



Synertec Corporation Limited (ASX:SOP)

Strategy Update & Investor Presentation

August 2019



SYNERTEC

Investment highlights

111% YoY revenue growth to \$24.1m in FY19:

Growing rapidly in a listed company environment

\$40m medium term revenue target with above industry margins:

Growth trajectory underpinned by the commercialisation of CTS and AICS

High quality customer base:

World-class customer base, 70% of revenue from repeat clients since FY17

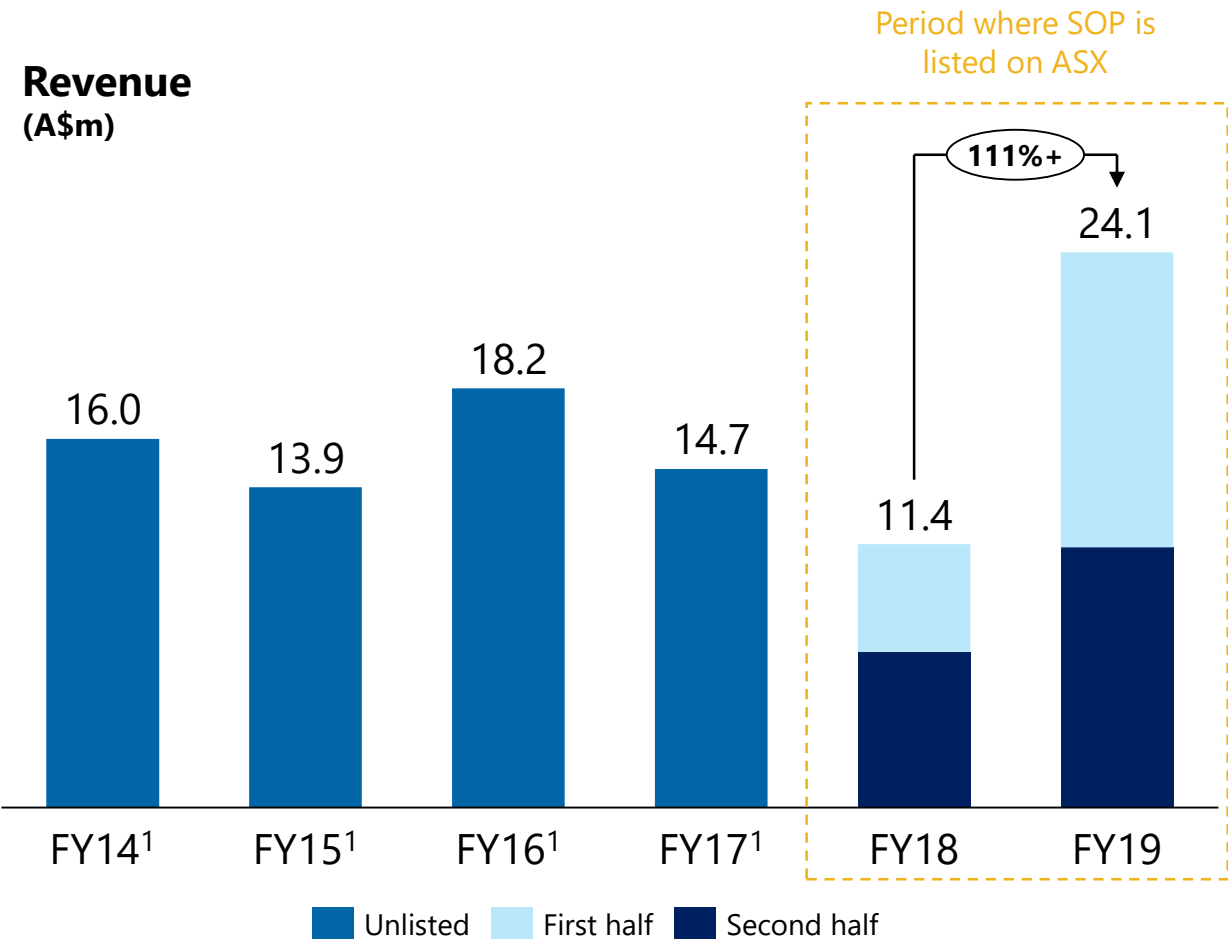
Board and management team aligned with shareholders:

Board and key management own >25% of shares on issue

Strong track record:

