

23 August 2023

DECMIL RETURNS TO POSITIVE EBITDA & STRENGTHENS ITS POSITION TO CAPTURE PROFITABLE GROWTH

- Revenue increase of 29% to \$489 million (FY22: \$378 million)
- Substantial earnings turnaround, with EBITDA reaching \$9 million (FY22: \$44 million loss)
 - Every quarter in FY23 was EBITDA positive and increasing, illustrating operational consistency.
 - Enhanced executive team expects to demonstrate further margin improvement going forward.
- Loss after tax narrowed significantly to \$1.8 million (FY22: \$103 million loss)
 - H1 loss of \$2.4m
 - H2 profit of \$0.6m
- Materially resolved legacy Sunraysia and Southern Cross Electrical Engineering contracts. Munjina commercial claim finalised with a net positive cash impact for Decmil
- Successfully completed a \$26.3 million capital raising post-FY23 via the issue of Redeemable Convertible Preference Shares
 - Working capital increased to \$41 million following completion of the capital raising during July 2023.
 - The enhanced balance sheet enables Decmil to target high quality JV partnerships and larger-scale contracts, which have more equitable risk allocations.
- Positive cashflow from operations forecast for FY24 with cash generation increasing in H2 of FY24
- The order book of contracted and preferred work for Decmil expands to \$550 million as at 30 June 2023, compared to approximately \$335 million at 31 December 2022
 - Order book growth achieved whilst adhering to the highly selective tender strategy implemented over the past year.
- Current FY24 revenue forecast of \$440-480 million, with strong upside potential from recently signed windfarm JV MOU and early contractor involvement awarded on major projects
- RCPS dividend (ASX: DCGPA) of \$0.00452459 per RCPS determined and will be paid on 30 September 2023

Decmil Group Limited ('Decmil' or 'Company') is pleased to announce its financial results for the financial year ending 30 June 2023 (FY23).

Decmil generated a 29 per cent increase in revenue to \$489 million for FY23 and translated this revenue growth into positive earnings before interest, taxes, depreciation, and amortisation ('EBITDA') result of \$9 million (FY22: \$44 million EBITDA loss).

Throughout FY23, Decmil navigated industry-wide headwinds, predominately the unprecedented escalation costs for key supplies and labour market pressures.

Decmil Chief Executive Officer Rod Heale said:

“After a wide scale reset of our operations, FY23 marked a phase of financial recovery against the backdrop of a challenging operating and financial environment. Backed by a bolstered working capital position from the well-supported capital raising in June 2023, we have the financial strength to take the next step in our roadmap to profitable revenue growth.”

“In FY24, we will be laser focused on continued elevation of gross margins and replenishing our order book in line with our highly selective tender strategy. The \$85 million Perdaman bulk earthworks contract we won earlier this month is in our value sweet spot for projects of between \$50 million and \$150 million, a value size that enables us to maximise supply chain benefits and achieve economies of scale.”

“We are anticipating a buoyant tender pipeline across the core civil infrastructure and resources sectors, as inflationary pressures gradually ease and population growth trends upwards.”

Financial Performance & Position

Decmil produced revenue of \$489 million for FY23, compared to \$378 million in the prior corresponding period.

This revenue growth, in tandem with a concerted effort by the renewed executive team to improve operational efficiencies, led to an EBITDA result of \$9 million (FY22: \$44 million EBITDA loss).

The Company's net loss after tax narrowed significantly to \$1.8 million, from \$103 million in the prior fiscal year.

Decmil recorded a net operating cash outflow of \$23 million for FY23, versus a net inflow of \$6 million in the prior fiscal year. Cash at bank as at 30 June 2023 was \$4 million.

The cash flow variance stemmed from many factors. Net assets were \$59 million at 30 June 2023, compared to the prior year's position of \$38 million.

On 22 June 2023, Decmil announced a capital raising via Redeemable Convertible Preference Shares ('**RCPS**'), which was subsequently completed post-FY23 and raised the Company \$26.3 million in gross proceeds ('**Capital Raising**'). The Capital Raising helped strengthen Decmil's balance sheet as at 30 June 2023, with net asset being \$59 million and working capital \$27 million.

At 30 June 2023, the institutional entitlement offer component of the RCPS provided Decmil with \$4.3 million cash (net of fees). In subsequent events, the final components of the Capital Raising were completed during July 2023, and Decmil received a further \$19.9 million (net of fees). Because of these additional funds received after 30 June 2023, Decmil's working capital increased to \$41 million and net asset position increased to \$65 million.

Operational Overview

Decmil was able to deliver on existing contracts during FY23 across a diverse range of sectors in Australia. Operational highlights for the financial year ended 30 June 2023 include:

Safety

- Strong safety performance with zero lost time injuries for the period resulting in a lost time injury frequency rate (LTIFR) of 0.0 and a total recordable injury frequency rate (TRIFR) of 2.6.

