

ASX ANNOUNCEMENT

25 August 2021

Macmahon delivers continued earnings growth

- **Continued growth in earnings and cash flow in FY21:**
 - Revenue of \$1,351m, up 6% on FY20 (adjusted for prior year Batu Hijau specific consumables)
 - Underlying EBITDA¹ of \$249.9m (margin 18.5%), up 5%
 - Underlying EBIT(A)² of \$95.2m (margin 7.0%), up 4%
 - Statutory Net Profit After Tax of \$77.2m, up 19%
 - Underlying operating cash flow³ of \$269.0m, up 23%
- **Liquidity and balance sheet capacity to fund secured growth:**
 - Net debt of \$130.3m, Gearing⁴ at 19% and Net Debt/EBITDA of 0.5x
 - Available liquidity at 30 June of \$288m (including cash on hand of \$182m)
 - New syndicated asset finance facility of \$145m signed in August
- **Solid order book of \$5.0bn⁵ and significant tender pipeline of \$7.1bn**
- **Final dividend of 0.35cps (20% franked), FY21 total dividend of 0.65cps, up 8%**
- **FY22 guidance⁶:**
 - Revenue of \$1.4bn – \$1.5bn and underlying EBIT(A) of \$95m – \$105m
 - \$1.3bn of FY22 revenue secured⁷

Macmahon Holdings Limited (ASX:MAH) ('**Macmahon**' or 'the **Company**') has continued to build on its track record of earnings growth, reporting results for the financial year ended 30 June 2021 (FY21) in-line with recently reiterated guidance.

Revenue fell by 2% to \$1,351 million (FY20: \$1,380 million), primarily in relation to the removal of non-cash consideration at Batu Hijau due to the limited movement of specific consumables as a result of COVID-19⁸, as outlined in the first half result. Excluding this change, revenue grew approximately 6%, attributable largely to organic growth in Australia with the expansion of existing contracts (Byerwen, Mt Morgans and Boston Shaker), and the commencement of new projects (Dawson, Foxleigh, Julius, Bellevue and Gwalia).

Macmahon's strong financial performance has resulted in underlying EBITDA increasing by 5% to \$249.9 million (EBITDA margin 18.5%) and EBIT(A) up 4% to \$95.2 million (EBIT(A) margin 7.0%).

Statutory Net Profit After Tax increased 19% to \$77.2 million (FY20: \$64.9 million), assisted by the recognition of a \$17.3 million Deferred Tax Asset resulting from a change in the Australian income tax legislation announced in the October 2020 Federal budget, which allowed the full deduction of new Australian capital expenditure.

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FY21 Operational Highlights

Key highlights included:

- Securing \$2.0 billion of new work and extensions, underpinning growth and providing a high level of secured revenue for FY22 and FY23
- Commencing 5 new projects across the surface and underground mining divisions, including Foxleigh, Gwalia, Dawson, Bellevue and Julius
- Securing \$37.0 million of mining support work and expanding our civil construction business into Western Australia

Further details of the Company's project wins are set out in the table below:

Announced	Project	Client	Estimated Start	Estimated Value (\$m)	Term years
17-Sep-20	Coburn	Strandline (ASX:STA)	May-21	24	0.8
17-Sep-20	Bellevue	Bellevue Gold (ASX:BGL)	Aug-20	10	1.3
9-Dec-20	Foxleigh	QMetco	Mar-21	250	5
9-Dec-20	Nicolsons	Pantoro (ASX:PNR)	Oct-21	22	2
12-Feb-21	Deflector	Silver Lake (ASX:SLR)	Apr-21	217	4
3-Mar-21	Gwalia	St Barbara (ASX:SBM)	May-21	500	5
9-Mar-21	King of the Hills	Red 5 (ASX:RED)	Jan-22	660	5
30-Mar-21	Dawson	Anglo American	Jul-21	240	3
20-Jul-21	Julius	Northern Star (ASX:NST)	May-21	25	1
Other				51	
Total secured work added to Order Book				1,999	
Preferred Contractor					
17-Sep-20	Warrawoona	Calidus (ASX:CAI)	Early 2022	220	4.5

Cash Flow and Balance Sheet

Cash conversion increased during the year with underlying operating cash flow (excluding interest, tax and M&A costs) of \$269.0 million (FY20: \$218.4 million), representing a conversion rate from underlying EBITDA of 108% (1H21 80%).

