

30 January 2023

## Babylon Quarterly Update and Appendix 4C

### Highlights<sup>1</sup>

- **Transition to positive EBITDA<sup>1</sup> sees 55% improvement in first half operating cashflow over corresponding H1FY22**
- **Receivables of \$5.2M due from growing blue-chip client base**
- **\$4.2M of cash and undrawn debt to fund growth initiatives**
- **Relocation to new purpose-built premises facilitating operational efficiencies**

Specialist resources services provider Babylon Pump & Power Limited (“Babylon” or “the Company”) (ASX: BPP), is pleased to present a quarterly update and quarterly cash flow report for the quarter ended 31<sup>st</sup> December 2022.

During the first half of the financial year, the Company made sound progress advancing its previously announced strategic imperatives, including building its specialist water management business.

In addition to progressing two key acquisitions in this sector, the refocused business activities saw Babylon transition to positive EBITDA<sup>1</sup>.

The increase in business activity, together with the timing of certain payments resulted in negative operating cash flow for the quarter, but nevertheless a 55% improvement in operating cash flow was recorded for the current six-month period compared to the corresponding prior period. Operating cash flow, in line with the stronger trading results, is expected to become positive in the second half.

The Company holds \$4.2 million of cash and undrawn debt facilities at the end of December and \$5.2 million of receivables from a blue-chip client base, placing it in a strong position moving into the second half of the financial year.

### Commenting on the results Managing Director Michael Shelby said:

*“It has been an exceptionally active period for Babylon with substantial strategic and financial progress being made. Not only has Babylon progressed two key acquisitions, it has boosted its operations via a purpose-built facility and also delivered positive EBITDA<sup>1</sup> for the half-year.*

*The timing of certain payments plus a growth in receivables from some major, highly regarded clients means Babylon enters the second half of the financial year with significant momentum and is well-placed to deliver further record performances.”*

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<sup>1</sup> All financial figures provided in this announcement are unaudited.



### **Advancing Rental & Water Management Strategy**

As announced on 29 December 2022, Babylon has agreed to acquire all the shares in Boddington, W.A based specialist rental pump provider RBH Engineering Pty Ltd. The acquisition is due to be completed by the end of January 2023 and will provide immediate earnings contributions through ongoing high utilisation of its pump rental fleet.

The \$3.0 million purchase price represents a multiple of 3 times expected annual EBITDA. The acquisition will be partially vendor financed with \$1.8 million due at completion and \$1.2 million of deferred cash to be paid in monthly instalments over a 12-month period. Interest at 8.5% per annum will accrue and will be payable no later than the final deferred consideration payment date.

In addition to advancing the RBH Engineering acquisition, during the last quarter the Company successfully integrated the previously announced August acquisition of Resource Water Group (“RWG”) into the Company’s broader operating base. RWG, which provides bore field test pumping equipment and related data collection services as well as a range of water management disciplines to the mining industry, has performed in line with expectations.

Importantly, both acquisitions are able to be absorbed into Babylon’s existing operational base with minimal incremental overheads, resulting in high net margin contributions to financial performance.

### **Operations Update**

In late December 2022 Babylon began relocating to its new, purpose-built facility in Forrestfield W.A. The move was completed in January 2023 and the Company will end multiple leases in the Perth metropolitan area as it consolidates operations.

The new facility provides extra capacity and capability for all segments of the business. Consolidated operations will provide efficiencies by eliminating movements of equipment and staff to different operational sites.



### ***Specialty Rental***

This quarter saw steady utilisation of Babylon rental assets with an uptick in activity provided by the recent Resource Water Group acquisition. During the period, works were completed on site for operators such as Rio Tinto and Strandline Resources. Projects with Mineral Resources, Newmont and Citic Pacific are expected to mobilise in Q3 FY23.

### ***Maintenance Services***

Significant improvement in financial performance by wholly owned subsidiary Primepower Queensland (“PPQ”) has been achieved during the period. Streamlining operations and elimination of overheads has returned PPQ to profitability.

The summer break and move to the new facility has seen a brief slowdown in Perth maintenance activities. Nonetheless, revenue in H1 FY23 remained steady, and the upcoming quarter is expected to finish strongly as activity picks up and the new workshop is fully utilised. The Company continues to focus on higher margin maintenance activities and maintenance of rental equipment.

### ***Specialty Services***

Utilisation of environmental and industrial services assets continues to increase. Vacuum truck utilisation continues to be near capacity and high-pressure pump utilisation is increasing. Services are limited by the tight labour market, so the Company has focused on dry hire of pumps to select clients to drive growth in EBITDA in H1 FY23.

During the period works have been completed across a variety of sites and commodities, ranging from lithium in the southwest of WA to iron ore in the Pilbara as well as mobilising equipment to support oil & gas maintenance in northern Queensland.

### **Summary and Outlook**

The Company’s Board is confident that strategic initiatives focused on streamlining operations, expanding water management activities, expanding rental fleet, and rationalising lower margin offerings will continue to grow earnings. Opportunities in renewable power for water management activities are under development which will further differentiate Babylon’s capabilities.

The Company’s Appendix 4C follows for the quarter ended 31 December 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")**

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	6,118	14,249
1.2 Payments for research and development product manufacturing and operating costs advertising and marketing leased assets staff costs administration and corporate costs	(4,886) (6) (1,907) (750)	(8,844) (8) (3,917) (1,536)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	9
1.5 Interest and other costs of finance paid	(248)	(449)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	(71)	(80)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,745)</b>	<b>(577)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities		
	businesses		(500)
	property, plant and equipment	(209)	(1,154)
	investments		
	intellectual property		
	other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	businesses		
	property, plant and equipment	267	400
	investments		
	intellectual property		
	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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>58</b>	<b>(1,254)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		5,004
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)
3.5	Proceeds from borrowings	3,834	7,584
3.6	Repayment of borrowings	(2,038)	(10,425)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,796</b>	<b>1,716</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	2,017	2,241
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,745)	(577)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	58	(1,254)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,796	1,716
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,126</b>	<b>2,126</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,776	1,987
5.2	Call deposits	350	30
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,126</b>	<b>2,017</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	262
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>		

<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	9,269	(7,597)
7.2 Credit standby arrangements		
7.3 Other (please specify)	4,100	(3,673)
<b>7.4 Total financing facilities</b>	<b>13,369</b>	<b>(11,270)</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>2,099</b>
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"> <li>• NAB invoice finance facility \$4,100,000, rate variable +/- 5.72%, secured by GSA</li> <li>• NAB asset finance facility \$5,518,324, rate variable +/- 4.54%, secured by GSA</li> <li>• NAB Import trade facility \$3,000,000, rate variable +/- 4.29%, secured by GSA</li> <li>• Toyota Finance asset finance facility \$750,000, rate variable +/- 4.13%, secured by GSA</li> </ul>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,745)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,126
8.3 Unused finance facilities available at quarter end (item 7.5)	2,099
<b>8.4 Total available funding (item 8.2 + item 8.3)</b>	<b>4,225</b>
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.42</b>
<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: <b>N/A</b>	
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: <b>N/A</b>	

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: .....30/01/2023.....

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.