

28 February 2023

## Verbrec Half Year FY2023 Interim Results Announcement

**Verbrec Limited (ASX:VBC)** a leading mid-tier engineering, training and infrastructure services business executing work across Australia, New Zealand, PNG and Pacific Islands, today announces its half year financial results to 31 December 2022.

- **Revenue:** up 4.8% to \$63.5 million compared to the prior corresponding period.
- **Work-in-hand:** remains a healthy \$70.8 million which compares to \$77.4 million as at August 2022.
- **Poor performing legacy projects:** The Company's final poor performing legacy project closed, subsequent to the half year period end. The Company is vigorously pursuing payment of all outstanding claims.
- **Finance Facilities:** The Company entered into new finance facilities with Westpac to improve flexibility and fund growth.
- **StacksOn:** The StacksOn team continued to complete implementation to new sites throughout the period and entered into its second year of software licensing on the initial tranche of mine sites.

### Financial overview

The Company delivered revenues of \$63.5 million, up 4.8% compared to \$60.6 million in the prior corresponding period.

Statutory EBITDA gross margins were slightly down at 26.6% of revenue compared to 29.0% of revenue in the prior corresponding period.

Statutory EBITDA continued to be affected during the period by the third poor performing legacy project impacting the business. This project was closed on 24 January 2023, subsequent to period end.

Margins were also impacted by cost increases on labour and materials which the Company is seeking to recover through the repricing of master service agreements (MSA's) and through contract variation opportunities.

#### Verbrec Limited

ASX : VBC

ACN: 127 897 689

[Verbrec.com](https://www.verbrec.com)

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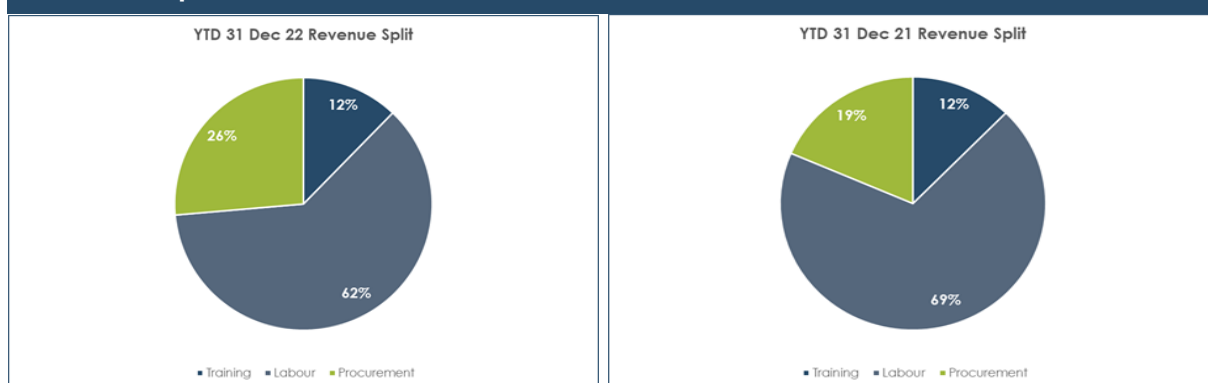
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## Half Year FY2023 Interim Results Announcement

|                                   | H1 FY2023 | H1 FY2022 | CHANGE TO PCP |
|-----------------------------------|-----------|-----------|---------------|
| Revenue (\$)                      | 63.5m     | 60.6m     | 2.9m          |
| Gross Profit (\$)                 | 16.9m     | 17.6m     | (0.7m)        |
| Gross Margin %                    | 26.6%     | 29.0%     | (2.4%)        |
| Sales, General & Admin Costs (\$) | 18.4m     | 18.3m     | (0.1m)        |
| EBITDA (\$)                       | 0.8m      | 1.7m      | (0.9m)        |
| EBITDA Margin %                   | 1.2%      | 2.9%      | (1.7%)        |
| Net Profit/(Loss) After Tax (\$)  | (2.7m)    | (1.1m)    | (1.6m)        |
| Basic EPS (Cents)                 | (1.2)     | (0.5)     | (0.7)         |
| Closing Cash Position (\$)        | 6.8m      | 6.4m      | 0.4m          |

## Revenue Split



The impact of the forgone margin on the final poor performing legacy project and one-off's is as follows:

|                   | HALF YEAR<br>31 DEC 2022<br>STATUTORY | HALF YEAR<br>31 DEC 2022<br>IMPACT<br>POOR<br>PERFORMING<br>PROJECTS | HALF YEAR<br>31 DEC 2022<br>ONE-OFF'S | HALF YEAR<br>31 DEC 2022<br>UNDERLYING | HALF YEAR<br>31 DEC 2021<br>UNDERLYING |
|-------------------|---------------------------------------|--|---------------------------------------|--|--|
| Gross Profit (\$) | 16.9m                                 | 3.4m   | -                                     | <b>20.3m</b>                           | 21.1m                                  |
| Gross Margin (%)  | 26.6%                                 | 5.4%   | -                                     | <b>32.0%</b>                           | 34.8%                                  |
| EBITDA (\$)       | 0.8m                                  | 3.3m   | 0.3m                                  | <b>4.4m</b>                            | 5.6m                                   |
| EBITDA Margin %   | 1.2%                                  | 5.4%   | 0.4%                                  | <b>7.0%</b>                            | 9.3%                                   |

Sales, general and administration costs were well contained during the half year.

