ASX Release

Perenti

22 February 2022

Perenti delivers solid results in-line with expectations

Key points

- Strong revenue of $1.2 billion supporting an underlying EBITDA of $201.8 million, an underlying EBIT(A) of $80.8 million and an underlying NPAT(A) of $34.9 million, all of which reflect growth on 2H22.
- Statutory NPAT(A) of $41.5 million, up $86.0 million from a statutory NPAT(A) loss of $44.5 million in the prior corresponding period.
- Our committed and determined ~9,000 strong workforce delivered results in-line with expectations through proactive navigation of a challenging operating environment in respect of labour, supply chains and general cost pressures.
- Available liquidity of $539.7 million and net debt of $522.5 million with leverage of 1.3x.
- Updated Capital Management and Dividend Policies with an enhanced focus on liquidity.
- Liberated $85.4 million of cash through the divestment of MinAnalytical, non-core property, and non-core corporate equity holdings.
- Strong cash conversion of 94%.
- Subsequent to the end of the period, *idoba* announced a Memorandum of Understanding between the Sumitomo Corporation and finalised the acquisition of two additional and complementary businesses.
- Work in hand remains strong at $5.7 billion including $1.4 billion of extensions and our $9.5 billion pipeline is geared towards high-margin underground opportunities.
- Perenti has confirmed its FY22 EBIT(A) guidance and increased expected revenue range, notwithstanding that labour constraints and supply pressures are expected to persist through FY22.
- Perenti will continue to progress several initiatives to achieve target leverage of <1.0x in the medium term and will provide further context during the strategy refresh in 2H22.

Perenti (ASX: PRN) has delivered solid financial and operational results for the six months ended 31 December 2021 (“1H22”) that reflect significant revenue growth despite the continued COVID-19 challenges, while progressing the ramp-up of several growth projects and taking proactive portfolio and capital management measures to generate cash and support sustainable leverage reduction.

Mark Norwell, Managing Director and CEO of Perenti, said: “We are pleased with the overall performance of the Group over the last six months. The business has delivered solid consolidated results that show an improvement on the prior half and are consistent with guidance despite the continuation, and in some cases worsening, of macro-economic and operating conditions. Labour has remained tight, supply chains have continued to see disruptions, and the impacts of COVID-19 have arguably worsened both domestically and internationally. Yet despite this, our people have remained resilient which is absolutely appreciated by all of our Executives and the Board. Impressively, we welcomed almost 1,000 additional employees into the business, we continued to see improvements in our AMS business reflecting the positive outcomes of our recent strategic review and remained focused on delivering on our commitments while creating enduring value for all stakeholders. Looking ahead to the remainder of FY22, we expect the current macro-economic landscape to persist until the end of FY22 but remain confident in Perenti's ability to continue to deliver on our commitments to our employees, our clients, our suppliers and our shareholders."

Safety and Sustainability

The health and safety of Perenti's people remains our priority. During the six months ending 31 December 2021, the Group's Serious Potential Incident Frequency Rate (SPIFR) continued to decline to 2.6 (down from 2.9 at 30 June 2021), however, the Total Recordable Injury Frequency Rate (TRIFR) was 6.7 (up from 5.1 at 30 June 2021). The increase in TRIFR is predominantly a result of a greater number of low severity muscular skeletal strains and sprains, which correlates with an increase in new entrants to the mining industry due to the tight labour market. Driving continued improvements to our safety performance remains an imperative across our business.

During the period, the Sustainability Committee was established, with Mr Timothy Longstaff elected as the Chair and Ms Alex Atkins and Mr Mark Hine elected as committee members. The Company also released its inaugural statement on Human Rights, initiated our "It's NOT ok" campaign, and released a Position Statement on eliminating sexual harassment.

Financial results

Key elements of Perenti's results are included as Appendix 1 and selected Group underlying financial performance is presented below.

Group underlying results – $ million	1H21	2H21[1]	1H22
Revenue	1,013.4	**1,008.4**	**1,192.4**
EBITDA	200.9	**179.1**	**201.8**
EBIT(A)	93.8	**77.0**	**80.8**
NPAT(A)	44.6	**32.4**	**34.9**
Net debt	540.2	**503.3**	**522.5**
Net leverage	1.3x	**1.3x**	**1.3x**

1) 2H21 metrics as reflected on slides 13 and slide 16 of the 1H22 Investor Presentation.

During the six months ending 31 December 2021, revenue was $1,192.4 million supported by several underground and surface growth projects.

The Group delivered operating cash flow (before interest and tax) of $190.4 million, representing an EBITDA to operating cash flow conversion of 94% (1H21: 92%).

EBITDA for the period was $201.8 and EBIT(A) was $80.8 million, down 14% against the prior comparable period ("pcp") but in-line with the preceding immediate six-month period and guidance. This result reflects a consecutive period of growth from the surface business, underpinned by continued improved earnings from AMS, offset by the impact of ramp-up profiles of several growth projects combined with labour constraints and supply pressures across the Australian underground business, particularly Agnew and Dugald River.

Group EBIT(A) margin was 6.8%. During the period, the group experienced margin compression driven by several factors, including several projects in the ramp-up phase and delivering lower than steady state margins, the rebalance of the portfolio towards Southern Africa, Australia and North America resulting in comparatively moderated margins (against a significantly lower risk profile) and an external environment that continues to be

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challenged by COVID-19, labour constraints and supply chain pressures as well as general inflationary cost pressures. Perenti continues to manage these headwinds and ultimately expects to progressively improve margins.

Net interest expense was $24.9 million and the effective tax rate was 31% both of which were in-line with 1H21.

