

24 October 2022

Babylon Quarterly Update and Appendix 4C

3rd Consecutive Quarter of Positive Operating Cashflow, Structural & Organisational Changes Improving Profitability

Highlights¹

- Operating cashflow of \$1.2M in the quarter (+268% over previous quarter, and +480% on Q1 FY22)
- Positive operating cashflow delivered for three consecutive quarters and in five of last six quarters
- Strategic and structural changes improving margins and profitability
- Cash generation commenced from recently completed acquisition of Resource Water Group
- Receivables of \$3.1M due from blue-chip client base
- \$3.1M of cash and undrawn debt at the end of the quarter
- Strong demand and growth outlook across all divisions

Specialist resources services provider Babylon Pump & Power Limited (“Babylon” or “the Company”) (ASX: BPP) is pleased to present its quarterly update and quarterly cash flow report for the period ended 30th September 2022.

The Company is pleased to report a 12% quarter-on-quarter increase in cash receipts to \$8.1M with significant margin improvement. Operational cashflow of \$1.2M for the quarter represents a 268% increase over the previous quarter (Q4 FY22: \$0.3M), and a 480% increase on Q1 2022.

Babylon has now recorded three consecutive quarters and five of the last six quarters with positive operational cashflow.

The growth in operational cashflow has been driven by increased revenue, improved margins, and a reduction in inventory levels. The Company had \$3.1M of cash and undrawn debt facilities at the end of September to support growth initiatives.

Commenting on the results, Managing Director Michael Shelby said:

“The significant improvement in operational cashflow is a credit to our team and reaffirms our decision to strategically refocus Babylon towards higher margin rental and water management business lines while streamlining our maintenance services. The improved performance and growth in rental and water management provides a strong base, which we will continue to build scale from, and I look forward to updating investors as we see the results from repositioning our company to deliver increasing shareholder value.”

¹ All financial figures provided in this announcement are unaudited.



Operations Update

Babylon conducted a strategic review² prior to the September Quarter which resulted in a restructuring to focus on higher margin specialty rental and services including attractive growth opportunities in the water management sector. Organisational and structural changes have simplified operations, eliminated low margin maintenance activities, reduced overhead in maintenance services, while positioning the specialty rental services division for growth. Key appointments of experienced dewatering operational personnel have been made during the quarter to support growth in rental and water management services.

Commissioning of Babylon's new operations facility is progressing well with practical completion expected in November 2022. The new facility under long term lease will allow for consolidation of operations which will provide operational efficiencies to be realised in months to come.

Specialty Rental

Effective 1 August 2022, the Company acquired Resource Water Group ("RWG") to expand its water management services and drive higher margin growth.² Existing RWG contracts contributed \$0.7M in revenue during its first two months. Second quarter revenue is expected to grow with contracts in hand on multiple sites. Nonetheless, industry-wide availability of site labour continues to pose a challenge and Babylon advises there remains potential for project delays which may impact timing of revenue of contracted works.

Rental revenue is expected to increase in the coming months as power generation assets and large pumps are returned to service following scheduled routine maintenance during the period. These assets will return to long term hire contracts with iron ore miners early in the second quarter FY23.

Babylon continues to grow its rental fleet with the acquisition and deployment of new specialty pumps, assembling and rebuilding of cost-effective second-hand fleet while also progressing business acquisition opportunities in the rental and water management sectors.

Specialty Services

Q1 FY23 monthly revenue at Ausblast, Babylon's environmental and industrial services subsidiary, is up 25% over average monthly revenue of FY22 and the business unit is contributing consistent EBITDA as it grows. Multiple long-term projects beginning in the second quarter FY23 will deliver consistent asset utilisation.

Sales activities and increased client engagement have delivered a broader spread of clients and sectors to reduce commodity risk exposure. New clients include major service companies as well as resource owner/operators. Recent project wins in the oil & gas and

² Refer to ASX announcement dated 4th August 2022.



infrastructure sectors reduce commodity exposure risk to the mining sector, and contract wins in metropolitan infrastructure works reduce exposure to the tight on-site labour market.

Maintenance Services

Financial performance of Babylon's PrimePower Queensland subsidiary has improved with simplification of the business. During the quarter, low margin field service activities were discontinued with some staff redeployed internally. A strong improvement in margins has delivered better results, with the business returning to EBITDA profit for the September quarter despite reduced revenues.

Restructure of operations in Perth has resulted in a more streamlined organisation with c\$0.7M in annualised cost reductions. Whilst flattening the management structure, Babylon has been successful in recruiting multiple new experienced tradespeople to support workshop activities across the group. Transitioning to our new Perth facility will further improve efficiencies in the delivery of existing maintenance contracts.

Summary and Outlook

The Company's Board is confident in the ongoing strategy to concentrate Babylon's growth in the more profitable specialty services and rental revenue streams whilst conducting an ongoing evaluation of operational efficiencies and profitability improvements in maintenance services. Babylon expects continued growth and improvement in operational and financial performance going forward.

The Company's Appendix 4C follows for the quarter ended 30 September 2022.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Babylon Pump & Power Limited

ABN

47 009 436 908

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	8,130	8,130
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(3,958)	(3,958)
(c) advertising and marketing	(2)	(2)
(d) leased assets		
(e) staff costs	(2,010)	(2,010)
(f) administration and corporate costs	(786)	(786)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	(201)	(201)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(9)	(9)
1.9 Net cash from / (used in) operating activities	1,168	1,168
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	(500)	(500)
(c) property, plant and equipment	(945)	(945)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	133	133
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(1,312)	(1,312)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5004	5004
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(447)	(447)
3.5	Proceeds from borrowings	3,750	3,750
3.6	Repayment of borrowings	(8,387)	(8,387)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(80)	(80)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,241	2,241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,168	1,168
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,312)	(1,312)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(80)	(80)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,017	2,017

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,987	2,211
5.2	Call deposits	30	30
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,017	2,241

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	160
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	8,598	(7,352)
7.2 Credit standby arrangements		
7.3 Other (please specify)	4,100	(2,279)
7.4 Total financing facilities	13,038	(9,631)
7.5 Unused financing facilities available at quarter end		3,067
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<ul style="list-style-type: none"> • NAB invoice finance facility \$4,100,000, rate variable +/- 5.72%, secured by GSA • NAB asset finance facility \$4,816,962, rate variable +/- 4.54%, secured by GSA • NAB Import trade facility \$3,000,000, rate variable +/- 4.29%, secured by GSA • Toyota Finance asset finance facility \$750,000, rate variable +/- 4.13%, secured by GSA • Attvest Finance insurance premium funding facility \$31,044, rate fixed +/- 4.22% 		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	1,168
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,017
8.3 Unused finance facilities available at quarter end (item 7.5)	3,067
8.4 Total available funding (item 8.2 + item 8.3)	5,084
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: **N/A**

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:24/10/2022.....

Authorised by:By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.