

## Aggressive Growth Strategy Supported by Consistent Earnings Growth

### 1H23 Highlights



**LaserBond Limited (ASX: LBL)** has achieved a successful first half-year performance with substantial increases in all profit metrics, off the back of a strong earnings performance in FY22. A key contributor to this level of growth has been the Services and Products divisions along with the integration of the Queensland facility, acquired in February 2022, which has exceeded expectations.

Chief Executive Officer and Executive Director, Wayne Hooper, said, “The business continues to achieve considerable growth. Over the year, we have expanded our workforce to achieve greater productivity from our facilities, established relationships in attractive offshore markets for products and technologies and fully integrated the new Queensland acquisition into the operations, achieving a stellar financial performance from it in our first year of ownership.”

Both the Products and the Services Divisions performed strongly with double digit revenue increases, while the Technology division received strong interest as a consequence of sales and marketing activities in several continents. Sales and marketing activity has been ramped up and numerous discussions are underway in North America, South America, Asia and Australia for LaserBond technologies and proprietary products.

### Financial Performance

All earnings metrics achieved substantial growth with revenue increasing by 39.4% to \$18.65 million from \$13.38 million in the previous corresponding period. EBITDA for the half increased by 37.1% to \$4.62 million from \$3.37 million in 1H22. Compared with the previous corresponding half, profit before tax increased by 47.3% to \$2.74 million from \$1.86 million, and after-tax profit increased by 31.6% to \$2.00 million from \$1.52 million. Consequently, earnings per share increased by 16.6% from 1.57 cents to 1.83 cents. The Board has declared an interim dividend of 0.8 cents per share, representing a 33.3% increase over that paid to investors in 1H22.

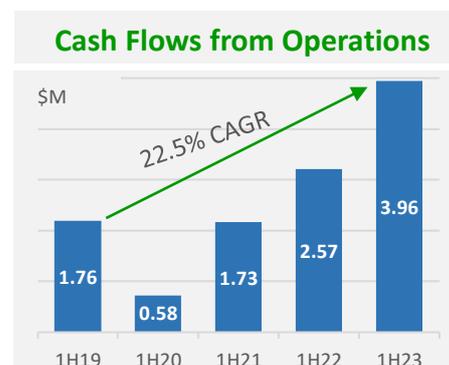


The balance sheets remains strong, with sufficient working capital to fund the growth earmarked in the strategy and a 5.1% increase in net assets to \$28.92 million. Excluding the \$9.36 million achieved in the December 2021 capital raising, which was employed to fund the acquisition of the Queensland facility in January 2022, cash balances for the period increased by 56.8% from \$5.68 million to \$8.43 million in 1H23. Over the past five years cash on hand has grown by a 40% compound annual growth rate. Without the effect of the funds from the 1H22 capital raising, the working capital position increased from \$9.17 million to \$14.03 million, representing a 53.0% increase over the previous corresponding half and a 23.3% compound annual growth rate over the past five halves. Other than AASB16 lease liabilities, LaserBond's debt consists entirely of fixed interest-rate equipment finance. The debt increase over the last five years has resulted from the acquisition of new equipment required to meet significant increases in demand.



\* Capital of \$9.36 million was raised in December 2021 and used to fund the QLD acquisition in January 2022.

Cash flows from operations also increased markedly, rising by \$1.39 million or 54.1% from \$2.57 million in FY22 to \$3.96 million in 1H23. Over the previous five halves, it has grown by a compound annual growth rate of 22.5%. Net cash flows increased from \$0.47 million in 1H22 to \$2.74 million in 1H23.



## Operational Performance

The 1H23 results were underpinned by strong performances from both the Products and Services divisions, while the Technology division is re-establishing its offshore relationships and building new ones with the assistance of Austrade, and is expected to recognise significant revenue the 2<sup>nd</sup> half of the financial year. Overall, there has been a strong up-swing in

demand over this half and the last as customers ramp up their operations after a two-year hiatus. The onboarding of 13 new skilled migrant recruits enabled the business to better optimise capacity at each of its facilities, reducing lead times and fulfilling the continuing high level of demand. The Queensland facility contributed 26.3% of Services division revenue, and plans for increases in workforce and equipment to take advantage of strong demand in that markets are in progress.

