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MONADELPHOUS REPORTS 2020 HALF YEAR RESULTS

Performance Highlights

Revenue \$852.0 million¹, in line with guidance

Maintenance and Industrial Services - Record revenue performance

Net profit after tax \$28.5 million

Interim dividend 22 cps, fully franked

Strong forward workload - Secured \$850 million of new contracts and extensions

Strategic acquisitions completed in CSG, rail and Chile

Engineering company Monadelphous Group Ltd (ASX: MND) (“the Company”) today announced revenue of \$852 million¹ for the period ended 31 December 2019, a 2.6 per cent increase on the prior corresponding period and up 9.5 per cent on the second half of the 2019 financial year. Net profit after tax was \$28.5 million.

The result reflects a strong performance from the Company’s Maintenance and Industrial Services division, which achieved a record half year revenue of \$584.5 million, up 16 per cent on the prior corresponding period.

The Company’s forward workload continued to strengthen securing \$850 million of new contracts and contract extensions since the beginning of the financial year.

Major construction contracts were secured at Rio Tinto’s West Angelas Project and at Albemarle Lithium’s Kemerton lithium hydroxide plant. Mondium, the Company’s EPC joint venture with Lycopodium, continued to establish itself as a preferred and trusted provider of EPC services with the strategically important award in early 2020 of a \$400 million contract with Rio Tinto at its Western Turner Syncline Phase 2 project.

In the Pilbara, Monadelphous was awarded a five-year maintenance and shutdown services contract with Rio Tinto at its iron ore operations and strengthened its presence in the rail sector with the award of a long-term contract for the provision of maintenance services to Rio Tinto on its iron ore rail network.

The Company advanced its markets and growth strategy making a number of strategic acquisition investments during the period totaling \$14.3 million. The investments broadened its service offerings to customers in the coal seam gas and rail sectors, and expanded its operations into South America.

Monadelphous Managing Director Rob Velletri said favourable market conditions in the resources sector were expected to provide a solid pipeline of opportunities for both construction and maintenance services.

“Renewed confidence in the resources sector and our proven track record of successfully delivering large-scale multidisciplinary construction projects and maintenance services culminated in the award of a number of major contracts during the period, positioning us well for growth” he said.

¹ Includes Monadelphous’ share of joint venture revenue – refer to page 8 for reconciliation

2020 HALF YEAR RESULTS

Revenue

Monadelphous recorded revenue for the half year of \$852.0 million¹ in line with guidance, a 2.6 per cent increase on the previous corresponding period and up 9.5 per cent on the second half of the 2019 financial year. Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was \$776.8 million.

The Company's Maintenance and Industrial Services division achieved a record half year revenue performance of \$584.5 million, up 16.2 per cent on the prior corresponding period, on the back of an increase in shutdown and maintenance work across the resources sector and a ramp up in offshore oil and gas service activity.

The Engineering Construction division reported revenue of \$273.4 million for the six months, a 17.6 per cent reduction compared to the prior corresponding period, impacted by delays in the commencement of a number of construction projects.

Earnings

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$59.1 million², delivering an EBITDA margin of 6.94 per cent.

The adoption of the new accounting standard AASB 16 *Leases* from 1 July 2019 resulted in additional depreciation and interest expenses on other lease liabilities of \$4.8 million for the period, with a corresponding \$4.4 million reduction in operating lease expenses.

Net profit after tax for the period was \$28.5 million, down 7.4 per cent on the prior corresponding period. The result was impacted by a lower revenue contribution from construction work, and an increase in the Company's depreciation and financing charges resulting from its plant and equipment fleet renewal process over recent years.

Earnings per share (EPS) was 30.17 cents.

Dividend

The Board of Directors has declared an interim dividend of 22 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

Strong balance sheet

Monadelphous ended the year with a cash balance of \$163.3 million, a cash flow from operations of \$38.6 million and a cash flow conversion rate of 78 per cent.

Since the beginning of the financial year, the Company completed a number of strategic acquisition investments, in total valued at \$14.3 million, enabling it to expand the breadth of services provided to customers in the coal seam gas and rail sectors, and facilitating the expansion of core services into South America.

The Company's balance sheet remains strong and provides the necessary capacity to invest in suitable future business opportunities.

¹ Includes Monadelphous' share of joint venture revenue – refer to page 8 for reconciliation

² Refer to page 8 for reconciliation of EBITDA

Strategic Progress

Monadelphous continued to progress its markets and growth strategy of maximising growth and returns from its core markets, broadening its service offering, growing its presence in infrastructure markets and expanding core services to overseas locations.

