

17 December 2021

Perenti continues portfolio review to recycle \$75.7 million and releases Capital Management Policy

Following the announcement of the divestment of MinAnalytical for \$43.6 million in cash, Perenti (ASX: PRN) ('Perenti' or 'the Company') is pleased to announce it has also concluded the divestment of a non-core property asset, held for sale on the balance sheet, for a total of \$32.1 million. The property asset, representing land and buildings in the Perth suburb of Canning Vale, was held within the Perenti portfolio and was identified as non-core through an ongoing, systematic asset evaluation process.

In line with the operational update provided on 2 December 2021 (*Macquarie Conference Presentation*), despite the continuation of macro impacts, including COVID-19 and domestic skilled labour constraints, operational performance continues to track according to expectations. Operational performance in 1H22 will be broadly in line with 2H21 and 2H22 is expected to deliver stronger performance as growth projects contribute additional earnings and as productivity rates improve with easing border restrictions and a softening of the labour market. The divestment of MinAnalytical will have a slight negative impact on consolidated EBIT(A) in FY22, however based on the above assumptions, Perenti reaffirms FY22 guidance.

In relation to capital expenditure, Perenti continues to progress several recently announced growth projects, including Motheo, Savannah and Zone 5. As a result of the greater proportion of growth projects present within the portfolio and the expected timing of earnings related to these projects, Perenti expects that the forecast leverage ratio (net debt to underlying EBITDA) at 31 December 2021 will be between 1.5 to 1.6 timesⁱ.

Having concluded the sale of the non-core property asset and finalising the divestment of MinAnalytical, Perenti is pleased to announce the formalisation of its Capital Management Policy.

Capital Management Policy

As Perenti evolves and grows in its current markets and expands into new, high quality jurisdictions and service offerings, the business will emphasise a measured and structured approach to the deployment of capital to ensure Perenti is successful in delivering long-term sustainable returns to all stakeholders.

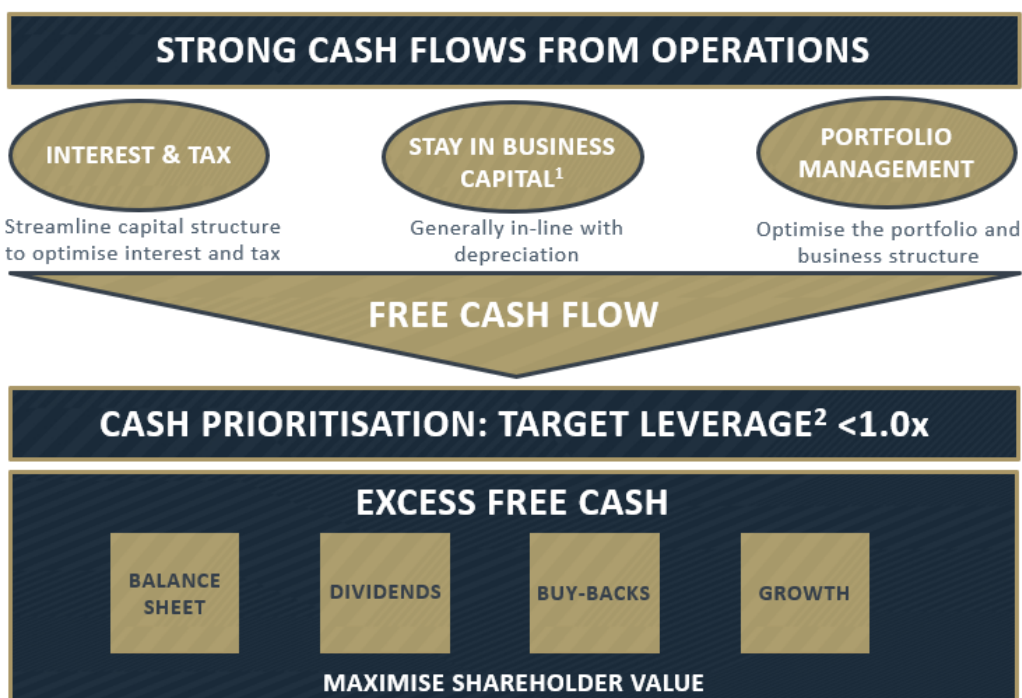
Following the release of ~\$75.7 million of capital from the sale of MinAnalytical and the non-core property asset, Perenti has formalised its Capital Management Policy. The Capital Management Policy outlines clear guidelines for the prioritisation and allocation of capital to the balance sheet, to shareholders via dividends and/or share buy backs, and to the continued investment in the Perenti business to generate earnings growth.

The key elements of Perenti's Capital Management Policy are presented below.

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Note: 1) Stay in business capital is required to maintain current revenue and risk and compliance expenditures
2) Medium term target of net debt to underlying maintainable EBITDA of <1.0x

Balance Sheet – Perenti will prioritise free cash flows to achieve its target net leverage. Target net leverage (net debt to underlying maintainable EBITDA) has been set at below 1.0x. Perenti believes this leverage balances financial flexibility, risk, and cost of capital. Perenti will work towards this level over time through disciplined initiatives, balancing reducing leverage with improved operational performance and earnings growth. Perenti has no present intention to achieve a lower leverage ratio via an equity raise where the sole purpose is to reduce leverage.

Dividends – Dividend payments, likely unfranked into the medium-term, will have regard to actual and forecast results and cash flows and will be determined in line with the following principles:

- Where leverage is below 1.0x, a dividend of up to 40% of free cash flow will be considered.
- Where net leverage is above 1.0x, no dividends will likely be paid.

Given current leverage forecasts, Perenti does not anticipate declaring any dividends in FY22.

Share Buy Backs – Share buy backs will be considered as an alternative to dividends, having regard to franking credits, or as a stand-alone option in certain circumstances when the company has excess capital and having regard to the prevailing share price.

Growth – Capital will be deployed to support the strategic growth objectives of the business and will seek innovative and capital light opportunities to improve and grow earnings from the current business as well as the potential future business. All growth and investment decisions will compete for capital and as a result, the most value accretive or strategic growth projects will be prioritised for funding.

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Mark Norwell, Managing Director and CEO of Perenti, said, “The divestment of non-core property assets is part of the ongoing strategic review of the Company’s portfolio, including our assets, services, operating regions and businesses. As we continue to focus on optimising the performance of our business and creating value for our shareholders, we are pleased to have finalised the sale of non-core property assets and MinAnalytical which have generated \$75.7 million of cash for the business.”

He added, “In line with our significant focus on liquidity and capital management, the net proceeds of these transactions will be allocated, according to the newly formalised capital management framework, across our portfolio to maximise shareholder value. Perenti is currently in a growth phase and as a result has a greater capital requirement, so it is imperative we continue our disciplined approach to capital management. The formalisation of our approach to capital management is a key enabler to de-lever our balance sheet, maximise shareholder value and create sustainable, long-term returns.”

“We look forward to providing an update to our 2025 Strategy in 2H22 with further details on our refined pathway towards Perenti’s objective of delivering sustainable returns to our shareholders by living our purpose of creating enduring value for our stakeholders.”

Authorised by:

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ⁱ Assuming receipt of proceeds of divestment of both the non-core property and MinAnalytical before 31 December 2021 and having strong collection of customer receipts.