VEEM

1HFY25 HALF-YEAR RESULTS PRESENTATION

20 FEBRUARY 2025

PRINCESS YACHTS

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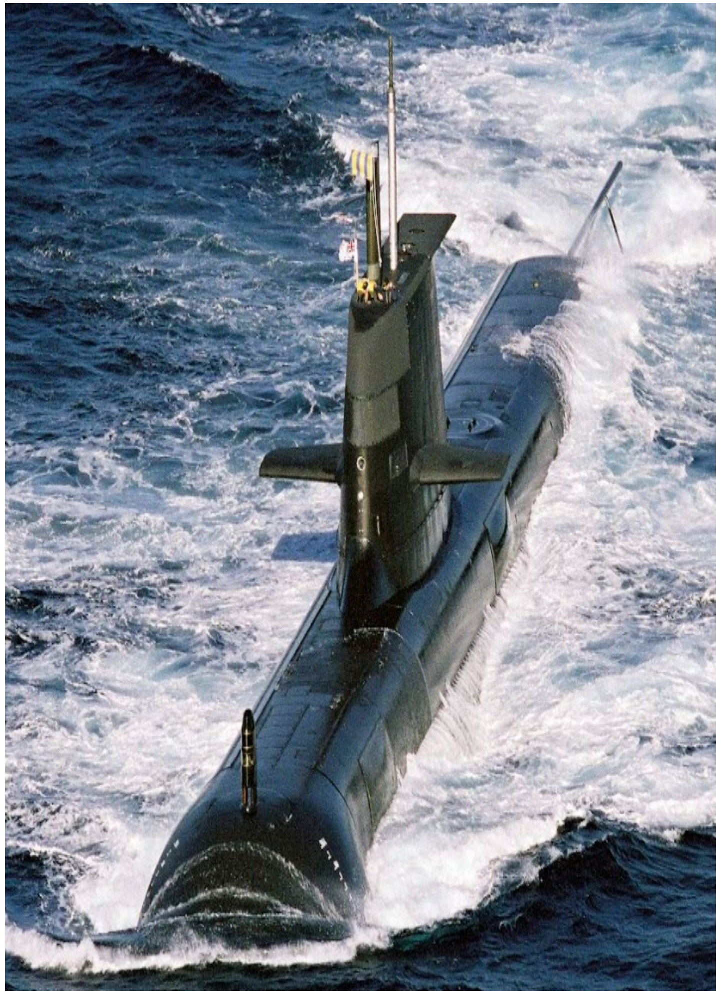
Agenda

1HFY25 Highlights

Revenue $33.6m -10% (Guidance $33m-$35m)	Total Activity[1] $34.5m	EBITDA $3.9m -43% (Guidance $3.4m-$4m)
EBITDA Margin 11.7% -672bp	EBIT $1.6m -66%	NPAT $1.0m -71% (Guidance $0.4m-$1.2m)
Operating Cashflow $1.8m -50%	EPS 0.75cps -71%	Interim Dividend 0.23c



1. Total Activity = Sales + change in WIP

Executive Summary

- VEEM 1HFY25 result came within guidance released to the market in December, with revenue of $33.6m (guidance $33m-$35m), EBITDA of $3.9m (guidance $3.4m-$4m) and NPAT $1.0m (guidance $0.4m-$1.2m).
- VEEM's revenue for the half-year was $33.6m (down 10% on 1HFY24) with total activity (Sales + change in WIP) of $34.5m (down 13% on 1HFY24).
- EBITDA and NPAT were $3.9m and $1.0m, down 43% and 71% respectively on 1HFY24.
- Cashflow from operations was $1.8m, down 50% on 1HFY24. Expected to improve 2HFY25.
- Gyro sales for the half-year were $3.3m with orders in hand of $2.4m at 31 December 2024.
- Agreement signed with Sharrow Engineering for the acceleration of the rollout.
- Propeller revenue of $14.0m was down 9% as orders expected for 1HFY25 were delayed to 2HFY25.
- Revenue from the submarine program was $4.7m for the half-year with total defence revenue of $7.3m down 15% on 1HFY24 as expected due to the cyclical nature of the work.
- VEEM awarded $1m defence grant for multi-axis CNC machine and scanner. Ordered in Dec 2024.
- Management Succession implemented with appointment of CEO, CFO, COO and CIO.
- Positive outlook for propulsion means expansion of existing footprint of the propeller facility.
- While 1HFY25 suffered from delayed revenue and compressed margins on specialised jobs, these factors are expected to be transient and coupled with cost reduction measures already implemented in 1HFY25, 2HFY25 is expected to have increased revenue and margins.

