

ASX ANNOUNCEMENT

16 April 2024

Macmahon to acquire Decmil to expand civil business

Key Highlights

- **Macmahon executes a Scheme Implementation Deed to acquire 100% of Decmil's share capital via Schemes of Arrangement**
 - Decmil ordinary shareholders to receive \$0.30 cash per share, representing a 81.9% premium to Decmil's 30-day VWAP
 - Decmil RCPS holders to receive \$0.343 cash per share representing a 71.5% premium to the face value of the RCPS
 - Implied enterprise value for Decmil of \$127 million¹
- **Acquisition to be earnings accretive and aligned with Macmahon's strategic focus to diversify earnings, reduce capital intensity and improve ROACE**
 - Provides an established, scalable foundation to accelerate Macmahon's civil infrastructure growth
 - Acquisition follows Decmil business reset, with new management and legacy projects largely resolved
 - Exposed to a favourable contracting outlook across government infrastructure, renewables, and resource infrastructure development
- **Transaction has the unanimous support of the Decmil Board and major shareholders Thorney Group and Horley (in absence of a superior proposal and subject to an independent expert concluding the Schemes are in the best interests of Decmil shareholders)**
- **Fully funded from existing cash reserves (including recently announced equipment sale proceeds), plus an extension of existing debt facilities, with gearing and leverage ratio to remain within internal guiderails**
- **Net debt at the end of FY25 is not expected to increase due to the acquisition**

Macmahon Holdings Limited (ASX:MAH) ('**Macmahon**' or the '**Company**') is pleased to announce it has entered into a Scheme Implementation Deed ('**SID**') under which Macmahon will acquire 100% of the issued share capital of Decmil Group Limited (ASX:DCG) ('**Decmil**') (the '**Transaction**'), by way of inter-dependent schemes of arrangement, subject to the satisfaction of certain conditions.

¹ Calculated as the total value of all Decmil securities to be acquired by Macmahon at the relevant offer values plus reported net debt of \$17.5 million as at 31 December 2023.



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Decmil provides multi-disciplinary project delivery across the infrastructure, resources, and renewable energy sectors, and has been in operation for over 40 years. It also provides an established and scalable foundation to accelerate growth in Macmahon's civil infrastructure business, diversify earnings, and improve overall returns on invested capital through its lower capital intensity.

On completion, Macmahon intends to operate Decmil as a wholly owned subsidiary and to maintain the Decmil branding, with the existing Macmahon civil business to integrate into the subsidiary. Decmil will continue to be led by its current Chief Executive Officer, Rod Heale.

Commenting on the Transaction, Michael Finnegan, Managing Director and Chief Executive Officer of Macmahon said:

"The acquisition of Decmil is a significant milestone in Macmahon delivering on its long stated strategy to diversify its earnings and deliver a more resilient, scalable business enabling greater returns to shareholders."

"Decmil provides an established, well credentialed platform to allow Macmahon to better pursue the large opportunity pipeline of resource civil infrastructure and rehabilitation opportunities while diversifying earnings towards renewables and infrastructure, which are both expected to have an increased level of spending in the next decade."

"I look forward to the transaction successfully completing and welcoming Decmil into the Macmahon team."

Transaction Overview

The Transaction will comprise separate inter-dependent schemes in relation to Decmil's (i) ordinary shares ('**Ordinary Scheme**') and (ii) redeemable convertible preference shares ('**RCPS**') ('**RCPS Scheme**'), (together the '**Schemes**').

Under the Transaction, Decmil shareholders will receive cash consideration as follows:

- \$0.30 per share for every ordinary share ('**Ordinary Scheme Consideration**'); and
- \$0.343 per share for every RCPS ('**RCPS Scheme Consideration**').

The Ordinary Scheme Consideration represents a 81.9% premium to the 30-day VWAP of Decmil shares as of 15 April 2024.

The RCPS Scheme Consideration represents a 71.5% premium to the face value of the RCPS of \$0.20.

The SID also provides for all convertible securities in Decmil currently on issue (including all options, warrants and the 2023 performance rights) to be cancelled under private treaty arrangements with the relevant holders (to the extent that any performance rights will not otherwise have vested into Decmil shares and be transferred to Macmahon under the Ordinary Scheme).



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Transaction Rationale

The acquisition of Decmil is consistent with Macmahon's strategic focus of achieving continued earnings growth while diversifying earnings into the less capital intensive civil infrastructure business. The Transaction offers a strategic fit, enhances and accelerates earnings diversification, with financial metrics that are compelling for Macmahon shareholders.

Strategic Fit

Decmil has a complementary service offering to Macmahon, providing integrated civil construction and infrastructure solutions to the resources, infrastructure and renewable industries across Australia. Its core operations add increased exposure for Macmahon to both the renewable and government infrastructure sectors which have a steady growth trajectory².

The Decmil business has established robust processes and operating systems, including holding the licenses to carry out a full range of road and bridge projects throughout Australia. Macmahon will leverage these to accelerate growth towards its long-term civil infrastructure revenue target of \$1 billion per annum, or one third of group revenue.

Earnings Diversification

The acquisition adds circa \$6 billion to Macmahon's existing civil pipeline of \$4 billion, and contributes an order book of circa \$450 million (as at 31 December 2023). This creates a more resilient business with less concentrated resource commodity exposure and provides a natural hedge to the cyclicity of contract mining.

This gives access to non-mining civil construction, including renewables and government infrastructure projects, broadening our east coast presence in Victoria and Queensland with an opportunity to expand into including New South Wales and South Australia.

