



Synertec Corporation Ltd
ABN 37 161 803 032

T +61 (0)3 9274 3000
info@synertec.com.au
www.synertec.com.au

Ground Floor
2-6 Railway Parade, Camberwell
Victoria, 3124, AUSTRALIA
www.synertec.com.au

ASX Announcement

24 February 2022

FY22 H1 Business & Financial Results Overview

Melbourne, Australia: Diversified technology growth company, Synertec Corporation Limited (ASX: SOP, "Synertec" or "the Company") is pleased to provide the Company's financial results and a summary of key achievements for the half year ending 31 December 2021 ("FY22 H1", or the "Period").

Summary of Financial Results

Summary FY22 H1 Financials	FY22 H1 (\$'000s)	FY21 H1 (\$'000s)	% Change
Total Revenue	5,846	3,517	Up 65%
Engineering Consultancy Services Revenue	4,302	2,185	Up 97%
Adjusted EBITDA	(844)	(1,171)	Up 28%
Adjusted Net Profit After Tax	(1,126)	(1,654)	Up 32%
Net Cash	7,140	2,626	Up 172%
Cash receipts from customers	6,005	4,392	Up 37%

Highlights

- **Technology Business momentum building with key milestones achieved in all technologies**
 - MOU with Santos (ASX:STO) for development of Powerhouse AI-driven solar-battery power system
 - Global certification of marine LNG Custody Transfer System (CTS) technology
 - Perpetual, exclusive and royalty-free Licence Agreement for Composite Dry Powder (CDP) technology in key global energy territories including Australia, Canada and the Americas
- **Engineering Business performed strongly with circa \$6 million in new contract wins**
 - Team growth during CY2021 doubles billable capacity
 - Appointment of General Manager Engineering
- **Total Revenue for the Period of \$5.8 million, up 65% on the prior comparable period ("pcp")**
 - Revenue from Engineering Consultancy Services of \$4.3m, up 97% on pcp
- **Adjusted Group EBITDA loss of \$0.8 million, a 28% improvement on pcp**
 - Engineering business EBITDA loss of \$0.1 million, approaching break-even performance
 - Technology costs include Research and Development ("R&D") expenditure of \$0.4 million
- **Gross margins continue to strengthen with double that achieved in the financial year prior to COVID-19 (FY19)**
- **Net cash as at 31 December 2021 of \$7.1 million (30 June 2021: \$2.6 million)**
 - Supported by \$7.1 million (before costs) share placement ('Placement') in August 2021
 - Cash receipts from customers of \$6.0 million, up 37% on pcp
 - Synertec operates with no working capital debt or covenants from its bank



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Synertec Managing Director, Michael Carroll, commenting on the Period said:

"Synertec has achieved a pleasing first half result, delivering on all of our commitments made to the market at the time of our \$7.1m equity raise in August 2021. We have continued to enjoy considerable success across the Group, reaching a number of important milestones during the Period."

"In previous announcements we clearly articulated to the market our key milestones in the development of our three near-term technologies. I am pleased to report that we are on track with, or ahead of, schedule in all three technologies."

"On 4 August 2021 we announced an MOU with Australia's leading independent oil and gas producer, Santos, to develop our innovative Powerhouse Project. Some six months later, and with great credit to our team, we are now part way through the fabrication of our Powerhouse system. We are looking forward to site acceptance testing which is scheduled to commence in Q4 of FY22."

"Our LNG Custody Transfer System was certified for marine settings by the world's leading classification body, DNV. This is an important achievement that offers Synertec and our partner, GasLog, significant potential exposure to growing demand for LNG-fuelled shipping."

"We also signed a perpetual, exclusive and royalty-free licence agreement with our partners, GreenTech, that provides us with the right to use Composite Dry Powder technology across a range of key global energy markets, including Australia, the Americas and Canada."

