30 August 2022

ASX Announcement

Metarock Group Limited Full Year 2022 Results

Metarock Group Limited (ASX Code: MYE) ("Metarock" or "the Company") is pleased to announce its results for Full Year 2022.

Key highlights of the FY2022 result are:

- Delivering a diversified Mining Services business specialising in Underground operations.
- Organisational Safety Review completed validates the good intent, commitment and energy for health and safety throughout the organisation in response to two fatal safety incidents during the year.
- Significant financial investment in transforming the business through commodity diversification, long term operations contracts and the capability of people which will deliver in FY2023 and beyond.
- Executed the Company's second Mine Operations Contract with QCoal Group, at the Cook Colliery, totalling $280 million of Revenue over 4 years (with an option for an additional 2 years).
- Revenue of $452.7 million, at top end of guidance and a 94.2% increase compared to FY2021.
- FY2022 statutory net loss after tax of $12.6 million (FY2021: net profit after tax of $5.9 million) due to Crinum drift recovery expenses of $18.6 million incurred in the current financial year.
- Statutory EBITDA for FY2022 of $17.5 million, a 22% decrease on PCP due to the impact of Crinum costs.
- Normalised EBITDA margin of 8.5% and normalised EBITDA of $38.6 million within guidance range.
- Cash position at year-end of $5.2 million, which was impacted by the Crinum recovery costs, delayed commencement of coal production at Crinum and cash consideration paid for the acquisition of PYBAR.
- Strong Order Book currently stands at $1.9 billion, with 82% of FY2023 revenue under contract or recurring purchase order works.

During FY2022, the Group has transformed into a leading Australian diversified underground mining services group through the completion of the acquisition of PYBAR Holdings Pty Limited (PYBAR) to complement the existing coal contracting and growing coal operations businesses.

The Mastermyne and PYBAR brands have a rich history and a respected presence, which together create a highly specialised large-scale mining services group. The Group has a significantly larger addressable underground market across a broad range of commodities which also brings resilience through the mining cycles.

In addition to the PYBAR acquisition, the Mine Operations business is transforming the business despite some early setbacks. The business was expanded with the award of a second mine operations contract, a 4 year contract (with a 2 year option) with QCoal Group at the Cook Colliery in Queensland. The Mine Operations division, where Metarock operates mines in its own right on behalf of mine owners, delivers long term, recurring revenue and increases margins across the business.

Metarock Managing Director, Tony Caruso said "the business was deeply saddened during the year with two fatalities occurring at its operations, the first at Crinum and the second at Moranbah North underground mines. This has had a profound impact on the business and our people as well as our FY2022 financial results. We remain focused on executing our transformational strategy by capitalising on the significant investment we have made in Mine Operations and the PYBAR acquisition to deliver significantly greater returns to shareholders in the coming years".

Operations Update

The Group has nearly doubled its revenue in FY2022 to $452.7 million, from $233.1 million in FY2021, as a result of the financial investment made in transforming the business. This investment and diversification will deliver further revenue and earnings growth in FY2023 and beyond.

The Crinum incident impacted the Group results materially in FY2022 with a significant delay in the production timeline impacting expected production margins in FY2022 and the ongoing associated drift recovery costs of $18.6 million which have been fully expensed in FY2022. The mine drift recovery and early works is nearing completion, however Metarock and the client have agreed to slow the mine commencement schedule to minimise costs under an interim arrangement for the remainder of FY23 and allow additional time to set up the operations and deliver the required mining equipment. The Company is also in discussions with various parties to bring forward approximately $30 million of Crinum capital recovery in 1H FY2023 to reduce current debt balances and bring the gearing ratio towards target levels.

PYBAR had a difficult start to the combined Group following acquisition with material increases in input costs, especially labour, impacting margins on fixed price contracts. In addition, a major project demobilised unexpectedly around the time of the acquisition

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resulting in lost EBITDA of $7 million on an annual basis. These challenges are being managed and increased scope from a number of existing clients is offsetting some of the EBITDA contract losses experienced in FY2022.

These factors have resulted in a statutory net loss after tax of $12.6 million in FY2022 compared to a net profit after tax of $5.9 million in FY2021.

On a normalised basis, EBITDA was $38.6 million, within the guidance range of $37 million to $43 million, and the normalised EBITDA margin was 8.5%. Normalised NPATA for FY2022 was $6.9 million compared to $6.3 million in FY2021.

The below table outlines a reconciliation of Statutory Results to Normalised Results (adjusting for the Crinum drift recovery costs, one-off PYBAR acquisition costs and legal costs related to safety incidents incurred during FY2022).

	Statutory Results FY2022 $'000	Crinum Impact[1] $'000	One-off Costs[2] $'000	Normalised Results FY2022 $'000	Statutory Results FY2021 $'000	Movement %
Revenue from customer contracts	452,698	-	-	**452,698**	233,067	94.2%
EBITDA	17,499	18,554	2,538	**38,591**	22,277	73.2%
Depreciation	(28,536)	-	-	**(28,536)**	(12,172)	134.4%
EBITA	(11,037)	18,554	2,538	**10,055**	10,105	(.5)%
Amortisation	(4,298)	-	-	**(4,298)**	(375)	1,046.1%
Net finance costs	(4,022)	-	-	**(4,022)**	(1,051)	282.7%
Profit/(loss) before tax	(19,357)	18,554	2,538	**1,735**	8,679	(80.0)%
Income tax (expense)/benefit	6,801	(5,566)	(354)	**881**	(2,804)	131.4%
Net profit/(loss) after tax	(12,556)	12,988	2,184	**2,616**	5,875	(55.5)%
NPATA[3]	(8,258)	12,988	2,184	**6,914**	6,250	10.6%

Notes:
1 Crinum impact has been normalised for $18.6m drift recovery costs but has not been normalised for delayed Crinum production margin expected in FY2022
2 One-off costs include PYBAR acquisition costs and mine incident legal costs
3 NPATA is Net profit/(loss) after tax and before amortisation

Outlook

The Group has built a national footprint across a broad range of commodities, with increased exposure to emerging opportunities through 'new energy' materials. Exploration expenditure and metres drilled have climbed to decade highs and it is expected that Metarock's production focused business will benefit from significant future mine development activity.

The coal contracting division remains well positioned to deliver strong operating cash flow consistent with prior years. FY2023 revenue is underpinned by long term contracts and is well progressed on multi year extensions. Wilson Mining will continue to build market share whilst the coal contracting operations will maintain its dominant position with no material changes in the contractor landscape expected.

PYBAR contracting's FY2023 revenue is underpinned by existing contracts and the recent Malabar Coal win supports revenue growth in FY2023. PYBAR will continue to benefit from improved tendering and commercial contract management and integration to ensure strong governance and alignment of strategy.

The coal mine division will stabilise with a slow down at Crinum mine and deferral of capital to ensure the Group is better positioned to ramp up production from July 2023. The revenue and margin contribution from the Crinum contract remains unchanged but will push out to FY2024. The Cook Colliery operation will benefit from people and equipment redeployed from the Crinum project. The plan to bring forward approximately $30 million of capital recovery of Crinum equipment in 1H FY2023 will reduce debt levels and bring the gearing ratio of the Group back to target levels.

FY2023 Revenue is forecast at $600-$650 million (revised down from previous guidance due to delayed ramp up of the Crinum project), and FY2023 EBITDA at $50-$55 million.

Further information:

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