



DURATEC LIMITED
H1FY22 RESULTS PRESENTATION

28 FEBRUARY 2022



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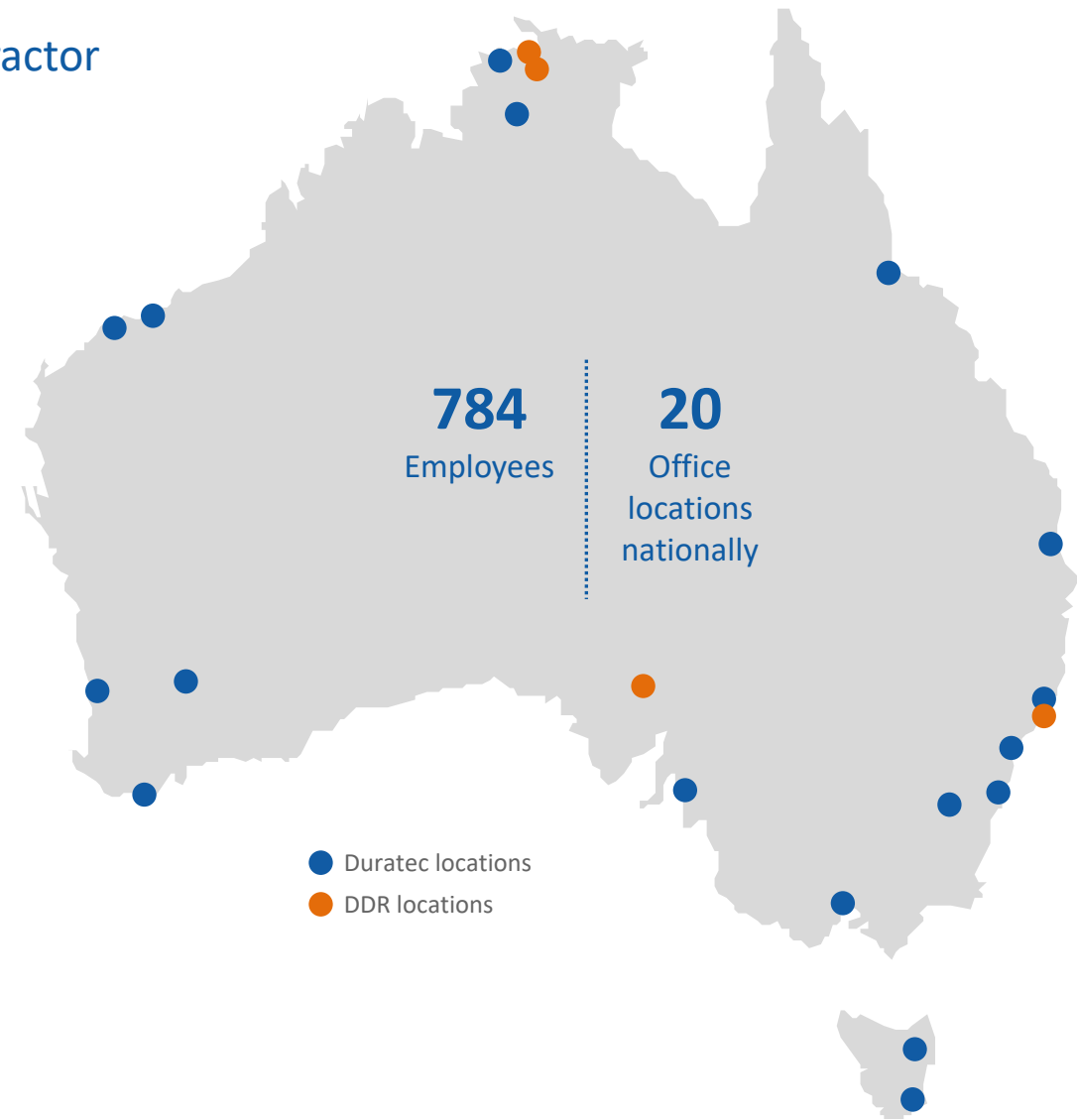
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Duratec Overview

Leading Australian engineering, construction and remediation contractor

- Specialist technical expertise 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, and
 - Stricter building codes.
- Key market segments supporting long term growth:
 - Defence – increased presence on bases nationally,
 - Buildings & Facades,
 - Mining & Industrial, and
 - Other; Power & Energy, Marine, Transport and Water infrastructure
- National presence with local teams
- DDR associate investment – leading Aboriginal contractor in Defence and Resources IPP funded opportunities



H1FY22 Summary

First half involved operating challenges – but work on hand will drive stronger H2FY22 & FY23 results

- Challenging H1FY22
 - COVID-19 created logistical challenges in delivering projects, especially in NSW, Victoria and ACT
 - Wage/salary pressures and rising costs of materials and freight partially mitigated by appropriate strategies
- Strategy
 - Increased geographical reach with offices opened in Gladstone, Katherine and Hobart, employee numbers of 784 up from 725 employees (including DDR) at July 2021 to meet current and future operational demands
- Gross Margin
 - Adversely impacted by COVID-19 eastern state shut downs whilst maintaining full operational capacity
- Financial
 - Strong balance sheet - \$36.2m in cash and continuing low debt levels
 - Bankwest covenants changed to accommodate growth
- Dividend
 - Final FY21 dividend of 1.5 CPS, fully franked, was paid on 13th October 2021 and an interim dividend of 0.5 CPS proposed for H1FY22
- Outlook
 - Historically high work on hand and tendered works position, underpins strong growth prospects for H2FY22 and FY23
 - Strong long-term outlook, but short-term challenges as COVID-19 continues to provide some uncertainty but sound mitigation plans in place
 - Team is confident in ability to execute and deliver strategy in H2FY22 and FY23 despite short-term challenges

