

## ASX ANNOUNCEMENT

19 November 2021

### 2021 AGM – CHAIR ADDRESS AND MANAGING DIRECTOR ADDRESS

Duratec Limited (Duratec or the Company) (ASX: DUR), is pleased to provide the Chair address and the Managing Director address for the Company's 2021 Annual General Meeting being held today, Friday 19 November 2021.

Authorised for release to ASX by Dennis Wilkins, Company Secretary

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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.

#### HEAD OFFICE

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Duratec Limited  
ABN 94 141 614 075  
ASX code: DUR

#### DIRECTORS

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

# AGM 19<sup>th</sup> November 2021

## CHAIR'S ADDRESS

Today, I would like to provide a recap of the business performance for FY21, discuss the strategic direction of the business and then close with some comments on recent business performance.

### 2021 Performance

I will start my discussion on our performance with a few comments on safety. Duratec has a culture that supports positive safety outcomes throughout the business. We actively encourage our people to identify all safety risks and empower them to instigate actions to manage those risks to drive improved safety outcomes.

The lag indicators included in the Annual Report<sup>1</sup> are standardised measures. It shows there were no Lost Time Injuries (LTIs) in FY21 and FY20 and we saw a modest improvement in the Total Recordable Injury Frequency Rate (TRIFR) in FY21.

We believe a company with a good safety record is indicative of a well-run business. Therefore, health and safety is an area of constant focus within the business and is the first agenda item at our Board meetings. We believe that good safety outcomes are driven by effective leadership at all levels of the organisation together with empowered employees who are provided with the right systems, processes, and tools to get the job done.

COVID-19 has been the health issue that has permeated society generally and specifically the business environment. The recent Delta variant has shown how quickly the operational environment can change and we have, like everyone else, had to continually adapt to address the challenges this poses. Our focus has been on ensuring our people are safe and supporting them through this difficult period as best we can.

In spite of COVID-19, the financial performance for FY21 was solid and achieved without Federal government JobKeeper support.

The balance sheet remains well positioned for growth and the FY21 dividend of 1.5 cents per share was paid on 13th October 2021<sup>2</sup>.

The Board introduced a Dividend Reinvestment Plan on 30th August<sup>3</sup> to allow shareholders to reinvest their dividends for long term growth at a 5% discount to the prevailing average volume weighted share price. This resulted in 537,459<sup>4</sup> shares being issued at a value of \$194,614 to participating shareholders. As a Board, we believe this provides shareholders, who choose to participate, with benefits over the longer term. We will review this from time to time as part of our capital management plans.

<sup>1</sup> Duratec ASX release 'June 2021 Full-Year Financial Report including 4E' dated 30 August 2021.

<sup>2</sup> Duratec ASX release 'Dividend/Distribution - DUR' dated 30 August 2021.

<sup>3</sup> Duratec ASX release '2021 Dividend Reinvestment Plan' dated 30 August 2021.

<sup>4</sup> Duratec ASX release 'Application for quotation of securities - DUR' dated 13 October 2021.

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## Strategic Plans

Duratec's strategic goals remain unchanged from those stated in the company's Prospectus<sup>5</sup> with sustainable growth planned in all the key sectors in which we operate. To that end, we have continued to resource the key support functions required to manage the pipeline of work and ensure that when work is won, it can be safely and successfully undertaken to our clients' satisfaction.

We continue to pursue growth opportunities, examples of which include: the \$63.0m Major Perth Facade project announced on 9th March<sup>6</sup>, the recent Ertech joint venture (DEJV) project announcement on 13th August regarding a \$53.0m wharf extension project<sup>7</sup>, and the announcement last week of a \$50.0m aviation fuel infrastructure contract<sup>8</sup>. These projects, along with the many smaller contract awards, and the ongoing success of our associate investment DDR, highlight the positive momentum enjoyed in the current financial year.

