

ASX ANNOUNCEMENT

25 October 2021

Earn out payment for GBF acquisition

Macmahon Holdings Limited (ASX: MAH) ('**Macmahon**' or 'the **Company**') wishes to provide the following update in relation to the earn out associated with its acquisition of the GBF Underground Mining Group ('**GBF**') in 2019.

As set out in the Company's announcement on 18 June 2019, Macmahon acquired GBF as part of its strategy to grow the capability and scale of its underground mining division.

Underpinned by the GBF acquisition, Macmahon's underground business has grown substantially since 2019 and generated revenue of approximately \$300 million in FY21. This represents approximately 22% of Macmahon's annual revenue, and has diversified the Company, expanded its Australian earnings footprint and provided meaningful scale in the underground contracting market.

Under the acquisition agreement, GBF's vendors are entitled to receive an earn out payment of 3x any EBITDA in FY21 above an agreed hurdle, less any increase in the net debt required to fund that earnings growth.

Following the finalisation of Macmahon's FY21 results and the consideration of an independent report from an external accounting firm, an earn out of \$23.5 million has been determined under the purchase agreement. An amount of \$22 million will be recorded as a one-off merger and acquisition cost in the Company's first half result for FY22.¹ The earn out payment will comprise \$12 million payable in October 2021 with the balance split between cash payable in FY23 and Macmahon shares to be purchased on-market and subject to a holding lock until July 2022.

Macmahon's earnings guidance for FY22 is unchanged at underlying EBIT(A) of \$95 – \$105 million, as the GBF earn out will be recorded as a one-off cost outside underlying EBIT(A).

Macmahon Chief Executive Officer and Managing Director, Michael Finnegan said:

"Macmahon's underground business continues to show positive momentum and with recent contract awards, including the Gwalia and King of the Hills projects, we expect continued growth in the underground business over the next two years. Pleasingly, GBF's vendors will also remain involved with Macmahon in the future to support the continued growth of this business unit."

*** ENDS ***

This announcement was authorised for release by the Board of Directors.

1. Upon acquisition of GBF the Company made a provision of \$1.5m for the estimated earn out liability (see note 11 to the Company's FY21 accounts).

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About Macmahon

Macmahon is an ASX listed company offering the complete package of mining services to miners throughout Australia and Southeast Asia.

Macmahon's extensive experience in both surface and underground mining has established the Company as the contractor of choice for resources projects across a range of locations and commodity sectors.

Macmahon is focused on developing strong relationships with its clients whereby both parties work in an open, flexible and transparent way to ensure mutually beneficial outcomes whilst also minimising risks for both parties.

Visit www.macmahon.com.au for more information.