

ASX ANNOUNCEMENT

22 August 2019

PACIFIC ENERGY EXCEEDS GUIDANCE WITH EXCELLENT RESULTS

Highlights

- **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 fully franked**
 - **Growth driven from combination of Contract Power results and continuing organic growth**
 - **FY20 EBITDA guidance \$58m - \$59m**
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Pacific Energy Limited (“Pacific Energy” or the “Company”) is pleased to announce a substantial increase in earnings and operating cash flows for the year ended 30 June 2019.

Underlying earnings before interest, tax, depreciation and amortisation (“EBITDA”) increased from \$44.1 million to \$65.8 million.

Reported net profit after tax increased substantially to a record \$24.5 million, as did earnings per share of 5.72 cents and operating cash flows of \$60.4 million.

Whilst these significant improvements in financial results are not directly comparable to the previous year (as the current year includes a full year’s contribution from the Contract Power business acquired in April 2018), they do reflect growth across all other areas of Pacific Energy’s operations, including KPS, NovaPower and its hydroelectric business.

The inclusion of the first full year of Contract Power results accounted for 65% of the overall growth in underlying EBITDA and Pacific Energy’s existing businesses accounted for 35% of the growth.

Managing Director's Comment

Pacific Energy's Managing Director, Jamie Cullen commented that results were ahead of guidance, which was upgraded twice during the course of the year, and reflected income generation from its portfolio of power station facilities, representing 373MW's of installed capacity around Australia.

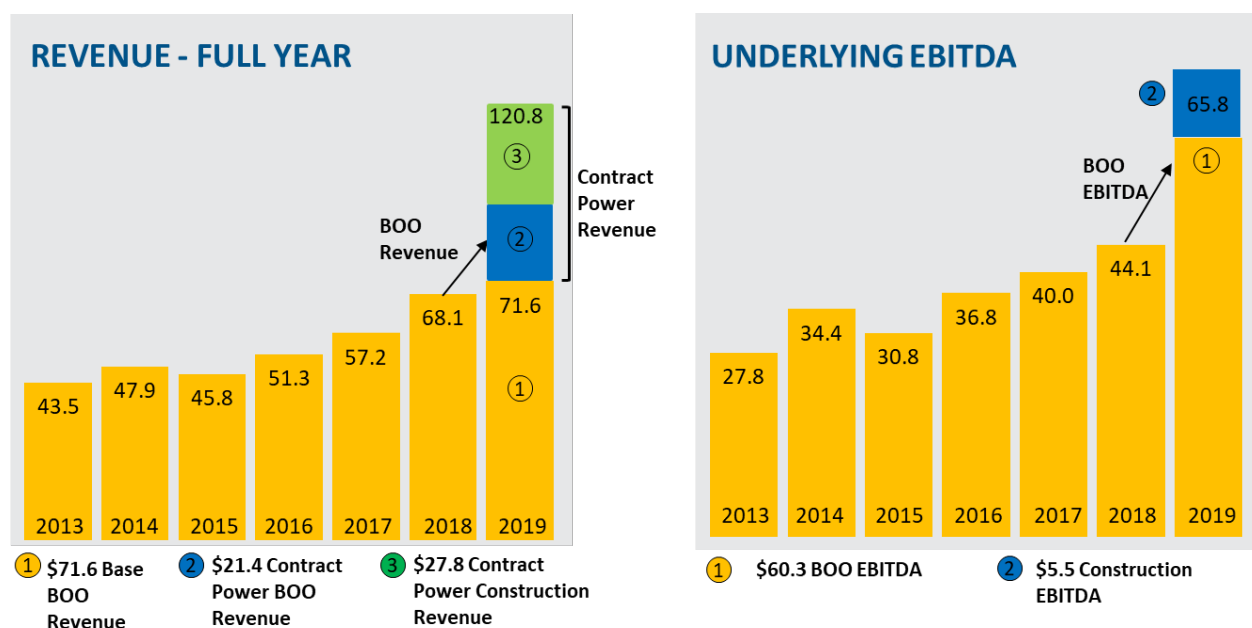
"The ability to provide uninterrupted, mission critical electricity supply to our remote and off-grid customers remains the core speciality of the business. This, together with a significant investment over the years in equipment and innovation has led to a stable, satisfied and growing customer base. As a result, we have developed reliable earnings streams and remain on a strong footing in the years ahead, with multi-year contracted income and various expansion opportunities.

