



**Annual General Meeting**  
30 November 2015



**DELIVERING  
VALUE.**

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## Company Profile

### 1. Highlights

### 2. Strategy

### 3. Financial

### 4. Oil & Gas Projects

### 5. Outlook

### 6. Formal Business



# Introducing VALMEC



VALMEC Limited (ASX:VMX) is an emerging energy and infrastructure services group providing equipment, construction, commissioning and maintenance services to the oil and gas, resources and infrastructure sectors throughout Australia.

## Business Activities

- Diversified energy and infrastructure services to the oil and gas, resources and infrastructure sectors
- Energy Services:
  - Oil and Gas EPC / Turnkey integrated projects
  - Upstream product delivery and support
  - Equipment sales, service and maintenance
- Infrastructure Services:
  - Electrical and underground services
  - Earthworks and civil services

## Key Personnel

|                  |                         |
|------------------|-------------------------|
| Stephen Zurhaar  | Non Executive Chairman  |
| Peter Iancov     | Non Executive Director  |
| Ranko Matic      | Non Executive Director  |
| Steve Dropulich  | Managing Director       |
| Vincent Goss     | Executive Director      |
| Harry Singh      | Chief Financial Officer |
| Kelvin Andrijich | Director – Oil & Gas    |

## Capitalisation

|                                       |               |
|---------------------------------------|---------------|
| Share Price (24/11/15)                | <b>\$0.16</b> |
| Shares o/s                            | 81.8m         |
| - Directors & Management <sup>1</sup> | 54.3%         |
| - Free Float                          | 33.3%         |

|                               |                |
|-------------------------------|----------------|
| <b>Market Cap.</b>            | <b>\$13.1m</b> |
| Cash                          | (\$2.1m)       |
| Hire Purchase / Term Debt     | \$3.1m         |
| Convertible Preference Shares | \$2.7m         |
| <b>Enterprise Value</b>       | <b>\$16.8m</b> |

## Options

|  |                   |
|--|-------------------|
| Options @ 25c / Expiry 10/01/18              | 20,240,000        |
| Options @ 25c / Expiry 10/01/18 <sup>1</sup> | 12,500,000        |
| Options @ 25c / Expiry 30/06/18 <sup>2</sup> | 1,750,000         |
| <b>Total Options</b>                         | <b>34,490,000</b> |

<sup>1</sup> Escrowed – 24 months until Jan 2016

<sup>2</sup> Unlisted Employee Options

# Company Profile



| Revenues | NPAT   | Earnings Per Share | Dividends per Share | People | LTI Free Days |
|----------|--------|--------------------|---------------------|--------|---------------|
| \$50.4m  | \$5.7m | 8.3c               | 1.0c                | 160    | 1,500+        |

(as at 30 June 2015)

