20 August 2024

Perenti delivers another record year of earnings and free cash flow in FY24

Key points

- Record underlying EBIT(A) of $314.2 million, meeting FY24 guidance.
- Strong free cash flow generation of $184.5 million after accounting for **all** capital expenditure.
- Record revenue of $3,342.0 million, meeting FY24 guidance.
- Record underlying NPAT(A) of $165.8 million, up $34.0 million on FY23.
- Statutory NPAT of $107.2 million, up $4.6 million on FY23.
- Leverage of 0.7x, at lower end of FY24 guidance.
- Declaration of a 4 cents per share final dividend, taking the total FY24 dividend to 6 cents per share.
- Bought back $29.8 million shares on market during FY24, representing ~3% of shares on issue.
- Successful refinancing of $USD350M of high-yield US bonds.
- Successfully integrated DDH1 with Ausdrill, creating a globally leading Drilling Services business.
- FY25 guidance issued:
    - Revenue between $3.4 billion and $3.6 billion;
    - EBIT(A) of $325 million to $345 million;
    - Leverage of between 0.6x to 0.7x;
    - Net capital expenditure of ~$330 million;
    - Free cash flow greater than $150 million.

Perenti (ASX: PRN) has delivered another year of strong financial results, headlined by record revenue and underlying earnings and free cash flow of $184 million. The consistent strong cash flow and the fundamental strength of the business has enabled the declaration of a 4 cents per share final dividend. This lifts the total dividend for FY24 to 6 cents per share, implying a 5.9% yield based on the 19 August 2024 closing share price.

Mark Norwell, Managing Director & CEO of Perenti said, “The Perenti team has successfully delivered another year of impressive results. The strong free cash flow has allowed us to further reduce leverage, recommence dividends, and continue our buyback, all whilst maintaining investment in earnings growth during FY24.

“During recent years, our business has built significant scale and diversity across our divisions. Our scale and diversity allows for fluctuations related to operations or capital requirements to be smoothed out as projects move through the different stages of development, operational ramp up and mine closure. This ultimately allows for greater consistency in earnings and reliable free cash flow generation. The recommencement of dividends is a tangible demonstration of our optimism that we will continue to deliver free cash flow in the future. To offer our shareholders additional certainty, we are pleased to announce that the Board has agreed to a dividend policy targeting a payout of 30-40% of underlying NPAT(A) during the years ahead.

“Perenti is focused on delivering value and certainty for all its stakeholders. I am incredibly proud of our dedicated team who have delivered this record result. On behalf of the Board and Group Executive I sincerely thank all our staff, and I look forward to working with them to deliver again in FY25.”

Safety and Sustainability

As announced on 28 February 2024, a tragic incident occurred at the Mana mine in Burkina Faso resulting in the fatality of Siswantoro, our African Underground Mining Services ("AUMS") colleague. The loss of Siswantoro has clearly had a profound impact on his family and friends, and deeply impacted the local community in Burkina Faso, our global workforce, executives and Board. The incident highlighted the importance of the review the Safety Transformation Taskforce undertook during FY24, and the ongoing implementation of the recommendations within each Division. The findings of the Taskforce identified several initiatives to improve management of critical risk that will ultimately improve safety performance for our people. Beyond critical risk management, these initiatives include leadership development, training effectiveness, and assurance. When combined with our focus on safe and respectful behaviours, this improves our cultural approach to safety, with our number one objective being the safety of our people.

For the year ending 30 June 2024, Perenti's Serious Potential Incident Frequency Rate (SPIFR) was 2.6 (down from 2.7 at 30 June 2023) and our Total Recordable Injury Frequency Rate (TRIFR) was 5.3 (down from 5.4 at 30 June 2023).

During FY24, several positive steps have been achieved with respect to our sustainability imperatives:

- The Board now has 57% female representation and has plans in place to increase female participation across all areas of our business.
- We have recorded a marked improvement in our psychological safety index from the FY22 baseline survey, a key metric measuring progress in creating a safe and respectful workplace.
- In collaboration with our clients and partners, we have trialled multiple underground electric fleet options and participated in a study investigating full mine electrification of a mine in Western Australia.
- Additionally, we contribute directly to the communities we operate in, spending A$1.5 billion in local procurement and 90% of our international employees are local.

