

Duratec Limited
ACN 141 614 075
ASX code: DUR
www.duratec.com.au

Capital Structure:
237,444,801 ordinary shares

Directors:
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Non-Executive Chairman
Phil Harcourt
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Chris Oates
Executive Director
Gavin Miller
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ASX Release – 16 December 2020

Market Update

Highlights

- Recent successful IPO on the ASX.
- The business is performing well, and activity levels are increasing. Key market segments remain strong, with the resources sector of the business performing particularly well.
- DDRIC demonstrating continued growth in FY21 to date, well ahead of Company expectations.
- Demand for Duratec's services remains strong with high levels of enquiry and a significant number of new tenders submitted, including key Defence and building re-cladding projects. Total tenders submitted now over \$540m.
- Early Contractor Involvement model continues to provide early engagement and leverage to subsequent project work.
- Strong balance sheet with low gearing, (HP Finance only), and considerable headroom within existing facilities to capitalise on opportunities and support further sustainable growth. Cash flow remains solid and consistent.

Following the recent successful listing of Duratec Limited (**Duratec** or the **Company**) on the ASX on 4 November 2020, the Board of Duratec is very pleased to welcome all new shareholders and provide the following update on the Company's current activities and outlook.

Activity Update

Duratec continues to perform well in FY21 and activity levels are increasing. Duratec has demonstrated significant resilience and solid performance in challenging times (including the recent 110-day lockdown in Victoria due to COVID-19) and without any Federal Government support from JobKeeper. Importantly, Duratec's workforce has now increased to 706 employees with 7% indigenous engagement.

Key Market Segments

Defence - The Company's delivery of projects in the Defence segment remains solid with the Company now operating on 36 bases nationally. Notably, the DEJV HMAS Stirling Armaments Wharf extension contract is now 80% complete and is due to be delivered on time in April 2021.

Mining and Industrial – in line with improving commodity prices, the natural resources sector of the business is experiencing strong performance in the North-west and Goldfields regions of WA, together with NSW and Northern Queensland. Duratec is undertaking a combination of risk-mitigated niche market annuity income style contracts, as well as structural integrity remediation programs, which is expected to continue due to the age and condition of the existing resources infrastructure.

Commercial and residential buildings – Duratec's current building façade projects are performing well, and the Company is increasing its capability in this important market sector. Early stage paid investigative works are currently underway on two significant State Government building façades and three smaller Perth Based projects have been secured. Duratec is pleased to have recently been awarded building façade works in Sydney and Melbourne with an initial combined value of circa \$5m and strong potential for upside, which are strategically important to Duratec's growth ambitions in the Eastern States.

Marine infrastructure - Marine works are progressing well for our current port's projects. We currently have Port Facility wharf remediation projects underway in Bunbury, Fremantle, Darwin, Cairns, Victoria, Tasmania and South Australia.

DDRIC

DDRIC, Duratec's indigenous company joint venture with Dundee Rock, continues to perform and grow strongly, delivering Supply Nation Certified project works principally across the Defence and resources sectors, including niche service annuity income from a Tier-1 resources client. DDRIC has built an excellent market reputation resulting in current strong tender win rates and repeat customers and Duratec considers the opportunities in this market are considerable.

Awards and Tendering

The overall demand for Duratec's services remains strong in all key market segments and tendering activity for quality projects has been steadily increasing, with the Company now having over \$540m in tendered works. Major tenders submitted or currently being prepared include:

- Perth based major re-cladding project – updated submission due to scope change lodged;
- Defence WA marine technical project - design and construct proposal lodged and under review;
- Fuel wharf remediation in the natural resources sector; and
- Defence WA Wharf Extension project – design and construct proposal submission due Feb 2021.

Duratec has experienced a number of delays in the award of some tendered projects, particularly in the Defence Sectors and Commercial Building, (Façade Re-Cladding), including a significant Perth-based re-cladding project, which is now expected to be awarded in the first quarter of CY21 (and which Duratec remains well placed to win).

In order to secure and perform the expected significant specialised marine infrastructure remediation and maintenance works currently being tendered, Duratec recently purchased a jack-up barge for \$1.5m. The Company has also made some minor additional investment in plant and equipment to increase operational capacity and meet expected demand.

Early Contractor Involvement (ECI)

Duratec's ECI model continues to provide an important competitive advantage. There is strong demand for the Company's experienced technical services team, creating significant future opportunities. One example is our experienced Building Façades and Cladding Team, which is often involved in the initial due diligence process leading to improved prospects of award of quality risk mitigated opportunities (including the above referenced major Perth based re-cladding project). The recent addition of spatial Integration technology to our suite of technical services is attracting considerable opportunities to create solutions for high value asset owners to manage their plant/structures in the form of visual 3D reality models and provide innovative survey solutions.

Financial Strength

The balance sheet position of both Duratec and DDRIC remain strong with low gearing and considerable headroom within existing banking facilities to allow the Company to capitalise on current opportunities and support further growth. Duratec's cash flow remains solid and consistent.

Outlook

The demand for our specialist services remains high with quality tangible opportunities identified and the ECI teams firmly engaged to convert these into secured works. The level of enquiry and tendering is very encouraging across all key sectors, providing a strong platform for the Company to secure additional contracts during the course of FY21 and beyond.

The Company has navigated CY20 with great resilience, which is testimony to the professionalism of our talented team reacting nimbly and quickly to changing environments and market conditions. Much of our works are performed in challenging and/or remote environments and it is a credit to our operational team skills and dedication that these are delivered safely, to a very high standard of quality and to the satisfaction of clients ensuring repeat business.

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About Duratec

Duratec Limited (ASX: DUR) is a leading Australian contractor providing assessment, protection, remediation and refurbishment services to a broad range of assets and infrastructure.

The company's multi-disciplined capabilities combine engineering experience with project delivery expertise and use a range of in-house assessment technologies, including 3D capture and modelling technology with predictive analysis tools.

Headquartered in Wangara, Western Australia, Duratec has fifteen branches around the country in capital cities and regional centres, delivering services across multiple sectors including Defence, Commercial Buildings, Heritage Structures, Mining & Resources, Industrial and Utilities.

Please visit www.duratec.com.au for further information.