

# Interim Financial Report

For the year ended  
31 December 2018



INFRASTRUCTURE | RENEWABLES | RESOURCES





# Decmil Overview

Established multi-disciplinary engineering contractor listed on the ASX



## Over 40 years

Established in 1978 to provide engineering construction services to the Infrastructure, Resources and Renewable sectors

## 3 core Industry Sectors

Specialist in engineering, construction and maintenance for the Infrastructure, Resources and Renewable sectors

## National Footprint

Our depth of capability and our reach allows us to provide complex and diversified engineering construction projects across Australia and New Zealand

## ASX Listed

Listing on the Australia Stock Exchange in 2005 provided impetus for a period of considerable growth and development

## People

The Group currently employs 476 staff and manages 1,397 sub-contractors

## Vision

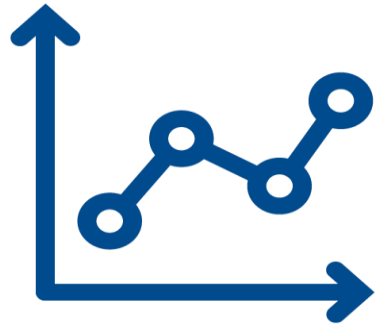
To be the market leader in project delivery, achieving sustainable growth through the quality of our people and the strength of our relationships



INFRASTRUCTURE  
RENEWABLES  
RESOURCES

# HY19 Group Highlights

## FINANCIAL



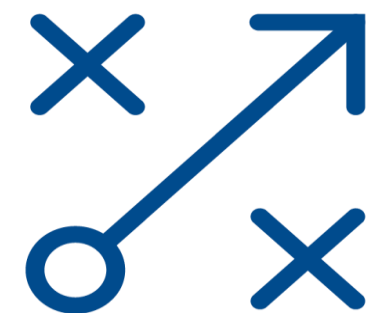
- Construction & Engineering (C&E) revenue up 97% to \$273.4 million
- C&E EBITDA of \$10.6 million and Group EBITDA of \$9.3 million
- Operating cash flow of \$33.1 million before interest and tax
- Admin costs stable at \$15.5 million (H1FY18: \$15.7 million) despite revenue growth
- \$95.5 million net cash position at 31 December 2018
- 1 cent interim dividend

## OPERATIONS



- The award to Victorian business unit of over \$180 million of new transport infrastructure work in the last 18 months
- Growth in New Zealand including a NZ\$185 million Corrections project
- Extension of project for BHP at South Flank to \$153 million
- Successful completion of Fortescue Tug Pens and Rio Tinto Amrun projects
- \$150 million three-year framework agreement with QGC for operational works across the Surat Basin
- Award of a \$277 million Sunraysia solar PV project

