PACIFIC ENERGY LIMITED

ASX : PEA

BROKER PRESENTATION

PACIFICENERGY

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Corporate Snapshot

- **Power station designer, owner, operator and electricity supplier under long term contracts**
- **3 operating subsidiaries:**

Subsidiary	Power Stations	MW	Market	Region
Pacific Energy Hydro	2	6	Grid	Victoria
KPS (Australia)	21	272	Off-Grid (miners)	WA, NT, SA
KPS (Africa)	Recently Commenced		Off-Grid (miners & others)	Africa

- **Market Capitalisation** **$260m**
- Net Debt $30m
- **Enterprise Value** **$290m**
- 12 Month Share Price Range 42c-77c (currently 73c)
- Dividend 2.5 cents fully franked (3.6% @ 70 cents)
- Major Shareholders Ken Hall (founder of KPS) : 50%

  Institutions : 38%

KPS Business Overview and Point of Difference

Solid History, Strong Reputation

- Established in 1981
- Built and run over 40 power stations
- Long-term customers and recurring revenue streams

Innovative Power Station and Electricity Provider

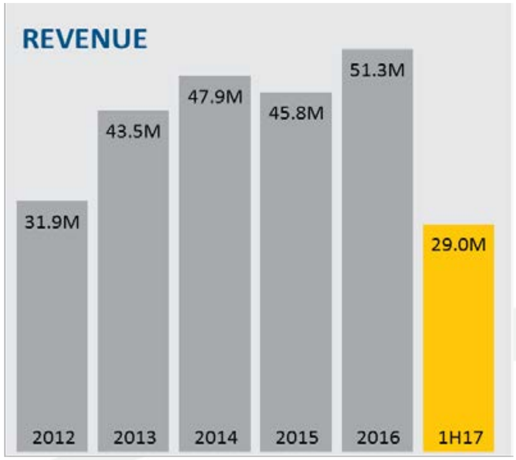
- Design, build, own, operate (typically 2MW to 45MW power stations)
- Monthly take or pay revenue model
- Long term contracts (5 - 15 years); typically “roll-over” at contract end if mine continues
- Miner supplies fuel to KPS; KPS generates and distributes electricity to site
- Fuel Technologies – diesel, gas, dual fuel, waste heat recovery and solar (through strategic alliance)

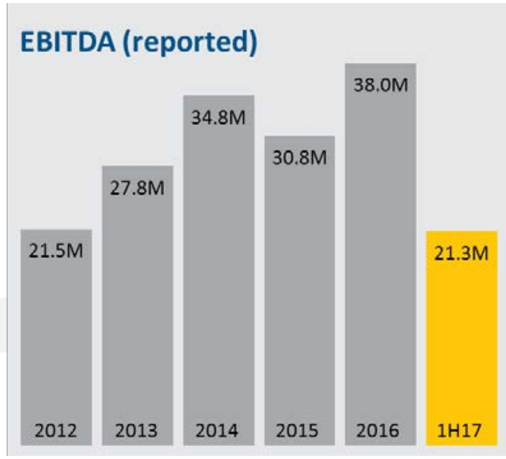
Compelling and Well Proven Business Offering

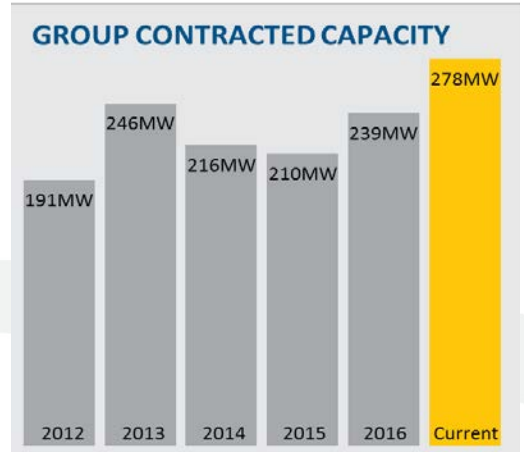
- Power costs typically comprise 15% - 25% of mine operating costs, with fuel being the major cost component (≈ 80%) and actual power station cost (i.e. KPS) comprising a small component (≈ 20%)
- OEM generators are not designed with harsh Australian mining climate (0^0 - 45^0) and conditions in mind, so rarely achieve nameplate fuel efficiency in mine site environment
- By partnering with customers, continually innovating and introducing new technologies, KPS has been able to:
  - Achieve improvements to fuel efficiency performance
  - Offer fuel consumption guarantee, effectively capping customer fuel costs
  - Achieve industry leading reliability – 99.9%
- Business model reduces risk and costs for customer as well as eliminates requirement for capital investment