## Current performance

In the Annual Report I outlined the uncertainties that the business had to contend with during 2021. As I am sure you have observed, these issues have continued into the current financial year with significant lock downs in New South Wales and Victoria; with the Victorian construction industry closed for a fortnight in September/October. This impacted Duratec's business performance in the Eastern states to a greater level than was initially expected.

However, we are encouraged by the high rate of COVID-19 vaccination occurring across Australia allowing a staged return to a more normal state of operations.

I would like to say how impressed I have been with Phil and his team in managing the challenges COVID-19 has presented the business. This was no easy task, but it has, and continues to be, addressed in a very professional manner.

## Forecast

Our pipeline of work remains very strong, and we continue to invest in business capabilities in order to meet these and other opportunities.

The business remains very well positioned for growth over the medium term. Given the ongoing uncertainties, we are not providing a financial forecast for the current year at this stage. Our 1H FY22 results are planned for release to the market on 28th February 2022.

I would like to thank the Board, Phil and the Leadership team, all employees, our clients and suppliers for their efforts and support during the year.

Finally, I would like to thank you, our shareholders, for your ongoing support.

I will now hand over to our Managing Director, Phil Harcourt, to provide a more detailed operational update and present his overview on the Company's results for the year. We will take questions following Phil's address.

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<sup>5</sup> Duratec ASX release 'Replacement Prospectus' dated 3 November 2020.

<sup>6</sup> Duratec ASX releases 'Duratec executes LOI for \$63m major façade refurbishment' dated 9 March 2021 & 'Market update – record orderbook and tendered works' dated 2 June 2021.

<sup>7</sup> Duratec ASX releases 'Duratec secures \$53 million contract' and 'Clarification - Duratec secures \$53 million contract' dated 13 August 2021.

<sup>8</sup> Duratec ASX release 'DURATEC SECURES \$50M ENERGY CONTRACT' dated 11 November 2021, released 12 November 2021.

## AGM 19<sup>th</sup> November 2021

### MANAGING DIRECTOR'S ADDRESS

Thank you for your update Martin.

I would also like to extend a welcome to all of you at this the inaugural Annual General Meeting of Duratec Limited as an ASX Listed company. My Name is Phil Harcourt, and I am Duratec Limited's Managing Director.

Martin mentioned that Duratec was admitted to the Official List of ASX Limited on Tuesday 3rd November 2020. As one of the three founding shareholders of Duratec, I have been intimately involved in the growth and evolution of the company over the past 11 years. Duratec has grown from a small business to what it is today with 20 branches around Australia in all states and territories and in several regional areas. Western Australia (WA & NT) remains very important to us but as you can see from the geographically segmented financial results, 48% of revenue is now generated in the Eastern States. We have a large pipeline of work and are focused on delivering contract wins, subject to COVID-19 restrictions. Like all businesses, this has been a major disrupting factor to our business, affecting the contract award process through to contract execution. That said, we appear to be moving more steadily toward a 'new normal' and I will discuss this further below.

As Martin mentioned, in the current environment, we are reluctant to provide outlook statements given the inherent uncertainties in the marketplace due to COVID-19. However, I remain very positive on the medium-term prospects of the business given our work on hand, pipeline of future works and the demonstrated agility of our teams to rapidly respond to client requirements.

Now, when discussing the FY21 year, I will refer to information highlighted in the Annual Report<sup>1</sup>.

#### People

The nature and type of work we perform means that we are a very people focused business; ensuring we employ and retain the best, equip them with what they need and provide them with exciting and challenging opportunities to grow and develop. A strong emphasis has been placed on training and development programs.

Further, maintaining the safety and wellbeing of our personnel and all who operate in the vicinity of our projects is our number one priority.

