

ASX ANNOUNCEMENT

21 October 2022

2022 Annual General Meeting – Address to Shareholders

Non-Executive Chair: Eva Skira

Overview

Macmahon has delivered another year of positive performance in the 2022 financial year at both the operational and financial level, underpinned by the successful execution of the Company's growth strategy.

The business achieved record underlying EBITDA and underlying EBIT(A), and again met revenue and earnings guidance for the year. I am very pleased to say that this is the fifth consecutive year that the company has met or exceeded market guidance.

This consistency is particularly important in the current business environment given the ongoing business challenges and uncertainty from COVID-19, cost inflation and skilled labour shortages, both in Australia and globally.

We achieved revenue of \$1.7 billion and underlying EBIT(A) of \$101 million. Importantly, Macmahon ended the year with \$5 billion of contracted work in hand and maintained a liquidity position of \$256 million as at 30 June. This positions the Company well for FY23 and beyond with a high-level of secured revenue and earnings and provides the capacity to capitalise on further growth opportunities as they arise.

During FY22 there was significant growth in our workforce to nearly 8,000 people despite the tight labour market. This was facilitated by the roll out of additional training and development initiatives to supplement external recruiting.

An ongoing and important focus for the Macmahon business, particularly in periods of rapid workforce expansion, is the safety and wellbeing of our people. I am delighted that we are able to report a significant improvement in safety performance during the year.

This year Macmahon also participated in the Western Australian parliamentary inquiry into sexual harassment against women in the FIFO mining industry. We have reinforced our commitment, backed by tangible action, to ensure all our people feel safe and comfortable at work.

While we acknowledge the considerable effort from our people to deliver our improved safety performance, we are not taking this result for granted and will continue to pursue improving health and safety outcomes.

Sustainability

We have again provided a standalone Sustainability Report for FY22, which expands upon the information provided in our Annual Report and further outlines progress on Environmental, Social and Governance activities and initiatives.



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The Materiality Assessment carried out last year allowed us to consider various sustainability topics within Macmahon's operations, leading to further planning and review. Topics include our Green House Gas emissions, land rehabilitation, recycling, diversity and training, mental health and safety, and a new sexual harassment policy.

We remain focused on our commitment and advancing disclosure across the ESG spectrum with a view to continuous improvement.

Capital Allocation Policy & FY22 Dividend

Macmahon's capital allocation policy seeks to balance maintaining financial strength, investment in long-term growth, and returning cash to shareholders.

As a part of this, we have a commitment to paying a sustainable dividend, and the policy is currently targeting a payout ratio of 10-25% of underlying earnings per share.

I am pleased to advise that the Board declared a final dividend for the 2022 financial year of 0.35 cents per share, which brought the full-year dividend to 0.65 cents per share. This is in line with the previous years FY21 dividend and represents a payout ratio of 21.7% of the Company's underlying earnings per share.

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

We achieved this while maintaining a healthy balance sheet, and investing \$131 million on growth capital expenditure on contract awards.

Our solid order book, coupled with strong mining industry demand conditions and a robust tender pipeline, positions the business well for continued sustainable growth.

Closing

In closing, before I hand over to Mick Finnegan for his CEO and Managing Director's address, I would like to say some thank you's.

Firstly, on behalf of our Board and the business, thank you to our clients for their ongoing support and trust in our business.

To all our employees, I would like to thank you for the dedication, professionalism, and contribution shown in FY22.

This of course includes Mick and the senior management team for all of their efforts in delivering another excellent result. I said that we are well positioned for the future with a solid order book and growth capacity, but this is only made possible by the quality workforce and leadership we have in place.



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Finally, this business would not be possible without the ongoing support of our shareholders. I would like to again sincerely thank you for your investment, confidence and ongoing support in our business and our people.

CEO & Managing Director: Mick Finnegan

Overview

Thanks Eva. Good morning everyone and thanks for joining us today for our 2022 Annual General Meeting.

