LASERBOND®
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ASX Release

25 August 2022

Another Year of Significant Earnings Increases

FY22 Highlights

↑ 24.5% Revenue on PCP	↑ 35.9% EBITDA on pcp	↑ 27.9% NPAT on pcp	↑ 15.8% Cash on pcp

LaserBond Limited (ASX: LBL) is pleased to announce another successful year with growth in all earnings metrics, a well-subscribed capital raising of $11.127 million to fund the acquisition of a business in Queensland, and the strategic management of the business to navigate the ever-changing trading landscape caused by the pandemic.

Chief Executive Officer and Executive Director, Wayne Hooper, said, "These earnings increases, achieved during the most difficult trading conditions that the company, and indeed the wider economy, has experienced, show the fundamental durability of our business, particularly given the ongoing supply chain disruptions and labour force shortages that have curbed our ability to fully optimise output from our facilities."

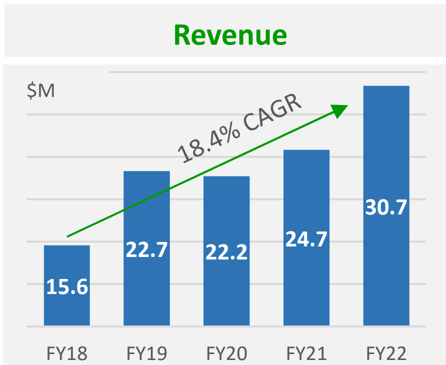
Highlights for the year include substantial increases in revenue, EBITDA and profit; the successful acquisition and integration of a facility in Queensland to expand the national footprint, funded by a well-subscribed capital raising; and the achievement of installing and commissioning the new LaserBond® cladding cell in the Melbourne facility in February this year.

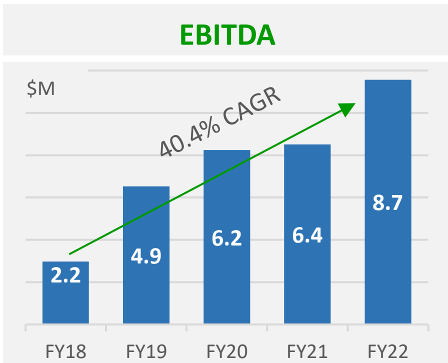
The difficulties experienced over the year include the Covid-driven restrictions to sites and borders, which have since been lifted, as well as supply chain delays and workforce shortages, both of which have increased lead times across the business and hampered the fulfillment of orders. To mitigate these problems, 15 new operators have been recruited, who will commence with LaserBond progressively over 1H23, and inventories for specific supplies have been increased.

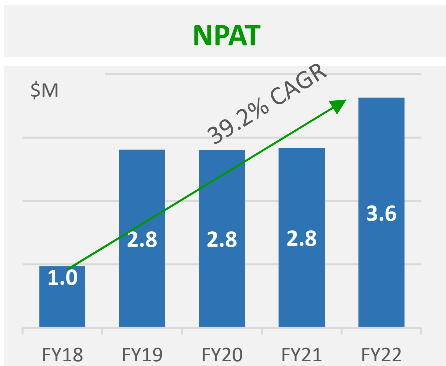
Financial Performance

The business achieved a 24.5% increase in revenue to $30.71 million from $24.66 million in FY21, with the second half up 29.1% on the first half. EBITDA for the year was $8.68 million, up by 35.9% on the $6.38 million achieved in FY21. Profit before tax increased from $3.36 million in FY21 to $5.33 million in FY22, representing a 58.4% uplift, while profit after tax rose 27.9% to $3.63 million from $2.84 million the previous year.

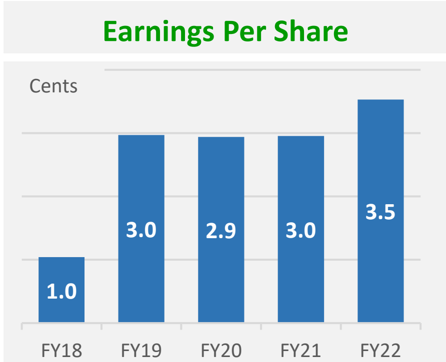
These earnings increases largely reflect the relaxation of Covid restrictions, enabling an increase in sales, marketing and operational activity, as well as a superior performance from the new acquisition in Queensland.



