

24 November 2020

Company Announcements
Australian Securities Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000
AUSTRALIA

Dear Sir / Madam

RE: 2020 ANNUAL GENERAL MEETING ADDRESS TO SHAREHOLDERS

Please find attached a copy of the address to shareholders by Chairman John Rubino and Managing Director Rob Velletri at the Annual General Meeting held today online and at The University Club in Perth, Western Australia.

Authorised by



Philip Trueman
Company Secretary

ASX RELEASE

24 November 2020

2020 ANNUAL GENERAL MEETING ADDRESS TO SHAREHOLDERS

Chairman John Rubino

Good morning everyone. I'm pleased you could join us today, either in person or online.

I'm sure you will agree, 2020 has been a unique year due to COVID-19. Even though it has been challenging, we continued to grow in our core markets and diversify our business, ensuring a sustainable business for the long-term.

We experienced strong demand for our maintenance, shutdown and sustaining capital services during the year, which contributed to our Maintenance and Industrial Services division achieving a record annual revenue for the third year in a row.

The division continued to broaden its service offering and expand its geographical footprint, within Australia and overseas. This included strengthening its marine, civil, fabrication and corrosion management services, as well as strategic acquisitions in the coal seam gas and rail sectors, and more importantly, the acquisition in Chile.

On the back of renewed confidence in the resources sector, our Engineering Construction division commenced work on a number of large resource construction projects, many of which were in the iron ore sector in the Pilbara.

The division expanded its engineering, procurement and construction delivery through Mondium, our joint venture with Lycopodium. It also continued to cement its position as a leader in the renewable energy sector, via Zenviron, again our joint venture with ZEM Energy.

While COVID-19 continues to create uncertainty, the resources sector is expected to provide a steady flow of opportunities for our business. In the medium to long-term, the outlook for both the oil and gas and renewable energy sectors remains positive, however these sectors are facing some challenges in the short-term.

We entered the new financial year with a solid pipeline of work and an exceptionally strong balance sheet, meaning we can invest in suitable opportunities as they arise.

Our people are what makes us successful. We want to ensure the retention, attraction and development of the right people, supported by initiatives, including remuneration practices, which foster an 'owner's mindset'. To ensure we have the critical skills and capabilities required to achieve our strategy, we will continue to review our talent management and succession planning, including at Board level.

Safety and innovation remain more important than ever and are a key part of our culture. They will ensure we remain competitive into the future.

Before I hand over to Rob, on behalf of the Board, I'd like to thank our shareholders and customers for their ongoing support. I'd also like to commend our team for their efforts and resilience this financial year, particularly through the COVID-19 pandemic.

Rob will now provide you with a more detailed insight into our 2020 performance.

Managing Director Rob Velletri

In what was a very different and challenging year, Monadelphous recorded a 2.6 per cent year on year increase in sales revenue to \$1.65 billion.

As John mentioned, the Maintenance division achieved a record revenue performance for the third consecutive year, exceeding \$1 billion for the first time in the Company's history. This milestone reflected strong demand for shutdown and maintenance services across the resources sector, particularly in the first half of the financial year.

The Engineering Construction division reported revenue of \$616 million with a number of large resource construction projects kicking off during the year.

Net profit after tax was \$36.5 million, with earnings per share of 38.7 cents. Earnings in the second half were significantly impacted by the disruption caused by COVID-19, as well as disappointing levels of profitability experienced in the Company's Water Infrastructure business and the costs associated with restructuring that business.

Monadelphous continued to be recognised as a leader in its markets, securing approximately \$1.34 billion in new contracts and contract extensions since the beginning of the financial year, including around \$325 million since June 30.

A strong cashflow from operations in the second half of the year strengthened the Company's balance sheet, something I'll touch on a little later.

