

FY22 Results Presentation

August 2022



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Executive Summary

1. Key Messages
2. Corporate Profile
3. FY22 Results
4. Strategic Initiatives and Growth Strategy
5. Appendix



1. Key Messages

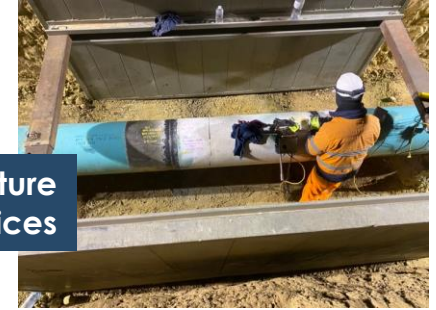
Key Messages

FY22, a year of transition and delivering on our Purpose

- A transitional year, moving from legacy project impacts to record, higher margin work-in-hand, as evidenced by
 - **32.1% increase** in Gross Profit to \$35.4m
 - **900% increase** in EBITDAI¹ to \$3.0m
 - **\$4.3m improvement** in operating cash-flows before interest and tax (OCFBIT)
- Delivering on our Purpose under-pinned by strong market conditions
 - Sustainable future – high energy prices and transition to net zero
 - Smarter future – digital transformation
 - **Won more work during FY22 than derived in revenue**, work-in-hand at \$77.4m
- Improved working capital
 - **\$13.9m increase** in banking facilities with greater flexibility
 - **Exceptional** cash-flow performance, **EBITDA to OCFBIT conversion of 121%**
- **Effectively managed headwinds** arising from COVID disruptions; labour shortages and cost pressures
 - Cost escalation built in to project pricing
 - **Significant increase** in management reserves
 - Trainer shortages and COVID impacted Training business, along with a revision of WACC, resulting in \$0.87m goodwill impairment

¹ EBITDAI = earnings before interest, tax, depreciation, amortisation and impairment

Infrastructure Services



Engineering Services



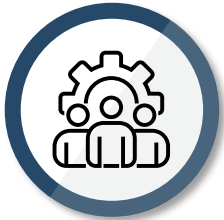
Training Services



2. Corporate Profile

About Verbrec

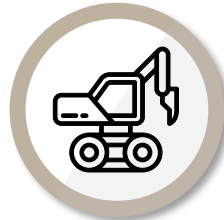
3 Industries



Resources



Energy

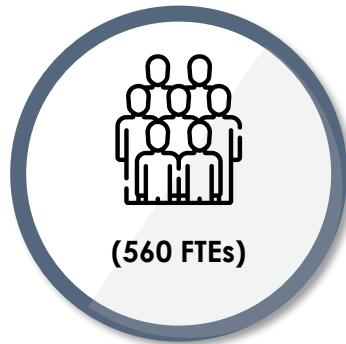


Infrastructure

16 Locations



863 Team Members



(560 FTEs)

1 Purpose

Through strong relationships built on trust we transform assets and people

Transforming assets for a sustainable and smarter future

3 Services



- Asset Management
- Digital Industry
- Power
- Pipelines
- Process Plant



- High Risk
- Hazardous Area
- Mobile Plant



- Pipeline & Compressor Station Operations
- Cathodic Protection
- Leak Surveys
- Pipeline Integrity



Core Markets

Verbrec provides services across diversified markets each undergoing significant transformation and creating substantial opportunities. Labour shortages are also creating opportunities for labour forces to retrain via Verbrec's training business.

Mining & Minerals



Key commodity prices remain very strong and mini-boom associated with battery minerals.

Verbrec seeing increased activity in our core capability areas of brown-field projects replacing outdated equipment, digital transformation, asset management and training. StacksOn™ is an example of digital transformation securing long term software licences resulting in recurring high margin revenue streams.

Infrastructure



Government stimulus measures accelerating infrastructure across a number of sectors including Defence, Utilities and Energy.

Verbrec currently executing digital transformation projects for utility companies. Significant increase in Defence power projects. Supporting longstanding clients transform infrastructure to process and transport hydrogen.