## Energy



## Infrastructure



## Products & Equipment

## Construction

Earthworks

Civil

SMP

E&I

## Completions & Commissioning

## Service & Maintenance



# Proudly Australian



ASX Listed



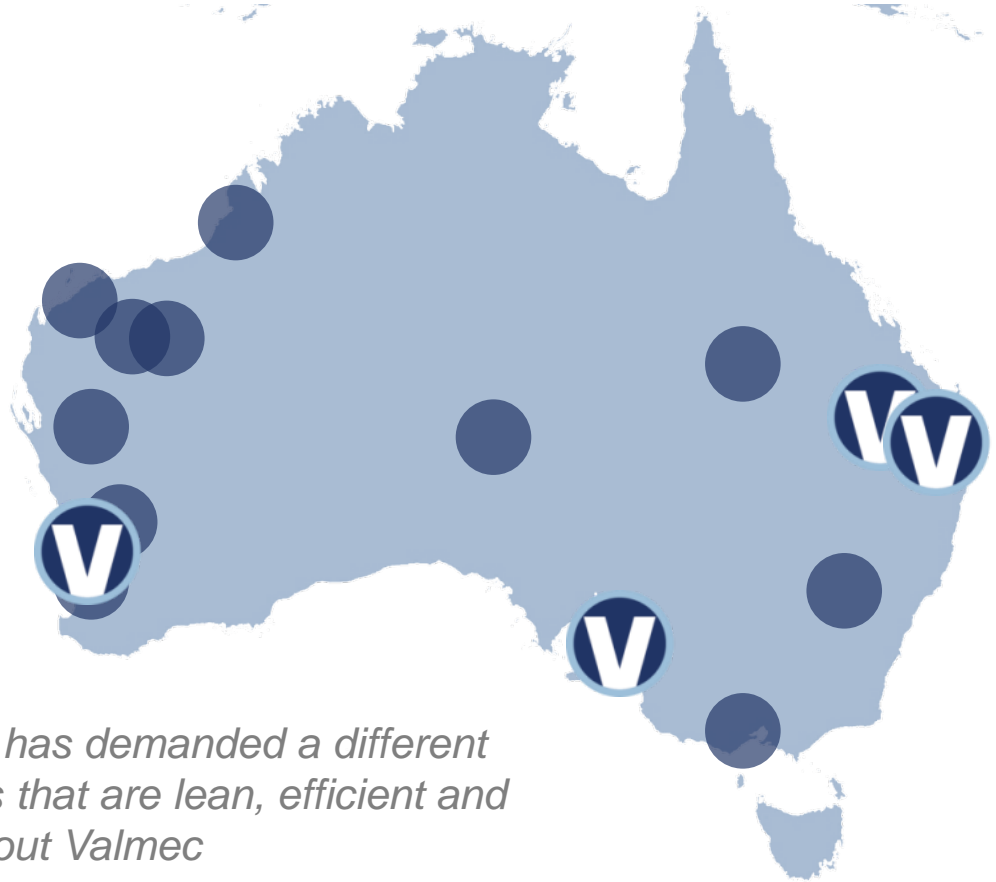
Valmec Offices & Workshops



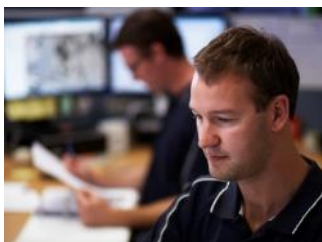
Valmec Project & Service Locations



160+ Employees



*The changing landscape of our industry has demanded a different approach - clients are looking for teams that are lean, efficient and listen to them – that is what brought about Valmec*



# The Valmec Story thus far...



**2013**

Valmec Limited  
recapitalised by  
Directors

Reverse Take-  
Over of Marcon  
Group

Expand mining and  
gas services  
capability

Secure APA \$23m  
Project

**2014**

Secured \$18m  
APA East Coast  
Project

Secured over  
\$10m of Service  
Contracts

FY14 Revenues of  
\$50.1m / EBITDA  
of \$2.9m

Purchase of  
Service and  
Operations  
business

**2015**

New Service  
business secures  
\$5m Origin  
contract

Group secures  
over \$64m of new  
projects and  
service contracts

FY15 Revenues of  
\$50.4m / EBITDA  
of \$6.5m

Upstream project  
and wellhead  
services delivery  
focus





## Financial



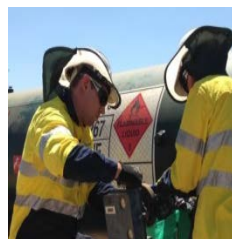
- Sales Revenue steady with FY15 at \$50.4 million ( 27% of revenues from new Service business)
- NPAT up to 13.9% to \$5.75 million
- Gain on acquisition of Service company working capital / contracts (\$1.7m) and rental assets (\$3.4m)
- Earnings per share up 13% to 8 cents (81.8m shares)
- Dividend program introduced with total dividends of 1.0cps paid
- Stronger cashflow from operations of \$2.1m

