

26 February 2013

ASX announcement



Mastermyne Group Limited – FY13 Half Year Results Announcement and Full Year Guidance

Key points:

- Combined Group Revenue for the half year \$142.1 million, up 14.3%
- Net Profit After Tax (NPAT) \$8.0 million, up 2.2%
- EPS steady at 10.6cps
- Interim dividend of 3.3 cps, up 10%
- 2 new contracts secured in the period and shortlisted on further contracts
- Record man hours worked for the period at >1 million
- Workforce numbers at 947 to the half year
- \$447 million in current active tenders with total pipeline at \$992 million
- FY2013 Revenue range between \$246 and \$256 million
- FY2013 NPAT range between \$12 and \$13 million

Leading underground coal contractor Mastermyne Group Limited (ASX Code: MYE) (“Mastermyne” or “the Company”) today released a NPAT result of \$8.0 million for the first half of FY2013, up 2.2% over the prior corresponding period. Revenue was up by 14.3% from prior corresponding period to \$142.1 million, the result of increased contract works.

Mastermyne’s Managing Director, Tony Caruso said, “Delivering this profit amidst a slowdown in the coal sector was a strong result”. He went on to say that “The second half is going to be well down on the first half due to the ending of one major contract and the timing of redeploying the fleet engaged on this contract but that FY2014 is looking very positive for MYE”.

Operations Overview

The first half of FY2013 has seen Mastermyne maintain its track record of strong performance, delivering a result above the previous corresponding period despite the slowdown in the coal sector. The continued growth was achieved through a combination of new contracts and organic growth which came on line late in FY2012.

All major projects have continued to operate profitably and the Company has been proactive in working with its customers to reduce operating costs for the mine owner while at the same time minimising the financial effects to the Company. Mastermyne is confident that the restructuring of its major projects is now complete and expects that it will operate under these restructured arrangements for the second half of the financial year.

Late in the first half the Company was notified of the deferral of its Newstan Project. The full 6 month effect of this decision will impact on the second half earnings and will have a significant effect on margins due to the concentration of MYE plant and equipment located at this project. The timing of redeploying this equipment into new hires, both dry hires and on MYE projects, will see margins reduce in the second half but return in FY2014.

During the period the Company has seen a continuing trend of improvement across all aspects of HSEQ. In the first half the Company embarked on having its Health, Safety and Environmental systems accredited to AS4801 & AS17001. At the date of this announcement external auditors had recommended the Company for accreditation with the final decision expected in mid March 2013. Mr Caruso said “achieving the Australian Standard accreditation is a strong reinforcement that the Company has robust and demonstrable systems in place and that they are being adhered to across all divisions and projects”. The safety effort remains targeted on proactive safety management and the Company achieved a high degree of compliance with internal targets for proactive safety KPI's. TRIFR rates have been maintained within the previous range at 5.5. This accreditation positions the Company well with future tender opportunities and differentiates Mastermyne's service offering to its customers.

All three divisions of the Mastermyne Group have performed strongly in the first half. The Underground division continues to secure new work with two new long term contracts won in the period. The Engineering division has restructured its fixed cost base and continues to deliver work profitably. Whilst revenue has dropped off compared to the previous period Engineering continues to operate at historically high revenues. The Services division is focusing on one major project for Rio Tinto at the Kestrel Mine Extension project but has also undertaken some smaller projects in the first half. Services division revenue will continue at similar levels in the second half.

Outlook

The second half of FY2013 will result in reduced revenue and profitability due to the early run off of the Newstan project and the lower utilisation of the fleet previously deployed at this project. The Company expects revenue for FY2013 is likely to be between \$245 million and \$255 million and NPAT between \$12 million and \$13 million.

Despite the weaker second half outlook, the Company is very well positioned on the majority of its projects by being the only major contractor still operating on the site. As the only contractor on site, Mastermyne is in a leading position to undertake further work required on these sites. The Company also expects (based on past experience) that as the coal market recovers, mine owners will increasingly utilise contractors to execute packages of work to ensure the long term sustainability of the mine is not impacted. Utilising contractors also benefits the mine owner by avoiding increased fixed costs in their operations.

Tony Caruso commented “The outlook for FY2014 remains very positive for Mastermyne”. The company currently has \$447 million in active tenders, a large portion of which will be awarded to the successful tenderer in the next two to three months, contributing revenue from early FY2014. In addition to these active tenders the Company has also identified a further \$545 million in tendering opportunities which will come through in the next 3 to 4 months, the majority of which will also contribute revenue in FY2014. The Company is also confident of placing the fleet previously deployed at the Newstan project and returning utilisation rates and margins to normal levels. In addition to new tendering and fleet hire opportunities, The Company is confident of renewing current contracts in the order book as they fall due. These opportunities will support the return of EBITA margins at historical levels of 9.0% to 9.5% and continued revenue growth. The Company remains positive about its prospects for FY2014 and beyond, despite the subdued second half.

Further information:

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

Bill Lyne – Company Secretary: (07) 3378 7673

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 three operating divisions, Mastermyne Underground (underground roadway development, installation of conveyors and longwall relocation), Mastermyne Engineering (design and engineering of specialised mining equipment and consumables) and Mastermyne Services (electrical, mechanical and maintenance services).

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