
Decmil Group Limited

Half Year Results

31 December 2020



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1H FY21 GROUP SUMMARY

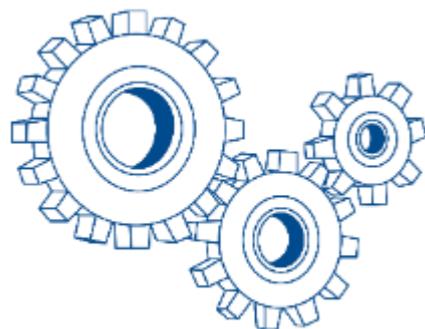


FINANCIAL



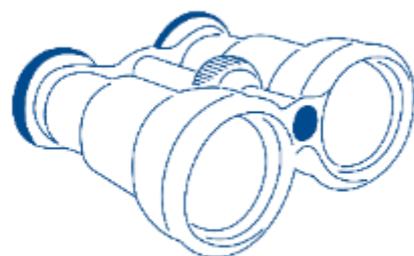
- Revenue of \$165 million
- EBITDA of +\$6 million
- Returned to profitability before FY22, exceeding previous guidance
- Project gross margin average of 11.5%
- Net cash inflows from operating activities of +\$12 million, after \$11 million paid to surety bond providers
- +\$28 million net cash as at 31 December 2020, after repaying \$25 million term loan

OPERATIONS



- Awarded \$186 million of new contracts during the half-year, including \$55 million contract for Albany Ring Road with Main Roads WA, \$41 million contract for Iron Bridge NPI with IB Operations, \$39 million of contracts for Mesa A and J with Rio Tinto and \$51 million for balance of plant work at Ryan Corner wind farm
- 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
- Profit margins improved on average across projects
- No new contract disputes (total unapproved revenue is <\$1 million)
- F150+ accreditation reaffirmed during 1H FY21
- Minimal impacts from COVID-19 restrictions on personnel movement, offshore manufacturing and border restrictions

OUTLOOK



- Focus on core business and maintaining strong client relationships
- Contracted and preferred order book of ~\$600 million¹, extends into FY23
- Continued significant public sector infrastructure spend by State and Federal Government
- Buoyant commodity prices creating opportunity within the resources market
- Strong pipeline of project opportunities in core competency areas of >\$7 billion

TURNAROUND PLAN PROGRESS



Restore market confidence

- ✓ Refresh Board
- ✓ Establish stable Executive team with right people in key roles
- ✓ Complete existing projects with strong operating metrics (safety, time, budget etc)
- ✓ Win Target A projects

Strengthen balance sheet

- ✓ Equity raise completed
- ✓ Plan for orderly transition out of Standstill agreements
- ✓ Execute new facility agreements with NAB and sureties

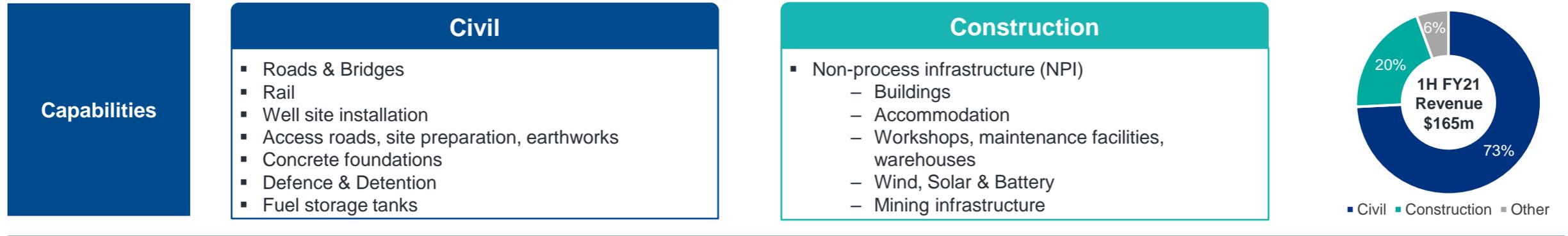
Sustainable growth

- ✓ Instil commercial, legal and financial discipline across all projects
- ✓ Mulla Mulla, SBS settled
 - Finalise RDP, Sunraysia and SCEE
 - Continued conversion of pipeline of tender opportunities to new contract awards
 - Ongoing working capital management

LEADING AUSTRALIAN BUSINESS FOR 40+ YEARS



Decmil is a highly diversified specialist engineering, construction and maintenance provider for the infrastructure, transport, resources, and energy sectors



Accreditations & Strategic Partnerships	R5 / B4 / F150+ Highest roads and bridges prequalification allows Decmil to bid on all significant Australian Government road and bridge contracts ¹	Strategic partnership with Avid Resources to further enhance its integrated service offerings and provide access to the Water and Power sectors
	L5 / \$50M Complex Recently achieved prequalification for the Western Australian Department of Finance's Prequalification Scheme for Level 5 complex structures up to \$50 million	

