

24 February 2023

DECMIL GROWS HALF-YEAR EARNINGS AMID CHALLENGING INDUSTRY-WIDE MARKET CONDITIONS

- Revenue increase of 13% to \$256 million (1H FY22: \$226 million)
- EBITDA grows to \$3.3 million (1H FY22: \$1.5 million), reflecting ongoing operational efficiency enhancements
 - The result was achieved amid unprecedented industry-wide cost escalation, which is starting to plateau, as well as a sustained tight labour market and residual COVID-related backlog impacts
- Loss after tax of \$2.5 million (1H FY22: \$4 million loss)
- Resolved legacy problem contracts, with Southern Cross Electrical Engineering and Sunraysia disputes now successfully concluded
- Cash position of \$10.8 million at 31 December 2022, which will be bolstered in H2 FY23 by the recent Sunraysia settlement
- Retained a healthy order book base of ~\$335 million contracted and preferred at 31 December 2022, as Decmil adopts a highly-selective approach in targeting new contracts
- FY23 revenue expected to be at least \$500 million with \$490 million of revenue already locked in.

Decmil Group Limited (ASX: DCG) (“Decmil” or “the Company”) announces its interim financial results for the six-month period ending 31 December 2022 (1H FY23). Decmil reported a growth in revenue to \$256 million, underpinned by the Company methodically delivering on its orderbook throughout the period.

The Company’s enhanced focus on maximising operational efficiencies ensured this revenue increase was translated into a rise of its earnings before interest, taxes, depreciation, and amortisation (EBITDA) to \$3.3 million.

This result was achieved despite unprecedented cost escalation during the half, which was prevalent across the construction industry, in tandem with a tight labour market. In addition, residual COVID-related impacts continued to linger, particularly in relation to backlogs in the supply chain and commencing awarded contracts.

Decmil Chief Executive Officer Rod Heale said: “Increasing our revenue and EBITDA in a challenging environment demonstrates that the business is moving in the right direction.

“After bolstering our executive team in October across both the west and east coast of Australia, our cohesive and stable leadership base has already delivered significant operational efficiency enhancements across our portfolio of projects.

“As market conditions gradually improve, we expect the full benefit of these enhancements will crystallise in our financial results.

“Delivering on our promise to resolve legacy problem contracts with the successful conclusion of the SCEE and Sunraysia disputes gives Decmil greater future business certainty.

“We continue to have a robust orderbook of \$335 million giving us the ability to take a highly selective approach to contract tendering.

“Receiving Early Contractor Involvement agreements for the Waddi Wind Farm and Roy Hill Rail Yard Expansion contracts, which are ideal-sized contracts that sit right within our geographical expertise and core operational capabilities, validates the viability of this tendering strategy moving forward.”

Financial Performance & Position

Revenue of \$256 million for the six months ended December 2022 was 13% above the prior corresponding period. The rise in revenue was driven by Decmil consistently reaching key milestones across its solid order book, despite challenging conditions.

The rise in revenue cascaded through to an earnings before interest, tax, depreciation and amortisation (EBITDA) of \$3.3 million (1H FY22: \$1.5 million EBITDA), while the net loss after tax narrowed to \$2.5 million (1H FY22: \$4.0 million loss).

Decmil recorded an operating cash outflow of \$6.3 million for 1H FY23, ending the period with a cash position of \$10.8 million. The outflow was predominately driven by the timing in receiving major milestone cash payments from numerous contracts, as well as certain loss-making projects (now all completed). Going forward into 2H FY2023, the Company is not projecting any continuing loss-making projects.

Decmil’s cash position in 2H FY23 will also be bolstered by the receipt of a cash settlement, after reaching an agreement with Sunraysia Solar Project trust earlier this month to conclude the respective parties’ disputes in relation to the Head Contract of the Sunraysia Solar Farm project in New South Wales.

Terms of the settlement are bound by confidentiality, but Decmil can confirm that the settlement has not caused any P&L impact.

Legacy Disputed Contracts Update

The status of recently resolved legacy disputed contracts is summarised below:

Sunraysia

On 20 February 2022, Decmil announced that it had reached an agreement with Sunraysia Solar Project trust to conclude the respective parties’ disputes in relation to the Head Contract of the Sunraysia Solar Farm project in New South Wales.

The settlement of the Head Contract dispute followed Decmil’s announcement on 21 October 2022 that it had reached an agreement with Schneider Electric Australia Pty Ltd to conclude the respective parties’ disputes in relation to the Supply Contract at Sunraysia.

