



# ASX / JSE ANNOUNCEMENT

28 February 2023

## DRA GLOBAL REPORTS FY2022 RESULTS

### Key points:

- Active safety leadership sees continued improvements in safety performance with TRIFR down 33% and LTIFR down 23% from FY2021.
- Significant financial performance turnaround in H2 FY2022, relative to H1 FY2022, with Underlying EBIT of A\$23.4 million for H2 FY2022.
- Core businesses in the EMEA and AMER regions continued to meet expectations and the restructured APAC business returned to profitability during H2 FY2022.
- Revenue of A\$894.7 million, down 24.6% from FY2021.
- Underlying EBIT of A\$7.0 million compared to A\$56.4 million in FY2021.
- Statutory EBIT of A\$1.5 million compared to A\$65.5 million in FY2021.
- Adjusted basic loss per share of 79.9 cents per share (cps) compared to adjusted basic earnings per share of 64.5 cps for FY2021.
- Net cash of A\$59.1 million, down from A\$61.3 million at 31 December 2021.
- Backlog of A\$858 million with a focus on quality earnings.
- No final dividend declared in respect of FY2022.

**DRA Global Limited** (ASX / JSE: DRA) (DRA, or the Group) reports its financial results for the 2022 financial year<sup>1</sup> (FY2022).

DRA Chief Executive Officer James Smith said “Despite a challenging first half, DRA performed solidly in the second half of the financial year to deliver a modest full year Underlying EBIT profit of A\$7.0 million, a A\$23.4 million turnaround in the second half. This followed strong operational and safety performance in our core EPCM and operations and maintenance businesses in each region.”

“This improvement in financial performance during H2 FY2022, combined with securing A\$638 million in new contracts and extensions, validates the decisions we made during FY2022 to reset and strengthen the business – to focus on quality of earnings, and ensure sustainable future profitability and growth.”

“Having reshaped our operating model and corporate structure, commercially resolved legacy fixed-price construction contracts and divested the G&S Engineering business in APAC, our FY2022 result represents a rebasing of the business. Our performance throughout the second half of the year demonstrates the positive trajectory expected as we move forward.”

“DRA enters FY2023 with committed orders<sup>2</sup> of A\$858 million and approximately 60% of forecast FY2023 revenue. From our reliably performing EMEA foundation, leveraging our growing presence in North and South America, and the restructured APAC business, we expect to re-strengthen our balance sheet and enhance cashflow generation over future periods to deliver growing shareholder value.”

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## Safety performance

The Group's safety performance saw continued improvement during FY2022 as a focus on active leadership and implementation of several awareness programs reinforced expectations and behaviours to help reduce frontline risk. The Group's FY2022 TRIFR<sup>3</sup> was 0.52, a 33% improvement on the FY2021 figure of 0.78, while LTIFR<sup>4</sup> was 0.13, a 23% improvement on the FY2021 figure of 0.17. The Group recorded 16.6 million person-hours across 29 active project sites and 58 maintenance and operations sites for the year ended 31 December 2022, with 28 project sites and 52 operations sites recording no lost time injuries.

## Financial Summary

The Group's FY2022 Underlying EBIT<sup>5</sup> was A\$7.0 million compared to A\$56.4 million in FY2021 and a turnaround from the Underlying EBIT loss for H1 FY2022 of A\$16.4 million. The FY2022 Underlying NPAT<sup>6</sup> loss was A\$15.7 million compared to an Underlying NPAT profit of A\$44.4 million for FY2021 and an Underlying NPAT loss for H1 FY2022 of A\$13.7 million. The FY2022 Statutory EBIT was a profit of A\$1.5 million and statutory NPAT was a loss of A\$21.4 million.

Description	Unit	FY2022	FY2021	Change (%)
Revenue	A\$'M	894.7	1,186.4	(25)
EBITDA	A\$'M	18.8	88.8	(79)
EBIT	A\$'M	1.5	65.5	(98)
NPAT	A\$'M	(21.4)	53.5	(140)
Underlying EBITDA	A\$'M	24.3	79.7	(70)
Underlying EBIT	A\$'M	7.0	56.4	(88)
Underlying NPAT	A\$'M	(15.7)	44.4	(135)
Earnings per share (EPS)				
Adjusted <sup>7</sup> Basic EPS	CPS	(79.9)	64.5	(224)
Basic EPS	CPS	(44.0)	87.1	(151)
Diluted EPS	CPS	(44.0)	58.8	(175)
Headline EPS (HEPS) <sup>8</sup>				
Basic HEPS	CPS	(2.2)	87.9	(103)
Diluted HEPS	CPS	(2.2)	59.5	(104)

