

Decmil Group Limited

Full Year Results

2020



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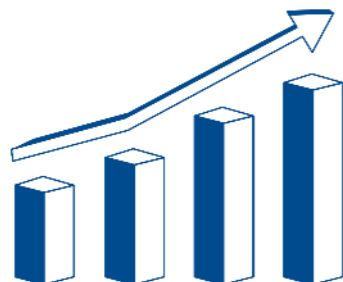
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FY20 GROUP SUMMARY

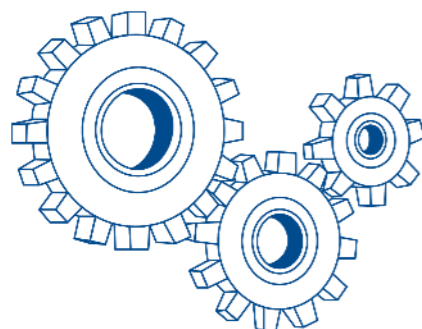


FINANCIAL



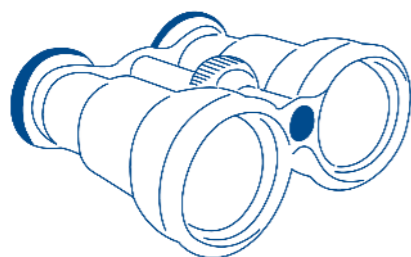
- NPAT loss of \$140 million primarily due to termination of Rapid Deployment Prisons contract in New Zealand and revaluation of Homeground
- Group revenue of \$451 million from continuing operations
- \$44 million cash as at 30 June 2020

OPERATIONS



- Preferred tenderer for the \$175 million Albany Ring Road project for Main Roads WA
- Successful practical completion of \$194 million of major transport infrastructure contracts in Victoria and nearing completion of the Reid Highway project in WA and Warrego project in Queensland
- The combined \$151 million Yandin and Warradarge Wind Farm Balance of Plant projects being delivered on program with energisation in July 2020
- Successful navigation and management of COVID restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal impact

OUTLOOK



- Focus on core business and maintaining strong client relationships
- Order book of \$446 million to FY23 contracted and preferred
- Continued significant public sector infrastructure spend by State and Federal Government
- Project pipeline very strong at \$7-8 billion

ACTIONS TAKEN TO ADDRESS OUR CHALLENGES



Decmil has fortified its business with an enhanced focus on contract management and profitability

1. Organisational Restructure

- Reconfigured Board and Exec team sharpen focus on project profitability and delivery
- Restructure completed in February 2020, streamlining all reporting and accountability
- Removed regional management and reporting layers
- Removed \$14.2 million (35%) of overheads on an annualised basis
- Exited New Zealand business

2. Strengthened Contracting Strategy

- Targeting projects within Decmil's capability and experience
- Renewed focus on project delivery and avoiding delays in resolving on-site disputes
- Comprehensive red flag filter and review of all new tenders
- Review / risk analysis completed on all material contracts
- Focus on balance of plant contracts in energy sector
- Only significant remaining disputes are with Sunraysia and RDP

3. Financing Certainty

- Confirmation of support from the bank
- No cash calls of presented surety bonds until 31 Jan 2021
- Ensures NAB \$65 million multi option facility intact until 31 Jan 2021¹
- Successfully recapitalised balance sheet with \$52.4 million equity raising

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



BLUE-CHIP CUSTOMERS



Decmil has a blue-chip customer base across its core markets, many of which are long-standing customers of the business providing recurring project work

Infrastructure	Transport	Resources	Energy

CORPORATE SNAPSHOT



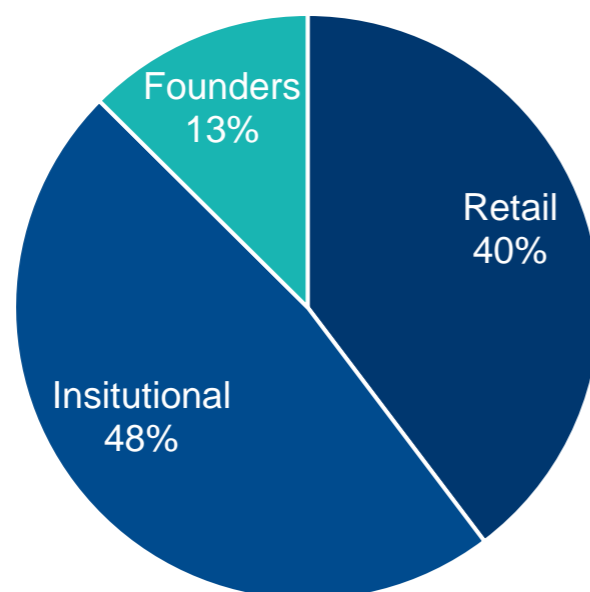
Capital Structure

Shares	M	1,287
Performance rights	M	4.5
Fully diluted shares	M	1,291
Share price ¹	A\$	0.051
Market Capitalisation ¹	A\$M	65.7
Cash ²	A\$M	43.9
Debt ²	A\$M	25.2
Enterprise Value	A\$M	47.0

