



**DURATEC
LIMITED**

H1FY21 RESULTS PRESENTATION

24 FEBRUARY 2021



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Corporate Snapshot

National leader with experienced board and management committed to driving sustainable growth

Capital Structure

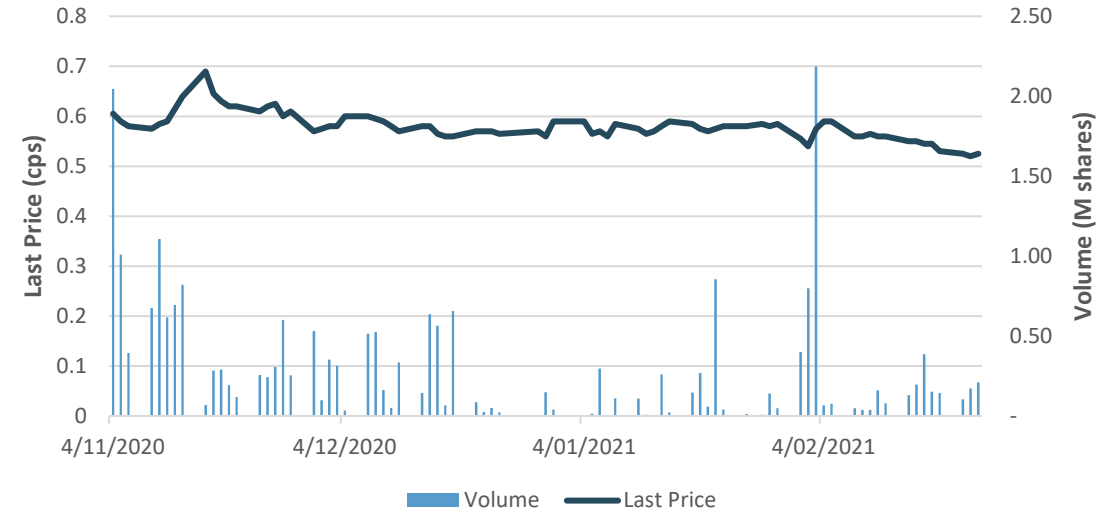
ASX Code	DUR
Shares on issue	237.4m
Share price as at 24 February 2021	52.5c
Market capitalisation as at 24 February 2021	\$124.7m
Net Cash as at 31 December 2020 ¹	\$19.8m
Enterprise Value as at 24 February 2021	\$104.9m

Board and Senior Management

Martin Brydon	Chairman
Phil Harcourt	Managing Director
Chris Oates	Executive Director
Gavin Miller	Non-Executive Director
Dennis Wilkins	Company Secretary

Note 1: Comprises cash less lease and interest bearing liabilities

Share Price and Volume since IPO



Share Register at IPO

Jim Giumelli and related entities including Ertech (19.9%)	20.8%
Directors and senior management	35.5%
Institutions	23.0%
Private shareholders	20.7%

H1FY21 Financial Highlights

Result demonstrated the resilience and strength of diversity in the business

Revenue²

\$124.1m

↓ 3.2% on H1FY20

EBITDA¹

\$11.7m

↑ 4.5% on H1FY20

NPAT¹

\$6.1m

↓ 2.6% on H1FY20

Cash

\$31.0m

Robust balance sheet, primed for growth

EBITDA Margin¹

9.4%

↑ 8.0% on H1FY20

NPAT Margin¹

5.0%

↑ 0.6% on H1FY20

Note 1: Prepared on a normalised basis which exclude one-off IPO costs and Fortec contribution – refer Appendix 1 for calculations

Note 2: Revenue inclusive of DDRIC (49% share) is \$136.8m with an equivalent EBITDA margin of 8.5%

