



## ASX ANNOUNCEMENT

26 FEBRUARY 2016

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**VALMEC REPORT 1H FY2016 SALES AND EARNINGS**

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- **Group Revenue up on 1H FY2015 to \$26.9 million**
- **EBITDA of \$1.71 million**
- **Gross Profit margins improved through diversification of service revenues**
- **Service contracts up to 35% of total revenues**
- **Record tendering activities across all project and service disciplines**
- **Continued strong safety performance achieving over 900,000 hours LTI free**

Valmec Limited (ASX: VMX) ("Valmec" or "the Company") reports its financial results for the half year ended 31 December 2015.

Sales revenue for the period was \$26.9 million, a marginal increase of 2% on the previous corresponding period. Larger project revenues through EPC and turnkey project services were below original expectations for the half due to subdued market conditions, however, increasing service opportunities in Valmec's markets negated some of these shortfalls.

Recurring revenues through long term service contracts now account for more than one third of Valmec's total revenues, capitalising on the change within our industry sectors from their major construction phase to the operations phase of the cycle. Service contracts and smaller sustainable works with smaller project durations have dominated the order book during this period.

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$1.7 million which is down on the previous year by approximately 19% (HY14: \$2.1 million - underlying).

Notwithstanding challenging conditions within our markets, Valmec's balance sheet remains resilient with net assets of the consolidated group being retained at \$15.7m. The period also saw improved levels of cashflow from operations (up by \$0.9 million on comparative reporting period) whilst gearing levels (net debt to equity) has been reduced to 24.2% (HY14: 25.9%).

The Board has resolved not to declare an interim dividend electing rather to retain capital to assist in Valmec's East Coast expansion activities.

**Operations and Outlook**

During the period, the Group successfully completed several strategic projects including APA Group's Eastern Gas Pipeline Project in Western Australia and Origin Energy's Talinga Overhaul Project in South West Queensland and continues to work closely with these clients in 2016 on their major development and panel service contracts.



Valmec also secured a key product supply contract with its technology partner, Exterran Corporation, with whom Valmec has a Sales Representation Agreement. Valued at approximately AUD\$4.3 million, the supply, installation supervision and commissioning contract for two (2) gas compressor packages for New Zealand based Vector Gas Limited, is strategically aligned with Valmec's "single source" delivery strategy across all its traditional markets, enabling an even greater diversity in revenues and project capabilities.

The Group's Indigenous alliance with Pindari (WA) Pty Ltd and its ability to scale and diversify its projects mix by using its in-house delivery capabilities, is also starting to gain recognition in the resources sector with increased tendering and recent awards of several service projects.

Record tendering activities on new service, minor and major capital works across all of Valmec's markets underpin the Company's expectations of both a stronger second half performance and expanded order book moving into FY17. Valmec continues to be engaged by clients on a number of early contractor involvement (ECI) activities on projects and remains confident that the majority of these projects will become due for award and execution over the coming months and/or into FY17.

### Health and Safety

Valmec continued to achieve significant safety performance milestones during the period. As testament to its safety leadership and ongoing focus on improvement in safety management and reporting systems, December 2015 saw the Company record over 900,000 hours being worked without a lost time injury (LTI).

### Managing Director Comment

Valmec Managing Director Steve Dropulich said *"whilst the prolonged fall in the oil price has negatively impacted our core market sectors, Valmec is starting to see the "green shoots" emerging in upstream and infrastructure opportunities.*

*Activity in sustaining capital and maintenance markets remain strong across all disciplines and it is very pleasing to see our Indigenous alliance with Pindari starting to gain recognition in the resources sector with increased tendering and recent awards.*

*The recent announcement of the North East Gas Interconnector (NEGI) pipeline project has not only provided our industry with some much needed stimulus but will also assist in addressing the market's imminent gas supply shortfalls once all the Gladstone based LNG plants reach full capacity.*

*Whilst Valmec is well positioned to participate in the development of NEGI, our Company is already well advanced in both tendering and pre-FID activities with a number of clients on their own field development and infrastructure expansions underpinned by East Coast LNG.*

*During the period, Valmec has also seen some of its major competitors either leave or significantly reduce their core competencies offered to the Australian oil and gas sector. We continue to invest in our in-house capabilities for project and equipment design, procurement, fabrication, construction, installation, commissioning, operations and maintenance to support our wellhead to pipeline strategy.*

*Valmec will leverage off these capabilities and the proven track record of our team to capitalise on the anticipated growth in these markets."*



# VALMEC



## DELIVERING VALUE

[www.valmec.com.au](http://www.valmec.com.au)

### About VALMEC

Valmec is an Australian energy and multi-discipline services group providing specialised packaged equipment, engineering, construction, commissioning and integrity maintenance services to the resources, energy and infrastructure sectors.

Founded by an experienced team of EPC and contracting professionals each with more than 25 years in the Australian gas industry, Valmec's focus is on the delivery of innovative project solutions, superior service and faster time-to-market options than the competition.

Valmec employs approximately 160 project and support personnel, operating out of modern offices and fully equipped workshop facilities in Western Australia and Queensland.

### For further information please contact

STEVE DROPULICH  
Managing Director

Ph: (08) 9266 8888

DAVID IKIN  
Professional Public Relations

Ph: (08) 9388 0944 / 0408 438 772  
[david.ikin@ppr.com.au](mailto:david.ikin@ppr.com.au)