

DURATEC LIMITED

# 1H FY23 RESULTS PRESENTATION

28 FEBRUARY 2023





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# CORPORATE SNAPSHOT

National leader with experienced board and management

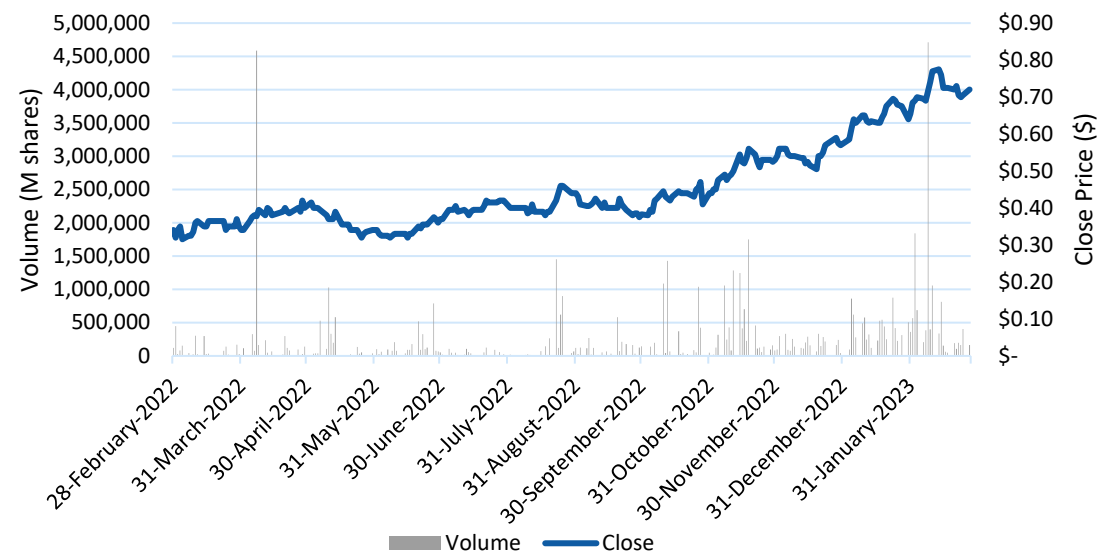
## Capital Structure

ASX code	DUR
Shares on issue	243.7m
Share price as at 27 February 2023	72.0c
Market capitalisation as at 27 February 2023	\$175.4m
Net cash as at 31 December 2022	\$60.4m

## Duratec Limited Board

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

## Share Price and Volume – 12 months



## Substantial Shareholders

James Robert Giumelli and related entities, including Ertech (19.4%)	21.8%
Directors and Key Management Personnel (KMP)	34.9%

# BUSINESS OVERVIEW

Leading Australian engineering, construction and remediation contractor

## What we do:

Specialist technical expertise in upgrading and extending the life and use of infrastructure in multiple market segments.

## Key business drivers:

- Aged infrastructure
- Poor original construction (defects)
- Asset capacity expansion
- Growing asset market
- Stricter building codes

## Key market segments supporting long-term growth:

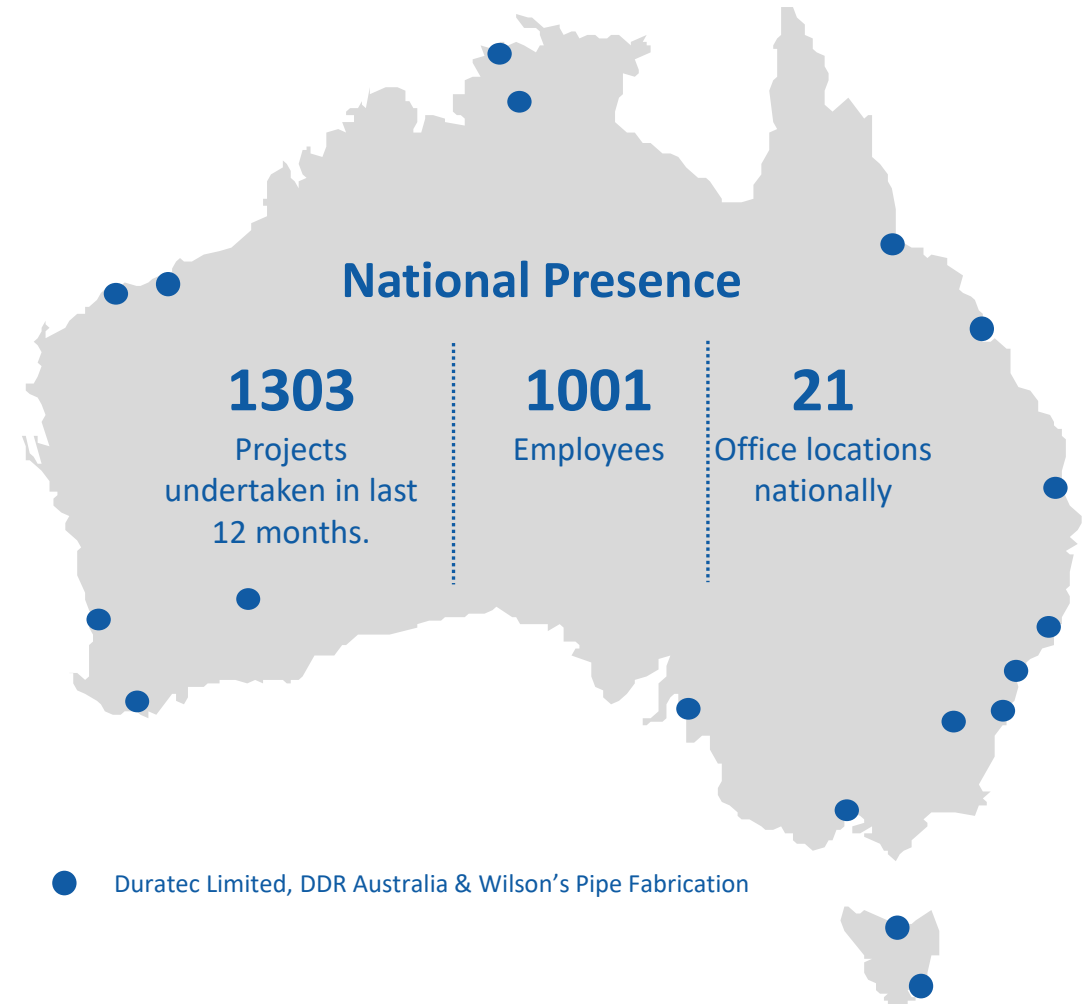
- Defence
- Building & Façade
- Mining & Industrial
- Other – Power & Energy, Oil & Gas, Marine, Transport and Water Infrastructure

## Business investments

**DDR Australia Pty Ltd** – Duratec 49% owned equity accounted investment is a leading majority Aboriginal-owned contractor in Defence and resources (IPP-funded opportunities).