Corporate Snapshot

National leader with experienced board and management

Capital Structure

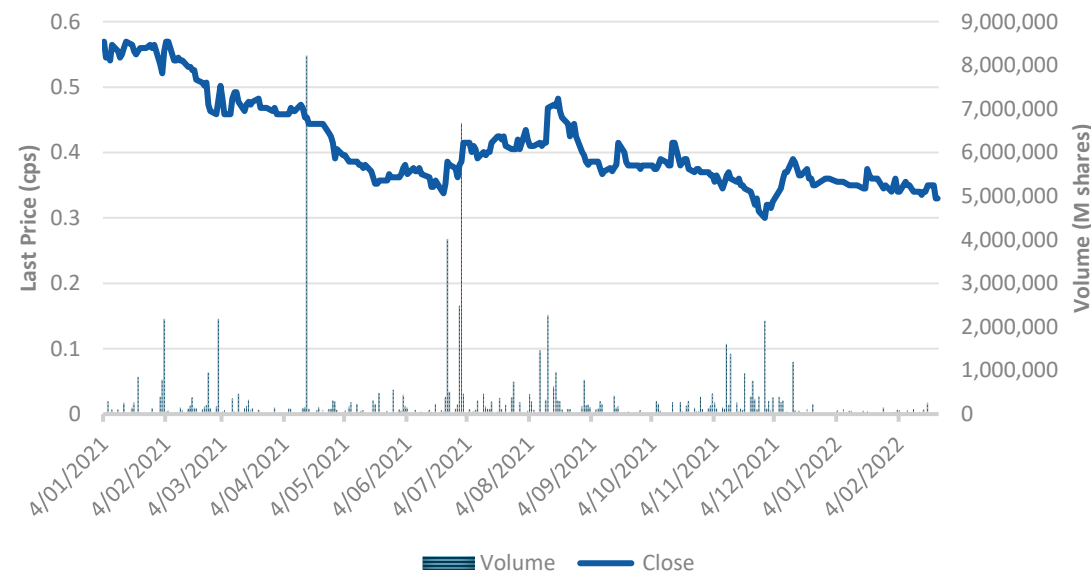
ASX Code	DUR
Shares on issue	240.4m
Share price as at 23 February 2022	33.0c
Market capitalisation as at 23 February 2022	\$79.3m
Net Cash as at 31 December 2021 ¹	\$23.0m
Enterprise Value as at 23 February 2022	\$56.3m

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



Substantial Shareholders

Jim Giumelli and related entities including Ertech (19.9%)	24.0%
Directors and senior management	35.1%



Financial Results

HIFY22 Financial Results

COVID impacted result in H1FY22, but strong work on hand and pipeline supporting strong H2FY22 & FY23

Revenue¹

\$130.9m

Up 5.5% from PCP

EBITDA

\$5.0m

Margin 3.5%

NPAT

\$0.7m

Margin 0.6%

EPS

0.29 cents per share

Dividend

0.50 cents per share
fully franked

Cash

\$36.2m

Order Book

\$450.4m

up from \$113.1m at 24
February 2021

Tendered

\$550.9m

down from \$567.0m at 31
January 2021

Strong Pipeline²

\$1.6b

down from \$1.9b at 31
January 2021

Note 1: Revenue excludes DDR (49% share). Revenue inclusive of \$27.8m DDR (49% share) was \$158.1m

Note 2: Pipeline includes 49% share of DDR of \$149.4m

H1FY22 Financial Result

COVID impacted result

- Financial performance adversely affected by COVID-19 project shut downs on the east coast
- Revenue up but lower margins due to:
 - COVID-19 related project productivity impacts
- Solid contribution from DDR investment with revenue up 7% and solid earnings contribution
- Margins (EBITDA and NPAT) down on PCP due to COVID-19 operational impacts
- Strong balance sheet with \$36.2m cash with strong cash flows from operations of \$2.1m and continuing low debt levels (net cash \$23.0m)

	H1FY22	H1FY21	Variance
Revenue	\$130.9m	\$124.1m	5.5%
Reported EBITDA	\$4.6m	\$8.9m	(48.0%)
Normalised EBITDA¹	\$5.0m	\$11.7m	(60.4%)
Statutory NPAT	\$0.7m	\$4.6m	(84.4%)
Normalised NPAT¹	\$0.7m	\$6.1m	(88.2%)
Key operating metrics			
Reported EBITDA margin	3.5%	7.2%	(50.7%)
Normalised EBITDA margin¹	3.9%	9.4%	(59.0%)
Statutory NPAT margin	0.6%	3.7%	(85.2%)
Normalised NPAT margin¹	0.6%	5.0%	(88.8%)
Earnings per share (diluted) - cents	0.3		
Dividends per share - cents	0.5		

Note 1: Normalisation adjustments apart from the DDR tax effect related to H1FY21 comprised of one-off IPO costs and Fortec contribution – refer Appendix 1 for calculations.

