



# 1HFY24 HALF-YEAR RESULTS PRESENTATION

22 FEBRUARY 2024



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# Agenda

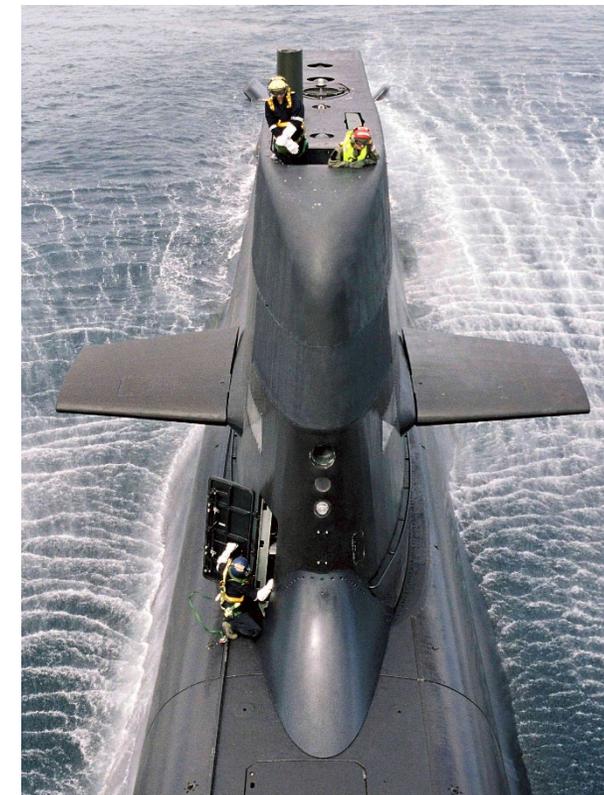
1. 1HFY24 Highlights
2. Executive Summary
3. Financial Results
4. Operational Performance
5. Outlook
6. Q&A



# 1HFY24 Highlights

Revenue \$37.5m +37%	Total Activity <sup>1</sup> \$39.7m	EBITDA <sup>2</sup> \$6.9m +65%
EBITDA Margin <sup>2</sup> 18.4% +310bps	EBIT <sup>2</sup> \$4.6m +103%	NPAT <sup>2</sup> \$3.5m +92%
Operating Cashflow <sup>2</sup> \$4.4m +203%	EPS <sup>2</sup> 2.58cps +92%	Interim Dividend 0.77c

1. Total Activity = Sales + change in WIP
2. Includes one-off Sharrow expenses of \$0.5m which is considered non-recurring.



# Executive Summary

- VEEM's revenue for the half-year was \$37.5m (up 37% on 1HFY23) with total activity (Sales + change in WIP) of \$39.7m (up 24% of 1HFY23) on the back of increased job hours.
- EBITDA and NPAT were \$6.9m and \$3.5m, up 65% and 92% respectively on 1HFY23. Cashflow from operations was \$4.4m, up 203% on 1HFY23. These amounts include non-recurring costs in relation to the Sharrow Project of \$0.5m.
- Gyro sales for the half-year were \$5.0m with orders in hand of \$9.2m on the back of Strategic Marine accelerating their gyro purchases, now requiring all 12 gyros in FY24.
- Agreement signed with Sharrow Engineering for the exclusive worldwide licence to manufacture and sell Sharrow designed propellers for inboard vessels for at least 17 years. The propellers will be branded SHARROW by VEEM. VEEM expects contractual performance acceptance testing to be completed in the coming weeks.
- The increased propeller capacity installed late in FY23 was utilised early in the half to reduce the order backlog in propellers. Subsequently propulsion sales have stabilised with revenue of \$16.5m for the half, up 41% on 1HFY23.
- Revenue from the submarine program was \$6.2m for the half-year with total defence revenue of \$8.6m. In addition there was milestone invoicing of the Hunter Class demonstrator project.
- Strong cash flow allowed net debt reduction of \$2.0m after capex of \$2.6m (incl. intangibles). R&D spend for the period was \$2.3m.
- Tony Elms appointed Chief Technical Officer for marine products.





