

19 August 2021

## DECMIL PRIMED FOR FY22 GROWTH WITH ENHANCED EARNINGS AND STRONG ORDER BOOK

- Normalised revenue of \$313 million<sup>1</sup> (FY20: \$451 million)
  - COVID-related delays shift numerous contract awards & commencements into FY22
  - ~\$400 million work in hand contracted and preferred for FY22
- FY21 normalised EBITDA of \$7.6 million<sup>1</sup> (FY20: \$42.3 million loss)
  - Normalised gross margin of 10.8%<sup>1</sup> (FY20: -0.2%)
- Progression in resolving legacy problem contracts
- Board and management renewal complete
- Continued pragmatic navigation and management of COVID-19 restrictions
- Net debt of \$8.1 million at 30 June 2021, bolstered post-FY21 with \$32 million<sup>2</sup> debt and equity raise to successfully deliver on new projects and target further growth
- Order book of ~\$570 million contracted and preferred at 30 June 2021 (FY20: \$446 million), including ~\$400 million for FY22
- Anticipate \$500 million+ revenue in FY22, with continued strong gross margin of 8%+
- Buoyant tender pipeline across all sectors Decmil is exposed to

Decmil Group Limited (ASX: DCG) ("Decmil" or "the Company") is pleased to release its financial results for the 12-month period ending 30 June 2021 (FY21). The Company delivered stronger normalised EBITDA for the fiscal year of \$7.6 million<sup>1</sup> (FY20: \$42.3 million EBITDA loss), underpinned by an improved normalised gross margin of 10.8%<sup>1</sup> (FY20: -0.2%), as Decmil successfully transitions towards lower-risk contracts in its core expertise with blue chip clients. The Company has successfully navigated the challenges stemming from COVID-19 and has prudently managed the impact on its existing operations from the pandemic to date.

Decmil reported a statutory after-tax loss of \$11.5 million for FY21 (FY20: \$140.4 million loss). The FY21 statutory after-tax loss includes the impact of a \$9.7 million write-down of a contract position from a legacy dispute. This aligns with Decmil's revitalisation initiative to cleanse the business of legacy issues in FY21, with the Company transitioning from a year of consolidation to the onset of a phase of growth in FY22.

Decmil Chief Executive Officer Dickie Dique said: "This in conjunction with an expanding order book, bolstered liquidity position, and sustainable strong margins have laid the foundation for growth in FY22 and beyond."

<sup>1</sup> Normalised for a \$9.7m write-down of a contract position from a legacy dispute

<sup>2</sup> Subject to shareholder approval at a general meeting to be held on 30 August 2021 and assumes full take up of Share Purchase Plan

“Although the COVID situation will remain dynamic in FY22, the commencement of previously delayed projects Decmil has secured, as well as the award of new contracts, is ramping up.

“This has enabled us to already lock in approximately \$400 million of contracted and preferred work in hand for FY22, an increase of nearly 30% on the FY21 revenue result, as we continuously demonstrate our operational excellence to capitalise on the burgeoning Australian infrastructure sector.”

## Financial Performance & Position

Normalised revenue of \$313 million<sup>1</sup> for the 12 months ended June 2021 was 31% below the previous corresponding period, due to a reduced order book at the commencement of the reporting period and COVID-19 related delays shifting a significant portion of projected revenue from FY21 into FY22. Despite this, Decmil recorded normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of \$7.6 million<sup>1</sup> (FY20: \$42.3 million EBITDA loss).

Decmil recorded a statutory after-tax loss of \$11.5 million (FY20: \$140.4 million loss), with the FY21 result impacted by \$9.7 million write-down of a contract position from a legacy dispute, which is detailed below.

The Company had net debt of \$8.1 million at 30 June 2021, which was bolstered post-FY21 with a \$32 million debt and equity raising; comprising a \$20 million subordinated debt facility, \$10 million<sup>2</sup> Share Placement, and a \$2 million<sup>2</sup> Share Purchase Plan. The funding mix minimises equity dilution, whilst ensuring a healthy balance sheet to deliver on the Company's robust order book in FY22 and beyond.

