

## NZX Announcement

30 August 2021

### SMW Group Limited - Preliminary Full Year Results to 30 June 2021

SMW Group Limited (NZX:SMW) (SMW Group or the Group) is pleased to release the Group preliminary consolidated results for the full year ended 30 June 2021 since acquiring an Australian company, All Industrial Network Limited (AIN) on 8 July 2020. The Group remains in the process of completing its audit and accordingly these results are based off unaudited financial statements of the Group.

The financial summary of the Group's unaudited results are as follows:

Financial Summary	Year ended	Year ended
	30-Jun-21	30-Jun-21
	\$'000	\$'000
	Statutory	Underlying
Revenue	52,003	52,003
EBITDA	(673)	3,776
NPATA	(5,245)	(796)
NPAT	(5,460)	(1,011)

The reported statutory NPAT has been impacted by the adverse market conditions associated with the COVID-19 pandemic and the application of one-off acquisition accounting principles in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Further details on these one-off costs are detailed in the Appendix 1 to this announcement.

The outbreak of the COVID-19 pandemic has had an impact on the global mining industry. Government restrictions and general economic uncertainty led to a contraction of commodity prices and a reduction in trade with the largest importer of Australian coal, China. The lower commodity prices and uncertainty in coal production and exports directly impacted SMW Group's customers. As a service provider to the mining industry, SMW Group has observed cancellations or deferrals in projects and reduced spending from their customers. This has contributed to the Group's reduced revenue and profitability in FY2021. These challenges aside, SMW Group continues to maintain strong relationships with its customers and is expecting activity levels in key industries to improve as commodity prices rebound.

Since the acquisition of AIN, SMW Group has rebranded, aligned processes and implemented integration plans between the two operations based out of Rockhampton and Mackay. The Group has also increased the capabilities and skill sets of their employees and service offerings to existing and new customers. Associated integration costs and acquisition related costs are included in the statutory results for FY2021.

With the continued volatility in key industry sectors in the second half of FY2021 where the Group continued to see a decline in customer orders, SMW Group strategically reviewed its cost structure and made several structural changes to its operations to reduce its cost base to account for the reduction in revenues during this period.

As at 30 June 2021, the SMW Group was in a net liability position of \$4.8 million. The acquisition of AIN on 8 July 2020 resulted in deferred consideration payments to vendors and deferred payments to external advisors involved in the transaction. As at 30 June 2021, the Group's liabilities included \$7.1 million of deferred consideration owing to the vendors of Alertvale Pty Ltd and BAE Engineering & Solar Pty Ltd (the companies acquired by AIN immediately prior to the SMW Group acquisition of AIN). The significant reduction in the Group's revenue in FY2021, due to the COVID-19 pandemic and the unfavourable economic impacts on the coal sector within Australia, has impacted the Group's level of operating cashflow during this year and its ability to commence scheduled repayment of this deferred consideration. The vendors remain major shareholders of the SMW Group and are working with the SMW Group Board to improve the financial performance of the Group in order to commence the repayment of the deferred consideration and agree a new repayment schedule.

SMW Group has positioned itself to take advantage of the expected recovery in key industries by assessing and building the staff skill sets required for the anticipated growth off the back of the mining sector's expected recovery. Actions include a stronger management and operational structure, increased focus on business development and identified sales opportunities with current and new customers and diversifying into new sectors to better utilise the Group's service offerings, scale and competitive advantages.

SMW Group's core business has been built on manufacturing and maintaining heavy industrial equipment, primarily focusing on mining customers within the Bowen Basin. The Group has a strong track record of excellence with a skilled and dedicated workforce who have a reputation for getting the job done faster, smarter and more efficiently. This has resulted in SMW Group recently securing several large projects such as a three-year Heavy Mining Equipment (HME) Workshop labour contract worth approximately \$30 million. The Group has also secured several Defence and infrastructure projects delivering on the Group's market diversification strategy into the defence, rail and infrastructure sectors.

SMW Group's CEO, Jack Trenaman, said, "FY2021 has been an exciting but challenging year. It was fantastic to achieve the acquisition at the start of the year. However, the outbreak of the COVID-19 pandemic has adversely impacted the Group's revenue and profitability during the current year as a result of project deferrals and cancellations. The SMW Group has performed a significant level of work on rebranding, aligning processes and increasing the capabilities and skill sets of our employees and service offering to existing and new customers. The Group is in a strong position to meet the market's demands as commodity prices and activity in the industry rebound".

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## About SMW Group Limited (SMW Group)

The transaction that occurred on 8 July 2021 involved the SMW Group (formerly known as Aorere Resources Limited) disposing of its net assets through an in-specie distribution to a wholly owned subsidiary. It then acquired an Australian company All Industrial Network Limited (AIN). AIN then acquired Alertvale Pty Ltd and BAE Engineering & Solar Pty Ltd, both Australian businesses.

SMW Group is now a leading mining and industry services provider with workshops based in Rockhampton and Mackay allowing the Group to service its customer base from both the Northern and Southern ends of the Bowen Basin. The Group remains a proud Central Queensland provider of field servicing, maintenance and emergency repair and rebuild services which provides complete plant and equipment management for projects large and small. Our management team has more than 60 years of combined industry experience and our team is recognised for efficient and quality service as we assist our clients with servicing, maintenance and welding projects. We support this service by delivering a range of mine site compliance activities and providing experienced on-site and project-based staff.

SMW Group has strong customer relationships with a number of well-established market leading mining and infrastructure companies, including BHP, Anglo American, Coronado Curragh, Glencore and the Rockhampton Regional Council.

The SMW Group's capabilities include:

- **Fabrication and Manufacturing** - We continually push the boundaries of performance, quality and value-added service to deliver end-to-end solutions for our clients. Outstanding in-house design work is brought to life by our skilled tradespersons, using the latest equipment to improve the bottom line of our customers
- **Mechanical Rebuilds and Overhauls** - From our dedicated facilities or via our mobile solutions, we provide heavy industrial mechanical rebuilds and overhauls – from the largest equipment right down to light vehicles and plant
- **Abrasive Blasting and Painting** - We provide abrasive blasting and painting as part of our end to end service, completing jobs with finishes that exceed recommissioning standards
- **Industrial Cleaning** - Preparation and clean-up of plant and equipment goes hand in hand with peak performance and minimal downtime. Our team works closely with our customers to get the job done with maximum efficiency, every time
- **Shutdown Services** - We have a large site-ready workforce and equipment ready to deploy to our customer sites at short notice. Our full suite of trade expertise is at disposal to execute mining shutdown maintenance to the highest standards.
- **Construction and Installation** - As experienced on-site contractors, SMW Group can take care of wash plant and conveyor upgrades, repairs and maintenance, or design and installation of new facilities from the ground up