

29 July 2020

ASX ANNOUNCEMENT

## WestStar Industrial Limited June 2020 Quarterly Report

**WestStar Industrial Limited (Company or WestStar)** (ASX: WSI), an Australian industrial services company, operating in the energy, resources, utility and infrastructure sectors, in metropolitan and remote areas, across Australia, is pleased to report on the Company's performance for the quarter ended 30 June 2020 (Quarter).

### Highlights

- **Cash receipts of \$12.2M up from March quarter of \$11.9M.**
- **Operating receipts significantly higher than operating payments demonstrating an operating Net Cash improvement of circa \$940k for the Quarter.**
- **Cash balance increase from March quarter of \$5.8M to \$6.6M, an increase of \$785k.**
- **WestStar subsidiaries accounts continue to reflect another profitable quarter.**
- **Administration and Corporate Costs reduced significantly through synergies implemented with the integration of Alltype Engineering into the group.**
- **The group is well positioned for a strong FY2021 with Tendering activities expected to deliver rewards and strengthened Pipeline of projects for the group.**

### Company Financial Overview

During the Quarter, the Company banked total cash receipts of \$12.2M continuing its strong FY2020 performance. Operating receipts for the Quarter were significantly higher than operating payments, increasing net operating cash by \$940k for the Quarter.

This result follows on from \$11.9M banked last quarter bringing total receipts to ~\$54M for the full year to 30 June 2020. In comparison, the Company reported cash receipts of ~\$32M for the entirety of FY2019.

The result was largely attributed to SIMPEC, together with a contribution of the first full quarter performance of Alltype Engineering.

### Cost Efficiencies and Group administrative Synergies

The Company set out to achieve a range of efficiencies in its strategic planning to become more streamlined, sophisticated and cost-efficient in its approach to FY2021 post Alltype acquisition completion. The Company is now poised to capitalise on these initiatives.

Administrative staffing and corporate costs during the Quarter continued to reduce whilst a cost-efficient fixed overhead base was maintained to provide leverage to further earnings growth. The Company continues to optimise shared resources across the group. The removal of leased premises in Kwinana, insurance grouping and other administrative shared services will now deliver a more efficient and streamlined business overall.

These cost efficiencies allow the subsidiaries to benefit towards a cost competitive advantage in their respective disciplines which will in turn deliver improved probability outcomes in awards for FY2021.

It is these measures that have been the focus of the WestStar executive management to provide the platform and a streamlined approach to ensure another successful year ahead.

This positive June quarterly result reflects WestStar's focussed and responsible growth trajectory.

## COVID19 and Interstate Growth

Navigating the threat and uncertainty of COVID 19 was challenging for companies across Australia. Despite these challenges, WestStar successfully expanded its operational footprint into NSW with the award to SIMPEC of its first interstate contract on the Sydney WestConnex New M5 Project with the CPB Dragados Samsung JV.

The Company remains flexible enough to adapt to the changing environment moving into the future with adaptive strategies ready to deploy should the necessity arise.

## Alltype Engineering Operations

During the final quarter of FY2020, Alltype Engineering continued to deliver on its existing backlog as well as restructure the pre-award and proposals team to target larger and more complex fabrication scopes and diversified site construction opportunities.

Some key achievements were:

- achieving practical completion of a turn-key multidiscipline gas metering facility station;
- commencement of specialist E&I installation works on key gas pipeline transmission infrastructure projects;
- completion of design and construct AS1692 / API650 petrochemical tank contract;
- continued site construction works on gas processing and compressor station in the Perth basin;
- development of a strong pipeline of fabrication and modularisation project opportunities being sourced locally for iron ore and gold mine developments;
- additional works associated with transport and water infrastructure projects, driven by achieving CC3 accreditation.

Alltype Engineering continues to improve the Company's capability and experience to tender an increasing range of works across multiple industries and new clients.

Commenting on Alltype's operations, WestStar's Chief Executive Officer, Robert Spadanuda noted: *"Alltype Engineering is a well established brand in the market having been in operation for almost 35 years. It has now become very evident that the team led by Mr Kelvin Andrijich has broadened WestStar's horizons into the Oil and Gas, Petrochemical, Power Generation, Processing, Marine, Resources and Water Infrastructure sectors."*

*It is also delightful to see the integration between SIMPEC and Alltype to now deliver a suite of services across a variety of industries".*

## SIMPEC Operations

SIMPEC continued to secure additional contracts and deliver on its current projects

Some key achievements were:

- Successful completion of Site works at the FMG Eliwana Camp package in June;
- Rio Tinto Remote Draft Survey Project completions works for commissioning were well advanced with section handovers during the period and a project completion date by August 2020;
- The FMG Eliwana Power Station project continues to progress well and the team achieved a number of key milestones during the Quarter;
- Successful and fast-tracked delivery of the WestConnex New M5 tunnel works;
- SIMPEC successful accreditation and roll out of its quality management system.

