

25 February 2020

Perenti reports strong earnings as it delivers against 2025 strategy

HY20 summary of results

- Revenue of \$1.0 billion, up 5.3%
- Underlying¹ EBITDA of \$222.0 million, up 10.6%
- Underlying¹ EBIT(A) of \$111.0 million, up 7.7%
- Underlying¹ NPAT(A) of \$60.1 million, down 7.0% (due primarily to normalised taxation expense in HY20)
- Statutory NPAT(A) of \$57.5 million and NPAT of \$38.2 million
- Earnings driven by strong performance in underground mining and solid surface mining result in Australia, offset by unsatisfactory performance in surface mining in Africa
- Continued focus on capital discipline delivered a ROACE of 16.1%
- Strong operating cash flow of A\$104 million
- Group well positioned financially, with proforma net leverage of 1.4x (1.3x excluding AASB16) and gearing of 31%
- Cash flow and robust balance sheet supports fully franked interim dividend of 3.5 cents per share
- Work in hand of \$5.7 billion at 31 December 2019, with more than \$750 million in contract extensions and new work secured since 1 July 2019
- Work in hand underpins most recent FY20 underlying NPAT(A) guidance of \$115-\$120 million, compared with \$103.1m underlying NPAT(A) in FY19

Perenti has delivered a strong result in HY20, with the Company on track to meet its most recent FY20 earnings guidance. Perenti Managing Director Mark Norwell said the HY20 results demonstrated the diversity and resilience of the expanded Group.

“At a Group level our underlying earnings were strong, which was an impressive achievement, given the challenges in African Mining Services (AMS), demonstrating the breadth of Perenti’s portfolio,” Mr Norwell said.

“Perenti’s underground mining business, across Australia and Africa, performed exceptionally well, with earnings growing by more than one-third over the prior corresponding period as we successfully integrated Barmenco into the Perenti group.

“Meanwhile, in our surface mining business, our Ausdrill operations in Australia performed in line with expectations but our AMS operations in Africa delivered an unsatisfactory result that impacted Group earnings.

¹ HY20 Underlying excludes amortisation and any non-recurring underlying items. See a reconciliation between statutory and underlying on page 2

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“A key focus of our 2025 Group strategy has been on the transformation of AMS, with a range of initiatives underway including enhanced earnings, cash conversion, and efficient capital management.

“In addition to the AMS transformation initiative, a strategic review of AMS has now commenced that will thoroughly assess the business more broadly.

“In November, 19 of our employees tragically lost their lives and a further 26 were injured as a result of an unprecedented terrorist attack in Burkina Faso.

“In response, we reassessed where and how we operate, with Perenti ceasing operations in Burkina Faso’s higher risk locations given the current security situation. We also continue to do everything possible to ensure that all injured employees, work colleagues and impacted families are receiving the best possible care and support.”

Financial results

Key elements of Perenti’s results are as follows:

| 6 months to Dec 19 - \$million | Revenue | EBITDA | EBIT | NPAT |
|---|----------------|--------------|--------------|-------------|
| Statutory Results | 1,006.9 | 216.7 | 86.4 | 38.2 |
| Non-cash amortisation of intangibles | - | - | 19.3 | 19.3 |
| Statutory Results before amortisation | 1,006.9 | 216.7 | 105.7 | 57.5 |
| Transaction and other one-off costs | - | 3.0 | 3.0 | 3.0 |
| Foreign exchange (loss)/(gain), net | - | 1.4 | 1.4 | 1.4 |
| Gain on sale of Connector | - | (2.4) | (2.4) | (2.4) |
| Boungou/Bissa project cessation one-off costs | - | 3.3 | 3.3 | 3.3 |
| Net tax effect | - | - | - | (0.4) |
| Minority profits | - | - | - | (2.2) |
| Underlying² Results | 1,006.9 | 222.0 | 111.0 | 60.1 |

² HY20 Underlying excludes amortisation and any non-underlying items as disclosed in the table above. See slide 15 and 31 of Perenti’s HY20 investor presentation for further details.

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Perenti Global Limited ABN 95 009 211 474 (ASX: PRN) (Perenti)

perentigroup.com

Perenti is a diversified global mining services group with businesses in surface mining, underground mining and mining support services. The Group was founded in Kalgoorlie in 1987 and is today one of the world’s largest companies providing surface and underground mining at scale. Headquartered in Australia, Perenti has operations and offices in 13 countries across four continents, employs around 8,000 mining professionals and is creating enduring value and certainty for clients on some of the world’s largest mining projects.

| 6 months to Dec 18 - \$million | Revenue | EBITDA | EBIT | NPAT |
|---|--------------|--------------|--------------|--------------|
| Statutory Results | 624.4 | 284.1 | 213.7 | 217.0 |
| Non-cash amortisation of intangibles | - | - | 6.8 | 6.8 |
| Statutory Results before amortisation | 624.4 | 284.1 | 220.5 | 223.8 |
| 50% AUMS step acquisition gains | - | (198.4) | (198.4) | (198.4) |
| Transaction and other one-off costs | - | 13.9 | 13.9 | 13.9 |
| Non-cash asset impairment | - | 31.2 | 31.2 | 31.2 |
| Foreign exchange (loss)/gain, net | - | (0.3) | (0.3) | (0.3) |
| Taxation Benefits | - | - | - | (30.7) |
| Underlying³ Results | 624.4 | 130.6 | 66.9 | 39.5 |
| AUMS and Barmenco (4-month pre-acquisition - net of equity accounted profit, transaction costs, capital structure and tax impact) | 331.5 | 70.2 | 36.3 | 25.2 |
| Proforma⁴ Results | 955.9 | 200.7 | 103.1 | 64.6 |