H1FY21 Operational Highlights

Key Observations and Themes

Safe & Sustainable Operations	<ul style="list-style-type: none">› Zero lost time injuries and continued investment to foster a culture of ZERO HARM.
High performance and activity levels	<ul style="list-style-type: none">› Engaged in over 1,100 projects and performed strongly despite COVID-19 challenges.› Key market segments remain very active, though some delays in Defence and Buildings & Facades.› Significant number of new tenders and pipeline (see also slide 11).
Business Evolution	<ul style="list-style-type: none">› Standalone financing and IT facilities and business systems in place with strategic roadmap for new systems under development.› Established and commissioned fully recyclable blast and paint facility in Karratha.
DDRIC Performance	<ul style="list-style-type: none">› Continued to grow strongly with significant pipeline of work, especially in Defence and Resources.› Duratec Board appointment and First Steps Programme.› Indigenous Procurement Policies of governments - procurement spending targets of ~3%.
Platform for growth	<ul style="list-style-type: none">› Significant operational leverage from capital light model.› Grown to 687 employees.› Key industry themes continue to underpin growth strategy.› Executive Manager Deane Diprose relocating from WA to NSW to support growth in this region.› Jack-up barge acquired to capitalise on niche marine structure remediation market.

H1FY21 Financial Result

Result demonstrated the resilience and strength of diversity in the business

- Continuing solid business performance in H1FY21.
- Lower revenue of \$124.1m (down 3.2% on prior corresponding period of H1FY20 (**PCP**)) due to
 - Delays in contract awards, particularly in Defence and Buildings & Facades; and
 - COVID-19 related project productivity impacts.
- Normalised EBITDA (\$11.7m) and NPAT (\$6.1m)
 - 80% increased contribution from DDRIC
- Normalised margins (EBITDA of 9.4% and NPAT of 5.0%) up on PCP due to partly to increased contribution from DDRIC but lower revenue in H1FY21.
- Very strong balance sheet with \$31.0m cash balance and low debt levels.
- Statutory reported result includes pre-tax IPO costs of \$2.5m expensed and DDRIC \$1.4m dividend

	H1FY21	H1FY20	Variance
Revenue	\$124.1m	\$128.2m	(3.2%)
Reported EBITDA	\$8.9m	\$11.4m	(22.2%)
Normalised EBITDA¹	\$11.7m	\$11.2m	4.5%
Statutory NPAT	\$4.6m	\$6.7m	(30.3%)
Normalised NPAT¹	\$6.1m	\$6.3m	(2.6%)
Key operating metrics			
Reported EBITDA margin	7.2%	8.9%	(19.6%)
Normalised EBITDA margin¹	9.4%	8.7%	8.0%
Statutory NPAT margin	3.7%	5.2%	(28.0%)
Normalised NPAT margin¹	5.0%	4.9%	0.6%

Note 1: Prepared on a normalised basis which exclude one-off IPO costs and Fortec contribution – refer Appendix 1 for calculations.

H1FY21 Projects Delivery

Key sector and project overview – high delivery and service levels maintained

Core Service Offerings



ENGINEERING

Our industry professionals provide rapid and accurate diagnosis of asset condition and degradation, including cost-effective durability solutions.



REMEDIATION

We offer the complete range of remediation services including responsive, scheduled and performance-based maintenance programs.



CONSTRUCTION

As a licensed builder in all states, we offer design and construction services to replace structures that have reached the end of their serviceable life.

Client industries



Defence



Buildings & Facades



Mining & Industrial



Power & Energy



Marine infrastructure



Transport infrastructure



Water infrastructure

Engaged in ~1,100 projects during H1FY21 (some on-going)