CORPORATE SNAPSHOT



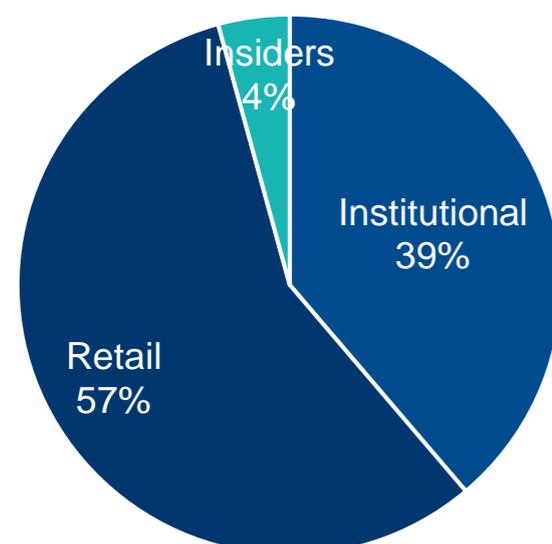
Capital Structure

Shares	M	128.7
Performance rights	M	4.9
Options	M	1.8
Share price ¹	A\$	0.55
Market Capitalisation ¹	A\$M	70.8
Cash ²	A\$M	29.7
Debt ^{2,3}	A\$M	2.0
Enterprise Value	A\$M	43.1

Board & Management

Andrew Barclay	Chairman
Dickie Dique	Managing Director & CEO
Peter Thomas	Executive Director & CFO
Alison Thompson	Financial Controller & Company Secretary
Damian Kelliher	Chief Commercial Officer
Lance van Drunick	General Manager

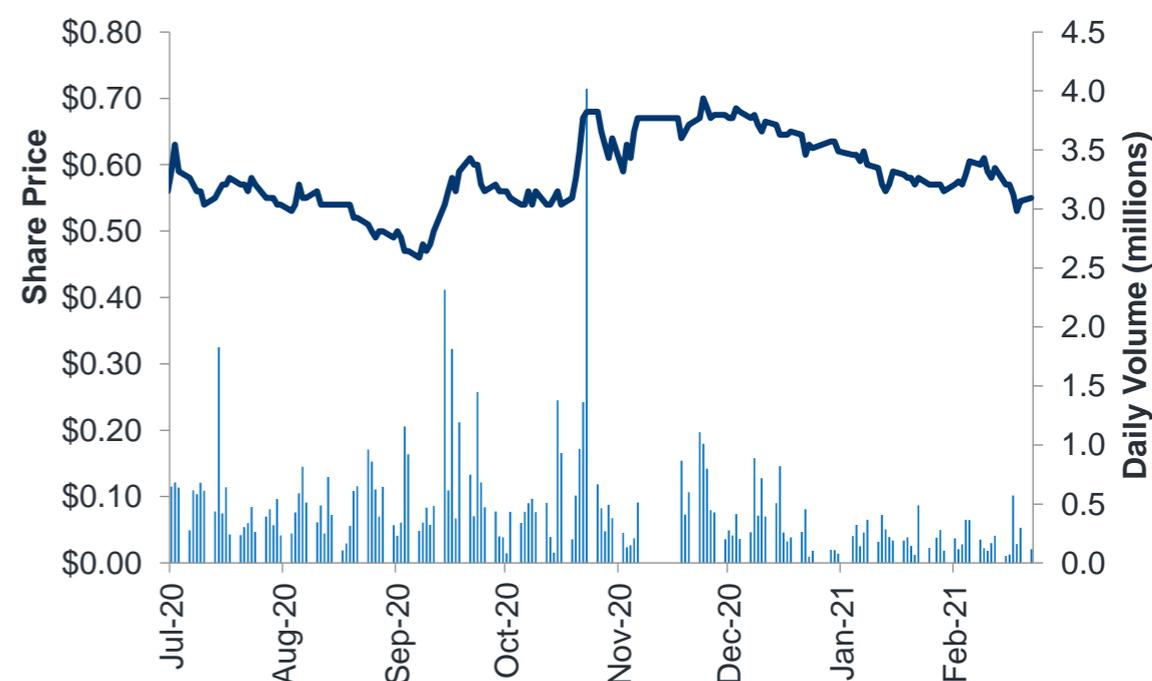
Shareholder Distribution²



Substantial shareholders

Thorney	18.3%
Franco	7.7%
IFM	5.8%

Historical Share Price



COVID-19 IMPACT AND RESPONSE



Successful navigation and management of COVID restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects

- The global economic outlook and capital markets remain uncertain due to the current COVID-19 pandemic
- International supplies being delayed or cancelled as a result of restricted international trade – alternative suppliers sourced locally
- Workforce mobility issues due to border restrictions – employees and subcontractors have remained in the State that they work without returning home
- All Decmil project sites remain operational with strict hygiene and control measures in place in line with Government guidelines
- Decmil is well placed to secure opportunities from the significant Federal and State government investment in infrastructure works following the COVID-19 pandemic however the timing of new contract awards is vulnerable to COVID-19 outbreaks

