# AGM Presentation

November 2018

VEEM

# Disclaimer

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR ADVERTISEMENT**

This document, including the information contained in this disclaimer, is not a prospectus, product disclosure statement or other disclosure document and does not constitute, or form any part of, an offer to sell, or a solicitation of an offer to buy, the Shares. This document does not constitute an invitation, offer or recommendation to apply for or purchase the Shares and does not contain any application form for the Shares. This d ocument does not constitute an advertisement for an offer or proposed offer of the Shares. Neither this document nor anything contained in it shall form the basis of any contract or commitment and it is not intended to induce or solicit any person to engage in, or refrain from engaging in, any transacti on. No person is authorised to give information or make any representation in connection with any Public Offer which is not contained in this document. Any information or representation not so contained may not be relied on as being authorised by the Company, the Lead Manager or any person assoc iated with them.

This document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (Securities Act) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States absent registration under the Securities Act or in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities laws.

**DISTRIBUTION**

Distribution of this document outside Australia may be restricted by law. Persons who come into possession of this document who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

**NO LIABILITY**

The Company has prepared this document based on information available to it at the time of preparation, from sources believed to be reliable and subject to the qualifications in this document. To the maximum extent permitted by law, Limited Parties accept no responsibility or liability for the contents of this document and make no recommendation or warranties concerning any Public Offer. No representation or warranty, express o r implied, is made as to the fairness, accuracy, adequacy, validity, correctness or completeness of the information, opinions and conclusions contained in this document. To the maximum extent permitted by law, none of the Limited Parties accepts any responsibility or liability including, without l imitation, any liability arising from fault or negligence on the part of any person, for any loss whatsoever arising from the use of this document or its contents or otherwise arising in connection with it.

Neither of the Lead Manager, nor any of its affiliates, related bodies corporate (as that term is defined in the Corporations Act) and their respective directors, employees, officers, representatives, agents, partners, consultants and advisers have authorised, permitted or caused the issue, lodgement, submission, despatch or provision of this document, and none of them make or purport to make any statement in this document and there is no statement in this document which is based on any statement by them.

**PAST PERFORMANCE**

Past performance information in this document is given for illustration purposes only and should not be relied upon as (and i s not) an indication of future performance. Actual results could differ materially from those referred to in this document.

**FORWARD-LOOKING STATEMENTS**

Certain statements, beliefs and opinions contained in this document, particularly those regarding the possible or assumed fut ure financial or other performance of the Company, industry growth or other trend projections are or may be forward looking state ments. Forward-looking statements can be identified by the use of 'forward-looking' terminology, including, without limitation, the terms 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'plans', 'propose', 'goals', 'targets', 'aims', 'outlook', 'guidance', 'forecasts' , 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future, assumptions which may or may not prove correct, and may be beyond the Company's ability to control or predict which may cause the actual results or performance of the Company to be materially different from the results or performance expressed or implied by such forward-looking statements. Forward-looking statements are based on assumptions and contingencies and are not guarantees or predictions of future performance. No representation is made that any of these statements or forecasts will come to pass or that any forecast result will be achieved. Similarly, no representation is given that the assumptions upon which forward looking statements may be based are reasonable. None of the Company, the Lead Manager or any other Limited Party, makes any representation or warranty as to the accuracy of any forward looking statements contained in this document. Forward-looking statements speak only as at the date of this document and the Limited Parties disclaim any obligations or undertakings to release any update of, or revisions to, any forward-looking statements in this document. All dollar values contained in this document are in Australian dollars (A$) unless otherwise stated.

**NOT FINANCIAL PRODUCT ADVICE**

No attempt has been made to independently verify the information contained in this document. You should make your own assessment in considering an investment in the Company and should not rely on this document. In all cases, you should conduct your own investigations and analysis of the financial condition, assets and liabilities, financial position and performance, profits and losses, prospects and business affairs of the Company and its business, and the contents of this document.

This document is not, and should not be construed as, a recommendation by the Company, related bodies corporate (as that term is defined in the Corporations Act), or any of their respective officers, employees, directors, shareholders, partners, representatives, agents, consultants or advisers or any other party referred to in this document (each a **Limited Party** and, together, the **Limited Parties**) to invest in the Company. The information in this document is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this document constitutes legal, financial, tax or other advice. The information in this document does not take into account the particular investment objectives, financial situation or needs of any person. You should seek legal, financial, tax and other advice appropriate to your jurisdiction.

