

# ASX ANNOUNCEMENT

24 November 2023

## 2023 AGM – CHAIR ADDRESS & MANAGING DIRECTOR ADDRESS

Australian engineering, construction, and remediation contractor Duratec Limited (**Duratec** or the **Company**) (ASX: DUR) is pleased to provide the Chair address and the Managing Director address for the Company's 2023 Annual General Meeting being held today, Friday 24 November 2023.

Authorised for release to ASX by Dennis Wilkins, Company Secretary.

- ENDS -

<p><b><u>Investor/Media Relations</u></b>  NWR Communications  Ben Larson  <a href="mailto:benl@nwrcommunications.com.au">benl@nwrcommunications.com.au</a>  +61 439 789 842</p>	<p><b><u>Company Secretary</u></b>  Duratec Limited  Dennis Wilkins  +61 417 945 049</p>
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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 20 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.

This release contains certain forward-looking statements and forecasts, including in relation to possible or assumed future performance, costs, dividends, rates, prices, revenue, potential growth of Duratec Limited, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Duratec Limited. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements, depending on a variety of factors.

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# ASX ANNOUNCEMENT

24 November 2023

## 2023 ANNUAL GENERAL MEETING CHAIR AND MANAGING DIRECTOR'S ADDRESS TO SHAREHOLDERS & PRESENTATION

### **Non-Executive Chair of the Board of Directors, Mr Martin Brydon's address:**

FY23 was a very successful year for Duratec. We delivered a strong profit performance on the back of a solid second half of FY22.

FY23 full year revenue of \$491.8 million with normalised EBITDA of \$38.8 million was a record result for Duratec, and we are particularly pleased that all the geographic markets in which we operate contributed to that outcome.

We operate in several different sectors that have different business cycles and are geographically spread across all States and Territories in Australia. This diversity of portfolio provides greater consistency of earnings year-on-year while also reducing the risk of significant adverse outcomes.

In FY23 we completed the acquisition of Wilson's Pipe Fabrication Pty Ltd (WPF), which provided Duratec access to a new market sector, as well as access to maintenance and remediation opportunities within the Energy market sector. The WPF acquisition was the first substantial acquisition by Duratec as a company, and there has been a keen focus on the integration of the WPF team within Duratec. This is progressing incredibly well and remains a key focus of Duratec. Phil will provide more detail on this in his address.

We finished FY23 with a strong balance sheet. We achieved this by our commitment to operating a capital light business with solid reliable cash generation. This allows for the consistent delivery of dividends to our shareholders while continuing to provide the option for growth through further synergistic, bolt-on and complementary acquisitions.

The first quarter of FY24 has delivered results in line with our expectations as we continue to maintain a keen focus on profit margin and follow our core belief that simply winning work to keep busy is not the objective.

I would like to thank the Board, all employees and our valued shareholders for your support in FY23 and your continued support for our business.

Before turning to the formal part of today's proceedings I refer to today's Stock Exchange announcement that Phil Harcourt has decided to step down from the position of Managing Director from 1 December this year. Chris Oates has agreed to take on the role of Managing Director from that time. The Board is very pleased that Phil has agreed to accept an invitation to remain on the Board as a Non-Executive Director.

#### **HEAD OFFICE**

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ABN 94 141 614 075  
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Martin Brydon - Non-Executive Chairman  
Phil Harcourt - Executive Director, Managing Director  
Chris Oates - Executive Director, General Manager  
Gavin Miller - Non-Executive Director  
Krista Bates - Non-Executive Director  
Dennis Wilkins - Company Secretary

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On behalf of myself and the Duratec Board, I would like to thank Phil for his leadership and guidance as Managing Director, in shaping Duratec's growth from inception, to become the leading Australian contractor of choice for asset assessment, protection, remediation, and specialised construction services to a broad range of industry sectors.

Phil's contribution to the Company has been significant, and we look forward to his ongoing guidance as a Non-Executive Director on both the Duratec and DDR Boards, while also wishing him all the best for the future.

The Duratec Board unanimously supports the appointment of Chris Oates as Managing Director, and we are excited for the future of our Company under Chris's leadership. Congratulations on your appointment Chris.

I will now turn to the formal part of today's proceeding.

### **Managing Director, Mr Phil Harcourt's address:**

Good morning, everyone. I would like to extend a warm welcome to all of you for attending the Annual General Meeting of Duratec Limited today. FY23 was a period of disciplined organic growth for Duratec, coupled with the acquisition of WPF in October 2022, which enabled Duratec access for the first time to maintenance and remediation opportunities within the energy sector. Operating conditions were more favourable than in FY22. Consequently, Duratec's FY23 operating and financial results reflected a strong return to growth in revenue and underlying earnings.