## Operational

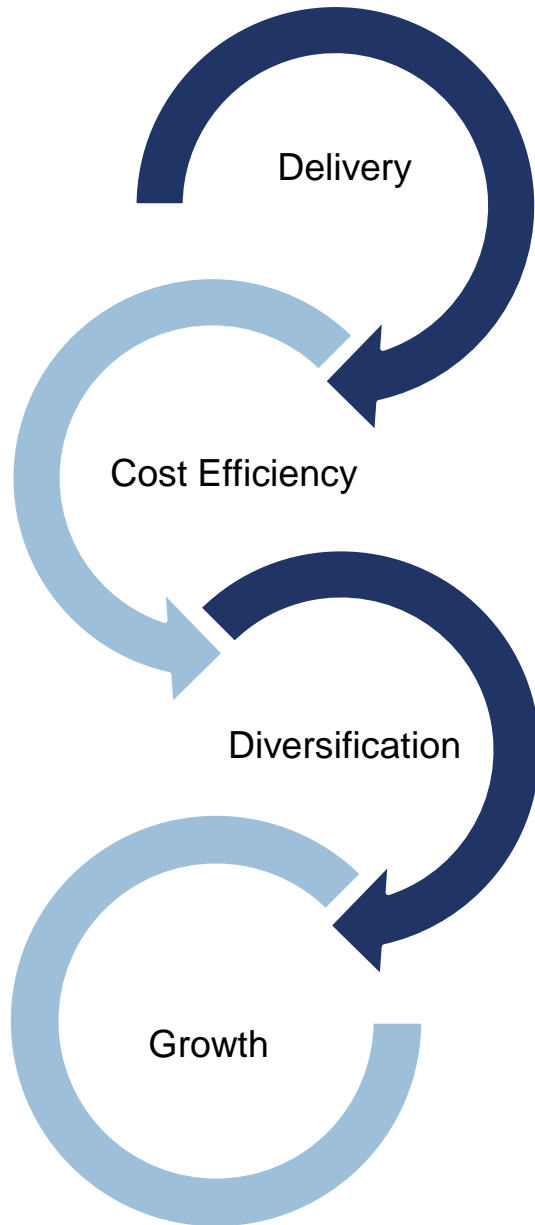


- Continued strong safety performance – 1,500 LTI free days
- Strong relationships with utility and gas infrastructure companies continue to secure major contracts. With Eastern Gas Pipeline Project in WA – over \$60m of works secured in this sector since 2014
- Increasing leverage to CSG “stay in business” activity reducing impact of slowing larger CAPEX in gas and resource sectors

## Strategic



- Increased exposure to gas service markets through acquisition of Exterran Australia
- Exclusive agency for gas compression products with global partner
- Project sole source solutions / capability established
- Establishment of Adelaide Office to service Cooper Basin explorers
- East Coast in-organic growth strategy ongoing



- Client focused
  - Multiphase, multidiscipline, whole of asset life offering
  - Indigenous alliance with Pindari (WA)
  - Experienced Project Managers – WA & QLD
- 

- Self execution capability
  - Lean, efficient, experienced teams
  - Removal of interface risk
  - Cost effective solutions
- 

- Energy EPC projects
  - Service and Maintenance
  - Product Delivery / Global technology & support
  - Infrastructure Services
- 

- 3 year growth model to \$150 million p.a.
- Recurring Service revenue streams
- Larger integrated gas processing and infrastructure project capability
- Positioned for growth in CSG upstream development for LNG
- In-Organic Growth and Acquisition Strategy – East Coast

| Client Challenges  | Valmec Strategy  |
|--|--|
| <p>Timing uncertainty around FID to commence larger upstream expansion projects;</p>   | <p>Capability to deliver both diversified and scalable project and service offerings within greater client markets - Energy, Infrastructure and Resource sectors;</p>  |
| <p>LNG projects driving significant upstream opportunities to supply uncontracted gas demand although timing of CAPEX subject to current market drivers /financial parameters;</p> | <ul style="list-style-type: none"><li>▪ Early contractor interface with clients to develop fit for purpose (“lean”) product and service offerings with the lowest total cost of ownership over the production period;</li><li>▪ Lower capital intensive project funding through product partners and leased equipment options.</li></ul>                           |
| <p>Balancing cost and capex reductions with maximum operational requirements as projects move into production phase;</p>   | <ul style="list-style-type: none"><li>▪ Asset optimisation (sweating assets), enhanced service, operations and maintenance capabilities via acquisition of Exterran service business;</li><li>▪ Exclusive product and technical support relationships with global supplier providing wellhead to pipeline capability / standardised wellhead facilities.</li></ul> |