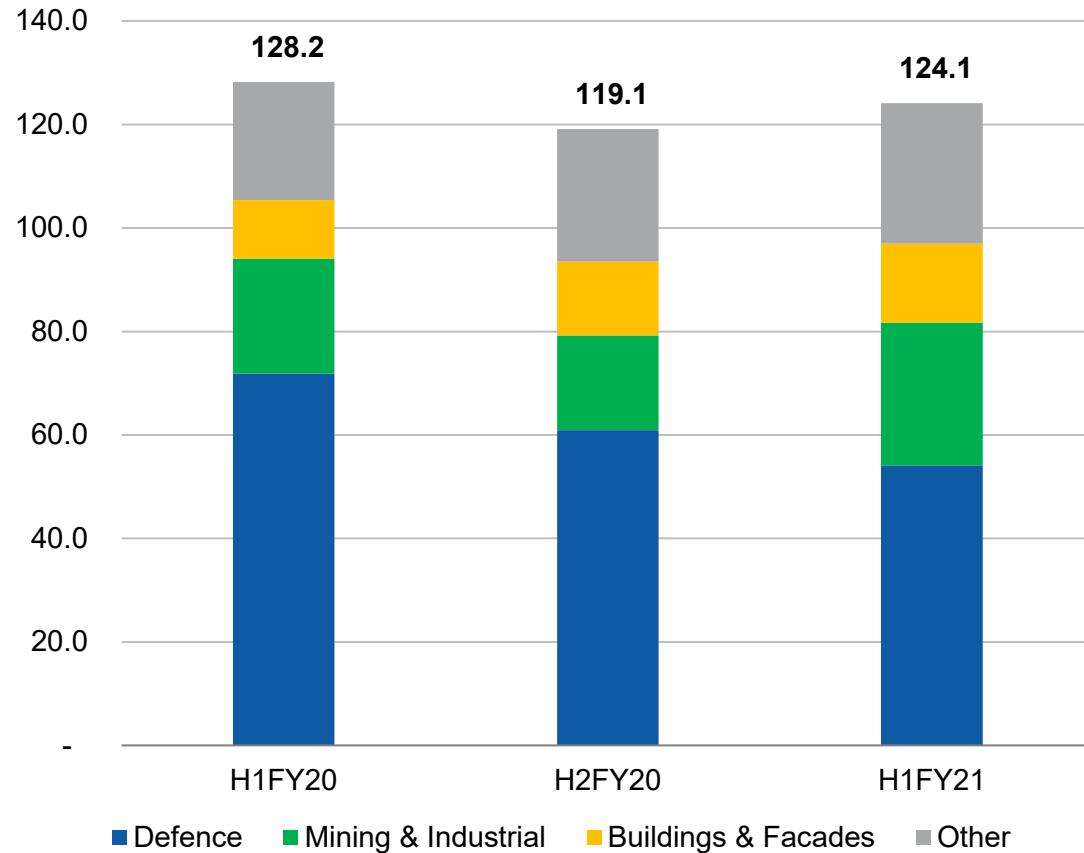
Key H1FY21 projects:

- **Defence** – RAAF Base Richmond works, Fisherman's Bend building refurbishment, Gallipoli Barracks fuel installation works, HMAS Stirling works, Oakey fire safety, RAAF Pearce building & electrical and RAAF Williamstown building & civil.
- **Buildings & Facades** - 108 St Georges Terrace Façade Spandrel replacement, Chermside Medical Complex and SCG.
- **Mining & Industrial** – Boddington blast & paint services, Yandi structural works, Yara fertiliser plant maintenance and MIM concrete repairs.
- **Power & Energy** – Mt Piper Power station.
- **Marine** – Bunbury Port fender replacement, Fremantle Port wall remedial works and Flinders Ports remediation works.
- **Transport** – Cockle Creek Bridge refurbishment and Dunbogan bridge rehabilitation.
- **Water** – roof replacement for Power and Water Corporations and Mugga Reservoir roof replacement and repair.

