



ASX Announcement

29 August 2022

FY22 Key Achievements & Preliminary Financial Results

Melbourne, Australia: Diversified technology design and development growth company, Synertec Corporation Limited (ASX: SOP, "Synertec", "the Company" or "the Group") is pleased to provide a summary of the Company's key achievements and preliminary financial results for the year ending 30 June 2022 ("FY22").

Highlights

- FY22 revenue and other income of \$12.1 million, up 44% on FY21
- Continued trend of stronger gross margins, up 4 percentage points on FY21
- Technology investments in line with expectations announced earlier in the year, however Powerhouse timeframe accelerated with most of anticipated outlay condensed into FY22
- Powerhouse technology milestones achieved during the year include:
 - Powerhouse successfully passed extensive Factory Acceptance Testing (FAT)
 - Remote site construction, including connection of the battery housings & control system to the solar array & Santos' SCADA system
 - Synertec and Santos progressed from Memorandum of Understanding ("MOU") to overarching Santos Goods & Services Contract with a Work Order for the prototype
 - Following the success of FAT & agreeing commercial terms for prototype, Synertec has started to explore the potential for Powerhouse to be more broadly applied in the USA given the market interest in this technology and recent legislative tailwinds
- Contract wins & extensions with blue-chip customers including Metro Trains Melbourne & Melbourne Water, contributing strong work in hand & Engineering positioned as self-sustainable
- Net cash at 30 June 2022 of \$4.1 million

Summary FY22 Preliminary Financial Results	FY22 (\$m)	FY21 (\$m)	% Change
Total Revenue & other income	12.1	8.4	Up 44
Engineering Consultancy Services Revenue	8.8	4.7	Up 87
Adjusted EBITDA* before R&D activities	(1.4)	(2.2)	Up 36
Adjusted EBITDA*	(2.7)	(2.2)	Down 23
Adjusted Net Profit / (Loss) After Tax*	(3.0)	(3.4)	Up 9
Net Cash	4.1	2.6	Up 58
Cash receipts from customers	11.8	8.9	Up 33

**Adjusted Earnings Before Interest Tax Depreciation Amortisation & Adjusted Net Profit / (Loss) After Tax excludes costs which are considered discretionary for the purposes of exploring strategic long-term growth opportunities and/or activities and expenses which are not considered typical annual operational overheads for the business. Such items include corporate development costs, share-based payments approved by shareholders, redundancy payments and Federal Government JobKeeper payments.*



Synertec Managing Director, Michael Carroll, commenting on FY22 said:

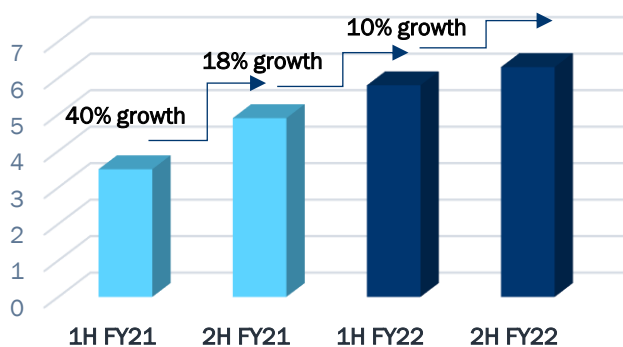
“The 2022 financial year saw the Company make significant progress in developing our transition technology solutions, whilst further strengthening our foundations as an engineering service provider to tier-1 customers in large global markets.

“We are exceptionally pleased to see our proprietary Powerhouse system successfully complete factory testing and be mobilised to site where construction was safely and swiftly completed. The Powerhouse units are emerging as a reliable and commercial solution to substantially reduce the carbon footprint of remote industrial operations.