## FINANCIAL RESULTS



# 1HFY23 Result

## Profitability increase driven by propeller, gyro and defence businesses

- Work in Progress increased by \$2.2m which, when added to revenue, demonstrates \$39.7m of activity for 1HFY24.
- Increased job hours and productivity.
- The increased propeller capacity installed late in FY23 was utilised early in the half to reduce the order backlog in propellers. Subsequently propulsion sales have stabilised with revenue of \$16.5m for the half, up 41% on 1HFY23.
- Gyro sales of \$5m were up 200% on 1HFY23.
- ASC revenue was up 5% on the prior period with a large portion of a full cycle docking being delivered.
- Hollow bar revenue was up 36% on 1HFY23.
- Margins remained solid and overheads were well managed resulting in a material improvement in EBITDA and net profit after tax.
- Includes non-recurring costs in relation to the Sharrow Project of \$0.5m.

	<b>1HFY24 A\$mil.</b>	1HFY23 A\$mil.	% Change
Revenue	<b>37.5</b>	27.4	37%
EBITDA*	<b>6.9</b>	4.2	65%
Profit before Tax	<b>3.9</b>	1.9	112%
Net Profit after Tax (NPAT)	<b>3.5</b>	1.8	92%
Earnings Per Share (EPS)(cents)	<b>2.58</b>	1.35	92%

\*EBITDA is earnings before interest, tax, depreciation and amortisation.

# Balance Sheet

## Reduction in Borrowings

- The Company held cash on hand of \$0.6m at 31 Dec 2023 (30 June 2023: \$2.4m) with an undrawn overdraft facility of \$3.4m and \$1.4m undrawn on the trade facility.
- The working capital position improved with inventory reducing and WIP increasing.
- Strong cash flow allowed net debt reduction of \$2.0m (bank debt and HPs).
- Capex of \$2.6m included robotics and tooling for propellers and \$1.5m in intangibles which is predominantly further gyro development.
- \$0.5m of the capital purchases above were funded through HP arrangements.

	<b>31 Dec 2023 A\$mil.</b>	30 June 2023 A\$mil.	% Change
Current Assets	<b>37.6</b>	35.0	7%
Non-Current Assets	<b>56.2</b>	56.5	-1%
<b>Total Assets</b>	<b>93.8</b>	91.5	2%
Current Liabilities	<b>17.4</b>	16.8	3%
Non-Current liabilities	<b>26.4</b>	27.9	-5%
<b>Total Liabilities</b>	<b>43.7</b>	44.7	-2%
<b>Net Assets</b>	<b>50.0</b>	46.8	7%
Retained earnings	<b>38.2</b>	35.4	8%
<b>Total Equity</b>	<b>50.0</b>	46.8	7%

