

ASX/MEDIA RELEASE - VRS

31 August 2020

PRELIMINARY FINAL REPORT YEAR ENDED 30 JUNE 2020

- **\$94.1m Group Revenue, down 12%**
- **Cash generation from operations of \$8.0 million, (FY2019: \$7.6 million)**
- **Cash at Bank \$1.9 million**
- **Aqura Technologies delivered revenue growth of 32% in 2020, continuing its growth trajectory**
- **Veris Australia operational review and restructure fully implemented**
- **Sale of 100% interest in Elton Consulting in November 2019 for \$13 million, with proceeds utilised to reduce long term debt**

Veris Limited (ASX code: VRS) has today reported its financial results for the financial year ending 30 June 2020 (FY2020).

Veris recorded a decline in revenue recognised from continuing operations in the Group during the year to \$94.1m (FY2019: \$107.6m). Whilst Aqura Technologies achieved strong revenue growth of 32% to \$19.3 million, this was offset by a decline in revenue within Veris Australia, decreasing 20% to \$74.8 million. The Elton Consulting business, sold in November 2019 for \$13 million contributed \$7.9 million during the period up to the completion of the sale.

Veris Australia

The impact to the Veris Australia financial results of the bushfires and subsequent extreme weather events across the nation in the November 2019 to February 2020 period followed by the onset of the COVID-19 pandemic has had a significant impact on revenue during the year. This was compounded by the identification of poor project management practices within a number of legacy projects in New South Wales. The New South Wales operations have now been restructured to address this issue.

Following the appointment of Dr Michael Shirley as Chief Executive Officer of Veris Australia in November 2019, and based on a combination of these events, management undertook an overall review of Veris Australia's business operating model. The new management team, with the support of the Board, implemented a range of measures to refine Veris Australia's operating structure and model to ensure the business is optimally positioned to withstand the continued impact of a softened economic environment induced by the COVID-19 pandemic and then provide leverage to a post-pandemic recovery. A significant number of measures have been undertaken to increase efficiency and improve margins, particularly across the Veris Australia business.

The review focussed on the restructure of the internal operating model of Veris Australia, the rationalisation and streamlining of the historic corporate structure and a review of existing project and client relationships.

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The review has resulted in:

- The streamlining of the management structure to foster greater cross-regional collaboration and service delivery. This has resulted in a reduction in middle management roles from over 45 to 24 Section Leaders and given a strong focus to local delivery within the context of a renewed national collaboration. Against this backdrop, a focus on clients and markets has added new key clients nationally to build further larger project work and deliver work across multiple states.
- Operational savings have been identified at both local regional levels and at the central functional level. At the regional level, cost savings have focused on operating costs associated with recruitment, internal management, vehicles, leases and support staff. At a Group functional level, cost savings have been targeted at achieving a 20% minimum cost saving across functional teams.
- Enhancing visibility of operational and financial results derived from our internal management reporting processes across the Group. The management reporting systems and formats have been revised to provide clarity and hence accountability for overhead expenditure and project performance at a regional level; and
- Enhanced project management systems and process to ensure more timely management of revenue recognition, work in progress management and project performance. Operational teams are now more able to link project performance with financial metrics used to monitor the business.

Aqura Technologies

Pleasingly, Aqura continued its growth in FY20, delivering year on year revenue growth of 32%.

This growth was driven by the continued expansion in the delivery of services to key Tier 1 clients in the resources, utilities, defence, industrial and commercial sectors. Revenue growth was underpinned by the award of new works packages totalling in excess of \$13 million across its key service lines, Industrial Wireless, Content Access Networks and Unified Communications. These awards with clients such as BHP, Rio Tinto, ATCO, Bunnings, and Cubic signify the demand for Aqura's diverse range of service capabilities across Australia and New Zealand.

Aqura has invested in the ongoing development of a number of internally generated technology products designed to transition Aqura's earnings base to capture a more recurring revenue model to complement Aqura's traditional project-based income. These products are expected to be released to market throughout the course of FY21.

Veris Group Results

For the year ended 30 June 2020 the Group reported earnings before interest, tax, depreciation, impairment and amortisation (EBITDA) of \$1.9 million - down from \$4.1 million in 2019 (2019 numbers restated due to Discontinued Operation). The Group reported a net loss before income tax of \$18.6 million.

Veris ended the year with a cash position of \$1.9 million and a reduced net debt position (excluding AASB16 ROU liabilities and HP liabilities) of \$5.0 million (30 June 2019: \$18.0 million). The Group also delivered strong operating cash flow of \$8.0 million, up from \$7.6 million in FY2019.

