PACIFIC ENERGY LIMITED

ASX : PEA

HY19 RESULTS PRESENTATION

PACIFICENERGY

FEBRUARY 2019

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HY19 Highlights

Financial

- Underlying EBITDA up 56% to $32.8; reported EBITDA up 61%
- NPAT up 76% from $8.0 million to $14.1 million
- Results include six months of Contract Power business (acquired April 2018)
- Growth driven from combination of Contract Power results and continuing base business growth
- EPS up 52%
- Strong operating cash flows of $27.2 million ($17.3 million pcp)
- 17% reduction in net debt (Net Debt : NTA ratio 59%)
- Dividend resumed with interim dividend of 1 cent per share fully franked declared

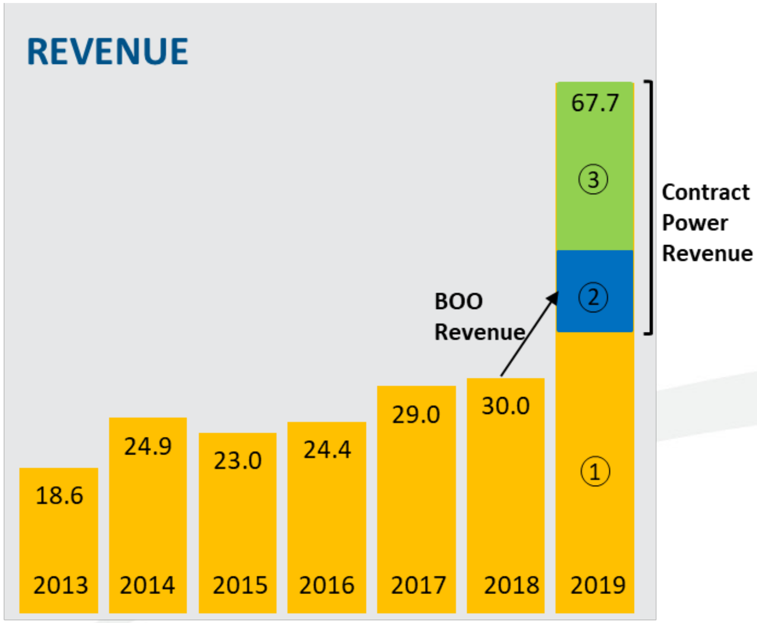
EBITDA COMPARISON	Dec 18 $'000	Dec 17 $'000
EBITDA – Reported	32,769	20,336
Acquisition / due diligence costs	-	710
EBITDA – Underlying	**32,769**	**21,046**

Operating

- Excellent reliability, availability and fuel efficiency achieved to maintain market leading reputation
- Various contract expansions and one new power station contract secured
- Record level of contracted capacity – 395MW

Outstanding Growth in all Key Areas

REVENUE



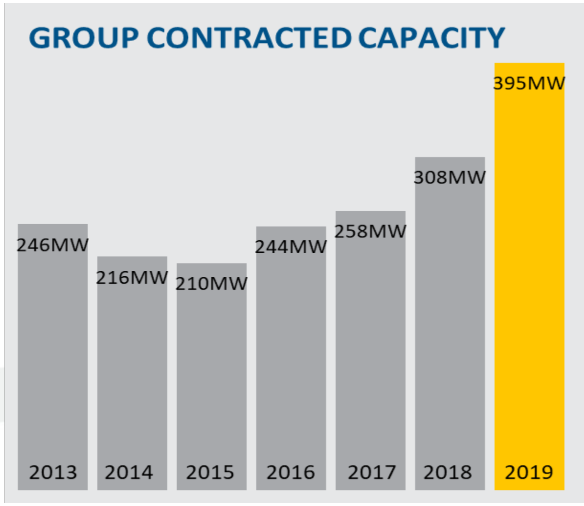
1 $36.3 Base BOO Revenue

2 $10.2 Contract Power BOO Revenue

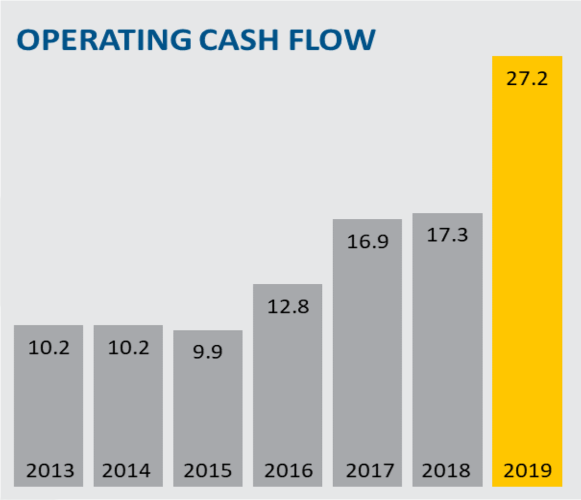
3 $21.2 Contract Power Construction Revenue

