

DUG Technology

Significant boost to order intake in H225

DUG Technology's FY25 results confirmed that order intake stepped up in H225, with intake of \$45.7m 131% higher half-on-half, resulting in a record order book of \$52m at the end of the year. While revenue came in marginally below our forecasts, EBITDA was stronger, with the margin down only 0.7pp y-o-y despite investment in international expansion during FY25. We have revised our forecasts to reflect the better-than-expected order intake, lifting revenue by 1.2% in FY26 and FY27 and EBITDA by 11.9% and 10.8% respectively.

Year end	Revenue (\$m)	EBITDA (\$m)	PBT (\$m)	EPS (\$)	DPS (\$)	EV/EBITDA (x)	P/E (x)
6/24	65.5	16.6	8.0	0.02	0.00	9.2	44.0
6/25	62.6	15.4	(1.4)	(0.03)	0.00	9.8	N/A
6/26e	74.7	23.6	7.0	0.04	0.00	6.4	27.8
6/27e	82.6	27.1	11.1	0.06	0.00	5.6	17.5

Note: EPS is diluted.

H225 performance a step up from H125

DUG reported a 4.5% revenue decline for FY25, which masks the revenue improvement in H225. Revenue split out at as \$28.8m in H125 (-4.1% y-o-y) and \$33.8m in H225 (-4.7% y-o-y) and EBITDA as \$5.2m in H125 (margin 18.1%) and \$10.2m in H225 (margin 30.3%). Order intake of \$45.7m in H225 compared to \$19.8m in H125, resulting in an order backlog of \$52.0m at year-end (+42.4% y-o-y, +58.1% h-o-h). A high proportion of this was received in the last quarter so had minimal impact on revenue in H225. The company noted that the newer offices in Brazil and Abu Dhabi had started generating their own business and that several elastic multi-parameter full waveform inversion (eMP-FWI) pilot projects had converted to production orders.

Good order coverage entering FY26

With the stronger order backlog at the start of FY26, we have upgraded our revenue forecasts for FY26 and FY27. We have taken a conservative approach, assuming that the ability to deliver the projects will be influenced by staff and HPC asset utilisation, and the average length of projects will be determined by the mix of technology used (eg acoustic/elastic MP-FWI versus traditional processing). We maintain our capex forecasts for our revised revenue forecast profile and note that faster delivery of projects could require increased investment in HPC. The higher revenue forecasts and lower-than-expected cost base entering FY26 result in upgrades to our EBITDA forecasts of 11.9% in FY26 and 10.8% in FY27.

Valuation: Not reflecting growth potential

Based on our revised FY27 forecasts, a WACC of 9.6% and a long-term growth rate of 2%, using a reverse discounted cash flow analysis we estimate the share price is only factoring in modest growth of 4% for FY28–35 and a drop in the EBITDA margin to 28%. Using still conservative growth of 5% for FY28–35 and a margin of 32.8% over the same period (flat versus FY27), we estimate that the valuation would increase to A\$2.15/share. This does not include any contribution from DUG Cool (revenue would drop through at a close to 100% margin) or DUG Nomad.

FY25 results

Software and comp services

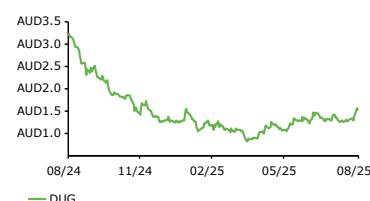
27 August 2025

Price AUD1.540
Market cap AUD207m

US\$0.64/A\$

Net cash/(debt) at end FY25 \$(17.4)m
Shares in issue 134.7m
Free float 79.1%
Code DUG
Primary exchange ASX
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	9.5	29.0	(52.3)
52-week high/low	AUD3.3		AUD0.9

Business description

DUG Technology provides geoscience data analysis, imaging and interpretation services and software, as well as high-performance computing-as-a-service (HPCaaS).

