**21 February 2023**

# First half FY23 results and business update

## Key points

- On 15 February 2023 we tragically lost two employees in an incident at the Dugald River underground mine.
- Revenue of $1.4 billion supporting underlying EBITDA of $281.2 million and underlying EBIT(A) of $134.6 million.
- Statutory NPAT(A) of $58.9 million, up from $41.5 million in 1H22.
- Progressed with on-market capital and debt reduction activities, buying back a total of ~2.6% of shares on issue before buy-back activities and ~3.8% of total bonds on issue.
- Leverage outperformed expectations, decreasing to 1.1x.
- Entered an agreement to divest non-core power generation assets in Senegal and completed our strategic exit from Mali, including finalising the sale of assets and infrastructure.
- Work in hand remains strong at $5.4 billion including $1.0 billion of extensions. The Company's $9.2 billion pipeline is geared towards high-margin underground opportunities and quality jurisdictions.
- Perenti upgrades its FY23 guidance range to reflect 1H23 outperformance and its 2H23 forecast.

Mark Norwell, Managing Director & CEO of Perenti, said: "First and foremost, my thoughts are with the families, friends and workmates of Trevor Davis and Dylan Langridge, our colleagues who tragically lost their lives as a result of the incident at the Dugald River underground mine last week. This is a tragic incident and a devastating loss, with a magnitude that has been and will continue to be felt across our whole organisation. I would like to thank everyone who carried out the search and rescue effort for Trevor and Dylan last week as well as the wider organisation for their support to people directly involved in the incident or more generally, the care provided to each other.

"During the period from 1 July 2022 through to 31 December 2022, Perenti's ability to deliver for our clients with strong operating performance under a sustainable and disciplined financial framework – while caring for our people and communities – underpins our strong results for this half.

"Our dedicated team of over 9,000 employees have done a fantastic job of developing and executing our 2025 Strategy to the point where we have delivered consecutive periods of earnings and margin expansion. This result is something for everyone at Perenti to be proud of.

"We recognise that the current external market conditions have improved since Covid-19 restrictions started to ease and that our business is in a position to take advantage of these conditions. However, we are also acutely aware of the potential volatility that still exists and we working to manage the controllable aspects of this environment by remaining disciplined in the execution of our strategic objectives."

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## Safety and Sustainability

As announced on 16 February 2023, we tragically lost two employees, Trevor Davis and Dylan Langridge, following an incident at the Dugald River underground mine. The immediate and ongoing focus is on providing support to the families, friends and colleagues of Trevor and Dylan. A comprehensive investigation of the incident has commenced, and we will continue to work with our client and authorities as we seek to understand how this incident has occurred.

Perenti continued to implement the *It's Not Ok* program, which aims to eliminate harmful and disrespectful behaviours from our workforce. We concluded the discovery phase of the program and analysed and communicated the results to our Australian workforce. As part of our response, we identified and are implementing several priorities including leader education, improving our reporting and maintaining conversations and engagement with our people as we continue to work on building a diverse and inclusive workforce within the Group.

During the period the Company published its climate change position statement and incorporated a greenhouse gas emissions reduction measure in the Company's short term incentive plan. The Group also enhanced its human rights high-risk supplier identification tool and completed an audit of a security service provider in West Africa against the Voluntary Principles on Security and Human Rights.

As announced on 21 November 2022, Perenti executed a Memorandum of Understanding with ABB to collaborate and explore approaches to support decarbonisation and electrification of mines.

## 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 | 1H22 | 1H23 | Variance |
|---|---|---|---|
| Revenue | 1,192.4 | **1,438.5** | ▲21% |
| EBITDA | 201.8 | **281.2** | ▲39% |
| EBIT(A) | 80.8 | **134.6** | ▲67% |
| NPAT(A) | 34.9 | **61.0** | ▲75% |
| Net debt | 522.5 | **566.5** | ▲8% |
| Net leverage | 1.3x | **1.1x** | ▼15% |

At the end of the period, the Group delivered revenue of $1,438.5 million supported by improving commercial and operating conditions across several projects and the continued ramp-up of its growth projects. Perenti delivered EBITDA of $281.2 million and EBIT(A) of $134.6 million, reflecting three consecutive periods of growth across the business as operational and commercial conditions improved and as the Company continued to execute on its strategic initiatives as outlined within the 2025 Strategy.

