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ASX ANNOUNCEMENT

22 August 2023

Macmahon Delivers Revenue and Earnings Growth in FY23

- **Continued revenue growth and record underlying operating earnings in FY23:**
  - **Revenue of $1.9bn, up 12% (FY22: $1.7bn)**
  - **Underlying EBITDA[1] record of $308.7, up 6% (FY22: $291.4m)**
  - **Underlying EBIT(A)[2] record of $116.6m, up 16% (FY22: $100.8m)**
  - **Underlying NPAT(A)[9] of $67.6m, up 7% (FY22: $63.0m).**
  - **Statutory Net Profit After Tax of $57.7m, up 110% (FY22: $27.4m)**
  - **Underlying operating cash flow[3] of $306.0m, up 13% (FY22: $269.8m)**
- **Robust liquidity and balance sheet capacity, and reduced net debt:**
  - **Free cash generation of $34.7m**
  - **Net debt of $201.9m**
  - **Gearing[4] at 24.9% and Net Debt/EBITDA of 0.65x**
  - **Available liquidity at 30 June of $300m (including increased cash on hand of $218m)**
  - **Increase in SFA debt facility limit by $50m to $244m in July**
- **Order book $5.1bn[5] (FY22: $5.0bn) with tender pipeline of $10.6bn**
- **Increase in final dividend to 0.45cps (unfranked) bringing FY23 total dividend to 0.75cps (FY22: 0.65cps)**
- **FY24 guidance[6]:**
  - **Revenue of $1.7bn – $1.8bn[10] and underlying EBIT(A)[2] of $130m – $140m**
  - **$1.6bn[7] of FY24 revenue secured**

Macmahon Holdings Limited (ASX:MAH) (**Macmahon** or the **Company**) is pleased to deliver a solid result with earnings growth, margin improvement and enhanced free cash flow for the financial year ended 30 June 2023 (FY23).

Macmahon's Managing Director and Chief Executive Officer, Michael Finnegan said:

"We are very pleased to deliver revenue and record underlying earnings within our guidance range for the sixth consecutive year in an environment with persistent high-cost inflation, labour shortages and significant unseasonal wet weather in the first half.

"This result has been delivered through the disciplined execution of our strategy to drive operational improvement, improve underlying EBIT(A) margin and ROACE, and increase free cashflow generation while executing a prudent capital management policy. This wouldn't have been possible without the continued dedication and professionalism of our team which has grown to almost 8,400 people. They have made this result possible and on behalf of the Board and Executive Team I thank them.

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“As anticipated, an improved second half performance across our business continued to drive earnings growth, including successful preparations for the Greenbushes lithium project where the team commenced on 1 July.

“Furthermore, we secured $2.6 billion of revenue in new and extension work during FY23, adding materially to our secured order book and providing a strong foundation for executing our strategy.

“Earnings momentum going into FY24 sees us well positioned, with Q4 FY23 achieving target underlying EBIT(A) margins of 8.1%. Combined with continued discipline in our capital management, we expect to see return on average capital employed performance enhanced moving forward. I’m also pleased to have increased cash returned to shareholders with a final dividend of 0.45cps for the year and moving into FY24 we have increased our payout ratio range from 10 to 25%, to 20% to 35% of underlying earnings per share.

“In FY24 operational improvement will remain a priority across our business and there will be additional investment to accelerate growth in lower capital intensity work. Management remains focussed on delivering a safe and reliable service to our clients and improved returns for our shareholders.”

Financial Performance

Revenue increased by 12% to $1.9 billion (FY22: $1.7 billion) and is aligned with affirmed guidance provided to the market on 29 June 2023. This was driven by organic growth with existing projects and the ongoing recognition of Batu Hijau Phase 7 cost recovery revenue until 31 March 2023.

Organic revenue growth contributed to underlying EBITDA increasing by 6% to $308.7 million and underlying EBIT(A) increasing by 16% to $116.6 million, both at record levels. Underlying EBITDA[1] margin was 16.2% (FY22: 17.2%) and underlying EBIT(A)[2] margin was 6.1% (FY22: 5.9%). FY23 margins were negatively impacted by unseasonal wet weather on the east coast and the continuation of Batu Hijau Phase 7 until 31 March 2023 which resulted in an additional $200m million in zero margin cost recoveries being recognised in revenue. Pleasingly, Q4 FY23 underlying EBIT(A) margin was 8.1%, achieving our target of 8%.

Statutory Net Profit After Tax (NPAT) was $57.7 million after normalising for adjusting costs (FY22: $27.4 million). These primarily included adjustments relating to customer contract amortisation, SaaS customisation costs and LTI share based costs. Underlying FY23 NPAT(A)[9] was up 7% at $67.6 million compared to FY22 ($63.0 million).

