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**27 November 2020**

## **Chairman's AGM Address**

In my first address as your Chairman, I am pleased to report on the performance of your company in its first full year since becoming a publicly listed company. It's been a year of highs and lows with numerous challenges as well as significant achievements to report.

### **Financial year to 30 June 2020**

- After a promising start following the listing in June 2019 and sale of a plant to a major New Zealand producer, the company launched operations in the United States focussed on the oil and gas sector in Texas.
- By late 2019, however, dramatically reduced activity levels in the Permian Basin, the main consumer of pipe produced by our Texas based operations, created challenging conditions for our business.
- In early 2020, following board and management changes, the business:
  - o Exited exclusive distribution arrangements in Texas
  - o Pivoted to new markets in mining, infrastructure and water sectors
  - o Relocated and commissioned two plants in Florida
  - o Increased sales from new customers towards the end of the financial year
- Despite the improved last quarter, the collapse of the oil and gas market, combined with the cost of relocating to Florida, put pressure on our financial position.
- As reflected in our 30 June 2020 Financial Statements, revenues for the year of \$20.81M (including \$9.3M from the plant sale) were down substantially from the \$31.56M in the previous year. This resulted in a loss for the full year of \$4.67M compared to a \$1.50M profit in FY2019. The group's net assets at 30 June 2020 were \$17.03M (including cash of \$0.78M).

### **Since 30 June 2020**

- Sales began strongly in the new financial year, as our two Florida based plants were put to work.
- In August, thanks to support from existing and new shareholders, we concluded a capital raise of \$6.1M to strengthen our balance sheet and fund future growth. Funds raised have been deployed to complete Plant 5004, invest in reeling assets, meet capital raising costs and working capital requirements with a current cash balance of \$1.8m.

- Instability in the US, however, exacerbated by the ongoing pandemic and impending US elections, saw a significant decline in new orders in September and October.
- With this decline in demand, came price-cutting from competing producers, which substantially eroded profit margins.
- With pipe supply in the US still exceeding demand, even companies like Tubi Limited, with genuine comparative advantages, will remain challenged until the market returns to near equilibrium.

### **Going forward**

Our response to these market conditions in the US over the coming year is twofold.

**Firstly**, to conserve cash and ensure we are ready to participate in a 2021 turnaround. To that end, we will have set in train measures to manage the weaker market conditions, including reducing overheads and focussing on orders of sufficient size and spread to ensure our two Florida plants operate profitably.

**Secondly**, we are reviewing strategies beyond competing head-to-head with conventional pipe producers, to best take advantage of Tubi's technology and innovations - particularly, our ability to move plants to specific project sites or areas of demand and produce long length polyethylene pipe on location. Other innovative industry solutions include pipe reeling, stringing and mobile recycling capability.

These plans include participating in joint ventures to supply onsite pipe for large mining and water projects, while also looking to monetise our technology through licencing, leasing or the sale of plants to strategic partners. This, together with providing proprietary technology and expertise to partner companies, will help us accelerate the deployment of our innovative technologies into new markets.

The plant we sold (at a profit) in the 2020 financial year, along with an ongoing licence fee, is a good example of how we can monetise our assets over and above the manufacture of pipe.

All these strategies to exploit the benefits of our unique technology are currently being explored by your board. Our track record of successful operations in Texas and Florida serves to validate this technology and we are able to demonstrate Tubi's capabilities for potential partners with our two plants currently working in Florida. We look forward to sharing more details with you as they develop.

In conclusion, I would like to thank my fellow board members and our management team for their efforts, during what has been a challenging period. Most importantly, however, I would like to thank you our shareholders for your continued support and patience, as we navigate these volatile global markets.

I look forward to reporting on a more successful year in 2021.



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

**ENDS**

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