1. As at 24 August 2020

2. As at 30 June 2020

Shareholder Distribution*



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

Substantial shareholders

Thorney	19.6%
Franco	7.4%
IFM	6.2%

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

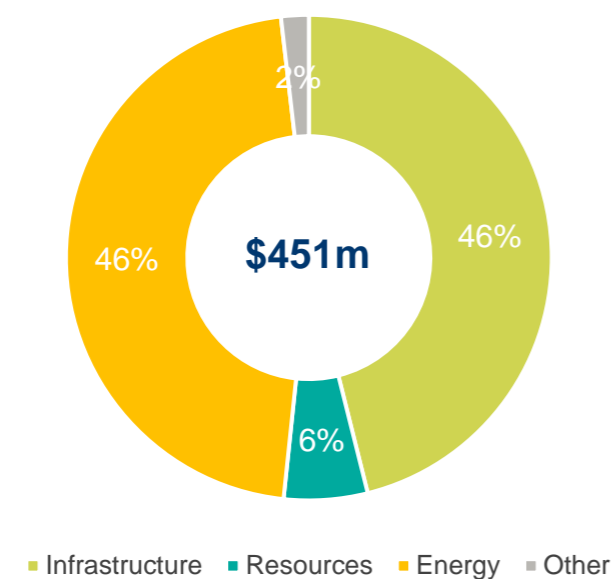
- The global economic outlook and capital markets remain uncertain due to the current COVID-19 pandemic
- International supplies being delayed or cancelled as a result of restricted international trade – alternative suppliers sourced locally
- Workforce mobility issues due to border restrictions – employees 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

