22 August 2023

Perenti delivers record financial performance in FY23

Key points

- Record underlying EBIT(A) of $264.1 million, at the top end of the revised FY23 guidance range.
- Significant step up in free cash flow of $270.7 million, up $101.8 million on FY22.
- Record underlying revenue of $2,880.1 million in-line with revised FY23 guidance.
- Record underlying EBITDA of $552.6 million, up $126.2 million and record underlying NPAT(A) of $131.8 million, up $48.2 million on FY22.
- Statutory NPAT of $102.6 million, up $60.1 million on FY22.
- Leverage of 0.9x, outperforming expectations.
- Announced several ESG initiatives including new diversity targets and net zero scope 1 & 2 emission targets.
- Completed the EPS accretive, on-market share buyback program and bought back our high-yield bonds at 91.5% of their face value.
- Announced the value accretive acquisition of DDH1 via Scheme of Implementation Deed. The transaction remains subject to a DDH1 shareholder vote, with final completion expected in October 2023.
- Perenti's FY24 guidance (excluding DDH1) includes revenue of between $2.8 billion and $3.0 billion, EBIT(A) of $260 million to $275 million, net capital expenditure of ~$330 million and leverage of between 0.8x to 0.9x.

Perenti (ASX: PRN) delivered record FY23 financial results, headlined by record revenue and record underlying earnings. The sustained improvement in financial and operational performance has placed Perenti in a strong financial position, which enabled the announcement in June 2023 of the value accretive acquisition of Australian-based drilling business DDH1, with final completion expected in October 2023.

Mark Norwell, Managing Director & CEO of Perenti, said: "Perenti continues to go from strength to strength, as the foundations we have laid with our 2025 Strategy allow us to deliver excellent operational performance, strong client relationships, and disciplined commercial and capital management.

"Year-on-year we delivered significant revenue and earnings improvement as our growth projects continued to progress through their respective ramp-up phases, as our strategy enabled each of our businesses to capitalise on and take full advantage of the improvement to macro-economic conditions, including the 'end of COVID' and as we saw continued strength in markets for the metals and minerals we mine on behalf of our clients. Although I would note that various macro-economic challenges still exist, however we are cautiously optimistic.

"Our ~9,000 people have again demonstrated their commitment to continually doing better, every day, for our clients. On behalf of the Board and Group Executive I sincerely thank them for their contribution to the business.

"Perenti is focused on supporting sustainable mining, with our investment in developing mines for the future, and our focus on reducing our own emissions.

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"Perenti has a strong track record of delivering value and certainty for all of its stakeholders. As we look to the future, our proposed acquisition of DDH1 will complement and enhance the Perenti business and further cement our diversified global value proposition."

Safety and Sustainability

As announced on 16 February 2023, Trevor Davis and Dylan Langridge were fatally injured in an incident at the Dugald River underground mine. Following the incident, which is currently under investigation by Queensland safety regulators, Perenti established a Safety Taskforce which is led by the Managing Director & CEO with a fellow director, Alex Atkins, and includes two globally recognised industry safety experts, Professor Sidney Dekker and Peter Wilkinson.

We seek to go beyond a 'business as usual' safety response and the primary objective of the Safety Taskforce is to support Perenti and where opportunities present, the wider mining industry, to significantly improve our health and safety performance for all mining employees. The aspiration of the Safety Taskforce is to seek to identify industry-wide opportunities to improve management of critical risks with a focus on engineering, technology, training, and leadership.

For the year ending 30 June 2023, Perenti's Serious Potential Incident Frequency Rate (SPIFR) was 2.7 (flat on 2.7 at 30 June 2022) and its Total Recordable Injury Frequency Rate (TRIFR) was 5.4 (down from 6.9 at 30 June 2022).

On 6 June 2023, Perenti announced its sustainability imperatives which are linked to the United Nations Sustainability Development Goals. These imperatives include:

- Caring for our people and communities;
- Valuing the environment and enabling the energy transition; and
- Acting ethically and responsibly.