As part of its fiscal year of consolidation in FY21, Decmil sought to mitigate financial uncertainty, as part of a broader strategic initiative implemented in FY20 to reset its balance sheet and revitalise the business. Subsequently, during the Company's FY21 audit process and following discussions with the Company's auditors, in July 2021 Decmil announced it had taken a more conservative approach to the position of previously announced problem contracts. Consequently, Decmil wrote down \$9.7 million to the contract position for the legacy Sunraysia legal dispute in its FY21 accounts, not included in the EBITDA outlined above. As anticipated, Decmil confirms that there was no resultant negative cash impact.

## Operations

Decmil was able to deliver on existing contracts during volatile macroeconomic conditions during FY21 and secured new work, having targeted lower risk projects with blue chip customers across a diverse range of sectors in Australia. Operational highlights for the 12 months ended 30 June 2021 include:

Key operational highlights for the year ended 30 June 2021 for Decmil's major sectors include:

### Safety

- Exceptional safety performance with no lost time injuries for the period and a total recordable injury frequency rate of 0.9; and
- Continued successful navigation and management of COVID-19 restrictions on personnel movement, offshore manufacture and border restrictions to ensure minimal effect on projects.

<sup>1</sup> Normalised for a \$9.7m write-down of a contract position from a legacy dispute

<sup>2</sup> Subject to shareholder approval at a general meeting to be held on 30 August 2021 and assumes full take up of Share Purchase Plan

## Infrastructure

- Award of \$300 million Gippsland Line Upgrade contract to the VicConnect Alliance, an alliance between Rail Projects Victoria, UGL and Arup. Decmil's share of the rail infrastructure contract is ~\$120 million and commenced on site in April 2021;
- Award of a \$55 million contract for the design and construction of phase one of the Albany Ring Road and the design of phase two works for the Western Australian Government. Works for phase one commenced on site in September 2020, with optioneering for next phase of the project ongoing in partnership with Main Roads Western Australia;
- Award of \$8 million Great Eastern Highway Wooroloo Realignment project as part of Main Roads Western Australia Panel Works Program;
- Award of \$25 million Bruce Highway Gin Gin to Benaraby road infrastructure project with the Queensland Department of Transport and Main Roads which commenced on site in March 2021;
- Approved by Major Road Projects Victoria as P3 Panelist (\$25 to \$150 million projects) under the new Program Delivery Approach (PDA) model recognising Decmil's capability, capacity, past performance and ability to deliver value-for-money solutions;
- Successful practical completion of the \$47 million Reid Highway Widening project;
- Continued successful delivery of the \$400 million Mordialloc Freeway project for MRPV with JV partner McConnell Dowell which is ahead of schedule;
- Successful practical completion of the Warrego Highway Upgrade project for the Queensland Department of Transport and Main Roads (TMR);
- Successful practical completion of the Bruce Highway (Benaraby – Rockhampton) – Calliope to Mt Alma Safety Works for the Queensland Department of Transport and Main Roads (TMR);
- Successful practical completion of the QR Main Brisbane Depot project for Queensland Rail; and
- Reaffirmed its F150+ accreditation.

## Resources

- Award of \$39 million 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. Both projects commenced on site in 2021; and
- Successful practical completion of \$40 million of accommodation infrastructure for the Carmichael Rail Network project leading to award of additional accommodation infrastructure variation works.

## Energy

- The award of a \$51 million contract for balance of plant works at the Ryan Corner Windfarm for GPG in Victoria;
- The award of a \$21 million contract for balance of plant works at the Crookwell Windfarm for GPG in New South Wales;
- Successful practical completion of the combined \$151 million Yandin and Warradarge Wind Farm balance of plant projects; and
- R1 registration achieved for Sunraysia Solar Farm in December 2020 with commissioning underway.