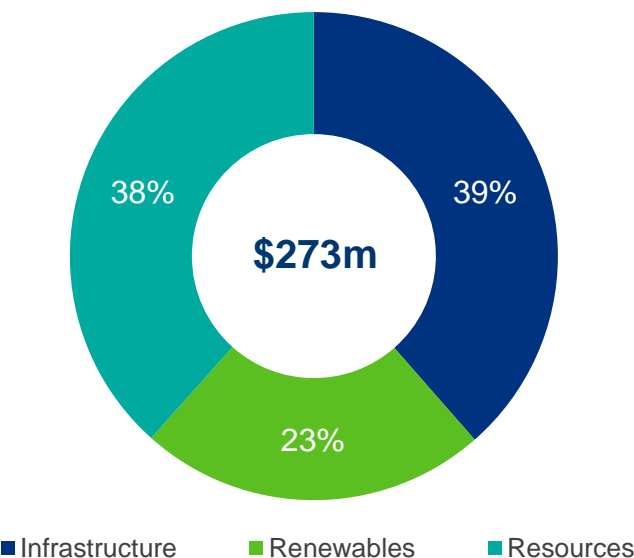
## OUTLOOK



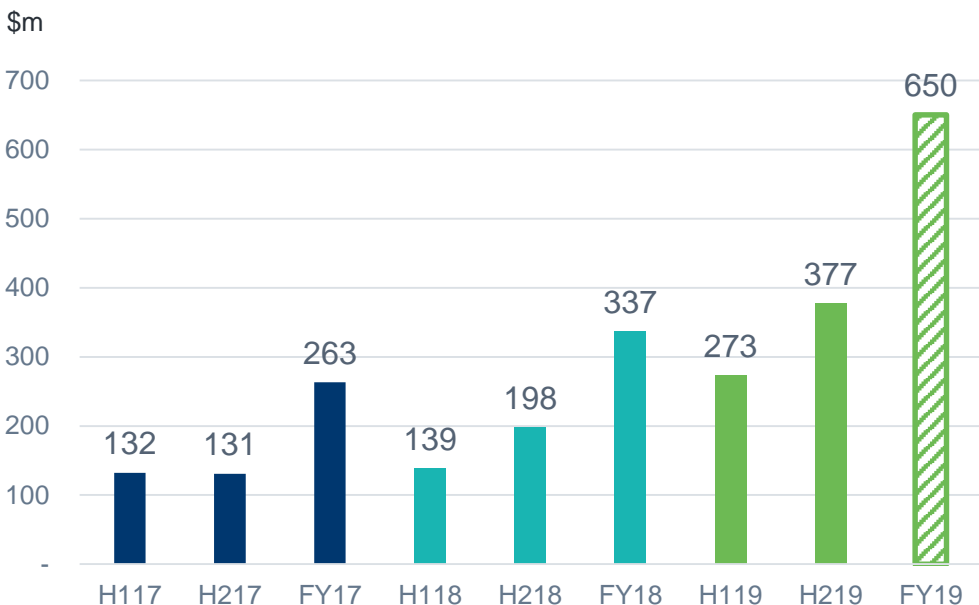
- Step up in activity and revenue in H2FY19 expected to continue in FY20
- Committed FY19 full year revenue ~\$650 million
- FY20 WIH of over \$400 million (contracted and preferred)
- Diverse capability, sector exposure and tier 1 client base providing better revenue visibility and greater quality of earnings than in previous years

# HY19 Financial Highlights

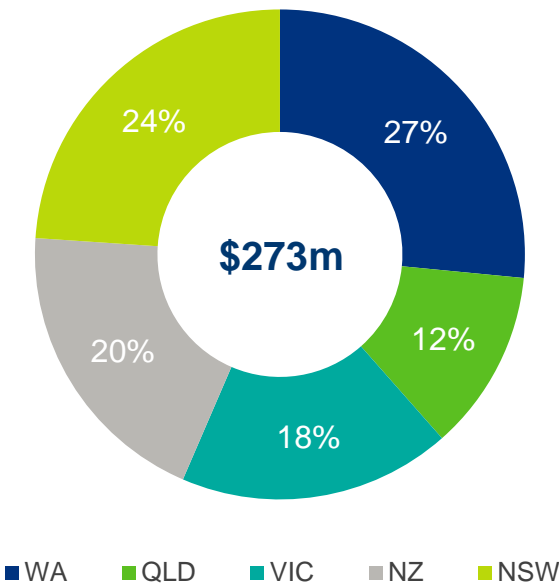
HY19 revenue by sector



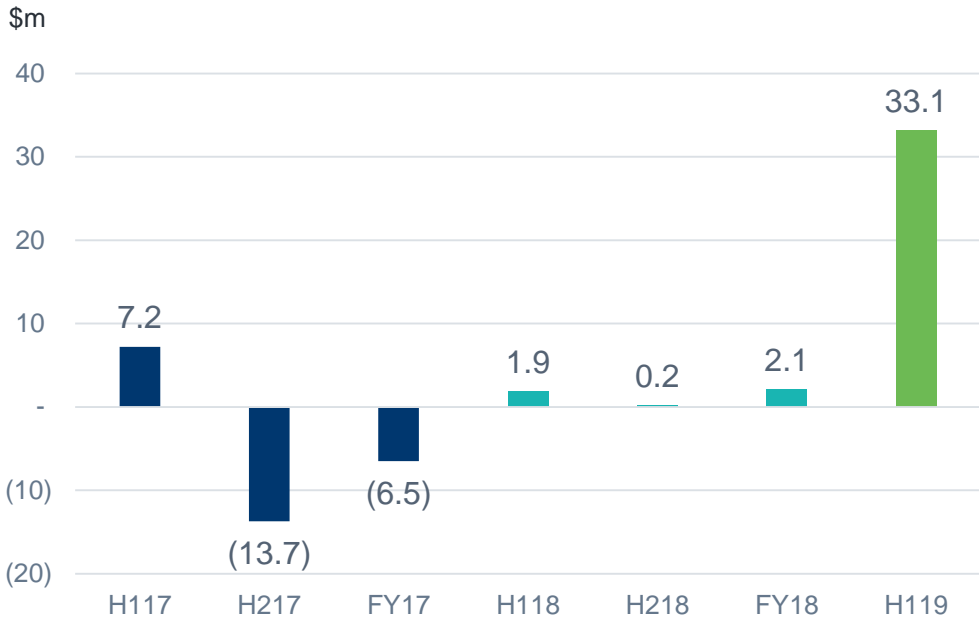
FY17-FY19 C&E half-on-half



HY19 revenue by geography



Operating cash flow (pre tax and finance costs)



