

Mastermyne Group Limited

FY2014 Full Year Results Presentation

22 August 2014

Tony Caruso – CEO & Managing Director

Chris Kneipp – Chief Financial Officer



Mastermyne
GROUP OF COMPANIES

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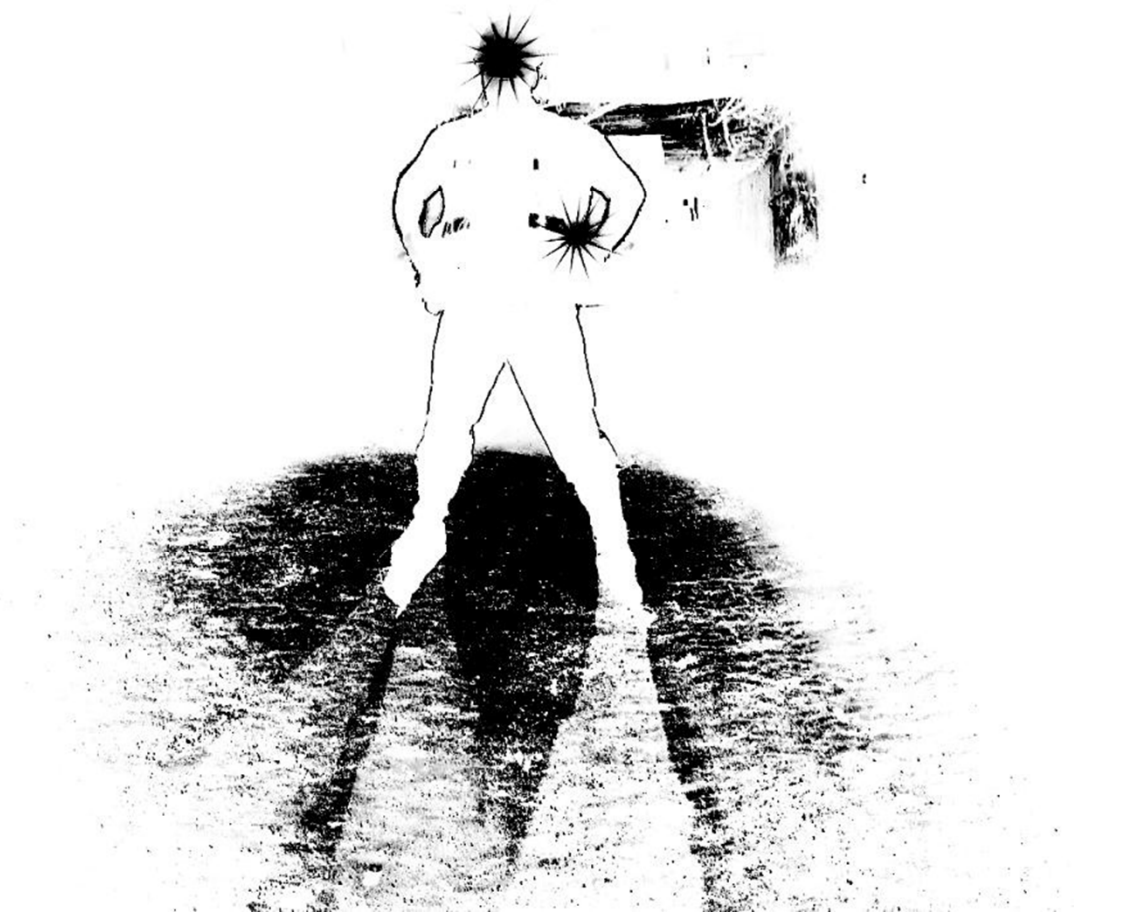
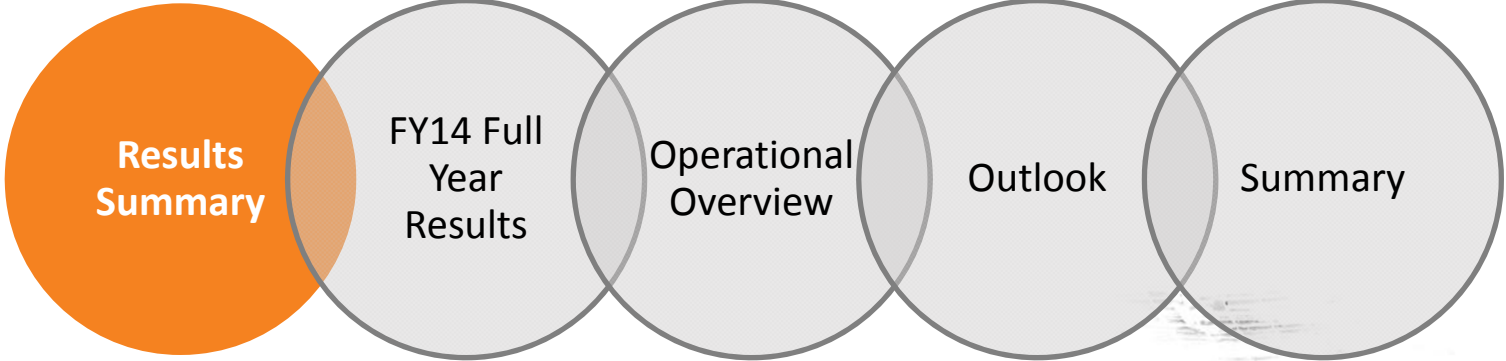
Results Summary

FY14 Full Year Results

Operational Overview

Outlook

Summary



Results Summary

Financial Highlights

- Revenue of \$172 million above guidance range of \$155-\$165 million
- EBITA of \$5.3 million (\$3.3 million contributed in 2nd half)
- Statutory NPAT of \$2.99
- Underlying NPAT of \$2.64 million
- EPS of 3.9 cps down from 15.3 cps in FY2013

Balance Sheet

- Total Assets down from \$106 million to \$96.8 million
- Net Assets steady at \$60.7 million
- Net debt reduced by \$5.7 million to \$2.2 million

Dividends

- Final Dividend of 1.4 cps resulting in FY14 dividend of 2.4 cps

Order Book

- Total Order Book \$257 million
- Tendering Pipeline of \$1.06 billion with \$564 million in active tenders
- Approx. \$472 million in roadway development tenders submitted

REVENUE

\$172m (↓30.9%)

Guidance
\$155m - \$165m

FY2013: \$248.8m

FY2012: \$271.9m

EBITA

\$5.3m (↓71.5%)

FY2013: \$18.5m

FY2012: \$25.6m

NPAT

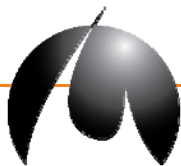
Statutory

\$3.0m (↓73.9%)