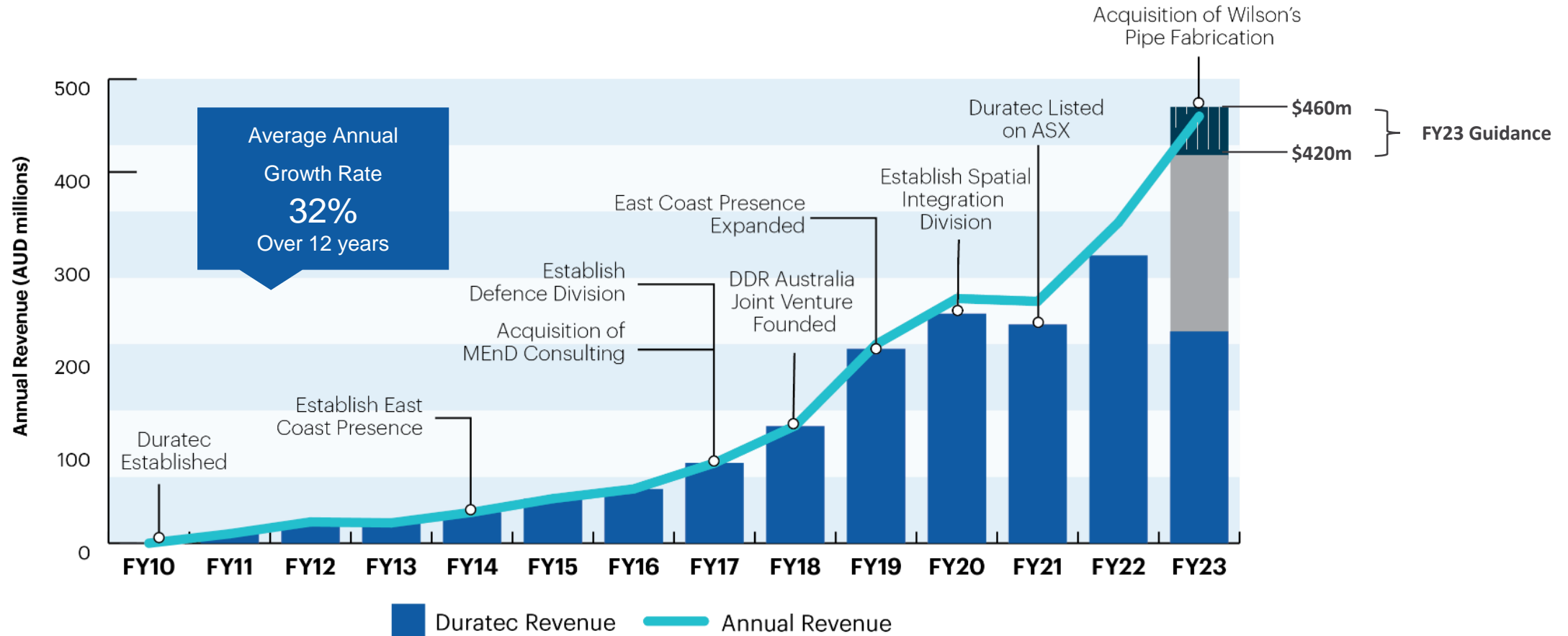
**Wilson's Pipe Fabrication Pty Ltd** - Duratec 100% owned oil & gas maintenance, fabrication and mechanical contractor.

**MEnD Consulting Pty Ltd** - Duratec 100% owned specialised engineering, 3D spatial and corrosion consultant.



# BUSINESS HISTORY

## Duratec's Historic Growth







# Financial Results

# 1H FY23 FINANCIAL HIGHLIGHTS

Continuing to deliver strong growth

**Revenue<sup>1</sup>**

**\$228.5m**

up 75% from PCP

**Normalised  
EBITDA<sup>2</sup>**

**\$16.2m**

Margin 7.1%

**NPAT**

**\$7.8m**

Margin 3.4%

**Cash**

**\$60.4m**

up 66% from PCP

**EPS**

3.25 cents per share

up 983% from PCP

**Interim Dividend**

1.0 cent per share

fully franked

up 100% from PCP

**Order Book**

**\$529m**

up from \$450m at  
24 February 2022

**Tendered**

**\$654m**

up from \$550m at  
24 February 2022

**Note 1:** Revenue excludes DDR Australia Pty Ltd, but includes two months of Wilson's Pipe Fabrication Pty Ltd.

**Note 2:** Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd and one-off Wilson's Pipe Fabrication Pty Ltd acquisition costs.

# 1H FY23 FINANCIAL RESULTS

## Building on a strong 2H FY22 result

- Revenue of \$228.5m<sup>1</sup>, up 75% on the prior comparative period (PCP).
- Normalised EBITDA<sup>2</sup> of \$16.2m, up 238% on PCP.
- NPAT of \$7.8m, up 981% on PCP.
- Solid cash generation from operations and balance sheet, with closing cash balance of \$60.4m.
- Earnings per share (basic) increased to 3.25 cents, up 983% from 0.30 cents in PCP.
- Results contain two months of WPF results<sup>3</sup>. A conservative position has been adopted for the WPF results, whilst WPF is integrated into Duratec's reporting and accounting procedures.
- Negative impact on EBITDA under Mining & Industrial segment from project delays in the Northwest, which will correct itself in 2H with strong orderbook.
- A legacy heritage structure remediation project adversely impacted EBITDA. Project has been completed and will not affect 2H.