- Baseline Build Own Operate (BOO) revenue grew 21%
- Including Contract Power, BOO revenue grew 55% to $46.5m
- Construction revenue generated from two projects; completion in Q3 FY19

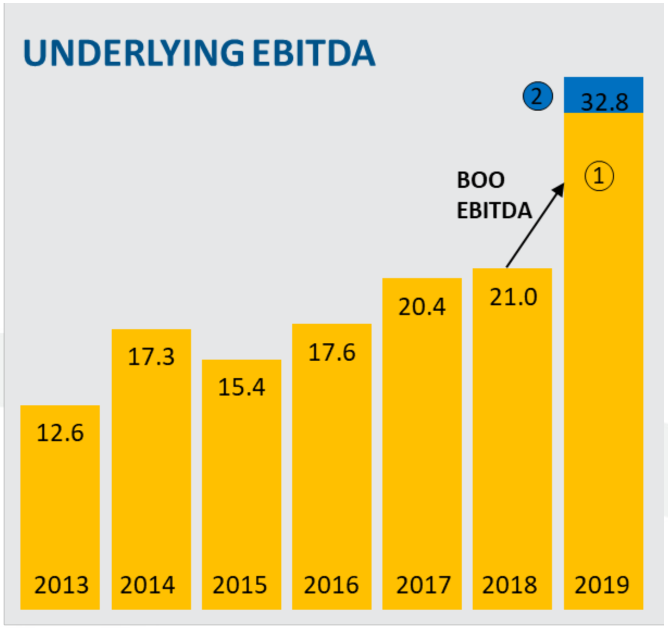
GROUP CONTRACTED CAPACITY



OPERATING CASH FLOW



UNDERLYING EBITDA



1 $30.3 BOO EBITDA

2 $2.5 Construction EBITDA

- Total BOO EBITDA up 30% to $30.3m
- Business focus is BOO contracts - construction income should be viewed as intermittent
- Construction projects only undertaken if same style power station as traditional BOO design

Financial Performance

- Power generation revenue
  - $47.7m from 40 contracted facilities
  - Growth driven from contract expansions, new contracts and contribution from new acquisition
- Construction revenue is intermittent and will only be forecast as and when contracts arise
- 61% of EBITDA growth from Contract Power business; 39% from existing base business
- Record operating cash flows of $27.1 million enabled progressive debt reduction and fully funded capex.
- Dividends
  - Previously suspended until final FY19 as part of funding arrangements for Contract Power acquisition
  - Based on strong earnings and cash flows, recommencing six months earlier than planned
  - 1 cps fully franked dividend payable in April 2019
- Estimated FY19 D&A charge: $23m ($21m + $2m)
- Financing expense increase due to acquisition funding; estimated FY19 financing expense: $4.5m
- EPS up 52% on strength of larger earnings base and minimal (11%) shareholder dilution from acquisition

Summary Financials

$000's	For 6 Months to Dec 18	For 6 Months to Dec 17
Power generation and service revenue	47,705	30,081
Operating costs	(17,447)	(9,035)
	30,258	21,046
Construction revenue	21,239	-
Construction costs	(18,741)	-
	2,498	-
Due Diligence / acquisition Costs	-	(710)
Reported EBITDA	**32,756**	**20,336**
Depreciation	(10,287)	(7,644)
Amortisation	(1,014)	(586)
Net financing expenses	(2,257)	(776)
Profit before Tax	**19,198**	**11,330**
Income tax expense	(5,038)	(3,296)
Reported NPAT	**14,160**	**8,034**
EPS	**3.3c**	**2.16c**
Operating cash flows	**27,168**	**17,310**

Healthy Balance Sheet and Funding Capacity

	Dec 2018 $m's	Jun 2018 $m's
Cash	4.0	13.1
Receivables	17.7	16.14
PP&E	223.5	224.0
Intangibles	54.3	55.3
Other	2.3	7.3
TOTAL ASSETS	**301.8**	**316.1**
Current liabilities (ex debt)	18.7	22.2
Current debt	11.8	11.8
Non current debt	69.7	95.2
Deferred tax	12.6	12.3
Other	2.9	3.0
TOTAL LIABILITIES	**115.7**	**144.5**
NET ASSETS	**186.1**	**171.6**
NET TANGIBLE ASSETS	**131.8**	**116.3**

GEARING	Dec 2018	Jun 2018	Dec 2017
Net Debt: EV	24%	29%	16%
Net Debt: NTA	31%	54%	74%