Description	Unit	31 December 2022	31 December 2021	Change (%)
Cash and cash equivalents	A\$'M	142.2	171.0	(17)
Net cash <sup>9</sup>	A\$'M	59.1	61.3	(4)
Net Assets	A\$'M	253.4	266.1	(5)
Shares on issue <sup>10</sup>	M	54.4	54.2	-
NAV per share	A\$	4.66	5.38	(13)

## Operational Highlights

FY2022 saw the continuation of almost four decades of DRA's engineering and project delivery excellence, where we delivered more than with 470 projects, studies and consulting assignments, and operated 14 processing facilities and 2 underground mining sites.

The Group strengthened its relationships with longstanding clients and broadened its geographic footprint, resulting in new and significant contract wins totalling A\$638 million and building of a robust pipeline of opportunities. The expansion of services and capabilities in hydrometallurgy, underground mining, advisory and sustainability solutions was integral to DRA's operational successes.

### Highlights in the EMEA Projects business

- Deepened the relationship with the Kamoakakula copper project with the award of new scope of works including Phase 3 concentrator and debottlenecking of Phase 1 and 2 concentrators.
- Continued the long-standing relationship with the Two Rivers platinum mine with award of EPCM services for the Merensky concentrator.
- Awarded EPCM contract for Al Masane Al Kobra's Moyoath copper-zinc project in Saudi Arabia.
- Significantly progressed the bankable feasibility study for European Lithium's Wolfsberg lithium project in Austria, with the scope including design of processing facilities and integrated financial assessment.

The EMEA Projects business continued to provide the foundation for the Group's performance, with significant milestones achieved with the early delivery and commissioning of various plants, responding to increasing demand for studies in battery minerals, and strong project delivery in challenging jurisdictions.

### Highlights in the EMEA Operations business

- Secured extension of operations and maintenance contract for Ma'aden's Ad Duwayhi gold CIL processing plant.
- Contracted to undertake underground development, construction and long-hole mining at Phalaborwa Mining Company's copper mine.
- Secured operations and maintenance contract for Ma'aden's hybrid photovoltaic-low fuel-oil power plant.

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- Awarded second renewal for operation of the Phola facility (a joint venture between Thungela/Seriti Resources), which was completed by DRA Projects in 2010.
- Provided advisory services to a number of projects and operational sites involving operational readiness, digital optimisation, advanced asset care and sustainability solutions.

The EMEA Operations business continued its leading track-record of delivering excellence in outsourced operations and maintenance, with growth in the platinum sector, underground mechanised mining, and the laboratory services business. The Group continued to grow the capacity and expertise of its Minopex Technical Advisory practice, including refining and developing the digital MinoCore platform.

### Highlights in the APAC/AMER region

- Ongoing provision of EP services for the El Domo Curipamba copper-gold project in Ecuador.
- Engaged by Foran Mining Corporation to execute engineering and procurement services for the McIlvenna Bay Project, Canada's first carbon neutral copper development project.
- Conducted feasibility study for development of Albemarle Corporation's Kings Mountain strategic critical minerals project.
- Delivered full suite of engineering services to Pilbara Minerals for its Pilgangoora lithium-tantalum concentrator project.
- Commencement of EPCM services for Hastings Technology Metals' Yangibana rare earths project.
- Completed Carmichael product handling and preparation plants projects for Bravus Mining and Resources, and awarded operations and maintenance services contract.

The Group restructured its APAC business to focus on core strengths of engineering, project delivery and operations management following resolution of legacy fixed-price construction contracts and the sale of the G&S Engineering business. The APAC/AMER region further demonstrated its expertise in battery element and critical metals projects, delivered advisory services to provide innovative solutions to reduce carbon footprint and water consumption, and continued to enhance relationships and secure work with key clients including Barrick Gold, Anglo American, Compañía Minera Antamina S.A., Hastings Technology Metals and Nemsaka Lithium. During FY2022 the South American business saw solid growth with a portfolio of well-known clients.

## Financial results

Group revenue in FY2022 was A\$894.7 million, a decrease of 24.6% compared to FY2021. Operations revenue in FY2021 included a number of large fixed-price construction contracts in APAC (through the G&S Engineering business). During the first half of the financial year, the Group incurred significant losses associated with fixed-price contracts as it progressed completing works and commercial resolutions. The Group made the decision not to pursue fixed-price construction contracts, with the combined result being a year-on-year reduction in Operations revenue to A\$412 million in FY2022.