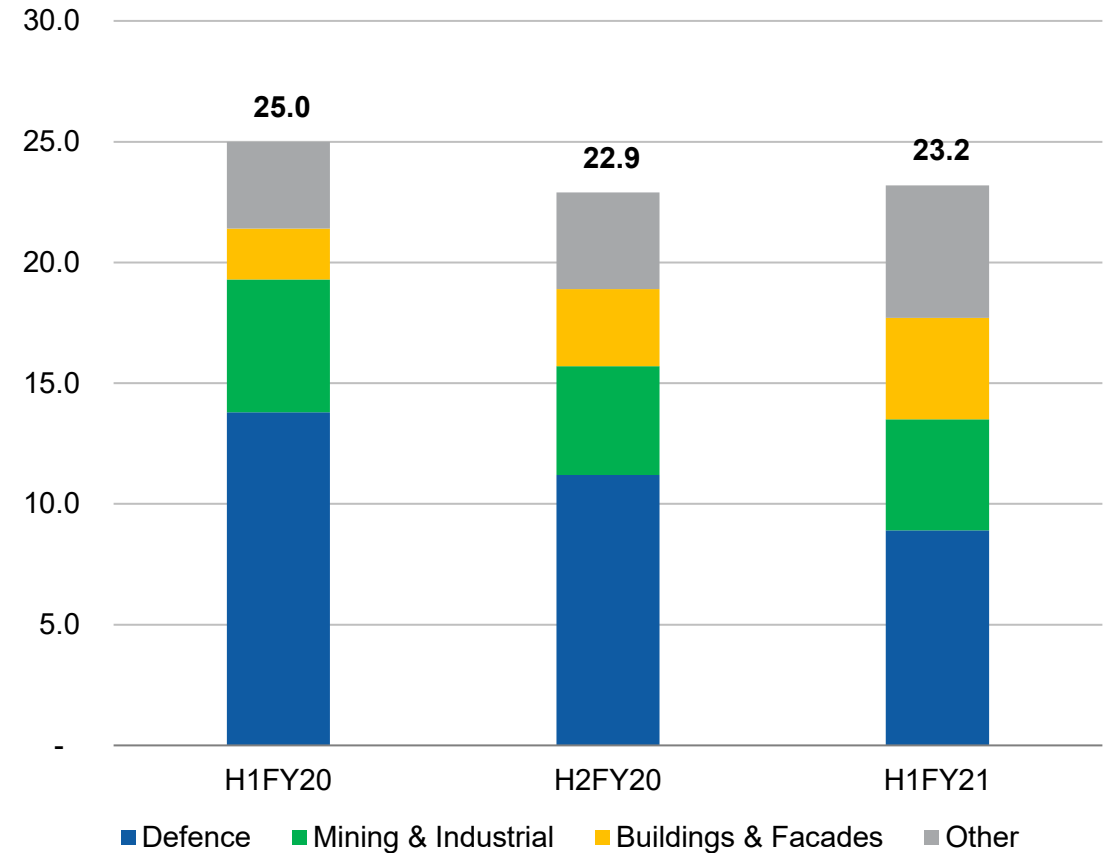
Results by Industry Segment

Diversification across sectors continues to be important

Revenue by industry segment (\$m)



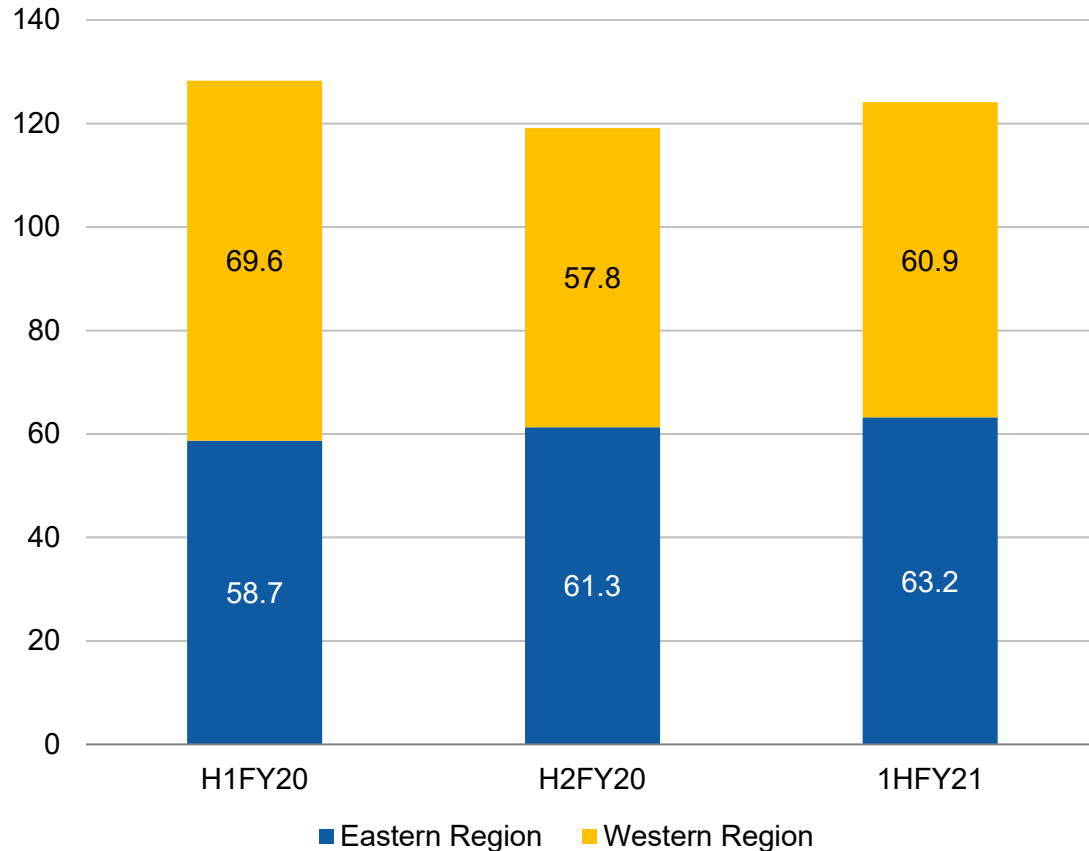
Gross Profit by industry segment (\$m)