FINANCIAL RESULTS

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1HFY25 Profit

Temporarily challenging half – gearing up for a busy second half

- Work in Progress increased by $0.9m which, when added to revenue, demonstrates $34.5m of activity for 1HFY25.
- ASC revenue was down 24% due to low orders which are cyclical in nature. FY24 was very high at $16m.
- Engineering products and services revenue, excluding defence and hollow bar, was up 22% utilising some of the capacity left by Defence/ASC. However, did not yield the margins anticipated and hence lower margin overall. Margins expected to improve in 2HFY25.
- Propeller revenue has remained solid from FY24 with the 10% reduction from 1HFY24 as a result of:

  1) 1HFY24 benefiting from working through the backlog post installation of additional capacity, and;

  2) delayed orders which will be fulfilled in H2FY25.
- Gyro sales of $3.3m were down 35% as delivery was completed on accelerated Strategic Marine contract.

	1HFY25 A$mil.	1HFY24 A$mil.	% Change
Revenue	**33.6**	37.5	-10%
EBITDA*	**3.9**	6.9	-43%
Profit before Tax	**0.9**	3.9	-77%
Net Profit after Tax (NPAT)	**1.0**	3.5	-71%
Earnings Per Share (EPS)(cents)	**0.75**	2.58	-71%

*EBITDA is earnings before interest, tax, depreciation and amortisation.

Balance Sheet

Continued investment in product and process development

- The Company held cash on hand of $0.3m at 31 Dec 2024 (30 June 2024: $0.2m) with a drawn overdraft facility of $1.9m (30 June 2024: $0.4m) and undrawn amount of $2.1m (30 June 2024 $3.m).
- Bank facilities renewed on existing terms with overdraft increased to $4m.
- Cash position expected to improve in 2HFY25 with increased EBITDA generation.
- Capex of $1.0m consisted of equipment and tooling for propellers ($0.3m funded by hire purchase contracts) and $1.1m in intangibles which is predominantly to further gyro development.

	31 Dec 2024 A$mil.	30 June 2024 A$mil.	% Change
Current Assets	**39.6**	39.3	1.0%
Non-Current Assets	**54.5**	54.7	-0.5%
Total Assets	**94.1**	94.4	0.2%
Current Liabilities	**18.5**	16.6	12.0%
Non-Current liabilities	**23.5**	25.1	-6.4%
Total Liabilities	**42.0**	41.7	0.7%
Net Assets	**52.1**	52.3	-0.4%
Retained earnings	**46.6**	46.6	0.1%
Total Equity	**52.1**	52.3	-0.4%

Cash Flow

Solid cash flow in 1HFY25 expected to improve in H2FY25

- Cashflow from operations was $1.8m (1HFY24: $3.6m) as a result of lower revenue and margins in 1HFY25.
- Cashflow expected to improve in 2HFY5 due to improved EBITDA generation.
- $0.4m received in relation to $1m government grant awarded in December 2024.
- $1m of HPs were repaid and there were $0.3m of new HPs to fund asset additions.
- At 31 Dec 2024 VEEM had an undrawn overdraft facility of $2.1m and $0.6m undrawn on the trade facility.