In addition, FY2021 Operations revenue included the full year activity of the G&S Engineering business as compared to FY2022 when it was successfully sold in September 2022, as well as revenue from the US Energy Operations business which ceased activity in January 2022. Projects revenue of A\$483 million was also lower partly due to certain large-scale EPC contracts being completed during the year as compared to a full year of revenue in FY2021.

Statutory EBIT decreased to A\$1.5 million from A\$65.5 million in the prior year. Statutory NPAT was a loss of A\$21.4 million as compared to a profit of A\$53.5 million in the prior year. In discussing the operating results of the Group, the focus is on underlying profit measures such as Underlying EBITDA, Underlying EBIT and Underlying NPAT.

In arriving at Underlying EBITDA, EBIT, and NPAT, certain adjustments were made to the statutory results to better reflect the underlying performance of DRA:

Adjustments to exclude from Statutory EBIT:

- Fair value gains on Upside Participation Rights (UPRs) of A\$17.9 million<sup>11</sup>
- Impairment of goodwill and other intangibles of A\$23.0 million<sup>12</sup>
- G&S loss on sale of A\$2.0 million<sup>13</sup>
- Legal costs related to pre-IPO disputes and dispute settlements net benefit of A\$2.3 million<sup>14</sup>

Adjustments to exclude from statutory net interest income/(expense):

- Interest costs related to pre-IPO dispute settlements of A\$3.0 million<sup>14</sup>

Adjustments to exclude from statutory income tax expense:

- The tax effect of all pre-tax adjustments was a tax benefit of A\$2.7 million.

Underlying EBIT for the current year includes a A\$49.8 million loss associated with the G&S Engineering business in APAC. The majority of the operating losses occurred in the first half of the year and related to legacy fixed-price construction contracts which were entered into during prior years. The contracts were terminated during the year and contract claims were commercially resolved. The first half losses also included a A\$9.0 million adjustment to the recoverability of a material contract asset position on a previously completed construction contract following conclusion of commercial settlement negotiations.

There was some continuation of fixed-price construction contract losses in the second half of the year prior to the successful sale of the G&S Engineering business in September 2022. This followed a decision earlier in the year to divest the non-core maintenance and construction business, which was the business that had entered into the loss-making fixed-price construction contracts.

The corresponding prior year Underlying EBIT included the benefit of A\$10.6 million profit from the US Energy Operations business which ceased in January 2022 following termination of a US tax credit scheme on 31 December 2021.

In FY2021, DRA's Underlying EBIT was impacted by the continuing challenges associated with COVID-19. APAC profitability was specifically affected by productivity on fixed-price construction projects, COVID-19 related border closures, labour shortages, and disruptions specifically in Western Australia. These impacts continued to affect profitability of the Group early in FY2022.

FY2022 Underlying NPAT was a loss of A\$15.7 million and includes net interest expense of A\$2.7 million and income tax expense of A\$20.3 million. Income tax expense includes A\$18.4 million for the derecognition of historical tax losses in the current year based on an assessment of recoverability for accounting purposes.

Cash for the Group reduced by A\$28.8 million compared to FY2021, mainly due to cash outflows from operating activities associated with completing loss-making fixed-price construction contracts, final payment of amounts owed as part of the Stockdale share buy-back transaction, repayment of lease liabilities, resolving pre-IPO litigation matters, and capital expenditure on property, plant and equipment. This was partly offset by a net drawdown on the Group's working capital facilities to support operating activities, receipts from external loans and proceeds from the sale of the Settlement Shares<sup>15</sup>.

## Corporate Update

In September 2022, the Group successfully completed the sale of its G&S Engineering business to KAEFER Integrated Solutions<sup>16</sup>. As previously mentioned, after finalising accounting adjustments the loss on disposal was \$2.7 million (pre-tax) and is included in the Group's statutory EBIT but excluded from Underlying EBIT.

The embedding of the Group's operating model review continues with good progress being made on aligning the corporate functions and business units.

In December 2022 the Group announced the sale of 4.65 million Settlement Shares. This simplified the Group's capital structure and injected funding of R93 million without further increasing the Group's number of shares on issue. The investment by Apex Partners demonstrates confidence in the Company and its future.

There have been recent Board and executive management changes with the resignation of both Andrew Naudé on 31 October 2022 and Kathleen Bozanic on 31 December 2022, as well as the appointment of James Smith as Chief Executive Officer on 13 October 2022. James' appointment finalises all appointments for the Group's refreshed global leadership team following Michael Sucher and Bronwyn Baker being appointed as Chief Financial Officer and Chief Corporate Services Officer, respectively, earlier in FY2022.