20+ year company history

FY19 summary: 111% revenue growth



Commentary

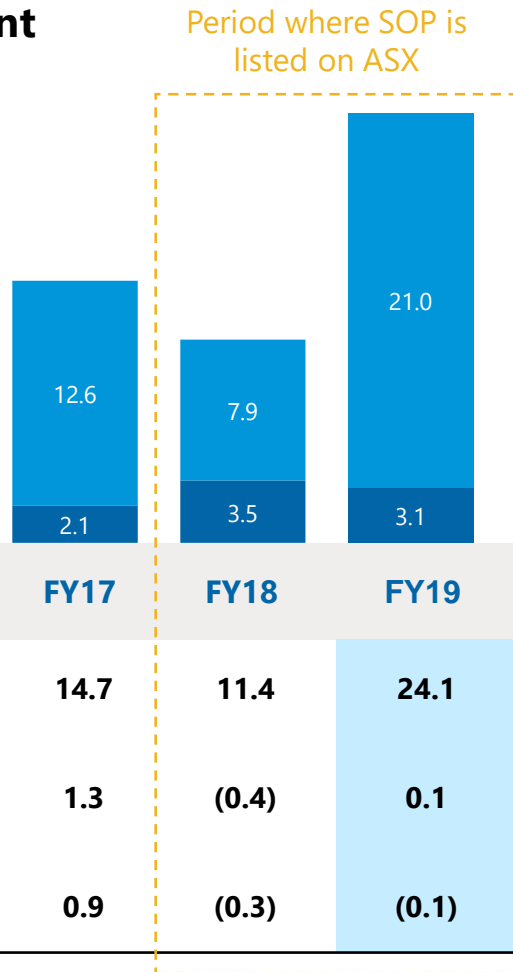
- Record revenue and growth in FY19 demonstrates ability to **successfully deliver large projects in target industries**
- FY19 achieved **improved project diversification from a range of specialisations** (e.g. pharmaceuticals, LNG, terminals, and infrastructure)
- Contracted work continues with **many long-term clients**
- Key strategic developments **position Synertec for further growth**

1 - FY14 to FY17 included two large LNG CTS projects which accounted for a substantial portion of total revenue

FY19 summary: income statement

Income statement (A\$m)

- Fixed price projects & transfer of goods
- Engineering services



Commentary

- **Substantial growth & record revenue** following the award of several large and strategically important projects.
- **Return to EBITDA profitability.**
- Expenses include investment in potential high growth strategic opportunities.
- Overall margins reflective of the high proportion of revenue derived from fixed-price solutions and goods which had large materials procurement / construction management components; and
- Substantial investment through select FY19 projects in the development of new proprietary IP which offers high margin earnings potential in the future.

FY19 summary: cash flow and balance sheet

Key cash flow and balance sheet metrics (A\$m)

Cash flow summary	FY17	FY18	FY19	Variance	
Operating cashflow	(1.3)	1.0	0.8	(17)%	▪ Positive operating cashflow
Investing cashflow	-	(1.0)	-	100%	
Financing cashflow	(0.8)	-	-	-	
Total Net Cash Flow	(2.1)	-	0.8	100%	▪ Positive total cashflow

