



VEEM Ltd

Annual General Meeting

22 November 2023



Managing Director's Presentation

ersonal use only

Disclaimer



THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR ADVERTISEMENT

This document, including the information contained in this disclaimer, is not a prospectus, product disclosure statement or other disclosure document and does not constitute, or form any part of, an offer to sell, or a solicitation of an offer to buy, the Shares. This document does not constitute an invitation, offer or recommendation to apply for or purchase the Shares and does not contain any application form for the Shares. This document does not constitute an advertisement for an offer or proposed offer of the Shares. Neither this document nor anything contained in it shall form the basis of any contract or commitment and it is not intended to induce or solicit any person to engage in, or refrain from engaging in, any transaction. No person is authorised to give information or make any representation in connection with any Public Offer which is not contained in this document. Any information or representation not so contained may not be relied on as being authorised by the Company, the Lead Manager or any person associated with them.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (Securities Act) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States absent registration under the Securities Act or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities laws.

DISTRIBUTION

Distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

NO LIABILITY

The Company has prepared this document based on information available to it at the time of preparation, from sources believed to be reliable and subject to the qualifications in this document. To the maximum extent permitted by law, Limited Parties accept no responsibility or liability for the contents of his document and make no recommendation or warranties concerning any Public Offer. No representation or warranty, express or implied, is made as to the fairness, accuracy, adequacy, validity, correctness or completeness of the information, opinions and conclusions contained in this document. To the maximum extent permitted by law, none of the Limited Parties accepts any responsibility or liability including, without limitation, any liability arising from fault or negligence on the part of any person, for any loss whatsoever arising from the use of this document or its contents or otherwise arising in connection with it.

Neither of the Lead Manager, nor any of its affiliates, related bodies corporate (as that term is defined in the Corporations Act) and their respective directors, employees, officers, representatives, agents, partners, consultants and advisers have authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this document, and none of them make or purport to make any statement in this document and there is no statement in this document which is based on any statement by them.

PAST PERFORMANCE

Past performance information in this document is given for illustration purposes only and should not be relied upon as (and is not) an indication of future performance. Actual results could differ materially from those referred to in this document.

FORWARD-LOOKING STATEMENTS

Certain statements, beliefs and opinions contained in this document, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward looking statements. Forward-looking statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Company's ability to control or predict which may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions and contingencies and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved.

Similarly, no representation is given that the assumptions upon which forward looking statements may be based are reasonable. None of the Company, the Lead Manager or any other Limited Party, makes any representation or warranty as to the accuracy of any forward looking statements contained in this document. Forward-looking statements speak only as at the date of this document and the Limited Parties disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this document. All dollar values contained in this document are in Australian dollars (A\$) unless otherwise stated.

NOT FINANCIAL PRODUCT ADVICE

No attempt has been made to independently verify the information contained in this document. You should make your own assessment in considering an investment in the Company and should not rely on this document. In all cases, you should conduct your own investigations and analysis of the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of the Company and its business, and the contents of this document. This document is not, and should not be construed as, a recommendation by the Company, related bodies corporate (as that term is defined in the Corporations Act), or any of their respective officers, employees, directors, shareholders, partners, representatives, agents, consultants or advisers or any other party referred to in this document (each a **Limited Party** and, together, the **Limited Parties**) to invest in the Company. The information in this document is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this document constitutes legal, financial, tax or other advice. The information in this document does not take into account the particular investment objectives, financial situation or needs of any person. You should seek legal, financial, tax and other advice appropriate to your jurisdiction.

1. Management Introductions
2. FY23 Review
3. Engineering Products and Services
4. Defence
5. Gyrostabilizers
6. Propulsion
7. Trading Update
8. Outlook
9. Q & A
10. Appendices



Management Introductions



- Trevor Raman – Chief Operating Officer
- Tino Kapfumo – Finance Manager
- Tony Elms – Chief Technical Officer - Marine



ersonal use only

FY23 Summary



- VEEM's revenue for the year was \$59.6m (up 10% on FY22) with total activity (Sales + change in WIP) for FY23 of \$63.5m.
- EBITDA and NPAT were \$10.0m and \$4.1m, up 64% and 226% respectively on FY22. Cashflow from operations was \$6.1m, up 143% on FY22. These amounts included a government grant of \$0.5m.
- Gyro sales for the year were \$5.0m.
- VEEM signed an exclusivity agreement with Strategic Marine for fast crew boats servicing offshore energy in SE Asia.
- Three new propeller machining centres, associated equipment and tooling were installed and commissioned with May and June 2023 each recording a new record for propeller sales.
- Revenue from the submarine program was \$12.3m for the year with total defence revenue of \$17.0m.
- VEEM invested over \$9.6m in capital and development expenditure during FY23 including the three machining centres and associated equipment noted above.
- EPS of 3.03 cents per share, up 226% on the prior period.

