ASX ANNOUNCEMENT

28 AUGUST 2019

VALMEC DELIVERS RECORD EBITDA / GROWING SERVICES SEGMENT

- **Record EBITDA of $8.06 million, up 64% on the prior year;**
- **Revenue growth of more than 6.3% to $110 million;**
- **Stronger gross margins generated by growing Services segment;**
- **Expanded order book of $80 million for FY2020;**
- **Diversified service and project works portfolio**

Diversified Energy and Infrastructure Services Group, Valmec Limited (ASX: VMX) today announced its full year result for the year ended 30 June 2019, headlined by a 64% jump in underlying EBITDA to $8.06 million.

The strong EBITDA delivered on the back of revenue growth to $110 million, was directly attributable to the growth in the Company's Service segments, delivering approximately 50% of Group earnings from 42% of the total revenues.

Valmec enters FY20 with an Order Book of circa $80 million and a strong pipeline of construction and service opportunities worth over $595 million.

The strong gas thematic that Valmec is leveraged is expected to continue into 2020/2021 with East Coast gas supply-demand balance remaining tight, gas production in southern Australia continuing to decline, and supplies from Queensland limited by pipeline capacity.

Valmec Managing Director Steve Dropulich said that the Group's ability to also leverage alternative markets and its new APTS services offering, enabled it to maintain a resilient and sustainable order book throughout the year, allowing Valmec to enter FY20 with a solid pipeline of energy, water and resource infrastructure opportunities throughout Australia.

"Strengthening market conditions in the resources and energy sectors will continue to galvanise this pipeline, delivering opportunities where Valmec can add value. From gas infrastructure facilities powering new mining sector expansions, expanding water infrastructure and renewable energy sectors as well as growing maintenance and integrity services markets, the Valmec suite of specialised execution capabilities and industry experience are expected to continue to deliver ongoing growth for the Company," Mr Dropulich said.

- Sales revenue for the year was $110 million, an increase of 6.7% on the previous corresponding period. Continued growth within our traditional service segments complemented by the first full year of trading by our testing services company, APTS, more than offset a reduction in energy construction activity during the year. Strengthening market conditions in Valmec's core sectors during the 2019 calendar year, are now expected to translate into both increased scale of awarded projects as well as greater consistency of revenues.

- Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was $8.06 million, a substantial increase of 64.8% compared to the previous year's underlying earnings[1]. The strong result reflecting an EBITDA recovery of 7.3% of revenues, was directly attributable to increased gross margins across the Group, generated from a sales mix comprising additional service segment revenues compared to the prior year. Valmec expects EBITDA to strengthen during FY20 in line with increasing targeted revenues underpinned by an expanding pipeline of construction opportunities and further development of its asset service initiatives;

- Reported net profit after tax (NPAT) for the year was $3.5 million, substantially higher than underlying NPAT of the previous year (FY2018: $1.164 million) and is expected to grow even further during FY20 through increased revenues, stronger EBITDA margins and reduced interest costs;

- Earnings per share (EPS) for the reporting period was 2.82 cents compared to an underlying EPS for the prior year of 1.2c;

- An improvement in cashflow from operations representing a positive swing of $2.9 million over the prior year, accommodated the short term working capital requirements of increased service contracts and the ramp up in construction activity during H2 FY19. Growth in larger project activity is expected to continue into FY20 with cash reserves gradually strengthening due to margin realization and recurring revenue contributions;

- Save for the impact of adopting the new accounting standard, AASB 15 – "Revenue from Contracts with Customers" with effect from 1 July 2018, stronger revenues during the period have again translated into balance sheet growth. Net assets of the consolidated group are at $29.8 million after AASB 15 adjustments. Net Tangible Asset backing of 21c is consistent with prior years after the AASB 15 re-statement noted above.

Health and Safety

Importantly, Valmec's growth during the year which resulted in record revenues for the company, was also delivered on the back of improving HSE performance.

Valmec finishes the financial year with a recorded TRIFR (total recordable injury frequency rate) of 0.52 whilst also experiencing growth in total workforce numbers to 335 plus subcontractors as at 30 June 2019.

We have continued to preserve our recorded LTIFR (lost time injury frequency rate) of zero after circa 2,800 days or over 2.5 million hours without a lost time injury.

Whilst such performance compares very favourably with our industry in general, Valmec will remain vigilant in monitoring its delivery activities as well as continually improving its HSE systems and processes to ensure our "no compromise" strong safety culture continues to thrive.

Note 1: Underlying FY18 EBITDA Results excludes non-trading Gain on Acquisition of $2.6M related to APTS purchase.

Managing Director Comments

Commenting on the FY 2020 outlook, Valmec Managing Director Steve Dropulich said:

"In 2020, Valmec will continue to focus on leveraging APTS and its own existing service capabilities to deliver a suite of integrated asset service capabilities to long-term operations and shutdown clients. Presenting a new targeted and integrated sales proposition incorporating Valmec construction, service and APTS capabilities, Valmec presents as a unique offering to the LNG sector as well as positioning itself for greater participation within the CSG production lifecycle.

During yet another year of revenue growth which has seen Valmec deliver a record EBITDA of $8 million, it is most pleasing to witness a high level of repeat client activity which has contributed to the result.

It is a testament to our team of loyal and committed employees by continuing to deliver at high levels of client satisfaction whilst always remaining focused on safe, efficient and quality services. We finish FY19 having established market leading positions in our core sectors laying a foundation for future growth into 2020 and beyond".

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 335 project and support personnel and is headquartered in Perth, Western Australia, with a major office in Brisbane, Queensland and facilities across Australia in Roma Queensland, Sydney and Darwin.

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