with key OEMs growing, Gyro sales increasing.
- Gyros continue to meet technical expectation.
- Defence component remains strong – PPB contract award, Future Frigate, submarine tendering.
- \$640,000 Conquest propellers sold in its first year of production with positive market tractions.
- FY19 work load and pipeline looks strong.



# APPENDICES

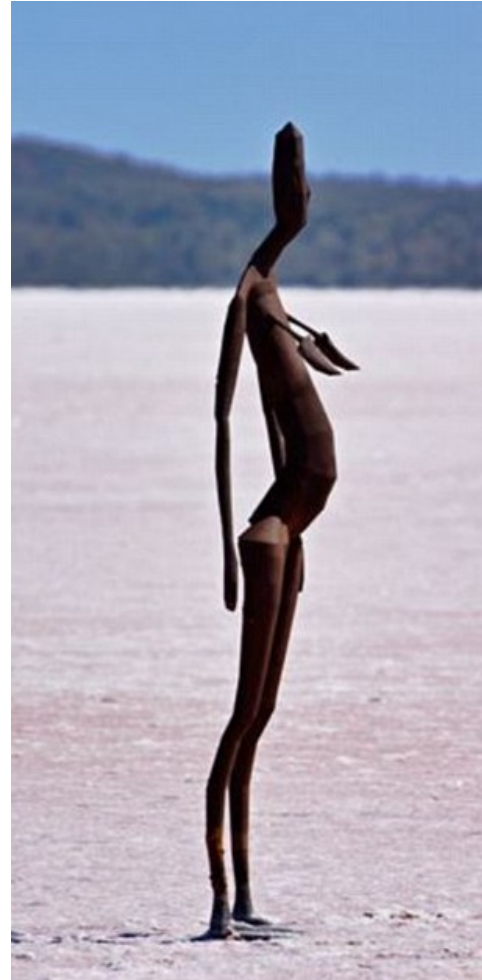
# Where we came from?



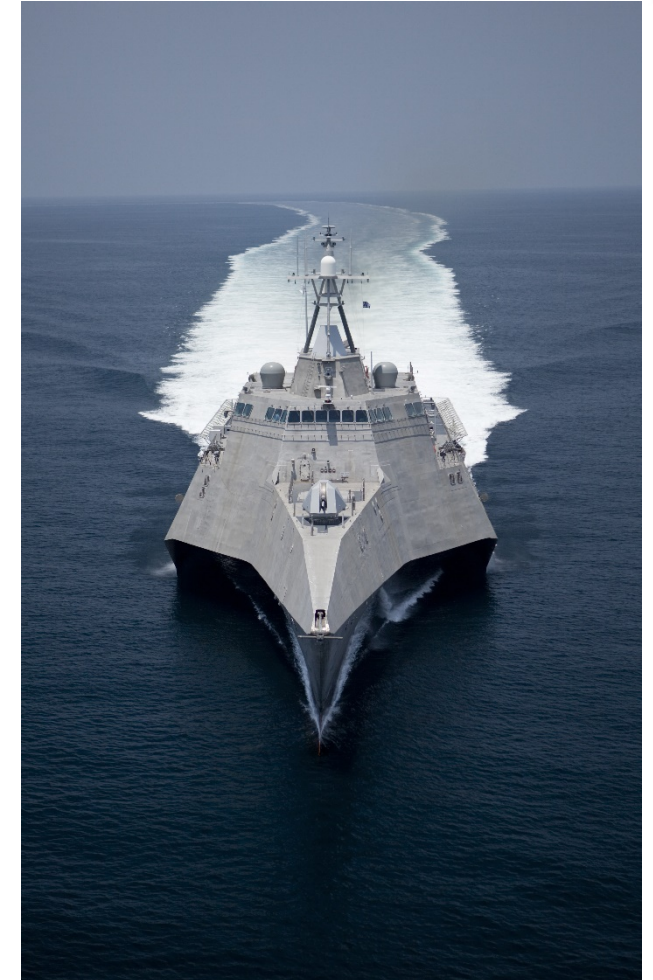
For a long time, partly due to our location and markets, VEEM was a manufacturer of anything and everything.

