



VEEM Ltd

Annual General Meeting

19 November 2020



Managing Director's Presentation

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1. 2020 Financial Results
2. Overview and outlook – Engineering Products and Services
3. Overview and outlook – Defence
4. Overview and outlook – Propellers
5. Overview and outlook – Gyrostabilizers
6. Summary



Damen FCS Vessel

1. 2020 Financial Results



FY2020 Highlights



- Revenue of \$44.4m in line with prior year (\$45.0m)
- Gyro sales tripled from 2019 to \$4.8m with \$4.1m of new orders received in the first 6 weeks of FY2021
- Normalised* EBITDA of \$4.4m in line with 2019
- Normalised* profit before tax up \$0.1m to \$2.2m
- Normalised* NPAT of \$1.9m compared to \$2.5m in 2019 due to increased tax expense
- Final dividend of 0.225 cps declared based on normalised* NPAT
- Net Assets up \$1.6m to \$32.6m, Healthy cash balance of \$3.6m at 30 June 2020
- \$9m Submarine component contract awarded in March 2020 for delivery in FY2021/2022
- Defence steady with strong sales of marine ride control fins replacing the deferred sub work
- New gyro facility completed and in operation in time for the new orders received in early FY2021
- First VG1000SD completed for Damen ships – largest operating marine gyrostabilizer in the world
- Banking facilities extended to 2023



* Normalised EBITDA and NPAT are after removing the impact of JobKeeper and AASB 16 from the statutory accounting result. Refer to next slide for reconciliation.

Results Summary



	FY20 \$ Statutory Result	AASB 16 Entries	JobKeeper	FY20 \$ Normalised Result	FY19 \$*
Revenue	44.4	-	-	44.4	45.0
EBITDA	7.5	(1.6)	(1.5)	4.4	4.4
Profit before tax	3.2	0.5	(1.5)	2.2	2.1
NPAT	2.5	0.5	(1.1)	1.9	2.5
EPS (cents)	1.90	0.38	(0.84)	1.44	1.97
Net Assets	32.6	-	-	32.6	30.1

Two significant items in the 2020 result that were not part of the comparative 2019 result – the impact of AASB 16 Leases accounting changes and the JobKeeper subsidy. To make the years comparable, the effects of AASB 16 and JobKeeper have been reversed to arrive at a 2020 “normalised” profit which is then comparable.

The negative effect of AASB 16 in 2020 of \$0.5 million will diminish over the next four years and then become a positive adjustment for the last five years of the lease term increasing to a positive impact on statutory profit during the last year of the lease of approximately \$0.5 million.

* Certain amounts shown here do not correspond to the 2019 financial statements and reflect adjustments made – refer to Note 24 of the 2020 financial statements.

Implemented enhanced hygiene measures,
eliminated travel and other unnecessary exposures

COVID-19 response team of five employed
up to 30 June 2020

Europe and USA government lockdowns closed shipyards
resulting in falls in quotes and orders in April & May 2020

One gyro delivery deferred, has since been
delivered

Domestic engineering products and
services quotes and orders also down

No positive tests within VEEM

April 2020 revenue down triggering JobKeeper
eligibility - \$1.5m in FY2020

All boatbuilders are currently open and ordering
propellers

Some supply chain issues temporarily, all back to normal
before 30 June 2020

Freight disruptions now settled with longer,
but reliable, lead times being the norm

VEEM remains vigilant in monitoring domestic
and world developments and potential impacts

Defence business was contracted for so little impact

2. Overview and outlook – Engineering Products and Services



Engineering Products and Services



2020 Highlights

- First export order won for Timcast Forever Pipe
- Another year of steady business, profit and cashflow

Outlook

- Continuing to bid on work across the country where utilisation of the Company's foundry and precision machining capability enables VEEM to provide specialist solutions for customers
- Forever pipe is expected to increase its presence in overseas markets
- Continued innovation to improve product offering in this area
- Maintaining the engineering capability also supports the marine and defence businesses



3. Overview and outlook – Defence



3. Overview and outlook – Defence



2020 Highlights

- New defence customers in Babcock and McTaggart Scott secured with repeat orders likely
- Registered VEEM with all new Naval Platforms
- Provided test castings to Naval Group Australia
- Secured refit valve contract
- Contract to manufacture ABT brakes for Thales' Hawkei vehicles

Outlook

- FY2021 will be a solid year for defence with the bulk of the \$9 million submarine component contract with ASC being delivered
- VEEM expects to continue to win defence-related contracts where casting and precision engineering is required
- Federal government's increased drive for local content, on naval vessels in particular, is expected to drive growth