Energy

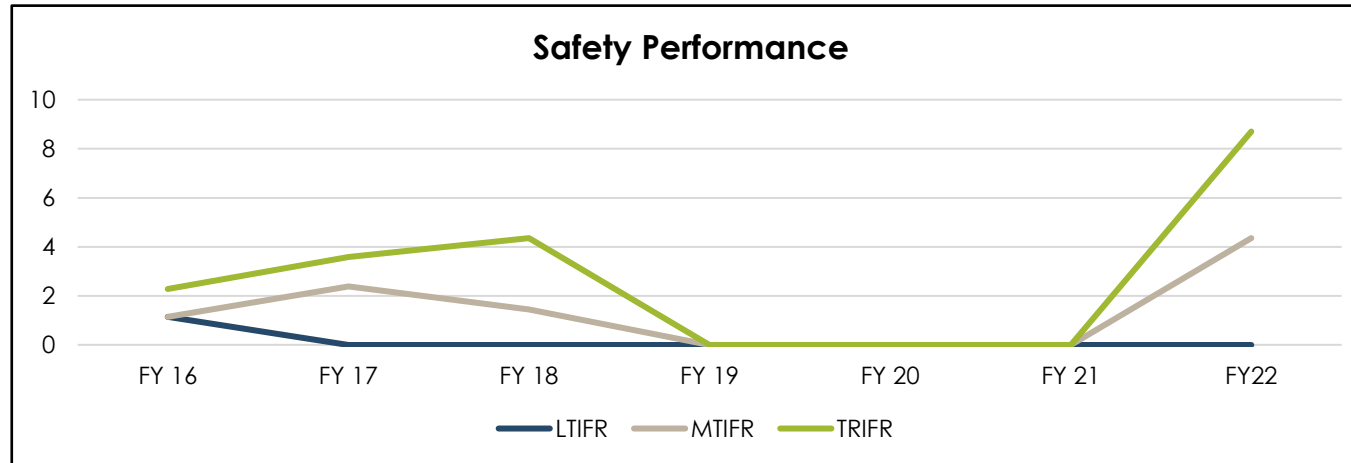


Prices at historical highs due to a range of factors; East coast gas shortage, Ukraine war, the transition to renewables and increasing adoption of gas as a transition fuel.


Verbrec executing decommissioning design project for gas field, won and executing projects providing gas peaker capacity, on-going recurring project work and O&M agreements to Coal Seam Gas industry, renewable connections into the grid.










3. FY22 Results

Safety Performance



- Outstanding LTIFR performance, increase in medical treatment and recordable work injuries
 - Business evolving with acquisitions of EIM and Site Skills, changed safety risk profile. Strong safety culture embedded in to all Team members as we grow
 - Introduced Verbrec Mandatory Practices
- Obtained ISO45001 HSEQ recertification, external audit of our Health and Safety systems and processes
- Focus turned to Team member mental health and well-being
 - Mental health support
 - Flexible working arrangements to better manage work-life balance


verbrec
Mandatory Practices

Operate Equipment Safely  <ul style="list-style-type: none"> • Always obey jurisdictional road practices and observe speed limits. • Only drive and operate equipment for which you are trained, assessed and authorised. • Don't drive while tired and observe mandatory rest breaks. • Obey speed limits, wear your seatbelt, and do not use mobile phones while driving. • Always establish positive contact with heavy equipment before approaching. • Ensure equipment pre-start checks are completed prior to use. 	Isolate Stored Energy  <ul style="list-style-type: none"> • Tag and test for dead before working on equipment. • Never override safety equipment unless authorised. • Always apply a personal lock at isolation points. • De-energise where possible. • Utilise the correct personal protective equipment. 	Be Fit For Work  <ul style="list-style-type: none"> • Never exceed an approved roster. • Never exceed 12 hours of work in any standard day without approval and robust control. • Gain approval for work while using prescription drugs. • Never present for work under the influence of drugs or alcohol. • Don't present for work unwell.
Maintain Contractor Compliance  <ul style="list-style-type: none"> • Pre-qualifications must be in place prior to contractors commencing work. • Contractor personnel must be inducted, trained and deemed competent. • Ensure all contractors and contractor personnel are adequately supervised. • Ensure Verbrec HSEQ standards are applied to contractors, including HSEQ reporting. 	Respect our Landowners  <ul style="list-style-type: none"> • Never enter private or public land unless authorised. • Ensure stakeholders are notified prior to accessing work sites. • Keep a record of all landowner interactions. • Leave gates as you found them. • Report any damage. 	Comply with the Permit to Work System  <ul style="list-style-type: none"> • Comply with the Permit to Work System. • Only trained and certified people undertake high-risk activities. • Always assess the risk and complete a pre-start. • Ensure you use an approved procedure or JHA / JSEA. • Always stop, think, and re-assess following any change in conditions. • Ensure an authorised permit is in place for work: <ul style="list-style-type: none"> • At heights > 1.8m • In confined spaces • In and around excavations • When cutting, grinding or welding (hot work) • High risk work (Cold Work) • Utilise the correct safety equipment including PPE.
Work Safely at Heights  <ul style="list-style-type: none"> • Never work under a suspended load. • Ensure that all loads are secure. • Ensure exclusion barriers are in place around 'drop zones'. • Never work at heights without a permit. • Never work at heights without approved safety equipment, including PPE. 	Control Hazardous Chemicals  <ul style="list-style-type: none"> • Always utilise a correct and current Safety Data Sheet (SDS) where appropriate. • Conduct gas tests when required. • Ensure you are trained in and authorised to handle hazardous chemicals. • Always conduct a hazardous chemical risk assessment and wear correct PPE. 	Protect the Environment  <ul style="list-style-type: none"> • Ensure vehicles have a current weed seed certificate and are washed down. • Report all spills and clean up and dispose of waste appropriately. • Do not disturb cultural heritage sites and report all artifacts. • Comply with Regulatory Environmental Protection requirements.

