Macmahon Holdings Limited
ACN 007 634 406

15 Hudswell Road
Perth Airport WA 6105
Australia

PO Box 198
Cannington WA 6987
Australia

(+61) 08 9232 1000
info@macmahon.com.au
macmahon.com.au

ASX ANNOUNCEMENT

20 August 2024

Macmahon continues revenue and earnings growth in FY24

- **Record revenue and margin improvement drives record underlying earnings:**
  - **Revenue of $2.0bn, up 6.6% (FY23: $1.9bn)**
  - **Underlying EBITDA[1] record of $351.7m, up 13.9% (FY23: $308.7m)**
  - **Underlying EBIT(A)[2] record of $140.3m, up 20.3% (FY23: $116.6m)**
  - **Underlying NPAT(A)[3] of $91.9m, up 35.9% (FY23: $67.6m)**
  - **Statutory Net Profit After Tax of $53.2m, down 7.8% (FY23: $57.7m)**
  - **Underlying operating cash flow[4] of $301.0m, down 1.6% (FY23: $306.0m)**
- **Free cash flow generation strengthens balance sheet and reduces net debt:**
  - **Free cash generation of $74.5m (FY23: $34.7m)**
  - **Net debt of $146.6m (FY23: $201.9m)**
  - **Gearing[5] at 18.8% and Net Debt/EBITDA of 0.42x**
  - **Available liquidity at 30 June 2024 of $280.2m (cash on hand of $194.6m)**
- **Diversification and expansion into lower capital intensity services**
  - **Acquired Pit N Portal contracts and workforce to support continued growth in underground**
  - **Strategic rental agreement executed with Emeco**
  - **$104m[6] cash paid for 100% acquisition of Decmil to expand civil business (implemented 15 Aug 24). $53.8m franking credits acquired immediately**
- **Order book $4.6bn[7] and increased tender pipeline[7] of $21.4bn**
- **Final dividend of 0.60cps (fully franked) bringing FY24 total dividend up 40% to 1.05cps (FY23: 0.75cps)**
- **FY25 guidance[8]:**
  - **Revenue of $2.4bn – $2.5bn ($2.0bn[7] secured for FY25), and**
  - **Underlying EBIT(A) of $160m – $175m**

Macmahon Holdings Limited (ASX:MAH) (‘**Macmahon’** or ‘the **Company’**) is pleased to deliver another strong result with revenue at a record level and margin growth driving record underlying earnings for the financial year ended 30 June 2024 (FY24).

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

“Macmahon has delivered another year of growth in revenue and underlying earnings, with the FY24 financial result marking the eighth consecutive year we have met or exceeded market guidance. Importantly, we delivered on our objective of improving return on average capital

employed and free cashflow generation while ending the financial year with a stronger balance sheet and lower net debt.

"While inflation has been moderating in some areas, skilled labour costs remain high, and managing them effectively in a volatile commodity price environment remains a challenge for our clients and for Macmahon. I am proud to say this is a challenge our team has risen to. We strive to develop strong long-term client relationships and continue to work closely with them to manage these risks and deliver positive outcomes for their business and for ours.

"A clear long term growth strategy has been integral to the consistency of Macmahon's performance, and we continued to diversify the business and reduce capital intensity in FY24. The acquisition of key Pit N Portal contracts and personnel significantly enhanced our capacity to organically grow in the underground space, and the recent addition of Decmil into our business will accelerate our expansion into the civil infrastructure sector in FY25 and beyond. These sectors represent most of our long-term tender pipeline and will enable a continued reduction in capital intensity while also driving earnings and free cash flow growth.

"We have $2.0 billion of revenue already secured for FY25, and a key focus will be to leverage our scale and new acquisitions to convert our tender pipeline into revenue and orderbook growth.

