

31 October 2023

## **Moody's updates Perenti's credit outlook from stable to positive, reaffirms Ba2 credit rating**

Perenti Limited (ASX: PRN) ('Perenti' or 'the Company') is pleased to announce that Moody's Investors Service (Moody's) updates Perenti's outlook to Positive, affirms Ba2 credit rating.

Moody's press release is attached however the positive outlook is based on:

- Perenti's solid market position in the global mining services industry, its diversified range of clients, its strong capabilities within the underground mining business and its solid operating track record of contract wins.
- Perenti's enhanced business and credit profile following the acquisition of DDH1.
- Perenti's diversified commodity exposure, including exposure to commodities that Moody's expects will benefit from longer term decarbonisation trends.
- A demonstrated increase in exposure to investment grade jurisdictions over time.
- Perenti's conservative financial policies and good liquidity.

Peter Bryant, Chief Financial Officer of Perenti said that the improved credit outlook is further recognition of the significant strategic transformation of Perenti.

"The improved credit outlook of Perenti as outlined by Moody's is a positive outcome for the business and is directly related to the ongoing delivery of our 2025 Strategy. This improved outlook rating adds further positive momentum as we work towards another one of our key 2025 Strategy initiatives, our refinancing activities which will commence in the 2024 calendar year."

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## Rating Action: Moody's changes Perenti's outlook to positive, affirms rating

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30 Oct 2023

Sydney, October 30, 2023 -- Moody's Investors Service (Moody's) has today affirmed the Ba2 corporate family rating of Perenti Limited ("Perenti") and changed the outlook to positive from stable. At the same time, Moody's has also affirmed the Ba2 senior unsecured rating of Perenti Finance Pty Limited, and changed the outlook to positive from stable.

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### RATINGS RATIONALE

The change in outlook to positive from stable reflects Perenti's enhanced business and credit profile following its acquisition of DDH1 Limited (unrated, "the acquisition" or "DDH1") on 6 October 2023.

Moody's projects Perenti's annualized revenues from the combined businesses will increase to around AUD3.3 billion – AUD3.6 billion from AUD2.9 billion in the fiscal year ended 30 June 2023 (FY 2023). Moody's estimates Perenti's adjusted EBITDA will also increase to around AUD620 million – AUD690 million, from Perenti's standalone EBITDA of AUD509 million in FY2023.

Perenti has been working to reweight its operations towards lower risk jurisdictions, which Moody's views to be credit positive. The acquisition of DDH1 will further reduce Perenti's exposure to countries with higher sovereign risks and less developed institutional environments. Based on FY2023 pro forma revenues, Perenti's exposure to higher risk jurisdictions decreased to 32% of FY2023 pro forma revenues, compared with 54% in FY2020.

The rating affirmation reflects Perenti's solid market position in the global mining services industry, with a diversified range of counterparties and strong capabilities in the attractive underground mining segment. Perenti has a solid operating track record of contract wins and retention rates, which illustrates its technical capabilities and ability to execute the services it provides. Perenti also benefits from its incumbent position at its existing mine sites, as well as the logistical challenges posed to mine owners if they want to change contractors.

Perenti's ratings are balanced by the cyclical nature of the mining services sector and Moody's expectation that competition will remain strong over the next 12-18 months.

However, Perenti's FY2023 pro forma commodity exposure is diversified, with 59% of revenues from gold, which Moody's considers to be a safe haven asset that is immune from mining cycle volatility. Perenti also derived 24% of revenues from copper and nickel. The acquisition of DDH1 provides Perenti with greater commodity diversification and adds exposure to commodities that Moody's expects will benefit from longer term decarbonization trends.

Perenti has conservative financial policies with a publicly articulated net leverage target of below 1.0x (as measured by net debt/underlying EBITDA).

### LIQUIDITY

Perenti has good liquidity. As of 30 June 2023, the company held AUD307 million of cash and AUD300 million of undrawn revolving credit facilities. Moody's expects these sources of liquidity, combined with cash flow from operations, will be sufficient to cover the company's capital spending and potential dividends payouts over the next 12

months.

In June 2022, Perenti secured a new AUD420 million syndicated debt facility, which it used to refinance the existing AUD400 million facilities maturing in July 2023. The new facility comprises different tranches that have maturity dates of 2 to 5 years.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's could upgrade the rating if the company continues to improve its operating performance and credit profile, including: (1) continued reduction in exposure to higher risk mining jurisdictions, (2) successful integration of the DDH1 business and (3) maintaining compliance with its current stated financial policies.

An upgrade would also depend on Perenti maintaining a track record of strong cash flow generation and improved earnings, such that adjusted debt/EBITDA is sustained below 1.5x over the next 12-18 months.

Given the positive outlook, a rating downgrade is unlikely over the next 12-18 months. However, Perenti's ratings could come under downward pressure if the company fails to renew material contracts or win new contracts, or if operating conditions deteriorate significantly, despite Moody's expectations of stable conditions, and if adjusted debt/EBITDA exceeds 2.5x.

The principal methodology used in these ratings was Business and Consumer Services published in November 2021 and available at <https://ratings.moodys.com/rmc-documents/356424>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## COMPANY PROFILE

Perenti was established in 1987 as a drill and blast company in the Australian mining services sector and has expanded to becoming a provider of contract mining, drilling services, mining services and technology solutions. Headquartered in Perth and with offices and operations across four continents, Perenti employs more than 11,000 people across Australia, Africa, North America, and Europe.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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