ASX RELEASE

27 August 2020

FY20 financial results and outlook

Highlights

- **Further substantial revenue growth**
  - Total revenue increased 36% to $205.6 million (FY19: $151.7 million)
  - Gross operating and EBITDA margins impacted by conservative Wartsila contract revenue recognition (approx. $40 million recognised at zero margin)
  - EBITDA (excl. one-off items) of $9.5 million (FY19: $11.7 million)
  - Adjusted FY20 EBITDA margin (excl. one-off items and zero-margin Wartsila revenue) of 5.7%
  - Cash balance of $15.2 million and low gearing ($5.7 million debt, including $2.7 million of lease liabilities) (at 30 June 2020)
- **Initial Wartsila adjudication win**
  - Primero awarded $16.9 million in adjudication decision against Wartsila (this initial SOPA application covered only ~25% of total outstanding monies claimed)
  - Wartsila elected to seek judicial review of the adjudication decision; these proceedings have been heard and the decision is pending
  - Approx. $37 million of accrued income balance and $17 million of receivables balance (at 30 June 2020) are associated with the Wartsila contract
- **Strong growth outlook**
  - Current contracted order book of approx. $230 million for FY21
  - Forecast FY21 underlying EBITDA margin of 6 - 8%
  - Large volume of further EPC opportunities up for award over 1H FY21; preferred contractor status for approx. $750 million

Multi-disciplinary engineering and contracting firm Primero Group Limited (ASX:PGX) (**Primero**) presents its unaudited financial results for the 2020 financial year.

Commenting on the FY20 financial results, Primero Managing Director, Cameron Henry, said:

"We believe the FY20 financial results highlight the next evolution of the Primero model. Full year revenue of over $200 million, with current contracted orders already standing at $230 million for FY21, ably demonstrate the substantial growth trajectory in Primero's reach and delivery brand.

"We continue to invest in our capacity to deliver larger and higher margin projects. This platform is what enables us to credibly pursue these opportunities and then ultimately deliver on them for our Tier 1 client base. Just as critically, we are also resolutely focussed on the successful practical and economic delivery of our current contracted order book at its robust projected margin levels."

Initial Wartsila adjudication win

Primero's contracted workstreams with Wartsila Australia (**Wartsila**) on AGL's major Barker Inlet Power Station were completed during FY20. The timely completion of this project was a huge achievement, including the delivery of over 1.3 million manhours of works on a LTI free basis.

All residual revenue and costs associated with the Wartsila contract were recognised in the FY20 financials. At 30 June 2020, approximately $37 million of Primero's accrued income balance and approximately $17 million of its receivables balance were associated with the Wartsila contract. Approximately $40 million of revenue under the Wartsila contract was conservatively recognised in the FY20 financials at zero forecast margin.

As previously announced, Primero was recently awarded the sum of approximately $16.9 million in an adjudication decision against Wartsila Australia under the South Australian Security of Payment Act (SOPA). This initial SOPA application by Primero covered only approximately 25% of total outstanding monies claimed under the Barker Inlet Power Station contract.

Wartsila elected to transfer payment into the courts of South Australia and seek judicial review of the adjudication decision in the Supreme Court of South Australia. These proceedings have been heard and the decision has been reserved for judgment.

FY20 financials

Earnings

Revenue and Earnings	**FY20 ($M)**	**FY19 ($M)**	**Change**
Total revenue	205.6	151.7	+36%
EBITDA	9.1	10.5	-14%
EBITDA (excl one-off costs)	*9.5*	*11.7*	*-18%*
EBIT (excl one-off costs)	*7.7*	*10.5*	*-26%*
Pre-tax profit (excl one-off costs)	*7.1*	*10.4*	*-31%*
Statutory NPAT	4.6	6.2	-26%

All figures in Australian dollars unless otherwise specified.

Total revenue of $205.6 million was a 36% increase on FY19.

Gross operating margin (service revenue minus cost of sales) was 8.8% (FY19: 13.0%), impacted significantly by the conservative approach adopted with respect to Wartsila contract revenue recognition during the period.

