



ASX RELEASE

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# Strong FY19 Financial Results

## Highlights

- **Excellent operating and financial performance**
  - 78% increase in total revenue to \$151.7 million (vs FY18)
  - Gross operating margin of 13.0%
  - 30% increase in EBITDA excl. one-off costs to \$11.7 million (vs FY18)
  - Total Recordable injury frequency rate of 0.90 per 1,000,000 manhours with zero lost time injuries
- **Robust balance sheet with significant flexibility**
  - \$21.9 million cash and \$3.0 million debt at balance date
  - \$35 million of bonding and multi-option financing facilities
- **Growth outlook remains robust**
  - Significant recent contract wins in NPI and Minerals
  - Current FY20 committed order book of approximately \$90 million; similar position to this time last year
  - Approximately \$800 million of qualified tender opportunities
  - Growing ECI model and focus on multi-year O&M / BOO project opportunities
  - Significant staff hires during FY19 to boast Primero's capability to deliver growth.

Multi-disciplinary engineering and contracting firm Primero Group Limited (**Primero**) (ASX:PGX) is pleased to present its financial results for the 2019 financial year.

Commenting on the FY19 financial results, Primero Managing Director, Cameron Henry, said:

*"We are pleased to present such a strong set of financial outcomes in our first year of listed life. Revenue growth approaching 80% and underlying EBITDA growth of 30% are outstanding results by any measure. We also retain an extremely strong balance sheet with significant growth funding flexibility.*

*"Our committed order book for FY20 stands at approximately \$90 million, which is a similar position to this time last year with respect to FY19. A significant number of major contract awards across various sectors are also expected to be made over the coming months. We believe Primero is well positioned to capture a meaningful share of these opportunities.*

*"Our focus on technical excellence and being a contract partner of choice remains core to the Primero business model. We continue to invest in our people, systems and processes in order to*



further underpin our platform for confident and sustainable growth. We are also seeing building potential for larger revenue and longer duration contracts presenting across multiple commodities and business areas.”

## Key Financial Results

### Earnings

Revenue and Earnings	FY19 (\$M)	FY18 (\$M)	Change
Total revenue	151.7	85.2	+78%
EBITDA	10.5	8.4	+25%
EBITDA (excl one-off costs)	11.7	9.0	+30%
EBIT (excl one-off costs)	10.5	8.1	+28%
Pre-tax profit (excl one-off costs)	10.4	8.0	+29%
Statutory NPAT	6.2	5.2	+19%

All figures in Australian dollars unless otherwise specified.

Total revenue of \$151.7 million grew by 78%.

Gross operating margin (service revenue minus cost of sales) was 13.0%, a robust result in the context of the substantial year-on-year increase in revenue from FY18.

EBITDA excluding one-off costs of \$11.7 million was in-line with guidance (\$10.5 to \$12.0 million) and represented a 30% increase on FY18.

EBITDA excluding one-off costs removes the impact of the following listing-related and other items:

- Issue of limited-recourse employee share loans for listing (\$0.51 million);
- Initial Public Offering (IPO) costs (\$0.19 million);
- Due diligence costs (\$0.12 million); and
- Bad debts (\$0.34 million) (most recent bad debts expense was previously FY15).

Underlying EBITDA margin of 7.7% reflected strong operational contract performance coupled with ongoing investment in people, systems and processes to further underpin our platform for confident and sustainable growth. Annual performance bonuses to staff were recognised and paid during the second half of FY19.

### Cashflow

Cashflow	FY19 (\$M)	FY18 (\$M)
Net operating cashflow	3.1	4.7
Net investing cashflow	(1.8)	(1.4)
Net financing cashflow	20.1	(2.6)
Net change in cash balance	21.4	0.7

All figures in Australian dollars unless otherwise specified.