The Group was eligible from May to receive the initial JobKeeper payments, for which the Group accrued \$3.0 million in the period to 30 June 2020.

On 28 August 2020, the Company received a Credit approved term sheet from CBA in relation to the extension of the Group's existing financing facilities extending the term through to 30 September 2021. The extension of the facilities will require the Group to amortise a minimum of \$2.3 million of the outstanding Term Loan by 30 June 2021. Veris expects that the documentation pertaining to these extensions will be executed in September 2020.

Outlook

Although there have been a range of negative impacts to the Group's operations from the COVID-19 pandemic, demand for Veris' services has continued, albeit at a more subdued level than prior to the onset of the pandemic. In FY20 Veris Australia continued to leverage its national presence and broad service offerings to strengthen relationships with large national and multi-national customers across a range of sectors including the major engineering contractors, tier 1 property developers (both broadacre greenfield developers and built form constructors), key resources companies, and various Commonwealth, State and local government bodies.

Veris Australia's range of services and the markets in which we operate will benefit from a post-COVID-19 pandemic recovery as governments at both Commonwealth and State levels have indicated their willingness to stimulate economic activity via infrastructure and property related project expenditure. Similarly, the continued strength in the commodity markets underpins the ongoing level of capital and maintenance activity by our key resources sector customers, providing strong growth potential for both Veris Australia and Aqura Technologies.

The Veris Australia strategy includes targeting opportunities in higher value, higher margin projects with greater technical content including 3D spatial and geospatial work. Investments made in geospatial and digital services in FY20 set a strong platform to grow this work in FY21.

Similarly, Aqura Technologies is well positioned with a strong forward order book to leverage the continued opportunities arising from the COVID-19 pandemic within its target market as large customers within the resources, industrials, utilities and defence sectors seek to continue expanding their usage and reliance on communications networks. This is expected to continue as the accelerated adoption of remote working practices and coupled with smart devices with embedded IOT functionalities becomes more widespread.

Veris Chairman, Karl Paganin said:

"Whilst the FY20 financial results reflect the difficulties of a challenging year in which Veris Australia dealt with the impacts of bushfires, extreme weather events and the onset of the COVID-19 pandemic, the positives to emerge from this period are very much centred on the reshaping of Veris Australia's organisational and operating structure. The organisational restructure has positioned Veris Australia with a leaner functional cost base and a stronger focus on project execution and financial accountability at the point of delivery.

Enhancing the visibility of our operational and financial results, along with building our focus on clients and market development will ensure we continue to strengthen our service offering and partner with key national clients as we leverage the national service platform we've brought together as the Veris team over the last 9 years.

It has also been pleasing to see the continued expansion of Aqura's business model, leveraging the team's industry-leading project management and technical delivery expertise. The Veris Group's continued investment in the expansion of Aqura's services and the internally developed product suite demonstrates our high expectations that the Aqura team can continue to deliver strong growth and increasing margins as it transitions to a more recurring earnings based business model via the roll-out of these new products.



I'd like to thank our staff and clients for their hard work and commitment to high levels of service and execution as they adapted to remote and flexible working practices during the onset of COVID-19."

About Veris Ltd

Veris Australia is a professional services business delivering surveying, digital & spatial and planning services across Australia. It works across the infrastructure, property, resources, defence, tourism and government sectors.

Aqura Technologies complements the accomplished existing spatial solution capabilities of the Veris Australia segment with highly specialised ICT and communications services, offering industry-leading technology solutions to the industrial communications sector for application in the resources, commercial, utilities, defence, health and education sectors.

Veris Limited is the Group's holding company that is listed on the ASX under the code VRS.

For further information please contact

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**PRELIMINARY FINAL REPORT
YEAR ENDED 30 JUNE 2020**

Results for announcement to the market

A summary of the overall results for the year ended 30 June 2020.

Veris Limited			\$000
Veris Australia segment revenue	↓	20% to	74,807
Aqura Technologies segment revenue	↑	32% to	19,298
Revenue from ordinary activities	↓	12% to	94,105
Underlying EBITDA from continuing operations ¹	↓	55% to	1,860
Loss from continuing operations after tax	↓	43% to	(23,210)
Statutory Loss for the period attributable to shareholders	↓	34% to	(26,493)
Loss per share (basic)	↓	37% to	(7.02) cents

NTA Backing	30 June 2020	30 June 2019
Net tangible asset backing per ordinary security	\$0.01	\$0.02

¹ Underlying EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments and acquisition costs and is an unaudited non-IFRS measure. The % increase from the prior period is the increase in EBITDA from continuing operations.

² Net Profit After Tax Before Amortisation (NPATBA) is an unaudited non-IFRS measure.

