DURATEC

H1FY22

ASX ANNOUNCEMENT

28th February 2022

Outlook solid beyond COVID impacted H1FY22 results

Leading national remediation specialist Duratec Limited (Duratec or the Company) (ASX: DUR) is pleased to announce its results for the financial half-year ended 31 December 2021. Duratec's financial performance for the half has been impacted by challenging east coast COVID-19 outbreaks shutting down key projects for up to 4 months. However, the outlook is solid with an all time high work on hand position of $450.4m and easing of operating conditions underpinning an expectation of significant improvement in H2FY22. This update should be read in conjunction with the statutory half-year financial statements.

H1FY22 Financial Highlights

- Revenue[1] of $130.9m, up 5.5% on the prior comparative period of H1FY21 (PCP).
- Normalised EBITDA[2] of $5.0m, down 57% on PCP.
- Normalised EBITDA margin of 3.9%, down from 9.4% in PCP, including the DDR contribution.
- Solid cash generation from operations and strong balance sheet with closing cash balance of $36.2m and low debt levels.
- Bankwest covenants changed to accommodate growth.
- Interim FY22 dividend of 0.5 Cents Per Share, fully franked.

H1FY22 Operational Highlights

- Two lost time injuries associated with relatively minor incidents, similar LTIFR with PCP. Continued investment in people and resources to foster a culture of ZERO HARM.
- Geographical footprint expanded further with establishment of Gladstone, Katherine and Hobart offices on the back of project wins.
- Operations impacted by COVID-19 challenges on the east coast halting several major projects for up to 4 months while maintaining operational capacity.
- Achieved a significant increase in work on hand position of $450.4m[3] (up from $113m at 24 February 2021) via segment market focused tendering strategies;
- Excellent major project awards including: -
  - Central Park Building façade recladding, $63m;
  - DEJV - HMAS Stirling, Oxley Wharf Extension, $53m;
  - Western Sydney International Airport, aviation fuel infrastructure, $50m;
  - RAAF Base Tindal, aviation re-fuelling facility, $110m;
  - Resource sector structural integrity packages, collectively, $25m+.
- Tendered work of $550m and $1.6b in tangible identified opportunities;
- DDR continued to grow strongly with historically high work on hand and a significant pipeline of opportunities.

---

[1] Excludes associate DDR revenue
[2] Proforma EBITDA means earnings before interest, tax, depreciation, amortization, IPO transaction costs
[3] Excludes annuity style Master Service Agreement (MSA) contracts (circa $40m)

HEAD OFFICE
108 Motivation Drive,
Wangara WA 6065

+61 08 6206 6900
info@duratec.com.au
www.duratec.com.au

Duratec Limited ABN 94 141 614 075
ASX code: DUR

DIRECTORS

Martin Brydon
Non-Executive Chairman
Phil Harcourt
Managing Director
Chris Oates
Executive Director
Gavin Miller
Non-Executive Director
Dennis Wilkins
Company Secretary

Capital structure:
237,444,801 ordinary shares

Outlook

- Supported by the strong order book, Duratec anticipate a result heavily skewed towards H2FY22 financial performance, continuing into FY23;
- Positive indicators nationally across all sectors with key demand drivers supporting Duratec's organic growth strategy. Duratec remains disciplined when evaluating potential acquisition targets;
- Despite the certainty of periodic resurgences, we remain optimistic the COVID-19 pandemic impacts will ease providing operational conditions conducive to supporting a return to revenue growth and profitability;
- Other challenges associated with wage and salary pressures, construction material price escalation and supply issues are recognised and being managed and mitigated;
- Resource sector spending increasing as clients continue to focus on asset life extension via structural integrity campaigns;
- Government infrastructure stimulus and increasing Defence sustainment spending provide key growth platforms;
- High levels of enquiry and a significant number of new tenders submitted, including key Defence, Resources and Building re-cladding projects;
- Duratec's Energy sector strategies are focused upon securing more fuel infrastructure projects;
- Impressive pipeline - $550m of total tenders submitted across all market sectors and $1.6b in Identified Opportunities[3] well diversified across industries and geographies;
- DDR Australia outlook is positive and supported by government IPP and corporate initiatives; and
- Duratec's national presence with well supported local teams positions the Company well to leverage positive tailwinds.