Before I provide an overview of Macmahon's performance for the FY22 year, Eva acknowledged the contribution of Macmahon's people in delivering another excellent result. It is important to also acknowledge the continued support and confidence in our team by Eva and the Board. This support in our leadership and our strategy is a significant factor in our performance for the year.

Financial Highlights

Turning to our financial performance for FY22, a key factor enabling Macmahon to achieve positive results was a consistent track record of growth and the disciplined execution of our strategy. The strategy was delivered during considerable challenges, including COVID-related sickness absenteeism, supply chain disruption, a tight skilled labour market in Australia, almost record low unemployment rates, and a rising cost and wage inflation environment.

Despite these challenges, Macmahon delivered record earnings in FY22 with underlying Revenue of \$1.7 billion, up 26%, and underlying EBIT(A) of \$101 million. This is the fifth consecutive year the business has met or exceeded guidance, and I am incredibly proud of the whole Macmahon team for maintaining this track record.

This performance was driven by increased activity across all business areas, including new project start-ups in Australia, and the impact of escalation cost recovery.

Underlying EBITDA growth was 17% to \$291 million, a new record for the Company, and margins remained resilient at 17.2%.

Cashflow generation remained steady at \$270 million, which equated to a healthy EBITDA cash conversion of 92.6%. Net Debt was reduced by over 10% from the 1H position to \$216 million.

Our solid cash flow generation supported the full-year dividend payout to 0.65 cents per share, which was in line with the prior year.

Our current expectations for FY23 are for Revenue guidance in the range of \$1.6 billion to \$1.7 billion and underlying EBIT(A) guidance of between \$105 million to \$125 million,

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reflecting our focus on delivering improving returns while also allowing for the challenging industry cost environment.

People & Safety

Health and safety is our highest priority, and we are always looking to implement measures to improve safety outcomes. We are extremely pleased to report a significantly improved safety performance during FY22, especially given the number of new industry entrants and members to the team.

Macmahon's Total Recordable Injury Frequency Rate (TRIFR) for FY22 decreased to 4.80 from 6.39 in the previous year. This is terrific improvement, but as always, there is still much work to do.

Hand in hand with physical safety is mental health and wellbeing, which continues to be an essential part of our safety efforts. We have been extending our leading Strong Minds, Strong Mines program to our wider community and are proud to be recognised as the Mental Health Organisation of the Year in WA for 2022 by the Mental Health Foundation of Australia. We are now also piloting a Strong Minds, Strong Schools program.

Eva mentioned our participation in the Western Australia parliamentary inquiry into sexual harassment against women in the FIFO mining industry. We are delivering on our commitment to do more in addressing this issue through the implementation of tangible actions and roadmaps.

Recently we introduced enhanced respectful workplace behaviour and bystander training for our team, which has already yielded positive results, including an increased incidence of bystanders stepping forward to call out inappropriate behaviour. Additionally, we have strengthened reporting mechanisms and policies, and broadened our pre-employment background checks.

We know that as we mature in this area, we will learn more, and our approach is designed to be agile and adaptive to ensure we can apply the learnings to our program quickly. It is critical to us that we ensure all our people are safe and comfortable at work.

Winning at Macmahon – Evolving Our Culture & Values

In a workplace of nearly 8,000 people, it is essential we have clear values and a strong positive workplace culture to retain our people and improve our performance.

I believe very few factors contribute more to our success than our people and culture and we want to turn this into a competitive advantage for growth, and to secure the company's future. For us, this has meant a lot of work to understand what Winning at Macmahon looks like, including a culture review by leaders across all areas of our business to ensure alignment to our strategy.

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This work has resulted in a Winning at Macmahon formula that has been launched to our workforce. It includes an evolved set of company values as well as a winning statement and equation.

The intention of the Winning at Macmahon formula is to develop our culture in a way that enhances employee engagement, and commitment to high performance which will contribute to delivering long-term success.

