

DURATEC



H1FY21  
ASX ANNOUNCEMENT

24 February 2021

## Strong H1FY21 results with positive outlook

Leading national remediation specialist Duratec Limited (Duratec or the Company) (ASX: DUR) is pleased to provide its results for the financial half-year ended 31 December 2020. Duratec has delivered a solid performance while navigating the challenges associated with COVID-19. This update should be read in conjunction with the statutory half-year financial statements.

### H1FY21 Financial Highlights

- Revenue<sup>1</sup> of \$124.1m, down 3.2% on the prior comparative period of H1FY20 (PCP).
- Normalised EBITDA<sup>2</sup> of \$11.7m, up 4.5% on PCP.
- Normalised EBITDA margin of 9.4%, up from 8.7% in PCP, including the DDRIC contribution.
- Good cash generation from operations and strong balance sheet with closing cash balance of \$31.0m and low debt levels.
- Received \$1.4m dividend from Indigenous JV business DDRIC

### H1FY21 Operational Highlights

- Zero lost time injuries and improved LTIFR over PCP with continued investment in people and resources to foster a culture of ZERO HARM.
- Employee numbers of 687.
- Completion of standalone finance and IT business systems with strategic roadmap for new systems under development.
- Engaged in over 1,100 projects with high quality delivery despite COVID-19 challenges and delays in the award of several tenders, particularly in Defence and Buildings & Facades sectors.
- Established and commissioned state of the art fully recyclable abrasive blast and industrial paint facility in Karratha, WA.
- Acquisition of jack-up barge to capitalise on growing marine structure remediation niche market.
- DDRIC continued to grow strongly and has a significant pipeline of work.
- Senior experienced Executive Manager Deane Diprose to relocate from WA to NSW to support growth in this region.
- Work on Hand of \$113m, excluding annuity style Master Service Agreement (MSA) contracts.

<sup>1</sup> Revenue represents income from projects performed by Duratec excluding associates.

<sup>2</sup> Proforma EBITDA means earnings before interest, tax, depreciation, amortization, transaction costs and equity from associates.

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#### DIRECTORS

**Martin Brydon**  
Non-Executive Chairman  
**Phil Harcourt**  
Managing Director  
**Chris Oates**  
Executive Director

**Gavin Miller**  
Non-Executive Director  
**Dennis Wilkins**  
Company Secretary

**Capital structure:**  
237,444,801 ordinary shares

## Outlook

- Positive indicators nationally across all sectors - key macro themes and demand drivers continue to support Duratec's organic growth strategy.
- Strong commodity prices underpin increased resource sector spending as clients continue to focus on asset life extension.
- Government infrastructure stimulus and increasing Defence sustainment spending provide key growth platforms.
- High levels of enquiry and a significant number of new tenders submitted, including key Defence, Resources and Building re-cladding projects.
- Impressive and growing pipeline - \$567m of total tenders submitted across all market sectors and \$1.93b in Identified Opportunities<sup>3</sup> well diversified across industries and geographies.
- DDRIC outlook is positive and supported by government and corporate initiatives.
- Duratec's national presence with well supported local teams positions the Company well to leverage positive tailwinds.

## H1FY21 Key Metrics

	H1FY21	H1FY20	Variance
Revenue	\$124.1m	\$128.2m	(3.2%)
Reported EBITDA	\$8.9m	\$11.4m	(22.2%)
Normalised EBITDA <sup>1</sup>	<b>\$11.7m</b>	<b>\$11.2m</b>	<b>4.5%</b>
Statutory NPAT	\$4.6m	\$6.7m	(30.3%)
Normalised NPAT <sup>1</sup>	<b>\$6.1m</b>	<b>\$6.3m</b>	<b>(2.6%)</b>

## Key operating metrics

Reported EBITDA margin	7.2%	8.9%	(19.6%)
Normalised EBITDA margin <sup>1</sup>	<b>9.4%</b>	<b>8.7%</b>	<b>8.0%</b>
Statutory NPAT margin	3.7%	5.2%	(28.0%)
Normalised NPAT margin <sup>1</sup>	<b>5.0%</b>	<b>4.9%</b>	<b>0.6%</b>

**Note 1:** Prepared on a normalised basis which exclude one-off IPO costs and Fortec contribution – refer Appendix 1 in the Company's Half-Year Results Presentation for calculations.

Commenting on the Company's H1FY21 performance, Duratec Managing Director Phil Harcourt said:

"We are very pleased with the performance and resilience of both the business and our people during the first half of the financial year. While there was a slight fall in revenue, due principally to delays in project awards and some COVID-19 related project productivity impacts. I am very encouraged by our ability to improve profitability.

