



1H20 PERFORMANCE UPDATE

ASX Release

22 February 2021

Unwavering Focus on Growth

1H21 Highlights

↑ 4.8%
Revenue on PCP

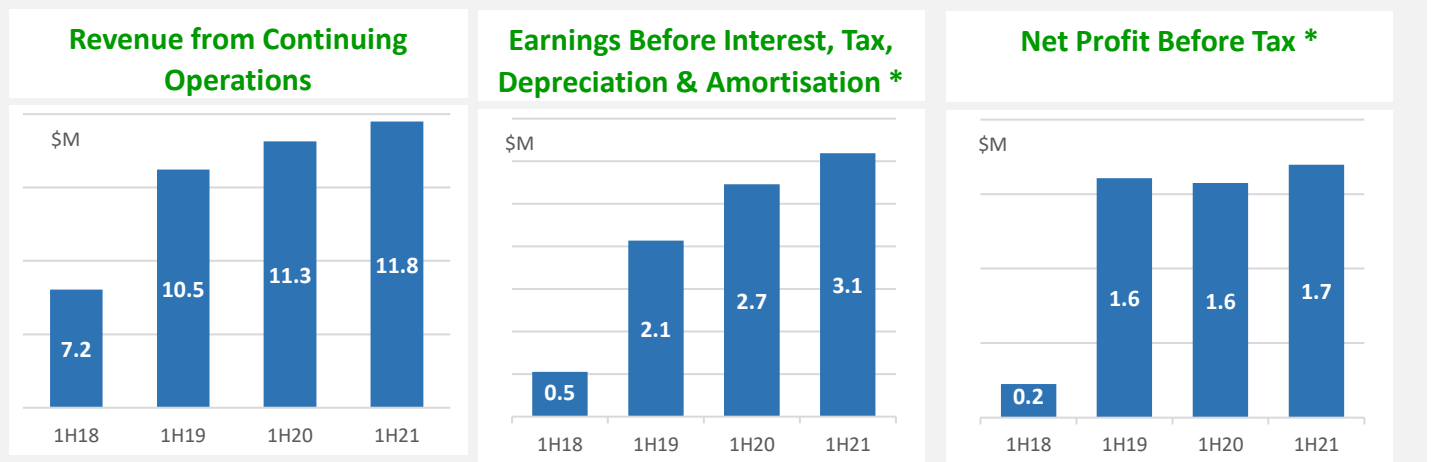
↑ 13.4%
EBITDA on pcp

↑ 7.8%
NPBT on pcp

↑ 0.6 cents
Dividend - 20% increase on pcp

LaserBond Limited (ASX: LBL) is pleased to announce a solid financial performance for the first half of FY21 and a number of growth opportunities to expand the national footprint of the business. Despite the far-reaching impact of COVID-19 on the global economy and on LaserBond, the business has been actively employing new sales and operational personnel, developing new and enhanced products and services, formulating its business strategy out to 2025 and evaluating acquisition opportunities outside of its current footprint.

Financial Performance



EBITDA increased to \$3.10 million from \$2.73 million in the previous corresponding period, representing a 13.4% improvement on the back of a 4.8% revenue increase. NPBT was \$1.70 million, a 7.8% increase on the 1H20 result of \$1.58 million. NPAT was \$1.19 million or 2.8% up from the \$1.16 million achieved in the previous corresponding period.

Sales revenue increased by 4.8% from \$11.26 million in 1H20 to \$11.80 million. The Products Division was a strong contributor to this result with a 45.2% increase due to higher demand and higher unit revenues driven by changed specifications required by a large customer. The strong performance from the Products Division was partially offset by reduced sales from the Services Division, which was down 21%. The decrease relates to domestic and international travel restrictions as well as economic uncertainty that has delayed major maintenance works across the client base.

Cash flow from operations was \$1.73 million, compared with \$0.58 million in 1H20. The business invested significantly in equipment to expand capabilities at each site and deliver future growth, resulting in a higher cash outflow for investing activities. This included the major components for LaserBond® cladding cells for Victoria and NSW, and a new CNC Horizontal Borer for SA. Net cash flow for the period was a small decrease of 7.1%, from \$4.0 million at the beginning of the half to \$3.71 million.

Costs remained stable with the exception of investment in human and equipment resources to achieve long-term planned growth, as well as one-off bonuses paid to all employees for their commitment during the COVID restrictions and trading difficulties.