Following on from the first half result, a clear highlight of our results was the generation of strong operating cash flows, which were considerably above all previous years.

This enabled progressive debt reduction over the course of the year and fully funded the Company's capital expenditure. Net debt was reduced by 31% from \$95 million to \$65 million over the course of the year and this represents a conservative net debt to NTA ratio of 48%, with the ratio of net debt to forecast FY20 EBITDA falling to 1.1 times.

2019 was also a landmark year for Pacific Energy as it was the first full year with our Contract Power acquisition included in the results. We completed this acquisition with minimal (11%) dilution to shareholders and were able to quickly generate solid cash flows to reposition our balance sheet and deliver significant growth in EPS for shareholders".

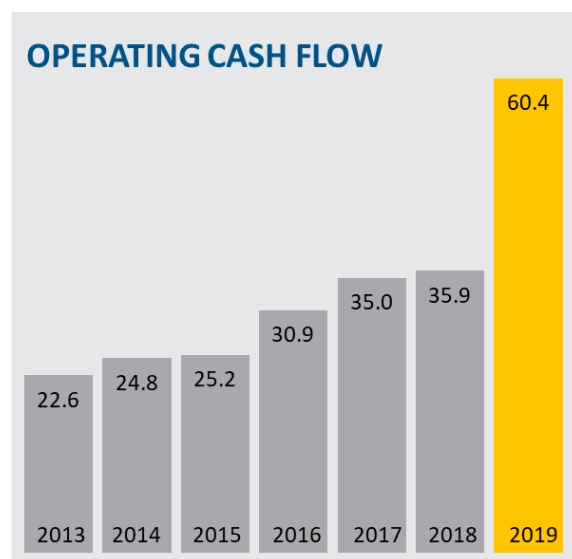
Mr Cullen pointed out that results include contributions from several construction projects within Contract Power's activities and to facilitate analysis of the growth compared to the previous year the following graphs are provided:



Construction projects are undertaken on a selective basis, where Contract Power's specialist skill set and remote power experience can be applied to add value within an acceptable risk framework. As shown in the graphs above, this newly acquired service line expands the Company's earnings profile and range of service capabilities offered to meet remote power generation requirements. The Company does not forecast future income from construction projects until it is under contract.

Cash Flow & Dividends

As referred to above, Pacific Energy generated record annual cash flow from operating activities of \$60.4 million. The graph below shows the Company's recent track record in generating operating cash flow over the past seven years.



Capital expenditure during the year was approximately \$23 million, of which \$13 million was required for growth and the balance was for maintenance capex and other assets.

Pacific Energy will pay a fully franked final dividend of 1.5 cents per share, bringing the full year dividend to 2.5 cents per share, fully franked.

Scheme Implementation Deed

On 24 July 2019 Pacific Energy announced that it had entered into a Scheme Implementation Deed ("SID") with QGIF Swan Bidco Pty Ltd, a subsidiary of funds managed or advised by QIC Private Capital Pty Ltd ("QIC"), pursuant to which QIC will acquire the Company by way of a Scheme of Arrangement ("Scheme"), subject to certain customary conditions.

The Directors have unanimously recommended the Scheme in the absence of a superior proposal emerging and subject to an Independent Expert concluding that the Scheme is in the best interest of Pacific Energy shareholders.

The Directors and management are working through their obligations under the SID, with the current timetable indicating that a Scheme Booklet will be sent to Shareholders around 20 September 2019 ahead of a Shareholder meeting to approve the Scheme around 23 October 2019.

Outlook

The Company notes that the resource industry outlook remains positive and it is confident of achieving another solid result for FY20. Guidance of \$58 - \$59 million in underlying EBITDA is provided for FY20. This excludes the impact of any contract expansions and new build/own/operate or construction projects that may be secured and undertaken during the year. A significant pipeline of potential new work has been priced and various negotiations and tendering activity remains underway.

Against this backdrop of increasing resource industry activity, the Company is well placed to continue its success in meeting the demands of servicing the remote power sector, both operationally and financially.

Operationally, its ongoing investment in innovation, personnel and equipment coupled with deep industry knowledge and experience provides a high level of confidence to customers that they will receive reliable, efficient and uninterrupted power supply to their remote operations.

The Company remains in an excellent financial position with significant headroom in its financing facilities, solid operating cash flows, reliable long-term annuity type income streams and a healthy balance sheet.

-ENDS-

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