Duratec closed the year with total revenue of \$491.8m, (excluding \$33m from DDR Australia), up 58.6% from the FY22 revenue of \$310m. Normalised earnings before interest, tax depreciation and amortization (EBITDA) in FY23 was \$38.8m, (i.e., 7.9% of revenue), up 101% from FY22 EBITDA of \$19.3m. Consolidated net profit after tax (NPAT - inclusive of contribution from associates) was \$19.2m compared with \$7.8m in FY22.

With this growth, employee numbers have increased from 857 in FY22 to 1,173 in FY23. A total of 1,944 projects were undertaken including 10 with a contract value greater than \$20m. It was very pleasing to deliver these strong results, which demonstrate the business capabilities.

In general, we continue to experience favourable operating conditions, with key business drivers operating in all the market sectors the business services. Pleasingly, the first quarter of FY24's financial results have tracked in line with our expectations. We are currently successfully delivering 450 projects, six of which have contract values greater than \$50m and are in the main progressing as expected.

These projects include:

- Central Park Building recladding, (\$63m), which is now 72% complete.
- RAAF Base Tindal Fuel Facility, (\$110m), 70% complete.
- Western Sydney Airport Fuel Ring main, (\$50m), 93% complete.
- HMAS Stirling Oxley Wharf Extension, (\$41m), 80% complete.
- BHP Berth C&D Remediation, (\$48m), 40% complete, and
- HMAS Coonawarra Harbour Works (\$100m), 32% complete.

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We continue to experience, international shipping supply chain reliability issues. These have been ongoing since 2020, leading to impacted delivery of overseas manufactured goods on three of the major projects, necessitating delay claims. Furthermore, inflation is a challenge common to all businesses and this impacts labour, material, and consumable costs. To mitigate risks of impact upon gross margins we remain aware of the need to making appropriate allowances/clarifications at tender stage for material and labour price increases throughout the delivery period of project opportunities we bid. We also ensure any Master Services Agreements (MSA's) include provision for negotiation of rate increases.

In terms of staff retention and labour shortages, our mitigation measures include utilising local resources, implementing recruitment incentives, long-term and short-term financial incentives, placing more focus on training and career development, improved workplace flexibility and in some cases greater utilisation of sub-contractors. We also pursue sourcing labour from other jurisdictions to assist on projects where possible.

We do not forecast any significant change to current operating conditions in the foreseeable future but remain ever watchful and nimble to respond to both positive and negative changes to ensure long-term sustainability. Given the increasing demand for upgrading, repurposing, refurbishing and remediation of an increasing stock of aged assets nationally in all our addressable markets, we are optimistic about Duratec's future as we complement our diverse specialist services and pursue new growth opportunities. We will continue our organic growth strategy along with a disciplined targeted complementary acquisition strategy.

Encouragingly, with the number of available opportunities, current bid and tendering work volume is high and we can be very discerning in the selection of those that have the higher likelihood of successful award. The value of work tendered and not yet awarded has risen to \$1.02bn and we have strong expectations for some significant project awards in coming months.

In terms of outlook growth, the Defence sector, which represents circa +45% of our revenue, is expected to continue to grow based upon our proven capability and the continuation of the Federal Government spend on Defence of 2.2% of GDP. The total addressable market in the sustainability sector is circa \$17bn in FY24. Current indications are for an accelerated spend to meet the requirements of the \$8bn AUKUS program, enabling Virginia Class nuclear submarines to berth at HMAS Stirling in 2027. Duratec has demonstrated a proven track record in the successful delivery of marine structures, engineering, construction, and remediation capability at HMAS Stirling to assist the Department of Defence's program of works, as demonstrated by the successful delivery of the Armament Wharf extension project, the ongoing successful delivery of the Oxley Wharf extension project and the recent award of a \$1.3m Early Contractor Involvement (ECI) contract for the planning phase of the NCIS-4C Parkes Wharf Extension project, with its joint venture partner. Furthermore, Duratec is strategically well placed to secure additional major projects in Northern Territory (NT) and on the eastern seaboard where increased Defence investment is occurring.

The Mining and Industrial sector, with a total addressable market of \$34.7bn, containing significant aged infrastructure essential for maintaining output to its markets, is expected to continue to require structural integrity audits and upgrades for many years to come. This includes both inland mine site infrastructure and port load out marine structures. We foresee increased use of our ECI 3D reality modelling digitising asset techniques enabling clients to have increased visibility, easily accessible accurate records, and understanding of structure condition to be able to then perform time saving desktop assessments.

