

ASX Announcement

27 August 2021



DDH1 Full Year 2021 Results Announcement

Specialist Australian drilling services company DDH1 Limited (**ASX: DDH**) (**DDH1** or the **Company**) is pleased to report its results for the year ended 30 June 2021 (**FY21**).

Highlights

- Strong organic growth across DDH1 Drilling, Ranger Drilling and Strike Drilling resulting in revenue of \$294.6 million, the highest in DDH1's history. This reflects a 17.9% increase on FY21 and a 5.1% outperformance to Prospectus forecasts.
- A further 10 rigs were added to the fleet to end the financial year with 98 rigs and a further 8 rigs secured to be delivered in FY22, which will enable DDH1 to meet customer demand.
- Drilled 2,187,355 meters for 94 clients, a record performance, with rig utilisation of 77% an increase from 73% in FY20.
- Pro-Forma EBITDA² of \$74.6 million, a 15.6% increase on FY20 and 7.6% higher than Prospectus forecast. This performance was underpinned by increased demand and notwithstanding the logistical obstacles and increased costs resulting from operating in a COVID-19 environment.
- Pro-Forma EBITA² of \$53.1 million a 17.9% increase on FY20, and 14.9% higher than Prospectus forecast.
- Statutory EBITDA of \$65.6 million and Statutory EBIT of \$41.9 million, inclusive of IPO costs.
- Pro-Forma NPAT² of \$35.2 million a 17.2% increase on the Prospectus forecast.
- Strong cash generation, with cash from operating activities excluding tax and interest of \$68.8 million a 8.2% increase on Prospectus forecast.
- Robust balance sheet with Net Cash³ of \$9.6 million and \$54.4 million in undrawn facilities.
- Total Reportable Injury Frequency Rate (TRIFR) of 9.0.
- Fully franked dividend of 2.18¢ per share declared, which is 40% of Pro-Forma NPATA² since listing.
- Our operating result in this COVID-19 environment is a testament to the tenacity and resilience of our people.

The FY21 results are higher than forecasted in DDH1's Initial Public Offering Prospectus (**Prospectus**), which was published on 8 February 2021. Refer to DDH1's ASX Announcement of 23 July 2021.

Commenting on the FY21 financial results, DDH1 Managing Director & CEO Sy van Dyk said:

"This is a milestone moment in DDH1's history and the culmination of the outstanding efforts of all of our people. We listed on the ASX with a vision to enhance DDH1's status as Australia's premier drilling company and these maiden results as a listed company are just reward for all our shareholders.

"Importantly, DDH1 was able to keep our people safe from COVID-19 whilst at the same time continuing to focus on our safety performance. Our operational people endured significant disruptions due to border closures and quarantine requirements. Many have also sacrificed by staying within the state they work, away from their normal residence for extended periods. They are to be commended for their dedication and loyalty. I am extremely thankful and proud of all our people.

"The market conditions for drilling services to the Australian minerals industry continue to be strong and offer significant growth opportunities for DDH1, notwithstanding emerging cost pressures in our sector because of labour shortages and supply chain constraints exacerbated by COVID-19.

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“DDH1 has begun the new financial year with positive momentum and a sense of optimism, underpinned by strong commodity prices, capital markets that are supportive of our customers and significant exploration success across the industry that we service.”

DDH1’s strong organic growth was recorded across all three of our businesses due to excellent service delivery and our ability to boost our workforce from 816 to 997 employees across Australia. Organic growth was driven by increased demand from DDH1’s substantial client base and by new business opportunities resulting in higher rig utilisation.

DDH1’s performance during FY21 benefited from continued industry growth in the Australian minerals drilling sector and strong demand for DDH1’s services because of increased exploration, development and production activity by our customers. DDH1 continued to be involved in some of the most exciting mineral discoveries across Australia as customers sought the Company’s expertise and access to our modern rig fleet.

