Business Growth. Delivering Value.

Record Profit.

# Macmahon 2012 Full Year Results

20 August 2012

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# Highlights

## Nick Bowen

Chief Executive Officer

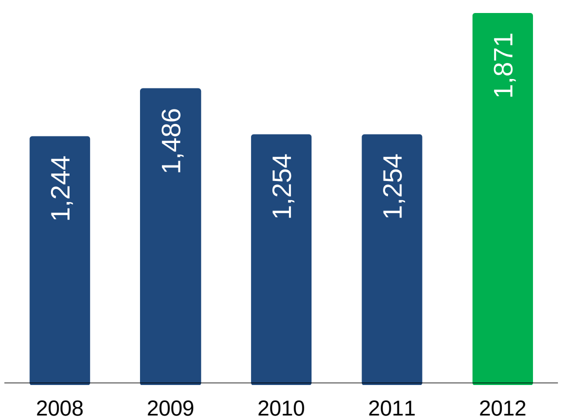
# A Record Year

## Delivering Results

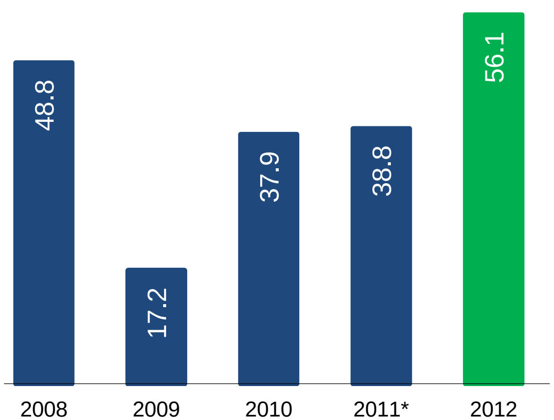
| | |
|---|---|
| **Revenue** | Record revenue of $1.9 billion – up 49% |
| **Profit** | Record profit of $56.1 million – up 45% on 2011 underlying result |
| **Order book** | Record work won - $3.0 billion |
| **EPS** | 7.7 cps – up from 0.1 cps |
| **ROE** | Increased to 16.5% |
| **Dividend** | Final dividend of 2.5 cps, fully franked<br>Total dividend for FY12 4.0 cps, fully franked |

**Shareholder value**

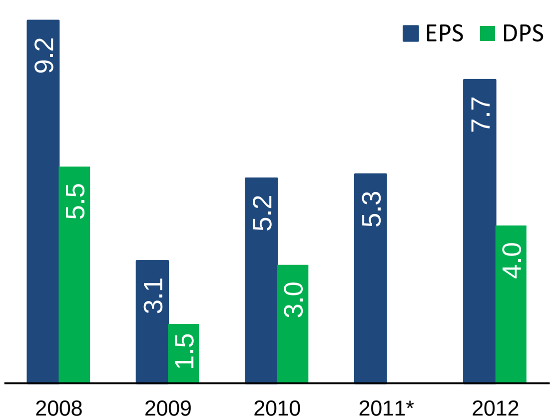
Revenue ($m)




NPAT ($m)




EPS and DPS (cps)




*Based on underlying figures

# Mining Overview

- Record revenue and profit
- Margins improved through better equipment utilisation, production performance and increased offshore activity
- Record project wins and extensions totalling $1.8 billion
- Engineering business established. CSA shaft extension project - design and construction underway
- International expansion into Mongolia and second Nigerian contract won
- World’s largest raise drill scheduled to be delivered in December

| Project | Contract Value | Start Date | End Date |
|---|---|---|---|
| Orebody 18 and Wheelarra (WA) | $975 million | 2006 | 2013 |
| Tropicana Gold Project (WA) | $900 million | 2012 | 2022 |
| Eaglefield (QLD) | $550 million | 2003 | 2013 |
| Olympic Dam (SA) | $390 million | 2004 | 2013 |
| Argyle Diamond Mine (WA) | $360 million | 2006 | 2013 |
| Tavan Tolgoi (Mongolia) | $250 million* | 2012 | 2017 |
| CSA Shaft Extension (NSW) | $110 million | 2011 | 2014 |
| Ranger 3 Deeps Exploration Decline (NT) | $34 million | 2012 | 2014 |

* 50% of announced value

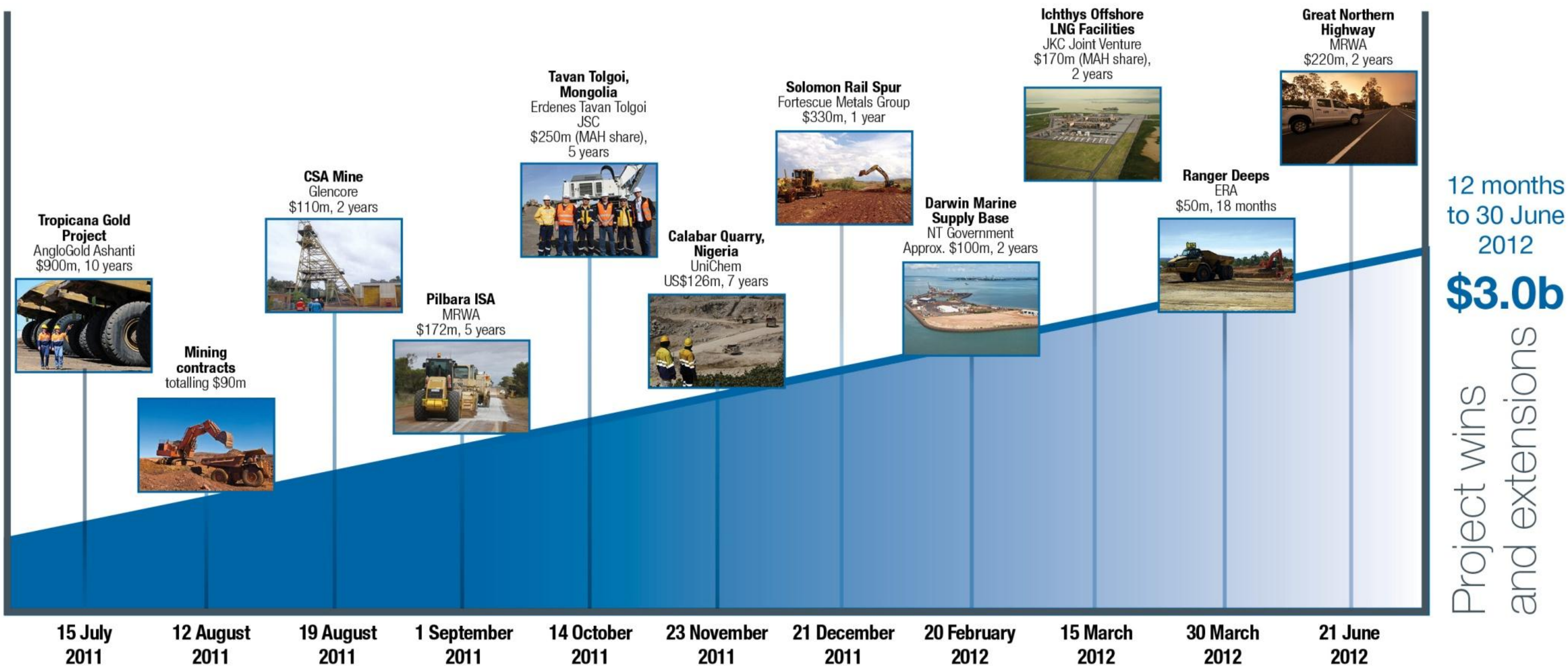
# Construction Overview

- Record revenue, increased profit – but still room for margin improvement
- Over $1.2 billion in projects won
- Secured projects with new customers, including Fortescue Metals Group and INPEX
- Acquisition of remaining 40% of MVM – now trading as Macmahon Rail
- Completed Karara Rail project, Tiger Brennan Drive, RAAF Base Darwin Fuel Farm and Glenugie Alliance