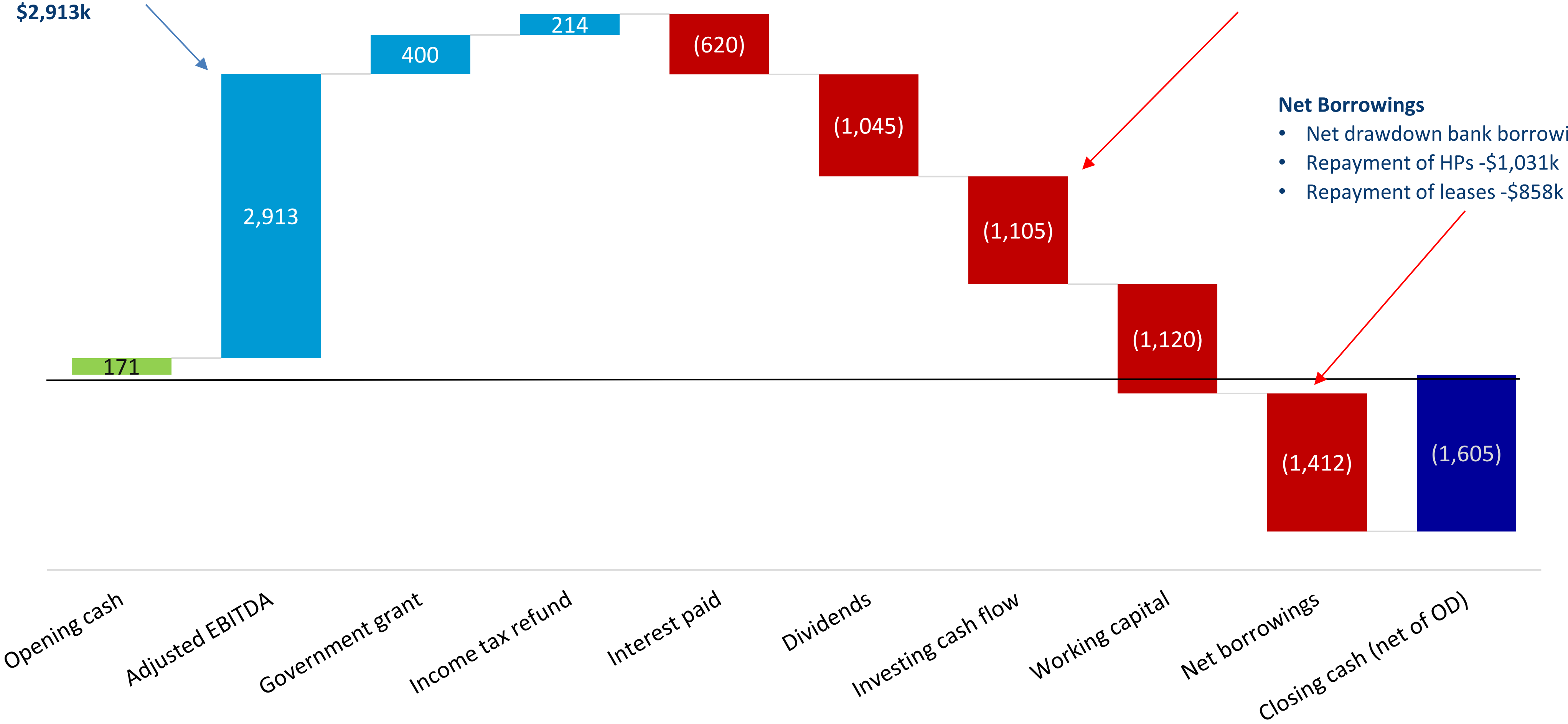
	1HFY25 A$mil.	1HFY24 A$mil.	% Change
Cash flow from operations	**1.8**	3.6	-50%
Cash flow from investing activities	**(1.1)**	(1.3)	-15%
Cash flows from financing activities	**(2.5)**	(4.1)	-39%
Net (decrease)/increase in cash	**(1.8)**	(1.7)	1%
Cash at end of period, net of overdraft	**(1.6)**	0.6	-348%

Cash Flows

Statutory EBITDA **$3,932k**
Less AASB 16 leases $1,019k
Adjusted EBITDA **$2,913k**

Investing
- Property plant & equip. $621k
- Development costs $483k

Net Borrowings
- Net drawdown bank borrowings +$477k
- Repayment of HPs -$1,031k
- Repayment of leases -$858k



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OPERATIONAL PERFORMANCE

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Gyrostabilisers

- Revenue from gyros was $3.3m for the half-year down 35% on 1HFY24 as the accelerated Strategic Marine order was completed.