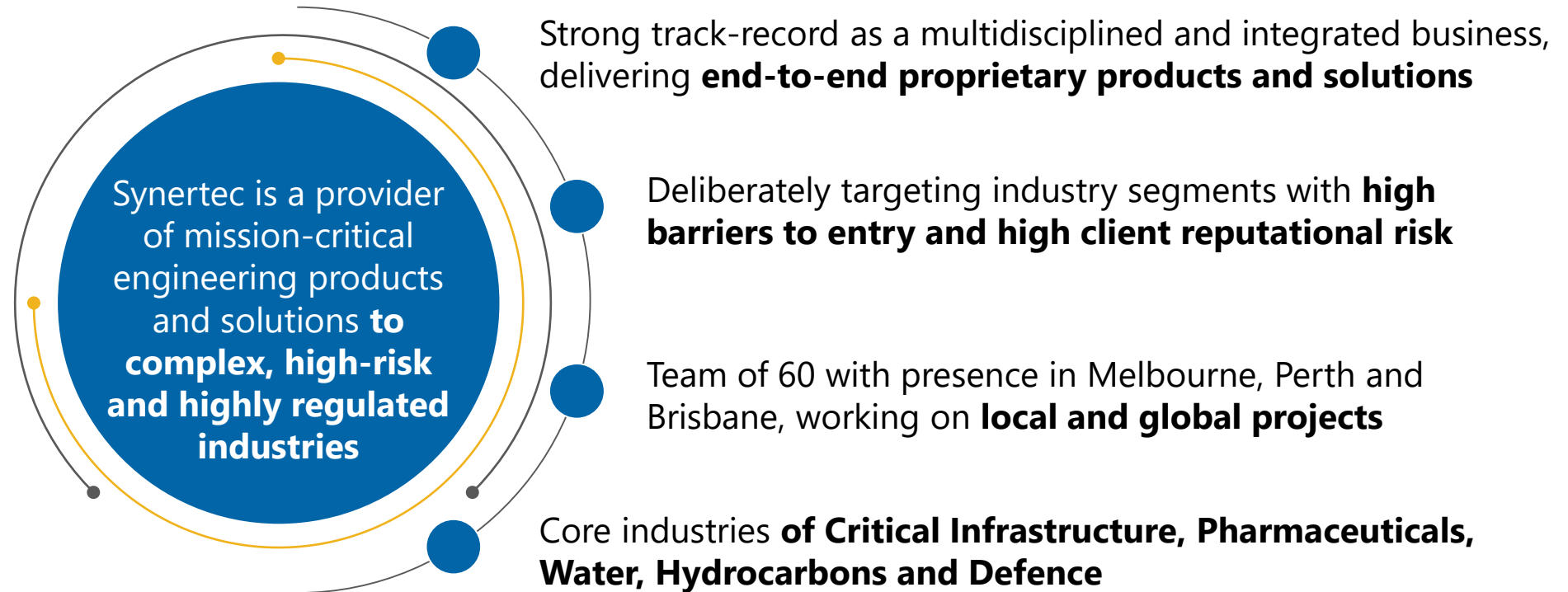
Balance sheet summary	FY17	FY18	FY19	Variance	
Cash	3.6	5.0	5.8	16%	▪ Strong cash position
Trade and other receivables	4.0	3.5	1.5	(57%)	
Contract assets (WIP)	1.0	1.9	1.4	(26%)	
Other assets	0.8	1.2	1.1	(8%)	
Total assets	9.4	11.6	9.8	(16%)	
Debt	-	-	-	-	▪ No debt
Trade and other payables	1.4	2.9	3.5	21%	
Contract liabilities	0.3	2.7	0.3	(89%)	
Other liabilities	0.9	0.6	0.7	17%	
Total liabilities	2.6	6.3	4.5	(29%)	
Total equity	6.8	5.3	5.2	(2%)	

A high quality customer base



70%
of work from
repeat clients¹

Synertec's core business



Synertec is targeting attractive and defensible niches within a A\$46bn engineering services industry

Ongoing innovation to drive sustained growth



Deep client relationships

Work in partnership with our clients, deeply understanding their needs and **developing fit-for-purpose engineering solutions**



Strategic R&D

Identify 'universal solutions' in live projects that have broad commercial application and develop **proprietary IP**



Replication & expansion

Targeted marketing of high value **proprietary IP** in and across industries in international markets



Enhance offering

Our **proprietary IP** reinforces and enhances our core business

Multiple value levers are being pursued in tandem

Growth engines

Near-term focus



1. Focus on solutions where SOP is **uniquely positioned to win**

- **Multiple projects under tender**
- **A\$40m+ p.a. medium-term revenue target with above industry margins** based on management pipeline, with increasing revenue share from proprietary IP



2. Leverage our niche leadership position to secure **strategic agreements and partnerships**



- **Active potential partnership discussions**
- **Partnership with Trelleborg**



3. Identify **value accretive** M&A opportunities that reinforce and enhance our core offering

- **Actively assessing opportunities**
- Particular focus on **building out Synertec's offering along the LNG value chain**

