

27 August 2021

## **LUCAS GROUP DELIVERS STRONG IMPROVEMENT IN CASH GENERATION AND PROFITS**

### **Full Year Highlights to June 30, 2021**

- Net profit of \$3.35 million compared to a net loss of \$8.8 million in FY2020
- Cash flow generated from operating activities of \$19.6 million compared to \$2.0 million in FY2020 due to a significant reduction in interest and finance costs paid
- Group EBITDA of \$20.9 million and represented a margin of 18.8%
- Outstanding safety performance with zero recordable injuries in the last 12 months across customer operations
- Australian head office and operations transformation to more efficiently meet customer needs

AJ Lucas Group Limited (ASX: AJL) has today reported a net profit of \$3.35 million for the 2021 financial year, underpinned by solid earnings from the company's core drilling services in Australia.

The domestic performance combined with lower corporate and finance charges helped deliver a 137.8% turnaround from the \$8.9 million net loss reported in the 2020 financial year.

The company's strong focus on safety performance and improvement initiatives helped cement Lucas Group as a global leader in safety with zero recordable injuries reported across customer operations for the first time in the company's history. Lucas has been a leading provider of exploration, production and directional drilling services to some of the world's largest miners for more than 20 years.

Lucas Group's Chief Executive Officer Brett Tredinnick said "through a combination of continued contract delivery in a difficult external environment and a business-wide focus on cost constraint, we were able to achieve a Group EBITDA of \$20.9 million which represented a margin of 18.8%, a major improvement on the already strong previous year.

"Strong operational cash flows from our domestic drilling operations was coupled with significantly lower cash outflows for our UK investments in light of the moratorium in hydraulic fracturing.

"Cash flow from operations increased to \$19.6 million driven by a reduction in interest and other finance costs and receipt of R&D tax credits in the UK.

"The bulk of the \$19.6 million in cash generated from operations was used to pay down our debt facilities and, together with positive foreign exchange movements and capitalised interest, resulted in a decrease in total interest-bearing liabilities.

"The strong cash flow in a year with significant client delays and the uncertainty of COVID 19 was critical to providing the Board and management with the capacity to develop and implement strategies that will help to build a sustainable and profitable Australian drilling business over the long term."



## **UK OIL AND GAS INVESTMENTS**

Lucas Group also holds a significant portfolio of Petroleum Exploration Licenses that cover almost 2% of England. The development of these licenses, which Lucas Group has demonstrated contains high quality gas, has been delayed by the moratorium on hydraulic fracturing announced by the UK Government in November 2019. In response to the moratorium, Lucas Group significantly scaled back UK operations and reduced costs, with the EBITDA loss being \$1.057 million in the financial year 2021 (2020 loss: \$960,000) notwithstanding Lucas Group's ownership share of Cuadrilla increasing from 46% to 96% in February 2020.

Lucas Group continues to work with other UK onshore operators towards a lifting of the moratorium, including drawing lessons from other industries active and emerging in the UK such as geothermal and CO<sub>2</sub> injection that give rise to similar induced seismic events.

Lucas Group is also assessing and progressing other initiatives that could create value and benefit from Lucas Group's investment and continued presence in the UK.

## **OUTLOOK**

Mr Tredinnick said: "We have made great progress in significantly reducing our costs and, going forward, we will continue to focus on identifying and delivering efficiencies and on growing the gap between our revenue and costs.

"In the year ahead we will also continue to pursue options to extract value from our UK investment.

"We carry a sizeable order book into the new year and are confident our customers who have faced operational delays will soon be back on track, creating new and exciting opportunities for Lucas Group.

## **Authorised for lodgement by the Board**

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