1H FY21 RESULTS

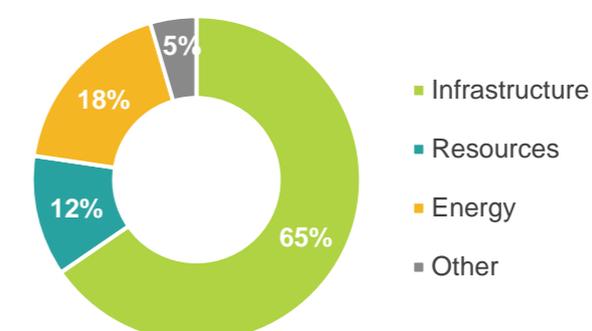
EARNINGS

Return to profitability, with positive momentum expected to continue

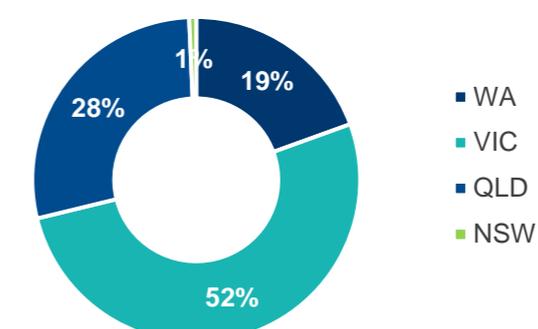
- Earlier than anticipated return to profitability and positive cash inflows following successful progression of business revitalisation strategy implemented in May 2020
- EBITDA of \$5.6 million reflects a focus on margin rather than revenue, with Decmil achieving earnings reflecting:
 - an increase in average profit gross margin to 11.5% (from 0.2%); and
 - a reduction in overheads to \$13.4 million (from \$19.6 million)
- Positive momentum expected to continue into 2H FY21, with committed revenue for FY21 of ~\$360 million and ~\$600 million of work in hand (contracted and preferred) as at 31 December 2020 that will be delivered across FY21-22 and into FY23
- Strong pipeline of project opportunities in core competency areas of >\$7 billion

Continuing Operations \$ in millions	1H FY21	1H FY20
Revenue	165.1	236.9
Gross profit	18.9	0.4
EBITDA	5.6	(19.9)
EBIT	3.1	(22.8)
NPAT	0.6	(31.5)
Gross margin %	11.5%	0.2%
EBITDA %	3.4%	(8.4%)

1H FY21 revenue by sector



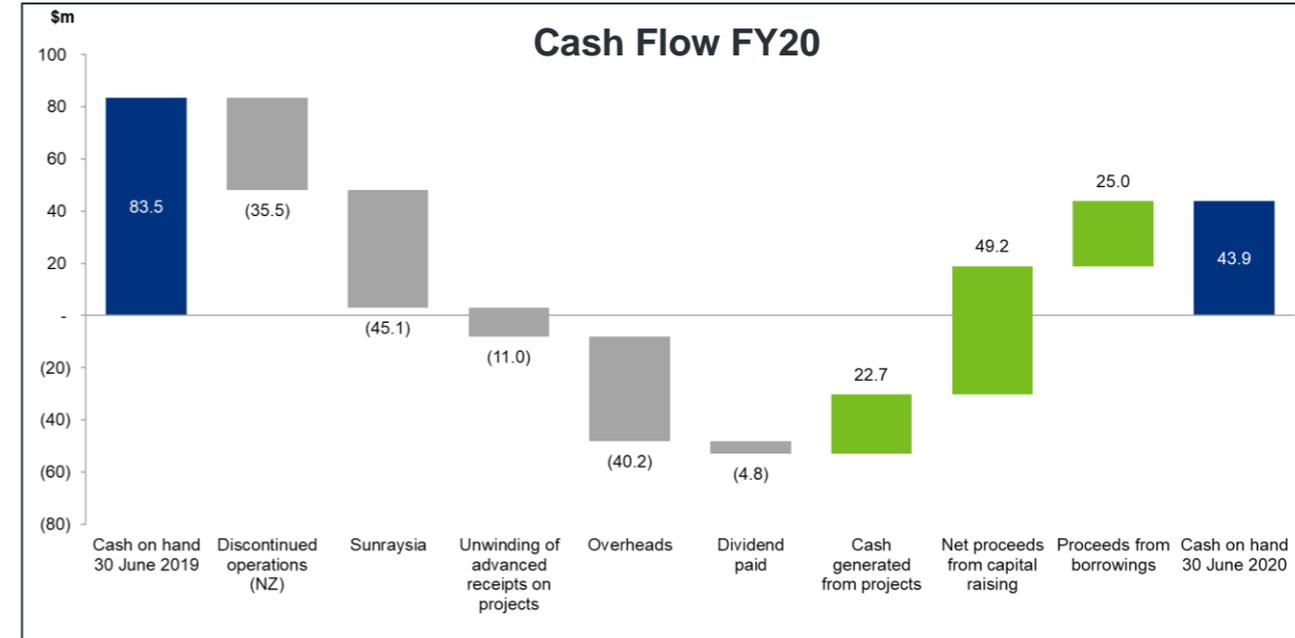
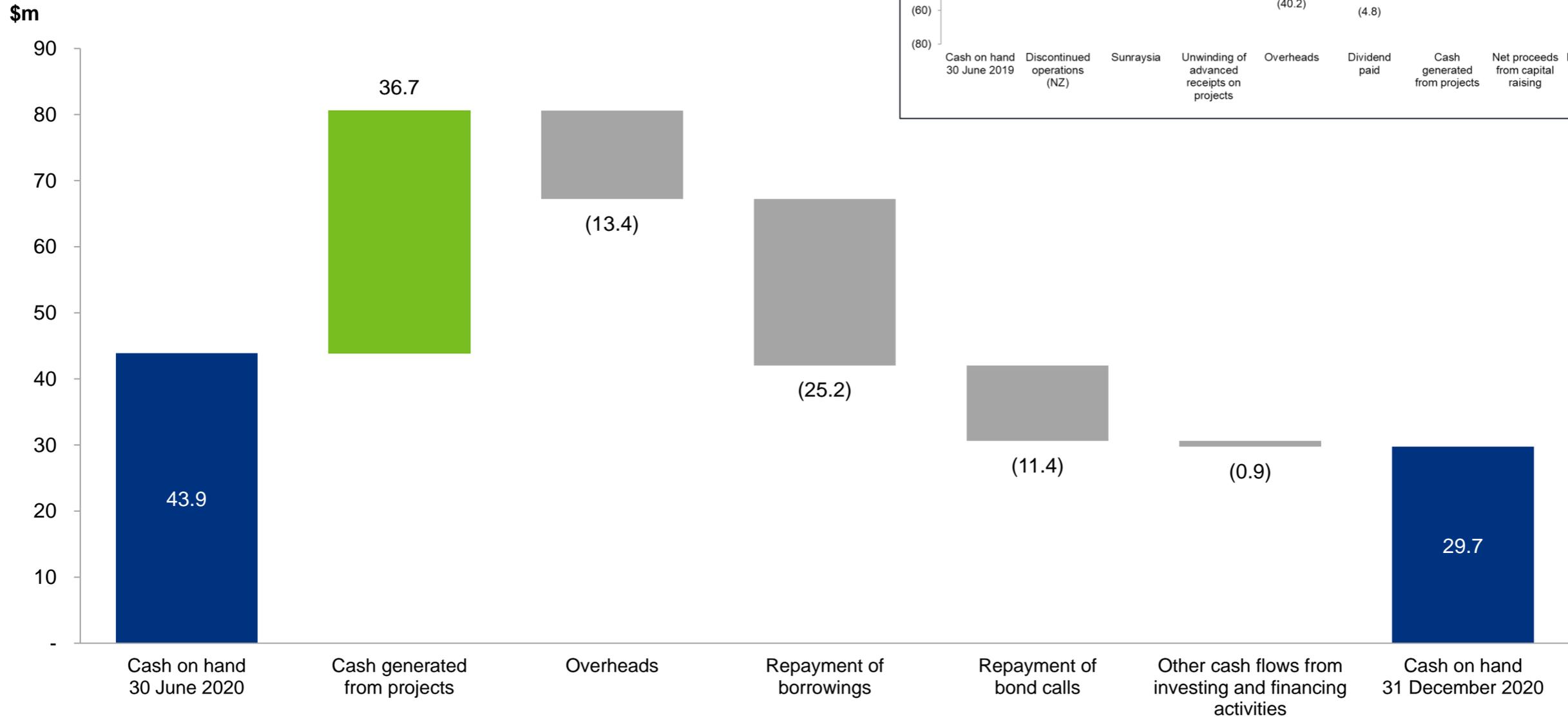
1H FY21 revenue by geography



