

28 July 2022

Babylon Quarterly Update and Appendix 4C

Delivers positive operating cashflow, \$1M cost savings from structural & organisational changes

Highlights¹

- Positive operational cashflow of \$0.3M in the quarter with positive operational cashflow recorded in four of the last five reporting periods
- Positive operational cashflow of \$0.2M for full FY22
- Receivables of \$4.3M due from blue-chip client base
- \$4.2M of cash and undrawn debt at the end of the quarter
- \$1M in annual recurring costs already eliminated following structural and organisational changes
- Strong ongoing demand and growth opportunities across all divisions

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 period ended 30th June 2022.

The Company is pleased to report cash receipts of \$7.3M and positive operational cashflow of \$0.3M for the quarter which represents 105% increase over the corresponding Q4 FY21. Babylon has recorded positive operational cashflow of \$0.2M for full FY22 and has now recorded positive operational cashflow in four of the last five reporting periods.

Positive operational cashflow continues to be driven by a reduction in inventory whilst continuing to record increasing revenue. The Company also has \$4.2M of cash and undrawn debt facilities at the end of June to support growth initiatives.

Commenting on the results, Managing Director Michael Shelby said: *“To report positive operational cash flow for four of the last five reporting periods is a major achievement for our company and builds on the continuing increase in revenue and inventory reduction. I am also happy to report that Babylon’s refocus towards higher margin speciality equipment rental and services and pull back in maintenance services is already bearing significant benefits with \$1 million in annual recurring costs so far eliminated from the business.*

“Our focus is also to grow both organically and from potential acquisition opportunities in the rental and water management sector. With the addition of Mr James Cullen as Non-Executive Chairman during the quarter, we now have a highly experienced board and management team to drive these initiatives. I look forward to updating investors as we continue to reposition our company to maximise shareholder value.”

¹ All revenue and financial figures provided in this announcement are unaudited.



Operations Update

Concurrent with the appointment of Jamie Cullen as non-executive Chairman, a strategic review and repositioning of the company was commenced to refocus on higher margin specialty equipment rental and services. Babylon has a significant base to build from and work continues in this area. The Company's review will continue into Q1 FY23 and structural and organisational changes to date have eliminated c.\$1.0M in annual recurring costs.

Specialty Rental

Babylon continues to invest and grow its rental asset fleet through cost effective sourcing of used units and purchase of new assets for long term projects. During the period, five additional pump units were purchased, added to the fleet and immediately put on hire. The Company has also received a 12-month contract from a multinational gold miner for hire of a new specialty high wall pump unit to be mobilised in Western Australia in Q3 FY23.

Babylon is progressing potential acquisitions in the rental and water management sector. Multiple opportunities have been identified and a nonbinding indicative offer is in place for an asset acquisition expected to complete in Q1 FY23.

Specialty Services

Industrial services capabilities continue to grow with the addition of a 1000HP high pressure to the Ausblast fleet. Headcount has increased as additional tradesmen have joined the team to support increased asset utilisation. June was a record month of revenue for Ausblast since acquisition with the division providing works for a variety of clients across southwest W.A, Pilbara and metro Perth. Several long-term projects are expected to mobilise in Q1 FY23 as well multiple scheduled short-term shutdown works with existing clients.

Maintenance Services

Refocus on specialty equipment rental and services has initiated a review of maintenance services. During the year, stock and inventory has been reduced by 29% to \$4.5M. The Company expects to fulfill current contracts while continuing to reduce overall exposure to this lower margin segment.

Summary and Outlook

The Company's Board is confident in the ongoing growth in current service offerings and is focused on growing the more profitable specialty services and rental revenue streams whilst conducting an ongoing evaluation on improving operational efficiencies and profitability in maintenance services.

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...12....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,257	29,956
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,264)	(18,082)
(c) advertising and marketing	(4)	(31)
(d) leased assets		
(e) staff costs	(2,022)	(8,476)
(f) administration and corporate costs	(497)	(2,189)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(265)	(1,000)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	114	(17)
1.9 Net cash from / (used in) operating activities	317	161
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses	-	(475)
(c) property, plant and equipment	148	(1,179)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...12....months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(59)	257
	(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	89	(1,397)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	968	968
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		
3.5	Proceeds from borrowings	10,012	14,734
3.6	Repayment of borrowings	(10,416)	(13,256)
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	564	2,446

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,272	1,032
4.2	Net cash from / (used in) operating activities (item 1.9 above)	317	161
4.3	Net cash from / (used in) investing activities (item 2.6 above)	89	(1,397)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (....12...months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	564	2,446
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,242	2,242

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	2,211	1,241
5.2	Call deposits	30	30
5.3	Bank overdrafts		
5.4	Other (provide details)	1	1
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,242	1,272

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	143
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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	8,938	(7,992)
7.2 Credit standby arrangements		
7.3 Other (please specify)	4,100	(3,094)
7.4 Total financing facilities	13,038	(11,086)
7.5 Unused financing facilities available at quarter end		
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 \$4,628,895, 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 \$123,525, 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)	(1,486)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,241
8.3 Unused finance facilities available at quarter end (item 7.5)	1,952
8.4 Total available funding (item 8.2 + item 8.3)	4,193
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:28/07/2022.....

Authorised by:The Board of Directors.....
(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.