

VEEM TRADING UPDATE

Highlights:

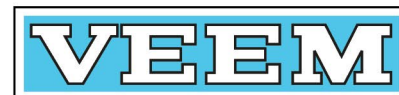
- 1HFY25 revenue expected in the range of \$33m to \$35m, EBITDA in the range of \$3.4m to \$4.0m and NPAT in the range of \$0.4m to \$1.2m.
- 2HFY25 expectation is unchanged from AGM update.
- Cost reduction measures have been implemented.
- \$5 million bank loan extended for a further 2 years to 1 October 2027 on existing terms.
- New machining centre ordered for expanded facility in line with award of \$1 million government grant.
- Cash flows are expected to be adequate to fund requirements.

VEEM Limited (ASX: VEE) ('VEEM' or 'the Company'), a designer and manufacturer of disruptive, high-technology marine propulsion and stabilisation systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries has revised expectation for its financial performance for the half-year to 31 December 2024 (1HFY25).

On 14 November 2024 the Company advised ASX that it expects to report revenues for 1HFY25 in the order of \$36 million with EBITDA in the range of \$5.0 to \$5.5 million and Net Profit After Tax in the range \$2.0 to \$2.3 million. After finalisation of the November results and consideration of the December month to date, the Company now advises that it expects to generate revenue in the range of \$33m to \$35 m, EBITDA in the range of \$3.4m to \$4.0m and NPAT in the range of \$0.4m to \$1.2m.

In the 14 November 2024 trading update, it was noted that as forecast, defence and ASC revenue and WIP were significantly lower and that a significant part of this capacity had been taken up by industrial products work which had not yielded the margins anticipated hence the slightly lower margin to date. After finalisation of the November results and consideration of the December month to date, VEEM now provides the following update:

1. The particular industrial products jobs noted in the 14 November 2024 update, which are now completed, or close enough to confidently estimate, incurred some additional costs in November and December. VEEM considers the costs incurred on these particular jobs beyond those originally quoted to be non-recurring as processes have been amended to ensure that the overrun risks are better controlled and monitored.
2. A second isolated incident was identified through our quality system (ISO 9001) related to a series of incorrectly machined parts for a set of three gyrostabilisers that are being reworked and resolved so the product can be despatched in December 2024. This non-conformance has been rectified in the quality system so will not occur again, hence is non-recurring as are the flow-on costs of delays.
3. The above issue has delayed sales of at least one gyro, hence gyro sales are now estimated at \$3.2m for the half with the order book currently at \$3.6m.
4. There were some large orders expected to be commenced in December which have only recently been received. This has had the effect of lowering the hours worked and productivity in November and December.
5. In addition to rectifying the above identified issues, VEEM has also implemented a number of cost reduction measures including reducing some staff in certain areas to improve margins.



As a result of actions taken by the Company and orders received in December, there is no change to the expectation for the second half of FY25 which is expected to see margins return to historically normal levels, with revenue contributions from defence/ASC/Austal, orders for the new shaftlines and associated products as well as some additional propeller revenue. New defence opportunities are also potentially going to provide revenue as early as 2HFY25.

As reported on 4 December 2024, VEEM has been awarded \$1 million under the Defence Industry Development Grants Program – Sovereign Industry Priorities Stream. The grant is to purchase and install a multi-axis CNC machine and scanner for manufacturing propellers and other critical components for Navy. The grant is to fund up to 50% of the total project cost which is estimated at just over \$2 million. This machining centre has been ordered and is expected to be delivered and installed in December 2025. VEEM is currently extending its current facilities in Western Australia and this equipment is expected to be installed in the new extension.

VEEM has extended its \$5 million loan facility with ANZ to 1 October 2027 with no other change in terms and conditions. Further details on the facility can be found on page 40 of the Company's 2024 annual report.

WEBINAR

Shareholders are invited to attend a webinar regarding this update at 10.30am AEDT/7.30am AWST today (19 December 2024) as follows:

Presenting: Managing Director Mark Miocevic and Head of Corporate Development David Rich.

Time: 10:30am AEDT/7:30am AWST today, 19 December 2024.

Register for the investor webinar via the link below:

https://us02web.zoom.us/webinar/register/WN_5pJH_zU-QPeHdvf2oX_alw

After registering, you will receive a confirmation email containing information about joining the webinar.

VEEM Managing Director Mark Miocevic said: "While we are not happy with the expected results for the first half of FY25, we are confident that with the changes we have now implemented and recent orders that the second half and beyond will be back to our usual margins and levels of profitability.

"Whilst all areas of the business have a strong look ahead, the timing of contracts can sometimes cause disruptions in the normal course of our business. The second quarter of this financial year has demonstrated this, however the third and fourth quarter should be back to normal as these exciting new contracts go into production"

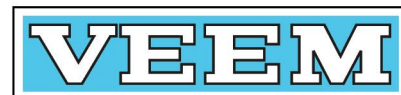
This ASX announcement was authorised for release by the Board of VEEM Limited.

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ABOUT VEEM LIMITED (ASX: VEE)

VEEM Ltd is a designer and manufacturer of disruptive, high-technology marine propulsion and stabilization systems for the global luxury motor yacht, fast ferry, commercial workboat and defence industries. VEEM's market leading Gyrostabilisers significantly reduce the rolling motion of vessels in waves, increasing on-sea time and improving personnel safety and efficiency in a wide range of ocean conditions.

VEEM is also a successful producer of high-performance propellers, fin systems and specialised components delivering consistent profits, cash flow and dividends while also reinvesting in research and development for new products and processes.

Proudly headquartered in Perth, Western Australia, VEEM operates from a 14,700 sqm purpose-built fabrication and manufacturing facility, including Australia's largest non-ferrous foundry. VEEM employs approximately 200 staff in Australia, including graduates and apprentices, and maintains a highly skilled research and development team in-house. Celebrating its 50th anniversary in business in 2018, VEEM listed on the Australian Securities Exchange in 2016. www.veem.com.au

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