- Net debt peaked at $95m following funding of Contract Power acquisition
- Reduced net debt by 17% in 1H19 to $77.8m
- Total debt facilities $136m
- Facility headroom $58m
- Net debt : FY19 forecast EBITDA 1.29x
- Interest cover 13.4x
- 1H19 capex spend $10m
- Cost of bank facility funds (interest and line fee) 4.1%

Multi-Year Contracts with Guaranteed Minimum Payments Provide Earnings Visibility and Reliability

- Selection of major contracts below

Client	Site	Industry	FY18	FY19	FY20	FY21	FY22	FY23	FY24	Current Mine Life *
AngloGold Ashanti	Tropicana	Gold	Contracted to 2028							2028
Pilbara Minerals	Pilgangoora	Lithium	Contracted to 2025							2053
St Barbara	Gwalia	Gold	Contracted to 2024							2024
Horizon Power	MidWest	Townships	Contracted to 2025							Indefinite
Panoramic Resources	Savannah	Nickel	Contracted to 2027							2027
Galaxy Resources	Mt Cattlin	Lithium/Tantalum	Contracted to 2022							2028
Saracen	Carosue Dam	Gold	Contracted to 2023							2024
Saracen	Thunderbox	Gold	Contracted to 2021							2025
Regis	Garden Well	Gold	Contracted to 2023							2025
Energy Australia	Cardinia	NEM	Contracted to 2023							Indefinite
Iluka	Jacinth Ambrosia	Mineral Sands	Contracted to 2021							2027
Sandfire	DeGrussa	Copper/Gold	Contracted to 2022							2022
Altura	Pilgangoora	Lithium	Contracted to 2023							2031
Westgold	Fortnum	Gold	Contracted to 2022							2022
Doray	Deflector	Copper/Gold	Contracted to 2021							2021

Contracts have options to extend and typically roll into new terms as mine lives extend

*PEA estimate

Growth Story Continues

- Combination of continuing growth from existing contracts, new contracts and acquisition activity (Contract Power and NovaPower) has seen contracted capacity approaching 400MW
- Portfolio now includes
  - 3 NEM connected power stations (gas and hydro)
  - 7 remote township power stations (gas, diesel and solar)
  - 31 remote mine power stations (gas, diesel, waste heat)
  - 2 EPC contracts nearing completion (gas and battery / microgrid)
- Leading remote power specialist in gold and hard-rock lithium sectors
- Capabilities and proven experience in thermal and renewable technologies:
  - diesel
  - gas
  - dual fuel
  - solar hybrid

52MW Reciprocating Gas Engine Power Station Under Construction

Growth Story Continues

- Contract Power acquisition bedded down
  - all contracts remain on foot and in good standing
  - all customers and staff continuing
  - $32m of EPC substantially completed
  - actively pricing a range of new projects
  - no negative surprises - a rewarding and pleasing transaction
- With minimal dilution from acquisition activity, stronger earnings & cash flows from existing contracts/new contracts and acquisitions, first half result has delivered 50+% EPS growth to shareholders, early recommencement of dividends and a balance sheet repositioned for growth
- Have added 24MW of new contracted capacity in FY19 to date
  - Panoramic Resources – 14MW new contract
  - St Barbara – 6MW expansion
  - Various expansions – 4MW
  - Saracen Minerals – 2 year extension at Carosue Dam to 2023

- LOI received for 22MW thermal / 7MW solar project in Africa - 10 year contract to be awarded, subject to negotiation of PPA terms and conditions
- Sizeable tender pipeline in place, although decision making on new contract awards taking longer than expected

Outlook

- Solid start to 2H19 in combination with first half performance prompted upgrade on 12 February 2019 in full year guidance to $60m-$61m (previously $54m-$55m) EBITDA
- Multi-pronged growth potential from:
  - new contracts
  - expansions at existing stations (usually 10MW – 20MW per year)
  - re-starts of Care & Maintenance stations
  - construction income (where clients do not proceed with BOO)
  - acquisitions of existing assets and businesses
- Committed management and staff with industry leading expertise and track record
- Outstanding reputation for reliability and quality
- Well funded to pursue growth with circa $58m facility headroom
- Long term contracted cash flows - record operating cash flow forecast of circa $48m
- Strong balance sheet repositioned for growth

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 and mine re-start opportunities

New Mining Projects

- Over 20 proposals outstanding all at various stages
- Awaiting results of over 50MW in formal tenders
- Approximately 150MW priced for projects in formal study stages
- African market presents a new growth frontier

New Opportunities

- Current focus on maximising value from recent acquisitions
- Remain open to and in search of more asset acquisition opportunities

Conclusion