"Our Engineering Business rebounded strongly as the pace of planning and investment in critical infrastructure increased across the economy. While COVID-19 remains a challenge for our business, we were able to significantly grow our team of highly skilled engineers during the past year, and I'm proud to say, we're approaching 80 people strong, which is the largest team in the company's history."

"As a result of this expansion and increasing demand for engineering solutions, we have taken the step of appointing a General Manager Engineering. Mr. Andrew Lawrie joins the team with a strong background in critical infrastructure and water engineering services, and will provide strong business development and leadership capability."

"I look forward to updating the market soon with further progress on our Powerhouse technology and growth in the Engineering Business which is expected to continue during the year."

Commentary

This commentary should be read in conjunction with the slides attached to this release.

Operating Performance

Synertec generated revenue for the Period of \$5.8 million, 65% higher than pcp (31 December 2020: \$3.5 million). This result was underpinned by strong growth in engineering consultancy services revenue, which generated \$4.3 million in revenue, an increase of 97% on pcp (31 December 2020: \$2.2 million).

Gross margins further improved over the Period by five percentage points, to a level which is double the gross margin achieved in the financial year prior to COVID-19 (FY19). This improvement in margins reflects an ongoing trend towards a higher proportion of revenues being derived from consultancy services (generally higher margin than fixed price contracts) across all four of the Group's target sectors of critical infrastructure, water, energy and advanced manufacturing.

Adjusted EBITDA, which excludes the effects of non-operating and non-recurring items, was a loss of \$0.8 million (31 December 2020: \$1.2 million loss), including technology Research and Development ("R&D") costs of \$0.4 million (31 December: \$nil). The increase in R&D costs reflects the Company's investments in its Technology business growth opportunities that are currently being expensed for the benefit of R&D tax credits.

The Company's Adjusted Net Profit After Tax, which excludes the effects of costs incurred and subsidies received but not related to underlying operations, was a loss of \$1.1 million (31 December 2020: \$1.6 million loss).



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Capital Management

Total Assets of \$13.3 million (30 June 2021: \$8.2 million) and Net assets of \$7.6 million (30 June 2021: \$2.1 million) includes cash of \$7.1 million (30 June 2021: \$2.6 million). The increase in net assets and cash balance reflects the net proceeds of \$6.7 million from the Company's oversubscribed share placement ("Placement") completed in August 2021.

The Placement of 71.4 million new shares at an issue price of \$0.10 per share represented a 9% discount to the last closing price and 5-day VWAP. Net proceeds from the Placement will be principally used to provide balance sheet support to fund current growth initiatives within the Company's Technology business. The Placement was corner-stoned by high quality institutional investors, proving a strong endorsement for the Company and its ESG technology-led growth strategy.

Cash receipts from customers was \$6.0 million (31 December 2020: \$4.4 million), up 37% on pcp and debtor-days remain stable within the Group's 30-40 day target range.

Synertec operates with no working capital debt or covenants from its bank.

Environment Social Governance ("ESG") Reporting

Committed to building its ESG credentials, the Company is making regular ESG disclosures on its progress against the World Economic Forum ("WEF") Stakeholder Capitalism framework. During the Period, Synertec's ESG activity summary included:

- Sustainability integrated into Company strategy and values
- The company commenced inducting new employees under ESG guidelines and framework
- Risk management systems reviewed for inclusion of ESG factors
- Synertec commenced review of its social enterprise procurement strategy

Outlook

Following the successful Placement during the Period, Synertec's balance sheet is well positioned to support the Company's growth profile, and dual strategy of commercialising large near-term ESG-focused Technology opportunities in the energy sector and growing out a high-end Engineering solutions business.

Synertec will continue to progress the Powerhouse Project over the next 6 months, with plans to complete field testing, achieve sign-off and reach commercial terms with Santos. The Company will continue to work with its partner, GasLog, to progress CTS commercialisation opportunities, as well as progress field testing in central Australia of the CDP technology.

While COVID-19 challenges remain, demand for ESG-focused technologies in the energy sector continues to grow rapidly. Synertec will continue to invest in its people to drive further growth in engineering consultancy services and major projects during the second half of FY22, positioning it strongly for future periods.

