

# ASX ANNOUNCEMENT

25 February 2019

## Macmahon continues to deliver strong earnings uplift in 1H19

- 1H19 revenue of \$542.2 million, up 101% (1H18 \$270.0m)
- 1H19 Underlying EBITDA<sup>1</sup> of \$89.1 million, up 94% (1H18 \$45.9m)
- 1H19 Underlying EBIT<sup>2</sup> of \$39.9 million, up 311% (1H18 \$9.7m)
- Achieved gain share at Batu Hijau project
- On track to deliver FY19 guidance of between \$950 million - \$1,050 million in revenue and Underlying EBIT of between \$70 million - \$80 million<sup>3</sup>
- Forecast net debt position of \$25 million - \$35 million at June 19
- Healthy tender pipeline of ~\$7 billion
- Strong order book of ~\$4.8 billion
- Continued improvement in safety performance

Macmahon Holdings Limited (ASX:MAH) ('Macmahon' or 'the Company') has delivered a strong half year result to 31 December 2018 (1H19), as the benefits of its operational strategy continue to flow through to financial performance. Macmahon remains on track to deliver on its FY19 Underlying EBIT guidance of \$70 - \$80 million.

Revenue doubled to \$542.2 million over the prior corresponding period, driven by increased activity at major projects and contributions from the Company's civil business, TMM Group. Underlying EBITDA increased by 94% to \$89.1 million, representing an Underlying EBITDA margin of 16.4%, while Underlying EBIT increased to \$39.9 million, equating to an Underlying EBIT margin of 7.4%.

Macmahon Chief Executive Officer Michael Finnegan said the increased activity of new projects during 1H19 including Batu Hijau (Indonesia - copper/gold), Byerwen (Queensland - coal), and Mount Morgans (Western Australia - gold), had supported the substantial revenue growth.

*"We are very pleased to have delivered another strong result putting us on track to achieve our FY19 guidance," Mr Finnegan said.*

*"We have moved through the ramp up phase and into execution and optimisation on a number of major projects. With a robust balance sheet and substantial order book of \$4.8 billion, we are well positioned to pursue our extensive tender pipeline, assess strategic growth opportunities and consider potential distributions to shareholders."*

1. Underlying EBITDA is earnings before interest, tax, depreciation and amortisation from continuing operations, share based payments and class action settlement costs. A reconciliation of Non-IFRS financial information is contained on slide 25 of the Company's half year results presentation of today's date.
2. Underlying EBIT is earnings before interest and tax from continuing operations, share based payments and class action settlement costs.
3. Guidance is not a guarantee of future performance and is subject to known and unknown risks. This guidance assumes an exchange rate of AUD:USD 0.76, and excludes the shareholder class action that was settled in FY19. Guidance excludes performance (gain-share) payments and share based payments.

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### Cash flow and Balance sheet

Over the half, the Company generated \$34.6 million in operating cash flow (excluding the class action impact, interest and tax), representing an EBITDA to cash conversion of 38.8%. Cash conversion was impacted by Batu Hijau management fees tried up in December and invoiced in January 2019, and delayed payment of some receivables. Including these amounts, which total \$37.9 million, EBITDA to cash conversion would be 81%.

Capital expenditure for the first half was \$87.6 million, primarily for equipment at the Byerwen project (where there is a put and call option), and the long term Tropicana and Mount Morgans projects, plus growth capex for a new quarry project and various underground projects. Capex for the second half is expected to be \$50 million.

As at 31 December, net debt was \$81.2 million. This was primarily due to the Company's cash balance being reduced by the class action impact of \$7.6 million, the purchase of Macmahon shares on market for a new long term incentive plan for \$11.3 million, and the delayed receivables noted above. Excluding these factors, net debt would be \$24.4 million.

Macmahon expects solid conversion of EBITDA to cash in the second half and is forecasting a net debt position at 30 June 2019 of \$25 - \$35 million.

### Outlook

Macmahon reiterates its FY19 guidance of revenue of \$0.95 - \$1.05 billion, and Underlying EBIT of \$70 - \$80 million. This represents revenue and earnings growth of at least 34% and 69% respectively over the prior corresponding period.

Assuming the full year guidance is achieved, a short term incentive payment to employees, put in place in 2018 to drive performance across the business, will be triggered. The Board and management believe that aligning employee remuneration with company performance contributes to the consistent delivery of strong operational and financial results.

For FY19 the amount of this incentive payment will depend on the Company's Underlying EBIT result and return on equity. Based on the Company's current Underlying EBIT guidance, the bonus payment will be between nil and \$7.5 million on a sliding scale.

Looking forward, the pipeline of tender opportunities is currently valued at around \$7 billion. The project pipeline is split between Australia and Indonesia, and comprises gold, copper and other base metals, lithium and coal projects, and includes both surface and underground opportunities.

Mr Finnegan said: *"Encouragingly, of the \$7 billion of tender opportunities, over \$5 billion of these relates to projects where we are preferred or exclusive tenderers. We see a significant opportunity to increase our work in hand in the near term, with \$1.5 billion of tenders that could be awarded in calendar year 2019."*

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*“Our strong position with upcoming tenders, and our solid order book, gives us confidence that we can deliver continued earnings growth for the foreseeable future.*”

*“To support our growth aspirations we will build on the safety performance improvements we have recorded, and continue to invest in innovation and technology. We are also working to improve the capacity of our human resources, to strengthen both our service delivery and operating efficiency.*”

*“We continue to focus on our strategic priorities, including excellence in project development and execution, fostering strategic relationships with clients and discipline in allocating capital.*”

*“I would like to thank all of our employees, shareholders, clients, suppliers and wider stakeholders for their continued support.”*

**\*\*\* ENDS \*\*\***

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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](http://www.macmahon.com.au) for more information.