

# 2015 Half Year Results

Tuesday 17 February 2015



**TOGETHER**  
**WE DELIVER.**

# Company Profile

Monadelphous Group Limited (ASX:MND) is a S&P/ASX 100 company that provides construction, maintenance and industrial services to the resources, energy and infrastructure sectors throughout Australasia.

Market capitalisation	People	Revenue	Earnings per share	Dividends per share
~\$873m	4,520	~\$1,052m	65.4c	46.0c

(as at 31 December 2014)

## Engineering Construction



## Maintenance and Industrial Services



# Group Highlights

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## Financial

- Sales revenue, \$1,052m, down 17.6%
- NPAT \$60.7m, down 23.4% ^
- EPS 65.4c, DPS 46.0c
- Cashflow from operations of \$56.4m, conversion rate of 85%

## Operating

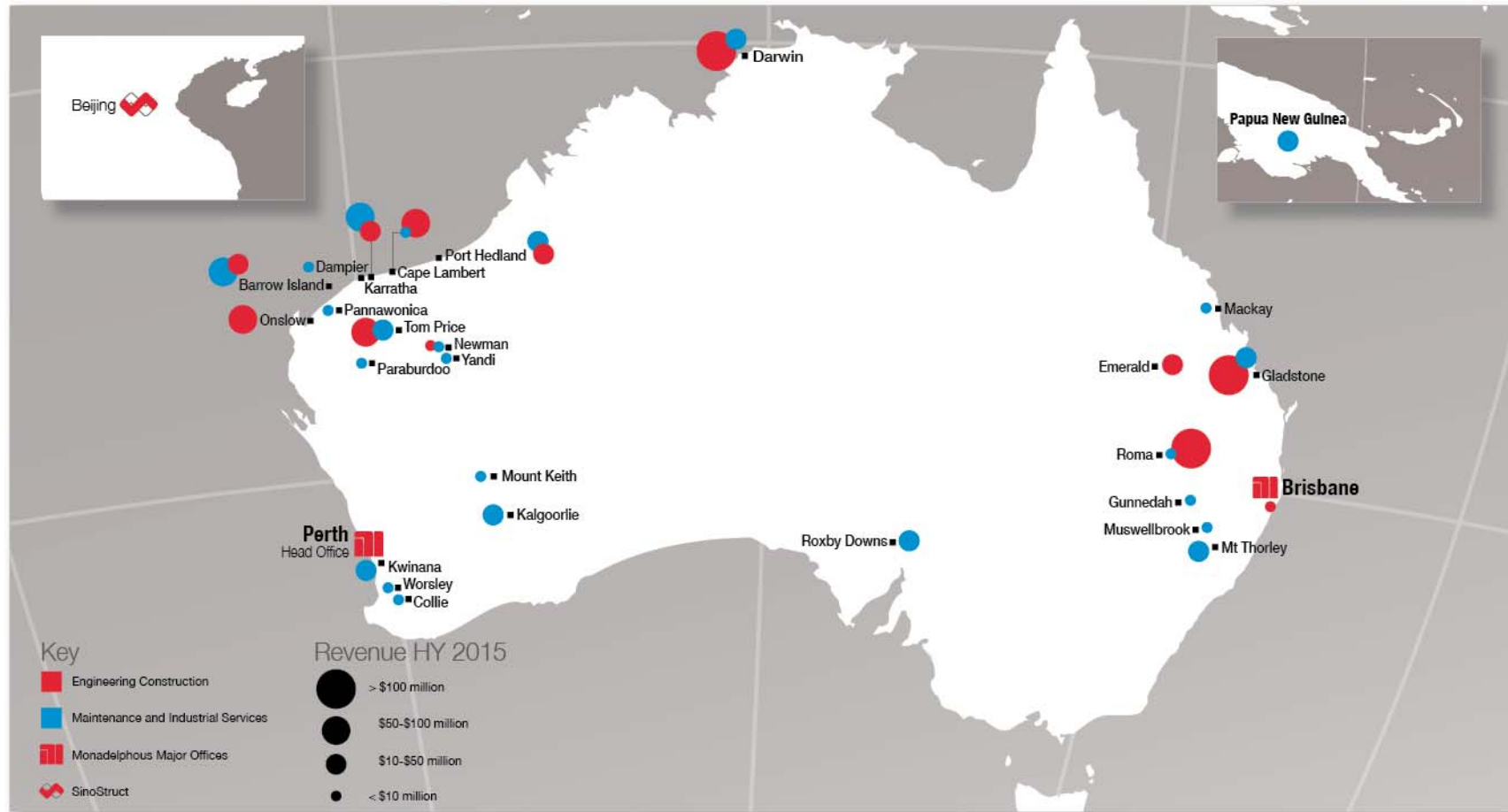
- Awarded ~\$450m of new contracts and contract extensions
- Strong safety performance – 8% improvement
- Cost reduction program achieved savings of ~\$17m p.a including ~\$4m in overheads