FY22 Operating Highlights

0

Zero harm
nil lost time injury

\$121.4m

Revenue
for FY22 up 24.6% from PCP

\$77.4m

Work-in-hand
at historically high levels

1

One Meaningful Purpose
investment in energy transformation evident, 55% of FY22 revenue from Energy

\$6.7m

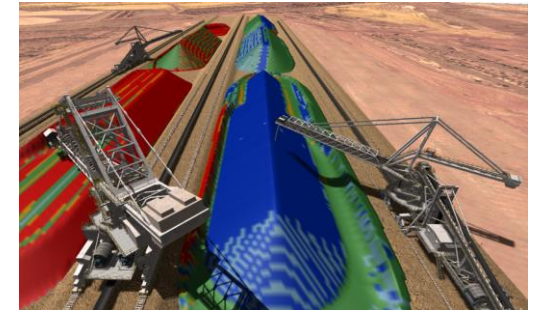
Increase in contract value
including milestone payments on poor performing legacy projects

First

Commercialised technology product
StacksOn™ - Live at all BHP WA Iron Ore sites

Launched

Verbrec Academy
Emerging Leaders Program; Project Management & Grad Development Program



FY22 Financial Performance

	FY22	FY21	Change to PCP
Revenue (\$)	121.4m	97.4m	24.0m
Gross Profit (\$)	35.4m	26.8m	8.6m
Gross Margin %	29.2%	27.6%	1.6%
Sales, General & Admin Costs (\$)	(33.0m)	(27.7m)	(5.3m)
EBITDAI (\$)	3.0m	0.3m	2.7m
EBITDAI Margin %	2.5%	0.3%	2.2%
Net Profit/(Loss) After Tax (\$)	(3.1m)	(4.5m)	1.4m
Basic EPS (Cents)	(1.4)	(2.2)	0.8
Net Cash Position ¹ (\$)	5.7m	6.2m	(0.5m)
Closing Cash Position (\$)	6.4m	8.3m	(1.9m)

¹ Cash on hand less borrowings

24.6% increase in Revenue

32.1% increase in Gross Profit

900% increase in EBITDA

Results consistent with record work-in-hand; full year impact of EIM and Site Skill's acquisitions and impact of 3 poor performing projects diminishing and successful negotiation of claims

- Statutory NPAT includes \$0.87m impairment of goodwill and other non-recurring items of net \$0.4m



FY22 Margin Analysis

FY22 margin improvement plan executed (source FY21 results investor presentation)

Review of our project delivery systems conducted, recommendations being implemented by taskforce	✓ Revamped project delivery system implemented
Tighter controls over pricing and bid review implemented	✓ Risk pricing tool implemented ✓ Significant increase in management reserves
Vigorous pursue \$2.3m delay claim	✓ Settled in December 2021 ✓ Negotiated additional \$6.7m in contract value across all legacy projects
Complete legacy projects as soon as possible and move delivery teams to much higher margin generating projects	✓ 2 of 3 legacy projects completed during FY22 ✓ Acceleration resources on 3 rd legacy project