| Project | Contract Value | Start Date | Complete |
|---|---|---|---|
| Solomon Rail Spur (WA) | $330 million | 2011 | 70% |
| South Road Superway (SA) | $230 million* | 2010 | 56% |
| Great Northern Highway (WA) | $220 million | 2012 | - |
| Gladstone LNG (QLD) | $175 million | 2011 | 89% |
| Pilbara ISA (WA) | $172 million | 2011 | 16% |
| Ichthys Onshore LNG Facility (NT) | $170 million* | 2012 | 6% |
| Darwin Marine Supply Base (NT) | $100 million | 2012 | 12% |
| Hope Downs 4 (WA) | $99 million | 2011 | 56% |
| Trangie Nevertire Irrigation Scheme (NSW) | $26 million* | 2012 | 24% |

* Macmahon share

# Project Wins

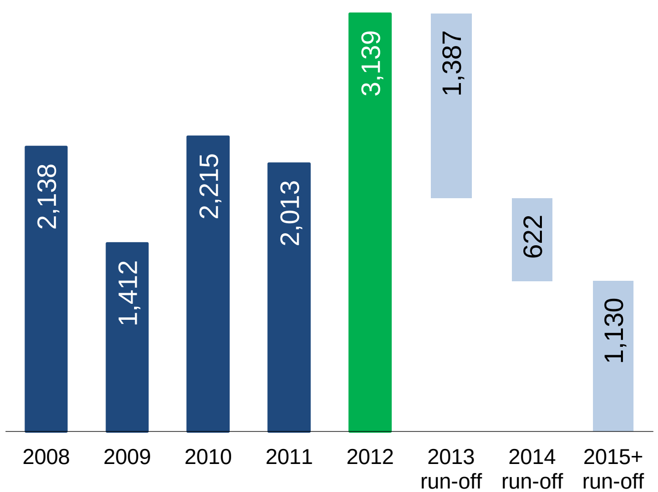


# Order Book

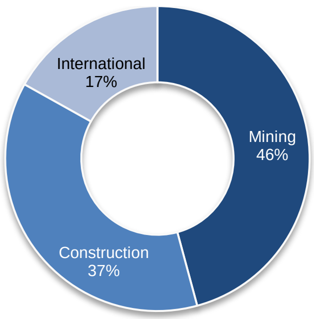
- Order book of $3.1 billion
- Record year for winning work - $3.0 billion in new contracts and extensions
- $1.4 billion of revenue secured for FY13
- With expected extensions, secured revenue approximately $1.7 billion for FY13
- Pipeline of projects under tender total $4.1 billion

| Order book reconciliation | $ million |
|---|---|
| **Opening balance at 30 June 2011** | **2,012.8** |
| Less: Work completed | (1,870.7) |
| Add: Variations/extensions | 253.3 |
| Add: New contracts | 2,743.4 |
| **Closing balance at 30 June 2012** | **3,138.8** |

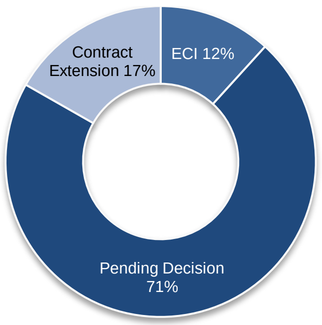
Order Book ($m)




Order Book - $3.1 billion




Tender Pipeline - $4.1 billion

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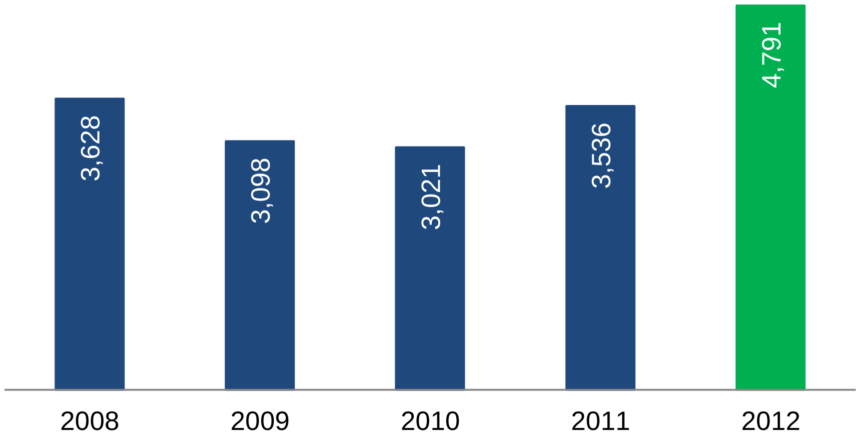
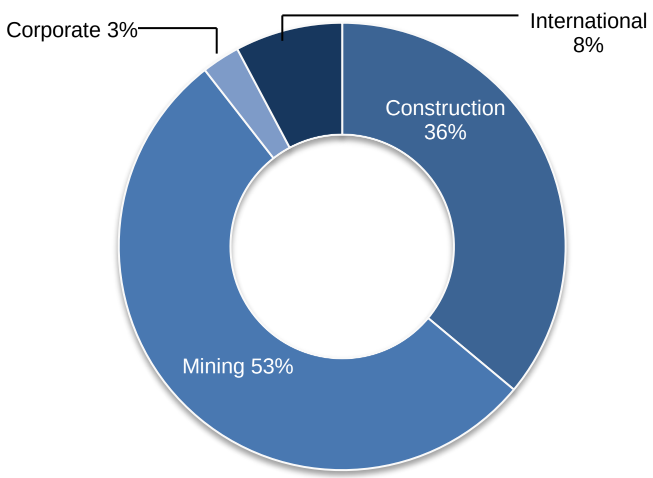
# People

## Group Employee Numbers




## Employee Breakdown




- Employee numbers at record levels on the back of company growth
- Indigenous employment increased from 4.2% to 5.5%
- Apprentice and graduate numbers increased by 46% to 184
- Focus on retention of talent and development of skills and capabilities
- In-house training capability (RTO)

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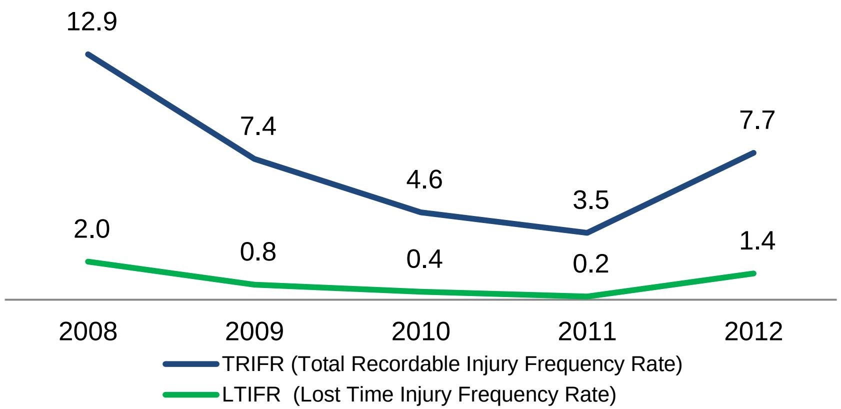
# Safety