The Company's proven track record of reliably and safely delivering construction and maintenance projects culminated in the award of approximately \$850 million of new contracts and contract extensions since the beginning of the financial year. Monadelphous secured a number of new major construction contracts, including work at Rio Tinto's West Angelas Deposits C and D Project in the Pilbara and at Albemarle Lithium's new Kemerton lithium hydroxide plant, as well as a long-term fixed plant maintenance contract with Rio Tinto across their iron ore assets.

The Company's EPC joint venture, Mondium, continued to establish itself as a preferred and trusted provider of EPC services, with the strategically important award in early 2020 of its largest contract to date. The contract with Rio Tinto, valued at approximately \$400 million, includes the design and construction of the Western Turner Syncline Phase 2 (WTS2) mine located in the Pilbara region of Western Australia. Work commenced in the first quarter of 2020 and is due for completion in 2021.

Monadelphous expanded its service offering in the coal seam gas sector with the acquisition early in the period of iPipe Services, a specialist provider of pipeline, maintenance and construction solutions. The specialist services provided by iPipe complement the division's existing services, enabling further expansion of its core offering to customers.

The Company strengthened its presence in the rail sector with the award of a long-term contract for the provision of rail maintenance services to Rio Tinto on its privately-owned rail network in the Pilbara and, subsequent to the period, further expanded its rail capability, acquiring the business and assets of Harbinger Infrastructure, a New South Wales-based maintenance service provider.

In the infrastructure market, Zenviron continued to develop its reputation in the renewable energy sector, successfully completing work on the Moorabool North, Moorabool South and Cherry Tree wind farms, and progressing work on the Crudine Ridge and Dundonell wind farms.

To enable the strategic expansion of core services into South America, the Company acquired Chile-based maintenance and construction services contractor, Buildtek. Buildtek provides multidisciplinary maintenance and construction services to the mining sector, as well as a range of plant, machinery and equipment hire to the mining and construction sectors. The acquisition supports Monadelphous' entry into the growing Chilean resources market through an established and well-recognised operator, and enables the Company to explore further opportunities for growth in the region.

The Company also progressed its international growth strategy through its work in Mongolia, Papua New Guinea and New Zealand, and through its fabrication business, SinoStruct, in China and the US.

Health and Safety

The Company's 12-month total recordable injury frequency rate (TRIFR) increased from 4.02 incidents per million man-hours worked at the end of the previous financial year to 4.28 at 31 December 2019.

During the period the Company undertook a comprehensive review of actual and potential health, safety and environmental (HSE) incidents that had occurred in the business in aggregate during the previous 12-month period. The purpose of the review was to identify emerging HSE trends and identify common contributing factors in order to enhance the Company's HSE strategy and management systems accordingly.

As a consequence, Monadelphous is implementing a range of improvement actions including a targeted campaign to prevent hand and finger injuries, improvements in subcontractor management, progressing the Company's safety leadership development program and rolling out its safety behavioural standard framework. With the emergence of the coronavirus (COVID-19) early in 2020, Monadelphous established a dedicated team to monitor, assess and provide guidance to its business daily, taking advice from government agencies and the

World Health Organisation, and working in partnership with its customers globally. As part of this process, Monadelphous has developed and continues to review and update its strategy in response to the coronavirus (COVID-19) outbreak, with the health and wellbeing of its people as the priority.

People

Monadelphous' success is underpinned by the capability and dedication of its people, and their collective knowledge, values and experience. As such, the Company remains focused on retaining, attracting and developing the right people.

At the end of the reporting period, the Company directly employed 6,514 employees, an increase of almost 10 per cent from 30 June 2019 which was largely due to the acquisition of Buildtek. Subcontractor numbers reduced over the same period as the Company's scopes of work in Mongolia approached completion. Total workforce numbers, including subcontractors, were 7,167 at 31 December 2019.

With increasing demand for personnel in the resources sector, Monadelphous continued to implement a number of strategic sourcing initiatives, including the use of its specialist, in-house resourcing team, which is focused on mapping and targeting potential candidates for senior, strategic roles and positions in high demand across the industry. In addition, the Company leveraged new technologies, including augmented learning technologies, as a means for proactively identifying candidates.

The Company continued to encourage employee equity participation in the business through its employee equity incentive programs, aligning the interests of employees and shareholders. These programs also act as an effective employee retention mechanism, ensuring key talent remains in the business.