## Strategic

- Continued to secure work in new service markets
- Expand presence in infrastructure through the acquisition of Water Infrastructure Group
- Progressed strategy to extend core services overseas.

^ Underlying basis. Refer to slide 18 for reconciliation.

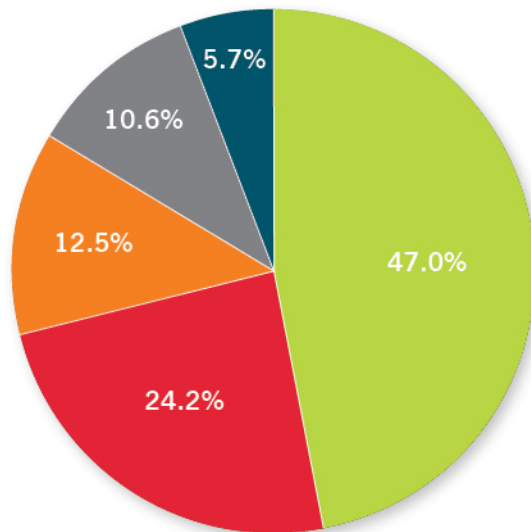
# Contract Activity





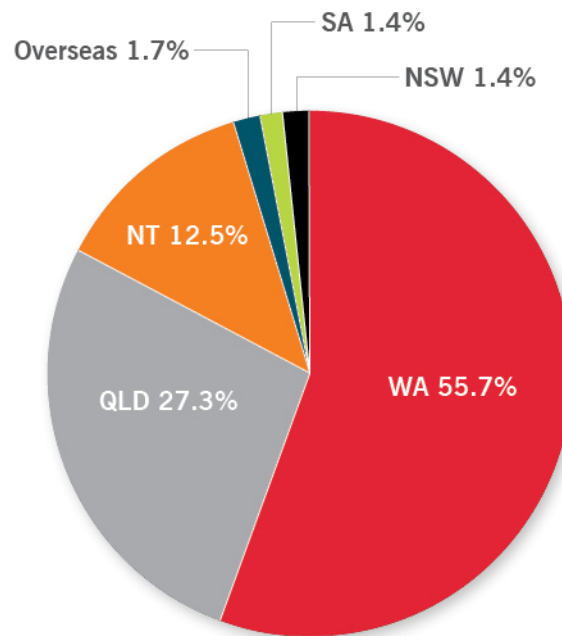
# Sales Revenue Analysis

## End Customer Market

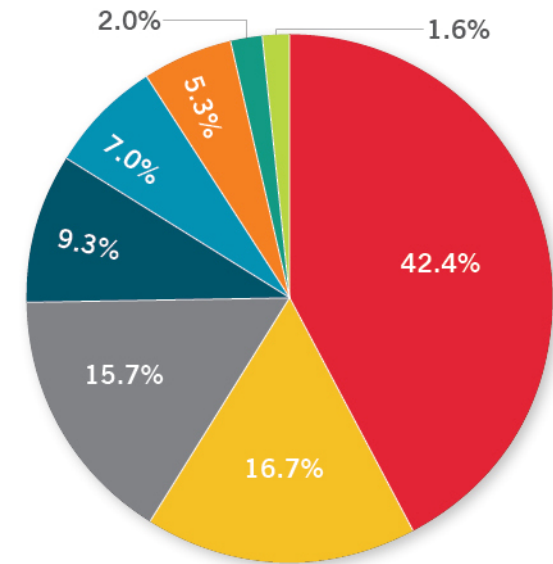


- Oil & Gas
- Iron Ore
- Coal
- Infrastructure
- Other Minerals

## Geography



## Service Market

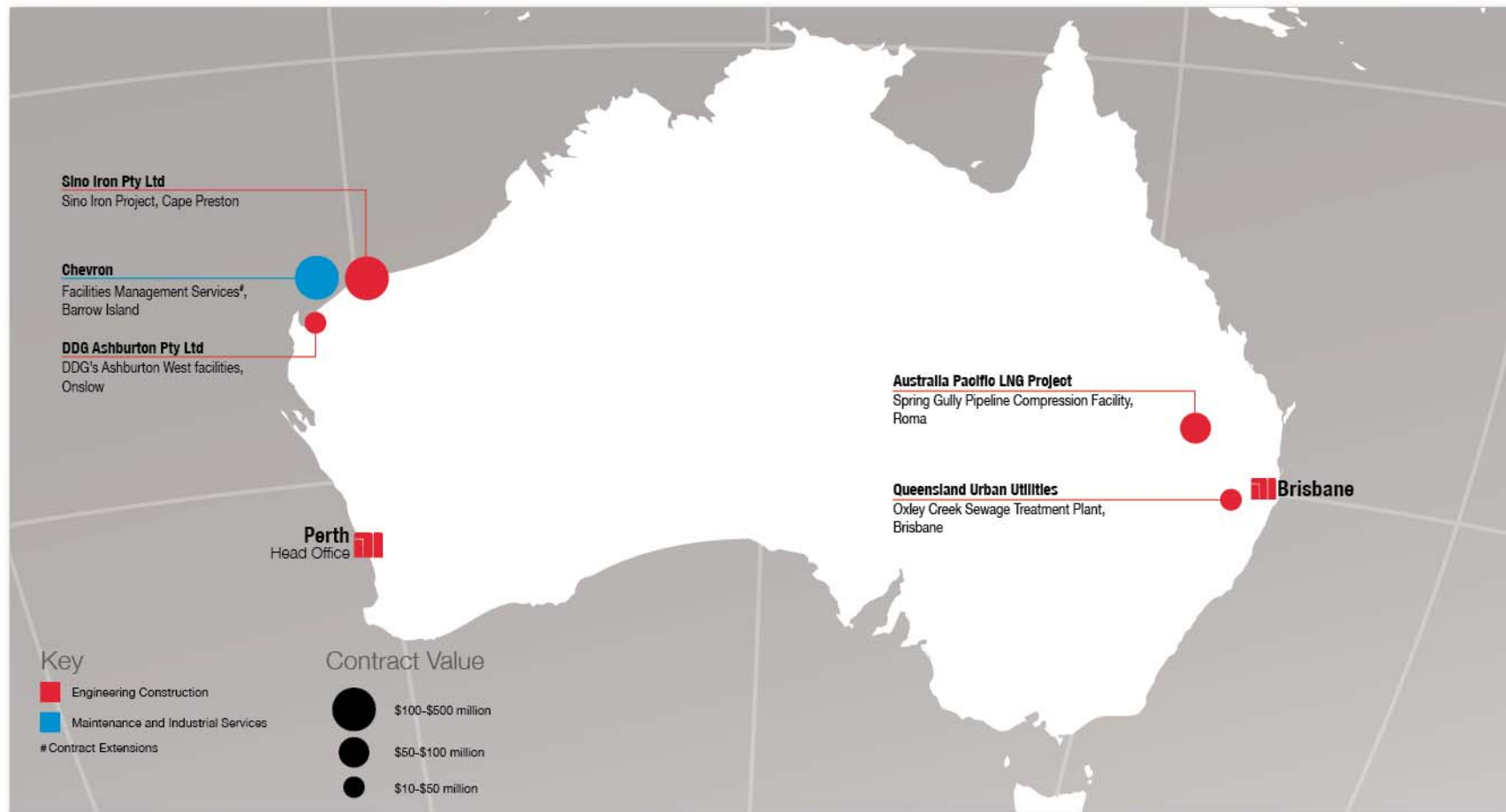


- SMP\*
- Pipelines