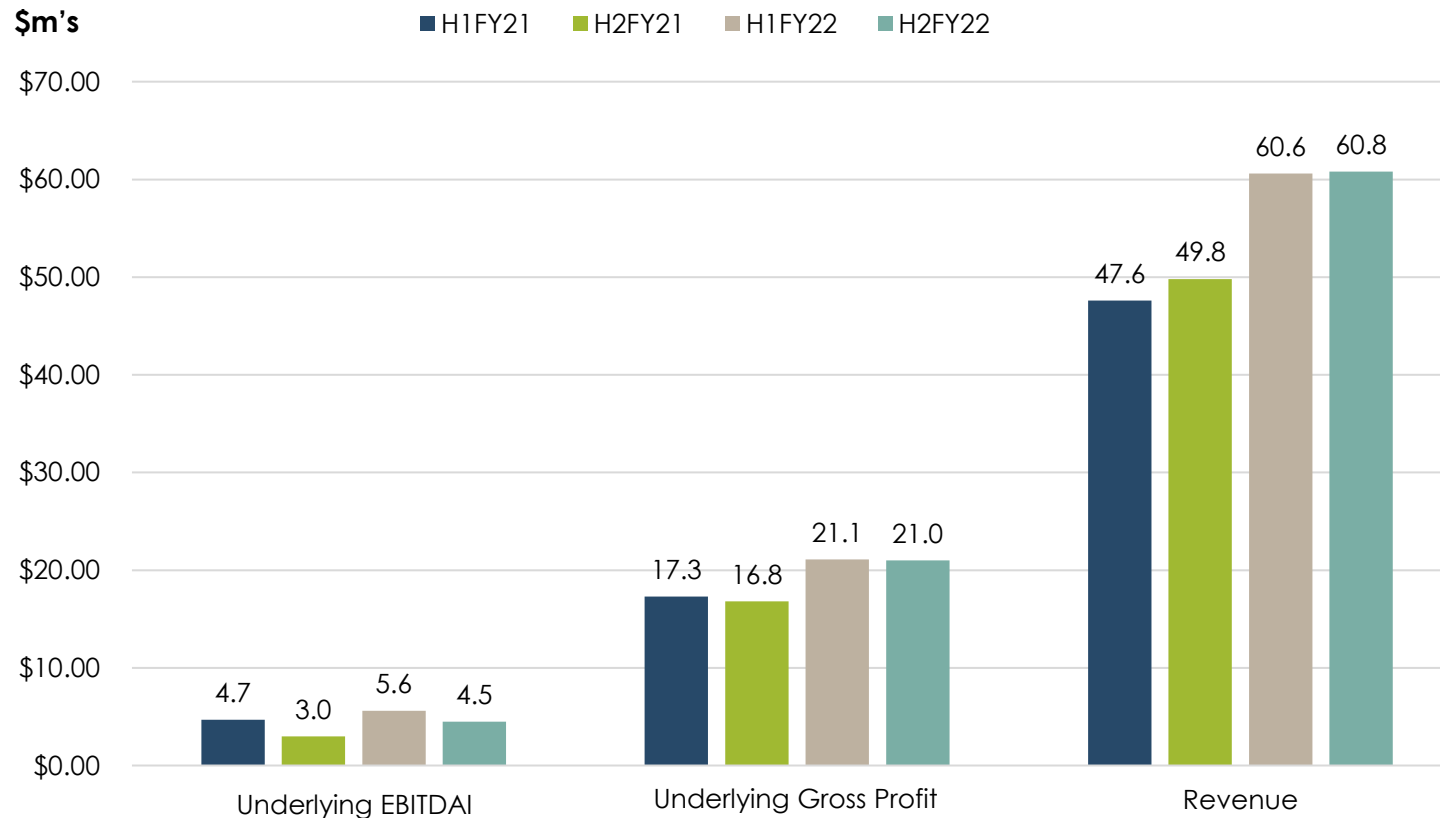


FY22	Statutory	Impact of 3 poor projects	One-off's	Underlying ¹	FY21 Underlying
Gross Profit (\$)	35.4m	6.7m	-	42.1m	34.0m
Gross Margin %	29.2%	5.5%	-	34.7%	34.9%
EBITDAI (\$)	3.0m	6.7m	0.4m	10.1m	7.7m
EBITDAI Margin %	2.5%	5.5%	0.3%	8.3%	7.9%

¹ Underlying refers to Statutory results adding back impact of 3 poor performing projects and one-offs

Underlying Results Confirm Rebound

Margins improving after add back of three poor performing legacy projects



Mitigating impacts of Legacy Projects

- 2 of 3 legacy poor performing projects completed during FY22
- Successfully pursued claims on 2 of the 3 poor performing projects, additional revenue totalled \$6.7m
- Achieved two of three \$0.7m milestones on the Utilities SCADA Upgrade project

Margin's in H2FY22 lower than H1FY22 due to:

