

PACIFIC ENERGY LIMITED

ASX : PEA

2017 INVESTOR 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)	21	272	Off-Grid (miners)	WA, NT, SA
KPS (Africa)	Commenced July 2016		Off-Grid (miners & others)	Africa

- **Market Capitalisation** \$220m
- Net Debt \$28m
- **Enterprise Value** \$248m
- 12 Month Share Price Range 50c-77c (currently 60c)
- Dividend 2.5 cents fully franked (4.2% @ 60 cents)
- Major Shareholders Ken Hall (50%) (founder of KPS)
Institutions (37%)

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

FY17 Highlights

Financial

- EBITDA up 7% to \$40.8m (underlying EBITDA up 9% to \$40.0m)
- NPAT up 6% to \$16.6m
- Operating cash flow up 13% to \$35.0m
- Capital investment of \$19m (2016: \$37m), including expansion capex of \$13m
- Final dividend maintained at 1.5 cps (2.5 cps full year) fully franked
- Gearing (net debt:NTA) down from 32% to 23%

Operating

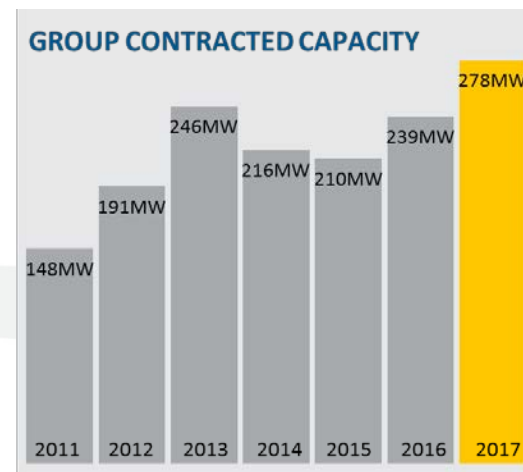
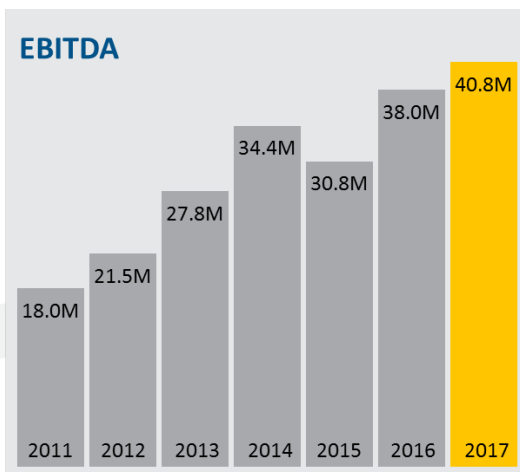
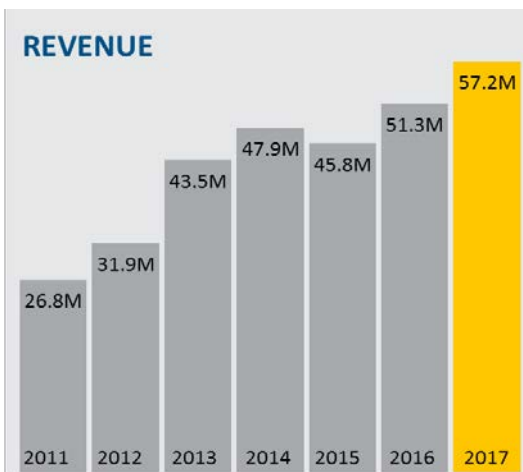
- 39MW of new long-term contracts / expansions of existing contracts secured in past year (16% Increase YOY)
- Secured several multi-year contract extensions
- Completed first year of African expansion strategy – positive response from market \approx 100MW of current tenders
- Excellent safety, reliability and fuel efficiency reinforce reputation for delivering industry benchmark performance

