28 August 2019

Perenti delivers on transformational year, forecasts growth in FY20

FY19 Summary of results

- Proforma[1] revenue of $1.970 billion, up 14.2% (statutory revenue of $1.638 billion, up 89.1%)
- Proforma[1] underlying[2] EBIT of $217.0 million, up 15.4% (statutory EBIT of $207.2 million, up 101%)
- Underlying[2] net profit after tax (before amortisation) of $103.1 million, up on guidance of $98.0 million
- Statutory net profit after tax of $181.3 million[3]
- Strong conversion of earnings into cash, with EBITDA cash conversion of 89% delivering an operating cash flow before interest and tax of $298.2 million
- Group well positioned, with net leverage of 1.3x and gearing of 27.4%
- Fully franked final dividend of 3.5 cents, bringing the full-year dividend to 7.0 cents per share
- Successful acquisition and integration of leading underground mining contractor, Barminco
- Implemented the 2025 Group Strategy, with three key service offerings – Surface Mining, Underground Mining, and Investments – operating under a new Group brand, Perenti
- Secured more than $3.4 billion in new and extended contracts since 1 July 2018[4]
- Order book of $7.0 billion[5] and strong tender pipeline of $8.5 billion[6]
- Perenti is targeting an underlying NPAT(A) for FY20 of around $140 million on the assumption that the positive market, and global and regional conditions remain favorable

Diversified mining services company Ausdrill Limited trading as Perenti Global (ASX: ASL) (**Perenti**) has delivered a strong result, outperforming earnings guidance for the third consecutive year whilst successfully completing the acquisition of underground mining contractor Barminco that has transformed the business.

[1] Proforma assumes Perenti owned Barminco and 100 per cent of AUMS for the full 12-month period in FY19. See Page 2 for further explanation and reconciliation to statutory results
[2] Underlying excludes significant, one-off items incurred during FY19
[3] Refers to the net profit after tax attributable to members
[4] Includes contracts secured by Barminco prior to finalisation of the acquisition of Barminco
[5] Order book is remaining aggregate contract value between 30 June 2019 – 30 Nov 2026 excluding uncontracted external sales revenue for equipment part sales. The order book is based on monthly run-rate revenue, assuming that the contract continues to completion (including contractual extension options), without assuming any renewals and assuming contractual rates remain constant and there are no significant work stoppages or interruptions in production. US$ revenues are converted using an exchange rate of US$0.7021:A$1
[6] Pipeline is based on projects which management anticipates may generate an opportunity to tender for a mining services contract that commences in the next 24 months. About 17% of the pipeline is with existing customers and the projects are predominantly located in existing countries of operation. Pipeline is based on management estimates of revenue opportunities if all of these contracts were put to tender on terms consistent with management's experience. US$ revenues are converted using an exchange rate of US$0.7021:A$1

6-12 Uppsala Place
Canning Vale 6155
PO Box 1540
Canning Vale DC WA 6970
T +61 8 9311 5666
info@perentigroup.com

Ausdrill Limited trading as Perenti Global
ABN 95 009 211 474

Perenti Managing Director and CEO Mark Norwell said the FY19 results demonstrated the scale of the Group's transformation during the year.

"This strong result demonstrates our ability to continue to deliver for our clients in the year whilst ensuring we successfully integrated the Barminco business," Mr Norwell said.

"We have evolved from an Australian drilling business into a global mining services company, with a workforce of more than 8,000 people working at more than 50 projects across four continents.

"We have used this transformational year to build on our proud heritage by establishing a new operating model and implementing the 2025 Group strategy, with our aspiration to become the indispensable mining services company.

"Our recent group rebrand to Perenti gives us a strong and identifiable brand in the market and a platform to grow our business in the future while the evolution of our tagline to *Expect More* supports our aspiration and purpose, underling our commitment to deliver for all our stakeholders.

"With a strong balance sheet and an order book that has grown to $7.0 billion after securing $3.4 billion in new and extended contracts since 1 July 2018, Perenti is well positioned for growth in FY20."

Financial results

Key elements of Perenti's FY19 results are as follows:

	Reported[7]		Underlying[8]		Proforma[9]	
From continuing operations ($million)	FY19	FY18	FY19	FY18	FY19	FY18
Revenue	1,638.4	866.3	1,638.4	866.3	1,969.8	1,724.6
EBITDA	401.0	177.4	345.5	161.7	415.7	356.9
EBIT(A)	207.2	102.8	180.7	87.0	217.0	188.1
NPAT(A)[10]	**210.4**	**59.3**	**103.1**	**43.4**	**128.3**	**104.3**
Reconciliation to Reported NPAT						
Add 50% AUMS step acquisition gains	-	-	198.4	-	198.4	-
Less transaction and one-off costs	-	-	(39.1)	(0.6)	(39.1)	(0.6)
Less non-cash asset impairment	-	-	(113.6)	-	(113.6)	-
Add net foreign exchange gain/loss	-	-	1.0	11.2	1.0	11.2
Less amortisation of intangibles	(29.1)	-	(29.1)	-	(29.1)	-
Add taxation benefit	-	-	60.6	-	60.6	-
Add claim settlement	-	-	-	5.3	-	5.3
Less AUMS and Barminco NPAT	-	-	-	-	(25.2)	(61.5)
Statutory NPAT[10]	**181.3**	**59.3**	**181.3**	**59.3**	**181.3**	**59.3**