In FY21, incident and potential incident reporting continued to be very proactive and openly communicated. It was also pleasing to see the trending down of the lag indicators for both DDR and Duratec. It was noted that the lag indicators have been adversely affected by some minor hand injuries and we have been implementing initiatives and a national campaign to help drive improved outcomes in this area. We maintain a clear focus on lead indicators including safety observations and task inspections. These are included in our KPI's to promote safety awareness, compliance, and

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<sup>1</sup> Duratec ASX release 'June 2021 Full-Year Financial Report including 4E' dated 30 August 2021.

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continuous improvement.

#### [FY21 Business Performance Review](#)

As discussed in the Annual Report, the FY21 operating and financial results reflected a challenging year with revenue growth restricted by COVID-19 induced project award delays, particularly in the Defence sector, as well as productivity impacts associated with individual State border closures and lockdowns, (including 110 days in Victoria).

In FY21 Duratec generated total revenue of \$235.7m (excluding Duratec's 49% share of \$50.7m from DDR) down 4.7% from the FY20 revenue of \$247.3m.

The FY21 financial results included the costs associated with the Initial Public Offering (IPO). Accordingly, in the following results, the pre-tax profit has been adjusted to remove the impact of \$2.5m of IPO costs expensed in FY21 and \$0.7m in FY20.

Normalised Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) was \$18.8m (i.e., 8.0% of revenue), down from 9.1% of revenue in FY20.

Duratec's normalised Earnings Before Interest and Tax (EBIT) of \$13.6m were down \$4.6m from FY20. Normalised Net Profit After Tax (NPAT) (inclusive of the contribution from associate DDR) was \$8.6m compared with \$12.2m in FY20.

Considering the operating conditions, the financial performance in FY21 overall was solid. It is important to note that Duratec did not receive Federal government JobKeeper support during FY21, we ensured we retained our core operational capabilities even though it resulted in additional costs to the business.

Our operations were impacted by various health and safety protocols that were mandated from time to time which impacted project productivity but helped manage the response to COVID-19.

The Duratec balance sheet remains well positioned for growth with low debt levels and effective working capital management.

#### [Defence](#)

In FY21, the Defence services sector delivered revenue of \$98.8m (FY20: \$132.7m) and gross profit of \$16.9m (FY20: \$25.0m).

The performance was commendable in the circumstances as the sectors was impacted by COVID-19 delays in major project awards with a significant focus on the awarding of small work scope packages via variations to existing contracts. The Department of Defence has acknowledged that they were underspent in FY21.

The refurbishment, repair and building of Defence infrastructure was successfully undertaken in all Australian States and Territories with 33 multi-discipline projects delivered via an established presence on bases. In July 2021, the Duratec/Ertech 50/50 Joint Venture (DEJV) successfully completed and handed over the Armaments Wharf extension project at HMAS Stirling in WA. This project was successfully delivered notwithstanding the challenges of COVID-19 risk mitigation measures, severe sea, and weather conditions, working on a live base and the backdrop of a pristine marine environment.<sup>2</sup>

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<sup>2</sup> Duratec ASX release 'June 2021 Full-Year Financial Report including 4E' dated 30 August 2021.

### Mining & Industrial

In FY21, the Mining & Industrial services sector performed strongly with revenue of \$52.9m (FY20: \$40.5m) and gross profit of \$10.4m (FY20: \$10.0m) associated with performing structural integrity upgrades of infrastructure.

Notwithstanding the challenges of COVID-19, this sector has performed strongly driven by high commodity prices and production volumes. Clients are focused on maintaining the integrity of their key infrastructure to ensure production is not disrupted. This demand has created opportunities at both inland mine sites and at marine port ship loading facilities.

### Buildings & Facades

In FY21, the Buildings & Facades services sector delivered a strong result with revenue of \$39.9m (FY20: \$25.6m) and gross profit of \$9.8m (FY20: \$5.4m). While revenue in this sector was also affected by delays in the award of key projects, we remained focussed on the delivery of projects afoot, consolidating our team and supply chain, marketing our team capabilities in the Eastern States and Early Contractor Involvement (ECI) on identified tangible opportunities.

