Energy Technologies Limited (ASX:EGY)

A specialised cable & wires manufacturer
supplying the high value infrastructure sector

FY21 Results Presentation
August 2021

energy technologies LTD.

Bambach
AUSTRALIAN ADVANCED CABLE MANUFACTURERS

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Historical Operating Results

Energy Technologies - Profit & Loss				
(A$'000, unless indicated)	**FY21**	**FY20**	**Variation**	
Sales revenue	**9,428**	**10,058**	-7.00%	• Sales down YOY but strengthened in the last quarter due to sharp increase in June as a result of working cap restructuring
COS	(6,794)	(7,642)		
	2,634	**2,416**	-6.08%	
Administrative	(5,668)	(5,113)	10.85%	
Finance costs	(1,594)	(1,242)	28.34%	• Finance costs to remain high in the short term
D&A	(2,503)	(1,236)	102.51%	• D & A higher due to decision to write down and impair multiple items
Operating Loss	**(9,765)**	**(5,175)**		
Other Revenue	2,163	760		
PBT	**(5,344)**	**(4,402)**	-21.40%	• Loss lower in the second half due to accounting for R & D claim

Balance Sheet

Energy Technologies – Balance Sheet (FY18 – 1H FY20)			
(A$'000, unless indicated)	**FY21**	**FY20**	
Assets			
Cash	123	27	
Trade and other Receivables	4,303	4,188	2.75%
Inventory	3,963	2,327	70.31%
Other	546	358	
	8,941	6,900	
PP&E	12,113	12,871	
Deferred Tax	217	229	
Right of Use Asset	3,156	3,876	
Intangibles	6,246	4,737	
Other	280	216	
	22,012	21,929	
Total Assets	**30,953**	**28,830**	
Liabilities			
Trade and other Payables	4,133	6,269	-34.07%
Debt	5,147	3,865	33.17%
Other	1,952	882	
Provisions	487	846	
	11,719	11,862	
Debt	2,395	339	
Leasing	2,772	3,395	
Other	132	157	
	5,299	3,891	
Total Liabilities	**17,018**	**15,753**	
Net Assets	**13,935**	**13,076**	

- Intangibles higher due to R&D investment
- Other liabilities includes Leasing of 923k and Staff provisions of 1.03m

Strategic Plan

Corporate

Management control
- Improved financial reporting systems to Board
- Improved Board reporting
- Strong focus on governance

COMPLETE

Finance
- New stance away from debt
- Re-structure framework of the operational business
- Removal of legacy obligations

UNDERWAY

Short term
- Fast track the completion of the second factory
- Replenish the working cap to drive sales
- Re-structure KMP compensation to be STI and LTI focused

IDENTIFIED

Medium term
- Expand KMP's roles with industry stakeholders
- Fully automated reporting systems in to the board
- Expand KMP's and reduce reporting lines

IDENTIFIED

Long term
- Use positive cashflow to expand machines through new factory
- Drive sales to $45m on an annual run rate
- Australian manufacturer of choice for target industry

NEXT STAGE

Operational

Management Re-structure
- Identify efficient work descriptions with critical KPI's
- Expand compliance and governance operations

COMPLETE

Control Costs
- Centralise company wide expenses
- Incentivise and consolidate sales functions
- Stringent controls on current liabilities

UNDERWAY

Automation
- Automate costings process
- Automate AP and AR
- Automate Sales and Finance function

UNDERWAY

Efficiencies
- Targeted training at the factory to job share
- 2nd shift introduced to handle increased sales
- Use automation to drive down costings

UNDERWAY

Structural
- Complete building of second factory for the Silicon Line and further expansion
- Reduce freight costs

IDENTIFIED

Why EGY?

Strategic Advantages

- Specialised branded cables targeting ~38% gross margin (not commoditised)
- Considerable 'know how' & IP for new and custom product development
- Australian designed & manufactured (fast turnaround, high standards) using locally sourced input materials
- Capitalisation allows Rosedale, VIC the capacity for significant expansion & earnings growth
- Australian made – true downstream industry using Australian Copper
- Short lead times and certainty of delivery
- Competitive pricing
- Post the expansion the company is well placed for an increase in Defence spending
- Innovation culture identifying new market opportunities, designing and manufacturing new products

Company Capability

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Bambach Wire and Cables

Bambach Wire and Cables manufactures low voltage industrial and specialised copper cables

Founded in 1936 and is the oldest existing Australian cable manufacturer and 100% owned by Energy Technologies since 2012

Factory in Rosedale, VIC capable of processing up to 250 tonnes of finished product per month

