



DURATEC LIMITED

# FY22 RESULTS PRESENTATION

22 AUGUST 2022



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# BUSINESS OVERVIEW

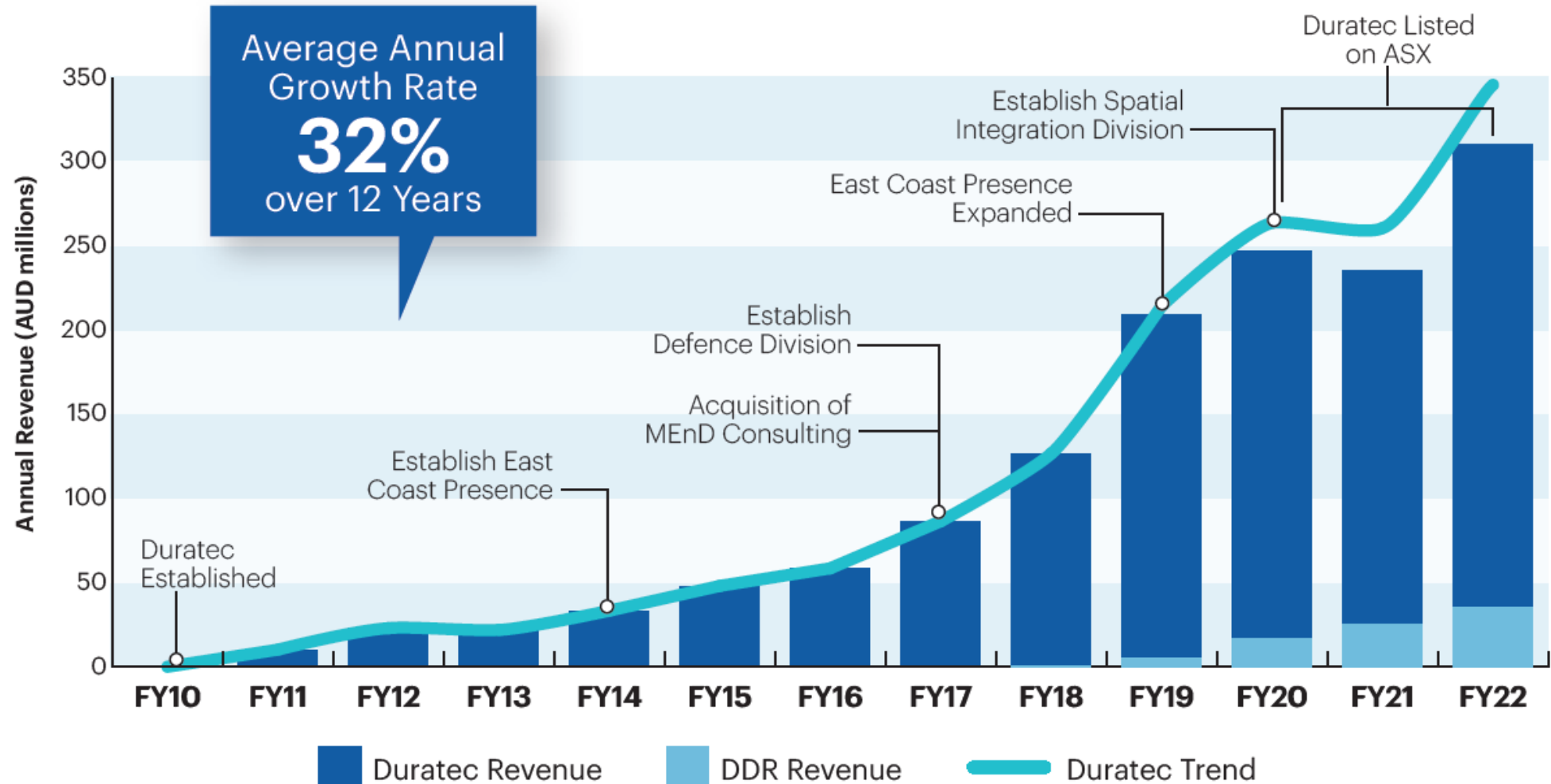
Leading Australian engineering, construction and remediation contractor