R&D spend decreased by 12% to \$0.45 million. Much of this decrease is due to the retirement of one of founding directors who now provides his services under a consultancy arrangement. The company remains committed to innovative products and services that anticipate market direction and demand.

Based on its resilient performance, the Board resolved to pay an interim dividend of 0.6 cents per share, representing a 20% increase when compared with the 1H20 interim dividend.

Operational Performance

While the Services Division revenue was down 21% compared with 1H20, due to delayed maintenance schedules and travel restrictions, it was more than offset by an increase of 45% from the Products Division compared with the previous corresponding period. The Technology Division, which relies heavily on domestic and international travel to deliver new licensed sales, recorded \$20,430 in revenue, compared with nil revenue in 1H20. Overall, the Products Division tends to provide growing income levels as it is less reliant on maintenance cycles, whereas the Services Division is more closely aligned with these cycles and hence is linked to economic changes. This structure provides a level of diversification which has protected total revenue during these uncertain times.

Services Division

The Victorian operations were boosted with the acquisition of certain assets of United Surface Technologies Pty Ltd in August 2020 in line with LaserBond's strategy to expand its operations into Victoria and Tasmania. A central reason for the acquisition was the planned addition of a laser cladding facility to provide a key service to the southern market. This new facility is due for commissioning in March and will contribute revenue in the final quarter of FY21. Revenue from the acquisition, however, did not match original expectations due to the stringent COVID-19 restrictions across Victoria for much 1H21.

Products Division

The Products Division outperformed previous revenue levels via increased demand and higher product cost of goods and corresponding cost to customers. The business unit has a number of products under development or currently being commercialised that will enhance current offerings, most prominently its E-Clad technology which replaces the current hard chrome plating technology that is hazardous for human health and the environment. With changing regulations about the traditional, hazardous process for hard chrome plating in Europe, it is anticipated that other global regions will follow, making this proprietary technology a valuable product for the business.

Technology Division

LaserBond is in the process of negotiation and demonstration for a number of licensing opportunities, with a solution developed for an OEM in North America proven to be successful in initial testing. License terms have been negotiated and agreed. Subject to imminent final testing of our technology with their process we have confidence this agreement will proceed.

Further the development of our E-Clad™ application as an alternative to the environmental and health hazards of global hard chrome applications has opened up opportunities throughout Australia and internationally with established hard chrome customers and applications. With two promising local and one international opportunity under negotiation the company has invested in some major components of the systems in advance of closing sales.

Strategy and Outlook

With the continuing uncertainty in the global economy, short term plans particularly related to services division growth and global products business development have been impacted. LaserBond remains committed to its \$40 million FY2022 revenue target, and the company has extended its business strategy out to 2025 and adapting it to suit the changed trading conditions in the short to medium-term. Key tenets of the strategy include:

- expansion plans for the Services Division with acquisitions to increase facilities across a broader Australian footprint.
- growth in the Products Division through increased international marketing with likely warehousing, distribution and possibly manufacturing offshore.
- growth in the Technology Division through licensing the new E-Clad technology and other proprietary technologies.
- continued investment in appropriate resources, both equipment and human, to expand capacity and capabilities to support growth.
- a continued commitment to research and development to innovate ahead of the market.

Chief Executive Officer and Executive Director, Wayne Hooper, said, “Our performance over the past 12 months has been extremely encouraging, with the company increasing all earnings metrics during a time of unimaginable change across the globe. While we have further developed and extended our strategy to 2025, we continue to believe that we can achieve our short-term FY2022 revenue target of \$40 million. This view is based on our ability to innovate to service a range of heavy industries, our solid financial and operational platform, our targeted growth strategy, and signs of economic recovery in key international markets.

“The board is pleased to increase its dividends to its shareholders, after considering expansion plans and the capital necessary to fund their realisation,” he added.

~ ENDS ~

Authorised for release by the Board of LaserBond Limited.

Further information about the company’s financial and operational performance can be found in the Appendix 4D and Half-Year Financial Report.

Further Information

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About LaserBond

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear-life of capital-intensive machinery components. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. As almost all components fail at the surface, due to material removal through abrasion, erosion, corrosion, cavitation, heat and impact, and any combination of these wear mechanisms, a tailored surface metallurgy will extend its life and enhance its performance.