EBITDA excluding one-off items was $9.5 million (FY19: $11.7 million), similarly impacted by the Wartsila contract revenue recognition approach. The sole one-off item was a $0.5 million bad debts expense recorded with respect to contractual monies owed to Primero by Alita Resources Limited.

EBITDA margin (excluding one-off items) was 4.6% (FY19: 7.7%). Adjusted EBITDA margin (excluding one-off items and zero-margin Wartsila revenue) was 5.7%.

Cashflow

Cashflow	FY20 ($M)	FY19 ($M)
Net operating cashflow	(11.9)	3.1
Net investing cashflow	(3.7)	(1.8)
Net financing cashflow	9.0	20.1
Net change in cash balance	*(6.6)*	*21.4*

All figures in Australian dollars unless otherwise specified.

Net operating cashflow of $(11.9) million ($3.1 million pcp) incorporates the significant build up in working capital associated with outstanding monies under the Wartsila contract.

Net investing cashflow of $(3.7) million ($1.8 million pcp) reflected the modest level of capital investment required during the period combined with a staged $2.0 million principal investment in private Australian gold developer, Barton Gold Limited (**Barton**). At the 30th of June Primero held 4.97% of Barton and will eventually hold 7.3% once the transaction has been completed.

Barton recently acquired the Tarcoola Gold Mine (on care and maintenance), Tunkillia Gold Project and regional infrastructure in South Australia including a 650ktpa plant, 240-person camp and airstrip. Primero's investment in Barton is reflective of its incremental 'ownership model' strategy of building modest project equity positions in attractive pre-development mineral assets.

Net financing cashflow of $9.0 million ($20.1 million pcp) was driven by the $7.6 million of gross new equity funds raised via a placement in early December 2019.

Balance Sheet

Cash at balance date stood at $15.2 million. Gearing remains very low with current and non-current debt totaling $5.7 million (includes $2.7 million of lease liabilities relating to rental premises).

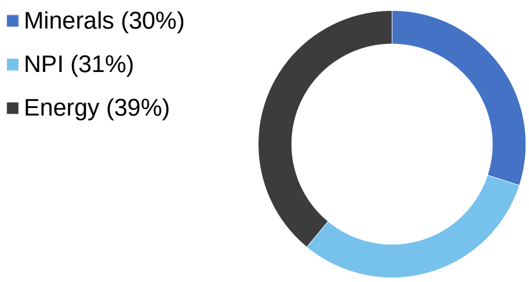
No dividend was declared or paid in respect of the FY20 results. Primero remains focused on growing its existing business and delivering on the strong level of contracted work in its current order book.

Business segment performance

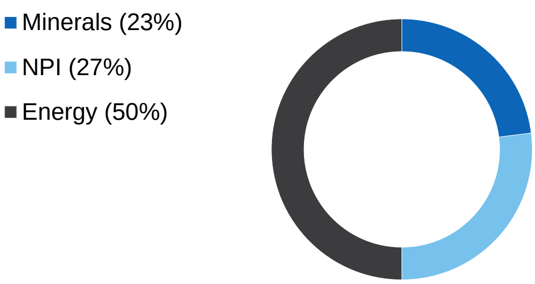
The composition of FY20 service revenue by key business segment was approximately 39% Energy, 31% Non-Process Infrastructure (NPI) and 30% Minerals.

78 Hasler Road,
Osborne Park 6017
Phone: +61 8 6500 9500
Email: office@primero.com.au
web: www.primero.com.au
ACN 149 964 045
ASX Code: PGX

FY20 Revenue by Segment



FY19 Revenue by Segment



Energy

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

The Energy division achieved revenue during the year of approximately $79 million (FY19: $76 million).

This outcome was driven by the progressive execution of Primero's contract with Wartsila for the 211MW Barker Inlet Power Station in South Australia, which is being developed for AGL Energy. This was a highly significant EPC contract for the construction of the first utility-scale reciprocating engine power plant in Australia's National Energy Market. The contract was executed in April 2018 with energisation and the exporting of power to the grid in late 2019 and practical completion of all Primero workstreams achieved in the first quarter of calendar 2020.