## Sydney WestConnex New M5 Project with the CPB Dragados Samsung JV

The Sydney Project team successfully implemented its tracking and reporting tools to deliver a high-profile project that has been well received by the client. The team delivered detailed Electrical and Instrumentation completion and handover activities with Peak numbers at periods of circa 50 personnel. SIMPEC currently has a team on site performing commissioning activities.

SIMPEC continues to deliver strong results for the group, with the added ability to now deliver on a national footprint.

Tendering and proposals for the quarter was at an all-time high, with over \$100M of new tenders received and being worked on. Several of the submissions were for new clients within the infrastructure sectors, the results of which are expected to deliver positive outcomes for the business.

Commenting on SIMPEC operations, WestStar's Chief Executive Officer, Robert Spadanuda noted: *"It is testament to the SIMPEC team, demonstrating well managed and safe company practices that can deliver a high level of technical works across the country, in a controlled and measured manner. The Sydney Project has been a significant milestone for SIMPEC and opens new doors and tendering opportunities across the country for not only SIMPEC but the added services of the whole group"*.

The SIMPEC team are expecting positive outcomes from their tendering efforts during Q1 FY2021.

### Outlook

During the full year of FY2020, WestStar has receipted ~\$53M of works with a number of new contracts, clients and a number of contract scope extensions.

Representing an increase in receipts of circa 61% (FY19 \$32M) the Company is now poised to continue this growth into FY2021.

With the integration of Alltype Engineering and interaction with SIMPEC now opening significant opportunities. WestStar expects the outcomes of tendering activities across the group to deliver positive results in Q1 FY2021.

Commenting on WestStar strong performance in the Quarter, WestStar's Chief Executive Officer, Robert Spadanuda noted:

*"In our continued pursuit to deliver sustainable growth and profitability, the Company has delivered another positive quarter. The SIMPEC team, led by Mark Dimasi, has once again contributed significantly to the positive result and growth of WestStar and should be commended for their efforts. With Alltype now in the WestStar stable we become increasingly confident in the Group's suite of services and opportunities it will deliver."*

*We are now witnessing the fruits of WestStar's broadened horizons. These opportunities will significantly accelerate the group towards increased revenues and earnings for its shareholders. We look forward to updating the market upon execution of some of these opportunities"*.

**-Ends-**

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### About WestStar

WestStar Industrial Limited (ASX: WSI) is an industrial, steel fabrication, installation and maintenance services company focussed on the resources, oil and gas, water and infrastructure sectors.

### About SIMPEC

SIMPEC delivers high quality construction and engineering services with specialisation in structural mechanical and piping (SMP), electrical and instrumentation (E&I), concrete products and civil Services.

For more information: [www.simpec.com.au](http://www.simpec.com.au)

### About Alltype Engineering

Alltype Engineering leverages off its fabrication capability and provides complete project solutions including SMP and E&I site installation, construction and maintenance services, across almost every industry in Australia. Alltype's products and services have been delivered and installed state-wide, nationally and internationally through our workshops and sites and can be found on land, offshore on islands, FPSO's and platforms, below ground and even subsea. Supported by its team of experienced multi-disciplinary project personnel, Alltype delivers consistent quality products and services that underpin its commitment to its vision "to be recognised as the preferred partner in delivering integrated fabrication, site and maintenance services with reliable, innovative and cost-effective solutions".

For more information: [www.alltypeengineering.com.au](http://www.alltypeengineering.com.au)

*ASX release authorised by the Board of Directors of WestStar Industrial Limited.*

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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>Name of entity</b>	
WESTSTAR INDUSTRIAL LIMITED	
<b>ABN</b>	<b>Quarter ended ("current quarter")</b>
38 119 047 693	30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	12,229	53,583
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,162)	(45,886)
(c) advertising and marketing	-	-
(d) leased assets	(151)	(614)
(e) staff costs	(1,613)	(8,330)
(f) administration and corporate costs	(431)	(2,788)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	12
1.5 Interest and other costs of finance paid	-	(73)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	69	69
<b>1.9 Net cash from / (used in) operating activities</b>	<b>942</b>	<b>(4,027)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	811
(c) property, plant and equipment	(82)	(136)
(d) investments	-	(368)
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	454
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(25)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(82)</b>	<b>736</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	19
3.6	Repayment of borrowings	(55)	(135)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(20)	(20)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(75)</b>	<b>(136)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,857	10,069
4.2	Net cash from / (used in) operating activities (item 1.9 above)	942	(4,027)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(82)	736

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(75)	(136)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,642</b>	<b>6,642</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,642	5,857
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,642</b>	<b>5,857</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

38

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$38,000. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees and corporate advisory fees. All payments were on normal commercial terms

7.	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	1,000	650
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** 350

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 12 December 2018, the Company announced that it had received commitments for an unsecured working capital facility of up to \$1M. This facility was drawn to the value of \$650,000 at the end of the quarter (no change from 31 March 2019), interest is payable at 10% p.a.

8.	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	942
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,642
8.3	Unused finance facilities available at quarter end (Item 7.5)	350
8.4	Total available funding (Item 8.2 + Item 8.3)	6,992
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	n/a

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

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**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 July 2020

Date: .....

By the Board

Authorised by: .....  
 (Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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