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DECMIL GROUP LIMITED

2016

FY 2016 Results

August 2016

FY16 Group Highlights

Financial

- Revenue of $300.3m for FY16
- Adjusted EBITDA[1] of $17.5m and adjusted NPAT[1] of $10.3m
- ~30% reduction in core overhead
- Final dividend of 2.0c per share
- Order book of ~$300m (~$200m at 30 June 15)
- Revenue for FY17 expected to exceed $400m

Operations

- Over $100m in Defence work secured across Australia
- Strong performance on QGC's wellhead programme and secured brownfield maintenance work
- Established a presence in New Zealand
- New businesses acquired and integrated into Group
- Preferred contractor on 2 renewables projects (solar)

Strategy + Outlook

- Diverse order book heading into FY17
- Defence sector continues to provide stable opportunity
- NSW and VIC transport infrastructure markets buoyant
- Telco fibre and wireless market gaining momentum
- EPC opportunities in mineral sector

Note:
1 – Excludes investment property fair value adjustment and other one off items

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FY16 in Review

Diversification accelerated in FY16

- Decmil has been diversifying its geographic reach and capability for the past 3 years
- The sharp downturn in the Resources sector in FY16 saw the Group accelerate into sectors of the construction and engineering market that offer sustainable opportunities
- A number of steps were taken to move forward - including a number of "beachhead" acquisitions that the Group can build and grow:
  - Entry to the NSW and VIC transport infrastructure market through acquisition of Cut & Fill
  - Added EPC capability focused on the minerals sector through Scope
  - Organic entry to the NZ civil and building markets
  - Entry to national fibre and wireless telecoms market through SC Services
  - Renewables capability developed - preferred contractor on 2 projects (solar)

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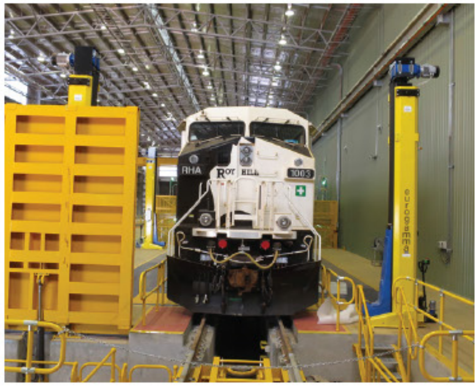
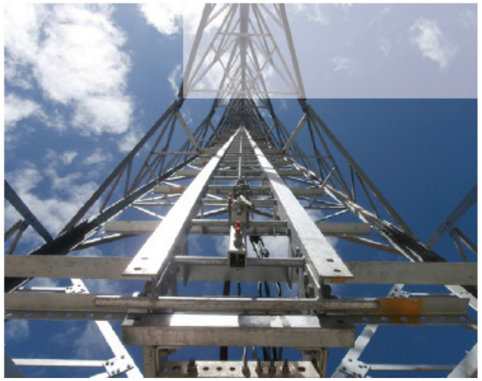
Where We Operate