Revenue by Region¹

Continued business diversification

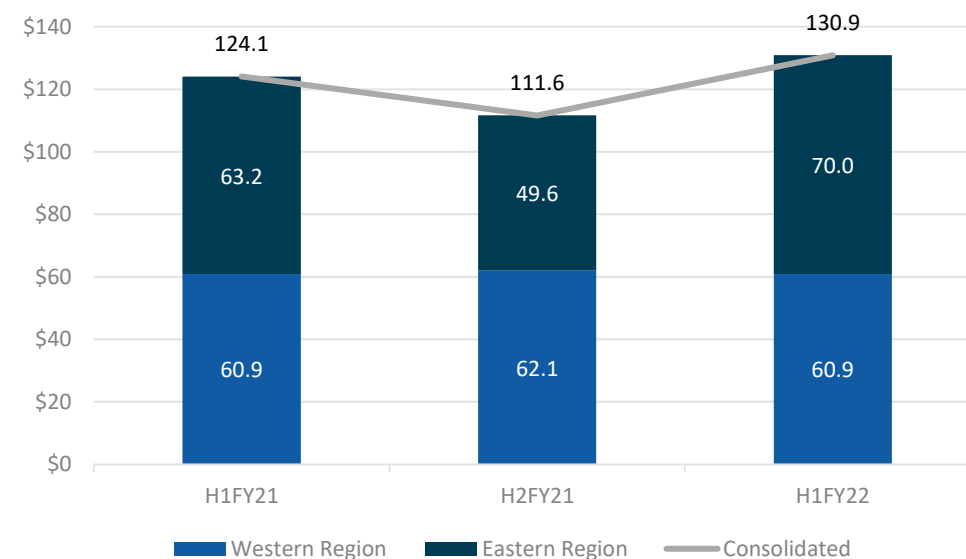
- H1FY22 revenue up 5.5% compared to PCP

Western Region¹

- Revenue steady compared to previous periods
- Several major projects were completed and revenue growth impacted by lull prior to start of newly secured major projects.
- Major contributors to H2FY22/FY23 growth will be Central Park Recladding, Oxley Wharf Extension and Tindal Base Aviation fuel infrastructure projects

Eastern Region¹

- Strategic revenue growth of 41% compared to previous period
- QLD , Nth QLD, SA and TAS all provided revenue growth
- NSW and VIC impacted by COVID-19 project shutdowns for 3-4 months and some imposed operating inefficiencies
- Recent major works won will contribute to revenue growth in H2FY22 and FY23



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.

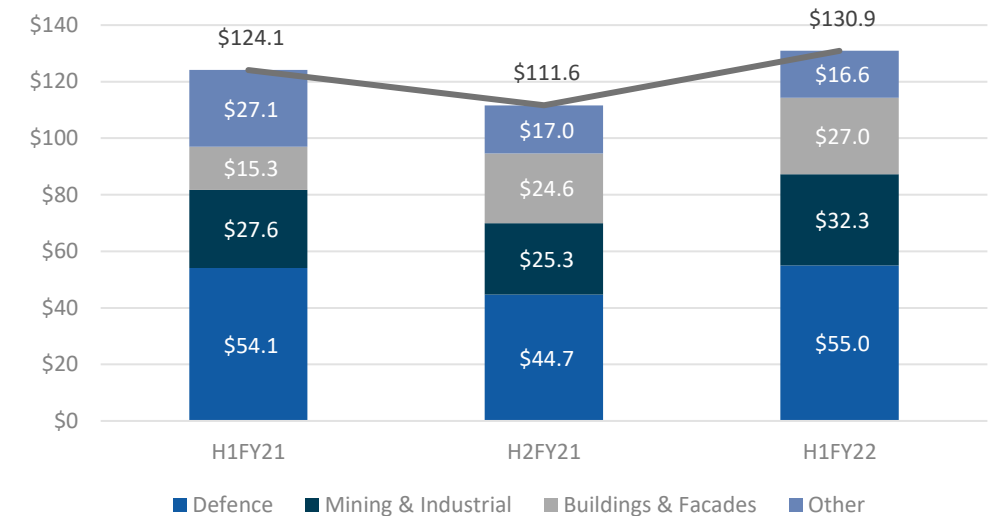
Revenue by Operating Segment

Continued business diversification

- H1FY22 revenue up 5.5% compared to PCP

Operating Segment

- **Defence:**
 - Revenue increased by 19% compared with previous period with strong contributions from QLD and ACT
 - NSW and VIC adversely affected by 3-4 month COVID-19 shutdowns
 - Increase in work won as Defence increase spend
- **Buildings & Facades**
 - NSW & VIC impacted by COVID-19 imposed project shutdowns
 - Ten projects afoot & solid opportunities will lead to strong growth in H2FY22 and FY23
- **Mining & Industrial**
 - Revenue growth of 28% due to strong contributions from Structural Integrity WA works mainly, as well as Nth QLD and TAS
- **Other**
 - NSW & VIC projects adversely affected by COVID shuts
 - Ports, Transport, Water & Energy all growing sectors



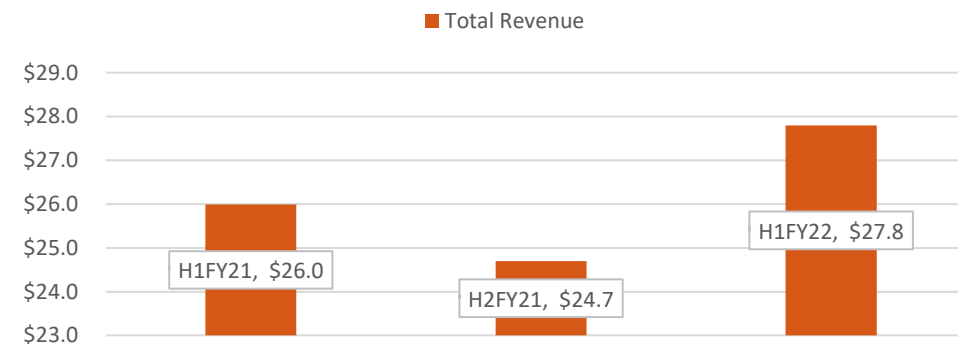
DDR Australia Pty Ltd (DDR)