## Homeground Gladstone

- COVID has impacted occupancy levels in FY21 at Homeground Gladstone, with many Homeground Gladstone clients having to postpone maintenance works due to various lockdowns that have inhibited their ability to access FIFO workers;
- Between March 2020 and April 2021, the occupancy at Homeground Gladstone was materially affected by COVID related deferrals. Since May 2021, there has been a catch up and occupancy has improved. Between March 2020 and April 2021, average occupancy was 6.5%; and
- In May, this increased to 9.1%, in June to 13.2% and in July 20.5%. August is forecast to be ~30%. At this stage, bookings are strong for September and then taper off again from October.

## 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, across the second half of FY20 and the first half of FY21, 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 interim Chief Financial Officer and Director.

Peter Thomas is transitioning into a Non-Executive Director role following the appointment of Alex Hall as Chief Financial Officer in the second half of FY21.

Additionally, in June 2021 Vin Vassallo and David Steele commenced as independent Non-Executive Directors to further build the Board's expertise, governance and skillset diversity to underpin long-term growth.

Decmil now has a refreshed and stable Board and Executive team focused on advancing from a year of consolidation in FY21, to capturing growth in FY22 and beyond.

## Strategy and Outlook

Decmil has an orderbook of ~\$570 million contracted and preferred at 30 June 2021 (FY20: \$446 million), including approximately \$400 million work in hand, contracted and preferred for FY22. Furthermore, Decmil has a tax shield of approximately \$40 million, which will enhance the potential for the Company's bottom line to grow.

As stated previously, COVID-related delays have shifted numerous contract awards and commencements into FY22. Decmil is currently experiencing the ramp up towards the commencement of some previously delayed projects the Company has secured, as well the award of new contracts.

Decmil will continue to proactively manage the COVID-19 situation and continue to inform the market of any updates.

The Company is currently anticipating ~\$500 million revenue in FY22, maintaining a gross margin of 8-9% for the fiscal year and beyond. The basis for the projection of the sustained robust gross margins stems from the Company increasingly securing high-margin and low-risk contracts, with blue chip customers across the Infrastructure, Resources, Energy and Construction sectors.

Additionally, since undertaking a significant restructure from January 2020, Decmil has removed ~\$14 million of overhead costs on an annualised basis.

# ASX Announcement

During FY21, Decmil reaffirmed several key accreditations, giving it the highest prequalification to bid on government road and bridge projects.

This comes at an optimal time, with the Federal Government progressing investment of around \$110 billion over 10 years in infrastructure expenditure, as part of the National Economic Recovery Plan following COVID-19. Additionally, the States have allocated approximately \$300 billion over the next four years for infrastructure, according to the latest budget papers.

## Disputed Contracts Update

Disputed contracts continue to be systematically resolved, with the status of recently resolved disputes and outstanding disputes summarised below.

### Department of Corrections, New Zealand

Decmil was pleased that post-FY21, in July 2021, the Company and the New Zealand Department of Corrections formally agreed to conclude their disputes regarding the Rapid Deployment Prisons project. Importantly, the resolution of the dispute results in no adverse impact to Decmil's balance sheet or bottom line. The parties mutually agreed to make no further comment.

### Sunraysia

In December 2020, Decmil received confirmation that the Sunraysia Solar Farm had obtained R1 connection registration, which was the requirement for the project to enter its commissioning phase. During FY21, the dispute in relation to the head contract with the Sunraysia Solar Project trust ("SSF") remained ongoing.

Post-FY21, a Moratorium agreement was reached in relation to the arbitration of the dispute between Decmil and Sunraysia Solar Project trust ("SSF"). As part of the agreement, arbitration will be deferred until after completion has been achieved on the project, presently expected to be late October 2021. Decmil and SSF are focusing on the steps necessary for the above completion and to prepare to implement the 'Operate and Maintain' phase for the project.

Separately, Decmil is advancing claims against Schneider Electric in an arbitration, which has commenced, in respect of Schneiders performance of the Supply Agreement.

### Southern Cross Electrical Engineering

Arbitration proceedings are continuing.

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



# ASX Announcement

## 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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