



VEEM MARKET UPDATE

Highlights:

- VEEM expects to generate revenue of over \$3.1 million from gyros for H2FY20 and \$5.1 million for the year to 30 June 2020, despite one gyro order being placed on hold
- Lockdowns in Europe and the US due to COVID-19 have caused shipyards to temporarily close, resulting in a slowdown in new orders for VEEM's propellers and delays for some existing shipments
- April revenue was lower than the prior corresponding period enabling eligibility for JobKeeper payments
- Slowdown in propeller sales has been somewhat mitigated by new defence-related contracts, including the \$9 million ASC submarine component contract
- VEEM's supply chains are operating at normal capacity with only minor delays experienced due to freight limitations. This is particularly important for gyro components
- Forecasting demand and revenue beyond orders in hand and near-term quotes remains difficult given the uncertainty around the pandemic, easing of lockdowns globally and the resultant economic impact
- No positive COVID-19 tests recorded within VEEM. Appropriate health measures remain in place across the Company

VEEM Limited (ASX: VEE) ('VEEM' or 'the Company'), a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries, is pleased to provide the following update on the Company's current operations and outlook.

Staff and facilities

Early in the course of the COVID-19 pandemic, VEEM implemented enhanced hygiene measures and eliminated travel and other unnecessary exposures of staff to potential infection while maintaining full capacity at its Canning Vale facilities. A COVID-19 response team was also contracted to provide ongoing cleaning, temperature testing and monitoring of distancing while the facilities continued operating. VEEM is pleased that it has had no positive tests recorded for COVID-19 and limited interruptions to its normal working conditions. Appropriate health measures continue in place across the Company and remain a key priority.

Propulsion

Lockdowns in Europe and the US due to COVID-19 have caused a number of large ship builders to close their shipyards temporarily in line with government requirements. In Italy and the UK a number of ship builders are expecting to open shortly and some US shipbuilders have already re-opened. All VEEM's US distributors are open and are working, although demand is yet to return to prior levels.

These closures and reduced boating generally led to a slowdown in new orders and delays for some existing shipments of propellers in particular in April. VEEM is closely monitoring whether the start of the northern summer season will see a significant increase in boating, and hence demand for propellers.



Defence

VEEM's engagement in the defence industry has continued strongly with ongoing work for Austal ships together with some new contracts, which includes the \$9 million ASC submarine component contract. In terms of work through the factory, these defence-related contracts have somewhat offset the slowdown in propeller sales.

Defence contracts are longer-term in nature, compared to propulsion, with revenue recognised on delivery following often months of manufacturing which is reflected in the financials as WIP (work in progress) buildup. The defence contracts involve milestone payments, including on order, which provide effective funding of the WIP buildup.

Gyrostabilisers

VEEM expects to generate revenue of over \$3.1 million from gyros for H2FY20 and \$5.1 million for the year to 30 June 2020 despite one gyro order being placed on hold. Enquiries and quote levels remain strong and have not been materially impacted by lockdowns at this stage which is likely due to the long-lead times of the large vessels the gyros are being fitted to.

VEEM's supply chains are operating at normal capacity with only minor delays being experienced due to freight limitation (inwards and outwards). This is particularly important for gyro components.

Financial Position

Revenue in April 2020 was down on the prior corresponding period in 2019 and as a result the Company is eligible to access the government's JobKeeper scheme. VEEM also received milestone payments in advance on its defence projects.

In April, VEEM completed its annual review of banking facilities with ANZ. The overdraft and Commercial Facility currently in place will be kept on existing terms with the overdraft interest rate reducing by 2.88% and the Commercial Facility maturity date extending two years to 1 July 2023, with a slight rate increase.

Forecasting demand beyond orders in hand and near-term quotes and enquiries is difficult given the uncertainty around the pandemic, easing of lockdowns globally and the resultant economic impact. As such VEEM maintains its position of providing no revenue or earnings guidance for FY20 and will issue further updates as necessary to keep investors informed.

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This ASX announcement was authorised for release by the Managing Director, Mark Miocevic.



ABOUT VEEM LIMITED (ASX: VEE)

VEEM Ltd is a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries. VEEM's market leading Gyrostabilizers significantly reduce the rolling motion of vessels in waves, increasing on-sea time and improving personnel safety and efficiency in a wide range of ocean conditions.

VEEM is also a successful producer of high-performance propellers, fin systems and specialised components delivering consistent profits, cash flow and dividends while also reinvesting in research and development for new products and processes.

Proudly headquartered in Perth, Western Australia, VEEM operates from a 14,700sqm purpose-built fabrication and manufacturing facility, including Australia's largest non-ferrous foundry. VEEM employs approximately 180 staff in Australia, including graduates and apprentices, and maintains a highly skilled research and development team in-house. Celebrating its 50th anniversary in business in 2018, VEEM listed on the Australian Securities Exchange in 2016. www.veem.com.au