Corporate

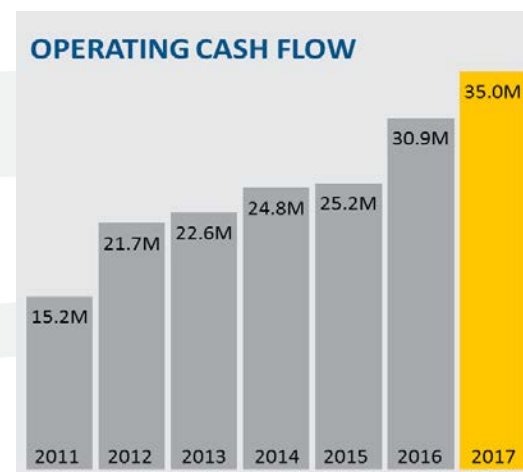
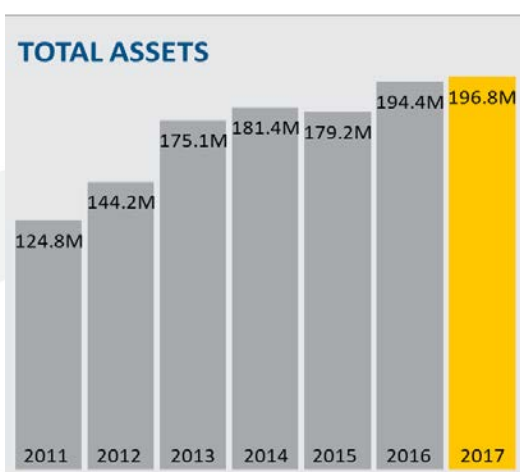
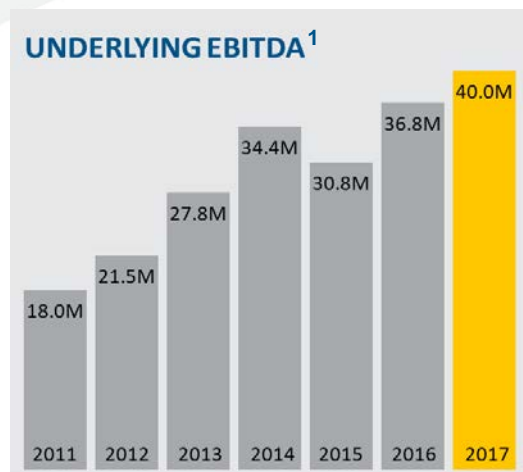
- Substantial change in share register with block trade of Pacific Road's 23% holding to 19 institutional investors
- Increased free float and improved liquidity

Historical Comparison

PEA has continued its stable and dependable financial performance with long term power generation contracts



¹ Underlying EBITDA represents reported EBITDA minus profit on sale of listed investment