H1FY22 Key Metrics

	H1FY22	H1FY21	Variance
Revenue	$130.9m	$124.1m	5.5%
Reported EBITDA	$4.6m	$8.9m	(48.0%)
Normalised EBITDA[1]	**$5.0m**	**$11.7m**	**(56.8%)**
Statutory NPAT	$0.7m	$4.6m	(84.4%)
Normalised NPAT[1]	**$0.7m**	**$6.1m**	**(88.1%)**

Key operating metrics

Reported EBITDA margin	3.5%	7.2%	(50.7%)
Normalised EBITDA margin[1]	**3.9%**	**9.4%**	**(59.0%)**
Statutory NPAT margin	0.6%	3.7%	(85.2%)
Normalised NPAT margin[1]	**0.6%**	**5.0%**	**(88.8%)**

Note 1: Prepared on a normalised basis which exclude items from the H1FY21 result relating to one-off IPO costs and Fortec contribution. The DDR tax effect item relates to both reporting periods – refer Appendix 1 in the Company's Half-Year Results Presentation for calculations.

Commenting on the Company's H1FY22 performance, Duratec's Managing Director Phil Harcourt said:

"Similar to many national industrial businesses, the first half of FY22 has provided very challenging operating conditions specifically impacted by COVID induced project shutdowns in the Eastern region, while maintaining operational capacity. Despite these conditions, the project teams have done their utmost to minimise project prolongation cost effects. In WA, NT and SA operating conditions to date have been far more favourable and I am pleased to advise that the majority of works performed have contributed well.

Since July 2021, it has been encouraging to see the high level of enquiry and solid number of tangible opportunities across all market sectors. This has led to a significant increase in tendering volume and high-quality submissions which has successfully been converted into work won levels markedly higher than the comparative period in FY21. Consequently, we have an historically all time high order book of $450.4m which is a terrific achievement, providing a very positive outlook and basis for strong contributions from major projects to revenue growth and underlying earnings in H2FY22 and FY23 onwards."

H1FY22 Interim Dividend

Duratec will pay a fully franked interim dividend in respect of H1FY22 of A$0.005 per share, to be paid on 10 May 2022. The dividend will be paid in Australian dollars. Key information in relation to the dividend is as follows:

Dividend amount	$0.005 per share fully franked
Ex-dividend date	12 April 2022
Record date	13 April 2022
DRP election date	14 April 2022
Price calculation period	14 April 2022 – 2 May 2022 (inclusive)
Payment / issue date	10 May 2022

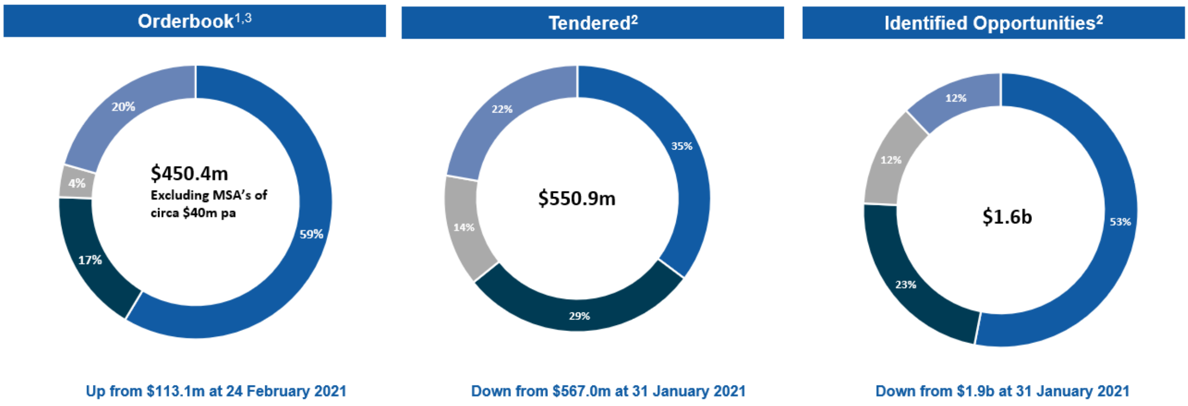
The Company's Dividend Reinvestment Plan (DRP) will operate for eligible shareholders for the H1FY22 interim dividend.