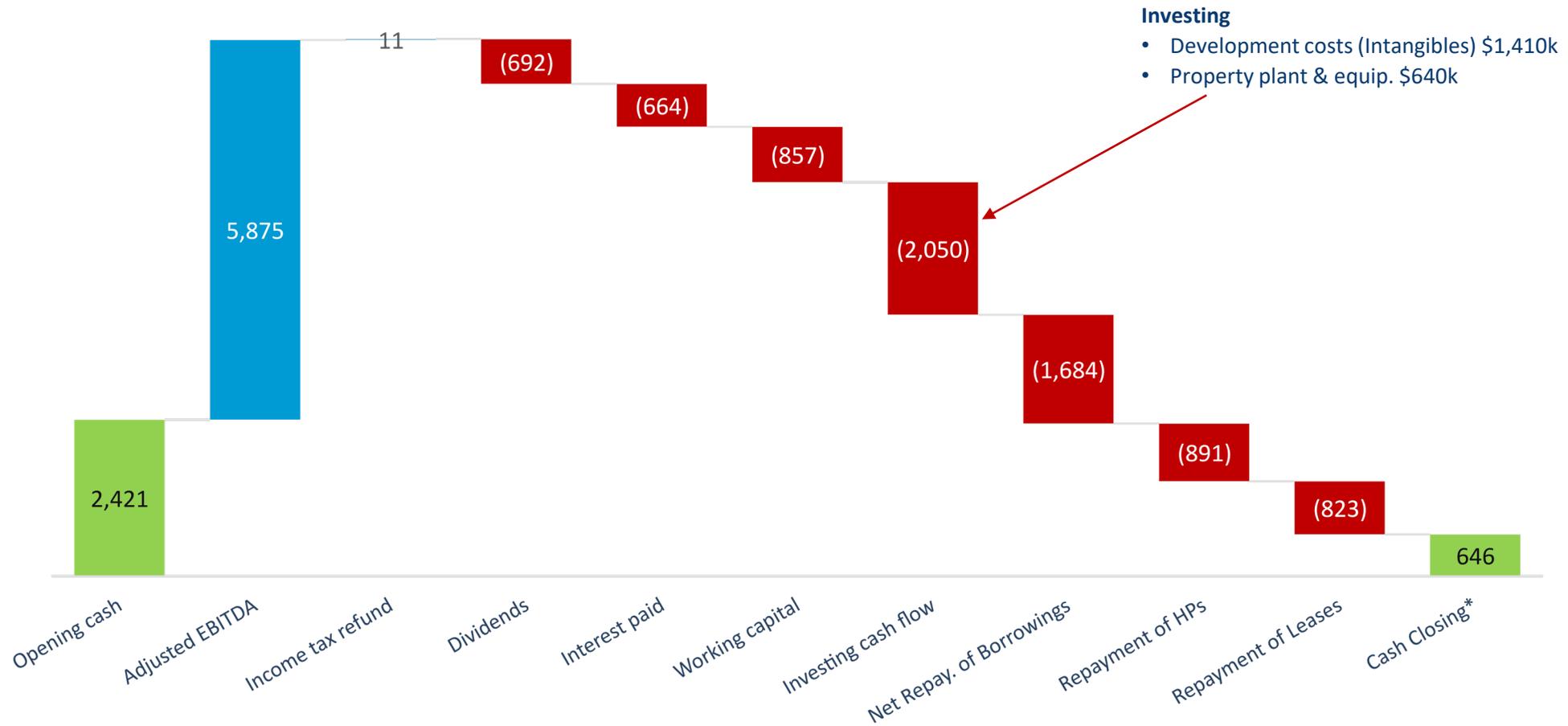
# Cash Flow

## Solid cash flow from operations and debt repayment

- Cashflow from operations was \$4.4m (1HFY23: \$1.4m) which was helped by the increased gyro sales and orders which have early milestone payments.
- \$1.6m of bank debt and \$0.9m of HPs were repaid. There were \$0.5m of new HPs to fund asset additions.
- At 31 Dec 2023 VEEM had an undrawn overdraft facility of \$3.4m and \$1.4m undrawn on the trade facility.

	<b>1HFY24 A\$mil.</b>	1HFY23 A\$mil.	% Change
Cash flow from operations	<b>4.4</b>	1.4	203%
Cash flow from investing activities	<b>(2.0)</b>	(2.4)	-16%
Cash flows from financing activities	<b>(4.1)</b>	(0.2)	1874%
Net (decrease)/increase in cash	<b>(1.8)</b>	(1.2)	46%
Cash at end of period, net of overdraft	<b>0.6</b>	1.4	-55%

# Cash Flow



\*Note at 31 December 2023 there was an undrawn overdraft of \$3.4m and undrawn trade facilities of \$1.4m.



