



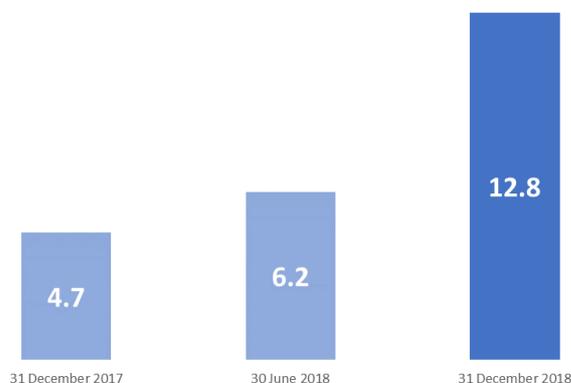
ASX Announcement - Synertec Corporation Limited (ASX:SOP)

22 February 2019

FINANCIAL RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

- Revenue of \$12.8 million
up \$8.1 million / 173% on pcp¹
- Profit from operations² of \$0.3 million
up \$0.3 million on pcp
- Total cash of \$6.2 million
up \$1.2 million from 30 June 2018
- Net cash generated from operations of \$1.2 million
up \$0.4 million on pcp
- No debt

Revenue
(6 monthly periods)
(\$ millions)



Leading into FY19, Synertec Corporation Limited (“Synertec” or the “Group”) anticipated substantial growth in revenue following the award of several large and strategically important projects which were announced to the ASX during 2017 and 2018.

Synertec’s Managing Director, Mr. Michael Carroll, said he is very pleased with the progress and momentum which the Group achieved throughout calendar year 2018.

Total Cash
(\$ millions)



*31 Dec 2017 excludes proceeds from disposal of discontinued operations (\$3.5m)

“We developed the core of our growth strategy several years ago, with both the regional and global economic environments as a backdrop, as well as the major engineering opportunities which were emerging. We examined industries, clients and areas of engineering knowhow that we believed would logically complement our traditional areas of expertise and our competitive advantage. This would provide another springboard for the long-term growth and development of the business and our people and would ultimately provide healthy and sustainable returns to our shareholders. The acquisition, ASX listing process and introduction of the Board in 2017 has challenged, reinforced and enhanced our strategy, and the progress we have made in the first half of financial year 2019 is testament to that original vision.”

¹ “pcp” represents prior corresponding period, being the half-year ended 31 December 2017, unless noted otherwise

² “Profit from operations” is for continuing operations and is net profit before tax, corporate transaction costs, one-off listing expense and impact from first-time application of new accounting standards



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The overall revenue result for Synertec for this period was \$12.8 million (31 December 2017: \$4.7 million); an increase of \$8.1 million (173%) on the pcp and representing 2.7 times the revenue produced in the pcp. This performance includes growth of \$6.1 million (90%) from 2H FY18 to 1H FY19 and builds on the 44% increase from 1H FY18 to 2H FY18.

<i>In Australian dollars</i>		Revenue growth			Revenue growth		
Revenue ('000's)	6 months to 31 Dec 2018 (1H FY19)	2H FY18 to 1H FY19		6 months to 30 Jun 2018 (2H FY18)	1H FY18 to 2H FY18		6 months to 31 Dec 2017 (1H FY18)
Fixed Price Solutions	9,482	4,750	100%	4,732	2,564	118%	2,168
Engineering Services	3,065	1,604	110%	1,461	(584)	(29%)	2,045
Transfer of Goods	258	(297)	(54%)	555	84	18%	471
Total Revenue	12,805	6,057	90%	6,748	2,064	44%	4,684

Mr. Carroll commented; "While working hard at building substantial knowhow and experience in new fields such as rail infrastructure and complex and critical human safety control systems, we continue to work extensively with our long-standing and loyal clients in the pharmaceutical, water, nuclear and oil and gas industries to further develop expertise and products in our traditional specialist areas."

