PACIFIC ENERGY LIMITED

ASX : PEA

2019 RESULTS PRESENTATION

PACIFICENERGY

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Key Headlines

Financial

- Underlying EBITDA up 49% to $65.8 million
- NPAT up 262% to $24.5 million
- Results include a full year of Contract Power business (acquired April 2018)
- EPS up 218% to 5.72 cps
- Strong operating cash flows of $60.4 million, up 68% from $35.9 million
- Substantial reduction in net debt - 31% lower than 30 June 2018 (Net Debt : NTA ratio 48%)
- Final dividend declared of 1.5 cents per share, fully franked
- Growth driven by combination of first full year of Contract Power results and continuing organic growth from existing operations

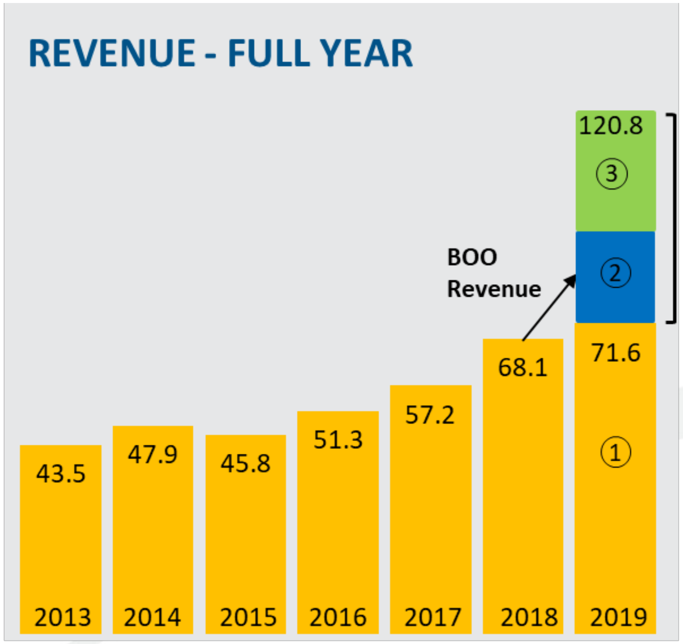
Operating

- Excellent reliability, availability and fuel efficiency achieved to maintain market leading reputation
- Various contract expansions and two new power station contracts secured
- Contract Power acquisition successfully integrated
- Contract Power's construction project capabilities expands earnings profile and range of service capabilities – several projects completed, including 52MW natural gas power station at Wodgina

Corporate

- Scheme Implementation Deed signed in July 2019 valuing Pacific Energy equity at $422m
- Subject to completion of Scheme Arrangement, shareholders to receive 97.5 cps, comprising 96 cps cash consideration and 1.5 cps final dividend