	1H FY23	2H FY22	1H FY22 (PCP)	PCP Movement	PCP Movement
	\$'000	\$'000	\$'000	\$'000	%
Revenue	228,532	179,103	130,883	97,649	↑ 75%
Reported EBITDA	15,605	13,154	4,615	10,990	↑ 238%
Normalised EBITDA	16,253	14,257	5,041	11,212	↑ 222%
NPAT	7,846	7,035	726	7,120	↑ 981%
Cash	60,403	58,263	36,245	24,158	↑ 67%
<b>Key operating metrics</b>					
Reported EBITDA %	6.83%	7.34%	3.53%	3.30%	↑ 94%
Normalised EBITDA %	7.11%	7.96%	3.85%	3.26%	↑ 85%
NPAT %	3.43%	3.93%	0.55%	2.88%	↑ 519%
Earnings per share (basic) - cents	3.25	2.93	0.30	2.95	↑ 983%
Interim Dividend (per share fully franked) - cents	1.00	N/A	0.50	0.50	↑ 100%

**Note 1:** Revenue excludes DDR Australia Pty Ltd, but includes two months of Wilson's Pipe Fabrication Pty Ltd.

**Note 2:** Normalisation of EBITDA accounts for tax effect from Duratec Limited's 49% investment in DDR Australia Pty Ltd and one-off Wilson's Pipe Fabrication Pty Ltd acquisition costs.

**Note 3:** Wilson's Pipe Fabrication acquisition was completed on the 20 October 2022.



# REVENUE BY REGION

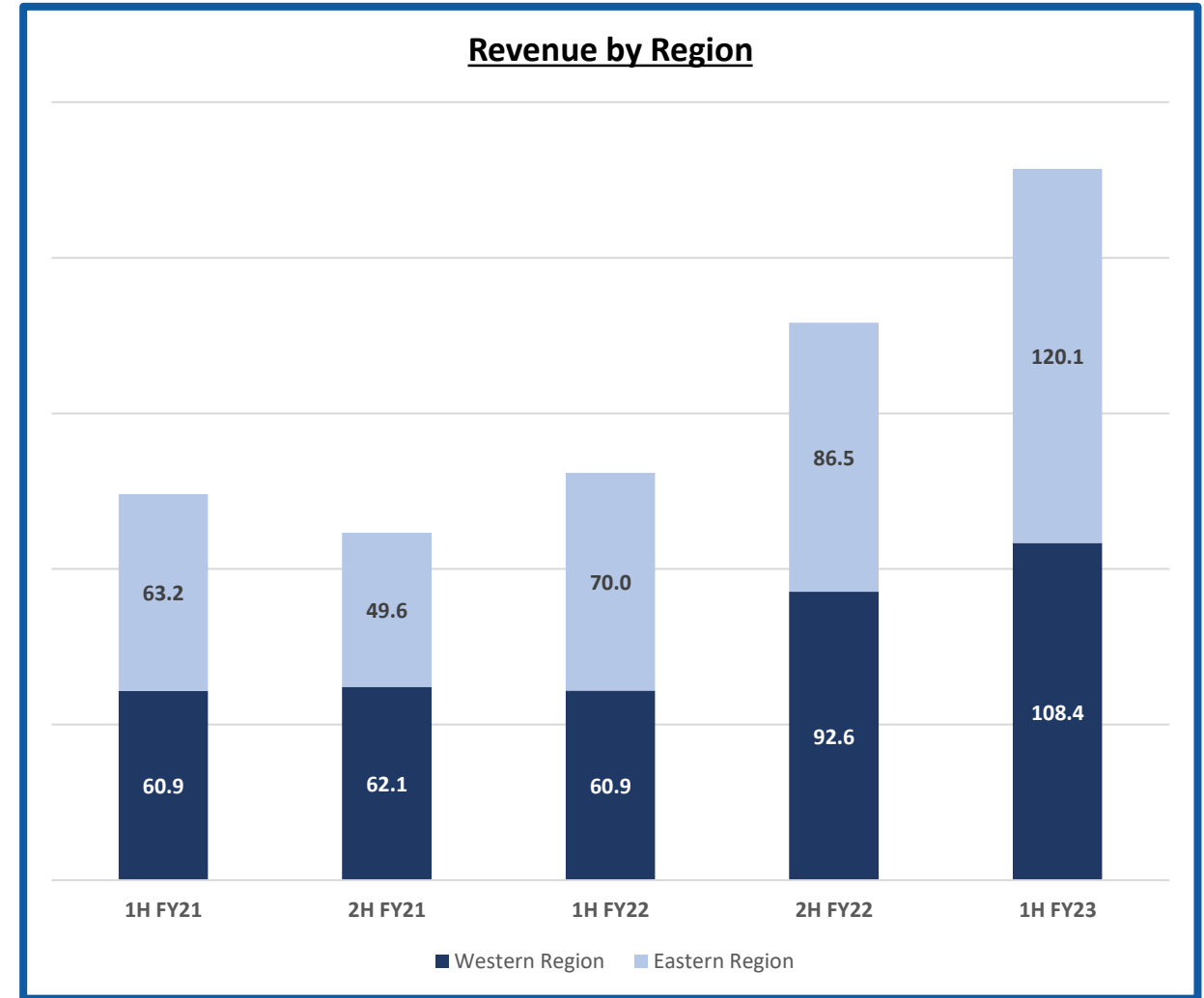
## Consistent growth in both regions

### Western Region<sup>1</sup>

- Strong revenue growth experienced in the Western Region with an increase on PCP of 78% and an increase of 17% on 2H FY22.
- Major contributors to 1H FY23 growth were:
  - Central Park - Facade Refurbishment project
  - Duratec Ertech JV - Oxley Wharf Extension project
  - RAFF Base Tindal - Aviation Re-fuelling Facility project
  - Goldfields and Northern Territory divisions

### Eastern Region<sup>2</sup>

- Strong revenue growth experienced in the Eastern Region with an increase on PCP of 73% and an increase of 39% on 2H FY22.
- Major contributors to 1H FY23 growth were:
  - Western Sydney International Airport - Fuel Hydrant Main project
  - RAAF Base Richmond Fuel Infrastructure Upgrade Works project
  - Increased orderbook with the Department of Defence in the Eastern Region



**Note 1:** Western region means Western Australia and Northern Territory.

**Note 2:** Eastern region means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania.

# REVENUE BY OPERATING SEGMENT

## Major project awards provide strong contribution

All operating segments have improved on PCP and 2H FY22 results.