- Specialist technical expertise in upgrading and extending the life and use of infrastructure in multiple market segments
- **Key business drivers:**
  - Aged infrastructure,
  - Poor original construction (defects),
  - Asset capacity expansion,
  - Growing asset market, and
  - Stricter building codes.
- **Key market segments** supporting long-term growth:
  - Defence – increased presence on bases nationally,
  - Building & Façade,
  - Mining & Industrial, and
  - Other – Power & Energy, Marine, Transport and Water Infrastructure
- **National presence** with local teams
- **DDR associate investment** – leading majority Aboriginal-owned contractor in Defence and Resources (IPP-funded opportunities)



# BUSINESS HISTORY

## Duratec's Historic Growth



# FY22 SUMMARY

## Well positioned to deliver strong growth in FY23

### A year of contrasting halves

- Four months of COVID-19 lockdowns in H1 FY22 presented challenges and impacted on the H1 FY22 financial performance
- With more normal operating conditions in H2 FY22, Duratec recovered to deliver a strong financial result
- Duratec demonstrated resilience. State-based teams successfully navigated challenges
- Company has grown to 857 employees and strategically expanded its geographic footprint

### Gross margin of 15.6%

- Impacted by COVID-19, higher proportion of some historical lower margin projects and increased costs of doing business

### Strong balance sheet

- \$58.3m in cash and continuing low-debt levels

### Dividend

- FY22 final dividend of 1.5 cents per share (total of 2.0 cents per share for FY22), fully franked

### Outlook

- High work-on-hand and tendered-works position underpins strong growth prospects; expected to be in line with historical year-on-year growth rates



# CORPORATE SNAPSHOT

National leader with experienced board and management

## Capital Structure

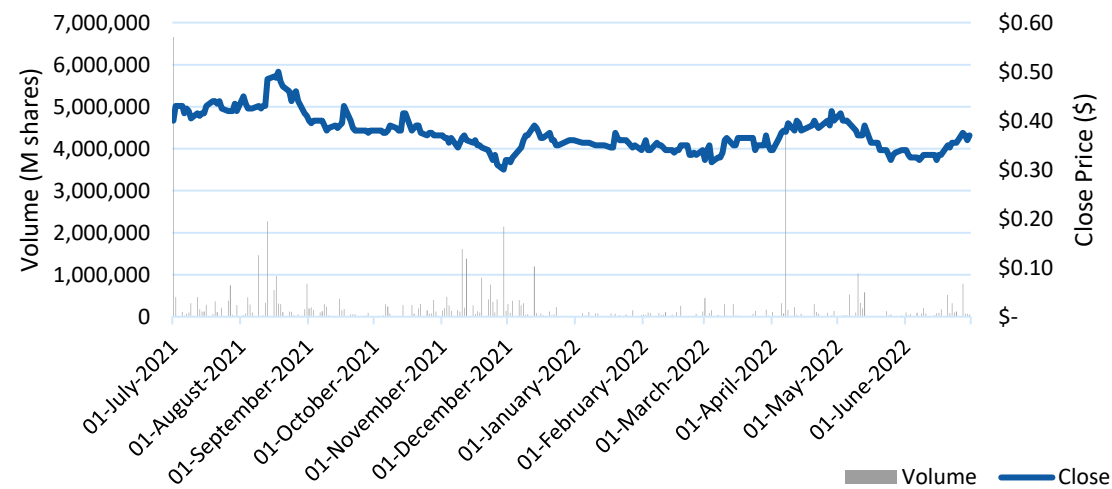
ASX code	DUR
Shares on issue	240.5m
Share price as at 19 August 2022	39.0c
Market capitalisation as at 19 August 2022	\$93.8m
Net cash as at 30 June 2022 <sup>1</sup>	\$43.5m

## Board and Senior Management

Martin Brydon	Chairman
Phil Harcourt	Managing Director
Chris Oates	Executive Director
Gavin Miller	Non-Executive Director
Dennis Wilkins	Company Secretary

**Note 1:** Comprises cash less lease and interest-bearing liabilities

## Share Price and Volume – FY22



## Substantial Shareholders

James Robert Giumelli and related entities, including Ertech (19.9%)	23.8%
Directors and senior management	39.0%