A continued focus on diversity and inclusion led to the Company achieving its stretch goal of three per cent Indigenous employment, and actions aimed at sustaining this level longer-term will continue to be implemented. Other major diversity highlights included the provision of employment opportunities to more than 50 Indigenous jobseekers and maintaining this employment for a period of more than six months (through Monadelphous' participation in the Australian Government's Employment Parity Initiative), and the signing of a major partnership with the Polly Farmer Foundation.

To support Monadelphous' gender diversity initiatives, the Company participated in a large number of events throughout the 2019 calendar year promoting science, technology, engineering and maths (STEM) pathways for young women.

Productivity and Innovation

Monadelphous remains committed to the ongoing development of new and improved operational and support methodologies, practices and processes which enhance its competitive position in the market, and deliver high quality, safe, value-adding services.

A key initiative of the Company's productivity and innovation strategy is to use proven technologies to improve the efficiency of its own, as well as those of its customers', operations.

During the period, the Company established a virtual reality (VR) room in the Perth office, facilitating the evaluation of virtual reality technology, particularly for 3D model interpretation. In addition, Monadelphous obtained a remotely piloted aircraft operator's certificate (ReOC) which enables the use of drone technology commercially across the organisation to improve the productivity and safety of current scopes of work.

Work on systems optimisation continued, with a view to consolidate legacy systems and better integrate data capture, and automation activities. The use of data analytics for improving operational performance and productivity levels remains a focus.

OPERATIONAL ACTIVITY

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of \$273.4 million¹, down 17.6 per cent on the previous corresponding period. The performance was impacted by a number of project delays, partially offset by solid revenue in its renewable energy business.

Reflecting the improving outlook and confidence in the resources sector, the division successfully secured contracts with a combined value of approximately \$500 million since the beginning of the financial year. These include:

- a major construction contract with Rio Tinto associated with the West Angelas Deposits C and D Project, valued in excess of \$100 million;
- a major construction contract at Albemarle Lithium's new Kemerton lithium hydroxide plant in the south-west of Western Australia; and
- a contract with thyssenkrupp Industrial Solutions (Australia) for the construction of a reclaimer and two stackers at BHP's South Flank Project.

The Company's joint venture Mondium, was awarded a major contract in early 2020 with Rio Tinto valued at approximately \$400 million. The contract includes the design and construction of the Western Turner Syncline Phase 2 (WTS2) mine, located in the Pilbara region of Western Australia.

Mondium also commenced work on its contract with Talison Lithium for the design and construction of a new tailing retreatment processing plant at its Greenbushes mine site in the south-west of Western Australia.

Work continued on two major multi-disciplinary construction contracts at BHP's South Flank Project in the Pilbara, which are expected to be completed by mid-2021.

Monadelphous continued work on a number of projects under its BHP Western Australian Iron Ore panel agreement, which includes the provision of structural, mechanical, piping and electrical and instrumentation works across BHP's Pilbara-based mines and assets.

After two years onsite, and with an outstanding safety performance, Monadelphous' work on two packages at Rio Tinto's Oyu Tolgoi Underground Project in Mongolia is expected to be completed in 2020. Additional packages of work for this project are expected to provide further opportunities in 2020 and beyond.

While the east coast market remains challenging, the business was awarded a contract with Origin for the construction of the Talinga Orana Gas Gathering Station, located near Chinchilla, Queensland. The contract, which is expected to be completed by March 2020, includes the fabrication, preassembly and site construction of two gas compression trains and supporting utilities and infrastructure.

The renewable energy joint venture Zenviron recorded a 20 per cent increase in revenue compared to the prior corresponding period. Since establishment, the joint venture has been involved in the construction of eight wind farms, including the Salt Creek, Sapphire, Moorabool South, Moorabool North, Lal Lal, Crudine Ridge, Cherry Tree and Dundonnell wind farms.

In the water sector Monadelphous progressed its first package of work under the Hunter Water Corporation Complex Capital Works Design and Construct Panel program at the Dungog Water Treatment Plant. Work also continued on the Company's contracts for Sydney Water's Network and Facilities Renewal Program, on the Kawana Sewerage Treatment Plant on the Sunshine Coast, Queensland and the Kurow Duntroon Irrigation project in New Zealand.

Demand for the division's heavy lift services strengthened as it builds on its reputation as a leader in the market. During the period, the scope of work on its Fortescue Metals Group Crane Services contract was expanded and extended, and work at Woodside's Karratha Gas Plant continued. 2020 will see demand for these services strengthen further as activity in the resources sector increases.

