

Balance sheet and order book remain robust underpinning restructuring initiatives; digital strategy continues to make strong progress

- Veris' cash balance of \$16.1m and order book remained strong at end-FY24, despite sub-optimal macro and industry-wide conditions experienced over the course of the second half of the year.
- Veris has responded quickly and decisively to these challenging market conditions, implementing a number of restructuring and operational initiatives.
- These H2 rightsizing initiatives have resulted in a reduction in headcount of over 40 people, and an associated annualised labour cost reduction of \$6.1m p.a.
- Market conditions were adversely impacted by:
 - Victoria-specific challenges (government budgetary pressures drag on large-scale infrastructure project commencements; significantly increased industrial action across a range of project sites impacting site access and the cost of delivery of ongoing projects);
 - delays in NSW government-sponsored infrastructure projects in metropolitan and regional NSW;
 - resourcing constraints and operational disruptions in the Queensland operation; and
 - broader inflationary cost pressures experienced across the sector impacting the competitive landscape and project economics.
- Veris now expects to report (on a preliminary unaudited basis):
 - FY24 revenue of \$92.6m, down 8.2% on the pcip;
 - One-off, largely non-cash restructuring expense items of \$3.1m;
 - FY24 underlying loss before tax⁽ⁱ⁾ of \$1.6m, which excludes the restructuring and one-off charges;
 - FY24 statutory loss after tax of \$4.7m, which includes all restructuring and one-off charges;
- Digital strategy continues to make strong progress, increasing share of revenue to 17% during FY24.
- Growth in spatial consulting is resulting in increased market opportunities to provide high margin services with a strong pipeline of committed and tendered projects into FY25.
- Full-year audited financial statements expected to be released 26 August 2024

(i) Underlying loss is defined as statutory loss after tax excluding restructuring costs, one-off expenses, share based payments and movements in net deferred tax assets including derecognition of deferred tax assets and is an unaudited non-IFRS measure

Digital and spatial data advisory and consulting firm **Veris Limited (ASX:VRS)**, ('Veris' or 'the Company') announces a trading update covering its financial performance over the fiscal year ended 30 June 2024 ('FY24'), restructuring initiatives booked during the period and the ongoing successful implementation of the Company's digital strategy.

Sub-optimal macro and industry-wide conditions experienced in FY24

Veris' FY24 performance has been impacted by multiple one-off external factors, including:

- Victorian Government budgetary pressures, leading to embedded economic uncertainty, the cancellation of the 2026 Commonwealth Games and a significant reduction in public and private spending on infrastructure and other initiatives.

- Well-publicised industrial relations and union presence factors impacting work practices in Victoria and emerging in other states. This resulted in surveyors being forced to stop work or denied entry to major construction projects for extended periods throughout FY24, disrupting Veris' ability to perform services on these projects.
- Delays, reassessment and in some cases cessation of multiple major projects previously planned by Australia's Federal and State and Territory Governments as they reassessed their infrastructure spending programs, which have in turn adversely impacted economic confidence and increased competition.
- Resourcing constraints and operational disruption in Veris' Queensland operating division, with initial impacts to the Company's core service offering to the Property market sector.
- An inflationary economic environment that has eroded margin performance on some longstanding legacy project work.

Veris takes decisive action to improve future performance

Veris has responded quickly and decisively to these challenging market conditions, implementing a number of restructuring and operational initiatives as well as a strategic repositioning of our go-to-market strategies in affected sectors. These actions included:

- An initial reduction in head count and restructuring of teams in H1 FY24, followed by additional redundancies in H2 FY24, to right-size the Company's operations and support functions in key geographic markets.
- A Company-wide organisational restructure in Q4 FY24, that encompassed an additional reduction in headcount and the introduction of a fully national operating model that targets best practice in project delivery / service innovation and cost efficiency.
- A strategic shift away from the delivery of legacy smaller projects, as well as an elevated focus on bid strategies and opportunity assessment to decline to bid for lower margin work and further pivot towards our key client strategy.
- A commitment to relocate to fit-for-purpose office spaces, including a planned and impending move from the existing Melbourne office location that will deliver significant savings and operational efficiencies.
- Further optimisation of vehicle fleet management.

Despite reduced earnings over FY24, the balance sheet and order book remain strong

Veris' FY24 financial performance has been impacted by the above-mentioned mix of adverse market conditions and one-off external challenges. This has resulted in FY24 revenues of \$92.6m (preliminary unaudited basis), down 8.2% from the previous corresponding period (pcp) and a statutory loss after tax of \$4.7m (on a preliminary unaudited basis).

The statutory bottom-line loss includes a number of one-off, non-cash impairments and expenses including:

- A Southbank office-related lease asset impairment (\$1.5m).
- Movement in net deferred tax assets including derecognition of deferred tax assets (\$0.3m).
- Some restructuring and one-off charges (\$1.3m).

In total, the Company incurred one-off costs in excess of \$3.1m over the course of its FY24.