The prestigious award of the 51-story \$63.0m Central Park façade rejuvenation in Perth's CBD was the highlight of the year for this services sector<sup>3</sup>. The project was secured following an extensive ECI phase and a thorough due diligence process which has allowed the project scope to be clearly identified, de-risking the project for both the client and Duratec. This project will be delivered over a 34-month period and will enable us to demonstrate our skills and capabilities that can then be leveraged into the Eastern States market. The issue of combustible cladding on buildings continues to gain momentum as pressure is applied on building owners from insurers and building code regulators with recent re-cladding awards in Melbourne and Sydney.

### Other (including Energy, Ports, Transport, and Water/Wastewater infrastructure)

In FY21, the Other services sector delivered revenue of \$44.1m (FY20: \$48.4m) and gross profit of \$8.7m (FY20: \$7.6m).

This sector has continued to grow as infrastructure asset owners seek to extend the life of their structures. This demand has seen us secure remediation and refurbishment services for harbour and port facilities (wharves, jetties, and lighthouses) nationally.

### DDR – 49% owned Associate investment

Duratec's associate DDR has performed strongly with revenue in FY21 delivering \$45.9m in Supply Nation Certified projects principally in the Defence sector in regions least impacted by COVID-19. DDR provides genuine long-term opportunities for employment of Aboriginal and Torres Strait Islanders in meaningful work in an environment that is welcoming and respectful of their culture.

There is increased focus by Federal and State governments on awarding contracts to good quality Aboriginal and Torres Strait Islanders businesses. DDR, as a sustainable business, is well positioned to and continues to secure Supply Nation certified works in the Defence and Mining and Resources sector. In turn, DDR can provide meaningful work, training, and career progression for Aboriginal and Torres Strait Islanders. DDR is also seeking to increase spend with Aboriginal and Torres Strait Islanders suppliers where possible.

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<sup>3</sup> Duratec ASX releases 'Duratec executes LOI for \$63m major façade refurbishment' dated 9 March 2021 & 'Market update – record orderbook and tendered works' dated 2 June 2021.

## Capital expenditure

During FY21, the business invested in key assets to enable the delivery of broader range of services to clients. The jack-up barge and the Karratha Blast & Paint facility represent two key areas of investment that will benefit clients and provide financial returns for many years.

## FY22 Outlook

As Martin indicated, we do not have a financial forecast for the current year given the ongoing COVID-19 Delta variant impacting the operating environment. Our 1H FY22 results are planned for release to the market on 28<sup>th</sup> February 2022. We will review conditions again at that time and update the market accordingly. Rather than provide a specific forecast, I will provide some insights to our current work on hand and pipeline of work by industry sector and prevailing market operating conditions.

In overall terms, our current orderbook has increased significantly to an historic high of \$315.0m and our pipeline, comprising tendered and identified opportunities, is \$1.9b. Last week's announcement of the \$50.0m Aviation Refuelling Facility contract award for the new Western Sydney airport<sup>4</sup> combined with other project awards not considered individually material has bolstered the order book.

Current market operating conditions are challenging for business throughout Australia and Duratec is not immune to them. The challenges facing us include COVID-19 shutdowns, border restrictions with no firm date to lift them, skilled labour shortages, wage and salary pressures, the rising cost of building and construction materials and freight costs. Despite these conditions we remain confident that we have the appropriate mitigation measures in place. These include supporting our personnel through COVID shutdowns, 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 utilising of sub-contractors. We are also exploring the viability of sourcing labour from other jurisdictions to assist on projects in readiness for international border opening. Further we are remaining nimble in relation to making appropriate allowances/clarifications for material price increases throughout the delivery phase of project opportunities we tender. We also ensure any Master Services Agreements, (MSA's), we agree to have provision for negotiation of rate increases.

