

23 February 2018

HALF-YEAR FINANCIAL RESULTS TO 31 DEC 2017

Key Points

- Outstanding financial performance
- Profit after tax from continuing operations increased by 163.5%
- Continued improvement in safety performance across the Group
- Sales revenue up 17.9% to \$439.7m
- EBITDA up 40.6% to \$92.2m
- EBIT up 70.9% to \$57.9m
- Basic earnings per share from continuing operations up 140.3% to 10.31 cents per share
- Fully franked interim dividend of 3.5 cents per share
- More than \$400m in new contracts and contract extensions secured since 30 June 2017
- Completion of \$100m institutional equity raising provides significant balance sheet strength and flexibility. Cash reserves of \$218.6m and improved gearing of 17.5%
- On target to meet FY18 guidance of 40% uplift on profit after tax

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has delivered consecutive periods of strong profit growth.

Ausdrill is building momentum, with the Group winning significant new contracts and continuing to focus on costs and business rationalisation.

The Company has delivered an after-tax profit of \$35.3 million from continuing operations for the six months to 31 December 2017, an increase of 163.5% over the prior corresponding period.

Group sales revenue increased by 17.9% to \$439.7 million, with all core divisions delivering increased or stable revenue levels. Reported margins in the Australian business improved on the prior corresponding period, while margins in the African based businesses were in line with expectations with the increased costs of mobilisation and ramp-up of four new mining projects.

EBITDA increased from \$65.6 million in the prior corresponding period to \$92.2 million or by 40.6%. All parts of the business delivered incremental EBITDA.

The EBITDA margin (excluding equity accounted profits) increased from 15.7% in the prior corresponding period to 18.9% but included the benefit of a non-recurring claim settlement totalling \$5.3 million. Excluding the benefit of this claim, the underlying EBITDA margin increased to 17.7%.

**BRINGING MORE
TO MINING**

The primary drivers of the increase in EBITDA were the growth in the African surface and underground mining portfolios. The improved margin was driven by increased demand for equipment hire and parts, better portfolio performance by our drilling business, a non-recurring \$5.3 million claim settlement as well as favourable exchange movements. This was partially offset by the ramp-up of new projects in Africa.

EBIT increased from \$33.9 million in the prior corresponding period to \$57.9 million or by 70.9%. The EBIT margin (excluding equity accounted profits) increased from 7.2% in the prior corresponding period to 11.1%. Excluding the benefit of the claim settlement, the underlying EBIT margin increased to 9.9%.

Since 30 June 2017, the Group has secured more than \$400 million in new contracts and contract extensions that will underpin future revenue. This includes contract extensions with Evolution Mining at the Mungari project in Western Australia, AngloGold Ashanti at the Iduapriem gold mine in Ghana and Resolute Mining at the Syama project in Mali; being appointed as Preferred Contractor by Resolute Mining at the Tabakaroni project in Mali extending Ausdrill's relationship for a further 3 years; and the Letter of Intent for a 3-year drill and blast contract for Process Minerals International at the Wodgina lithium mine Western Australia.

Ausdrill's Managing Director, Ron Sayers, said: "The prospects for growth, particularly in Africa, are strong. Tendering activity remains at record levels due to the vast number of opportunities for new projects in Africa. We expect this will translate over time into contracts for both our African Mining Services team as well as our African Underground Mining Services joint venture."

Safety

The Group's commitment to continual improvement in safety performance has resulted in the total number of recordable incidents falling during the period. Ausdrill continues to aim for further improvements in safety performance across all operations.

Balance sheet strength

During the reporting period, the Group completed a \$100 million equity raising which was strongly supported by existing and new institutional investors globally, providing significant balance sheet strength and flexibility.

Net debt decreased by \$60.2 million due to good operational cash flow and receipt of equity raise proceeds which were partially offset by a major investment in capital during the period. Gearing (net debt to net debt plus equity) decreased from 26.0% at 30 June 2017 to 17.5% at 31 December 2017. With cash reserves of \$218.6 million and undrawn debt facilities of \$199.5 million, the Group remains well positioned to fund newly awarded projects and to respond to additional growth and investment opportunities.

The Group's credit ratings were upgraded in October 2017 by both Moody's Investor Services and Standard and Poor's to Ba3 and BB- 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 2017.

The fully franked dividend will be paid to Ausdrill shareholders on 30 March 2018.

"We are delighted to be able to reward our loyal shareholders with a 3.5 cents per share dividend," Mr Sayers said.

Outlook

The Group is benefiting from its focussed strategy of delivering core mining services in markets where it has a competitive advantage. Its strategy is client-focused and harnesses innovation and technology to deliver relevant and low-cost mining solutions to clients.

The mining industry continues to experience strong competition in an environment which is showing evidence of improvement in Australia and rapid growth in Africa.

In response to these market conditions, Ausdrill will:

- Maintain and improve its strong focus on safety
- Focus on securing a significant share of attractive projects with high quality clients
- Build awareness of the Group's client-focussed service offering through effective marketing programs
- Rationalise its businesses to focus on profitable revenue streams and core services
- Maintain a stable financial foundation from which to grow the Company in the future
- Restrict capital expenditure to replacement needs or identified growth opportunities
- Support existing clients' growth ambitions into new geographies where the opportunity meets our internal requirements
- Pursue M&A opportunities which are complementary to its existing business model or to industry rationalisation

Ausdrill is of the view that market conditions are improving. However, competition remains strong and margin pressure will persist.

The gold price (in Australian dollars) currently favours the Australian production-related mining industry and provides a platform for a stable level of activity in the near term, particularly for our equipment hire and drill and blast businesses. Expenditure in gold exploration is growing in response to sustained periods of strong Australian dollar gold prices. However, equipment supply currently exceeds demand, forcing exploration drilling margins to remain low in Australia.

Growth of the African businesses is expected to continue on the back of exceptionally strong levels of tendering activity. Labour and wage pressures will increase as the demand for good operators increases in response to higher activity levels, both in Australia and Africa.

"The outlook for the resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long-established presence and local know-how. Consequently, Ausdrill is in a strong position to grow in its key markets in the years ahead.

"The Group remains on target to deliver a 40% uplift in profit after tax for the full year" Mr Sayers said.

About Ausdrill

Ausdrill (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa and the United Kingdom. Ausdrill is a leader in providing services in contract mining, grade control, drill & blast, exploration, mineral analysis, procurement & logistics. The Ausdrill Group employs over 4,800 staff worldwide.

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