### Defence

- Significant revenue growth experienced with an increase on PCP of 104% and an increase of 40% on 2H FY22.
- Strong performance supported by increase in major project awards.
- Focus on diversifying service offering through various Defence funding sources.

### Buildings & Facades

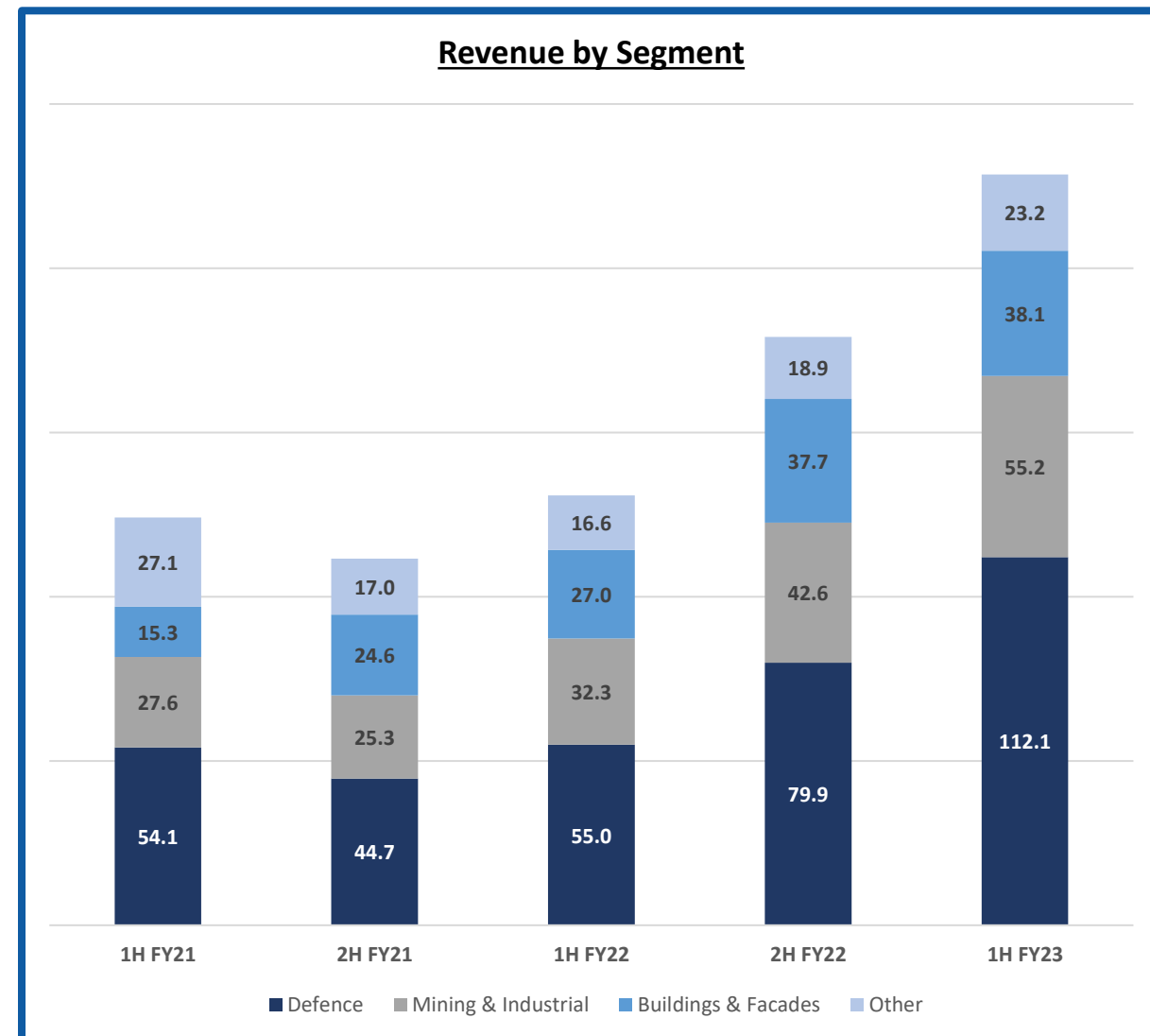
- Segment attracted minimal growth in last 6 months at 1% on 2H FY22, however has grown 41% on PCP.
- Key major project is performing in line with expectations.

### Mining & Industrial

- Stable revenue growth experienced with an increase on PCP of 71% and an increase of 29% on 2H FY22.
- Excellent contribution from the Goldfields for the period.
- Northwest was impacted by delays in project awards, however recent announcements show a strong future for this segment through its orderbook.

### Other

- Segment remains steady with growth of 40% on PCP and a 23% increase on 2H FY22.
- Ports, Transport, Water & Energy all growing sectors.
- Energy sector was a strong contributor for the 1H FY23 result.



# EBITDA PERFORMANCE

Strong orderbook and quality revenue, driving a more stable underlying EBITDA performance

## Defence

The Defence segment provided a significant contribution for the 1H FY23, as a result of strong revenue. Gross margin (GM) remained in line with expectation at 14.2% and the pipeline of work in this segment.

## Mining & Industrial

Project delays in the Northwest and maintaining operational capacity to support future growth negatively impacted EBITDA. However, the segment was supported by the Goldfield's performance. Typically a higher GM segment, the segment was able to achieve 21.4% GM for 1H FY23.