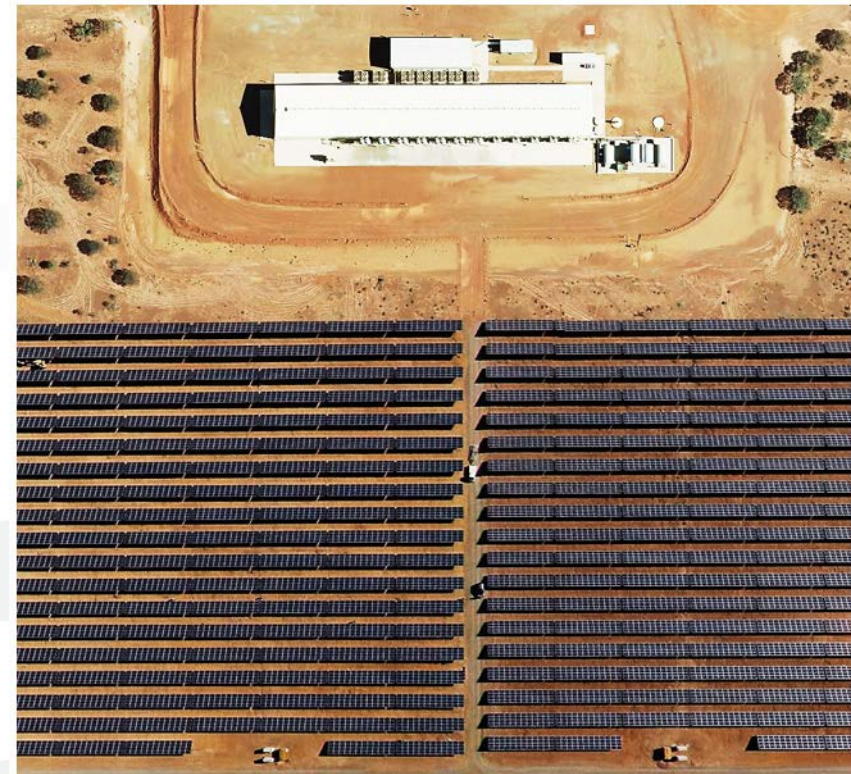


Key Points

- Reported and underlying EBITDA within guidance (“reported” includes \$800k gain on sale of investment)
- Key drivers were full year’s contribution from large FY16 investment to build new / expand existing power stations, as well as part-year impact from commissioning of new capacity during FY17
- Second half underlying EBITDA was slightly less than first half (\$20.5m Vs \$19.5m), largely due to one-off major flooding event at large site causing lost revenue in January / February
- Total contacted capacity increased 16% to 278MW (record high)
- Start dates on several projects delayed, limiting impact on FY17 results; 253MW installed at 30 June 2017; 262MW currently installed; remaining 16MW in progress with progressive commissioning through to December 2017
- Executed African expansion strategy
 - Local office and management established - cost impact approximately \$0.5m per annum
 - Various projects have been bid and in process of being bid, mostly with ASX and TSX listed companies
 - Tracking approximately 20 projects
 - Frustrated by delays in contract awards but highly encouraged with progress, acceptance and potential
- Excellent growth outlook with > 200MW of potential projects being bid (see slide 11) across Australia and Africa

Contract Activity

- **Contracted capacity increased from 239MW to 278MW**
- ❖ **New contracts:** Westgold – new 5MW power station for Fortnum site under 5 year contract
OM Manganese – re-start of 4MW power station at Bootu Creek
Altura – new 11MW power station at Pilgangoora site under 5 year contract
- ❖ **Expansions:** Newmont – 8MW expansion of Tanami operations
Sandfire – 5MW expansion at DeGrussa and contract extension to December 2021
Saracen – 2MW expansion at Thunderbox power station
St Barbara – 4MW expansion following new contract to July 2024



