ASX / MEDIA ANNOUNCEMENT
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RECAPITALISED DECMIL POSITIONED FOR FUTURE GROWTH

- **FY20 revenue from continuing operations of $451 million (FY19: $551 million)**
- **FY20 statutory after tax loss of $140 million (FY19: profit $14 million) largely due to $85 million of one-off write downs on disputed contracts and assets**
- **Successfully completed $52 million capital raising to reset balance sheet**
- **Cost management implemented during FY20 cutting overheads by 35 per cent**
- **Minimal COVID-19 operational impact but some impact on near-term Government tender awards**
- **Recent contract wins have expanded order book to $446 million, as Government spending on infrastructure development gathers momentum**
- **Cash position of $44 million at 30 June 2020 and enhanced liquidity position to deliver on projects and secure new work**
- **Organisational changes starting to deliver improved project delivery and profitability**
- **Targeting $7-8 billion pipeline that will drive growth beyond FY21**

Decmil Group Limited (ASX: DCG) ("Decmil" or "the Company") has today released its financial results for the 12-month period ending 30 June 2020 (FY20). The Company reported revenue of $451 million and a net loss after tax from continuing operations of $96 million.

The loss reflects Decmil's conservative approach to its disputed contracts, which were detailed in the Company's May 2020 capital raising. Write downs related to these contracts and its Homeground Gladstone accommodation village totalled $85 million. As a result of these write downs and other non-recurring items, Decmil reported a statutory net loss after tax of $140 million.

In response to the issues it has faced, Decmil successfully restructured its operations to focus on providing its engineering, construction and maintenance services to the infrastructure, transport, resources, and energy sectors and exiting underperforming operations. This repositioning saw Decmil secure and be announced as preferred on $450 million in new contracts and extensions during FY20, with a large portion strategically secured from State Government departments and agencies, providing substantial cash flow certainty for the Company amid COVID-19.

Importantly, Decmil strengthened its balance sheet position, with a cash and liquidity position that enables delivery of existing projects, award of new work, and execution of the Company's strategy. Decmil also lowered its overhead expenses by 35% during the financial year to reset its future cost base and ensure the efficient delivery of its order book.

Decmil Chief Executive Officer Dickie Dique said: "The issues Decmil faced during FY20 are well known and our results today reflect what was a difficult period for the business. We have responded by revitalising the business in the year, restructuring our operations, enhancing the balance sheet,

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implementing better project reporting and successfully securing new work that ensures we are placed to drive long-term value for our shareholders.

“This restructure has been underpinned by a new executive team, refreshed Board, and targeted strategy that is focused on our core engineering, construction and maintenance expertise for the infrastructure, transport, resources, and energy sectors across Australia.

“Decmil has also entered FY21 in an enhanced liquidity position, with a well-supported $52 million capital raising and our problem contracts quantified and boxed, so that we can focus delivering on our order book, secure new work, and implement the new business strategy.

“Already in FY21 we have received preferred tenderer status on a $175 million Main Roads WA contract, putting our order book at $446 million on a contracted and preferred basis, and are well advanced on opportunities within a $7-8 billion tender pipeline of projects that aligns with our core capabilities and is being targeted in a disciplined way.”

Financial Performance & Position

Revenue of $451 million for the 12 months ended June 2020 was 18.2% below the previous corresponding period. In response to the operational challenges faced, the Company undertook a significant restructure from January 2020 which removed $14m of overhead costs on an annualised basis.

Decmil successfully completed a $52 million capital raising in Q4 FY20, with a $50.5 million Entitlement Offer and an additional $1.9 million Placement to Cornerstone Sub-underwriters.

The funds have reset Decmil’s balance sheet and ensures the Company is well positioned to target significant expected infrastructure opportunities in Australia, in particular with increased State and Federal Government stimulus in response to the economic impacts of COVID-19. Decmil is also targeting work with existing blue-chip clients with which it has strong relationships.

Provisions and Impairments

In line with the broader strategy to reset the balance sheet, Decmil set out to mitigate financial uncertainty. Therefore, the Company’s assets and portfolio of contracts were examined and Decmil subsequently applied a conservative review of carrying values and receivables. In addition, a conservative approach was adopted in relation to contract disputes, where the Company made provisions for losses at key disputed contracts and asset values.