A review of Board remuneration was completed with the support of independent advisers following shareholder feedback received at DRA's 2022 Annual General Meeting. As a result of that review, non-executive Directors' fees have been reduced by 10%, and to further improve alignment with shareholders' experience, the amount of remuneration that is issued to Non-Executive Directors as options in lieu of cash has increased from 20% to 30%.

The DRA Board resolved not to declare a final dividend in respect of FY2022 given the financial performance of the Group for that period.

## Outlook

The Group moves into FY2023 with a strong pipeline of short and long-term opportunities estimated at A\$4.3 billion, with A\$2.8 billion related to Projects and A\$1.5 billion related to Operations. The Group's P1 Pipeline<sup>17</sup> is A\$759 million as at 31 December 2022. This revenue continues to be well diversified across geographies, service offerings, commodities and clients.



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The EMEA region business units are expected to continue to deliver healthy performance with strong pipelines in FY2023. Greater investment in localised operating models to drive regional focus across Africa and the Middle East will support our work in the PGM, base metals and bulk materials sectors and capitalise on opportunities in the high-demand battery minerals and rare earths sector. The Group is also leveraging its projects work to win O&M opportunities as it broadens its target market beyond outsourced plant operations and into underground mechanised mining.

The AMER region expects to convert a portion of its portfolio of studies work into detailed engineering and full delivery projects in North America, while past rapid growth in South America will be consolidated with continued focus on brownfields studies and projects which are less likely to be affected by recent political uncertainty in the region.

The APAC region expects to continue benefiting from its simplified structure following the divestment of the non-core G&S Engineering business, with a focus on EPCM and O&M work and demand for its expertise in gold, lithium, rare earths and base metals sectors expected to underpin sustainable and growing profitability.

Key risks to profitability guidance that should be noted include certain macro-economic headwinds such as:

- rising inflation and interest rates across many of the jurisdictions in which the Group operates, which sees an increased risk of country recessions affecting demand for commodities and availability of affordable financing of projects in the Group's pipeline; and
- inflationary pressures from supply chain constraints and increased costs to recruit and retain staff which could adversely impact the Group's cost base and margins

The Group's capital allocation framework continues to target sustainable and efficient returns to shareholders through annual dividends. However short-term capital allocation priorities through FY2023, in pursuit of re-establishing balance sheet strength and enhanced cashflow generation, are focussed on retention of and investment in DRA's people, reducing financial gearing to below a 20% target level, maintaining adequate working capital and capital expenditure to support current operations, and near-term growth opportunities.

"We have a strong pipeline distributed across our Projects and Operations divisions that is well diversified across regions and a range of commodities. We are focused on our core EPCM and O&M capabilities where we are confident we can add significant value to our clients while continuing to improve the quality of our earnings", Mr Smith said.

### ASX Disclosures

DRA has today released the following annual reporting disclosures to the ASX: annual report for the financial year ended 31 December 2022, FY2022 results announcement, FY2022 results presentation and FY2022 corporate governance statement and Appendix 4G.

Copies of these documents can also be accessed, or requested via direct message, under the investor section on the Company website at <http://www.draglobal.com/investors/>, or accessed at <https://www2.asx.com.au/markets/company/dra>



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## JSE Disclosures

### Short form announcement

This short-form announcement is the responsibility of the Board of Directors of DRA and is a summarised version of the Group's full announcement and financial report. As such, it does not contain the full or complete details of the Group's results for the financial year ended 31 December 2022.

Any investment decision should be made after taking into consideration the full announcement (comprising the financial report for the financial year ended 31 December 2022), which can be found on the JSE website at:

<https://senspdf.jse.co.za/documents/2023/jse/isse/drae/FY22finrep.pdf>

The full announcement (comprising the financial report for the financial year ended 31 December 2022), together with an investor presentation, is also available for inspection, at no charge, by appointment at the registered office of the Company's JSE sponsor:

- Pallidus Exchange Services Proprietary Limited, Die Groenhuis, 36 Garsfontein Road, Waterkloof, Pretoria during normal business hours. Alternatively, copies of these documents can also be accessed, or requested via direct message, under the investor section on the Company website at <http://www.draglobal.com/investors/>, or accessed at <https://www2.asx.com.au/markets/company/dra>

The Company has a primary listing on the Official List of the ASX and has a secondary listing on the Main Board of the Johannesburg Stock Exchange.