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This will provide transparent, auditable data driven decision making. As increased investment continues in new mines and refineries, particularly for the production of lithium, nickel, gold, cobalt, copper, and rare earth materials, Duratec has a secure future in upgrading and maintenance of these assets.

The Buildings and Facades sector, has a total addressable market of circa \$11.0bn, inclusive of combustible cladding replacement, remediation of aged building facades, and repair of buildings that contain construction defects. Our focus is on pursuing visible tangible opportunities comprising significant private sector and state government buildings providing a pipeline for many years to come. We are being very discerning in this sector to engage with the sophisticated clients who value the Early Contractor Involvement (ECI) model to assist identification of latent conditions and evaluate constructability aspects.

Energy with a total addressable market of \$5.0bn, is a clear growth area for the business, following successful delivery of the \$50m Western Sydney International Airport passenger terminal Aviation Fuel reticulation network construction project and many others. Fuel security is a key focus in Australia, and we will be pursuing more opportunities in this sector.

The outlook for refurbishment of existing port marine structures, bridges, water, and wastewater infrastructure, in the Other market sector remains strong as evidenced by recent bid and tendering activity.

WPF has provided direct access into a new addressable market, namely energy, with a proven track record of successful delivery of bespoke mechanical services, including servicing and upgrading exploration drill rigs, and decommissioning of ageing offshore infrastructure and maintenance associated with the National Offshore Petroleum Safety and Environmental Management Authority. We are actively expanding this business to service energy assets in the Northern Territory and potentially eastern states via our geographical footprint. WPF also supports our fuel infrastructure growth strategy and so we anticipate strong growth from WPF in FY24 and beyond.

MENd Consulting is key to Duratec's in-house technical services ability. Demand for Duratec's specialist team of engineers, surveyors, scientists, and consultants will continue to grow, including their diverse range of clients from all market sectors. Appetite from clients and sectors relates to understanding the condition of infrastructure assets and obtaining appreciation of future operational expenditure. To meet this demand Duratec has invested in technology to capture and report data in a more efficient and reliable manner.

Data capture techniques include use of drones and custom build remote controlled vehicles to take high resolution images and mobile LIDAR scans. This can be combined with precise survey data, terrestrial laser scanning and thermal imaging to accurately reconstruct the asset into a 3D reality model. The modelling is further enhanced by application of in-house developed 'Annoview' software which enables an end-to-end Digital Defect Management solution. Coupling this offering with in-house non-destructive testing, material sampling and laboratory services provide reliable analysis of a structure's condition. In conjunction with our 3D reality models, we present a detailed report that includes risk-based prioritisation methods to define accurate remediation scoping and estimation options, enabling asset owners to make well informed decisions. This ECI model also enables Duratec operations to secure and effectively deliver many remediation contracts. Utilising our Digital Defect Management strategy, we can deliver projects more efficiently and while reducing commercial and technical risk. Duratec's strategic, in-house technical work and healthy pipeline of opportunities provides clear insight and support for ongoing growth expectations in asset remediation and rehabilitation in FY24 and beyond.

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DDR Australia is rebounding from a challenging FY23 with increased project awards and the expectations are for solid growth in revenue and underlying profitability in FY24 albeit likely to be just below the FY22 result. This is evidenced by increased activity in the Defence sector following last year's slowdown in the Estate Works programme and recent project awards. Despite this increase in demand, to overcome DDR's heavy reliance upon Defence, steps have been taken to diversify the business into other sectors and explore options for other capabilities. Accordingly, we are very positive about DDR's outlook.

Looking forward, we are encouraged by the tangible activity of key business drivers in all market sectors we service nationally. This is supported by a five-year outlook plan created by our business development team. The pipeline's inputs were sourced from key clients in defence, energy, mining and industrial, buildings and facade, ports, transport, and fuel infrastructure spaces. This provides Duratec with strategic foresight that advises investment decisions and informs geographic positioning of resources in response to skill sets and market sector demands.

From a total addressable market of circa \$45bn, the business currently has conservatively \$3.28bn in opportunities that are actively being pursued. Demand for our services is strong. We commenced FY24 with a strong order book of \$411m, (excluding \$60m to \$70m in master services agreement works which are expected to be delivered). We are confident in converting many identified opportunities throughout the balance of FY24 and beyond.

