ASX ANNOUNCEMENT

23 August 2022

Macmahon delivers solid underlying financial results in FY22

- **Continued growth in revenue and underlying operating earnings in FY22:**
    - **Revenue of $1.698bn, up 25.7% (FY21: $1.351bn)**
    - **Underlying EBITDA[1] of $291.4m, up 16.6% (FY21: $249.9m)**
    - **Underlying EBIT(A)[2] of $100.8m, up 4.7% (FY21: $96.3m)**
    - **Underlying NPAT(A)[9] of $63.0m, up 5% (FY21: $59.9m).**
    - **Statutory Net Profit After Tax of $27.4m, down 63.7% after GBF earn out and other one-off costs (FY21: $75.4m)**
    - **Underlying operating cash flow[3] steady at $269.8m (FY21: $269.0m)**
- **Robust liquidity and balance sheet capacity with improvement on H1 FY22:**
    - **Net debt of $215.5m**
    - **Gearing[4] at 27.8% and Net Debt/EBITDA of 0.74x**
    - **Available liquidity at 30 June of $256m (including cash on hand of $198m)**
    - **Refinance of $170m bank facility into enhanced $200m facility in July with term extended to September 2026**
    - **Post refinance liquidity increased to $297m**
- **Order book $5.0bn[5] (FY21: $5.0bn) with tender pipeline of $8.4bn**
- **Final dividend of 0.35cps (unfranked) bringing FY22 total dividend to 0.65cps (FY21: 0.65cps)**
- **FY23 guidance[6]:**
    - **Revenue of $1.6bn – $1.7bn[10] and underlying EBIT(A)[2] of $105m – $125m**
    - **$1.45bn[7] of FY23 revenue secured.**

Macmahon Holdings Limited (ASX:MAH) (‘**Macmahon’** or ‘the **Company’**) has continued to grow underlying operating earnings for the financial year ended 30 June 2022 (FY22). The result was achieved during a period of significant operational challenges across the broader mining industry, and builds upon the Company’s track record of disciplined execution of its strategy.

Commenting on the full year result and the outlook for the Company, Macmahon’s Chief Executive Officer and Managing Director, Michael Finnegan said:

“A focused strategy to grow, diversify and broaden the business has enabled Macmahon to achieve record underlying operating earnings in FY22, during a year that has been operationally challenging for the mining industry at large.

MACMAHON

ASX ANNOUNCEMENT

23 August 2022

"We are particularly pleased the Company has delivered revenue and earnings in the upper half of our guidance range in an environment of rising costs and supply chain disruptions.

"With a number of new contract start-ups across the business we have grown our workforce by 11% to 7,848 employees notwithstanding the significant labour pressures in Australia, and are well positioned to successfully deliver on our projects into FY23.

"Macmahon has entered the new financial year with a solid balance sheet, an orderbook of $5 billion[5] of work in hand, and a strong tender pipeline over the next few years. We remain focused on delivering to our clients a safe and reliable service, advancing our technology platform, and the continued expansion of our service offering across the mining value chain."

Revenue increased by 26% to $1.698 billion (FY21: $1.351 billion), within the full year guidance range of $1.6 billion to $1.7 billion. This was primarily driven by the contribution from new project start-ups, inflation and increased contract activity extending from the first half into the second half of the year.

Macmahon's 26% organic revenue growth contributed to underlying EBITDA increasing by 17% to $291.4 million and underlying EBIT(A) increasing by 5% to $100.8 million. Underlying EBITDA[1] margin was 17.2% (FY21: 18.5%) and underlying EBIT(A)[2] margin was 5.9% (FY21: 7.1%). FY22 margins were impacted by the commencement and ramp up of several new projects, tight labour market, supply chain disruption plus cost inflation, which have been mitigated by cost escalation recoveries.

Statutory Net Profit After Tax (NPAT) was $27.4 million after one-off costs incurred in the first half (FY21: $75.4 million). These included the finalisation of the GBF acquisition earnout, Software as a Service (SaaS) customisation costs and the amortisation of customer contract assets recognised on acquisitions. Statutory NPAT in the second half period was $24.1 million. Underlying FY22 NPAT(A)[9] was up 5% at $63.0 million compared to FY21 ($59.9 million).

FY22 Operational Highlights

Key highlights included:

- Reducing our TRIFR to 4.8 from 6.4 in FY21
- Growing our workforce by over 11% to 7,848 in a very tight labour market
- Training 1,030 people, comprising 929 Macmahon and 101 industry participants through our registered training organisation
- Ending FY22 with $5.0 billion[5] work in hand of which $1.45 billion[7] is secured for FY23
- Executing project commencements at Dawson South and Warrawoona surface projects and King of the Hills surface and underground projects
- Telfer contract following re-negotiations in FY21 delivering improved performance
  Successful redeployment of Mt Morgans workforce and plant to other Macmahon projects following closure of Mt Morgans project by Dacian late in the year

Cash Flow and Balance Sheet

Underlying operating cash flow (excluding interest, tax and M&A costs) was steady at $269.8 million (FY21: $269.0 million), representing an overall conversion rate from underlying EBITDA of 92.6%. Cash conversion was stronger in the second half at 114% versus 70% in the first half period, the latter reflecting increased working capital related to new project starts and inventory levels to mitigate COVID related supply chain disruption.

