



VEEM

VEEM LTD

INVESTOR UPDATE
MORGANS WA INVESTOR TOUR
16 JUNE 2022

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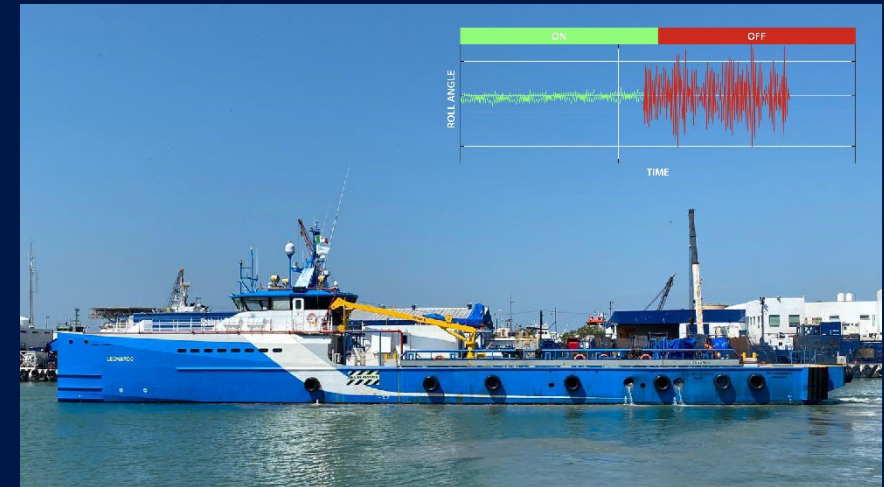
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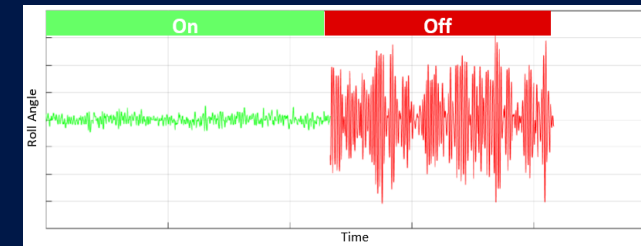
What does VEEM do?

- VEEM 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.
- From a precision engineering background, over decades VEEM has developed its own range of products concentrating on disruptive, technology-led, high-margin products with large addressable markets and significant barriers to entry.
- Every year VEEM invests significantly in research and development. This is directed at the creation and enhancement of new products as well as the reduction in time and cost of production in order to keep pricing competitive, increase margins and add capacity.
- VEEM has a strong underlying precision engineering business servicing marine, defence, mining and industrial customers which generates ongoing profitability and cashflow (even in the current challenging environment) as well as providing a foundation of technical skills and resources for the evolving product range.
- VEEM's marine propulsion and stabilization products are world leaders in their markets. The propulsion market is well established with very strong demand now and into the future. VEEM's propeller sales have stepped up now additional capacity has been installed.
- VEEM holds the dominant position as the only major supplier in the very large global marine gyro market which includes new builds and retrofits (current fleet). Leads and orders are strong providing a high level of confidence around future sales.



Gyrostabilizers

- VEEM holds the dominant position as the only major supplier in the large marine gyrostabilizer market, which is estimated at US\$1.1bn for new builds and US\$13.5bn for retrofits (current fleet)*.
- Significant capital investment and intellectual expertise requirements now provide major barriers to entry for competitors. VEEM is exploiting this by driving sales growth and taking its robust technology into smaller frames to compete against the recreational products.
- The recent addition of new key senior and customer-facing staff, in the very large European market in particular, has already resulted in an increase in the volume and quality of leads and enquiries from European customers and shipyards.
- In FY22 to date VEEM has sold \$3.5m of gyros and has orders on hand of \$3.1m. With multiple shipments in June, FY22 sales are expected to be \$5.3m. Orders and sales for FY21 totalled 12 units and FY22 is expected to also be 12 units indicating sales volumes were steady despite challenges, with lumpiness in sales value caused by vast differences in the value of the individual gyro units ranging from US\$250k to US\$1.2m.
- Damen's new walk to work vessel, the FCS 7011 (the VEEM VG520SD is the "secret weapon"), has been launched in the Netherlands and is now available for charter through OceanXpress. The vessel is designed to revolutionise offshore crew transfers.
- The significant volume and quality of leads provides confidence that future orders and sales are coming and VEEM will continue to build inventory of complete units in line with lead trends in order to meet expectations.



*Refer to the ASX release of 12 May 2021.