"The outlook for FY25 remains positive. With a strong balance sheet, secured order book and enhanced underground and civil infrastructure capability, Macmahon is well positioned to continue delivering profitable growth. Our guidance for FY25 reflects revenue growth of at least 20% and underlying earnings of at least 14% higher than FY24. As always, management remains focussed on delivering a safe and reliable service to our clients and improved returns for our shareholders."

Financial Performance

Revenue increased by 6.6% to $2.0 billion (FY23: $1.9 billion), exceeding the upper end of the market guidance range of $1.9 billion. Revenue growth was driven by strong performance on projects including the successful ramp up of Greenbushes to reach steady state in the second half, and record gold production at King of the Hills.

Underlying EBITDA[1] increased by 13.9% to $351.7 million and underlying EBIT(A)[2] increased by 20% to $140.3 million, both at record levels. Underlying EBIT(A)[2] was at the upper end of market guidance of $140 million. Underlying earnings growth exceeded revenue growth, which was reflected in improved margins, with an underlying EBITDA[1] margin of 17.3% (FY23: 16.2%) and underlying EBIT(A)[2] margin of 6.9% (FY23: 6.1%). FY24 margins were assisted by cost efficiencies as more projects operated at steady state with strong production levels, along with rise and fall provisions on contracts.

Statutory Net Profit After Tax (NPAT) was $53.2 million (FY23: $57.7 million) which excludes certain adjusting costs. These costs primarily include the impairment of financial assets related to Calidus Resources of $31.8 million, and adjustments related to corporate development acquisition costs, SaaS customisation costs and LTI share based costs totalling $6.9 million. Underlying FY24 NPAT(A)[3] was up 35.9% at $91.9 million compared to FY23 ($67.6 million).

The Receivers and Managers are seeking urgent expressions of interest for the acquisition and/or recapitalisation of Calidus. At this early stage, Macmahon anticipates this will be a pathway for recoverability in FY25

Operational Performance

Key highlights for FY24 include:

- Continued reduction in TRIFR to 3.64 from 3.94 in FY23, while increasing the workforce 15.6% to 9,676 people.
- Ending FY24 with a $4.6 billion order book including $2.0 billion secured for FY25.
- Securing key new contract work and extensions at Dawson South (up to $390 million) and Boston Shaker ($352 million).
- Greenbushes project ramped up successfully to reach steady state in April 2024.
- Record production at King of the Hills and Byerwen production was consistently on target.
- Growing our underground business, which is now contributing over 26% of group revenue, and targeting +50% growth over the next 2-3 years.
- Successful Pit N Portal acquisition from Emeco with around 220 people and continuing projects fully integrated into Macmahon's underground business.
- Actively lowering capital intensity of surface projects, including the equipment sale at Dawson South ($44 million net cash proceeds collected over FY24 and FY25) and entering into a five-year strategic rental agreement with Emeco.
- In August 2024, $104 million cash paid with the 100% acquisition of Decmil to accelerate civil business growth across Australia, aligning with our strategic focus to diversify earnings and reduce capital intensity. 22.4 million restricted shares issued to certain Decmil executives in consideration of them cancelling their 2023 performance rights.
- Executed $80 million additional syndicated finance facility for the acquisition of Decmil in August 2024.

Cash Flow and Balance Sheet

Underlying operating cash flow (excluding interest, tax and M&A costs) of $301.0 million (FY23: $306.0 million) was maintained at a healthy level and represented an overall conversion rate from underlying EBITDA of 86%. This was down on the 99% achieved in FY23, reflecting the timing of project payments and the impact of Calidus. The operating cashflow underpinned a strong improvement in free cashflow generation, which more than doubled to $74.5 million after interest, tax and net capital expenditure including tyres (FY23 $34.7 million).

Capital expenditure totalled $207.1 million (including tyres of $34 million), down by around 14% on the prior year, and comprised primarily of sustaining and extension capital expenditure. Underlying Return on Average Capital Employed (ROACE[9]) improved to 17.2% (FY23: 14.5%) and underlying Return on Equity (ROE) improved to 14.8% (FY23: 11.6%). The improvement in returns were in line with expectations and reflected the Company's focus on lowering capital intensity in its operations.