Historical Comparison

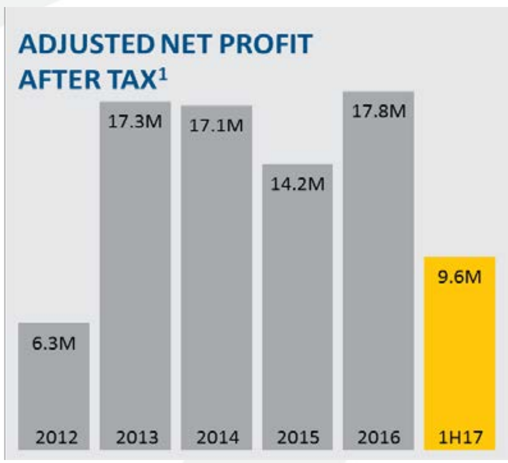
- **Against the headwinds of the mining downturn in recent years, PEA has been stable and dependable**

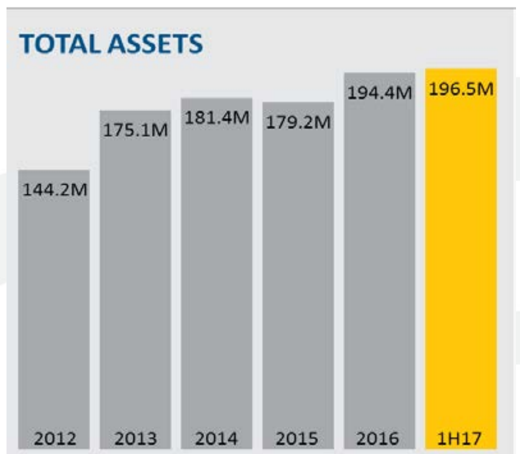


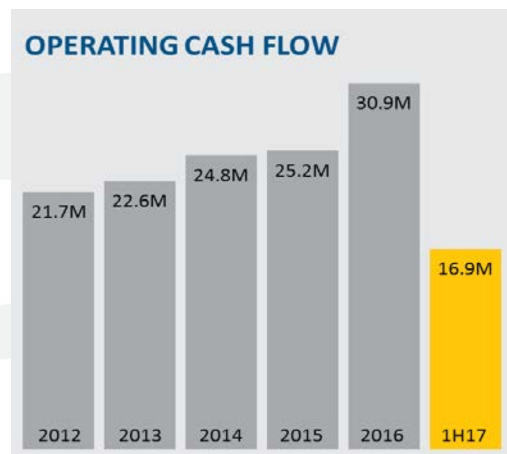




[1] Adjusted NPAT = NPAT plus amortisation of material contracts and customer relationships acquired





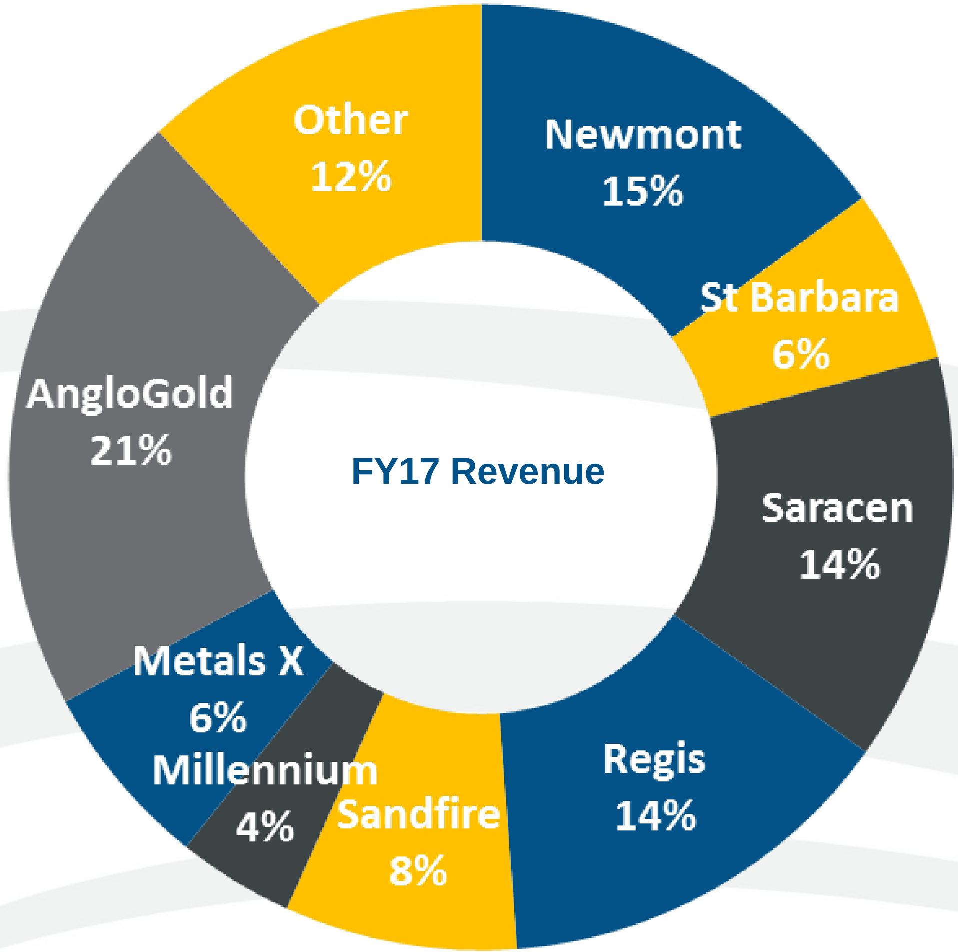


Stable Client Base and Earnings Visibility

- Long term contracts in place - weighted average remaining contract duration approaching 4 years provides strong earnings visibility

