

# PACIFIC ENERGY LIMITED

ASX : PEA

HY19 RESULTS PRESENTATION



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# HY19 Highlights

## Financial

- Underlying EBITDA up 56% to \$32.8; reported EBITDA up 61%
- NPAT up 76% from \$8.0 million to \$14.1 million
- Results include six months of Contract Power business (acquired April 2018)
- Growth driven from combination of Contract Power results and continuing base business growth
- EPS up 52%
- Strong operating cash flows of \$27.2 million (\$17.3 million pcp)
- 17% reduction in net debt (Net Debt : NTA ratio 59%)
- Dividend resumed with interim dividend of 1 cent per share fully franked declared

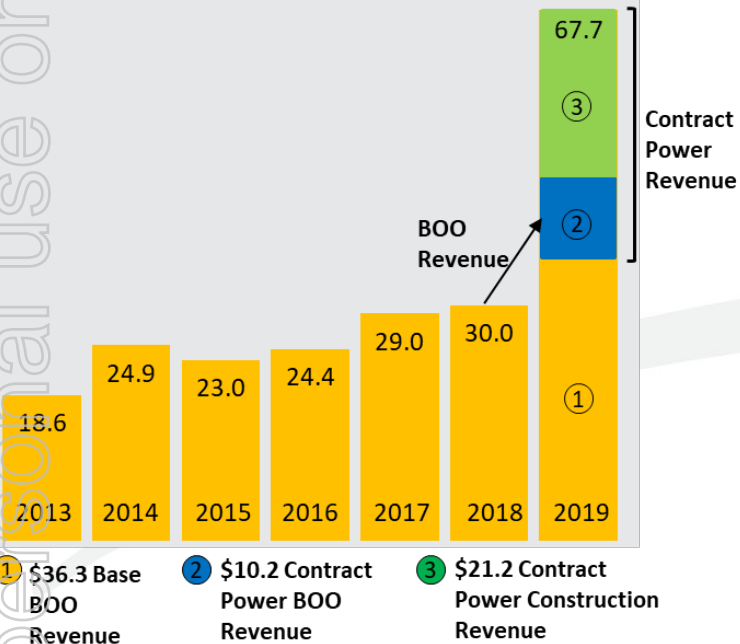
## Operating

- Excellent reliability, availability and fuel efficiency achieved to maintain market leading reputation
- Various contract expansions and one new power station contract secured
- Record level of contracted capacity – 395MW

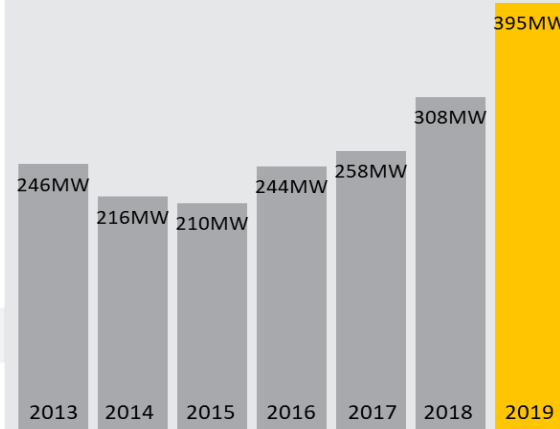
|                                   | Dec 18        | Dec 17        |
|-----------------------------------|---------------|---------------|
| EBITDA COMPARISON                 | \$'000        | \$'000        |
| EBITDA – Reported                 | 32,769        | 20,336        |
| Acquisition / due diligence costs | -             | 710           |
| <b>EBITDA – Underlying</b>        | <b>32,769</b> | <b>21,046</b> |

