



VEEM

VEEM LTD

2020 RESULTS PRESENTATION

31 AUGUST 2020

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FY2020 HIGHLIGHTS

- | | | | |
|----|--|----|---|
| 01 | Revenue of \$44.4m in line with prior year (\$45.0m) | 07 | Net Assets up \$1.6m to \$32.6m, Healthy cash balance of \$3.6m at 30 June 2020 |
| 02 | Gyro sales tripled from 2019 to \$4.8m with \$4.1m of new orders received in the first 6 weeks of FY2021 | 08 | \$9m submarine component contract awarded in March 2020 for delivery in FY2021 |
| 03 | Normalised* EBITDA of \$5.5m up \$1.2m (26%) on 2019 | 09 | Defence business steady with strong sales of marine ride control fins replacing the deferred sub work |
| 04 | Normalised* profit before tax up \$0.1m to \$2.2m | 10 | New gyro facility completed and in operation in time for the new orders received in early FY2021 |
| 05 | Normalised* NPAT of \$1.9m compared to \$2.5m in 2019 due to increased tax expense | 11 | First VG1000SD completed for Damen ships – largest operating marine gyrostabilizer in the world |
| 06 | Final dividend of 0.225 cps declared based on normalised* NPAT | 12 | Banking facilities extended to 2023 |

* Normalised EBITDA and NPAT are after removing the impact of JobKeeper and AASB 16 from the statutory accounting result. Refer to slide 2 for reconciliation.

FY2020 FINANCIAL RESULT

| | FY20 \$ Statutory Result | AASB 16 Entries | JobKeeper | FY20 \$ Normalised Result | FY19 \$* |
|-------------------|--------------------------------|--------------------|-----------|---------------------------------|----------|
| Revenue | 44.4 | - | - | 44.4 | 45.0 |
| EBITDA | 7.5 | (1.6) | (1.5) | 4.4 | 4.4 |
| Profit before tax | 3.2 | 0.5 | (1.5) | 2.2 | 2.1 |
| NPAT | 2.5 | 0.5 | (1.1) | 1.9 | 2.5 |
| EPS (cents) | 1.90 | 0.38 | (0.84) | 1.44 | 1.97 |
| Net Assets | 32.6 | - | - | 32.6 | 30.1 |

Two significant items in the 2020 result that were not part of the comparative 2019 result – the impact of AASB 16 Leases accounting changes and the JobKeeper subsidy. To make the years comparable, the effects of AASB 16 and JobKeeper have been reversed to arrive at a 2020 “normalised” profit which is then comparable.

The negative effect of AASB 16 in 2020 of \$0.5 million will diminish over the next four years and then become a positive adjustment for the last five years of the lease term increasing to a positive impact on statutory profit during the last year of the lease of approximately \$0.5 million.

* Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made – refer to Note 24 of the 2020 financial statements.

GYROSTABILIZER FY2020 HIGHLIGHTS

Gyro sales tripled from 2019 to \$4.8m with improved enquiries and leads into FY2021

\$4.1m of new orders received in the first 6 weeks of FY2021 incl. two VG1000SD gyros, one for Damen ships and one for a private owner

New gyro facility completed and in operation by endFY2020. Estimate can handle up to \$100m of orders per annum

