

Quarterly Operational Update - Q1 FY2021

Perth, Australia – 27 October 2020: Mader Group Limited (ASX:MAD), a global leader in the provision of skilled labour for the maintenance of heavy mobile equipment, is pleased to provide an update on its performance for Q1 FY2021.

	Unit	Q1 FY2021	Q1 FY2020	Variance (\$)	Variance (%)
			(PCP)		
Revenue					
Australia	[\$m]	63.6	60.5	+3.1	+5.1%
United States	[\$m]	5.4	1.8	+3.6	+200%
Rest of World*	[\$m]	0.6	4.7	-4.1	-87%
Total Revenue	[\$m]	69.6	67.0	+2.6	+3.8%
EBITDA	[\$m]	7.3	7.7	-0.4	-5.2%
EBITDA Margin	[%]	10.5	11.5	-	-1.0%
Net Debt	[\$m]	13.0	24.2	-11.2	-46%

All amounts presented in the table above are based on unaudited management accounts.

* Rest of World includes Asia, South America and Africa.

OVERVIEW:

- Pleasing revenue growth of 3.8% versus the previous corresponding period (PCP) given the impact that COVID-19 travel restrictions have had on workforce mobility. **Revenue growth excluding the Rest of World Business Unit up 11%** vs PCP highlighting strong demand from our key geographies.
- In our **core Australian market, revenue growth was up 5%** vs PCP. The Company continues to see strong demand levels from our customers, however interstate travel restrictions are creating a shortage of skilled labour in WA, limiting our ability to accelerate growth. The Company has launched a series of initiatives to mitigate the WA labour shortage and we continue to expect growth over the remainder of FY2021.
- **Activity levels in the United States continue to accelerate** delivering a 200% uplift in revenue vs PCP. The foundations have been now been laid for strong organic growth in the United States market.
- The **global travel restrictions have temporarily limited our Rest of World operations** delivering an 87% fall in revenue vs PCP. Demand remains strong in these regions and we expect that when international travel resumes activity levels will normalise.

The interstate travel restrictions have temporarily increased labour movement costs, which has impacted the EBITDA margin. The impact is being mitigated through a disciplined approach to operational delivery and labour management, with a **~0.8% improvement in realised EBITDA margin between the start and end of Q1 FY2021**, with further margin improvement expected in Q2 FY2021.

- **Net debt reduced during the quarter, down to \$13.0m from \$18.5m at 30 June 2020** and down from \$24.2m at the close of the PCP. The reduction in net debt was achieved inclusive of dividend payments comprising \$3m in the quarter and \$6m over the year.
- In summary, although the Company is dealing with restrictions on workforce mobility, the financial impact of these challenges should be temporary, are being mitigated, and the impacts are easing.

Patrick Conway, Executive Director & Chief Executive Officer, commented, “We are pleased with the first quarter performance of FY2021. We are continuing to navigate the challenges of strict border controls and isolation requirements for our workforce whilst ensuring exceptional service for all our clients. We have executed multiple strategies to mitigate the impact of these challenges, with the impact on margins beginning to ease.

The ongoing success of our US operations is particularly pleasing, with revenue growth of 200% compared to Q1 in FY2020. A number of new contracts were executed for work scopes in Florida, Nevada, Colorado and Texas.

We are currently working on several opportunities for our Rest of World teams in Asia, South America and Africa. We have plans to re-enter these regions when our risk assessments indicate that it is safe to do so.

With global conditions beginning to stabilise, Mader Group has relaunched its expansion plans to enter Canada. Internal options are being assessed with a goal to be operational by the end of FY2021. The addressable market in Canada represents a significant opportunity for Mader Group.

Whilst the travel restrictions have curtailed our ability to service some of our markets and presented challenges for our workforce the underlying demand for Mader Group’s expertise in heavy equipment maintenance remains strong.”

OPERATIONAL UPDATE

Zero Harm

Mader Group’s Total Recordable Injury Frequency Rate (TRIFR) improved by 4% during the quarter, ending at 6.04. Safety initiatives during the quarter included a continued focus on meaningful field leadership interactions across the business. Mader Group was pleased to be recognised for its ongoing investment in vehicle and transport safety, being shortlisted in two categories for the Australasian Fleet Champions Awards.

Australia

The revenue performance of our Australian operations was positive with a 3.8% increase in revenue versus the PCP. Mader Group’s operations in Western Australia continue to be impacted by labour shortages due to hard border closures. High levels of customer demand continue to deliver strong revenue, in particular in the WA Goldfields region. Mader Group’s Perth workshop has now secured a large forward order book which will see it operate at full capacity until at least early calendar 2021.

