23 August 2022

Strong finish to FY22 and well positioned for further earnings growth in FY23.

Key points

- Underlying EBIT(A) exceeded the top end of the revised FY22 guidance range at $176.3 million, with 2H22 EBIT(A) 18% above 1H22.
- Record underlying revenue in-line with expectations at $2,438 million, representing a 21% increase on FY21.
- Underlying EBITDA of $426.4 million and underlying NPAT(A) of $81.7 million.
- Statutory NPAT of $42.5 million, up $94.8 million from a statutory NPAT loss of $52.3 million in FY21.
- Leverage of 1.3x, significantly outperforming expectations of ~1.5x, on track for <1.0x by FY25.
- Divested several non-core assets to liberate $134.7 million of cash, excluding transaction fees.
- Launched an on-market share buyback program (paused 30 June during blackout period).
- Refinanced existing $400 million Revolving Credit Facility (RCF) with a slightly increased new $420 million syndicated debt facility supported by an improved credit rating during FY22.
- FY23 guidance – revenue of $2.4 billion to $2.5 billion, EBIT(A) of $185 million to $205 million, net capital expenditure of ~$330 million and leverage at ~1.2x.
- FY23 EBIT(A) guidance represents a YoY increase of 5% to 16%.

Perenti (ASX: PRN) has delivered strong FY22 financial and operational results, headlined by a significant step-up in 2H22 earnings, and continued improvement in leverage.

Mark Norwell, Managing Director and CEO of Perenti, said: “Our strategic focus on maximising cashflow generation from our activities, effectively managing capital and driving operational performance, combined with the professionalism, dedication and resilience of our people, has enabled Perenti to deliver solid financial results for FY22, with a strong second half.

“The delivery of our FY22 results comes with mixed emotions. Whilst we are very pleased with the financial results, the loss of three of our employees weighs heavily on everyone at Perenti. From these tragedies, we have identified and implemented some immediate actions. We also recognise we need to do more. Consequently, we have completed internal investigations and commissioned an external review of our safety framework, to help us meet our safety goal of no life changing events for our people.

“Our 9,000 employees continue to show dedication, passion and resilience, collectively contributing to our improving performance. On behalf of the Board and Group Executive Committee I thank them for everything they have done in what remains a challenging environment.

"We have continued to re-shape our business and are positioned to create a blended portfolio of complementary services through three operating divisions. This portfolio will be underpinned by our Contract Mining division, which remains our core business and is the source of our major growth projects with globally recognised and respected brands. Our portfolio also includes the divisions of Mining Services and *idoba,* which will both support our contract mining activities as well as provide strong medium and long-term growth opportunities in new and future facing services, with lower capital intensity. Combined with a streamlined corporate centre, Perenti is positioned to deliver a step-up in cash backed profits in FY23, with further improvements expected to drive earnings growth through to FY25 and beyond."

Safety and Sustainability

During FY22, three of our people tragically lost their lives; Baleseng Sechele and Moses Marpaung, who worked at Zone 5 in Botswana, and Troy Cameron, an employee at the Hemlo Project in Canada. The Company continues to provide counselling and support services to their family, friends and colleagues and to cooperate with the relevant authorities. Following the recent tragedy at Zone 5, Perenti launched an internal investigation and commissioned an independent external review focused on its safety framework.

During the year ending 30 June 2022, the Group's Serious Potential Incident Frequency Rate (SPIFR) was 2.8 (down from 2.9 at 30 June 2021) with the Group achieving 115% of targeted Critical Control verifications in FY22 for a total of 27,450 completed. Total Recordable Injury Frequency Rate (TRIFR) was 6.9 (up from 5.1 at 30 June 2021) predominantly related to low-severity injuries including muscular skeletal strains, sprains, minor cuts and abrasions. Driving continued improvements to our safety performance remains an imperative across our business as we work towards no lifechanging incidents.

During the period, Perenti released its third annual Sustainability Report and introduced new sustainability initiatives including the:

- Establishment of the Sustainability Committee with Timothy Longstaff (Chair), Alex Atkins and Mark Hine appointed as members;
- Release of our inaugural Position Statement on Human Rights;
- Initiation of the "*It's NOT ok*" campaign to eliminate sexual assault, sexual harassment and other harmful behaviours; and
- Reaffirmation of our commitment to decarbonisation and reduction of our FY22 Scope 1 and 2 emissions by 23%.

Shortly after the end of the period, Perenti committed to the 40:40 Vision to attain a 40:40 gender balance in Board and executive leadership roles by 2030.