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## Cash Flow

Closing cash for the half year was \$6.8 million compared to \$6.4 million as at 30 June 2022. The \$6.8 million balance includes \$2.9 million in restricted cash that is required to be held under the Westpac facility as part security for the issuance of bank guarantees. The closing cash balance was impacted by the poor performing legacy project.

## Operational overview

### Closure of poor performing legacy projects

During the period, the Company confirmed the closure of two poor performing legacy projects and subsequent to period-end, announced the closure of the final legacy project with Service Stream Utilities Pty Ltd (Service Stream).

The Company announced Service Stream issued a notice to terminate their SCADA Upgrade Solution Delivery Agreement, effective on 24 January 2023. Verbrec delivered and is now vigorously pursuing approximately \$6.7 million in outstanding fees related to the Agreement.

The closure of the final legacy project puts Verbrec in a stronger position for the future and allows executive and management teams to focus efforts and labour force on higher margin projects and delivering on the Company's strong work-in-hand position.

### New finance facilities

Verbrec secured new finance facilities during the half year with Westpac. These new facilities are generally on improved terms to the ones they replaced and an increase to the working capital has provided the Company with improved flexibility to fund growth.

### Recurring revenue agreements

The group remains focused on recurring revenue agreements and is pleased to report significant progress has been achieved during the period. Verbrec now has the following recurring revenue agreements in place:

- 41 (up from 26) Master Service Agreements
- 10 (up from 8) Operations and Maintenance Agreements
- 6 Training Master Service Agreements
- Rate increases and rise and fall mechanisms to mitigate cost escalation pressures

On the back of continued growth in the Resources and Energy sector, the Infrastructure Services business continues to expand throughout Australia, providing services in the NT, QLD, VIC, SA and recently to WA. This growth is largely linked to long term contracts with recurring revenues.

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The Asset Management business also continued to expand during the period and maintains strong EBITDA performance. Half year revenues for this business have increased more than 30% compared to the prior corresponding period as a result of strong growth across all industry target sectors.

### StacksOn

The Company continued to progress implementation of its StacksOn product throughout mines and ports in Western Australia during the period.

StacksOn has been well accepted and praised by users, with the product team adding new functionality to expand the usefulness and applicability of the product to meet client needs. The Company can see opportunities to grow this product to deliver fully integrated materials handling solutions across a wider range of mining commodities.

Throughout the period, based on client feedback, the StacksOn team have developed functionality to assist our client base to better address operational efficiencies in a port environment, such as, allocation of ore into ship hatches and subsequent analysis of the grade of product therein.

Verbrec rolled over to the second year of software licenses for several mines during the period and expects to roll into first year licenses for ports in the second half of FY2023.

### Training

Labour shortages in many parts of the economy are providing excellent opportunities for Verbrec Industry Training. Student participation in training is now at post COVID-19 highs across all sectors. To help meet the increased demand, our training business is working with industry to both upskill current employees as well as new employees utilising Federal and State (VET) funding.

### **Outlook**

The markets in which Verbrec operates remain strong. Commodity prices continue to trade at long term elevated levels which supports our client's ability to invest in new production capacity, sustaining capital projects and projects to improve safety and operating efficiency.

Significant capital investment is underway in our key traditional markets particularly energy, resources and digital transformation. Improved energy efficiency is driving investment in alternative energy projects, which is providing exciting new customer opportunities for the Company.

Our work-in-hand remains very healthy at \$70.8 million, which compares to \$77.4 million as at August 2022 (values exclude the Training business unit).

Widespread challenges of recruiting and retaining talented employees remains a problem for many in our industry. People shortages combined with wage pressures have made it an imperative to be more cost competitive. In response to this issue,

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Verbrec intends, in the first instance, to offshore certain administrative functions which will help contain a number of cost pressures.

Our growth strategy is to continue to grow the business organically and to review the market for bolt-on merger and acquisition opportunities which have the ability to add scale, technical capability, extract synergy benefits and improve geographic coverage.

With the poor performing legacy projects complete and strong operating conditions supporting our key business units, the Company remains focused on the restoration of dividends to shareholders.

- ends -

**Authorised for release by the Board of Directors of Verbrec Limited.**

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#### **About Verbrec Limited**

Verbrec is a leading mid-tier engineering and project services company that supports customers across Australia, New Zealand, PNG and beyond. The Verbrec group of companies serve the energy, infrastructure, and mining industries through their six service lines; asset management, competency training, digital industry, pipelines, power, and process plant, with capabilities that span across the entire life cycle of an asset. Verbrec is an Australian Securities Exchange listed company (ASX:VBC).

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