FY20 RESULTS

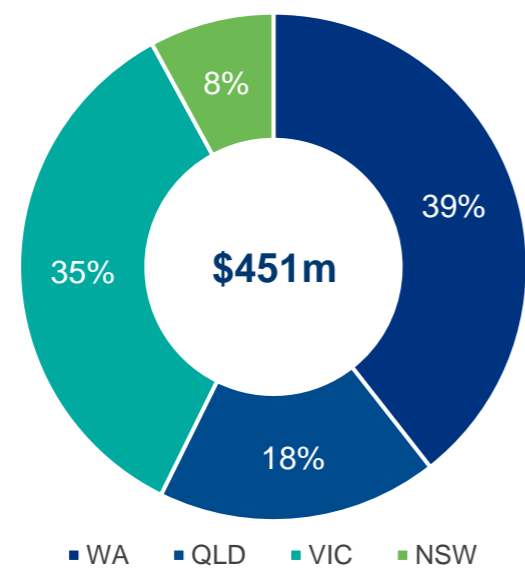
FY20 FINANCIAL HIGHLIGHTS



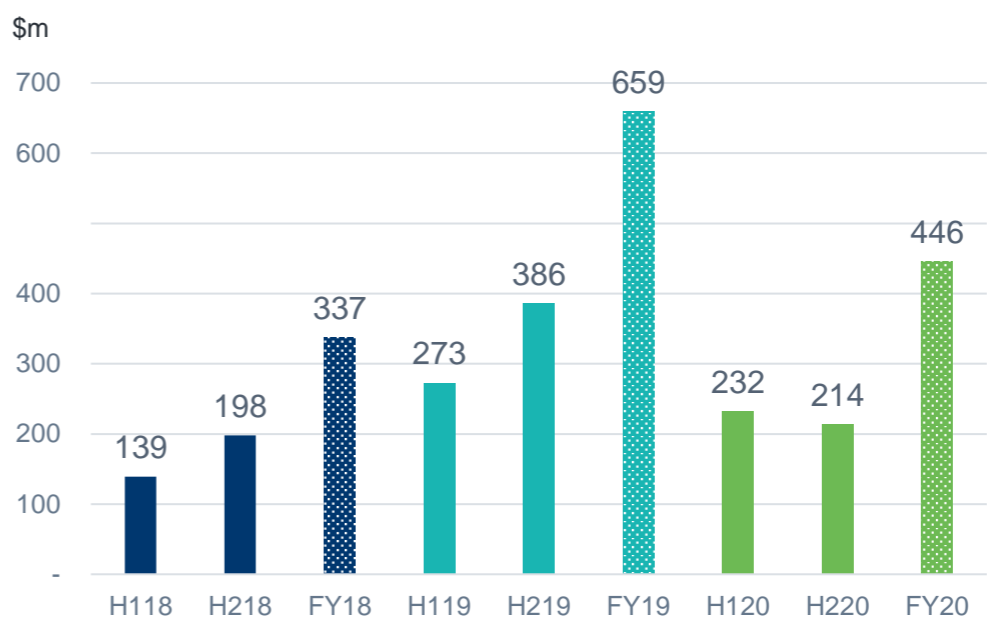
FY20 revenue by sector



FY20 revenue by geography



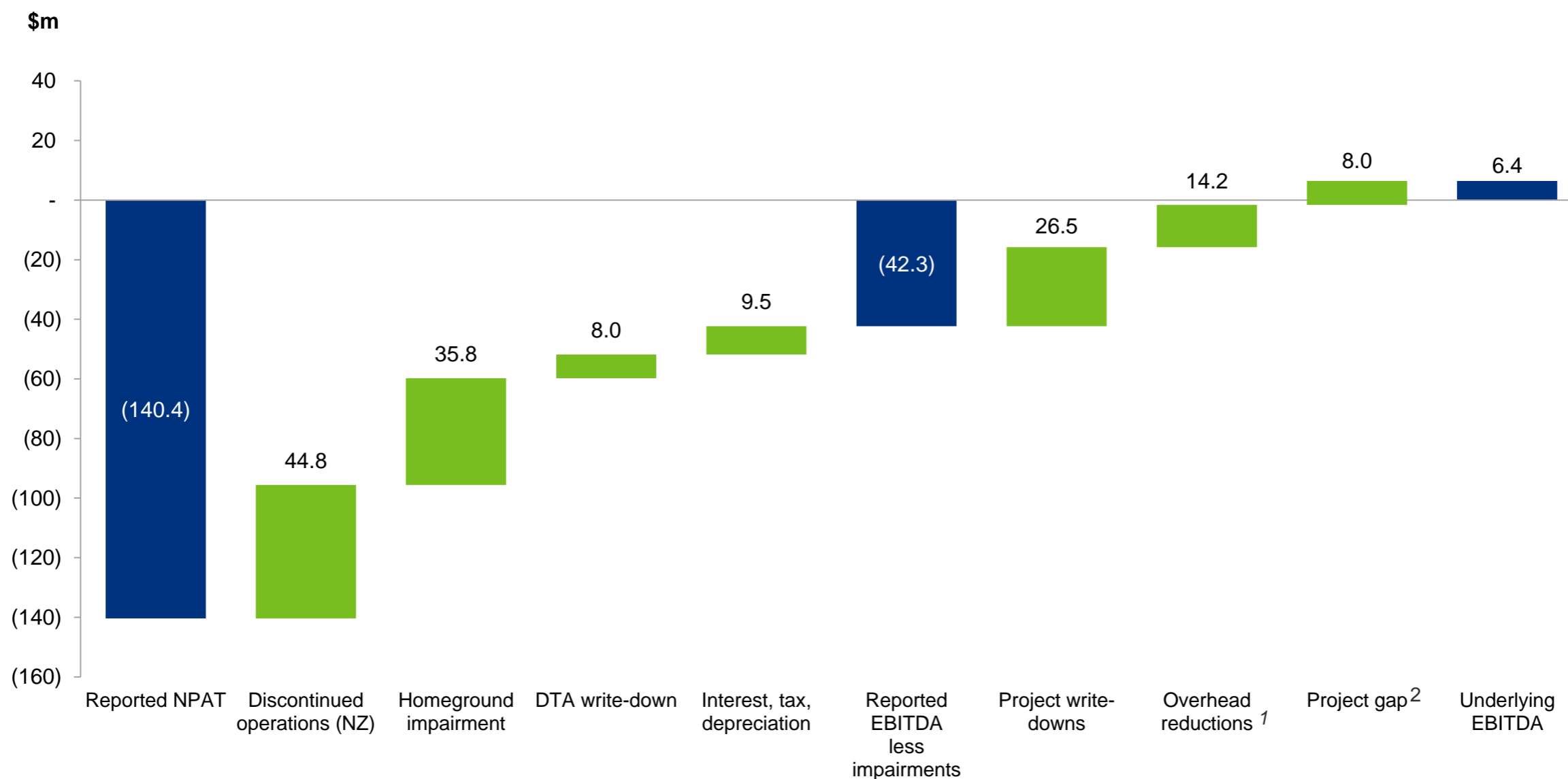
FY18-FY20 Construction & Engineering revenue half-on-half



UNDERLYING EARNINGS



Earnings Before Interest, Tax, Depreciation, Amortisation and Impairments from Continuing Operations