# Outstanding Growth in all Key Areas

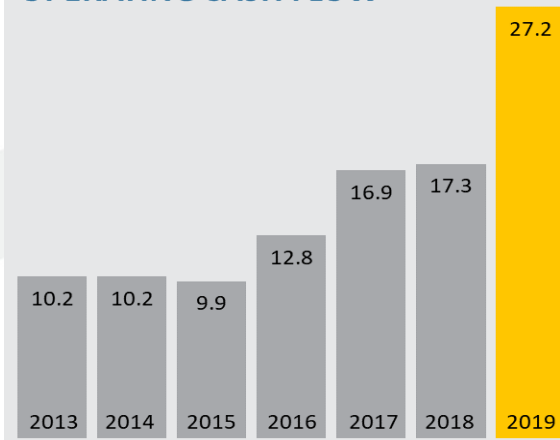
## REVENUE



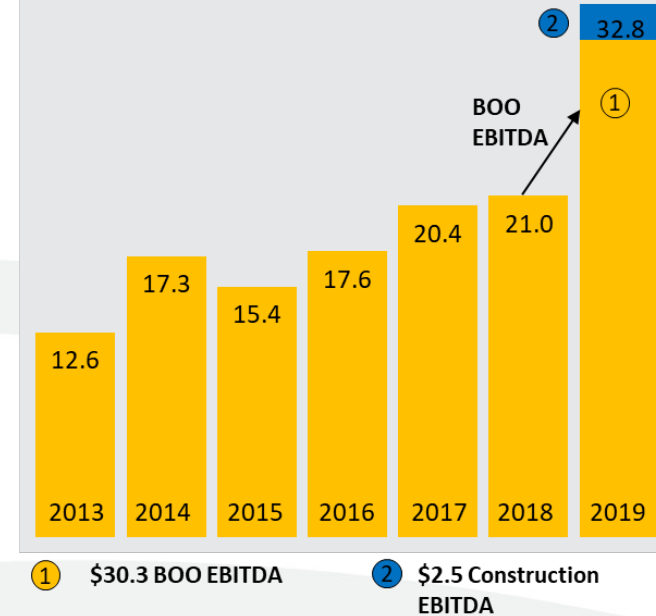
## GROUP CONTRACTED CAPACITY



## OPERATING CASH FLOW



## UNDERLYING EBITDA



- Baseline Build Own Operate (BOO) revenue grew 21%
- Including Contract Power, BOO revenue grew 55% to \$46.5m
- Construction revenue generated from two projects; completion in Q3 FY19

- Total BOO EBITDA up 30% to \$30.3m
- Business focus is BOO contracts - construction income should be viewed as intermittent
- Construction projects only undertaken if same style power station as traditional BOO design

# Financial Performance

- Power generation revenue
  - \$47.7m from 40 contracted facilities
  - Growth driven from contract expansions, new contracts and contribution from new acquisition
- Construction revenue is intermittent and will only be forecast as and when contracts arise
- 61% of EBITDA growth from Contract Power business; 39% from existing base business
- Record operating cash flows of \$27.1 million enabled progressive debt reduction and fully funded capex.
- Dividends
  - Previously suspended until final FY19 as part of funding arrangements for Contract Power acquisition
  - Based on strong earnings and cash flows, recommending six months earlier than planned
  - 1 cps fully franked dividend payable in April 2019
- Estimated FY19 D&A charge: \$23m (\$21m + \$2m)
- Financing expense increase due to acquisition funding; estimated FY19 financing expense: \$4.5m
- EPS up 52% on strength of larger earnings base and minimal (11%) shareholder dilution from acquisition

