ASX Release

23 February 2024

Solid Underlying Operational Performance and Progress to Strategy

1H24 Snapshot

↑ 8.7%	↓ 9.1%	↓ 15.6%	↑ 21.1%
Revenue on PCP	EBITDA on pcp	NPAT on pcp	Cash on Hand on pcp

LaserBond Limited (ASX: LBL) is signing an agreement to purchase an initial 40% of Gateway Group with an option to move to 51% within three years, securing a foothold in Western Australia.

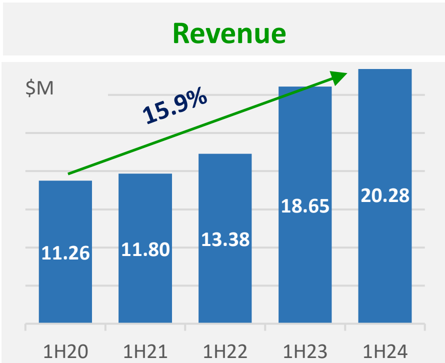
Chairman Phil Suriano said, "For a long time now, the core tenet of our strategy has been to make our services and technologies more accessible to customers, thereby increasing efficiencies with lower costs and downtime and shorter lead times. Technological advancement through a targeted R&D roadmap has always been the engine room of our business and the reason we can offer superior, proprietary technologies that do not exist anywhere else in Australia and potentially overseas. With our expansion into WA, there is ample opportunity to fill a gap in the market for sophisticated and bespoke technology and service delivery for a range of large, heavy-industry customers. We are also advancing our progress into the lucrative North American surface engineering market with the appointment of a buy-side broker."

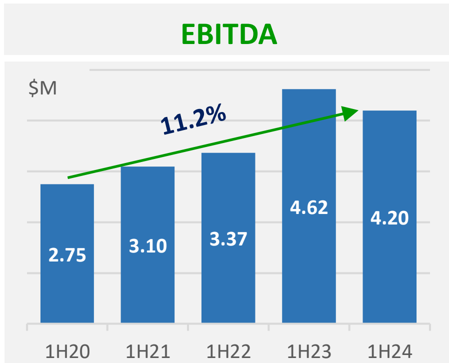
Financial Performance

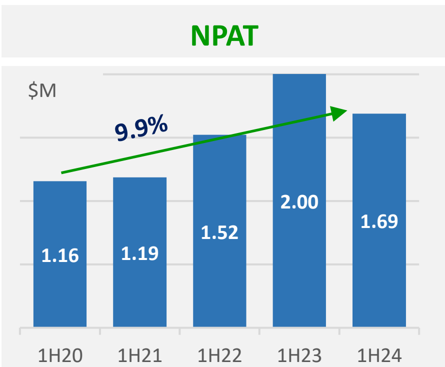
While revenue increased by 8.7% to $20.28 million from $18.65 million in the previous corresponding period, ensuing earnings metrics were impacted by two issues preventing greater revenue recognition. An unanticipated supplier closure arose for the Products division, taking most of the half to resolve and impeding the fulfilment of orders, while delays with technology sales outside of our control prevented revenue recognition in the Technology division.

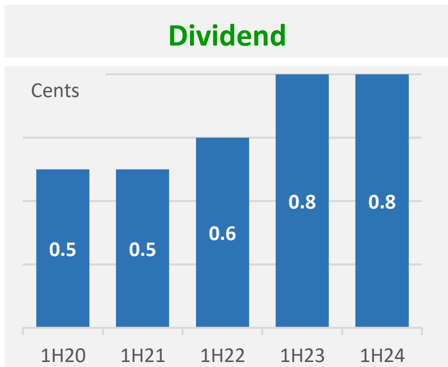
Gross profit margins increased slightly from 51.8% in 1H23 to 52.2% in 1H24, despite several years of rising and high inflation.