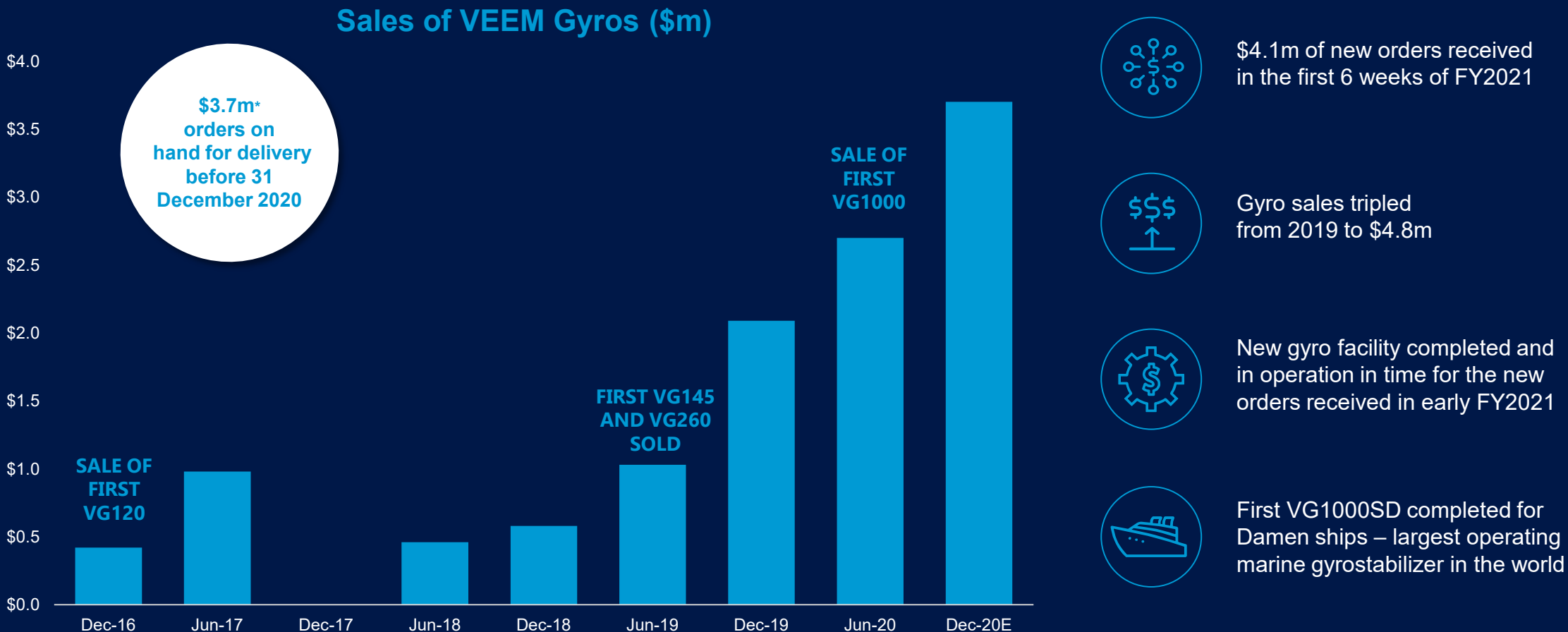
First VG1000SD completed for Damen ships – largest operating marine gyrostabilizer in the world with angular momentum of 520 kN.m

Second order for Damen in July 2020 demonstrates market acceptance that VEEM gyros deliver significant physical and financial benefits for commercial vessels.

Vessel end-user for second Damen order is Naviera Integral, an offshore oil field supply contractor, marking VEEM's first gyro sale into this market.



GYROSTABILIZER FY2020 HIGHLIGHTS



* Assumes AUD:USD exchange rate of 0.71.

COVID-19 FY2020 IMPACT

Implemented enhanced hygiene measures,
eliminated travel and other unnecessary exposures

COVID-19 response team in place
up to 30 June 2020

Europe and USA government lockdowns closed shipyards
resulting in falls in quotes and orders in April 2020

One gyro delivery deferred, now due for
delivery before 31 Dec 2020

Domestic engineering products and
services quotes and orders also down

No positive tests within VEEM

April 2020 revenue down triggering JobKeeper
eligibility - \$1.5m in FY2020

All boatbuilders are currently open
and ordering propellers

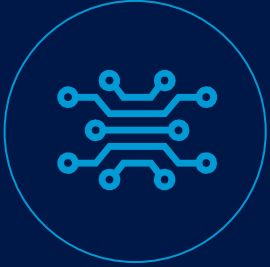
Some supply chain issues temporarily,
all back to normal before 30 June 2020

Freight disruptions now settled with longer,
but reliable, lead times being the norm

VEEM remains vigilant in monitoring domestic
and world developments and potential impacts

Defence business was contracted for so little impact

GYROSTABILIZER OUTLOOK



Adoption of the technology on larger vessels is expected to continue with shipbuilders offering a VEEM gyrostabilizer as an option and end-users increasing their demand for the enhanced experience that a more stable vessel provides.



Superyacht market take-up of the product is expected to increase rapidly as more vessels with gyrostabilizers join the global fleet and word spreads as to the effectiveness of the stabilization.



Additional stabilization enhances the commercial argument for installing a gyrostabilizer through more operating days and safer, more efficient operation. We expect the take up of gyrostabilizers on commercial vessels to increase through FY2021 and beyond.



Defence take-up is expected to mature over a longer period of time due to the conservative nature of this industry. VEEM will continue to educate the defence industry on the product with a longer-term view to wide-spread take-up.



OUTLOOK FY2021 AND BEYOND



PROPULSION

- Expected to continue to grow, both organically for propellers and through new product innovation with shaftlines.
- Propulsion is an area of innovation for VEEM with a focus on finding further ways to make the world-leading propellers more efficiently, hence continue to offer the premium product at reasonable prices while maintaining gross margins.