Subsequent to year end, and as announced on August 3, Monadelphous was notified that Rio Tinto had filed a Writ of Summons in the Supreme Court of WA against one of Monadelphous' wholly owned subsidiaries, in respect of a fire at Rio Tinto's iron ore processing facility at Cape Lambert in January 2019.

The Company denies Rio Tinto's allegations and claimed losses. Along with its insurers, Monadelphous continues to work with Rio Tinto to seek a satisfactory outcome in this matter.

Despite this, I'm pleased to say Monadelphous continues to have a strong and positive working relationship with Rio Tinto. In fact, we've recently secured a number of new contracts with Rio, including a three-year contract to provide maintenance services for fixed plant shutdowns at Rio Tinto's Gove operations in the Northern Territory, and three master services contracts for the delivery of sustaining capital projects over three years across various Rio Tinto iron ore mine sites and port operations throughout the Pilbara.

As previously highlighted, Monadelphous' operations and performance was significantly affected by COVID-19 in the second half of the financial year. A broad range of the Company's projects and service contracts were delayed, suspended or reduced, and potential new contract awards were temporarily deferred.

The Company's workforce declined around 20 per cent between February and June and we estimate approximately ten per cent of Monadelphous' annual revenue for the 2020 financial year was deferred into subsequent financial periods.

We implemented a significant number of proactive measures to protect the safety and wellbeing of our people and the communities in which we operate and to ensure Monadelphous' long-term sustainability.

This included the development of detailed COVID-19 health risk management protocols, as well as a targeted cost reduction and cash protection plan, which was supported by our Board and Executive team agreeing to salary reductions of up to 30 per cent for a six-month period.

With precautionary measures being lifted by governments in most parts of Australia where we operate, and demand from our customers improving, the business has experienced a recovery over recent months. Pleasingly, as you can see on our employee numbers graph (slide 12), our workforce numbers have recovered over the first four months of this financial year.

COVID-19 impacts, of course, remain unpredictable and we will continue to monitor the situation and adapt our response accordingly.

Now to our safety performance (slide 13).

On 7 March, we announced with great sadness that our teammate Haydyn Grubb had been fatally injured following a serious incident at our Kalgoorlie services facility. Since this tragic incident, we have taken a range of measures to understand what happened and have implemented a number of actions to prevent a similar incident in future. Monadelphous continues to provide support to Haydyn's family, friends and colleagues. Haydyn will live long in our memory.

Overall, our 12-month total recordable injury frequency rate improved by 7.5 per cent to 3.72 incidents per million hours worked.

Pleasingly, the Engineering Construction division recorded its strongest safety performance in history, achieving zero recordable injuries in its resources business for 12 consecutive months, extending over more than three million hours worked.

Monadelphous remains committed to zero harm. To support this, the Company undertook a detailed assessment of its safety governance practices, including reviewing its minimum standards for the control of fatal risks, and further enhancing its health and safety management standards.

To support our safety culture, I launched an annual Safety Innovation Award back in 2017. The Award recognises outstanding safety innovations which eliminate and control hazards and reduce risk.

Pictured on slide 14 is the winner of the 2020 Award for a smart conveyor module assembly system at South Flank's Inflow Project used to assist our team to install 22 kilometres of overland conveyer. Conveyor module assembly normally requires our people to perform repetitive movements, lifting heavy loads in often very awkward positions and hot conditions. To reduce these manual handling and health risks, the assembly methodology was modified to incorporate a production line approach with rail mounted mobile assembly frames, specially designed module assembly jigs with lifting aids and shaded workspaces.

The innovation enables the onsite pre-assembly of over 3,500 conveyor modules and is highly effective in reducing the risk associated with multiple hazard sources, as well as improving quality and productivity. Importantly, the concept is transferrable to other projects which we are working on.

Safety and wellbeing is a core value at Monadelphous. This includes the mental health of our people.

