

PACIFIC ENERGY LIMITED

ASX : PEA

2016 RESULTS PRESENTATION



PACIFICENERGY



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Corporate Snapshot

- Power station designer, owner, operator and electricity supplier under long term contracts
- 3 operating subsidiaries:

Subsidiary	Power Stations	MW	Market	Region
Pacific Energy Hydro	2	6	Grid	Victoria
KPS (Australia)	18	233	Off-Grid (miners)	WA, NT, SA
KPS (Africa)	Just Commenced		Off-Grid (miners & others)	Africa

- **Market Capitalisation** \$220m
- Net Debt \$36m
- **Enterprise Value** \$256m
- 12 Month Share Price Range 36c-65c (currently 60c)
- Dividend 2.5 cents fully franked (4.2% @ 60 cents)
- Major Shareholders Ken Hall (50%)
Pacific Road (23%)

PEA is a sector stand out with annuity style income and excellent earnings visibility under long term contracts.

FY16 Highlights

Financial

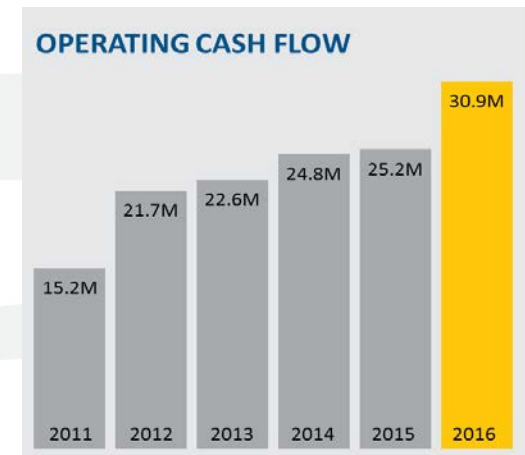
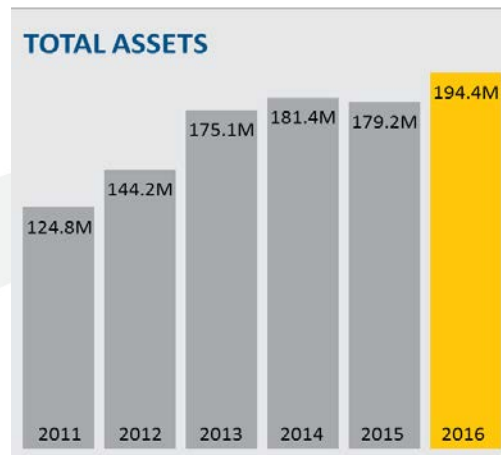
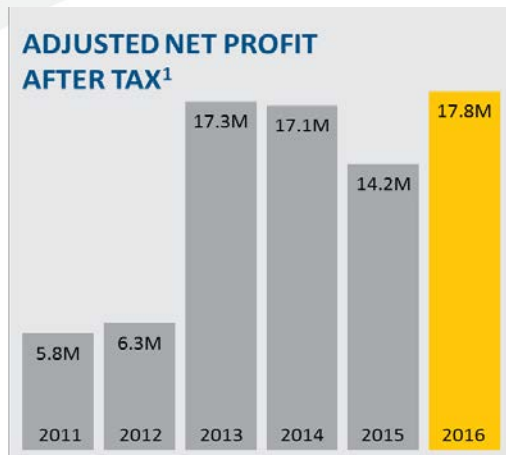
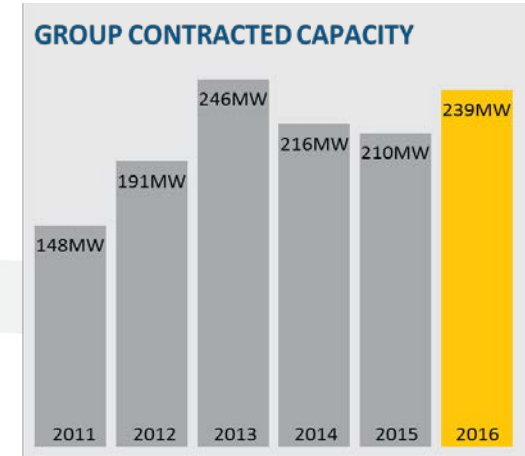
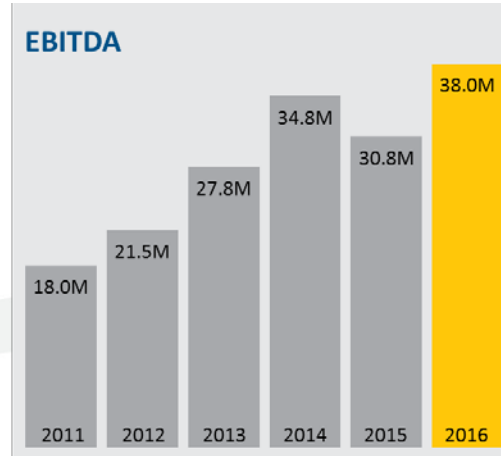
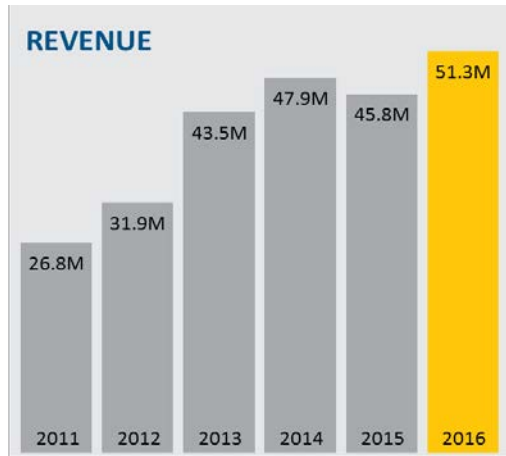
- EBITDA up 23% to \$38.0m (underlying EBITDA up 19% to \$36.8m)
- NPAT up 32% to \$15.7m
- \$37m investment in new equipment; mostly for new long term contracts
- Operating cash flow up 23% to \$30.9m
- Final dividend maintained at 1.5 cps (2.5 pcs full year) fully franked
- 31% increase in EPS
- Gearing (net debt: NTA) increased from 19% to 32% following capital investment for new contracts