# Overview

## Established and highly regarded industry leader

- VEEM is a Perth based high-technology specialist manufacturer of premium marine propulsion and gyro-stabilisation systems
- Passionate about design and engineering excellence
- An industry leader with an outstanding brand and reputation, celebrating its 50th anniversary this year!
- Financially strong with a long history of profitability
- A long term investor in R&D and technology, which has created significant intellectual property and barriers to entry
- A computerised numerical control (**CNC**) manufacturer with world class facilities using global best practice and substantial automation
- Embracing a step change in earnings, with an opportunity to increase sales within the global gyro-stabilisation market

# Company Overview

VEEM

## The VEEM Board

Brad Miocevich
Chairman

Mark Miocevich
Managing Director & CEO

Ian Barsden
Non Executive Director

Mike Bailey
Independent Non Executive Director

Peter Torre
Independent Non Executive Director
Co Company Secretary

Tracy Caudwell
Co Company Secretary

## VEEM Key Management

Les Kay
General Manager

Bruce Bell
Commercial Manager

Jamie Robinson
Business Development Manager-

Tracy Caudwell
Finance and Admin Manager

**VEE**
ASX Code

**$0.59**
Share Price

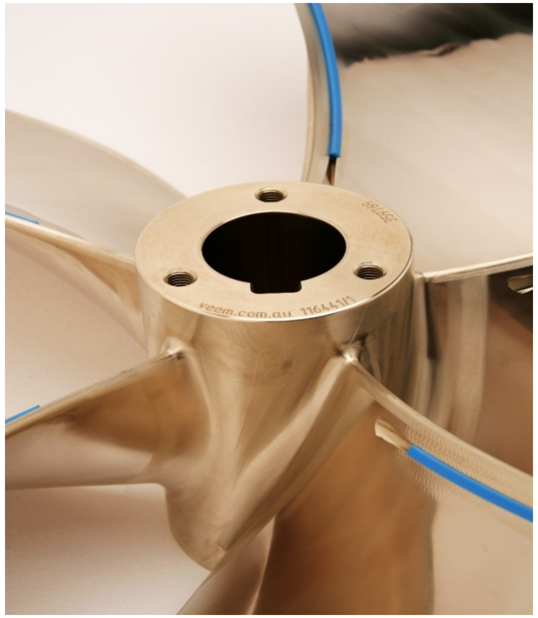
**$76.7 million**
Market Capitalisation

**130 million**
Shares on Issue

# OUR BUSINESS

# VEEM Propellers

- World's most advanced CNC fixed pitch propellers able to operate at higher speeds - up to 54 knots.
- VEEM patented "Interceptor" pitch changing technology.
- World's most advanced fixed pitch propeller manufacturing facilities – now up to 4.6m in diameter. Robotically produced molds.
- Continuous development of production methods.
- Advanced CRM system linked to automated quoting, ordering, production programming and status tracking.
- Current production capacity 3,000 units/pa, current foundry capacity is 6,000 units/pa, CNC machining is 4,000 units/pa and scalable by adding machines.



Fully CNC machined VEEMStar propeller with Patented Interceptor pitch adjustment system

# Conquest Propellers

VEEM

## Conquest Propeller have been developed to specifically meet the demands of the replacement propeller market

- Since the release of Conquest in 2016, VEEM has been actively engaging propeller distributors around the world.
- Current number of dealers and stockists around the world: 61
- Number of Conquest propellers manufactured since inception May 2017: 694 units.
- Two new series introduced and diameters increased to 1.3m to meet demand.

# Propulsion Packages

Shaftlines packages now moving into commercial phase.

- New software to auto design and draw shaft lines completed and in use.
- Software provides minimal cost designs for shaft lines to all major surveying authorities.
- Working on new high efficiency drive system designs to compliment VEEM propellers.

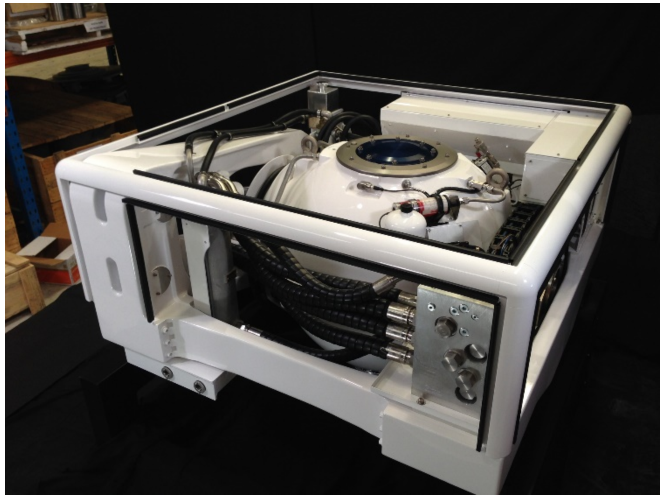
# Gyroscopic Stabilisers

VEEM

VEEM Gyros are designed and packaged to reduce vessel roll which increases comfort and vessel operational performance in all sea conditions.