[7] Reported results reflect the audited statutory accounts (or, where relating to non-IFRS measures, are derived from those accounts)
[8] Underlying results show the reported results less one-off, non-recurring items. In effect, this is the operating result for the period and includes eight months contribution from Barminco and its additional 50 per cent share in AUMS
[9] Proforma results show the underlying results had Perenti owned Barminco and 100 per cent of AUMS for the full 12 month period in FY19
[10] Refers to the net profit after tax attributable to members

Perenti’s statutory NPAT as reported in the Appendix 4E was $181.3 million. This includes eight months contribution from Barminco, including its 50 per cent share in AUMS after being acquired on 31 October 2018. It also includes a number of non-cash, one-off items summarised in the above table and including the following:

- $198.4 million accounting gain from the revaluation of the Company’s 50 per cent share of AUMS that Perenti owned prior to the acquisition of Barminco
- $39.1 million impact from transaction and one-off costs, largely related to the fees associated with to acquisition
- $113.6 million non-cash impairment related to assets held by the Company, including the $31.2 million relating to the EDA assets that were impaired in the first half of FY19 and $82.4 million impaired in the second half which is within the guidance of $75-$95 million advised to the market on 6 June 2019
- $1.0 million net foreign exchange gain
- $29.1 million non-cash amortisation of intangibles relating to software, customer contracts and relationships
- A $60.6 million taxation benefit that was largely related to the Barminco transaction, recognition of tax losses and non-cash impairments

The proforma results show the underlying results had Perenti owned Barminco and 100 per cent of AUMS for the full 12-month period in FY19, with a comparison to FY18 also provided.

On a proforma basis, and to enable future comparisons, had Barminco been acquired at the start of FY19 proforma revenue would have been $1.970 billion (FY18: $1.725 billion) and underlying proforma NPAT would have been $128.3 million (FY18: $104.3 million). Perenti’s underlying proforma FY19 results best reflect the position of the new Perenti business and enable like-for-like comparisons going forward.

Perenti grew its revenue in FY19 on the back of new work and scope increases at existing projects. This revenue growth was achieved whilst maintaining Group EBITDA margin above 20 per cent. Importantly, Perenti’s earnings also translated into cash, with the Company’s renewed focus on cash backed earnings leading to a significant improvement in cash conversion, as seen with operating cash flow before interest and tax growing to $298.2 million (FY18: $90.9 million), representing an 89 per cent cash conversion over the full year (FY18: 65 per cent, H1 FY19: 78 per cent).

Further details, additional disclosures and important notices and disclaimers are set out in Perenti’s statutory accounts and in the results presentation released today.

Balance sheet

Perenti’s strong financial position ensures the Company is well positioned to fund any newly awarded projects and expand into markets and adjacent services targeted under the 2025 Group strategy. Perenti ended FY19 with cash reserves of $223.5 million. Perenti’s proforma leverage ratio improved slightly at 1.3x (30 June 2018: 1.4x). In addition, Perenti successfully refinanced its $300 million revolving credit facilities on 23 April 2019, extending maturity to 1 July 2023 and at an interest rate lower than the existing facilities.

The Company’s credit ratings were also upgraded in November 2018 by both Moody’s Investor Services and Standard and Poor’s to Ba2 and BB respectively, following completion of the Barminco acquisition.

Dividend

The continued improved performance of the Group has resulted in the Directors declaring a final dividend of 3.5 cents per share for the year ended 30 June 2019, delivering a full-year dividend of 7 cents per share.

The fully franked final dividend will have a record date of 9 October 2019 and will be paid to Perenti shareholders on 23 October 2019.

Outlook

Perenti has entered FY20 with a $7.0 billion order book, underpinning our targeted FY20 NPAT(A) of around $140 million on the assumption that the positive market, and global and regional conditions remain favorable. Perenti also expects an increase in capital expenditure to around $295 million in FY20 to support the delivery of recently awarded contracts and growth across the business.

Perenti Managing Director Mark Norwell said the Company was also targeting a pipeline of $8.5 billion of potential work across more than 40 projects that could be awarded over the next 24 months.

"There is a strong pipeline of work we are targeting, with a good mix across geographies and commodities at both surface and underground projects for new and existing clients," Mr Norwell said.

"We believe there is scope for continued growth in our underground mining operations given the opportunities available, while the focus for our surface mining business is on enhanced earnings from existing projects.

"Meanwhile, our investments business is expected to benefit from growing demand for equipment rental, parts, and services on the back of the mining reinvestment cycle.

"At a Group level, delivery on our strategy will be supported by further strengthening our balance sheet, ensuring we deliver on our targets, and making further investments in our people and systems to support growth.

"In addition, we continue to investigate regional expansion options and further integrating technology into everything we do."

- ENDS –

Investor enquiries:
Engelbert Bets
General Manager – Corporate Finance & Investor Relations
Ausdrill Limited
Tel: +61 8 6350 9113

Media enquiries:
Adrian Watson
Senior Director
FTI Consulting
Tel: +61 8 9321 8533