2020 has thrown us challenges we could never have anticipated or been prepared for. As a result, we've had a particular focus on developing mental health awareness programs to support our people in a meaningful way (pictured on slide 15). This included our people participating in Mental Health First Aid Courses through Lifeline WA, as well as rolling out our R U OK? Day and COVID-19 awareness campaigns and supporting our people's participation in Movember.

Moving to our operational highlights (slide 16).

As I mentioned, our Engineering Construction division reported revenue of \$616 million, in line with the previous period, with some projects experiencing delays in the second half due to COVID-19.

The division has secured around \$715 million in new contracts and contract extensions, including approximately \$155 million subsequent to year end.

In a moment, I will provide an update on some of our key projects, including our work at BHP's South Flank and Albemarle's Kemerton Plant. I'll also touch on work being undertaken by our joint ventures, Mondium and Zenviron.

Before I do so, I wanted to mention at a high level some other highlights for the division from 2020.

Firstly, Monadelphous was awarded a major construction contract with Rio Tinto associated with the West Angelas Deposits C and D Project, with work commencing during the period and expected to wrap up in 2021.

Under the division's BHP Iron Ore Panel Agreement, three projects were completed during the financial year and a further four projects were started. In addition, subsequent to year end, the division secured a number of new contracts under this agreement, including a contract for the Port Availability Improvement Project, providing brownfield modification works across the Nelson Point and Finucane Island facilities, and a dewatering project at Jimblebar mine site.

After two years onsite, our work at Rio Tinto's Oyu Tolgoi Project in Mongolia was completed in early 2020. This project continues to be strategically important for Monadelphous, with further opportunities expected to come to market in the near future.

Finally, our China-based fabrication business, SinoStruct delivered several fabrication packages for repeat customers, as well as for Monadelphous and Mondium construction projects. Last month, SinoStruct opened a facility in Tianjin, offering its customers improved fabrication and modularisation services.

Post year end, the division was awarded a contract to provide multidisciplinary construction services at BHP's Olympic Dam copper mine in South Australia.

Moving now to the projects I mentioned.

We continued to deliver on three major construction contracts at BHP's \$3.6 billion South Flank Project, making good progress on structural, mechanical, piping and instrumentation works associated with the Project's inflow and outflow infrastructure, as well as on construction of the world's largest rail mounted stockyard machines through a contract with thyssenkrupp.

Work also commenced on a major construction contract for MARBL, a joint venture between Albemarle and Mineral Resources, at their Kemerton lithium hydroxide plant in Western Australia's south west. Significant progress has been made on our scope of work, with the team recently recognised for their strong safety performance.

Our EPC joint venture, Mondium, secured a strategically important \$400 million contract with Rio Tinto for the Western Turner Syncline Phase 2 project, its largest contract to date.

The Mondium EPC delivery model encompasses full project development and direct execution, significantly reducing interface risk between engineering, procurement and construction disciplines and providing a one-stop, cost-effective solution to customers.

Finally, our renewable energy business, Zenviron, continues to go from strength to strength. The business completed four wind farms during the period, significantly progressed an additional two and subsequent to year end, secured a new contract for the Murra Warra Stage 2 Wind Farm in regional Victoria.

Pictured here (slide 20) is the 228-megawatt Lal Lal Wind Farm in regional Victoria, one of four wind farms delivered during the year. Since establishment, Zenviron has been involved in the construction of nine wind farm projects with a total generation capacity of 1600 megawatts, representing power for around one million homes and the displacement of 5 million tonnes of carbon dioxide each year.

And now to our Maintenance division (slide 21).

As I mentioned, strong demand for maintenance, shutdown and sustaining capital services within the resources sector, particularly in the first half of the financial year, contributed to the Maintenance division achieving a record revenue performance, up 5.1 per cent on the previous year, to \$1.05 billion.

The division secured approximately \$625 million of new contracts and contract extensions, including around \$170 million subsequent to year end.