Capital expenditure for property, plant and equipment for the year totalled $279 million, including $148 million of sustaining capex. This was in line with expectations and reflected investment in new project start ups referred to above primarily in the first half period. Also reflecting this investment, underlying Return on Average Capital Employed (ROACE) at 13.9% (FY21: 15.6%) and underlying Return on Equity (ROE) at 11.5% (FY21: 15.0%) were in line with expectation.

Macmahon retains a solid balance sheet with gearing reducing to 27.8% (including AASB 16 Leases) as at 30 June 2022 from 31.1% at the end of 1H22. Net Debt to EBITDA also improved in the second half to 0.74x. Cash on hand was $198 million with net debt of $215.5 million at 30 June 2022.

Cash and unutilised working capital facilities at financial year end totalled $256 million (30 June 2021: $287.7 million). In July, the Company refinanced its existing $170 million bank facility into an enhanced $200 million facility with an improvement in interest rate and key terms, providing additional funding capacity. Liquidity post refinancing increased to $297 million providing substantial capacity to support the Company's execution of its strategic objectives.

Dividends

The Board has declared a final dividend of 0.35 cents per share for the year ended 30 June 2022, bringing the total FY22 dividend payment to 0.65 cents per share, unchanged on FY21. The total dividend represents a payout ratio of 22%, consistent with the Company's current dividend policy payout range of 10 - 25% of underlying EPS.

The final dividend is unfranked, has a record date of 23 September 2022, and will be paid to shareholders on 7 October 2022.

FY22 Guidance and Outlook

The global demand outlook for key minerals remains positive, notwithstanding recent central bank measures to increase interest rates in response to rising inflation. Interest rates whilst increasing, remain at historically low levels and with continuing activity across the mining and resources sector, Macmahon's tender pipeline remains robust at $8.4 billion. A positive medium-term outlook is supported by a strong order book of $5.0 billion[5] at 30 June 2022.

ASX ANNOUNCEMENT

23 August 2022

The tight labour market across Australia and global inflationary pressures are issues that are being actively managed by the business. Macmahon's existing and recently commenced projects are expected to contribute to earnings growth in FY23.

Guidance for FY23 is for revenue between $1.6 – $1.7 billion[10] and underlying EBIT(A) of $105 – $125 million[6] with the width in range reflecting some uncertainty in the challenging industry cost environment. Approximately $1.45 billion[7] of FY23 revenue is already secured.

FY23 capex is forecast to reduce to approximately $194 million which is sustaining and extension capex. The high level of investment in FY22 is expected to support earnings growth in FY23 and, coupled with the lower capex requirements, the Company is positioned to deliver improving financial returns towards its longer term targets. With the expected improvement in ROACE and balance sheet, the Company will be well positioned to take advantage of future opportunities that align with delivering on its strategy.

***** ENDS *****

This announcement was authorised for release by the CEO and Managing Director.

For further information, please contact:

Donald James
Chief Commercial Officer
investors@macmahon.com.au
+61 8 9232 1705

ASX ANNOUNCEMENT

23 August 2022

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 respectful partnerships 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.

Notes

1. *Underlying EBITDA is earnings before interest, tax, depreciation and amortisation from continuing operations and excludes various one-off items. A reconciliation of Non-IFRS financial information is contained on slide 27 of the Company's Full Year Results Presentation*
2. *Underlying EBIT(A) is earnings before interest and tax from continuing operations and excludes various one-off items. A reconciliation of Non-IFRS financial information is contained on slide 27 of the Company's Full Year Results Presentation*
3. *Net operating cash flow excluding interest and tax and M&A costs.*
4. *Gearing = Net Debt / (Net Debt + Equity)*
5. *As at 30 June 2022; excludes Batu Hijau Phase 8 (preferred), short term civil and underground churn work which do not take into account future contract cost escalation recoveries.*
6. *Guidance assumes an exchange rate of AUD:USD 0.72 and excludes one-off items and amortisation related to the GBF and Martabe acquisition*
7. *Secured revenue excludes short-term civil and underground churn and does not take into account future contract cost escalation recoveries*
8. *Return on Average Capital Employed = Underlying EBIT(A) / Average ((Total Assets excluding Cash) – (Current Liabilities excluding Debt))*
9. *Underlying NPAT(A) is earnings after interest and tax from continuing operations and excludes various one-off items and amortisation of customer contracts relating to GBF and Martabe acquisition. A reconciliation of Non-IFRS financial information is contained on slide 27 of the Company's Full Year Results Presentation*
10. *Revenue guidance does not take into account future contract cost escalation recoveries*