Significant investment to R&D leading to complete new ranges of cables for high value heavy industries

Main manufacturer (out of only two manufacturers) with braiding capability in Australia

Manufacturing inputs (eg copper) from Australian sources

The addition of silicon cable capability would make Bambach the only end-to-end supplier of locally manufactured silicon cables

High Value Industry Focus

Provision of specialised and customised cables and wires for large scale projects

>$400m in annual demand in addressable market from target sectors plus $60m from bespoke cable projects in the short to medium term

Captures upfront value from major projects and long tail of products for maintenance

Significant pent-up and increasing demand to supply major projects

Previously limited by lack of working capital, legacy debt issues, low inventory and manufacturing limitation

Source: Internal estimates

Top Tier Client List

Supplying some of the world's largest companies.
Many relationships established in last two years with opportunity to grow revenue.

Rail

ARTC
ALSTOM
QueenslandRail
BOMBARDIER
Transport Sydney Trains
RCS AUSTRALIA
Public Transport Authority
Sigtech Solutions Australia
Wabtec CORPORATION

Rail

BHP
RioTinto

Defence

THALES
ASC
NAVAL GROUP

Road & Traffic

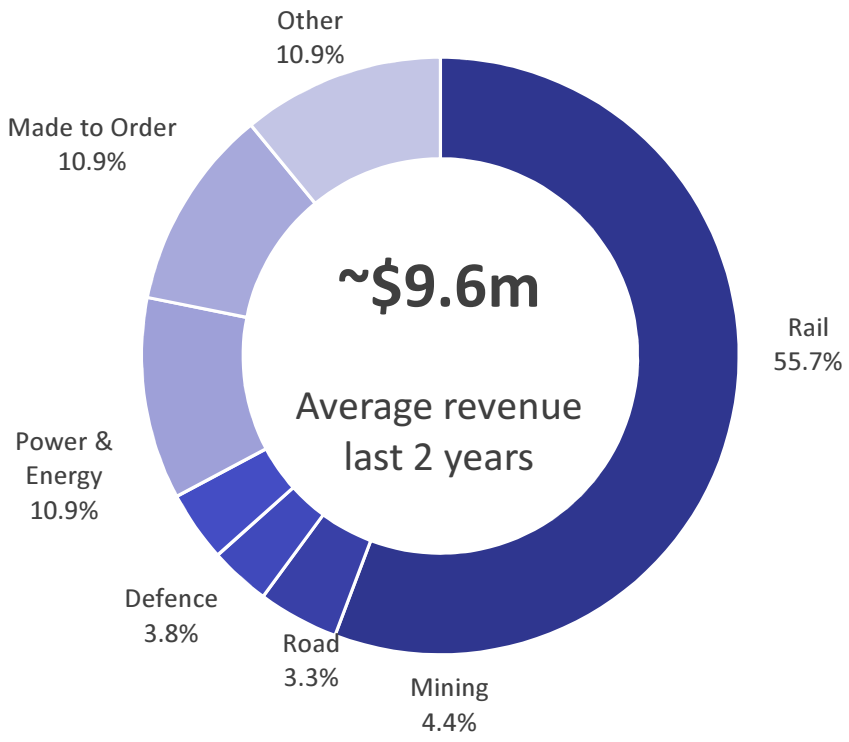
Downer
Relationships creating success
JOHN HOLLAND
Fulton Hogan
LAING O'ROURKE
lendlease

Other

Brookfield
HITACHI
MIDDY'S
Rexel
TLE

Revenue Mix and Uplift Potential

Revenue mix by industry



	Current	12 Month Revenue Goal Run Rate	Target Market (Low Voltage) Size
Rail	$5.1m	$5.7m	$60m-$80m
Mining	$400k	$6m	$600m
Road	$300k	$4.2m	$60m
Defence	$350k	$5.7m	$60m
Power & Energy	$1m	$3.8m	$50-80m
Made to Order	$1m	$5m	$60m
Other	$1m	$2m	$400m+
Total	**$9.1m**	**$32.4m**	**>$1.0bn**

Primed for New Growth

	Rosedale, VIC
Factory	• Large factory with high throughput
Capacity	• Expansion to ~250 tonnes of copper wire cable / month + located next to rail line
Revenue	• Significant capacity to increase revenue • Expansion into silicon cables to service Navy construction contracts, add plugs / harnesses, enter medium voltage product market
Expansion	• Currently expanding factory footprint by 60% to house new silicon line and defence capacity
Workflow	• Optimised through fit-out to maximise efficiency
Order	• Order Book at levels not seen for 3 (three) years
Sales	• Constricted by working cap albeit up 68% and continuing through July and August
Demand	• Ability to meet demand and grow post raise • Many immediate contracts to fulfil
Fulfilment	• Ability to fulfil order quickly (~4 weeks)