Synertec focused on two proprietary IP opportunities

Proprietary IP:	 <p>CTS: Custody Transfer Systems</p>	 <p>AICS: Advanced Integrated Control Systems</p>
Description of focus area:	<ul style="list-style-type: none"> The measurement of quality and volumes of gas, oil and related products as it is transferred from one party to another 	<ul style="list-style-type: none"> The design, implementation and regulation of functional safety control systems for critical infrastructure projects and regulated industries
Synertec's competitive advantage and experience:	<ul style="list-style-type: none"> Owns and licenses the IP that enables real-time analysis and sampling of LNG as it is loaded onto and between ships and between plants ~\$30m in revenue since 2014 	<ul style="list-style-type: none"> Access to best-in-class technology and unparalleled experience in its implementation in Australia ~\$10m of revenue since 2014
Target industries:	<ul style="list-style-type: none"> LNG LNG by-products (e.g. condensate) 	<ul style="list-style-type: none"> Critical Infrastructure (e.g. rail) Hydrocarbons Regulated industries
Target market:	<p>>US\$200 billion</p> <p>Capital expenditure on new LNG plant and upstream infrastructure expected by 2025¹</p>	<p>~US\$3.7 trillion</p> <p>Average global spend in Infrastructure per annum expected to 2040²</p>

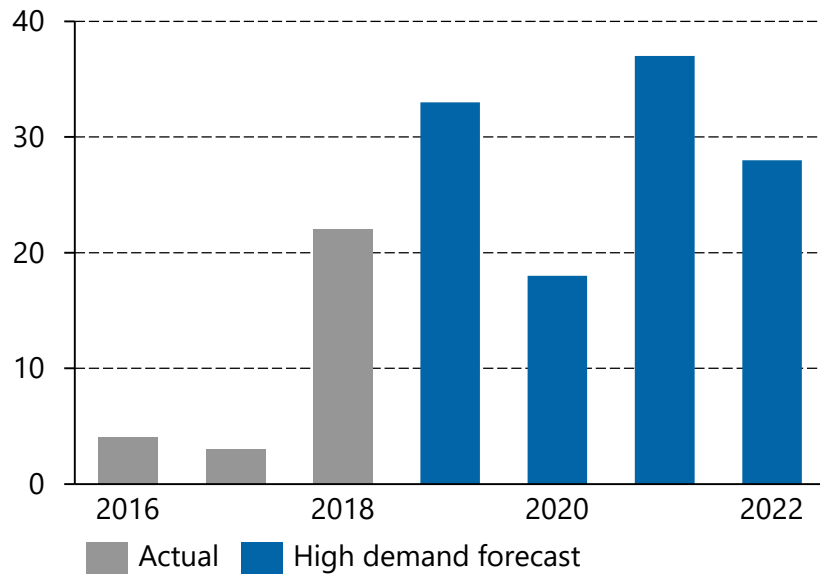
1 – Wood Mackenzie 2019, 'LNG primed for \$200 billion capex boom - will it drive cost inflation?'
 2 – Oxford Economics: Global Infrastructure Outlook July 2017



CTS: Market overview

Significant uplift in global LNG investment

Global investment in liquefaction capacity (MT)¹



*"Demand for energy and resources has continued to grow, **while investment in supply has not even kept pace.**"*

WorleyParsons 2018



Global LNG demand continues to increase

- LNG demand will match supply by 2020²
- China is set to become the world's largest gas importer, doubling LNG imports over the last two years



Significant investment to match demand

- >US\$200bn spend anticipated by 2025 on new LNG plant and upstream infrastructure³
- Significant investment in marine (ships) expected to meet increasing LNG trading






2019 set to be a record year

- While FID decisions are expected to be for a similar number of projects in 2019/20 (compared to previous years), the capacity of these projects is significantly larger



CTS: Synertec's differentiation

IP resolves common customer pain points

	Current problem	Our solution
 <i>Accuracy of testing</i>	<ul style="list-style-type: none">▪ Custody Transfer Systems involve heavy components of manual testing and often result in errors of +/- 1%	✓ Automatic testing with best in class precision
 <i>Speed of testing</i>	<ul style="list-style-type: none">▪ Final data on the quality and volume of LNG transferred is processed offsite and can incur lead times of up to 3 weeks	✓ Data is immediately available allowing for rapid invoicing
 <i>Redundancy option & fail-safes</i>	<ul style="list-style-type: none">▪ Current systems often do not have redundancy or backup features to kick in if something goes wrong during the transfer process	✓ System has redundancy and fail-safe functionality built-in allowing for guaranteed process execution





CTS: Growth plan

Multiple avenues for growth targeted



New LNG processing facilities



In active discussions with several new projects globally

- **Multiple new and expansion LNG projects in Australia alone¹**, with a cost estimate > A\$18bn
- More than 50 proposed terminals globally
- **Synertec is well placed** to provide custody transfer systems to new facilities