BALANCE SHEET



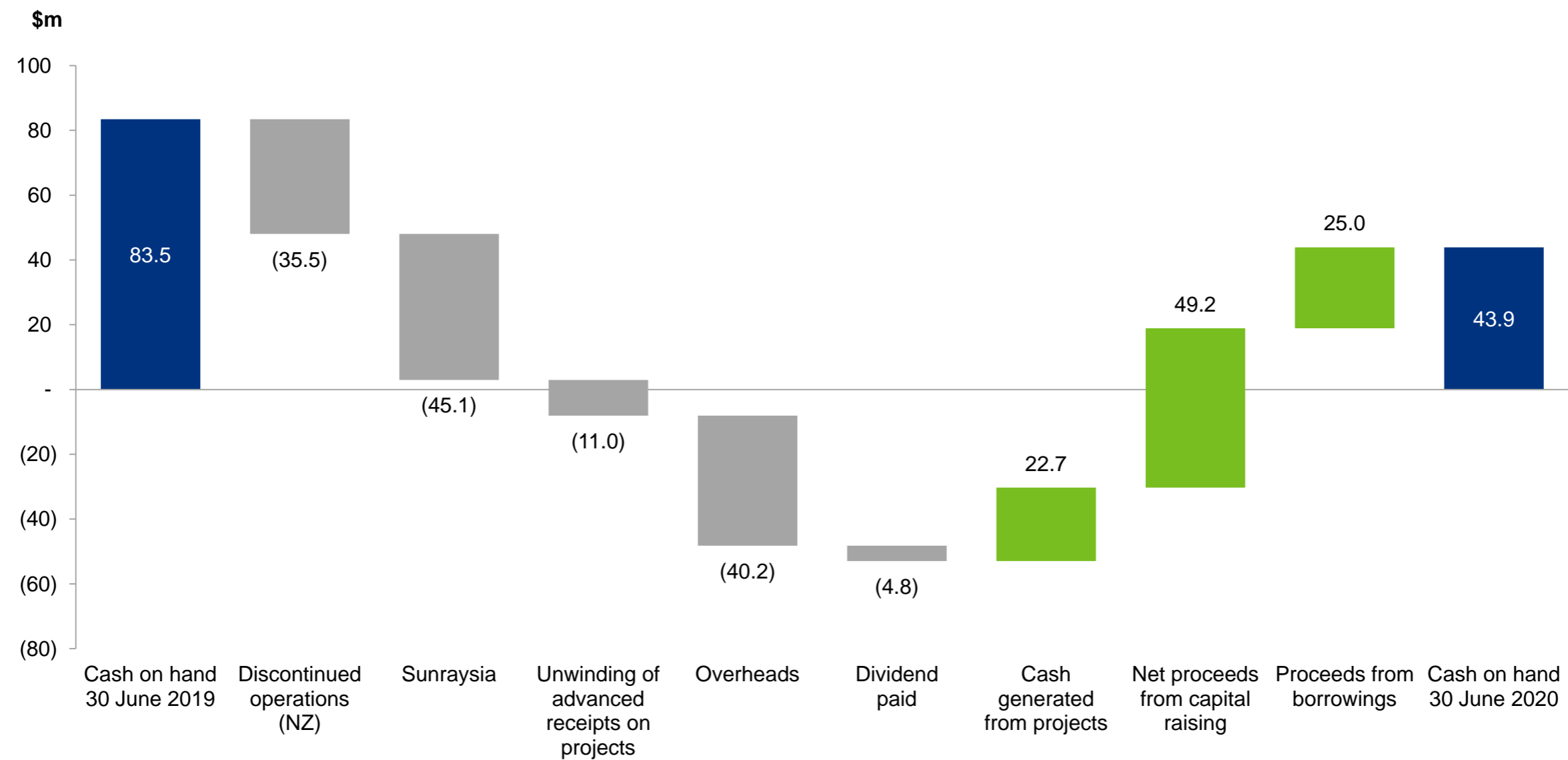
Strong balance sheet allows Decmil to capitalise on expected significant infrastructure expenditure

- Successfully recapitalised balance sheet with \$52.4 million equity raising
- Strong available liquidity of \$66 million including \$22.5 million of undrawn working capital facilities at 30 June 2020
- Working capital of \$36 million has improved over last 6 months
- Net Assets of \$141 million backed by tangible assets of \$192 million
- New leasing standard AASB16 adopted 1 July 2019 resulting in recognition of \$16.5 million of lease liabilities in respect operating leases
- Key facilities:
 - Debt facilities include \$65 million multi-option facility (\$25m term loan drawn) with NAB which is subject to standstill agreement (to 31 January 2021)
 - Surety bonding facilities with four bonding companies (\$95m of bonding outstanding on \$363 million of original facilities) also subject to standstill agreement (to 31 January 2021)
 - Both facilities with NAB and sureties currently under discussion with a view to replacing standstill agreement and extending commitments beyond 31 January 2021
- Sale process commenced for Homeground Gladstone accommodation village, which has been revalued to \$56.6m following the recent fall in oil price and COVID-19 pandemic. Shown as "Asset held for sale".

\$ in millions	Dec'19 Actual	Mar'20 Actual	Jun'20 Actual
Cash	64.7	11.3	43.9
Receivables	36.0	51.3	36.8
Contract assets	25.9	30.1	18.8
Asset held for sale	-	56.6	56.6
Other	14.1	14.3	4.5
Current Assets	140.7	163.6	160.6
Investment property	85.4	-	-
PPE	10.4	9.7	8.9
Right-of-use assets	17.8	16.7	16.1
Deferred tax assets	30.8	30.6	22.6
Goodwill	75.5	75.5	75.5
Non-Current Assets	219.8	132.5	123.1
Total Assets	360.5	296.1	283.7
Payables	103.4	92.9	54.0
Contract liabilities	42.4	16.1	18.8
Borrowings	27.3	38.0	25.2
Lease liabilities	3.5	3.5	3.5
Provisions	7.3	6.0	23.5
Current Liabilities	183.9	156.5	125.0
Deferred tax liabilities	0.3	0.3	-
Lease liabilities	19.6	18.9	17.7
Provisions	0.3	0.3	0.2
Non-Current Liabilities	20.2	19.5	17.9
Total Liabilities	204.1	176.0	142.9
Net Assets	156.4	120.1	140.8
WORKING CAPITAL	(42.2)	7.1	35.6