Guidance
\$2m-\$3m

FY2013: \$11.5m

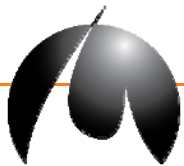
FY2012: \$11.7m

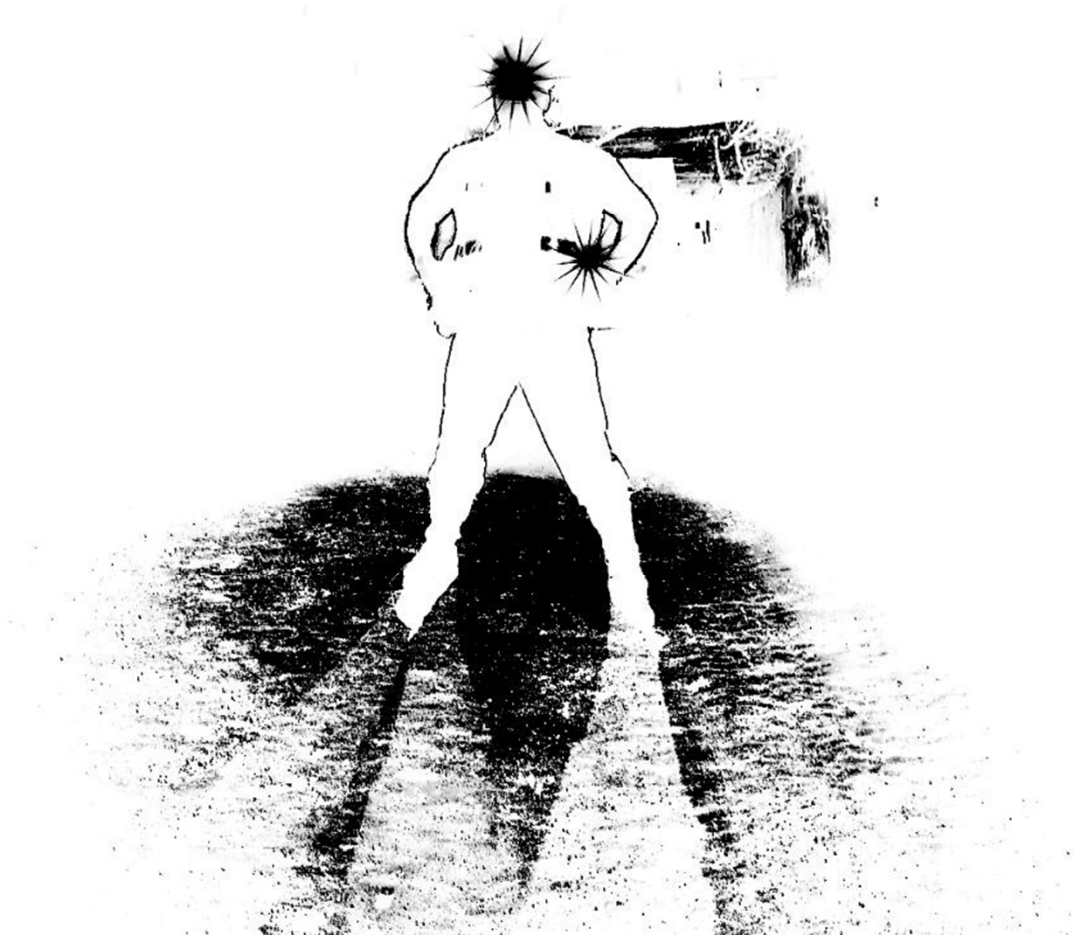
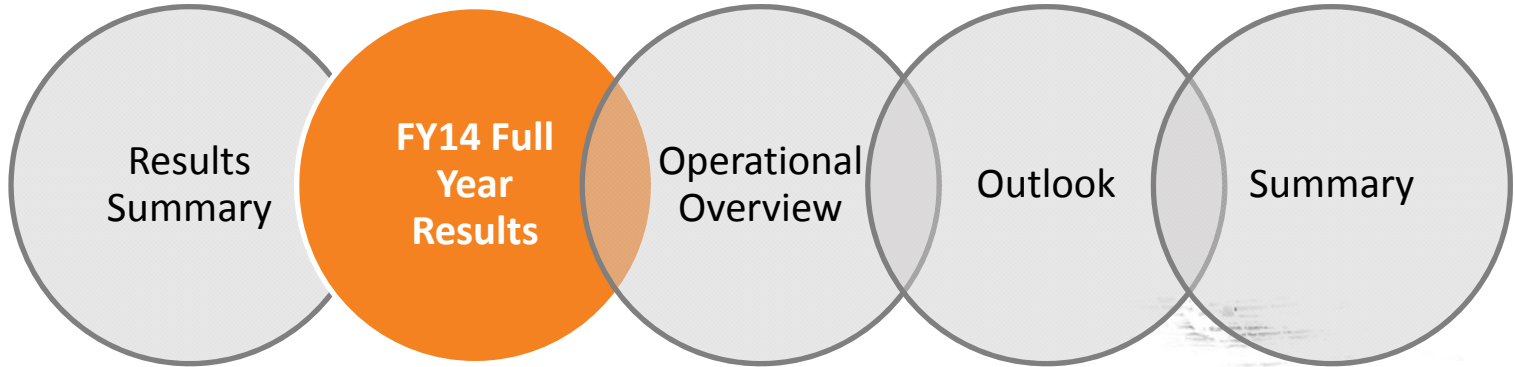


Operational Summary



- Continued trend of improving safety performance. TRIFR from 3.48 in June 2013 to 3.13 in June 2014
- Maintained MYE's strong link to producing underground coking coal mines that are focused on increasing production to reduce unit costs
- No erosion of the order book from insourcing underground services by Clients. Has been a trend to labour hire earlier in the financial year but this has since receded
- MYE response to cost reduction has been predominately through decreasing labour costs and adjusting workforce numbers. Margins have remained mostly in line with previous performance
- Renewed the Moranbah North Umbrella Contract and Westcliff Outbye Contract
- Mobilised at 2 new sites in Qld which has increased our footprint in the Bowen Basin. Now working in 13 of the 16 major underground metallurgical coal mines in Australia
- Successfully undertook a number of smaller short term projects throughout the year
- Workforce was 733 at June 14 after peaking at 903 in March.
- Development equipment utilisation remained low over the year due to the minimal amount of new roadway development contracts. Mobile equipment utilisation was stronger but offset by lower hire rates



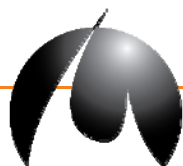


FY2014 Financial Summary

Summary Income Statement

(\$'000)	FY2014	FY2013	Change(%)
Total Revenue	171,977	248,836	(30.9%)
EBITDA	12,224	25,878	(52.8%)
EBITA	5,269	18,481	(71.5%)
Profit before tax	3,935	16,508	(76.2%)
Tax expenses	(943)	(4,979)	(81.1%)
Statutory Profit after tax	2,992	11,529	(74.0%)
Tax Adjustments	(353)		
Adjusted Profit after tax	2,639	11,529	(77.1%)
EBITA Margins	3.1%	7.4%	
EPS	3.9	15.3	(74.5%)
Adjusted EPS	3.4	15.3	(77.5%)
DPS	2.4	6.9	(65.2%)