Large machines can process 200-250 tonnes of copper per month

10x increased capacity and expanding, plus Government support for regional development & employment

Strategic Advantage

	Specialised Cables	Asian-sourced Cables	Eu-sourced Cables
High value & margin industries	✓	✓	✓
Approved for specific projects	✓		✓
Turnaround times for custom product	~4 weeks	~8-12 weeks	>12 weeks
Custom manufacturing capability	✓	✓	✓
Knowledge & process advantage	✓		
Sales channels developed	✓	✓	✓
Suitable for Australian Defence & essential industries	✓		
Suitable for 'Brand Australia' insourcing initiatives	✓		
Price of goods	Competitive	Competitive	Expensive
Quality of output	High	Variable	High
Manufacturing input costs	AUD linked	Relies on imports	High
Preference to local manufacturing	✓		
Reseller/importer of other/s manufactured product		✓	

Client Lifecycle

Product creation

- R&D and custom production of new product lines
- Decades of knowhow & capability
- Developed >5,000 customised products since incorporation

Approval & Standards

- ISO AS/NZS 9001:2015 standards
- Industry approval for use
- Type approval for products by government organisations

Quote & Proposal

- Significant inbound enquiry
- Dedicated sales team in place to convert prospects

Order & Delivery

- Receive order
- Fulfil from existing inventory or make to order

Repeat Orders

- Repeat sales to organisations that have successfully used Bambach products
- Average client tenure of several years

Customer profile:

- **~1,000 customers**
- **50 major customers with repeat business**
- **Tenders for larger work & (low voltage) electricity industry – prefer Project sales**

Market Opportunity

Significant Market Opportunity

Fulfil existing demand from heavy industries

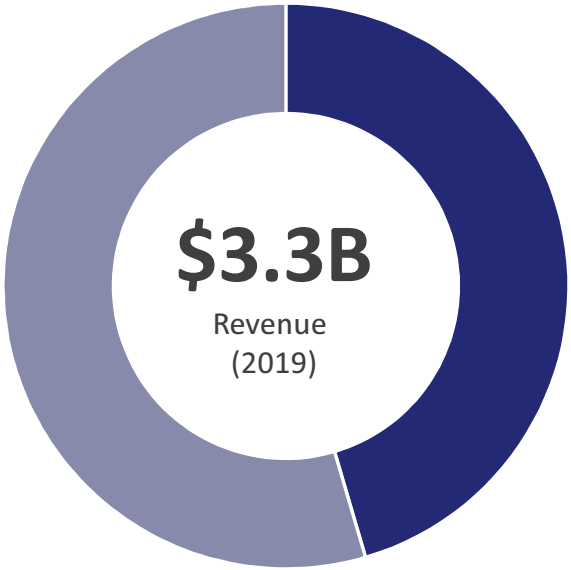
Generate new demand from adjacent markets and export

Develop new in-demand products (eg silicon cable)

→ Bambach AUSTRALIAN ADVANCED CABLE MANUFACTURERS →

Imported cable and wires
$1.8B
55%

Market Size (2020)



Domestic production
$1.5B
45%

Of the $3.3bn cables industry, sub-industries are estimated as:

- **Low Voltage ($1-1.5bn)**
- **Fibre (~$1bn)**
- **Medium Voltage, High Voltage & Extra High Voltage (~$1bn)**

Source: IBISWorld, 2020

Market Tailwinds

Significant infrastructure spend over mid term

- Major Federal and State Govt spend planned (~$110 billion) over next decade on infrastructure

Increased focus on defence and rail

- ~$200 billion in defence spend planned
- >$65 billion of major rail projects, regional rail upgrades and rail crossing removals planned and underway

Push to procure products domestically post COVID-19

- Require high Australian standards
- Federal and State Govt policies to support 'economic sovereignty'
- Remove supply chain bottlenecks

Australian Made Advantages

Made in Australia with ~92% composition of Australian materials

Quicker turnaround for production

(4 weeks vs ~8-12 weeks for China and >12 weeks for Europe)

Weaker AUD makes **pricing comparable** to imported products

Satisfies **local procurement** and Australian Government **'economic sovereignty'** initiatives

Australian Standards and Industry Type Approval provides ongoing advantage

Leverage post-COVID environment for **insourced manufacturing** due to Govt requirement or **supply chain security**

