

ASX / MEDIA ANNOUNCEMENT
24 February 2021

DECMIL RETURNS TO PROFITABILITY IN 1H FY21

- EBITDA \$5.6 million (1H FY20: \$19.9 million loss from continuing operations)
- NPAT \$0.6 million (1H FY20: \$31.4 million loss from continuing operations)
- Positive operating cash flow of \$11.9 million (1H FY20: \$36.3 million operating cash outflow)
- Revenue of \$165.1 million (1H FY20: \$236.9 million from continuing operations), with stronger revenue anticipated in 2H FY21
- Strong result underpinned by renewed strategy to target contracts with blue chip clients within Decmil's areas of core expertise
- Work in hand of ~\$600 million as at 31 December 2020 expected to expand during 2H FY21, as government spending on infrastructure development continues strong momentum
- Healthy cash position of \$29.7 million at 31 December 2020
- Agreements reached with NAB and surety bond providers to provide working capital and surety bonding support into 2021
- Construction market outlook continues to be strong on the back of Government stimulus and high commodity prices – Decmil's core sectors have upwards of \$7 billion of potential projects to underpin long-term growth

Decmil Group Limited (ASX: DCG) ("Decmil" or "Company") is pleased to release its interim financial results for the six-month period ended 31 December 2020 (1H FY21), which demonstrate a return to profitability for the Company.

The Company progressed its business revitalisation strategy during 1H FY21, returning to profitability and positive operating cash flows earlier than anticipated following the implementation of its revitalisation strategy in May 2020 (refer ASX announcement dated 25 August 2020). During 1H FY21, the Company delivered positive earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.6 million and net profit after tax (NPAT) of \$0.6 million, following a \$31.4 million loss from continuing operations in 1H FY20.

Importantly, Decmil has bolstered its balance sheet, with a strong working capital position of \$37.2 million to continue this positive momentum by delivering on projects and securing new work. Decmil has been awarded new projects worth \$186 million in the 6 months to 31 December 2020. This includes new projects with Main Roads WA, Iron Bridge Operations, Rio Tinto and GPG.

Commenting on the 1H FY21 result, Decmil Chief Executive Officer Dickie Dique said:

"The Company has successfully navigated several key operational and financial obstacles and emerged in an increasingly improved position as the first half of the 2021 fiscal year progressed.

"Decmil's business structure has been streamlined, our focus on prudent capital management has increased, and we are successfully securing lower risk contracts from blue chip clients.

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"This has enabled us to beat our own expectations and achieve a period of profitability in FY21.

"Crucially, we have also reaffirmed our F150+ accreditation, which in conjunction with a reinforced working capital position will drive our ability to target the burgeoning tender pipeline of infrastructure works from the Federal and State Governments of over \$7 billion within the Company's core capabilities."

Financial Performance & Position

Revenue of \$165.1 million for the 6 months ended December 2020 was 30% below the previous corresponding period from continuing operations. The lower revenue figure was driven by a subnormal order book as a result of the financial challenges of FY20. The order book has since improved significantly.

Despite a lower revenue figure, Decmil recorded positive earnings before interest, tax, depreciation and amortisation (EBITDA) of \$5.6 million (1H FY20: \$19.9 million EBITDA loss from continuing operations), reflecting delivery of significantly improved project margins and reduced overheads, which cascaded through to Decmil's net profit. Unapproved revenue at 31 December 2020 was less than \$1 million.

Decmil has reduced its debts substantially during the period, repaying the \$25 million term loan from National Australia Bank and reducing amounts owing to surety providers for called bonds from \$27 million at 30 June 2020 to \$16 million at 31 December 2020.

Even with Decmil paying down a significant portion of its existing debt, the Company maintained a healthy cash position at 31 December 2020 of \$29.7 million (\$43.9 million at 30 June 2020), and an expanded working capital position of \$37.2 million at 31 December 2020 (\$35.6 million at 30 June 2020).

Operations

Decmil delivered on existing contracts amid volatile macroeconomic conditions during 1H FY21 and secured new work having targeted lower risk projects with blue chip customers across a diverse range of sectors in Australia. Operational highlights for the 6 months ended 31 December 2021 include:

- Strong safety performance with no lost time injuries for the period and a total recordable injury frequency rate of 2.7;
- Continued successful navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects;
- Successful practical completion of the combined \$151 million Yandin and Warradarge Wind Farm balance of plant projects;
- Successful practical completion of the \$47 million Reid Highway Widening project;
- Award of a \$55 million contract for the design and construction of phase one of the Albany Ring Road and the design of phase two works for the Western Australian Government. Works for phase one commenced on site in September 2020, with optioneering for next phase of the project ongoing in partnership with Main Roads Western Australia;
- Award of a \$41 million contract to undertake non-mining process infrastructure works at the Iron Bridge Magnetite Project for Iron Bridge Operations in the Pilbara region of Western Australia with site works commencing in October 2020;
- Award of \$39 million of non-process infrastructure works at the Mesa A and Mesa J iron ore mines in the Pilbara region of Western Australia for Rio Tinto. Both projects are in design phase with commencement on site early 2021;
- Continued successful delivery of the \$400 million Mordialloc Freeway project for MRPV with JV partner McConnell Dowell which is over 50% complete and ahead of schedule;