- Revenue is down 30.9% as a result of full year effect of contracts running off from FY2013.
- Net Profit down 74% due to decreased revenues and lower margins compared to prior year, however much stronger 2nd half contribution of \$2.2 million (\$0.8 million in 1st half)
- EBITA margin down to 3.1%, primarily resulting from;
 - Lower equipment utilisation whilst still maintaining consistent depreciation levels
 - Fixed overhead base diluting margins on lower revenues
 - Continuing third party hire equipment obligations from Newstan contract increased costs by \$2 million (reducing EBITA margins by 1.2%). Ends Dec 2014
- Final Dividend of 1.4 cps, resulting in total dividends for FY14 of 2.4 cps (61.5% payout ratio)



FY2014 Divisional Performance

(\$'000)	Underground		Engineering		Services	
	FY2014	FY2013	FY2014	FY2013	FY2014	FY2013
External Revenue	150,702	194,251	18,468	17,819	2,807	36,766
Inter Segment Revenue*	6,367	12,129	1,109	1,471	62	6
Total Divisional Revenues	157,069	206,380	19,577	19,290	2,869	36,772
Profit Before Tax	3,243	9,864	829	1,705	142	5,212
PBT%	2.06%	4.78%	4.23%	8.84%	4.95%	14.17%

*Intersegment revenues are arms length transactions between the divisions for goods and services provided including capital equipment.

Underground

- Revenue in FY2014 reduced with the completion of Newstan and Kestrel Mine Extension projects and general contraction across the mining sector
- FY2014 margins have been impacted by reduced equipment utilisation and lower hire revenue (internal & external)
- FY2014 margins also impacted by one off third party hire contracts which continued past the demobilisation of the Newstan contract

Engineering

- FY2014 revenue increased from the full year contribution of the Grosvenor QDS contract and the uplift in consumables product sales driven by increased mine production.
- FY2014 margins down due to pricing pressure from customers on fabrication work

Services

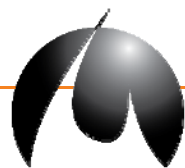
- FY2014 results reflect the downturn in construction and greenfield projects
- Completed two small projects during the year
- Overhead costs are minimal in this division which positions the business for any opportunities that may present



FY2014 Working Capital & Cash Flow

\$AUD (000's)	FY2014	FY2013
EBITDA (Statutory)	12,224	25,878
Movements in Working Capital	1,486	(3,314)
Non cash items	63	477
Net Interest Costs	(1,199)	(1,801)
Income tax payments	(1,907)	(10,656)
Net Operating Cash Flow	10,667	10,584
Proceeds from exercise of share options	146	-
Net Capex (includes intangibles)	(1,891)	(1,031)
Net borrowings/(repayments)	(7,130)	(6,264)
Interest Received	263	361
Acquisition of Subsidiary	-	(650)
Free Cash Flow	2,055	3,000
Dividends	(3,468)	(6,105)
Net increase/(decrease) in cash and cash equivalents	(1,413)	(3,105)
Cash and cash equivalents at beginning of period	10,223	13,328
Cash and cash equivalents at end of period	8,810	10,223

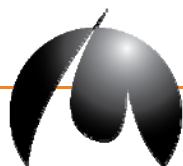
- Strong operating cash flows delivered \$10.7 million on a market cap of ~\$40 million.
- Total debt repayments of \$7.1 million up from \$6.3 million
- Capex whilst up on last year, remained well below historical levels
- Increased dividend payout ratio to 61.5% for the full year

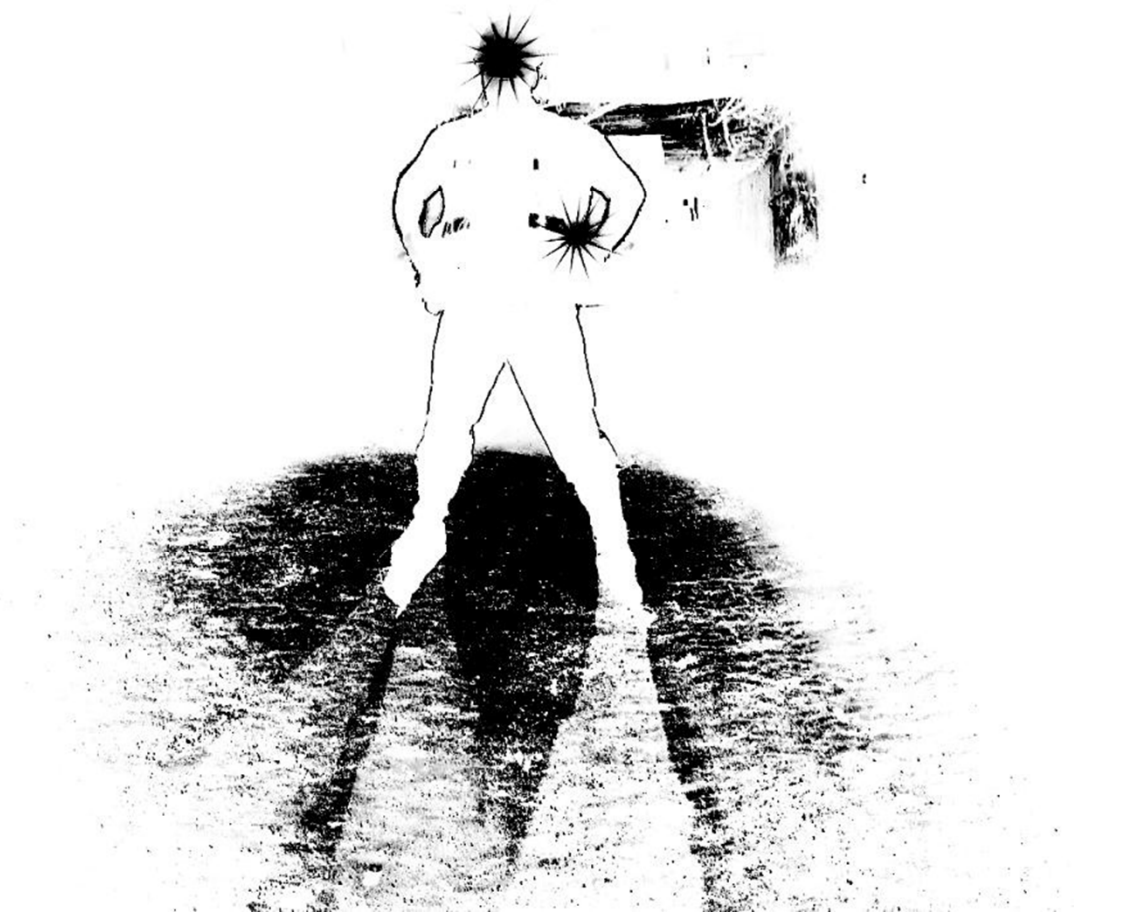


FY2014 Balance Sheet

\$AUD (000's)	FY2014	FY2013
Assets		
Cash and cash equivalents	8,810	10,223
Trade and other receivables	37,917	40,906
Inventories	2,742	2,332
Total current assets	49,469	53,461
Property, plant and equipment	27,732	32,760
Intangible assets	19,642	20,040
Total non-current assets	47,374	52,800
Total assets	96,843	106,261
Liabilities		
Trade and other payables	16,265	15,274
Loans and borrowings	5,102	6,732
Employee benefits	6,655	8,762
Current tax payable	10	1,398
Total current liabilities	28,032	32,166
Loans and borrowings	5,941	11,442
Employee benefits	145	120
Deferred tax liabilities	2,063	1,637
Total non-current liabilities	8,149	13,199
Total liabilities	36,181	45,365
Net assets	60,662	60,896