# Financial Summary



|                    | FY 13 <sup>1</sup> | FY 14   | FY15   | Guidance Update Range |        |
|--------------------|--------------------|---------|--------|-----------------------|--------|
|                    |                    |         |        | 1H FY16               |        |
|                    | \$'000             | \$'000  | \$'000 | \$'000                | \$'000 |
| Revenues           | 30,933             | 50,105  | 50,453 | 26,000                | 28,000 |
| EBITDA             | 2,568              | 3,668   | 6,588  | 1,610                 | 1,820  |
| Depreciation       | 1,047              | 788     | 1,360  |                       |        |
| Interest           | 427                | 752     | 853    |                       |        |
| NPBT               | 1,094              | 2,128   | 4,375  |                       |        |
| NPAT               | 770                | 5,048   | 5,751  |                       |        |
| Operating Cashflow | (793)              | (1,054) | 2,191  |                       |        |

<sup>1</sup>Proforma consolidated financial summary of Valmec Australia Pty Ltd and Core Plant and Equipment Pty Ltd pre-acquisition date of 13 January 2014.

## Guidance Update:

**Subject to no significant delays in project go-aheads affecting tender conversions, Valmec re-affirms its expectation that 2H 2016 will deliver approximately 25% greater revenues than 1H 2016.**

**Valmec therefore expects FY16 full year revenues of between \$58 and \$63 million.**

## Key Risk Factors In Guidance

- Valmec is currently engaged by various Clients on early contractor involvement (ECI) activities on projects and long term service agreements which are due for award and execution in FY16. Based on its preferred tenderer status on these and other projects, assessment of current tender opportunities and the expected utilisation of its current order book, Valmec provides its FY16 revenue guidance noted above.
- Where these existing or new projects are delayed due to factors beyond Valmec's control, the recognition of revenue for those contracts may be deferred to later periods. This deferral may impact the Company's financial performance in particular financial periods, including the Company's ability to meet any forecasts or forward looking statements.

| 1:On Hand                          | Value          |
|------------------------------------|----------------|
| Energy and Infrastructure Projects | \$8.8m         |
| Energy Services <sup>1</sup>       | \$21.1m        |
| <b>Total Contracts on Hand</b>     | <b>\$29.9m</b> |

| 2:Preferred Tender Status              | Value          |
|--|----------------|
| Total Preferred Tenders                | \$23.9m        |
| <b>Total Preferred – Award 1H 2015</b> | <b>\$23.9m</b> |

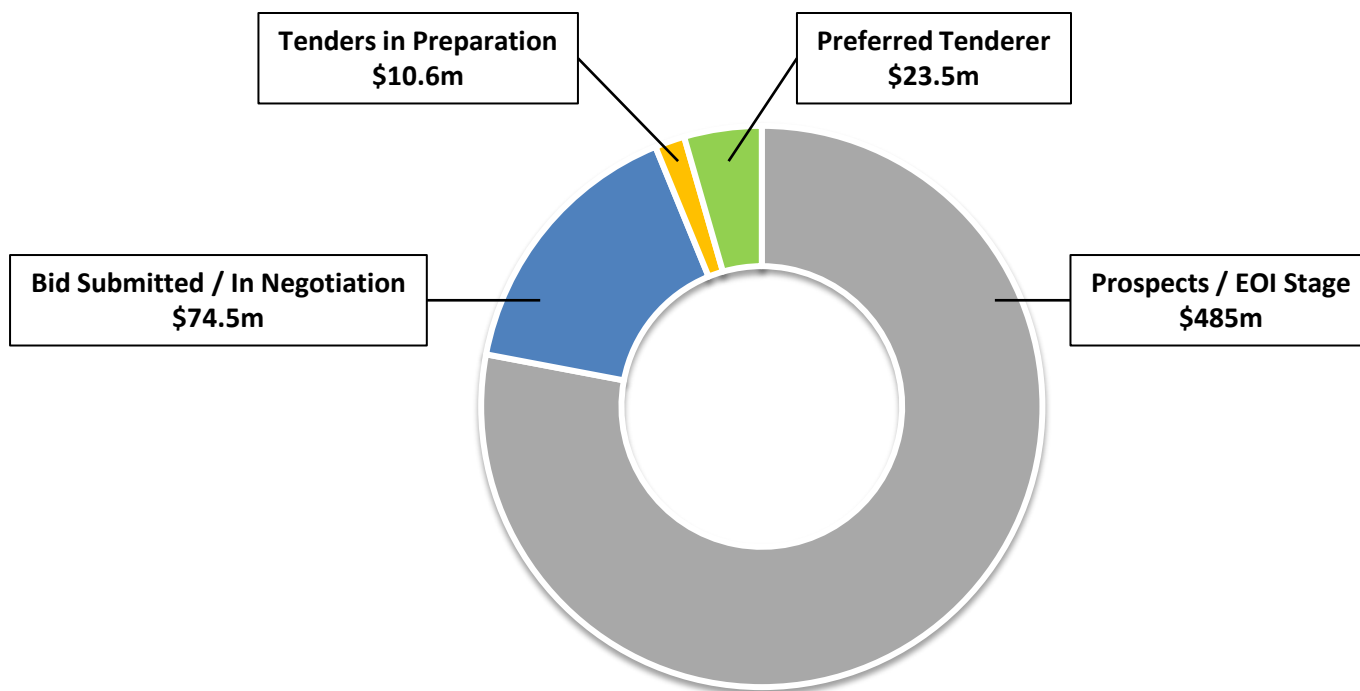
|  |                |
|--|----------------|
| <b>3:Expected Pro-forma Order Book</b> | <b>\$53.8m</b> |
|--|----------------|