CASH FLOW



Positive operating cash inflows facilitated reduction in borrowings



BALANCE SHEET



\$28 million net cash position following strong cash generation and prudent capital management

- Net cash position of \$28 million, a \$9 million improvement from 30 June 2020
- Working capital of \$37 million will enable the Company to deliver current contracts and pursue new project opportunities
- Strong available liquidity of \$51 million including \$21 million of undrawn working capital facilities at 31 December 2020
- Very low disputed revenue assets in balance sheet – level of unapproved revenue is currently <\$1 million
- Current debt facilities comprise:
 - Debt facilities include \$40 million multi-option facility agreed with NAB which includes bank guarantees, overdraft and receivables funding – drawn to \$19 million at 31 December 2020
 - Surety bonding facilities available
- Sale process continuing for Homeground Gladstone accommodation village

\$ in millions	Jun'20 Actual	Dec'20 Actual
Cash	43.9	29.7
Receivables	36.8	20.9
Contract assets	18.8	16.8
Asset held for sale	56.6	56.6
Other	4.5	4.9
Current Assets	160.6	129.0
PPE	8.9	6.5
Right-of-use assets	16.1	14.9
Deferred tax assets	22.6	22.6
Goodwill	75.5	75.5
Non-Current Assets	123.1	119.4
Total Assets	283.7	248.4
Payables	54.0	60.1
Contract liabilities	18.8	18.3
Borrowings	25.2	2.0
Lease liabilities	3.5	3.8
Provisions	23.5	7.6
Current Liabilities	125.0	91.8
Deferred tax liabilities	-	0.1
Lease liabilities	17.7	15.1
Provisions	0.2	0.3
Non-Current Liabilities	17.9	15.5
Total Liabilities	142.9	107.3
Net Assets	140.8	141.1

STRATEGY AND OUTLOOK

~\$600M WORK IN HAND – 70% WITH GOVERNMENT



Decmil currently has 15 contracts in hand across Australia

- ~\$600m of work in hand (contracted and preferred) as at 31 December 2020
- 70% of this work is with Australian government customers

