

ASX ANNOUNCEMENT

20 October 2023

2023 Annual General Meeting Address to Shareholders

Non-Executive Chair: Eva Skira AM

Overview

Macmahon has delivered another year of strong performance at both the operational and financial level. This has been underpinned by the successful execution of the Company's growth strategy.

The Company pleasingly met revenue and earnings guidance for the sixth consecutive year after achieving revenue of \$1.9 billion and underlying EBIT(A) of \$117 million. We also saw record underlying earnings, together with margin improvement and positive free cash flow of \$34.7 million. This was another excellent result despite some persisting market and industry challenges around cost inflation and skilled labour shortages, and unseasonal wet weather on the East Coast of Australia.

With \$5.1 billion of contracted work in hand at year end, positive free cash flow generation and a strong balance sheet, the Company is very well positioned to capitalise on future growth opportunities.

Macmahon's capital allocation policy reflects the importance of paying dividends to our shareholders, balanced with the priority of retaining financial flexibility to enable the continued execution of our growth strategy.

As a part of this, we have a commitment to paying a sustainable dividend and I am pleased to advise that the Board declared an increased final dividend for FY23 of 0.45 cents per share, bringing our full year dividend up 15% to 0.75 cents per share at a payout ratio of just over 23%.

An ongoing and important focus for the Macmahon business is the safety and wellbeing of our people. I am delighted that we were able to report a significant improvement in safety performance during the year with a reduction in TRIFR from 4.8 in FY22 to 3.9 in FY23.

During FY23 our workforce increased to 8,368 and I am proud that the Company has successfully attracted and retained talent in what is still a tight labour market.

This was facilitated by a continued focus on embedding our evolved company values through the Winning at Macmahon program and the roll-out of our Diversity & Inclusion Roadmap. We also rolled out training through the 'Grow Our Own' program as well as implemented training and development initiatives to supplement external recruiting, including the new to industry program launched for Australian Defence Force Veterans.

While we acknowledge the considerable effort from our people to deliver our improved safety performance, we are not taking this result for granted and will continue to pursue improving health and safety outcomes.

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Sustainability

Operating in a responsible and sustainable manner is an important part of our business strategy. We have again provided a standalone Sustainability Report for FY23, which expands upon the information provided in our Annual Report and further outlines progress on Environmental, Social and Governance activities and initiatives.

At Macmahon we are committed to embedding sustainability within our business's strategy, operations, and culture and there are a few highlights I would like to call out outlining our progress in FY23:

- We developed our Sustainability Framework and are now baselining our environmental footprint to inform our targets and roadmap development.
- Our First Nations representation was 4.7%, with overall attrition decreasing.
- We had female representation at our highest levels, including one third female Non-Executive Directors and 57% in Executive leadership positions.
- We continued to execute our Respect@Macmahon roadmap including bystander training, independent culture reviews and pulse checks to ensure we are making solid progress.

Board Changes

We have seen change to the Company's Board in recent times and importantly I would like to talk through that, including some acknowledgements.

As I mentioned earlier, David Gibbs is attending his first AGM and we were pleased to welcome him during the year. David has been appointed as the nominee Director of our major shareholder Amman following the departure of Alex Ramlie and Arief Sidarto who stepped down from the Board in July due to commitments related to the IPO and listing of PT Amman Mineral Internasional on the Indonesia Stock Exchange. David brings a wealth of operational and broader sector experience and is a great addition. Again, welcome David.

I would also like to thank Alex and Arief for their contribution as Directors of Macmahon during the past six years. They provided invaluable guidance and oversight of Macmahon's performance and strategic direction. On behalf of the Board and the broader Macmahon team, thank you for your contributions and we wish you both the very best.

Finally, on Board composition, as you may be aware it is my last Annual General Meeting as Chair and a Non-Executive Director of Macmahon, with my retirement commencing at the completion of today's meeting. After 12 years of service, including more than four as Chair, it has been an absolute honour to serve the Company over that time.

Taking over as Chair will be Hamish Tyrwhitt, who joined the Board in 2019 and has deep sector and strategic expertise. I have great confidence in the guidance and strategic direction he has provided to the Company as a Non-Executive Director and soon to be Chair, so I have no doubt Macmahon is in very good hands.



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The Board continues to review the composition, skills and experience required to best deliver its responsibility for the overall governance and strategic direction of Macmahon. This may include the appointment of new Non-Executive Directors, but the Board will be comprised of four directors until any appointment is made.

Closing

Before I hand over to Mick Finnegan for his CEO and Managing Director's address, I would like to make some final comments and thank you's.