<sup>1</sup> Potential value over current contract terms excluding renewal and extension options



# Pipeline Status: 2016-2018

| Identified Pipeline – October 2015 | Estimated Value |
|------------------------------------|-----------------|
| Energy and Infrastructure Projects | \$565.5m        |
| Energy Services                    | \$28.1m         |
| <b>Total Pipeline</b>              | <b>\$593.6m</b> |



Valmec has recently negotiated new funding arrangements with its senior lender (BankWest) as follows:

## Collateral provided:

The facilities are secured over the first registered general securities interest over the consolidated group assets. Covenants imposed by the bank require the following (calculated on quarterly basis):

- Debt Service Ratio to exceed 1.30x;
- Working capital ratio is not exceed 50% of the acceptable trade debtors & stock;
- Minimum EBITA for financial year of \$3.7m.

## Major Facilities (as at October 2015):

|                | Limits       | Utilised    | Available    |
|----------------|--------------|-------------|--------------|
| Bank Overdraft | \$4,000,000  | -           | \$4,000,000  |
| Bank Guarantee | \$4,000,000  | \$1,126,000 | \$2,874,000  |
| Asset Loans    | \$3,000,000  | \$1,105,000 | \$1,895,000  |
| Trade Finance  | \$2,000,000  | -           | \$2,000,000  |
| Totals         | \$13,000,000 | \$2,231,000 | \$10,769,000 |



Delivering Value Through Our Projects





## ORIGIN TALINGA MAINTENANCE CAMPAIGN



|                          |   |
|--------------------------|---|
| Client                   | Origin Energy   |
| Location                 | Dalby, Queensland   |
| Scope of Work            | <p>Complete overhaul of:</p> <ul style="list-style-type: none"><li>&gt; 11 Waukesha 7042 out of frame overhauls converting the current VHP L7042GSI to a VHP L7042GSI S4 configuration;</li><li>&gt; 11 Ariel screw compressor overhauls, incl. removal from and reassembly at Talinga Gas Processing Facility.</li></ul> |
| Commissioning & Start-up | Valmec were responsible for the entire commissioning and Start-up of the 11 packages, incl. the first scheduled service conducted at the 1000 hr interval   |
| Delivery Time            | 22 weeks  |
| Completion Date          | August 2015   |

## TUREE CREEK COMPRESSOR STATION



|                                 |  |
|---------------------------------|--|
| Client                          | APA Group  |
| Location                        | Newman, Western Australia  |
| Scope of Work                   | Turnkey Multidiscipline<br>Construction of a<br>Duty/Standby Solar Centaur<br>C50 Compressor Station |
| Delivery Time                   | 25 weeks   |
| Completion Date                 | July 2014  |
| Finished Production<br>Capacity | > 170 TJ/day<br>> Twin Centaur C50 Turbines  |