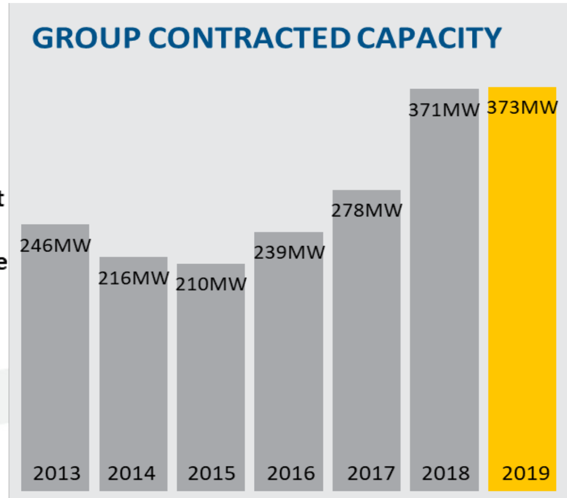
Outstanding Growth in all Key Areas

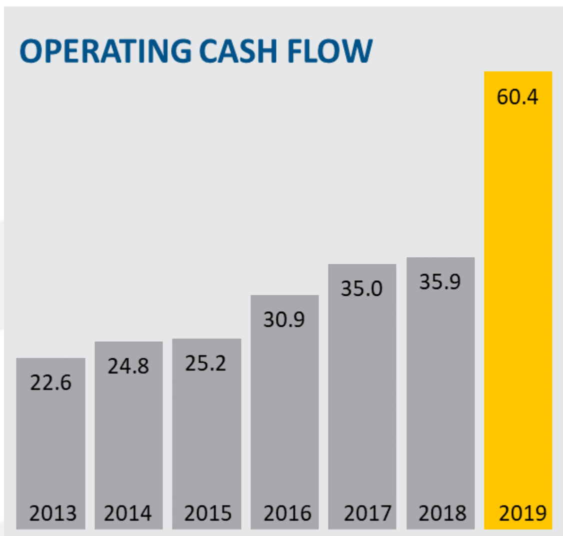


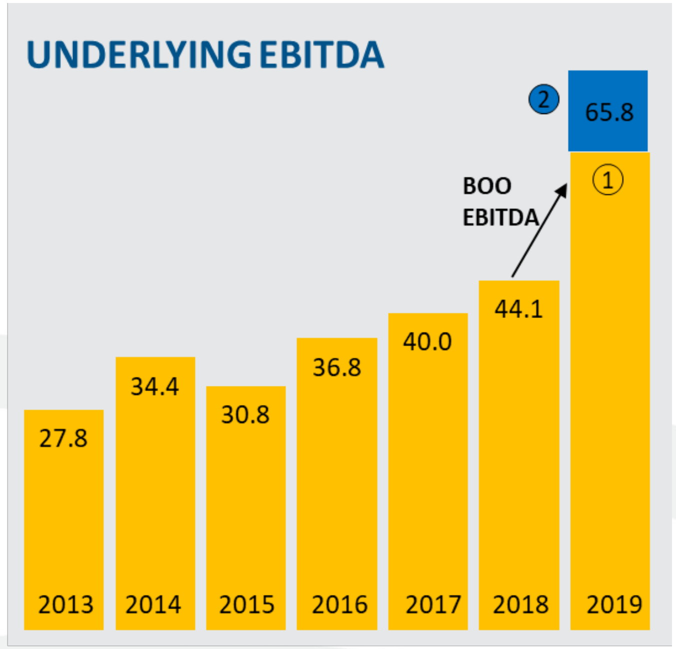
1 $71.6 Base BOO Revenue

2 $21.4 Contract Power BOO Revenue

3 $27.8 Contract Power Construction Revenue







1 $60.3 BOO EBITDA

2 $5.5 Construction EBITDA

- Including Contract Power, BOO revenue grew 36% to $93m
- Construction revenue generated from several projects; all completed by 30 June 2019

- Including Contract Power, BOO EBITDA up 37% to $60.3m
- Construction projects are undertaken on a selective basis within acceptable risk framework

Financial Performance

- Power generation revenue
  - $95.0m from 39 contracted facilities
  - Growth driven from contract expansions, new contracts, full year contributions from prior year additional capacity installed, plus acquisitions
- 65% of EBITDA growth from inclusion of Contract Power full year earnings; 35% from existing base business
- Record operating cash flows of $60.4 million enabled $30m debt reduction and fully funded capex.
- 1.5 cps fully franked dividend payable in October 2019 (total of 2.5 cps for full year)
- Estimated FY20 D&A charge: $25m ($23m + $2m)
- Financing expense increase due to acquisition funding; estimated FY20 financing expense: $3.8m
- EPS up 218% on strength of larger earnings base and minimal (11%) shareholder dilution from acquisition activity

Summary Financials

$000's	FY19	FY18
Power generation and service revenue	95,561	68,769
Operating costs	35,204	(22,939)
	60,357	45,830
Construction revenue	27,783	-
Construction costs	(22,333)	-
	5,450	-
Due diligence / impairment costs	-	(14,555)
Reported EBITDA	**65,807**	**31,275**
Depreciation	(21,928)	(17,261)
Amortisation	(2,846)	(1,549)
Net financing expenses	(4,406)	(2,559)
Profit before Tax	**36,627**	**9,906**
Income tax expense	(12,082)	(3,125)
Reported NPAT	**24,545**	**6,781**
EPS	**5.72**	**1.80**
Operating cash flows	**60,364**	**35,921**

Healthy Balance Sheet and Funding Capacity

	Jun 2019 $m's	Jun 2018 $m's
Cash	8.3	12.3
Receivables	12.3	16.4
PP&E	228.9	224.0
Intangibles	56.0	55.3
Other	1.4	8.1
TOTAL ASSETS	**306.9**	**316.1**
Current liabilities (ex debt)	22.9	22.2
Current debt	11.7	11.8
Non current debt	61.6	95.2
Deferred tax	13.8	12.3
Other	5.4	3.0
TOTAL LIABILITIES	**115.4**	**144.5**
NET ASSETS	**191.5**	**171.6**
NET TANGIBLE ASSETS	**135.5**	**116.3**

GEARING	June 2019	Jun 2018
Net Debt: EV	18%	29%
Net Debt: NTA	48%	82%

- Net debt peaked at $95m following funding of Contract Power acquisition
- Reduced net debt by 31% to $65m
- Total debt facilities $128m
- Facility headroom $63m
- Net debt : FY19 EBITDA 1.1x
- FY 19 interest cover 15x
- FY19 capex spend $23m
  - $13m growth capex
  - $10m maintenance / other capex
- Cost of bank facility funds (interest and line fee) 3.5%