During the year, the division was awarded a major five-year contract at Rio Tinto's coastal iron ore operations, as well as a three-year contract for maintenance services and minor projects on its Pilbara marine infrastructure. This is in addition to various sustaining capital works projects under its panel agreement.

Further to this, the division was appointed to BHP's Iron Ore Site Engineering Panel providing services at BHP's mine site and port operations in the Pilbara for a further two years. In recent months, the division has completed two car dumper refurbishment projects under the panel agreement, pictured on the right (slide 22). Post year end, the division secured a further two contracts at Jimblebar and at the Newman Hub site.

Overall, demand for maintenance and minor project works remains strong, as our iron ore customers seek to optimise their assets. We expect to this will continue over coming years.

We announced our entry into Chile late last year with the acquisition of construction and maintenance services contractor, Buildtek (slide 23).

Buildtek is an established and well recognised operator, which has strong relationships with major mining and energy customers, providing us with a foundation for growth in South America.

During the period, Buildtek secured a number of new contracts, and the resumption of a number of Chilean copper projects, which were suspended or deferred due to the outbreak of COVID-19, are expected to provide opportunities for the Company to grow its position over coming years.

Building on our existing rail maintenance offering, we expanded to the east coast through the purchase of Harbinger Infrastructure's business and assets during the year, which included a five-year contract with ARTC for rail maintenance services on its Hunter Valley rail network in New South Wales.

In addition, we were awarded a strategic, three-year contract with Rio Tinto on its rail network in the Pilbara, pictured on the slide (slide 24).

Rail tendering activity remains strong across the Pilbara and New South Wales, and the division continues to explore its options more broadly.

Finally, as John mentioned earlier, the division continued to expand its service offering, both organically and via a number of strategic acquisitions. This included strengthening its marine, civil and corrosion management services, as well as establishing a stand-alone oil and gas industrial services team. It also acquired iPipe Services, a specialist provider of coal seam gas pipeline, maintenance and construction solutions.

(Slide 25) Pictured left is our team at BHP's Nelson Point who are blasting and painting fender piles as part of a wharf remediation project under our Iron Ore Site Engineering Panel Agreement. On the right is our civil team working at BHP's Jimblebar mine site.

Moving to our financial performance now (slide 26).

Earnings before interest, tax, depreciation and amortisation was \$92 million, with earnings for the second half significantly impacted by both the disruption caused by COVID-19, as well as the disappointing levels of profitability within the Water Infrastructure business that I mentioned earlier.

Net profit after tax for the period was \$36.5 million, with earnings per share of 38.7 cents.

The Board declared a final dividend of 13 cents per share fully franked, taking the full year dividend to 35 cents per share, which results in a dividend payout ratio in excess of 90 per cent.

Despite the recent challenging economic and operating conditions, the Company's balance sheet strengthened, ending the year with a solid cash balance of \$208 million.

This slide (slide 27) shows the location and values of contracts secured since the beginning of the financial year, with around \$715 million of engineering construction contracts and \$625 million of maintenance contracts.

I have mentioned most of the work secured in Australia, but I also wanted to highlight our new international contracts.

In Papua New Guinea, we secured a three-year contract to provide minor capital project services at Newcrest Mining's gold mining operations on Lihir Island, where we have been operating since 2017. In addition, Buildtek was awarded a number of new contracts in Chile, including two contracts with Minera Escondida BHP, as well as a contract at GNL Quintero's LNG operations.

For further information about the contracts secured, we have included a couple of slides in the appendix.

Moving to our people now (slide 28).

During the first half of the year, we experienced strong demand for skilled labour in the resources sector and continued to implement a number of strategic sourcing initiatives.

We reviewed succession planning across the business during the year, ensuring we have the critical skills and capabilities for ongoing growth, and providing valuable development opportunities for our key talent.

As I mentioned earlier, our people numbers were impacted significantly by COVID-19 at year end. Since then, we've experienced increasing demand for our services, which has seen our employee numbers grow to over 6,800 by the end of October.

