



## **ASX Announcement**

29 August 2018

### **FY18 FINANCIAL RESULTS**

#### ***SIGNIFICANT YEAR COMPLETING MAJOR ACQUISITION, ASX RE-LISTING & STRATEGIC PROJECT AWARDS***

Synertec attributes its successful acquisition, relisting, key project awards and strong balance sheet to the combination of an experienced Board and management team, and a well-conceived, unique strategy that is already producing results and has set the business for strong growth.

Managing Director of Synertec Corporation Limited (ASX:SOP), Mr. Michael Carroll says that despite the company's transition to becoming a public ASX-listed group in August 2017 and the formation of a new and cohesive Board, it has remained laser-focused on applying its strategy of precision and complex engineering – the 'DNA' of Synertec - to a wider field of opportunities in other global industries.

Investment in high performing people and strong systems and processes over preceding years has provided the platform for that expertise to be delivered efficiently for the benefit of Synertec's clients and shareholders.

"I am excited to report that within Synertec's first year of actively engaging internationally, approximately 10% of the Group's revenue has been derived from this expansion strategy. I believe we have proven to our clients and potential customers that we offer a compelling value proposition against international competition," says Mr. Carroll.

While FY18 did not deliver on expectations in terms of revenue and earnings, the Board and management were pleased and excited by the projects awarded to the Group, says Mr. Carroll.

"Operations have continued to diversify as planned, placing the Group in a position to expand based on improving market conditions and increasing enquiry for Synertec's products and solutions, particularly EPC opportunities in the pharmaceutical, biotechnology, oil and gas and infrastructure sectors, both locally and internationally."

For Mr. Carroll and the other Directors of Synertec, the results from the financial year ending 30 June 2018 came with significant achievements including the;

- formation of a new Board upon completion of the acquisition of Synertec Pty Ltd and re-listing on the ASX in August 2017;
- divestment of \$3.6 million in surplus assets and subsequent return of capital (equivalent to 4.4 cents per share) to eligible shareholders; and
- award of several significant strategic projects which have set the foundation for substantial growth locally and globally.

Mr. Carroll says that while the Synertec Board is, on balance, satisfied with the performance of the Group and remains optimistic beyond FY18, it reported an operating loss after tax for this year of \$0.3 million (2017: \$0.9 million profit) from revenue of \$11.4 million (2017: \$14.7 million).

"Despite this relatively small operating loss after tax, our Board remains highly optimistic beyond FY18 because of the reasons already stated, as well as the fact that;

- our revenue has grown by 44% from the first half to the second half of FY18;
- our stable operating platform and cost base can be substantially leveraged as revenue grows;



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- well managed working capital resulted in positive operating cash flows of \$1.0 million over the year and we maintained a strong balance sheet with no debt; and
- the award of several significant strategic projects has formed a substantial work-in-hand position and we are continuing to build the pipeline of opportunities in our targeted industries,” he says.

Mr. Carroll went on to explain that the decline in revenue between FY17 and FY18 was mainly due to delays in major project awards by customers, which seems to have been a consistent theme within the industry during the year.

“Synertec took advantage of the “hiatus” to invest further in developing capability which will allow us to effectively execute the significant near-term growth opportunities ahead. The projects were eventually awarded to us, and we now have powerful momentum moving into FY19,” he says.

The net loss after tax from Synertec’s continuing operations for the year was \$5.1 million, which includes the expected accounting cost associated with the acquisition of Synertec Pty Ltd and ASX re-listing, being the deemed Listing expense of \$4.7 million (as reported in the half year financial statements for the period ended 31 December 2017).

Mr. Carroll emphasised that over the next 12-18 months Synertec will be highly focused on;

- executing existing projects in a timely, safe and efficient manner, in line with expectations or better;
- continuing to invest in its people, systems and technologies to ensure that it remains at the forefront of its industry by providing valuable solutions; and
- delivering the growth strategy, which involves targeting specific industry segments both in Australia and internationally.

The strategy proposes the segments have the following characteristics; a requirement for complex engineering solutions; large companies with complex manufacturing or production facilities; a complex regulatory environment; significant revenue opportunities in Australia, and that the Australian market experience is applicable internationally.

Mr. Carroll presented an example of the strategy ‘at work’ being Synertec’s demonstrated ability to solve unique complex engineering challenges for various LNG facilities in Australia. Synertec is now exporting those products and solutions to international ‘mega’ projects such as Shell’s North Caspian Oil Company in Kazakhstan.

“As Synertec enters FY19 with a strong balance sheet and cash position, and importantly, no debt, we are very well-positioned to be agile in our response to current and near-term opportunities from local and overseas clients. With increasing investment by global operators in the Group’s target markets, combined with Synertec’s investment in business development, innovation and high-performing people, the Board is highly optimistic about the Group’s prospects,” he says.

Visit [www.synertec.com.au](http://www.synertec.com.au) for more information.

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