| Summary Financials                   |                        |                        |
|--------------------------------------|------------------------|------------------------|
| \$000's                              | For 6 Months to Dec 18 | For 6 Months to Dec 17 |
| Power generation and service revenue | 47,705                 | 30,081                 |
| Operating costs                      | (17,447)               | (9,035)                |
|                                      | 30,258                 | 21,046                 |
| Construction revenue                 | 21,239                 | -                      |
| Construction costs                   | (18,741)               | -                      |
|                                      | 2,498                  | -                      |
| Due Diligence / acquisition Costs    | -                      | (710)                  |
| <b>Reported EBITDA</b>               | <b>32,756</b>          | <b>20,336</b>          |
| Depreciation                         | (10,287)               | (7,644)                |
| Amortisation                         | (1,014)                | (586)                  |
| Net financing expenses               | (2,257)                | (776)                  |
| <b>Profit before Tax</b>             | <b>19,198</b>          | <b>11,330</b>          |
| Income tax expense                   | (5,038)                | (3,296)                |
| <b>Reported NPAT</b>                 | <b>14,160</b>          | <b>8,034</b>           |
|                                      |                        |                        |
| <b>EPS</b>                           | <b>3.3c</b>            | <b>2.16c</b>           |
| <b>Operating cash flows</b>          | <b>27,168</b>          | <b>17,310</b>          |

# Healthy Balance Sheet and Funding Capacity

|                               | Dec 2018<br>\$m's | Jun 2018<br>\$m's |
|-------------------------------|-------------------|-------------------|
| Cash                          | 4.0               | 13.1              |
| Receivables                   | 17.7              | 16.14             |
| PP&E                          | 223.5             | 224.0             |
| Intangibles                   | 54.3              | 55.3              |
| Other                         | 2.3               | 7.3               |
| <b>TOTAL ASSETS</b>           | <b>301.8</b>      | <b>316.1</b>      |
| Current liabilities (ex debt) | 18.7              | 22.2              |
| Current debt                  | 11.8              | 11.8              |
| Non current debt              | 69.7              | 95.2              |
| Deferred tax                  | 12.6              | 12.3              |
| Other                         | 2.9               | 3.0               |
| <b>TOTAL LIABILITIES</b>      | <b>115.7</b>      | <b>144.5</b>      |
| <b>NET ASSETS</b>             | <b>186.1</b>      | <b>171.6</b>      |
| <b>NET TANGIBLE ASSETS</b>    | <b>131.8</b>      | <b>116.3</b>      |

| GEARING       | Dec 2018 | Jun 2018 | Dec 2017 |
|---------------|----------|----------|----------|
| Net Debt: EV  | 24%      | 29%      | 16%      |
| Net Debt: NTA | 31%      | 54%      | 74%      |

- Net debt peaked at \$95m following funding of Contract Power acquisition
- Reduced net debt by 17% in 1H19 to \$77.8m
- Total debt facilities \$136m
- Facility headroom \$58m
- Net debt : FY19 forecast EBITDA 1.29x
- Interest cover 13.4x
- 1H19 capex spend \$10m
- Cost of bank facility funds (interest and line fee) 4.1%

# Multi-Year Contracts with Guaranteed Minimum Payments Provide Earnings Visibility and Reliability

Selection of major contracts below

| Client              | Site             | Industry         | FY18               | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | Current Mine Life * |
|---------------------|------------------|------------------|--------------------|------|------|------|------|------|------|---------------------|
| AngloGold Ashanti   | Tropicana        | Gold             | Contracted to 2028 |      |      |      |      |      |      | 2028                |
| Pilbara Minerals    | Pilgangoora      | Lithium          | Contracted to 2025 |      |      |      |      |      |      | 2053                |
| St Barbara          | Gwalia           | Gold             | Contracted to 2024 |      |      |      |      |      |      | 2024                |
| Horizon Power       | MidWest          | Townships        | Contracted to 2025 |      |      |      |      |      |      | Indefinite          |
| Panoramic Resources | Savannah         | Nickel           | Contracted to 2027 |      |      |      |      |      |      | 2027                |
| Galaxy Resources    | Mt Cattlin       | Lithium/Tantalum | Contracted to 2022 |      |      |      |      |      |      | 2028                |
| Saracen             | Carosue Dam      | Gold             | Contracted to 2023 |      |      |      |      |      |      | 2024                |
| Saracen             | Thunderbox       | Gold             | Contracted to 2021 |      |      |      |      |      |      | 2025                |
| Regis               | Garden Well      | Gold             | Contracted to 2023 |      |      |      |      |      |      | 2025                |
| Energy Australia    | Cardinia         | NEM              | Contracted to 2023 |      |      |      |      |      |      | Indefinite          |
| Iluka               | Jacinth Ambrosia | Mineral Sands    | Contracted to 2021 |      |      |      |      |      |      | 2027                |
| Sandfire            | DeGrussa         | Copper/Gold      | Contracted to 2022 |      |      |      |      |      |      | 2022                |
| Altura              | Pilgangoora      | Lithium          | Contracted to 2023 |      |      |      |      |      |      | 2031                |
| Westgold            | Fortnum          | Gold             | Contracted to 2022 |      |      |      |      |      |      | 2022                |
| Doray               | Deflector        | Copper/Gold      | Contracted to 2021 |      |      |      |      |      |      | 2021                |