## OPERATIONAL PERFORMANCE



# Gyrostabilisers

- Revenue from gyros was \$5m for the half-year, 200% up on 1HFY23. Orders on hand at 30 June were \$9.2m including \$6.2m of Strategic Marine orders per below.
- Strategic Marine accelerated their orders for 12 gyros under the exclusivity agreement for fast crew boats in SE Asia from three years to all being delivered in FY24.
- The agreement with Strategic underscores the value of a gyro in a commercial/workboat environment in terms of safety, efficiency, productivity, operability and financially. Commercial operators are now the primary adopters of this technology with all sales during the period, and most orders, being for commercial vessels, including defence.
- VEEM has maintained its higher level of marketing and brand-building for its marine products with a focus on digital and social media.
- VEEM has continued to invest in the development of its gyro product over the period with a number of modifications improving performance and reducing costs.
- During the period VEEM engaged three new service techs in Europe and North America to ensure that gyros are commissioned efficiently and the customers are satisfied.
- In October 2023 Tony Elms joined VEEM as Chief Technical Officer for marine products.



# Propulsion

- The increased propeller capacity installed late in FY23 was utilised early in the half to reduce the order backlog in propellers. Subsequently propulsion sales have normalised with revenue of \$16.5m for the half, up 41% on 1HFY23 and 30% over 2HFY23.
- During the period VEEM acquired further robotics and tooling as it continues to optimise and automate the propeller process.
- Included in propulsion is \$1m of shaftline sales, up 27% on 1HFY23.
- VEEM continues to develop its processes and pursue new initiatives in relation to the propeller business where it can leverage its reputation and client base as the premium product in the market for high-speed, high-performance propellers.
- In October 2024 VEEM signed an exclusive worldwide agreement for the manufacture and sale of Sharrow propellers for inboard vessels. Refer to the next slide for details.



# Propulsion – SHARROW by VEEM

- The Sharrow Propeller™ was invented by Gregory Sharrow in 2012. Its design has solved the most basic problem of rotary propulsion. Specifically, tip cavitation and vortices have been eliminated or significantly reduced, offering incredible performance gains over traditional propellers.
- The award-winning Sharrow propeller design has made a spectacular impact on the outboard motor market with outstanding improvements in fuel efficiency, noise, vibration and handling.
- Agreement signed with Sharrow Engineering for VEEM and Sharrow to partner together to design Sharrow propellers for inboard powered vessels. VEEM will then exclusively manufacture and sell the SHARROW by VEEM range of propellers worldwide for inboard powered vessels with propeller sizes 0.5m to 5.0m diameter.
- The agreement is for 17 years (or longer if the patents expire after that date). VEEM will pay Sharrow a licence fee based on the sales of the SHARROW by VEEM propellers.
- Progressing with the project is subject to VEEM's acceptance of the performance of the Sharrow design with the testing to be completed in the coming weeks.
- VEEM will be initially manufacturing the SHARROW by VEEM propellers at its plant in Western Australia which has capacity for 450 to 500 propellers a month. If the adoption rates follow the same patterns as the Sharrow outboard motor propellers, then VEEM expects to be building increased capacity in the next few years.
- Overall market is 100,000 vessels which would be in the order of US\$2.6 bn\*. The new boat market is 15,000 vessels worth in the order of US\$338 million\* per annum.



\*The independent market assessment was conducted by EQC Consulting. The market assessment excludes: vessels over 10 years old; non-ocean-going commercial vessels; defence vessels; outboards, jets; stern drives; recreational vessels over 90m and under 10m; and commercial vessels without an IMO number. Valuation is calculated using approximately two times current design prices.

# Defence

- VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program was \$6.2m for the half-year (up 5% on 1HFY23) with overall defence revenue of \$8.6m (up 7% on 1HFY23).
- VEEM is currently manufacturing blades and hubs for the Hunter Class Frigate Program (HCFP) demonstrator program for BAE Systems Australia. The value of the demonstrator contract is \$1.7 million, with successful completion of the task by Q2 2024 ensuring VEEM qualifies as a supplier to the HCFP. VEEM is one of only two suppliers globally to be able to produce this level of precision.
- Success with this project and the recent high-level defence supplier security qualification is expected to lead to further Australian defence work (see Federal Government announcement on 20 February 2024) as well as the potential to export equipment for other naval shipbuilding programs around the world, including other Type 26 frigate programs.
- VEEM also continues to be awarded contracts for numerous other defence projects including army vehicles and naval projects such as patrol boats (eg. Austal's ECCPB).
- VEEM continues to monitor developments with AUKUS and other defence initiatives to ensure it is in the best position to win its share of the local precision manufacturing work programs. BAE systems is the prime contractor for the new British AUKUS submarines which are to be used as the template for the new Australian submarines.



