21 August 2018

ASX announcement

Mastermyne Group Limited – FY18 Full Year Results

Key highlights for the full year include:

- Delivered significant revenue growth through new projects and customers
- Revenue increased 62% from PCP to $201.7 million
- Focused on managing costs tightly as we grew delivering stronger EBITDA margins
- Successfully resourced new projects while achieving improvement in our safety performance
- Forecast further growth in FY19 from existing projects with additional upside expected from Contract Mining opportunities;
- Contract Order Book of $280 million with $185 million to be delivered in FY19;
- Workforce numbers approximately 1,000 (mobilisation continuing) and equipment utilization at 86%; and
- Tendering Pipeline of greater than $830 million (excluding Whole of Mine contracts) and over $1.1 billion in Whole of Mine opportunities.
- FY2019 Guidance: Revenue $230 - $250 million; EBITDA $20 - $23 million

Mastermyne Group Limited (ASX Code: MYE) ("Mastermyne" or "the Company") today released its full year results noting the Company recorded a profit after tax of $5.588 million for the full year ended 30 June 2018 a significant turnaround from the prior year loss of $2.110 million.

Revenues of $201.719 million represent a significant increase of 62% on the previous corresponding period (FY17: $124.162 million). The increase in revenues is attributed to the improvement in coal markets resulting in the award of new contracts and increased scope on existing contracts for the Company's Mining division.

EBITDA for FY18 was $16.389 million, an increase of 244% compared to the previous corresponding period (FY17: $4.770 million). EBITDA margins improved from 3.8% to 8.1% resulting from stronger margins on new contracts, improved fleet utilisation and leveraging overheads on increased revenue.

Both the revenues and EBITDA for FY18 were at the top end of the previous guidance range provided by the Company.

Net Debt reduced to $3.5 million at 30 June 2018 (from $10 million) due to an equity placement of $6.0 million which was completed in the first half of the financial year to secure new contracts and strengthen the balance sheet. The prior term debt acquisition facility was restructured during the financial year to an invoice finance facility, supporting the Company's increased working capital requirements. At the end of the financial year, Mastermyne had undrawn debt facilities of $20.4 million.

Mastermyne's Managing Director, Tony Caruso said, "the strong full year result for FY18 is a continuation of the momentum generated by the Company in the second half of last financial year. Our disciplined approach to managing costs combined with recent contract wins, scope growth on existing contracts and strong demand for equipment has flowed into a much stronger financial result during FY18.

With the significant upward swing in the commodity cycle, the Company has successfully leveraged its strong financial position, its mining fleet and its skilled personnel to secure a number of new contracts with customers on projects that are critical to sustain their ongoing operations."

Operational Summary

The Mining division has again been the primary driver of the growth during FY18 and this is largely attributed to this division's strong link with coal production activities. The engineering and maintenance segment has lagged behind the upswing in production activities but more recently the Company has seen an increase in the number of opportunities for the Mastertec division.

During the year the Company has:

- secured new projects with Peabody Coal Australia at their North Goonyella Mine and Wambo Mine secured and also with Whitehaven's Narrabri Mine, adding to the Company's already strong list of tier 1 mining clients; and
- Renewed contracts with Anglo's Moranbah North Mine, BMA's Broadmeadow Mine and with Dalrymple Bay Coal Terminal along with a number of smaller projects sites;

With the addition of the recent major projects, the Company has shifted its exposure from primarily Coking coal to an equal weighting of Thermal and Coking coal. The Company continues to successfully cycle through contract renewals with the major Anglo Moranbah North Umbrella contract due for renewal in the second half of FY19. Given the extremely long term and successful relationship, the Company is confident this contract will be renegotiated for a multi-year period.

The improved coal price has supported a significant increase in tendering activity in both sustaining projects and more recently in growth projects. Clients are continuing to rely heavily on contractors to catch up on work that had been deferred through the cycle but also to take the opportunity to increase supply into a stronger coal price market.

The Company has continued with its strategy of pursuing whole of mine (WOM) operations and is now close to completing the first project with site mobilisation potentially occurring as early as November this year. The WOM operations are key to growing the Company's revenue base, providing a material and resilient revenue stream with long term visibility. In addition to the immediate opportunity, the Company is actively working on two other near-term WOM opportunities, one of which is Stanmore Coal's Isaac Plains Underground project.

