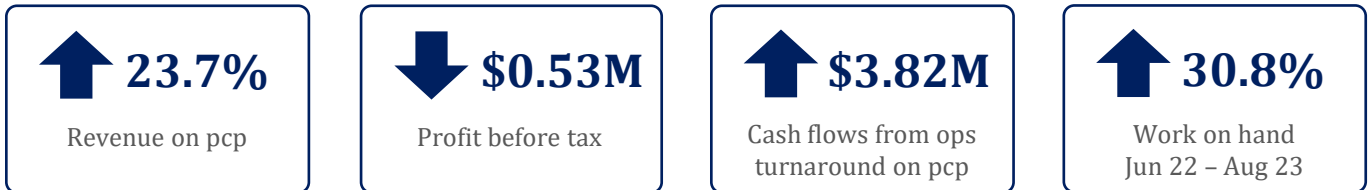


## Reinvesting for Future Shareholder Return

### FY23 Highlights

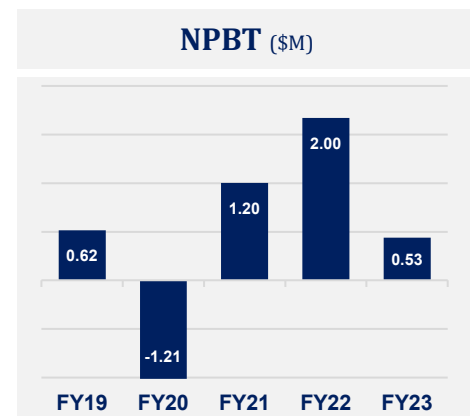
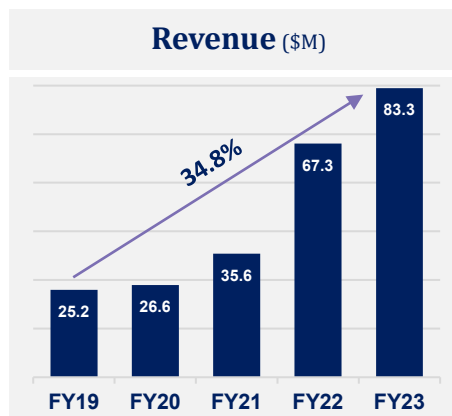


SKS Technologies Group Limited (ASX: SKS) achieved another year of significant growth underpinned by quantum increases in revenue and work on hand and considerable advancement of strategic initiatives to develop new markets with services based on enhanced core expertise in advanced converged technology solutions.

Chief Executive Officer, Matthew Jinks, said, “ I would characterise FY23 as a year of investment in the future setting the business up to harness new markets and customers to extract greater value from our core business. We have achieved everything we set out to achieve with these new areas while continuing to grow the existing business significantly for a third consecutive year.”

### Financial Performance

Over FY23, the business achieved revenue of \$83.27 million, up 23.7% on the FY22 result of \$67.29 million and off the back of an 89.0% revenue increase the previous year. Revenue was slightly lower than the anticipated \$90 million mark, largely due to the timing of project awards and extensive onboarding processes required to perform work in new market sectors.



All earnings metrics were positive with EBITDA of \$2.71 million, profit before tax of \$0.53 million and profit after tax of \$0.63 million, albeit at lower levels than FY22 due to the substantial reinvestment in developing new sectors that leverage the technical expertise in SKS Technologies and maximise their value for future years.

Gross margins were preserved against an inflationary environment due to the tight matching of rising inventory costs with tendering processes to mitigate the risk of unanticipated price and wage rises. Wages have increased, as they have across the board, but also in response to higher work levels that have required more people.

The bulk of the investment in growth is now substantially complete, and the business is now winning work that would not have been possible prior to that commitment.

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In the medium-term, new work can be won without the need for further significant investment in our fixed cost base.

An achievement for the year was the strengthening of the balance sheet, with cash flows from operations rising to \$2.92 million from (\$0.90) million in FY22, representing a \$3.82 million turnaround. As a result, short-term borrowings reduced by \$0.90 million, the remaining \$0.73 million R&D liability was fully retired and working capital achieved a turnaround of \$0.55 million from a deficit of \$0.45 million in FY22 to a surplus of \$0.10 million in FY23.

