ASX Release

Perenti

24 August 2020

Perenti delivers record revenue and EBITDA earnings in FY20

FY20 results and outlook highlights:

- Record revenue of $2.04 billion, up 3.8% and the first time it has exceeded $2 billion
- Record underlying[1] EBITDA of $443.8 million, up 6.8%
- Strong underlying[1] EBIT(A) of $211.7 million, down 2.5%
- Underlying[1] NPAT(A) of $110.3 million, in line with the top end of recent guidance
- Excellent EBITDA cash conversion of 96%, reflecting Perenti's high quality earnings and discipline
- ROACE maintained above 16%, with capital discipline remaining a key focus under 2025 Group strategy
- Fully franked final dividend of 3.5 cents announced, delivering FY20 full year dividend of 7.0 cents
- Enhanced liquidity position to circa $600 million in cash and undrawn credit facilities, ensuring Perenti is well positioned for growth and to withstand COVID-19 uncertainty
- First major project in North America, $200m contract win with Barrick at their Hemlo project in Canada
- Work in hand of $5.4 billion, of which $1.7 billion is already secured revenue for FY21
- Additional $2 billion in contract rollovers with existing clients currently under negotiation
- Significant exposure to positive momentum in the gold sector
- Targeting substantial $8.8 billion tender pipeline, which includes significant opportunities expected to commence in the second half of FY21 or early FY22

Perenti (ASX: PRN) has delivered strong operating and financial results in FY20, demonstrating the strength of its global mining services business to withstand challenges and provide certainty. Perenti is set to deliver similar revenue and operating margins in FY21, subject to COVID-19 impacts, with solid growth expected in FY22.

In FY20 Perenti delivered record revenue – exceeding $2 billion for the first time – record EBITDA, significantly strengthened its liquidity position, and has entered FY21 with more than $5 billion work in hand and almost $11 billion in contract rollovers and targeted tender opportunities.

Perenti Managing Director & CEO, Mark Norwell said the FY20 financial results reflected the team's ability to successfully navigate a turbulent year and deliver value and certainty for Perenti's clients and investors.

"To report record revenue and earnings, end the year in a stronger financial position than 12 months ago, and maintain a substantial order book is impressive, but to do so in the midst of the operational and economic challenges presented by COVID-19 is exceptional," Mr Norwell said.

[1] FY20 Underlying excludes amortisation and any non-recurring underlying items. See a reconciliation between statutory and underlying on slide 29 and 30 of Perenti's FY20 investor presentation for further details.

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"Perenti experienced isolated impacts of COVID-19 at Perenti's projects, with a strong response by our internal executive led COVID-19 taskforce. The company also achieved tangible progress against key initiatives under the 2025 Group strategy, positioning Perenti for the future.

"Of note, we converted close to 100 per cent of earnings into cash, remained focused on capital discipline, and made considerable progress in transforming our Surface business in Africa, AMS, with stronger financial performance in the second half of FY20. Meanwhile, Underground delivered standout financial and operational performance through the Barminco and AUMS businesses across both Australia and Africa.

"We also secured almost $1 billion in contact extensions and new work across our Surface and Underground ISGs in FY20 and successfully commenced operations in attractive mining jurisdictions of Botswana and Canada.

"Importantly, we continued to look to the future by investing in the business and our people that will enable us to deliver on our 2025 Group strategy.

"The results and achievements reflect the dedication of our high calibre team and the strength of our operating discipline and I would like to thank our employees and their families for their support."

Financial results

Key elements of Perenti's results are as follows:

12 months to 30 June 2020 - $million	Revenue	EBITDA	EBIT	NPAT
Statutory Results	**2,046.1**	**370.4**	**99.7**	**27.6**
Non-cash amortisation of customer related & software intangibles	-	-	38.6	38.6
Statutory Results before amortisation	**2,046.1**	**370.4**	**138.2**	**66.1**
Less non-recurring items below				
Non-cash asset Impairment	-	59.6	59.6	59.6
Transaction and other one-off costs	-	8.0	8.0	8.0
Foreign exchange movement	-	3.3	3.3	3.3
Profit on sale of Connector	-	(2.4)	(2.4)	(2.4)
Boungou/Bissa project cessation one-off costs	(1.5)	5.0	5.0	5.0
Net tax effect	-	-	-	(25.6)
Minority profits	-	-	-	(3.7)
Underlying[2] Results	**2,044.6**	**443.8**	**211.7**	**110.3**

2 FY20 Underlying excludes any non-recurring items, as disclosed in the table above. See slide 29 and 30 of Perenti's FY20 investor presentation for further details.

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12 months to 30 June 2019 - $million	Revenue	EBITDA	EBIT	NPAT
Statutory Results	**1,638.4**	**401.0**	**207.2**	**181.3**
Non-cash amortisation of customer related and software intangibles	-	-	29.1	29.1
Statutory Results before amortisation	**1,638.4**	**401.0**	**236.3**	**210.4**
Less non-recurring items below				
Non-cash asset impairment	-	113.6	113.6	113.6
50% AUMS step acquisition gains	-	(198.4)	(198.4)	(198.4)
Transaction and one-off costs	-	30.2	30.2	39.1
Foreign exchange movement	-	(1.0)	(1.0)	(1.0)
Net tax effect	-	-	-	(60.6)
Underlying Results	**1,638.4**	**345.5**	**180.7**	**103.1**
AUMS and Barminco (4-month pre-acquisition net of equity accounted profit, transaction costs, capital structure and tax impact)	331.5	70.2	36.3	25.2
Proforma Results	**1,969.8**	**415.7**	**217.0**	**128.3**

Group statutory NPAT as reported in the Appendix 4E was $27.6 million in FY20 (FY19: $181.3 million). As disclosed in the Company's FY19 results announcement on 28 August 2019, Perenti's FY19 profit result was enhanced by a significant uplift from one-off, non-cash items relating to the accounting treatment of the acquisition of Barminco and its share of AUMS, which was completed on 1 November 2018. The above tables explain that impact.