Net operating cashflow of \$3.1 million (2018: 4.7 million) reflected typical working capital build in the business directly attributable to the large year-on-year increase in service revenue. Considerable milestone payments are expected to be received in the next few months with respect to the Wartsila Barker Inlet Power Station contract and the Clough South Flank project work (both reflected in the elevated Work in Progress and Accrued Income balance at 30 June 2019).

Net investing cash outflow of \$1.8 million (2018: 1.4 million) included the major purchase of two cranes for the construction of the Barker Inlet Power Station.

Net financing cashflow of \$20.1 million (2018: cash outflow of 2.6 million) was driven by the \$20 million of gross new equity funds received through Primero's IPO and ASX listing in July 2018.

**Balance Sheet**

Cash at balance date stood at \$21.9 million. Gearing remains very low with current and non-current debt totaling \$3.0 million.

No dividend was declared or paid in respect of the FY19 results. Funds have been retained as working capital to help fund the strong pipeline of work.

**Business Segment Detail**

The composition of FY19 service revenue by key business segment was approximately 50% Energy, 27% Non-Process Infrastructure (NPI) and 23% Minerals.

**FY19 Revenue by Segment**

- Minerals (23%)
- NPI (27%)
- Energy (50%)



**FY18 Revenue by Segment**

- Minerals (84%)
- NPI (10%)
- Energy (6%)





## ***Energy***

Primero's Energy division has a successful track record of servicing clients that operate onshore and offshore gas facilities.

The Energy division achieved outstanding growth during the year with revenue of approximately \$76 million.

This outcome was driven strongly by the progressive execution of Primero's contract with Finnish company Wartsila for the 211MW Barker Inlet Power Station in South Australia, which is being developed for AGL Energy. This is a highly significant EPC contract for the construction of the first utility-scale reciprocating engine power plant in Australia's National Energy Market.

## ***Non-Process Infrastructure***

Primero's Non-Process Infrastructure (NPI) division services mining and energy clients that have processing facilities or are developing mineral and energy projects. Currently, Primero's NPI work is predominantly sourced from established mining companies in the iron ore sector.

Revenue from the NPI business totaled approximately \$41 million for FY19.

This considerable growth was driven predominantly by the execution of major design and construct work on a number of projects for Pilbara-based iron ore majors.

## ***Minerals***

Primero's Minerals division provides services across the full project life-cycle from the early stage geochemical assessment of orebodies through to the expansion or optimisation of established operations. This includes the design, construction and operation of mineral processing facilities.

Revenue from the Minerals division in FY19 was approximately \$34 million.

Minerals contract revenues for the year were earned across a wide range of major mining projects, geographies, commodities and underlying workstreams (including an increasing contribution from O&M contract work).

## **Business Outlook**

Based on current business conditions and tendering opportunities across its three key divisions, Primero remains positive about the outlook for FY20 and the longer term.

Tendering activity in the Western Australian iron ore market is generating considerable NPI opportunities given the magnitude of capital programs being undertaken by the Pilbara majors. This is coupled with robust activity in the Minerals and Energy sectors.



The market remains both active and competitive, with a large volume of new contract opportunities up for award over coming months.

Current contracted revenue for FY20 is approximately \$90 million. This is a broadly similar level to that which existed 12 months ago with respect to FY19.

An increased proportion of total FY20 revenue is expected to be comprised from the Minerals division, which typically yields higher margins to those from the NPI and Energy businesses.

We also continue to grow our Early Contractor Involvement (ECI) model and broaden our potential access to multi-year O&M and BOO project opportunities.

Our solid cash position, low gearing and funding liquidity place Primero in an excellent position to capitalise on available future growth opportunities. We also continue to invest in our capacity to deliver larger, and targeted higher margin, projects.

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## ABOUT PRIMERO

Primero provides engineering design, construction and operational services to the minerals, energy and infrastructure sectors. Primero has specialist expertise in project implementation and delivery with a complementary service offering comprising civil, structural, mechanical and electrical solutions. Primero provides these services to a diverse client base, ranging from mid-sized companies through to international mining and energy houses.