- Net Assets down to \$60.7 million
- Lower balance of working capital as revenues reduced
- Net Debt decreased by \$5.7 million to \$2.2 million, as a result of good operating cashflows and debt repayments
- Total Assets down from \$106 million to \$96.8 million due to dividends paid during the year and depreciation of Plant and Equipment





HSEQ Scorecard



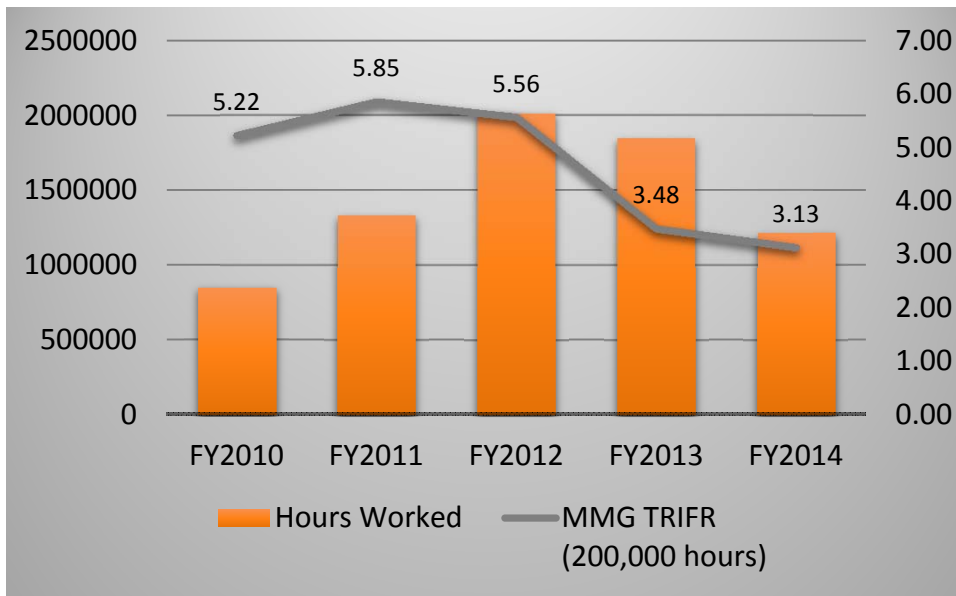
ISO 14001



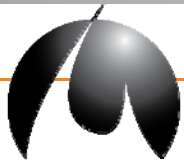
Health & Safety
AS/NZS 4801

Production focus
Safety Always

Project Hours worked and TRIFR

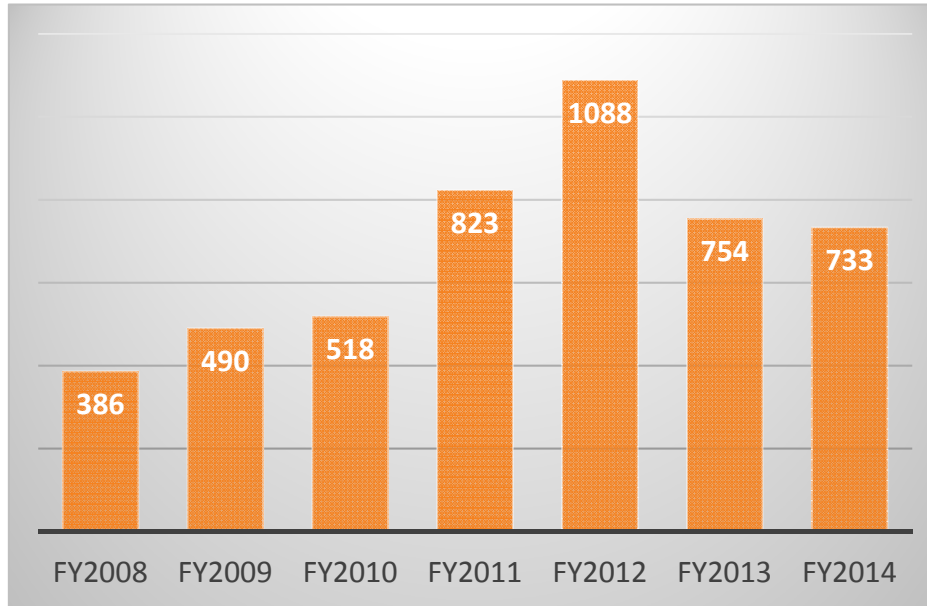


- FY2014 Group TRIFR 3.13 (200,000hrs based on internal reporting standard on Projects)
- 3 of the 9 major underground projects have a TRIFR of 0.00
- HSEQ Index target was achieved by 7 of the 9 projects with the best outcomes seen in the following areas:
 - Behavioural interactions focussing on critical risks
 - Inspections and audits completed to schedule
 - Assignment of hard controls to incidents

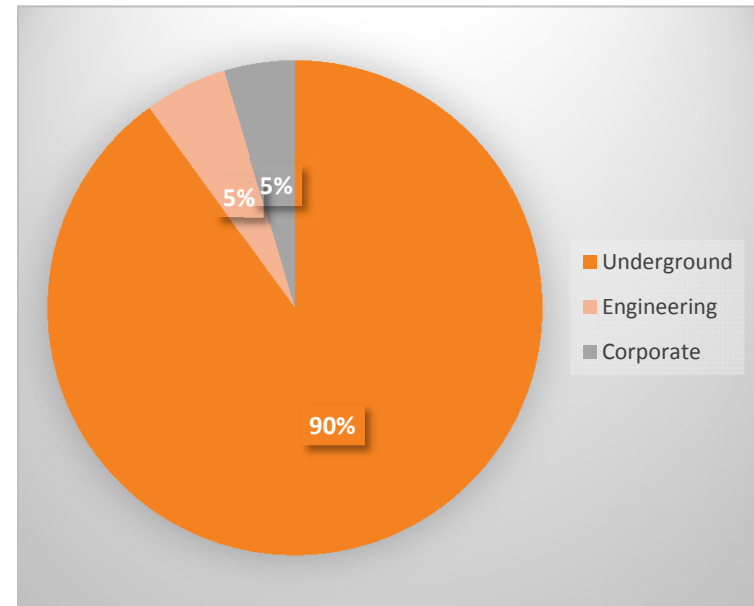


MYE Workforce

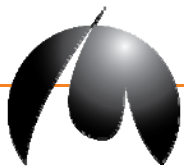
Employee Numbers (FTE)



