

ASX ANNOUNCEMENT

22 October 2021

2021 Annual General Meeting – Address to Shareholders

Non-Executive Chair: Eva Skira

Overview

I am pleased to say that Macmahon's business performed very well again in 2021, delivering on earnings guidance for the fourth consecutive year.

This is another excellent result and follows the company's strong performance last financial year. The business continues to demonstrate resilience during an extended period of uncertainty and volatility in many sectors of the economy. This has been guided by our strategy to build a diversified and scalable mining services business, where we have made significant progress.

Twelve months from our last AGM the impact of the COVID-19 pandemic continues to be a global challenge, and is likely to remain so in the foreseeable future. Importantly, the mining and mining services industry has demonstrated its ability to adapt swiftly and protect the wellbeing of its people and the broader communities in which it operates. We will continue to carefully implement risk management measures to protect our workforce and stakeholders, and safeguard business continuity. Having said that, border restrictions to contain COVID-19 have stretched the labour market across the industry and our key focus remains on the recruitment, training, and retention of our people to ensure we continue to deliver for our clients and shareholders.

As always, our people's safety and wellbeing are at the core of how we do business and continues to be a critical focus area for Macmahon. It is with great sadness that we reported the passing of two employees during the year, Pak Abdul Hakim and Paul Martin, who tragically passed away whilst on site. Our thoughts continue to be with the family, friends, and colleagues impacted by these tragedies.

I would like to note the Western Australian Parliamentary inquiry into sexual harassment against women in the FIFO mining industry which commenced in July this year. Macmahon fully supports this inquiry. As an organisation we are committed to providing a safe and positive working environment for our people; an environment where harassment and bullying of any form will not be tolerated.

Sustainability

Macmahon is committed to building a sustainable business, through the consideration of social, ethical and environmental aspects in all that we do, as well as upholding high corporate governance standards. We continue to elevate ESG as a focus in the way we do business and were pleased to recently release a standalone Sustainability Report this year. This will continue to evolve as a part of our reporting regime and we look forward to reporting on our future progress.



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Board Changes

During the year we were pleased to welcome Denise McComish to our Board as an Independent Non-Executive Director. Denise adds diversity to the Board, bringing her extensive financial and commercial experience, including audit, reporting, assurance, M&A and sustainability. Effective from Wednesday, Denise takes on the role of Chair of the Audit & Risk Committee, in addition to becoming a member of the Remuneration Committee.

Denise replaces Vyril Vella who resigned from the Board, effective 20 October. I would like to take this opportunity to thank Vyril for his contribution to Macmahon over many years, since his first involvement with the company in 2007. Vyril has been an excellent director, a staunch supporter, and will be missed by everyone who worked with him at Macmahon. We wish Vyril a happy and healthy retirement and all the best for the future.

Dividends

In line with our capital allocation policy, the Board declared a final dividend for the 2021 financial year of 0.35 cents per share. This brought the total dividend for 2021 to 0.65 cents per share, which represents an 8% increase over the prior year. The total dividend represents a payout ratio of 18% of underlying net profit after tax which is in line with our current target payout ratio range of 10 to 25%.

Our capital allocation policy reflects the importance of paying dividends to our shareholders, balanced with the priority of retaining the financial flexibility to enable the continued execution of our growth strategy.

With over \$2 billion of new work secured during FY21, our order book remains strong and long dated. Coupled with a robust tender pipeline, this positions the business well for continued sustainable growth in the years ahead.

Closing

I would like to close by thanking on behalf of our Board, our CEO Mick Finnegan, the senior executive management team and all of our people for another outstanding contribution. The quality of our people gives me confidence that the business is in good hands to continue performing well into the future.

Finally, without the support of our shareholders, our business would not be possible. I would like to thank all our shareholders for your investment and ongoing support.

I will now hand over to Mick Finnegan for his CEO and Managing Director address.

Thank you.

Eva Skira
Non-Executive Chair



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CEO & Managing Director: Mick Finnegan

Thanks Eva and good morning everyone. Thanks for joining us today for our 2021 Annual General Meeting.

I would like to take this opportunity to thank you Eva, and the Board, for your continued support and confidence in our team. And I would also like to thank Vyril from the management team and myself personally. His courage, experience, and guidance has been invaluable to us all.

Can I start by saying how incredibly proud I am of the whole Macmahon team - to achieve a record financial result and progress against our strategic objectives in the current uncertain and challenging climate is particularly pleasing.

This reflects the underlying strength of the business and the tremendous team we have in place.

Financial Performance

I will begin with some comments on our financial performance for the year. As an overview, the business delivered on our market guidance for a fourth consecutive year. We achieved record earnings, excellent cash conversion, and maintained a solid balance sheet.

Reported revenue was \$1.35 billion for the year, which was down slightly from the prior period primarily due to the removal of non-cash revenue at Batu Hijau. Excluding this change, revenue grew approximately 6%. Underlying EBITDA was up 5% to a record \$250 million and underlying EBIT(A) was up 4% to \$95.2 million.

Cash conversion was again a highlight, with underlying operating cash flow of \$269 million, representing a conversion rate of 108% of underlying EBITDA.

The strong cash flow performance enabled us to increase our full year dividend payment to 0.65 cents per share, up 8% from the prior year.

Our Return on Average Capital Employed of 13.5% was slightly down on the prior year of 14.8% - due largely to new project starts in the second half of the year. Over the coming years we still expect to achieve our stated Return on Average Capital Employed target of 15% or better.

