

27 July 2022

## DECMIL UPDATES FY22 GUIDANCE

- **Revised financial guidance (unaudited)**
  - **Positive FY22 cashflow from operations of +\$6 million**
  - **Decmil's first positive net operating cash flow since FY19**
  - **FY22 net loss of \$49 million before intangible asset write-downs**
  - **Intangible asset write-down of \$53 million (goodwill and deferred tax assets)**
- **Robust cash position of \$39 million (30 June 2022) giving zero net debt**
- **Robust contracted order book of \$596m (31 Dec 2021: \$520m), with \$472m to be executed in FY23**
- **Ryan Corner windfarm mobilisation commenced following receipt of approvals and agreement on revised commercial terms**

Decmil Group Limited provides the following operational and financial update to its shareholders following a comprehensive review undertaken by the Board and new management of current projects, Decmil's contracting terms, and legacy balance sheet valuations.

Operating conditions have stabilised since Decmil's April 2022 market update and guidance revision, with contracts having been renegotiated and the Company adopting a revised approach to contract tendering. However, the Board has decided to reset the values of several balance sheet items, many on legacy items, to reflect current values and the likelihood of being able to crystallise or utilise the value of those assets.

Decmil CEO Rod Heale said the statutory accounting result, while significant and disappointing, addressed many of the Company's legacy issues, and the Company's growing order book and robust cash balance positioned Decmil for a substantial improvement in FY23.

"While the net loss is large, it reflects a very difficult period for Decmil through the COVID pandemic. I am however confident our improved cash flow and robust cash position will provide a solid foundation for FY23," Mr Heale said.

"The Board and management have taken a cautious and prudent assessment of various asset values and contract positions. After going through the process, I am confident the Company is starting the new financial year with a very strong order book and a cash and liquidity position that enables the company to execute that order book.

"We are heading into FY23 with a selective and low-risk approach to tendering new work, ensuring we can maintain our strengthening margins and cost efficiencies in the current environment."

## FY22 Profit and Loss

\$m	Previous Guidance	Unaudited Result	Variance
<b>Revenue</b>	<b>400 to 425</b>	<b>382</b>	<b>18 to 43</b>
EBITDA	-15 to -10	-38	23 to 28
Depreciation and Interest	No guidance	-11	N/A
Goodwill impairment	No guidance	-30	N/A
Deferred tax asset derecognition	No guidance	-23	N/A
<b>Net Loss After Tax</b>	<b>No guidance</b>	<b>-102</b>	<b>N/A</b>

Decmil has reviewed its contract claim balances, which contain reliance on claims against certain clients and subcontractors. After assessing each claim individually, Decmil has decided to adjust the balance of claims for the financial year ended 30 June 2022 by revising their value down by \$23 million, which accounts for the variance to revenue and EBITDA guidance. Any eventual success of the claims will result in cash inflows to Decmil.

Additionally, in preparing its FY22 financial accounts, Decmil has reviewed certain intangible assets on its balance sheet (deferred tax assets and goodwill).

The goodwill balance of Decmil's intangible assets no longer reflects Decmil's current market capitalisation. While the Board's strong view is that the company is highly undervalued, the Board has considered it prudent to impair the goodwill balance by \$30 million, from \$75 million to \$45 million.

Over the past seven years, Decmil has incurred significant tax losses and now carries a tax loss carry-forward balance of approximately \$190 million, inclusive of an FY22 estimate. In light of this substantial bank of available tax losses, Decmil will derecognise its deferred tax assets of \$23 million to zero at 30 June 2022.

The decision to write down the value of these intangible assets (non-cash) and the balance of contract claims will cause a significant accounting loss for Decmil in FY22 of \$102 million.

### 30 June 2022 Cash/Debt Position

Pleasingly, the Company generated a substantial improvement in net operating cash flow over FY22, with a net operating cash inflow of \$12 million for H2 FY22, compared to a net operating cash outflow of \$6 million for H1 FY22. The Company is confident it can continue this positive cash flow generation during FY23. The 30 June 2022 cash balance was some \$39 million with debt of some \$39 million leaving a net debt position of \$0. This is an improvement from 30 June 2021 where the net debt position was \$8 million.

The non-cash, intangible asset value write-downs above are not expected to impact Decmil's current financial accreditations that underpin the Company's ability to win new work in FY23 and beyond.

# ASX Announcement

## Strong Order Book

As at 30 June 2022, Decmil's contracted work in hand is \$596 million. Approximately \$472 million of this contracted work relates to revenue expected to be delivered in FY23. Decmil's focus in the next 12 months is to efficiently deliver this work for clients to the highest standards and generate tendered margins. Decmil has capacity to secure additional projects, but intends to take a highly-selective approach to new contracts over the next 12 months.

Management has renegotiated several contracts since March 2022 and certain contracts have been reset to account for the impacts of COVID-related supply chain delays and price escalation. As a result of those negotiations, the level of the contracted work in hand and contracted margin of that work has improved.

## Ryan Corner

Decmil is pleased to provide an update on the Ryan Corner project. After several delays in the commencement of the project, largely as a result of project permitting and approvals the Client was required to obtain, Decmil has commenced works on site and has reached an agreement regarding revised commercial terms to account for the delays to the Company. Decmil announced the award of the Ryan Corner contract on 18 November 2020.

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

## 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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