As a result of the rightsizing and restructuring initiatives undertaken by the Company, headcount has reduced by approximately 100 people (FY24-on-FY23 basis). This headcount reduction has resulted from a combination of:

- some project-specific staff departures following the conclusion of project commitments;
- desired attrition / managed departures of permanent staff; and
- restructuring-related redundancies.

Cash and Order Book

The Company's balance sheet remains robust despite the slippage in reported profitability over the past year, with cash at hand as at end-FY24 totalling \$16.1m.

Veris' secured forward workload at 30 June was in excess of \$55m (to be executed over the next 12 months). The Company also had in place a stable, unsecured project pipeline with a weighted value of approximately \$190m over the next 24 months. Whilst the pipeline metric has remained stable at approximately \$190m over the last few reporting periods, Veris notes the underlying quality of projects and opportunities in the composition of this pipeline has improved during this time and reflects the Company's strategy of targeting national and regional key clients for delivery of multi-disciplinary projects bringing together Veris' spatial and advisory skillsets.

Growth trajectory and outlook

Taken together, the changes implemented over FY24:

- Highlight Veris' commitment to delivery of operational efficiencies across its business.
- Dovetail into the Company's continued focus on its higher margin digital strategy, which continues to make strong progress.
- Support the Company's deliberate pivot into higher margin consultancy and strategic advisory services that meet the digital transformation needs of industry.

In FY24, the Digital & Spatial service line increased as a share of Veris revenue to 17% and achieved gross margin per hour growth of 20% across FY24, reflecting the strong progress in the digital strategy.

One of the key initiatives delivered by Veris as part of its digital strategy during FY24 was the successful launch of its digital solutions service offering, which included the development and commercialisation of a number of spatial data and analytics platforms, as well as spatial consultancy services. Increasing industry recognition of Veris' market-leading digital and consulting expertise has been evidenced via Veris' successful appointment for the implementation of digital twins across a number of high-value, large-scale projects during the year.

Looking to FY25, Veris is now appropriately rightsized and aligned to the emerging and growing data and digital transformation needs of industry across multiple sectors. This has the Company well-placed to provide digital solutions, including the development of bespoke spatial data platforms that support data hosting, analytics, AI and insights. These services are currently in high demand and are expected to remain so in the future. Additionally, as experts in all aspects of spatial data, the Company's multidisciplinary team and skillsets are uniquely positioned to deliver high-value spatial consulting and advisory services for their clients' most complex problems. This also incorporates Veris' market leading offering for digital twins, digital transformation strategies and digital urbanism.

As Veris continues its pivot away from low margin projects towards this type of specialist high value work with key clients, the Company expects to see a future reduction in overall revenue but complemented by a net growth in margin and improved operating performance.

Michael Shirley, Managing Director and CEO, commented:

"The Veris leadership team has responded quickly and decisively to the host of external factors resulting in economic uncertainty and challenging conditions across some of our key geographic markets, including Victoria, NSW and Queensland, which have, as a group, impacted our performance over the past 12 months.

"Despite these challenges, we have continued to make significant progress in executing multiple strategic initiatives that are already delivering operational improvements that stand the Company in good stead over the

medium term. We remain committed to building on the strong foundation established over the past three years, where we have delivered a significant turnaround that has reshaped Veris into a sustainable business. During the year we also continued our move away from legacy, long-tail lower margin projects towards higher margin work with key clients. These changes represent a significant operational shift within the business that, in combination with our digital strategy, is intended to address market challenges and improve performance.

“Over the course of the past 12 months, we have made the difficult, but ultimately correct, decision to implement some hard and deep cuts within the business that will see Veris book a number of one-off charges in its FY24 accounts. These initiatives have right-sized a number of our business units, addressed remaining legacy costs and established an operating and support structure that more fully leverages the Veris national operating platform.

“From a look ahead perspective, these changes are expected to deliver efficiencies and cost savings in FY25. We are confident that the strategic initiatives now being implemented will accelerate the Company’s goal of becoming a fully integrated digital and spatial data advisory and consulting firm delivering sustainable returns.”

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About Veris Limited

Veris Limited (ASX:VRS), is a fully integrated digital and spatial data advisory and consulting firm. It provides end-to-end spatial data and digital solutions to tier-1 clients in key industry sectors including Transport, Buildings & Property, Energy & Resources, Defence, Utilities and Government. The company has a national footprint, with a diverse geographic spread of offices, servicing major metropolitan and regional centres across Australia.

The Veris end-to-end service offering unlocks the digital transformation needs of industry, spanning spatial data collection, hosting, sharing, analytics, insights and modelling for clients with large-scale data requirements, through to survey, planning, consulting and advisory services.

Veris strives to provide a safe work environment for its staff, operating under its accredited Health, Safety, Environment and Quality (HSEQ) management system. The company is also committed to improving employment opportunities to Australia’s indigenous population, via its initial Reconciliation Action Plan, Veris Reflect, and its stake in the Wumara Group, a majority indigenous-owned land and construction surveying business.

To learn more, please visit: www.veris.com.au

Authorised for release by the Board of Veris Limited.

Issued by Veris Limited