A reconciliation between statutory results and underlying results is provided below:

	FY2020 \$000	FY2019 \$000 Restated*
Statutory loss after tax	(26,493)	(40,089)
Add back:		
Tax expense / (benefit)	4,587	(2,797)
Net finance expense	2,072	1,324
Restructuring costs	1,323	3,294
Share-based payment	113	586
Impairment of Goodwill and Intangibles	3,133	34,431
EBIT loss	(15,265)	(3,251)
Depreciation and amortisation	13,842	7,905
Discontinued operations – Loss / (Profit)	3,283	(554)
EBITDA	1,860	4,100

*Comparative information has been restated due to Discontinued Operation.

Dividends declared

No dividend was declared during the period.

Preliminary financial report

This report is based on accounts that have been audited.

Net Assets and Cash Position

Veris had \$1.9 million cash at 30 June 2020. FY2020 net cashflow from operating activities was \$8.0 million. Veris repaid \$16.0 million in borrowings and lease liability payments during the year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$000	2019 \$000 Restated*
Revenue	94,105	107,558
Operating Expenses	(92,245)	(103,458)
	1,860	4,100
Depreciation	(11,507)	(4,997)
Amortisation	(2,335)	(2,908)
Restructuring Costs	(1,323)	(3,294)
Share-based payment	(113)	(586)
Impairment of Intangibles	(3,113)	(34,431)
Results from operating activities	(16,551)	(42,116)
Net finance costs	(2,072)	(1,324)
Profit (loss) before income tax	(18,623)	(43,440)
Income tax (expense) / benefit	(4,587)	2,797
Profit (loss) from continuing operations	(23,210)	(40,643)
Profit (loss) from discontinued operations, net of tax	(3,283)	554
Profit (loss) for the year	(26,493)	(40,089)
Total comprehensive income (loss) for the year	(26,493)	(40,089)
Earnings per share		
Basic earnings/(loss) per share - cents per share	(7.02)	(11.13)
Diluted earnings/(loss) per share - cents per share	(7.02)	(11.13)
Earnings per share – continuing operations		
Basic earnings/(loss) per share - cents per share	(6.14)	(11.29)
Diluted earnings/(loss) per share - cents per share	(6.14)	(11.29)

The accompanying notes form an integral part of these consolidated financial statements.

** Comparative information has been re-presented due to Discontinued Operation.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	2020	2019
	\$000	\$000
Cash and cash equivalents	1,939	3,685
Trade and other receivables	13,178	25,864
Work in progress	5,836	8,280
Other current assets	4,115	3,039
Total current assets	25,068	40,868
Non-current assets		
Plant and equipment	25,600	13,551
Intangible assets	-	19,190
Deferred tax asset	4,481	8,913
Total non-current assets	30,081	41,654
Total assets	55,149	82,522
Current liabilities		
Trade and other payables	13,835	18,765
Deferred vendor payments	-	3,554
Loans and borrowings	13,219	3,356
Employee benefits	8,189	9,176
Current tax liability	534	534
Total current liabilities	35,777	35,385
Non-current liabilities		
Loans and borrowings	16,364	18,403
Employee benefits	1,027	1,640
Provisions	725	-
Total non-current liabilities	18,116	20,043
Total liabilities	53,893	55,428
Net assets	1,256	27,094
Equity		
Share capital	44,127	43,051
Share based payment reserve	2,528	2,949
Retained earnings	(45,399)	(18,906)
Total equity	1,256	27,094

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital	Share-based Payment Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
Balance at 1 July 2019				
Total comprehensive income for the year	43,051	2,949	(18,906)	27,094
Loss for the year	-	-	(26,493)	(26,493)
Total comprehensive loss for the year	-	-	(26,493)	(26,493)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares (net of costs)	1,076	-	-	1,076
Share based payment transactions	-	(421)	-	(421)
Total transactions with owners of the Company	1,076	(421)	-	655
Balance at 30 June 2020	44,127	2,528	(45,399)	1,256
	Share Capital	Share-based Payment Reserve	Retained Earnings	Total Equity
Balance at 1 July 2018	40,887	2,349	24,967	68,203
Adjustment on initial application of AASB 9	-	-	(721)	(721)
Adjustment on initial application of AASB 15	-	-	(1,293)	(1,293)
Adjusted balance at 1 July 2018	40,887	2,349	22,953	66,189
Total comprehensive profit for the year				
Profit for the year	-	-	(40,089)	(40,089)
Total comprehensive profit for the year	-	-	(40,089)	(40,089)
Transactions with owners, recorded directly in equity				
Issue of ordinary shares (net of costs)	2,164	-	-	2,164
Dividends paid	-	-	(1,770)	(1,770)
Share based payment transactions	-	600	-	600
Balance at 30 June 2020	43,051	2,949	(18,906)	27,094

