



# ASX / JSE ANNOUNCEMENT

11 May 2022

## DRA GLOBAL TRADING UPDATE AND EARNINGS GUIDANCE

Following a quarterly management review, DRA Global anticipates FY2022<sup>i</sup> revenue and earnings will be lower than FY2021. Many of the key drivers of this result will impact in H1 FY2022 resulting in an anticipated loss for H1 FY2022.

- Revenue for FY2022 is anticipated to be in the range of \$900M to \$1BN (FY2021 \$1.2BN)
- Underlying EBIT<sup>ii</sup> (which excludes impairments) for FY2022 is anticipated to be in the range of \$15M to \$25M (FY2021 \$56.5M)
- Key drivers affecting FY2022 projections, many of which will impact H1 FY2022, include:
  - an increase in anticipated losses in respect of residual fixed-price construction work;
  - likely under-recovery of a material contract asset;
  - project delays, and
  - the recently announced Liqhobong arbitration award.
- A pre-tax, non-cash, impairment<sup>iii</sup> in respect of certain operations in the APAC business is anticipated in the range of \$10M to \$15M, impacting statutory H1 FY2022 EBIT
- The DRA Board has resolved not to declare a dividend in respect of FY2021

DRA Global Limited (ASX / JSE: DRA) ('DRA' or 'the Company') today announces earnings guidance for FY2022 and provides the following commentary on recent trading conditions in its operating regions.

### APAC / AMER Region

As previously announced, the cessation of DRA's profitable US Energy Operations business will negatively affect FY2022 revenue and EBIT compared with FY2021. The US Energy Operations activities were dependent on a tax credit scheme that expired on 31 December 2021. All such activities ceased in January 2022 and are not anticipated to restart during FY2022.

Higher than expected costs and lower productivity year-to-date have contributed to a deterioration in performance and further losses on residual fixed-price construction contracts. A range of mitigating actions have been taken or are underway, including the termination of some loss-making contracts during Q1 FY2022.

However, some of these contracts remain active and further losses are anticipated prior to completion. The majority of these losses are expected to be recorded in H1 FY2022. DRA decided in FY2021 to discontinue fixed-price construction work in the region and once residual fixed-price construction contracts are concluded, no further work of this nature will be undertaken by DRA in the region. The decision to discontinue this type of work, considered non-core, will result in a decrease in revenue in the region in the near-term, however, in doing so, DRA is prioritising the future quality of earnings and profitability.

The impact of certain loss-making contracts and the updated current business outlook will require a review of the recoverability of goodwill associated with the APAC business, specifically the APAC cash generating unit. DRA estimates a pre-tax, non-cash, impairment<sup>ii</sup> in the range of \$10M to \$15M to be recognised in statutory EBIT for H1 FY2022. This will be excluded from DRA's underlying EBIT disclosure.

A material contract asset position in respect of a completed construction project is in dispute and the claims process is ongoing. Following recent and ongoing engagement on this matter, DRA has revised its estimate downwards to reflect the current best estimate of recoverability. The position taken by DRA remains an estimate based on available information and is not a mutually agreed position at this time. The change in estimate has the effect of reducing expected EBIT for H1 FY2022.

Core EPCM activities in the APAC / AMER region are performing in line with expectations year-to-date, with AMER specifically continuing to demonstrate growth.

## EMEA Region

Some project delays affected both productivity and profitability in the region in Q1 FY2022, leading to a slower than expected start to the year. Notwithstanding a ramp up in activity into Q2 FY2022, lower than expected Q1 FY2022 performance and delays in securing certain anticipated projects expected to commence in H2 FY2022 has resulted in a downward revision to expected full year revenue and EBIT.

The previously announced arbitration award (\$2.7M) handed down in Q1 FY2022 in favour of Liqhobong Mining Development Company directly impacts H1 FY2022 EBIT. In addition, DRA anticipates higher than expected legal fees for FY2022 in respect of ongoing litigation in both EMEA and APAC.

## FY2021 dividend

Taking into account anticipated lower than expected revenues and EBIT for FY2022, APAC funding requirements and ongoing litigation, the Board has resolved not to declare a dividend at this time.

## Business optimisation review

Management, with the support of the Board, is undertaking a review of DRA's business portfolio, operating model and cost structure to optimise shareholder value.

DRA expects to provide an update on this review in its H1 FY2022 results announcement.



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## Takeovers Panel

DRA acknowledges the Takeovers Panel's media release of 10 May 2022, attaching a copy of the Panel's declaration of unacceptable circumstances in relation to the affairs of the Company (in response to the application made to the Panel on 21 March 2022). As noted in the Panel's media release, the Panel is still considering orders in respect of its declaration and an update will be provided to the market in due course once Panel proceedings are completed.

## Financial position and outlook

DRA maintains a robust financial position<sup>iv</sup> with net cash of \$85M<sup>v</sup> and net assets of \$267M at 31 March 2022.

Aligned to its strategy of internationalisation, DRA has grown quickly in scale and maturity into a diverse global enterprise competing in a truly global marketplace. This international growth has necessarily come with some challenges made all the more complex by the effects of the COVID-19 pandemic. DRA remains focussed on international growth, specifically in the APAC / AMER region, and on optimising the business platform that has been developed, with an enhanced focus on quality of earnings and profitability.

- ENDS -

*This announcement was approved for release by the Board of Directors of DRA Global Limited.*

*The release of this announcement is intended to lift the trading halt of DRA securities on the ASX and JSE.*

For further information, please contact:

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## About DRA Global Limited

DRA Global Limited (ASX: DRA | JSE: DRA) (DRA or the Company) is a multi-disciplinary consulting, engineering, project delivery and operations management group predominantly focused on the mining and minerals resources sector. DRA has an extensive global track record, spanning more than three decades and more than 7,500 studies and projects as well as operations, maintenance and optimisation solutions across a wide range of commodities.

DRA has expertise in mining, minerals and metals processing and related non-process infrastructure including sustainability, water and energy solutions for the mining industry. DRA delivers advisory, engineering and project delivery services throughout the capital project lifecycle from concept through to operational readiness and commissioning as well as ongoing operations, maintenance and shutdown services.

DRA, headquartered in Perth, Australia, services its global customer base through 19 offices across Asia-Pacific, North and South America, Europe, Middle East and Africa.

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## JSE Announcement Disclosures

DRA Global Limited

(Incorporated in Australia under the *Corporations Act 2001* (Cth))

ACN 622 581 935

ASX / JSE Share Code: DRA

ISIN: AU0000155814

("DRA" or "the Company")

JSE Sponsor: Pallidus Capital Proprietary Limited

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<sup>i</sup> DRA has a financial year of 1 January to 31 December.

<sup>ii</sup> DRA's results are reported under the Australian Accounting Standards (AAS) as issued by Australian Accounting Standards Board which are compliant with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. DRA discloses certain non-IFRS measures including underlying EBITA, underlying EBIT, earnings per share and headline earnings per share that are not prepared in accordance with IFRS. These non-IFRS measures should only be considered in addition to and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

A reconciliation of IFRS and non-IFRS measures can be found in DRA's financial report for the financial year ended 31 December 2021.

<sup>iii</sup> Anticipated impairment is unaudited. It is an estimate based on latest forecast information.

<sup>iv</sup> Extracted from March 2022 unaudited management accounts.

<sup>v</sup> Comprises cash of \$144M less debt of \$59M. Debt includes interest-bearing borrowings and deferred cash consideration for pre-IPO buy-back transaction, and excludes 25M upside participation rights on issue.

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