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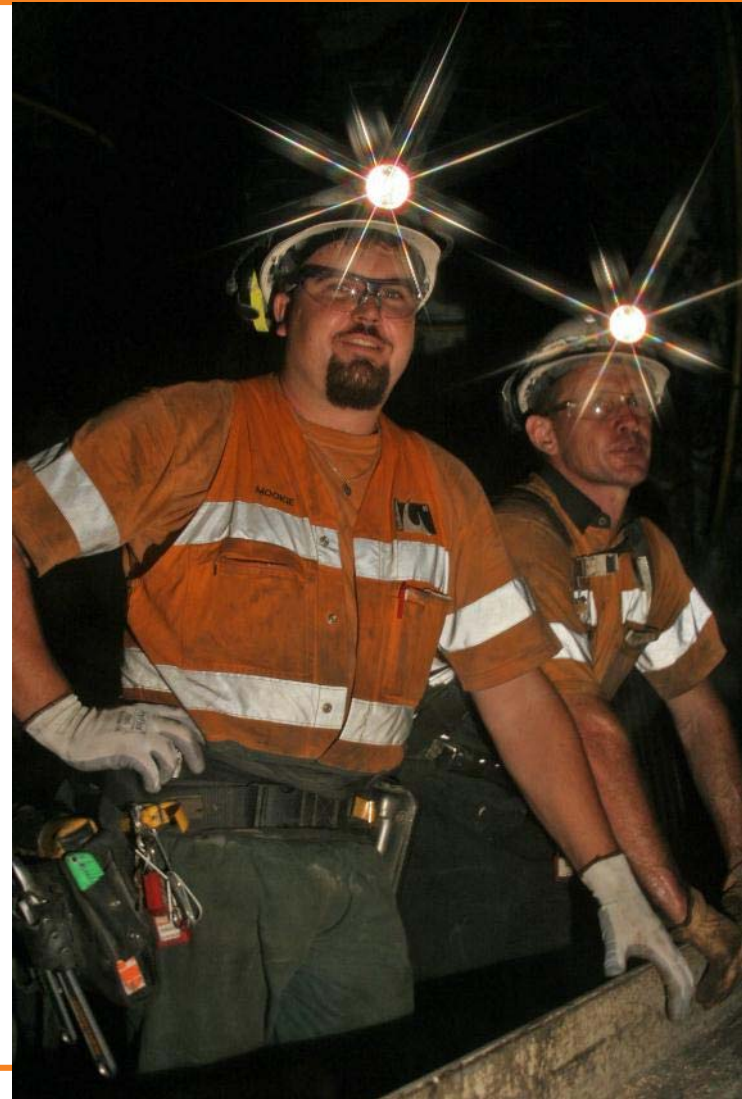
- Implemented a Supplementary Labour (Labour Hire) offering to compliment core Contractor Model
- Negotiated 3 Enterprise Agreements, all returning positive yes votes with term up to 2017 (offering flexibility and adjusted remuneration)
- Transitioned 300+ QLD workforce to adjusted market remuneration without impacting performance and safety and without industrial issues



Operations

Underground

- Mobilising labour for the Grosvenor Mine project and will continue to ramp up over the next 6 months
- Mobilised on Grasstree Mine for stone drivage project
- Completed the Broadmeadows Longwall and Conveyor projects
- Contract for roadway development at Broadmeadows mine has had a short term extension
- Demobilised from Oaky Creek project
- Completed short term projects at Tahmoor Mine, Dendrobium mine and Cook Colliery
- 2 x Continuous Miners remained on hire for the full financial year with one demobilised during July and the second to be demobilised in August



Operations



Engineering

- Revenue driver has shifted from a fabrication bias to consumable sales
- The two workshops maintained a full order book during the 2nd half of the 2014 FY.
- New products; developed and delivered from the Cardiff workshop

Services

- 2 projects delivered over the year
- Continue to focus on smaller niche projects. Limited revenue due to the lack of construction activity
- Overheads in this division have been minimal throughout the financial year



