

FY21 PERFORMANCE UPDATE

ASX Release

24 August 2021

Earnings Stable Despite International Growth Constraints

FY21 Highlights

↑ 11.2%

Revenue on PCP

↑ 3.2%

EBITDA on pcp

↑ 1.2%

NPAT on pcp

↑ 11.7%

Cash Flow from Operations on pcp

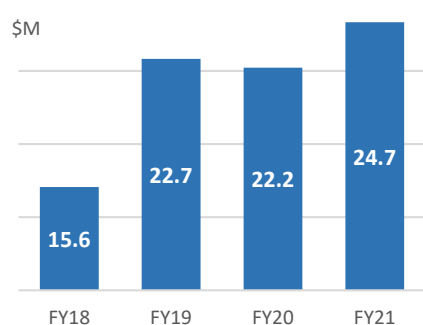
LaserBond Limited (ASX: LBL) is pleased to announce another solid performance for FY21 with an 11.2% increase in revenue, an after-tax profit consistent with FY20, positive cash flows and some significant steps towards penetrating the North American market with long-term licensing agreements and product sales.

Chief Executive Officer and Executive Director, Wayne Hooper, said, “We continue to weather the constraints of the pandemic-affected economy which has demanded substantial changes in the way we perform our sales and marketing functions, particularly where large scale investment is required by offshore prospects. However, we have made some material inroads, with the seven-year licensing agreement as well as a number of products currently being trialled for their efficacy in North America. We remain focused on monetising the innovative bespoke solutions that we have developed for customers, and the proprietary technologies that we have designed through our R&D program to wider, offshore markets.”

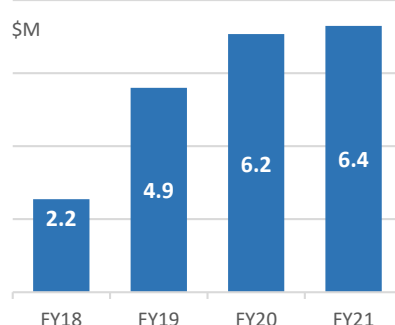
Financial Performance

The business achieved revenue of \$24.66 million, representing an 11.2% increase on FY20 revenue of \$22.18 million. EBITDA increased marginally by 3.2% from \$6.19 million in FY20 compared with \$6.38 million in FY21, while profit after tax was stable at \$2.84 million. This earnings performance conceals a higher cost structure due to the additional full year of costs from the Victorian acquisition. LaserBond cladding technology was planned for installation and commissioning in Victoria in early FY21 to begin generating revenue and offer the new proprietary technology to Victorian and Tasmanian markets. However, this could not be achieved due to border restrictions.

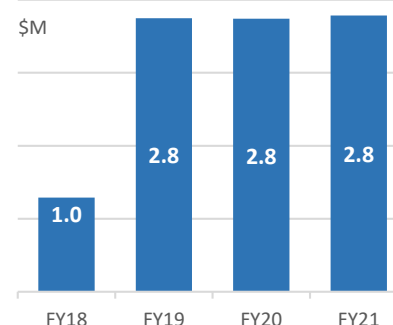
Revenue



EBITDA



NPAT



Operating cash flow increased by 11.7% from \$4.26 million in FY20 to \$4.76 million in FY21, facilitating the growth in cash balances from \$4.0 million at FY20 year end to \$4.91 million at 30 June 2021. Net cash flow for the year was \$0.91 million, down \$0.90 million from \$1.81 million in FY20. However, the \$0.90 million decrease reflects increases in FY21 payments for equipment finance and dividends of \$0.53 million and \$0.20 million respectively. Working capital increased by 28.8% from \$7.26 million in FY20 to \$9.34 million in FY21.

LaserBond has a strong culture of innovation, partly evidenced by its continued investment in R&D. The business now has a number of proprietary technologies and products in operation and generating income, and forecast demand for future technologies underpins the R&D program. R&D spend of \$0.68 million in FY21 is consistent with the previous year's spend.

The Board has resolved to pay a final dividend of 0.6 cents per share, taking the full year dividend to 1.2 cents per share, a 20% increase of that of the previous year.