With the addition of a further 10 rigs during FY21, DDH1 safely carried out 2,187,355 meters of drilling for 94 customers. The metres drilled were a record for DDH1. Drill rig utilisation increased from 73% in FY20 to 77% in FY21, the highest in 9 years. DDH1 maintained high rates of customer retention and repeat business, underlining DDH1’s industry leadership. Our safety performance measured at Total Reportable Injury Frequency Rate (TRIFR) for FY21 increased to 9.0 from 6.9 in FY20. Whilst disappointing, the severity of injuries in FY21 has decreased.

DDH1’s revenue per commodity was again dominated by gold (48%), iron ore (19%) and gold/copper (15%), although the Company is seeing increased activity in battery minerals including nickel and lithium. In FY21, DDH1 continued to maintain no exposure to coal-related drilling activities.

Financial Performance

Metric	FY21	Compared to Prospectus Forecast
Revenue	\$294.6 million	+5.1%
Pro-Forma EBITDA ²	\$74.6 million	+7.6%
Pro-Forma EBITA ²	\$53.1 million	+14.9%
Pro-Forma NPAT	\$35.2 million	+17.2%
Statutory EBITDA ¹	\$65.6 million	+8.4%
Statutory EBITA ¹	\$44.1 million	+17.9%
Statutory NPAT ¹	\$57.2 million	+150.8%
Basic earnings per share (EPS)	18.58¢	N/A
Operating cash flow (excluding tax & interest)	\$68.8 million	+8.2%
Net cash ³	\$9.6 million	-3.0%
Return on invested capital (ROIC)	33%	N/A
Final fully franked dividend per share	2.18¢	N/A

Notes:

¹ **Statutory results** - Unless otherwise stated, statutory financial information for the group for the period 1 July 2020 to 30 June 2021.

² **Pro-Forma results** - Have been derived from the audited statutory information, after adjusting for Pro-Forma adjustments include:

- Incremental costs of \$0.6 million associated with being a publicly listed company;
- The elimination of the financial impacts of the Management Incentive Plan and the inclusion of a share-based payment expense under the new Long-Term Incentive Plan, totalling \$1.5 million;
- The exclusion of IPO costs of \$7.4 million to be expensed in the FY21 statutory results;
- The exclusion of \$0.7 million for shares gifted to employees on listing; and
- A normalised tax rate of 30%.

³ **Net cash** – Is calculated as total cash, less asset finance liabilities (excluding lease liabilities associated with right to use assets).



Reported Statutory Net Profit After Tax (NPAT) of \$57.2 million was 150.8% higher than the Prospectus forecast, aided further by a tax benefit booked from resetting the tax base of the Company's assets as part of the IPO structure.

Outlook

DDH1 has begun FY22 with positive momentum and a sense of optimism. Notwithstanding the continued threat posed by COVID-19 and cost pressures associated with the emerging labour shortage particularly in Western Australia, DDH1 is buoyed by strong demand for its services from existing and new customers and its ability to retain and attract the best professionals in the sector.

DDH1 is set to deliver strong growth in FY22 on the back of further expansion in its drill fleet to 105 by December 2021, subject to the continued threat posed by COVID-19.

Final Dividend

In line with DDH1's stated dividend payout ratio of between 30% and 50% of Pro-Forma NPATA², the Board has declared a fully franked final dividend of 2.18¢ per share to eligible shareholders on the record date of 17 September 2021, with payment to be made on 8 October 2021.

This ASX announcement has been authorised for release by the Board of DDH1 Limited

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About DDH1 Limited

DDH1 Limited, which is listed on Australian Securities Exchange with the ASX ticker DDH, is a profitable Australian drilling company servicing the mining and exploration sectors. Based in Perth, Western Australia, and led by an experienced and respected management team, DDH1 is an industry leader in deep hole directional drilling.

DDH1 employs around 1000 people and operates a fleet of 98 modern and highly specified drill rigs across its three brands – DDH1 Drilling, Ranger Drilling and Strike Drilling – to offer clients the full suite of specialised drill services. Included in the fleet line-up are dual-purpose rigs able to perform air core and reverse circulation (RC) – a precursor for drilling deeper – and diamond core drilling to enable clients to secure high-quality mineral samples.

Central to DDH1's strategic approach is the pursuit of long-term relationships with clients, built on quality drilling services and a deep understanding of their business needs.

For more information, please visit www.ddh1.com.au

