# PACIFIC ENERGY LIMITED

## POWER GENERATION

HY16 RESULTS PRESENTATION

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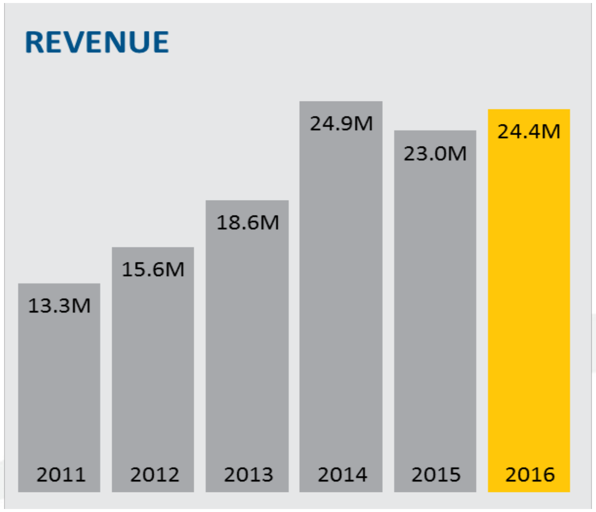
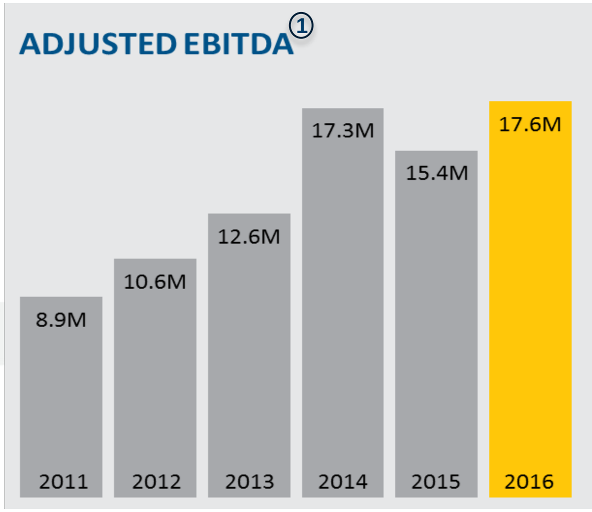
# HY16 Highlights

| | |
|---|---|
| **Financial** | ▪ Solid set of results following recent contract wins, substantial investment in equipment and cost control measures<br>▪ EBITDA up 17% to $17.3m<br>▪ NPAT (adjusted) up 24% to $8.7m; NPAT (reported) up 36% to $7.3m<br>▪ $27m investment in new equipment<br>▪ Operating cash flow up 29% to $12.8m<br>▪ 35% increase in EPS; Interim dividend maintained at 1 cps (fully franked)<br>▪ Gearing (net) pushed to 32% following investment in equipment, but will reduce in 2nd half |
| **Operating** | ▪ 18.6MW of contracts / expansions secured since 1 July 2015 (8% increase)<br>▪ Reductions achieved in corporate and general overheads<br>▪ As a leader in fuel efficiency and with diesel/gas/dual fuel/waste heat recovery capabilities, well placed for miners seeking out cost efficiencies and savings |
| **Outlook** | ▪ Contracts recently completed and due for completion by 30 June 2016 underpin stronger performance in 2nd half and FY17 (subject to contract extensions/no loss of existing contracts)<br>▪ Pursuing international opportunities to expand geographically – actively marketing and tendering<br>▪ Reviewing opportunities in the broader energy infrastructure market |

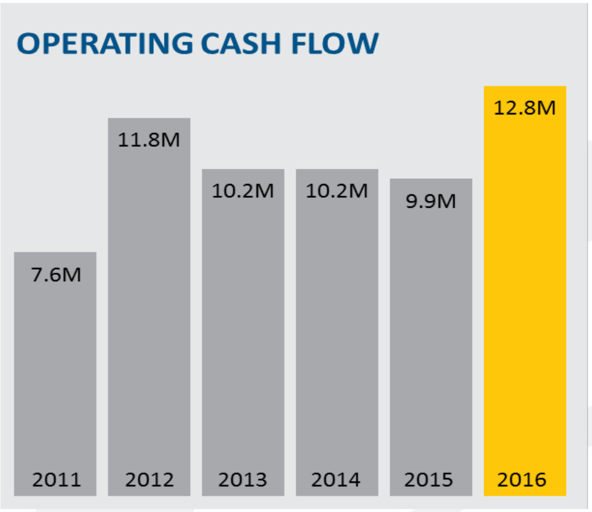
# Historical Comparison of First Half Results

