24 August 2021

Solid FY2021 Results: proactively managing headwinds and positioning for growth

Key points

- Continued solid operating performance and growth from the Underground business and an improved second half from the Surface business
- Stable revenue of $2.02 billion and Underlying EBIT(A) of $170.8 million
- Statutory NPAT(A) in 2H21 improved by $75.3 million from 1H21 statutory loss of $63.8 million to a statutory gain in 2H21 of $11.5 million
- Net debt of $503.3 million was down 10%, with leverage stable at 1.3x
- Excellent cash conversion of 105%
- Available liquidity of $567.9 million supporting Perenti's growth profile and a final unfranked dividend of 2.0 cents per share
- $2.8 billion of new work and contract extensions since 30 June 2020, including two key growth contracts in North America and Botswana
- Three years' work in hand of $6.6 billion and a strong tender pipeline of $11.0 billion at 30 June 2021
- On the basis that COVID-19 impacts do not worsen, Perenti expects FY22 revenue of $2.0b to $2.2b and EBIT(A) of $165 million to $185 million at an AUD:USD exchange rate of 0.75

Perenti (ASX: PRN) has delivered an FY21 result consistent with its revised expectations, achieving solid operational performance and growth from its Underground Mining business and an improved second half performance from its Surface Mining business. This solid result was delivered in a year where the Company's financial performance was impacted by headwinds including the ongoing impacts of the COVID-19 pandemic on our international operations, tighter Australian labour market and a strengthening Australian dollar.

Perenti continues to invest in our people, systems and mining equipment to build strong foundations and support the ramp-up of the Company's key growth projects in FY22 to deliver business growth in FY23 and beyond.

Mark Norwell, Managing Director and CEO of Perenti, said: "Firstly, I want to recognise our people, who provided high quality mining services to our clients with a focus on continuity of operations to deliver enduring value and certainty.

"Our Underground business continued to be a standout performer, delivering a third consecutive year of earnings growth with a strong FY21 contribution. Impressively, this growth has been delivered in a year where we saw the slower than anticipated ramp up at several recently secured international projects due to the prolonged, and ever-changing, nature of the COVID-19 pandemic.

"As expected, due to the planned contraction of our Surface Mining business following our strategic transition out of Yanfolila and Boungou, FY21 revenue, EBIT(A) and margins were softer than FY20. Pleasingly during the second half of FY21, earnings and margins generated by the Surface business more than doubled compared to the first half. This tangible and sustainable improvement in performance is attributable to the implementation of the findings of the AMS Strategic Review and continued solid performance from our Australian business. We are in a good position to move our AMS business forward and are encouraged by securing the Motheo and Iduapriem contracts, both of which are examples of the quality of contracts that AMS will pursue."

"The Investments business navigated difficult conditions during FY21 with softer east coast equipment rental market conditions impacting revenue and earnings. In response, we revitalised the leadership team and have increased our market activities including the implementation of a more targeted sales strategy, which has increased asset utilisation rates by 5 per cent since December 2020.

"We continue to look to the future. Throughout FY21 we made prudent investments in our people and systems, while managing our balance sheet to ensure we are well positioned to fund our 2025 strategic growth aspirations. An integral part of this strategic growth is our technology driven service offering, *idoba*, launched in July. Through *idoba* we plan to improve our competitive advantage by developing a unique capability in emerging digital mining, technology and innovation."

Safety

Since 30 June 2020 we have been devastated by the tragic loss of two colleagues.

- On 18 May 2021, Daniel Nuertey-Kwao Quaynortey, an employee of Underground Mining Alliance, a joint venture between Perenti and Ghanaian contractor Rocksure, was fatally injured at the Obuasi Mine in Ghana.
- On 14 July 2021, Troy Cameron was fatally injured in an underground incident at the Hemlo Mine in Canada.

We extend our deepest condolences to the family, friends and colleagues of Daniel and Troy and continue to provide ongoing counselling and support services throughout this very difficult time.

Perenti has sought to continuously improve safety performance. Most recently, in June 2020, the Company completed a thorough review of its safety strategy and safety improvement plan. This review identified three key pillars of focus, including:

- improving our safety leadership and culture;
- improving our critical risk management; and
- simplifying our safe work practices through improved systems.

Throughout FY21, Perenti made significant improvements across each of these three pillars and remains committed to our objective of nil life changing events and ensuring that our people go home safely at the end of their shift.

Sustainability

This year, Perenti published its second Sustainability Report outlining progress against our FY21 Environmental, Social and Governance (ESG) commitments and our ESG goals for FY22. During FY21 we proactively engaged with independent ESG research and ratings agencies to improve their understanding of Perenti's sustainability commitments and performance to achieve improved recognition and assessment of our ESG credentials.

Financial results

Key elements of Perenti's results are included as Appendix 1 and selected Group underlying financial performance is presented below.

Group underlying results – $million	FY21	FY20
Revenue	**2,021.8**	2,044.6
EBITDA	**380.0**	443.8
EBITDA to operating cash conversion	**105%**	96%
EBIT(A)	**170.8**	211.7
NPAT(A)	**77.0**	110.3
Net debt	**503.3**	556.4
Net leverage (x)	**1.3x**	1.3x

The Company continued to focus on working capital management, delivering operating cash flow (before interest and tax) of $398.9 million, representing an EBITDA to operating cash flow conversion of 105% (FY20: 96%).

