



ASX ANNOUNCEMENT

28 February 2017

VALMEC REPORTS HY17 SALES AND EARNINGS

- **Group Revenue up 10.9% on HY16 to \$29.9 million**
- **Expected slow ramp-up of gas construction projects still delivers EBITDA of \$1.1 million**
- **Significant sales revenue growth of more than 35% (circa \$40m) expected in second half**
- **Mobilisation of all Construction projects now commenced, immediately driving stronger H2 EBITDA returns**
- **Recurring Service contracts up to 40% of total group revenues**
- **Tendering activities across all project and service disciplines remains robust**
- **Continued strong safety performance currently over 1.2 million hours LTI free**

Valmec Limited (ASX: VMX) (“Valmec” or “the Company”) reports its financial results for the half year ended 31 December 2016.

Sales revenue for the period was \$29.9 million, an increase of 10.9% on the previous corresponding period, reflecting increased works on Infrastructure projects and further growth in our Gas Services markets. Gas Services revenues of \$15.8m for HY17 represented an increase of over 65% on the previous corresponding period and is expected to be maintained for the second half.

The expected slow ramp-up in our Gas construction projects during HY17 through client delays in award and then execution, impacted revenues in the period and corresponding gross margins. With mobilisation of all construction projects now having been achieved and a Group order book of circa \$55 million entering 2017, Valmec expects second half revenues to exceed \$40 million with significantly improved EBITDA returns compared to HY17.

Recurring revenues through long term gas service contracts are also now expected to account for more than 40% of Valmec total revenues, capitalising on the change within our industry sectors from their construction phase to the operations phase of the cycle.

Reported earnings before interest, tax, depreciation and amortisation (EBITDA) for the period was \$1.1 million which is down on the previous corresponding period. (HY16: \$1.7 million). The Company also continues to focus on efficiencies within its businesses with total overheads (excluding finance costs and depreciation) for the period of \$3.2 million, reflecting a reduction of over 29% over HY16.

Cashflow from operations saw an improvement on the comparative reporting period (+\$1.9 million) whilst gearing levels (net debt to equity) have remained stable at 24%.



Operations and Outlook

During the period, the Group also experienced a significant recovery in its tender pipeline, as clients across all sectors gained an improved outlook for their capital development projects. Strong tendering activity across all of its disciplines, including larger construction projects, government infrastructure services and gas operations and maintenance contracts throughout Australia increases Valmec's expectation of building a stronger and more resilient order book moving forward.

During the half year, the Group was awarded the following strategic projects;

1. Infrastructure works on the Northlink WA Southern Section for John Holland Group Pty Ltd (\$13.3 million);
2. Supply, installation and commissioning of water pipeline and facilities for Saracen Mineral Holdings Ltd (\$6.6 million); and
3. Construction services on DBP Development Group's Tubridgi gas storage facility project (\$5.4 million).

Safety

Valmec continued to achieve significant safety performance milestones during the period. Again testament to its continued vigilance over safety leadership and ongoing focus on improvement in safety management and reporting systems, the Company has now recorded over 1.2 million hours being worked without a lost time injury (LTI).

The Group also finished HY17 with a total recordable injury frequency rate (TRIFR) of 0.74.

Managing Director Comments

Commenting on the HY17 results and full year outlook, Valmec Managing Director Steve Dropulich said:

"Valmec finishes the calendar year with an order book of circa \$55 million, underpinning our expectations of significant revenue and earnings growth during H2. As envisaged, mobilisation of all Gas construction projects has now commenced, with increased activity expected to immediately drive FY17 EBITDA returns to more acceptable levels.

With clients experiencing a recovery in oil, gas and resource markets, it is pleasing to note that tender to award timelines are shortening, which will drive further growth and increased visibility on future revenues"



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About VALMEC

Valmec is an Australian energy and multi-discipline services group providing specialised packaged equipment, engineering, construction, commissioning and integrity maintenance services to the resources, energy and infrastructure sectors.

Founded by an experienced team of EPC and contracting professionals each with more than 25 years in the Australian gas industry, Valmec's focus is on the delivery of innovative project solutions, superior service and faster time-to-market options than the competition.

Valmec employs approximately 180 project and support personnel, operating out of modern offices and fully equipped workshop facilities in Western Australia and Queensland.

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