Revenue composition

Geographic diversification strategy

Revenue by region¹ (\$m)



➤ H1FY21 down 3.2% compared to H1FY20 (but 4.2% increase over H2FY20).

➤ Key drivers for change

Western Region

- Overall down by \$12.3m principally in Defence as major works were completed and new awards delayed
- Partly offset by increased resources activity and increasing production - Hamersley Iron structural remediation works, Dampier Salt and DEJV growth

Eastern Region

- NSW and Vic down collectively circ \$10.0m compared to H1FY20 due largely to COVID-19 related operating inefficiencies.
- ACT up \$7.0m on H1FY20 due to the delivery of a major water infrastructure refurbishment project.

Note 1: Western region means Western Australia and Northern Territory. Eastern region means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania.

Dundee Rock Joint Venture (DDRIC)

Significant contributor in H1FY21

- JV between Duratec (49%) and Dundee Rock (51%) to provide meaningful work and training opportunities to indigenous people.
- Dedicated leadership team and additional key appointments.
- Increased focus on project pipeline forecasts and diversification of services and industry sectors over the past 6 months.
- Safety and Quality continual improvement initiatives implemented across the business.
- Engagement with community and grass roots initiatives such as sponsorships and donations.



FIRST STEPS PROGRAMME

- Creating pathways for long & successful careers in construction
- 3 week pre-employment program for six young Indigenous people who will be employed by offered traineeships to undertake a Cert IV in Construction.

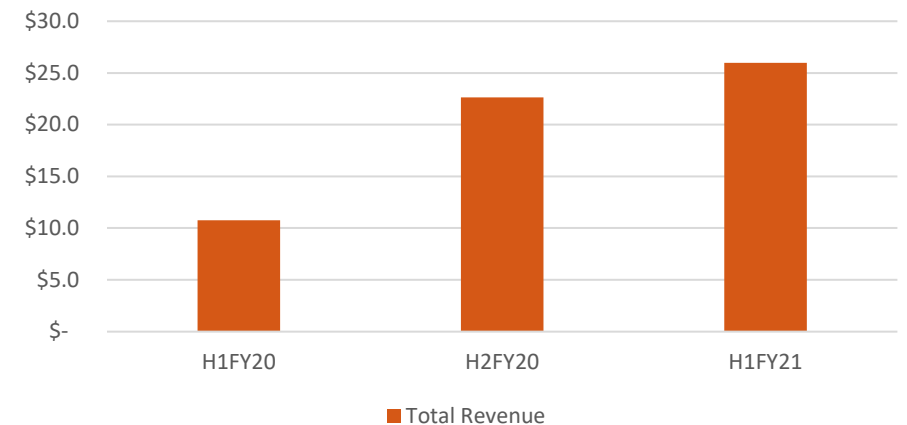


Dundee Rock Joint Venture (DDRIC)

Excellent growth outlook

- Demonstrated growth – graph shows (100% DDRIC business) revenue growth.
- Strong financial performance and \$1.4m dividend to Duratec with an expectation of continued strong financial performance.
- Current Work on Hand of \$27.8m and \$269.9m of Identified Opportunities.
- DDRIC outlook is very positive due to demonstrated capability and reputation for delivering quality outcomes, enabling repeat business.