Group underlying EBIT(A) margin was 9.4%, up from 6.8% in 1H22 and up from 7.7% in 2H22 on significant EBIT(A) improvement. 1H23 margin expansion was supported by a one-off rate adjustment of $11.3 million, a favourable movement in the USD:AUD exchange rate, the catch-up of rise and fall mechanisms and improved commercial conditions across several projects within both Australia and Africa. When normalised for the impact of the Iduapriem retrospective rate adjustment, 1H23 underlying EBIT(A) margin for the period was 8.6%.

The Group delivered operating cash flow (before interest and tax) of $210.6 million (1H22: $190.4 million), representing an EBITDA to operating cash flow conversion of 75% (1H22: 94%). The reduction in cash flow conversion is due to operating cash flows being constrained by the timing of the receipt of cash flows related to the Iduapriem rate adjustment, the accounting classification of cash flows related to assets sold and the relative increase in working capital in support of revenue growth. Perenti continues to strive to achieve cash flow conversions of greater than 90%, which is expected in the second half.

Net interest expense paid was $31.4 million (1H22: $24.6 million), the relative increase was due to unfavourable foreign exchange movements related to US denominated bonds. The increasing interest rate environment also delivered an unfavourable impact on interest expense associated with the Company's variable rate Revolving Credit Facility.

As forecast, Perenti's effective tax rate was 36% (1H22: 31%). During the period, Perenti implemented tax efficiency and optimisation strategies that have assisted with the reduction in the cash tax paid.

Underlying NPAT(A) was $61.0 million, up from $34.9 million in 1H22 on stronger underlying EBIT(A). Statutory NPAT(A) was $58.9 million, up from $41.5 million in 1H22 and up from a statutory NPAT(A) loss of $44.5 million in 1H21 reflecting a significant and continued reduction in one-off items.

On 23 June 2022, Perenti commenced its share buy-back activities, buying back a total of 18.4 million shares (~2.6% of shares on issue before buy-back activities commenced) at a total cost of $15.0 million. In addition, during the period Perenti commenced an on-market buy-back of its US denominated high yield bonds. 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 ("buy-back") activities, Perenti recognised a net gain of $1.9 million and these bond buy-backs are forecast to have a positive impact on interest expense going forward.

Perenti maintains a strong balance sheet and at 31 December 2022 had available liquidity of $521.5 million, including cash of $322.5 million and undrawn revolving credit facilities of $199.0 million. Net capital expenditure was $141.8 million, which includes stay-in-business capital of $101.6 million and $63.6 million of growth capital, partially offset by $23.4 million from the proceeds of the routine sale of plant, property and equipment and other asset sales. Net debt was $566.5 million with gearing of 29.3%, and leverage at 1.1x outperformed expectations.

**Strategy and outlook**

During the period, and following the updated 2025 Strategy, Perenti commenced the implementation of an updated operating model, The Perenti Way, which includes a more decentralised business structure comprised of three operating Divisions:

- Contract Mining (underground and surface mining businesses);
- Mining Services (BTP, Supply Direct and Logistics Direct); and
- idoba (technology focused businesses).

These Divisions were selected to enable the delivery of unique client value through demonstrated expertise and geographical reach while enabling organisational efficiencies and effectiveness. In addition, the operating model will complement the more decentralised business model and will:

- deliver improved transparency by simplifying accountabilities;
- support and enable a simplified 'bolt-on' structure for potential future M&A activity; and
- strengthen corporate governance by implementing Group-wide systems, standards and improved governance frameworks.

During the period, Perenti continued to simplify and rationalise its portfolio, completing its strategic exit from Mali, including the finalisation of the sale of all assets and infrastructure. Perenti also entered into an agreement to divest its power generation infrastructure ("PSA") in Senegal.