It has been immensely satisfying to see Macmahon navigate challenges with courage and integrity to reliably deliver for its clients and achieve its strong and sustainable position as a leading mining services contractor in Australia and Indonesia. Macmahon is well positioned for the future with a solid order book, financial position, and growth capacity, but this is only made possible by the professional, dedicated, and disciplined workforce and leadership we have in place. This of course includes Mick and the management team who have delivered another excellent result in 2023 including driving substantial growth in the Company's earnings per share.

To our clients, on behalf of our Board and the business, thank you for the ongoing support and trust in our business.

To all our employees, I would like to thank you for the dedication, professionalism, and contribution shown in FY23.

To Mick, I thank him for his leadership as CEO over the past 7 years, and for the strong working relationship we developed.

And finally, this business would not be possible without the ongoing support of our shareholders. I would like to again sincerely thank you for your investment, confidence and ongoing support in our business and our people.

With that, I will now hand over to Mick.

Thank you.

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CEO and Managing Director: Michael Finnegan

Overview

Thanks Eva. Good morning everyone and thank you for joining us today for our 2023 Annual General Meeting.

Before I provide an overview of Macmahon's performance for FY23, I wanted to acknowledge upfront the outstanding contribution by Eva over the past 12 years. As Eva mentioned, there have been a number of both successes and challenges faced by the Company over this time and Eva has been at the forefront of it all. On a personal level I am incredibly grateful for the support I have received from Eva over the years and she will be greatly missed. On behalf of the Board and Company, thank you again Eva. We wish you the very best for the future and hope you get to enjoy more time with friends and family.

Eva also acknowledged the contribution of Macmahon's people in delivering another excellent result. It is important to also acknowledge the continued support and confidence in our team by the Board. This support in our leadership and our strategy is a significant factor in our performance for the year.

FY23 Financial Highlights

Turning to our financial performance, Macmahon performed well in FY23, with record underlying earnings, margin improvement and positive free cash flow which signals the end of our capex heavy growth cycle – consistent with our strategy.

As Eva mentioned, this was in spite of challenging operating conditions experienced by the sector, particularly in the first half with the unseasonal wet weather on the East Coast of Australia and in Indonesia.

In the second half we saw improvement across the business, which was reflected in our Q4 underlying EBIT(A) margins reaching our 8% long term target. This performance saw us meet our revenue and earnings guidance for the sixth consecutive year and generate free cash flow.

Importantly, the reduction of our net debt at 30 June 2023 to \$201.9 million together with improved return on average capital employed of 14.5%, approaching our long term target of 15%, highlights the turning point in our strategy as we move to the cash generating period of the new projects. Full periods of positive cash generation plus low capital intensity new work should see the 15% return on average capital employed target exceeded consistently moving forward.

Strategy: Expanding into Lower Capital Intensity Services

We commenced our strategy in FY18 building scale and contract tenure in Surface mining. This foundation is now being leveraged to diversify and expand our revenue to include more lower capital intensity and earlier cash generative services such as underground mining,



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mining support services and civil infrastructure projects. This continues to be a major focus for us and has contributed to our positive results to date.

We have made meaningful progress during FY23, particularly in the Underground space where revenue accounts for 25% of Macmahon's FY23 revenue compared to 7% in FY18. Furthermore, underground opportunities make up over a third of the \$10.6 billion tender pipeline supporting our confidence in further growth.

Building our brand as a meaningful diversified Mining contractor will continue to be a priority as will accelerating growth in our mining support services and civil infrastructure business which accounted for 9% of revenue in FY23. This will include building our capability and capacity as well as expanding strategic partnerships that will enable us to successfully execute larger scale civil infrastructure projects in the coming years.

We believe this shift into less capital-intensive work will not only play a critical role in achieving our longer-term target of building a prudently managed, more resilient, diversified, and scalable business, but will also enable the sustainable delivery of a return on average capital employed greater than 15% and a sustained period of free cash flow generation.

FY23 Operational Highlights

Whilst diversification into lower capital-intensive work continues to be a key objective, from an operational perspective the profitable and safe execution of existing contracts, while managing the industry headwinds I noted, have been a focus this year.

In the Surface space, we secured \$2.6 billion of strategically aligned new and extension work during the year. This included the \$1.1 billion Greenbushes Lithium project which commenced on 1 July 2023.

As I mentioned earlier, we have grown our Underground business significantly to 25% of revenue, increasing from \$53 million in FY18 to \$472 million in FY23.

The acquisition of GBF in FY19 has contributed to the creation of a meaningful underground mining services provider. We are looking to continue this momentum and are targeting a further 50% increase in underground revenue over the next 2-3 years to deliver greater scale and to be a more meaningful participant in this sector.