- ENDS -

*This announcement was approved for release by the Board of Directors of DRA Global Limited.*

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## About DRA Global Limited

DRA Global Limited (ASX: DRA | JSE: DRA) (DRA or the Company) is an international multi-disciplinary engineering, project delivery and operations management group, focused on the mining, minerals and metals industry.

The Group has an extensive track record spanning almost four decades across a wide range of commodities. We have delivered more than 8,000 projects, studies and managed services solutions, and currently operate more than a dozen sites through our operations and maintenance division.

Our teams have deep expertise in the mining, minerals and metals processing industries, as well as related non-process infrastructure such as water and energy sustainability solutions. We deliver comprehensive advisory, engineering and project delivery services throughout the capital project lifecycle, from concept through to operational readiness and commissioning as well as ongoing operations, maintenance and engineering services. We do this with a focus on sustainability and assisting clients to achieve their ESG goals.

DRA covers all major mining centres with offices across Africa and the Middle East, North and South America, and the Asia-Pacific.

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## JSE Announcement Disclosures

DRA Global Limited

(Incorporated in Australia under the *Corporations Act 2001* (Cth))

ACN 622 581 935

ASX / JSE Share Code: DRA

ISIN: AU0000155814

("DRA" or "the Company")

JSE Sponsor: Pallidus Exchange Services Proprietary Limited

- <sup>1</sup> DRA's financial year end is 31 December.
- <sup>2</sup> Includes secured contracts or signed purchase orders.
- <sup>3</sup> Total recordable injury frequency rate based on 200,000 person hours.
- <sup>4</sup> Lost time injury frequency rate based on 200,000 person hours.
- <sup>5</sup> Underlying EBIT excludes the impact of impairments of goodwill and other intangible assets, revaluation gains/losses on Upside Participation Rights, legal costs relating to pre-IPO disputes and pre-IPO disputes settlements which are included in Statutory EBIT. Underlying EBIT is a non-IFRS measure.
- <sup>6</sup> Underlying NPAT is Underlying EBIT excluding any related interest and taxation effects of items included in Underlying EBIT. Underlying NPAT is a non-IFRS measure.
- <sup>7</sup> Loss/earnings adjusted for revaluation of Upside Participation Rights on issue. Adjusted basic loss/earnings per share is a non-IFRS measure. Unadjusted basic loss per share of 43.96 cps compared to unadjusted earnings per share of 87.10 cps for the corresponding prior period. Refer to Note 10 to the Financial Statements.
- <sup>8</sup> Headline EPS is a non-IFRS measure.
- <sup>9</sup> Net cash is determined by adjusting cash for interest-bearing borrowings, lease liabilities and other financial liabilities.
- <sup>10</sup> Excludes 25M UPRs on issue. UPR strike price is A\$3.10 (ie. not in the money at the current share price).
- <sup>11</sup> Fair value gains on Upside Participation Rights (UPRs) – the fair value gain on UPRs is primarily driven by the movement of DRA's share price which impacts the value of the UPRs issued in the prior financial year and is not representative of DRA's underlying financial performance.
- <sup>12</sup> Impairment of goodwill and other intangibles – this includes a non-cash impairment of goodwill of A\$15.7 million in relation to the APAC Cash Generating Unit (CGU), as well as non-cash impairments of other intangible assets of A\$7.3 million in relation to the APAC CGU and EMEA CGU. The impairments relating to the APAC CGU of A\$18.9 million relate to the divestment of the G&S Engineering business.
- <sup>13</sup> G&S loss on sale – The pre-tax loss on the sale of the G&S Engineering business, which completed in September 2022, was A\$2.7 million.
- <sup>14</sup> Legal costs related to pre-IPO disputes and dispute settlements – DRA incurs or provides for legal expenses on and settles claims relating to pre-IPO disputes for certain onerous contracts. Within the EMEA business, there were two notable settlements of pre-IPO disputes, Liqhobong and Fraser Alexander. These settlements had a net positive impact on EBIT of A\$2.3 million and increased interest expense by A\$3.0 million during the first half of the financial year.
- <sup>15</sup> See ASX announcement dated 15 December 2022, available at <https://www.draglobal.com/investors/>
- <sup>16</sup> See ASX announcements dated 29 July and 12 September 2022, available at <https://www.draglobal.com/investors/>
- <sup>17</sup> Pipeline opportunities are categorised as "near-term, high likelihood – in tender, tender submitted or being negotiated".