Duratec has a demonstrated history of organic growth. This strategy will continue in FY24. Complementing organic growth, Duratec is undertaking an ongoing disciplined evaluation of potential acquisition opportunities that are regularly identified and critically reviewed. The acquisition of Wilson's Pipe Fabrication (WPF) is an example of a successful, carefully considered acquisition. WPF have a complementary service offering, high growth potential and is earnings accretive. We will consider repeating a similar acquisition model under the right circumstances.

In terms of guidance, Duratec's FY24 revenue, (including WPF), is expected to be in the range of \$570m to \$610m (FY23 \$491.8m), delivering a forecast EBITDA of \$45m to \$52m (FY23 \$38.8m).

As evidenced by our ability to maintain a strong work-on-hand position, with secure conversion this financial year we are well positioned to deliver a solid result in FY24 and beyond.

Today, I announce my decision to retire and step down from the role of Managing Director for family reasons. This was something I had been considering for some time and had been formulating a succession plan with the board as per the terms of my employment agreement. Since founding the business in 2010 with Chris Oates and Deane Diprose, and the support of the Ertech Board, it has been a very exciting, challenging and very rewarding experience and I would like to thank both Chris and Deane and all who joined and supported us on this journey, many of whom have worked with us for nearly 30 years. Furthermore, I would also like to acknowledge the invaluable support from the Duratec Board and of course my wife Denise.

It is with confidence that I entrust the role of Managing Director to the very capable hands of Chris Oates, who will be supported by a loyal and talented executive team and group of employees.

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I am pleased to have been invited to remain on the Boards of both Duratec Limited and DDR Australia as a non-executive director and look forward to providing both companies the benefit of my experience with Board invited bid and tender reviews and corporate governance. I will also remain a substantial shareholder of Duratec, a business that is well positioned for further sustainable long-term growth while continuing to foster the business culture and fundamentals, we established 13 years ago.

I would like to thank the Board, the Leadership team, all employees, our valued clients, and suppliers for their continued support. Finally, I would like to thank you, our valued shareholders, for your ongoing support of Duratec.

This completes my address. I will open the meeting to questions relating to my operational update.

Authorised for release to the ASX by the Managing Director of Duratec Limited.

- ENDS -

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# OPERATIONAL UPDATE

Phil Harcourt  
(Managing Director)



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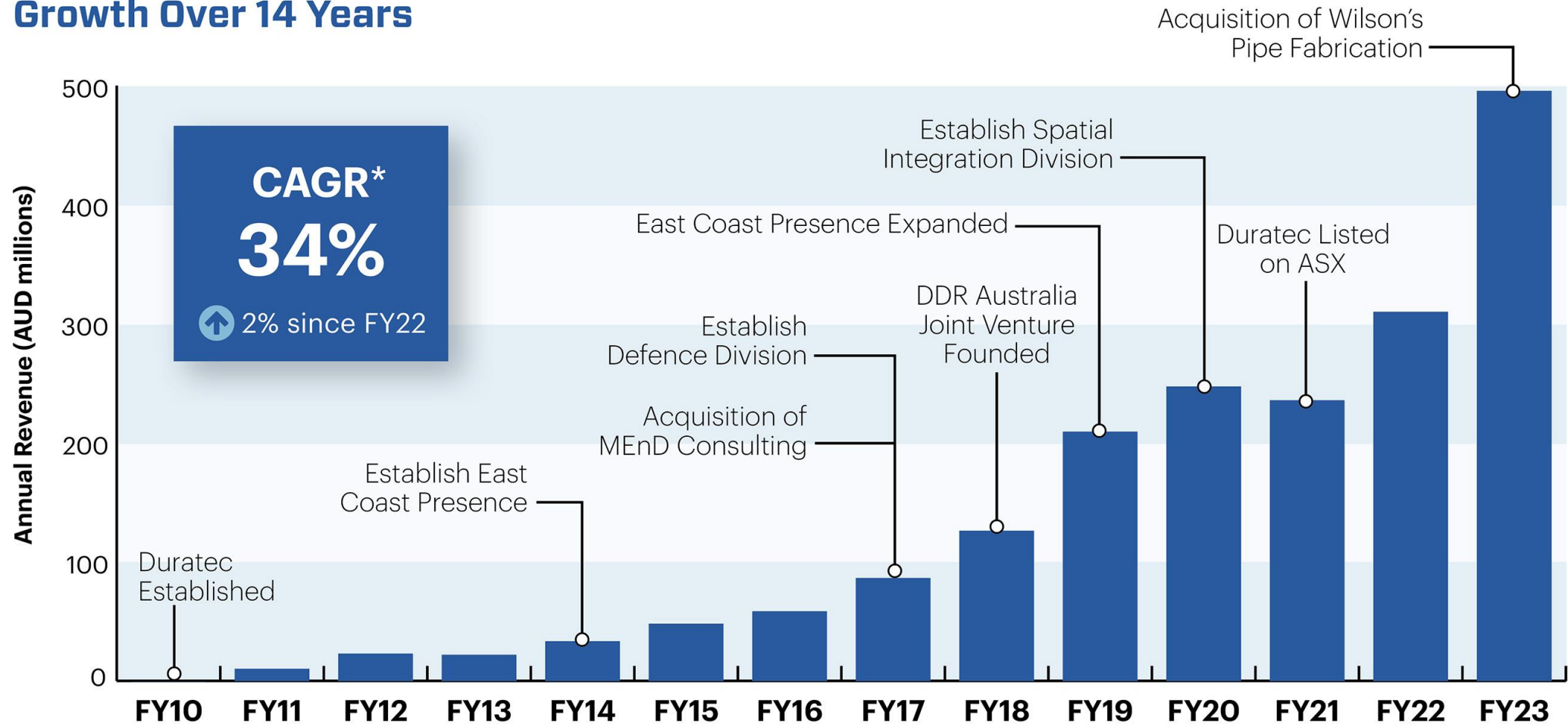
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# FY23 ANNUAL GENERAL MEETING

## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

### Growth Over 14 Years



\* Compound Annual Growth Rate over 14 Years

# FY23 ANNUAL GENERAL MEETING

## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

	FY23	FY22	Variance
Revenue	\$491.8m	\$310.0m	58.6%
Reported EBITDA	\$38.1m	\$17.8m	114.0%
<b>Normalised EBITDA<sup>1</sup></b>	<b>\$38.8m</b>	<b>\$19.3m</b>	<b>101.0%</b>
Statutory NPAT	\$19.2m	\$7.8m	146.2%

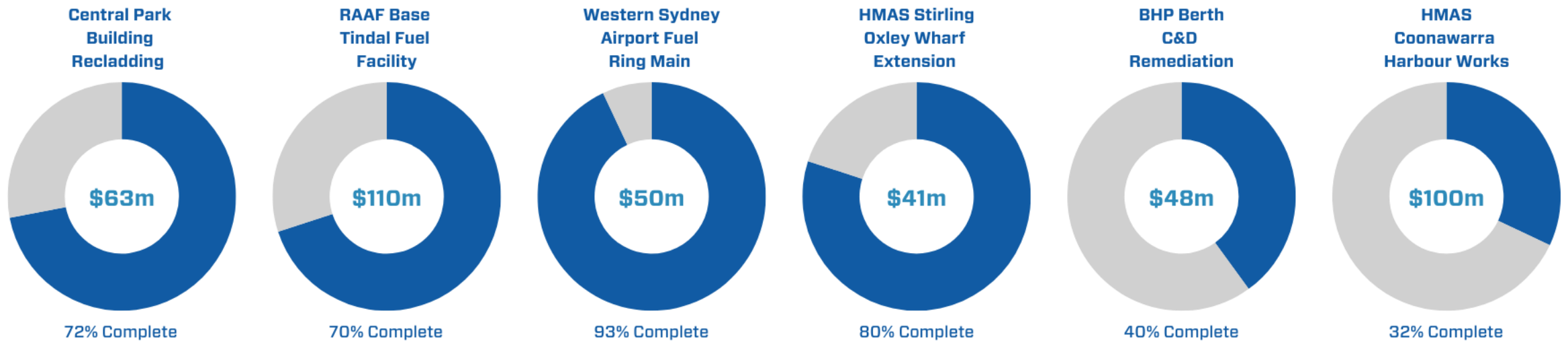
### Key operating metrics

Reported EBITDA margin	7.7%	5.7%	34.9%
<b>Normalised EBITDA margin<sup>1</sup></b>	<b>7.9%</b>	<b>6.2%</b>	<b>26.7%</b>
Statutory NPAT margin	3.9%	2.5%	55.2%



