

ASX ANNOUNCEMENT

23 February 2024

FINANCIAL RESULTS – 1H FY24

Australian engineering, construction, and remediation contractor Duratec Limited (**Duratec** or the **Company**) (ASX: DUR) is pleased to announce its 1H FY24 financial results.

FINANCIAL HIGHLIGHTS

<p>Revenue¹ \$292.7m 28% increase on PCP</p>	<p>EBITDA² \$23.9m 48% increase on PCP</p>	<p>NPAT \$12.2m 56% increase on PCP</p>
<p>Dividend 1.5¢ Per share, fully franked</p>	<p>EPS³ 4.96¢ 53% increase on PCP</p>	<p>Cash \$58.5m</p>

1. Revenue excludes DDR Australia Pty Ltd (49% share).
2. Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd.
3. Basic earnings per share (cents).

Duratec's Managing Director, Chris Oates, commented on the 1H FY24 Result:

"As we continue to consistently deliver on our strategy, I'm delighted with the achievements of Duratec and the wider group during 1H FY24. On the back of what was a strong result in FY23, we have again demonstrated consistent growth across the business. We continue to strive for positive shareholder returns and we are really pleased that we can continue to demonstrate our value and growth potential."

"This result is also a reflection of the hard work of our employees and is a testament to their dedication. During the half, we placed a strong focus on strengthening our pipeline of work, with a tremendous effort by our pre-contracts team in building the pipeline, successfully ensuring the Company's growth objectives are supported into the future."

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DIRECTORS AND COMPANY SECRETARY

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

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1H FY24 RESULTS – BUILDING ON HISTORICAL PERFORMANCE

	1H FY24	1H FY23	PCP Movement	PCP Movement
	\$'000	\$'000	\$'000	%
Revenue	292,737	228,532	64,205	28%
Reported EBITDA	23,741	15,605	8,136	52%
Normalised EBITDA ¹	23,988	16,253	7,735	48%
NPAT	12,225	7,846	4,379	56%
Key operating metrics				
Normalised EBITDA %	8.19%	7.11%	1.08%	15%
NPAT %	4.18%	3.43%	0.74%	22%
EPS (basic) – cents	4.96	3.25	1.71	53%
Interim Dividend – cents	1.50	1.00	0.5	50%

1. Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd.

PIPELINE OF WORK

<p>Order Book¹ \$387.9m Down from \$411.2m at 24 Nov 2023</p>	<p>Tenders² \$1.02b \$1.02b at 24 Nov 2023</p>	<p>Pipeline^{1,3} \$3.74b Up from \$3.28b at 24 Nov 2023</p>
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1. Orderbook and Pipeline includes 49% share of DDR Australia Pty Ltd Revenue.
2. Tenders includes submitted and currently being tendered opportunities.
3. Pipeline represents tangible opportunities identified in the market by the Duratec group of companies.

1H FY24 OPERATIONAL HIGHLIGHTS

- Record revenue of \$292m delivered, whilst achieving increased EBITDA and NPAT margins from 1H FY23
- Tenders steady at record level of \$1.02b and pipeline up at \$3.74b
- Continued to win many small and medium sized projects in all sectors
- Conversion of a number of ECI projects, with further meaningful ECI projects currently in progress
- Award of the ECI phase of the 320m extension to Parkes Wharf on Garden Island, Western Australia (main works scheduled to be awarded in 1H FY25)
- DDR's acquisition of RC Construction (signed in 1H FY24 and completed in January 2024)

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- WPF Duratec's (**WPF**) acquisition of Darwin-based specialised mechanical provider A+B Welding (signed in 1H FY24 and completed in January 2024)
- Expansion of MEnD laboratory services and 3D reality modelling

SECTOR UPDATE

Duratec provides the following brief update on its key market segments:

- Defence – The Defence segment experienced slightly slower than expected growth in 1H FY24, as a result of the continued delays in project awards, which were reported in the FY23 annual report. In 2Q FY24, Duratec saw an improvement in the frequency of small to medium-sized project awards with a return to a more consistent level. This is in line with expectations as a part of the Department of Defence's spend acceleration in key regions such as the Northern Territory, Western Australia, South Australia, New South Wales and Queensland. The Company will continue to invest in this key sector into the future to capitalise on the opportunities at hand. Duratec is currently 50% of the way through the ECI process on the Parkes Wharf, with the main works for this project scheduled to be awarded in 1H FY25. The current pipeline of work in the defence sector is at all-time highs, and the Company is confident it can secure further ECI procurement packages as they come to market.
- Mining & Industrial – The Mining & Industrial segment delivered significant growth in 1H FY24, with Duratec achieving approximately the same revenue in the period as achieved in the entirety of FY23. The Goldfields division continues to be a key contributor to the Company's performance with consistently strong results achieved each reporting period. Annuity contracts with key repeat strategic clients remains a focus for the Company, as Duratec continues to develop its client base and service offering in this sector. This strategic focus has strengthened the Company's revenue stream and its overall capability in the Mining & Industrial segment in recent years. Duratec is also experiencing greater client take up of its technical ECI contract modelling services, which is leading to long-term opportunities. MEnD Consulting Pty Ltd (**MEnD**) recently completed a reality model of a 2.7km long export wharf at Cape Lambert for Rio Tinto. This reality model is built on over 1 million images and is the largest reality model delivered by MEnD to date.
- Building & Facades – Strong demand remains in place for Duratec's specialist service offering, particularly the utilisation of the ECI model to perform due diligence on major buildings across Australia. In 2Q FY24, Duratec was awarded \$36m in Buildings & Facades sector work, as outlined below:
 - Air Apartments Adelaide facade works – \$15.5m (ECI converted to main works contract)
 - Darwin State Square Art Gallery Precinct facade – \$11m (ECI converted to main works contract)

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- Market City Sydney facade remediation project – \$9.5m (ECI converted to main works contract)¹

These notable project awards showcase Duratec’s specialist service offering and demonstrate the Company’s strategic growth into ECI contracts within the commercial buildings sector. Securing these projects also strengthens Duratec’s ongoing relationship with key repeat clients and demonstrates the Company’s capacity to undertake a greater volume of work in support of its growth objectives. The abovementioned key projects for the Building & Facades segment have commenced and are due for completion in 2H FY25. The Company is currently working on six ECI projects with the potential for significant works following the completion of the ECI portion of the projects.