VEEM has supplied to:

- Boeing and Airbus (B737, A320 components)
- CERN Large Hadron Collider (radiation shields)
- precision hull valves to submarine builders
- ride control assemblies for defence and ferries
- propellers for pleasure craft to large ships
- statues of people on salt lakes
- bearings and wear components for mining companies
- pump and gas turbine assembly, and so on



Anthony Gormley statues at Lake Ballard  
Western Australia



VEEM supplies the ride control fins to Austal Ships for the  
US Navy's Littoral Combat Ship

# Our skills



As a result we had developed a wide capability and capacity of engineering skills including:

- Detail engineering design
- Hydrodynamics
- 3D modelling
- Programming
- Electronics
- High compliance casting - Produce over 250 types of alloys.
- CNC machining
- Robotics
- Dynamic balancing
- High compliance welding
- Electroless plating

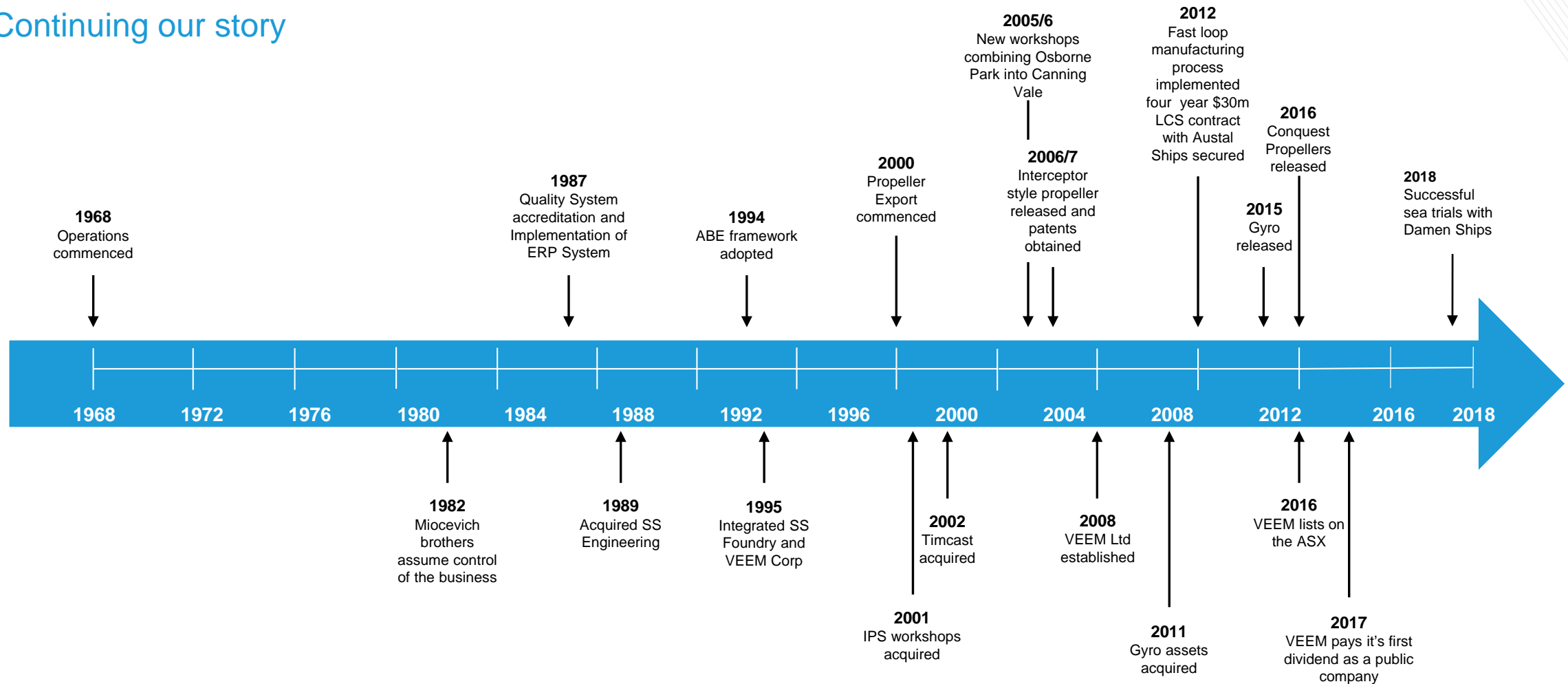


VEEM recently cast the biggest swinging bell in the southern hemisphere – 6.5 tonnes.

# Business History



## Continuing our story



# What and Who are we now?



Eventually we realised that we were a **Manufacturer of Sophisticated Marine Products** with one unique VEEM product that we were selling globally. This recognition led us to developing more marine products to build our future on. Products like VEEM gyros, Conquest, VEEM shaft lines and VEEM scan.

- Unique products that were:
  - Able to bring a new technology to the world.
  - High technology in design and manufacture.
  - Able to be patented or IP protected in some way.
  - Had significant potential sales and had a long product life.
  - Could be manufactured by VEEM using existing capability if desired.



VEEM high speed propellers fitted to the Armada Class Patrol Vessels