Operational Performance

The Covid pandemic continued to hamper operations in the form of state and international border restrictions, curtailing face-to-face sales and marketing plans and preventing the installation of LaserBond cladding technology in the recently acquired Victorian operations. It is now expected that this new cladding cell can be installed and commissioned remotely to enable the service to be introduced into Victoria and Tasmania. While the Technology Division suffered acutely from the inability to negotiate large scale investments and licensing agreements with clients on a face-to-face basis, the Products Division delivered a strong sales performance, with the Services Division sales declining, again as a result of the pandemic. An expanded sales and marketing team is now intent on overcoming the challenges of travel bans and the business is confident it can introduce new products in local and offshore markets this financial year with the assistance of Austrade overseas and a revised sales strategy.

Services Division

Resulting solely from the fallout of the pandemic, revenue from the Service Division dropped 9.3% to \$11.64 million compared with \$12.83 million in FY21 while EBITDA declined 25.8% from \$4.02 million in FY20 to \$2.99 million. However, the division achieved a 35.6% increase in revenue to \$7.38 million in the second half of the year compared with the first half, owing to a ramping up of demand from customers who had delayed maintenance in the first half and the easing of restrictions that had affected the Victorian operations. A key component of the acquisition rationale, the installation of a LaserBond cladding cell in Victoria, could not proceed due to border restrictions, and this has also impacted services revenue. A project is now underway to install and commission the unit remotely with revenue anticipated to flow through in the second quarter of FY22.

Products Division

The Products Division achieved a 41.3% increase in revenue of \$12.95 million compared with \$9.17 million in FY20, while EBITDA grew from by 37.8% from \$2.96 million in FY20 to \$4.08 million in FY21. The increase was partly due to delays orders from a large customer with changed product specifications that required new pricing and manufacturing logistics to be agreed. Conversely, the 41.3% uplift did not include any previously forecast sales of steel mill rolls in the US and Asia given the international travel constraints. These sales generally require face-to-face interaction when large investments are at stake. With an attractive opportunity to sell such products into the US market, the business is recruiting a sales agent to penetrate the market and is also currently working with Austrade to develop both the US and Asian markets for steel mill rolls and rotary feeders.

Technology Division

The Technology Division continued to be heavily affected by Covid restrictions, but signed a seven-year agreement in May 2021 with a North American manufacturer that services primary industries to supply LaserBond cladding equipment during FY22, providing upfront revenue of \$1.5 million, with ongoing licence fees and expected consumables sales of circa \$0.8 million. The business expects to sign a further two such agreements in the current financial year with revenue contributions flowing through in the same year, and plans to maintain this sales level in future years.

Strategy and Outlook

Given the new trading paradigm under Covid conditions, the Board and management have revised the strategy out to 2025 with a major focus on penetrating lucrative markets for LaserBond, products, services and technologies in North American, European and Asian countries. Its sustained focus on innovation continues to deliver new products and technologies that have originally been designed as bespoke solutions for individual customers and then further developed for broader market application. The business' focus is now firmly on adapting to the new trading conditions to realise this growth. Key tenets of the strategy include:

- domestic expansion of the Services Division via acquisition
- 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 to support growth
- a continued commitment to research and development to innovate ahead of the market.

Mr Hooper also said, "We're on the cusp of the next stage of growth for our business and we're gearing up our sales and marketing function to monetise the numerous products and technologies that we invested greatly in over the years. Much will depend on how the pandemic is managed across the globe, and we expect that in the interim, as governments grapple with new waves of infection and massive vaccination rollouts, there will be further lockdowns and border closures that impact operations and throw up new challenges each time."

The Board remains committed to achieving its stated revenue target of \$40 million by 2022 and current forecasts indicate a revenue number very close to that target. However, a portion of that revenue target assumes the timely acquisition of a bolt-on business that can begin to contribute revenue by early 2H22 at the latest.

~ 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 4E and 2021 Annual Report.

Further Information

Matthew Twist
Chief Financial Officer
(02) 4631 4500
matthewt@laserbond.com.au

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.