Driven by the strong Queensland performance and increases in demand across the board, the Services division produced a 67.8% increase in revenue compared with the previous corresponding period, increasing over the past five halves by a compound annual growth rate of 14.2%. EBITDA was also significantly higher with a 37.1% increase, largely due to the ability for the sales team to resume travel and the progressive acceleration of demand as customers return to historical levels of output throughout the half. All facilities will benefit from additional skilled workers as well as upgraded and new equipment to maximise their output and realise their full potential.

The Products division also achieved a strong uplift in revenue with \$8.94 million compared with \$7.50 million in 1H22. This result represents a 19.2% increase on 1H22, with a 16.8% compound annual growth rate over the past five years. Products manufactured under the OEM customer brands experienced a 21.3% increase in revenue and LaserBond branded products also contributed higher revenue compared to the previous first half. A further increase in Products revenue is expected for 2H23 as OEMs return to normal levels of demand after a period of inventory reduction. EBITDA decreased by 10.8% due to a large proportion of Products revenue being derived from products sold under existing price agreements with OEMs. LaserBond is currently in the process of reviewing these prices and determining appropriate increases to restore gross profit margins to historical levels. The business has no inventory supply issues given it made the fortuitous decision some years ago to increase minimum levels. Wage pressures have also been mitigated by its policy to increase wages annually against CPI.

The Technology division continues to experience the lag effect from the pandemic but is fully engaged in a comprehensive global sales and marketing program to accelerate opportunities across continents and in Australia. Revenue for the first half was \$22,200, derived from the UK licensee fees. In 2H23, the business expects to recognise revenue of approximately \$3.0 million from the sale of two LaserBond® cladding cells to licensees in North America and Western Australia, as well as revenue from initial consumables sales for these cells and additional licence fees and consumables from the existing UK and New Zealand licensees. The negative EBITDA for the Technology division is a result of global sales and marketing activities for future sales, with significant employment and travel costs related to opportunities being pursued in Europe, Asia and South America.

## Strategy and Innovation

LaserBond's strategy has served it well as a blueprint for an aggressive global expansion initiative and has remained relevant over recent years. The four cornerstones are:

- **Geographic Expansion** – push existing and new products into new markets as well as provide high performance reclamation services in a timely manner to customers in broader markets
- **Capacity and Capability** – invest in people, equipment and automation to improve margins and build productivity
- **Product and Process Development** – innovate, build R&D capability, and stay ahead of the market
- **Technology Licensing** – build a suite of technologies for sale under long-tailed licensing arrangements.

Progress was made in all areas with the expansion into Western Australia via an acquisition still remaining a priority. Discussions and due diligence are well-advanced to complete the business' national footprint and capitalise on a large base of customers across a range of industry sectors. LaserBond's growth has been augmented progressively through the acquisition of complementary businesses that provide skilled personnel and equipment with an existing client base as well as a local facility for LaserBond® cladding technology in a new market. With the assistance of Austrade, international growth is back on track with a range of business development initiatives to market our proprietary products and technologies in specific offshore markets. To support this growth, we increased our workforce and installed new equipment to service a consistently high level of demand.

One of the cornerstones underpins the long-term commitment that LaserBond has demonstrated to its R&D program, developing and refining products and technologies that anticipate demand and steer the market. In conjunction with various tertiary and research institutions, progress was made during the half on several such initiatives to achieve greater efficiency and capacity within LaserBond's operations, and therefore increased margin and revenue, as well as to develop solutions for specific customer-related issues.

## Outlook

While there is much speculation about the health of the Australian economy, and more so, what impact the pandemic has effected on the economies of other regions around the world, LaserBond's demand has not waned as our customers continue to accelerate their demand, invest in their businesses and aim for growth. By providing products and services that reduce the total cost of ownership of equipment in capital intensive industries, as well as contributing to reductions in their carbon footprint, LaserBond expects this demand to continue.

Mr Hooper also said, "At LaserBond, we are in the process of employing more skilled workers and installing new equipment in every one of our state-based facilities to maintain the capacity to meet the current demand. We have also re-charged our sales and marketing efforts both in Australia and offshore to promote the benefits of LaserBond's products and technologies and derive increased revenue from specific lucrative markets.

"The foundations of our business can now support the next stage of our growth, as we progress towards the achievement of our target of \$60 million revenue by the end of FY2025."

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 1H23 Annual Report also lodged with the ASX today.

### 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.