CASH FLOW

Current year cash movements



STRATEGY AND OUTLOOK

\$446M WORK IN HAND – 79% WITH GOVERNMENT



Decmil currently has 15 contracts in hand across Australia

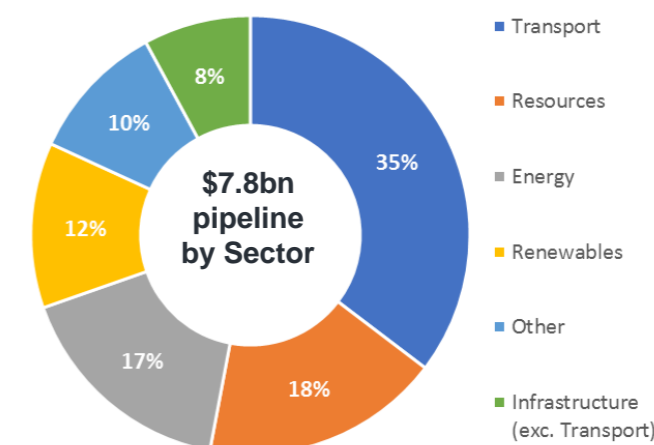
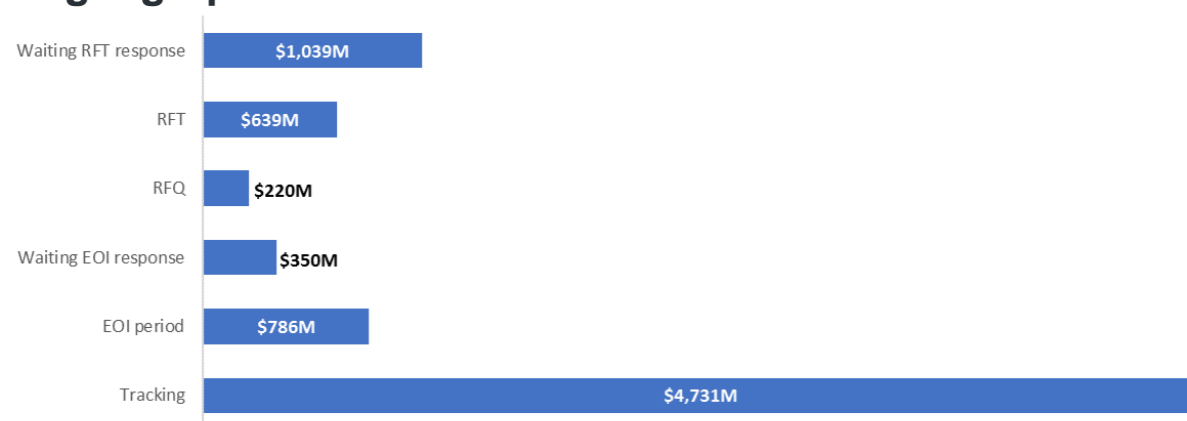
- \$446m of work in hand (contracted and preferred) as at 30 June 2020
- 79% of this work is with Australian government customers

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	Feb-22
QGC	QGC Brownfields	QLD	Energy	Construction	>50	Sep-20
Major Road Projects Victoria	Plenty Road Stage 2	VIC	Infrastructure	Road/Bridge	>50	Feb-21
Vestas	Yandin Wind Farm	WA	Energy	Wind Farm	>50	Sep-20
Carmichael Rail	CRN Rail Construction Camp	NSW	Resources	Building - Accommodation	<50	Nov-21
Vestas	Warradarge Wind Farm	WA	Energy	Wind Farm	>50	Sep-20
Main Roads Western Australia	Reid Highway	WA	Infrastructure	Road/Bridge	<50	Sep-20
Major Transport Infrastructure Authority	Drysdale Bypass	VIC	Infrastructure	Road/Bridge	<50	Jul-20
Department of Transport and Main Roads (Qld Gvt)	Warrego Highway	QLD	Infrastructure	Road/Bridge	<50	Aug-20
Sunraysia Solar Farm	Sunraysia	NSW	Energy	Solar Farm	>50	Mar-21
Department of Environment, Land, Water & Planning	SRB014	VIC	Infrastructure	Road/Bridge	<50	Aug-20
Main Roads Western Australia	Albany Ring Road ²	WA	Infrastructure	Road/Bridge	>50	Dec-23
Queensland Rail	Mayne Yard DLP	QLD	Transport	Building	<50	Jan-21
Coleman Rail	Bayswater Station Metronet ²	WA	Transport	Rail/Road	<50	Mar-22
Department of Transport and Main Roads (Qld Gvt)	Bruce Highway	QLD	Infrastructure	Road/Bridge	<50	Feb-21

STRONG PIPELINE AND MARKET CONDITIONS



Decmil has a \$7.8bn project pipeline¹ within its core areas of proven expertise, across a wide range of projects, sectors and geographies



Project	Region	Client	Sector	Project Value (A\$m)	Duration (Months)
Bayswater Station Upgrade (Preferred)	WA	PTAWA	Transport	<50	20
Gippsland Line Upgrade	VIC	RPV	Transport	>50	25
Albany Ring Road (Preferred)	WA	MRWA	Infrastructure	>50	30
Waddi Wind Farm	WA	Vestas	Energy	<50	12
Solar & Gas Works JV	WA	Confidential	Energy	>50	20
FMG Solomon	WA	FMG	Resources	>50	12
FMG Iron Bridge NPI	WA	FMG	Resources	<50	12
Suburban Roads Upgrade Program	VIC	MRPA	Infrastructure	>50	25
Hawkesdale Wind Farm	VIC	Vestas	Energy	<50	13
Berrybank Wind Farm	VIC	Vestas	Energy	<50	13
Mitchell Freeway Extension: Hester Avenue to Romeo Road	WA	MRWA	Infrastructure	>50	15
Barwon Heads Road Duplication	VIC	VicRoads	Infrastructure	>50	15
Winu – Early Works and Camp	WA	Rio Tinto	Resources	>50	18
O'Shea Road Duplication	VIC	CPB	Infrastructure	>50	18
Central West Bridge Replacement	QLD	QR Rail	Transport	<50	12
Mesa A and J Buildings	WA	Rio Tinto	Resources	<50	12
Balloon Loop Earthworks	QLD	Carmichael Rail	Resources	<50	12
Burrup Urea Fertiliser Plant	WA	Perdaman	Resources	>50	24
Other				>50	
Total Pipeline				\$7,797m	