## VEEM Gyro Range

| Size | Model | Torque | Boat size (approx. per 1 unit) |
|---|---|---|---|
| Small | VG120SD | 120k Nm | 25 to 30m |
| Small | VG145SD | 145k Nm | 30 to 35m |
| Medium | VG260SD | 260k Nm | 35 to 45m |
| Large | VG1000SD | 1,000k | 45 to 60m |



- New “SD” or “Super Duty” series VEEM Gyros were introduced in January 2018 with larger stabilizing power.
- VEEM Gyros are designed for fatigue and long life using relevant international and European standards of design for materials endurance limit.
- Employs a global manufacturing model to ensure sustainability of product  in a global market.

# Gyroscopic Stabilisers

- $2,750,000 orders in hand for 2019 FYTD.
- Successful sea trials of VG260SD sea trials on Damen FCS 7011 in the Netherlands.
- Inventories of VG120SD and VG260SD built to cater for future demand.
- VG1000SD long lead time items in ordered.
- $530,000 of gyro sales during FY2018.

# FY18 FINANCIAL RESULT

# FY18 FINANCIAL RESULT

## FY18 was another productive year for VEEM Ltd.

- Due to the cyclical nature of the submarine refit program, revenue for FY2018 was impacted by lower sales in this area, however other sales in the Company's traditional services resulted in total sales for the year being higher than 2017.
- Delays in some defence contracts exacerbated the fall in profits from FY 2017, along with a slower build up on Gyro inventory as the Company awaited orders on these products.
- Contributing to the lower GP was the delay in certain defence related contracts which resulted in lower productivity of the VEEM workforce until the contracts commenced late in FY 2018.
- A key milestone for the Company during the year was the successful sea trials of two VG260SDs with Damen Ships of the Netherlands in June 2018.
- The continued operating success provided allowed the Board to maintain its dividend policy of declaring a dividend subsequent to year end of 30% of Normalised Net Profit after Tax, representing 2.12 cents per share.

| | FY18 | FY17 |
|---|---|---|
| Operating Revenue | $40.71m | $38.08m |
| EBITDA | $4.92m | $7.80m |
| Statutory NPAT | $2.76m | $3.85m |
| EPS | 2.12c | 3.21c |
| Net Assets | $29.4m | $28.81m |

# MARKET UPDATE

# Market Update

## Solid progress made already in FYTD

**VEEM Gyros**

- Increased exposure in the US market in May 2018 with an agent Halo Iron works who have placed two orders FYTD.
- Third repeat order from Netherland’s shipbuilder Van Der Valk and further repeat engagement from three other customers. VEEM test vessel in Europe for 12 months has been invaluable.
- Damen trials have provided product legitimacy that are creating multiple opportunities in all markets.
- Meeting technical expectations
    - 5000+ hours for VG120 installations
    - Roll reductions estimations proving to be accurate “in situ”

# Market Update cont.

## Solid progress made already in FYTD

**Defence**

- Full cycle submarine docking valve orders are due in the next 12 months.
- Pacific Patrol Boat shaft line won, tender process underway with Future Frigate and new Subs.
- Fin ride control work load is strong for the next 24 months.

**Propulsion**

- Conquest has achieved over $640,000 sales in its first year of production.
- VEEM propellers making steady progress in Italian market.
- VEEM scan propeller scanning machine announced to dealer network

# Continued Strategy and Drivers for Growth

## Strategy

VEEM has strong capability and sees specific growth opportunities in:

- high-end marine propulsion equipment (propellers and shaft lines) for the Superyacht, Luxury and Sports Motor Yacht market;
- Conquest Propeller range for the replacement propeller market; and
- marine gyroscopic stabilisers for Superyachts and Luxury Sport Yachts
- Continue to pursue local defence and mining opportunities as they arise

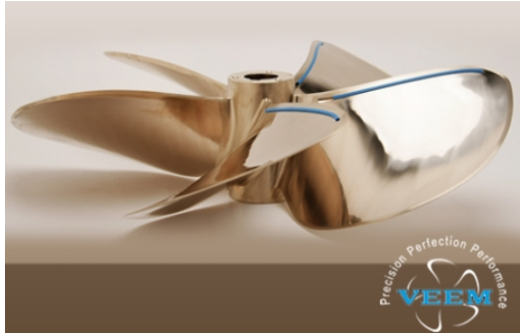
## Drivers for Growth

- Sales and Marketing via third party distributors and agents
- Continuous research and development
- VEEM has developed a global supply chain that allows the business to ramp up production without working capital restraints
- VEEM creates a natural hedge for business operations by using a range of global suppliers to provide an effective currency hedge and to protect its intellectual property

# Summary

## Total world domination of sophisticated marine products

- Traction and engagement with key OEMs growing, Gyro sales increasing.
- Gyros continue to meet technical expectation.
- Defence component remains strong – PPB contract award, Future Frigate, submarine tendering.
- $640,000 Conquest propellers sold in its first year of production with positive market tractions.
- FY19 work load and pipeline looks strong.