Expenses increased to $6.60 million from $5.04 million in the previous corresponding period. This increase forms part of our growth strategy to deliver current and future growth plans.

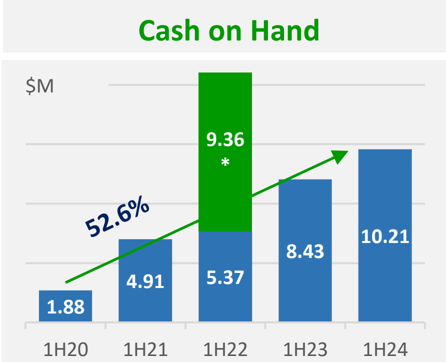


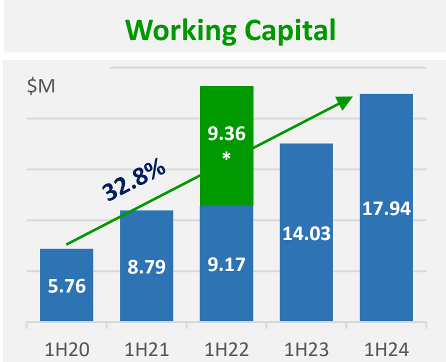






As of 31 December, the balance sheet carried the strength needed by a business with extensive growth options and plans with a more than comfortable level of working capital at $17.94 million. This represents a 24.7% increase compared to $14.38 million in the previous period. The acquisition of our 40% stake in the Gateway Group will be partly funded by cash, allowing more than adequate working capital to support ongoing business requirements and expansion plans into the North American market

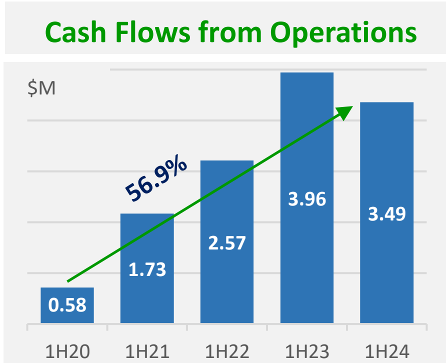




* Capital of $9.36 million was raised in December 2021 and used to fund the QLD acquisition in January 2022.

Net assets increased by 11.1% to $32.12 million while cash on hand for the period increased by 21.1% from $8.43 million to $10.21 million at the end of December 2023. Other than AASB16 lease liabilities, LaserBond's debt consists entirely of equipment financing.

While cash flows from operations remain healthy, an 11.9% decrease to $3.49 million in 1H24 from $ 3.96 million in 1H23 reflected the impact of the supply chain and technology revenue recognition timing issues. Net cash flow for the period was $1.28 million compared with $2.74 million in 1H23.



Operational Performance

Without the supply chain issues in the Products division and the revenue recognition delays in the Technology business, the operational performance for the half was strong. However, the backlog of orders for products is almost completed, and we are confident that we can achieve revenue recognition for another technology sale in the current half. Additional skilled migrant workers, arriving from late March, will boost operational capability across all facilities in FY25 in conjunction with planned equipment upgrades and new cells where required to optimise plant capacity at all sites over the next few years.

The Services division contributed another strong performance with revenue of $11.19 million, representing a 15.4% increase over the $9.69 million achieved in 1H23 and an almost doubling since 1H22. Earnings before interest, tax, depreciation and amortisation decreased slightly due to costs associated with growth from $3.04 million to $2.98 million in the previous corresponding period. Gross profit was largely consistent with 55.8% and 55.6% for 1H24 and 1H23, respectively. All facilities will benefit from the increased business development focus and increased capacity and capabilities from our continued investment in people and equipment.

The performance of the Products division was hampered by an unexpected withdrawal from trading by a supplier of raw materials componentry needed to manufacture products for a large OEM customer. An alternative supplier was sourced as quickly as possible, however, the time lag caused by preparation for manufacturing that componentry and the testing process that follows all contributed to an unavoidable delay in order fulfillment and ensuing revenue recognition. In an effort to speed up the process, components were air freighted from overseas but were not in time to enable the shipment of most orders before year-end.