Balance Sheet

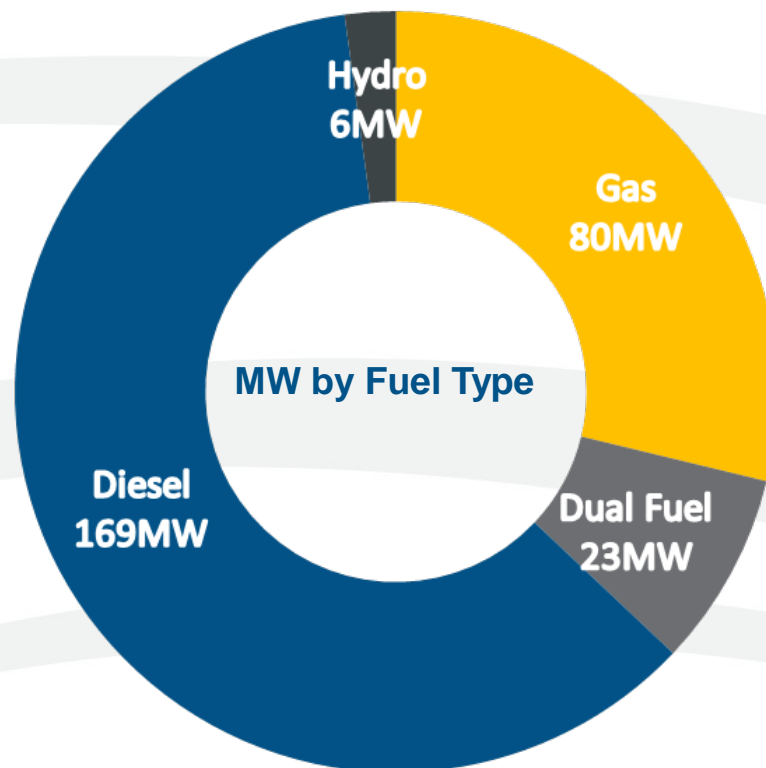
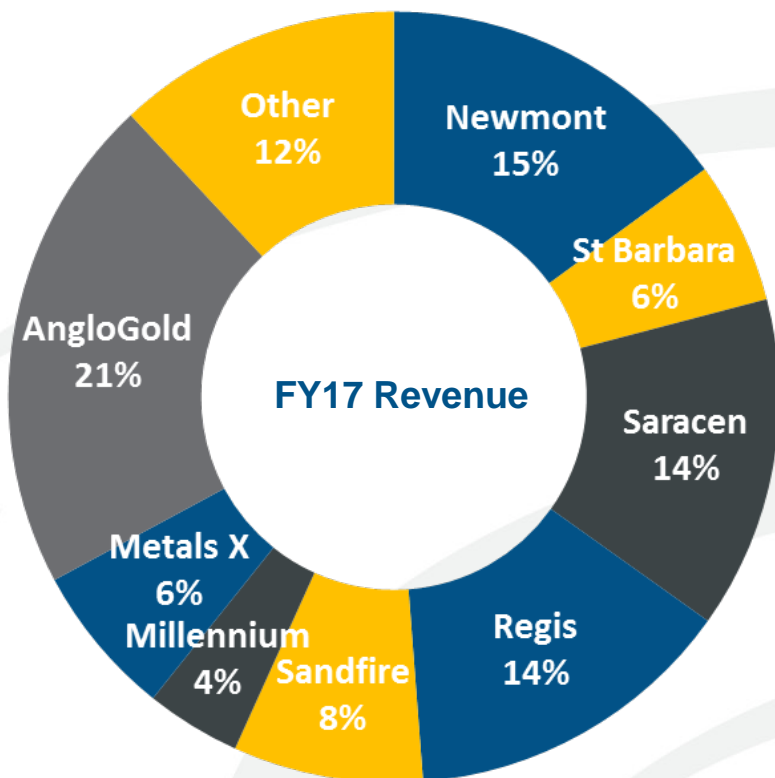
	2017 \$m's	2016 \$m's
Cash	5.0	5.7
Receivables	6.3	6.6
PP&E	160.0	154.9
Intangibles	24.1	25.2
Other	1.4	2.0
TOTAL ASSETS	196.8	194.4
Current liabilities (ex debt)	6.3	6.1
Current debt	6.9	5.8
Non current debt	25.9	36.1
Deferred tax	11.5	8.4
Other	1.1	1.2
TOTAL LIABILITIES	51.7	57.6
NET ASSETS	145.1	136.8
NET TANGIBLE ASSETS	121.0	111.6

GEARING	2017	2016
Net Debt: Net Assets	19.2%	26.5%
Net Debt: NTA	22.9%	32.4%

- **Net Debt (debt \$33m; cash \$5m) \$28m**
- **Total Debt Facilities \$52m**
- **Interest Cover 25x**
- **FY17 capex spend \$19m**
 - \$13m new projects / expansion capex
 - \$6m maintenance and miscellaneous capex
- **Net debt / gearing forecast to progressively reduce to mid “teens” during FY18**

Long Term Contracts Across Multiple Fuel Technologies

- Long term contracts in place - weighted average remaining contract duration approaching 4 years provides strong earnings visibility
- Approximately 80% of revenue from clients with All In Sustaining Cost Margin exceeding 30%
- Commodity exposure – mostly gold, copper, precious metals and mineral sands
- Some newer commodities and products also in demand