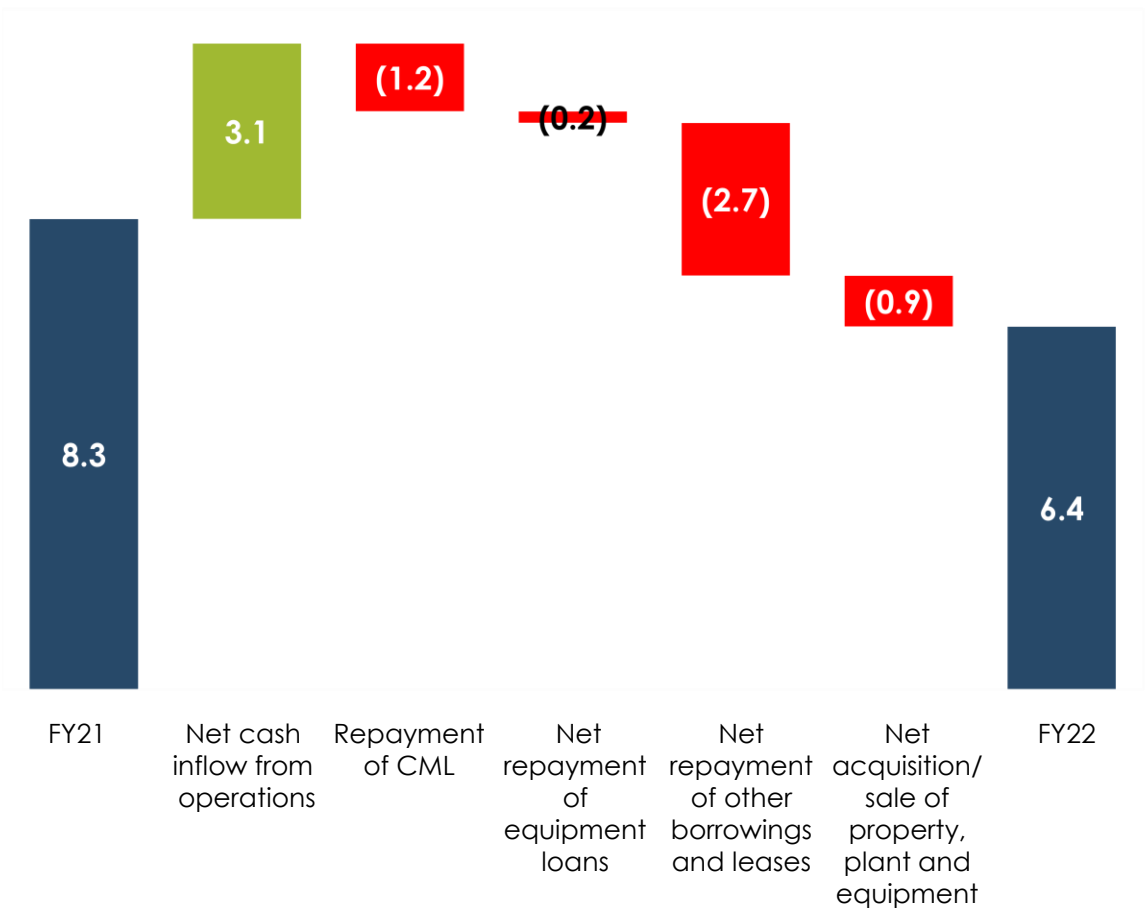
- Acceleration Resources on legacy project impacted gross margins as cost recovery
- 40% increase in procurement revenue in H2FY22 over H1FY22, with procurement margins being less than labour margins

Cash Analysis

Investment in growth and repayment of debt

- **Rebound in operating cash flow, significant improvement in 2HFY22**
 - **Full year \$3.1m inflow**, as compared to (\$1.6m) outflow in FY21
 - **Exceptional cashflow performance**, full-year EBITDA to OCFBIT conversion of 121%
- **Repayment of borrowings**
 - \$1.4m repaid in Corporate Market and Equipment loans
- Continued investment in **StacksOn™** and business equipment
- **Increased Working Capital**
 - New Westpac facility settled on 25 August
 - Total facility value - \$23.8m up from \$9.9m, including
 - 10 Year Business Loan - \$5.0m
 - Overdraft - \$1.5m, undrawn
 - Bank Guarantees - \$7.5m, \$1.8m undrawn
 - Equipment Finance - \$1.5m, undrawn
 - Business Credit Cards - \$0.3m
 - Invoice Finance - \$8.0m, undrawn

Cash Movement FY21 to FY22 (\$m)



4. Strategic Initiatives & Growth Strategy

Delivering on our Growth Strategy

Growth focussed on expanding existing capabilities in key markets whilst at same time adding scale and increasing exposure to recurring and non-project revenues