# APPENDICES

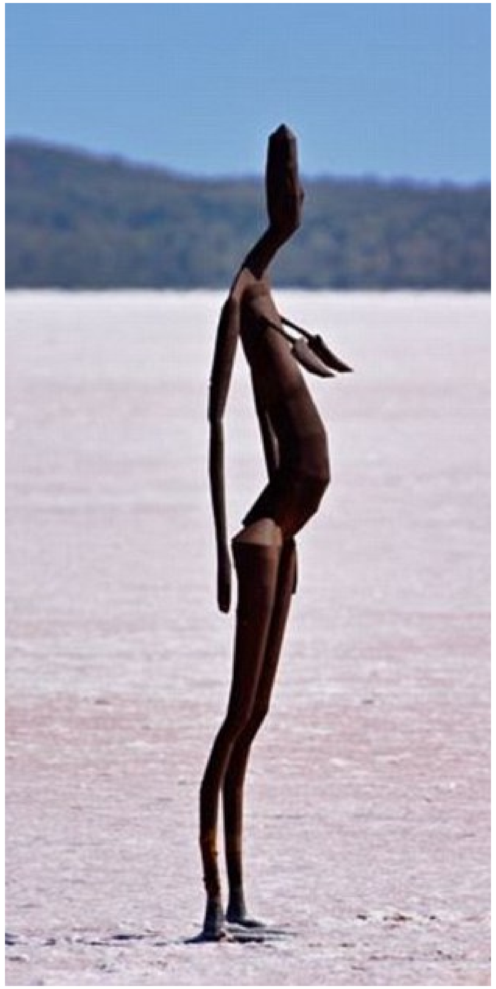
# Where we came from?

VEEM

For a long time, partly due to our location and markets, VEEM was a manufacturer of anything and everything.

VEEM has supplied to:

- Boeing and Airbus (B737, A320 components)
- CERN Large Hadron Collider (radiation shields)
- precision hull valves to submarine builders
- ride control assemblies for defence and ferries
- propellers for pleasure craft to large ships
- statues of people on salt lakes
- bearings and wear components for mining companies
- pump and gas turbine assembly, and so on



Anthony Gormley statues at Lake Ballard Western Australia

VEEM supplies the ride control fins to Austal Ships for the US Navy's Littoral Combat Ship

# Our skills

## As a result we had developed a wide capability and capacity of engineering skills including:

- Detail engineering design
- Hydrodynamics
- 3D modelling
- Programming
- Electronics
- High compliance casting - Produce over 250 types of alloys.
- CNC machining
- Robotics
- Dynamic balancing
- High compliance welding
- Electroless plating


VEEM recently cast the biggest swinging bell in the southern hemisphere – 6.5 tonnes.

# Business History

## Continuing our story

- **1968** Operations commenced
- **1982** Miocevich brothers assume control of the business
- **1987** Quality System accreditation and Implementation of ERP System
- **1989** Acquired SS Engineering
- **1994** ABE framework adopted
- **1995** Integrated SS Foundry and VEEM Corp
- **2000** Propeller Export commenced
- **2001** IPS workshops acquired
- **2002** Timcast acquired
- **2005/6** New workshops combining Osborne Park into Canning Vale
- **2006/7** Interceptor style propeller released and patents obtained
- **2008** VEEM Ltd established
- **2011** Gyro assets acquired
- **2012** Fast loop manufacturing process implemented four year $30m LCS contract with Austal Ships secured
- **2015** Gyro released
- **2016** Conquest Propellers released
- **2016** VEEM lists on the ASX
- **2017** VEEM pays it's first dividend as a public company
- **2018** Successful sea trials with Damen Ships

1968 1972 1976 1980 1984 1988 1992 1996 2000 2004 2008 2012 2016 2018

# What and Who are we now?

VEEM

Eventually we realised that we were a **Manufacturer of Sophisticated Marine Products** with one unique VEEM product that we were selling globally. This recognition led us to developing more marine products to build our future on. Products like VEEM gyros, Conquest, VEEM shaft lines and VEEM scan.

- Unique products that were:
  - Able to bring a new technology to the world.
  - High technology in design and manufacture.
  - Able to be patented or IP protected in some way.
  - Had significant potential sales and had a long product life.
  - Could be manufactured by VEEM using existing capability if desired.

VEEM high speed propellers fitted to the Armidale Class Patrol Vessels