INFRASTRUCTURE

Road projects underway in Victoria, Queensland and Western Australia

Reid Highway



Drysdale Bypass



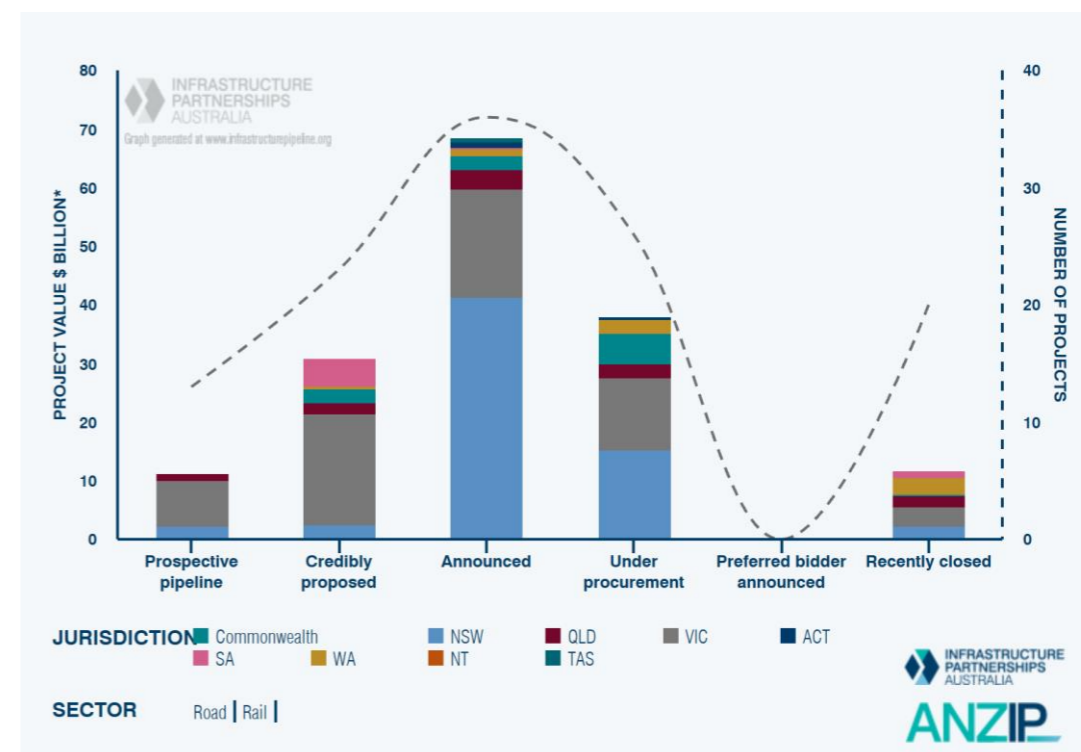
ATTRACTIVE END MARKETS – INFRASTRUCTURE

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

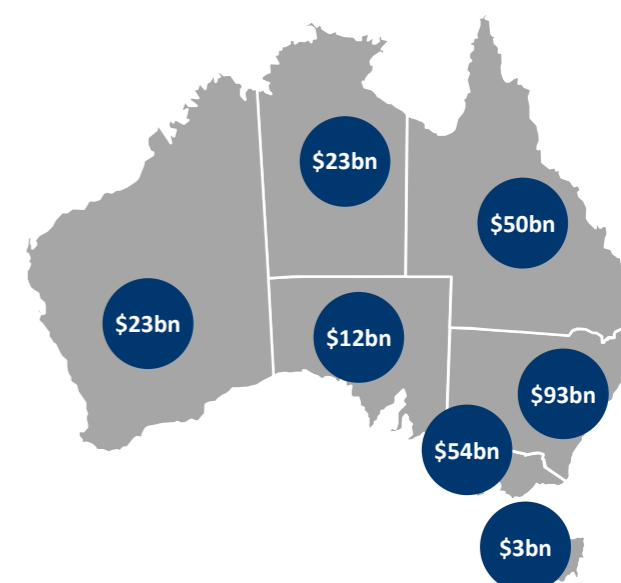
- Infrastructure spending (both public and private) expected to remain at historically high levels
- Underpinned by over \$100bn investment from the Federal Government over the next 10 years from FY20 and \$235bn investment budgeted over the next four years from state government programs
- The key driver 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

Roads and Rail project pipeline¹



Australian states infrastructure budget next 4 years²

- State Government infrastructure investment programs have budgeted ~\$235bn investment over the next four years
 - NSW (\$93bn) and Victoria (\$54bn) have the biggest 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 on infrastructure spend
 - Government stimulus packages driving the economic recovery post COVID-19 targeting further infrastructure investment