## Buildings & Facades

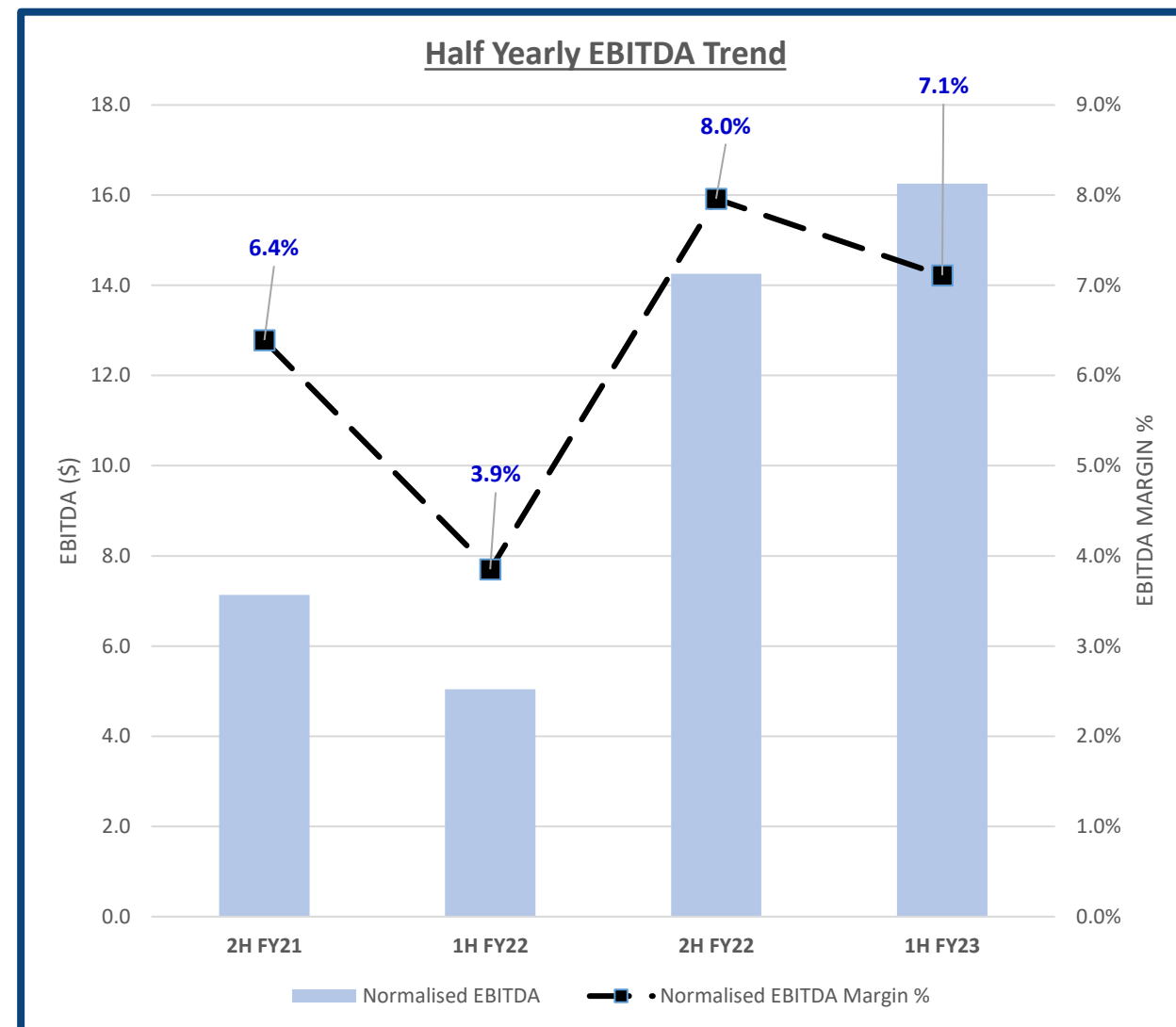
Client funding delay's resulted in minimal revenue growth in 1H FY23. The segment was supported by strong major project performance. GM remain in line with expectation at 15.6%; however, maintaining operational capacity for future growth did negatively impact underlying profit.

## Other

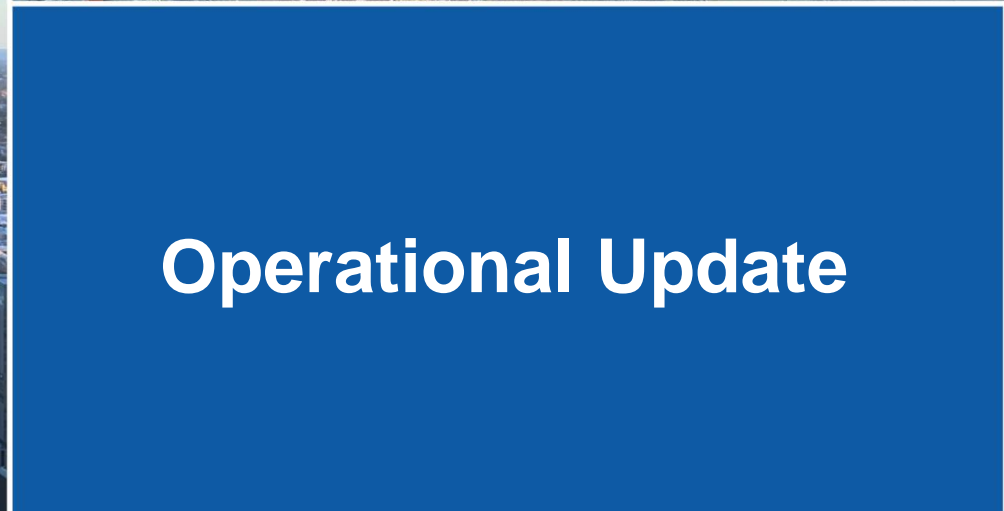
Solid result with strong contribution from Energy and Remediation projects. A legacy heritage structure remediation project adversely impacted the segment's gross margin but the project is now completed. The segment was able to achieve 7.2% GM for 1H FY23.

