

20 February 2019

AUSDRILL DELIVERS STRONG H1 RESULT, FOLLOWING TRANSFORMATIONAL ACQUISITION OF BARMINCO

Summary of H1 results

- Revenue from operations of \$640.2 million, up 45.6%
- Underlying EBIT from continuing operations of \$67.1 million[^], up 27.6%
- Underlying net profit after tax from continuing operations of \$39.8 million[^], up 32.7%
- Statutory net profit after tax of \$217.0 million
- Successfully acquired leading underground mining services provider, Barmenco, transforming Ausdrill into the second largest mining services company in Australia
- Maintained balance sheet strength, with net leverage of 1.4x (30 June 2018: 1.4x) and credit ratings upgraded to BB by S&P and Ba2 by Moody's
- Fully franked interim dividend of 3.5 cents per share
- Continued improvement in safety performance across the Group
- More than \$2 billion in new contracts and contract extensions since 1 July 2018
- New business structure implemented, and growth strategy developed under the leadership of Ausdrill's recently appointed Managing Director Mark Norwell
- On track to deliver FY19 earnings guidance

[^] Underlying' excludes significant, one-off items incurred during H1 FY19.

Diversified mining services company Ausdrill Limited (**ASX: ASL**) has delivered a strong financial result for the six months ended 31 December 2018 following the transformational acquisition of Barmenco.

The underlying results include two months of contribution from Barmenco and its additional 50% share in AUMS that were acquired on 31 October 2018. On a proforma basis, and to enable comparison, had the group made the Barmenco acquisition at the start of the financial year the underlying proforma NPAT would have been \$55.2 million.

The Group's statutory NPAT for the period was \$217.0 million. This increase in the statutory result is due to a significant uplift from one-off, non-cash items relating to the accounting treatment of the acquisition.

**BRINGING MORE
TO MINING**

Ausdrill Managing Director, Mark Norwell, said the half year results demonstrated the strength and diversity of the expanded Ausdrill group.

“The new Ausdrill delivered both revenue and profit growth in the six months.

“Importantly, the expanded Ausdrill group also secured over \$2 billion in new work since 1 July 2018 and successfully integrated the Barmenco business, ensuring the Company is set to deliver on its FY19 guidance and is well positioned for FY20.

“Looking forward, we now have a more diverse and less capital-intensive Group and have achieved this whilst maintaining a strong balance sheet that supports dividends and provides the flexibility to deliver on the strategy that has now been established.”

Financial results

Key elements of Ausdrill’s H1 FY19 results on a reported, underlying and proforma basis are as follows:

\$million	REPORTED		UNDERLYING		PROFORMA	
	H1 FY19	H1 FY18	H1 FY19	H1 FY18	H1 FY19	H1 FY18
Revenue	640.2	439.7	640.2	439.7	971.7	838.2
EBITDA	284.1	92.2	130.8	87.0	201.2	172.5
EBIT	213.7	57.9	67.1	52.6	103.6	93.0
NPAT	217.0	35.3	39.8	30.0	55.2	41.6
Reconciliation to Reported NPAT						
Add revaluation of Ausdrill’s 50% share of AUMS	-	-	198.4	-	198.4	-
Less transaction and one-off redundancy costs	-	-	(14.1)	-	(14.1)	-
Less impairment of EDA assets	-	-	(31.2)	-	(31.2)	-
Less amortisation of intangibles	-	-	(6.7)	-	(6.7)	-
Add taxation benefit	-	-	30.7	-	30.7	-
Add claim settlement	-	-	-	5.3	-	5.3
Less AUMS & Barmenco NPAT (Jul-Oct 18)	-	-	-	-	(15.4)	(11.6)
Statutory NPAT	217.0	35.3	217.0	35.3	217.0	35.3

The reported results reflect the audited statutory accounts.

The underlying results show the reported numbers less one-off non-recurring items. In effect this is the operating result for the period and includes two months of Barmenco results (including two months of its additional 50% share of AUMS) in H1 FY19.

The proforma results show the results had Ausdrill owned Barmenco and 100% of AUMS for the full term of H1 FY19 and H1 FY18. These numbers have been provided to show the proforma position of the new group and to facilitate a like for like comparison.

