Decmil Group Limited

ASX / MEDIA ANNOUNCEMENT

20 February 2014

DECMIL GROUP LIMITED ACHIEVES CONTINUED GROWTH

KEY POINTS

- **NPAT[1] up 10% to $25.7m**
- **EBITDA[1] up 16% to $41.6m**
- **Earnings per share[1] up 10% to 15.28 cents**
- **New contracts and extensions with key clients such as the Australian Government, Roy Hill, Atlas and QGC**
- **Focus on profitability, margin and cash generation at Group level**
- **Strong operating cash flow of $40.5m up 9%**
- **Cash on hand of $56.5m and low debt – expect to be debt free within Q3FY14**
- **Total work in hand of ~$600m of which ~$314m relates to the six months to 30 June 2014**
- **Interim dividend of 4.5 cents per share (fully franked)**

Decmil Group Limited (ASX: DCG) has achieved continued growth in profitability and secured contracts valued at approximately $400 million over the past six months.

The Group has delivered a strong financial performance for the half year to 31 December 2013, reporting a net profit after tax of $25.7m with earnings per share of 15.28 cents. Excluding the comparative period gain arising from the business combination of Homeground Villages, net profit after tax has grown by $2.4m (10.3%) and earnings per share by 1.4 cents (10.1%).

Improved profitability has been driven by an increased margin contribution from Homeground Villages and a focus on productivity within the Group's Construction and Engineering division to maintain margins.

The Company was awarded approximately $400 million in new contracts and contract extensions during the period, further reinforcing Decmil's strong market position and long-term relationships with Tier 1 clients within the resources sector.

Continuing the Company's track record of delivering returns to shareholders, the Board has declared an interim dividend of 4.5 cents.

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1. Excluding gain arising from business combination for comparative period

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Contracts Secured

During November and December 2013 the Company secured a number of significant contracts:

- The Company's wholly owned subsidiary Decmil Australia won a $147m contract to design and build an expansion of the Offshore Processing Centre on Manus Island, PNG, for the Department of Immigration and Border Protection (DIBP). The project came just five months after the award of a $137m contract to construct a major facility on the island.
- Decmil Australia was also awarded a $37.5m contract for the construction of diesel fuel infrastructure at the Roy Hill Iron Ore Project. The contract includes the construction of a rail fuel yard, mine fuel yard, go-line facility, mine services fuel and rail wet commissioning.
- Eastcoast Development Engineering (EDE) was awarded a QCLNG Wellhead Installation Services contract for Queensland Gas Corporation (QGC). The contract, worth up to $80 million, is an extension of an existing contract with QGC.

Financial highlights for the six months to 31 December 2013 include:

		H1FY14	H1FY13[1]	Change[1]
Revenue	$m	263.4	332.9	(21%)
EBITDA	$m	41.6	36.0	16%
Net Profit after tax	$m	25.7	23.3	10%
NPAT margin	%	9.8	7.0	40%
Operating cash flow	$m	40.5	37.1	9%
Earnings per share	cps	15.28	13.88	10%
Interim dividend	cps	4.5	4.0	13%

Decmil Group CEO Scott Criddle said: "While we are continuing to see some weakness in the construction and engineering sectors, it is very pleasing to see that the Group is able to deliver such a strong result.

"The profit performance of the Group for the six months to 31 December 2013 has been solid, with EBITDA up 16% to $41.6m and NPAT up 10% to $25.7m. Cash generation within the Group has also been strong, with operating cash flow of $40.5m and cash on hand of $56.5m.

"The Group's improved profitability has been driven by an increased margin contribution from Homeground Villages. Despite weakness in the broader resources and oil & gas sectors, a focus on productivity within the Group's Construction and Engineering division has seen margins maintained.

"The Group is expected to be debt free within Q3FY14, providing a solid platform to execute our growth strategy."

Operations

Revenue within the Construction and Engineering division decreased to $231.9m (2012: $317.1m), however entering the second half of the 2014 financial year the Group has ~$314m of secured work in hand to 30 June 2014. During the period the Group has been appointed by QGC as contractor for the remainder of its phase 1 wellsite installation which involves a scope of approximately 800 wells.

1. Excluding gain arising from business combination for comparative period

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Safety performance continues to be a focus with a total reportable injury frequency rate of 3.01, which is a very good result.

Homeground Villages experienced strong occupancy for the six months to 31 December 2013, with contributions from contracted and non-contracted tenancies. The village attracts a diversified customer base across the resource and construction sectors and is the preferred accommodation provider for major projects (WICET cornerstone tenant) and Tier 1 contractors operating in the Gladstone region. Homeground Villages contributed strongly to the overall improvement in Group profitability for the half year ended 31 December 2013.

Construction capital expenditure of $1.7m was spent on the village in the half year and is now complete, with any future expenditure likely to be of a sustaining capital nature. The Group still holds options to expand the capacity of the village, should customer demand warrant such a decision.

Financial Position

Operating cash flow for the six months ending 31 December 2013 was $40.5m, which was better than the corresponding period. The Group maintained a strong net cash position with cash on hand of $56.5m at the end of the period ($43.7m at 30 June 2013). The Group has significantly reduced the amount of debt within the business and is forecasting to have fully repaid all senior debt by March 2014. During the period net assets increased to $283.8m from $271.2m at 30 June 2013.

Strategy and Outlook

The value of new construction and engineering projects secured during the period was approximately $400m. The Group's Construction and Engineering division enters the second half of the 2014 financial year with work in hand of ~$314m to 30 June 2014 and a further ~$283m extending into the 2015 financial year.

Within the Construction and Engineering division, Decmil continues to seek new markets, capabilities and services that achieve operating efficiencies for the Group and customers. Over the past year Decmil has successfully executed a diversification strategy securing work in new regions (Northern Territory and Papua New Guinea); in new sectors (Government) and with new service offerings (structural mechanical piping and R4/B2 Main Roads accreditation to extend the Group's civil offering).

The Accommodation division has solidified its long term position, with key existing tenants extending accommodation agreements and new opportunities arising as the LNG sector in the Gladstone area moves into the operating and maintenance cycle. The division continues to focus on operating efficiency as its key customer value proposition, whilst seeking capital efficient Tier 1 assets in new markets and geographies.

Mr Criddle said: "Whilst tendering is still competitive, Decmil enters the second half of the 2014 financial year with a healthy order book and a strong net cash position.

"We will continue to focus on productivity, margin and cash generation and execute our diversification strategy."

Dividend

The Board has declared an interim dividend of 4.5 cents per share (fully franked). The dividend will be paid on 27 March 2014, with a record date of 4 March 2014.

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About Decmil Group Limited

Decmil Group Limited offers a diversified range of services to the mining, oil & gas, infrastructure and government sectors in Australia and overseas.

Companies within the Group specialise in design, civil engineering, construction, accommodation services, manufacturing and maintenance.

Listed on the Australian Securities Exchange (ASX Code: DCG) Decmil's focus is on delivering integrated solutions to its blue-chip clients as well as providing shareholders with a sound return on investment. The Company is part of the S&P/ ASX 200 Index.

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