- Orders on hand at 31 December 2024 were $2.4m and new orders received since 31 December 2024 are $1.5m.

- VEEM has maintained its higher level of marketing and brand-building for its marine products with a focus on digital and social media. This included attending shows in the US and Europe during the trade show season. These sustained efforts are expected to generate continued sales growth particularly in the workboat; commercial and defence markets.

- The release of the Mark II model during the half and the relevant improvements has given VEEM the confidence to provide a five-year warranty (previously one year).

- The Company now has five gyro technicians operating around the world based in strategic locations to ensure robust after sales support.

- During 1HFY25 VEEM worked to complete a new and more advanced gyro test rig to better simulate the various oceans of the world. This enhanced level of testing prior to dispatch will ensure the quality of the product released.

VG52 on board Tasmania Police vessel

Propulsion

- Propeller sales have maintained the momentum from FY24 with sales of $14m being down 10% on 1HFY24 as 1HFY24 included clearing an order backlog. Sales of $14m are 28% up over 1HFY23 demonstrating the step change in the business.

- In addition, 1HFY25 was hampered by orders expected being delayed during contract negotiations and will now be fulfilled in 2HFY25.

- The propulsion marketing and sales team has been bolstered to support continued growth and expansion into more markets geographically. Some orders received from the Asian market.

- An increase in offerings is also a part of the growth strategy including shaflines, flow aligned rudders and associated equipment.

- Amendment to agreement with Sharrow to accelerate the roll out executed. Refer to the next slide for details.

- Contracts with three large Italian Yacht builders, orders from Korea and an increase in scope from Volvo provide a positive outlook. The new footprint expansion provides an additional space for two machining centres that have now been ordered.

Propulsion – SHARROW by VEEM Acceleration

- The engineering development work required to adapt and refine Sharrow's proprietary design code, originally developed for its award-winning Sharrow Propeller in the outboard market, has progressed significantly over the past 15 months through rigorous testing and analysis.
- Sharrow's designers are confident that the performance data confirms that these inboard designs are on track to ultimately consistently deliver fuel efficiency and performance gains comparable to Sharrow's industry-leading outboard models.
- The development of the SHARROW by VEEM propeller is now entering the next critical phase: launching a super user group to accelerate the volume of propellers designed, made and tested over the next 12 months.
- Sharrow's advanced engineering methodology seamlessly integrates design, manufacturing, and verification, ensuring that each phase of development is informed by scientific precision. This well-established process has been successfully executed in the outboard program and is now being applied to inboard propulsion, setting a clear and proven path to follow.
- For the next 12 months, Sharrow will directly manage all communications, data gathering, and sales efforts. The same expert team that led the highly successful Sharrow outboard rollout is spearheading this initiative, leveraging their deep understanding of B2C interactions to engage directly with boat owners and operators.
- As part of this acceleration plan, Sharrow will continue to lead the design process plus oversee customer interactions, while VEEM focuses on optimising manufacturing and continues to provide engineering support. This division of responsibilities avoids customer confusion, ensures a seamless workflow and maintains the highest standards of execution.
- Sharrow is targeting the design, testing, production, and installation of 75 vessels within the next 12 months.
- At the conclusion of this 12-month period—extendable by six months—the Technology Collaboration Agreement terms will once again apply, with VEEM resuming responsibility for sales and manufacturing.
- The agreed terms will be formally documented as a variation to the Technology Collaboration Agreement.

"We are very pleased with the progress of the SHARROW by VEEM designs, which have demonstrated outstanding results in testing. With demand at an all-time high, this approach allows us to fast-track design evolution and production and deliver these advanced propellers to our customers. By accelerating the rollout and expanding testing, we're taking a major step forward in delivering the next generation of marine propulsion technology."

