

## ASX: Market Update – Divisional Changes – FYE-15 Guidance

### **Investment in R&D, new operating divisions to direct growth.**

To capitalise on the ongoing success of our R&D and surface engineering activity, and with an eye to the future growth, LaserBond has established three unique but integrated operating divisions; Services, Products and Technology.

Our current business, which includes 23 years of core surface engineering competencies and R&D in wear-life extension of components for capital-intensive industries will operate as a Services division. The investment in R&D will continue and be ramped-up.

The Products division will manufacture and market specialised manufactured products, embedded with new technology to a far wider group of industries and customers via new sales and distribution channels.

In establishing a Technology division we have responded to international enquiries and requests for our surface engineering expertise in providing high-value wear-life and performance solutions for industrial customers.

This divergence enables LaserBond to address new and emerging markets with better-focused resources and the potential to reach far more customers. The Company will continue to invest in both human capital and manufacturing facilities to ensure opportunities are well resourced.

### **LASERBOND SERVICES – Revenue flat but increased margins.**

Services is the long-standing surface engineering repair, remanufacturing and contract manufacturing business we undertake for a wide range of major industrial customers. Industries we service include mining, mineral processing, power generation, heavy transport and specialist engineering applications, such as pumping.

Gross margins have grown by 7.5% arising from our Lean Manufacturing project in NSW, which particularly focussed on improving productivity in the one-off jobbing service activities. The project is set to roll out to our SA facility.

The SA facility has also become became the focal point of our \$0.42M R&D and product development activities.

Services division revenue has been maintained at \$9.46M (down only 1.3%) despite well-publicised heavy downturns in most of our market sectors. This reflects well on the cost saving value we offer our customers. Our forecast for the Services division for FY16 is for 13% growth in revenue.

### **LASERBOND®PRODUCTS – more successful field trials; revenue starts to flow**

On 29 April we launched the LaserBond Hammer, a surface-engineered long-life high-performance down-the-hole (DTH) hammer for the mining drilling industry. Independent testing revealed three times life extension and up to 60% reduction in DTH hammer costs. This delivers a significant reduction in total drilling costs of 7.5%.

Since launch, we have signed a number of commercial field trial agreements, including one in the fast-growth northern European geothermal sector. Feedback from these trials has confirmed the increased wear-life and cost savings highlighted in the test report.

The Products division is a strategically significant vehicle to facilitate the pursuit of new national and international markets for embedded surface engineering innovations that improve productivity and performance of industrial components.

As new entrants into a well-established market, the Board accepts it could take time for these products to gain widespread acceptance however the LaserBond DTH hammers reset the benchmark for wear performance. With targeted sales and marketing activities we anticipate strong take-up of the total specialist product portfolio.

LaserBond Products division expects to record revenue of \$0.34M for FY15 and, based on further trial drilling sites converting, we forecast \$4.6M in revenue for FY16 across an expanding range of surface-engineered wear products – some in development - for heavy industry.

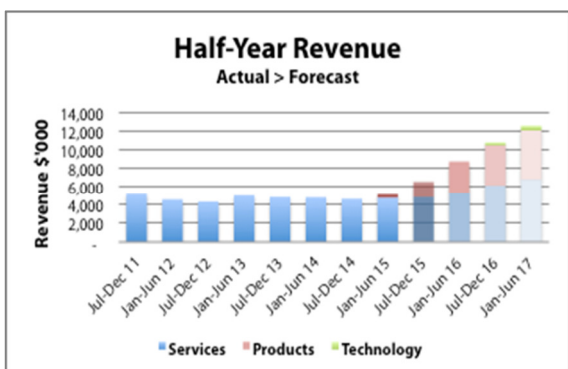
## LASERBOND® TECHNOLOGY – LICENSING INTERNATIONALLY.

Over the past year LaserBond invested \$0.13M researching international opportunities for licensing its technology into non-competitive international markets. Responses confirm there is a strong demand for technologies that dramatically reduce operating costs related to wear-life in capital-intensive industries.

While the Board does not forecast any significant revenue from licensing in FY16, it firmly believes that a properly packaged licensing program will be attractive to an international market and is pursuing this opportunity further.

## Overall Results

The Board is pleased to have both maintained overall profitability and strong cash generation in the full FY15 from our traditional services business. The investment in R&D and products created a small consolidated loss in 2H15, which we forecast to turn around as repeat sales are established.



Note: Figures to HY-15 as reported. FY-15 as expected. HY-16 and beyond are strategic plan forecasts based on assumptions that may change.

Our increased investment in additional skilled staff and key projects with long-term value has significantly reduced overall estimated profit for FY15 (down approx. 60% over FY14).

The Lean Manufacturing project, the PAS-99 integrated Quality, Environment and Safety Management certification process and a range of new marketing activities are designed to restore and accelerate growth from the second half of FY16.

An unintended consequence of our improved productivity and lean manufacturing is a small revaluation of a number of inventory items to comply with the current Australian Accounting Standards.

## Leading Transition

To supplement LaserBond's executive resources to effect these strategic projects the Board has appointed current non-executive chairman, Allan Morton, as Executive Chairman for a short period, commencing July 2015.

With extensive change management experience, leading transitions in industrial business environments, Allan will take the lead role in establishing and consolidating the new operating divisions over the coming months. He is also guiding the changes associated with LaserBond's marketing and corporate identity.

The Board is confident that the divisional restructure, R&D investments of FY15 and recent personnel appointments will initiate a new growth phase for LaserBond's 23 years of surface engineering knowledge, proficiency and capability.

ANNOUNCEMENT ENDS

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