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- The award of a \$51 million contract for balance of plant works at the Ryan Corner Windfarm for GPG in Victoria;
- Appointed as Preferred Proponent by Rail Projects Victoria to deliver the Gippsland Line Upgrade with partners UGL and Arup as part of the VicConnect Alliance;
- Approved by Major Road Projects Victoria as P3 Panelist (\$25 to \$150 million projects) under the new Program Delivery Approach (PDA) model recognising Decmil's capability, capacity, past performance and ability to deliver value-for-money solutions;
- Successful practical completion of the Warrego Highway Upgrade project for the Queensland Department of Transport and Main Roads (TMR);
- Successful practical completion of \$40 million of accommodation infrastructure for the Carmichael Rail Network project leading to award of additional accommodation infrastructure variation works;
- Reaffirmed its F150+ accreditation;
- R1 registration achieved for Sunraysia Solar Farm in December 2020 with commissioning underway; and
- The \$11 million Bruce Highway 10E Calliope to Mt Alma contract for the Queensland Department of Transport and Main Roads (TMR) progressing well ahead of contract completion program.

COVID-19

Decmil has experienced a limited operational impact from COVID-19, with work across all projects proceeding relatively smoothly and materials being locally sourced as far as practical. Decmil has implemented robust procedures to mitigate the risk of a COVID-19 outbreak, including social distancing measures at its worksites, which will continue to be monitored closely.

While the Company successfully navigated COVID-19 obstacles during 1H FY21, the situation remains dynamic and there remains a possibility for disruptions to operations in 2H FY21. Decmil will continue to proactively manage the COVID-19 situation and continue to inform the market of any updates.

The tendering progress on some Government projects is continuing to take longer than expected, as the focus of governments is directed to managing immediate COVID-19 issues, which is causing a delay in some contract awards.

Disputed Contracts Update

Disputed contracts continue to be systematically resolved, with the current status of outstanding disputes summarised below.

Department of Corrections, New Zealand

Decmil has now been assigned the claim against Department of Corrections by the liquidator of Decmil Construction NZ Limited ("Decmil NZ") and will represent itself and Decmil NZ (currently in liquidation) in the arbitration proceedings with Department of Corrections. The arbitration process has now commenced.

Sunraysia

In December 2020, Decmil received confirmation that the Sunraysia Solar Farm had obtained R1 connection registration, which was the requirement for the project to enter its commissioning phase. Following registration, the commissioning process has commenced and is currently underway.

Southern Cross Electrical Engineering

Arbitration proceedings are continuing.

Strategy and Outlook

The business will maintain its renewed focus on targeting lower risk projects with blue chip customers across the infrastructure, resources, energy and construction sectors. These sectors continue to have a strong pipeline of upcoming work.

Decmil anticipates that the strong momentum experienced in 1H FY21 will continue into the second half of the fiscal year, with a robust order book of ~\$600 million at 31 December 2020 contracted and preferred; phase one of the Albany Ring Road contract proceeding; and the Company receiving preferred tenderer status as part of a consortium for the Gippsland Rail Line Upgrade project in Victoria.

To stimulate the economy during COVID-19 and beyond, the Federal Government has earmarked \$100 billion of investment in infrastructure over 10 years from FY20 and \$235 billion of investment was budgeted over the first four years from State Government programs, with NSW (\$93 billion) and Victoria (\$54 billion) having the biggest pipelines of infrastructure projects.

Decmil reaffirmed its F150+ accreditation during 1H FY21. F150+ accreditation enables the Company to tender for work on government transport infrastructure projects in Australia worth more than \$150 million, facilitating the Company to tender on an approximately \$7 billion pipeline of contracts within its core capabilities.

Decmil also agreed a strategic partnership with Avid Resources which facilitates Decmil's participation in additional project opportunities in Western Australia in the government infrastructure and resources sectors. In addition, Decmil received prequalification for the Western Australian Department of Finance's Prequalification Scheme for Level 5 complex structures up to \$50 million.

This ASX release was authorised by the Board of Decmil Group Limited.

About Decmil

Decmil Group Limited (DGL) offers a diversified range of services to the Australian resources and infrastructure industries. Companies within the group specialise in engineering and construction; accommodation services; and maintenance. Listed on the Australian Securities Exchange (ASX Code: DCG), Decmil's goal is to maximise returns from our operations to deliver value to our shareholders, clients and other stakeholders.

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