Propulsion

- Demand expected to continue to grow due to increased demand globally. Many yards booked out to 2023-4.
- Increased propeller manufacturing capability by installing two new propeller CNC machining centres and re allocating a third CNC machining centre from the industrial division.
- Recent completion of the LCS program for Austal provided the ability to re-allocate this machine from the industrial division.
- This increase brings the total amount of propeller machining centres to nine and creates the ability to generate over \$2m a month in propeller sales.
- A further three smaller machines scheduled for delivery in December 2022 will increase capacity to 12 machines, double what was operational at 31 December 2021.
- New key superyacht builders have added VEEM as primary supplier and are requesting possible long term, volume based contracts. Of note is the increasing demand for large diameter superyacht propellers.
- Second price rise this financial year has been implemented to account for the continued rises in labour, freight and raw materials/commodity costs.
- Rising raw materials costs, freight and, to some extent, labour will require monitoring and price adjustments to ensure VEEM continues to offer its premium product at competitive prices while maintaining gross margins.



Defence

- Deliveries for the next Collins Class full-cycle docking order have commenced along with normal levels of spares. The total order is in excess of \$9m with deliveries through to the end of FY23. Collins Class submarines will continue well into the 2040s with a life of type extension program as well as ongoing FCD.
- Austal ride control and propulsion work is ongoing, with overall revenue lower due to completion of LCS contract.
- Deliveries of the Evolved Cape-class Patrol Boat (ECCPB) from Austal to the RAN are underway with VEEM providing the propulsion equipment. Austal aim to deliver nine vessels to the RAN this calendar year of which all vessels comprise VEEM products.
- Federal government's increased drive for local content, on naval vessels in particular, is expected to drive growth through BAE Systems Australia and others. This includes the investment of up to \$4.3 billion to deliver Western Australia's first large-vessel dry berth at Henderson.
- Phase 1 of the qualification program for the manufacture of the Hunter Class Frigate propellers for BAE Systems Australia and Kongsberg was successful and phase 2 has been tendered. If successful, a tender for manufacture will be issued late 2023.



Hollow Bar & Engineering On-Demand



HOLLOW BAR/FOREVER PIPE

- Increased resources now active in the sales and marketing of this product range within the mining sector.
- Sales of VEEM's hollow bar product are expected to remain steady with regular demand and reliable margins.
- Marketing of the Forever Pipe product and the expanded offering of bends and T-pieces will continue with an emphasis on significantly improved life-cycle and plant safety.
- Pricing is such that input cost increases flow through to customer pricing.



ENGINEERING ON-DEMAND

- Continuing to bid on, and win, work across the country where utilisation of the Company's foundry-led precision engineering capability enables VEEM to provide specialist solutions for customers.
- Maintaining the engineering capability and expertise also supports the marine and defence businesses.
- Local 24/7 Dynamic Balancing division is busy and this is expected to continue.
- Input cost increases have been passed on through price rises.
- Labour shortages continue to be an issue restricting production hours.

Summary Update

- VEEM holds the dominant position as the only major supplier in the large marine gyro market, which is estimated at US\$1.1bn for new builds and US\$13.5bn for retrofits (current fleet). In FY22 to date VEEM has sold \$3.5m of gyros and has orders on hand of \$3.1m. FY22 sales are expected to be \$5.3m with the number of units sold for FY22 expected to equal FY21. Leads are also very strong, providing a high level of confidence around future sales.
- VEEM is pleased to report a 50% increase in propeller manufacturing capability after installing two new propeller CNC machining centres and re-allocating a third CNC machining centre from its Industrial division. This increase brings the total amount of propeller machining centres to nine and creates the ability to generate over \$2m a month in propeller sales.
- Deliveries for the next submarine full-cycle docking program (order worth \$9m) have commenced and VEEM is also delivering ride control and propulsion for Austal patrol boats. VEEM is well-positioned to benefit from the promised significant investments in defence and naval shipbuilding in particular, with the Hunter Class Frigate propeller pilot being a current example.
- The tight labour market and COVID issues have resulted in lower capacity (hours) due to skills shortages and increased costs. Raw material, labour and freight cost increases have generally now been passed on to customers through price rises which will assist in mitigating the impact during the final quarter of the year. The challenge of continued freight and raw materials cost increases mean future price rises are inevitable.
- Gyros and propellers do not require a large amount of highly skilled labour to expand due to automation, a global supply chain and a production line skill set.
- Overall VEEM is in a strong position going forward with an existing robust core business which has allowed it to invest in and support the focus on driving the growth of the disruptive VEEM Gyro product into the global marine market.



Q & A

VEEM

APPENDICES

Corporate Overview

Corporate Snapshot

ASX Code	VEE
Share Price (10 June 2022)	\$0.58
Market Capitalisation (10 June 2022)	\$80m
Shares on Issue	136m

Substantial Shareholders

Miocevich Family	50.20%
Perennial Value Management	11.82%

12-MONTH SHARE PRICE PERFORMANCE





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