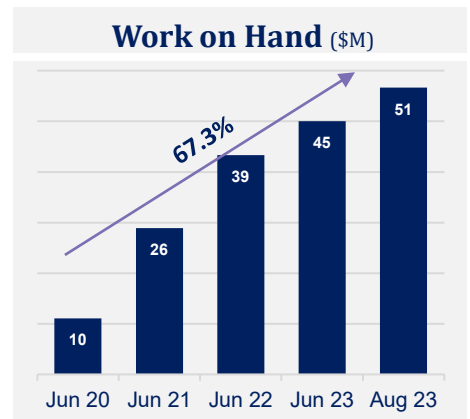
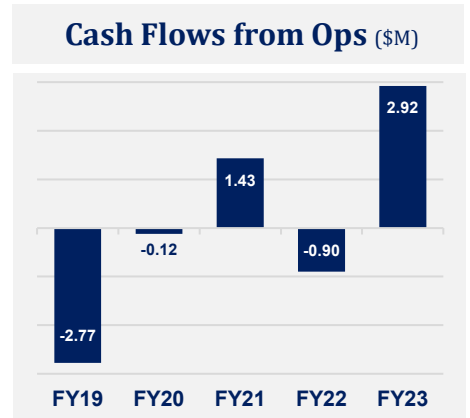
In the first half, SKS technologies secured \$8 million of bank facilities with CBA, comprising a \$5 million overdraft and a \$3 million bank guarantee facility. The new debt enables the business to fund its operations without having to rely on more expensive invoice financing and cash guarantees. Mr Jinks said, "These improvements in cash and debt positions have been achieved despite pressures arising from rapid growth and the level of cost control that must be exercised to manage risk and optimise upside."

### Operational Performance

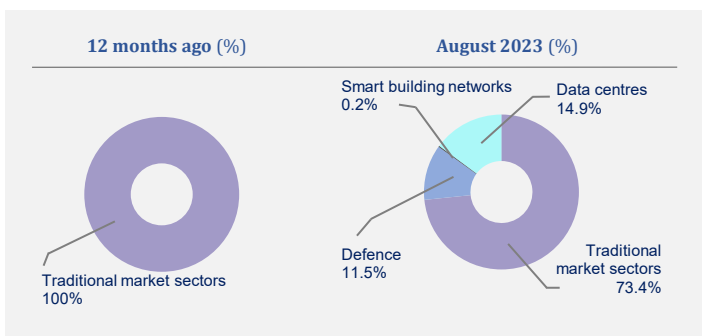
Total work on hand sits at \$51 million, a fivefold increase since Jun 2020, with further upside imminent. Between June 2022 and August 2023, the order book expanded by 30.8% and since June 2020 by compound average of 67.3% per annum.

Over the past 18 months, approximately \$3 million has been reinvested in the business to support an aggressive organic growth strategy, part of which involves targeting new areas of work in the data centre, converged technologies and defence sectors. The strategy also targets higher margin, end user work that establishes a direct link with end customers and enables greater understanding of their needs.

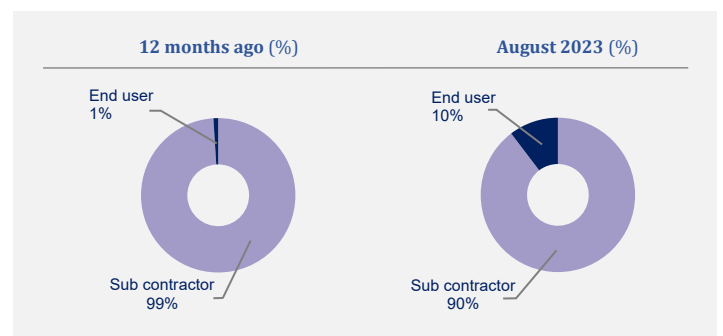
The difference in the work on hand profile, as exhibited below, shows new trends emerging and increasing momentum with the customer type and market sectors that SKS Technologies set out to attract.