Injury Frequency Rates
(per million hours worked)




- Safety performance challenging during periods of rapid growth
- 83% of projects LTI free
- No serious or disabling injuries occurred across the business
- Supervisor safety leadership training ongoing across the organisation

# Financials

## Theresa Mlikota

Chief Financial Officer

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# Record Profit

| $ millions | FY 12 | FY 11 | Change |
|---|---|---|---|
| **Total revenue** | **1,870.7** | **1,254.4** | **49%** |
| **EBIT** | **89.6** | **8.2** | |
| Interest | (14.4) | (12.0) | 20% |
| **Profit/(loss) before tax** | **75.2** | **(3.8)** | |
| Tax (expense)/benefit | (19.2) | 1.1 | |
| Add back: non-controlling interest | - | 3.8 | |
| **Net profit after tax & non-controlling interest** | **56.1** | **1.0** | |
| Add back: significant items | - | 37.8 | |
| **Underlying net profit after tax & non-controlling interest** | **56.1** | **38.8** | **45%** |
| Underlying NPAT margin (%) | 3.0 | 3.1 | |
| Underlying earnings per share (cents) | 7.7 | 5.3 | 45% |
| Dividends declared per share (cents), fully franked<br>- Interim<br>- Final | <br>1.5<br>2.5 | <br>-<br>- | |

Note: Numbers in the table may not add due to rounding.



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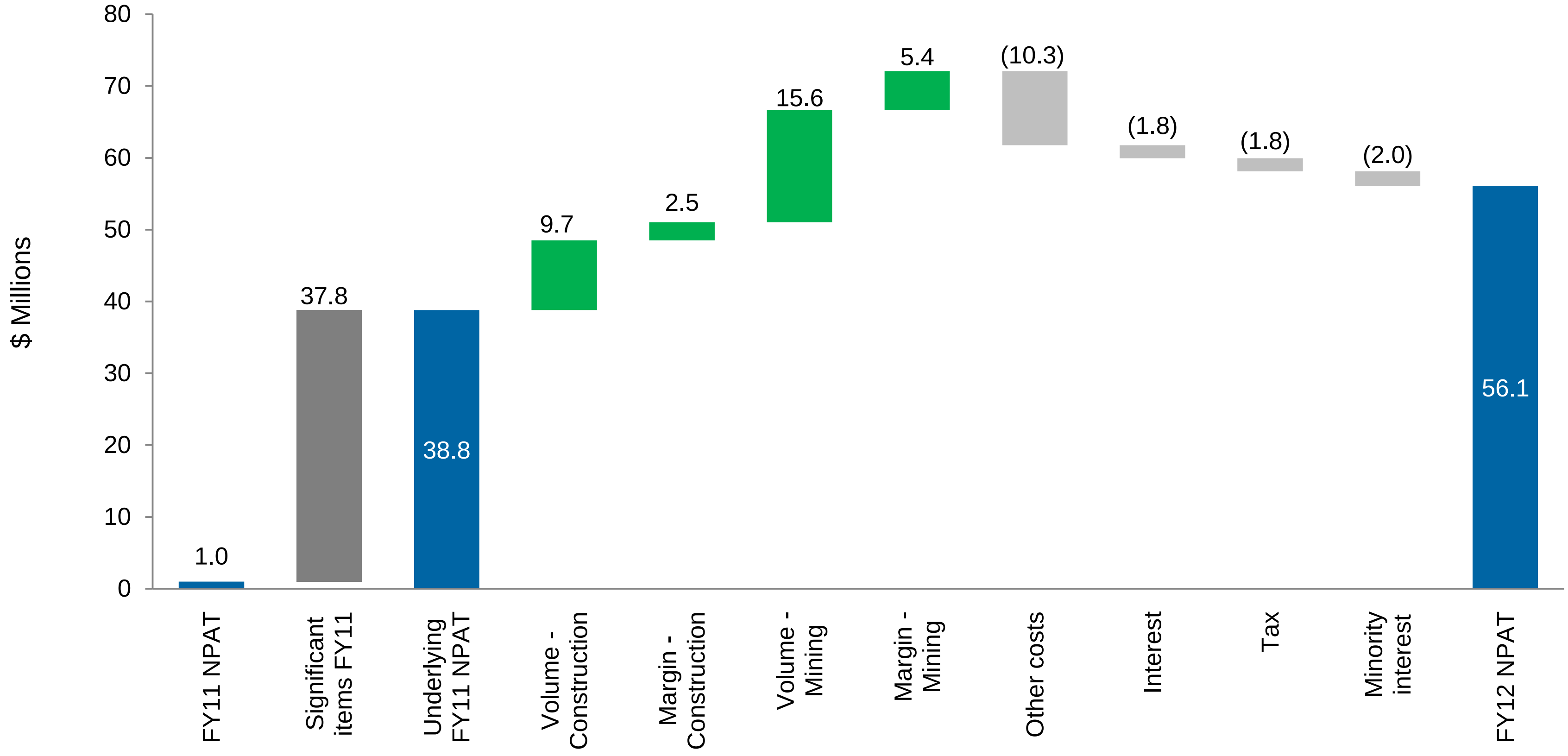
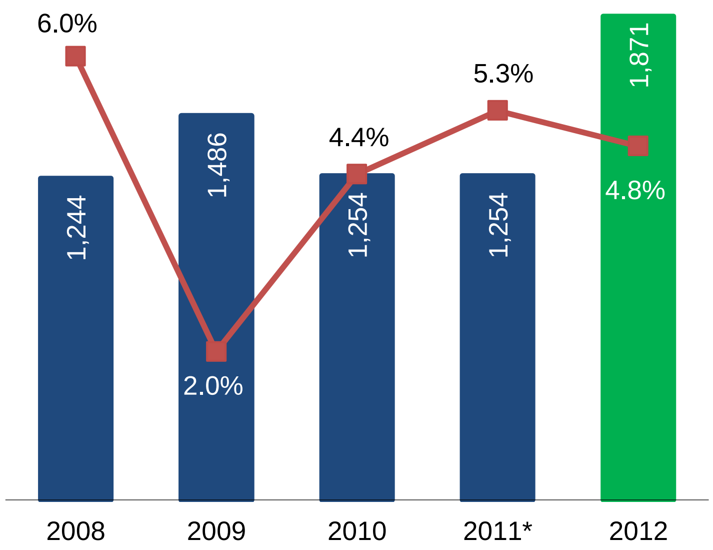
# Profit Waterfall