As demonstrated in the table above, there were several one-off, non-cash items that significantly increased Ausdrill’s statutory net profit after tax result. These included a \$198.4 million accounting gain from the revaluation of Ausdrill’s 50 per cent share of AUMS that the Company owned prior to the acquisition of Barmenco, and a \$30.7 million taxation benefit that was largely related to the Barmenco transaction. Meanwhile, Ausdrill also recorded a \$31.2 million impairment to the value of its Energy Drilling Australia (EDA) assets, which have been in care and maintenance since FY16. In addition, there were some smaller one-off costs, including transaction and redundancy costs.

Safety

The Group's commitment to continual improvement in safety performance has resulted in the total number of recordable incidents falling during the period. Ausdrill continues to drive further improvements in safety performance across all operations.

Balance sheet

Ausdrill maintained a strong balance sheet position through prudent funding of the acquisition of Barmenco, and by successfully completing a \$250 million equity raising via an Accelerated Non-Renounceable Entitlement Offer during H1 FY19.

Ausdrill ended H1 FY19 with cash reserves of \$198.9 million and undrawn debt facilities of \$176.5 million. At 31 December 2018, Ausdrill's gearing position was slightly higher at 27.1% (30 June 2018: 25.7%) while the Group's leverage ratio was steady at 1.4x (30 June 2018: 1.4x). In addition, Ausdrill's credit ratings were upgraded in November 2018 by both Moody's Investor Services and Standard and Poor's to Ba2 and BB respectively, following completion of the Barmenco acquisition.

Ausdrill's strong financial position ensures the Company is well positioned to fund newly awarded projects and capitalise on growth and investment opportunities.

Dividend

The continued improved performance of the Group has resulted in the Directors declaring an interim dividend of 3.5 cents per share for the half-year ended 31 December 2018.

The fully franked dividend will be paid to Ausdrill shareholders on 27 March 2019, and will be payable to those who hold shares on 13 March 2019 (Record Date).

Outlook

The acquisition of Barmenco in October 2018 represented a transformational event for the Ausdrill Group, forming Australia's second largest mining services company. The Group, under new leadership, will continue to embrace its history whilst pursuing growth opportunities to deliver increased shareholder returns.

Ausdrill has established a new structure and strategic direction under the leadership of recently appointed Managing Director, Mark Norwell, focused on delivering sustainable growth.

Mr Norwell said the new Ausdrill group would focus on delivering certainty to customers by investing in its people, embracing innovation and technology and ensuring a focus on value adding systems and business discipline.

"Ausdrill has done a great job in growing into a multi-national mining services company but with the acquisition of Barmenco and a refreshed structure, we have the opportunity to ensure the new Ausdrill has the best standards, a leading safety culture, and a constant focus on efficiencies to deliver for our customers, shareholders, communities and our 7,500 committed employees," Mr Norwell said.

"In particular, a key focus is to transform our above ground operations in Africa, divest businesses that do not fit strategically, and ensure we are achieving best practice in the way we win and deliver work for clients across the group.

“We are also looking at ways to grow the business, such as expansion into new markets where we can have a competitive edge and into adjacent services that complement our existing portfolio.

“We expect to see continued strength in our core markets, particularly underground, and the Company remains on track to deliver its FY19 guidance of \$98 million underlying net profit after tax.

“Looking further ahead, the outlook for the resources industry is expected to improve over the medium term in both Australia and Africa where Ausdrill has a long-established presence and local know-how.

“With the strategy now in place, \$11 million per annum in synergies identified following the Barmenco acquisition, and strong balance sheet capacity, Ausdrill is well placed to continue to grow in FY20 and beyond.”

Appointment of CFO

Finally, Ausdrill is pleased to announce the appointment of Mr Peter Bryant to the role of Chief Financial Officer of the Group.

Peter is a well credentialed CFO with over 25 years' experience. He held leadership roles in a number of companies including ASX-listed Seven West Media and GRD and more recently, Barmenco, where he served as CFO for five years. Peter is a Fellow of the Institute of Chartered Accountants in Australia.

Ausdrill Managing Director, Mark Norwell, said “I am delighted to formally announce Peter's appointment as CFO. I'm extremely happy to have been able to fill the role with someone who has had significant experience in the recently acquired Barmenco”.

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About Ausdrill

Ausdrill (ASX: ASL) is a diversified mining services company. Since its formation in Kalgoorlie in 1987, Ausdrill has grown significantly and now has operations across Australia, Africa, India and the United Kingdom.

Ausdrill is a leader in open-cut and underground contract mining, diamond drilling, grade control, drill & blast, exploration, mineral analysis, procurement and logistics. The Ausdrill Group employs over 7,500 staff worldwide.

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