# **HY19 Financial Highlights**

## **C&E revenue growth of 97% on prior comparative period (pcp)**

- C&E revenue from continuing operations up 97% on pcp to \$273.4 million
- H1FY19 gross margin percentage of 9.5%
- H1FY19 administration expenses of \$15.5 million (H1FY18: \$15.7 million)
- C&E EBITDA from continuing operations of \$10.6 million (H1FY18: \$1.6 million)
- Group EBITDA of \$9.3 million
- Pre-tax operating cash flow of \$33.1 million
- >100% EBITDA to cash conversion
- Net cash of \$95.5 million – no core debt
- 1 cent interim dividend
- Positive market conditions in core sectors – bigger projects being bid and won
- Public infrastructure projects increasingly a major focus for Decmil
- Highest possible rating (F150+) under national main roads financial prequalification – allows bigger projects to be bid and won

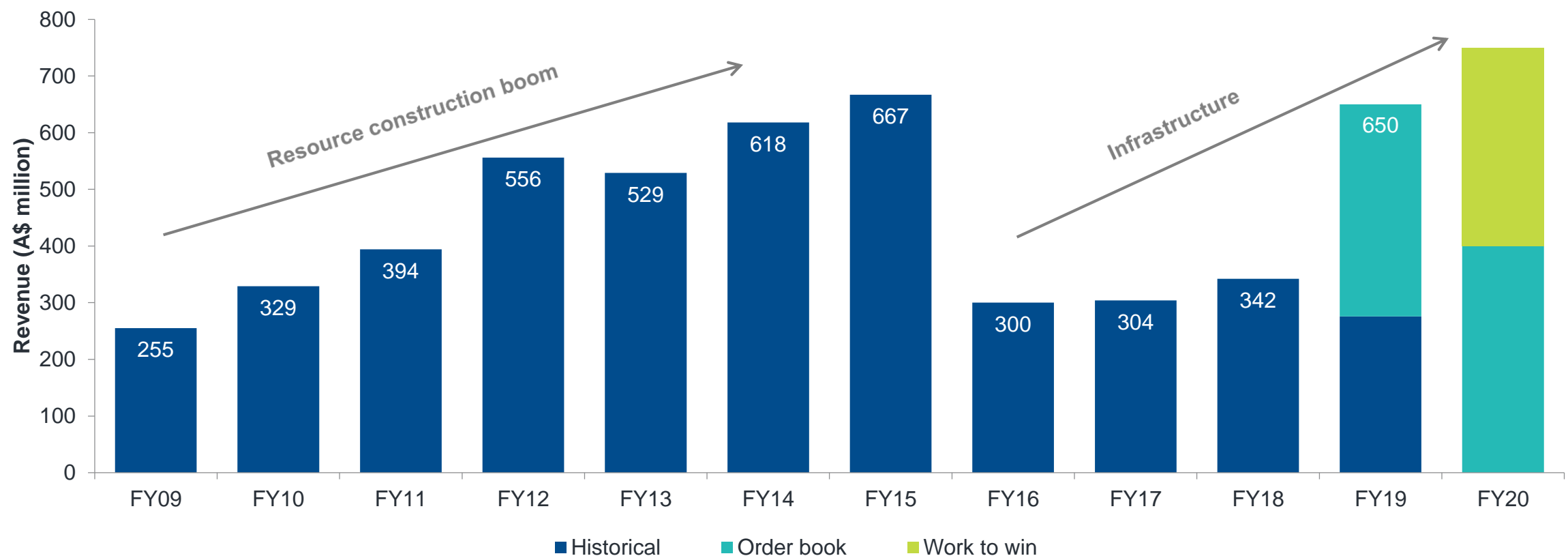


# Our Business Plan

## Consistent focus on core sectors

- Growth from FY10 to FY15 driven by the WA Iron Ore and LNG construction boom
- Business stabilisation post boom and diversification achieved in FY16 & FY17
- Growth drivers for FY20 and FY21 include Infrastructure (Transport, Defence, Corrections, Education), Resources (WA Iron Ore & LNG/CSG) and Renewables (Solar & Wind)