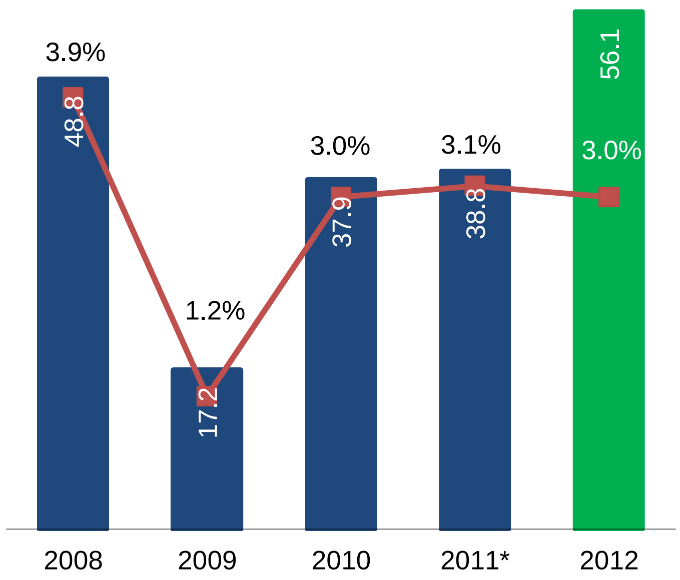
# Delivering Value

## Revenue ($m) and EBIT Margin




**Underlying EBIT Margin*

## NPAT ($m) and NPAT Margin




**Underlying NPAT and NPAT Margin*

**Margins maintained during this current period of rapid growth**

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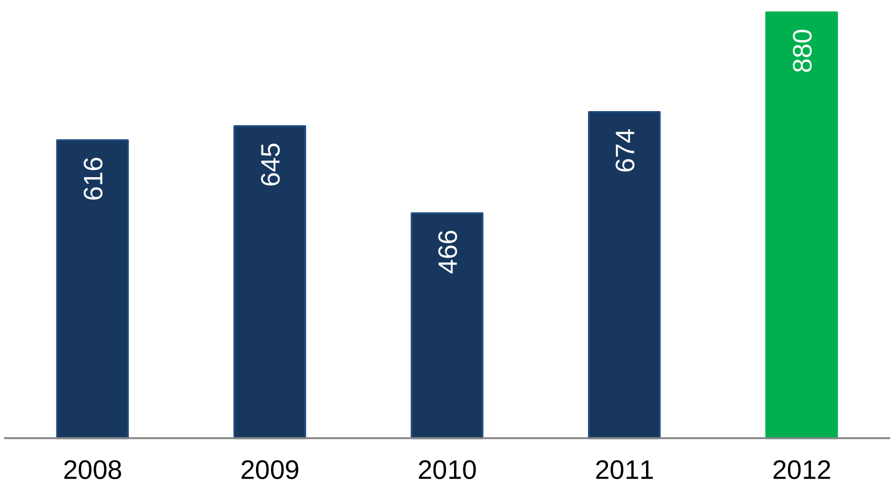
# Mining Performance

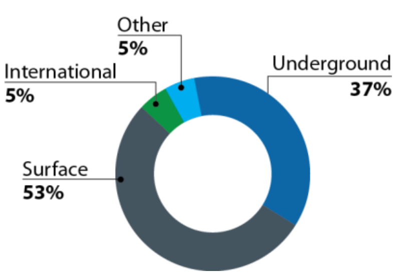
| $ millions | FY 12 | FY 11 | Change |
|---|---|---|---|
| Segment revenue | 880.1 | 674.4 | 31% ↑ |
| Underlying PBT | 72.3 | 51.1 | 41% ↑ |
| Significant item | - | (8.5) | |
| Reported PBT | 72.3 | 42.6 | 70% ↑ |
| Underlying PBT margin (%) | 8.2 | 7.6 | |
| Order book | 1,968 | 1,079 | 82% ↑ |
| Capex | 134 | 78 | |

Mining Revenue ($m)

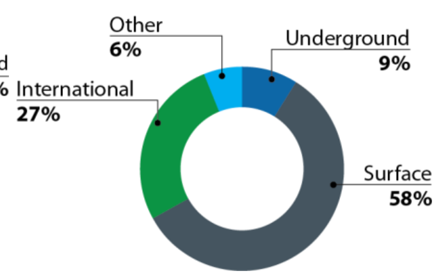



- Record profit before tax of $72.3 million, up 41% on underlying
- Mining revenue increased by 31%, with increased scope of works at existing projects and new projects added including Tavan Tolgoi, Calabar, CSA Mine, Orebody 24 and Jimblebar
- Increased profit margins through improved equipment utilisation, production performance and increased offshore activity
- Capital investment of $134 million injected into growth and expansion projects

FY12 Revenue



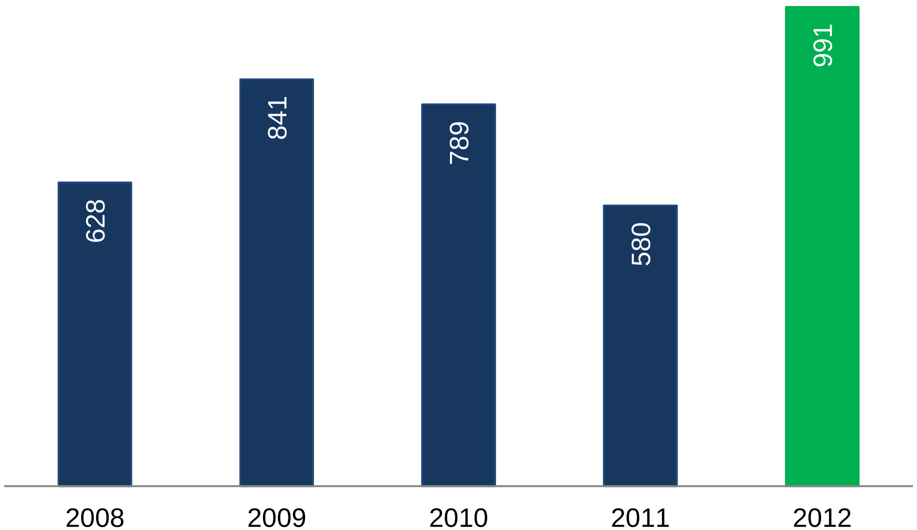

Order book



# Construction Performance

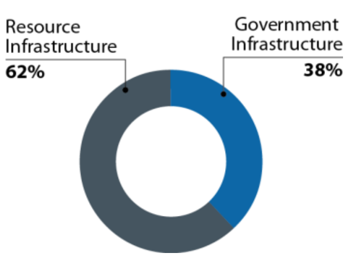
| $ millions | FY 12 | FY 11 | Change |
|---|---|---|---|
| Segment revenue | 990.7 | 580.0 | 71% ↑ |
| Underlying PBT | 25.9 | 13.7 | 89% ↑ |
| Significant item | - | (49.4) | |
| Reported PBT | 25.9 | (35.7) | 173% ↑ |
| Underlying PBT margin (%) | 2.6 | 2.4 | |
| Order book | 1,171 | 934 | 25% ↑ |
| Capex | 51 | 4 | |

Construction Revenue ($m)

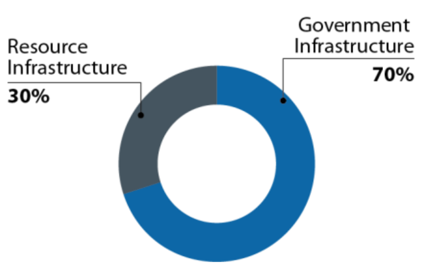



- Major growth in revenue, up 71% to $990.7 million
- Margins increased to 2.6% but remain below target levels
- Rapid growth in WA – sourcing people and gear a challenge placing pressure on ramp up of projects and costs
- Focus for FY13 remains on further margin improvement
- Capex investment in WA and NT to counter high cost and high demand for equipment