Capital expenditure for property, plant and equipment for the year totalled \$296 million, including \$143 million of sustaining capex. FY21 capex was above the previous forecast of \$230 million provided at the half year due to capex associated with new contract awards secured in the second half of the year, including Gwalia, Dawson and Julius.

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Macmahon's balance sheet remains strong, with gearing of 19.3% (including AASB 16 Leases) and Net Debt to EBITDA of 0.5x. Cash on hand was \$182.1 million with net debt of \$130.3 million at 30 June 2021.

In December 2020, Macmahon extended and increased its \$75.0 million bank debt facility into an enhanced \$170.0 million facility that expires in July 2023. At 30 June 2021, \$60.0 million was drawn down and \$4.4 million utilised for bank guarantees.

As at 30 June 2021, cash and unutilised working capital facilities totalled \$287.7 million (30 June 2020: \$197.9 million). In August, the Company also executed a new syndicated asset finance facility of \$145 million, which provides additional funding capacity.

Dividends

The Board has declared a final dividend of 0.35 cents per share for the year ended 30 June 2021, bringing the total FY21 dividend payment up 8% to 0.65 cents per share (FY20: 0.60 cents per share). The total dividend represents a payout ratio of 18%, consistent with the Company's current dividend policy payout range of 10 - 25% of underlying EPS.

The final dividend will be partially franked (20%), have a record date of 8 October 2021, and will be paid to shareholders on 22 October 2021.

FY22 Guidance and Outlook

Macmahon expects to continue its positive momentum into FY22 with revenue growing to between \$1.4 – \$1.5 billion and EBIT(A) of \$95 – \$105 million⁶. The Company is pleased to report that \$1.3bn of FY22 revenue is already secured⁷.

FY22 capex is forecast to be approximately \$270 million, of which \$130 million is sustaining (and extension) capex. Growth capex of \$140 million supports recent contract awards, as outlined above, underpinning expected earnings growth out to FY23 and positions Macmahon to achieve its financial return targets (EBITDA margin 20%; EBIT margin 8%, ROACE⁹ 15%) over the next few years.

In addition, Macmahon's positive medium-term outlook is supported by a strong order book of \$5.0 billion at 30 June 2021 and \$7.1 billion tender pipeline.

Batu Hijau Phase 8 Project

Macmahon continues with the finalisation of the commercial model for a further cut back at the Batu Hijau copper-gold project with AMNT ('Phase 8'), which is expected to extend the current mining activities by another 6 years from 2022 to 2028. Subject to finalisation, the new Batu Hijau model is expected to improve working capital, tax efficiency and reduce forex exposure.

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Commentary

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

"We are pleased to report that Macmahon continues to deliver on its strategy to grow and diversify the business despite recent industry challenges. The FY21 result marks the fourth consecutive year we have achieved our earnings guidance and demonstrates the resilience of the business.

Notwithstanding the labour pressures in Australia, we are pleased that we have been able to start five new projects during the year and look forward to commencing a further two new projects in early 2022.

The new awards our team have secured during FY21 provide us with a strong order book and earnings visibility for FY22 and FY23. Importantly, this additional work also aligns with key elements of our strategy to add scale in our underground business and expand our civil presence into Western Australia.

For FY22, we remain focused on the safe and profitable delivery of our contracted work in hand, advancing our technology platform, and the continued expansion of our service offering across the mining value chain."

***** ENDS *****

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

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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 one-off items. A reconciliation of Non-IFRS financial information is contained on slide 30 of the Company's full year results presentation.*
- 2. Underlying EBIT(A) is earnings before interest and tax from continuing operations and excludes various one-off items. A reconciliation of Non-IFRS financial information is contained on slide 30 of the Company's full year results presentation.*
- 3. Net operating cash flow excluding interest and tax and M&A costs.*
- 4. Gearing = Net Debt / (Net Debt + Equity)*
- 5. As at 30 June 2021; excludes Batu Hijau Phase 8 (preferred), Warrawoona (preferred), Telfer extension, Tropicana extension, short term civil and underground churn work*
- 6. Guidance assumes an exchange rate of AUD:USD 0.75 and excludes one-off items and amortisation related to the GBF acquisition.*
- 7. Secured revenue excludes Warrawoona (preferred) and excludes short-term civil and underground churn.*
- 8. Operational changes relating to COVID-19 have restricted control of these items, meaning revenue and costs have not been recorded, consistent with the application of accounting standard AASB 15. As there is no margin associated with these consumable items, earnings have not been impacted.*
- 9. Return on Average Capital Employed = Underlying EBIT(A) / Average (Total Assets – Current Liabilities).*