PACIFIC ENERGY LIMITED

ASX : PEA

HY18 RESULTS PRESENTATION

PACIFICENERGY



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HY18 Highlights

Financial

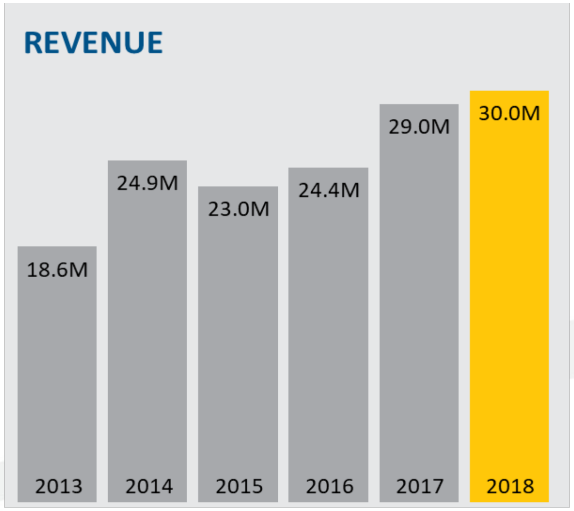
- Revenue up 3% to $30m
- Underlying EBITDA also up 3% to $21m; reported EBITDA down 4% to $20.3m
- $1.5m in combined adjustments between underlying and reported EBITDA comparison, including $0.7m costs in current half for due diligence on acquisition opportunities
- Operating cash flow up 3% to $17.3m
- Interim dividend maintained at 1.0 cps fully franked; DRP activated
- Balance sheet in good health and able to support significant further growth – gearing only 16%
- On track to meet full year underlying EBITDA guidance of $43m - $44m; 2H18 forecast to deliver growth

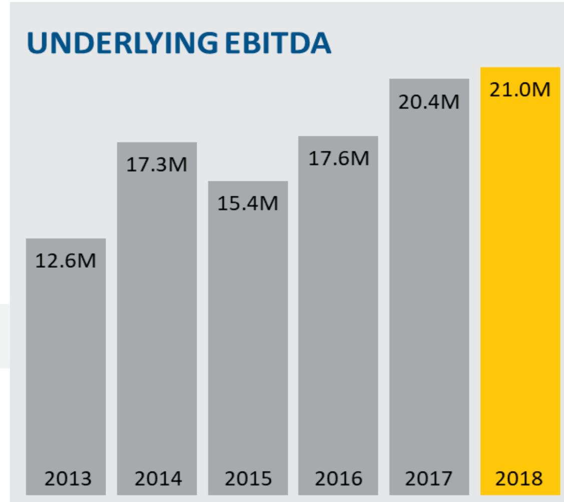
EBITDA COMPARISON	Dec 17 $'000	Dec 16 $'000
EBITDA – Reported	20,336	21,277
Acquisition / due diligence costs	710	-
Less: Profit on sale of investment	-	(816)
EBITDA – Underlying	**21,046**	**20,461**