-ENDS-

For more information and all media enquiries, please contact:

Mr. David Harris
Executive Director & Company Secretary
Phone: +61 (3) 9274 3000
Email: david.harris@synertec.com.au

This ASX announcement is authorised by the Directors of Synertec Corporation Limited (ASX: SOP).

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a diversified technology design and development growth company enabling a low carbon future through innovative technology solutions. Commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, critical infrastructure and advanced manufacturing through innovative partnerships with a portfolio of blue-chip customers, Synertec is proactively participating in the world's transition to a low carbon economy in a practical way for the benefit of future generations.



SYNERTEC

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Synertec Corporation Limited (ASX: SOP)

FY22 H1 Business & Financial Results Overview

February 2022

expertise  experience

Disclaimer

This presentation has been prepared by Synertec Corporation Limited (the Company) on behalf of the Company and its subsidiaries (the Group).

The information in this presentation about the Group and its activities is current as at 24 February 2022. Statements in this presentation are made only as at 31 December 2021 and the information in this presentation remains subject to change without notice. The information in this presentation is of a general nature and does not purport to be complete, is provided solely for information purposes and should not be relied upon by the recipient.

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The presentation includes financial information that is not reported using the International Financial Reporting Standards (IFRS). The non-IFRS financial information is unaudited and has not been reviewed by the Company's external auditors. Non-IFRS financial information should not be considered as an indication of, or alternative to, an IFRS measure of profitability, financial performance or liquidity. Unless marked, all currency is denominated in Australian dollars.

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About Synertec



Synertec is a **diversified technology growth company**: our Technology business has significant **near-term growth** potential with several products nearing commercialisation; and our Engineering business generates **cashflow**



Technology

With a strong R&D track record, we design, develop and deliver **technology** that provides a viable transition for our partners to a low carbon future