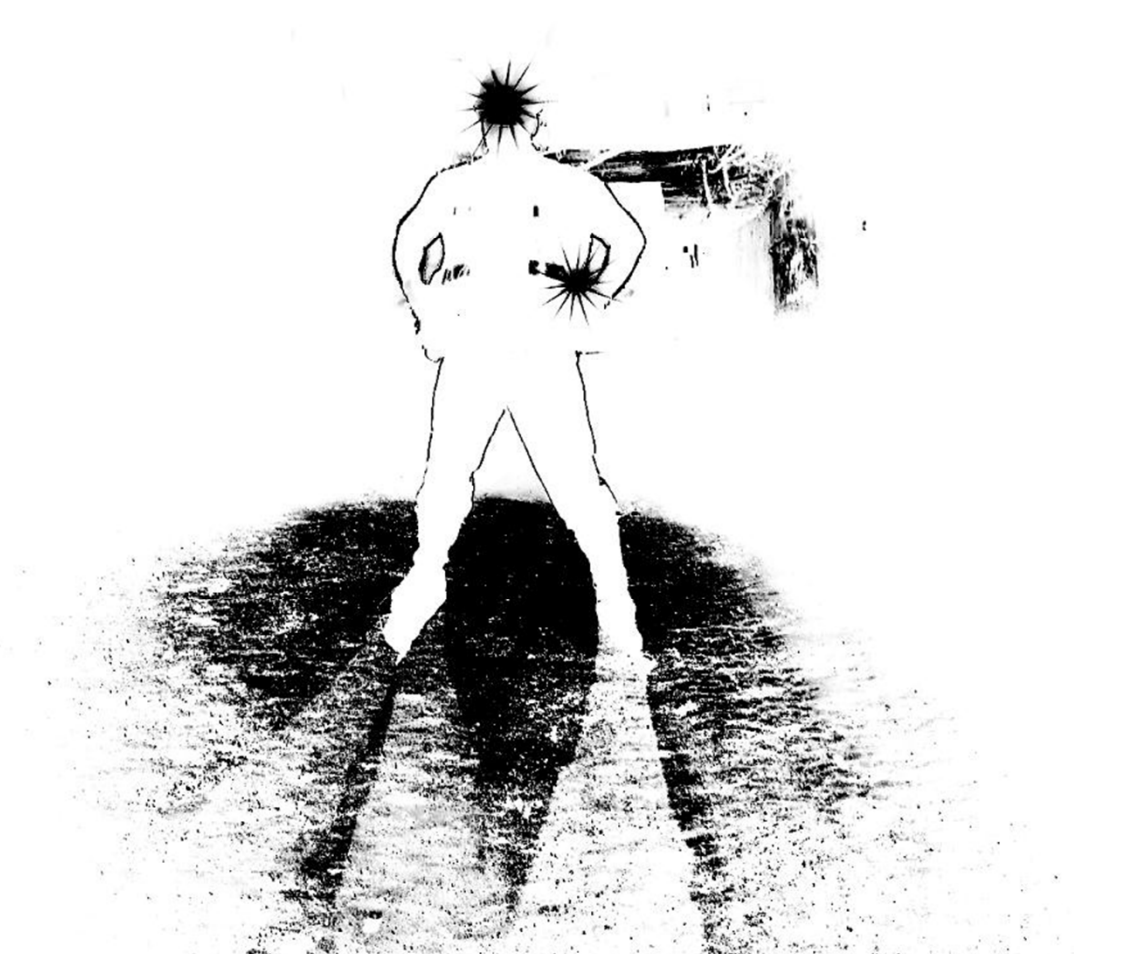
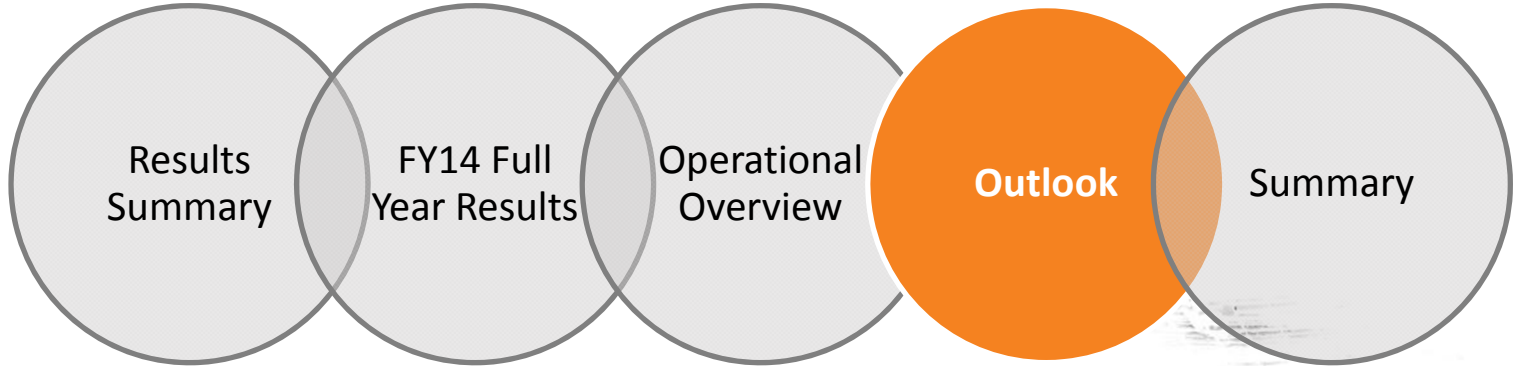
Operations



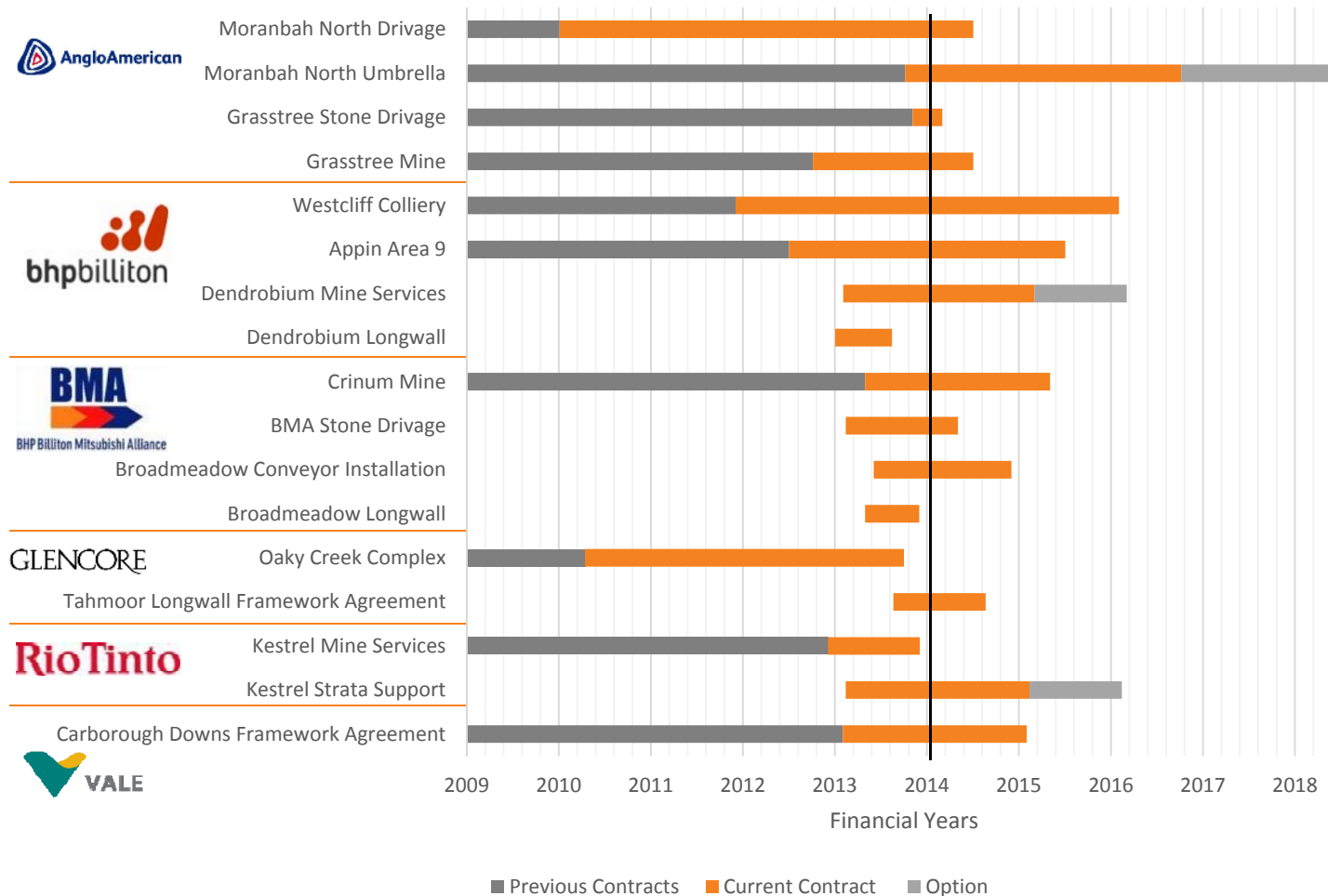
MyneSight

- Extended the Rio Tinto Training contract for another 12 months
- Retained and continued the Anglo American training delivery contract
- Commenced the Grosvenor Project induction/training work
- Completed our 5 yearly Registered Training Organisation re-registration audit
- Commenced discussions to train internationally in the Philippines

