

ASX ANNOUNCEMENT

24 August 2018

Macmahon reports significant turnaround and forecasts further strong growth

- **FY18 revenue of \$710.3m, up 98% on FY17**
- **FY18 EBIT¹ of \$41.2m (in-line with guidance), vs EBIT loss in FY17**
- **FY18 EBITDA² of \$118.9m, up 274% on FY17**
- **FY18 operating cash flow of \$101.9m, up 236% on FY17**
- **Net cash position at year-end of \$3.4 million**
- **Transformational transaction with PT AMNT (completed in August 2017)**
- **~\$1.1 billion of new work and contract extensions**
- **Record order book ~\$5.4 billion**
- **Strong tender pipeline of more than \$7 billion**
- **FY19 revenue expected to be in the range of \$950 million – \$1,050 million³**
- **FY19 EBIT expected to be in the range of \$70 - \$80 million³**

Macmahon Holdings Limited (ASX: MAH) today reported a significant turnaround for the year ended 30 June 2018 (FY18), with further strong growth forecast for the current year.

Revenue for the group increased by 98% to \$710.3 million, driven by the award and commencement of three new surface projects and two underground projects during the year.

EBITDA increased by 274% to \$118.9 million, representing an EBITDA margin of 16.7%.

EBIT increased to \$41.2 million, which was in-line with guidance and a significant improvement on the EBIT loss in the previous year. The primary drivers of this increase were the commencement and ramp up of new projects, and the previously flagged turnaround in performance at the Telfer project. Over the full year, Macmahon's EBIT margin was 5.8%.

Net operating cash flow increased by 236% to \$101.9 million, representing a strong conversion rate to EBITDA of 85.7%.

The balance sheet remains robust, with net cash at 30 June 2018 of \$3.4m. Total net assets of the company increased to \$409.8 million, putting the group in a strong position to deliver its existing order book and fund future growth prospects.

1. EBIT is earnings before interest and tax from continuing operations

2. EBITDA is earnings before interest, tax, depreciation and amortisation from continuing operations

3. Guidance is not a guarantee of future performance and is subject to known and unknown risks. This guidance assumes an exchange rate of AUD:USD 0.76, and excludes the potential impact of one-offs including unquantified contingent liabilities such as the shareholder class action noted in Macmahon's Annual Report.

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Macmahon CEO, Mr Michael Finnegan said:

“We have achieved very pleasing results for FY18 and are well positioned for FY19 with our order book now at a record \$5.4 billion.

Over the past 12 months, we secured significant new work and extensions in Australia, including open cut mining work at the Byerwen Coal Mine in Queensland and the Mount Morgans Gold Mine in Western Australia, while phase 1 of the Tropicana Long Island expansion was confirmed.

We also commenced an underground development project at the Endeavour lead-zinc mine in New South Wales, and an exploration decline at the Tujuh Bukit copper-gold deposit in Indonesia.

We estimate the value of this new work is in excess of \$1.1 billion, so it is a substantial addition to our transformational contract at AMNT’s Batu Hijau mine in Indonesia, which commenced successfully during the year.

We now have a very solid base load of work underpinning the business, a robust balance sheet, and a very capable management team to support further growth in FY19.”

Outlook

For FY19, Macmahon expects to generate revenue of between \$950 million - \$1,050 million, and EBIT of \$70 million – \$80 million³. This represents revenue and earnings growth of at least 34% and 70% respectively.

To support this growth, Macmahon will continue to pursue improvements in its safety performance and people resources, and to develop strong and collaborative relationships with its clients. The company will also continue to invest in innovation and technology, and will assess earnings accretive acquisition opportunities to grow and expand its services.

Mr Finnegan said:

“Our guidance is based on \$1 billion of contracted work for FY19 and our monthly revenue is now consistent with this run-rate. This gives us a solid platform for further increases in earnings.

We are also optimistic about the prospect of further growth in our order book, and have an extensive pipeline of tender opportunities estimated at over \$7 billion. Encouragingly, over \$5 billion of this potential additional work sits within our existing client base. As a result, our focus remains on executing well, doing so safely, and building on the strong relationships we have with those clients.

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However, we will also make further, disciplined investments in improving our performance and increasing the value we can add to our clients, including through expanding our service offering and enhancing our technical capabilities.

I would like to thank our shareholders, clients, suppliers and just as importantly, the Macmahon team, for their support during the year. I look forward to their continued support in 2019 as the opportunities now ahead of us make it a very exciting time to be part of Macmahon. ”

***** ENDS *****

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About Macmahon

Macmahon is an ASX listed company offering the complete package of mining services to miners throughout Australia and Southeast Asia.

Macmahon’s extensive experience in both surface and underground mining has established the Company as the contractor of choice for resources projects across a range of locations and commodity sectors.

Macmahon is focused on developing strong relationships with its clients whereby both parties work in an open, flexible and transparent way to ensure mutually beneficial outcomes whilst also minimising risks for both parties.

Visit www.macmahon.com.au for more information.

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