- Energy – Following the acquisition of Wilson’s Pipe Fabrication Pty Ltd (now WPF Duratec Pty Ltd), WPF has focussed on diversifying its service offering and expanding geographically. The outlook for fuel security and upgrade works is significant, with the Company well positioned to secure and deliver projects which provide disciplined growth in revenue and profit. The Company’s Western Sydney Airport project is tracking well with additional minor variation works required before completion of the project.

WPF DURATEC

The integration of the WPF business into the Duratec group continues to progress well. 1H FY24 was a period of expansion for WPF. On 15 December 2023, WPF entered into a Business Purchase Agreement to acquire A & B Welding Pty Ltd (**A&B**) in Darwin, Northern Territory. This acquisition aligned with WPF’s strategic plan to increase its geographic footprint to support key existing clients, as well as pursuing new opportunities with new clients in a sector Duratec sees as a core growth pillar. As part of the transaction, WPF purchased all of the assets, employees, customer relationships and intellectual property within A&B, with the cost of the transaction being \$1.5m, paid for in cash. As part of the transaction, WPF secured a circa 8,500m² fabrication facility in East Arm, Darwin, which includes a circa 2,500m² fabrication workshop under roof, doubling WPF’s fabrication capacity. The transaction was finalised on 29 January 2024.

In addition to this, in December 2023 WPF took delivery of the Novarc Technologies SWR-F Dual Torch Spool Welding Robot. This machine is an industry-leading welding robot that modernises pipe fabrication and defines a new collaborative welding workplace. WPF is the first to implement this type of robot in Western Australia and will greatly improve efficiency over time.

¹ The Company confirms that the details of the key project contracts have not been previously released as they are not considered individually material to the Company. The details are included in this announcement by way of additional market update.

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MEND CONSULTING

Demand for Duratec’s technical team of engineers continued to grow in 1H FY24. The Company continues to invest in technology to capture and report data in a more efficient and reliable manner. Data capture techniques continue to be refined and time on site has been reduced by use of in-house technology, while data processing has improved the Company’s ability to deliver models onto clients’ existing digital platforms. Along with the visual 3D reality models, Duratec can add precise survey data, laser scanning and thermal imaging to accurately reconstruct the asset for precise data requirements. This is further enhanced by the Company’s in-house developed ‘*Annoview Technology*’, which enables defect labelling, description, dimensioning and reference to drawings and specifications.

DDR AUSTRALIA

DDR Australia Pty Ltd (**DDR**) is a joint venture equity accounted investment owned by Duratec (49%) and Hutcheson & Co Holdings Pty Ltd (51%). Following what was a challenging period in FY23, DDR delivered positive revenue and underlying profit growth in 1H FY24. Requirement for the delivery of Supply Nation certified works remains strong and with its diversification of service offering and client base, DDR is well placed to capitalise on the wide range of opportunities available.

In addition to the organic growth experienced in 1H FY24, DDR entered into a Share Purchase Agreement with RC Construction WA Pty Ltd (**RCC**) on 24 December 2023 for the acquisition of 100% of the shares of the business, which completed in January 2024. RCC is a WA-based specialist civil and structural construction contractor servicing the resources, infrastructure and energy sectors. The sale price consideration consists of two parts:

- An initial consideration payable on completion was \$5.5m funded by existing cash – which was paid at the end of January 2024; and
- An earn-out consideration based on RCC’s FY24 and FY25 audited EBITDA achieved and agreed hurdles.

The maximum sale price payable under this acquisition is \$10.5m assuming RCC achieves an audited EBITDA of greater than \$5.0m in both FY24 and FY25.

In FY23, RCC delivered \$29m of revenue and has current work on hand of \$35m. This acquisition is a significant step in growing DDR’s capability and exposure to new revenue streams and industries. The team at RCC are highly experienced and have operated and grown this business into a well-respected, successful organisation with a loyal client base and solid future pipeline of work.

INTERIM DIVIDEND

Duratec has declared an interim fully franked dividend of 1.5 cent per share. The record date is 18 March 2024 with a payment date of 7 May 2024. The Company’s Dividend Reinvestment Plan applies for the interim dividend. To elect to participate in the DRP, visit:

<https://www.computershare.com.au/easyupdate/dur>

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OUTLOOK

Duratec is well positioned to capitalise on an accelerated Department of Defence spend in key regions, while the Mining & Industrial and Buildings & Facades segments have significant opportunities in the pipeline after delivering record revenue in 1H FY24.

The pipeline of work, in particular Duratec’s tenders position, combined with the recent expansion by WPF and DDR’s purchase of RCC, supports the Company’s growth objectives for FY24 and beyond. Duratec remains well positioned to deliver on its stated guidance for FY24, with revenue expected to be in the range of \$570m to \$610m, delivering a forecast EBITDA of \$45m to \$52m.

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

– ENDS –

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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. Duratec’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 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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