## Financial Results

# FY22 FINANCIAL HIGHLIGHTS

Resilient result in a challenging year

## Revenue<sup>1</sup>

**\$310.0m**

Up from \$235.7m in FY21

## EBITDA<sup>2</sup>

**\$19.3m**

Margin 6.2%

## NPAT

**\$7.8m**

Up from \$7.1m in FY21

## EPS

3.2 cents per share

## Dividend<sup>3</sup>

2.0 cents

Per share, fully franked

## Cash

**\$58.3m**

Net cash position of \$43.5m

## Order Book

**\$458.2m**

Up from \$236.2m in FY21

## Tenders

**\$701.0m**

Up from \$657.2m in FY21

## Pipeline<sup>3</sup>

**\$1.72b**

Down from \$2.2b in FY21

**Note 1:** Revenue excludes DDR Australia Pty Ltd (49% share)

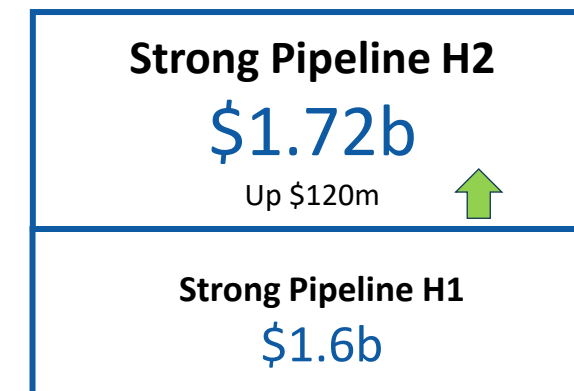
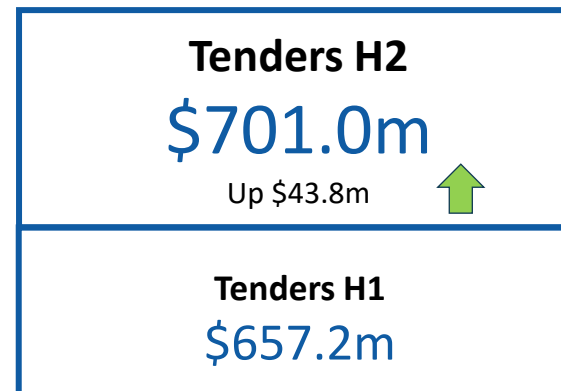
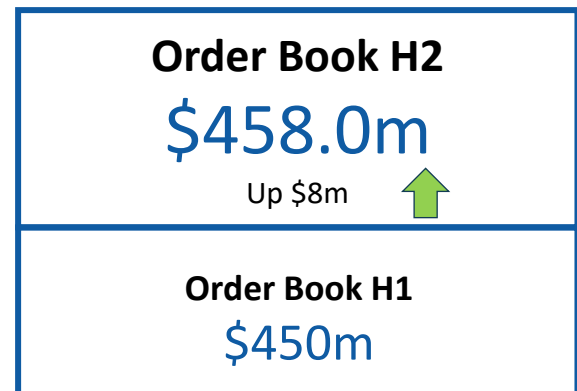
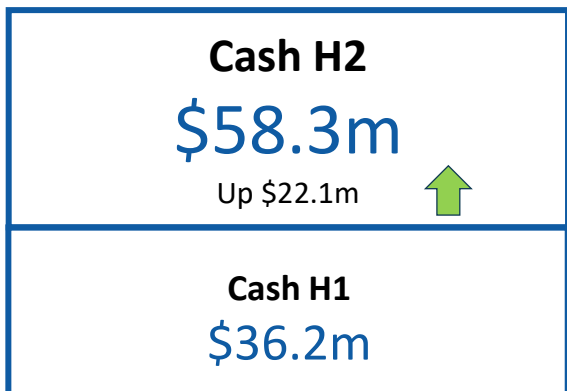
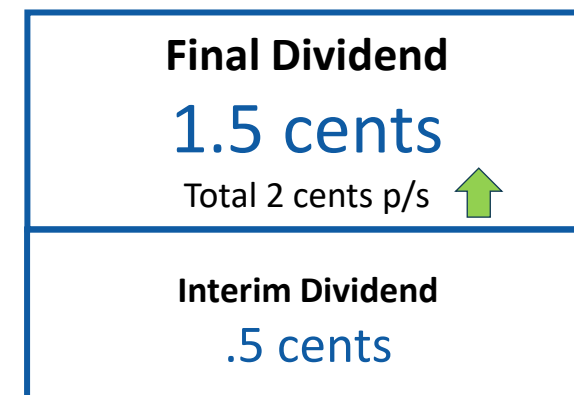
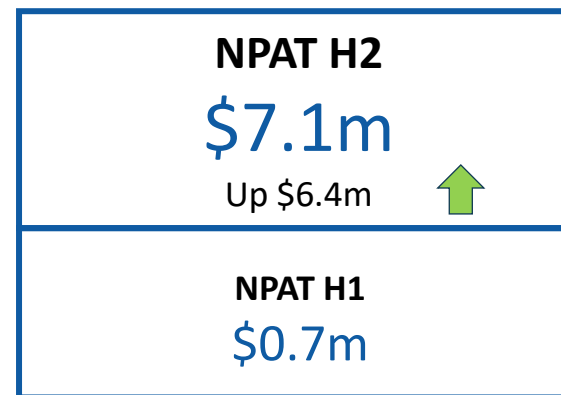
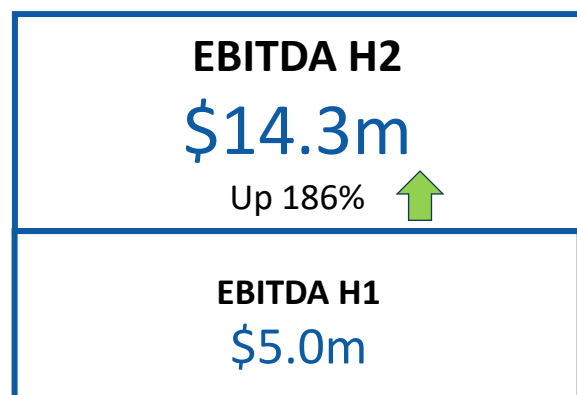
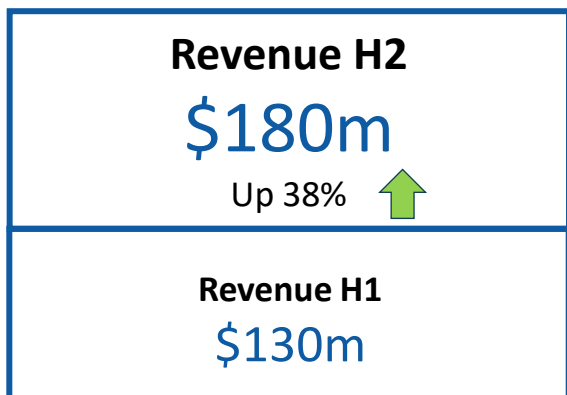
**Note 2:** Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd

**Note 3:** Interim dividend of 0.5 cents per share and final dividend of 1.5 cents per share, fully franked



# FY22 FINANCIAL RESULT COMPARISON

Very strong H2 FY22 compared with H1 FY22



# FY22 FINANCIAL RESULT

## Strong result brought about by record H2

- FY22 was a financial year of two halves.
- First half (H1)
  - Financial performance adversely affected by COVID-19 and lockdowns, particularly on the East Coast
- Second half (H2)
  - Strong recovery in financial performance and a return to normal market conditions
- DDR Australia (associated investment) provided a solid contribution with revenue and earnings up from FY21
- Strong balance sheet with \$58.3m cash and strong cash flows from operations (net cash \$43.5m)

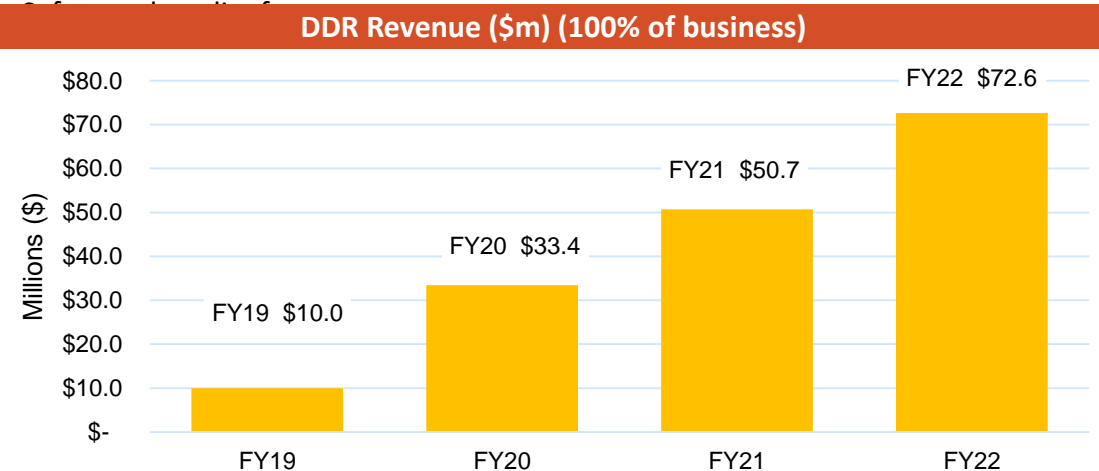
	FY22	FY21	Variance
Revenue	\$310.0m	\$235.7m	31.5%
Reported EBITDA	\$17.8m	\$15.9m	11.9%
<b>Normalised EBITDA<sup>1</sup></b>	<b>\$19.3m</b>	<b>\$18.8m</b>	<b>2.6%</b>
Statutory NPAT	\$7.8m	\$7.1m	9.8%
<b>Normalised NPAT<sup>1</sup></b>	<b>\$7.8m</b>	<b>\$8.6m</b>	<b>(9.3%)</b>
<b>Key operating metrics</b>			
Reported EBITDA margin	5.7%	6.8%	(16.1%)
<b>Normalised EBITDA margin<sup>1</sup></b>	<b>6.2%</b>	<b>8.0%</b>	<b>(22.5%)</b>
Statutory NPAT margin	2.5%	3.0%	(16.6%)
<b>Normalised NPAT margin<sup>1</sup></b>	<b>2.5%</b>	<b>3.7%</b>	<b>(32.4%)</b>

**Note 1:** Prepared on a normalised basis which excludes one-off IPO costs and Fortec contribution

# DDR AUSTRALIA PTY LTD (DDR)

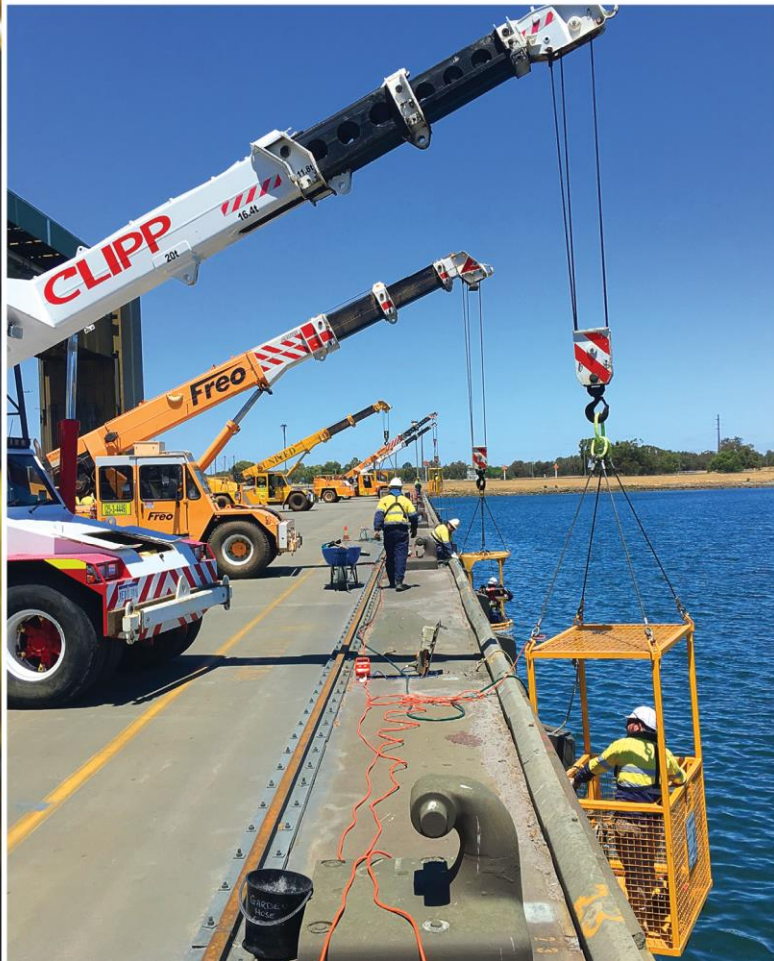
## Significant contributor in FY22

- Equity accounted investment owned by Duratec (49%) and Hutcheson & Co Holdings Pty Ltd (51%)
- Provides meaningful work and training opportunities to Aboriginal and Torres Strait Islander peoples
- Delivered \$72.6m in Supply Nation-certified project works in FY22
- Spent \$7.7m with Supply Nation-certified suppliers
- Dedicated leadership team strengthened by additional key appointments
- Diverse workforce with 27% Aboriginal staff and 48% women
- Increased focus on project pipeline forecasts and diversification of services