## EGP FACILITIES CONSTRUCTION



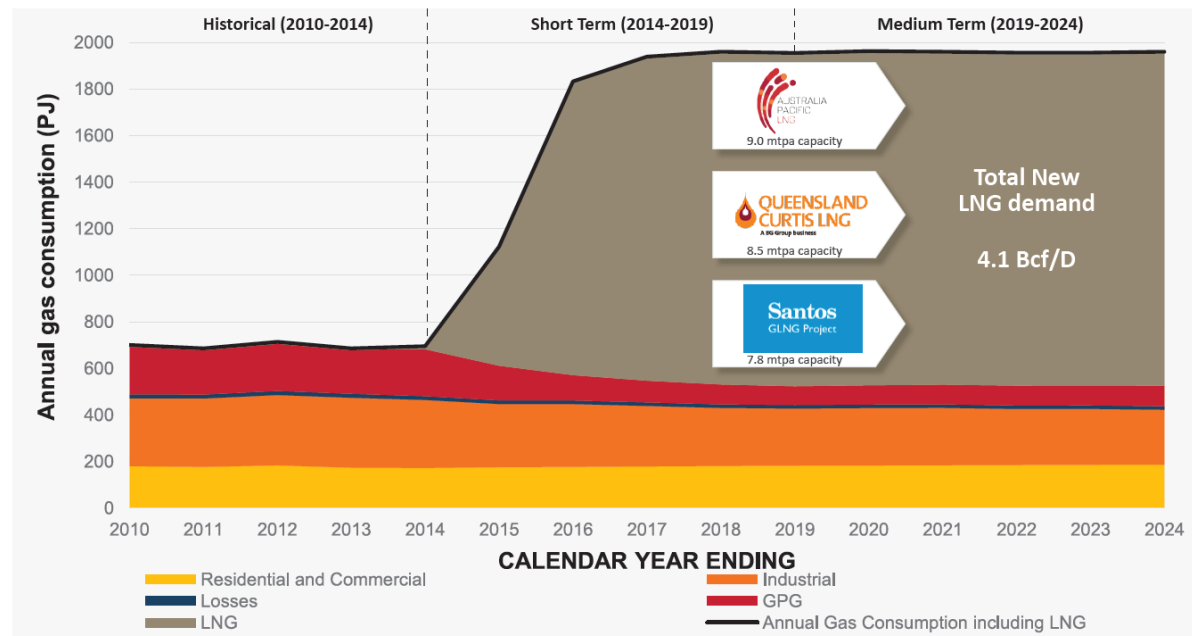
|                          |   |
|--------------------------|---|
| Client                   | APA Group   |
| Location                 | Goldfields region, Western Australia  |
| Scope of Work            | Project Management, Offsite Fabrication, Procurement, Civil Earthworks and Concrete Construction and Structural, Mechanical, Piping and Electrical and Instrumentation Construction |
| Commissioning & Start-up | APA Group / Valmec  |
| Delivery Time            | 27 weeks  |
| Completion Date          | March 2016  |



- East Coast market opportunity;
- Anticipated tripling of demand once all new LNG plants on line / unprecedented long term growth potential;
- Expansion of upstream compression and processing to monetise fields / new “stay in business” costs;
- Supply pressures expected to place sustained upward pressure on gas prices.

## New LNG Plants Dramatically Increasing Eastern Australian Gas Demand

Annual gas consumption (including LNG exports) for Eastern and South-Eastern Australia



- With larger CAPEX (LNG/Resource) developments likely to remain constrained, client focus is now firmly on upstream development and smaller infrastructure projects, operating costs and asset optimisation (Valmec core markets)
- Tender and pricing activity on these upstream projects increasing with improved visibility on project FID and award dates commencing Q3
- Growth in gas markets underpinned by anticipated tripling of demand once all new LNG plants on line / unprecedented long term growth potential
- In the short term, clients “sweating” assets, obtaining better output and return on investment via debottlenecking, extended maintenance intervals, outsourcing as clients move from construction to operation phases
- Competition expected to keep service margins under pressure – focus on right-sizing of fixed costs and productivity improvements across the Group a key priority
- FY16 full year forecast revenues remain dependent on project timing and new awards / tender conversions
- Valmec will also continue to pursue its inorganic growth strategy / review of consolidation and investment opportunities to support its diversification and scale objectives