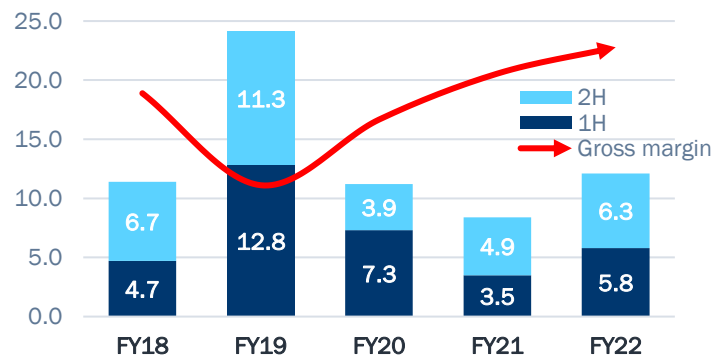
“The customers we engage through the engineering division are likely to be future consumers of our transition technology and the division remains a crucial part of our Company’s development. With several of our technologies progressing towards commercialisation and the engineering business growing its workforce, work in hand and strategic bid activity, FY23 is set to be an exciting year for our Company.”

Financial Highlights

Synertec generated revenue and other income for FY22 of \$12.1 million, up 44% on FY21. The result was underpinned by strong growth in engineering consultancy services revenue, which generated \$8.8 million, an increase of 87% on FY21.



Graph 1 – Total Revenue growth FY21 to FY22



Graph 2 – Total Revenue & Gross Margin Performance

Gross margins further improved over the year, up 4 percentage points versus FY21. The improvement in margins reflects an ongoing trend towards a higher proportion of revenues derived from consultancy services (generally higher margin than fixed price contracts) across all four of the Group’s target sectors of critical infrastructure, water, energy and advanced manufacturing.

Adjusted EBITDA (including R&D costs of \$2.6 million and R&D tax credits income of \$1.2 million) was a Loss of \$2.7 million. The increase in R&D costs reflects the Company’s substantial investments during FY22 in its Technology business. These growth opportunities are currently being expensed for the benefit of R&D tax credits to be refunded in cash. While the degree of technology investment was in line with expectations announced by the Company earlier in the year, the Powerhouse development timeframe was accelerated with most of the anticipated outlay condensed into FY22.

The Company’s Adjusted Net Loss After Tax, which excludes the effects of costs incurred and subsidies received but not related to underlying operations, was \$3.0 million (FY21 \$3.4 million Loss).

Net cash as at 30 June 2022 was \$4.1 million (\$2.6 million at 30 June 2021). The Company expects to receive approximately \$1.3 million in cash during H1 FY23 relating to R&D tax credits and other tax rebates from Government following lodgement and processing of its FY22 tax returns.

Technology Business Update

During the year Synertec’s Technology Business continued to progress its three environmentally friendly technology solutions to help global industry transition to a low carbon future and reduce its environmental footprint. Synertec is committed to being an impact investment for shareholders and local communities, and to ensuring the Company is supporting its partners in the collective endeavour to improve ESG performance.



Powerhouse Technology

During the year, the Company advanced this technology from concept to a commercial scale site-commissioned operating prototype. The system successfully passed extensive Factory Acceptance Testing (FAT) and following this, with the solar array deployed to site in April, the two Powerhouse battery housings (including the control systems) were deployed to site and successfully connected to the solar array and Santos' Supervisory Control and Data Acquisition ("SCADA") system. Field testing remains ongoing and is likely to complete in 1HFY23.



Figure 1: Site construction and acceptance testing in progress.

Further to this, the Company progressed its commercial terms with Santos from MOU to executing an overarching General Services Contract ("GSC") between the parties, and a Work Order for the prototype. The Santos GSC forms the basis of any future deployments as the substantive contract conditions are agreed thereby allowing for potential accelerated roll-out of Powerhouse units in the future. The parties continue to work together towards commercial terms beyond the prototype on a case-by-case basis.