¹ Includes share of joint venture revenue

The Company's fabrication business, SinoStruct, continued to support the delivery of a number of key construction projects, including Rio Tinto's West Angelas Project and Origin's Talinga Orana Gas Gathering Station. SinoStruct also completed work associated with the Oyu Tolgoi project in Mongolia and continued the fabrication and supply of wellhead skids for Australia Pacific LNG.

Maintenance and Industrial Services

The Maintenance and Industrial Services division provides planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds.

The division achieved a record revenue performance of \$584.5 million for the half year, up 16.2 per cent on its previous half year, on the back of strong demand for its services across resources and energy.

Monadelphous experienced a significant increase in maintenance and shutdown activity in the iron ore sector across the Pilbara. The Company secured a five-year contract with Rio Tinto for the provision of mechanical and electrical fixed plant maintenance and shutdown services at its coastal iron ore operations in the Pilbara, valued at more than \$100 million in aggregate. In addition, it secured a further contract with Rio Tinto for the refurbishment of the high-grade iron ore greenhouse at Tom Price mine, and, subsequent to the end of the period was awarded a contract with BHP at Mining Area C mine for upgrades to existing conveyor equipment, power switching and stackers. These contracts are in addition to a major three-year contract with BHP for general maintenance services for shutdowns, outages and minor capital works across BHP's Mt Whaleback, Jumblebar, Eastern Ridge, Mining Area C and Yandi mine sites in the Pilbara, which was secured last financial year. These contracts are supported by local facilities in Karratha, Port Hedland and Newman.

In Western Australia more broadly, the Company was awarded a three-year contract for the supply of shutdown and mechanical services at South32's Worsley Alumina Refinery in Collie, and a 12-month extension to its existing contract with Nickel West for the provision of maintenance, shutdowns and off-site repair services at Kalgoorlie Nickel Smelter.

In the east, Monadelphous secured an order under an existing panel contract with BHP Mitsubishi Alliance to perform major shutdown works at the Hay Point Coal Terminal in Mackay, with work commencing in early August and substantially complete by mid-December. In addition, the Company secured a three-year contract to provide rope access and tank inspection services at Rio Tinto's Yarwun alumina refinery near Gladstone and was awarded a three-year contract for the provision of general mechanical and maintenance services as part of Incitec Pivot's scheduled turnarounds for its Queensland operations.

Following the completion of hookup and commissioning activities on Shell's Prelude FLNG (floating liquefied natural gas) facility and the INPEX-operated Ichthys LNG offshore processing facilities, oil and gas maintenance activities continued to ramp up during the period. Monadelphous, through its offshore maintenance activities, supported INPEX's 100th LNG shipment from Ichthys LNG, and completed two major shutdowns at the Woodside-operated North West Shelf Project. This is in addition to supporting Shell as they achieved their first shipment of LNG from Prelude earlier in 2019. In support of its customers, the Company continued to grow its service offering, enhancing preservation services in Darwin and providing support from its logistics operations in Perth. It also established a stand-alone industrial services team, which provides a number of services to customers including fabric maintenance and ultra-high pressure blasting services, and continued to grow its rope access capability, which is now market leading.

Monadelphous continued to strengthen its position in the rail sector with the award of a rail maintenance contract with Rio Tinto on its privately-owned rail network in the Pilbara, valued at approximately \$60 million over three years. The contract, which includes a further two three-year extension options, is for the provision of general track maintenance and renewals services on the coastal component of the rail network, resurfacing services across Rio Tinto's entire rail network and rail workshop services. Monadelphous commenced providing rail infrastructure and rolling stock maintenance support services in Western Australia in 2017, and further expanded its services into the east coast through the purchase of Harbinger Infrastructure's business and assets. Harbinger Infrastructure is a NSW-based rail infrastructure maintenance service provider which was established in 2015 to provide rail track resurfacing (track tamping and regulating works), as well as track machine labour support.

Overseas, the Company acquired Chile-based maintenance and construction services contractor, Buildtek. The acquisition enables Monadelphous to enter the Chilean market through an established, well recognised operator, which has strong relationships with major customers. The services provided by Buildtek are similar to those provided by Monadelphous and provide a foundation for growth in Latin America.

Other significant contract activity undertaken during the period included:

- Maintenance and shutdown services for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia;
- Engineering, procurement and construction services on Oil Search's oil and gas production and support facilities in the Highlands region of Papua New Guinea, in joint operation with Worley;
- Maintenance and turnarounds for Queensland Alumina Limited in Gladstone, Queensland;
- Mechanical shutdown services and tank maintenance and refurbishments for Newmont at Boddington, WA;
- Operation and maintenance of the coal handling facility at the Muja Power Station for Synergy in Collie, WA; and
- Maintenance and turnaround services in the Hunter Valley, NSW, for Glencore and Yancoal.