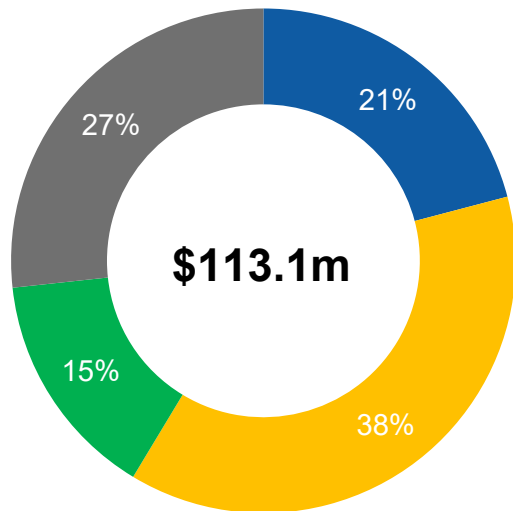
DDRIC Revenue (\$m)



Orderbook and Pipeline

Growing and diversified pipeline

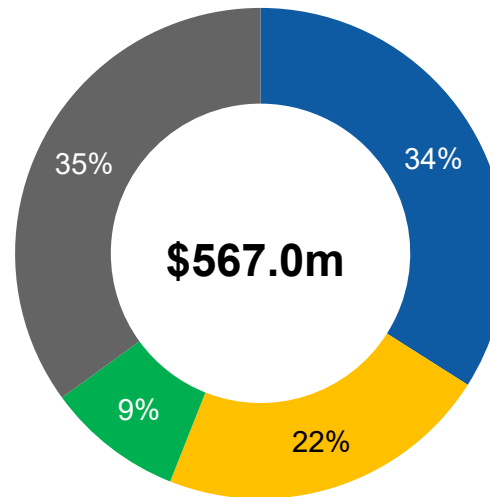
Orderbook¹



■ Defence ■ Buildings & Facades
■ Mining and Industrial ■ Other

↓ from \$145m at 31 July 2020

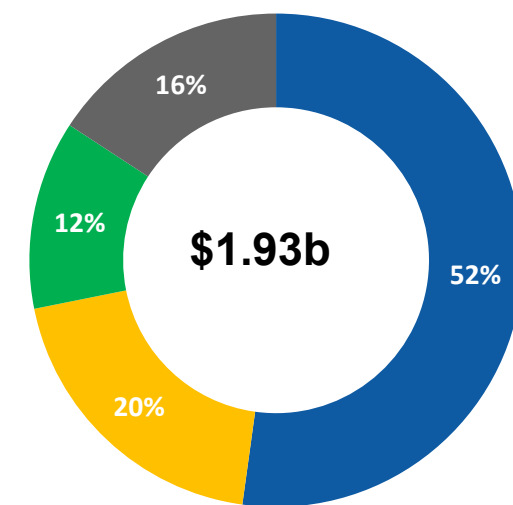
Tendered²



■ Defence ■ Buildings & Facades
■ Mining & Industrials ■ Other

↑ from \$392m at 31 July 2020

Identified Opportunities²



■ Defence ■ Buildings & Facades
■ Mining and Industrial ■ Other

↑ from \$1.03b at 31 July 2020

Diversified across industry sector and geographies (54% Eastern Region and 46% Western Region)

Note 1: Order book reflects Work in Hand as at 24 February 2021 and includes 50% of DEJV and 49% of DDRIC

Note 2: Identified and Tendered Opportunities are as at 31 January 2021 and include 50% of DEJV and 49% of DDRIC

COVID-19 Impact

Duratec navigated H1FY21 with great resilience

- Great resilience and leadership demonstrated.
- Diversified business model with State based teams continued to successfully navigate challenges.
- Duratec did not receive any JobKeeper support.
- Increased Government spending due to stimulus projects but typically smaller contract awards.
- Victoria – subdued activity due to 110-day lockdown.
- Delays in contract awards.
- Business impacts due to interstate border closures.