4. Overview and outlook – Propulsion



4. Overview and outlook – Propulsion



2020 Highlights

- Managed to work with all major clients through COVID-19
- Completed first prototype of new VEEM Scan electronic propeller scanning machine for evaluation
- Completed new advanced VEEM prop nut design and put into production
- Completed the design and manufacture of the new VEEM Prop Pull a device for easy removal of propellers in the field

Outlook

- Expected to continue to grow, both organically for propellers and through new product innovation with shaftlines
- Propulsion is an area of innovation for VEEM with a focus on finding further ways to make the world-leading propellers more efficiently, hence continue to offer the premium product at reasonable prices while maintaining gross margins
- Increased machine capacity planned to reduce lead times for propeller deliveries and increase volume



4. Overview and outlook – Gyrostabilization



“Within ten years every new vessel built will have gyrostabilization”

Mark Miocevich 2020

2020 was the setup ...



- Sales team in place
- All models designed and built (VG1000SD in 2020)
- New scalable production facility completed (up to \$100m capacity PA)
- Global Supply chain operating



VEEM's new gyro assembly facility was opened in March 2020 by the Minister for Defence, The Hon. Linda Reynolds. The first VG1000SD VEEM Gyro is in the background.

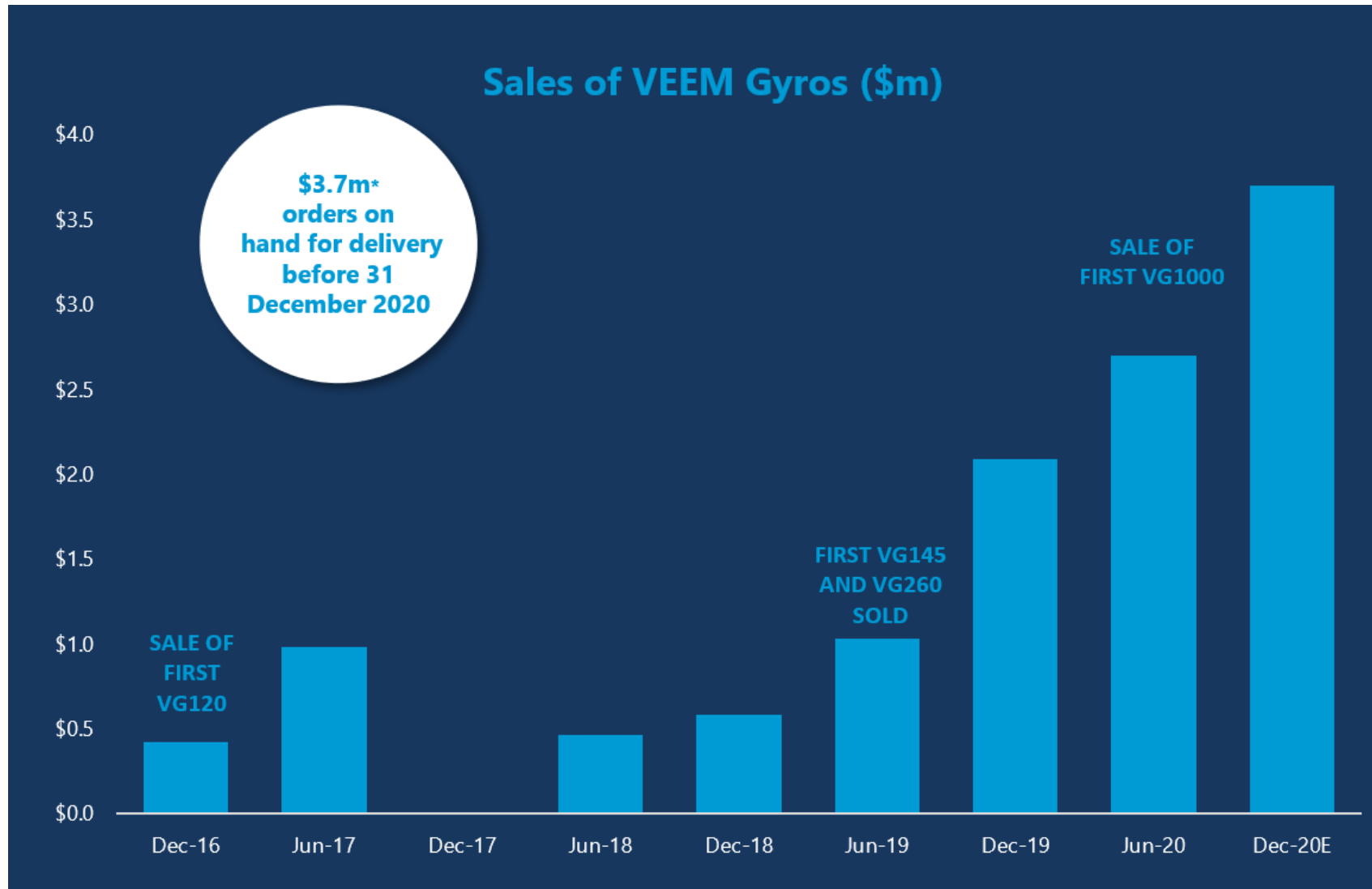
Gyrostabilizer Highlights 2020



- Gyro sales tripled from 2019 to \$4.8m with improved enquiries and leads into FY2021
- \$4.1m of new orders received in the first 6 weeks of FY2021 incl. two VG1000SD gyros, one for Damen ships and one for a private owner
- New gyro facility completed and in operation by end FY2020. Estimate can handle up to \$100m of orders per annum
- First VG1000SD completed for Damen ships – largest operating marine gyrostabilizer in the world with angular momentum of 520 kNms
- Second order for Damen in July 2020 demonstrates market acceptance that VEEM Gyros deliver significant physical and financial benefits for commercial vessels
- Vessel end-user for second Damen order is Naviera Integral, an offshore oil field supply contractor, marking VEEM's first gyro sale into this market



VEEM Gyro Sales Growth

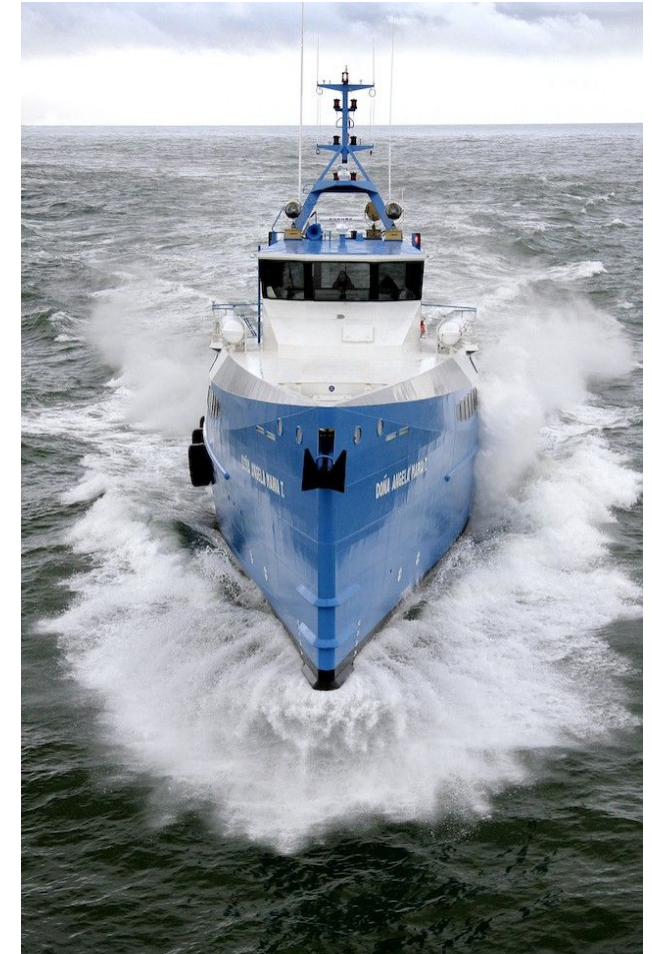


* Assumes AUD:USD exchange rate of 0.71.

