

1H22 PERFORMANCE UPDATE

ASX Release

23 February 2022

Forging Ahead With Operational and Financial Growth

1H22 Highlights

↑ 13.4%

Revenue on PCP

↑ 8.8%

EBITDA on pcp

↑ 28.1%

NPAT on pcp

↑ 48.2%

Cashflows from Operations on pcp

LaserBond Limited (ASX: LBL) is pleased to announce a 28.1% increase in profit after tax to \$1.52 million from 1.19 million in the previous corresponding period. The revenue performance was also strong with a 13.4% increase to \$13.4 million from \$11.8 million in 1H21. These results were achieved with the ongoing backdrop of Covid, which prevented sales teams from travelling and resulted in delayed customer maintenance schedules for repair of worn componentry.

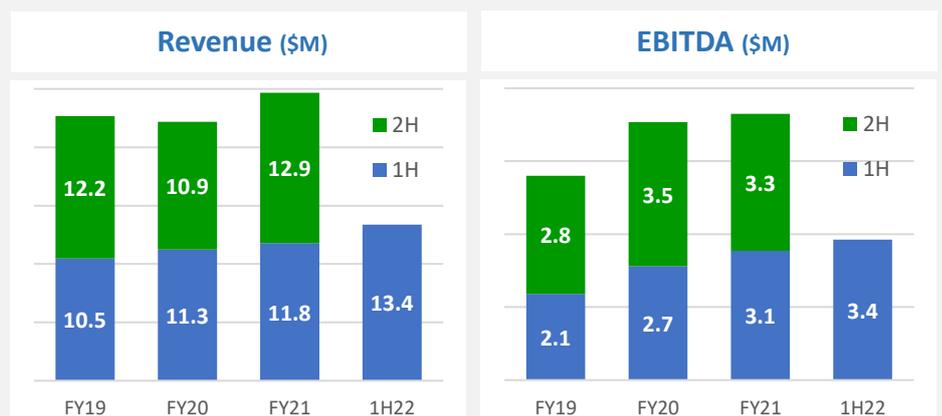
Chief Executive Officer, Wayne Hooper, said, "We always believed we had a strong business, but the past two years have proved just how secure and durable the foundations of LaserBond are. We have weathered the substantial disruption precipitated by the pandemic and been tested well beyond any expectation for an extended period of time, and we have produced the sorts of earnings increases that are commendable in a normal trading environment."

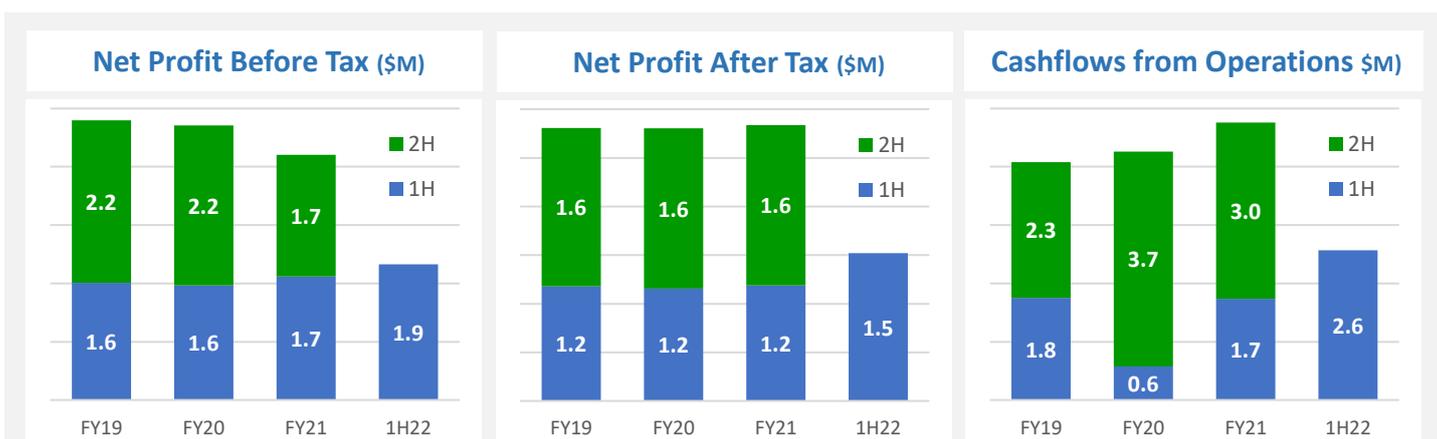
During the half, the business also retained its focus on growth with negotiations and an \$11,127 million capital raising resulting in the acquisition of QSP Engineering in January this year to continue expanding its geographic footprint, build capacity and operate closer to customer sites down the east coast of Australia. Investment in innovation also continued with a number of projects underway to further develop and test proprietary products and technologies and preserve LaserBond's market leading position in advanced surface engineering. LaserBond's excellent health and safety record also remains intact, with no major incidents between 1 July and 31 December.

Financial Performance

Revenue performance was strong for the first half, increasing 13.4% furthering the consistent, material increases over the past three corresponding periods.

Similarly, EBITDA achieved an 8.8% increase over the previous corresponding period, also showing consistent increases over the past three first half periods, despite the disruptions of Covid.