- **Powerhouse**
- **LNG Custody Transfer System**
- **Composite Dry Powder**

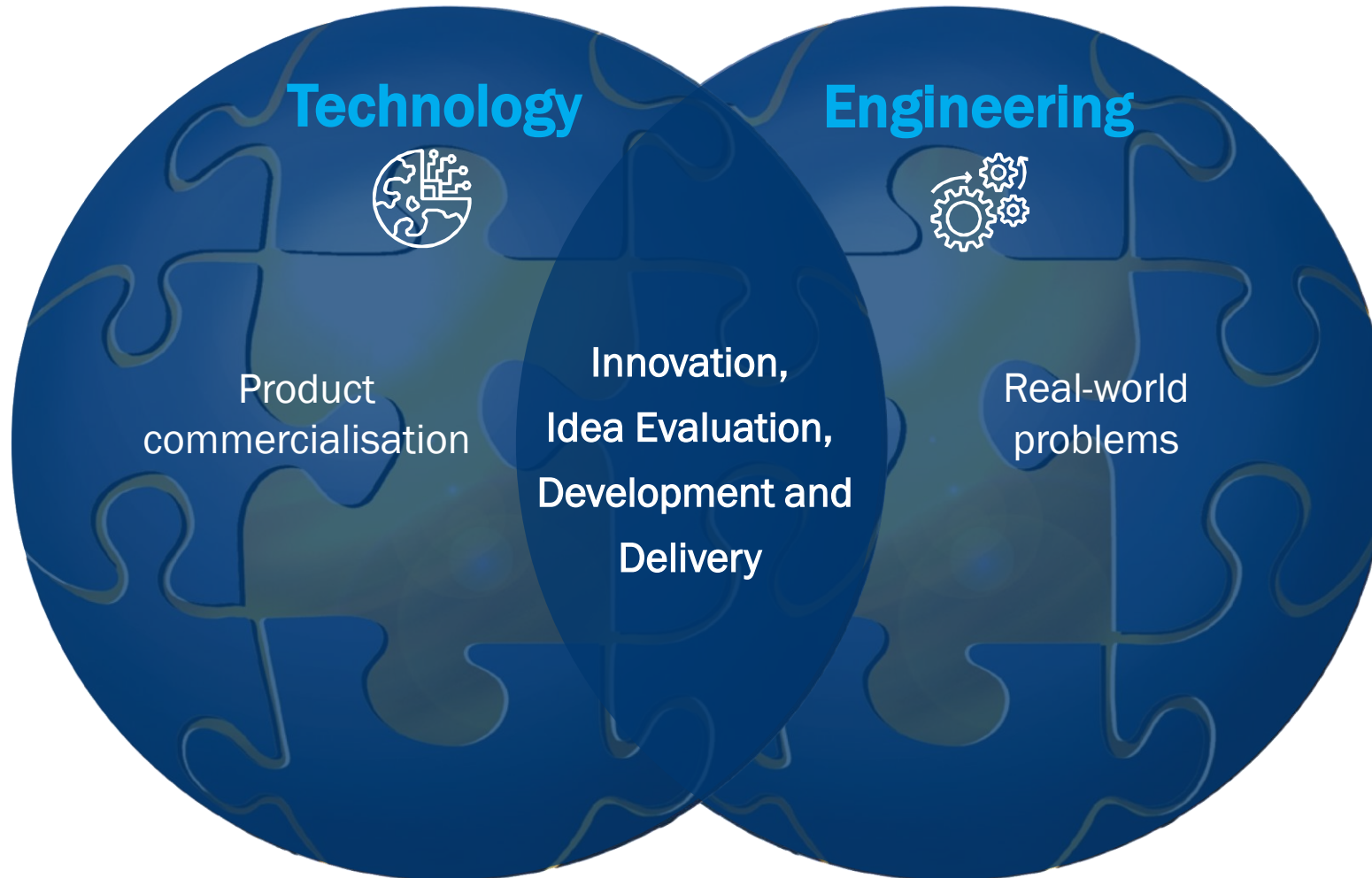


Engineering

Our niche multi-disciplinary **engineering** expertise supports our Tier-1 blue chip customer base in the pursuit of a low carbon future

- **Energy**
- **Critical Infrastructure**
- **Water**
- **Advanced Manufacturing**

Integrating Technology and Engineering for 25 years



Synertec at a Glance – Technology & Future Business



	Technology		
Product	Powerhouse	LNG Custody Transfer System (CTS)	Composite Dry Powder (CDP)
Overview	AI controlled predictive solar array and battery system providing 100% renewable and reliable variable base load power	Measurement and metering system for the safe and accurate fiscal transfer of LNG from one owner to another Eliminates fugitive emissions compared to competitors	Technology to convert hydrocarbon drilling mud almost instantly into non-polluting high-strength building materials Signed perpetual licence agreement with IP owner GreenTech covering Australia/NZ, Canada and the Americas
Market Opportunity	Powerhouse allows solar energy to replace diesel generators, gas turbines and remote grid connections: <ul style="list-style-type: none"> Reduction of carbon emissions Extremely high reliability Flexible and re-deployable to different sites MOU signed with Santos in July 2021	Developing marine (ship-to-ship) based CTS: <ul style="list-style-type: none"> Partnered with global LNG carrier owner, GasLog Marine CTS recently Approved by DNV for international jurisdictions 	Synertec has signed an MOU with BeneTerra to progress environmental testing and promotion of CDP Commercial scale on-site testing is planned to commence in 2022 Wider applications in mining tailings and sewage sludge
Revenue Model	Build, own, operate, maintain	Build, own, operate, maintain	Site rehabilitation services and/or chemical supply
Total Addressable Market	Australian oil & gas total addressable market c.A\$0.5BN – A\$1.0BN ¹	Global addressable opportunity of A\$0.5BN ² CTS technology could be worth c. A\$1M in revenue per vessel to Synertec	Territory addressable opportunity estimated around A\$5BN ¹