### FY22 Highlights

- Strong FY22 performance with NPAT increasing 30%, delivering \$1.5m dividend to Duratec
- Current work-on-hand of \$41.3m and \$286m of identified opportunities
- Outlook remains very positive, expectation of sustained financial performance



## Operational Highlights

# FY22 PROJECTS DELIVERY

## Key sector and project overview

### Core Service Offerings



#### ENGINEERING

Our industry professionals provide rapid and accurate diagnosis of asset condition and degradation, including cost-effective durability solutions.



#### REMEDIATION

We offer the complete range of remediation services including responsive, scheduled and performance-based maintenance programs.



#### CONSTRUCTION

As a licensed builder in all states, we offer design and construction services to replace structures that have reached the end of their serviceable life.

### FY22 Projects

#### Defence

RAAF Base Richmond works, Fisherman's Bend building refurbishment, Gallipoli Barracks fuel installation works, HMAS Stirling works, Oakey fire safety, RAAF Pearce building & electrical, RAAF Williamtown building & civil, RAAF Point Cook building works, ACT Cadets Accommodation Refurbishment.

#### Building & Facade

Woolworths Building Sydney, QV Building Melbourne and Central Park Facade refurbishment.

#### Mining & Industrial

Boddington blast & paint services, Yandi structural works, Yara fertiliser plant maintenance and MIM concrete repairs.

#### Power & Energy

Mt Piper Power Station, Western Sydney Airport Aviation Fuel Hydrant Line

#### Marine Infrastructure

Flinders Ports and TasPorts remediation works.

#### Transport Infrastructure

Cockle Creek Bridge refurbishment and Dunbogan Bridge rehabilitation.

#### Water Infrastructure

Roof replacement for Power and Water Corporation, Mugga Reservoir roof replacement and repair, and Gold Coast Desalination corrosion mitigation.

# HSECQ OVERVIEW

## Continuous improvement and working towards best practice

- 2 Lost Time Injury (LTI) recorded in FY22
- Established Safety Culture Committee to escalate and address issues across the business
- Mental Health First Aid Training ongoing to better equip team leaders
- Federal Safety Accreditation
- Implementation of new systems to improve efficiency and effectiveness
- Introduced a Safe Start initiative to the workforce supporting personal risk assessments

Period	LTIFR	TRIFR	AIFR	Hours Worked
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400
FY21	0.00	6.07	55.76	1,811,255
FY22	0.98	7.81	72.71	2,048,952



# SECTOR OPERATIONAL OUTLOOK

## Strong activity across key sectors

### Defence

- Sustainment spending forecast to increase to \$24b by FY30

### Mining & Industrial

- Teams well positioned nationally to meet increasing demand for remediation and life extension of ageing infrastructure
- Clients increasingly focused on infrastructure integrity which is critical to their processes and production output

### Building & Facade

- Good momentum with increasing demand for Duratec's Technical team and ECI in projects
- Flammable cladding replacement programs continue to gain momentum nationally
- Duratec is currently carrying out 17 building facade projects nationally (5 west, 12 east)

### Other infrastructure

- Increased activity in energy, water & wastewater, & transport ports infrastructure

### DDR

- Outlook supported by federal and state government along with corporate IPP initiatives