# FY23 ANNUAL GENERAL MEETING

## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

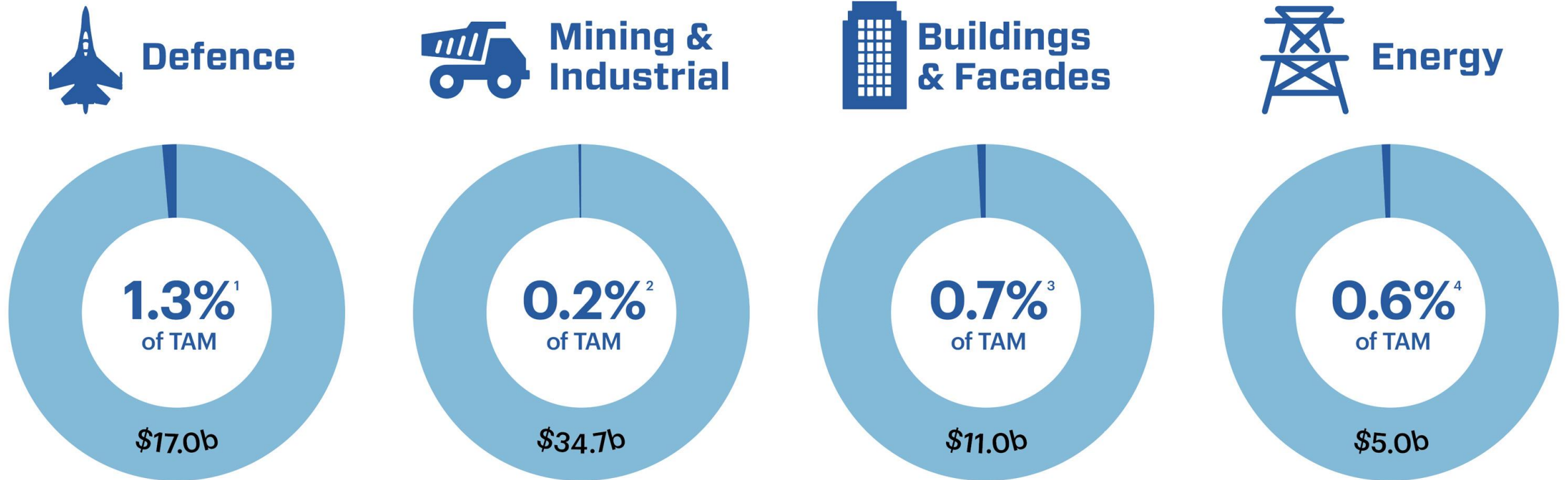


Notes: Central Park: Duratec ASX releases 'Duratec executes LOI for \$63m major façade refurbishment' dated 9 March 2021 and 'Market update – record orderbook and tendered works' dated 2 June 2021; RAAF: Duratec ASX release 'Duratec Secures \$110m Defence Subcontract' dated 13 December 2021; Western Sydney Airport: Duratec ASX release 'Duratec Secures \$50m Energy Contract' dated 12 November 2021; HMAS Stirling: Duratec ASX releases 'Duratec secures \$53m contract' & 'Clarification – Duratec secures \$53m contract' dated 13 August 2021; BHP: Duratec ASX release 'Duratec secures \$48m Wharf Remediation Contract' dated 20 December 2022; HMAS Coonawarra: Duratec ASX release '\$100m Wharf and Harbour Basin Upgrade Contract Secured' dated 23 January 2023.



# OUTLOOK

## MANAGING DIRECTOR'S – OPERATIONAL UPDATE



<sup>1</sup> Duratec achieved FY23 Defence sector revenue of \$229m. Defence TAM sourced from Department of Defence sustainment spend detailed in the Department of Defence 2020 Strategic Update

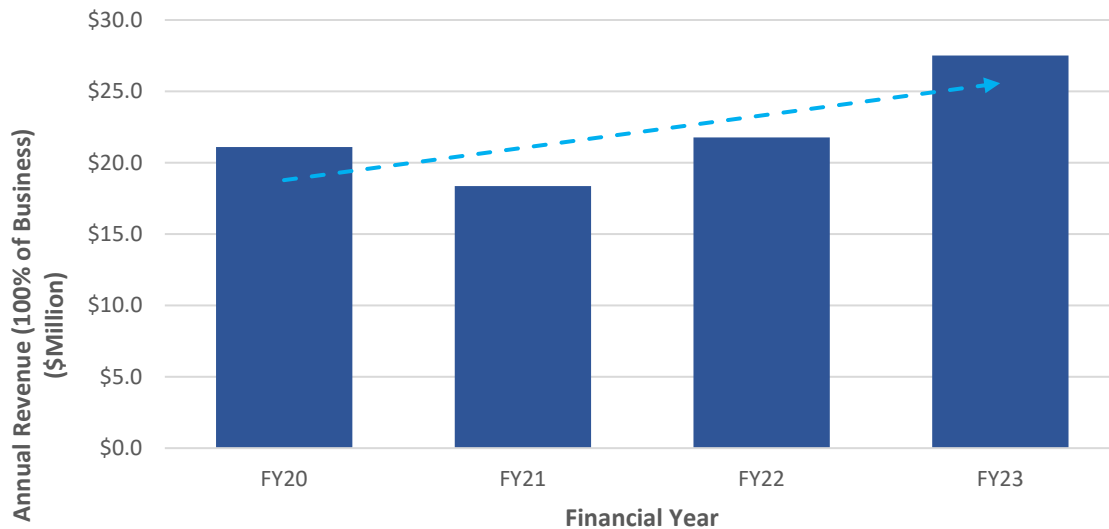
<sup>2</sup> Duratec achieved FY23 Mining & Industrial sector revenue of \$86.4m. Mining TAM sourced from Australia Bureau of Statistics Actual Expenditure by Type of Asset and Industry February 2020 and Industrial TAM sourced from IBIS World Industry Report. Infrastructure Maintenance Services in Australia February 2020