Financial results

Group underlying financial performance is presented below, with detailed information in Appendix 1.

Group underlying results – $ million	FY20	FY21	FY22
Revenue	2,044.6	2,021.8	2,437.7
EBITDA	443.8	380.0	426.4
EBIT(A)	211.7	170.8	176.3
NPAT(A)	110.3	77.0	81.7
Net debt	556.4	503.3	553.3
Net leverage	1.3x	1.3x	1.3x

For the financial year ending 30 June 2022, revenue grew to $2,437.7 million, in-line with revised FY22 guidance and driven by the continued ramp-up of underground and surface projects. Operating cash flow (before interest and tax) was $458.9 million (up 15.7% on FY21), representing an EBITDA to operating cash flow conversion of 108% (FY21: 105%).

EBITDA was $426.4 million (up 12.2% on FY21) and EBIT(A) was $176.3 million (up 3.2% on FY21) exceeding the top end of the revised FY22 EBIT(A) guidance range. In addition, 2H22 EBIT(A) improved by 18.4% on 1H22, with significant improvements across all parts of the business.

Group EBIT(A) margin was 7.2%, down from 8.4% in FY21 but slightly ahead of expectations due to a step-up in performance in the second half of FY22 where EBIT(A) margins were 7.7%, up from 6.8% in 1H22 underpinned by:

- Securing rate increases at several projects to deliver sustainable margin improvements;
- The commencement of mining at Motheo, our largest ever surface mining contract;
- The catch-up in the rise and fall formulas which reflect the ongoing cost increases more accurately; and
- The continued ramp-up of several other underground and surface growth projects.

Perenti expects that these improvements will also deliver a greater contribution to earnings in FY23. These factors, when combined with the expected easing of COVID-19 impacts, labour and supply chain constraints, general cost inflation as well as a continued focus on cost management and efficiency opportunities, will drive further EBIT(A) margin improvements towards our EBIT (A) target of 10% by 2025.

Perenti's underlying effective tax rate was 31.3%, in-line with FY21. In recent periods, Perenti has mitigated the tax impact of foreign profit repatriation on the Group's effective tax rate by utilising unrecognised Australian tax losses. At the end of FY22, Perenti had largely recognised its off-balance sheet tax losses as deferred tax assets and does not expect tax relief on repatriated profits going forward. Perenti will continue to assess opportunities to implement tax and interest optimisation strategies to support the generation of stronger free cash flows for the Group. However, the underlying effective tax rate is expected to increase by up to 5% in FY23.

Underlying NPAT(A) was $81.7 million, up 6.1% compared to FY21 due to stronger EBIT(A). Statutory NPAT was $42.5 million, up $94.8 million from a statutory loss of $52.3 million in FY21 reflecting improved business performance and a significant reduction in one-off items.

On 5 May 2022, Perenti announced that its portfolio management and rationalisation activities generated a total of $134.7 million of cash in FY22, excluding transaction costs, with these activities outlined below:

- MinAnalytical for $43.6 million;
- Non-core property assets for $32.1 million;
- Historical equity positions arising from drill for equity activities for $10.1 million;
- Chrysos equity position for $46.3 million; and
- Well Control Solutions for $2.6 million.

Perenti also invested in the expansion of the capabilities of idoba*,* acquiring Atomorphis and Orelogy.

During FY22, Perenti recognised a one-off and non-underlying expense of $10.2 million (Appendix 1) including:

- A $25.6 million gain, primarily related to the sale of the MinAnalytical business;
- A previously announced impairment of $23.2 million related to the exit from Sukari;

- An $11.6 million provision for the exit from Mali;
- $9.9 million of costs associated with transactions, restructuring and other charges; and
- An $8.9 million gain associated with minority interest, tax, foreign exchange and other charges.

Perenti commenced a share buyback program on 23 June 2022 and will buy back up to 10% of shares on issue, in accordance with relevant regulatory requirements and in-line with pricing and volume limits. During the six trading days prior to entering regulatory blackout periods, Perenti acquired 3.3 million shares at an average price of $0.64, for a total cost of $2.1 million. Perenti expects to resume its buyback activities, although will continue to assess this initiative against other capital allocation opportunities to ensure maximisation of value to our shareholders.

Perenti announced the execution of a $420 million syndicated debt facility, refinancing its existing $400 million revolving credit facilities, which were due to mature in 2023. The new floating facility holds a spread of maturities of between two and five years, to manage potential refinancing risks. At the end of FY22, Perenti held available liquidity of $544.6 million, including cash of $348.5 million and undrawn credit facilities of $196.1 million.

