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ASX ANNOUNCEMENT

20 February 2024

Macmahon delivers earnings growth in first half FY24

- **Strong operating earnings growth in 1H24:**
  - **Revenue of \$966.3m (1H23: \$987.2m or \$837.2m excl. BH7 pass through)**
  - **Underlying EBITDA[1] of \$176.0m, up 17.9% (1H23: \$149.3m)**
  - **Underlying EBIT(A)[2] of \$68.1m, up 26.9% (1H23: \$53.7m)**
  - **Underlying NPAT(A)[9] of \$39.7m, up 33.6% (1H23: \$29.7m)**
  - **Statutory Net Profit After Tax of \$36.5m, up 56.7% (1H23: \$23.3m)**
  - **Underlying operating cash flow[3] of \$138.2m, up 31.0% (1H23: \$105.5m)**
- **Robust liquidity and balance sheet capacity to support strategic execution:**
  - **Net debt of \$212.4m**
  - **Gearing[4] at 25.1% and Net Debt/EBITDA of 0.63x**
  - **Available liquidity at 31 December 2023 of \$264m (cash on hand: \$200m)**
- **Order book \$4.4bn[5] (FY23: \$5.1bn) with tender pipeline of \$11.6bn**
- **Interim dividend increased to 0.45cps unfranked (1H23: 0.30cps unfranked)**
- **FY24 guidance[6]:**
  - **\$1.8bn[7] of FY24 revenue secured**
  - **Revenue of \$1.8bn to \$1.9bn[10] (previous range \$1.7bn – \$1.8bn[10])**
  - **Underlying EBIT(A)[2] of \$130m – \$140m (unchanged)**

Macmahon Holdings Limited (ASX: MAH) (‘**Macmahon’** or ‘the **Company’**) is pleased to deliver a solid half year result with strong earnings growth, margin improvement and Underlying Operating Cash Flow for the half-year ended 31 December 2023 (1H24).

Macmahon’s Chief Executive Officer and Managing Director, Michael Finnegan said:

“We are very pleased with the Company’s solid start to FY24 which has seen the delivery of operational improvements for our clients and earnings growth on the back of \$2.6 billion in contract wins secured in the last financial year. In the first half we have focused on safe and efficient orderbook delivery, including the successful commencement of the Greenbushes Lithium Project, which is now nearing steady state.

“The disciplined execution of our capital light strategy and driving further operational efficiencies remain priorities, and are expected to improve Underlying EBIT(A) margin and ROACE, increase free cashflow generation and reduce net debt in the second half.

“The recent acquisition of key Pit N Portal contracts and assets is consistent with this strategy and brings additional capability to our growing underground business. I am pleased to welcome the employees who have joined our team. They are an important addition to our

workforce in a tight labour market, and will help facilitate the conversion of our significant underground opportunity pipeline into new work.

"The transaction also involved the execution of a strategic rental partnership with Emeco to support our capital light strategy across the broader business, facilitating growth and free cash flow generation. We are continually assessing ways to re-allocate capital from high to low capital intensive opportunities to drive up our return on average capital employed and this is a great example of the team executing on this.

"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. Most importantly, we will work with our clients to deliver their projects safely and efficiently.

Financial Performance

Revenue decreased by 2.1% to $966.3 million (1H23: $987.2 million) following the commencement of Batu Hijau Phase 8 in April 2023, which saw the removal of Batu Hijau Phase 7 cost recovery revenue that contributed $150 million in 1H23. On a like for like basis (excluding cost recovery in 1H23), revenue was up around 15%.

Underlying EBITDA[1] increased by 17.9% to $176.0 million and Underlying EBIT(A)[2] increased by 26.9% to $68.1 million, supported by the addition of Greenbushes and growth in existing projects. The Company also generated improved operating margins with an Underlying EBITDA[1] margin at 18.2% (1H23: 15.1%) and Underlying EBIT(A)[2] margin at 7.1% (1H23: 5.4%), nearing Macmahon's strategic target of 8%. Further operational improvements and recent project commencements reaching steady state are expected to see the Company achieve its strategic target margins in the near term.

Statutory Net Profit After Tax (NPAT) increased to $36.5 million (1H23: $23.3 million), with Underlying 1H24 NPAT(A)[9] up 33.6% to $39.7 million (1H23: $29.8 million) after various adjusting for costs primarily related to SaaS customisation and share based expenses.