#### Increase in work on hand in targeted market sectors (%)



#### Increase in work on hand by customer type (%)



Securing this new work has required the completion of a number of extensive onboarding processes of the magnitude necessary when servicing large global clients as well as completing a range of certification, accreditation and security checking processes to enable the business to perform defence sector projects. Further upside in work on hand is imminent from two large projects once formal contracts have been executed in the next few months. These two new contracts, both in the newly targeted sectors, will take work on hand to the next level with a quantum leap, continuing the steep order book increases annually for the past four years.

Based on this large body of preparatory work, the business has won and completed projects with a number of large global customers in the retail, IT, banking and online marketplace sectors. During the year, major projects were completed for the Australian Federal Police, the Federal Departments of Home Affairs and Agriculture, Forestry and Fisheries, and Australian Unity. Major contracts won and commenced during the year include projects for Marvel Stadium, Western Health, Bendigo Kangan Institute and the Federal Department of Defence.

A highlight of the year was the commencement of SKS Indigenous Technologies, with a stellar performance in winning and completing projects and a finish to the year with \$10 million of work on hand for FY24. The 3% Indigenous employment target was also achieved and a new target of between 4% and 5% has been set, depending on the rate of growth in the business. The business is a model of commercial success combined with opportunities for career advancement for Indigenous people, servicing Indigenous organisations as well as other organisations, often large corporates, that want to advance diversity programs by engaging the services of an Indigenous business.

The issues of labour shortages and wage increases, which are currently being addressed in many businesses, do not pose unexpected challenges for SKS Technologies given the business is continually recruiting, training and working on retaining the highly skilled employees necessary in our sector. Similarly, wage increases are made in annual increments, avoiding the impact of quantum increases in one financial period. Previous supply chain constraints resulting from the pandemic are now resolved, having worked their way through the system.

## Dividend

The Board has determined to pay a final unfranked dividend of 0.2 cents per share for the full year, based on the continuing momentum in building work on hand and revenue, as well as close consideration of the capital requirements to continue investing in growth. The dividend also acknowledges the support and commitment of our shareholders in their ongoing belief in the SKS Technologies vision.

## Strategy and Outlook

SKS Technologies has not strayed from its objective to achieve a substantial and rapid increase in the size of the business and market share across Australia. This strategy has served it well, with new work being won in targeted sectors with targeted clients and FY24 will see further gains from investment and activities undertaken over the past 18 months. While an opportunistic acquisition would undoubtedly be considered and assessed for its capacity to advance the growth strategy, the Board believes that the current organic approach is the most efficient means of achieving its medium-term objectives.

While there is the usual range of commentary speculating on how the Australian and global economies might fair in the short to medium term, there seems to be consensus on the opinion that growth rates will be lower than in recent times rather than the negative growth rates feared late last year. Inflation has eased while unemployment remains low, and cost of living pressures continue to dampen consumer confidence. Despite the unexpected level of resilience in Australia's economic performance to date, we are a microcosm of the broader landscape, with a similar set of challenges playing out.

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SKS Technologies however, continues to experience high levels of demand, as evidenced by the high and increasing level of work on hand and further supported by a pipeline that remains strong and continues to increase across all market sectors. With its focus on a wider cross-section of customer type and market sector, combined with the compelling converged technology offering in a post-Covid world, work on hand continues to expand.

Mr Jinks also said, "While the rapid growth has come at a cost, it was a strategic decision made by the board to aggressively expand the business to the next level with greater expertise and a wider market reach, and the fruits of those decisions and actions is now showing in the work we are winning and the changing profile of our work on hand."

The business expects to achieve continued growth in revenue, albeit at a more moderate rate than the vast revenue increases achieved in both FY22 and FY23, and also expects to see some of the investment in growth made over the past 18 months to translate into profit. The FY24 revenue target of between \$90 million and \$100 million is based on the continuing high level of market activity, investment to support growth in the business and the many milestones achieved in FY23.

~ ENDS ~

Approved for release by the Board of SKS Technologies Group.

**Further Information**

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**About SKS Technologies Group Limited (ASX: SKS)**

SKS Technologies delivers advanced technology through digital transformation via creative design and installation of converged AV/IT, electrical and communication networking solutions nationally.