## Wilson's Pipe Fabrication

A conservative position has been adopted in the WPF results whilst WPF is integrated into Duratec's reporting and accounting procedures. 1H FY23 EBITDA % was 7.8%.







# Operational Update

# 1H FY23 PROJECTS DELIVERED

## Key sector and project overview

### 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.

### 1H FY23 Projects

#### Defence

Oakey Swimming Pool Refurbishment, HMAS Albatross Childcare Centre, RAAF Richmond Hanger Refurbishment, Simpson Barracks Mess Refurbishment, RAAF Edinburgh Aviation Medicine Refurbishment, HMAS Stirling Explosive Ordnance Works, RAAF Pearce Transmitter Building Refurbishment and National RCD Remediation Works

#### Building & Facade

Central Park - Facade Refurbishment, SJOG Facade Replacement - Murdoch and Subiaco, Ocean Keys Shopping Centre Facade Works, Chatswood Chase Shopping Centre Facade Works, Workplace 6 Facade Works and Cross City Tunnel Works.

#### Mining & Industrial

Newmont Boddington Master Services Agreement, BHP Billiton Nickel West Kalgoorlie Smelter Works, Rio Tinto Hope Downs Thickeners, Rio Tinto Brockman 2 Conveyor and Yara Pilbara Fertilisers Master Site Wide Services Agreement.

#### Power & Energy

RAAF Base Tindal - Aviation Re-fuelling Facility, Western Sydney Airport Aviation Fuel Hydrant Line, RAAF Base Richmond Fuel Infrastructure Upgrade, HMAS Stirling F-44 Fuel Upgrade and Mt Piper Power Station Repairs

#### Marine Infrastructure

Duratec Ertech JV - Oxley Wharf Extension, HMAS Coonawarra Fremantle Wharf Early Works, Rio Tinto Weipa Wharf Cathodic Protection Refurbishment, Rio Tinto Yarwun Wharf Corrosion Mitigation Works and TasPorts Wharf Remediation Works.

#### Transport Infrastructure

Rawdon Island Bridge Repairs, Old Windsor Bridge rehabilitation and Toll Depot Pavement Replacement

#### Water Infrastructure

Icon Water O'Conner Reservoir Roof Replacement and Joint Repair works, Greater Western Water Minns Road Tank Epoxy Liner, Water Corporation Wanneroo Clarifier Repairs, Perth Seawater Desalination Plant Maintenance Shutdown.



# HSECQ OVERVIEW

## Working towards best practice

- No Lost Time Injury (LTI) recorded in 1H FY23.
- Safety Culture Committee is well established in the business and initiatives are being rolled out throughout the business.
- Mental Health First Aid Training continues to be rolled out to better equip team leaders.
- Maintained Federal Safety Accreditation.
- Improved reporting processes and systems have been implemented to improve efficiency and effectiveness.

Period	LTIFR	TRIFR	AIFR	Hours Worked
FY19	0.71	3.55	46.22	1,406,142
FY20	0.00	6.33	49.59	1,895,400
FY21	0.00	6.07	55.76	1,811,255
FY22	0.98	7.81	72.71	2,048,952
1H FY23	0.00	8.11	72.96	1,195,429





# OPERATIONAL UPDATE

## Strong activity across key segments

### Defence

- Segment continued to perform well through 1H and strong contribution to the overall results.
- Continued focus on diversified service offering.
- Business' strategy of having several large-scale, longer-duration projects is being executed.

### Mining & Industrial

- Excellent contribution from the Goldfields.
- Northwest was impacted by delays in project award and maintaining operational capacity.
- Focus on annuity contracts with key clients has strengthened the orderbook.
- Good uptake on technical ECI contract modelling services, leading to long-term opportunities.

### Buildings & Facades

- Demand remains strong for our specialist services and early contractor involvement.
- 1H experienced delays in project funding on large projects.
- Pipeline of opportunity in the segment remains strong, with Duratec well positioned to capitalise on investment in the future.

### Other

- Strong contribution from remediation and energy projects.
- One legacy heritage structure remediation project adversely impacted gross margin.
- Duratec continues to strategically pursue marine infrastructure projects.
- Duratec remains focused on securing fuel infrastructure projects nationwide through synergies with Wilson's Pipe Fabrication.



# DDR AUSTRALIA PTY LTD (DDR)

## Significant contributor in FY22

- Equity accounted investment owned by Duratec (49%) and Hutcheson & Co Holdings Pty Ltd (51%).
- Provides meaningful work and training opportunities to Aboriginal and Torres Strait Islander peoples.
- Delivered \$22.5m in Supply Nation-certified project works in 1H FY23.
- Dedicated leadership team strengthened by additional key appointments.
- Diverse workforce with 27% Aboriginal staff and 48% women.
- Increased focus on project pipeline forecasts and diversification of services .
- Safety and quality remains a key focus for DDR.

### 1H FY23 Highlights

- Revenue for 1H FY23 was down on forecast, but NPAT was much stronger at 8.2%.
- Strong 1H FY23 performance delivering \$940k profit contribution to Duratec.
- Current work-on-hand of \$30.2m and \$322m of identified opportunities.
- Outlook remains very positive, expectation of sustained financial performance.