Shareholders who elect to participate in the DRP will be able to reinvest either all or part of their dividend payments into additional fully paid Duratec shares. A 5% discount to the 10 day volume weighted average price of Duratec shares during the price calculation period will apply to allotments made under the DRP for the H1FY22 interim dividend. No brokerage, commission or other transaction costs will be payable on shares acquired under the DRP.

The full terms and conditions of the DRP are set out online at the Company's website at www.duratec.com.au/investors/corporategovernance. Shareholders are encouraged to elect to participate in the DRP online at https://www.computershare.com.au/easyupdate/dur.

Outlook by Operating Segment

There are very positive indicators nationally and across all the market sectors. Key industry themes, including increased focus on structural, durability and functional infrastructure upgrade spending by both government and the private sector, together with continuing demand drivers, underpinning the growth outlook for Duratec. Duratec's national presence and increased footprint with well supported local teams positions the Company very well to leverage these opportunities. The Company focus will be on optimising operational capabilities by application of strategies which mitigate as best as possible future challenges with COVID Omicron variant spread of infection in the workforce. We will also be proactive and nimble in mitigating impacts associated with wage and salary pressures, skill shortages, the rising cost of material and freight costs, supply chain disruption by implementation of appropriate measures and to protect underlying earnings.



Note 1: Order book reflects Work on Hand as at 5 January 2022 and includes 50% of DEJV and 49% of DDR
Note 2: Identified and Tendered Opportunities include 50% of DEJV and 49% of DDR
Note 3: Master Service Agreements (MSA's)

Duratec's orderbook has increased 91% since the 16th August 2021 to an all time high of $450.4m. The pipeline of opportunities remains strong and is well diversified across industries and geographies (56% Eastern Region[3] and 44% Western Region). Tendering volume is high with $550m currently submitted awaiting award. Duratec is very encouraged by the $1.6b of high quality Identified Opportunities which are expected to translate into increased tendering across all key sectors. This, together with Duratec's strong balance sheet, provide an excellent platform for the Company to secure additional contracts in H2FY22 and beyond, supporting continued sustainable growth.

Defence

Recent Strategic Updates from the Federal Government Defence suggest investment in sustainment of current and future capability is forecast to grow from circa $13b to circa $24b, by FY30. This provides a clear direction and a high degree of certainty for Duratec's key Defence segment for future growth opportunities.

With an historical work on hand position of $236.5m, tendered work of $184m and improved operating conditions we anticipate a very strong H2FY22 performance now that restrictive COVID shutdowns appear to be behind us and DUR strategies/procedures are in place to mitigate absenteeism associated with Omicron community outbreaks. This trend is expected to continue in FY23 onwards.

Mining and Industrial

The resource sector teams are well positioned nationally to meet the increasing demand for remediation and life extension of ageing mining and resources infrastructure critical to processes and production output. With a work on hand position of $17.5m, $71m in tendered works and likelihood of three mine shutdowns for planned maintenance imminent we expect strong revenue and underlying earnings from this segment in H2FY22 and beyond.

Buildings and Facades

With $68.8m of work on hand comprising ten significant building façade projects afoot and expected to be all back to optimal productivity, we anticipate solid revenue and underlying earnings in H2FY22. The $63m Central Park project will be a strong financial contributor now that work on the panel replacement commenced in January 2022. Our Technical team will continue to satisfy demand for Duratec's Early Contractor Involvement performing the important task of due diligence on the existing building facades to de-risk the works for both client and the Company. We anticipate further growth in this segment in FY23 and beyond with $355m in tangible opportunities. Duratec is positioned well to capitalise on these opportunities based on demonstrated capabilities and client relationships.