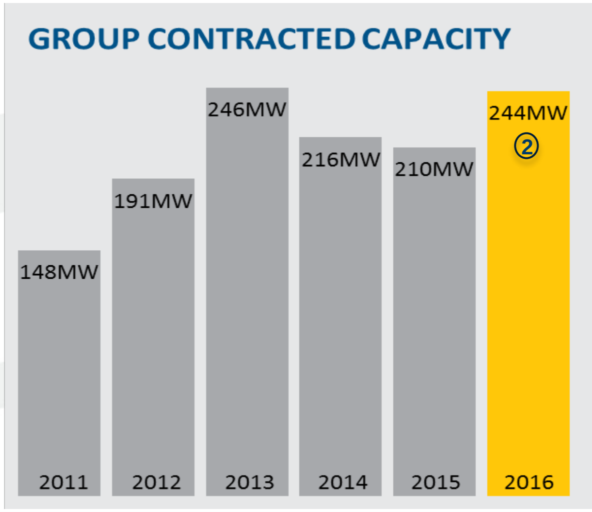
- Against the headwinds of the mining downturn, PEA has been a stable and dependable performer




(1) **Adjusted EBITDA equates to EBITDA pre employee share and option expense, impairment of intangible assets and 2014 CEO resignation payment.**




(2) **Current**

# Balance Sheet

| | Dec 15 $m's | June 15 $m's |
|---|---|---|
| Cash | 8.6 | 16.3 |
| Receivables | 6.1 | 5.5 |
| PP&E | 150.9 | 129.2 |
| Intangibles | 26.2 | 27.2 |
| Other | 1.3 | 0.9 |
| **TOTAL ASSETS** | 193.1 | 179.1 |
| | | |
| Current liabilities (ex debt) | 7.5 | 4.2 |
| Current debt | 5.9 | 5.7 |
| Non current debt | 39.0 | 30.9 |
| Deferred tax | 7.5 | 6.9 |
| Other | 1.2 | 1.3 |
| **TOTAL LIABILITIES** | **61.1** | **49.0** |
| | | |
| **NET ASSETS** | **132.0** | **130.1** |
| **NET TANGIBLE ASSETS** | **113.3** | **109.3** |

- **KEY RATIOS**

| | Dec 15 | June 15 |
|---|---|---|
| Current Ratio | 1.2 | 2.3 |
| Net Debt: Net Assets | 27.5% | 15.5% |
| Net Debt: NTA | 32.0% | 18.5% |

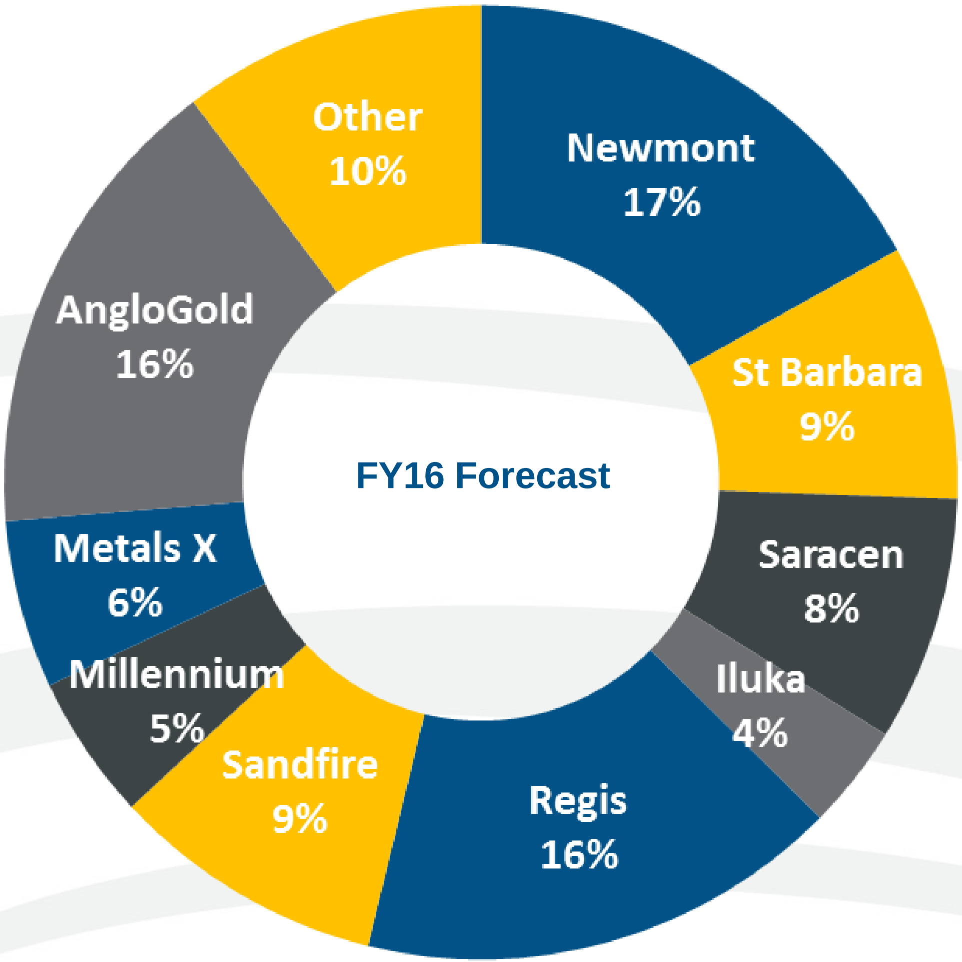
- Net Debt $36.3m
- Total Debt Facilities $63m
- As previously foreshadowed, capex requirement for new projects has temporarily increased debt / gearing but will reduce as capex slows in second half and new contracts come on line.