Continuing significant contributor

- › Equity accounted investment 49% owned by Duratec
- › Provides meaningful work and training opportunities to Aboriginal and Torres Straits people
- › Leadership team strengthened by key appointments at Board and Management levels
- › Significantly increased project pipeline over the past 6 months
- › Continued focus on safety and quality
- › Zero TRIFR
- › Maintaining strategic plans of increasing IPP and targeted opportunities

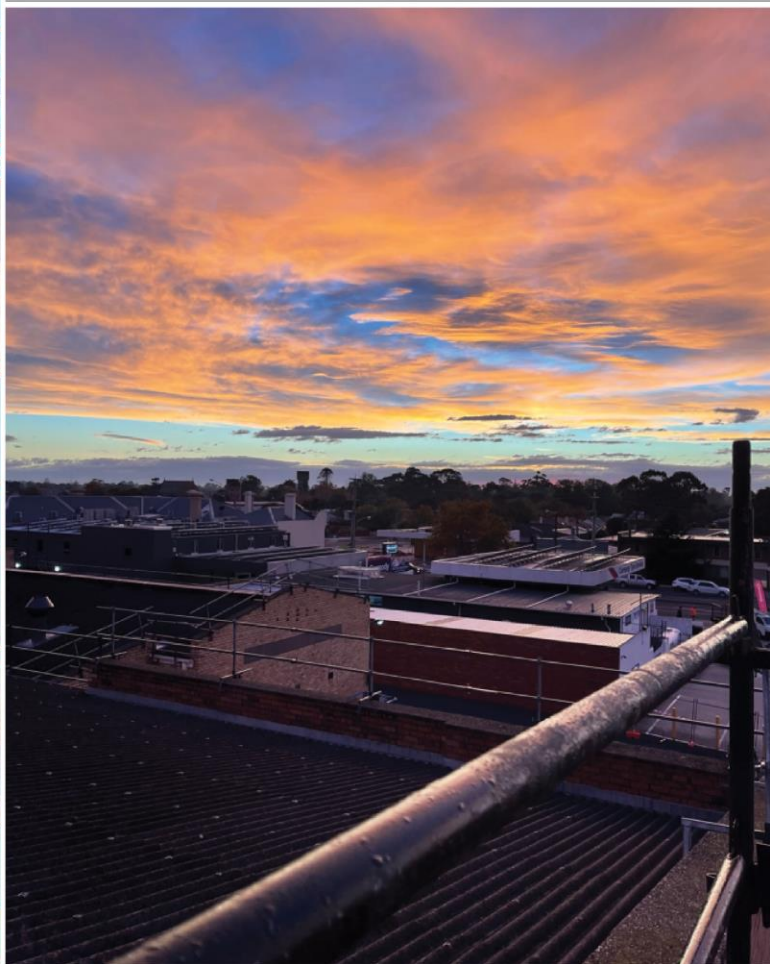


DDR Revenue (\$m) (100% of business)



› H1FY22 Highlights

- > Continuing strong financial performance with growing revenue and solid margins
- > Current Work on Hand of \$57.2m and \$304.9m of Identified Opportunities
- > Outlook remains very positive



Operational Highlights

H1FY22 Operational Highlights

Strengthened the strategic platform for growth

Safe & Sustainable Operations	➤ Two lost time injuries (LTI's) from relatively minor hand and leg injury incidents ➤ Management of subcontractors and continuing hand safety campaigns are the focus
High performance and activity levels	➤ Key market segments remain very active resulting in strong selective tendering activity and an increase in work awarded ➤ Strong Mining & Industrial result in line with sector activity although some delays in Defence and Buildings & Facades contract award and then project commencements ➤ 34th ranked Defence contractor (Australian Defence Magazine) ➤ Equity accounted DDR investment continued to perform strongly
Platform for growth	➤ Key industry needs continue to underpin growth strategy ➤ Grown to 784 employees including DDR, positioned to deliver historically high work on hand ➤ Opened offices in Gladstone, Katherine and Hobart, expanding national footprint ➤ Disciplined investment in project related assets of \$3.5m

Strategically continued to maintain operational leverage by retaining the right people and capabilities in readiness for H2FY22 growth and beyond

H1FY22 Projects Delivery

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.

H1FY22 Projects

Defence

HMAS Cerberus building works, Duntroon heritage and air conditioning building works, Wagga RAAF base fuel station demolition, RAAF Point Cook refurbishment works, DEJV Armaments Wharf extension works completed, Defence Force Academy Cadets accommodation refurbishment, Oxley design and construct wharf extension project commenced

Buildings & Facades

Completed 108 St Georges Terrace Facade Spandrel replacement, commenced Central Park Facade refurbishment, 240 St Georges Terrace cladding project, St John of God façade refurbishment projects, QV building, 80-90 La Scala (VIC), Woolworths, Chatswood Chase Shopping centre façade replacements (NSW)

Mining & Industrial

Yandi structural works, Dampier Salt blast and paint, Boddington site wide blast and paint works, Yara site wide works, MIM concrete repairs

Power & Energy

Commenced Western Sydney airport fuel project, preliminary works RAAF Base Tindal aviation fuel infrastructure

Marine Infrastructure

Port Waratah structural repairs and paint, Flinders Ports Northern Wingwall remediation, Tas Port Bell Bay berth 6 works, Cape Leeuwin and Rottnest Island Lighthouse refurbishments

Transport Infrastructure

Cockle Creek bridge refurbishment, Charlestown Square remediation works, Strahan weir upgrade