Operating

- Continued to partner with mining industry and develop innovations / introduce technology that reduces fuel costs and improves reliability
- 18.6MW of contracts / expansions secured – 239MW total contracted capacity
- Achieved several contract extensions; others pending
- Reductions achieved in corporate and general overheads
- Excellent reliability, availability and fuel efficiency achieved

Historical Comparison

- Against the headwinds of the mining downturn in recent years, PEA has been stable and dependable



¹ Adjusted NPAT = NPAT plus amortisation of material contracts and customer relationships acquired

Balance Sheet

	2016 \$m's	2015 \$m's
Cash	5.7	16.3
Receivables	6.6	5.5
PP&E	154.9	129.2
Intangibles	25.2	27.2
Other	2.0	0.9
TOTAL ASSETS	194.4	179.1
Current liabilities (ex debt)	6.1	4.2
Current debt	5.8	5.7
Non current debt	36.1	30.9
Deferred tax	8.4	6.9
Other	1.2	1.3
TOTAL LIABILITIES	57.6	49.0
NET ASSETS	136.8	130.1
NET TANGIBLE ASSETS	111.6	102.9

■ KEY RATIOS

	2016	2015
Current Ratio	1.19	2.29
Net Debt: Net Assets	26.5%	15.5%
Net Debt: NTA	32.0%	18.5%

- Net Debt **\$36.3m**
- Total Debt Facilities **\$65m**
- Decrease in current ratio and increase in gearing attributable to large capex spend required for new power stations
- Underpinned by long term contracts which strengthen foundation for continuing strong earnings
- FY17 capex budget \$13m
- In the absence of any major new capex in FY17, net debt/gearing will progressively reduce