RESOURCES

Providing Services to the Mining and Oil & Gas Industries



Mulla Mulla Village



Carmichael Rail Camps



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

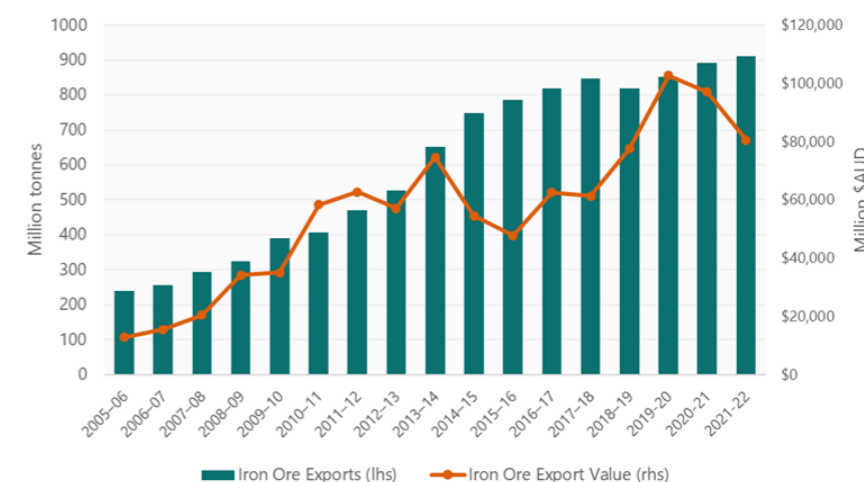
WA Resources Project Pipeline²

Sector	Commodity	CAPEX (A\$ million)	
		Committed/ under construction	Planned/ possible
Minerals	Gold	475	815
	Iron ore	16,990	5,183
	Nickel, copper and zinc	526	4,375
	Lithium	1,564	1,929
	Infrastructure	70	6,600
	Other minerals	607	9,020
	Sub-total Minerals	20,232	27,922
Petroleum	Crude oil and condensate	0	2,200
	Gas	0	0
	LNG	6,995	61,007
	Pipelines and infrastructure	0	0
	Sub-total Petroleum	6,995	63,207
Total forecast investment		27,227	91,129

Outlook for Iron Ore and LNG¹

Australia's iron ore export volume and value

Weakness in the price of iron ore is expected to offset growth in output, leading to lower revenue by 2021-22.

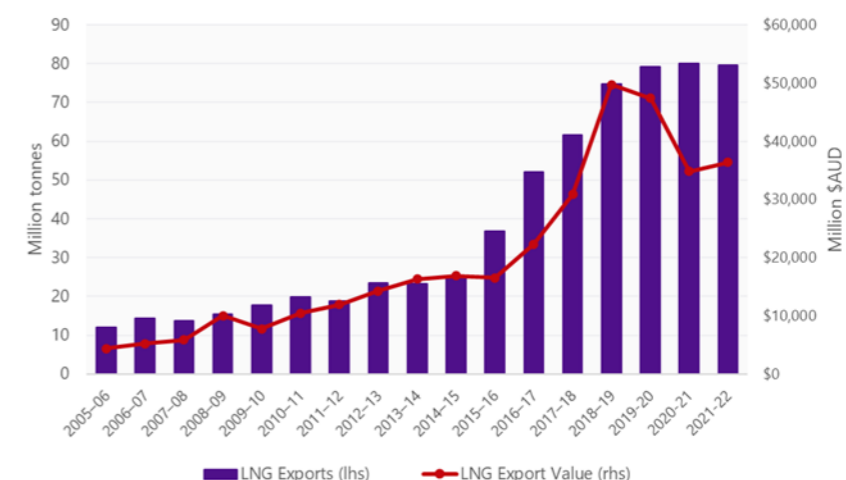


Office of the Chief Economist, Resources and Energy Quarterly, June 2020

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Australia's LNG export volume and value

Australia's LNG exports have surged over the past five years, but export revenue peaked in 2018-19.



Office of the Chief Economist, Resources and Energy Quarterly, June 2020

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ENERGY

Balance of Plant Works for Remote Wind and Select Solar Projects

Warradarge & Yandin Wind Farms



ATTRACTIVE END MARKETS – 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 for reliable counterparties.