Group statutory NPAT was \$38.2 million in HY20 (HY19: \$217.0 million). As disclosed in the Company's announcement on 20 February 2019, Perenti's HY19 result was enhanced by a significant uplift from one-off, non-cash items relating to the accounting treatment of the acquisition of Barmenco and its share of AUMS, which was completed on 1 November 2018.

Perenti Chief Financial Officer Peter Bryant said "Given the significant impact of the Barmenco acquisition on the HY19 results which saw a one off accounting gain of approximately \$200 million booked, this makes the comparison of statutory results for HY20 and HY19 potentially misleading and it is imperative that the underlying pro forma results are used to compare the performance of the business."

The proforma underlying results – which remove the impact of amortisation and non-underlying items and assumes the Group had owned Barmenco from 1 July 2018 – provide a more accurate like-for-like comparison. On this measure, Perenti reported HY20 underlying NPAT of \$60.1 million (HY19: \$64.6 million), with HY20 impacted by normalised taxation expense, and grew underlying EBIT (HY20: \$111.0 million, HY19: \$103.1 million) and underlying EBITDA (HY20: \$222.0 million, HY19: \$200.7 million).

Perenti grew its revenue by 5.3% over the prior corresponding period, driven by new work and scope increases at existing projects. Pleasingly, this revenue growth was achieved in tandem with increasing Group EBITDA margin.

Balance sheet

Perenti has a robust balance sheet that positions the Group well to deliver on recently awarded projects and the initiatives targeted under the 2025 Group strategy, including targeting organic growth and regional and service expansion opportunities.

³ HY19 Underlying excludes amortisation and any non-underlying items as detailed in the table. See slide 32 and 33 of Perenti's HY20 investor presentation for further details.

⁴ Proforma assumes Perenti owned Barmenco and 100 per cent of AUMS for the full 6-month period to 31 December 2018. See slide 32 and 33 of Perenti's HY20 investor presentation for further details.

Perenti ended HY20 with cash reserves of \$243.7 million, with the Group proforma leverage ratio at 1.4x⁵ (30 June 2019: 1.3x). In addition, Perenti successfully upsized its \$300 million revolving credit facilities to \$400 million, maturing 1 July 2023.

The Company's credit ratings remain stable at Ba2 and BB by Moody's Investor Services and Standard and Poor's respectively.

Dividend

The continued improved performance of the Group has resulted in the Directors declaring an interim dividend of 3.5 cents per share for the half year ended 31 December 2019.

The fully franked dividend will have a record date of 11 March 2020 and will be paid to Perenti shareholders on 25 March 2020.

Outlook and Strategy

Mr Norwell said Perenti was focused on ongoing operational excellence for its clients as the Company continues to deliver on its \$5.7 billion work in hand⁶.

"The contracts required to deliver our most recent FY20 guidance are already in place so our focus is to ensure we continue to deliver for our clients," Mr Norwell said.

"We are also focused on advancing a key set of priorities set out under our 2025 Group strategy. Initiatives in addition to transforming AMS include regional and service expansion, investing in technology, progressing our portfolio review, and growing organically.

"Our regional expansion is aimed at building on our existing capabilities, having greater diversification to manage risk, and delivering more value and certainty to our shareholders. We are taking significant steps in our underground expansion, securing a \$800 million Zone 5 contract in Botswana in mid-2019, and we are also targeting work with a tier one mining company in Canada.

"Our service expansion is focused on developing our surface mining capability that can be used to enter new jurisdictions. This includes considering select strategic opportunities that align with our investment criteria and are value-accretive and complementary to our existing capabilities. Downer's mining services division fits within our assessment criteria and this process is ongoing, however we will only proceed with a transaction if we can agree terms that represent value for Perenti shareholders.

"Our organic growth opportunities are strong, with a pipeline of \$7.0 billion in work across more than 34 projects scheduled to be awarded over the next 36 months. This pipeline is particularly attractive as it is across a diverse mix of geographies and commodities at both surface and underground projects for new and existing clients.

"Pleasingly, we have already secured more than \$750 million in contract extensions and new work since 1 July 2019, including more than \$550 million in new and extended contracts for our surface mining division that adds to our \$200 million underground contract at the Savannah Project.

⁵ Including \$48.6 million operating leases recognised as right of use liabilities as part of AASB16

⁶ See slide 29 and 35 of Perenti's HY20 investor presentation for further details.

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“Above all, in addition to the safety and wellbeing of our workforce, our focus is on ensuring we maintain strong capital discipline, achieve our targeted returns on capital employed and cash conversion, and have the balance sheet flexibility to deliver on our 2025 Group strategy.”

For and on behalf of Perenti
Mark Norwell
Group Managing Director and CEO

-ENDS-

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