# WILSON'S PIPE FABRICATION PTY LTD (WPF)

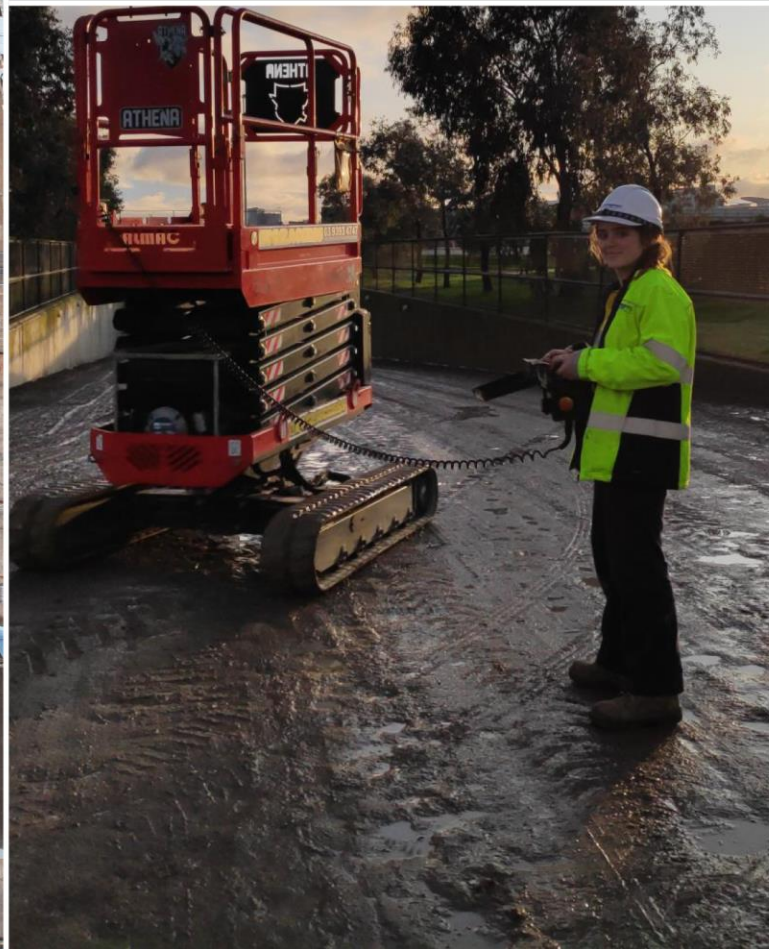
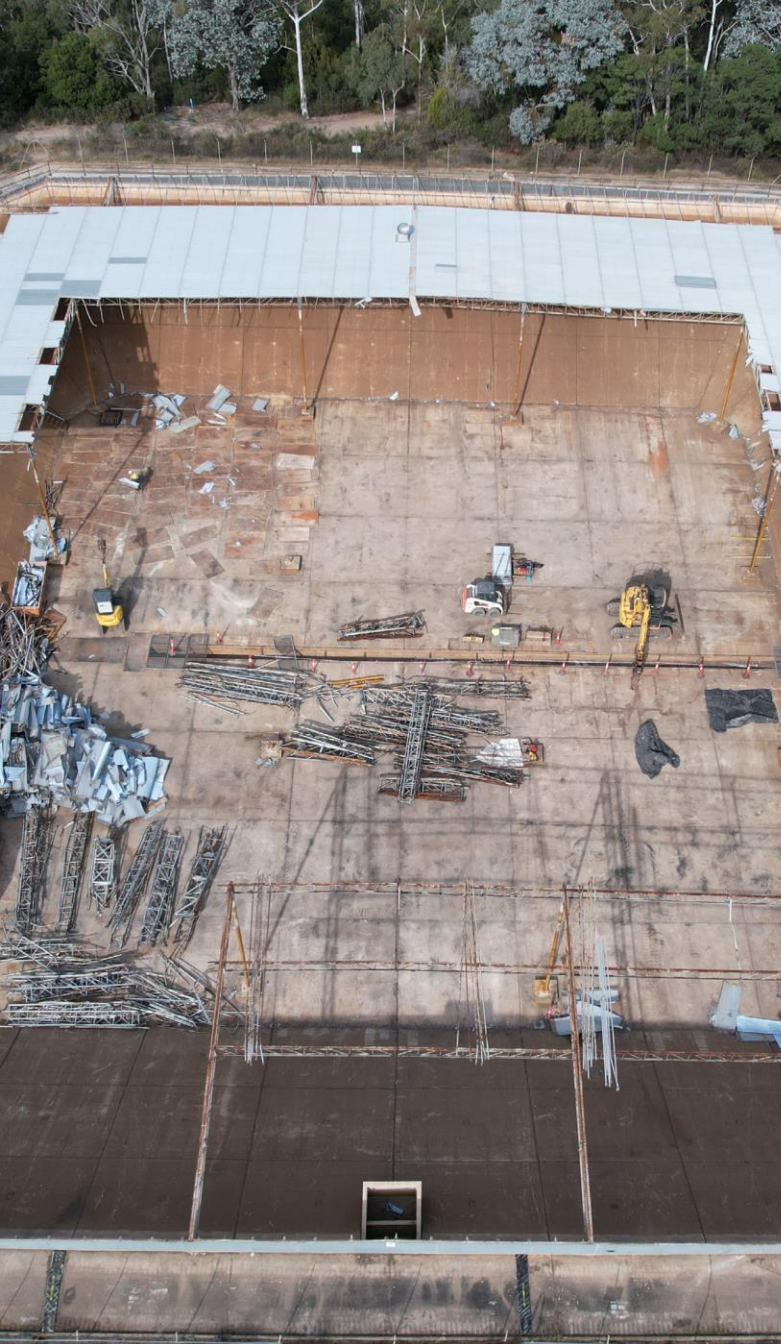
High levels of enquiry and strong growth forecast



## 1H FY23 Highlights

- Acquisition of 100% of Wilson's Pipe Fabrication (WPF) on 20 October 2022.
- Acquisition has given Duratec access to maintenance and remediation opportunities within the oil and gas market segment.
- Focus has been on the integration of WPF into the Duratec Limited group.
- New opportunities in the oil and gas market segment to support growth in revenue and underlying earnings.
- Opportunities are currently being pursued through an alignment in operating model with Duratec's operations, and the ability for cross-selling opportunities to be leveraged from the combined group's customer relationships and service offering.
- Dedicated leadership team strengthened by additional key appointments from Duratec Limited.