Decmil’s reported loss of $140 million for FY20 was primarily due to one-off provisions relating to the previously disclosed contract dispute with the NZ Department of Corrections of $49 million and the Homeground Gladstone accommodation village which was re-valued down by $36 million, due to a weak oil price and COVID-19 economic impacts.

Leadership Renewal

During the second half of FY20, Decmil announced it would refresh its Board and Executive team with new appointments to sharpen the Company’s focus on project profitability and delivery. As part of this renewal, Managing Director & Chief Executive Officer Scott Criddle, Chairman David Saxelby, Non-Executive Directors Don Agent and Bill Healy stepped down from the Board. Dickie Dique was appointed as Managing Director & Chief Executive Officer, Andrew Barclay as Chairman, and Peter Thomas as Chief Financial Officer and Director. The Company expects to announce further Board changes during FY21 as Decmil builds the Board’s expertise, governance and diversity to underpin long-term growth.

COVID-19

Decmil has experienced a limited operational impact from COVID-19 to date, with work across all projects proceeding relatively smoothly and materials being locally sourced to projects. Decmil has implemented robust procedures to mitigate the risk of COVID-19 outbreak, including social distancing measures at our worksites, which we will continue to monitor closely.

While the Company successfully navigated COVID-19 obstacles during FY20, the situation is dynamic and there is a possibility for it to disrupt our operations in FY21. Decmil will continue to proactively manage the COVID-19 situation and continue to inform the market of any updates.

The tendering progress on some Government projects is taking longer than expected as the focus of Ministers and bureaucracies in some states is directed to managing immediate COVID-19 issues which is causing a delay in some contract awards.

As a result, Decmil cannot confidently predict its FY21 revenues so is withdrawing its previous revenue guidance.

Operations

Decmil was able to deliver on existing contracts during volatile conditions during FY20 and secure new work targeted with blue chip customers across a diverse range of sectors in Australia. Operational highlights for the 12 months ended 30 June 2020 include:

- Strong safety performance with year on year improvement across all leading and lagging safety indicator measures with a total recordable injury frequency rate of 4.33;
- Following a tender process in FY20, Decmil was announced as preferred proponent for the $175 million Main Roads WA Albany Ring Road project in July 2020. High levels of client satisfaction on the Reid Highway project contributed to Decmil securing preferred tenderer status;
- The award of a $417 million main works package for the Mordialloc Freeway project by Major Road Projects Victoria as a 40% joint venture partner with McConnell Dowell. Works are now approximately 30% complete in line with contract program;
- Secured a rail accommodation construction contract valued at $40 million for Carmichael Rail Network, with works proceeding ahead of contract program;
- The combined $151 million Yandin and Warradarge Wind Farm Balance of Plant projects being delivered on program during FY20, with energisation on both sites in July 2020;
- Successful practical completion of $194 million of Major Roads Projects Victoria (MRPV) major transport infrastructure contracts including Princes Highway, Plenty Road Stage 1 and Drysdale projects;
- $47 million Reid Highway Project for Main Roads WA approaching practical completion, with operational excellence contributing to securing preferred tenderer status at $175 million Main Roads WA Albany Ring Road project; and
- Commenced the $90 million Plenty Road Upgrade Stage 2 project for MRPV, now approximately 50% complete in line with contract program.

Strategy and Outlook

The business has renewed its focus on targeting high margin projects with blue chip customers across the Infrastructure, Transport, Resources and Energy sectors, which continue to have a strong pipeline of upcoming work.

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On the back of the revitalisation strategy, Decmil experienced strong momentum heading into the tail end of FY20 and into the beginning of FY21, securing preferred tenderer status on the Albany Ring Road contract.

Revenue from this contract and Decmil's existing order book is expected to support a strong H2FY21 to overcome a weak first half. Based on current contracts and expectations, Decmil is forecasting that FY21 will be a year of consolidation, with a return to operating profit and positive operating cashflow in FY22.

Looking further ahead, the Federal and various State Governments have indicated that they will allocate considerable budget funding to infrastructure projects in upcoming years as a means to reinvigorate their COVID-19 impacted economies. Decmil is ideally positioned to participate in this infrastructure spend due to its history of successfully delivering major road projects around Australia.

The Federal Government has earmarked $100 billion of investment in infrastructure over 10 years from FY20 and $235 billion of investment has been budgeted over the next four years from State Government programs, with NSW ($93 billion) and Victoria ($54 billion) having the biggest pipelines of infrastructure projects.

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

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.

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