### Decmil 3Yr Business Plan set in FY17





# Transport Infrastructure

Over \$180 million of new transport infrastructure work in the last 18 months

Drysdale Bypass



Plenty Road



Warncoort





# NZ Corrections RDP Project

Project has a combined value of NZ\$185+ million

- Initial ~NZ\$60 million contract awarded in December 2017 for the design, procurement and on-site installation of rapidly deployable modular prison cells at two existing prison sites in New Zealand.
- A ~NZ\$125 million contract extension awarded in June 2018 for the installation of additional modular prison cells at three further sites in New Zealand.
- Projects will deliver additional ~1,000 capacity for New Zealand Department of Corrections.
- Site preparation, inground services and foundations completed at most sites
- Phase one modules delivered and installed on site – client inspection commenced
- Phase 2 fabrication underway





# Sunraysia Solar Farm

The project is to Engineer, Procure and Construct a 255MWp solar PV in NSW

- In October 2018 received Notice to Proceed for Sunraysia project with a value \$277 million
- The project will be one of the largest solar farms in Australia
- Power Purchase Agreements with AGL and University of New South Wales
- Site infrastructure complete and piling progressing to planned productivity levels
- Access roads complete and handed over to RMS
- Commissioning planning commenced





# Coal Seam Gas

**Contract estimated at approximately \$150 million over initial term**

- Awarded a three-year Framework Agreement with the Shell operated venture QGC Pty Limited for works within the Surat Basin
- Extends seven year relationship with QGC to beyond 2022 providing services that include the installation of wellheads and various brownfield maintenance activities
- Scope commenced this month which includes the provision of construction activities, logistics and maintenance services across a number of QGC's upstream projects
- Contract includes option to extend for up to two years beyond the initial three-year term





# Iron Ore

## General activity level in Pilbara Iron Ore rising

- BHP contract for Mulla Mulla (South Flank) extended to \$153 million total and into 2019
- Fortescue Tug Pens project and Amrun project for Rio Tinto complete
- Activity level in Pilbara Iron Ore rising
- New work being bid for Fortescue (Eliwana) and Rio Tinto (various)





# Forward Work Pipeline

## Tender pipeline provides good revenue visibility to FY20 and FY21

- Diverse sector exposure and tier 1 client base providing longer forward revenue visibility
- Strong market conditions across core sectors
- Major project opportunities in the Transport sector across Australia and New Zealand
- New medium term opportunities arising in WA with new upcoming onshore LNG projects

### Key Project Opportunities

Project	Region	Client	Award Timing	Sector	Scope
South Gippsland Highway Upgrade	VIC	MRPA	H2FY19	Infrastructure	D&C Road Upgrade
Plenty Road Stage 2	VIC	MRPA	H2FY19	Infrastructure	D&C Road Upgrade
Mordialloc Bypass	VIC	MRPA	FY20	Infrastructure	D&C Road Upgrade
Avon Bridge	VIC	Rail Projects Victoria	H2FY19	Infrastructure	D&C Rail Bridge Alignment
Suburban Road Upgrades for the North and South East Melbourne	VIC	Vic Roads	FY20	Infrastructure	D&C Road Upgrade
Primary School Build Bundles	NZ	Ministry of Education	H2FY19	Infrastructure	Social Infrastructure
Koodaideri NPI	WA	Rio Tinto	FY20	Resources	D&C Non Process Infrastructure
Eliwana NPI	WA	Fortescue	FY20	Resources	D&C Non Process Infrastructure
Warradarge Wind Farm	WA	Turbine OEM – Vestas	H2FY19	Renewables	Wind Farm Balance of Plant
Yandin Wind Farm	WA	Turbine OEM – Vestas	H2FY19	Renewables	Wind Farm Balance of Plant
Warrego Highway	QLD	TMR	H2FY19	Infrastructure	D&C Road Upgrade



# Strategy & Outlook

## Committed FY19 revenue of ~\$650 million

- Committed FY19 revenue ~\$650 million
- Current work in hand (contracted and preferred) for FY20 over \$400 million – strong project pipeline supports further revenue growth in FY20
- Growth drivers for FY20 and FY21 include Infrastructure (Transport, Defence, Corrections, Education), Resources (WA Iron Ore & LNG/CSG) and Renewables (Solar & Wind)
- Significant public sector infrastructure spend by State and Federal Government:
  - Major project opportunities in the Transport sector across Australia and New Zealand
- Fortescue's Eliwana and Rio Tinto's Koodaideri projects coming to the contractor market in 2019
- New upcoming projects emerging in the WA onshore LNG sector will provide opportunities from FY21
- Selectively targeting and bidding appropriate renewable energy projects
- Diverse capability, sector exposure and tier 1 client base providing longer forward revenue visibility and greater quality of earnings than in prior years
- Executive leadership team strengthened with a number of new senior appointments

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**Thank you.**

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