In addition, Perenti released its fourth annual Sustainability Report and introduced new targets, linked to the delivery of our sustainability imperatives. These targets include:

- No lifechanging events;
- 40% female representation on the executive and Board by 2030;
- 33% female representation across our global workforce by 2033;
- 40% female representation across senior leadership roles by 2033; and
- Net zero scope 1 and 2 emissions by FY30 with a 40% reduction in scope 1 and 2 emissions by end of FY26.

Furthermore, commencing in FY24, Perenti will report on its emissions reduction targets, commence reporting on scope 3 emissions related to fuel usage across its sites and in areas where it holds operational control (i.e. its workshop facilities), water usage and waste diverted from landfill.

Financial results

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

Group underlying results – $ million	FY22	FY23	YoY Change
Revenue	2,437.7	2,880.1	▲ 18.2%
EBITDA	426.4	552.6	▲ 29.6%
EBIT(A)	176.3	264.1	▲ 49.8%
NPAT(A)	83.6	131.8	▲ 57.7%
Net debt	553.3	499.0	▼ 9.8%
Net leverage	1.3x	0.9x	▼ 29.7%

For the financial year ending 30 June 2023, in-line with revised FY23 guidance, revenue grew to a record of $2,880.1 million, driven by the continued improvement in the macro-economic and operating environment which supports robust performance across all projects. Operating cash flow (before interest and tax) was $522.7 million (up 13.9% on FY22), representing an EBITDA to operating cash flow conversion ("cash flow conversion") of 95% (FY22: 108%). Perenti's FY24 forecast cash conversion remains above 90%.

During FY23, Perenti delivered record EBITDA and record EBIT(A). FY23 EBITDA was $552.6 million (up 29.7% on FY22). FY23 EBIT(A) was $264.1 million (up 49.8% on FY22) and in-line with the top end of the revised FY23 EBIT(A) guidance range.

Group EBIT(A) margin was 9.2%, up from 7.2 % in FY22. This strong FY23 earnings and margin outcome is due to:

- Operational delivery, including ramp-up of growth projects;
- A one-off rate adjustment related to the Iduapriem project of $11.3 million;
- Favourable movements in the USD:AUD exchange rate;
- Rise and fall mechanisms more accurately reflecting costs; and
- Continued improved commercial conditions.

As previously announced, Perenti continues to identify, evaluate and implement tax optimisation strategies. For FY23, Perenti's underlying effective tax rate was 34.6%

Underlying NPAT(A) was $131.8 million, up 57.7% compared to FY22 as stronger operating and commercial conditions delivered significant improvements to EBIT(A). Statutory NPAT was $102.6 million, up $60.1 million on FY22 primarily reflecting continued business performance improvements.

During FY23, Perenti bought back 22.0 million shares for a net cost of $20.4 million. In addition, during the period Perenti bought back approximately 3.8% of total bonds on issue at a total cost of US$17.1 million (A$26.8 million) at an average of 91.5% of their face value. As a result of the bond redemptions ("buyback") activities, Perenti recognised a non-underlying gain of $1.9 million and this bond buyback is forecast to have a positive impact on interest expense going forward. Perenti now holds ~US$433 million of high yield bonds which are due to mature in late 2025.

Net capital expenditure over the period was $280.8 million, which includes stay in business capital of $220.6 million and $153.4 million of growth capital, partially offset by proceeds from the sale of plant and equipment. The proceeds from the sale of plant and equipment were $93.1 million, predominantly related to the Subika project and, as announced in 1H23, the sale of exploration assets in Mali and power generation assets in Senegal.

Net debt was $499.0 million. At the end of FY23, the fluctuation in the USD/AUD exchange rate generated a $17.3 million negative impact on net debt which was more than offset by the strong cash flow generation of the business. Leverage ratio was 0.9x and below our target of 1.0x due to a stronger than forecast cash conversion rate and the timing of expected capital spending. An FY23 dividend was not declared. The Board will continue to assess the sustainability of leverage remaining below 1.0x in the medium-term and will re-evaluate the declaration of a dividend at 1H24.