FY12 Revenue



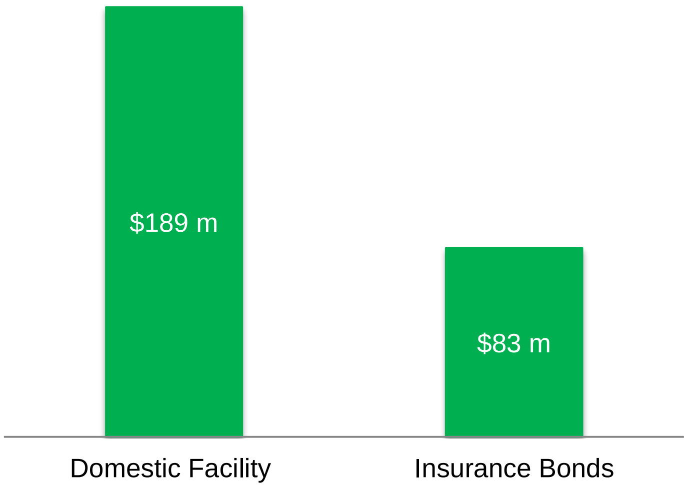

Order book



# Cash Flow

| $ millions | FY 12 | FY 11 | Change |
|---|---|---|---|
| **EBITDA** | **167.8** | **65.3** | 157% |
| Net interest paid | (9.2) | (12.0) | (23%) |
| Income tax (paid) / refund | (4.8) | (0.9) | |
| Working capital and provisions (decrease) / increase | (67.0) | 40.0 | |
| **Operating cash flow** | **86.8** | **92.4** | **(6%)** |
| Cash on hand | 134.9 | 115.6 | 17% |
| Capital expenditure | 186.4 | 82.1 | 127% |
| Op. cash flow per share - cents | 11.7 | 12.6 | (7%) |

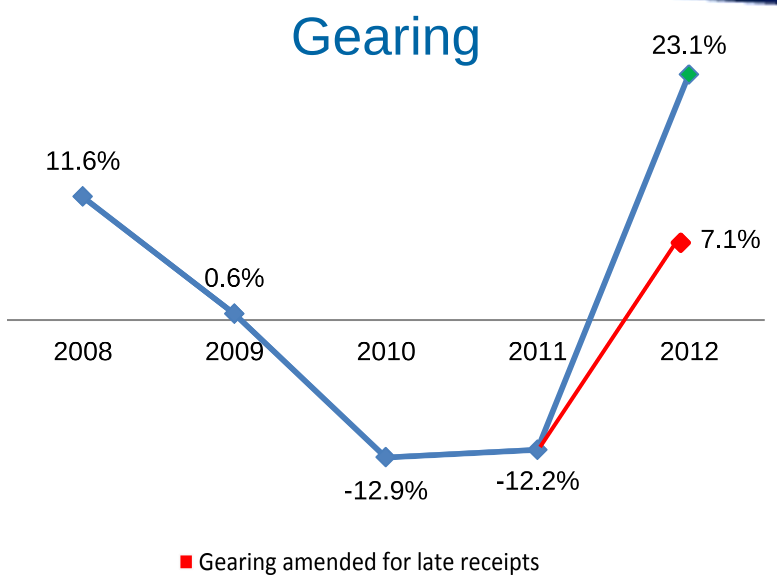
## Facilities Headroom




- EBITDA increased by 157% on pcp
- Operating cash flow and gearing was impacted by timing of receipts due at the end of the financial year. Taking account of almost $60 million in debtor receipts received in early July 2012, operating cash flow would have been approximately $145 million, a 56% increase on the previous year
- Strong projected cash flow and significant headroom in facilities will accommodate future growth

# Gearing

| $ millions | FY 12 | FY 11 | Change |
|---|---|---|---|
| **Current assets** | **528.9** | **331.6** | **59%** |
| Non-current assets | 460.1 | 354.2 | 30% |
| **Total assets** | **989.0** | **685.7** | **44%** |
| Net assets | 356.8 | 323.1 | 10% |
| Net debt/(cash) | 82.6 | (39.5) | |
| **Gearing (%)** | **23.1** | **(12.2)** | |

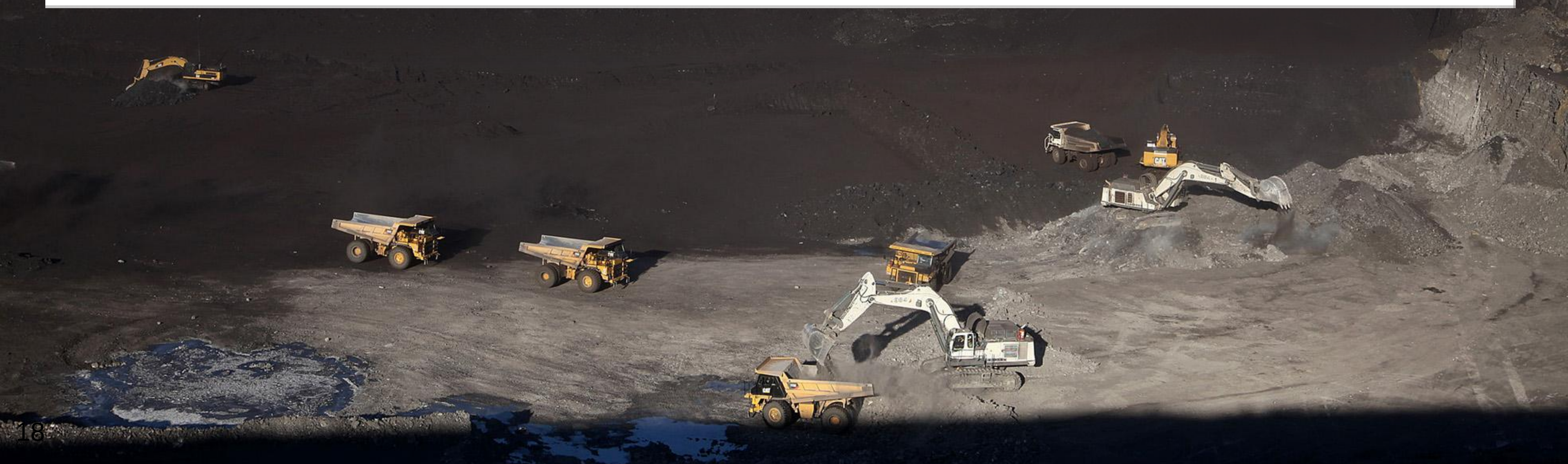



- Increased current assets driven by higher revenue for the year and late receipts of almost $60 million received in early July 2012. Taking into account these receipts, gearing would have been approximately 7%
- Increase in non-current assets due to investment in capital program – funded by net debt drawdowns and operating cash flow
- Significant scope to fund growth opportunities through operating cash flow and new facility headroom, gearing expected to remain below company internal maximum limits of 35%