Through the year the Company has invested heavily in redeploying its mining fleet into projects across Queensland and NSW. The fleet has been a major competitive advantage for the Company, providing leverage to secure new contracts with improved margins. The overall fleet utilisation has returned to historical levels of greater than 85% and will continue to be pivotal for the continued growth of the business. Moving forward capital expenditure will return to sustaining levels only to maintain the current fleet. Equipment hire rates have returned to historical levels which is supporting stronger EBITDA margins. No further capital expenditure is forecast to be spent on new equipment in the contracting business but the Company will require additional equipment for the WOM contracts.

Our strong focus on safety has again been demonstrated with lagging injury rates continuing to trend downwards in the second half. The significance of this outcome is further enhanced when taking into consideration the substantial growth and number of new projects that have come on line over the period. The Company has achieved 12 months without recordable injuries on 12 of our 16 project sites with the entire NSW operations completing 12 months recordable injury free. Injury rates have fallen to 6.5 from 18.2 for the full year and is the lowest in the Company's history.

Workforce numbers continued to increase over the past 12 months with total workforce numbers now at approximately 1,000. Resourcing has become more difficult as demand for labour increases however the Company has successfully resourced all current projects with highly skilled and capable personnel. The Company is forecasting further workforce growth this year based on current scope growth from existing projects and anticipates workforce numbers to reach 1,200 during the first half of FY19. With the tightening of people resources the Company has re-initiated its highly successful cleanskin miner program, including the recommencement of its underground mine simulator in Mackay.

The Group's Order Book currently stands at $280 million with $185 million of this Order Book expected to be delivered in FY19. In addition to the contracted works, the Company forecasts a further $20 million in recurring and purchase order work along with further growth through tender pipeline conversion and contract renewals over the FY19 year. The tendering activity is increasing with the total tendering pipeline currently exceeding $1.9 billion. Of the total tender pipeline $1.1 billion relates to whole of mine operations.

Outlook

The improvement in the commodity cycle is continuing to support an increase in tendering activity across both the Mining and Mastertec divisions. The tendering pipeline is being supported by the strong demand for production as well as by brownfield and greenfield projects. Greenfield projects that were previously stalled present a short-term opportunity for organic growth and the Company is working with the proponents of these projects to restart operations. New contracts have been negotiated with improved margins and the Company anticipates that as existing contracts are renewed and new contracts are secured margins will continue to improve throughout FY19. The secured order book and the immediate opportunities for scope increase will provide the platform for growth in FY19 with the WOM operations potentially underpinning a step change in the revenue profile of the Company.

Labour and equipment will continue to present a challenge to growth but the Company is in discussions with a number of suppliers and hire companies to fill the near term requirements for equipment. The WOM projects will present an opportunity to secure and deploy additional mining fleet to service these long term contracts and the Company is currently considering its options to source the additional mining equipment. Utilisation rates are expected to remain strong and hire rates will be maintained and possibly improved as the demand for equipment increases.

With the current contracted work, opportunity for scope increases and the strong tender pipeline the Company is confident it will deliver continued growth in the FY19 year. Alongside this, each of the WOM opportunities present significant additional upside growth and the Company continues to work with three of these proponents concurrently. The three projects are scheduled for commencement during the FY19 year but will be subject to final investment decisions by the respective project owners and the Mastermyne Board.

Further information:

Tony Caruso – CEO and Managing Director: (07) 4963 0400

Liz Blockley – Company Secretary: (07) 4963 0400

Or visit www.mastermyne.com.au

About Mastermyne

Mastermyne Group Limited (ASX:MYE) was established in 1996 and is a leading provider of specialised services to the Australian coal mining industry. Mastermyne listed on the ASX on 7 May 2010.

It has two operating divisions, Mastermyne Mining (underground roadway development, installation of conveyors and longwall relocations), Mastertec (access solutions (scaffolding & rigging) & protective coatings)

Based in Mackay Queensland, Mastermyne has operations in Queensland's Bowen Basin and the Illawarra and Hunter Valley regions in New South Wales.