The key projects driving Synertec's significant growth in FY19, as announced to the ASX during 2017 and 2018, include:

- **Newcastle Shipping Terminal Expansion:** Berth pipeline relocation for Koppers Carbon Materials & Chemicals and Stolthaven Terminals Pty Ltd
- **Metro Trains Melbourne:** Critical fire and life system upgrade of the Melbourne Underground Rail Loop (MURL)
- **Design and build of a large state-of-the-art pharmaceutical facility** in regional Victoria for a global 'household' pharma brand, with a regional strategy to develop this facility as a Global Centre of Excellence
- **Jemena's Northern Gas Pipeline:** Design, supply and commission the process control safety system.

Mr. Carroll said that the Group's profit margins for this year are in line with expectations given the mix of projects, services and products being delivered during the period.

"Margins are reflective of the proportionate increases in revenue from Fixed Price Solutions and Engineering Services respectively. Fixed Price Solutions revenue has grown to \$9.5 million, which is 4.3 times the revenue produced for this category in the pcp. This revenue incorporates a large proportion of materials procured on behalf of our clients for our projects and we on-charge these items at a substantially lower selling margin than typical engineering services. In saying that, I am pleased to report that our Engineering Services revenue is up 50% on the pcp to \$3.1 million and is more than double the services revenue we produced in the 6 months to 30 June 2018, with our team working very hard to deliver outstanding solutions to our customers."

Mr. Carroll mentioned that the company has attracted some exciting new talent during the period, which will further contribute to the quality and efficiency of service and solutions delivered to customers, and ultimately accelerate growth of the business.

"Our experience is that 'success breeds success'. As a result of delivering on our projects to both new and established clients, we are being awarded more work by them, which in turn enables us to attract best-in-field people from far and wide, who are typically drawn to rewarding challenges and opportunities. Further, we have continued to control overheads, pragmatically structure our business and manage talent for delivery of work-in-hand, while ensuring we are well-positioned for the pipeline of strategic opportunities currently emerging both in Australia and overseas. Overall, I believe this approach continues to demonstrate the steady and successful execution of our growth strategy," he said.



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	<i>In Australian dollars</i>	
	31 Dec 2018	31 Dec 2017
Profit / (Loss) from operations before tax, corporate transaction costs & Implementation of new accounting standards	282,413	(24,921)
Corporate transaction costs	-	(47,414)
Implementation of new accounting standards	(167,214)	-
Income tax expense	(35,792)	(56,296)
Profit / (Loss) from operations after tax	79,407	(128,631)
Listing expense	-	(4,722,112)
Profit / (Loss) for the period from continuing operations	79,407	(4,850,743)
Loss from discontinued operations	-	(3,327,513)
Total comprehensive income / loss for the half-year	79,407	(8,178,256)

A profit of \$282,413 (31 December 2017: loss of \$24,921) resulted from the Group's operations before tax, one-off listing expense, corporate transaction costs and the implementation of new accounting standards.

Several new accounting standards became effective for the Group during this period, most notably the implementation of IFRS 15 *Revenue from Contracts with Customers*, which replaced IFRS 118 *Revenue*, IFRS 111 *Construction Contracts* and several revenue-related accounting Interpretations. The impact on the results for this period which would otherwise have been reported, from the implementation of IFRS 15, was a decrease in revenue of \$262,974 and decrease in profit of \$167,214. There was no impact on the Group's cash-flows.

"Our net profit after tax was \$79,407. We are pleased to be reporting that the company has returned to profitability after the demands of FY18 in which we completed the reverse acquisition and ASX listing of Synertec, as well as the substantial investment to secure some large strategically important projects which did not kick-off as soon as we had hoped," said Mr. Carroll.

In terms of capital management, Synertec has continued to carefully control its working capital and structure its commercial arrangements to ensure its cash position remains strong.

"We are very focused on ensuring the company's working capital position remains as strong as possible, and that we generate positive cash flows from all of our work. This is evidenced by the positive operating net cash flows for this period of \$1.2 million, resulting in total cash as at 31 December 2018 of \$6.2 million. Notably, we continue to operate with no debt, which enables the business to remain agile.

"Our business remains well positioned to capture improving market conditions in all of the industries we service. As we move further into FY19, the Group remains focused on striving to exceed client expectations and deliver all our work in a timely, safe and efficient manner. These results are pleasing and a testament to our extremely dedicated and talented team, whom I would like to sincerely thank on behalf of the Board and our shareholders" said Mr. Carroll.

Visit www.synertec.com.au for more information.

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