In FY21 the Company recognised one-off NPAT adjustments of $90.0 million primarily related to the strategic transition out of Yanfolila and Boungou as well as the non-cash impairment and provision for inventory obsolescence at BTP.

During the first half of FY21, Perenti refinanced its US denominated high-yield bonds, with US$450 million of Guaranteed Senior Unsecured Notes issued in the US bond market at a lower interest rate. The absence of financial maintenance covenants in these bonds, and a maturity in 2025, provides foundational funding for Perenti's growth.

At the end of FY21, Perenti's available liquidity was $567.9 million (FY20: $605.5 million) comprising $264.7 million of cash and cash equivalents (FY20: $327.5 million) and $303.2 million of undrawn debt facilities (FY20: $278.0 million). During FY20, liquidity was supported by an increase of $130.0 million to the Company's Revolving Credit Facility (RCF). This increase was secured due to the uncertainty surrounding COVID-19. In FY21 the Company retired these additional debt facilities as the COVID-19 impacts became better understood.

With a continued focus on efficient capital and liquidity management, net debt was reduced by 10% to $503.3 million (FY20: $556.4 million), net leverage ratio was 1.3x (FY20: 1.3x) and gearing was 27.8% (FY20: 28.4%).

Foreign exchange

The Australian dollar was on average 14 per cent stronger in FY21 compared to FY20 resulting in a negative impact of circa $15.0 million to our EBIT(A).

Dividends

As a result of the solid underlying performance of the business in FY21, the Directors have declared a final dividend of 2.0 cents per share for a total dividend of 5.5 cents per share for the year ended 30 June 2021. The final dividend of 2.0 cents per share represents a second half NPAT payout ratio of 43% which in line with our average payout for the previous ten years of 41%. The unfranked dividend will have a record date of 6 October 2021 and will be paid to Perenti shareholders on 20 October 2021.

Labour market

During 2H21, in Australia, demand for domestic labour increased resulting in higher employee turnover and wage growth, which impacted margins. Recognising this, Perenti redirected significant resources into recruitment while implementing talent attraction and development strategies to ensure we have the right number of people in the right roles to continue to deliver excellence for our current and prospective clients. We also have graduate and apprentice programmes to “grow our own” staff into the future.

Our focus on this area saw the successful mobilisation of a labour force of 110 highly experienced underground employees to the Savannah Nickel Project in Western Australia, where we are building up to an expected labour force of 170 during FY22.

Outlook and strategy

As at 30 June 2021, Perenti’s work in hand stood at $6.6 billion, which includes approximately $2.8 billion of new contracts and extensions secured during FY21, with 55 per cent being underground projects. Furthermore, of the $2.8 billion secured, 50 per cent of contracts are for projects in Australia, Canada and Botswana, reflecting the ongoing execution of our 2025 Strategy.

Based on FY21 revenue of circa $2 billion, Perenti has over three years of work in hand and when combined with a strong tender pipeline of $11.0 billion, the medium to long-term outlook looks positive for our contract mining business. As we continue to deliver on our 2025 Strategy, including the growth of our capital light technology driven services business, *idoba*, Perenti is well positioned for the future.

In FY22, on a 100% basis, Perenti expects to deliver revenues of between $2.0 billion and $2.2 billion, with over 90% already secured, and EBIT(A) of between $165 million and $185 million at an Australian dollar to US dollar exchange rate of 0.75. This guidance is on the basis that the impacts of the COVID-19 pandemic do not worsen throughout FY22.

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APPENDIX 1

Year ended 30 June 2021 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying[1] Results	**2,021.8**	**380.0**	**170.8**	**77.0**
Add non-recurring items below				
Transaction and other one-off costs	-	(3.5)	(3.5)	(4.2)
Net foreign exchange loss[2]	-	(7.1)	(7.1)	(7.1)
US bond redemption premium	-	-	-	(8.1)
Implementation of AMS Strategic Review and other write-downs	65.7	(93.1)	(106.1)	(106.1)
Net tax effect	-	-	-	32.8
Minority profits	-	-	-	2.8
Statutory Results after amortisation add back	**2,087.5**	**276.3**	**54.0**	(13.0)
Non-cash amortisation of customer related and software intangibles	-	-	(39.3)	(39.3)
Statutory Results	**2,087.5**	**276.3**	**14.8**	(52.3)

Year ended 30 June 2020 - $million	Revenue	EBITDA	EBIT	NPAT
Underlying Results	**2,044.6**	**443.8**	**211.7**	**110.3**
Add non-recurring items below				
Non-cash asset impairment	-	(59.6)	(59.6)	(59.6)
Transaction and other one-off costs	-	(8.0)	(8.0)	(8.0)
Net foreign exchange loss[2]	-	(3.3)	(3.3)	(3.3)
Gain on sale of Connector	-	2.4	2.4	2.4
Boungou/Bissa project cessation one-off costs	1.5	(5.0)	(5.0)	(5.0)
Net tax effect	-	-	-	25.6
Minority profits	-	-	-	3.7
Statutory Results after amortization	**2046.1**	**370.3**	**138.2**	**66.1**
Non-cash amortisation of customer related and software intangibles	-	-	(38.6)	(38.6)
Statutory Results	**2046.1**	**370.3**	**99.6**	**27.5**

(1) FY21 Underlying excludes any non-recurring items as disclosed in the table above. See slide 16 of Perenti's FY21 investor presentation for further details.
(2) Refers to realised and unrealised foreign exchange differences on translation of certain balance sheet items

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