At the end of 31 December 2022, Perenti's work in hand stood at $5.4 billion, including $1.0 billion of contract extension opportunities. Perenti's organic growth pipeline of $9.2 billion reflects a geographic focus on lower risk jurisdictions, stronger focus on capital efficiency and a greater emphasis on high-margin underground projects.

This work in hand includes:

- a new contract for development work at Evolution Mining's (ASX:EVN) Ernest Henry underground gold and copper mine.
- a variation to expand its work scope at Regis Resources' (ASX:RRL) Garden Well mine.
- a 12-month, ~C$55 million contract extension for Barrick's (TSX:ABX) Hemlo underground mine in Canada, executed on 31 October 2022 for the continuation of underground development and production works.
- a four-year contract extension at the Resolute Mining (ASX:RSG) Mako gold mine in Senegal, which is expected to generate circa US$185 million over the term.

Subsequent to the end of the period, Perenti was awarded its largest Australian surface contract at the Northern Star Resources (ASX:NST) owned Kalgoorlie Consolidated Gold Mines ('KCGM') Fimiston open pit gold mine in Kalgoorlie, which will generate $160 million over 60 months and incorporates activities that commenced 1 March 2022 and will continue to March 2027. Perenti does not expect any new capital outlay to support this contract.

Perenti continues to operate at the Newmont (ASX:NEM) Subika underground gold mine in Ghana, under a limited notice to proceed. Perenti expects to finalise the contract terms for a multi-year extension imminently and therefore has a high level of confidence as to a continuation of its tenure at the Subika mine for the remainder of FY23. Therefore, Perenti has forecast revenue and earnings from Subika to continue throughout 2H23. In-line with its continuous disclosure obligations, Perenti will disclose the nature and terms of any material contract award when finalised.

Given its 1H23 outperformance and the strong outlook for the remainder of FY23, Perenti now expects revenue of between $2.8 billion and $2.9 billion and EBIT(A) of between $250 million and $265 million. Leverage is expected to be ~1.0x and net capital expenditure is forecast to be approximately $320 million. This guidance assumes no deterioration of macro-economic conditions.

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# APPENDIX 1

| First half ended 31 December 2022 - $million | Revenue | EBITDA | EBIT | NPAT |
|---|---|---|---|---|
| **Underlying Results[1]** | **1,438.5** | **281.2** | **134.6** | **61.0** |
| Add non-recurring items below | | | | |
| Transaction, restructuring cost and other | - | (1.0) | (1.0) | (1.0) |
| Non-cash impairment in relation to the sale of business | - | (4.7) | (4.7) | (4.7) |
| Net gain on re-purchases of US144a notes | - | - | - | 1.5 |
| Net foreign exchange (loss)/gain | - | (2.1) | (2.1) | (2.1) |
| Net tax effect | - | - | - | (0.1) |
| Non-controlling interest | - | - | - | 4.4 |
| **Statutory Results after amortisation add back** | **1,438.5** | **273.4** | **126.8** | **58.9** |
| Non-cash amortisation of intangibles | - | - | (14.9) | (14.9) |
| **Statutory Results** | **1,438.5** | **273.4** | **111.9** | **44.0** |

| First half ended 31 December 2021 - $million | Revenue | EBITDA | EBIT | NPAT |
|---|---|---|---|---|
| **Underlying Results[1]** | **1,192.4** | **201.8** | **80.8** | **34.9** |
| Add non-recurring items below | | | | |
| Transaction, restructuring cost and other | - | (4.1) | (4.1) | (4.1) |
| Non-cash impairment of customer related intangibles | - | (23.2) | (23.2) | (23.2) |
| Gain on disposal of business | - | 29.3 | 29.3 | 29.3 |
| Net foreign exchange (loss)/gain | - | (1.0) | (1.0) | (1.0) |
| Net tax effect | - | - | - | 3.5 |
| Non-controlling interest | - | - | - | 2.1 |
| **Statutory Results after amortisation add back** | **1,192.4** | **202.8** | **81.9** | **41.5** |
| Non-cash amortisation of intangibles | - | - | (14.8) | (14.8) |
| **Statutory Results** | **1,192.4** | **202.8** | **67.0** | **26.7** |

(1) Underlying results excludes any non-recurring items as disclosed in the table above.