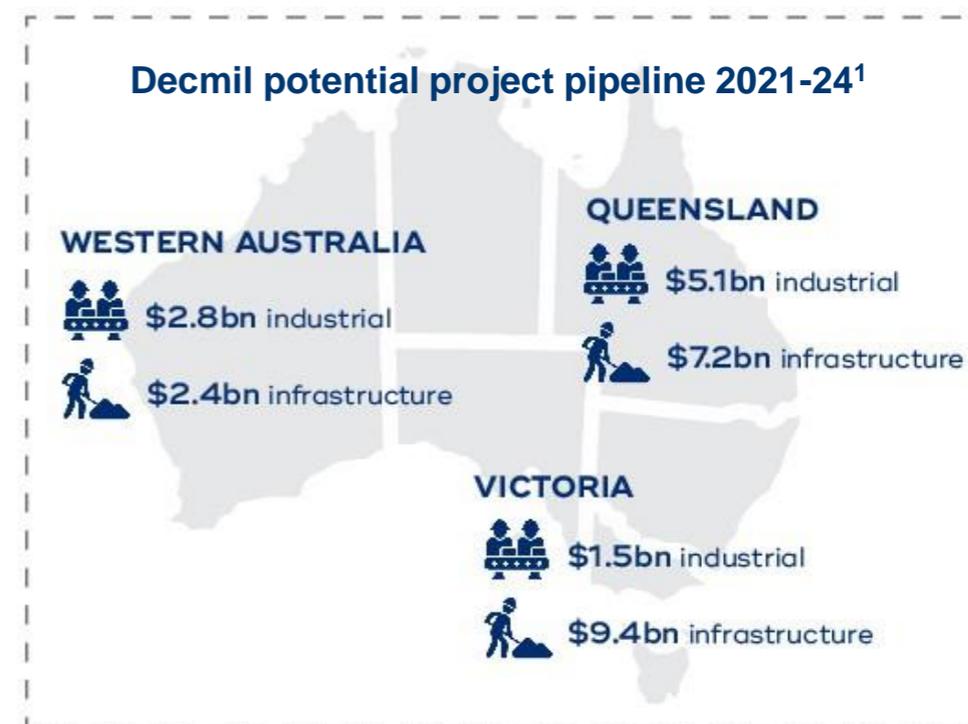
Customer	Project Name	State	Sector	Capability	Revised Contract Value ¹ (A\$m)	Completion Timing
Major Road Projects Victoria	Mordialloc Bypass	VIC	Infrastructure	Road/Bridge	>50	Mar-22
Major Road Projects Victoria	Plenty Road Stage 2	VIC	Infrastructure	Road/Bridge	>50	Jul-21
Carmichael Rail	CRN Rail Construction Camp	QLD	Resources	Building - Accommodation	<50	Jun-22
Sunraysia Solar Farm	Sunraysia ²	NSW	Energy	Solar Farm	>50	Sep-21
Main Roads Western Australia	Albany Ring Road (including preferred component)	WA	Infrastructure	Road/Bridge	>50	Dec-23
Queensland Rail	Mayne Yard DLP	QLD	Infrastructure	Building	<50	Apr-21
Coleman Rail	Bayswater Station Metronet ³	WA	Infrastructure	Rail/Road	<50	Mar-22
Department of Transport and Main Roads (Qld Gvt)	Bruce Highway	QLD	Infrastructure	Road/Bridge	<50	Mar-21
Iron Bridge Operations	Iron Bridge	WA	Resources	Building - NPI	<50	Jun-21
Rio Tinto	Mesa A Laboratory	WA	Resources	Building - NPI	<50	Nov-21
Rio Tinto	Mesa J Workshops	WA	Resources	Building - NPI	<50	Nov-21
GPG	Ryan Corner Wind Farm	VIC	Energy	Wind Farm	>50	Mar-22
Department of Environment, Land, Water & Planning	SRB019	VIC	Infrastructure	Road/Bridge	<50	Apr-21
Rail Projects Victoria	Gippsland Line Upgrade ³	VIC	Infrastructure	Rail	>50	Dec-22

STRONG PIPELINE AND MARKET CONDITIONS



Decmil has a healthy project pipeline within its core operational areas of proven expertise

Average annual construction output 2021-24 (Nominal AUD Billion)¹



Decmil pipeline based on current tenders submitted

Project	Region	Client	Sector	Project Value (A\$m)
Barwon Heads - Settlement Rd to Barwarre Road	VIC	Main Roads Projects Victoria Panel	Infrastructure	>50
Narre Warren Road Duplication	VIC	Main Roads Projects Victoria Panel	Infrastructure	>50
Healesville - Koo Wee Rup Road (South)	VIC	Main Roads Projects Victoria Panel	Infrastructure	>50
Sunbury Road Duplication	VIC	Main Roads Projects Victoria Panel	Infrastructure	>50
North East Link Project (SPARK Sub-Alliance)	VIC	Main Roads Projects Victoria	Infrastructure	>50
Winu Camp Early Works	WA	Rio Tinto	Resources	>50
Winu Civil Early Works	WA	Rio Tinto	Resources	>50
Perdaman - Permanent Buildings	WA	Perdaman Group	Resources	>50
Perdaman - Civil and Underground Services	WA	Perdaman Group	Resources	>50
Kwinana Fertilizer Project	WA	CBH Group	Construction	>50
Roy Hill Munjini Road Over Rail	WA	Roy Hill	Resources	<50
Buttweld – BHP Rail Crossing	WA	BHP	Resources	<50
Pedestrian Causeway Project – SRG JV	WA	Main Roads Western Australia	Infrastructure	>50
Northern Development Area (NDA) Accommodation and Officing	QLD	QGC	Energy	<50
Bruce Highway: Gin Gin to Benaraby	QLD	Dept of Transport and Main Roads Qld	Infrastructure	<50
Pacific Motorway Exit 41 Yatala South Qld	QLD	Dept of Transport and Main Roads Qld	Infrastructure	<50
Bruce Highway (P-B)	QLD	Dept of Transport and Main Roads Qld	Infrastructure	<50