Underlying Net Profit After Tax (before amortisation) was $34.9 million on lower EBIT(A). Statutory NPAT(A) was $41.5 million, up $86.0 million compared to 1H21 reflecting a significant reduction in one-off items.

During 1H22, Perenti commenced the transition out of the Sukari underground project in Egypt including supporting the client to facilitate a smooth transition from contract miner to owner-operator. As a result, Perenti recognised a one-off NPAT(A) impairment of $23.2 million for customer related intangibles associated with the Sukari project. Perenti has $18.0 million of Sukari related inventory, plant, property, and equipment, held as assets for sale on the balance sheet. The sale of these assets was finalised in February 2022 and the exit process is expected to be completed in 2H22.

As announced on 17 December 2021, Perenti divested its assay business MinAnalytical and non-core assets, including property and corporate equity holdings. Total cash consideration received was $85.4 million generating a profit on sale that was offset against existing tax losses.

Perenti maintained its strong balance sheet position with available liquidity of $539.7 million including cash of $258.9 million and undrawn revolving credit facilities of $280.8 million. Net capital expenditure over the period was $184.8 million, which includes stay in business capital of $98.8 million and $122.2 million of growth capital, partially offset by $36.2 million from the proceeds of sale of plant, property and equipment. Net debt increased to $522.5 million resulting in gearing of 28% and a leverage ratio of 1.3x. Leverage was below the forecast range of between 1.5x and 1.6x due to the timing of expected capital spend, the proactive management of working capital, and stronger than forecast cash conversion but is expected to be in this range at the year-end.

In-line with the principles outlined in the recently released Capital Management Policy, capital prioritisation will focus on reducing leverage, targeting a leverage ratio (Net debt to underlying EBITDA) of <1.0x in the medium term. Accordingly, as outlined in the updated Dividend Policy, given current leverage forecasts a dividend was not declared and Perenti does not anticipate declaring dividends in FY22.

During the period, the Australian dollar to US dollar exchange rate was 0.73, in-line with 1H21.

Subsequent to the end of the period, Perenti announced a Memorandum of Understanding between *idoba* and Sumitomo Corporation for the co-creation and joint development of mining technology driven services towards the realisation of sustainable mining. Furthermore, Perenti announced the completion of the strategic acquisition of two additional and complementary businesses, Orelogy and Atomorphis.

Strategy and outlook

During the period, Perenti commenced a process of refreshing the 2025 Strategy and will provide an update in 2H22. While details of the refreshed strategy are yet to be finalised, the primary focus areas of the strategy refresh are expected to include:

- an enhanced approach to capital management and allocation;
- continued review of our current portfolio of services, regions and businesses;
- the utilisation of technology and data to generate insights into the current business and to develop future capital light services; and

- optimised business performance and improved free cash flow to create sustainable shareholder value.

At the end of the period, Perenti's work in hand stood at $5.7 billion, including $1.4 billion of contract extension opportunities. Perenti's organic growth pipeline of $9.5 billion reflects a geographic focus on lower risk jurisdictions, stronger focus on capital efficiency and a greater emphasis on high-margin underground projects.

2H22 financial and operational performance is expected to be stronger when compared to 1H22 as growth projects continue to ramp-up and deliver stronger earnings, including Zone 5, Iduapriem and Savannah. Financial performance at both Agnew and Dugald River are expected to improve and a stronger BTP sales pipeline is expected to contribute to stronger earnings within 2H22.

As a result of thorough forecasting, Perenti has updated its FY22 revenue guidance. Revenue is now forecast at between $2.2 billion and $2.4 billion. EBIT(A) guidance remains unchanged at between $165 million and $185 million due to the expected continuation of labour and supply constraints impacting margins throughout FY22. This FY22 guidance assumes no further worsening of the impacts of COVID-19.

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APPENDIX 1

First half ended 31 December 2021 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results[1]	**1,192.4**	**201.8**	**80.8**	**34.9**
Add non-recurring items below				
Transaction, restructuring cost and other	-	(4.1)	(4.1)	(4.1)
Non-cash impairment of customer related intangibles	-	(23.2)	(23.2)	(23.2)
Gain on disposal of business	-	29.3	29.3	29.3
Net foreign exchange (loss)/gain	-	(1.0)	(1.0)	(1.0)
Net tax effect	-	-	-	3.5
Non-controlling interest	-	-	-	2.1
Statutory Results after amortisation add back	**1,192.4**	**202.8**	**81.9**	**41.5**
Non-cash amortisation of intangibles	-	-	(14.8)	(14.8)
Statutory Results	**1,192.4**	**202.8**	**67.0**	**26.7**

First half ended 31 December 2020 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**1,013.4**	**200.9**	**93.8**	**44.6**
Add non-recurring items below				
Implementation of AMS Strategic Review	42.8	(80.0)	(88.1)	(88.1)
USD bond redemption premium	-	-	-	(8.1)
One-off transaction and redundancy costs	-	(2.0)	(2.0)	(2.7)
Net foreign exchange (loss)/gain	-	(0.9)	(0.9)	(0.9)
Net tax effect	-	-	-	9.1
Non-controlling interest	-	-	-	1.6
Statutory Results after amortisation add back	**1,056.2**	**118.0**	**2.8**	**(44.5)**
Non-cash amortisation of intangibles	-	-	(19.3)	(19.3)
Statutory Results	**1,056.2**	**118.0**	**(16.5)**	**(63.8)**

(1) Underlying results excludes any non-recurring items as disclosed in the table above. See slide 14 of Perenti's 1H22 investor presentation for further details.

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