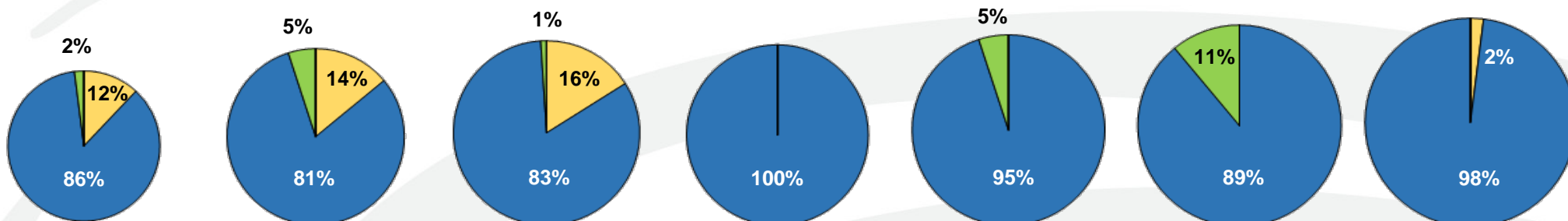


Ability to Grow Earnings from Existing Client Base

- Organic contract expansion / repeat business from existing customers has delivered much growth to PEA
- Power generation requirements at mining operations typically increase over time
- Leads to organic growth within existing contracts
- Performing on existing projects also leads to opportunities on customers' new projects
- Growth is not dependent on finding new customers - track record of expansion with existing customers / sites, including during several difficult recent years for the mining industry

EBITDA GROWTH

FY12	FY13	FY14	FY15	FY16	FY17	FY18 (guidance)
19%	29%	19%	<7%>	19%	9%	9%



Legend:

- Revenue from existing sites, including expansions
- Revenue from new sites - existing customers
- Revenue from new sites - new customers

- FY12 – FY18 EBITDA growth from \$21.5m to \$43.5m (guidance mid-point)
- Majority of this driven from existing customers

Outlook

- EBITDA guidance \$43m - \$44m (up from \$40m in FY17) – based on existing contracts in hand
- Any expansions of existing contracts or FY18 impact of any new contracts will improve results
- Implies EV/EBITDA (mid range) multiple of 5.7x
- Record operating cash flow forecast; capex estimated at \$15m (\$9m growth + \$6m maintenance/other)
- FY19 will receive full year benefit of 25MW new capacity being installed 1H18, plus potential new contract awards
- Well positioned for all fuel technologies with proven capabilities in:
 - ✓ diesel
 - ✓ gas
 - ✓ dual fuel
 - ✓ waste heat
 - ✓ solar
- 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 opportunities
- Also in discussions on several contract extensions

New Mining Projects

- Very positive outlook for natural resources industry after several tough years
- Actively pricing a range of new projects – ≈ 44 MW in outstanding tenders (3 projects) and ≈ 65 MW in formal EOI's (7 projects)
- African market presents a new growth frontier. Market entry well received with bids in progress totalling ≈ 100 MW (6 projects)

New Opportunities

- Good deal flow of opportunities for new investment (mining, non-mining, renewables, other energy related)
- Opportunities include acquisition of existing power generation assets, as well as business acquisitions or investments
- Currently looking at two opportunities

Summary

FUNDAMENTALS

- Steady and dependable business continues to deliver
- Provide an essential and permanent specialist service
- Visibility in earnings a key differentiator – long term contracts out to 2028

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
- Track record of growing business with existing customers – contract expansions and new projects

GROWTH TO CONTINUE

- 2018 set to deliver another record result based on contracted revenue
- Expect roll out of KPS business model in Africa to deliver contracts / earnings
- Tendering activity very buoyant
- Outlook for natural resources industry has improved significantly in past year
- 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