Accordingly, as vaccination rates continue to increase, and borders are opened we look forward to some normalisation of trading conditions nationally and ability to resume growth in revenue and profits.

I will now provide an outlook synopsis of the key market segments.

## Defence

On 13 August 2021, the DEJV was awarded a \$53.0m project for the design and construction of a wharf<sup>5</sup>. This involved an innovative and elegant solution to satisfy the Department of Defence's strategic requirements.

Work on hand currently is \$128.5m and Duratec is now working on 52 Department of Defence bases. In addition, the pipeline of future opportunities is \$853.7m inclusive of \$267.3m tendered projects. We expect a return to strong growth in this sector.

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<sup>4</sup> Duratec ASX release 'DURATEC SECURES \$50M ENERGY CONTRACT' dated 11 November 2021, released 12 November 2021.

<sup>5</sup> Duratec ASX releases 'Duratec secures \$53 million contract' and 'Clarification - Duratec secures \$53 million contract' dated 13 August 2021.

### Mining & Industrial

The sector is benefiting from high demand for nickel and lithium for batteries. The high demand is due in large part to the transition of the motor vehicle industry from internal combustion engines to electric or hybrid powered vehicles and the growth in demand for solar. There are however some headwinds evident in the iron ore sector with China's medium term demand requirements unclear. This has seen commodity price falls and some mine closures. However, overall, we remain positive in terms of the outlook for continued demand for asset maintenance and we have the resources to deliver.

Work on hand currently is \$15.1m. In addition, the pipeline of future opportunities is \$199.2m inclusive of \$49.1m tendered projects.

### Buildings & Facades

The sector is performing well with significant tendering activity and the recent commencement of the Central Park recladding project. We currently have seven projects in the West and seven in the East all now fully operational after recent NSW and VIC shutdowns

Work on hand currently is \$72.6m. In addition, the pipeline of future opportunities is \$437.4m inclusive of \$145.9m tendered projects.

### Other (including Energy, Ports, Transport and Water/Wastewater infrastructure)

Energy is a clear growth area for the business as evidenced by our recent announcement of the \$50.0m Western Sydney International (Nancy-Bird Walton) Airport passenger terminal Aviation Fuel reticulation network construction contract<sup>6</sup>. The construction of the fuel infrastructure at Western Sydney International Airport is an example of how Duratec can expand its service offering, grow its revenue base and build deeper relationships with its clients.

The outlook for refurbishment of existing port marine structures, bridges, water, and wastewater infrastructure is for strong demand for our services

Work on hand is currently \$98.8m. In addition, the pipeline of future opportunities is \$179.0m inclusive of \$95.6m tendered projects.

### DDR – 49% owned Associate investment

DDR continues to perform well and recent contract awards, including the \$13.0m announced to the market in March<sup>7</sup>, along with a regular flow of smaller awards suggest that sustainable growth in this business will continue.

Work on hand is currently \$54.9m. In addition, the pipeline of future opportunities is \$227.3m inclusive of \$36.7m tendered projects.

### Closing comments

It is our view that there will be a return to strong growth, as evidenced by our historically high work on hand position, with strong conversion this financial year. We have been through challenging times before; I am very confident that we are well positioned to emerge strongly from the current period with strong returns for shareholders and exciting careers for our employees.

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<sup>6</sup> Duratec ASX release 'DURATEC SECURES \$50M ENERGY CONTRACT' dated 11 November 2021, released 12 November 2021.

<sup>7</sup> Duratec ASX release 'Duratec and DDR awarded \$38M Defence works' dated 28 March 2021, released 29 March 2021.

I would like to thank the Board, the Leadership team, all employees, our clients, and suppliers for their ongoing support.

Finally, I would like to thank you, our shareholders, for your ongoing support of Duratec which I am confident will deliver strong returns over the medium and long term.

This completes my address and before proceeding to the formal matters of this meeting, I will open the meeting to questions relating to my address.