People and Safety

Before I provide some comments on people and safety, I also wish to acknowledge with great sadness the passing of two of our colleagues during the year.

Our people are very important to us and improving our safety performance is critical to our business and me personally. Our Total Recordable Injury Frequency Rate increased to 6.39

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during the year. We regard any increase as a cause for concern, which we are taking very seriously. We are targeting improvement in FY22, with a focus on improving the use and awareness of our proven safety system, workplace behaviours and culture, and situational awareness to ensure a safer workplace. Pleasingly, we are already seeing good progress in this area this financial year.

I would also like to reinforce the Chair's comment that sexual harassment is not condoned in our business. We will continue to work with our clients and remain committed to ensuring all our people feel safe and respected at work at all times.

The COVID-19 pandemic continued to provide a wide-range of challenges for Macmahon in 2021. Our teams are now well-versed in measures to best protect themselves and their colleagues from the virus which in turn will safeguard the continuity of our business as much as possible.

Despite our success to date in this area though - rest assured that we are not taking our fortunate position for granted and we remain as pro-active as possible in managing these potential risks.

Operational Highlights

A real highlight during the year was securing \$2 billion of new work for the business that aligns with key elements of our strategy. This has increased scale in our underground business and expanded our civil presence into Western Australia. These wins add materially to our order book and provide us with a high level of secured revenue for both FY22 and FY23.

We have commenced five of these new projects in the last 9 months, which include Warrawoona civil, Foxleigh, Gwalia, Strandline civil, and Dawson. In addition, we are currently focused on delivering the King of the Hills and Warrawoona mining projects which will commence in the second half of this financial year.

We know skilled labour is a challenge for our sector in Australia with various border restrictions still in place. Having said that, these new projects were spread geographically and through different activities which meant we were drawing on different talent pools – which did help. To further assist in managing the current skill shortage, we have continued to invest in training, development and retention programs, and importantly, we have worked with our clients to create deliverable ramp-up schedules.

Regarding the cost pressures evident in the current market, we are in a relatively fortunate position given the nature of our contracts. We have several alliance style contracts where costs and performance risks and opportunities are shared. The remaining contracts are schedule of rates structures, which have rise and fall provisions to capture movements in labour rates, parts, freight and oil pricing.

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Subsequent to the year end, we have continued our positive “work winning” momentum and added over \$800 million to our order book through the finalisation of the Warrawoona mining contract and the extension of the Tropicana and Telfer surface work.

Strategy

Although COVID-19 has impacted our business and industry in the short term, our strategy remains unchanged and is designed to deliver improved financial performance through modernising and diversifying our business.

We remain focused on optimising our current projects and winning strategically aligned new projects and expansions, which will enhance our group margins.

We continue to look to diversify and expand our service offering across the mining value chain, with a specific focus on lower capital services, such as civil contracting, engineering, and underground mining. An end-to-end suite of services strengthens the solutions we can offer our clients, increases returns and scalability of our business, and increases our addressable markets in our current jurisdictions.

We have made good progress on this over the last few years with our underground division growing to 22% of our revenue, with continued growth expected into FY22 following the award of strategically important contracts including Gwalia and King of the Hills. Supporting this is the successful GBF acquisition and we are pleased with the integration of this business with our own underground business unit. We expect the growth trajectory of the combined underground business units to continue. We are currently finalising the earnout payment for this acquisition and we expect to update the market in the near future once concluded.

We remain focused on modernising our offering and continue to implement new tools that are improving and differentiating our business. This will play an increasingly important part in our future as the mining industry moves towards centralised remote operation, digital mine operating systems, automation and alternative energy solutions.

Our longer-term objective is to continue to diversify the business by targeting a more even mix across our underground, surface and mining support businesses. This approach creates a less capital intensive and more scalable business that will support us in achieving and eventually exceeding our longer term stated financial targets of EBITDA margins of 20%, EBIT(A) margins of 8%, and Return on Average Capital Employed of 15%.

Outlook

Our focus for the remainder of the financial year remains on the safety and wellbeing of our workforce, managing our people and resource requirements as we continue to grow the business, finalising the Batu Hijau Phase 8 extension, continuing to progress our operational technology solutions, and further evolving our strategy to expand and diversify our earnings.



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We have demonstrated the quality of our team and the resilience of our business by maintaining our earnings growth over a number of years through unprecedented challenges.

I am excited by the business outlook that our amazing team of over 7,000 people have worked incredibly hard to create.

We are well positioned to continue growing into FY22 and beyond, with a strong order book of \$5 billion and over \$9 billion of opportunities now in the tender pipeline. Pleasingly, in line with our strategy, our pipeline is evolving to create a more diversified, scalable business, with more opportunities in underground and mining support services.

With that, I would like to reiterate our FY22 guidance of \$1.4 billion to \$1.5 billion in revenue, and underlying EBIT(A) in the range of \$95 million to \$105 million.

Closing

I would like to close by again thanking everyone in the Macmahon team for their ongoing commitment and significant contribution to the business. It is acknowledged and very much appreciated, particularly during these challenging times.

I wish to also extend my appreciation to our clients, and join the Chair in thanking our shareholders for their ongoing support.

I will now hand back to the Chair. Thank you.

Mick Finnegan
CEO & Managing Director

***** ENDS *****

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

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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.