In the Mining Support Services and Civil Infrastructure division we now have a significant focus on building internal capability and capacity to execute larger scale civil infrastructure, engineering, and rehabilitation work.

Our tender pipeline is highly filtered and focussed on where Macmahon has existing relationships and a competitive advantage.

At a Corporate level we have been able to attract talent in a tight skilled labour market and have increased our workforce to nearly 8,400 people. In recent times we have seen retention improve which is pleasing.

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Although supply chain shortages and delays are normalising, and inflation is moderating, as always we will continue to manage the impact of these proactively.

Safety and People

Critical to our business is safety management and the engagement of our people.

Our TRIFR showed another year of positive progress, decreasing from 4.8 to 3.9 during the year as Eva mentioned. This is significant considering our team grew to nearly 8,400 people and the proportion of industry new entrants is higher than normal.

Throughout the year we have continued to invest in our people through apprenticeships, skill upgrade programs, targeted international recruitment, and new to industry training through the “Grow Our Own” program. We trained 758 people including 453 Internal Trainees, 149 External Trainees, 30 Graduates and 126 Apprentices.

In FY24, our primary focus is on further developing our culture. In August 2022, Macmahon introduced our evolved company values, defining how we collaborate, interact, and contribute to the success of our organisation.

We focused on embedding these values through the Winning at Macmahon program and the roll-out of our Diversity & Inclusion Roadmap, and will monitor the progress of these and other initiatives in FY24 through additional pulse checks and engagement surveys.

The company values are the driving force behind our achievements, and we are determined to build upon them to create an even stronger and more cohesive team.

Capital Allocation

Macmahon’s Capital Allocation Policy reflects the importance of balancing shareholder returns in the form of dividend payments to our shareholders with retaining financial flexibility to invest in the continued execution of our growth and diversification strategy.

The capital investment required in FY21 and FY22 increased leverage and gearing levels, however enabled Macmahon to deliver on significant growth in revenue, underlying earnings, underlying earnings per share, and order book.

With our strong disciplines around cashflow generation and balance sheet management, coupled with further diversification into less capital-intensive projects, we would like to see gearing and leverage continue to decrease in addition to increased free cash flow generation.

This, together with confidence in the outlook as the Company approaches long term strategic targets, allowed the Board to announce as part of our FY23 results release an increase in the dividend payout range from 10% to 25%, to 20% to 35% of underlying earnings per share.



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This will ensure we return consistent cash to shareholders in accordance with the new dividend payout policy.

Share Price and EPS Divergence

As a shareholder myself, I want to comment on the performance of the company. Macmahon's responsibility is to manage capital well, deliver appropriate and consistent returns on capital, and maximise total returns to shareholders.

This is achieved through the successful execution of our strategy that diversifies the business into lower capital intensity work while maintaining a long tenure surface mining base. The execution of this strategy has seen the Company deliver increased revenue, EBIT(A), margins and free cash flow.

Over the past five years there has been substantial growth in our earnings per share which has not yet been reflected in the share price as can be seen on the graph on the right-hand side. The market has responded positively to our FY23 results and outlook, however at only 4 to 5 times price-to-earnings ratio, I believe this provides good opportunity for shareholders, particularly as we realise the continued growth in the lower capital-intensive underground and civil infrastructure businesses to increase free cash flow, reduce net debt and return funds to shareholders.

Priorities and Outlook

Important to our outlook is continuity, consistency, and delivering on our targets around growth, diversification, margins and returns. FY24 is underpinned by a \$5.1 billion order book comprised of an increasingly diverse mix of surface, underground and mining support service contracts, with a high proportion of alliance contracts that provide greater operational and commercial flexibility.

We also have a strong pipeline of opportunities worth approximately \$10.6 billion, in addition to numerous targeted contract extensions, and continuing contracts that are expected to build on FY23's performance.

While the skilled labour market across Australia remains tight and global inflationary pressures are still present, the business is executing on strategies and measures to continue managing these challenges. Our focus and investment in our people is a key part of this and will continue to be a priority moving forward, as will the Company's commitment to the safe and efficient execution of its order book.

Our current expectations for FY24 remain unchanged being Revenue guidance in the range of \$1.7 billion to \$1.8 billion, and underlying EBIT(A) guidance in the range of \$130 million and \$140 million.



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Closing

In closing, I would like to thank all our stakeholders for their ongoing support, particularly our clients, for their trust in us and their shared approach to supporting and protecting the health and wellbeing of our people.

I would also like to thank our people for their crucial contribution and resilience over the year and for being a vital part of the Macmahon Winning Formula.

I will now hand back to the Chair.

Thank you.

***** ENDS *****

This announcement was authorised for release by the Board of Directors.

For further information, please contact:

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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.