Water Infrastructure

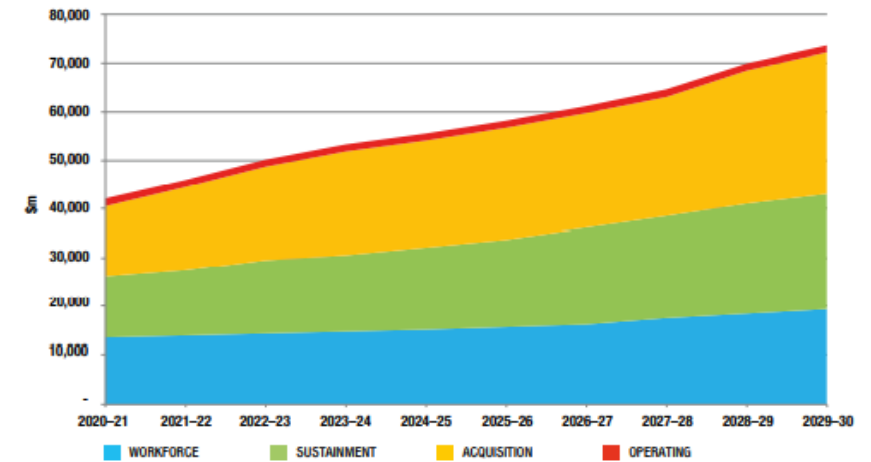
.Gladstone filter replacements, Churchman Brook spillway dam, Gold Coast desalination plant steel corrosion mitigation

Dedicated Defence Division

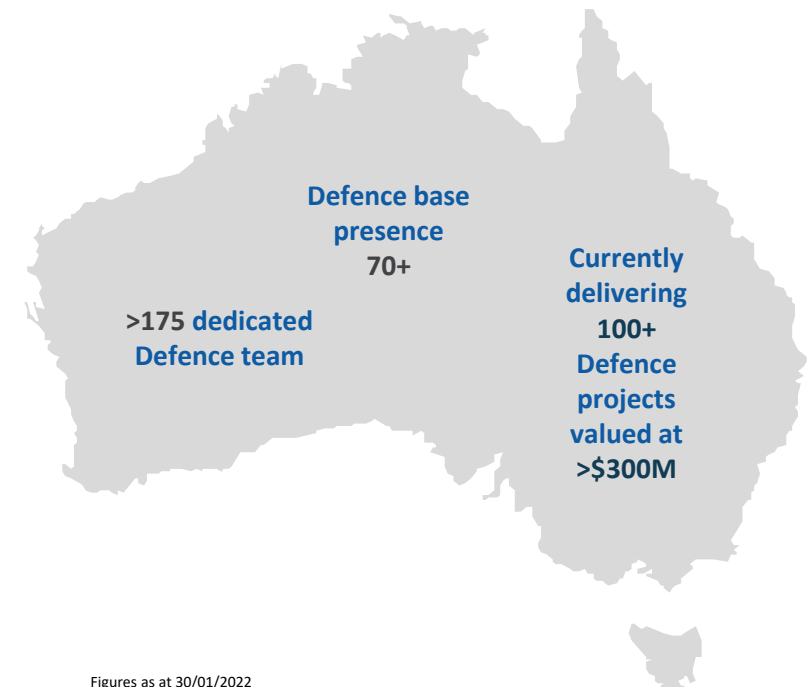
Key growth area with significant pipeline of opportunities

- Market leader & incumbent provider
- National coverage and strong local relationships
- High barrier to entry, however, our base experience and presence increases opportunity
- Defence estate responsible for >330 properties and >25,000 built assets
- Funding will grow to \$73b by FY 30 with total estimated funding of \$575b over the decade
- Duratec invited to tender for Capital Acquisition and Sustainment Group due to demonstrated performance and capability providing New Opportunity Set
- Limited tenders for Indigenous businesses bid by DDR.

¹ Department of Defence, Strategic Update 2020



Total Defence funding Model by Category ¹



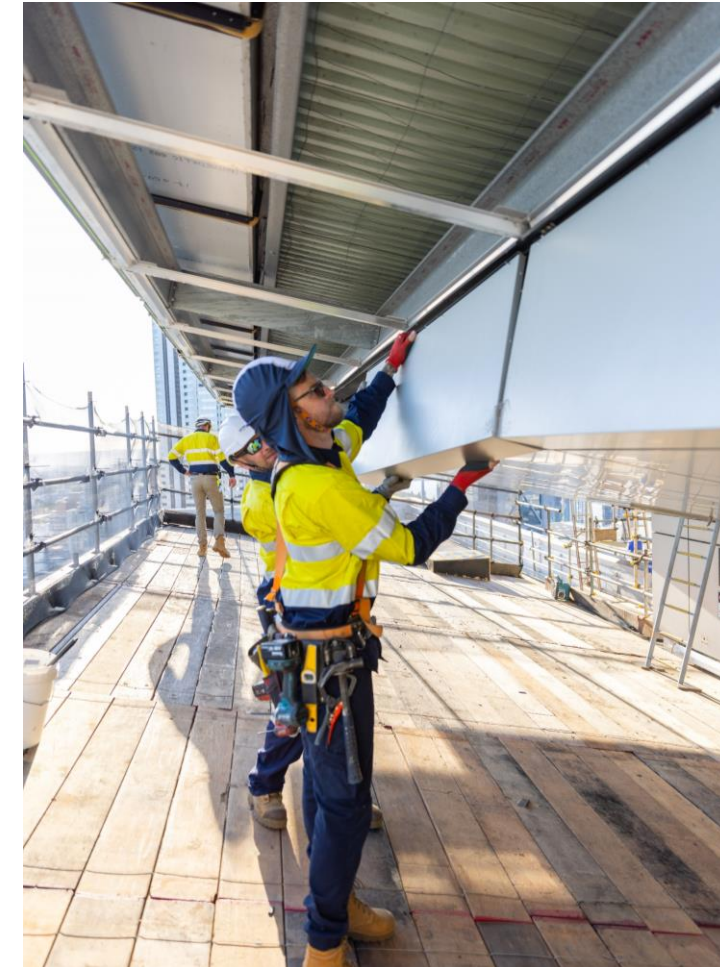
Figures as at 30/01/2022

HSECQ Overview

Working towards ZERO HARM

- Two Lost Time Injuries (LTI) recorded in H1FY22
 - programs and initiatives are focusing on these risks
- Mental Health First Aid Training continuing to better equip team leaders
- Maintained federal Safety Accreditation
- Ongoing updating of Critical Control System – a risk focused approach to processes critical to health and safety issues