ACCREDITATIONS AND STRATEGIC PARTNERSHIPS



Maximising opportunities to secure future works

- R5 / B4 / F150+ accreditation maintained which allows Decmil to bid on all significant Australian Government road and bridge contracts
- Approved by Major Road Projects Victoria as P3 Panelist (\$25 to \$150 million projects) under the new Program Delivery Approach model recognising Decmil's capability, capacity, past performance and ability to deliver value-for-money solutions
- Prequalification received under the Western Australian Department of Finance's Prequalification Scheme for Level 5 complex structures up to \$50 million



- Approved by Main Roads Western Australia (MRWA) to be member of the State-Wide Construction Road Panel allowing Decmil to participate into MRWA's ongoing maintenance and upgrade programs
- Strategic partnership agreement signed with Avid Resources to provide integrated service offerings to the Water and Power sectors

INFRASTRUCTURE

Road projects underway in Victoria, Queensland and Western Australia



Albany Ring Road



Plenty Road Upgrade



Mordialloc Bypass



Bruce Highway



ATTRACTIVE END MARKETS – INFRASTRUCTURE



Decmil is well positioned to benefit from significant infrastructure spending in Australia over the next few years, with a strong pipeline of major projects announced within its core capabilities of roads and rail

Attractive end markets

- Infrastructure spending (both public and private) expected to remain at historically high levels
- Underpinned by over \$100bn investment from the Federal Government over the next 10 years from FY20 and \$225bn investment budgeted over the next four years from State Government programs
- The key driver of this significant infrastructure spend is the government stimulus which has been amplified as part of governments' COVID-19 economic recovery plans
- Decmil is well positioned to capitalise on this growth with the highest roads and bridges prequalification (R5/B4/F150+) allowing it to bid on all significant Australian Government road and bridge projects

Australian states infrastructure budget next 4 years^{1,2}

- State Government infrastructure investment programs have budgeted ~\$225bn investment over the next four years
 - NSW (\$93bn) and Victoria (\$54bn) have the biggest total pipelines of infrastructure projects
- Well positioned to benefit from a robust pipeline of Australian Government infrastructure projects over next 5-10 years
 - Recent natural disasters including the 2019-20 bushfires and subsequent flooding is expected to result in further increases to infrastructure spend
 - Government stimulus packages driving the economic recovery post COVID-19 targeting further infrastructure investment

Public infrastructure activity – road and rail¹



RESOURCES

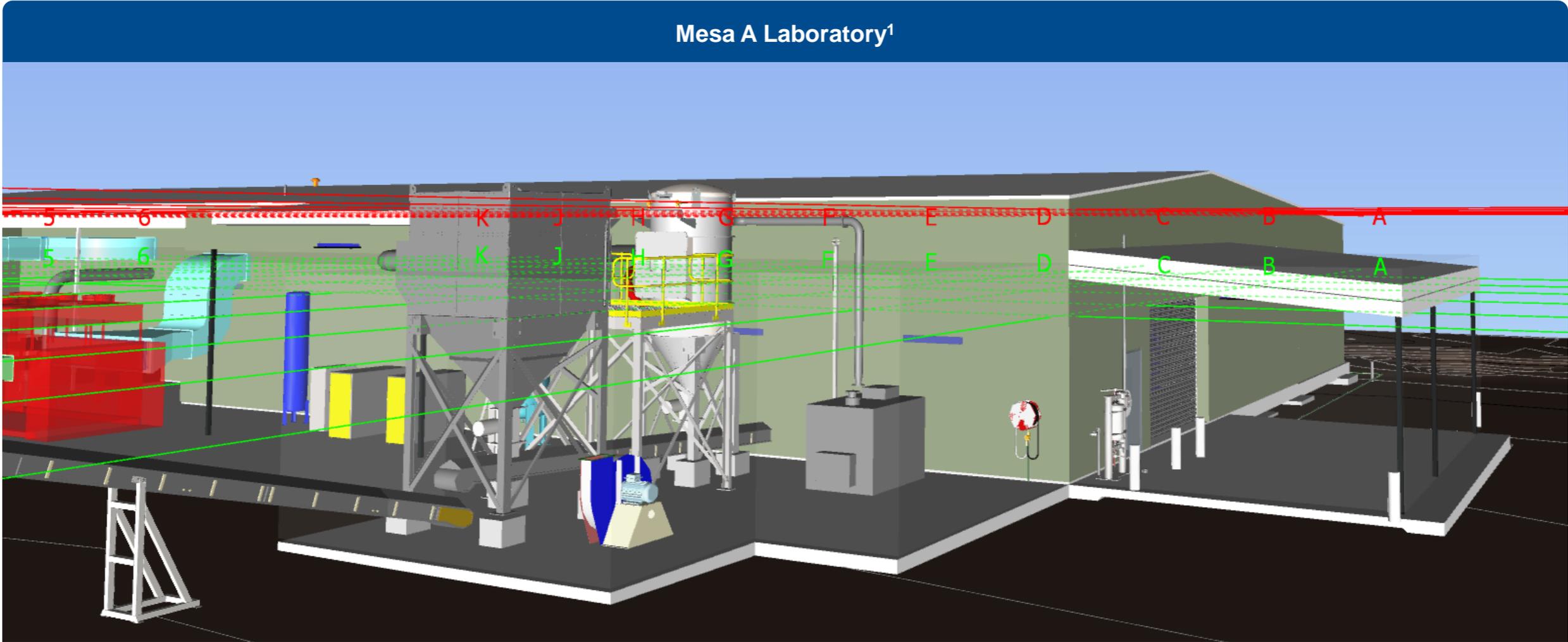
Providing services to the Mining and Oil & Gas industries