Growth Story Continues

- Combination of continuing growth from existing contracts, new contracts secured and acquisition activity (Contract Power and NovaPower) have expanded portfolio of power generation facilities, customer base and geographic reach
- Portfolio includes
  - 3 NEM connected power stations (gas and hydro)
  - 7 remote township power stations (gas, diesel and solar)
  - 29 remote mine power stations (gas, diesel, waste heat)
- Specialist skill set enables construction projects to be undertaken on a selective basis; three contracts completed in FY19 (gas and battery / microgrid)
- Capabilities and proven experience in thermal and renewable technologies:
  - diesel
  - gas
  - dual fuel
  - solar
  - battery storage

Growth Story Continues

- Contract Power acquisition bedded down
  - all contracts remain on foot
  - all customers and staff continuing
  - $28m of construction revenues generated
  - actively pricing a range of new projects
  - no negative surprises - a rewarding and pleasing transaction
- Record year for NovaPower
- Whilst 47MW of redeployable equipment was returned from Newmont contract in FY19, additional 49MW of new contracted capacity was secured during FY19:
  - Round Oak Minerals – 13MW new contract
  - Panoramic Resources – 14MW new contract
  - St Barbara – 6MW expansion
  - AngloGold Ashanti – 4MW expansion
  - Various other expansions – 12MW
- Sizeable tender pipeline and new contract opportunities in place, although decision making on new contract awards taking longer than expected

Scheme of Arrangement

On 24 July 2019, the Company announced a proposal by QIC Private Capital Pty Ltd (“QIC”) to acquire the Company for 97.5 cents per share.

Key details of the announcement were as follows:

- Pacific Energy has entered into a Scheme Implementation Deed with QGIF Swan Bidco Pty Ltd, a subsidiary of funds managed or advised by QIC, to acquire Pacific Energy by way of a Scheme of Arrangement (the “Scheme”)
- Pacific Energy shareholders will receive 97.5 cents per share in cash, comprising 96 cents per share and a final 1.5 cents per share fully-franked dividend (the "Total Consideration")
- The Total Consideration is above the highest price Pacific Energy has traded since the acquisition of Kalgoorlie Power Systems in 2009 and represents a:
    - 35.4% premium to the last closing price of Pacific Energy shares on 22 July 2019 of 72 cents
    - 43.6% premium to the 1-month VWAP of Pacific Energy shares of 67.9 cents
    - 50.1% premium to the 3-month VWAP of Pacific Energy shares of 65 cents
- Pacific Energy may also declare and pay a special dividend before the implementation date of the Scheme. The quantum of any special dividend will be advised to shareholders in due course and will reduce the Total Consideration accordingly, but the total cash to be received by shareholders will be equal to 97.5 cents per share

Scheme of Arrangement cont.

- The Scheme values Pacific Energy equity at $422 million and implies an enterprise value of $487 million
- No expected changes to the leadership of Pacific Energy and its wholly owned subsidiaries
- No impact on Pacific Energy's operations, customers and employees
- The Directors of Pacific Energy have unanimously recommended the Scheme in the absence of a superior proposal and subject to an Independent Expert concluding that the Scheme is in the best interest of shareholders
- Key Dates (estimated)

Event	Expected date
First court hearing	Week commencing 16 September 2019
Dispatch of Scheme Booklet to shareholders	Week commencing 16 September 2019
Scheme Meeting	Week commencing 21 October 2019
Second Court Hearing	Week commencing 28 October 2019
Effective Date	Week commencing 28 October 2019
Implementation Date	Week commencing 11 November 2019

Outlook

- 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 energy infrastructure 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 $63m bank facility headroom
- Long term contracted cash flows - operating cash flow forecast for FY20 of circa $60m
- Strong balance sheet repositioned for growth
- FY20 guidance for underlying EBITDA $58m - $59m

Growth Drivers:

Existing Customers

- Existing customers typically require increasing power generation over time
- Existing customers may also develop or acquire new sites
- Currently in discussions on several expansion opportunities

New Mining Projects

- Over 20 proposals outstanding all at various stages
- Awaiting results of over 70MW in formal tenders
- Approximately 280MW priced for projects in formal study stages
- African market presents a new growth frontier, however it remains slow to develop

New Opportunities

- Seeking more energy asset acquisition opportunities
- Alert to business acquisition opportunities

Conclusion

Thank You
Q&A