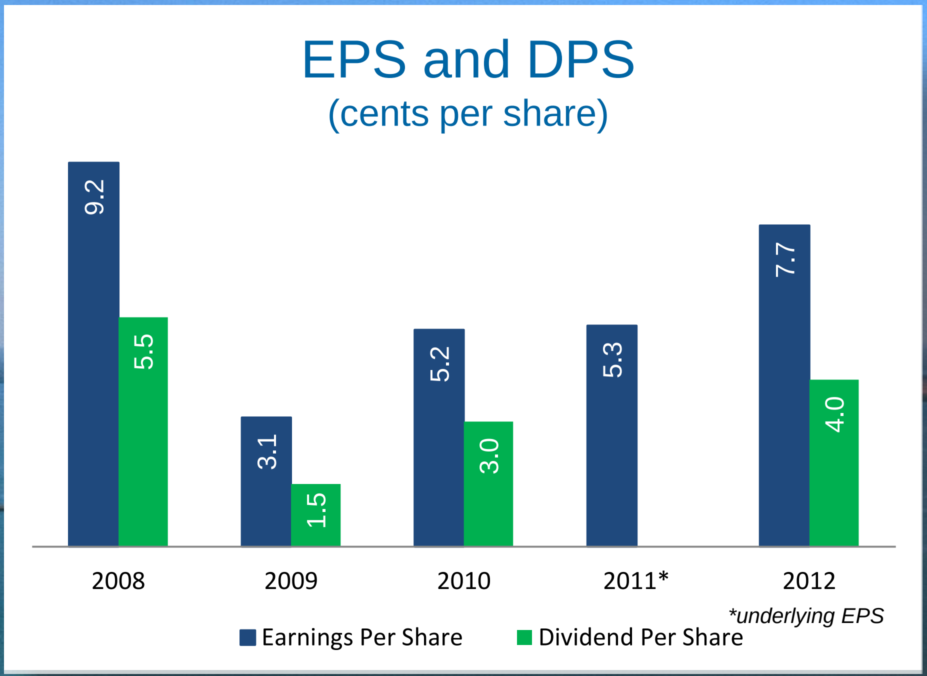
# Mongolian Funding Update

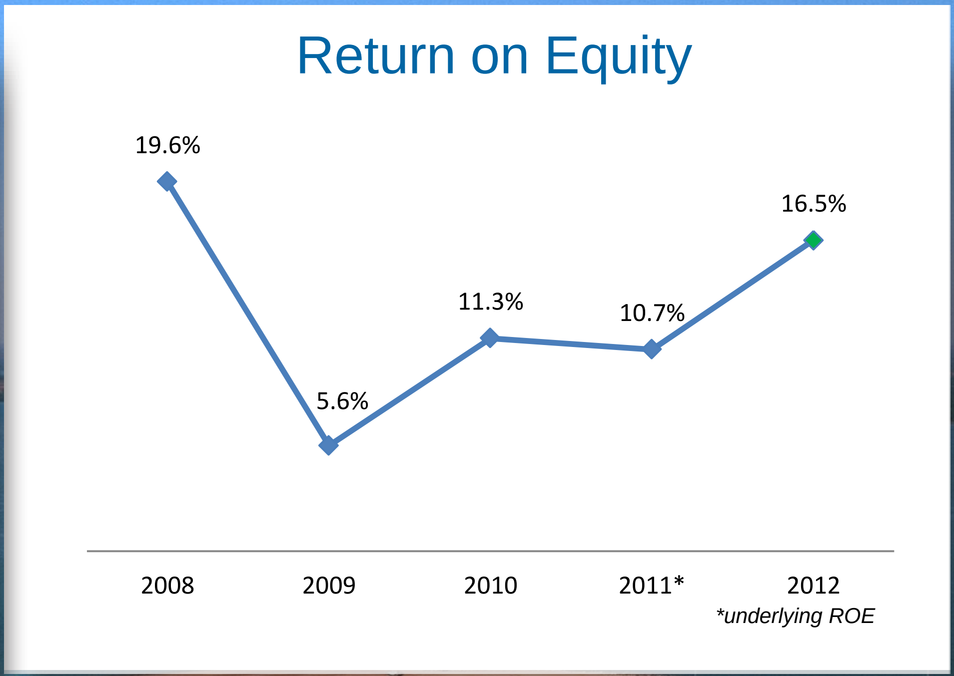
### Macmahon Investment and Funding update

- Macmahon investment - $40 million to date – including $24 million in yellow goods
- Equipment risk protected with PRI and ‘put option’ back to client
- Establishment of stand-alone, <u>non-recourse</u> funding facility is progressing - including JV sell-down to attain off-balance sheet position
- Macmahon funding depends on client approval and client ‘pre-IPO’ funding – which remains ‘in flux’ – pending post-election government appointments
- Downside risk being managed closely

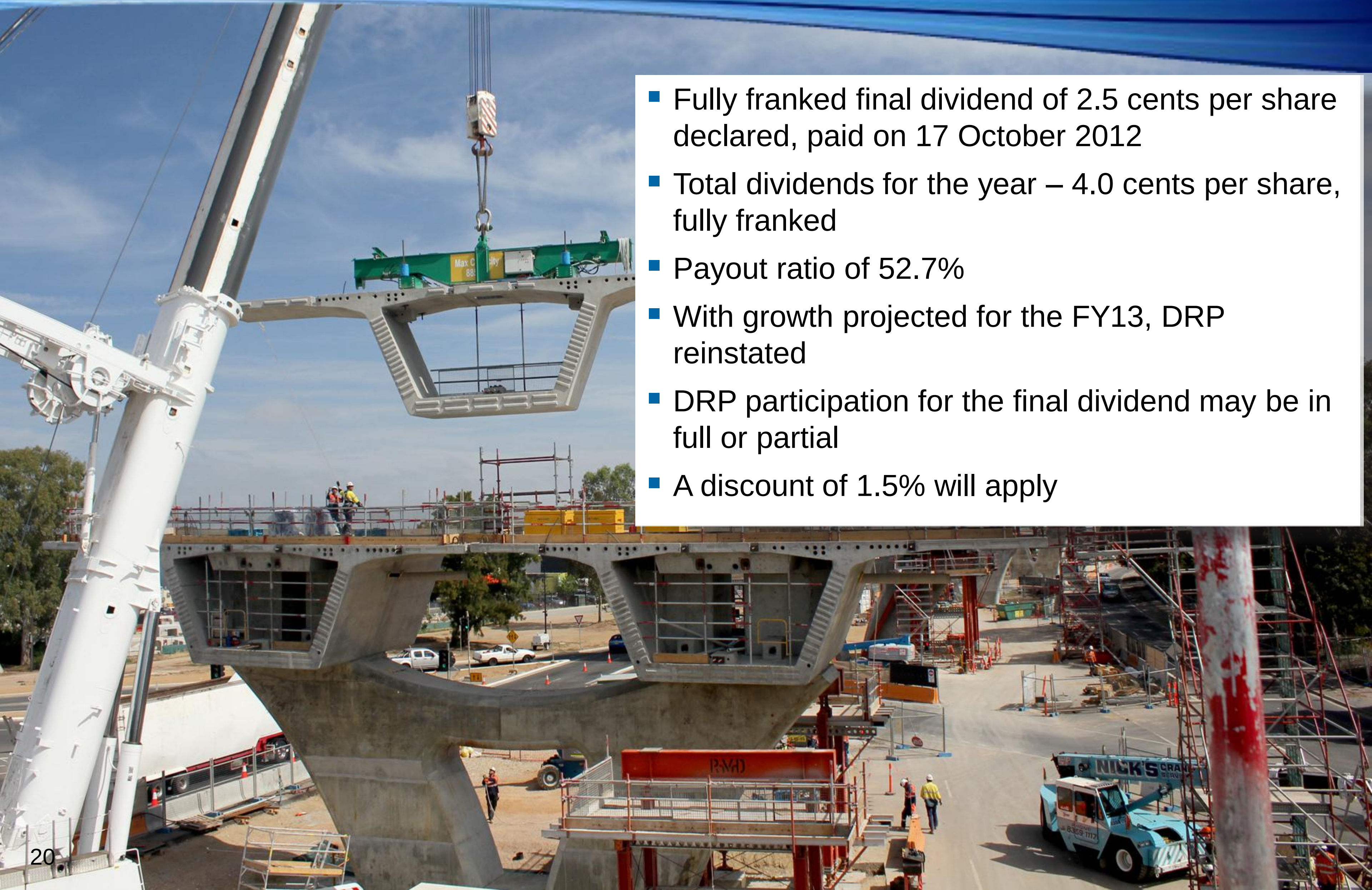


# Improved Shareholder Returns



# Dividend Reinvestment Plan



- Fully franked final dividend of 2.5 cents per share declared, paid on 17 October 2012
- Total dividends for the year – 4.0 cents per share, fully franked
- Payout ratio of 52.7%
- With growth projected for the FY13, DRP reinstated
- DRP participation for the final dividend may be in full or partial
- A discount of 1.5% will apply