Infrastructure

- No projects were awarded in the period with work commencing on two Early Contractor Involvement contracts and work continuing for major projects awarded in FY22 including:
 - contract by Major Road Projects Victoria for the Barwon Heads Road Upgrade Work Package 1 (\$50-\$100m);
 - contract for the design and construction of phase one of the Albany Ring Road for the Western Australian Government and the contract for phase two. (\$100-250m);
 - continued progress on the 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 is (Decmil share is \$100-250m);
 - contract to construct a new Port Hedland Community Centre building complex for the Town of Port Hedland (<\$50m);
 - contract to expand and upgrade the Karratha Senior High School. (<\$50m);
 - contract to construct new training workshops at the Pundulmurra TAFE campus in South Hedland for the WA Department of Finance (<\$50m);
 - contract to design and construct the Florin Parkside apartments project for Stirling Capital, located in Perth (<\$50m);
 - practical completion and commercial settlement achieved for the Peninsular Development Road project at Archer River for the Queensland Department of Transport (<\$50m);
 - practical completion achieved for the Great Eastern Highway Coates Gully projects as part of Main Roads Western Australia Panel Works Program (<\$50m);
 - practical completion and commercial settlement achieved for Munjina (<\$50m); and
 - practical completion achieved for the contract by Main Roads WA for the construction of the Mitchell Freeway Principal Shared Path from Civic Place to Reid Highway(<\$50m).

Resources

- Award of the NDA Washbay project for QGC Pty Ltd in Queensland (<\$50m).
- Limited notice of award for the Mount Holland Lithium Project in Western Australia for Covalent Lithium Pty Ltd.
- Awarded an Early Contractor Involvement contract by Roll Hill Infrastructure to provide Early Design Development Services for its Rolling Stock Maintenance Workshop upgrade.
- Awarded an Early Contractor Involvement contract by BHP to provide Early Design Development Services for its Port Haven project.
- Completion of the Christmas Creek Hydrogen Refuelling Station for Fortescue Metals Group (<\$50m)
- Completion of non-process infrastructure works at the Mesa A and Mesa J iron ore mines in the Pilbara region of Western Australia for Rio Tinto (\$50-100m).
- Completion of the \$14 million Talison Lithium project (<\$50m).
- Covalent Kwinana NPI works progressing well for Covalent Lithium (<\$50m).

Renewables

- Work is continuing to progress well at the Ryan Corner Windfarm for GPG (\$50-100m).

- Decmil has been advised of conditional preferred status as Balance of Plant contractor for the construction of the 108-megawatt Waddi Wind Farm in Western Australia (<\$50m).

Homeground Gladstone

- Occupancy levels averaged 14% in FY23 at Homeground Gladstone. The peak month occupancy during FY23 was 47%.
- Homeground delivered EBITDA of \$1.2m on revenue of \$9.8m for FY23.

Legacy Disputed Contracts Update

- During FY23, Decmil announced that it had resolved its disputes concerning the Sunraysia Solar Farm Project (with Schneider Electric Australia Pty Ltd and with the owner) in New South Wales; its dispute with Southern Cross Electrical Engineering relating to works at Rio Tinto's Amrun mine project in Queensland; and its commercial claim with Main Roads Western Australia concerning a contract to construct a road over rail bridge in the Pilbara region of Western Australia

Strategy and Outlook

Decmil's order book of contracted and preferred work stood at \$550 million by the end of FY23, compared to approximately \$335 million as at 31 December 2022.

The Company is currently forecasting an increase in its cash position in FY24, with cash generation expected to be weighted towards H2 FY24.

FY24 revenue is currently forecast between \$440-480 million, as Decmil continues its positive transition towards a portfolio of larger projects with more equitable risk allocations in tandem with targeting an overall gross margin above 10 per cent.

The completion of the Capital Raising during July 2023 has bolstered the Company's working capital position. The increased working capital enables Decmil to secure larger contracts in the \$50 million to \$200 million range which align with Decmil's highly selective tendering strategy. Under this strategy, during August 2023 Decmil announced it had secured an \$85 million bulk earthworks contract at Perdaman's Ceres Urea project.

The Company's increased working capital is aimed to attract high-quality joint venture partners and open the business up to a range of larger high-quality contracts in the \$50 million to \$200 million range. This aim has already enabled Decmil to sign a Memorandum of Understanding during August 2023 with Symal, to jointly bid on five wind farm projects in NSW and Queensland.

The Company is also currently undertaking numerous Early Contractor Involvement ('ECI') work packages, including the Waddi-Waddi wind farm, Mt Hopeful wind farm, BHP Port Haven camp and Alcoa's Myara North Project. The ECIs enable both Decmil and its clients to better assess a project's expected return prior to committing to a more substantive contract, creating a risk-mitigating bridge between the pipeline of market opportunities and Decmil's highly selective tendering strategy.

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

About Decmil

Decmil Group Limited ('Decmil') (ASX: **DCG** and **DCGPA**) is a market leader in complex, multi-disciplinary project services. Decmil's group of companies deliver integrated construction and engineering solutions across the resources, infrastructure, and renewables sectors. Decmil's goal is to maximise returns from operations to deliver value to shareholders, clients, and other stakeholders.

For further information please contact:

Investors:

investors@decmil.com.au

Mr Peter Thomas

CFO

Ph 08 6240 8160

Media:

Mr Adrian Rauso

FTI Consulting, Strategic Communications

Ph 0481 264 323

For personal use only