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
FY21	0.00	6.07	55.76	1,811,255
H1FY22	1.08	6.50	54.67	1,847,463



Market and Operational Outlook Summary

Strong activity across key sectors supported by high work on hand

› Defence

- Market forecast to be strong based on sustainment spending forecast to increase from circa \$13b to circa \$24b by FY30. DUR strategically well positioned to capitalise on opportunities

› Mining & Industrial

- Teams well positioned nationally to meet increasing demand for remediation and life extension of ageing infrastructure
- Preparing for three mine shutdowns to undertake planned maintenance

› Buildings & Facades

- Work on hand includes 10 significant building facades projects
- Good momentum with increasing demand for Duratec's Technical Team and ECI in projects

› Other infrastructure

- The Western Sydney Airport fuel infrastructure project will commence in H2FY22
- Other significant projects included in work on hand to be undertaken in H2FY22

› DDR

- Outlook supported by work on hand of \$57.2m and government and corporate IPP initiatives

› People

- Continued to grow employee base to enable delivery of work on hand leading into more growth opportunities



Recap of recent major project awards

Strong platform for H2FY22 and FY23 growth

- In line with strategic plans recent major project awards including:
 - Central Park Building façade recladding, \$63m;
 - DEJV - HMAS Stirling, Oxley Wharf Extension, \$53m;
 - Western Sydney International Airport, aviation fuel infrastructure, \$50m;
 - RAAF Base Tindal, aviation re-fuelling facility, \$110m;
 - Resource sector structural integrity packages, collectively, \$25m.
- Project awards are included in work on hand and underpin results for H2FY22 and into FY23

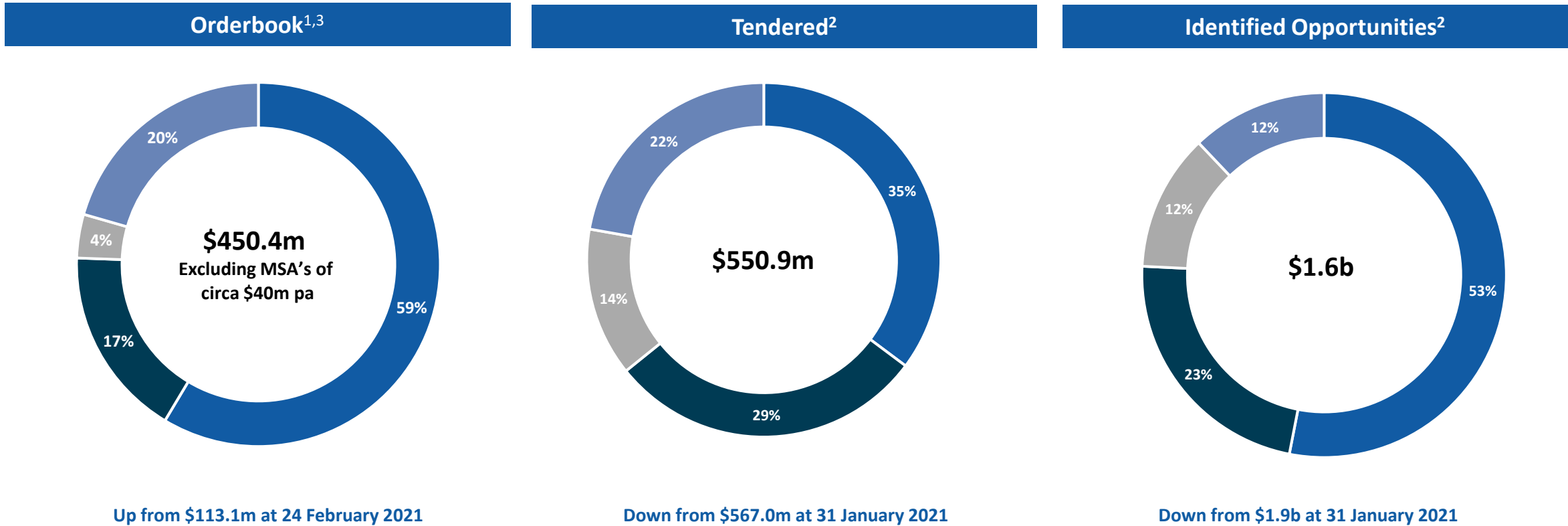




Outlook

Orderbook and Pipeline

Diversified across industry sector and geographies and growing



Note 1: Order book reflects Work on Hand as at 5 January 2022 and includes 50% of DEJV and 49% of DDR
Note 2: Identified and Tendered Opportunities include 50% of DEJV and 49% of DDR
Note 3: Master Service Agreements (MSA's)