New investment in LNG marine solutions



To identify and tender for select ships under construction

- At the end of 2018, the total LNG tanker fleet consisted of 563 vessels, **with an open order book of 138 units²**
- **Partnership agreement with Trelleborg** in 2018 to market Synertec across sales network



Refurbishment of existing sites



In active discussions with 5/6 of Australia's LNG facilities

- Opportunity for Synertec to bid for the refurbishment and improvement of CTS's in the 100+ existing LNG terminals around the world
- Market-leading position proven with projects at **Wheatstone & Gorgon for Chevron Australia**



Design and optimisation of gas transmission



Working with Australia's leading energy infrastructure owner operators

- Synertec developed pipeline expertise through key projects for Jemena³ and APA
- Synertec is **one of few Australian companies specialising in complex flow computing and data analytics⁴**, helping operators to optimise their assets and drive profitability



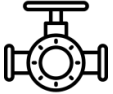
A site generating \$5bn of revenue p.a. can save \$25-\$75m each year by avoiding minor errors during the LNG custody transfer process – 1% errors are currently common



AICS: Market overview




Significant uplift in critical infrastructure projects

Priority industries

<p>Rail</p> 
<p>Water</p> 
<p>Hydrocarbons</p> 
<p>Other industries: Nuclear, Tunnels, Pharmaceuticals, Defence, Mining & Materials</p>

Deep Dive: Synertec is well positioned to capitalise on the Liberal government's 10 year, \$100bn investment in transport infrastructure

High-value active rail projects

WestConnex (NSW)		\$16bn
Sydney Metro (NSW)		\$12bn
Melbourne Metro Tunnel (VIC)		\$11bn
Melbourne-Brisbane Rail		\$9.3bn
West Gate Tunnel (VIC)		\$6.8bn
Cross River Rail (QLD)		\$5.4bn
Melbourne Airport Rail Link (VIC)		\$5.0bn
Metronet (WA)		\$1.9bn





AICS: Growth plan

Targeted approach in key industries, pipeline building

Synertec is well positioned for continued growth...

...while strengthening its industry leading reputation



Synertec has assembled an experienced and highly regarded team
Company operating for over 20 years



Key industries have been identified and are being actively pursued
Rail, Water, Hydrocarbons



Strategic alliances with key tier-one partners have been developed
In active discussions



Active discussions across 5 states and territories, and New Zealand
Projects targeted commencing in FY20

Feedback from Jemena's Northern Gas Pipeline project:

"Synertec was selected to perform these works due to their strong reputation and expertise in automated integrated control systems; functional safety and safety systems; and Liquid Natural Gas (LNG) condensates and gas custody transfer metering systems.

Throughout the project, Synertec demonstrated exceptional technical capability and innovative and agile solutions for the benefit of the project. The deliverables were handed over to Jemena on time and within budget."

General Manager – Major Projects, Jemena

Feedback from Melbourne Underground Rail Loop project:

"Synertec's professionalism in dealing with a user centred design for a critically important safety system has allowed a customised platform to be developed without compromising the safety of the operational system. Metro look forward to continuing their working relationship with Synertec into the next phases of the MURL upgrade works."

Systems Engineering Manager, Metro Trains Melbourne



Strategic alliances present considerable upside

Improved access to LNG market

Strategic alliance with Trelleborg (announced September 2018)



SYNERTEC



TRELLEBORG

Best-in-class LNG
custody transfer systems

Global marine sales
network and reach

Rationale

- Global leader in manufacturing and installing oil and gas transfer technology; operations in 50+ countries
- Global revenues of ~€3.3bn
- Synertec alliance provides Trelleborg an enhanced LNG custody transfer operation to its clients
- Synertec can leverage Trelleborg's mature global sales force team of 100+ with direct penetration to target markets and ability to offer "in country" technical support
- Synertec will access early insight into LNG marine and land-based facilities and associated investment

Ability to serve large global projects

Strategic alliance in active discussions (not announced)



SYNERTEC



***Top-tier engineering
services firms***

Highly specialised
engineering services

Access to the largest
engineering contracts

Alliance background

- Synertec is in active and advanced discussions with Australia's leading providers of engineering services to establish a strategic alliance in which Synertec can jointly bid for tenders
- This will provide earlier access to opportunities on larger scale projects, particularly in energy, mining and critical infrastructure
- Alliance will provide the engineering services firm an enhanced proposition with detailed technical expertise