### People

- Has grown employee base to capitalise on and execute growth opportunities





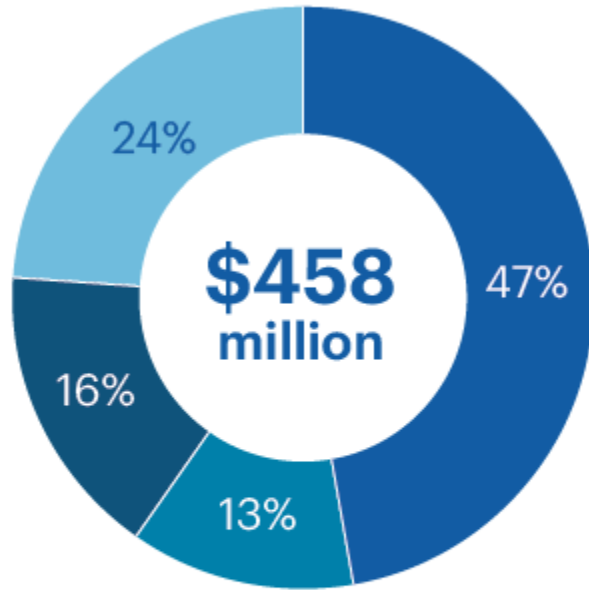
## Outlook



# ORDER BOOK AND PIPELINE

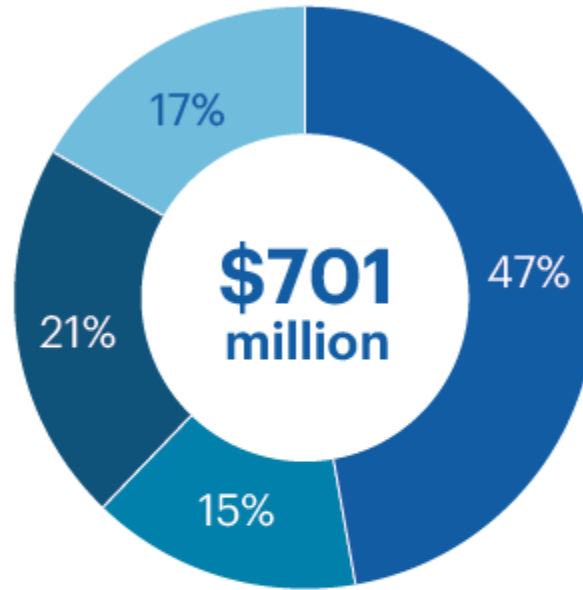
Diversified across industry sector and geographies, and growing

