

ASX ANNOUNCEMENT

26 August 2020

Macmahon delivers on upgraded guidance with record results in FY20

- **Revenue growth drives record earnings and cash flow in FY20**
 - Revenue of \$1,380.4m, up 25%
 - Underlying EBITDA¹ of \$238.7m, up 32%
 - Underlying EBIT(A)² of \$91.6m, up 22%
 - Statutory Net Profit After Tax of \$64.9m, up 41%
 - Operating cash flow³ of \$218.4m, up 73%
- **Strong balance sheet and growth funding capacity**
 - Low gearing⁴ at 10.9% and Net Debt/EBITDA of 0.3x
 - Available liquidity of \$197.9 million (cash on hand \$141.8 million)
- **Solid order book of \$4.5bn and significant tender pipeline over \$7.5bn**
- **Final dividend of 0.35cps (30% franked), FY20 total dividend of 0.60cps**
- **FY21 guidance⁵: Revenue of \$1.4bn – \$1.5bn and EBIT(A) of \$90m – \$100m**

Macmahon Holdings Limited (ASX:MAH) ('Macmahon' or 'the Company') has delivered record financial results for the year ended 30 June 2020 (FY20), in-line with the Company's increased guidance provided at the half year result.

Revenue grew by 25% over the prior year to \$1,380.4 million, driven by:

- increased activity across the Company's projects in Australia and Indonesia from predominantly Gold and Copper/Gold operations;
- the eleven-month contribution of the acquired specialist underground contractor, GBF Group; and
- successful ramp up at the Tropicana Boston Shaker contract.

This growth in revenue underpinned record earnings for Macmahon in FY20. Underlying EBITDA increased by 32% to \$238.7 million and underlying EBIT(A) increased to \$91.6 million, culminating in a 41% improvement in Statutory Net Profit After Tax to \$64.9 million (FY19: \$46.1 million).

To date, there has been minimal net impact on business performance from COVID-19. The Company has taken measures to minimise the risk of infection, and disruption to business

1. Underlying EBITDA is earnings before interest, tax, depreciation and amortisation from continuing operations, share based payments and M&A transaction costs. A reconciliation of Non-IFRS financial information is contained on slide 30 of the Company's full year results presentation.

2. Underlying EBIT is earnings before interest and tax from continuing operations, share based payments and M&A transaction costs and GBF amortisation of customer contracts.

3. Net operating cash flow excluding interest and tax and M&A costs.

4. Gearing = Net Debt / (Net Debt + Equity)

5. Guidance assumes an exchange rate of AUD:USD 0.72 and excludes one-off items and amortisation related to the GBF acquisition.

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operations. However, Macmahon remains vigilant acknowledging COVID-19 is constantly evolving and may impact the business in the future.

Cash Flow and Balance Sheet

The Company's disciplined capital management led to a significant improvement in cash conversion during the year. Macmahon generated record operating cash flow (excluding interest, tax and M&A costs) of \$218.4 million, representing a conversion rate from underlying EBITDA of 91.5%. This was above the full year target of 85%.

Capex over the period was \$141.6 million, which was below the \$155m guidance due to the timing of new equipment purchases.

Macmahon maintained its strong balance sheet position, with low gearing of 10.9% (including AASB 16 Leases), Net Debt to EBITDA of 0.3x, cash on hand of \$141.8 million, and net debt of \$60.9 million at 30 June 2020.

Over the year, Macmahon increased its debt facilities to \$75 million from \$50 million, and ended the year in a solid liquidity position with cash and unutilised working capital facilities totalling \$197.9 million.

Dividends

Following the recommencement of dividend payments this time last year, the Board has continued its policy and declared a final dividend of 0.35 cents per share for year ended 30 June 2020, bringing the total FY20 dividend payment to 0.60 cents per share.

The final dividend will be partially franked (30%), have a record date of 15 October 2020, and will be paid to shareholders on 29 October 2020.

FY21 Outlook

Macmahon expects FY21 revenue of between \$1.4 – \$1.5 billion and EBIT(A) of \$90 – \$100 million⁵.

Work in Hand currently stands at around \$4.5 billion, with over \$1.2 billion of this contracted for FY21 (not including additional short term civil and underground services work). The positive outlook is underpinned by this order book and a \$7.5 billion plus tender pipeline, which consists largely of gold and copper/gold projects with both existing and new clients.

To support this growth and delivery of recently awarded contracts, capex is forecast to be in the order of \$175 million.

Commentary

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

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“FY20 has been another successful period for Macmahon and marks the third consecutive year we have grown the business and delivered on our earnings guidance. We made further progress on our strategy to expand our underground business by completing the acquisition of GBF, and also resolved the Telfer dispute.

“It is very pleasing to achieve these results given the additional challenges and uncertainty generated by COVID-19. However, we are not taking our fortunate position for granted and continue to take precautionary measures across our business to protect our workforce and other stakeholders, and safeguard business continuity.

“Notwithstanding the current macro-economic environment, the business continues to perform well. We have a positive outlook and our FY21 guidance is supported by over \$1.2 billion of contracted work, an extensive tender pipeline of over \$7.5 billion, and a strong balance sheet.

“Going forward, we remain focused on the safe and profitable delivery of our contracted work in hand, successfully converting additional tender pipeline opportunities, and continued expansion of our service offering across the mining value chain.”

***** ENDS *****

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

For further information, please contact:

Chris Chong
Manager – Corporate Development and Investor Relations
cchong@macmahon.com.au
+61 8 9232 1877 / +61 408 774 365

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.