Next events

Q126 business update End October

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Review of FY25 results

In Exhibit 1 we summarise FY25 performance. Revenue came in slightly below our forecast, with Services and Software slightly below and HPCaaS slightly higher than expected. However, EBITDA came in 7.8% ahead of our forecast. The main differences were higher R&D grant income (\$3.5m vs \$2.8m), lower employee costs (\$32.1m vs \$32.7m) and lower other costs (\$18.6m vs \$19.4m). This resulted in an EBITDA margin of 24.7%, only 0.7pp lower than the prior year. The company incurred a tax charge of \$3.0m compared to our forecast for a tax credit of \$0.7m, which resulted in a larger-than-expected net loss and loss per share. Operating cash flow was \$4.1m lower than we forecast due to higher working capital requirements. While capex was in line with our expectations, asset finance liabilities at year-end were higher than we had forecast, resulting in a higher-than-expected net debt position. Excluding leases for property and global connectivity, the company had a net debt position of \$3.9m at year-end, compared to \$14.5m at the end of FY24.

Exhibit 1: FY25 results highlights

		FY24a	FY25e	FY25a	Change	y-o-y
Revenues	\$m	65.5	63.6	62.6	-1.6%	-4.5%
EBITDA	\$m	16.6	14.3	15.4	7.8%	-7.0%
EBITDA margin		25.4%	22.5%	24.7%	2.2pp	-0.7pp
Reported operating profit	\$m	9.3	1.6	2.6	60.4%	-72.4%
Reported operating margin		14.2%	2.5%	4.1%	1.6pp	-10.1pp
Reported PBT	\$m	8.0	(2.4)	(1.4)	-41.1%	-118.0%
Reported net income	\$m	2.8	(1.8)	(3.9)	114.5%	-240.6%
Reported basic EPS	\$	0.023	(0.015)	(0.030)	106.2%	-228.5%
Reported diluted EPS	\$	0.023	(0.015)	(0.030)	106.2%	-232.6%
Net debt/(cash)	\$m	25.7	11.0	17.4	58.6%	-32.2%
Revenues						
Services	\$m	54.7	52.6	51.9	-1.3%	-5.3%
Software	\$m	7.4	8.9	8.3	-6.0%	12.8%
HPCaaS	\$m	3.4	2.2	2.4	10.4%	-29.3%
Services order book	\$m	36.5	37.0	52.0	40.4%	42.4%
Services order intake	\$m	67.4	52.0	65.5	25.9%	-2.9%

Source: DUG, Edison Investment Research

Significant pick up in services project awards in H225

DUG closed the year with a record order book worth \$52.0m, up 58% versus H125 and 42% y-o-y, as it was awarded services projects worth \$45.7m in H225, up from \$19.8m in H125. For the year, order intake of \$65.5m was only 2.9% below the record level of the prior year and was significantly ahead of our forecast. Management noted that more than half of H2 orders and the year-end order book were for MP-FWI projects. The vast majority of the order book is scheduled for delivery in FY26.

The company noted that its investment in international expansion has helped: its sales office in Brazil has resulted in one in-house project there and the new office in Abu Dhabi has already generated its own orders.

DUG's eMP-FWI technology was launched in August 2024 and customers have undertaken eight pilot projects since then, two of which are still underway in the Middle East. Several orders have since been received from pilot customers.

As previously reported, DUG Nomad made its first sale in June; the unit is expected to ship in H126 at which point revenue recognition can begin. The company is building a pipeline for this business.

Progress with deploying capital raise proceeds

In October 2024, the company raised gross proceeds of A\$31.4m. We discuss below how the company is spending these proceeds across the three target areas:

- **Data centre infrastructure upgrades, A\$19.0m:** designs have been completed and the planning and tendering phase is underway. The longest lead time components have already been ordered.
- **Middle East expansion, A\$6.5m:** the Abu Dhabi office fit out is complete with the team due to move in imminently. The technical team is now productively working on local projects.
- **DUG Nomad, A\$3.0m:** the Malaysian supply chain has been established and the first sale has been made.

Outlook and changes to forecasts

We have revised our forecasts to reflect the FY25 results and, in particular, the higher order book at year-end. We assume that orders moderate in H126 (compared to H225) before starting to grow again in H127, equating to order growth of 5% in FY26 and 8% in FY27. The pace at which orders are fulfilled will depend on staff and HPC availability; we have taken a conservative view of how quickly the projects can be completed resulting in higher order book coverage over the forecast period. Higher revenue combined with lower operating costs drive our EBITDA, operating profit and EPS upgrades.