1. Based on operator public announcements

2. Based on GIIGNL forecasts

FY22 H1 Technology Business highlights



Powerhouse

- MOU signed with Santos (ASX:STO)
- Concept to field within a year
- Factory and Site Acceptance Testing (FY22 H2)
- Field trials commence (FY22 Q4)



Custody Transfer System (CTS)

- Certification from DNV for marine settings
- Collaboration with GasLog to develop CTS technology
- Targeting several local and international near-term opportunities



Composite Dry Powder (CDP)

- Perpetual, exclusive and royalty-free licence with GreenTech
- Covers key jurisdictions of Americas, Canada and Australia
- Progressing field testing in Central Australia with existing partners

Technology - Powerhouse



100% renewable
base load power



AI controlled
predictive solar
array and battery
system



Displaces diesel
generation or
distant grid
connection



MOU signed with
Santos in July
2021



Broader remote
power
applications

MOU with Santos (ASX:STO):

- 12 month agreement (refer ASX Release 4 August 2021)
- Synertec will design, construct, own and field test a prototype Powerhouse system
- First of its kind in Australia
- Total investment of up to \$3.0m by Synertec, fully funded

Significant near-term milestones:

- Factory and Site Acceptance Testing (FY22 H2)
- Field trials commence (FY22 Q4)
- Commercial terms agreement (FY23 H1)
- Completion/sign-off (FY23)



Synertec at a Glance – Engineering Solutions



	Engineering
Product	Enabler of technology development & access to markets
Overview	<p>Niche multi-disciplinary engineering expertise supporting a Tier-1 blue chip customer base</p> <p>Supports Synertec Group focus on technologies for low carbon energy transition and digitisation of industry</p>
Market Opportunity	<p>80% of revenue from repeat business</p> <p>Targeting four key industries:</p> <ul style="list-style-type: none"> • Energy • Critical Infrastructure • Water • Advanced Manufacturing (Pharmaceutical & Biotech)
Revenue Model	Engineering consulting and fixed fee structures
Total Addressable Market	Tier-1 blue chip customer base investing in target markets of energy, water, critical infrastructure & advanced manufacturing

Energy



Water



Critical Infrastructure



Advanced Manufacturing



FY22 H1 Engineering Business highlights



Contract wins

- \$6M in new contracts and contract extensions awarded during FY22 H1
- Additional agreement with Metro Trains Melbourne worth up to \$3 million



Team Growth

- Skills and talent expanding despite tight labour market
- Enabler of technology development
- Largest team in the company's history
- Billing capacity now almost double pcp

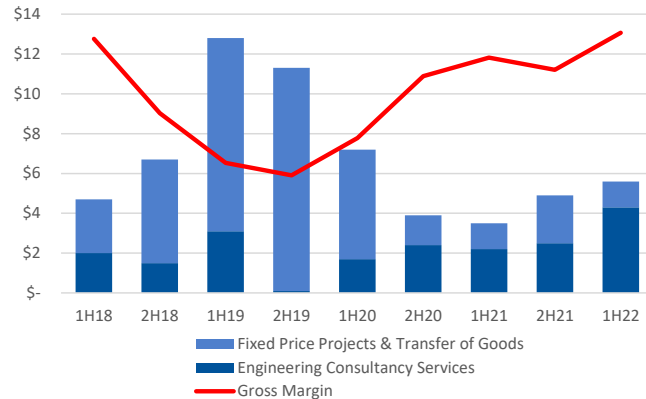


New GM Engineering role

- Appointment of Andrew Lawrie as General Manager Engineering
- New role to strengthen and grow Synertec's engineering expertise and business development capability across its target markets