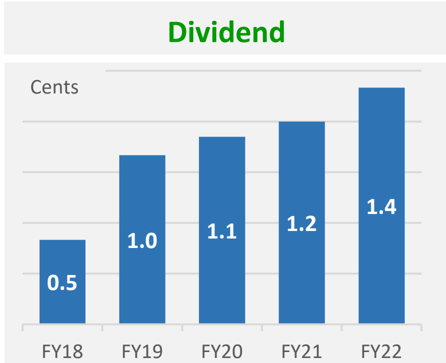




Cash at bank remains strong, increasing from $4.91 million at 30 June 2021 to $5.68 million at year-end, representing a 15.8% increase. Cash flows from operations also remained strong at $4.24 million, albeit slightly lower than the FY21 result of $4.76 million, due to supply chain issues and labour shortages that have resulted in longer lead times in fulfilling orders for customers, and the decision to carry more stock of some critical materials.



In December 21, a capital raising attracted $10 million via a well-supported placement to new and existing institutional investors with a further $1.127 million raised from existing retail shareholders through a share purchase plan. These funds were largely employed to fund the acquisition in January this year of QSP Engineering with a small amount raised for working capital, which increased by 39.7% from $8.79 million in FY21 to $12.27 million in FY22.



Consistent with its culture of innovation, LaserBond invested $0.51 million in its research and development program compared with $0.68 million in FY21. The lower spend reflects less access to facilities and equipment given the short-term labour shortages and the requirement to prioritise customers needs. However, with 15 new employees scheduled to commence progressively with LaserBond until early October, it is intended that the program will return to its former levels of investment.

Earnings per share increased by 19.5% from 2.955c in FY21 to 3.531c in FY22.

Based on a strong financial and operational performance, and having reviewed the capital required to support the implementation of the growth strategy, the Board determined to increase its final dividend by 33% to 0.8 cents per share. This brings the full year dividend to 1.4 cents per share, fully franked, representing a payout ratio of 39.6%.

Operational Performance

All three Divisions made healthy contributions to revenue and profit, including the Technology Division which has been most hindered by the travel bans, border closures and lockdowns over the past few years.

The Queensland acquisition achieved a strong performance with shorter lead times and resulting higher margins as well as strong demand from an established client base. The rationale for its purchase was to acquire a business with complementary operations that could be optimised with LaserBond's proprietary technologies to expand geographically to offer services closer to customer sites. The Victorian facility was affected by the longer lockdowns and restrictions in and around Melbourne, delaying the installation of the new LaserBond® cladding cell that was planned for the first half until February this year. However, the business will now benefit from some of the new skilled workers hired on special visas who are expected to be onsite during September and early October.

The Services Division produced revenue of $13.70 million, an increase of 17.7% on the FY21 result of $11.64 million. Higher revenue in the second half reflected the contribution from the new Queensland acquisition which settled on 31 January this year as well as the relaxation of restrictions and bans relating to the pandemic.

The Products Division achieved $14.96 million of revenue, increasing by 15.5% from $12.95 million in FY21. Since FY18, revenue has grown by a compound annual growth rate of 27.8% with EBITDA increasing at 60.8% over the same period.

The Technology Division delivered revenue of $2.05 million compared with approximately $71,000 the previous year, given the inability to perform its planned sales and marketing activities during lockdowns and Covid restrictions. The FY22 revenue recognises the equipment component of only one of three large technology sales against orders already received and originally planned for delivery in FY22, a shortfall largely due to supply issues related to minor electronic components. The two other technology sales, one in North America and one in Western Australia, are expected to deliver revenue in FY23.

LaserBond's rolling 12-month Lost Time Injury Frequency Rate has remained stable over the last year, despite an increase in the workforce size resulting from the Queensland acquisition over the same period. The business continues to manage worker shortages resulting from Covid infection, but to date has not experienced any cluster events where large proportions of employees are affected and unable to work, and the impact on the operations has not been significant.

Strategy and Outlook

A recent review of the LaserBond strategy resulted in few changes to the growth plans that have been outlined to the market on numerous occasions, with the:

- push into new markets and geographic regions resuming in earnest with the abatement of restrictions
- focus on building capacity at facilities and capability in the workforce to increase productivity continuing
- continued support for the development of new products and technologies to maintain LaserBond's market leading position
- plans to secure several technology licensing agreements annually that produce long-tailed earnings for the company.

Wayne Hooper also said, "While the broader economic outlook is uncertain, we have operated at this level of uncertainty for some years now, proving that our business has the financial discipline, operational capability and board and management oversight to manage the many and varied challenges that continue to materialise.

"LaserBond believes that it can achieve a $60 million revenue target by FY25 based on a number of assumptions, including recruiting and training skilled workers to optimise facility output, a planned expansion into Western Australia with the acquisition of another bolt-on facility that can be enhanced with LaserBond proprietary technology, and the increase in sales of technology licensing agreements domestically and offshore."

~ 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 FY22 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.