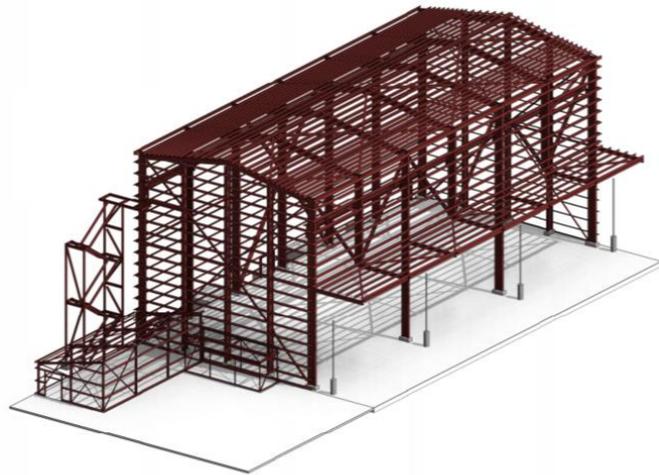
Iron Bridge Magnetite Project



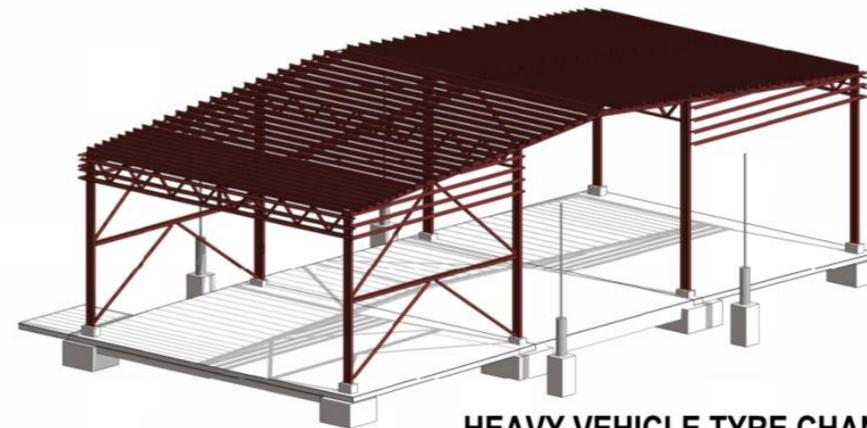
Mesa A Laboratory¹



Mesa J NPI¹



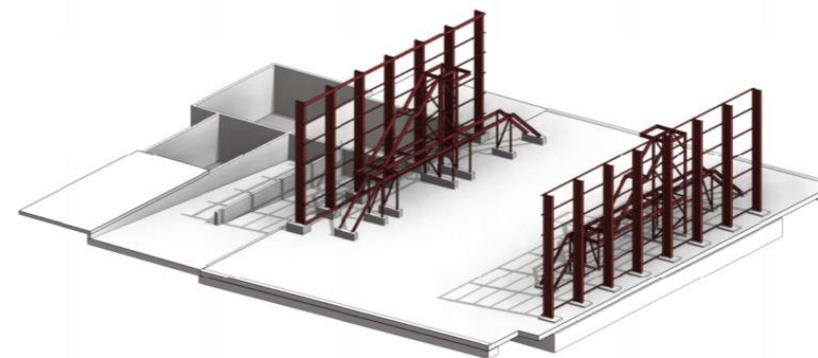
MINE EQUIPMENT MAINTENANCE WORKSHOP



HEAVY VEHICLE TYRE CHANGE



LIGHT VEHICLE TYRE CHANGE



HEAVY VEHICLE WASH BAY

ATTRACTIVE END MARKETS – RESOURCES

Australia is currently experiencing a resurgence in mining investment, after a sustained period of low activity post the mining boom

Mining sector

- Decmil has established itself as a key player in the WA and Queensland resources sectors and has the capabilities and existing relationships to benefit from the recent uplift in investment
- July 2020 pre-budget economic statement has forecast mining investment to grow for the first time in 7 years, +4% in FY20 and +9.5% in FY21
- Iron ore export volumes are expected to grow from 858 million tonnes in 2019–20 to 906 million tonnes by 2021–22 as mines open or expand in Western Australia
- Stronger prices are expected to push Australia’s iron ore export values up to a peak of \$123 billion in 2020–21. An easing in prices and stronger Australian dollar are subsequently expected to push earnings back to a still strong \$95 billion by 2021–22
- Iron ore exploration expenditure is growing as prices lift. A total of \$111 million was invested in exploration in the September quarter. This is around 8 per cent higher than in the September quarter 2019 and reflects favourable prices in the first half of 2020-21