<sup>3</sup> Duratec achieved FY23 Buildings & Facades sector revenue of \$78.4m. Buildings & Facades TAM sourced from Australian Facilities Management Services report and information published

<sup>4</sup> Duratec achieved FY23 Energy and WPF sector revenue of \$74.1m. Energy TAM sourced from BIS Oxford Economics, ABS (August 2023)

MANAGING DIRECTOR’S – OPERATIONAL UPDATE

- Acquisition of 100% of Wilson’s Pipe Fabrication (WPF) on 20 October 2022.
- Acquisition has given Duratec access to maintenance and remediation opportunities within the energy market segment.
- New opportunities in the energy market segment to support growth in revenue and underlying earnings.
- Dedicated leadership team strengthened by additional key appointments from Duratec Limited.



FY23 Highlights

- Solid FY23 growth in Revenue of 26.3%
- Current work-on-hand of \$5.9m, under annuity client contracts
- Outlook remains very positive, with expectation of sustained financial performance
- Investment in workforce to support growth with 45 new employees

1. Duratec ASX releases ‘Strategic Acquisition of Wilsons Pipe Fabrication’ and ‘Presentation – Acquisition Wilson’s Pipe Fabrication dated 10 October 2022



## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

- Duratec's in-house technical service is MEND Consulting (wholly owned subsidiary)
- Key focus is the protection and rehabilitation of the built environment.
- Experience in inspected clients' structures around Australia and Asia
- In-house 3D realty modelling for front end asset integrity and reliability services
- Opportunity to take MEND's service international with interest from existing Duratec clients

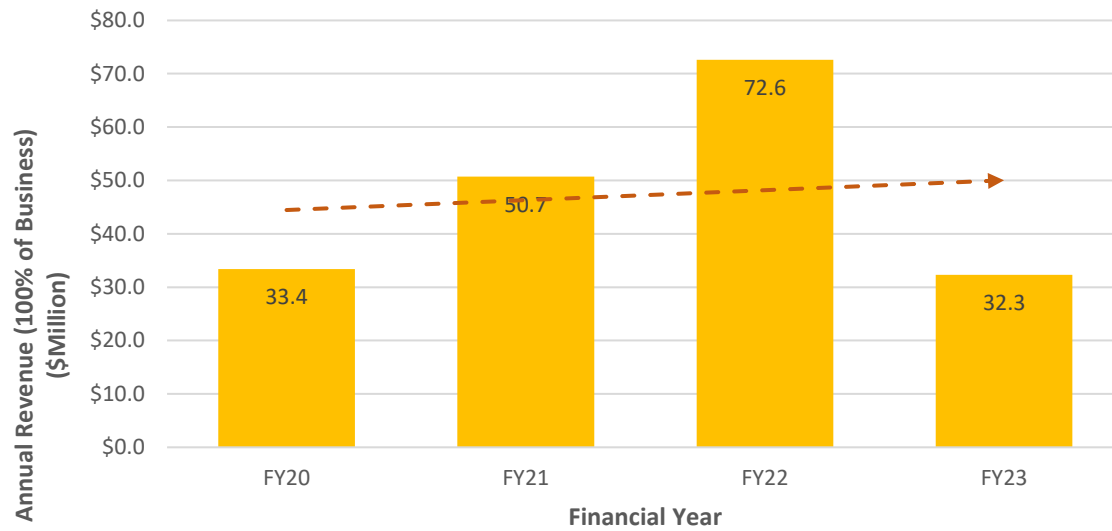
### FY23 Highlights

- Awarded Asset Management Council's - Asset Management Innovation Award 2023
- Annoview Technology gaining traction with new clients
- Procurement of new office space for creation of purpose-built office and laboratory facility in FY24



## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

- 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 \$32.3m in Supply Nation-certified project works in FY23
- Dedicated leadership team strengthened by additional key appointments



### FY23 Highlights

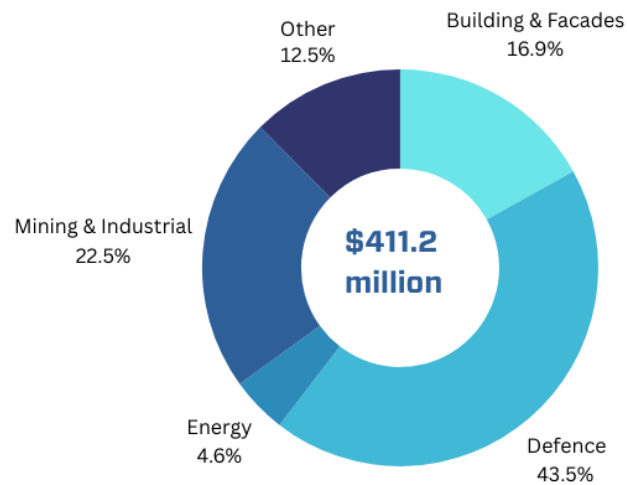
- Challenging FY23 with reduction in Revenue to \$32.3m
- Gross Profit of \$6.9m, delivering \$0.6m dividend to Duratec
- Current work-on-hand of \$43.5m and \$304.1m of identified opportunities
- Outlook remains positive, expectation of sustained financial performance



# FY23 ANNUAL GENERAL MEETING

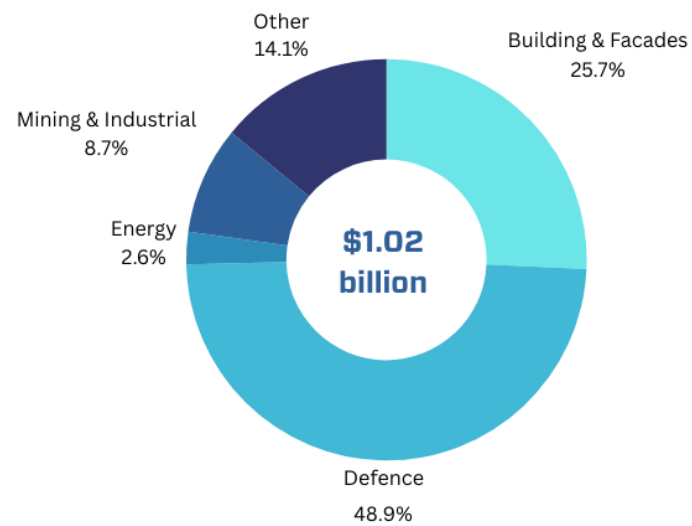
## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

Figure 1. Order Book



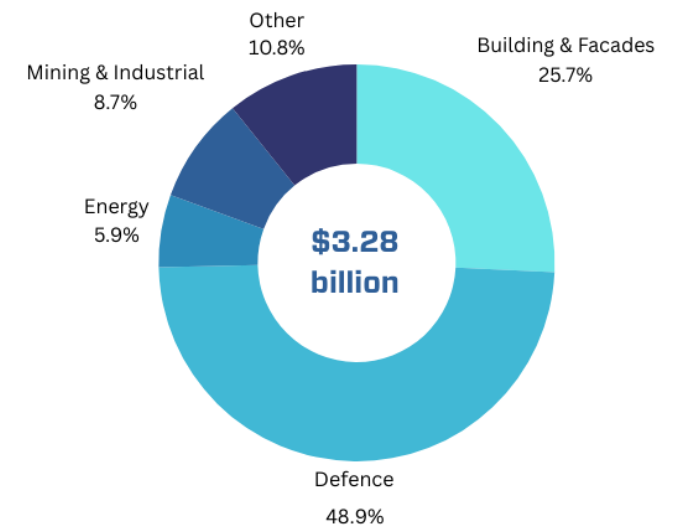
up from \$383m  
at 18 November 2022

Figure 2. Tender



up from \$690m  
at 18 November 2022

Figure 3. Pipeline



up from \$1.93b  
at 18 November 2022



# FY23 ANNUAL GENERAL MEETING

## MANAGING DIRECTOR'S – OPERATIONAL UPDATE

*“a business that is well positioned for further sustainable long-term growth while continuing to foster the business culture and fundamentals, we established 13 years ago.*

*I would like to thank the Board, the Leadership team, all employees, our valued clients, and suppliers for their continued support. Finally, I would like to thank you, our valued shareholders, for your ongoing support of Duratec.”*