DURATEC

Energy

The Western Sydney Airport Aviation Fuel infrastructure project will commence contributing revenue and underlying earnings commencing in January 2022 and remain strong throughout H2FY22 and beyond into FY23. The team will be focussed upon seeking and identifying further fuel infrastructure project opportunities.

Other Infrastructure

There are good signs of increased activity on water & wastewater, transport bridges and ports infrastructure in need of remediation. The Company's national footprint ensures it is well positioned geographically to win and service these opportunities. With work on hand of $51.5m we expect this segment to contribute significantly in H2FY22.

DDR Australia

The outlook for DDR is very strongly associated with Government (Federal, State and Territory) and corporate IPP initiatives which are designed to increase the percentage number of contract awards as well as contract spend on sustainable indigenous businesses. With a work on hand position of $57.4m and very good prospects and future tangible opportunities, the outlook remains very positive and sustainable for DDR.

The Company will remain vigilant and nimble to respond to the opportunities and challenges presented by COVID-19 Omicron variant by adopting and implementing procedures and protocols designed to minimize impacts on employees, clients, stakeholders and the financial performance of the business. Duratec will continue to focus on safety, systems, cost control, disciplined tendering (based on ECI), achieving solid gross margins and quality of delivery, to grow the business sustainably and drive shareholder returns.

H1FY22 Operational overview

Safety improvement initiatives have continued in relation to hand injury prevention campaigns, management of subcontractors and safety behaviour framework review. This focus will continue into H2FY22. We continue to have a very open and honest incident reporting culture which is highly beneficial in driving improvement. Safety improvement incentives have also been implemented to encourage and support good safety culture

Throughout H1FY22 Duratec strategically maintained operational leverage and capacity knowing that COVID-19 challenges will eventually change and enable a return to more favourable project operating conditions and growth in opportunities. This strategy has also been essential given the pressures in the market on skill shortages associated with border closures. We are now starting to see a change to a more normal operating environment.

Key industry themes and demand drivers continue to underpin the Company's operations during the period in all market segments. The business has recognised the potential for future growth servicing new key client needs in specific geographical areas resulting in regional office establishment in Gladstone, Katherine and Hobart. In addition, we have recognised the growing demand in the Energy sector for fuel infrastructure expertise and leveraged in-house experience to secure two major projects, Western Sydney International Airport, aviation fuel infrastructure, $50m and the RAAF Base Tindal, aviation re-fuelling facility, $110m.

There have been increased challenges associated with wage and salary pressures, the rising cost of building and construction materials and freight costs. However, we have implemented appropriate mitigation strategies including utilising local resources, implementing recruitment incentives, long term and short-term financial incentives, increased focus on training and career development, improved workplace flexibility and greater utilisation of reliable sub-contractors. In relation to rising material prices we have remained very nimble in making appropriate allowance for escalation throughout the tender and delivery phase of projects and ensuring all Master Service Agreements, (MSA's) have provision for annual rate change negotiation.

The Company continues to have a sharp focus on costs, Early Contractor Involvement (ECI) and tendering appropriately qualified opportunities. The strength of the balance sheet, together with a capital light business model, provides the financial capacity to continue to pursue and execute the Company's strategic objectives and deliver sustainable earnings.

An overview of each of the Company's key operating segments is presented below:

Defence

Defence continues to be a significant strategic focus of Duratec. The division's first half performance was certainly impacted by 3-4 months of shutdowns in NSW, ACT and VIC, but managed to achieve H1FY22 revenue of $55m but profit below expectations. In the West, the HMAS Stirling Armaments Wharf extension project was successfully completed and handed over. Positively, Duratec's footprint nationally has been increased to now be working on 52 bases. There has been continued focus on tendering and very professional "Value for Money" submissions resulting in some impressive contract awards including the Oxley Wharf Extension, (DUR 50% share of $53m delivered by DEJV) and $110m Tindal fuel infrastructure project. These major awards along with an accumulation of lower dollar value contracts has resulted in a very strong work on hand position on 31st December 2021 of $236.5m. This provides a solid basis for a very strong H2FY22 performance from this segment.

