

19 April 2023

## DECMIL Q3 FY23 MARKET UPDATE

- Earnings margins consistently growing as profitability returns in Q3 FY23
- All legacy disputes resolved
- Strong revenue growth for FY23 anticipated and a robust project pipeline forming, including \$205 million of work in late/final-stage contract negotiations.

Decmil Group Limited ('Decmil' or 'Company') is pleased to provide an update on its FY23 financial results to-date and project pipeline going forward. As the following table demonstrates, Decmil's profitability continues to improve as FY23 progresses and its long-term outlook across its diversified operations is increasingly strong.

FY23 P&L by Quarter A\$m	Q1 Sep-22	Q2 Dec-22	Q3 Mar-23	YTD Mar-23
Revenue	118	138	129	385
Gross Margin	5.9%	7.1%	6.7%	6.4%
EBITDA	0.6	2.7	2.8	6.1
Net profit / (loss)	(2.0)	(0.5)	0.6	(1.9)

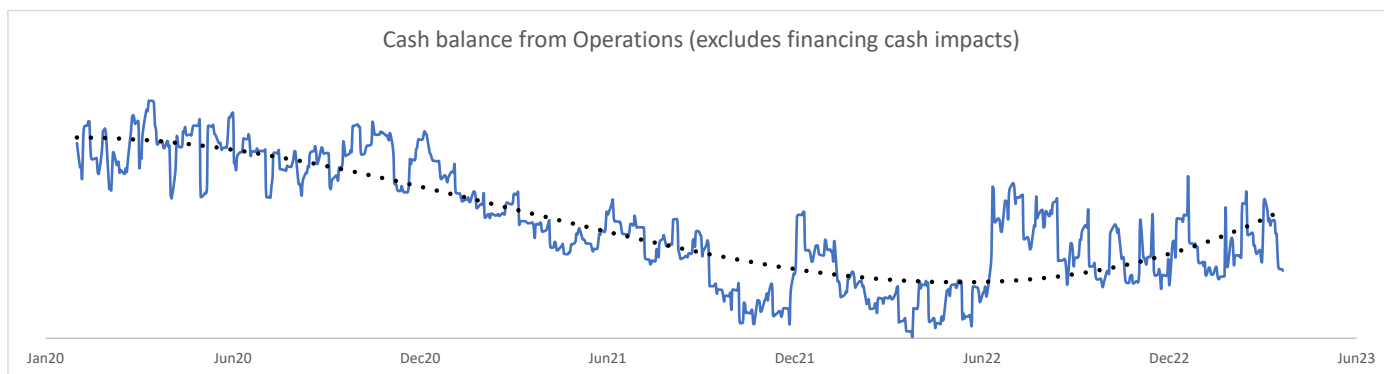
Decmil has delivered a further \$129 million in revenue for Q3 of FY23, increasing year-to-date revenue to \$385 million. Decmil is well placed to deliver up to an estimated revenue of \$470-500 million for FY23, which is 30% greater than revenue delivered during FY22. A small portion of FY23 secured revenue has been shifted into FY24.

Decmil CEO Rod Heale said: "Decmil's strong revenue base reflects the high-level of demand for our project services across a diverse range of sectors, despite a challenging marketplace in FY23."

"Importantly, we are now translating this strong revenue into enhanced earnings and profitability. We fully expect Decmil's EBITDA will continue to improve now that legacy disputes have been settled; loss-making projects have been completed; we are focused on profitable contracts over revenue; and a robust tender pipeline is available to capitalise on our near-term and medium-term horizon.

A focus on operational efficiencies has enabled Decmil to steadily improve its EBITDA over each quarter of FY23, with \$2.8 million of EBITDA delivered during Q3. It is estimated that Decmil's EBITDA for FY23 will total between \$8.5 million to \$11 million. Net profit turned positive for Q3 with a net profit of \$0.6 million. Importantly, reliance on claims has dropped from \$44 million at 31 December 2022 to \$12 million at 31 March 2023.

With the improving trend in profitability, Decmil's cashflow from operations generation is on a positive trajectory. The graph below shows daily cash balances since January 2020 with all financing impacts (capital raisings, debt drawdowns and repayments) removed.



(The dotted line is polynomial trend line calculated in Excel)

Mr Heale said: "The improvement in working capital is possible because of the greater contributions being made to the business from higher-quality projects. This is directly correlated to improvements the Company has made to operations, reporting, processes for project selection and tendering."

## Project pipeline update

Decmil's diverse order book presently sits at \$279 million (contracted to FY26) and \$115 million preferred.

In addition to the normal level of tender activity, Decmil is in late/final-stage negotiations in the tender process for a further potential approx. \$300 million of contracts. If finalised successfully, these contracts are expected to be awarded in the next six months.

Based on current conditions, gross margins, EBITDA, and net cash are expected to maintain the positive momentum experienced so far in FY23.

# ASX Announcement

Decmil has a buoyant project outlook and is strategically better placed to be awarded projects in its specialty areas with infrastructure, resources, energy, and construction sectors. Across these specialised sectors, a significant pipeline of opportunities is emerging including:

- \$100bn+ in mining projects in WA over the next four years;
- \$75bn of government roads/rail infrastructure in QLD, Victoria, and WA over the next five years; and
- \$10bn of wind farm civil balance of plant projects nationally over the next 10 years.

Mr Heale said: “The business is continuing to move in the right direction because of a fresh way of operating brought by Decmil’s rejuvenated executive leadership team, excellent safety performance, plus improved access to finance.”

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

## About Decmil

Decmil Group Limited (**ASX Code: DCG**) is a market leader in complex, multi-disciplinary project services. Decmil’s group of companies deliver integrated construction and engineering solutions across the infrastructure, resources, energy, and construction sectors. Decmil’s goal is to maximise returns from operations to deliver value to shareholders, clients, and other stakeholders.

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