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FY23 Operational Highlights

Key highlights included:

- Continued reduction in TRIFR to 3.94 from 4.8 in FY22
- Increasing our workforce to 8,368
- Trained 758 people through our ‘Grow Our Own’ program including External Trainees (149), Graduates (30), Apprentices (126) and Trainees (453)
- Ending FY23 with $5.1 billion[5] work in hand of which $1.6 billion[7] is secured for FY24
- Secured $2.6 billion in new work including the $1.1 billion, 7+2 Greenbushes Lithium Project and contract extensions at Martabe (US$350 million), Byerwen ($440 million), Telfer ($100 million) and Batu Hijau ($330 million)

Cash Flow and Balance Sheet

Underlying operating cash flow (excluding interest, tax and corporate development costs) was up 13% to $306.1 million (FY22: $269.8 million), representing an overall conversion rate from underlying EBITDA of 99.1%. This underpinned generation of $34.7 million in free cash flow[11] after all capital expenditure, financing costs and other investing activities.

Capital expenditure for property, plant and equipment for the year totalled $239 million (including $28m in tyres), all of which was sustaining and extension capex. Excluding tyres, capex was $211 million which was above expectations primarily due to certain equipment with longer lead times arriving on site at Martabe shortly prior to the end of the financial year. Underlying Return on Average Capital Employed (ROACE[8]) at 14.5% (FY22: 13.9%) and underlying Return on Equity (ROE) at 11.6% (FY22: 11.5%) were in line with expectation.

Gearing reduced to 24.9% (including AASB 16 Leases) as at 30 June 2023 from 29.9% at the end of 1H23. Net Debt to EBITDA also improved in the second half to 0.65x. Cash on hand was $218 million with lower net debt of $202 million at 30 June 2023 supported by increased earnings and free cash generation.

Cash and unutilised bank facilities at financial year end totalled $300 million (30 June 2022: $256 million). In July, the Company added a new $50 million tranche to the existing $200 million Syndicated Debt Facility as part of prudent capital management, that further improves liquidity and can be used for general corporate purposes. The new tranche matures in September 2026 in line with the existing bank facility.

Dividends

The Board has declared an increased final dividend of 0.45 cents per share for the year ended 30 June 2023, bringing the total FY23 dividend payment to 0.75 cents per share, being an increase of 0.1 cents per share on FY22. The total dividend represents a payout ratio of 23.3%, consistent with the Company’s current dividend policy payout range of 10 – 25% of underlying NPAT.

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The final dividend is unfranked, has a record date of 20 September 2023, and will be paid to shareholders on 11 October 2023.

For FY24 the targeted dividend payout ratio range will increase from 10% to 25%, to 20% to 35% of underlying earnings per share. This is due to delivering consistent earnings growth, increased free cash flow generation and confidence in the outlook as we approach our long-term strategic targets.

Outlook and FY24 Guidance

The global demand outlook for key minerals remains positive, notwithstanding central bank measures to continue to increase interest rates in response to persisting inflation. Whilst moderating, management continues to manage global inflationary pressures and a tight labour market across Australia.

There is significant activity across the mining and resources sector and Macmahon has momentum moving into FY24 having secured $2.6 billion revenue in new and extension work during FY23, adding materially to the Company's secured order book and providing a strong foundation for executing our strategy to grow in less capital-intensive revenue. The order book at 30 June 2023 is $5.1 billion[5] and we have a highly filtered tender pipeline at $10.6 billion.

Guidance for FY24 is for revenue between $1.7 – $1.8 billion[10], which recognises that approximately $200 million of zero margin pass through cost recovery revenue incurred in FY23 under Batu Hijau Phase 7 contract is no longer continuing under Phase 8 contract, and underlying EBIT(A) of $130 – $140 million[6]. Approximately $1.6 billion[7] of FY24 revenue is already secured.

FY24 capex is forecast at approximately $241 million. This includes sustaining capex of $171million, growth capex of $32 million related mainly to Greenbushes, and $38 million related to tyres. The investment made by the business across FY22 and FY23 is expected to support earnings growth, improvement in margins and ROACE, positioning the Company well to capitalise on future opportunities that align with Macmahon's strategy.

***** ENDS *****

This announcement was authorised for release by Michael Finnegan, Managing Director and Chief Executive Officer.

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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.

Notes

1. *Underlying EBITDA is earnings before interest, tax, depreciation and amortisation from continuing operations and excludes various adjusting items. A reconciliation of Non-IFRS financial information is contained on slide 29 of the Company's Full Year Results Presentation*
2. *Underlying EBIT(A) is earnings before interest and tax from continuing operations and excludes various adjusting items. A reconciliation of Non-IFRS financial information is contained on slide 29 of the Company's Full Year Results Presentation*
3. *Net operating cash flow excluding interest and tax and various adjusting cash costs.*
4. *Gearing = Net Debt / (Net Debt + Equity)*
5. *As at 30 June 2023; excludes short term civil and underground churn work and does not take into account future contract cost escalation recoveries*
6. *Guidance assumes an exchange rate of AUD:USD 0.70 and excludes adjusting items*
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 adjusting items*
10. *Revenue guidance does not take into account future contract cost escalation recoveries*
11. *Free cash flow = Underlying operating cash flow * EBITDA cash conversion less Capex plus proceeds from PPE disposal less interest and tax paid/(received)*