01 Maximise returns from core business	02 Expand existing Capabilities in Key Markets	03 Improve our sustainability
<ul style="list-style-type: none"> Implement single ERP system <ul style="list-style-type: none"> ✓ WorkDay implemented in Jan 2021 	<ul style="list-style-type: none"> ✓ Two bolt-on acquisitions completed 	<ul style="list-style-type: none"> ✓ 1 additional long dated O&M Agreement and 8 additional MSA's – all with Tier 1 clients
<ul style="list-style-type: none"> Strengthened project delivery systems <ul style="list-style-type: none"> ✓ Implemented revamped project delivery system 	<ul style="list-style-type: none"> Identify and execute bolt-on acquisition opportunities <ul style="list-style-type: none"> ✓ Acquired EIM and Site Skills bolstering Infra and Training Services 	<ul style="list-style-type: none"> Training margins better than those from engineering projects <ul style="list-style-type: none"> Focus on increase student numbers on courses to lift margins – govt funding and B2C marketing
<ul style="list-style-type: none"> Bid on projects under appropriate commercial arrangement <ul style="list-style-type: none"> ✓ Commercial framework developed 	<ul style="list-style-type: none"> Leverage EIM and Site Skills acquisitions to expand into other markets <ul style="list-style-type: none"> ✓ Infra Services growth in SA and WA ✓ Training Services growth in Tasmania 	<ul style="list-style-type: none"> Commercialised StacksOn™ <ul style="list-style-type: none"> ✓ Executed long dated high margin licence agreement
<ul style="list-style-type: none"> Execute record work-in-hand <ul style="list-style-type: none"> ✓ Revenues up 24.6% year-on-year 		
<ul style="list-style-type: none"> Convert current tender pipeline opportunities <ul style="list-style-type: none"> ✓ Won more work during FY22 than delivered 		

Improved earnings from increased scale off-setting fixed overhead base

Key Growth Drivers

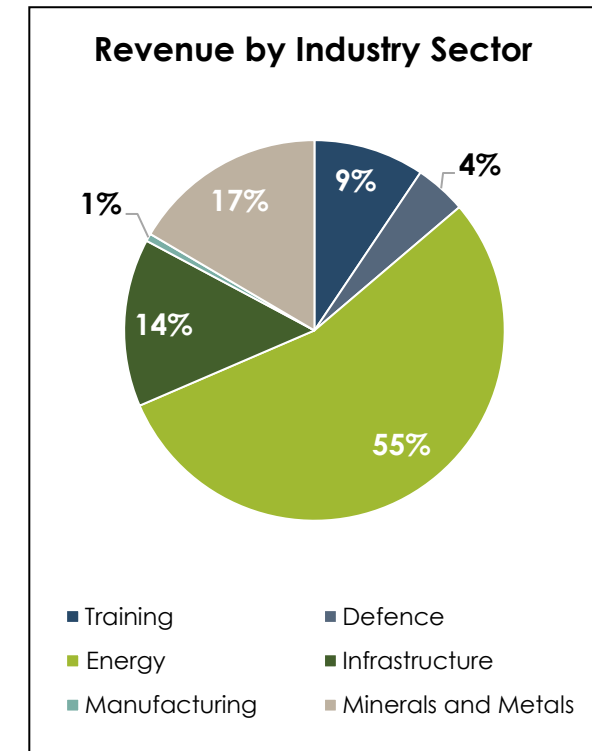
Organic Growth

Significant investment in our key markets particularly in relation to Energy and Digital transformations

- Three-pronged energy strategy supporting clients
 - Provide Today's Energy Needs
 - Transform Infrastructure To Process And Transport Hydrogen And Renewables
 - Decommission obsolete oil & gas infrastructure
- **Recurring revenues** under-pinned by:
 - 35 (up from 26) Master Service Agreements with Tier 1 companies
 - 9 (up from 8) Operations & Maintenance Agreements with Tier 1 companies
 - Rate increases and rise and fall mechanisms mitigate cost escalation pressures
 - **StacksOn™**: Commercialised as a software solution, high recurring revenues

Return to Strategic M&A ... bolt-on Acquisitions

- Financial capacity:
 - **Improving cash position**: Operating cash-flows forecast to continue to improve as margins improve
 - **Increased working capital**: New finance facility
- Rationale:
 - **Add scale**: Increased scale provides opportunities to expand margins through improved cost coverage
 - **Integration**: By integrating into existing Business Units provides maximum opportunity to extract synergies