Contracts have options to extend and typically roll into new terms as mine lives extend

\*PEA estimate

# Growth Story Continues

- Combination of continuing growth from existing contracts, new contracts and acquisition activity (Contract Power and NovaPower) has seen contracted capacity approaching 400MW
- Portfolio now includes
  - 3 NEM connected power stations (gas and hydro)
  - 7 remote township power stations (gas, diesel and solar)
  - 31 remote mine power stations (gas, diesel, waste heat)
  - 2 EPC contracts nearing completion (gas and battery / microgrid)
- Leading remote power specialist in gold and hard-rock lithium sectors
- Capabilities and proven experience in thermal and renewable technologies:

diesel  
gas  
dual fuel  
solar hybrid



**52MW Reciprocating Gas Engine Power Station Under Construction**



# Growth Story Continues

- Contract Power acquisition bedded down
  - all contracts remain on foot and in good standing
  - all customers and staff continuing
  - \$32m of EPC substantially completed
  - actively pricing a range of new projects
  - no negative surprises - a rewarding and pleasing transaction
- With minimal dilution from acquisition activity, stronger earnings & cash flows from existing contracts/new contracts and acquisitions, first half result has delivered 50+% EPS growth to shareholders, early recommencement of dividends and a balance sheet repositioned for growth
- Have added 24MW of new contracted capacity in FY19 to date
  - Panoramic Resources – 14MW new contract
  - St Barbara – 6MW expansion
  - Various expansions – 4MW
  - Saracen Minerals – 2 year extension at Carosue Dam to 2023
- LOI received for 22MW thermal / 7MW solar project in Africa - 10 year contract to be awarded, subject to negotiation of PPA terms and conditions
- Sizeable tender pipeline in place, although decision making on new contract awards taking longer than expected



# Outlook

- Solid start to 2H19 in combination with first half performance prompted upgrade on 12 February 2019 in full year guidance to \$60m-\$61m (previously \$54m-\$55m) EBITDA
- Multi-pronged growth potential from:
  - new contracts
  - expansions at existing stations (usually 10MW – 20MW per year)
  - re-starts of Care & Maintenance stations
  - construction income (where clients do not proceed with BOO)
  - acquisitions of existing assets and businesses
- Committed management and staff with industry leading expertise and track record
- Outstanding reputation for reliability and quality
- Well funded to pursue growth with circa \$58m facility headroom
- Long term contracted cash flows - record operating cash flow forecast of circa \$48m
- Strong balance sheet repositioned for growth

## 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 and mine re-start opportunities

### New Mining Projects

- Over 20 proposals outstanding all at various stages
- Awaiting results of over 50MW in formal tenders
- Approximately 150MW priced for projects in formal study stages
- African market presents a new growth frontier

### New Opportunities

- Current focus on maximising value from recent acquisitions
- Remain open to and in search of more asset acquisition opportunities

# Conclusion

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## Thank You Q&A