Outlook for Iron Ore export volumes²



WA Industry Activity 2019-20¹

- \$19bn invested in WA mining and petroleum sector (increase of 11.8% from 2018-2019)
- Employs average 135,001 people (increase of 5% from 2018-2019)
- At September 2020 resources projects in development pipeline of an estimated \$129bn, up from March estimate of \$118bn
- Value of projects under construction or committed was \$28.4bn, up from \$27.2bn in March
- Value of planned or possible projects increased from \$91.1bn to \$110.5bn, between March 2020 and September 2020



ENERGY

Balance of plant works for remote wind and select solar projects

Ryan Corner Wind Farm



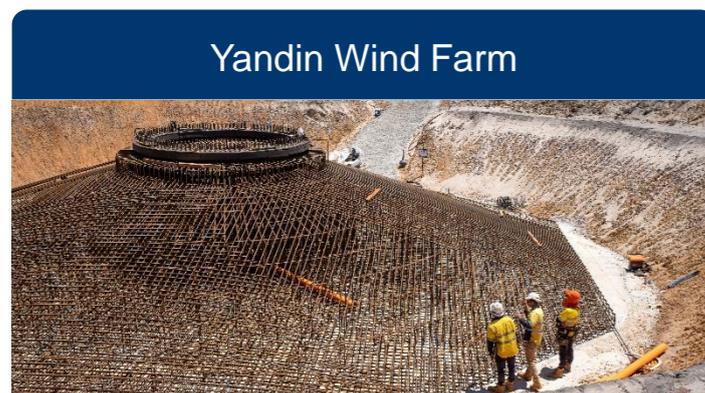
ATTRACTIVE END MARKETS – RENEWABLE ENERGY



Decmil is well positioned to capitalise on the continued growth of energy projects in Australia, particularly given its recent wind and solar farm project experience. Decmil focuses on balance of plant projects with reliable counterparties.

Unique opportunity to take market share

- Decmil has a unique opportunity to take market share and win new work in the fast growing renewables construction market
- In recent years, various competitors (including Downer, Biosar, RCR) have exited the sector because they have been unable to get comfortable with the increased risk profile associated with such projects
- **Decmil will only accept balance of plant projects in renewables sector and is very careful to avoid any interconnection risks**
- Decmil has proven knowledge and experience in the sector across both wind farms and solar farms. Recent projects are:



Strong growth forecast

- Renewable energy was responsible for 21% of total electricity generation in Australia in 2019
 - With technological advancements, improved economics, social pressure and government policies aimed at reducing carbon emissions, renewable energy is forecast to account for ~83% of generation capacity by 2040
 - Renewable generation capacity is expected to increase from 51GW in 2019 to 125GW in 2040
- 95 large-scale renewable energy projects of new generation were under construction or financially committed at the beginning of 2020, including 26 wind farms



95 large-scale renewables energy projects in Australia



9.8bn investment



13,175 jobs



11,209 MW of renewable energy capacity



UPDATE ON RECENT CHALLENGES



Decmil has isolated and quantified problem contracts – now within formal processes

Sunraysia Solar Farm – Head Contract

- R1 connection registration granted in December 2020
- Solar farm is in commissioning phase
- Dispute concerns claims for extensions of time, variations, payment of liquidated damages, return and reinstatement of security and claims concerning alleged defects
- Arbitration proceedings underway
- Decmil claims the deduction of liquidated damages, recourse to security and set-off is wrongful

Sunraysia Solar Farm – Supply Contract

- Decmil appointed Schneider under a Supply Contract to supply invertors necessary for the performance of the works under the Head Contract
- Insofar it is determined that the invertors supplied are defective (and therefore a concurrent delay) then Decmil will claim the loss suffered, as a result of loss attributable to Schneider, under the Supply Contract
- Arbitration proceedings underway

RDP – Decmil NZ (in Liquidation)

- Dispute concerns claims for extensions of time, variations, payment of liquidated damages, return and reinstatement of security and contract “reset”
- Decmil NZ in liquidation / Liquidator has assigned all claims against Department of Corrections and all insurance claims to Decmil
- Decmil in arbitration with Department of Corrections
- Decmil has confirmed its willingness to participate in a mediation process, should that process be agreed

FY21 Consolidation

FY22 Growth

- Solid performance on projects in 1H FY21 and good conversion of tenders to awards
- Strong pipeline of opportunities in core sectors – Infrastructure, Resources, Energy, Construction
- Well positioned for Government COVID-19 economic recovery plans focused on awards to Australian contractors for Government Road and Rail infrastructure
- Agreements reached with NAB and surety bond providers to provide working capital and surety bonding support
- Buoyant iron ore price stimulating investment in several large projects in Resource sector
- Committed revenue for FY21 of ~\$360 million and ~\$600 million¹ of work in hand (contracted and preferred) into FY23





THANK YOU