Summary:

Synertec well positioned for continued global growth



Global growth in LNG investment:

A\$200bn in LNG plant and upstream infrastructure capital expenditure expected by 2025



LNG focus in China:

Board appointment in August 2019 deepens experience in dealing with the soon-to-be world's largest LNG importer



Global investment in infrastructure:

Synertec addresses increasing requirements for safety and automation controls globally with an eye to Australia's many significant and complex infrastructure projects and China's Belt and Road initiative



Global M&A opportunities:

Highly fragmented industry characterised by many businesses offering high-value niche products and services

Engineering solutions leader in **Mission Critical Automation, Human Safety Systems & Fiscal Custody Transfer**



Experienced management team aligned to shareholders

Management team



Michael Carroll

Managing Director

*B. App. Sc (Applied Chemistry);
GradDip.Ch.E; MAICD*

Synertec founder and visionary, highly commercial and strategic thinker who is hands-on in the day-to-day management of the company

- Founded Synertec in 1996, and has grown the business significantly during this time
- Extensive experience in Australian and Asian engineering markets
- Experienced and effective contract negotiator
- Focussed on delivering Synertec's growth strategy; responsible for business development coordination (particularly for larger-scale strategic project opportunities) and IP development
- Major shareholder; effective ownership of 22% shares on issue



David Harris

Chief Financial Officer &
Company Secretary

*BB (Accountancy); CA; FINSIA fellow;
FGIA; MAICD*

Experienced ASX executive, skilled in strategic corporate development; governance; financial control; leading enterprise-wide system projects

Works closely with Michael and Board to provide:

- leadership, facilitation of strategy and aligned corporate development activities (e.g. M&A)
- planning, management, reporting and control of all financial, taxation and treasury activities
- oversight of key systems & processes delivering operational excellence and financial control
- company secretarial duties and corporate governance activities
- David is a Synertec shareholder



Joern Buelter

Chief Operating Officer

B.Eng (Mechanical); MAICD

Experienced commercial manager with technical engineering expertise, guiding Synertec's engineering operations and business development

Works closely with Michael and David to provide:

- active planning & management of engineering resources for the effective delivery of Synertec's various products, solutions & strategic initiatives
- oversight of day-to-day business development activities including opportunity identification, relationship management & review of commercial terms
- supervision of the certified quality, safety and environmental systems
- Joern is a Synertec shareholder



Experienced and highly commercial Board

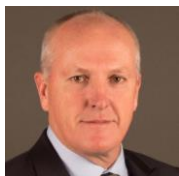
Board of Directors



Leeanne Bond

Independent Non-Executive Chairperson
Australia-based

- Ms. Bond has 30 years' experience across a range of industrial sectors including energy, minerals, infrastructure and water resources, & 10 years in management at Worley
- Non-Executive Director of Liquefied Natural Gas Ltd (ASX: LNG), Snowy Hydro Ltd and JKTech; Board member of the Clean Energy Finance Corporation; Executive for Diversity and Inclusion at Downer EDI
- Owner and sole director of Breakthrough Energy Pty Ltd, a project & business development consulting firm



Michael Carroll

Managing Director & Chief Executive Officer
Australia-based



Poh Kiat

Independent Non-Executive Director
Singapore-based

- Mr. Kiat has over 30 years' experience at the senior management level in construction, real estate development, manufacturing and financial markets, also holding senior positions in corporate finance and investment companies in Malaysia
- Since 2005, has managed a Singapore-based investment advisory company focused on participating in strategic stakes in listed companies
- Non-Executive Director of Centrex Metals Limited (ASX:CXM)



David Harris

Company Secretary
Australia-based



Dennis Lin

Independent Non-Executive Director
Australia-based

- Mr. Lin will join the Board in Q1 FY20
- Strategic advisor to BDO in Australia on M&A and China issues, leading financial advisory engagements in negotiating and executing transactions up to AUD \$1 billion
- Formerly a practising Chartered Accountant and solicitor, he is experienced in providing both practical and commercial advice
- Chairman of Bubs Australia Ltd (ASX:BUB); Non Executive Director at Buderim Group Ltd (ASX:BUG) and eCargo Holdings Ltd (ASX:ECG)



Freddie Heng

Independent Non-Executive Director
Singapore-based

Mr. Heng to step down Q2 FY20



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