KPS Business Overview and Point of Difference

Solid History, Strong Reputation

- Established in 1981
- Built and run over 40 power stations
- Long-term customers and recurring revenue streams

Innovative Power Station and Electricity Provider

- Design, build, own, operate (typically 2MW to 45MW power stations)
- Monthly take or pay revenue model
- Long term contracts (5 - 15 years); typically “roll-over” at contract end if mine continues
- Miner supplies fuel (diesel, gas) to KPS; KPS generates and distributes electricity to site

Compelling and Well Proven Business Offering

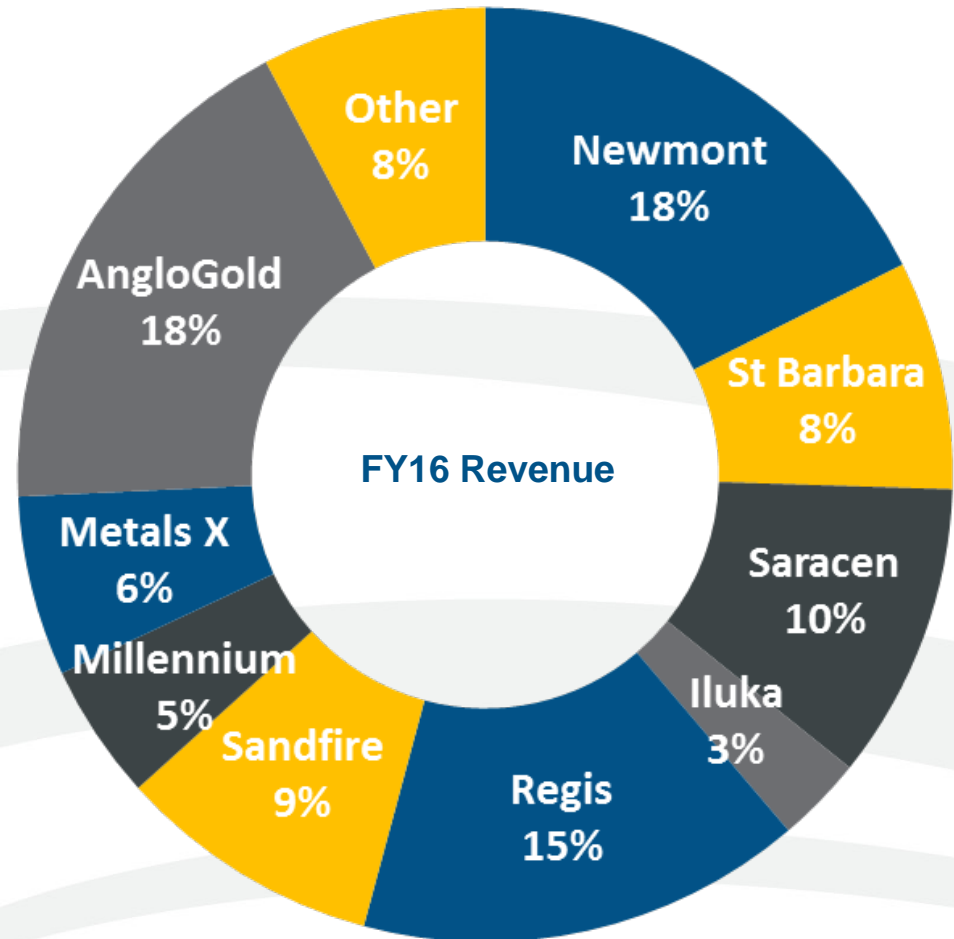
- Power costs typically comprise 15% - 25% of mine operating costs, with fuel being the major cost component ($\approx 80\%$) and actual power station cost (i.e. KPS) comprising a small component ($\approx 20\%$)
- OEM generators are not designed with harsh Australian mining climate (0° - 45°) and conditions in mind, so rarely achieve nameplate fuel efficiency in mine site environment
- By partnering with customers, continually innovating and introducing new technologies, KPS has been able to:
 - Maintain same pricing regime since 1989
 - Achieve improvements to fuel efficiency performance
 - Offer fuel consumption guarantee, effectively capping customer fuel costs
 - Achieve industry leading reliability – 99.9%
- Business model reduces risk and costs for customer as well as eliminating requirement for capital investment