As part of retaining and attracting the right people, we're currently investing in a range of new technologies. This includes replacing our recruitment and onboarding systems, as well as developing and launching a new employee application, MonaWork, pictured on this slide (slide 29).

The award winning app is designed to improve our employees' experience by giving them greater access to job and mobilisation information, as well as the ability to manage their own work schedule.

At Monadelphous, we believe it is important to support and have a positive impact on the societies and communities in which we operate. We focus our efforts on four important areas: diversity, community, education and environment (slide 30).

Throughout the year, dedicated engagement plans were developed for strategic regional locations, which led to Monadelphous supporting more than 50 community initiatives.

We also focused on diversity, as you will see in the coming slides (slides 31 – 32).

Since launching our Gender Diversity and Inclusion Plan in 2018, we've worked at improving female participation, including identifying job and development opportunities.

I'm pleased to report, since 2018 we have seen an increase in females across our business, including a 38 per cent increase in the number of females in senior leadership and management roles.

In addition, almost 40 per cent of total appointments in our 2020 Apprenticeship Program were female, as well as almost 25 per cent of our 2020 Graduate Program intake.

We are also a major supporter of women in engineering programs aimed at increasing participation in STEM education to improve the availability of women in our industry.

We continued to deliver on our stretch reconciliation action plan, achieving our Aboriginal and Torres Strait Islander employment stretch goal of three per cent during the year. We employed around 70 Indigenous jobseekers as part of our participation in the Australian Government's Employment Parity Initiative.

As you can see in this slide (slide 32), as well as focusing on our workforce and providing job opportunities for Aboriginal and Torres Strait Islander peoples, we've had a strong focus on upskilling young Indigenous students from the communities in which we operate, through programs such as the Graham Polly Farmer Foundation. The picture on the left is from our partnership launch event earlier in the year in the south west of Western Australia. On the right, you can see one of our Newman-based employees mentoring Graham Polly Farmer Foundation students as part of our after-school program, which the students have named the Monadelphous Mechanical Mob.

Planning is now well underway for our next Stretch Reconciliation Action Plan, which will be our fourth plan, due to be launched in 2021.

This slide (slide 33) shows relevant current and forecast Australian market conditions for our business. As you can see, the sectors in which we operate are expected to improve or remain stable over coming years.

While the global economic outlook in the wake of COVID-19 remains uncertain, the resources sector is expected to provide a steady flow of opportunities for Monadelphous over coming years.

With a strong iron ore price and demand from China ramping back up, the outlook for Australian iron ore investment remains solid. Ongoing capital and operating expenditure required to sustain the high levels of production in this sector will drive strong and steady demand for engineering construction and maintenance services.

Developments in other resource sectors including lithium, gold, copper and nickel are also expected to provide ongoing prospects.

The effect of declining global demand on the oil and gas sector has resulted in delays in the development of new LNG projects, with customers reducing operating costs and deferring non-essential work in the short-term.

The long-term outlook for the renewable energy sector is positive with a pipeline of new wind farm projects expected to come to market in the next few years. Opportunities from developments in hydrogen technologies are also emerging in this sector.

Maintenance activity in the resources and energy sectors has recovered steadily from the effects of COVID-19, with some impacts lingering in the oil and gas sector. Longer term demand for maintenance services is expected to grow steadily on the back of aging assets and customers deferring non-essential work in prior periods.

Monadelphous entered the new financial year with a solid forward workload, and based on the continued recovery from the impact of COVID-19, we expect to see first half revenues to be up around 10 per cent on the second half of last financial year.

Our reputation as a leader in our chosen markets, our longstanding commitment to the delivery of safe, reliable and cost competitive service solutions, as well as our swift and decisive response to the outbreak of COVID-19, means we are well positioned to capitalise on opportunities and deal with the challenges ahead.

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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 Philippines. Please visit www.monadelphous.com.au for further information.