Milestone Agreement with Damen Shipyards



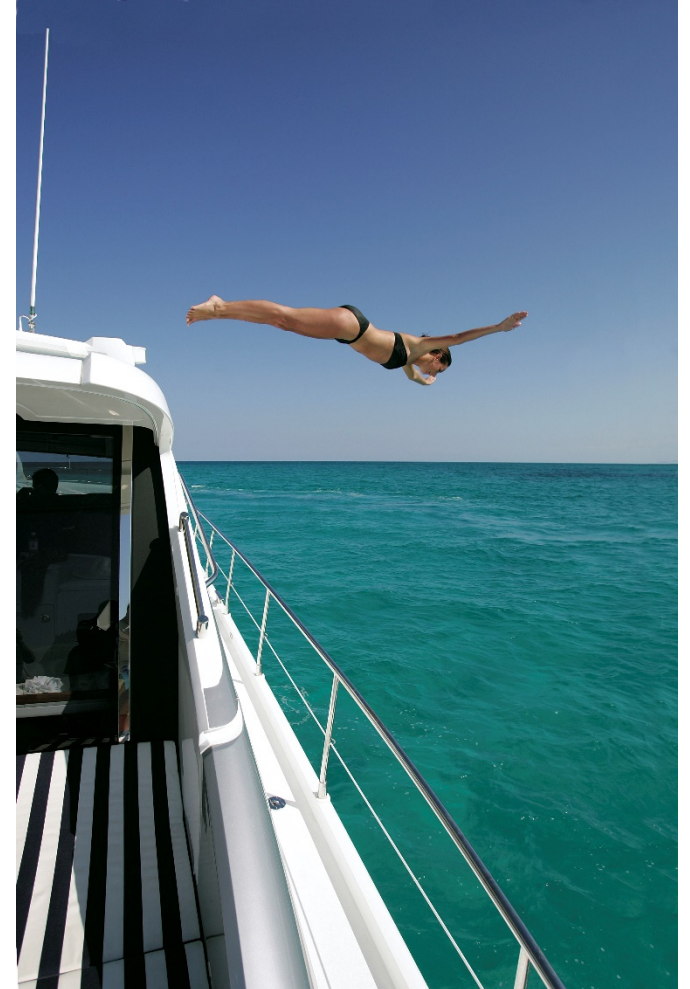
- VEEM signed a three-year frame agreement with Damen Shipyards for the supply of VEEM Gyros
- One of the Europe's largest boatbuilders, Damen sells 175 vessels per year, including 20 FCS vessels, providing a major platform for increasing sales of VEEM Gyros
- On top of new builds, retrofitting a VEEM Gyro to an FCS vessel is generally straightforward and there is a significant fleet of FCS vessels already in service. The retrofit market is huge
- Damen will continue to work with VEEM to incorporate the VEEM Gyros into additional Damen platforms and vessels in the near term
- Damen's adoption of the VEEM Gyro technology is a major step in terms of acceptance in the large commercial market and follows Damen's initial two orders of VEEM's VG1000SD gyros in 2019 and 2020 which were for FCS vessels
- This is a celebration of eight years of hard work by the VEEM Gyro team



Ready for World Domination



- Adoption of the technology on larger vessels is expected to continue with shipbuilders offering a VEEM Gyro as an option and end-users increasing their demand for the enhanced experience that a more stable vessel provides
- **Superyacht market** take-up of the product is expected to increase rapidly as more vessels with VEEM Gyros join the global fleet and word spreads as to the effectiveness of the stabilization
- Additional stabilization enhances the **commercial argument** for installing a VEEM Gyro through more operating days and safer, more efficient operation. We expect the take up of VEEM Gyros on commercial vessels to increase through FY2021 and beyond
- **Defence take-up** is expected to mature over a longer period of time due to the conservative nature of this industry. VEEM will continue to educate the defence industry on the product with a longer-term view to wide-spread take-up



Summary



- VEEM has now cemented itself as the market leader in the production of large gyros. Sales and enquiries are continuing to grow at an accelerating rate
- Market acceptance of the VEEM Gyro range has accelerated through a period of sea trials, demonstrations and subsequent sales with two VG1000SD sales to Damen Shipyards. Frame agreement with Damen Shipyards is extremely significant
- Expansion of gyro facility in Canning Vale has been validated with the recent increase in orders and enquiries. The facility can manage up to \$100m of gyros per annum
- Precision engineering, defence and propulsion work will continue to underpin VEEM's operations, with defence work continuing for several key customers



ASX : VEE

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4. Additional Information



Company Overview



The VEEM Board

Brad Miocevic
Chairman

Mark Miocevic
Managing Director & CEO

Ian Barsden
Non-Executive Director

Mike Bailey
Independent Non-Executive Director

Peter Torre
Independent Non-Executive Director

David Rich
Chief Financial Officer
Co-Company Secretary

Tracy Caudwell
Finance and Admin Manager
Co-Company Secretary

VEE

ASX Code

\$0.70

Share Price

\$88.40 million

Market Capitalisation

130 million

Shares on Issue

Corporate Summary



Corporate Snapshot

ASX Code	VEE
Share Price (18 Nov 2020)	\$0.70
Market Capitalisation (18 Nov 2020)	\$91m
Shares on Issue	130m

Substantial Shareholders

Mioceovich Family	61.54%
Perennial Value Management	14.93%

12-MONTH SHARE PRICE PERFORMANCE