Our Services and Sectors





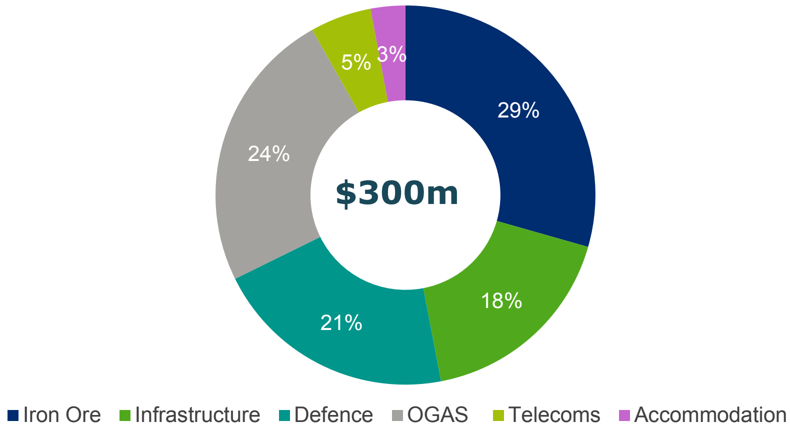
New Businesses

A number of new businesses were added to the Group in FY16

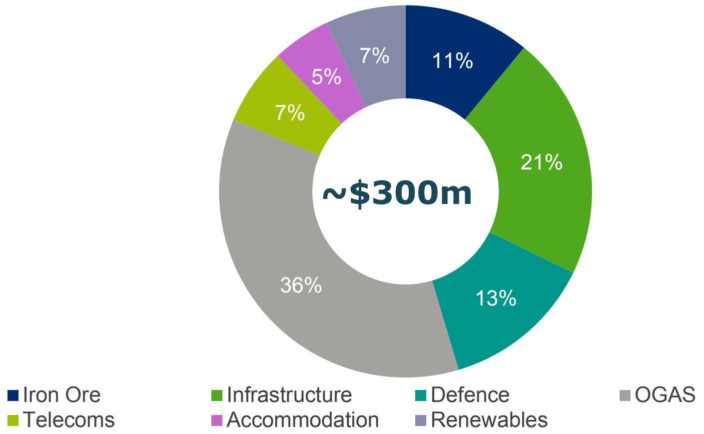
Business	Sector	Status & Outlook
Cut & Fill	▪ Vic and NSW Transport Infrastructure	▪ R5/B4 technical accreditation in Vic, NSW and ACT ▪ Financial rating lifted to F150+ ▪ Long standing relationship with VicRoads ▪ Strategy to enter NSW on track
SC Services	▪ Fibre and Wireless design, installation, commissioning and maintenance for the Telco sector	▪ Active in both fibre (NBN) and wireless sectors ▪ Strong presence in WA – growing in NSW, VIC and SA with Eastern region offices established
Scope Australia	▪ Engineering consulting, design and EPC services	▪ Decmil Group backing allowing Scope to enter EPC market ▪ Minerals sector have active opportunities ▪ A number of bids submitted
Decmil NZ	▪ Public sector building and construction	▪ Permanent office established in Auckland ▪ Current focus on public infrastructure ▪ Projects on both North and South island

FY16 Group Financial Highlights

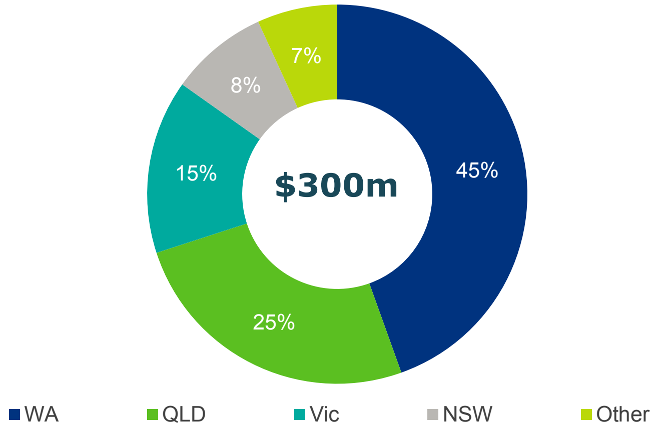
Revenue by sector



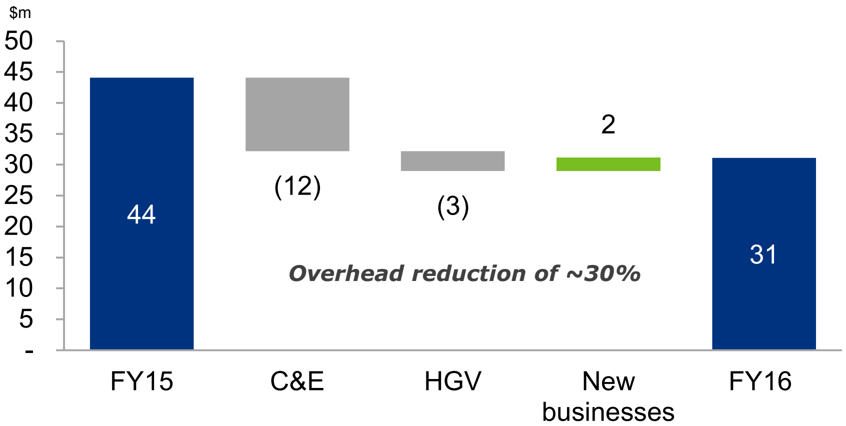
Order book



Revenue by geography



Core overhead



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Group Balance Sheet

Strong balance sheet position at June 2016 with quality assets

- Net assets of $244m
- Group cash of $15m
- Low gearing (less than 10% senior debt)
- ~$140m of real property[1]
- Over $170m of bonding capacity

Note:
1 – Homeground Gladstone at recent independent valuation plus Parkland Road office tower