HSECQ Overview

Duratec safety initiatives – working towards ZERO HARM

- Improving safety record with no LTI in H1FY21
- Mental Health First Aid Training implemented to better equip team leaders
- Restructuring of Health and Safety team with addition of new National HSE Manager to complement the Systems and Compliance Manager
- Implementation of systems; induction & training, on line management of incidents, inspections and audits.
- Commenced implementation of updated Critical Control System - ties together existing risk management processes and focuses on activities critical to health and safety

Period	LTIFR	TRIFR	AIFR	Hours Worked
FY18	0.98	11.70	70.30	1,023,684
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400
H1FY21	0.00	5.50	51.70	1,818,208



Outlook

Very positive business context - H2FY21 and beyond

- Key macro themes and demand drivers that support Duratec's organic growth continue:
 - Strong commodity prices underpin increased resource sector investment.
 - Government infrastructure stimulus spending, including Defence nationally.
 - Asset owners remain focused on asset maintenance, remediation and refurbishment
- Significant increase in tendered work and Identified Opportunities.
- Robust balance sheet and operational leverage support growth strategy.
- High volume of tender opportunities evidenced by the large pipeline and tendering activity; 54% Eastern region and 46% Western region. Well diversified to capitalise on a broad range of identified opportunities.
- Continued focus on safety, systems and disciplined tendering (based on ECI)
- Given the high number of quality projects and submissions entering the evaluation phase, the Company is confident of the award of some significant projects in H2FY21



Outlook

Outlook by operating segment

- Defence
 - Defence sustainment spending forecast to double to \$23.8b over the next decade.
- Mining and Industrial
 - The resource sector teams are well positioned nationally to meet the increasing demand for remediation and life extension of ageing mining and resources infrastructure.
 - Clients are increasingly focused upon infrastructure integrity which is critical to their processes and production output.
- Buildings and Facades
 - Momentum in this sector with increasing demand for Duratec's Technical Team and ECI in projects.
 - Flammable cladding replacement programs continue to gain momentum nationally.
 - The Company expects it is well placed to be awarded significant work in the first quarter of calendar year 2021.
- Other infrastructure
 - Increased activity in energy, water & waste water, transport and ports infrastructure.
- DDRIC
 - Outlook supported by government and corporate IPP initiatives.





APPENDICES

Appendix 1 - Financial Information Reconciliation

Reconciliation of Statutory results to Normalised results

Reported EBITDA - Reconciliation (\$'000)	1H2021	1H2020	
Profit before income tax	6,162	9,406	
Depreciation & amortisation	2,420	1,743	
Financing costs	302	272	
Reported EBITDA	8,884	11,421	(22.2%)

Normalised EBITDA – Reconciliation (\$'000)	1H2021	1H2020	
Reported EBITDA	8,884	11,421	
IPO Costs expensed	2,455	74	
DDR tax effect	621	126	
Earnings – Fortec	(149)	(207)	
Dividends received from Fortec	-	(120)	
Shared Services Charges – Fortec	-	(139)	
Gain on disposal of Fortec	(151)	-	
Normalised EBITDA	11,660	11,155	4.5%

Normalised NPAT– Reconciliation (\$'000)	1H2021	1H2020	
Statutory NPAT	4,642	6,662	(30.3%)
IPO Costs expensed	2,455	74	
Tax effect of IPO costs	(737)	(22)	
Earnings – Fortec	(149)	(207)	
Shared Services Charges – Fortec	-	(139)	
Dividends received from Fortec	-	(120)	
Gain on disposal of Fortec	(151)	-	
Tax effect of disposal of Fortec	83	62	
Normalised NPAT	6,144	6,310	(2.6%)

Reported EBIT - Reconciliation (\$'000)	1H2021	1H2020	
Profit before income tax	6,162	9,406	
Financing costs	302	272	
Reported EBIT	6,464	9,678	(33.2%)