Mining and Industrial

Delivered a solid contribution nationally with $32.3 m in revenue from a variety of sites in the Northwest and Goldfields of WA, Northern Queensland, and Tasmania, largely unaffected by any COVID impacts. Duratec continues to work with all the major mining companies including Newmont, FMG, Rio Tinto, MIM and BHP and continues to display strong capability in delivering challenging structural integrity packages of works extending the life of their infrastructure.

Tendering opportunities in this segment has continued to be consistently very good and at the 31st December 2021 Duratec had $25m in work on hand underpinning an expected strong H2FY22 performance.

Buildings and Facades

First half revenue totalled $27m nationally, with strong contribution from Perth, whilst the other eastern states capital cities projects contribution was impacted by the 3-4 months of COVID shutdown not enabling works to be performed. In Perth, Duratec completed works on 108 St Georges Terrace façade and continued to perform works on four other facades including the $63m Central Park project. Central Park final design, procurement, fabrication, and installation of temporary steelwork was completed, ready for mast climber access installation and commencement of cladding replacement in January 2022. The three projects in Sydney, two in Melbourne and one in Adelaide recommenced in early November 2021 and will continue in H2FY22. Paid ECI work has continued throughout the period, and this provides confidence of a strong pipeline of opportunities underway on other significant State-owned buildings in WA and these are expected to provide solid opportunities in FY23.

Business development and tendering has remained a strong focus of this segment with a further $31m in work won and well positioned and resourced to support Duratec' s growth ambitions in the Eastern States. The work on hand position was $68.8m on 31st December 2021.

Energy

Duratec has strategically focussed on Australian fuel infrastructure upgrade opportunities following establishment of its Energy segment in 2018. Since then, this team has successfully delivered in excess of 18 fuel infrastructure projects, and it was very rewarding to see further success with the award in early November 2021of the $50m Aviation Fuel reticulation contract at the new Western Sydney International Airport passenger terminal. Preliminary works were commenced but will really contribute strongly in H2FY22. The value of work won and on hand on 31st December 2021 was $50m.

Other infrastructure

This work (including, marine, transport and water) contributed collectively $16.7m in revenue nationally. Specific projects included port facility wharf structure upgrades, several lighthouse refurbishments, transport bridge upgrades, water & wastewater, reservoir, and tank remediation projects. The value of work won during the period was $17m and this has led to a work on hand position on 31st December 2021 of $51.5m.

DDR Australia

Duratec's 49% investment in indigenous company DDR, continues to be a strong contributor to financial performance, delivering $28m, ($25m PCP), and strong underlying earnings, in Supply Nation Certified project works in H1FY22 principally across the Defence and resources sectors, including niche service annuity income from a Tier-1 resources client. DDR continues to build on its excellent market reputation, resulting in high tender win rates and repeat customers. The value of work won during the period was $49m and a work on hand position of $57.4m on the 31st December 2021.

Authorised for release to the ASX by the Board of Directors of Duratec Limited.

[3] Eastern region means South Australia, New South Wales, Victoria, Queensland, Australian Capital Territory and Tasmania. Western region means Western Australia and Northern Territory.

– ends –

Media Contact
Duratec Limited
Paul Gold
+61 413 949 909

Investor Contact
Duratec Limited
Dennis Wilkins
+61 417 945 049

About Duratec Limited

Duratec Limited (ASX: DUR) is a leading Australian contractor providing assessment, protection, remediation, and refurbishment services to a broad range of assets and infrastructure. The Company's multi-disciplined capabilities combine engineering experience with project delivery expertise and use a range of in-house assessment technologies, including 3D capture and modelling technology with predictive analysis tools. Headquartered in Wangara, Western Australia, Duratec has fifteen branches around the country in capital cities and regional centres, delivering services across multiple sectors including Defence, Commercial Buildings & Facades, Infrastructure (Water, Transport & Marine), Mining & Industrial, Power and Energy.

Please visit www.duratec.com.au for further information.