



ASX ANNOUNCEMENT
30 August 2019

VEEM REPORTS FULL YEAR RESULTS AND DIVIDEND

Highlights

- Revenue of \$44.9m for the full year ended 30 June 2019
- EBITDA of \$4.3m and NPAT of \$2.2m
- Full Year Dividend Declared - 3rd Consecutive full year dividend since Listing

Marine propulsion and gyro stabilisation company, VEEM Ltd (ASX: VEE) ('VEEM' or 'the Company'), is pleased to provide its full year results for the year ended 30 June 2019 ("FY19").

Financial and operating performance

	FY2019 \$	FY2018 \$	% Change
Operating Revenue	44,982,829	40,712,292	10.5%
EBITDA	4,390,600	4,924,321	(10.83%)
Statutory NPAT	2,230,796	2,756,918	(19.1%)
EPS (cents)	1.72	2.12	(18.87%)

The Company's audited Statutory Net Profit after tax ('NPAT') of \$2.23m (2018 of \$2.75m) was underpinned by revenue of \$44.9m (2018 \$40.71m).

Net Assets increased to \$31.1 million with a build-up in inventory related to work in progress and stock for the increase in activity of production. Gyro stabiliser ('Gyro') inventories remained stable.

As indicated at the half year, the result includes approximately \$950,000 in marketing and travel costs mostly associated with the promotion of the Company's Gyro range within the global ship building industry, which includes one-off costs associated with the Company's test vessel.

The Company also reported at the half year that it expected to see an increase in sales across all aspects of the business in the second half and the Company is pleased to report a 20% increase in total sales on H12019.

Continued pressure on gross profit margins contributed to the lower NPAT as compared to 2018 due to the nature of the work undertaken, albeit with small gains made in the second half over that of H12019.

The level of interest in the Company's Gyro's continues to grow. Approximately \$1.6m of Gyros were delivered in FY19, which was lower than anticipated due to delays in shipments. VEEM currently holds orders in hand to be delivered in FY20 of \$4.6m.

In line with its dividend policy, the Company has declared a full year dividend of 0.365 cents per share. When combined with the interim dividend it represents a total dividend pay-out of 30% of NPAT on a full year basis.

Gyro Update

FY19 was focused around completing the design phase and establishing the VEEM Gyro range in the global market place via a focused and extensive marketing and sales campaign. The VEEM test vessel, Powerplay, worked its way around its target European market, visiting numerous significant boat builders and demonstrating at key international boat shows, such as Monaco and Cannes. It also spent time in the Netherlands, where the first order for the VG1000SD was placed by Damen Ships.

VEEM is receiving a constant and increasing level of enquiry for information and quotations for Gyros. VEEM now considers the broader marine market has accepted the new technology and expects order levels to increase. Through the second half of FY19 VEEM shifted its focus from gaining customer acceptance, to closing sales on inquiries received, which will continue going forward.

The new 4000sqm facility designed primarily for Gyro assembly was handed over to VEEM on 1 July 2019. This facility will enable VEEM to assemble and test 100 units per annum across the entire Gyro range, including the range topping VG1000SD. The new facility will include the ability to fully test the VG1000SD's operating at its full torque of 1000Knm (1 Mega Newton Metre).

Propellers and Shaft Lines

Propeller sales rose to \$16m for 2019 (2018: \$14m) providing further confirmation that the VEEM and Conquest range of propellers continue to penetrate global markets. Conquest propellers were increased in range by diameter and blade area ratio to meet the needs of the replacement market.

The new VEEM shaft line software testing continues and several new shaft lines have been sold in Europe and Australia. Pricing expectations in the market have been met with a focus on shaft lines in the 75mm to 200mm diameter range which most closely matches VEEM's propeller range.

Designs were developed for the range of VEEM shaft line products and global sources of some components has commenced. This will be a focus for VEEM going forward.

FY19 saw the development of the new VEEM Propeller Scanner, which enables our dealer network to accurately measure, propellers and demonstrate to customers the superior qualities of the VEEM and Conquest propellers. This is an important marketing tool for VEEM and helps position VEEM as the industry authority on fixed pitch propellers.

Defence

Defence work has been busy throughout the year, consisting principally of stabilizer manufacturing for Austal Ships. VEEM signed additional contracts and undertook preliminary test manufacturing for prime sub-contractors working on the new SEA 1000, 1180 and 5000 naval defence programs, which are gathering momentum and have an Australian manufacturing component. VEEM expects to participate in a number of these programmes.

The Australian Submarine Corporation ("ASC") refit program has been delayed and accordingly the order for the next refit of Collins submarines did not materialize during FY19, however this is expected during FY20. VEEM is a regular recipient of contracts for the submarine refit programme.

ANZAC Bell

FY19 saw the installation of the ANZAC Bell and the first official sounding of the bell was on Remembrance Day, 11th November 2018 at 11am. This was a big day for all Australians, including the founding family of VEEM Ltd, the Mioceovich family, as they lost a loved one during the terrible time that was World War 1.

Reports from the Whitechapel Bells Company is that the VEEM ANZAC bell casting was the most accurate casting they had ever seen. Large accurate casting is a specialty of VEEM and has been honed by working with Austal Ships and the Australian Submarine Corporation, over many years, to meet their demanding manufacturing standards.

Outlook

Gyro sales are difficult to predict period to period but with a strong tender and enquiry pipeline and \$4.6m in orders to date, VEEM remains confident in the prospects of this product range.

The ASC refit is expected to occur in FY20 along with the continual flow of defence industry work.

VEEM expects its underlying business to continue to produce revenues consistent with FY19, but with an improvement in margins.

ENDS

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About VEEM

VEEM Ltd is a manufacturer of high-technology marine propulsion and stabilisation systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries. VEEM's market leading Gyrostabilisers reduce the rolling motion of vessels in waves, increasing on-sea time and improving personnel safety in a wide range of ocean conditions. VEEM is also a successful producer of propellers, fin systems and specialised components. Proudly headquartered in Perth, Western Australia, VEEM operates from a 10,500sqm purpose-built fabrication and manufacturing facility, including Australia's largest non-ferrous foundry. We employ 180 staff in Australia, including graduates and apprentices, and maintain a highly skilled research and development team in-house. Celebrating our 50th anniversary in business in 2018, VEEM was listed on the Australian Securities Exchange in 2016.

www.veem.com.au