Sharrow Engineering and Sharrow Marine Founder and CEO Greg Sharrow

Defence

- VEEM continues to be a reliable, local source of highly sophisticated critical components for the Collins Class submarines. Revenue from the submarine program was $4.7m for the half-year (down 24% on 1HFY24) with overall defence revenue of $7.3m (down 15% on 1HFY24).
- Reduced defence revenue is as expected due to reduced orders as ASC deliveries in particular are cyclical with FY24 being very high at $16m.
- VEEM is currently manufacturing blades and hubs for the Hunter Class Frigate Program (HCFP) demonstrator program for BAE Systems Australia under a $1.7m contract. Completion is anticipated during 2HFY25 which will ensure VEEM qualifies as a supplier to the HCFP. VEEM is one of only two suppliers globally to be able to produce this level of precision.
- In December 2024 VEEM was awarded a $1m federal government grant to build sovereign capacity under the Defence Industry Development Grants Program – Sovereign Industries Priorities Stream. The grant is to purchase and install a multi-axis CNC machine and scanner for manufacturing propellers and other critical components for Navy. Receipt of the grant underscores VEEM's importance in the defence supply chain and is expected to lead to further Australian defence work. The machine was ordered in December 2024 with an initial payment of $0.4m being provided.
- VEEM continues to monitor developments with AUKUS and other defence initiatives in Australia and the US to ensure it is in the best position to win its share of precision manufacturing work programs.

Representatives from HII Nuclear Australia conducted a capability audit in January 2025. HII is the largest military shipbuilding company in the United States.

Engineering Products and Services

- Engineering products and services revenue excluding defence and hollow bar was up 22% as this took up some of the capacity provided by the reduction in defence.
- This increased revenue did not yield the margins anticipated and hence the lower margin overall. New work which was won and contributed to this was specialised and complex. Margins are expected to recover in 2HFY25 on repeat orders which are on hand.
- VEEM's hollow bar product revenue for 1HFY25 was $3.4m which is a 2% increase over 1HFY24 as strong demand was sustained noting the increase from 1HFY23 to 1HFY24 was 36%.
- Demand generally for foundry-led, precision engineered products remains strong.
- VEEM will continue to focus on recruitment and maintenance of labour resources through a number of initiatives.

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OUTLOOK

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Outlook – Marine Products

Gyrostabilisers:

- Attendance during Europe and US boat show season has resulted in increased enquiries particularly as positive feedback was received at various shows.
- Leads received highlight the increased understanding of the benefits a VEEM gyro can deliver for commercial operators in terms of operational, HSE and commercial benefits.
- With the continued investment into marketing, regional specialist technicians and further product improvements VEEM expects revenue growth to continue.

Propulsion:

- Global demand for VEEM's propellers is expected to remain strong.
- Momentum from FY24 expected to continue.
- Margins protected against cost increases by regular pricing reviews.
- Expansion of offerings including shaftlines, flow-aligned rudders and brackets.
- Positive outlook with increased footprint approved and two new machines on order.

Sharrow by VEEM:

- Plan agreed for Sharrow to accelerate the design development by rapidly increasing the volume of props designed, made and tested over the next 12 months. Sharrow will do this by driving the launch of a super user group.
- Sharrow's target is for 75 vessels to be installed with a SHARROW by VEEM in the next 12 months.

Outlook – Non-Marine

Defence:

- Defence revenue expected to be boosted in 2HFY25 from new orders anticipated from Austal and ASC.
- Other defence work for a number of different prime contractors, including Austal, is also expected to continue.
- VEEM will deliver the Hunter demonstrator program in 2HFY25 and will pursue options to leverage off the high-level qualifications (incl security) with BAE/Kongsberg/Navy to supply other defence programs including overseas T26 programs.
- VEEM is active and well positioned to take advantage of further defence work opportunities that may arise out of AUKUS and other defence programs.

Engineering:

- Demand for the traditional engineering products and services is expected to continue.
- Margins expected to improve in 2HFY25.

General:

- Cost reduction measures implemented end of 1HFY25 to provide benefit to margins in 2HFY25.
- VEEM remains vigilant in terms of cost increases and availability of materials and components globally due to issues like various conflicts impacting global shipping. Mechanisms are in place to protect pricing and margins.

