

28th August 2013

ASX announcement



Mastermyne Group Limited – FY2013 Results Announcement

Key points:

- Revenue of \$248.8 million down 8.5% on record result in FY2012
- NPAT of \$11.5 million which is at upper end of guidance given in May
- Continuing trend of improvement in safety outcomes. FY2013 Group TRIFR 3.28 (FY2012 4.67)
- Secured \$65m of revenue through six new contracts late in the second half. Three contracts are new sites and three replacing existing contractors where MYE was already working
- Secured two new long term contracts and renewed two others in Engineering and MyneSight divisions
- Strong contributions from Engineering and Services Divisions
- Total Order Book \$236 million at 30 June 2013
- Workforce numbers reduced to 754 FTE with majority of change from scheduled project completions
- Tendering Pipeline currently at \$962 million with \$378 million in active tenders

Leading underground coal contractor Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) today released an NPAT result of \$11.5 million for the full year FY2013, down 27.0% over the prior corresponding period. Revenue was also down by 8.5% from prior corresponding period to \$248.8 million, the result of the slowdown impacting the Mining Services sector in Australia.

Mastermyne’s Managing Director, Tony Caruso said, “Delivering this result in a challenging market was a strong reflection of how well the Company is positioned in the underground coal sector. Our leverage to production versus construction and maintenance has seen the Company deliver a result that has only been surpassed by the record high result of FY2012”

He went on to say that “FY2014 will continue to provide a challenging backdrop for mining services companies however Mastermyne is well positioned with a strong order book totalling \$236 million, (of which \$112 million will be delivered in FY2014), traditional uncontracted recurring work of \$30 million per year and approximately \$20 million of contract renewals contributing to FY2014”. The Company has recently secured six new contracts and the tendering pipeline remains above \$900 million with \$378 million in active tenders. Redeploying some of the fleet that was engaged on the Newstan Contract is underway with two continuous miners on hire with the third unit undergoing an overhaul in preparation for hire opportunities.

Operations Overview

FY2013 results have again reinforced the strong link the Mastermyne Group has to coal production (versus construction and maintenance). As coal producers manage cost and productivity issues, coal production volumes remain at historically high levels driving the services provided by Mastermyne. In a year where mining services companies have seen significant revenue decline, Mastermyne has maintained strong revenue in FY2013, only surpassed by the record revenue achieved in FY2012.

During FY2013 the Company has maintained the contracts that made up the order book at the half year despite the cost reduction actions taken by coal producers. We have experienced some minor contraction on existing contracts but conversely the order book has benefited from the addition of the Appin Area 9 and Kestrel Mine Services contracts which were mobilised during the second half of the year. Pleasingly this year we have seen strong contributions from the Engineering and Services Divisions which have supported the FY2013 result.

More recently the Company has secured \$65 million in new contracts with approx. \$30 million deliverable in FY2014. These new contracts wins late in the financial year provide a strong platform to build FY2014 revenue and importantly replace revenue from the scheduled runoff of the Kestrel Mine Extension Project which has now been transitioned from Rio Projects to Operations.

At the commencement of FY2014 the total order book was \$236.4 million of which approximately \$113 million is deliverable in FY2014. The order book excludes \$30 million of recurring revenue and any FY2014 revenue contribution from existing contracts subject to renewal of approximately \$20 million.

Tendering activity continues to be very strong and the tender pipeline remains above \$900 million with \$378 million in active tenders which if successful will contribute revenue in the second half of FY2014.

During the year the Company took steps to right size its overhead structure and adjust costs to reflect the immediate market conditions. We are pleased to report that we retain the capacity and capability to grow and take advantage of any opportunities that are presented to the business. Importantly we continue to have flexibility in our workforce practices which provide us with the ability to adjust our staffing numbers in line with our Order Book requirements.

Margins in FY2013 were consistent with the guidance provided in May and impacted by lower asset utilisation and reduced demand for hire equipment as a result of the slowdown in the coal sector. We have seen some improvement in equipment demand with two continuous miners now on hire along with some miscellaneous smaller pieces of plant. The Company expects FY2014 margins to be consistent with the second half of FY2013 with some potential improvement in the second half of FY2014 as equipment utilisation recovers.

The FY2013 safety highlight was a continuing decrease in our Total Recordable Injury Frequency Rate (TRIFR). In FY2013 we saw the rate reduce to 3.28 from 4.7 in the prior year. These results are well below industry standards. During FY2013 the Company was audited by SAI Global and achieved certification to AS3810 and ISO14001. Achieving this accreditation is a strong endorsement of the maturity of the Health, Safety and Environmental systems utilised by and embedded in the way we work. This year we have again continued to focus on leading safety management headlined by the Company's "Safety Index" which defines and measures a range of proactive activities for each site. We continue to see the direct correlation in increased compliance against the safety index and a fall in the TRIFR.

Outlook

The company has started the FY2014 financial year securing six new contracts late in FY13, adding to the two contracts previously secured during FY2013. These contracts are a mix of new customers and existing sites where we have displaced the incumbent contractor. Tendering has been at record high levels and this has provided the Company with the opportunity to increase market share which we have successfully done. These new contract wins strategically position us to expand by providing additional services or increasing scope at these sites.

Historically the Company has always seen an increase in the use of contractors as the sector recovers from a downturn in the commodity cycle. We expect to see contracting opportunities, particularly roadway development projects, increase during this financial year and the Company is well positioned to capitalise on these opportunities. Margins are forecast to remain consistent with the second half of FY2013 with some possible upside if equipment utilisation increases. Whilst the market remains challenging Mastermyne remains confident of the outlook for FY2014 due to the level of the current order book, our non-contracted recurring revenue and our track record in contract renewals. This positive outlook is further supported by the tendering pipeline and active tenders and importantly continued high volumes of coal production.

Mr Caruso concluded by saying, "The Company continues to be profitable with a strong balance sheet, good visibility on earnings and well supported by a robust tendering pipeline".

Further information:

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Or visit www.mastermyne.com.au

About Mastermyne

Mastermyne Group Limited (ASX:MYE) was established in 1996 and is a leading provider of specialised services to the Australian coal mining industry. Mastermyne listed on the ASX on 7 May 2010.

It has three operating divisions, Mastermyne Underground (underground roadway development, installation of conveyors and longwall relocation), Mastermyne Engineering (design and engineering of specialised mining equipment and consumables) and Mastermyne Services (electrical, mechanical and maintenance services).

Based in Mackay Queensland, Mastermyne has operations in Queensland's Bowen Basin and the Illawarra and Hunter Valley regions in New South Wales.