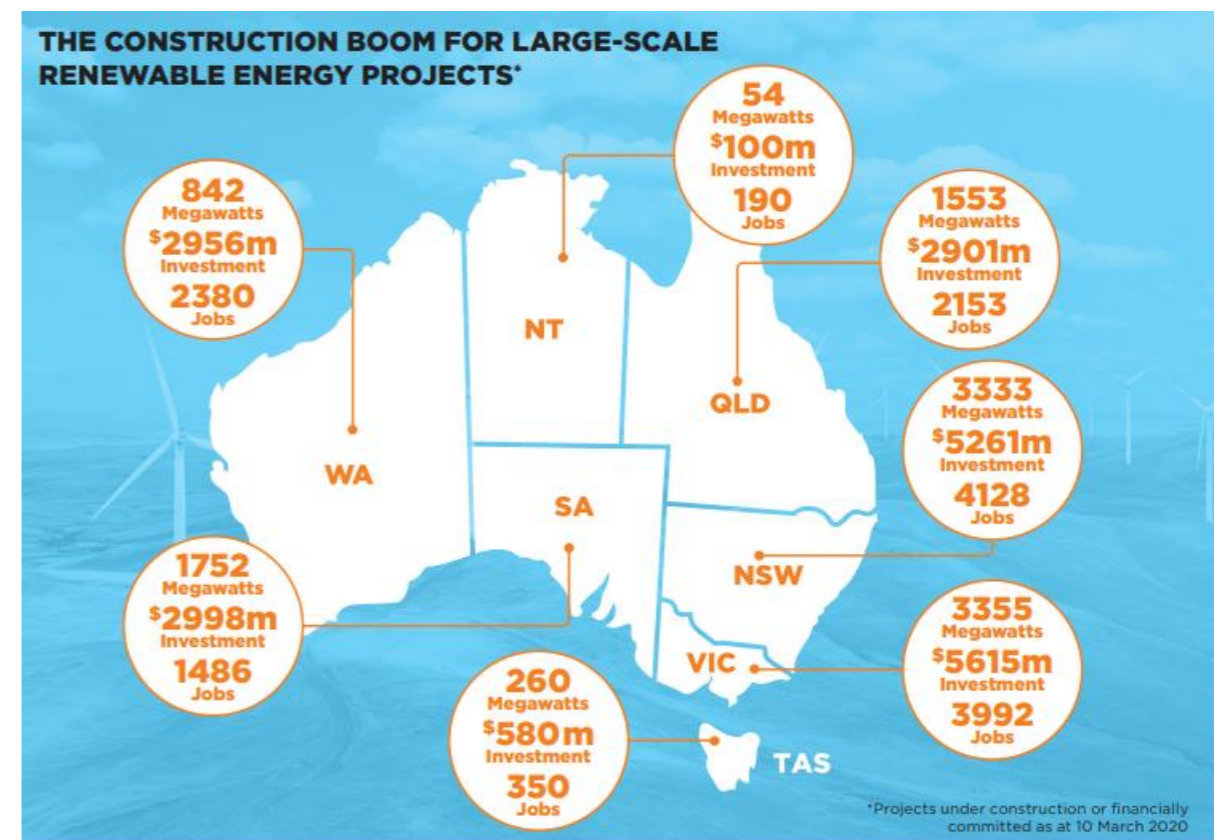
Unique opportunity to take share

- 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 projects 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:
 - *Current wind farm projects:* Warradarge Wind Farm, Yandin Wind Farm
 - *Current solar farm projects:* Sunraysia

Strong growth forecasted

- Renewable energy was responsible for 24% 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 was under construction or financially committed at the beginning of 2020, including 26 wind farms

Investment in large scale renewable projects continues¹



UPDATE ON RECENT CHALLENGES



Decmil has identified and quantified problem contracts – now boxed and under control

Sunraysia Solar Farm

- 200MW solar plant EPC project (\$280m contract value)
- Project work 100% completed / still awaiting R1 connection / R2 testing to follow once R1 complete
- Decmil waiting on final milestone payments once R2 concluded - total of \$19.3m
- Decmil received legal advice from two external law firms. Decmil is confident in its position
- **Upside is \$19m receipt¹ / Decmil best estimate of downside is \$28m payment for liquidated damages¹**
- Arbitration process expected to take 12-18 months
- **Decmil expects to receive the \$19m final milestone payments which are reflected in the accounts**

RDP

- Installation of prison units at five prisons in New Zealand for NZ Department of Corrections (DOC) (A\$225m contract value)
- Contract terminated by Decmil in Feb 2020. Project was 75% complete
- Decmil claims \$12m certified unpaid work (LDs inappropriately deducted) plus \$48m of unapproved variations accumulated during pre-agreed reset phase of project (Mar – Sep 2019)
- DOC may claim for cost to complete beyond what it would have cost Decmil to complete the project
- **Upside is \$60m receipt / Decmil best estimate of downside is \$11m payment²**
- Decmil received legal advice from two external law firms. Decmil is confident in its position
- Decmil NZ in liquidation / Liquidator has agreed to mediation with DOC
- Should mediation fail, Arbitration process expected to take ~24 months unless favourable settlement achieved earlier
- **Any recovery from RDP will be booked as revenue in future reporting periods**

Mulla Mulla

- Dispute now settled – settlement terms confidential



1. \$19m upside case receivable is reflected in current assets. \$28m of claimed LDs have sought to be recovered via \$15.6m of bonds and set-off of \$3.7m against a certified Decmil claim²³
2. \$15.7m provision has been raised by the Company in relation to closure of Decmil NZ relating to potential calls against bonds, arbitration and liquidation costs. DOC has called \$11.6m of bonds held on RDP

STRATEGY AND OUTLOOK



- Strong pipeline of opportunities in core sectors – Infrastructure, Transport, Resources, Energy
- Well positioned for Government COVID-19 economic recovery plans focused on awards to Australian contractors for Government Road and Rail infrastructure
- COVID-19 remains a risk to timing of new contract awards
- Revenue for FY21 includes \$245 million of work in hand (contracted and preferred), active tendering to bolster this toward \$400 million level
- Cash and liquidity sufficient to execute business plan
- Homeground remains available for sale





THANK YOU