Perenti

24 February 2025

Strong half year result positions Perenti on target for FY25 guidance

Key points

- Revenue of $1,730 million, a 6% increase on 1H24 setting a new half year record.
- Underlying EBIT(A) of $155 million, a 3% increase on 1H24 and on track to meet FY25 guidance.
- Underlying NPAT(A) of $82 million, a 4% increase on 1H24.
- Statutory NPAT of $64 million, a decrease on 1H24 due to the $29 million non-cash gain on acquisition of DDH1 recognised in the 1H24 period.
- Free cash flow[1] of $(11.8) million at 31 December 2024, prior to receipt of late debtors in early January 2025.
- Adjusted free cash flow[2] of $30.6 million in 1H25 and forecast to deliver greater than $150 million in FY25.
- Declaration of a 3.0c per share interim dividend, an increase from 2.0c per share in 1H24, demonstrates confidence in strong cash generation for FY25 and beyond.
- On-market buy back continued during 1H25, purchasing and cancelling ~1.3% of shares of issue.
- Completion of a partial redemption of the 2025 expiry US senior notes ($USD100M).
- FY25 guidance reaffirmed:
    - Revenue between $3.4 billion and $3.6 billion;
    - EBIT(A) of $325 million to $345 million;
    - Leverage of between 0.6x to 0.7x;
    - Net capital expenditure of ~$330 million;
    - Free cash flow greater than $150 million.

Perenti Limited (ASX: PRN) (‘Perenti’ or ‘the Company’) has delivered interim financial results in-line with our internal expectations, positioning the Company to meet full year guidance in FY25. The strength of existing work in hand was demonstrated by revenue for the first half exceeding the prior half and establishing a new record.

As guided to the market after the full year results in August 2024, the first half result for FY25 was expected to deliver a lower percentage of operating cash flow and lower EBIT(A) than the second half. This skew was further exacerbated by the late receipt of $42.4 million of debtors subsequently paid in early January 2025. The Board and Management remain confident in the strong free cash flow of the underlying business and improving outlook across all divisions. This enabled the declaration of a 3.0c per share interim dividend, compared to 2.0c per share paid at the end of the previous corresponding period.

[1] Free cash flow is defined as net cash inflow from operating activities after interest, tax and net of all capital expenditure.
[2] Adjusted free cash flow includes the receipt of $42.4 million of late debtors in early January 2025.

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Mark Norwell, Managing Director & CEO of Perenti, said: "At Perenti we continue to demonstrate the strength and resilience of our business model to generate consistent cash-backed returns through fluctuations in commodity and market cycles.

"This resilience comes from establishing a global and diversified portfolio of mining services and our scale, particularly in underground mining and drilling. The strong free cash flow generated by Contract Mining and Drilling Services has allowed the reduction of gross debt during the period, ongoing share buybacks and the declaration of an increased interim dividend.

"The Drilling Services division, formed in FY24 from the combination of Ausdrill and the four DDH1 businesses, is now showing clear cost synergies, in addition to the cash tax synergies. The increased scale of the division is evident when in December 2024, Perenti Drilling Services was reported to be the second-largest global drilling group when measured by total metres drilled[3]. The division is operating well and is positioned to capitalise on increasing exploration activity expected in the coming months.

"Another example of the advantages of the portfolio approach was seen in Contract Mining, which once again delivered strong performance despite financial underperformance from the Zone 5 underground project in Botswana and the closure of three underground Australian nickel operations during the last 12 months. This reiterates the benefits of both our scale and the commodity agnostic nature of our underground operations. We are not dependant on any single project and the scale of our operations allows reallocation of people and equipment between projects, retaining key employees and reducing capital expenditure requirements.

"Our performance is due to our people, and I am immensely proud of our dedicated teams worldwide who consistently deliver exceptional services to our clients. We prioritise and value the safe and sustainable delivery of our services because we want our people to return safely at the end of every shift. On behalf of the Board and Group Executive, I sincerely thank them for their ongoing contributions.

"Perenti will continue to focus on delivery of value and certainty for all stakeholders. To clearly demonstrate this commitment, we reaffirm our guidance for FY25. We expect to deliver revenue of between $3.4 billion and $3.6 billion; EBIT(A) of $325 million to $345 million; leverage of between 0.6x to 0.7x; net capital expenditure of ~$330 million; and free cash flow greater than $150 million."

Safety Improvements

Our most important responsibility is to ensure the safety of our people. The implementation of safety initiatives continued during the first half of FY25 to build a culture of safety and respect. Safety examples during 1H25 included:

- Increased critical control system checks by line leaders, up 23% pcp.
- Installation of multiple safety systems or trials of new systems including;
    - Roll out of more fatigue monitoring systems in vehicles,
    - A trial automated rod handler truck with drilling services,
    - Real time atmospheric monitoring of gases underground at Sunrise Dam.
- Dedicated safety coaches are now working in the field alongside frontline leaders across all regions in Contract Mining support our leaders.

Beyond these initiatives we continue to progress our assurance activities, training and development of our people and working closely with our clients.

Improving safety systems to deliver a safer workplace is an ongoing task and we are applying a continual learning approach across the group. The safety of our people remains our primary focus, and we continue to drive towards our goal of nil adverse physical and psychological life-changing events.

[3] Reported in Coring Magazine, Edition 29, December 2024

Financial results

For the interim financial period ending 31 December 2024, revenue grew to a record $1.7 billion, led by a strong operational performance from Drilling Services and underpinned by another consistent half year result from Contract Mining.

EBIT(A) was $155 million (up 4.5% on 1H24) and underlying NPAT(A) was $81.7 million, up 4.0% compared to the prior corresponding period.

Group underlying financial performance is presented below.

Group underlying results – $ million	1H24	1H25	YoY Change	
Revenue	1,632.2	1,730.4	▲	6.0%
EBITDA	312.4	322.7	▲	3.3%
EBIT(A)	148.5	155.1	▲	4.5%
NPAT(A)	78.5	81.7	▲	4.0%
Free cash flow	(8.0)	(11.8)	▼	$(3.8)m

Free cash flow, defined as net cash inflow from operating activities after interest, tax and net of all capital expenditure, decreased slightly to $(11.8) million compared to 1H24. The decrease was driven by $42.4 million of expected first half debtor collections received in early January 2025.

Net capital expenditure over the period was $163 million, which is in-line with the expectations for the FY25 forecast of ~$330 million.

The declaration of an interim dividend of 3.0c per share is a clear demonstration of the Board and Management's confidence in the full year forecast and outlook.

In addition to the dividend, Perenti paid $15.9 million for shares under the on market buy-back scheme as part of the capital management strategy.

Net cash outflow from financing activities in 1H25 was $195.2 million compared to a net inflow of $137.2 million in 1H24. The change was predominately due to the partial redemption of $157.5 million of the 2025 US senior notes in December 2024 using surplus cash, and a small draw-down from credit lines. Dividends paid to Perenti shareholders were $37.7 million relating to payment of the final FY24 dividend in October 2024.

Forward Outlook

Perenti's current work in hand is $4.7 billion and the team has visibility on a pipeline of potential work totalling $17.1 billion. This order book includes the recently won Goldrush Underground project for Nevada Gold Mines, representing the first underground contract mining project for Barminco in the USA. This is a milestone achievement for the team that offers significant potential for growth, both within the Nevada Gold Mines operation but also as a demonstration of the operational capability of Barminco in the USA.

This positive outlook for the pipeline and the strength of the underlying business are supported by the reaffirmation of the FY25 guidance.

Authorised by:
The Perenti Board of Directors

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