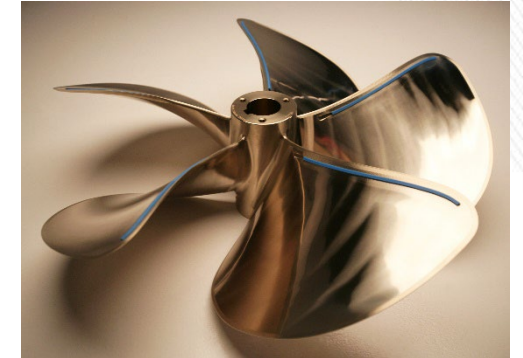


FY23 Financial Results



ersonal use only

	FY23 A\$mil.	FY22 A\$mil.	% Change
Revenue	59.6	54.2	10%
EBITDA	10.0	6.1	64%
Profit before Tax	4.9	1.4	249%
Net Profit after Tax (NPAT)	4.1	1.3	226%
Earnings Per Share (EPS) (cents)	3.03	0.93	226%
Cash Flow From Operations	6.1	2.5	143%
Net Assets	46.8	43.6	7%



Engineering Products and Services



FY23 Highlights

- VEEM's hollow bar product revenue for FY23 was \$6.2m which is an 11% increase over FY22 due to strong demand and increased capacity.
- Delivery commenced 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.
- May and June 2023 saw increased hours worked through a number of initiatives to improve recruitment and retention of staff. These have been maintained into FY24.

Outlook

- Demand for the traditional engineering products and services is expected to continue.
- Hollow bar revenue is expected to grow steadily as customer acceptance and reputation grow across the minerals processing and other industries.
- VEEM will continue to focus on recruitment and maintenance of labour resources through a number of initiatives.



Defence - FY23 Review

- VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program was \$12.3m for the year.
- 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 \$1.8 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 subsequent high-level defence supplier qualification is expected to lead to further Australian defence work 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.



Defence - Outlook

- Defence revenue expected to remain strong with deliveries under the next Collins Class submarine full cycle docking to commence in 2HFY24.
- 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 continue to deliver on the Hunter demonstrator program and will pursue options to leverage off the high-level qualifications with BAE/Kongsberg/DoD 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.



Gyrostabilizer - FY23 Overview



- Revenue from gyros was \$5m for the year with 2HFY23 being \$3m, almost double 1HFY23. Orders on hand at 30 June were \$11m including the Strategic Marine orders per below.
- Exclusivity agreement signed with Strategic Marine for fast crew boats in SE Asia. Strategic committed to purchase 12 gyros over the next three years (since has been accelerated to FY24). This agreement underscores the value of a gyro in a workboat environment in terms of safety, efficiency, productivity, operability and financially.
- Increased marketing and brand-building efforts for marine products with a focus on digital and social media. As an example see Nautistyles on Instagram and youtube.
- During the period VEEM focused on its service technicians visiting customers (post-COVID) to ensure that the gyros were commissioned efficiently and the customers were satisfied.



Gyro Status and Outlook

- Strategic Marine has accelerated delivery of their 12 gyros on order into FY24.
- Current orders on hand amount to US\$6.8m (\$10.7m) with \$2m sold to 31 October 2023. FY24 gyro sales expected to be at least \$10m – double that of FY23.
- Tony Elms appointed as Chief Technical Officer – Marine.
- High rates of take-up evident in the small boat recreational market (smaller than VEEM's products) provides confidence that wide adoption of the technology is well on the way.
- VEEM is the only manufacturer in the large gyro market with the products to capitalise on this.
- Strategic Marine agreement, recent leads and enquiries highlight the commercial market for gyros is becoming better educated at the operational, HSE and commercial benefits of gyros for crew transfers.
- With continued investment into marketing and further development of large gyros VEEM expects to see solid revenue growth in coming years.



Propulsion FY23 Review

- Three new propeller machining centres and associated equipment and tooling were installed and commissioned with May and June 2023 each recording a record for propeller sales.
- Specific \$2m propeller trade facility in place for propellers.
- In addition to the machining centres and associated equipment, VEEM has also invested in a large 3D printer, large laser scanner and process improvement to bring further efficiencies to the propeller manufacturing process. Further equipment was ordered for delivery in FY24.
- Despite this increase in capacity, strong demand kept pressure on lead times throughout FY23. The high production levels since May 2023 have reduced the backlog and lead times down to normal levels.
- 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.