The Technology division's revenue of $0.42 million was largely based on the revenue recognition for a Technology sale to Swinburne University in Victoria with some smaller contributions from licensing fees and the sale of consumables to licensees in the United Kingdom and New Zealand. Other technology sales revenue has been reliant on customer timeframes to date. A revision to the operational scope in response to redefined customer requirements for the North American cell is progressing, with our customer currently satisfied with the development to suit this change of scope. Factory and field testing is required to be conducted before revenue recognition can occur. Revenue for the sale of the Curtin University and Indian cells are expected in late 3Q24.

Internal demand for laser cladding cell upgrades and technology enhancements, along with the commitments to supply and maintain cells under licensing agreements to external customers, has grown, particularly with the Western Australian acquisition and planned expansion into North America. The Board has considered where the company's resources are best invested for the Technology division, resulting in a shift of focus to servicing internal requirements and firm commitments to prospective and existing customers. Business development will be deferred until internal demand is largely satisfied and/or increased resources can be allocated to support a higher level of demand. In future we intend to offer a small range of standardised LaserBond cladding cells that can be produced cost-effectively with short leads times as business seek to expand into surface engineering.

Innovation

LaserBond has pioneered the advancement of surface engineering in Australia for decades, investing in solutions to customer-specific problems. With a constant eye on how these bespoke solutions could be adapted for broader applications in a wider cross-section of heavy industry, LaserBond is a company with a reputation for inventiveness and technological advancement that spans international borders and leads to unsolicited approaches for assistance from local and offshore organisations. As a result of its R&D program, LaserBond is the only business of its type in the country with any substantive level of proprietary technology.

More recently, LaserBond have recruited an experienced specialist for the new role of Technical Product Manager to actively drive the identification of new applications, customers, and markets. The specialist works with all departments, especially with R&D and Sales, to identify and deliver new surface engineering solutions to industry problems, improving their productivity, efficiency, environmental impact, margins and overall financial performance.

Strategy

The opportunities for LaserBond, both in Australia and offshore, are extensive. As a developer and producer of superior quality products and services and an innovator of a range of technologies with broad applications specifically designed to solve industry problems, there is interest in what we can provide in standard or bespoke form. The Board is currently reviewing and extending the strategy to provide a roadmap to 2028 that will guide what we do and how we do it. Local and international expansion remain our priorities, as do increasing our capability and capacity with more people and equipment. Our research and development endeavours will continue to drive our thinking, culture, and customer focus, as we seek to capture revenue streams from new products, services, and technologies designed for the next generation of surface engineering applications.

Outlook

With the investment in Western Australia, our domestic market opportunity substantially increases. Additionally, a move to the United States will locate our business closer to key customers, both existing and potential, shortening supply chains and creating a natural currency hedge for our company.

Chief Executive Officer, Mr Wayne Hooper, said, "With the inclusion of Gateway Group's revenue, LaserBond will achieve its FY25 $60 million revenue target. The strategic focus for the next period will be leveraging the strengths of Gateway, incorporating our surface engineering capabilities into Western Australia, and completing research into an acquisition for North America. The formulation of our next revenue target to FY28 we look forward to sharing with the market in due course."

~ ENDS ~

Authorised for release by the Board of LaserBond Limited.

Further information about the company's financial and operational performance can be found in the Appendix 4D and 1H23 Annual Report also lodged with the ASX today.

Further Information

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About LaserBond

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials, technologies and methodologies to increase operating performance and wear-life of capital-intensive machinery components. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. As almost all components fail at the surface, due to material removal through abrasion, erosion, corrosion, cavitation, heat and impact, and any combination of these wear mechanisms, a tailored surface metallurgy will extend its life and enhance its performance.