Outlook

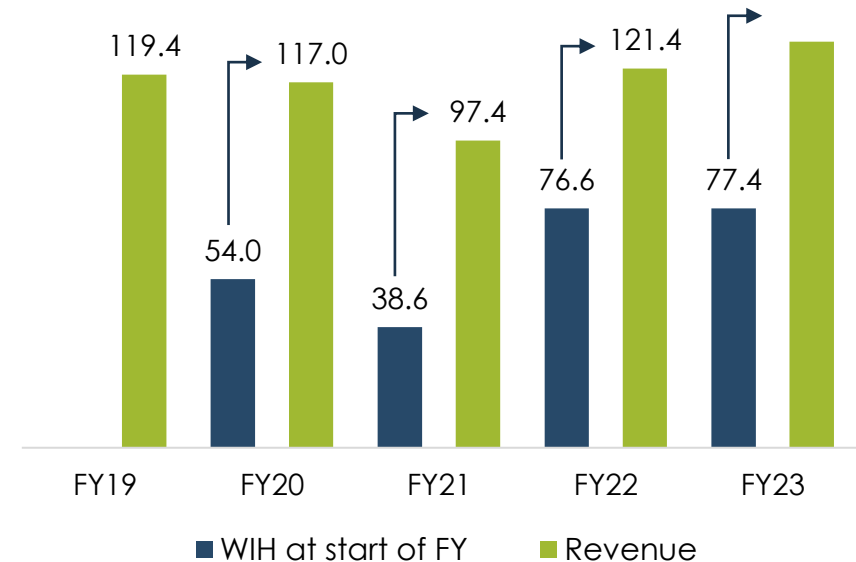
Our expertise in control systems, grid connections and pipelines, uniquely positions Verbrec to play an important role in transforming assets for a more sustainable and smarter future.

- Work in hand remains at historical highs, as of August totalling \$77.4m
- Revenue and Margins expected to continue to improve in FY23
 - Gap between statutory EBITDAI (FY22 \$3.0m) and underlying EBITDAI (FY22 \$10.1M) expected to close
 - Update to be made at November's AGM following several months of trading performance
- Continue commercialisation of technology product StacksOn™, recurring high margin revenue stream
- Target bolt on M&A opportunities
- Restoration of Dividends is a fundamental objective - payout 30-60% of NPAT in dividends to shareholders, noting Australian tax losses total \$29.9m and carried forward franking credits of \$5.7m

One Team, Team Verbrec. With One Meaningful Purpose Sharing Common Values



Correlation between Work-in-hand and Revenue (\$m's)