Propulsion – SHARROW by VEEM Agreement



- Agreement signed with Sharrow for VEEM and Sharrow to partner together to design and then VEEM to exclusively manufacture and sell Sharrow design propellers worldwide for inboard powered vessels.
- Sharrow's award-winning design has made a spectacular impact on the outboard motor market with outstanding improvements in fuel efficiency, noise, vibration and handling.
- Sharrow chose VEEM due to it being the only manufacturer globally producing a range of high-performance, fully CNC machined propellers, thereby guaranteeing the accuracy of the propeller every time.
- The total addressable market for inboard propellers is estimated to be US\$2.6 billion including the annual new build market estimated at US\$338 million.
- Project is subject to VEEM's acceptance of the performance of the Sharrow design on the VEEM test vessel. These propellers are currently being made and VEEM now expects to complete the testing by the end of January 2024. The results will be announced to the market when complete.



Propulsion Outlook



Outlook

- Global demand for VEEM's propellers is expected to remain steady, with the adoption of the SHARROW by VEEM propellers by VEEM's customers to generate an uplift in revenue.
- Testing of the SHARROW by VEEM design is underway and is expected to be completed end-Jan 2024.
- First sales of SHARROW by VEEM propellers are expected to be in Q2 2024 with the full range designed and available by the end of 2024.
- Margins protected against cost increases by regular pricing reviews and expected to increase when the SHARROW by VEEM production starts replacing the VEEM product in FY25.
- Further options for expansion of VEEM's propulsion business in several areas are being explored.



Trading Update

- The first four months of FY24 have been strong for VEEM in terms of hours worked, revenue, EBITDA and NPAT - continuing on from the last few months of FY23.
- Even with the non-recurring costs of the SHARROW by VEEM project, VEEM expects to report a strong result for 1HFY24 with EBITDA in the range of \$6 - \$7 million and NPAT in the range of \$2.6 – \$3.0 million.

This is ~50% ahead of the previous half-year to 31 Dec 2022 for EBITDA and NPAT. In relation to analyst forecasts* this result will be 5% - 15% ahead for EBITDA and 10% - 20% ahead for NPAT .

- Gyro order book currently US\$6.8m (A\$10.7m) and gyro sales expected to be over A\$10m in FY24 – double that of FY23.
- Cost increases covered by price increases to customers and overheads have remained steady.
- Labour and hours worked have been maintained at high levels, albeit at higher cost.
- Continued R&D investment into products and processes, including the inboard propeller designs based on the Sharrow technology.



* Based on 50% of the forecast FY24 result of \$11.7m EBITDA and \$4.7m NPAT.

Outlook

- Traditional engineering business to remain strong with solid margins with current labour availability being maintained.
- Defence work to continue to be a strong contributor to revenue and profit. The Hunter Class demonstrator hub and blades to be delivered 1HFY24.
- Propeller sales to remain strong with revenue and margins to increase when continuous SHARROW by VEEM production commences.
- Confident that the Strategic Marine acceleration of deliveries is the step up in gyro sales we have been waiting for and this will continue, particularly in the commercial market.
- VEEM expects to report a strong result for 1HFY24.
- Testing of the initial SHARROW by VEEM high-speed and medium-speed propellers to be completed by end-Jan 2024.



Q & A

ersonal use only

ASX : VEE

Contacts

Mark Mioceвич
Managing Director
+61 8 9455 9355

David Rich
CFO
+61 8 9455 9355

Jonas Fitzgerald
IR Consultant, Lancaster Grove Capital
+61 427 104 488
Jonas.fitzgerald@lgcapital.com.au



Appendices

ersonal use only

Corporate Summary



Corporate Snapshot

ASX Code	VEE
Share Price (21 Nov 2023)	\$0.695
Market Capitalisation (21 Nov 2023)	\$94m
Shares on Issue	135.7m

Substantial Shareholders

Miocevich Family	50.20%
Perennial Value Management	14.95%

VEE Share Price History



VEEM Board



Brad Mioceвич
Chairman

Mark Mioceвич
Managing Director & CEO

Ian Barsden
Non-Executive Director

Mike Bailey
Independent Non-Executive
Director

Peter Torre
Independent Non-Executive
Director

David Rich
Chief Financial Officer &
Company Secretary

ersonal use only