

Veris Limited – H1 FY22 Results Announcement

Highlights:

- Revenue of \$42.6m, up 9.4% from \$38.9m in the pcip
- Normalised EBITDA of \$2.5 million before government grants, up 506% from \$0.4 million in the pcip
- Sale of wholly owned subsidiary, Aquira Technologies, for enterprise value of \$30 million to Telstra Purple announced and settled post 31 December 2021
- Secured forward workload now in excess of \$50 million to be executed over the next 12 months
- Unsecured project pipeline with a weighted value of \$190 million over the next 24 months

Veris Limited (VRS: ASX) ("the Company") today announced its financial results for the half year ended 31 December 2021 (H1 FY22).

The Company achieved strong revenue growth of 9.4% to \$42.6 million compared to the prior corresponding period ("pcip"), despite the unprecedented level of uncertainty created by the COVID-19 pandemic. There was a strong uplift in normalised EBITDA before government grants to \$2.5 million in H1 FY22, up from \$0.4 million in the pcip.

Veris Ltd Financial Results Summary

	Pre-COVID	COVID Impacted		Growth Rate FY21 – FY22
	H1 FY20	H1 FY21	H1 FY22	
Veris Australia Revenue	40,067	38,935	42,600	9.4%
Costs	(37,345)	(38,525)	(40,113)	4.1%
Proportion of Veris Ltd / Central Corp costs*	(2,208)	0	0	
Normalised EBITDA before Govt Grants¹	514	410	2,487	506.6%
Margin	1.3%	1.1%	5.8%	
Govt Grants (JobKeeper / JobSaver)	0	4,479	1,022	(77.2%)
EBITDA reported²	514	4,889	3,509	(28.2%)

* Proportional allocation of central overhead costs previously reported in FY20 under Veris Ltd cost centre. The proportional calculation shown above is based on % of revenue of Continued Operations as disclosed in 31 Dec 2019 Interim Financial Report. Since the commencement of FY20, these costs have been reflected directly in the results of Veris Aust.

¹ Underlying EBITDA pre Government Grants is a non-IFRS measure, therefore that EBITDA is not audited.

² EBITDA reported is defined as earnings before interest, tax, depreciation, amortisation, impairment of goodwill and intangibles, acquisition related costs, restructuring, share-based payments and is an unaudited non-IFRS measure. The % increase from the prior period is the increase in EBITDA from continuing operations, being Veris Australia.

Whilst Veris reported a loss before tax from continuing operations of \$1.5 million compared to a reported profit before tax of \$0.1 million in the pcip, the reduction in the quantum of government grants of \$3.5 million recorded in H1 FY22 masked the continued improvement in core profitability as the impact of COVID-based additional costs and operating inefficiencies more than outweighed the \$1.0 million of government grants received. The loss before tax reported in H1 FY22 also included approximately \$0.2 million of Aquira related transaction process costs.

The Company ended the half with a cash balance of \$1.5 million.

The financial results for H1 FY22 reflect the Company's clearly defined strategy which is progressing well and delivering positive outcomes.

Corporate

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On 31 January 2022, the Company announced that it had entered into a binding Share Sale Agreement for the disposal of its wholly owned subsidiary, Aqura Technologies, for cash consideration based on an enterprise value of \$30 million. As announced on 28 February 2022, the Aqura sale process has now settled and part of the net settlement proceeds, after payment of transaction costs and incentives, have been applied to pay off Veris' long-term debt with CBA. Following the settlement and debt pay down, Veris is in a strong net cash position of \$18.3 million (excluding long term office lease and hire purchase obligations). The proceeds from this transaction will support investment in Veris Australia's growth strategy, support the working capital requirements of the business, and generally strengthen the balance sheet. The Company's strong balance sheet is anticipated to underpin the delivery of further operational efficiencies and savings.

Veris Australia

Veris Australia has delivered further improvements in its financial performance in H1 FY22, continuing the positive momentum of its ambitious program of restructuring, and reorientating the business to enable a solid foundation and provide a platform for future sustained growth.

The year-on-year improvements in revenue, earnings and margin growth demonstrate that the execution of the Veris Australia strategy is working, notwithstanding the impacts of COVID-19, which have restricted the ability of the business to fully leverage its national operating platform.

Disruptions from COVID-19 had a negative impact of over \$1 million at the profit level for Veris Australia, net of any NSW JobSaver support. Veris committed to supporting staff through this extended lockdown period in H1 FY22 and this decision is already delivering benefits as the resourcing requirements for projects pick up as we see a cautious return to a more stable operating environment, in particular, across the eastern seaboard.

Key financial performance metrics that have seen significant and sustained improvements include a 25% increase in gross margin per hour (FY19 – current), a 17% increase in revenue per hour (FY19 – current) and reductions in working capital investment by optimising WIP and Debtor management. There has also been a positive turnaround in performance in Sydney and the NSW region, where significant operational issues were previously disclosed, with regional contributions up 200% (from Dec19 – Dec21) and a 30% increase in Sydney gross margin per hour (Dec19 – Dec21). This improvement demonstrates the strength and progress of the revised operating model embedded in the new strategy.

The execution of a national key account approach, which has included the establishment of the Veris National Key Account Management Program, has also seen an increase in share of revenue from key clients, and is on track to grow again across the remainder of FY22.

Digital & Spatial

The Digital & Spatial business line has continued its upward trajectory, with its high-value service offering, which supports the industry's push towards digitalisation and data-driven insights, achieving substantial increases in both gross margin per hour and revenue per hour. The impressive key metrics in this area include an 82% increase in gross margin per hour (FY19 – FY21) whilst continuing to grow revenue. These results are further demonstration of the strong growth potential of the business's pivot towards Digital & Spatial and the delivery of value through data.

Outlook

The Company's secured forward workload has continued to grow and is now in excess of \$50 million to be executed over the next 12 months. In addition, Veris Australia maintains a healthy, unsecured project pipeline which continues to grow and has a weighted value of \$190 million over the next 24 months.

The continued ongoing improvement in the operating and financial performance of Veris Australia will be accelerated by the strength of its balance sheet. The Board and management expect continued improvement to be demonstrated throughout the second half of FY22 (subject to COVID stability). The Board will continue to assess appropriate capital management strategies to enhance shareholder returns in the short and medium term, including adopting a sustainable dividend policy, as the second half progresses.

Comments from Veris Limited Chairman, Karl Paganin:

"This is a pleasing result, which is the direct outcome of the efforts of our employees in what have been uncertain times. Despite the challenges and uncertainty, we have continued to grow our business and successfully deliver projects for our clients.

"We have a clear strategy in place, which we are confident will underpin continued improvement in our results. Following the settlement of the Aqura transaction, we will have an even greater focus on our growth ambitions that underpin the continued expansion of Veris Australia's business and particularly our digital and spatial data-as-a-service strategy."

– ENDS –

About Veris Limited

Veris Limited is the holding company that is listed on the ASX under the code VRS.

Veris Australia is Australia's leading provider of spatial data services across the infrastructure, property, resources, defence, utilities and government sectors. Veris Australia provides an end-to-end spatial data solution for its clients that not only includes data collection, analysis, interpretation but also data hosting and access, modelling, sharing and insights for clients with large-scale data requirements.

Authorised for release by the Board of Veris Limited.

Issued by Veris Limited

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