- Approximately 80% of revenue from clients with All In Sustaining Cost Margin exceeding 30%

- Commodity exposure – mostly gold, copper, precious metals and mineral sands



Supported by Strong Balance Sheet

	Dec 16 $m's	Jun 16 $m's
Cash	8.6	5.8
Receivables	6.6	6.6
PP&E	155.6	154.9
Intangibles	24.7	25.2
Other	1.0	1.9
TOTAL ASSETS	**196.5**	**194.5**
Current liabilities (ex debt)	6.3	6.2
Current debt	5.8	5.8
Non current debt	33.3	36.2
Deferred tax	9.5	8.4
Other	1.1	1.1
TOTAL LIABILITIES	**56.0**	**57.7**
NET ASSETS	**140.5**	**136.8**
NET TANGIBLE ASSETS	**125.3**	**120.0**

- **KEY RATIOS**

	Dec 16	June 16
Current Ratio	1.3	1.2
Net Debt:Net Assets	21.8%	26.5%
Net Debt:NTA	26.6%	32.0%

- Net Debt $30m
- Total Debt Facilities $63m
- Significantly lower capex compared to HY16 ($8m Vs $27m)
- Gearing at 30 June 2017 expected to reduce to 23% as strong operating cash flows continue

FY17 So Far

- **1H underlying EBITDA $20.5m Vs full year guidance of $40m-$41m (FY16: $36.8m)**
- **High level of tendering activity for new projects; pricing various expansions at existing sites**
- **Recent new contracts and expansions have led to record level of contracted capacity (from 239MW at 30/06/16 to 278MW current); including:**

❖	**New contracts:**	**Westgold – new 5MW power station for Fortnum site under 5 year contract**
		OM Manganese – re-start of 5MW power station at Bootu Creek
		Altura – new 11MW power station at Pilgangoora site under 5 year contract
❖	**Expansions:**	**Newmont – 8MW expansion of Tanami operations**
		Sandfire – 3.5MW expansion at DeGrussa and contract extension to December 2021
		Saracen – 1.5MW expansion at Thunderbox power station
		St Barbara – 3.75MW expansion following new contract to July 2024

FY17 So Far

- **Start dates for several of these projects have been pushed back, so limited benefit to FY17 results (and reduced benefit to FY18 results)**
- **Loss of revenue from major flooding event at large site will lead to slightly lower second half underlying result**
- **African expansion strategy unfolding well:**
    - business established in July 2016;
    - bids submitted on a range of projects at various stages, mostly with ASX listed companies;
    - now tracking over 20 projects in Africa;
    - first contract award considered to be imminent; first revenue expected late FY18 / early FY19;
    - highly encouraged by progress in first year.

Outlook

- Record level of contracted power under long term contracts underwrites continuing strong and reliable earnings and cash flow in the years ahead; high reliability / low volatility
- Good pipeline of work tendered / being tendered as well as further expansions / contract extensions likely at existing sites
- In addition to traditional western / central Australian market, now quoting work in Queensland and Africa
- Confident of contract success in Africa and building a portfolio of long term contract power projects
- Growth expected in FY18 but curtailed by two small projects finishing and delayed start dates on work tendered / being tendered
- FY19 will receive full year benefit of recently secured projects and potential new contract awards
- Actively seeking opportunities for investment / acquisition in the broader energy and infrastructure market, with recurring revenue theme

Summary

FUNDAMENTALS

- Steady and dependable business continues to deliver
- Provide an essential and permanent specialist service
- Visibility in earnings a key differentiator – long term contracts out to 2028

MINERS' COST FOCUS PLAYS TO KPS STRENGTHS

- Demand for cost effective power solutions suits KPS business
- Market leading position in diesel, gas, dual fuel and waste heat technology

STRONG AND LONG TERM RELATIONSHIPS WITH SOLID CLIENTS

- Long term relationships with global and Australian based miners
- Profitable and stable clients with long term viable projects

GROWTH PLUS NEW OPPORTUNITIES

- 2017 set to deliver record result based on contracted revenue
- New business established in Africa – expect roll out of KPS business model to generate growth
- Solid pipeline of work tendered – expect to surpass 300MW of contracted capacity
- Looking at broader energy infrastructure opportunities and acquisitions

FINANCIAL HEALTH

- Balance sheet in good shape
- Consistent and strong cash flow from operations
- Continuing fully franked dividends – 3.6% current yield (@ 70 cents per share)


Thank You
Q&A