VEEM Managing Director Mark Miocevich commented

"There is no doubt the first half of FY25 was challenging, however we expect the second half to be better from both a revenue and margin perspective. Delayed orders and the increase in cyclical defence work will feed into 2HFY25 and repeat orders from challenging new industrial work completed in 1HFY25 are expected to yield better margins in conjunction with cost reduction measures implemented."

Q & A

APPENDICES

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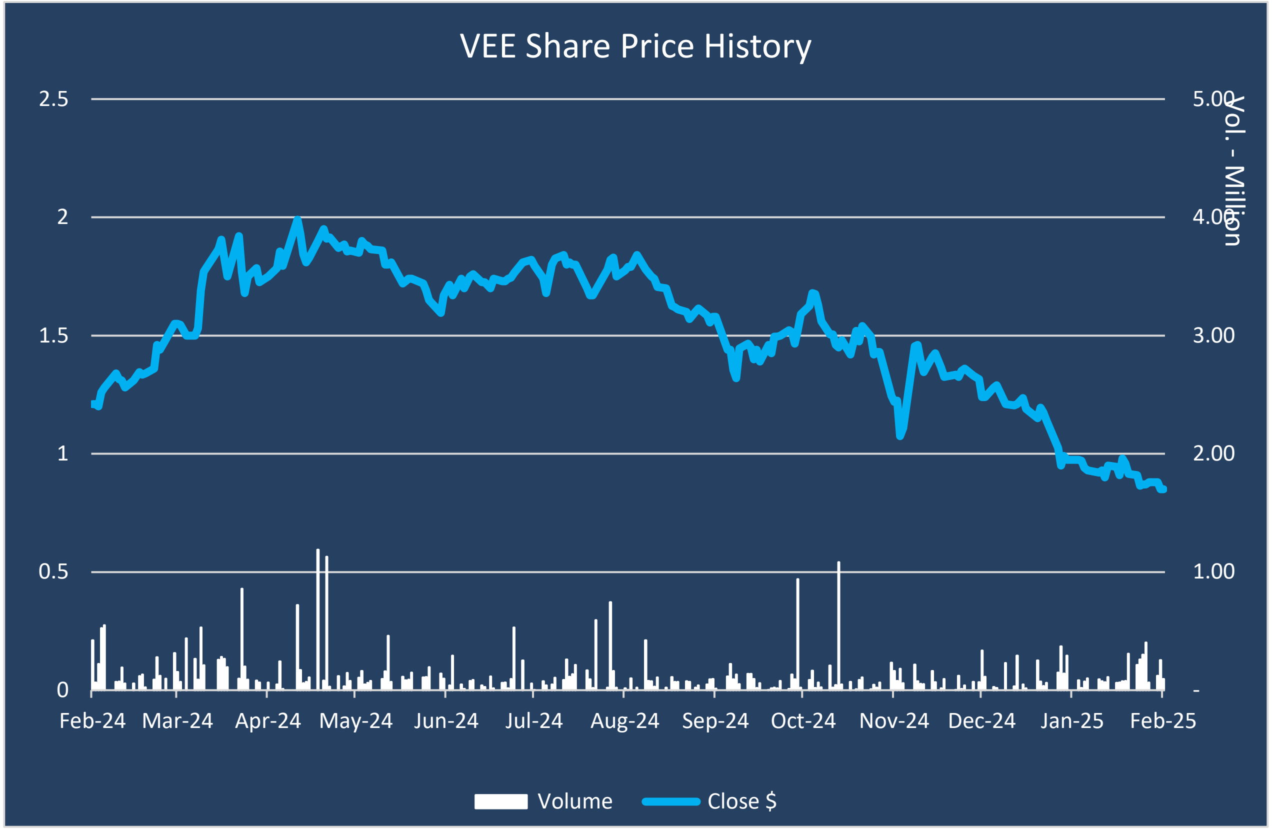
Corporate Overview

Corporate Snapshot	
ASX Code	VEE
Share Price (19 February 2025)	$0.85
Market Capitalisation (19 February 2025)	$115m
Shares on Issue	136m

Substantial Shareholders	**%**
Miocevich Family	50.18%
Perennial Value Management	14.97%



This ASX announcement was authorised for release by the Board of VEEM Limited.

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