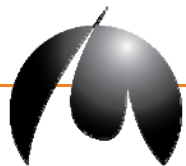




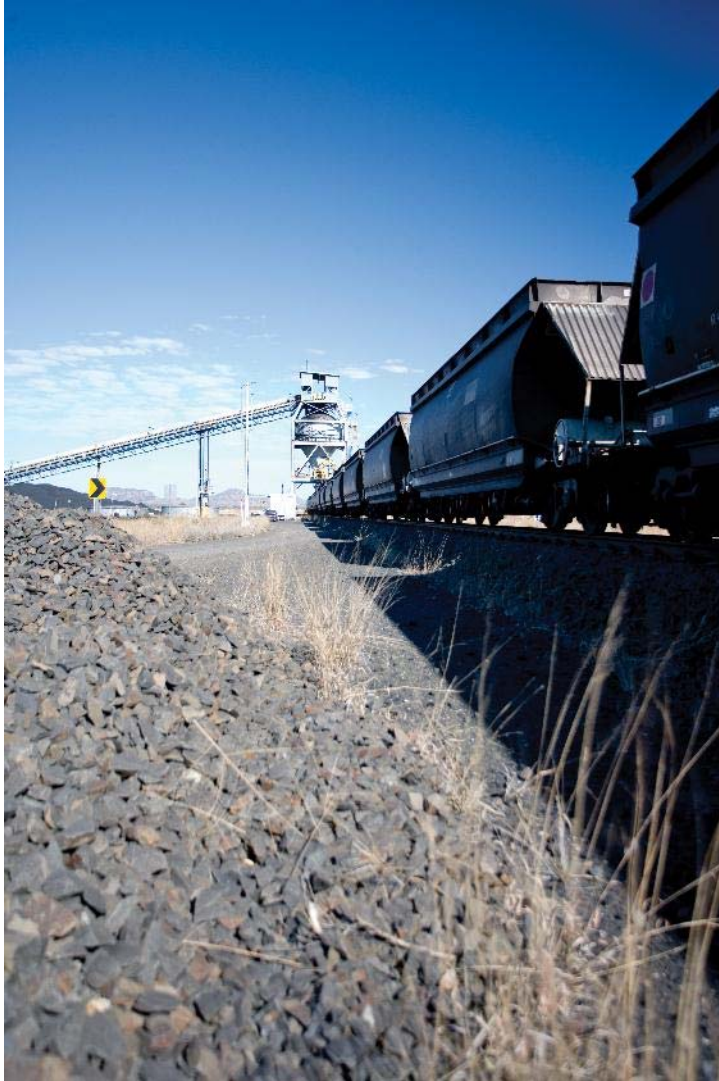
Outlook – Order Book



- Total Order Book \$257 million
- Order book deliverable in FY15 \$112 million
- Recurring works of ~\$26.5 million per year
- FY2015 contribution subject to renewals ~\$25 million (not currently in order book)



Market Outlook – FY2015 and Beyond



- Industry will remain challenged by coal pricing
- Focus of coal mines will remain on increased coal production to keep unit rates down
- Coal miners will continue to utilise contractors to
 - Maintain flexible workforce structures
 - Substitute permanent employment
 - Drive cost efficiency
- Greenfield expansion projects will be limited



MYE Outlook – FY2015

Underground



- Existing order book stable and most likely will see scope expansion under existing contracts
- Continuing to ramp up on new work in the Bowen basin
- Shortlisted on 2 roadway development projects with another tender still being evaluated
- Preparing tenders on 2 long term roadway development projects on greenfield projects that are subject to internal and external approvals and if approved would start in approx. 12 months
- Strong pipeline of tendering opportunities and high volume of current active tenders
- Contract roadway development tenders have increased. \$472m in current tenders
- Tenders requiring contractor supplied equipment will drive margin improvement through fleet utilisation
- Engaging on opportunities where owners are exploring lower operating cost structures
- The Company expects FY2015 margins to be up to half a percent above the run rate of the second half of FY2014, with possible further upside in 2nd half from higher equipment utilisation



MYE Outlook – FY2015

Services



- Build stable and increased revenue
- Mobilise small project in NSW first quarter of FY2015
- Increased tender opportunities in the Services division. Value of tender pipeline \$67.8m