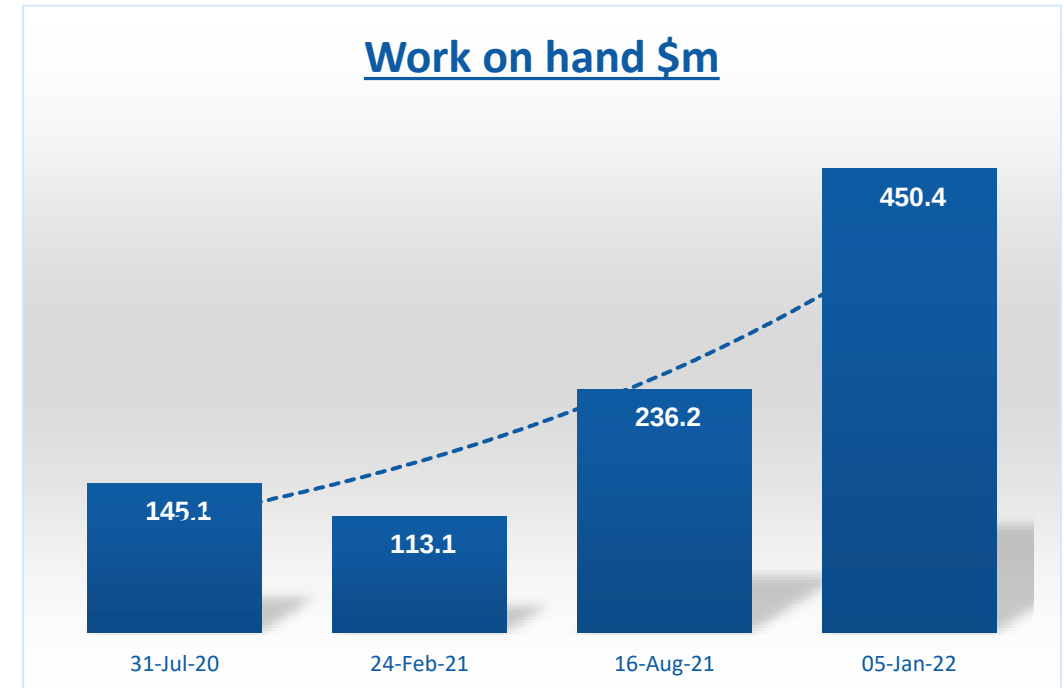
- Defence
- Buildings & Facades
- Mining and Industrial
- Other

Review of Work on Hand

Platform for continued growth – supported by pipeline

- Defence and Energy showing strong growth
- Current work on hand supported by recent major contract awards previously noted

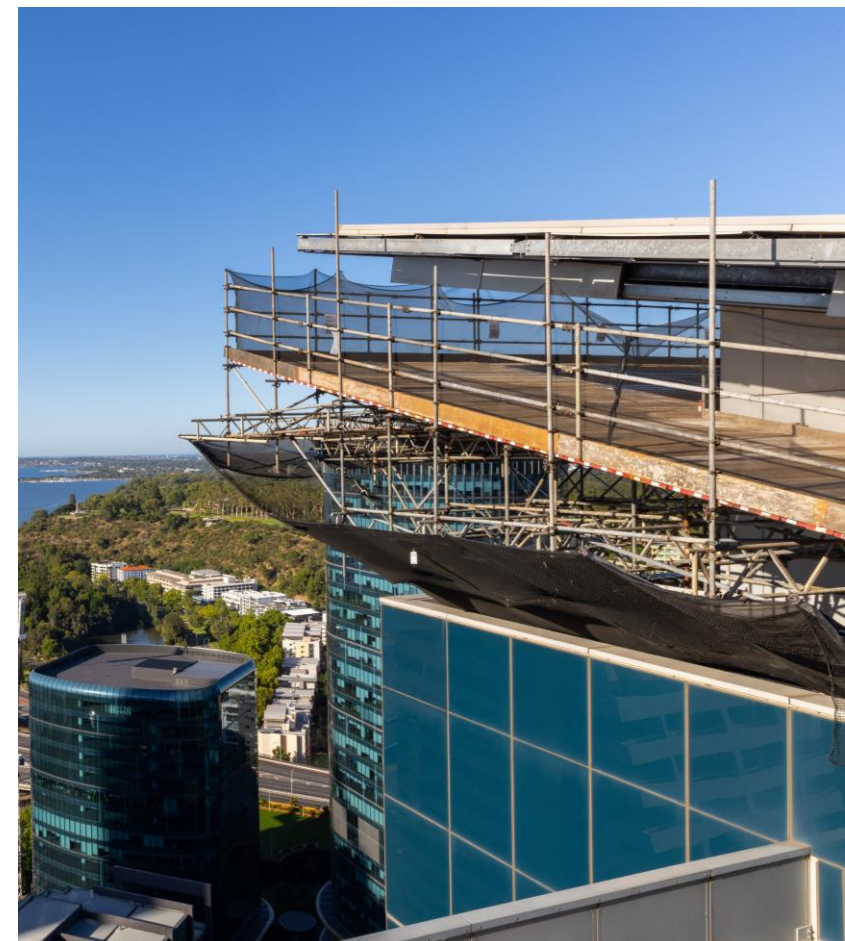
Sector	31-Jul-20	24-Feb-21	16-Aug-21	05-Jan-22
	\$m			
Defence	72.5	62.5	110.1	264.5
Buildings & Facades	16.0	22.8	86.1	75.8
Mining & Industrial	28.3	14.0	16.7	17.5
Energy	-	1.3	1.0	50.0
Other	28.3	12.5	22.3	42.6
TOTAL	145.1	113.1	236.2	450.4