Figure 5. Order Book



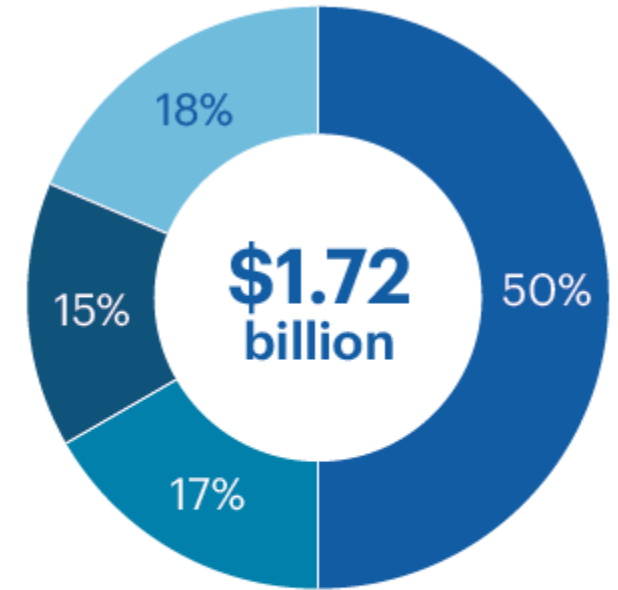
▲ from \$236.2m  
at 31 July 2021

Figure 6. Tenders



▲ from \$657.2m  
at 31 July 2021

Figure 7. Pipeline



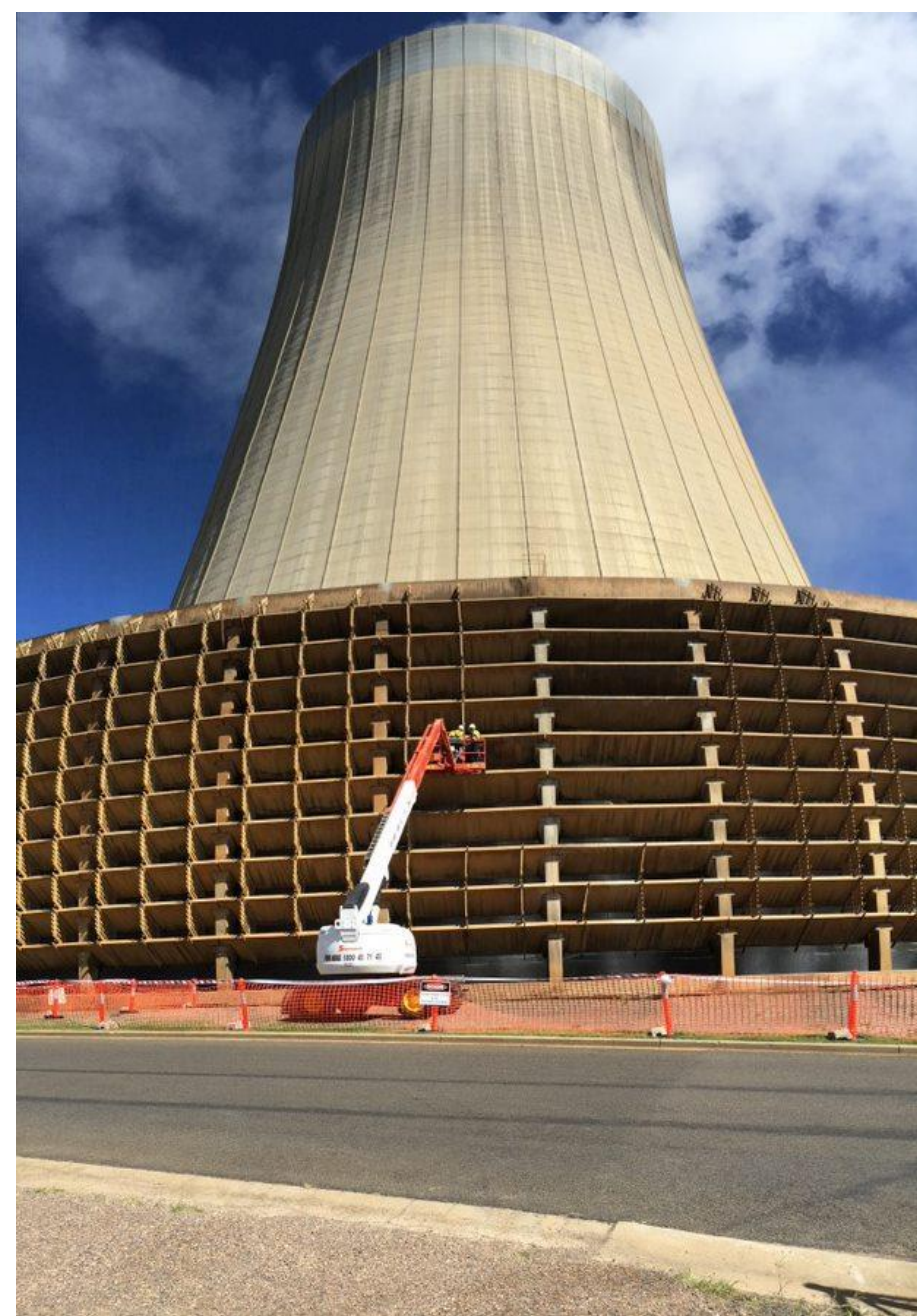
▼ from \$2.2b  
at 31 July 2021

■ Defence ■ Buildings & Facades ■ Mining & Industrial ■ Other

# POSITIVE BUSINESS OUTLOOK

## Well positioned for growth in FY22

- Key macro themes and demand drivers that support Duratec's organic growth continue in all market segments and geographical locations
- People
  - Duratec's employees are integral to our success
  - Attracting and retaining employees of a diverse workforce is important to our productivity
- High work-on-hand and pipeline of tangible opportunities
- Well diversified to further capitalise on identified opportunities
- Robust balance sheet and operational capability to support growth strategy and operational leverage
- Focus on disciplined evaluation of potentially complementary acquisition targets
- Continued focus on safety, systems and disciplined tendering (based on ECI)
- Continued low capital expenditure model
- Normalised operating conditions are expected to lead to strong year on year growth, underlying profit and cash generation growth





# Case Studies

# Central Park Project - Perth

## Building & Facade refurbishment underway

### › Scope

- Full facade enhancement by way of removal of circa 26,000sqm of facade panels from the spandrel, columns, parapets and lift overrun zones.
- Replacement of all facade panels introducing tonal colour variations of metallic warm grey that will diffuse a golden hue to the spandrel, column, parapets and lift overrun.
- Introduce new lighting to the structural elements of the tower.
- Additional structural strengthening to the facade.
- Curtain wall system including new insulation and sarking.
- Works to be completed by installing temporary access decks above the podium to allow unimpeded access and egress for the building operations.
- Use of multiple mast climbers working concurrently across all elevations of the project to remove and install the cladding system.

