

**ASX ANNOUNCEMENT****20 FEBRUARY 2019**

---

**VALMEC POISED TO EXCEED FY18 PERFORMANCE**

---

Valmec Limited (ASX: VMX) (“Valmec”, “Group”, or “the Company”) reports its financial results for the half year ended 31 December 2018.

**Performance Highlights:**

- Revenues of \$47.7 million with significant growth expected in H2FY19
- EBITDA of \$3.2 million
- Strong order book (\$80M) and opportunity pipeline for H2FY19 and FY20.
- Total FY19 earnings expected to exceed FY18

---

***Sales revenues of \$47.5 million for the six month period, with H2FY19 revenues expected to grow significantly.***

Revenue for the period, whilst strong, is reflective of the delayed start to construction activity across Valmec’s Energy clients. A significant increase in construction activity is expected in the second half of the year, underpinned by over \$40 million of new contracts secured since December 2018, including the recent award of the Jemena Atlas Gas Pipeline project.

Revenue generated from the Energy Construction segment for the period was \$23.1 million whilst the Services division contributed increased revenues of \$24.4 million, up 43% over the corresponding period. The growth in the Service division is mainly attributed to the introduction of APTS revenues which has experienced a strong start to the financial year.

Based on a growing order book which now exceeds \$80 million and with the mobilisation of all construction projects having now commenced, Valmec anticipates stronger revenues across all divisions in H2FY19 and into FY20. Increased activity levels in the sector continue to be indicative of the change within Valmec’s core industry sectors, from the investment phase to the production and operations phase of the cycle and we are seeing a robust tender pipeline across new and existing clients.

***Reported earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$3.2, substantially stronger second half expected.***

Stronger revenue contributions from the Service Division during the half generated growth in total Gross Margin recovery rates, more than compensating for the timing delays in Construction activity during the period. For the six month period, Gross Margins averaged 18.8% up significantly from the prior period (2017: 15.4%).

With revenue activity across all Valmec divisions expected to be stronger within the second half, earnings are also expected to be substantially stronger during this period, with EBITDA margin recoveries anticipated to further strengthen.

### **Balance Sheet**

Increasing service activity as well as the ramp up in construction activity towards the end of the half, including new projects mobilizing late in the half, was reflected in short term working capital movements (-\$3.8m movement). \$2.1M of receipts from clients received soon after 31 December 2018 cutoff also impacted on the reporting of Net Cash from Operations.

With project execution on delayed contracts now well progressed, Net Cash from Operations is expected to improve significantly during H2FY19.

Net Tangible Asset backing moved from 20c per share to 16c per share as a result of adopting the new accounting standard, AASB 15 – “Revenue from Contracts with Customers”.

### **Projects and Tenders**

During the period, the Group continued to experience growth in its tender pipeline as well as commence a larger number of diverse projects and service contracts across Australia. These included larger gas upstream construction projects, government infrastructure services and gas operations and maintenance contracts.

Valmec’s current order book and its tender pipeline also continues to be significantly leveraged to the burgeoning East Coast gas market which continues to provide opportunities due to moratoria on gas exploration, the shut-down of coal fired generation and increasing LNG demand.

Key construction and service contracts awarded during the period include the following:

- Facility Construction works for Jemena on its Atlas Gas Pipeline Project in South West Queensland [\$22.1 million];
- Infrastructure construction and services works for Water Corporation’s various Western Australian facilities [\$15.1M];
- Renewal of Long term Services contract with Origin Energy Resources Limited for the APLNG Project [\$15 Million]
- Multi-year contract with Sydney Water for major equipment maintenance and overhauls of their Renewable Energy Co-generation Plant assets [~\$4M];
- APTS Testing and Inspection services on the Tanami Gas Pipeline for MPC Kinetic [ \$4.7M ]; and
- Compression equipment overhaul and maintenance services for APA Group on their Sole Orbest Project in Victoria [\$3M].

Valmec enters the 2019 calendar year with an Order Book of circa \$80 million and a pipeline of construction and service opportunities worth over \$550 million.

**Safety**

Valmec continued to advance its HSE programs and delivery milestones during the period and was able to finish the calendar year once again improving upon its industry leading safety performance.

December 2018 saw the Company record over 2,033,026 hours being worked without a lost time injury (LTI). Valmec also finished the year with a total recordable injury frequency rate (TRIFR) of 0.34.

**Outlook**

Underpinned by a growing order book and strong pipeline of opportunities, Valmec expects second half revenues and earnings to be significantly higher than the current reporting period with total FY19 earnings now expected to exceed FY18.

**Managing Director Comments**

Commenting on the HY18 results, Valmec Managing Director Steve Dropulich said:

*"Valmec finishes the half year in a solid position and well primed to be able to deliver a stronger result in FY19 than in previous years.*

*With operating conditions within Energy and Infrastructure markets continuing to strengthen, Valmec has been able to grow its longer term Order Book and Tender Pipeline and to also extend its increasing Service capabilities across diversified sectors.*

*With a growing Balance Sheet, Valmec has also been able to invest in larger Project and Service opportunities, providing it greater visibility and quality of revenues and earnings into FY20."*

---

**About VALMEC**

VALMEC is an Australian energy and multi-discipline services group providing specialised packaged equipment, construction, maintenance, commissioning and asset integrity and testing services to the oil and gas, energy and infrastructure sectors.

VALMEC employs approximately 280 project and support personnel and is headquartered in Perth, Western Australia, with a major office in Brisbane, Queensland and facilities across Australia in Dalby Queensland, Sydney and Port Hedland.

For further information, please contact:

Harry Singh  
Company Secretary/CFO, Valmec Limited  
P: + 61 (0)8 9266 8888  
E: [hsingh@valmec.com.au](mailto:hsingh@valmec.com.au)