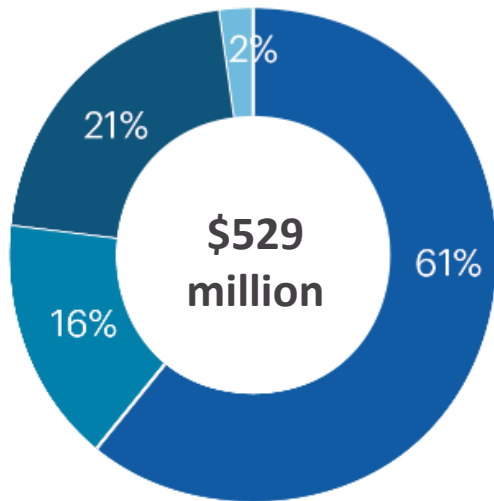


# Outlook

# ORDER BOOK AND PIPELINE

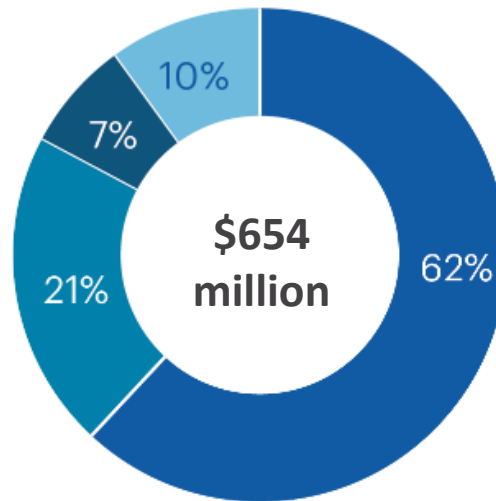
Diversified across industry sector and geographies, and growing

## Order Book



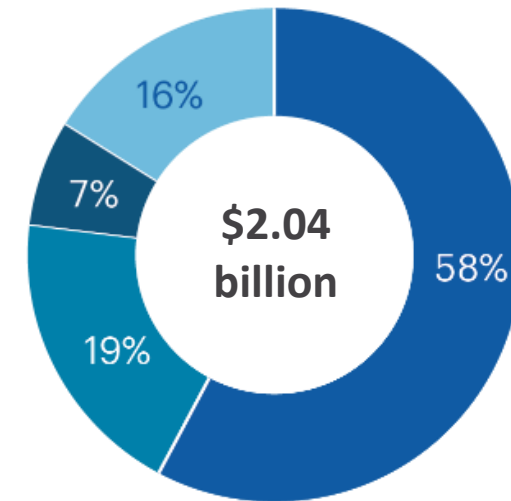
Up from \$450m  
at 24 February 2022

## Tenders



Up from \$550m  
at 24 February 2022

## Pipeline



Up from \$1.6b  
at 24 February 2022





# OUTLOOK & GUIDANCE

## Platform for continued growth – supported by pipeline

### Outlook

- Strong orderbook through an ability to efficiently capitalise on new opportunities.
- Tenders remain stable at \$654m, with good levels of enquiry across all market segments.
- Geographic distribution supports Duratec’s growth strategies and reduces Duratec’s exposure to market segment volatility.
- Continued strategic investment in Duratec’s market-leading technical capability, with services such as 3D realty modelling for front end asset integrity and reliability services. This continued investment supports the growth of Duratec’s back-end engineering, remediation and construction service offering.
- Strong result positions the Company for continued growth in the long-term.
- Expectation for a strong 2H FY23 supported by WPF once integration becomes more advanced, which will support Duratec’s future underlying profit performance.

### FY23 Guidance

- FY23 revenue guidance of \$420m to \$460m and forecast EBITDA of \$32m to \$35m maintained.







## Appendix



# RAFF Base Tindal - Aviation Re-fuelling Facility

## About Tindal

- Located 15 kilometres outside of Katherine in the Northern Territory, RAAF Base Tindal (Tindal) is one of Australia's most important Defence sites. Due to its northern location, Tindal operates as a strategic Air Force base, protecting the country's interests.
- Tindal was constructed in 1942 during World War II. It was refurbished in the 1960s and underwent further redevelopment in the 1980s. The majority of the base's infrastructure, therefore, was approaching 30 years of age and in need of remediation.

## How it started

- Duratec was engaged by the Department of Defence, via Lendlease, to undertake the construction of fuel infrastructure at Tindal. As well as structures designed to facilitate the base's key functions, the scope of works included the construction of other supporting infrastructure and buildings.

## How it's going

- Works are progressing according to program and the project is approximately 50 per cent complete.

## Fast facts

- The Department of Defence estate has the largest land holding in Australia, managing the maintenance of 72 major bases, numerous training areas and other minor establishments
- Duratec has a presence on 52 Defence bases in Australia, to which it delivers whole-of-life projects and upgrades to important base assets
- RAAF Base Tindal's personnel make up almost 10 per cent of Katherine's population of 15,000



# Central Park - Facade Refurbishment

Completed in 1992, Central Park has long been recognised as one of Perth's most iconic buildings for its stature as well as its place within the business community.

The building comprises of 51 levels with breathtaking views – stretching from Perth's world-famous beaches, across the beautiful Swan River and to the distant hills in the east. Central Park offers an enviable destination for businesses.

## Scope

- Full facade enhancement by way of removal of circa 26,000sqm of facade panels from the spandrel, columns, parapets and lift overrun zones.
- Replacement of all facade panels introducing tonal colour variations of metallic warm grey that will diffuse a golden hue to the spandrel, column, parapets and lift overrun.
- Introduce new lighting to the structural elements of the tower.
- Additional structural strengthening to the facade.
- Curtain wall system including new insulation and sarking.
- Works to be completed by installing temporary access decks above the podium to allow unimpeded access and egress for the building operations.
- Use of multiple mast climbers working concurrently across all elevations of the project to remove and install the cladding system.





# Western Sydney International Airport - Fuel Hydrant Main

Western Sydney International (Nancy-Bird Walton) Airport further fuels Duratec's growth in the energy sector. Works are underway at Sydney's new airport, which is due to open in 2026. Duratec's delivery of fuel transformation infrastructure to the airport is expected to further reinforce its capabilities in the energy sector.

## Scope

The scope of works for the fuel hydrant main covers provision of:

- Buried steel pipes between the aviation fuel farm boundary and the apron;
- Valves for venting and draining water;
- Valves, pits and chambers for isolation and control;
- A leak detection system;
- A corrosion protection system; and
- A control and safety system.