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$000	\$000
Cash flow from operating activities		
Receipts from customers	121,614	143,784
Payments to suppliers and employees	(113,641)	(136,212)
Cash generated from operations	7,973	7,572
Interest paid	(2,072)	(1,330)
Interest received	2	3
Net cash from operating activities	5,903	6,245
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	328	1,769
Purchase of property, plant and equipment	(4,928)	(1,858)
Deferred Vendor Payment	(2,488)	(2,140)
Acquisition of subsidiaries net of cash acquired	-	266
Acquisition of subsidiaries net of cash acquired	12,761	-
Net cash (used in) investing activities	5,673	(1,963)
Cash flow from financing activities		
Dividends paid	-	-
Repayment of borrowings and lease liabilities	(16,064)	(6,185)
Proceeds from loans	2,742	-
Proceeds from share issues (net of costs)	-	-
Net cash from (used in) financing activities	(13,322)	(6,185)
Net increase in cash held	(1,746)	(1,903)
Cash and cash equivalents at 1 July	3,685	5,588
Cash and cash equivalents at 30 June	1,939	3,685

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Financial Statements
For the year ended 30 June 2020

Note 1: Statement of significant accounting policies

This preliminary financial report has been prepared in accordance with Australian Securities Exchange Listing rules as they relate to Appendix 4E and in accordance with the measurement requirements of Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. As such, this preliminary financial report does not include all the notes of the type included in the annual financial report and accordingly, should be read in conjunction with the Annual Report for the year ended 30 June 2020, and with any public announcements made by Veris Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts have been rounded off to the nearest thousand dollars in accordance with that Class Order.

The accounting policies have been consistently applied to all years presented.

Note 2: Earnings per share

	2020	2019
Earnings used to calculate basic EPS - \$000	(26,493)	(40,089)
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	377,640,126	360,068,213
Basic earnings/(loss) per share - cents per share	(7.02)	(11.13)
Weighted average number of ordinary shares outstanding during the period used in calculating Diluted EPS	377,640,126	360,068,213
Diluted earnings/(loss) per share - cents per share	(7.02)	(11.13)

Note 3: Segment Note

The Group has two reportable segments that are managed separately by the service provided. Internal management reports on the performance of these reportable segments are reviewed at least monthly by the Chief Executive Officer who is the Chief Operating Decision maker (CODM) of the Group. The operations in each of the Group's reportable segments are:

- Veris Australia is a professional services business delivering surveying, digital & spatial and planning services across Australia. It works across the infrastructure, property, resources, defence, tourism and government sectors.
- Aqura Technologies complements the accomplished existing spatial solution capabilities of the Veris Australia segment with highly specialised ICT and communications services, offering industry-leading technology solutions to the industrial communications sector for application in the resources, commercial, utilities and defence sectors

Information regarding the results of each reportable segment is detailed below with comparative segment information presented.

	Veris Australia*		Aqura Technologies		Total**	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Revenues	74,849	93,058	19,336	14,710	94,185	107,768
Inter-segment revenues	(42)	(111)	(38)	(99)	(80)	(210)
External revenues	74,807	92,947	19,298	14,611	94,105	107,558
Costs	(71,102)	(87,279)	(18,294)	(12,846)	(89,396)	(100,125)
Inter-segment costs	42	111	38	99	80	210
External costs	(71,060)	(87,168)	(18,256)	(12,747)	(89,316)	(99,915)
EBITDA***	3,747	5,779	1,042	1,864	4,789	7,643
Depreciation	(10,547)	(4,811)	(295)	(171)	(10,842)	(4,982)
Amortisation	(2,335)	(2,908)	-	-	(2,335)	(2,908)
EBIT**** for reportable segments	(9,135)	(1,940)	747	1,693	(8,388)	(247)
Segment assets	40,823	45,648	5,200	6,605	46,023	52,253
Segment liabilities	(35,437)	(29,093)	(5,118)	(7,380)	(40,555)	(36,473)

*Relates to Veris Australia and legacy surveying businesses

**Prior period amounts have been re-presented to exclude discontinued operations

***EBITDA is defined as earnings before depreciation, amortisation, interest, tax, impairment, restructuring, share-based payments and acquisition costs and is an unaudited non-IFRS measure.

****EBIT is defined as earnings before interest, tax, impairment, restructuring, share-based payments and acquisition costs and is an unaudited non-IFRS measure.

– Ends –