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Utilising family ties to the Macs

The mining accommodation provider is living with the downturn and planning for the return of good times, writes Michael Smith.

Mark Maloney has taken the helm of his family's mining accommodation provider, The Mac Services Group, at one of the toughest periods in its history.

But the 37-year old is confident The MAC will weather the mining downturn as it focuses on expanding in the west and taking advantage of falling land prices.

Mark's father, company founder Kevin Maloney, relinquished the chief executive role to his son last November after the company met or exceeded its prospectus targets.

However, the timing was unfortunate as major miners started reining in capital spending after the global credit crisis and the end of Australia's mining boom.

Despite losing one Rio Tinto contract, Maloney says the company's exposure to the Bowen Basin coal industry in Queensland has kept it relatively isolated from cutbacks in West Australian iron ore, where it has less of a presence. But he concedes it will be a tough year.

"Logic suggests that at some point in time volumes in our business will come off, whether it is next quarter, the quarter after," he says in a recent interview.

"We are anticipating a softening next year. In this environment we won't continue to trade at 100 per cent occupancies. We think we are fairly well protected with long-term contracts in place."

Working in Maloney's favour is the company's healthy balance sheet after it got in early with a \$45 million capital raising last September and lower labour and material costs. The Mac also has 75 per cent of its room occupancy underwritten and 70 per cent underwritten for 2010.

"We think through the contracts we have in place, the fact we have always tried to make the business operationally focused rather than mine-construction focused, and the fact we did the capital raising prior to the world going mad [will work for us]," he says. "Those guys out there that operate in the space, have long-term contracts in place and very little debt are well placed to get through this."

The Maloney family controls about 60 per cent of The Mac, which was floated in 2007. By the end of 2007 the stock hit \$3.85, well above its \$1.50 offer price,

propelling former Elders Resources executive Kevin Maloney to the top of the nation's rich lists. The stock has since come off to trade near 91c.

Mark Maloney has been traveling to mine sites in the Northern Territory and north Queensland with his father since he was a child and spent many holidays based in Townsville.

He has been involved in the company since its creation 15 years ago, mainly in strategic roles from a distance. He was based in London for a decade but returned to Australia in February 2007 to take the chief operating officer role.

Maloney says his vision for the company is similar to that of his father, who will stay chairman, and the company strategy is unchanged.

The Mac is well positioned in the Bowen Basin and wants to replicate its success there, providing accommodation for workers in remote locations in the Pilbara region over the next three to five years.

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The MAC Services CEO Mark Maloney

Maloney says only 10 to 15 per cent of mining accommodation is outsourced, making the miners themselves The Mac's biggest competition. “The real task for us is to convince the mining companies to outsource more and that accommodation is not their core businesses and we can do it more efficiently for them,” he says.

The Mac is also thinking long-term and taking advantage of prices – as they come off last year's record highs – to access land. “For us it is all about going back and looking strategically where we want to be over the longer term and make sure we are land banking at reasonable prices and setting ourselves up for the next uptick in the market,” he says.

Last August The Mac beat prospectus forecasts with a 56 per cent rise in 2007-08 net profit to \$18.3 million. It expects to provide another 1000 rooms this year for mining services workers on top of the more than 4000 it had already built.

The Mac said in December a 300-room accommodation village it was building to house workers at Rio Tinto's Yarwun alumina refinery expansion in Queensland had succumbed to the miner's wide-ranging capital expenditure review.

Besides that the fallout from cutbacks has been limited.