

ASX ANNOUNCEMENT

24 February 2020

Macmahon reports strong result, upgrades FY20 guidance

- Revenue of \$686.7m, up 27% (1H19: \$542.2m)
- Underlying EBITDA¹ of \$114.0m, up 28% (1H19: \$89.1m)
- Underlying EBIT(A)² of \$44.1m, up 11% (1H19: \$39.9m)
- Statutory Net Profit After Tax of \$28.7m, up 22% (1H19: \$23.6m)
- Operating cash flow³ of \$90.7m, up 162% (1H19: \$34.6m)
- Gearing⁴ at 18.6%
- Interim dividend – 0.25cps (30% franked)
- Order book of \$4.5bn⁵ and tender pipeline of over \$7bn
- FY20 guidance⁶ increased:
 - Revenue \$1.3bn – \$1.4bn (from \$1.2bn - \$1.3bn)
 - EBIT(A) \$85m – \$95m (from \$80m to \$90m)

Macmahon Holdings Limited (ASX:MAH) (**‘Macmahon’** or **‘the Company’**) has delivered another strong result for the six months ended 31 December 2019 as it continues to deliver on its long-term order book.

Revenue grew by 27% over the prior corresponding period to \$686.7 million, driven by increased activity across the Company’s projects in Australia and Indonesia, the 5-month contribution of the recently acquired underground contractor GBF Group, and successful ramp up at the Boston Shaker project.

Underlying EBITDA increased by 28% to \$114.0 million and underlying EBIT(A) increased to \$44.1 million, which flowed through to a 22% improvement in Statutory Net Profit After Tax of \$28.7 million (1H19: \$23.6 million).

Cash Flow, Balance Sheet and Dividends

The Company’s focus on working capital management led to a significant improvement in cash conversion during the period. Macmahon generated operating cash flow (excluding interest, tax and M&A costs) of \$90.7 million, representing a conversion rate from underlying EBITDA of 79.5%. Macmahon expects further improvement in cash conversion in the second half of FY20 in line with its full year target of 85%.

Capex over the period was \$69.9 million. For the full year, capex is expected to increase from \$110m to \$155 million to support the growth of existing and new contracts, and the adoption of mining technologies such as automated drills.

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 27 of the Company’s half 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. Includes Silver Lake LOI
6. Guidance assumes an exchange rate of AUD:USD 0.70 and excludes one-off items and amortisation related to the GBF acquisition.



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Macmahon maintained its robust balance sheet position, with gearing of 18.6%, cash on hand of \$114.2 million, and net debt of \$106.8 million at 31 December 2019. In addition, 60% of the Company's property, plant and equipment is subject to put and call options and/or used in life of mine contracts.

Reflecting the Company's strong balance sheet, earnings, and cash generation, the Board has elected to declare an interim dividend of 0.25 cents per share for the half year ended 31 December 2019. This follows the final dividend of 0.5 cents per share for the full year ended 30 June 2019.

The interim dividend will be partially franked (30%), have a record date of 17 March 2020, and will be paid to shareholders on 2 April 2020.

Full Year Outlook

Given the Company's strong first half result and the work already in hand for the second half, Macmahon has upgraded its full year FY20 guidance. Revenue is now expected to be \$1.3 – \$1.4 billion (up from \$1.2 – \$1.3 billion), and EBIT(A) is now expected to be \$85 – \$95 million⁶ (up from \$80 - \$90 million).

Commentary

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

"Macmahon has produced a strong first half result and I am pleased to be able to upgrade our guidance for the full year.

The first half was an important period for the business with the completion of the GBF acquisition, the appointment of two new non-executive directors, and the resolution of the Telfer dispute. Pleasingly, the integration of GBF is progressing to plan, and we are now capitalising on the opportunities in that business as seen in our recent announcement about the extension and expansion of contracts with Silver Lake Resources.

Our focus will continue to be on optimising the safe delivery of our order book and converting more of the opportunities in our tender pipeline. This will be supported by our continued investment in people, mining technology and ongoing digital transformation. Our GBF acquisition will also assist in making Macmahon a more diverse and less capital intensive business, with greater scale in the underground market.

With a workforce of more than 7,000 people (including contractors), a solid balance sheet, significant order book of \$4.5 billion and tender pipeline of over \$7 billion, we are well positioned for further growth."

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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.