Operational Highlights

Some key operational highlights for the year included:

- On the civil side of things:
 - Calidus Resources for the construction of their new Warrawoona mine site;
 - a tailings storage facility buttress at Fimiston for Northern Star Resources; and
 - various mine services and rehabilitation projects on the east coast of Australia.
- In relation to mining, we have ramped up Foxleigh to a steady state and the commencement of Dawson South, Warrawoona and King of the Hills surface and underground projects;
- The Telfer contract, following re-negotiations in FY21, is now delivering satisfactory performance; and
- Advancing our mining equipment technology deployment roadmap in both the surface and underground operations to enhance safe and efficient productivity.

Importantly we ended FY22 with a \$5.0 billion order book, including \$1.45 billion secured for FY23.

Key Strategic Priorities

I mentioned earlier that the disciplined execution of our strategy has been key to delivering our positive track record. We advanced our strategy during FY22 by continuing to diversify our business mix; predominately growing our mining support services and underground divisions.

Significant progress in the year included the underground division increasing its contribution to 25% of group revenue, and ramping up at King of the Hills. We continue to expand our civil offering into Western Australia through projects such as Warrawoona and Fimiston, and formally entering into Teaming and Partnering arrangements with parties that have complimentary skill sets to accelerate our growth and build scale in our mining support services business.

Macmahon's use of technology is also evolving which will further boost operational efficiency and sustainability outcomes. This includes progressing the deployment of our advanced data and mine digitisation technologies in both underground and surface mining with the ability to expand the offering in future.

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People deliver strategy, and in FY22, Macmahon welcomed new executives who bolster the diversity, breadth and depth of capabilities among our leadership group. This included the promotion of Ursula Lummis to Chief Financial Officer, the appointment of Donald James as Chief Commercial Officer, and Richard McLeod joining as Chief Operating Officer.

Our refreshed leadership team is increasing its focus on strategy execution and improvement in Return on Average Capital Employed as a key performance metric, optimising gearing to strengthen our balance sheet, and targeting lower capital intensity growth to better leverage our balance sheet capacity.

Our longer-term objective is to continue to diversify the business by targeting a more even mix across our surface, underground and mining support businesses with the latter two being less capital intensive compared to surface.

This approach creates a more scalable business that will support us in achieving and eventually exceeding our longer term stated financial targets of EBIT(A) margins of 8% and return on average capital employed of greater than 15%. Of course, as we progress to a lower capital intensity business, depreciation will reduce and so to will our EBITDA targets. This supports our focus moving forward of increasing our targeted return on average capital employed.

Our strategy and our people remain focused on creating a stronger, more sustainable business and most importantly, supporting our core objective of delivering higher quality investment returns for shareholders.

Outlook

FY23 is underpinned by a \$5.0 billion order book comprised of an increasingly diverse mix of surface, underground and mining support service contracts, with a significant concentration of alliance contracts that provide greater operational and commercial flexibility.

We also have a strong pipeline of opportunities worth approximately \$8.4 billion, in addition to numerous targeted contract extensions, and continuing contracts that are expected to build on FY22's performance. This will support capital investment, including for the Batu Hijau Phase 8 extension in the current financial year.

On a macroeconomic level, the tight labour market across Australia and global inflationary pressures are key issues, and the business is managing these challenges. Our workforce requirements will continue to be carefully managed and we have already successfully implemented significant training, upskilling and wellbeing programs to facilitate the longer-term retention of employees. Our focus and investment in our people will continue to be a priority moving forward.



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Macmahon's commitment to the safe and efficient execution of both its pipeline and order book positions the business well to navigate current and emerging challenges and capitalise on meaningful, strategically aligned opportunities.

Our current expectations for FY23 are for Revenue guidance in the range of \$1.6 billion to \$1.7 billion, and underlying EBIT(A) guidance increasing to between \$105 million and \$125 million.

Closing

In closing, I would like to thank all of our stakeholders for their ongoing support, particularly our clients, for their trust in us and their shared approach to supporting and protecting the health and wellbeing of our people.

I would also like to commend our people for their crucial contribution and resilience over the year and for being a vital part of the Macmahon Winning Formula.

Thank you.

***** ENDS *****

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 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.