Acquisition of DDH1

On 26 June 2023, Perenti announced it had entered into a Scheme Implementation Agreement ("SIA") to acquire 100% of DDH1 shares on issue. Perenti expects the finalisation of the Scheme in early October 2023. Under the integration plan, Ausdrill and the DDH1 brands, DDH1 Drilling, Ranger Drilling, Strike Drilling and Swick Drilling, will combine under the Perenti Drilling Services Division with current DDH1 Managing Director and CEO, Sy Van Dyk, to be appointed as President Drilling Services.

The timetable below outlines pertinent events.

EVENT	DATE
Election Date	12 September 2023
Scheme Meeting	18 September 2023
Second Court Date	26 September 2023
Lodge Court orders with ASIC (**Effective Date**). Trading of DDH1 shares on ASX ceases	27 September 2023
Record date for DDH1 shareholders entitled to receive Scheme Consideration (**Scheme Record Date**)	29 September 2023
Scheme Consideration provided to DDH1 shareholders (**Implementation Date**)	6 October 2023

Strategy and outlook

At the end of FY23, Perenti's work in hand was $5.4 billion, including $0.7 billion of optional contract extensions. Perenti's organic growth pipeline of $14.4 billion includes approximately $10.5 billion from within Australia, North America and Botswana, reflecting the continued strategic geographic focus on lower risk jurisdictions.

During FY23, Perenti announced the award of contracts valued at approximately $1.4 billion. Of note, in January 2023 Perenti was awarded an extension of the Sunrise Dam contract. This Sunrise Dam contract extension is valued at $120 million over a 12-month period and relates to the continuation of all underground mining services at the site.

Perenti continues to expect a positive outcome in relation to the DDH1 shareholder vote. Excluding DDH1, Perenti currently forecasts FY24 revenue of between $2.8 billion and $3.0 billion, underlying EBIT(A) of between $260 million to $275 million (before Future Focused Investment expenditure), net capital expenditure of ~$330 million and leverage of between 0.8x and 0.9x.

As announced on 6 June 2023, Perenti expects to allocate between 10% and 20% of free cash (free cash flows after sustaining capital, interest and taxes but before growth capital) generated by the business towards future focused strategic investments. These strategic investments will be directed towards the delivery of our sustainability imperatives, the development of idoba product suites and to support the development of decarbonisation related service offerings. Given the expected expenditure associated with idoba and given its materiality within the portfolio, Perenti expects to report idoba financial performance as a separate division in FY24.

In the event of a positive outcome of the DDH1 shareholder vote and subsequent approval of the Scheme of Implementation Deed, currently expected in early October 2023, Perenti expects to provide updated guidance to reflect the value accretive nature of the combination of Perenti and DDH1.

Furthermore, at its third annual Strategy Briefing to be held in early June 2024, Perenti expects to outline its long-term FY30 strategy including its long-term targets.

Authorised by:
The Perenti Board of Directors

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APPENDIX 1

Financial year ended 30 June 2023 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**2,880.1**	**552.6**	**264.1**	**131.8**
Add non-recurring items below				
Transaction, restructuring and other one-off costs	-	(2.3)	(2.3)	(2.3)
Non-cash impairment in relation to sale of business	-	(4.7)	(4.7)	(4.7)
Net foreign exchange loss	-	(0.8)	(0.8)	(0.8)
Net gain on re-purchases of US144a notes	-	-	-	1.5
Net tax effect	-	-	-	6.2
Statutory Results before amortisation add back	**2,880.1**	**544.8**	**256.3**	**131.7**
Non-cash amortisation of customer related intangibles	-	-	(29.1)	(29.1)
Statutory Results	**2,880.1**	**544.8**	**227.1**	**102.6**

Financial year ended 30 June 2022 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**2,437.7**	**426.4**	**176.3**	**83.6**
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)
Provisions related to the exit from Mali	-	(11.6)	(11.6)	(11.6)
Net foreign exchange loss	-	(2.0)	(2.0)	(2.0)
Net gain on disposal of business	-	25.6	25.6	25.6
Net tax effect	-	-	-	10.2
Other	-	-	-	(1.2)
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**