Gearing reduced to 18.8% (including AASB 16 Leases) as at 30 June 2024 from 24.9% at the end of FY23 together with leverage reducing to 0.42x. Net debt at 30 June 2024 was $146.6 million, 27.4% down from $201.9 million at 30 June 2023.

Cash and unutilised bank facilities at financial year end totalled $280.2 million including cash on hand of $194.6 million at year end. Post year end, the Syndicated Debt Facility was increased by $80 million to provide increased liquidity post the acquisition of Decmil.

Dividends

The Board has declared an increased final dividend of 0.60 cents per share for the year ended 30 June 2024. This brings the total FY24 dividend payment to 1.05 cents per share, being a 40% increase of 0.30 cents per share on FY23. The total dividend represents a payout ratio of 24.0%, consistent with the Company's increased dividend policy payout range of 20 - 35% of underlying earnings per share.

The final dividend is fully franked, has a record date of 20 September 2024, and will be paid to shareholders on 11 October 2024.

Outlook and FY25 Guidance

The outlook for FY25 remains positive. Macmahon has entered the financial year with an orderbook of $4.6 billion[7] and high level of secured work of $2.0 billion[7] for the FY25 year, putting the Company in a strong position for continued growth.

Levels of activity in the underground and civil infrastructure sectors, along with the broader mining sector, remain strong and Macmahon has diversity in its order book, client base and capabilities. The highly skilled labour market is still challenging, but there are some signs that it is easing. Macmahon will continue to invest internally and manage issues that have been prevalent in the industry for some time now.

Looking forward, the Company has a robust $21.4 billion highly filtered tender pipeline, that continues to support a positive demand outlook for the business, and our objectives to grow in lower capital intensity segments. The Decmil acquisition[6] has added approximately $7.6 billion to Macmahon's existing civil pipeline of $4.0 billion as at the end of FY24. The addition of Decmil creates a more resilient business with less concentrated resource commodity exposure and provides a natural hedge to the cyclicality of contract mining.

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Guidance for FY25 is for revenue between $2.4 billion – $2.5 billion[10] and underlying EBIT(A) of $160 million – $175 million[2]. FY25 capital expenditure is forecast at approximately $233 million including sustaining capital of $200 million and growth capital of $33 million. Macmahon's strong balance sheet, continuing focus on reducing capital intensity and improving margins and ROACE, positions the Company well for continued growth aligned with our strategy.

***** ENDS *****

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

For further information, please contact:

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

About Macmahon

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

Macmahon's extensive experience in surface mining, underground mining and civil infrastructure has established the Company as the contractor of choice for resources, non-resources, public infrastructure and renewables projects across a range of locations and sectors.

Macmahon is focused on developing strong respectful 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 32 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 32 of the Company's Full Year Results Presentation*
3. *Underlying NPAT(A) is earnings after interest and tax from continuing operations and excludes various adjusting items*
4. *Net operating cash flow excluding interest and tax and various adjusting cash costs.*
5. *Gearing = Net Debt / (Net Debt + Equity)*
6. *Due to the acquisition having recently being completed the purchase price allocation has not been completed and cannot be disclosed in this financial report*
7. *As at 30 June 2024; excludes short term civil and underground churn work and does not take into account future contract cost escalation recoveries. Includes Macmahon and Decmil revenue*
8. *Guidance excludes adjusting items. Revenue guidance does not consider future contract cost escalation recoveries and includes Macmahon and Decmil revenue*
9. *Return on Average Capital Employed = Underlying EBIT(A) / Average ((Total Assets excluding Cash) – (Current Liabilities excluding Debt))*
10. *Revenue guidance does not consider future contract cost escalation recoveries*