# Stable Client Base and Long Term Contracts

- Over 85% of revenue from clients with All In Sustaining Cost Margin exceeding 40%

- No iron ore exposure – mostly gold, precious metals and mineral sands

- Weighted average remaining contract duration of approx 4 years provides earnings visibility



# Outlook

- **Expect* stronger second half and FY17 underpinned by the following contracts coming on line in second half of FY16:**
  - **Tropicana – conversion of existing 44MW diesel fuelled power station to gas fuelled**
  - **Thunderbox – new 14MW gas fuelled power station**
  - **Deflector – new 7MW power station**
  - **Bluebird – restart of 8MW power station**
  - **Dead Bullock Soak – 4MW expansion of existing power station**
  - **Moolart Well – roll out of waste heat recovery units**

* Assuming contract renewals / no loss of existing contracts

# Outlook cont.

- Will complete capex spend requirement for new contracts in second half of FY16 – 2H forecast $7m Vs 1H $27m
- Currently engaged in tendering and proposals on various projects (WA, NT, QLD)
- However, market is tight and competitive
- FY16 EBITDA guidance cautiously increased to 14% growth (to $35m) from 10% growth Vs FY15
- KPS business is competitively placed with its focus on market leading fuel efficiency to reduce customer costs and outstanding equipment reliability through innovation and technology
- International marketing underway to expand geographical reach of remote power business and to identify new opportunities – actively tendering
- Also reviewing opportunities and acquisitions in the broader energy infrastructure market
- Expect full year dividend to remain at 2.5 cps (6.25% fully franked yield on 40 cent per share)

# Summary

| | |
|---|---|
| **FUNDAMENTALS** | ▪ Steady and dependable business continues to deliver<br>▪ Production phase exposure – ongoing and permanent requirement for power at operating mines<br>▪ Visibility in earnings – long term contracts out to 2028 |
| **RESOURCE SECTOR COST FOCUS SUITS** | ▪ Demand for cost effective power solutions suits KPS business<br>▪ Market leading position in diesel, gas dual fuel and waste heat recovery technology |
| **STRONG AND LONG TERM RELATIONSHIPS WITH SOLID CLIENTS** | ▪ Strong relationships with global and Australian based miners provide ongoing opportunities<br>▪ Profitable and stable clients with long term viable projects |
| **OPPORTUNITIES FOR EXPANSION** | ▪ International markets for remote power supply – eg. Africa<br>▪ Looking at broader energy infrastructure opportunities<br>▪ Possible acquisitions |
| **FINANCIAL HEALTH** | ▪ Balance sheet in good health with gearing peaking at 32%<br>▪ Total debt facilities $65m<br>▪ Consistent and strong cash flow from operations<br>▪ Continuing fully franked dividends – 6.25% current yield (@ 40 cents per share) |

# Conclusion