# Strategy & Outlook

## Nick Bowen

Chief Executive Officer

# Market Outlook

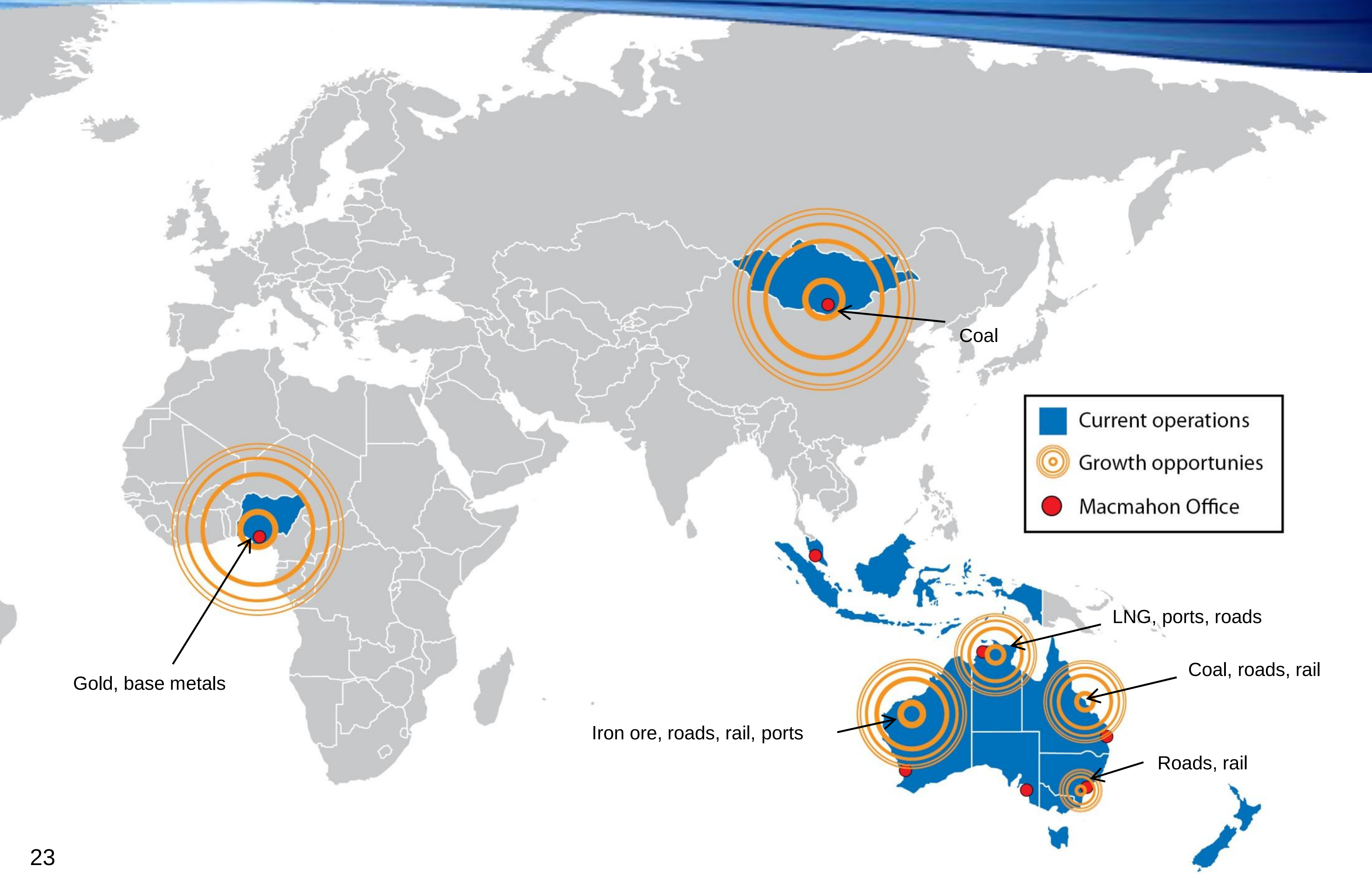
### Current market conditions

- Some future uncertainty with growth slowing in China, Euro debt crisis and lower commodity price outlook
- Timing and level of domestic expansion projects has slowed

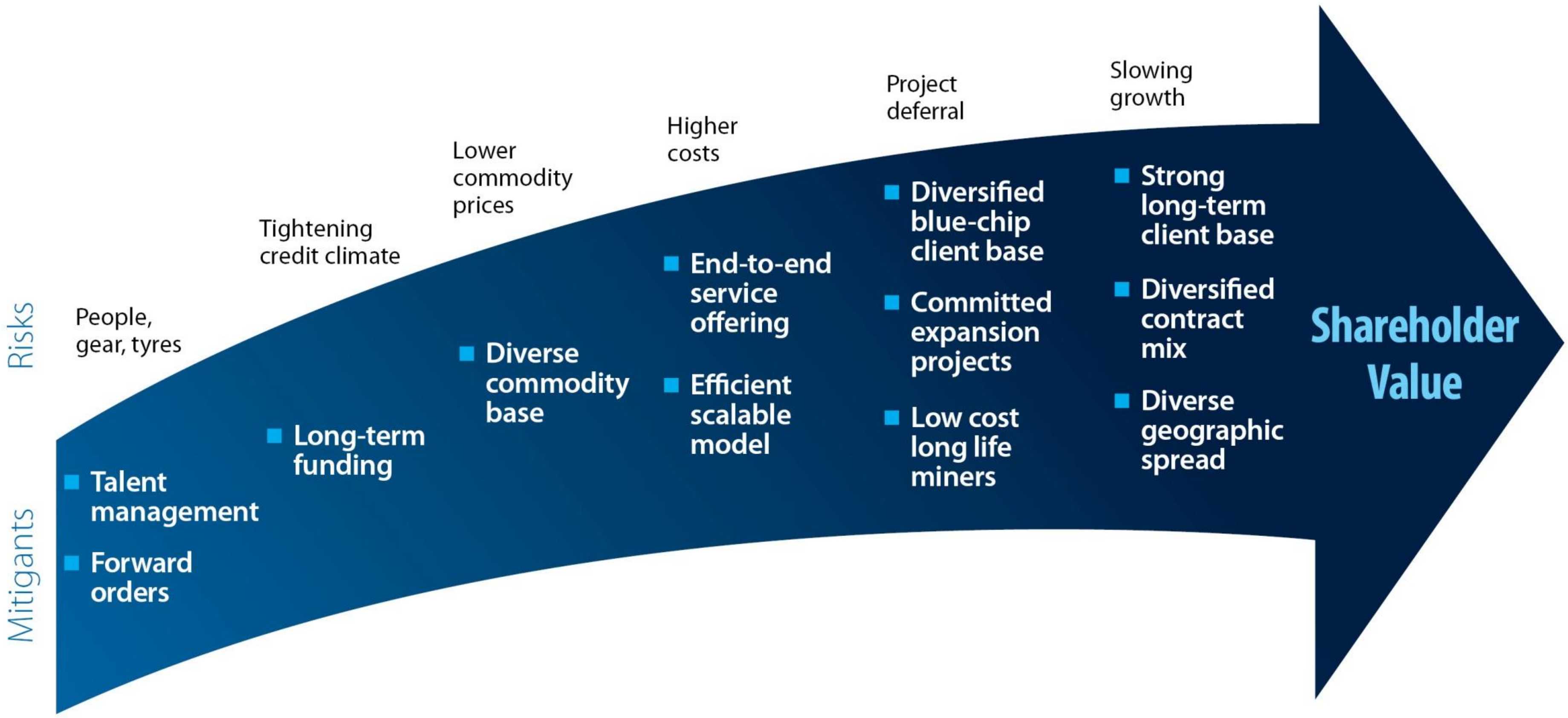
### Outlook for Macmahon

- Mining tendering pipeline remains robust due to blue-chip client base comprising of low cost producers with committed brownfields expansion projects
- Construction project pipeline remains reasonable in near term
- International opportunities enhance long term growth prospects and profitability

