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ASX ANNOUNCEMENT

21 February 2023

Macmahon maintains growth in first half FY23

- **Contract delivery and focused cost management drive growth in 1H23**
  - **Revenue of $987.2m, up 22% (1H22: $809.7m)**
  - **Underlying EBITDA[1] of $149.3m, up 8% (1H22: $138.7m)**
  - **Underlying EBIT(A)[2] of $53.7m, up 14% (1H22: $46.9m), including adverse foreign exchange movement of $3.8m**
  - **Underlying NPAT[3] of $29.8m, down 6% (1H22: $31.7m)**
  - **Statutory Net Profit After Tax of $23.3m, up $20.0m (1H22: $3.3m),**
  - **Underlying Operating Cash Flow[4] of $105.5m, up 9% (1H22: $96.6m)**
- **Liquidity and balance sheet continue to support positive growth outlook**
  - **Net Debt/EBITDA of 0.83x and gearing[5] at 29.9%**
  - **Available liquidity of $271m including cash on hand of $196m**
- **Orderbook $5.6bn (FY22 $5.0bn) with strong tender pipeline of $10.0bn**
- **Interim dividend of 0.30cps unfranked (1H22: 0.30cps unfranked)**
- **FY23 guidance**
  - **Revenue $1.85bn - $1.95bn (increased by $250m primarily due to cost recoveries)**
  - **Underlying EBIT(A) of $105m - $125m (unchanged)**

Macmahon Holdings Limited (ASX: MAH) (‘**Macmahon’** or ‘the **Company’**) has delivered another period of growth and solid operational performance in the first half of FY23 as it continues to execute on its client order book and effectively manage persisting industry wide cost and people resourcing challenges.

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

“Macmahon has started FY23 on a strong footing with continued growth as we ramped up work on contract wins from last year and focused on orderbook delivery. We have grown our workforce in a demanding environment and have been working with our clients to effectively manage cost pressures.

“We were recently awarded $1.1 billion of new work for the Greenbushes lithium project, which delivers on Macmahon’s strategy to diversify into future facing / battery minerals. This was amongst other contact extensions and short-term work.

“We expect this positive momentum to continue into the second half with stronger earnings and operating cashflow performance relative to the first half.

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We are also pleased to announce agreement of terms on the Batu Hijau Phase 8 extension, subject to Macmahon shareholder approval. The simplified contract will provide a guaranteed return on capital for our investment and an opportunity to earn half yearly management fees on meeting project KPI's. Operating margins will improve under phase 8 with the elimination of zero margin pass through costs.

"Macmahon is well placed for a strong second half performance and will continue to effectively manage our capital position, our people requirements, and our costs. We will work with our clients to deliver their projects safely and efficiently as we execute our strategy."

Financial Performance

Revenue grew by 22% over the prior corresponding period to $987.2 million driven by activity across the group. As in prior periods, revenue included Batu Hijau cost recoveries and inflation driven cost recoveries in accordance with contract provisions.

Underlying EBITDA increased by 8% to $149.3 million with the commencement of new projects in 2H22 which have ramped up. The EBITDA margin of 15.1% (1H22 17.1%) reflected zero margin cost recoveries included in revenue both at Batu Hijau operations and from cost escalations across other projects.

Underlying EBIT(A) was up 14% to $53.7 million (net of a $3.8 million FX loss), at a margin of 5.4%, also reflecting zero margin cost recoveries. The $3.8 million FX loss was largely driven by the impact of the weaker Indonesian Rupiah on cash and receivables in country. This was partially offset by higher revenue with the depreciation of the Australian dollar to the US dollar.

Statutory NPAT increased to $23.3 million compared to $3.3 million in 1H22, however, underlying NPAT(A) decreased to $29.8 million compared to $31.7 million in 1H22.

Underlying operating cash flow generation was $105.5 million (1H22 $96.6 million) representing an underlying EBITDA conversion rate of 71%. As with the previous year, cash conversion was impacted by higher working capital due to some trade receivables being collected in early January. Operating cashflow generation is expected to be stronger in the second half, as was the case in previous years.

Capital expenditure ("capex") for the first half was $100.7 million, significantly lower than the $152.7 million in 1H22 and comprised primarily of sustaining capex.

Net Debt/EBITDA of 0.83x and gearing of 29.9% reflect the higher working capital in the half and remain within our targets of below 1.0x and 30%, respectively. The stronger operating cashflow expected in the second half should see these metrics reduce at the full year. The balance sheet remains in a strong position to support the Company's growth outlook with cash on hand of $196 million and cash plus available committed banking facilities of $271 million.

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Dividends

The Board has declared an interim dividend of 0.30 cents per share for the half year (1H22: 0.30 cents per share). This represents a 21% payout ratio which is in line with the Company's current dividend policy payout range of 10% - 25% of underlying NPAT. The interim dividend will be unfranked, has a record date of 17 March 2023 and will be paid on 6th April 2023.

FY22 Full Year Guidance[6] and Outlook

Macmahon expects second half performance to be stronger than its first half and maintains its underlying EBIT(A) guidance of $105 million – $125 million[7].

Revenue guidance has been increased to a range of $1.85 billion to $1.95 billion (previously $1.6 billion - $1.7 billion) primarily due to higher cost recoveries and the timing and finalisation of the Batu Hijau Phase 8 contract.

The order book remains robust at $5.6[8] billion of work in hand as at 31 December 2022 (30 June 2022: $5.0 billion) with executed and secured revenue for FY23 of around $1.8 billion (excluding short term churn work) underpinning the Company's full year revenue target.

The demand outlook remains positive with the tender pipeline increased to $10.0 billion (30 June 2022: $8.7 billion), and the primary focus remaining on effective people and capital management. Macmahon has demonstrated it is managing these challenges well and remains well positioned to continue its profitable growth momentum.

***** ENDS *****

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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 respectful 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, share based payments, SaaS write off and M&A costs. A reconciliation of non-IFRS financial information is contained on slide 27 of the Company's half year results presentation.
2. Underlying EBIT(A) is earnings before interest and tax from continuing operations, share based payments, M&A costs, SaaS write off costs and amortisation of customer contracts.
3. Underlying NPAT is Net Profit After Tax excluding share based payments, M&A costs, SaaS write off costs and amortisation of customer contracts.
4. Net operating cash flow excluding interest and tax, SaaS write off costs and M&A costs
5. Gearing = Net Debt / (Net Debt + Equity)
6. Guidance excludes one-off items including SaaS write off expenses and amortisation related to customer contracts on acquisition.
7. Underlying EBIT(A) guidance is earnings before interest and tax from continuing operations, share based payments, M&A costs, SaaS write off costs, amortisation of customer contracts and other non-recurring one-off costs.
8. As at 31 December 2022 and includes Greenbushes. Excludes reduction for Batu Hijau Phase 8 (approximately US$500 million at 0.72USD) removal of pass through cost recoveries that do not impact earnings