



 **MACMAHON**

ANNUAL GENERAL MEETING

4 NOVEMBER 2015

A professional portrait of Mr. Jim Walker, a middle-aged man with short grey hair and glasses, smiling. He is wearing a dark blue suit jacket, a light blue and white striped shirt, and a dark blue tie with a small gold pattern. The background is a blurred office setting. On the left side of the image, there is a large blue graphic element consisting of several overlapping triangles pointing towards the center.

CHAIRMAN'S ADDRESS

MR JIM WALKER



Jim Walker

**Non-Executive Director,
Chairman**



Sy van Dyk

**Chief Executive Officer and
Managing Director**



Giles Everist

**Independent
Non-Executive Director**



Eva Skira

**Independent
Non-Executive Director**



Vyril Vella

Non-Executive Director

- Market conditions remained challenging during FY15
- Further reduction in activity levels resulting in greater competition for limited new work
- Increased demand for cost and productivity improvements
- Conclusion of major contracts (Christmas Creek, Eaglefield, Tavan Tolgoi and Waihi) resulting in lower revenue
- Major cost reduction program successfully executed
- Business stabilised - new, leaner, streamlined operating model implemented
- Improved organisational structure - reduced layers of management
- Mongolia dispute resolved resulting in significant cash inflow
- Balance sheet significantly strengthened



Sy van Dyk

**Chief Executive Officer and
Managing Director**



José Martins

Chief Financial Officer

- FY15 consolidated loss after tax of \$217.9 million, primarily due to impairments taken on equipment, goodwill and inventory assets
- Underlying profit after tax (excluding one off items) of \$10 million
- Strong net cash position at 30 June 2015 of \$74.2 million
- Significant asset write-down of \$229 million and sale of Mongolian operations
- \$159 million debt was repaid on 31 July 2015
- No dividend declared for year ending 30 June 2015

- 10/12 share buy back initiated in October 2015
- ~\$40 million required for working capital (based on projected workload)
- Currently finalising ~\$30 million multi-purpose growth facility with a major Australian Bank
- In discussions with OEM's regarding global equipment financing options
- Ongoing controlled asset disposal program to release additional cash

- Market conditions expected to remain challenging
- Cost and productivity drivers creating opportunities for contractors
- Outlook for the business is positive - order book of \$1.15 billion supported by quality long-term contracts
- Revised tendering approach – supported by lower cost base
- Strong tender pipeline >\$2 billion of new work currently under consideration
- Majority of projects with clients with low cost, long life assets
- Business strategy focused on cost management, safe operational performance and selective tendering
- Increasing number of M&A opportunities as market consolidates



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A professional portrait of a man with short dark hair, wearing a dark pinstriped suit jacket, a light blue dress shirt, and a striped tie. He is looking directly at the camera with a slight smile. The background is a blurred office setting. On the left side of the image, there is a large blue graphic element consisting of several overlapping triangles pointing towards the center.

**CHIEF EXECUTIVE
OFFICER'S ADDRESS**

MR SY VAN DYK



Financial

- Major cost reduction program successfully executed
- Healthy balance sheet supported by strong net cash position
- 10/12 share buyback initiated in Oct 2015



Operational

- New, streamlined operating model implemented
- Improved organisational structure - reduced layers of management
- Major project performing very well and still has a long duration



Strategic

- Revised tendering approach – supported by lower cost base and ‘capital-light’ focus
- Strong tender pipeline >\$2 billion currently under consideration
- Majority of opportunities are with clients with low cost, long life assets

- Key project performing to expectations:
 - Tropicana operations performed well in second half – on track for further improvements in FY16
- Revenue and margins impacted by:
 - Early contract terminations due to financial pressures facing mine owners
 - Significant reduction in new projects both in Australia and overseas
 - Shift by many mining companies to self perform
 - Pressure from existing clients to cut costs on current contracts
 - Commodity price volatility impacting investment
- Continued focus on improved safety performance
- Employee numbers decreased to 1295 at 30 June 2015

- International:
 - 5 year contract extension at the Lafarge Kanthan Quarry in Malaysia
- Australia:
 - 3 year contract extension by Rio Tinto to continue tailings dam management operations at Argyle Diamond Mine in WA
 - Awarded additional raise-drilling contracts at Olympic Dam
 - Short-term underground mining services contracts at:
 - Mount Wright Gold Mine in Queensland for Carpentaria Gold
 - Lanfranchi and Savannah Mines in Western Australia for Panoramic Resources
 - Ballarat Gold Project in Victoria for Castlemaine Gold Fields
 - Numerous short-term dry hire equipment agreements with multiple customers

- Delivering sustainable profits and returning value to shareholders
- Increasing work winning conversion rate by:
 - Lowering cost base
 - Streamlining systems and processes – improving productivity
 - Selective tendering
 - Focusing on early client engagement
- Improving safety performance across all operations
- Maintaining current contracts through superior project performance
- Expanding presence in established overseas markets – particularly in South East Asia and Africa

- Iron-ore price remains depressed, however production is forecast to increase in coming years
- Gold price is volatile – although MAH exposed to one of the lowest cost producers / operations (Tropicana)
- Falling \$A is assisting Australian mining companies
- Cost pressures creating opportunities for contractors to support and service mining companies.
- Robust economic growth remains a feature for much of Asia and Africa – Macmahon well placed to expand in these markets
- Revenue for FY16 expected to be between \$280 - \$350 million

Questions



macmahon.com.au

ADOPTION OF REMUNERATION REPORT

“That for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report (which forms part of the Directors' report for the year ended 30 June 2015) be adopted.”

RE-ELECTION OF GILES EVERIST AS A DIRECTOR

“To re-elect Mr Everist, who retires from the office of Director in accordance with ASX Listing Rule 14.5, and being eligible, offers himself for re-election”.



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This presentation contains forward looking statements that are subject to risk factors associated with the business. While Macmahon considers the assumptions on which these statements are based to be reasonable, whether circumstances actually occur in accordance with these statements may be affected by a variety of factors. These include, but are not limited to, levels of actual demand, termination of key contracts, currency fluctuations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates. These could cause actual trends or results to differ from the forward looking statements in this presentation.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

References to “Macmahon”, “the Company”, “the Group” or “the Macmahon Group” may be references to Macmahon Holdings Ltd or its subsidiaries.



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