# Market Opportunities



# Robust Business Model

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# Business Strategy

## Mining

- Pursue long-term contracts with key customers
- Newly established Engineering Business providing EPC delivery of materials handling infrastructure to both underground and surface market
- Deliver expansion projects
- Leverage end-to-end service offering to keep client mining costs low
- Operational improvements – increased production, improved asset utilisation
- Offshore expansion to improve margins/returns

## Construction

- Pursue ongoing resource infrastructure spend in the NT and WA
- Capture share of government infrastructure spend, particularly in East Coast market
- Project and risk management focus to achieve target margins

# Strategic Targets

| Commitment | Strategic Target | 2012 Delivery | 2013 Outlook |
|---|---|---|---|
| EPS Growth | 20% year on year | 45%* | 20% |
| Margins | 4% | 3% | Improve on 2012 |
| ROE | 20% | 16.5% | Improve on 2012 |
| Dividends | 50% payout ratio | 52.7% | 50% |
| Gearing | Under 35% | 23.1%<br>7.1% if adjusted for late receipts | Under 35% |
| Order Book | 2x revenue | 1.7x revenue ($3.1 billion) | 2x revenue |

* Based on 2011 underlying figures

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# 2013 Outlook


- Strong forward order book of $3.1 billion
- $1.4 billion of revenue secured for FY13, including expected contract extensions, increases to $1.7 billion
- Opportunities for growth remain robust –
  - Mining contract extensions expected with long-term clients, client expansion plans confirmed
  - Construction well placed to capture our share of committed projects
  - International expansion opportunities remain strong
- Geographic and commodity diversity position us well to combat any future economic slow-down
- Project management and cost improvements remain our focus to improve margins
- Target is to deliver 20% profit growth – additional work wins the key

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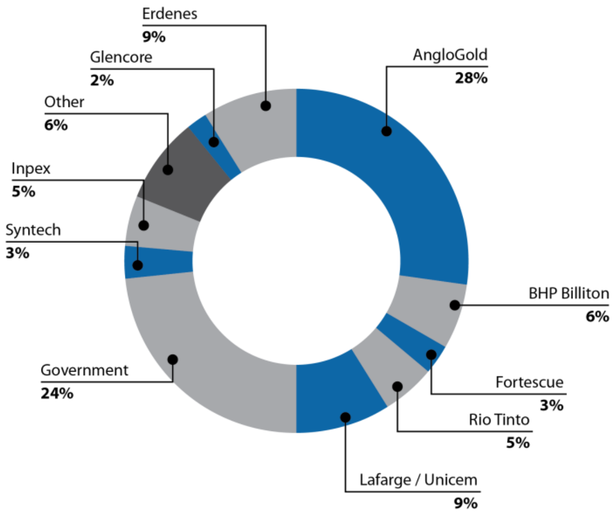
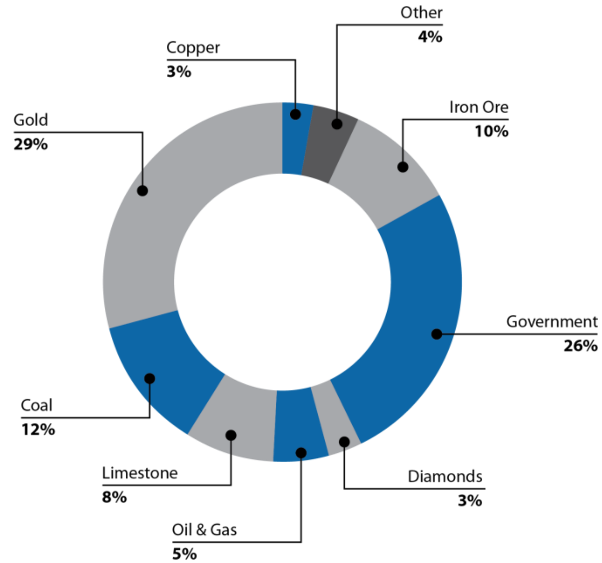
# Order Book Diversity

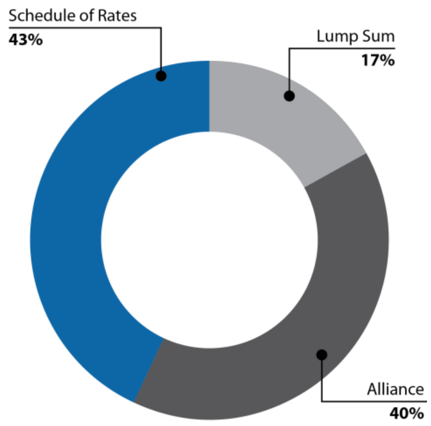
### Diversified client base




### Diversified commodity exposure




### Diversified contract styles




## Diversified order book reflects a robust business model

# IFRS Reconciliation

| In millions of AUD, unless otherwise stated | FY 12 | FY 11 |
|---|---|---|
| *Reported revenue is adjusted to include net revenues from joint ventures:* | | |
| **Reported Revenue** | **1,661.5** | **1,089.4** |
| Revenue from joint ventures (net of cost recoveries) | 209.3 | 165.0 |
| **Total Revenue** | **1,870.7** | **1,254.4** |
| *Reported NPAT, EPS and ROE is adjusted for the following significant items (net of tax and non-controlling interests):* | | |
| **Reported net profit / (loss) after tax attributable to members** | **56.1** | **1.0** |
| - Writedown of RGP5 Rail North contract | - | 31.5 |
| - Extreme weather events | - | 6.3 |
| **Impact of significant items, after tax and non-controlling interests** | **-** | **37.8** |
| **Underlying net profit after tax attributable to members** | **56.1** | **38.8** |
| **Reported basic earnings / (loss) per share (cents)** | **7.7** | **0.1** |
| **Underlying basic earnings / (loss) per share (cents)** | **7.7** | **5.3** |
| **Reported return on equity (%)** | **16.5** | **0.3** |
| **Underlying return on equity (%)** | **16.5** | **10.7** |

Note: Numbers in the table may not add due to rounding

The reconciliation above is provided to comply with ASIC Regulatory Guide 230

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This presentation contains forward looking statements that are subject to risk factors associated with the mining and construction businesses.  While Macmahon considers the assumptions on which these statements are based to be reasonable, whether circumstances actually occur in accordance with these statements may be affected by a variety of factors. These include, but are not limited to, levels of actual demand, currency fluctuations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.  These could cause actual trends or results to differ from the forward looking statements in this presentation.

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