Exhibit 2: Changes to forecasts

		FY26e Old	FY26e New	Change	y-o-y	FY27e Old	FY27e New	Change
Revenues	\$m	73.8	74.7	1.2%	19.3%	81.6	82.6	1.2%
EBITDA	\$m	21.1	23.6	11.9%	52.8%	24.5	27.1	10.8%
EBITDA margin		28.6%	31.6%	3.0pp	6.9pp	30.0%	32.8%	2.9pp
Reported operating profit	\$m	8.4	10.7	28.0%	317.4%	11.8	14.2	21.2%
Reported operating margin		11.4%	14.4%	3.0pp	10.3pp	14.4%	17.2%	2.8pp
Reported PBT	\$m	4.9	7.0	43.9%	N/A	9.0	11.1	24.4%
Reported net income	\$m	3.4	4.9	43.9%	N/A	6.3	7.8	24.4%
Reported basic EPS	\$	0.026	0.037	43.6%	N/A	0.047	0.059	24.2%
Reported diluted EPS	\$	0.025	0.036	43.6%	N/A	0.046	0.057	24.2%
Net debt/(cash)	\$m	5.5	10.8	96.3%	-37.8%	(4.5)	(0.0)	-99.2%
Revenues								
Services	\$m	61.3	62.6	2.2%	20.8%	68.0	69.5	2.2%
Software	\$m	10.2	9.6	-6.0%	15.0%	11.2	10.5	-6.0%
HPCaaS	\$m	2.3	2.5	8.3%	3.0%	2.4	2.5	6.2%
Services order book	\$m	41.8	57.9	38.7%	11.4%	46.5	62.2	33.6%
Services order intake	\$m	66.0	68.6	3.8%	4.7%	72.8	73.8	1.3%