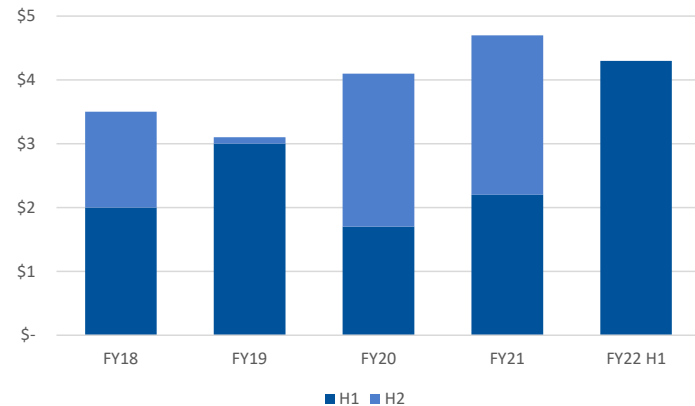
FY22 H1 Financial Highlights

Revenue (\$M) and Gross Margin (%)



- FY22 H1 Total Revenue of **\$5.8 million** up 65% on pcp (FY21 H1: \$3.5 million)
- **4 percentage point** improvement in gross margin driven by greater proportion of revenue from higher margin engineering consultancy services
- **Doubling of gross margin** achieved over the financial year prior to COVID-19 (FY19)

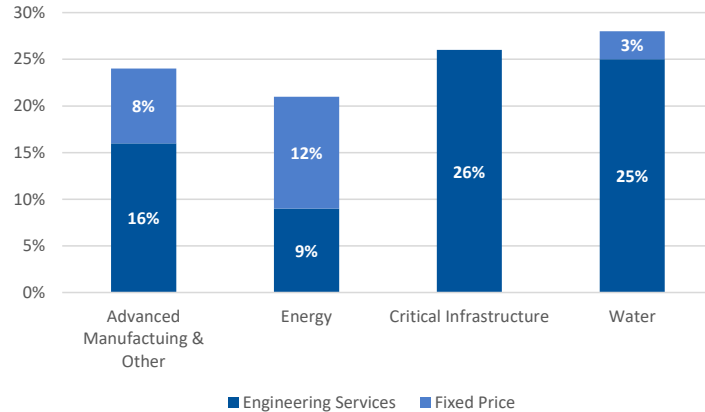
Engineering Consultancy Services Revenue (\$M)



- High-margin Engineering Consultancy Services Revenue of **\$4.3 million** up 97% on pcp (FY21 H1: \$2.2 million)
- Engineering Consultancy Services Revenue for the half greater than full year average of four prior years
- Talent recruitment in the past year has enabled a **near doubling of billable hours capacity**

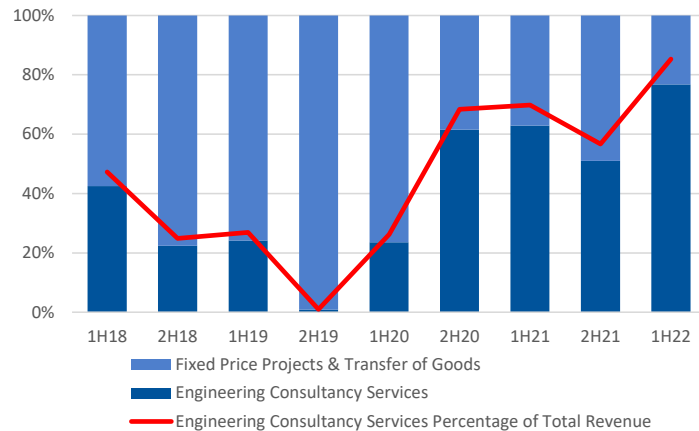
FY22 H1 Financial Highlights (continued)

FY22 H1 Revenue Mix by Industry and Revenue Type (%)



- Revenues **evenly spread** across four key target industries
- Ongoing shift from fixed price to consultancy revenue model **significantly de-risks the business** as project cost blowout risk is removed