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Adjusted Earnings

Earnings adjusted for fair value adjustments and one off costs

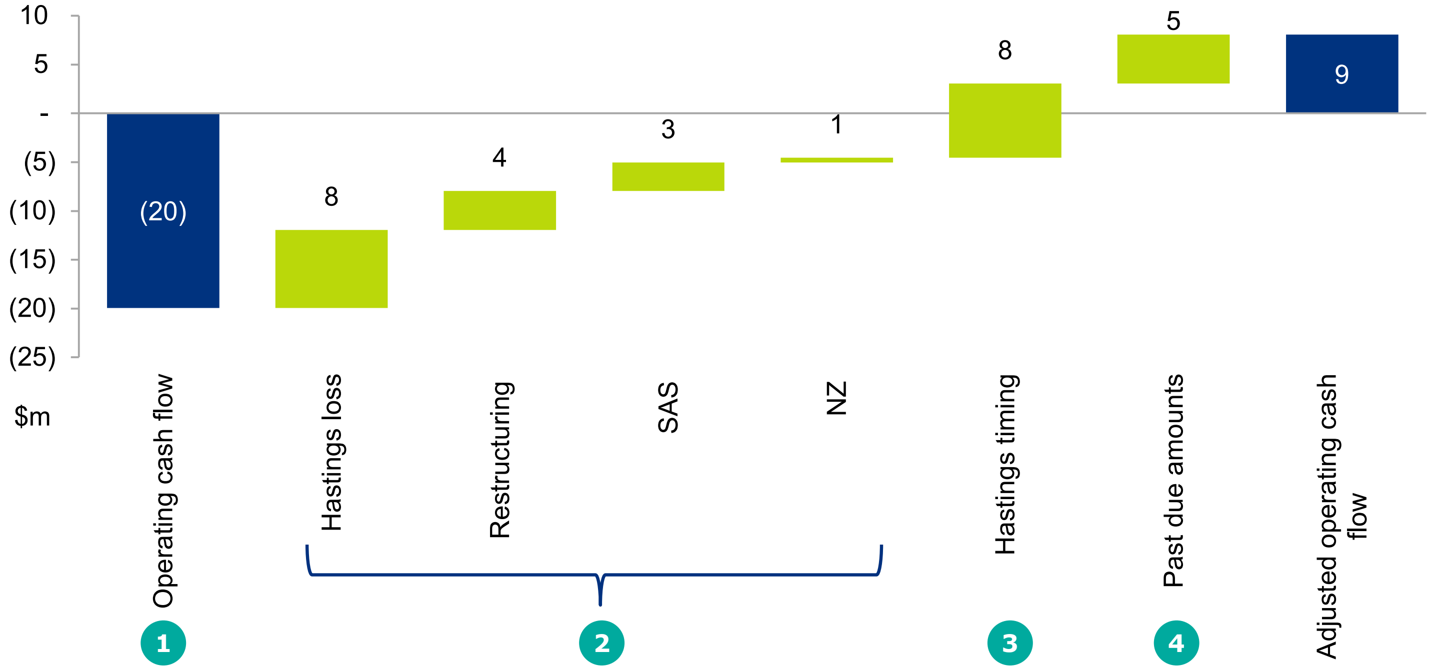
$m		EBITDA	NPAT
Reported Result		(75.9)	(58.2)
Adjustments			
- Homeground fair value adjustment	1	78.1	57.8
- Hastings project loss	2	8.0	5.6
- Restructuring costs	3	4.0	2.8
- SAS (discontinued operation)	4	2.9	2.0
- NZ establishment costs	5	0.4	0.3
Total adjustments		93.4	68.5
Adjusted Result		**17.5**	**10.3**

Notes:

1. Fair value adjustment in relation to Homeground Gladstone investment property
2. Project loss on Hastings fuel project in Victoria. Loss has arisen to due to unforeseen IR and weather issues (rain and wind)
3. Redundancy and termination costs incurred as part of a Group wide cost reduction process
4. Discontinuance of unprofitable division of the SAS business (mainly resource sector related communications work). Managed services business has been retained
5. One off costs incurred establishing permanent Decmil office in Auckland

Adjusted Operating Cash Flow

Adjusted cash flows from operating activities



Notes:

1. Per statutory cash flow statement.
2. Cash effect of EBITDA adjustments per Adjusted Earnings analysis.
3. Mismatch between project costs incurred and project receipts arising from milestone payment structure.
4. Past due amounts collected post year end.

Strategic Direction

Traditional C&E business focussed on Defence and CSG markets

- Traditional business has stabilised with more consistent opportunities in Defence, CSG and Resource sector NPI
- Greater geographic diversity with offices established in Melbourne (Cut & Fill and SC Services), Auckland (Decmil) and Sydney (SC Services with Cut & Fill office to follow in FY17)
- More than 60% of FY17 revenue expected to be generated outside of WA
- EPC opportunities in the mineral sector a focus for the Group using Scope business
- Focus on the Renewable Energy sector through partnerships and joint ventures
- Continue to look at markets with strong macro fundamentals
- Greater diversity will result in less volatility and better quality revenue and earnings going forward

FY17 Outlook

Order book stands at ~$300m

- FY17 Group revenue expected to exceed $400m
- Current order book of ~$300m – mostly operational oil and gas work, Defence projects and other public sector infrastructure
- Further overhead reduction in FY17
- FY17 occupancy for Homeground expected to improve on FY16 levels due to demobilisation of accommodation on Curtis Island and as LNG operational cycle commences. Occupancy ~30% for July and August 2016
- The positive trend in federal and state government infrastructure spending through to 2019 and beyond represent opportunity for growth in many parts of the business
- Significant Defence sector spend announced
- Spend on telecommunications infrastructure (wireless and NBN) continues to increase

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Thank You

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