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.

Revenue from the NPI business totaled approximately $64 million for FY20 (FY19: $41 million).

This 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.

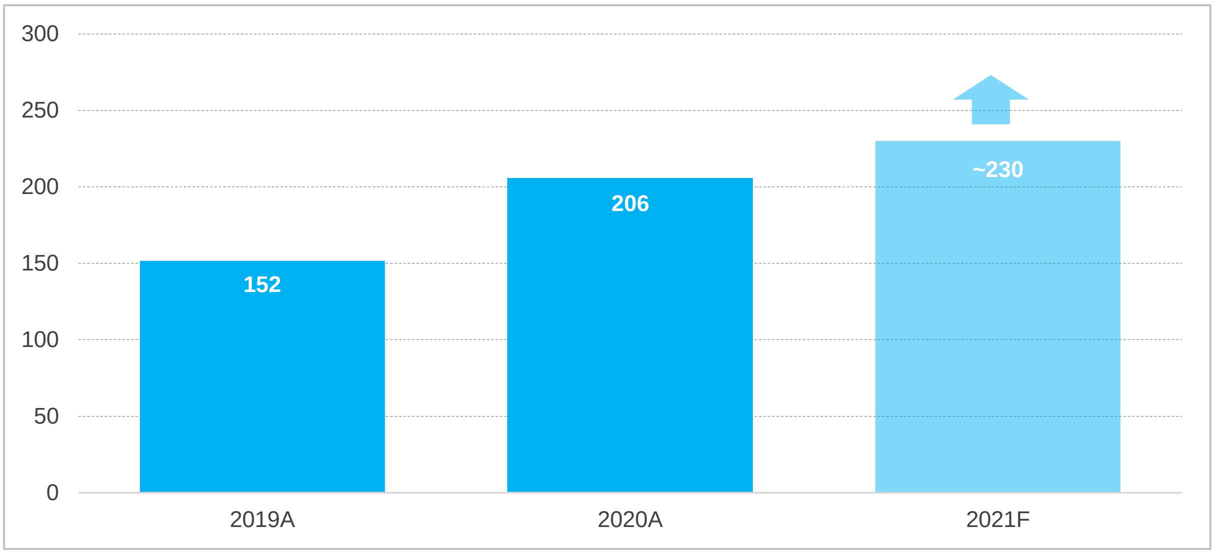
Revenue from the Minerals division in FY20 was approximately $63 million (FY19: $34 million).

Minerals contract revenues for the year were earned across a wide range of major mining projects, geographies, commodities and underlying workstreams.

Strong growth outlook

Current contracted orders for FY21 are approximately $230 million. These revenues are expected to be delivered at an underlying FY21 EBITDA margin of approximately 6 - 8%.

Figure 1: Current FY21 contracted orders relative to reported FY19 and FY20 revenue ($m)



The market remains both active and competitive with a large volume of further EPC opportunities up for award over 1H FY21.

Primero has a current qualified tender pipeline of approximately $1.4 billion (excludes contracted orders). The business holds preferred contractor status for five projects totaling approximately $750 million (three EPC and two EPC/O&M), with preferred status decisions pending on two other projects totaling approximately $240 million (both EPC).

The breadth of commodity exposure across the current contract portfolio encompasses all of precious, ferrous, industrial and battery metals. The capital programs of the Pilbara iron ore majors also continue to generate considerable opportunities across our Minerals and NPI segments.

Primero's Early Contractor Involvement (ECI) model is gaining further traction, with recent ECI wins delivering strong follow-on potential for large-scale EPC roles.

PRIMERO

This ASX release was authorised on behalf of the Primero Board by:

Cameron Henry, Managing Director and CEO

For further information please contact:

INVESTORS

Cameron Henry
Managing Director
investor@primero.com.au

MEDIA

Michael Vaughan
Fivemark Partners
+61 422 602 720

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.