Subsequently, Decmil has now formally concluded all its disputes relating to the Sunraysia Solar Farm.

Southern Cross Electrical Engineering

On 4 August 2022, Decmil announced that it agreed to a full and final settlement of its dispute with Southern Cross Electrical Engineering Limited regarding the subcontract between them for works at Rio Tinto's Amrun mine project in Queensland.

The settlement was in line with Decmil's accounting position and the arbitration proceedings concerning this dispute were subsequently terminated. The remaining terms of the settlement are confidential.

Operations

Decmil was able to deliver on existing contracts during H1 FY23 and secured new work after targeting lower risk projects with blue chip customers across a diverse range of sectors in Australia.

Operational highlights for the six months ended 31 December 2022 include:

Safety

- Exceptional safety performance with 0 lost time injuries for the period resulting in a Lost Time Injury Frequency Rate of 0.0 and a total recordable injury frequency rate of 1.3.

Infrastructure

- Significant advancement of \$89 million contract by Major Road Projects Victoria (MRPV) for the Barwon Heads Road Upgrade Work Package 1, with work on site commencing in September 2021 and scheduled for completion in H1 FY24.
- Completed Stage 1 of Albany Ring Road project after being awarded Stage 2 works from Main Roads WA in June 2022. The total value of the Albany Ring Road project is \$154 million and is expected to be completed in late 2024.
- Nearing completion on a \$18 million contract from the Town of Port Hedland to construct a new Port Hedland Community Centre building complex, with the works on track to be finalised in H2 FY23.
- Continued progress on the \$350 million Gippsland Line Upgrade contract with the VicConnect Alliance, an alliance between Rail Projects Victoria, UGL and Arup. Decmil's share of the rail infrastructure contract was \$157 million.

Resources

- Strong progress on separate contracts in Western Australia with Covalent Lithium and Talison Lithium, worth a combined \$31 million.
- The contract with Covalent Lithium is for the design and construction of Non-Process Infrastructure Buildings for Covalent's Mount Holland Lithium Project, with the works to be completed during the current half.
- The contract with Talison Lithium is to construct a Technical Services Building at its Greenbushes Lithium Operations, which is also set to be completed during the current half.

Energy

- Decmil has commenced early works as the Balance of Plant contractor for the construction of the 108 MW Waddi Wind Farm in Western Australia. The Company previously had conditional

ASX Announcement

preferred status as Balance of Plant contractor during the half. Construction is set to commence in late 2023.

- Strong progress on the Ryan Corner Wind Farm, with excellent feedback from the client to date, after several delays in the commencement of the project originally awarded in November 2020.
- After Decmil achieved substantial completion of the \$277 million Sunraysia Solar Farm in H2 FY22, Sunraysia has been performing at, or above, targeted performance.

Strategy and Outlook

Decmil is projected to generate revenue of at least \$500 million FY23, compared to \$378 million in FY22, with revenue of \$490 million already contracted for FY23.

The Company's focus in 2H FY23 will be translating this enlarged revenue base into continued underlying earnings growth and a return to profitability. The well-publicised cost escalation pressures across the construction and civil engineering industry have been a headwind on Decmil's operations.

However, Decmil is seeing indications across its supply chain early in 2H FY23 that this cost escalation is plateauing, which bodes well for the business going forward.

The sale of the Company's Homeground Gladstone asset remains an ongoing process and Decmil will only accept an offer that realises significant value for the asset, particularly with its stronger outlook.

Homeground is a high-quality asset that delivered positive EBITDA for Decmil in FY22 and has a strong outlook, with project activity in Gladstone increasing on the back of sustained high energy prices.

Occupancy at the Company's Homeground Gladstone asset continues to steadily rise as FIFO maintenance works in the region ramp up after COVID restrictions. The operation is expected deliver positive earnings for FY23.

This ASX release was authorised by the Decmil Group Limited Board.

About Decmil:

Decmil Group Limited (DGL) offers a diversified range of services to the Australian resources and infrastructure industries. Companies within the group specialise in engineering and construction; accommodation services; and maintenance. Listed on the Australian Securities Exchange (ASX Code: DCG), Decmil's goal is to maximise returns from our operations to deliver value to our shareholders, clients and other stakeholders.

For further information please contact:

Investors:
investors@decmil.com.au

Mr Peter Thomas, CFO, Decmil
Ph 08 9368 8877

Media:
Mr Cameron Morse
FTI Consulting, Strategic Communications
Ph 0433 886 871



[decnil.com](https://www.decnil.com)