Markets and Outlook

Favourable market conditions over coming years are expected to provide a solid pipeline of opportunities within the resources and energy sectors.

Ongoing project development activity in iron ore will support a steady stream of construction opportunities, and prospects from renewed development in the LNG market are also expected to be positive. Investment in renewable energy projects is expected to slow in the shorter term as the industry focuses on the development of improved grid access and transmission capacity.

The demand for maintenance services is forecast to be strong as production rates in the resources and oil and gas sectors remain at record levels. Customer focus on maintaining and improving the productivity of operating assets will continue to provide ongoing opportunities for maintenance services and sustaining capital work.

The retention and attraction of high performing talent remains a key priority for the Company with the industry likely to experience capacity and capability constraints from increasing demand for skilled labour.

With activity levels expected to ramp up on secured resource construction projects and demand for maintenance services remaining strong, the Company is forecasting around 10 per cent revenue growth for the 2019/2020 financial year. Margins will continue to be challenged as levels of market competition remain high and customers remain price sensitive and focussed on cost containment.

The financial performance of the business for the 2019/20 financial year is, however, dependent on the extent and duration of project and supply chain delays resulting from the outbreak of the coronavirus (COVID-19).

Monadelphous, with its industry leading position and its longstanding commitment to the delivery of safe, reliable and cost competitive services, is uniquely positioned to capitalise on the opportunities and deal with the challenges ahead.

I would like to take this opportunity to thank our talented and committed team of people for their loyalty and highly valued contribution, and our shareholders and other stakeholders for their ongoing support.

Revenue including joint ventures is a non-IFRS measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to revenue presented by other companies. This measure, which is unaudited, is important to management when used as an additional means to evaluate the Company's performance.

Reconciliation of Total Revenue from Contracts with Customers Including Joint Ventures to Statutory Revenue from Contracts with Customers (unaudited)

	31 December 2019 \$'000	31 December 2018 \$'000
Total revenue from contracts with customers including joint ventures	851,980	830,533
Share of revenue from joint ventures ¹	(75,175)	(53,338)
Statutory revenue from contracts with customers	<u>776,805</u>	<u>777,195</u>

¹ Represents Monadelphous' proportionate share of the revenue from joint ventures accounted for using the equity method.

EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to EBITDA presented by other companies. This measure, which is unaudited, is important to management as an additional way to evaluate the Company's performance.

Reconciliation of Profit Before Income Tax to EBITDA (unaudited)

	31 December 2019 \$'000	31 December 2018 \$'000
Profit before income tax	42,205	45,554
Interest expense on loans and hire purchase finance charges	738	456
Interest expense on other lease liabilities ²	977	-
Interest revenue	(645)	(1,203)
Depreciation of owned and hire purchase assets	10,771	9,466
Depreciation of other lease assets ²	3,777	-
Amortisation expense	323	614
Share of interest, depreciation, amortisation and tax of joint ventures ³	986	871
EBITDA	<u>59,132</u>	<u>55,758</u>

² The new accounting standard AASB 16 *Leases* was adopted from 1 July 2019. Comparatives have not been restated.

³ Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.

DIVIDEND ENTITLEMENTS

The interim dividend of 22 cents per share fully franked will be paid to shareholders on 27 March 2020 with the record date for entitlements being 6 March 2020.

FURTHER INFORMATION

Analysts/Investors

Kristy Glasgow
Investor Relations
T +61 8 9316 6386
M +61 403 781 909
investor_relations@monadel.com.au

Media

Ella McCarthy
Group Manager - Marketing and Communications
T +61 8 6311 1018
M +61 401 404 874
EMcCarthy@monadel.com.au

About Monadelphous

Monadelphous Group Limited (ASX: MND) is a leading Australian engineering group providing construction, maintenance and industrial services to the resources, energy and infrastructure sectors. The Company has two operating divisions – Engineering Construction, providing large-scale multidisciplinary project management and construction services, and Maintenance and Industrial Services, specialising in the planning, management and execution of mechanical and electrical maintenance services, shutdowns, fixed plant maintenance services and sustaining capital works.

Monadelphous is headquartered in Perth, Western Australia, with a major office in Brisbane, Queensland, and offices, projects, facilities and workshops across Australia and in New Zealand, China, Mongolia, Papua New Guinea, Chile and the United States of America. Please visit www.monadelphous.com.au for further information.