



ASX ANNOUNCEMENT

31 AUGUST 2016

VALMEC REPORTS FY16 EARNINGS AND GROWTH IN DIVERSIFIED MARKETS

- **Group Revenues of \$50.8 million consistent with prior year**
- **EBITDA of \$3.03 million up from previous year¹**
- **Current Order book of \$62.3 million set to underpin FY17 growth**
- **Diversified exposure to increased Oil and Gas and Infrastructure service markets**
- **Continued strong safety performance now at over 1 million Lost Time Injury (LTI) free hours**

Diversified Energy and Infrastructure Services Group, Valmec Limited (ASX: VMX) today announced its full year result for the year ended 30 June 2016.

Sales revenue for the financial year was \$50.8 million up marginally from the previous corresponding period.

Sustained lower commodity and oil prices continue to create challenging conditions within the greater engineering and construction sector constraining Valmec's revenue growth expectations in EPC and turnkey projects during this period. Against this backdrop however, Valmec has continued to be engaged by various Clients on early contractor involvement (ECI) activities and tender opportunities on East Coast development projects and continues to remain confident of its ability to book the majority of these projects to its order book during FY17.

Service and maintenance revenues have continued to grow during the period, benefiting from client strategies focused on asset optimisation and enhancements in operations and maintenance during this cycle of low oil and gas prices. Valmec's service revenues accounted for over 41% of total Group revenues during the period, and are expected to grow even further during FY17 with the ramp up of several long term service agreements and increasing activity in this sector.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was \$3.03 million, significantly up from the previous year's underlying earnings of \$1.45 million, when excluding gains made on acquisition of Exterran (Australia) Pty Ltd.

¹ Underlying basis after excluding gains on acquisition



With Net Assets of \$15.5 million and gearing levels at the reporting date largely consistent with the prior year, Valmec remains well placed to service its revenue growth expectations for FY17. During the year, the Company also resolved to suspend its future dividend payments until further notice, electing rather to retain capital to assist in the Company's current East Coast expansion activities.

During the year, the Group's ability to scale and diversify its projects mix by using its in-house delivery capabilities, saw it secure work in new public and private infrastructure and gas service markets together as well as its traditional core sectors.

- In November 2015, Valmec announced the establishment of an Indigenous Alliance with majority owned indigenous company, Pindari WA Pty Ltd. Since its establishment, the Alliance has continued to gain increased recognition in the North West Resources sector having already delivered over \$4 million of minor projects and service contracts to its clients.
- In March 2016, Valmec also announced the award of a long term Services Contract with Australia Pacific LNG for its upstream compression and power generation assets. Potentially valued at circa \$48 million over a 4 year term (inclusive of extensions), the Contract will underpin the continued expansion of Valmec's operations and maintenance footprint across the upstream gas sector.
- In July 2016, Valmec announced the award of a Contract for the Northlink WA Infrastructure Project valued at \$13.3 million. The scope of work includes bulk earthworks and drainage services and is expected to be completed by October 2017.

Health and Safety

To accommodate its diversified sales mix, Valmec continues to develop and implement new fit for purpose HSE processes and systems within its expanded workforce. Ongoing safety initiatives coupled with Valmec's "Golden Rules of Safety" program integrated with Client systems, will ensure that the Group remains well positioned during further growth.

With its strong safety performance being recognised by clients both in Western Australia and Queensland during the year, Valmec has also been able to achieve a significant safety performance milestone of 1,000,000 lost time injury (LTI) free hours in May 2016.

The Group also finished the year with a total recordable injury frequency rate (TRIFR) of 0.69.



Managing Director's Comments

Commenting on the FY16 results and FY17 outlook, Valmec Managing Director Steve Dropulich said:

"Valmec's strategic positioning as a diversified services provider enabling it to be leveraged to the more buoyant sectors in this cycle, continues to hold the Company in good stead.

Particularly pleasing has been the recognition by clients of Valmec's infrastructure capabilities extending to arterial road construction, which has culminated in the award of the \$13.3 million Northlink WA project.

We also enter 2017 having already worked closely with a number of oil and gas explorers and producers as they develop their current upstream gas infrastructure development programs for the short to medium term. With this increased upstream activity being supported driven by East Coast gas supply and pricing dynamics, Valmec remains in a strong position to secure these larger development projects when they proceed during FY17 and FY18.

Utilising its current market positioning in the gas sector, Valmec remains committed to achieving its growth objectives through both organic and acquisition strategies over the coming years. Today, the Group's key focus is on maintaining efficiencies, continued diversification of our delivery models and achieving further productivity gains within both our own operations and on our client projects"

About VALMEC

Valmec is a diversified Australian energy and infrastructure services group providing specialised packaged equipment, construction, maintenance, 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 150 project and support personnel, operating out of modern offices and fully equipped workshop facilities in Western Australia, South Australia and Queensland.

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