Engineering



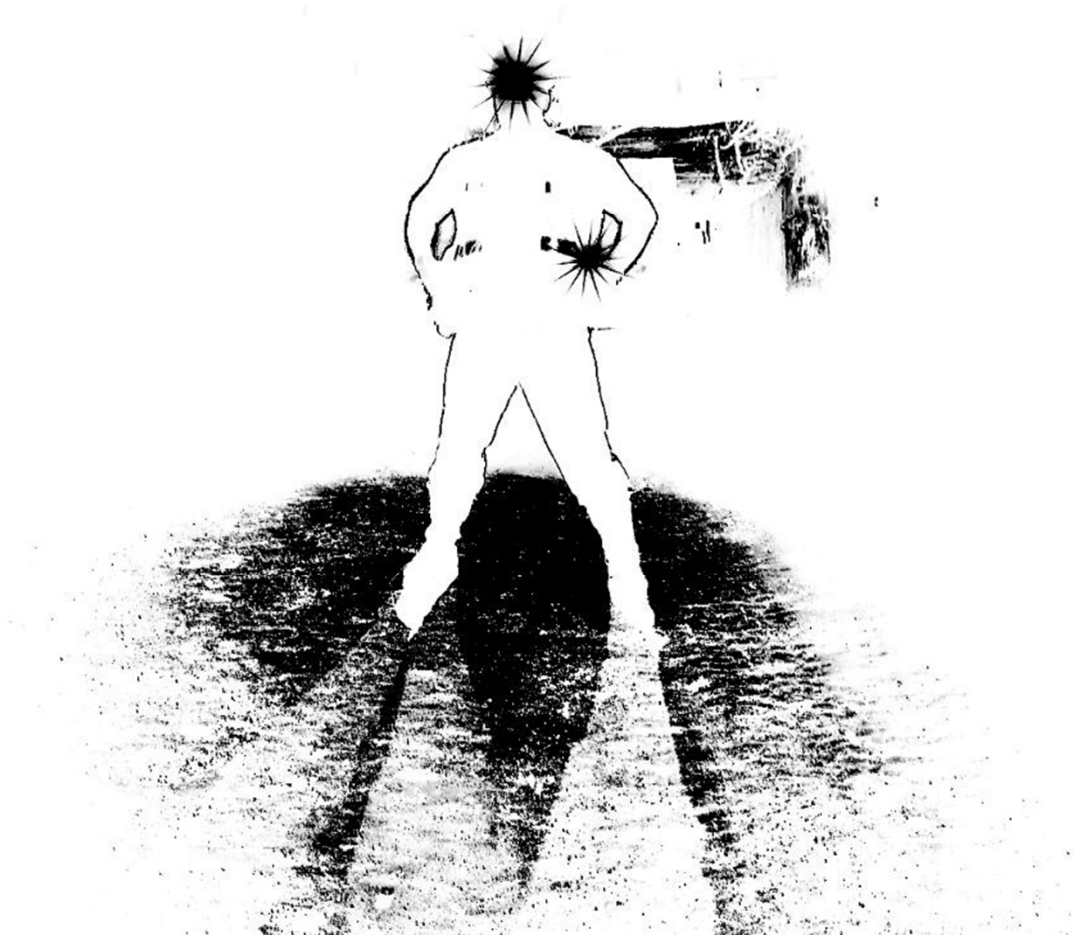
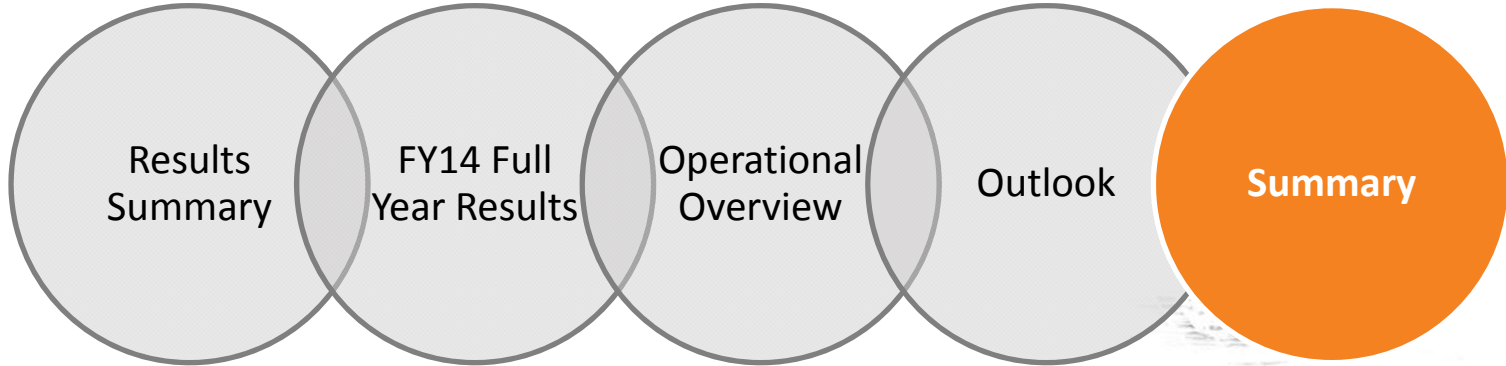
- Engineering pipeline will rely on consumables sales and will be supported by refurbishment work in the fabrication area
- Increased revenue in engineering will be driven by new products and identifying new suppliers both domestically and internationally to source products

MyneSight



- Expansion of training services into other complimentary sectors and internationally
- Continue with strategy of developing new and improved methods of delivering training





Summary

- Full year results were in line with guidance with strong second half performance
- Order book is well established and provides clear visibility into FY2015 earnings and beyond
- Tender pipeline and current active tenders is substantial
- Contract roadway development tenders (utilising contractor supplied equipment) have increased
- The company continues to generate strong cash flows with minimal net debt



Corporate Overview

Capital Structure

Share price as at 20 August 2014 (\$)	0.525
Shares on issue (m)	75.5
Market cap (\$m)	39.6
Net Debt as at 30 June 2014 (\$m)	2.2
Enterprise value (\$m)	41.8

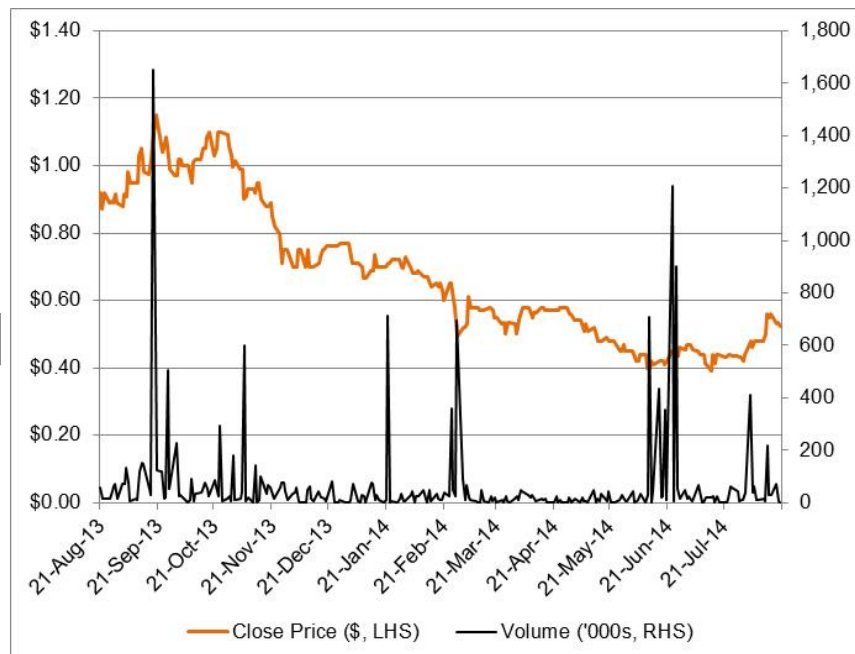
Board

Darren Hamblin	Non-executive Chairman
Anthony (Tony) Caruso	Managing Director
Andrew Watts	Non-Executive Director
James Wentworth	Non-executive Director
Colin Bloomfield	Non-executive Director

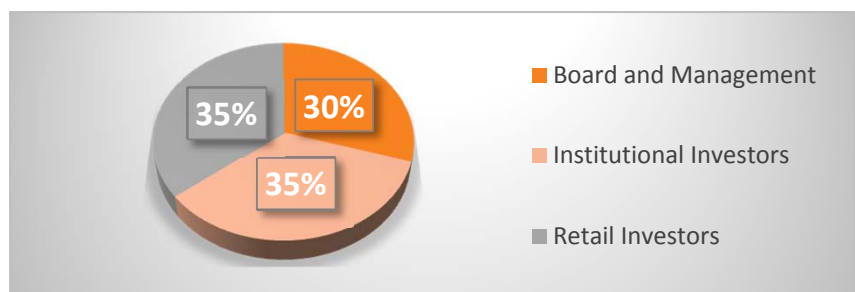
Substantial Shareholders

Andrew Watts	14.9%
Darren Hamblin	12.8%
Perpetual	9.6%
Acorn Capital	9.0%
Wilson HTM Investment Group	7.9%

12 Month Trading History



Shareholder Composition



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