Table 1 - Key Technical and Operational Milestones for Powerhouse – on-track

Phase	Estimated Completion	Status
Concept design	Q4 FY21	Complete
Statement of requirements approved	Q1 FY22	Complete
Front End Engineering Design (FEED)	Q2 FY22	Complete
Procurement of key equipment inputs	Q3 FY22	Complete
Detailed design	Q3 FY22	Complete
Beta testing software & load management	Q3 FY22	Complete
Fabrication	Q4 FY22	Complete
Factory Acceptance Testing (FAT)	Q4 FY22	Complete
Commercial terms for prototype agreed	Q4 FY22	Complete
Site construction	Q4 FY22	Complete
Site Acceptance Testing (SAT)	Q1 FY23	In-progress
Commercial terms beyond prototype agreed	1H FY23	In-progress
Field Trial Period commencement	1H FY23	In-progress
Completion/sign-off	FY23	



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Synertec sees a significant local and global addressable market for our Powerhouse technology where remote locations operating industrial equipment can benefit from stable base load renewable power supply. As a result, Synertec has focused on the United States market, with a significant near-term development being the recent announcement of the US Inflation Reduction Act, committing \$US369 billion (A\$528 billion) over 10 years to investment in green technologies, including tax credits for clean energy technology development that will help with the high upfront costs, a new "clean energy technology accelerator" which will be created to help advance renewable technologies and investment to build clean technology manufacturing facilities.

LNG Custody Transfer System Technology ('CTS')

During the year, world-leading independent certification body DNV approved Synertec's marine CTS for installation on LNG vessels. DNV is the world's leading Classification Society and a recognised advisor to the maritime industry, which provides certification services based on established standards and criteria for multiple sectors including the maritime industry, oil and gas and renewable energy.

Synertec also announced during the year that it has partnered with GasLog on the development of Synertec's CTS technology. European-based GasLog is amongst the largest independent owners, operators and managers of LNG vessels and floating terminals in the world. In July 2021, GasLog signed a Heads of Agreement with Venice Energy to negotiate the charter of an LNG Floating Storage and Regasification Unit (FSRU) for the Outer Harbour LNG Import Project in Port Adelaide, South Australia. Synertec was engaged during FY22 to perform Front End Engineering Design work for the project consortium.

Composite Dry Powder Technology ('CDP')

During the year Synertec and GreenTech executed on a perpetual and exclusive Intellectual Property ("IP") Licence Agreement ("Licence Agreement"), providing Synertec with the right to use and commercialise CDP technology across some of the world's largest hydrocarbon markets including Australia, Canada, North America, Central America and South America. The agreement extends the existing arrangements into perpetuity, and positions Synertec to monetise the CDP technology across a range of large and long-term productive jurisdictions within the oil and gas drilling industry. The CDP technology provides the opportunity to convert an expensive-to-treat waste by-product into a useful starting material with many potential applications.

Engineering Business Update

The Engineering business continues to grow as we engage with an increasing number of blue-chip customers across our target sectors including critical infrastructure, energy and advanced manufacturing. The business continues to provide both a financial platform and a strong and experienced technical skill set to drive our transition technologies.

Key contract wins during the year include:

- Engagement with Metro Trains Melbourne for the provision of services with an estimated price of circa \$3 million, if completed in full, to deliver the Control and Monitoring System for the Metro Tunnel Project;
- Master Service Agreements with long-time customers CSL Limited, Pfizer and Aspen Pharmacare to provide project management, Automation and Design to support several of their critical pharma and advanced manufacturing projects;
- Engineering services to a new client in support of the development of a new green ammonia facility;
- Additional projects with existing client, APA, responding to the need to increase gas supply within Victoria;
- Additional scope with existing client, Beon Energy, for solar power projects in major water utilities; and
- Engineering services for a water utility treatment plant system upgrade with John Holland/KBR JV.

-ENDS-

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This ASX announcement is authorised by the Directors of Synertec Corporation Limited (ASX: SOP).

About Synertec:

Synertec Corporation Ltd (ASX: SOP) is a diversified technology design and development growth company enabling a low carbon future through innovative technology solutions. Commercialising scalable, environmentally friendly and energy efficient technology for global markets in energy, critical infrastructure and advanced manufacturing through innovative partnerships with a portfolio of blue-chip customers, Synertec is proactively participating in the world's transition to a low carbon economy in a practical way for the benefit of future generations.