DEFENCE

- FY2021 will be a solid year for defence with the bulk of the \$9 million submarine component contract with ASC being delivered.
- VEEM expects to continue to win defence-related contracts where casting and precision engineering is required
- Federal government's increased drive for local content, on naval vessels in particular, is expected to drive growth



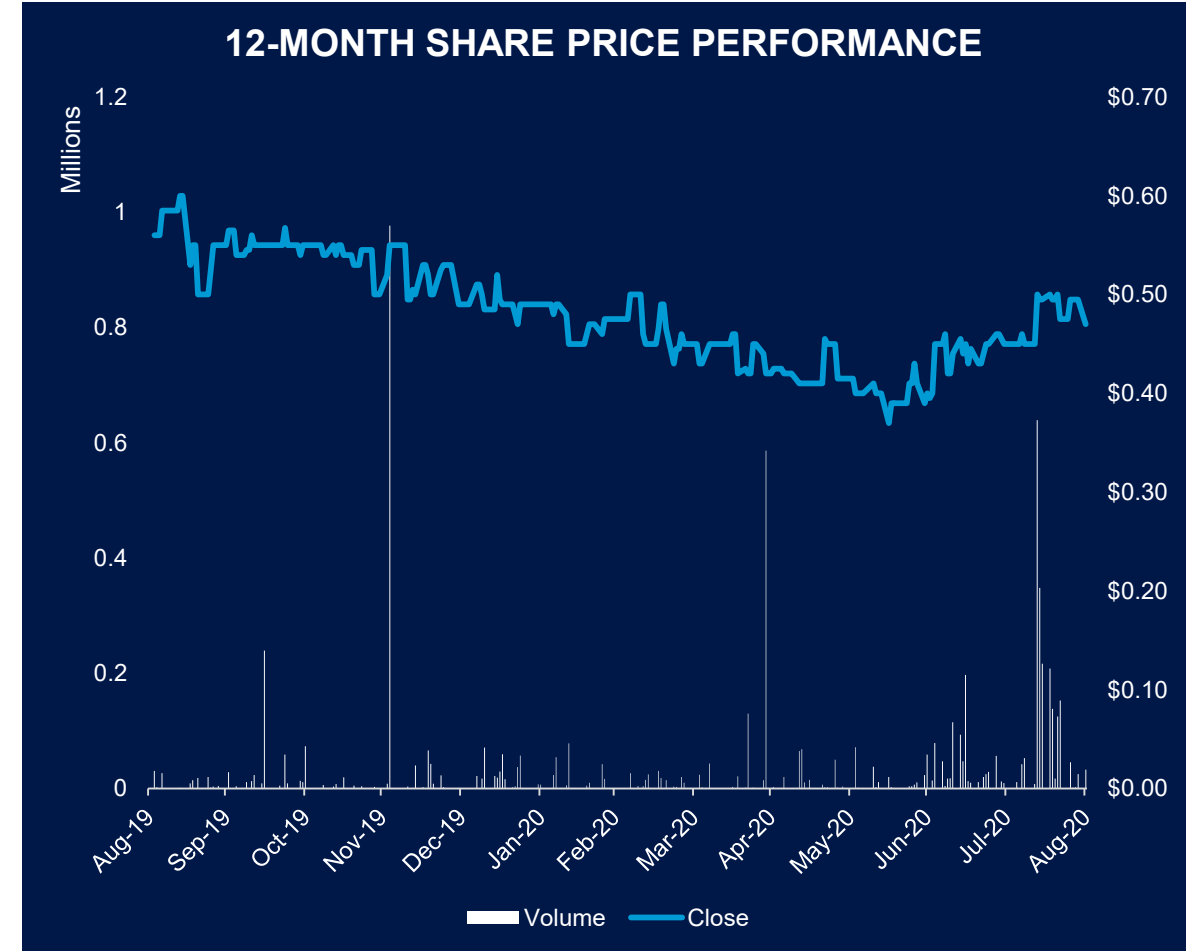
ENGINEERING PRODUCTS & SERVICES

- Continuing to bid on work across the country where utilisation of the Company's foundry and precision machining capability enables VEEM to provide specialist solutions for customers.
- Forever pipe is expected to increase its presence in overseas markets.
- Continued innovation to improve product offering in this area.
- Maintaining the engineering capability also supports the marine and defence businesses.

The outlook remains subject to the future impacts of the COVID-19 pandemic.

CORPORATE OVERVIEW

| Corporate Snapshot | |
|-------------------------------------|---------|
| ASX Code | VEE |
| Share Price (28 Aug 2020) | \$0.47 |
| Market Capitalisation (28 Aug 2020) | \$61.1m |
| Shares on Issue | 130m |
| Substantial Shareholders | |
| Mioceovich Family | 61.54% |
| Perennial Value Management | 14.93% |





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