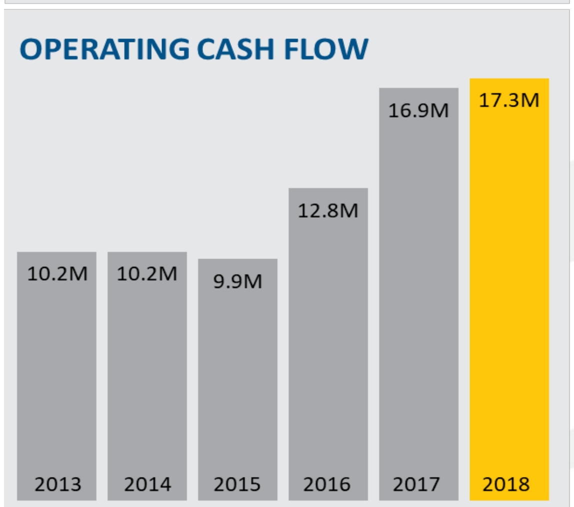
Operating

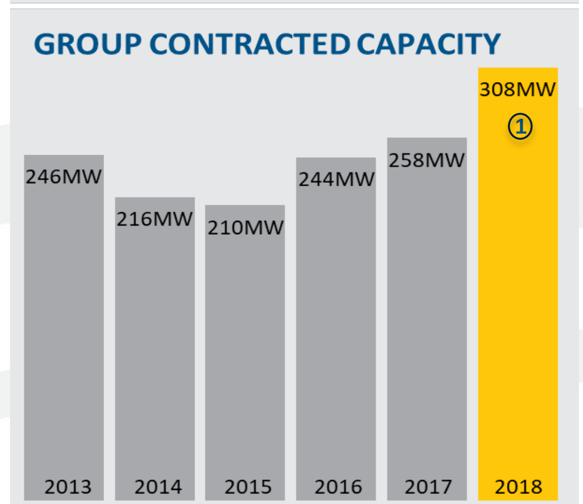
- Record level of contracted / installed capacity – 308MW - up 20% from same time last year, despite lower than expected success rate in greenfields mining projects
- Various contract expansions and two new power stations led to high level of installation activity and capex of $14m. Full benefits will be realised in 2H18 and beyond. 2H18 capex will be modest as most new work is near completion
- NovaPower acquisition completed ($7.9m) – strategic and expandable grid connected asset in Victoria
- Excellent reliability, availability and fuel efficiency achieved in the field to maintain market leading reputation

Continuing demonstration of reliability and resilience through the cycles









1 **Current – includes 24MW under final stages of construction / commissioning**

Healthy Balance Sheet

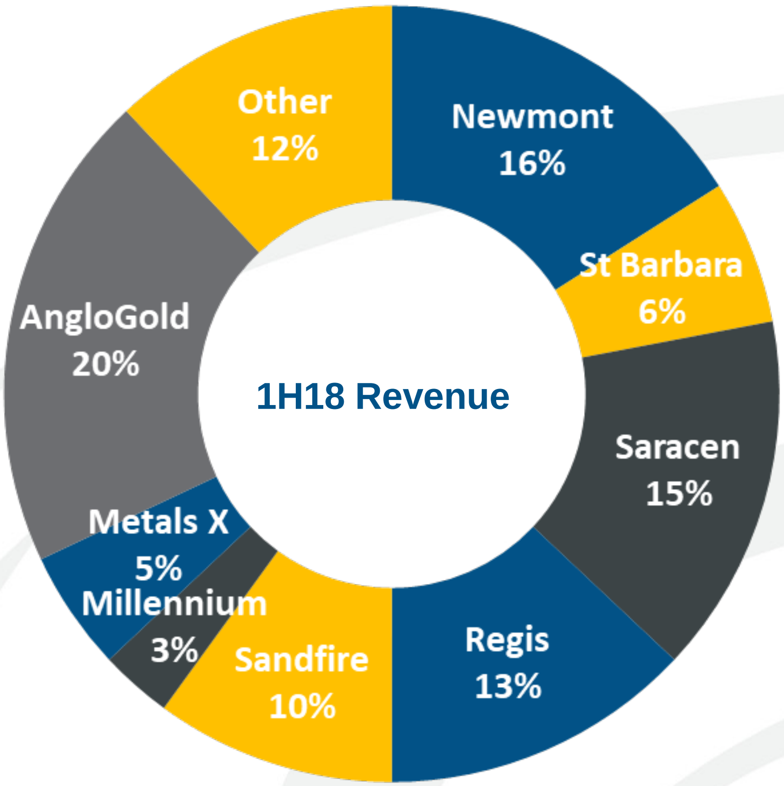
	Dec 2017 $m's	Jun 17 $m's
Cash	4.6	5.0
Receivables	7.9	6.3
PP&E	174.6	160.0
Intangibles	23.6	24.1
Other	1.3	1.4
TOTAL ASSETS	**212.0**	**196.8**
Current liabilities (ex debt)	8.4	6.3
Current debt	7.0	6.9
Non current debt	36.1	25.9
Deferred tax	11.0	11.5
Other	1.6	1.1
TOTAL LIABILITIES	**64.1**	**51.7**
NET ASSETS	**147.9**	**145.1**
NET TANGIBLE ASSETS	**124.3**	**121.0**