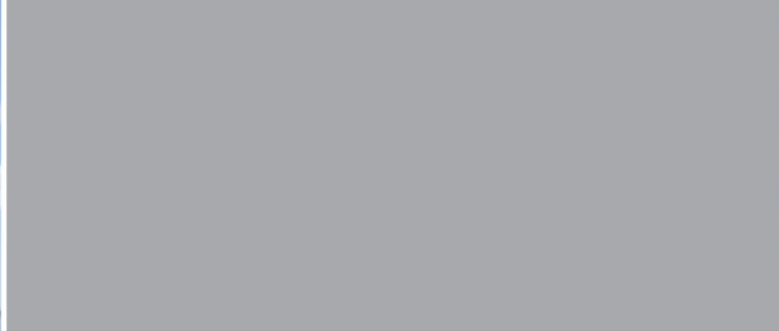


Positive Business Outlook

Strategically well positioned for growth in H2FY22 & FY23

- A financial forecast is not provided due to uncertainties surrounding impact of COVID-19 but a strong H2FY22 is anticipated based on the work on hand and the pipeline of opportunities
- Historically high work on hand will drive result in H2FY22 and into FY23
- Pipeline provides scope and confidence for continued growth
- Key macro themes and demand drivers are largely unchanged and include :
 - Strong commodity prices and high volumes underpin increased resource sector investment
 - Substantial Government infrastructure spending on Defence
 - Asset owners need to maintain key building assets
- People
 - Employee engagement is key with employee retention a focus as labour is tight
- Robust balance sheet
- Operational capability and operational leverage – has impacted margins in the short term but positions the business well for future project execution and growth as head winds ease
- Well diversified
- Continued focus on safety, systems and disciplined tendering (based on ECI)
- Continued low capital expenditure model
- Some COVID-19 challenges remain but will continue to be firmly managed, and confidence that we are entering improved operating conditions





APPENDICES & CASE STUDIES

Appendix 1 - Financial Information Reconciliation

Reconciliation of Statutory Reported results to Normalised results

Reported EBITDA Reconciliation (\$'000)	H1FY22	H1FY21	% Change '21
Profit before income tax	1,061	6,162	
Depreciation & amortisation	3,186	2,420	
Financing costs	369	302	
Reported EBITDA	4,616	8,884	(48.04%)

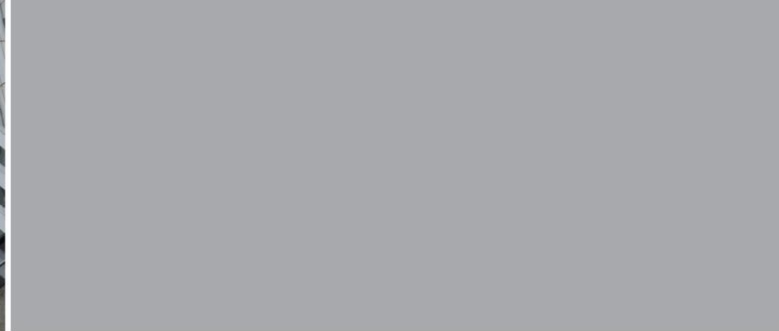
Normalised EBITDA – Reconciliation (\$'000)	H1FY22	H1FY21	% Change '21
EBITDA - Proforma	4,616	8,884	
IPO Costs expensed	-	2,455	
DDR tax effect	426	621	
Earnings - Fortec	-	(149)	
Dividends received from Fortec	-	-	
Shared Services Charges - Fortec	-	-	
Gain on disposal of Fortec	-	(151)	
Normalised EBITDA	5,042	11,660	(56.76%)

Reported EBIT - Reconciliation (\$'000)	H1FY22	H1FY21	% Change '21
Profit before income tax	1,061	6,162	
Financing costs	369	302	
Reported EBIT	1,430	6,464	(77.88%)

Normalised EBIT – Reconciliation (\$'000)	H1FY22	H1FY21	% Change '21
EBIT	1,430	6,464	
IPO Costs expensed	-	2,455	
DDR tax effect	426	621	
Earnings - Fortec	-	(149)	
Shared Services Charges - Fortec	-	-	
Dividends received from Fortec	-	-	
Gain on disposal of Fortec	-	(151)	
Normalised EBIT	1,856	9,240	(79.91%)

Normalised NPAT– Reconciliation (\$'000)	H1FY22	H1FY21	% Change '21
Statutory NPAT	726	4,642	-84.4%
IPO Costs expensed	-	2,455	
Tax effect of IPO costs	-	(737)	
Earnings - Fortec	-	(149)	
Shared Services Charges - Fortec	-	-	
Dividends received from Fortec	-	-	
Gain on disposal of Fortec	-	(151)	
Tax effect of disposal of Fortec	-	83	
Normalised NPAT	726	6,144	(88.18%)

Note: Normalisation adjustments, other than the DDR tax effect, relate to the PCP



Case Studies

Department of Defence – HMAS Stirling Armament Wharf Extension

Marine construction completed

› Scope

- Stage 1: A 156m long wharf extension to the existing Armament Wharf comprising a reinforced concrete wharf deck supported by steel driven piles, a berthing dolphin and two mooring dolphins. In addition to the extension, Duratec delivered all dredging works and wharf fitout comprising of fire services, potable water, ICT, security systems, power and lighting, mooring equipment and services cope points.
- Stage 2: Upgrades to HMAS Stirling naval fuel infrastructure including; construction of a fuel filter building, all pipework, six coalescers and two pre-filters, instrumentation and electrical, PLC Controls and integration and commissioning.
- Stage 3: A new Maintenance Hardstand Area (MHA Works) comprising a 1200m² concrete hardstand, with associated drainage and landscaping, power, lighting and adjoining ablution facilities.



Central Park Project - Perth

Building & Facade refurbishment underway

› 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.