Overall activity levels remained high and continue to be underpinned by positive industry fundamentals, including strong commodity prices and key infrastructure spending (both government and private sector).

Cash flow remained consistent throughout the period, with no bad debts and 97% of the total debtor balance under 60 days. Capital expenditure for the first half was \$5.9m, including the purchase of a jack-up barge for marine structure remediation to capitalise on identified opportunities in this niche market".

### Operational overview and COVID-19 update

Duratec continued to undertake key initiatives to better position the business to leverage the significant growth opportunities being presented. The Company continues to have a sharp focus on costs, Early Contractor Involvement (**ECI**) and tendering appropriately qualified opportunities. The strength of the balance sheet, together with a capital light business model, provides the financial capacity to continue to pursue and execute the Company's strategic objectives and deliver sustainable earnings.

Key industry themes and demand drivers continue to underpin the Company's operations during the period. In order to support our strategy of increased penetration of the Eastern States, Deane Diprose, a highly respected and experienced Executive Manager will relocate to NSW. Deane has particular experience in all aspects of Defence works, Building & Facades, refurbishment, other core business development and strategic planning.

The Company has performed well during the on-going COVID-19 period. Duratec has not received any JobKeeper payments, demonstrating its resilience and responsiveness to changed circumstances. Plans were implemented to minimise the impact on operations and the effects have been specific to each geographic region. WA was the least impacted, while the Eastern States have seen slower contract awards and operational efficiency impacted.

An overview of each of the Company's key operating segments is presented below:

#### Defence

Defence continues to be a key strategic focus for Duratec. The division's first half performance was generally positive, including expansion of Duratec's footprint to now be working on 37 bases nationally. Revenue for H1FY21 of \$54.1m was impacted by the 110 days of COVID-19 shutdown disruption to project delivery in Victoria. Works were still operational but with a maximum of six personnel allowed on any one site of works. Importantly profitability has been strong as we capitalise on our growing experience and professional delivery.

#### Mining and Industrial

Delivered a solid contribution nationally with \$27.6m in revenue from a variety of sites. Duratec continues to work with all the major mining companies including FMG, Rio Tinto, MIM and BHP and is well placed to secure significant structural integrity packages of works.

In response to client demand for "off-site" treatment of steelwork components, Duratec successfully commissioned a new "state of the art" fully recyclable abrasive blast and industrial paint facility in Karratha. This facility satisfied environmental considerations and will provide high quality work for greenfield major resource projects in the region.

Strong commodity prices and production volumes underpin the need for Duratec's services in extending the life of resource sector assets. There are also increasing levels of new construction in the sector adding to the overall asset base that will require services during the maintenance cycle.

## Buildings and Facades

First half revenue totalled \$15.3m nationally, with strong contribution from Perth, whilst the other States and territories contribution has been modest. Paid ECI work is underway on other significant State-owned buildings in WA and these are expected to provide solid opportunities in FY22.

Works in Sydney and Melbourne announced in December 2019 have commenced and will contribute to H2FY21. The project in Melbourne was awarded as stage one, with the potential for upside via additional stages. Both projects are strategically important to Duratec's growth ambitions in the Eastern States. The Company has recently also been awarded a project in the Sydney CBD.

## Other infrastructure

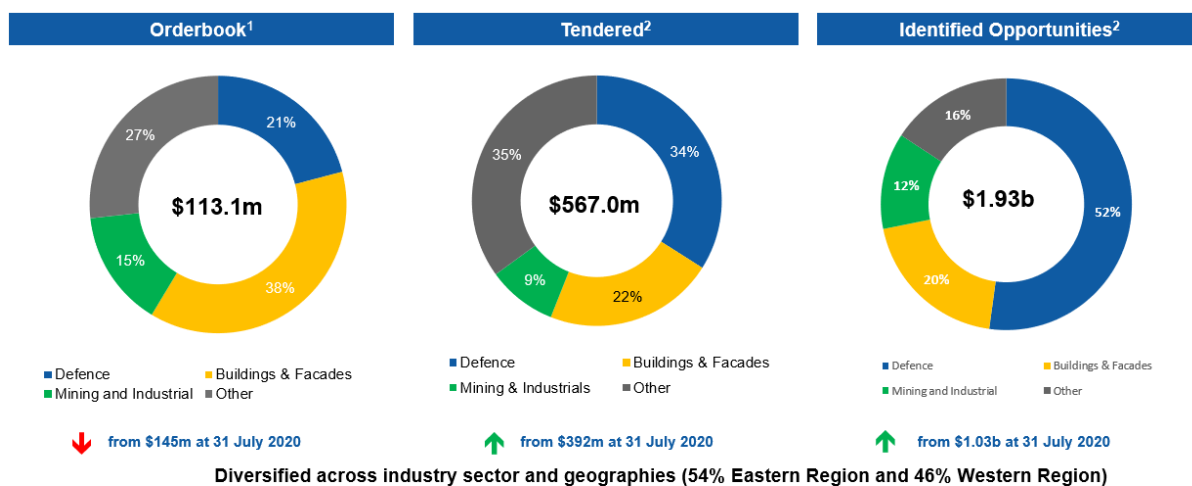
This work (including power, energy, marine, transport and water) contributed collectively \$27.1m in revenue nationally. Specific projects included wharf structure upgrades, lighthouse refurbishment, transport bridge upgrades, water & wastewater, reservoir and tank remediation projects.