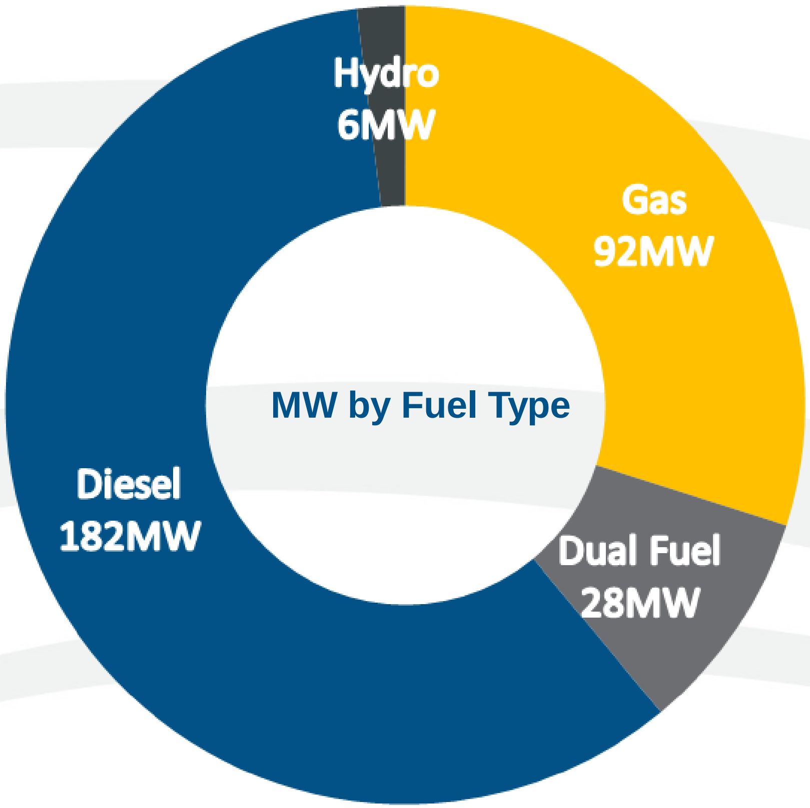
GEARING	Dec 2017	Jun 2017	Dec 2016
Net Debt: EV	16%	13%	11%
Net Debt: NTA	31%	23%	24%

- **$7.9m NovaPower acquisition debt funded in December 17**
- **Gearing increased but remains conservative with additional capacity**
- **Net Debt (debt $43m; cash $4m) $39m**
- **Total Debt Facilities $56m**
- **Interest Cover 25x**
- **1H17 capex spend $14m**
  - → **$9m new projects / expansion capex**
  - → **$5m maintenance and miscellaneous capex**

Long Term Contracts Across Multiple Fuel Technologies

- Long term contracts in place - weighted average remaining contract duration approaching 4 years provides strong earnings visibility
- Approximately 90% of revenue from clients with All In Sustaining Cost Margin exceeding 30%
- Commodity exposure – mostly gold, copper, precious metals and mineral sands
- Some newer commodities and products also in demand





Recent Activity

- **High level of installation and construction activity from contract expansions and new contracts**
  - 5MW expansion at Carosue Dam (Saracen) and contract extension to 2021 - operational
  - 4MW expansion at Garden Well (Regis), and contract extension to 2023 (Duketon contract also extended by Regis to 2020) – ready for commissioning
  - 3MW expansion at Fortnum (Westgold); currently under contract to 2022 – under construction
  - 4MW new contract for Sandfire’s Monty site to 2021 – ready for commissioning
  - 10MW acquisition of NovaPower – operational
  - 2MW expansion at Tanami operations for Newmont and contract extension to 31 December 2018 – operational
  - 11MW new contract for Altura’s Pilgangoora project to 2023 – back end of construction
- **Newmont recently chose an alternative provider for gas power generation at Tanami following formal tender process. KPS was unsuccessful despite “sharp” pricing and will now demobilize existing diesel assets sometime after December 2018 when new gas station is commissioned. Assets will be available for redeployment and reduce future capex requirements**
- **Africa tendering activity remains encouraging but slow decisions**
- **Remain actively looking for strategic asset and business acquisitions as evidenced by recent due diligence expenditure**

