



SYNERTEC

Synertec Corporation Limited

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ASX Announcement

01 March 2018

Synertec Corporation Limited (ASX:SOP) half year ended 31 December 2017 commentary

Synertec delivers major acquisition smoothly, and has a solid pipeline of opportunity

Highlights

- Successful completion of the acquisition of Synertec Pty Ltd
 - Fully subscribed public share offer
 - ASX re-listing on 8 August 2017
 - Appointment of new Board of Directors and Chair
 - Completion of Sale of key mining assets on 22 December 2017 (with distribution of net proceeds to Redemption Note holders made on 15 January 2018)
 - Synertec expansion to the west coast of Australia – Perth office opened.
 - Several strategic contract awards
 - Strong financial position - cash of \$7.5 million; well managed working capital; and no debt
 - Solid operating performance and strong work in hand position
 - Opportunity pipeline at a historical high
 - Impeccable safety record
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Synertec's Chair, Leeanne Bond, said she and the Board are delighted with all that has been achieved by the team during the first half year, particularly in light of the acquisition and ASX re-listing process, as well as the formation of a new Board. Ms Bond commented;

"The smooth and timely delivery of the transaction with SML was a major achievement which we are very proud to deliver to our shareholders. The new Board and leadership team are working together very well. Despite the enormous effort that went into the transaction, I am especially pleased with the way our team at Synertec have remained focussed on core strategy and continued to deliver high calibre engineering solutions for our clients. We have invested significant time over the past year into deepening relationships with our clients as well as developing new relationships in strategically important industries and geographies in Australia and overseas."

Operational performance

Revenue for the interim period was \$4.7m (prior comparative period; \$9.1m). Revenues in 1H FY18 declined on prior comparative period (pcp) mainly due to customers delaying project awards, combined with some key projects from prior periods completing or moving into construction throughout 2H FY17.

Revenue in pcp reflected particularly strong performance with major cornerstone projects in LNG custody transfer being delivered and commissioned at the Wheatstone and Gorgon LNG plants in Western Australia.

Gross margins in 1H FY18 remained solid and the Company has continued to control overheads. The business has continued to develop further expertise in its specialist areas and is structured appropriately for its growing pipeline of opportunities and work in hand.

Managing Director, Michael Carroll commented that; "Delivery of the custody transfer systems at Australia's largest LNG production facilities, Wheatstone and Gorgon, was a turning point for our business. We continue to work with the major LNG facilities in Australia and it is by referencing these successes that we are engaging other major overseas LNG players. We remain confident that the recognised potential in our innovative design and build capability in analyser systems will contribute significant benefits for our clients."

The Company's operating result from continuing operations before tax and one-off listing expenses and corporate transaction costs was a loss of \$24,921 (prior comparative period: profit \$1,616,931).

The total net loss after tax of the Group from its continuing operations for the period was \$4.9m (prior comparative period: profit \$0.9m). This result includes non-recurring costs associated with the corporate transaction. Major transaction costs include a deemed Listing Expense of \$4.7m (which

was anticipated in the pro-forma accounting for the acquisition in the Company's Prospectus dated 23 June 2017). Commenting on the results, Mr. Carroll said;

“Given all that has been achieved in and around the transaction and divestments, the Company is satisfied with its operational performance during the first half. Synertec delivered solid margins despite a contraction in revenue on the prior comparative period. This result reflects our dedication to continuous improvement in operational efficiency.”

	<i>In Australian dollars</i>	
	31 Dec 2017	31 Dec 2016
(Loss)/profit before tax and corporate transaction costs	(24,921)	1,616,931
Corporate transaction costs	(47,414)	(277,830)
Income tax expense	(56,296)	(408,121)
(Loss)/profit from operations	(128,631)	930,980
Listing expense	(4,722,112)	-
(Loss)/profit for the period from continuing operations	(4,850,743)	930,980
Loss from discontinued operations	(3,327,513)	-
Total comprehensive income for the half-year	(8,178,256)	930,980

Discontinued operations

Further to the market announcement on 22 September 2017, whereby the Company completed the sale of 100% of the issued shares in its subsidiary, Australian Gold Mines Pty Ltd (which owns all the shares in Mt Wills Gold Mines Pty Ltd, the holder of mining assets) and an immaterial related parcel of land under a Contract for Sale (“Mining Assets”) as intended, the Company announced on 23 December 2017 that all sale warranties were completed.

Net proceeds of \$3.6m from the sale of the Mining Assets were distributed to eligible Redemption Note holders on 15 January 2018. The sale of the Mining Assets resulted in a book loss on sale of those assets of \$3.2m, recognised in the financial statements as the loss from discontinued operations.

Capital management

The Company presents a strong net asset position and remains focused on active working capital management. At the end of the first half, the Company had no debt and a cash position of \$7.5 million. This balance included \$3.6m proceeds from the successful sale of the Mining Assets.

Opening of Perth office

The Board was very pleased to announce in September 2017 the opening of an office within the Perth CBD to focus on opportunities in Western Australia. This assists Synertec's ongoing growth strategy that involves targeting specific industry segments and clients in Australia and internationally and will further strengthen existing relationships in Western Australia and the South East Asia region.

Key contract awards

The number of key contract awards secured during the period illustrates the traction the Company is experiencing with concerted business development activity including the targeting of key projects and clients both locally and overseas. Key contracts awarded and announced during the period include:

North Caspian Operating Company N.V. Kazakhstan (NCOC)

The Company secured two contracts from NCOC to provide the design and supply of instrumentation, electrical and mechanical equipment (announced to the ASX on 1st September 2017) and the Company is confident of further opportunity within this region.

Newcastle Terminal - Stage 3 Expansion

The Company received a Letter of Intent from Koppers Carbon Materials & Chemicals Pty Ltd for the Newcastle Terminal Stage 3 Expansion Mechanical Works (announced to the ASX on 18th December 2017).

Metro Trains Melbourne (MTM)

The significant contract (announced to the ASX on 16th January 2018) is to replace the Control and Monitoring System of the Melbourne Underground Rail Loop (MURL) Fire and Life System. The contract award positions Synertec well for future rail infrastructure works in Australia and abroad.

Outlook & pipeline

The Company is optimistic in the strength of its work in hand and pipeline of opportunities for delivering growth and remains committed to further investment into the business and its people to optimise its specialist capabilities and to continue to deliver outstanding value to our clients local and overseas.

Ends.