

31 July 2020

## Veris Australia Q4 FY2020 Update

The Board of Veris Limited (**ASX: VRS**) is pleased to provide an update regarding results for Veris Australia for the fourth quarter (Q4) of financial year 2020 (FY20).

### Highlights:

- **Structural and operating enhancements deliver improved performance**
- **Underlying unaudited EBITDA compares favourably to Q3 FY20 and PCP FY19**
- **Impacts of COVID-19 softened by national footprint and strong customer base**
- **Demonstrated capacity to deliver safely for our clients both remotely and in the field**
- **Well positioned to secure a share of project pipeline as part of post-COVID economic recovery**
- **Veris Group cash position of \$1.94 million at 30 June 2020**

The Veris Board and Leadership Team have reacted nimbly to the continuation of the challenging operating environment and market conditions presented by the COVID-19 pandemic first experienced in the latter part of Q3 by implementing a range of structural and operating enhancements across Veris Australia.

The implemented enhancements have contributed to Veris Australia delivering an unaudited underlying EBITDA performance of \$1.06 million for the three months to 30 June 2020. This compares favourably to both the Q3 FY20 results and the prior comparable period in FY19 (on an underlying performance basis). The ability to deliver this EBITDA in challenging conditions demonstrates the early impact of the significant structural and operational enhancements made during the quarter.

	Underlying Result - Unaudited		
	Q4 FY20 Underlying	PCP Q4 FY19 Underlying	Q3 FY20
Revenue	18,732	22,514	17,784
EBITDA	1,058	675	(227)
EBITDA %	5.6%	3.0%	(1.3%)

Q4 FY20 underlying results are based on preliminary, unaudited financial results for the fourth quarter FY20. Figures remain subject to finalisation, audit and Board review and sign-off and may change. The unaudited Underlying Results have been derived by adjusting the Veris Australia unaudited Preliminary results (shown on page 2) for the one-off impacts of provisions for legacy WIP and debtors' balances related to projects performed in prior periods resolved in June 2020 and reversing the Commonwealth Government JobKeeper payment received in relation to May & June 2020. PCP underlying results reflect FY19 Q4 results adjusted to eliminate the impact of a one-off gain on sale and leaseback of vehicles previously included in EBITDA in FY19.

### Structural and operating enhancements

Key initiatives undertaken during the Q4 period have been designed to reposition Veris Australia with a flatter, more sustainable operating structure and more efficient business support functions. These initiatives include:

- A 50% and 25% respective reduction in Board and Leadership Team fees and remuneration which commenced at the onset of the COVID-19 pandemic;
- Review and rationalisation of under-utilised fleet of equipment and vehicles;

- Review of operating structures and adoption of innovative work practices to ensure remote working opportunities can be leveraged thereby enabling project work to continue;
- Analysis and review of project management practices to enhance WIP management and revenue recognition;
- Increased focus on the cash management cycle and discretionary expenditure;
- Continued management and strengthening of relationships with key financing stakeholders;
- Implementation of a targeted, national approach to project opportunity identification and client management initiatives; and
- Implementation of a Group-wide employee engagement program to enhance the Veris employee experience to ensure the business attracts and retains the highest calibre people.

These measures will provide enhanced visibility and accountability for project management performance and financial results as Veris Australia enters FY21.

#### **Items outside of underlying results**

In tandem with the implementation of the organisational restructure, Veris Australia management reviewed the carrying value of certain balance sheet items and project related costs at 30 June 2020. As a result of this review and subject to finalisation of the audit, Veris expects to recognise charges in the FY20 annual results associated with the impairment of customer related intangibles of \$3.1 million, additional depreciation charges associated with the review of carrying value of Property, Plant and Equipment of \$2.0 million, increased Provisions for Work in Progress of \$650,000, business restructuring costs of \$866,000 and an increase in Provision for Doubtful Debts of \$350,000.

The following table shows the preliminary result following the actions discussed above.

	Preliminary Result - Unaudited		
	Q4 FY20	Q3 FY20	PCP Q4 FY19
Revenue	16,998	17,784	22,514
EBITDA	1,264	(227)	1,871
EBITDA %	7.4%	(1.3%)	8.3%

Q4 FY20 Results are based on preliminary, unaudited financial results for the fourth quarter FY20. Figures remain subject to finalisation, audit and Board review and sign-off and may change.

#### **National footprint supported by national operating structure**

Although Veris Australia has been impacted by the COVID-19 pandemic, the business has benefited from its national footprint and diverse customer base, which has contributed to a softening of the effects experienced in some geographic segments of the business.

Veris Australia's new national structure was established to meet current and anticipated market conditions. The reduction in centralised overheads and operational headcount positions the business to better support projected workload.

#### **Demonstrated capacity to deliver safely**

Throughout this unprecedented period, Veris Australia remains committed to the safety of our people, clients and the communities in which we operate. Our people have demonstrated a commitment to adapt to new ways of remote working and strict hygiene and social distancing protocols on site to ensure we continue to deliver safely for our clients.

### **Project pipeline and outlook**

Despite the current economic uncertainty due to COVID-19, Veris has not seen a reduction in the secured project pipeline which remains over \$30 million to be executed over the next 18 months. In addition, there is an identified pipeline of tendered projects and prospects with a weighted value in excess of \$70 million for execution over the same period.

Veris Australia continued to work on significant infrastructure, engineering and cadastral scopes of work in Q4, demonstrating a commitment to new ways of working safely including strict hygiene and social distancing protocols.

A number of key contract wins and extensions in key markets secured in Q4 have added to the project pipeline. Veris is well positioned to participate in a post-COVID economic recovery as Federal and State Governments nationwide indicate their intention to expedite significant infrastructure projects as a key platform for employment and activity growth. The strategic focus and growth in digital and spatial positions Veris Australia for long term growth in a post-COVID environment.

### **Comments from Veris Australia Chief Executive Officer Michael Shirley:**

*“During this unprecedented period, I have been extremely proud of the way our people have responded to the challenges of COVID-19, adapted in a nimble manner and established new ways of working to keep our staff, clients and the community safe. Because of this, we’ve been able to continue to deliver safely for our clients, both remotely and on project sites across Australia.”*

*“Amidst the challenges we’ve been able to fast-track and implement structural changes and cost reductions within Veris Australia that have already had an impact on our operating result and will set us up for success in future periods.”*

*“With our current portfolio of large-scale infrastructure projects, and a number of recent contract wins demonstrating our strength in key markets important to the economic recovery, we are well positioned to execute our strategy and deliver growth from a sustainable platform.”*

– ENDS –

Issued by Veris Limited  
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### **IMPORTANT INFORMATION**

#### **Financial Information**

All dollar values are in Australian dollars (\$) or AUD unless stated otherwise. All references starting with “FY” refer to the financial year for Veris, ending 30 June. For example, “FY20” refers to the financial year ended 30 June 2020. The financial information contained in this announcement for the period ended 30 June 2020 is preliminary only. Veris expects to release its full year financial statements in late August 2020 following completion of the audit process. Accordingly, the FY20 financial information contained in this announcement is unaudited. An audit process is currently underway in respect of the finalisation of the FY20 financial statements, however the audit will not be completed until immediately prior to the release of Veris’ full FY20 financial statements. Whilst Veris has taken care so as to have a high degree of confidence that this financial information will not materially differ from the final numbers contained in the FY20 financial statements, there is a risk that those numbers will differ from the financial information contained in the FY20 financial statements.