NovaPower Acquisition

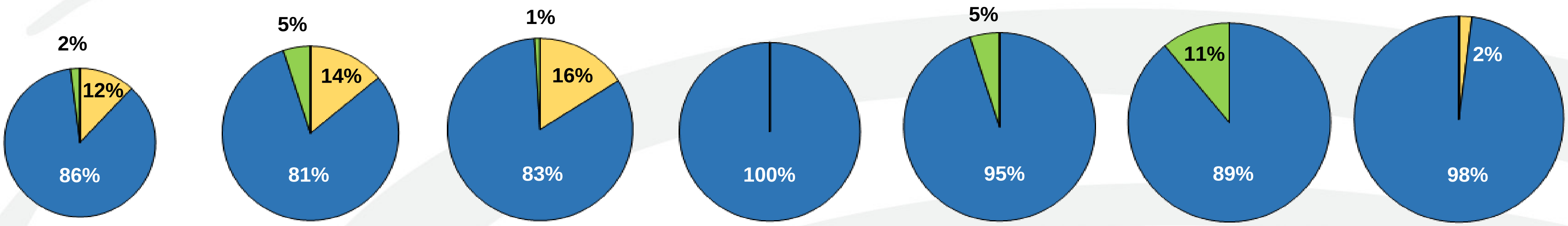
- 10MW gas-fired NEM connected power station in Victoria, commissioned in 2014
- Acquired by PEA in December 2017 for $7.9m
- High-efficiency / low emissions power station which generates in quick response to electricity demand in peak periods
- Operates when the spot price of electricity exceeds the cost of acquiring gas plus an R&M allowance
- Nova site has an ability to expand, with gas supply infrastructure in place to fuel a 20MW plant
- Other potential opportunities to expand power supply facilities at the 2 hectare site to be examined (e.g. battery storage technology; gas storage technology)
- Well-timed and affordable acquisition of a strategic and expandable asset given Federal Government’s new policy aimed at reliability as well as emissions

Ability to Grow Earnings from Existing Client Base

- Organic contract expansion / repeat business from existing customers has delivered much growth to PEA
- Power generation requirements at mining operations typically increase over time
- Leads to organic growth within existing contracts
- Performing on existing projects also leads to opportunities on customers' new projects
- Growth is not dependent on finding new customers - track record of expansion with existing customers / sites, including during several difficult recent years for the mining industry

EBITDA GROWTH

FY12	FY13	FY14	FY15	FY16	FY17	FY18 (guidance)
19%	29%	19%	<7%>	19%	9%	9%



Legend:
- Revenue from existing sites, including expansions
- Revenue from new sites - existing customers
- Revenue from new sites - new customers

- **FY12 – FY18 EBITDA growth from $21.5m to $43.5m (guidance mid-point)**
- **Majority of this driven from existing customers**

Outlook

- **EBITDA guidance remains at $43m - $44m (up from $40m in FY17)**
- **Implies EV/EBITDA (mid range) multiple of 5.3x**
- **Confident of regaining Newmont lost ground through continued organic growth within existing contracts and securing new projects**
- **Record operating cash flow and strong balance sheet support organic growth and strategic acquisition**
- **Well positioned for all fuel technologies with proven capabilities in:**
  ✓ **diesel** ✓ **gas** ✓ **dual fuel** ✓ **waste heat** ✓ **solar**
- **Growth Drivers:**

Existing Customers

- Existing customers typically require increasing power generation over time
- Existing customers may also develop new projects
- Currently in discussions on several expansion opportunities
- Also in discussions on several contract extensions

New Mining Projects

- Very positive outlook for natural resources industry after several tough years
- Actively pricing a range of new projects – > 100MW in outstanding tenders and EOI's
- African market presents a new growth frontier. Market entry well received with various tenders and EOI's in progress although decision making slow. Tracking circa 40 projects

New Opportunities

- Good deal flow of opportunities for new investment (mining, non-mining, renewables, other energy related)
- Opportunities include acquisition of existing power generation assets, as well as business acquisitions or investments

Conclusion