20 FEBRUARY 2024

Today, the Albanese Government has released its blueprint for a larger and more lethal surface combatant fleet for the Royal Australian Navy, more than doubling the size of the surface combatant fleet under the former government's plan.

*Quotes attributable to the Minister for Defence Industry, the Hon Pat Conroy MP:*

"This significant advancement in Navy capability that will be delivered under this plan requires a strong, sovereign defence industry.

"This plan ensures Navy's future fleet can meet our strategic circumstances by delivering a larger and more lethal fleet sooner and secures the future of naval shipbuilding in Australia, supporting 3,700 direct jobs over the next decade and thousands of indirect jobs for decades to come."

# Engineering Products and Services

- VEEM's hollow bar product revenue for 1HFY24 was \$3.3m which is an 36% increase over 1HFY23 due to strong demand and increased capacity.
- Delivery continued for the Latrobe Magnesium's Latrobe Valley Stage 1 Demonstration Plant which will continue over the next three years.
- Demand generally for foundry-led, precision engineered products remains strong.
- The increased hours worked reported for May and June 2023 continued for the full half-year through a number of initiatives to improve recruitment and retention of staff. This gives confidence for the second half of FY24.



**VEEM**

**OUTLOOK**



PRINCESS YACHTS

# Outlook – Marine Products

## **Gyrostabilisers:**

- Sales and orders from Strategic Marine and others as well as recent leads and enquiries highlight that the commercial market for gyrostabilisers is now understanding the value a VEEM gyro can deliver in terms of operational, HSE and commercial benefits.
- With the continued investment into marketing, regional specialist technicians and further product improvements VEEM expects the solid revenue growth to continue.

## **Propulsion:**

- Global demand for VEEM's propellers is expected to remain strong.
- Recent increases in production output are expected to continue.
- New equipment just received is expected to further increase efficiencies and margins.
- Margins protected against cost increases by regular pricing reviews.

## **Sharrow by VEEM:**

- Subject to successful acceptance testing in the coming weeks, the SHARROW by VEEM product is expected to be introduced to customers in the fourth quarter of FY24.
- Further design refinements expected to be generated as the different series are rolled out through FY25.



# Outlook – Non-Marine Products

## Defence:

- Defence revenue expected to remain strong with deliveries under the Collins Class submarine full cycle docking to continue for the rest of FY24.
- Other defence work for a number of different prime contractors, including Austal, is also expected to continue with the building of patrol boats and other platforms.
- VEEM will deliver the Hunter demonstrator program in FY24 and will pursue options to leverage off the high-level qualifications (incl security) with BAE/Kongsberg/Navy to supply other defence programs including overseas T26 programs.
- VEEM is active and well positioned to take advantage of further defence work opportunities that may arise out of AUKUS and other defence programs.

## Engineering:

- Demand for the traditional engineering products and services is expected to continue.
- VEEM will continue to focus on recruitment and maintenance of labour resources through a number of initiatives.

## General:

- VEEM expects to be able to continue at the higher level of hours worked through the rest of FY24.
- VEEM remains vigilant in terms of cost increases and availability of materials and components globally due to issues like the conflict in the middle east impacting global shipping. Mechanisms are in place to protect pricing and margins.
- Liquidity adequate to fund current planned operations and capital expenditure.



# Q & A

**VEEM**

## APPENDICES

# Corporate Overview

## Corporate Snapshot

ASX Code	VEE
Share Price (21 February 2024)	\$1.20
Market Capitalisation (21 February 2024)	\$163m
Shares on Issue	136m
<b>Substantial Shareholders</b>	<b>%</b>
Miocevich Family	50.20%
Perennial Value Management	10.74%



This ASX announcement was authorised for release by the Board of VEEM Limited.



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