Appendices

EGY Corporate Overview

Key Metrics	
Shares on issue (m)	172.2
Last traded price ($)	0.14
Market capitalisation ($m)	24.1
Net debt ($m)*	-0.8
Enterprise valuation ($m)	23.3

Share Price ($)	
12 month high	0.18
12 month low	0.075
5 day VWAP	0.135
15 day VWAP	0.135
30 day VWAP	0.142

Source: IRESS, Sentieo

Top 5 Shareholders		
J P Morgan Nominees Australia Pty Limited	40,866,142	*23.7%*
Cashel Family Office	12,691,949	*7.4%*
Advance Cables Pty Ltd	10,782,839	*6.3%*
Alfred Chown (MD & Founder)	8,243,575	*4.8%*
Howe Automotive Limited	4,989,465	*2.9%*
Other shareholders (#933)	94,701,244	*55.0%*
Total	**85,730,955**	***100.0%***

*Pro Forma
Chart Source: IRESS

Board of Directors	
Brian Jamieson **Non- Executive Chairman**	Mr. Jamieson has over 40 years' experience in the advisory, manufacturing, resources and technology industries in Australia and offshore. Mr. Jamieson was Chief Executive of Minter Ellison Melbourne from 2002-2005, Chief Executive Officer at KPMG Australia from 1998-2000, Managing Partner of KPMG Melbourne and Southern Regions from 1993-1998 and Chairman of KPMG Melbourne from 2001- 2002. He has over 30 years' experience in providing advisory and audit services to a diverse range of public and large private companies. He is also a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and a Fellow of the Australian Institute of Company Directors. Mr Jamieson is currently a Non-Executive Director of Highfield Resources and IODM Limited and has held former directorships with Sigma Healthcare, Mesoblast Limited, OZ Minerals, Tatts Group Limited and Tigers Realm Coal.
Matthew Driscoll *BA, Grad. Dip. App Fin. SF Fin., GAICD* **Non- Executive Director**	30 years' experience in capital markets, financial services and as a Company Director. NED for Blina Minerals (ASX:BDI) and NED for BuyMyPlace.com.au (ASX:BMP). Experienced in online technologies, fintech, property and resources.
Ian Campbell **Non-Executive Director**	Mr Campbell joined Olex Cables in 1989 as Group General Manager and then as Managing Director of the Pacific Dunlop Cables Group until 1998.In 1998 Mr Campbell joined ASX-200 listed GUD Holdings Ltd as its Managing Director and CEO until his retirement in mid-2013. Mr Campbell joined the BWX board in 2015 and was appointed Chairman in September 2018. Mr Campbell has been a non-executive director of Mirrabooka Investments Ltd since 2007. He was formerly a national councillor and Victorian Vice-President of the Australian Industry Group
Anthony Smith **Non-Executive Director**	Mr. Smith has over 30 years' experience in finance with a variety of firms concentrating on small to medium sized companies in regard to corporate finance, institutional research sales and private wealth advice. During this time, he was charged with running these businesses along with titles of Head of Securities and Country Director of Austock Group and Phillip Capital. Mr Smith currently handles the investments at Cashel Family Office, a Melbourne based multi family office company and is a Non-Executive Director of IODM Limited
Yulin Hu **Non-Executive Director**	An Australian resident and leading businessman whose roles include the President of China City Construction Holdings Limited, a construction business in China with approximately 6bn RMB (A$1.1bn) turnover.

Appendix: Key Risks

Risk	Risk Management
Demand Risk	• The target industries are varied and demand can be affected in numerous ways, not the least Covid related, Government and Defence spending, Construction industry, Private infrastructure and lack of confidence in delivery and pricing.
Capacity Risk	• Access to raw materials has been restricted due to limited capital. Capacity issues are a risk to Sales as Sales are booked once the product has been processed and delivered. Issues with machinery would also affect the capacity of production depending on timing and the relevant machine
Product Risk	• Each product is manufactured to ISO AS/NZS 9001:2015 and other Federal and State Government standards and by quality assured by industry in the majority of its uses
Delivery Risk	• The company had previously lacked inventory, working capital and manufacturing capacity to be able to meet delivery timeframes in a timely manner. Delivery times are extremely important in the industry
Competition	• Bambach's main competition in specialised cables and wires is from offshore suppliers. The Company's offering is competitive in a weaker AUD rate environment and delivery time
COVID-19	• The Company has experienced a decline in orders in relation to COVID-19 through the first half of FY21.

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