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21 February 2020

TUBI'S INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2019

Tubi Limited (ASX: 2BE) ("Tubi" or the "Company") today announced an update of its performance and lodged the Appendix 4D Half Year Report for the period ended 31 December 2019. The Company recorded a statutory net loss after tax of $1.988 million for the half year ended 31st December 2019 (HY19). Statutory net profit after tax in the previous corresponding period (pcp) ended 31st December 2018 (HY18) was $1.136 million.

No dividend has been declared for the period ended 31st December 2019 (pcp nil cents).

Operating Summary

Demand for HDPE pipe in the Permian Basin, USA in the HY19 was significantly lower than in the pcp. Market conditions were difficult, as demand for manufactured HDPE pipe in the core market supplying the oil and gas sector in the Permian Basin fell in line with a marked decrease in oil industry activity. The Company's first US plant was located to supply this market. The result was less orders, price discounting, and lower margins. Sales of manufactured HDPE pipe declined from $17 million in HY18 to $3 million in HY19. The decline in sales reflects reduced volumes (2.5 million lbs in the HY19 compared with 9.5 million in the pcp), and a decline in selling price of approximately 45% on average in HY19 over the pcp.

Half year sales of manufactured pipe were also adversely impacted by lost production time associated with the onboarding and training of new employees and product remake costs incurred in the training process in preparation for the start-up of the second plant in the Permian Basin, originally scheduled for October 2019. This is now scheduled for a start-up in Florida in April 2020.

These adverse outcomes were in part offset by the successful delivery of a mobile manufacturing plant under license to Iplex in New Zealand. As a consequence, total revenue for HY19 was $12.5 million (pcp $17.1 million).

Forward Strategy

The Company's manufacturing go-to market model in FY19 and planned for the FY20 was via an exclusive contracted distributor model for the oil and gas sector in the Permian Basin. The decline in demand in the overall market resulted in lower than forecast demand from the Company's preferred distributor including a decision by that distributor to not call for the commissioning of a second plant at the end of September 2019. The Company has responded to these factors by appointing its own sales force. This capability was in place by early December 2019 and in the period from mid-December to 18th February 2020 the Company has produced 1.7 million pounds of pipe with a sales value of $1.8 million. The Company has developed a pipeline of orders and prospects which while still at tight margins will likely result in higher production during the second half of the FY20 (compared with the first half) with many new market opportunities outside the Permian Basin where selling prices and selling margins achieved are generally more attractive.

Currently the Company has available to it 3 mobile manufacturing plants (2 company owned, 1 owned by Hopetoun Corporation available to the Company for use until December 2020) of which one company owned plant is in production in Odessa, Texas and the other two are currently in storage in Houston, Texas. In the June 2020 quarter (Q4) the Company proposes to commission 2 new plants, to be located in Florida. At that time Tubi believes that it will be the only manufacturer of HDPE pipe located in Florida. The Company expects that this location will enable it to manufacture pipe on competitive terms in long lengths for large customers in southern Florida. The Company has been involved in working with a number of major current and prospective customers located in Florida to build interest in supplying longer length pipe in single pieces, in coils, and on reels. During January 2020 the Company has been supplying pipe to one of these customers in Florida from its site in Odessa, Texas ahead of commissioning the new plants.

Outlook

On 5th November 2019 the Company informed the market that it would not achieve its Prospectus forecast earnings for the full year ended June 2020, revising expectations to a result of $0.01 million at the EBIT level. As a consequence the half year result of a loss after tax of $1.988 million the Directors advise that the result for the full financial year to 30th June 2020 will likely be a loss after tax in the range of $2.5 million to $3.0 million assuming no further deterioration in market conditions.

The increase in the number of manufacturing plants in production from 1 to 3 is expected to result in a substantial reduction of manufacturing costs per unit of production (excluding raw materials) as the Company increases commissioned production capacity from approximately 7,000 tonnes of HDPE pipe per annum to more than 20,000 tonnes per annum.

The Company expects that it will incur losses in Q3 before returning to profit for the final quarter of FY20.

This announcement has been authorised and approved for release to the ASX by the Board of Tubi Limited.

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