Compelling Financial Metrics

The acquisition of Decmil will be earnings accretive (pre cost and revenue synergies) which is underpinned by the expected improved earnings of Decmil's civil construction business.

The acquisition value is also supported by a considerable property asset, substantial tax loss balance and franking credits that Macmahon expects to utilise over time. Combined with expected synergies, including unlocking Decmil's current balance sheet constraints, this will support Macmahon's goal of exceeding its 20% return on average capital employed target, recently increased from 15%.

The Transaction will be fully funded from cash reserves, including \$44 million proceeds from recently announced equipment sales and existing debt facilities, with gearing and leverage ratios to remain within guidelines. Net debt at the end of FY25 is not expected to increase due to the transaction.

² Source: ANZIP Infrastructure Pipeline, 2024; Goldman Sachs, 2023; Fitch BMI, 2024

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Support of Decmil Board and Major Shareholders

The Board of Decmil has unanimously recommended that Decmil shareholders vote in favour of the Schemes, in the absence of a superior proposal and subject to an independent expert concluding that the Schemes are in the best interests of Decmil shareholders.

Directors of Decmil controlling 1.1% of ordinary shares and 2.1% of RCPS outstanding intend to vote in favour of the Transaction (subject to no superior proposal emerging and an independent expert concluding that the Schemes are in the best interests of shareholders).

Decmil's major shareholders Thorney Group and Horley, have also indicated their support for the Transaction, by confirming they intend to vote in favour of the Schemes (subject to no superior proposal emerging and an independent expert concluding that the Schemes are in the best interests of shareholders).

Thorney Group and Horley together hold 26.7% of the ordinary shares and 38.0% of the RCPS outstanding.

Scheme Implementation Agreement

The implementation of the Schemes are subject to certain terms and conditions set out in the SID, including:

- an independent expert concluding that the Schemes are in the best interests of Decmil shareholders (and not changing or withdrawing that conclusion);
- approval by the requisite majorities of Decmil shareholders and by the Court, with approval for the Ordinary Scheme and RCPS Scheme interdependent on each other (i.e. both Schemes must be approved);
- no regulatory restraints to implementation of the Schemes;
- no material adverse change or prescribed occurrences in relation to Decmil operations;
- cancellation of all options (in consideration for payment by MAH of \$0.048 per option for its October 2026 options, and nil consideration for its October 2024 options) and of all warrants (in consideration for payment by MAH of \$0.1163 per warrant) presently on issue. In each case the consideration payable is intended to reflect the intrinsic value of the option or warrant³; and
- cancellation of certain performance rights issued to Decmil officers, as further outlined below (**Rights Cancellations**).

The Schemes are not subject to financing or due diligence conditions and the Transaction does not require the approval of Macmahon shareholders.

³ Calculated by reference to the Ordinary Scheme Consideration of \$0.30 per share less the relevant exercise prices, to determine any residual intrinsic value.



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Full details of the terms and conditions of the Schemes are set out in the SID, a copy of which is annexed to Decmil's ASX announcement regarding the acquisition released on 16 April 2024.

Rights Cancellations

Decmil currently has several parcels of performance rights (**Rights**) on issue under its long-term incentive plan. All Rights issued prior to 2023, as well as those held by Decmil's Chair Mr Andrew Barclay, will automatically vest when DCG shareholders approve the Schemes into Decmil shares and be transferred to Macmahon under the Ordinary Scheme, meaning those Rights holders will receive the Ordinary Scheme Consideration of \$0.30 per Decmil share.

With respect to the Rights issued in 2023, they will convert to Macmahon shares as detailed in the SID.

Deal Protections

The SID contains market standard terms and conditions regarding such matters as exclusivity, no-shop, no-talk, notification of approaches and matching rights in favour of Macmahon should a competing proposal emerge. A break fee of circa \$1 million may become payable by either party in certain circumstances. This equates to circa 1% of the aggregate Scheme Consideration payable.

Indicative Timetable and Next Steps

Macmahon and Decmil shareholders do not need to take action at this time.

Under the SID, Decmil will prepare a Scheme Booklet, which subject to ASIC review and Court approval, is expected to be despatched to Decmil shareholders and RCPS holders in early July 2024. The Scheme Booklet will contain more information regarding the Schemes, including the reasons for the Decmil Board's recommendation, the independent expert's report and details pertaining to the Scheme meeting.

It is anticipated that Decmil shareholders will be given the opportunity to vote on the Schemes at the Scheme meeting which is currently anticipated to be held in early August 2024.



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An indicative timetable for the Schemes is included below:

Event	Expected Date
Draft Scheme Booklet submitted to ASIC	5 June 2024
First Court Hearing	26 June 2024
Dispatch of Scheme Booklet to Decmil Shareholders	3 July 2024
Scheme Meetings	7 August 2024
Second Court Hearing	12 August 2024
Effective Date	13 August 2024
Record Date	19 August 2024
Implementation Date	26 August 2024

Note: the timetable is indicative and subject to change.

Advisers

Azure Capital and Highbury Partnership are acting as joint financial advisers and HWL Ebsworth as legal adviser to Macmahon.

***** ENDS *****

This announcement was authorised for release by the Macmahon Board of Directors.

For further information, please contact:

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About Macmahon

Macmahon is an ASX listed company offering the complete package of mining services to miners throughout Australia and Southeast Asia.

Macmahon's extensive experience in both surface and underground mining has established the Company as the contractor of choice for resources projects across a range of locations and commodity sectors.

Macmahon is focused on developing strong relationships with its clients whereby both parties work in an open, flexible and transparent way to ensure mutually beneficial outcomes whilst also minimising risks for both parties.

Visit www.macmahon.com.au for more information.