Mader Group’s Trade Upgrade Program (an integrated training platform which upskills light vehicle and road transport mechanics into qualified Heavy Duty Diesel Mechanics) commenced its third intake of skilled tradespeople. Mader Group has plans to add additional intakes before the close of FY2021 in response to the tightening labour market and increased customer demand. This scalable program is eligible for the new apprenticeship wage subsidies recently introduced by the Australian Government.

The Company further diversified its service offering by partnering with a third-party provider to deliver synchronised lifting systems to improve the efficiency of major planned and unplanned shutdown operations. Within WA, Mader Group also expanded its range of Ancillary services with the introduction of an air conditioner maintenance service for heavy mobile equipment.



The Company's operations on the East Coast saw a decline in revenue over the quarter. Mader Group continues to roll out a targeted diversification strategy to expand its market share in Northern Queensland and Central West New South Wales. This strategy is supported by plans to relocate the Queensland office from Mackay to Brisbane in December 2020 to facilitate improved access to Mader Group's customers and workforce. New work has been secured in Tasmania and the Australian Capital Territory further diversifying the Company's Australian presence.

North America

Mader Group strengthened its position in the United States through the continued diversification of its customer base and regions serviced. Revenue in the United States increased to A\$5.4m in Q1 FY2021, a 200% increase versus the PCP and an 8% increase quarter on quarter (15% increase excluding AUD/USD foreign exchange movements). Revenue growth was underpinned by the continued strong recruitment of local, high-quality labour which represents 90%+ of the total US workforce.

The outlook in the United States is positive with the Company confirmed to commence the provision of maintenance labour services for several new customers in Q2 FY2021 across a number of new operating regions. The Company has responded to strong growth in the region by expanding its service fleet, with plans to double its fleet by the close of Q3 FY2021. Moreover, Mader Group has committed additional human resources to local office operations to assist with recruitment and local customer operations.

Now that the foundation has been laid for strong organic growth in the United States market with a team of skilled tradespeople, Mader Group has resumed planning for entry into the Canadian market, with goals to be operational by the end of FY2021.

Rest of World

The Company continues to implement plans to re-enter international markets following its decision to withdraw its expatriate workforce from Africa and Asia in April 2020.

With a focus on the delivery of its services to Eastern Asia, Mader Group re-engaged customers in former areas of operation in Q1 FY2021 with recurring scopes of work underway in Papua New Guinea and Laos with work scheduled to commence in Mongolia in Q2 FY2021.

During Q1 FY2021, the Company provided limited services in Africa, with a small team mobilised to assist an existing customer in Zambia.

FINANCIAL POSITION

Mader ended the quarter with net debt of \$13.0m, an improvement of \$5.5m quarter on quarter (and down from \$24.2m at the close of the PCP), reflecting a continued focus on capital management. This net debt was achieved after payment of a \$3m dividend during the quarter.

The Company executed new financing arrangements with NAB during the quarter which included a working capital facility of \$37m (drawn to \$1.9m at quarter end) and an asset finance facility of \$25m (drawn to \$17.1m at quarter end). These facilities will ensure access to sufficient working capital and equipment finance as the business grows.

OUTLOOK

In Australia, revenue growth is expected to continue as hard border closures are eased and workforce mobility returns. The Company is focussing upon trade upgrade programs to mitigate the WA skilled labour shortage and on the East Coast a wider range of geographic locations and services to mitigate the weaker coal market.

The outlook in the USA for FY2021 is for continued revenue and earnings growth. This market is characterised by the ability to recruit high-quality labour to meet growing demand within a large addressable market. Mader Group expects this region to continue to grow throughout the remainder of FY2021.

Mader Group's Rest of World division will continue to assess new opportunities to mobilise its workforce on a case-by-case basis. The demand for highly skilled labour is growing in these international markets however the safety of our people will always be the highest priority for our business.

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About Mader Group Limited

Mader Group Limited (ASX:MAD) is a global leader in the provision of skilled labour for the maintenance of heavy mobile equipment (such as trucks and excavators) and related services. The Company's well-established labour market platform allows it to connect a global network of over 200 mining and civil customers with a skilled in-house workforce of approximately 1,400 trade-persons on flexible, fit for purpose, and cost-effective terms. Mader Group was named 2019 Mining Contractor of the Year by Mining Monthly.

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Approved for release by the Board of Mader Group Limited