Cash Flow and Balance Sheet

Macmahon generated increased Underlying Operating Cash Flow[3] (excluding interest, tax and various adjusting items), up 31.0% to $138.2 million (1H23: $105.5 million), representing an overall conversion rate from Underlying EBITDA of 78.6% (1H23: 70.6%). Cash conversion was impacted by the timing of receipts of certain receivables, VAT and increases in working capital for project ramp ups, and is expected to be higher over the full year period.

Capital expenditure for the first half was in line with expectations at $128.5 million, including $80.1 million sustaining, $31.4 million growth, which primarily related to the Greenbushes lithium project, and $17.0 million related to tyres. Underlying Return on Average Capital Employed (ROACE[8]) was higher at 15.5% (1H23: 13.3%) and exceeds our strategic target of 15% which will now shift to 20% in line with the capital light strategy. Return on Equity[12] (ROE) was 12.5% (1H23: 11.6%).

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Free cash flow[11] generation was ($0.8) million after all capital expenditure, financing costs and other investing activities. After dividend payments in the half, net debt was $212.4 million at 31 December 2023. Gearing was 25.1% (including AASB 16 Leases) as at 31 December 2023 with higher working capital resulting in slightly lower cash at the end of the half. Net Debt to EBITDA was 0.63x. Both Gearing and Net Debt/EBITDA remain within the Company's internal guide rails of below 30% and 1.0x, respectively.

Stronger operating cashflow is expected in the second half which should see these metrics improve at the full year, in line with expectations.

The balance sheet remains in a strong position with cash and unutilised bank facilities totalling $264 million (includes cash on hand of $200 million). In July 2023, the Company added a new $50 million tranche to the existing $200 million Syndicated Debt Facility as part of prudent capital management, that further improved liquidity and can be used for general corporate purposes. The new tranche matures in September 2026 in line with the existing bank facility.

Dividends

The Board has declared an increased interim dividend of 0.45 cents per share for the half year (1H23: 0.30 cents per share). This represents a 23.8% payout ratio which is in line with the Company's dividend policy payout range of 20% - 35% of Underlying NPAT. The interim dividend will be unfranked, has a record date of 21 March 2024, and will be paid on 11 April 2024.

FY24 Full Year Guidance and Outlook

Macmahon expects second half performance to be stronger with approximately $1.8 billion[7] of FY24 revenue already secured. FY24 guidance is for revenue of $1.8 billion to $1.9 billion (previous range $1.7 billion to $1.8 billion) and Underlying EBIT(A) of $130 million to $140 million (unchanged).

The FY24 capital expenditure forecast of approximately $203.0 million (excluding tyres) remains unchanged.

The industry demand outlook remains positive despite recent volatility in some metal prices, with significant on-going activity across the mining and resources sector reflected in our highly filtered tender pipeline of $11.6 billion and solid order book of $4.4 billion. Macmahon has an established track record of successful tender pipeline conversion, and we expect this to continue to build work in hand. Whilst recent economic indicators suggest a moderating inflation outlook, management continues to monitor and manage business inflationary pressures and a tight labour market across Australia.

Our pipeline and orderbook provide a strong foundation for executing our capital light strategy, which will see continued growth in the underground and civil infrastructure businesses and the pursuance of lower capital intensity surface mining projects.

***** ENDS *****

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This announcement was authorised for release by the CEO and Managing Director.

For further information, please contact:

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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 partnerships 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 adjusting items. A reconciliation of Non-IFRS financial information is contained on slide 28 of the Company's Half Year Results Presentation*
2. *Underlying EBIT(A) is earnings before interest and tax from continuing operations and excludes various adjusting items. A reconciliation of Non-IFRS financial information is contained on slide 28 of the Company's Half Year Results Presentation*
3. *Net Underlying Operating Cash Flow excluding interest and tax and various adjusting cash costs*
4. *Gearing = Net Debt / (Net Debt + Equity)*
5. *As at 31 December 2023; excludes short term civil and underground churn work and does not take into account future contract cost escalation recoveries*
6. *Guidance assumes an exchange rate of AUD:USD 0.70 and excludes various adjusting items*
7. *Secured revenue excludes short-term civil and underground churn and does not take into account future contract cost escalation recoveries*
8. *Return on Average Capital Employed = Underlying EBIT(A) / Average ((Total Assets excluding Cash) – (Current Liabilities excluding Debt))*
9. *Underlying NPAT(A) is earnings after interest and tax from continuing operations and excludes various adjusting items*
10. *Revenue guidance does not take into account future contract cost escalation recoveries*
11. *Free cash flow = Underlying Operating Cash Flow * EBITDA cash conversion less capital expenditure plus proceeds from PPE disposal less interest and tax paid/(received)*
12. *Return on Equity = Underlying annualised NPAT (A) / Average Equity*