Source: Edison Investment Research

Exhibit 3: Financial summary

\$'m	2020	2021	2022	2023	2024	2025	2026e	2027e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue	45.3	38.5	33.8	50.9	65.5	62.6	74.7	82.6
EBITDA	9.6	(1.7)	2.8	15.1	16.6	15.4	23.6	27.1
Normalised operating profit	0.6	(9.1)	(4.9)	8.6	9.3	2.6	10.7	14.2
Amortisation of acquired intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit	0.6	(9.1)	(4.9)	8.6	9.3	2.6	10.7	14.2
Net Interest	(7.1)	(3.8)	(1.6)	(1.2)	(1.3)	(4.0)	(3.7)	(3.1)
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(6.5)	(12.9)	(6.5)	7.5	8.0	(1.4)	7.0	11.1
Profit Before Tax (reported)	(6.5)	(12.9)	(6.5)	7.5	8.0	(1.4)	7.0	11.1
Reported tax	(5.1)	(3.0)	(2.8)	(2.5)	(4.7)	(3.0)	(2.1)	(3.3)
Profit After Tax (norm)	(11.7)	(15.9)	(9.3)	4.9	3.3	(4.4)	4.9	7.8
Profit After Tax (reported)	(11.7)	(15.9)	(9.3)	4.9	3.3	(4.4)	4.9	7.8
Minority interests	(0.0)	(0.1)	0.1	0.1	(0.6)	0.5	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	(11.7)	(16.0)	(9.2)	5.0	2.8	(3.9)	4.9	7.8
Net income (reported)	(11.7)	(16.0)	(9.2)	5.0	2.8	(3.9)	4.9	7.8
Basic average number of shares outstanding (m)	63	96	114	118	118	129	133	133
EPS - basic normalised (\$)	(0.185)	(0.166)	(0.081)	0.042	0.023	(0.030)	0.037	0.059
EPS - normalised fully diluted (\$)	(0.185)	(0.166)	(0.081)	0.041	0.023	(0.030)	0.036	0.057
EPS - basic reported (\$)	(0.185)	(0.166)	(0.081)	0.042	0.023	(0.030)	0.037	0.059
Dividend (\$)	0	0	0	0	0	0	0	0
Revenue growth (%)	(13.0)	(15.2)	(12.2)	50.9	28.6	(4.5)	19.3	10.6
EBITDA Margin (%)	21.1	(4.5)	8.3	29.6	25.4	24.7	31.6	32.8
Normalised Operating Margin (%)	1.3	(23.8)	(14.5)	17.0	14.2	4.1	14.4	17.2
BALANCE SHEET								
Fixed Assets	38.9	38.3	29.5	28.7	56.3	55.4	51.1	46.9
Intangible Assets	0.3	0.5	0.5	0.6	0.6	0.5	0.6	0.6
Tangible Assets	37.9	37.1	28.9	27.9	52.5	51.7	47.5	43.2
Investments & other	0.7	0.7	0.0	0.2	3.2	3.1	3.1	3.1
Current Assets	21.2	17.7	9.5	18.4	23.8	36.1	35.6	37.4
Stocks	0.5	0.8	0.3	2.6	4.3	4.3	4.3	4.3
Debtors	7.2	5.9	4.9	6.6	9.3	11.7	13.9	15.4
Cash & cash equivalents	12.4	10.0	2.7	8.0	9.4	16.4	12.3	12.4
Other	1.1	1.0	1.7	1.2	0.9	3.7	5.1	5.3
Current Liabilities	(26.9)	(26.6)	(9.8)	(15.1)	(25.5)	(21.5)	(22.6)	(23.1)
Creditors	(3.0)	(2.4)	(2.9)	(6.5)	(7.6)	(4.9)	(5.9)	(6.4)
Tax and social security	0.0	0.0	0.0	0.0	(2.4)	0.0	0.0	0.0
Short-term borrowings	(18.5)	(19.9)	(3.6)	(4.6)	(10.6)	(11.2)	(11.2)	(11.2)
Other	(5.4)	(4.3)	(3.3)	(4.0)	(4.8)	(5.4)	(5.4)	(5.4)
Long-Term Liabilities	(40.0)	(15.9)	(13.4)	(11.1)	(24.6)	(22.7)	(12.0)	(1.3)
Long-term borrowings	(39.7)	(15.8)	(13.3)	(10.9)	(24.5)	(22.6)	(11.9)	(1.2)
Other long-term liabilities	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Assets	(6.7)	13.4	15.8	20.9	30.0	47.3	52.2	60.0
Minority interests	(0.0)	0.1	(0.0)	(0.1)	0.5	(0.0)	(0.0)	(0.0)
Shareholders' equity	(6.7)	13.5	15.8	20.8	30.5	47.2	52.2	59.9
CASH FLOW								
Op Cash Flow before WC and tax	9.6	(1.7)	2.8	15.1	16.6	15.4	23.6	27.1
Working capital	0.4	2.0	0.8	0.6	(2.4)	(4.9)	(1.2)	(1.0)
Exceptional & other	(2.6)	(2.3)	(3.9)	(2.3)	(1.9)	(2.2)	(3.5)	(3.5)
Tax	(1.0)	(0.8)	(0.1)	0.1	(0.2)	(2.7)	0.0	0.0
Net operating cash flow	6.3	(2.8)	(0.4)	13.4	12.1	5.6	18.9	22.6
Capex	(3.2)	(6.2)	(1.5)	(3.1)	(31.3)	(8.4)	(8.2)	(8.2)
Acquisitions/disposals	0.0	0.2	0.0	0.1	0.0	0.0	0.0	0.0
Net interest	(2.1)	(2.1)	(1.3)	(1.2)	(1.4)	(4.2)	(3.7)	(3.1)
Equity financing	0.0	17.4	11.7	0.0	5.0	20.2	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Net Cash Flow	1.0	6.5	8.5	9.2	(14.7)	13.2	7.1	11.4
Opening net debt/(cash)	41.5	45.7	25.7	14.2	7.5	25.7	17.4	10.8
FX	0.1	0.0	(0.2)	(0.2)	(0.1)	0.0	0.0	0.0
Other non-cash movements	(5.4)	13.5	3.2	(2.3)	(3.3)	(5.0)	(0.5)	(0.5)
Closing net debt/(cash)	45.7	25.7	14.2	7.5	25.7	17.4	10.8	(0.0)
Closing net debt/(cash) excluding leases	27.2	7.7	1.8	(5.2)	(8.2)	(16.4)	(12.2)	(12.4)

Source: DUG, Edison Investment Research

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