ASX ANNOUNCEMENT

28 AUGUST 2020

VALMEC SET TO GROW IN FY21 THROUGH DIVERSIFIED MARKETS

- **FY20 revenues of $112 million;**
- **FY20 underlying EBITDA of $5.8 million or 5.1% of revenues;**
- **FY21 revenue growth of more than 20% with EBITDA set to significantly grow;**
- **Work in hand of over $74 million plus panel contracts;**
- **Over 60% of forward orders recurring in nature;**
- **Net cash and available facilities of $24.2 million to support FY21**
- **FY21 intensified asset services focus**

Diversified Energy and Infrastructure Services Group, Valmec Limited (ASX: VMX) today announced its full year result for the year ended 30 June 2020, reporting an underlying COVID-19 impacted EBITDA of $5.8 million on the back of revenues of $112 million, up marginally from the prior year.

With Valmec's energy markets now also experiencing recovery into 2021, Valmec enters the new financial year with significant growth opportunities in all of its business streams, underpinned by a strong tender and opportunity pipeline and growing diversification within its market sectors. In particular, Valmec's exposure to both the water utility and resource infrastructure markets developed though a suite of highly complimentary skill-sets within the Group, have already proven to deliver a level of highly resilient revenues for the Company, setting up the Company to rebound strongly into FY21 and beyond.

Valmec enters FY21 with an Order Book of circa $74 million and a strong pipeline of construction and service opportunities worth over $600 million.

Valmec expects EBITDA to strengthen during FY21 with total revenues expected to return to pre-COVID19 levels, underpinned by an expanding pipeline of infrastructure and resource led gas construction opportunities, recovery of service revenues and further development of the Group's Asset Services strategic initiatives.

FY20 at a Glance

- Sales revenue for the year was $112 million, up marginally on the previous corresponding period but below management expectations for the year. Key revenue shortfalls within our Energy projects division were mitigated to an extent by increased Infrastructure project revenues. With the Infrastructure division being highly leveraged to burgeoning resource sector expansions and water utility markets in Western Australia and Northern Territory, the division finalised its year with record revenues and a strong order book for FY21;

- Underlying Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was $5.8 million, a decrease of 28% on the previous corresponding period. EBITDA margins of of 5.1% from normal operations were principally attributable to COVID-19 impacts on the Company during H2FY20 which included prolonged early contractor involvement activities on client delayed projects and temporary deferrals to planned service activities as clients delayed discretionary maintenance and shutdown programmes until FY21;

- Delays to energy projects and services contracts during H2FY20 coupled with a significant ramp up in infrastructure construction activity during Q4, impacted short-term working capital requirements moving into FY21. With Services revenues expected to recover during Q1 FY21 along with forecast growth in larger project activity, cash reserves are expected to immediately strengthen due to margin realization and recurring revenue contributions;

- Net assets of the consolidated group are at $30.1 million, consistent with prior years after asset impairments and John Holland legal costs of $0.708 million.

Safety

Importantly, Valmec's HSE performance has remained resilient during FY20 and with employee growth peaking at over 400 during the year, it was pleasing to observe that our underlying safety culture and systems remained robust.

During the year, Valmec also achieved Federal Safety Accreditation status, a significant milestone for the Company and also testament to the quality of processes and systems supporting its operations.

Valmec finishes the financial year with a recorded TRIFR (total recordable injury frequency rate) of 0.55 as at 30 June 2020, consistent with prior years.

The Company also continued to preserve its recorded LTIFR (lost time injury frequency rate) of zero after circa 3,200 days or over 3.1 million hours without a lost time injury.

Strategy and Outlook

For Valmec, FY2020 was a year of two contrasting halves with the half year ended 31 December 2019, delivering Valmec record sales revenues and earnings for the period, positioning the company, at that time, on a trajectory for another year of strong revenue and earnings growth.

Today, as the effects of the pandemic slowly subside and confidence returns to our industry, Valmec continues to implement strategies to prime the business for FY21 and beyond, to ensure that we continue to remain aligned to our clients' changing operational drivers during these turbulent times.

- Continued growth in Valmec's diversified infrastructure markets leveraged to expanding resource infrastructure and government utilities markets, will continue to improve the level of resilience in the Company's revenues during this period;

- With the Energy sector advancing into an extended operations cycle to support Australian LNG within a lower oil and gas price environment, Valmec's key focus during FY21 will be on expanding its existing capabilities to deliver full asset lifecycle services to its markets. The Valmec mandate for its clients will be to provide lower total cost of ownership solutions through a unique and integrated sole source offering whilst opening up a suite of new revenue opportunities for Valmec;

- Federal Government initiatives to drive a gas-led recovery in domestic manufacturing to power Australia's way out of COVID-19, are already driving new gas tender pipeline opportunities for Valmec. With East Coast gas shortfalls still expected by 2023, Valmec expects its gas construction markets to be reinvigorated during this financial year with more development spending impetus across the sector;

- Valmec is also taking the lead with its clients in supporting gas as the best transition fuel to meet the Federal Government's future emissions targets. During the year, Valmec continued to deliver Australia's first hydrogen production facility and largest renewable gas project for Australian Gas Infrastructure Group (AGIG) and is now actively sought after in this market to develop similar facilities around Australia. Valmec is excited to be an early player in what is considered an emerging industry and a key part of Australia's future energy mix.

Managing Director Comments

Commenting on the FY 2021 outlook, Valmec Managing Director Steve Dropulich said:

"In 2021, Valmec will continue to leverage its diverse industry markets and full asset lifecycle and services capabilities, to deliver a more resilient suite of revenues during these fluid times. As such, Valmec expects EBITDA to strengthen during FY21 with total revenues expected to return to pre-COVID19 levels supported by increased project order books as well as new long-term asset services contracts.

COVID-19 impacted all our lives in ways we would never have envisaged just six months ago and our loyal and committed employees have remained resilient, demonstrating both vigilance and adaptability whilst also ensuring safe, efficient quality services to our clients at all times. We also recognise the contribution that our families have made during this time, providing our teams with invaluable support whilst having to endure extended periods away from their loved ones.

Thank you to all our staff and our families for your ongoing support and hard work during a challenging year, having laid the foundation for the Company to come out of FY20 stronger than ever."

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 350 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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