Perenti Chief Financial Officer Peter Bryant said: "Perenti booked a one-off accounting gain of approximately $200 million from the acquisition of Barminco in November 2018, enhancing the FY19 NPAT result and making the comparison of FY20 and FY19 statutory results potentially misleading. As such, throughout FY20 we have used the underlying results to present and compare the performance of the business, as it removes the impact of non-recurring items and assumes the Group had owned Barminco for the entirety of FY19. This is the last financial year where the accounting treatment of the Barminco acquisition will impact comparisons of our statutory results."

In addition, the FY20 statutory results include a non-cash impairment of $59.6 million reflecting a reassessment of the recoverable value of the assets located at the Boungou site in Burkina Faso, Power Solutions Africa and assets and inventory held by BTP.

Perenti increased revenue in FY20 by 3.8% over the prior corresponding period to $2.045 billion, driven by new project wins. This translated into record underlying Group EBITDA of $443.8 million, up 6.8% on FY19. Underlying EBIT(A) of $212 million was down 2.5 per cent on FY19, due to increased depreciation. Perenti reported underlying NPAT of $110.3 million (FY19: $128.3 million), which was in line with guidance.

Balance sheet

Capital and liquidity management has remained a key management focus under the 2025 Group strategy, particularly amid the challenging economic conditions presented by COVID-19. Perenti enhanced its robust balance sheet during the fiscal year, ending FY20 with increased cash reserves of $327.5 million (31 December 2019: $243.7 million) and an improved leverage ratio of 1.3x[3] (31 December 2019: 1.4x). This was supported by a significant increase in operating cash flow to $306.5 million (FY19: $206.9 million). Perenti's sustained focus on capital discipline ensured Return on Average Capital Employed (ROACE) was maintained above 16%.

In addition, Perenti secured additional debt funding in FY20, increasing the size of its revolving credit facility (RCF) by $130 million in June 2020, which was secured as precautionary measure and remains undrawn due to the strong cash generation of the business. The increase was supported by members of the Company's existing $400 million RCF, which matures on 1 July 2023, with new credit and covenant terms that are either consistent with, or more favourable, than those in the existing RCF.

Perenti has entered FY21 in a strong liquidity position, with circa $600 million in cash and undrawn revolving credit facilities. In addition, the Company continues to have access to equipment finance facilities. The Company's credit ratings remain stable at Ba2 and BB by Moody's Investor Services and Standard and Poor's respectively.

Dividend

The Group's strong FY20 performance and financial position has resulted in the Directors declaring a final dividend of 3.5 cents per share, bringing total dividends for FY20 to 7.0 cents per share.

The fully franked dividend will have a record date of 5 October 2020 and will be paid to Perenti shareholders on 3 November 2020. Perenti shareholders can also participate in the Dividend Reinvestment Plan with respect to the 3.5 cents per share final dividend.

Strategy and outlook

In FY21, Perenti will continue to progress the strategic initiatives detailed in the 2025 Group strategy. This includes maintaining operational excellence across Perenti's existing projects; successfully ramping up at new projects; further enhancing performance within the Group's Surface ISG (in particular driving ongoing improvement in AMS); ensuring balance sheet strength with an ongoing focus on working capital management and cash conversion; investing in our people and systems; and the conversion of pipeline opportunities. The Group will also continue to progress a technology driven future through its current services, and through exploring new service offerings that it will expand on in FY21.

Perenti has entered the year with $5.4 billion work in hand, of which $1.7 billion is secured revenue for FY21. An additional $2 billion in contract rollovers and variations with existing clients are also currently under negotiation.

Looking further ahead, Perenti is targeting a considerable pipeline of new work, with $8.8 billion of tenders across the Group's Underground and Surface ISGs being actively targeted.

[3] Including $57.9 million operating leases recognised as right of use liabilities as part of AASB16.

Mark Norwell said Perenti's work in hand and strengthened financial position ensured the Company was well placed both to withstand the ongoing economic challenges COVID-19 may present and capitalise on growth opportunities.

"We must remain focused on continuing to navigate the challenges presented by COVID-19 by supporting the health and wellbeing of our people and ensuring operational continuity for our customers, as well as delivering on our strategy of creating long-term value for our shareholders," Mr Norwell said.

"Our strong order book provides a solid base for FY21, which is enhanced by increased tender activity globally with a pipeline of $8.8 billion in targeted pipeline opportunities. This pipeline has been enhanced by the success of our regional expansion strategy, with our entry into North America, for example, opening the door to tender opportunities valued at $1.8 billion in that region.

"These tenders include major opportunities that are expected to commence in the second half of FY21, with Perenti to realise the full value in FY22, and beyond, if we are successful in winning this work."

Authorised by:
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