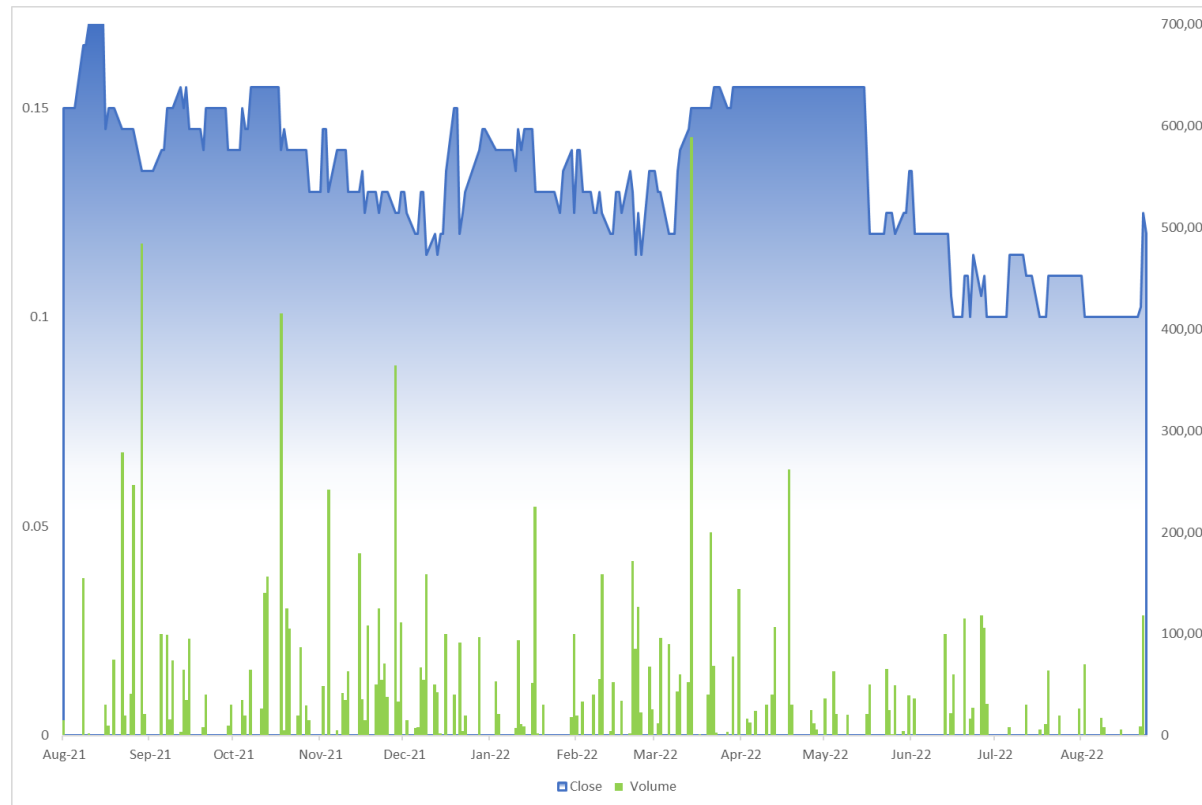


- No revenue guidance provided for FY23, for illustrative purposes only
- WIH at start of a year can relate to work expected to be performed in future years

5. Appendix

Corporate Snapshot

Share Price Performance¹



1. Since [August 2021] 2. Cash on hand less borrowings

Capital Structure

ASX code	VBC
Market Cap (as at 25 August 2022)	\$26.6m
Share price (as at 25 August 2022)	\$0.12
Shares on issue	221.5m
Cash (as at 30 June 2022)	\$6.4m
Net Cash Position ² (as at 30 June 2022)	\$5.7m

Top 5 Shareholders

Brian O'Sullivan	31.3%
Thorney Investment Group	11.2%
Candyblossom/Bloemhof P/L	9.9%
GFNA Bartley Family	8.1%
Forager Funds Management	7.2%

Board of Directors



Philip Campbell
Non-Executive Chairman

Phillip joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. His executive experience includes MD and CEO roles in a range of manufacturing and engineering businesses, and he has significant experience in business turnarounds then growing businesses to restore value. Phillip has a Bachelor of Electrical and Electronics Engineering from the University of Queensland and is a graduate of the Australian Institute of Company Directors.



Brian O'Sullivan
Non-Executive Director

As the former founder and Chairman of OSD, Brian joined the Verbrec Board in June 2019, bringing with him over 30 years' experience in business management, project management and engineering, specialising in the design, construction and maintenance of major pipelines and petrochemical facilities across Australia, PNG and South East Asia. Brian's key strengths include a strong technical knowledge and an in-depth understanding of commercial business activities. Brian has been a company director holding board positions for a range of entities, including Chairman of the Australian Muscular Dystrophy Foundation.



Linton Burns
Managing Director

Linton has over 25 years of commercial, financial and business management experience in various roles including as Managing Director of OSD prior to the merger with Verbrec. Linton has significant corporate transaction experience including M&A and capital raising with ASX and Nasdaq listed entities and has held executive positions across a range of industries including Engineering; Infrastructure; Bio-technology and Credit Referencing. He has a Bachelor of Accountancy.



Matthew Morgan
Non-Executive Director

Matthew joined Verbrec in October 2019 and is an experienced independent non-executive director on publicly listed and private company boards. In addition to his role with Verbrec, he currently serves as a non-executive director and Chair of the Audit and Risk Committee for Total Brain (ASX:TTB). Matthew began his career as an Institutional Venture Capital fund manager with QIC Limited and brings significant commercial experience including M&A and capital raising to the Verbrec Board. Matthew has a Bachelor of Commerce from Griffith University, a Bachelor of Applied Science and an MBA from Queensland University of Technology, and was Australia's first Kauffman Fellow.



Sarah Zeljko
Non-Executive Director

Sarah joined the Verbrec Board in September 2020, bringing with her extensive executive, operational, governance and advisory experience gained across multiple large ASX listed, government and private corporations. She is recognised for her commercial acumen in negotiating commercial agreements, and experience in capital raising, M&A, construction, infrastructure and project management. Sarah is a Graduate of the Australian Institute of Company Directors (GAICD), a Graduate of the Australian Superannuation Trustees (GAIST) and an admitted Legal Practitioner. She has previously held roles as General Counsel and Company Secretary for G8 Education (ASX:GEM), the Wiggins Island Coal Export Terminal (WICET), and Cement Australia. Sarah currently holds positions on the Boards of Powerlink, LGASuper, Unitywater, Intellidesign and Stockyard Beef.