Net capital expenditure over the period was $467.9 million, which includes stay in business capital of $268.8 million and $199.1 million of growth capital, partially offset by $26.7 million related to the proceeds from the sale of plant, property and equipment ('PPE'). The sale of PPE is primarily associated with the sale of assets related to the exit from Sukari underground mine in Egypt ('Sukari') combined with the sale of other PPE as a part of its routine fleet and asset management activities.

Net debt was $553.3 million, with cash and cash equivalents up 31.6%, offset by an increased drawdown of credit facilities combined with a negative foreign exchange impact on our US denominated high yield bonds. At the end of FY22, the AUD to USD exchange rate was 0.69 (FY21:0.73). Leverage ratio was 1.3x, significantly below the forecast range of ~1.5x due to a stronger than forecast cash conversion rate, the receipt of the proceeds of divestments and the timing of expected capital spending. In-line with our capital management policy in FY22 a dividend was not declared.

Strategy and outlook

At the end of FY22, Perenti's work in hand was $6.5 billion, including $1.0 billion of optional contract extensions. Work in hand includes the 2-year, $140 million contract extension for the IGO Nova underground mine. This contract extension was executed on 31 May 2022 via an extension option held by IGO and relates to the continuation of all underground development and production works. Perenti's organic growth pipeline of $8.5 billion reflects a strategic geographic focus on lower risk jurisdictions.

During FY22, in support of our strategy of establishing digital, innovation and technology informed products and services, Perenti acquired Atomorphis and Orelogy and executed a Memorandum of Understanding with Sumitomo Corporation ('Sumitomo') for the co-creation and joint development of digital mining products for the advancement of sustainable mining practices. Subsequent to the end of FY22 and, as announced on 22 August 2022, idoba executed a share sale agreement, whereby Sumitomo acquired a 10% interest in idoba for a total cash consideration of $5.4 million based on an enterprise valuation of $80.0 million.

On 7 June 2022, Perenti announced its 2025 Strategy update with a greater focus on total shareholder returns through improved project performance, disciplined capital management and a refined business and operating model. Perenti also outlined several FY25 targets that illustrate the growth potential of the business.

In FY23, Perenti expects to generate meaningful returns on the capital invested within the latter stages of FY21 and throughout FY22, expecting to deliver revenue of between $2.4 billion and $2.5 billion, EBIT(A) of between $185 million and $205 million, and leverage of ~1.2x. Net capital expenditure will be approximately $330 million.

Authorised by:
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APPENDIX 1

Financial year ended 30 June 2022 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**2,437.7**	**426.4**	**176.3**	**81.7**
Add non-recurring items below				
Transaction, restructuring cost and other	-	(9.9)	(9.9)	(9.9)
Non-cash impairment of customer related intangibles	-	(23.2)	(23.2)	(23.2)
USD bond redemption premium	-	-	-	-
Provisions related to the exit from Mali	-	(11.6)	(11.6)	(11.6)
Implementation of AMS Strategic Review and other write-downs	-	-	-	-
Net foreign exchange (loss)/gain	-	(2.0)	(2.0)	(2.0)
Net gain on disposal of business	-	25.6	25.6	25.6
Net tax effect	-	-	-	10.2
Non-controlling interest and other	-	-	-	0.7
Statutory Results before amortisation add back	**2,437.7**	**405.4**	**155.3**	**71.5**
Non-cash amortisation of intangibles	-	-	(29.0)	(29.0)
Statutory Results	**2,437.7**	**405.4**	**126.2**	**42.5**

Financial year ended 30 June 2021 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**2,021.8**	**380.0**	**170.8**	**77.0**
Add non-recurring items below				
Transaction, restructuring cost and other	-	(3.5)	(3.5)	(4.2)
Non-cash impairment of customer related intangibles	-	-	-	-
USD bond redemption premium	-	-	-	(8.1)
Provisions related to the exit from Mali	-	-	-	-
Implementation of AMS Strategic Review and other write-downs	65.7	(93.1)	(106.1)	(106.1)
Net foreign exchange (loss)/gain	-	(7.1)	(7.1)	(7.1)
Gain on disposal of business	-	-	-	-
Borrowing cost write-off	-	-	-	-
Net tax effect	-	-	-	32.8
Non-controlling interest	-	-	-	2.8
Statutory Results before amortisation add back	**2,021.8**	**276.3**	**54.1**	**(13.0)**
Non-cash amortisation of intangibles	-	-	(39.3)	(39.3)
Statutory Results	**2,021.8**	**276.3**	**14.8**	**(52.3)**