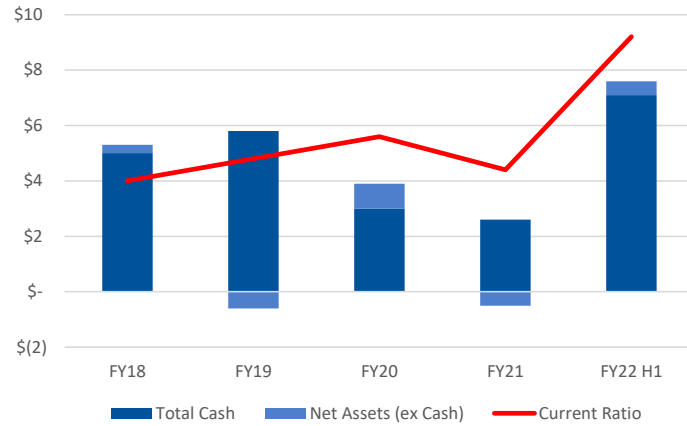
Revenue Mix by Half Year (%)



- **77%** of FY22 H1 Revenue generated from Engineering Consultancy Services, **14 percentage point increase** on pcp
- Continues a **long-term trend** toward higher margin consultancy work

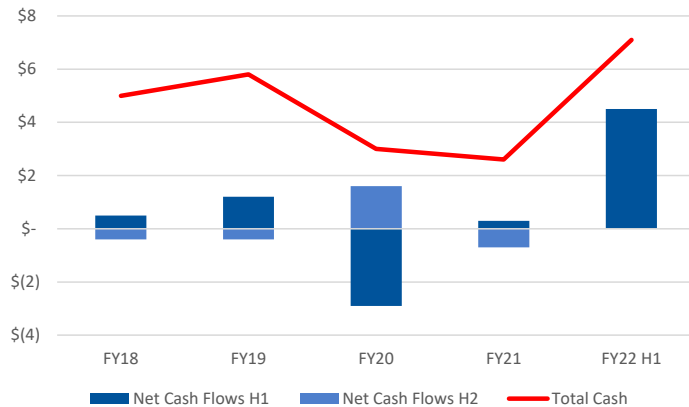
FY22 H1 Financial Highlights (continued)

Total Cash to Net Assets (\$M) & Current Ratio (x)



- Current Ratio of **2.8 times** as at 31 Dec 2021, up from 1.6 times as at 30 June 2021
- Cash represents **93%** of net assets
- Synertec operates with **no working capital debt or covenants** from its bank

Net Cash Flow (\$M) & Total Period End Cash



- Receipts from customers of **\$6 million**, with debtor days stable in **30-40 day target range**
- August 2021 capital raise generated **\$7.1 million** (before costs) to Synertec
- Proceeds to provide balance sheet support and **fund current growth initiatives**

Strong ESG Credentials

The global focus on carbon emissions reductions presents an historic investment opportunity in Synertec's Technology and Engineering solutions



Environment

- Developing technologies to support the energy transition
- Reducing the carbon footprint of legacy processes and repairing past damage
- Responding to tightening environmental regulations with innovative 'green' technologies



Social

- Working with industry to reduce its carbon footprint, recycle and deliver cleaner energy, water, products and services
- Supporting local economies with sustainable employment
- Social enterprise procurement strategy



Governance

- Transparency and accountability to stakeholders
- Product transparency
- Solutions formed in collaboration with local regulators



Synertec has adopted the Environmental, Social and Governance (ESG) framework of 21 key areas designed by the World Economic Forum (WEF)

Outlook & Investment Highlights



Emerging Technology business with strong growth prospects

- Powerhouse
- CTS
- CDP



Established revenue generating Engineering business

- \$6M in recent contracts
- Over \$60M since listing



Fully funded through current growth projects

- \$6.6M cash following Aug 2021 capital raising
- Only \$8.4M in external funding since listing



Board & management with proven track record

- Stable board & management
- Track record of delivery on commitments



Tier 1 Customer base

- >80% repeat business
- Customers with strong ESG focus



Strong ESG Credentials

- Developing technologies to support the energy transition
- Adopted World Economic Forum ESG framework



Positioned to benefit from COVID-19 rebound

- Return to site post lockdowns
- Investment in critical infrastructure