Profit before tax increased 9.7% and profit after tax increased 28.1%, resulting in an increase in undiluted earnings per share from 1.24 cents to 1.57 cents.

Cashflows from operations continues to be strong, with a 48.2% increase to \$2.57 million, compared to \$1.73 million in the previous corresponding period. Net cashflow was \$9.82 million, including \$9.36 million from the December capital raising via an institutional placement. While we received the proceeds from the placement in December, the \$1.127 million from the associated share purchase plan was not received until late January 2022. Without the proceeds of the new equity, net cashflow increased by \$0.75 million over 1H21 to \$0.47 million. Cash reserves were \$14.73 million on 31 December, after receipt of the funds from the placement, but before being disbursed for the settlement of the QSP Engineering purchase on 1 February.

LaserBond’s balance sheet remains strong with both current and non-current liabilities relating to property leases and equipment finance with no other borrowings or bank debt. Without the \$9 million that was paid for the Queensland business subsequent to balance date, the balance sheet remains healthy, with a comfortable level of working capital and a 10.7% increase in net assets to \$15.79 million.

Operational Performance

Services Division

With the lockdowns, travel restrictions and border closures resulting in a lack of access to customer sites, the Services division still achieved a 6.1% increase to \$5.78 million compared with \$5.45 million on revenue from 1H21. The increase was largely due to a concentrated sales and marketing drive in Victoria and South Australia. EBITDA for this division, however, decreased by 9.1%, after maintaining margins overall, but incurring increased overheads. This was particularly the case in Victoria, where the commissioning of the new laser cladding cell was delayed until recently due to Covid travel restrictions.

Products Division

The Products division achieved an excellent increase in revenue of 18.5% from \$6.62 million in 1H21 to \$7.50 million in this half. This revenue reflects strong demand from OEM customers for self-branded products, an increase in steel mill rolls revenue and the first sales of LaserBond Rotary Feeders to both domestic and international customers. EBITDA increased by 12.0% due to volume increases and maintenance of margin, as well as the ongoing effects of sustained efficiency improvements.

Technology Division

Revenue from the Technology division has been the most adversely affected by customer site restrictions, national and international travel bans and border closures. Revenue for the first half was \$100,340 and was derived from licensing fees and consumables for our UK licensee. However, in the second half we expect to recognise revenue in excess of \$4million from the supply of equipment & consumables for our new licensees/customers in North America, New Zealand and Australia. LaserBond continues to engage with customers in negotiation and demonstration of its technologies in pursuit of a number of licensing opportunities and expects to reach agreement with another licensee in the coming months to deliver additional sales revenue for 1H23.

Strategy and Outlook

LaserBond has also sustained its focus on growth over the past two years, as well as balancing the demands and challenges of the changed trading environment. On 1 February this year, the acquisition of a Queensland presence for the business was settled for \$9 million, consistent with the strategic objective to secure sites closer to customers while building capacity across the business divisions. QSP Engineering is a specialist surface engineering business with a full suite of thermal spraying equipment laser systems that LaserBond can immediately upgrade with LaserBond IP and technology. The operations are expected to contribute revenue in the vicinity of \$2 - \$2.5 million between 1 February and 30 June 2022.

LaserBond has a strong track record for integrating bolt-on acquisitions to augment capacity and expand its geographic footprint in Australia. In FY 21, the Victorian operations were acquired, and while the LaserBond® cladding cell that was planned for installation soon after the acquisition in 1H20 could not proceed due to the restrictions, it is now operational and expected to add capacity and thus revenue in 2H22.

LaserBond remains strong, committed and on the cusp of realising some material gains from a decades-long innovation program. It has a rock-solid operating platform with a blue-chip client base in essential services sectors, a suite of proprietary products and technologies that are more effective and cost-efficient than the alternatives, and sizeable markets for these products and technologies in North America, Asia and in Australia.

At our Annual General Meeting last November, we revised our long-term revenue target of \$40 million by the end of financial year 2022 to approximately \$35 million based on the impact of Covid on our operations. Having extended our strategic plan to 2025 year-end, we expect to be able to achieve a revenue target in excess of \$60 million. This target, however, is underpinned by a number of assumptions, including the presumption that the constraints to our business and our customers' operations will have eased to the point that normal economic conditions can prevail.

Mr Hooper also said, "Over the last five full years, we have invested almost \$3 million in our targeted research and development program, working closely with customers to identify solutions to problems and expanding those solutions to our broader customer base. And over that time, we have gained a significant market lead in our areas of expertise, developing products and technologies that are well ahead of the competition. As restrictions around the globe ease, we are in a position to profit from our R&D investment by selling these products and technologies into specific, valuable markets both here in Australia and offshore."

~ ENDS ~

Authorised for release by the Board of LaserBond Limited.

Further and more detailed information about the company's financial and operational performance can be found in the Appendix 4D and Half-Year Financial Report.

Further Information

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About LaserBond

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear-life of capital-intensive machinery components. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. As almost all components fail at the surface, due to material removal through abrasion, erosion, corrosion, cavitation, heat and impact, and any combination of these wear mechanisms, a tailored surface metallurgy will extend its life and enhance its performance.