Stable Client Base and Long Term Contracts

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

- Commodity exposure – mostly gold, copper, precious metals and mineral sands

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



Recent Contracts

- **The following new power stations were commissioned in FY16 (mostly second half):**
 - Tropicana (to 2028) – conversion of existing 44MW diesel fuelled power station to gas fuelled
 - Thunderbox (to 2020) – new 14MW gas fuelled power station
 - Deflector (to 2021) – new 7MW power station
 - Bluebird (to 2018) – restart of 8MW power station
 - Dead Bullock Soak (annual renewal contract) – 4MW expansion of existing power station
- **Contract extensions have been secured with:**
 - Millennium Minerals – five years (subject to life of mine being extended)
 - St Barbara – eight years
 - Others pending



Outlook & Growth Initiatives

- FY17 EBITDA guidance: \$40m - \$41m (6.25 EV/EBITDA at 60c share price)
- Working on various tenders and EOI requests – mostly gold and lithium projects
- Several existing customers also seeking increased capacity
- Actively seeking opportunities for investment / acquisition in thermal, renewables and the broader energy infrastructure market with recurring revenue theme
- New Initiative: Establishment of business in Africa
 - Subsidiary established in June 2016
 - African Mining activity is mostly in locations without grid access or reliable grid power
 - 190 ASX listed companies with almost 600 mining projects across 38 African countries
 - Many more owned by Canadian, South African and multinational companies
 - Optimistic about introducing KPS reliability and efficiency to the market
 - Currently bidding on two projects (including one hybrid with juwi – see below) and soon to bid on three more



Outlook & Growth Initiatives

- **New Initiative:** Solar Strategic Alliance

- Entered into Strategic Alliance with juwi Renewable Energy
- juwi is one of the world's largest renewable energy companies – developed over 1,500 solar PV projects
- Brings together the capabilities, technologies and resources of two leaders in their respective fields – KPS in thermal power and juwi in solar power
- Focus is off-grid hybrid (solar + diesel/gas) projects
- Recently completed 9+ months' work together on largest integrated solar-diesel-battery power system in Australia (10.8MW solar, 20MW diesel, 6MW battery) for Sandfire Resources Ltd
- Alliance provides KPS with immediate capability to undertake large scale integrated off-grid renewable/thermal power projects



Summary

FUNDAMENTALS

- Steady and dependable business continues to deliver
- Production phase exposure – ongoing and permanent requirement for power at operating mines
- Visibility in earnings a key differentiator – long term contracts out to 2028

MINERS' COST FOCUS PLAYS TO KPS STRENGTHS

- Demand for cost effective power solutions suits KPS business
- Market leading position in diesel, gas, dual fuel and waste heat technology

STRONG AND LONG TERM RELATIONSHIPS WITH SOLID CLIENTS

- Long term relationships with global and Australian based miners
- Profitable and stable clients with long term viable projects

GROWTH PLUS NEW OPPORTUNITIES

- 2017 set to deliver record result based on contracted revenue and likely renewals
- New business established in Africa
- Solar strategic alliance with juwi
- Looking at broader energy infrastructure opportunities and acquisitions

FINANCIAL HEALTH

- Balance sheet in good shape
- Consistent and strong cash flow from operations
- Continuing fully franked dividends – 4.2% current yield (@ 60 cents per share)

Conclusion

Thank You
Q&A