Normalised EBIT – Reconciliation (\$'000)	1H2021	1H2020	
Reported EBIT	6,464	9,678	
IPO Costs expensed	2,455	74	
DDR tax effect	621	126	
Earnings – Fortec	(149)	(207)	
Shared Services Charges – Fortec	-	(139)	
Dividends received from Fortec	-	(120)	
Gain on disposal of Fortec	(151)	-	
Normalised EBIT	9,240	9,412	(1.8%)

Appendix 2 – Balance Sheets

	Dec-20 \$000	Jun-20 \$000
Assets		
Current assets		
Cash and cash equivalents	31,045	41,276
Trade and other receivables	18,409	19,597
Contract assets	6,222	6,249
Inventories	272	273
Other current assets	1,889	966
Current tax receivable	641	-
Total current assets	58,478	68,361
Non-current assets		
Trade and other receivables	72	36
Plant and equipment	14,480	10,259
Right-of-use asset	2,689	3,055
Investments accounted for using the equity method	1,467	2,749
Other assets	82	78
Deferred tax assets	2,924	2,142
Total non-current assets	21,714	18,319
Total Assets	80,192	86,680
Current liabilities		
Trade and other payables	29,088	34,932
Borrowings	2,311	1,708
Property lease liabilities	1,136	1,163
Contract liabilities	11,573	15,681
Current tax liability	-	500
Provisions	4,602	4,934
Total current liabilities	48,710	58,918
Non-current liabilities		
Borrowings	6,023	3,867
Property lease liabilities	1,757	2,043
Deferred tax liabilities	813	432
Provisions	714	612
Total non-current liabilities	9,307	6,954
Total liabilities	58,017	65,872
Net assets	22,175	20,808
Equity		
Issued capital	23,704	500
Reserves	132	(231)
Retained Earnings	(1,661)	20,539
Total equity	22,175	20,808

- Contract assets and Contract liabilities refer to contract work in progress accrued revenue and revenue billed in advance of works completed.
- Debtors well managed and largely within terms, no bad debts.
- Other current assets primarily relate to prepayments, major item being prepaid insurances.
- Plant and equipment increase due to capital expenditure \$5.9m less disposals and depreciation for the period
- Right-of-use assets relate to property leases.
- Equity accounted assets refer to 49% owned DDRIC. In the PCP it included Fortec which was disposed of during the current period by in-specie distribution.
- Borrowings include asset-based finance loans.
- Property lease liabilities relate to the capitalised Right-of-use property lease assets.
- Provisions relate to employee entitlements – current and non-current

Appendix 3 – Cashflow Statements

For the Half-Year ended	Dec-20 \$'000	Dec-19 \$'000
Cash flows from operating activities		
Receipts from customers	134,011	144,773
Payments to suppliers and employees	(137,872)	(134,729)
Income tax paid	(2,721)	(2,569)
Interest and finance costs paid	(235)	(265)
Interest received	86	142
Net cashflows (used in)/from operating activities	(6,731)	7,352
Cash flow from investing activities		
Proceeds from sale of property, plant and equipment	191	55
Purchase of plant and equipment	(5,930)	(2,093)
Dividends received	1,407	170
Net cashflows used in investing activities	(4,332)	(1,868)
Cash flow from financing activities		
Dividend Paid	(25,200)	(3,200)
Proceeds from share issue	24,000	-
Proceeds from borrowings	4,099	1,464
Repayment of borrowings	(1,341)	(1,032)
Repayment Lease Liabilities	(731)	(477)
Repayment received from related party	5	-
Net cashflows from/ (used in) financing activities	832	(3,245)
Net (decrease)/increase/in cash and cash equivalents	(10,231)	2,239
Cash and cash equivalents at beginning of period	41,276	35,736
Cash and cash equivalents at the end of the period	31,045	37,975

- Cash flow from operations – impacted by debtor receipts in June 2020, reduced cash receipts in the half-year ended December 2020.
- Capital expenditure included jack-up barge to further enhance marine capabilities.
- Dividend received from DDRIC.
- Dividends paid relate to pre-IPO dividends in line with the prospectus.
- Proceeds from shares issued relate to new shares from the IPO - in line with the prospectus.
- Closing cash – strong position, enabling the Company to be responsive to opportunities.