## DDRIC

Duratec's indigenous company joint venture with Dundee Rock, continues to be a strong contributor to financial performance, delivering \$25m in Supply Nation Certified project works in H1FY21 principally across the Defence and resources sectors, including niche service annuity income from a Tier-1 resources client. DDRIC continues to build on its excellent market reputation, resulting in high tender win rates and repeat customers. In order to facilitate the expected growth in DDRIC, two additional Board members were recently appointed, including a female indigenous non-executive director.

## Outlook

There are positive indicators nationally across all the market sectors with key industry themes, including strong commodity prices and infrastructure spending (by both government via stimulus packages and the private sector), together with continuing demand drivers, underpinning the growth outlook for Duratec's services. Duratec's national presence with well supported local teams positions the Company very well to leverage these opportunities.



Note 1: Order book reflects Work in Hand as at 24 February 2021 and includes 50% of DEJV and 49% of DDRIC  
 Note 2: Identified and Tendered Opportunities are as at 31 January 2021 and include 50% of DEJV and 49% of DDRIC

Duratec's orderbook and pipeline continues to grow and is well diversified across industry sectors and geographies (54% Eastern Region<sup>3</sup> and 46% Western Region). Tendering volume is high with \$630m submitted to date. Duratec is very encouraged by the \$1.93b of high quality Identified Opportunities which are expected to translate into increased tendering across all key sectors. This, together with Duratec's strong balance sheet, provide an excellent platform for the Company to secure additional contracts in H2FY21 and beyond, supporting continued sustainable growth.

## Defence

The Federal Government Defence investment in sustainment of current and future capability is forecast to double to \$23.8b over the next 10 years. Duratec will continue its strategy of increasing its footprint on more bases, utilising its technical capabilities for ECI opportunities and expanding the reach into specialist niche market capability on selective infrastructure works.

## Mining and Industrial

The resource sector teams are well positioned nationally to meet the increasing demand for remediation and life extension of ageing mining and resources infrastructure. Clients are increasingly focused upon infrastructure integrity which is critical to their processes and production output.

## Buildings and Facades

Commencement of projects in the Eastern States and the increasing demand for Duratec's Technical Team for ECI, demonstrates that momentum in this sector is intensifying. Duratec's strategy is focused upon increasing its capabilities in the Eastern States and leveraging current opportunities. This market will continue to grow rapidly as more buildings in need of rectification are identified. Duratec is positioned well to capitalise on these opportunities based on demonstrated capabilities and client relationships. In relation to the Perth based major high-rise re-cladding project, the Company continues to expect it is well placed to be awarded it in the first quarter of calendar year 2021.

## Other Infrastructure

There are good signs of increased activity on energy, water & wastewater, transport and ports infrastructure in need of remediation. The Company's national footprint ensures it is well positioned geographically to win and service these opportunities.

## DDRIC

The outlook for DDRIC is very strongly associated with Government (Federal, State and Territory) and corporate IPP initiatives which are designed to increase the percentage contract spend on sustainable indigenous businesses.

The Company will remain vigilant and nimble to respond to the opportunities and challenges presented by COVID-19. Duratec will continue to focus on safety, systems, cost control, disciplined tendering (based on ECI) and quality of delivery, to grow the business sustainably and drive shareholder returns.

Authorised for release to the ASX by the Board of Directors of Duratec Limited.

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<sup>3</sup> Eastern region means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania. Western region means Western Australia and Northern Territory.

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**About Duratec Limited**

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 & Facades, Infrastructure (Water, Transport & Marine), Mining & Industrial, Power and Energy.

Please visit [www.duratec.com.au](http://www.duratec.com.au) for further information.