Financial results

Group underlying financial performance is summarised below:

Group underlying results – $ million	FY23	FY24		YoY Change
Revenue	2,880.1	3,342.0	▲	16.0%
EBITDA	552.6	644.6	▲	16.7%
EBIT(A)	264.1	314.2	▲	19.0%
NPAT(A)	131.8	165.8	▲	25.8%
Free cash flow[1]	117.3	184.5	▲	57.3%
Net debt	499.0	469.5	▼	5.9%
Net leverage	0.9x	0.7x	▼	19.3%

For the financial year ending 30 June 2024, in-line with guidance, revenue grew to a record $3.3 billion, driven by strong operational performance and the addition of the DDH1 group for nine months. EBIT(A) was $314 million (up 19% on FY22) and also in-line with guidance. The year also marked the third consecutive year of an increase in group EBIT(A) margin which was 9.4%, up from 9.2 % in FY23.

Income tax expense was $79.1 million reflecting a reduction in effective tax rate from 35% to 32%. This improved position is due in part to the greater proportion of Australian earnings from the DDH1 acquisition.

[1] Free cash flow is defined as net cash inflow from operating activities after interest, tax and net of all capital expenditure.

Underlying NPAT(A) was $165.8 million, up 25.8% compared to the prior year. Margin improvements were seen in both Drilling Services and Mining Services and a significant cost reduction at the corporate level.

Free cash flow, defined as net cash from operating activities after interest, tax and all capital expenditure, increased strongly to $184.5 million. This was 57.3% higher than FY23 due to increased earnings, improved cash flow conversion at 98% and reduced capital expenditure. Net capital expenditure over the period was $303 million, which includes total capital expenditure of $335 million and the proceeds of $31.9 million related to sales of property, plant and equipment. This was lower than initially forecast, due in part to the successful redeployment of assets released from discontinued nickel projects Savannah and Cosmos, and the timing of capital payments.

The stronger free cash flow and reduction in leverage supported the declaration of a 4 cent per share final dividend, taking the full FY24 dividend to 6 cents per share. This represents 34.1% of the underlying FY24 NPAT(A). Perenti is committed to delivering value and certainty for shareholders. To demonstrate this commitment, the Board has agreed to a new dividend policy targeting a payout range of 30-40% of underlying NPAT(A).

In addition to the dividend, Perenti bought back, and subsequently cancelled, 31.6 million shares during FY24, which equates to approximately 3.3% of shares on issue.

During the period, Perenti successfully concluded a US$350 million (circa A$538 million) issue of Unsecured Notes in the US bond market. The successful note issue was heavily oversubscribed, reaffirming the strength of the Perenti business and ensured a balance sheet with strong liquidity. Perenti's debt profile has been significantly lengthened with the new notes due April 2029. Net debt at 30 June 2024 was $469.5 million. Leverage is now at the lower end of guidance at 0.7x on strong proforma EBITDA.

Creation of Drilling Services Division

The acquisition of DDH1 was completed in October 2023, creating the Perenti Drilling Services Division. This Division was formed by combining the existing Ausdrill business with the four DDH1 brands: DDH1 Drilling, Ranger Drilling, Strike Drilling and Swick Drilling.

Management Changes

As announced on 20 May 2024, Peter Bryant has resigned as Chief Financial Officer (CFO) to accept a role with Perth Airport. The Company is pleased to announce that Michael Ellis will be appointed on 9 September as CFO. Mr Ellis was previously the Vice President Finance, for Perenti's Contract Mining division and is now serving as the Deputy Chief Financial Officer. He has extensive understanding of the business through 10 years in various roles with Barminco, AMS, AUMS and Corporate. Mr Bryant will remain available to assist with a smooth transition until November 2024.

Sy Van Dyk, who joined the Company after the DDH1 acquisition and has been President of Drilling Services, has announced his appointment to the role of Managing Director with Austin Engineering in mid-2025. Sy has been instrumental to the successful integration of the former DDH1 and Ausdrill businesses, and we wish him well. Existing Perenti executive Ben Davis has been appointed as the new President Drilling Services and will take up this position in late November.

Existing executive Raj Ratneser has accepted the role of President Mining Services effective 1 September. Mr Ratneser will continue to lead our electrification studies and strategic initiatives that support our sustainability priority of accelerating decarbonisation.

Paul Muller, previous President of Contract Mining, will assume responsibility for a significant number of corporate functions in his new role as Chief Corporate Services Officer, effective 1 August 2024.

Forward Outlook

Perenti's current work in hand is $5.1 billion and the team has visibility on a pipeline of potential work totalling $15.9 billion. The contracted work is predominately in countries considered investment-grade, including Australia, Canada and Botswana, reflecting the focus on lower risk jurisdictions.

For FY25, Perenti is guiding:

- Revenue between $3.4 billion and $3.6 billion;
- EBIT(A) of $325 million to $345 million;
- Leverage of between 0.6x to 0.7x;
- Net capital expenditure of ~$330 million;
- Free cash flow greater than $150 million.

Authorised by:
The Perenti Board of Directors

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