- SMP\* & E&I\*\*
- Marine
- O&M\*\*\*
- E&I\*\*
- Fabrication
- Water

\*SMP - Structural, mechanical and piping; \*\*E&I - Electrical and instrumentation; \*\*\*O&M - Operations and maintenance.

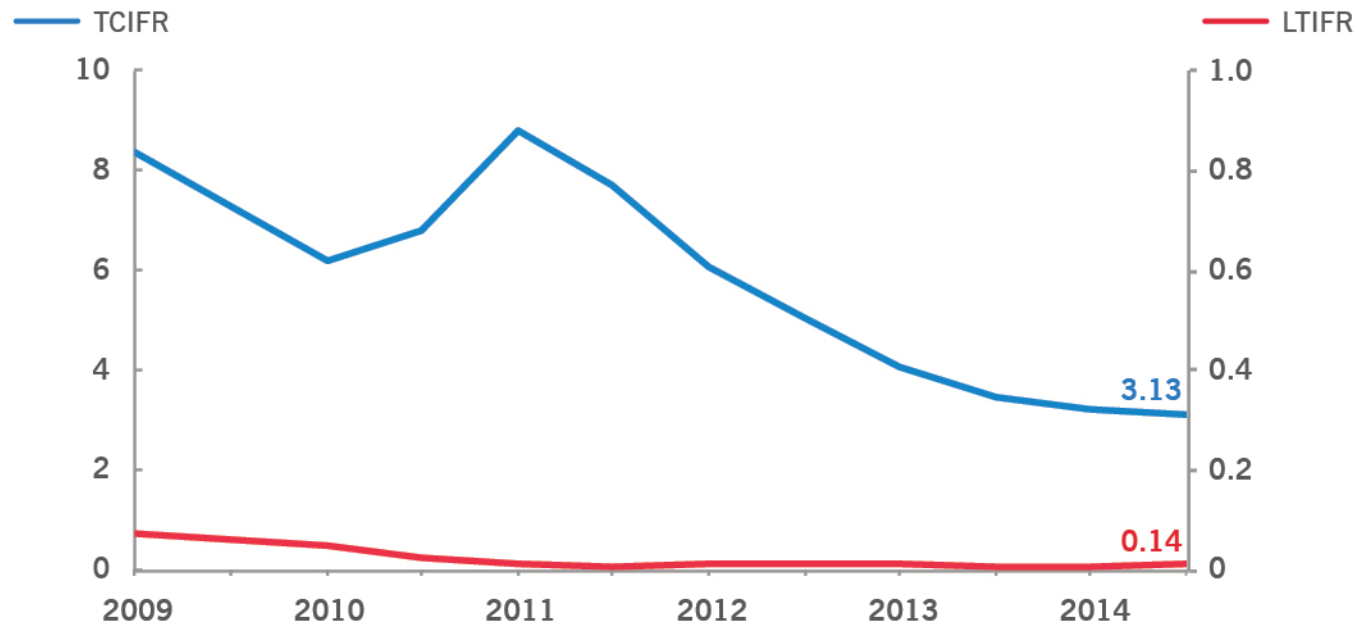
# Contracts Secured

\$450m new contracts



# Safety

## Injury Frequency rates\*

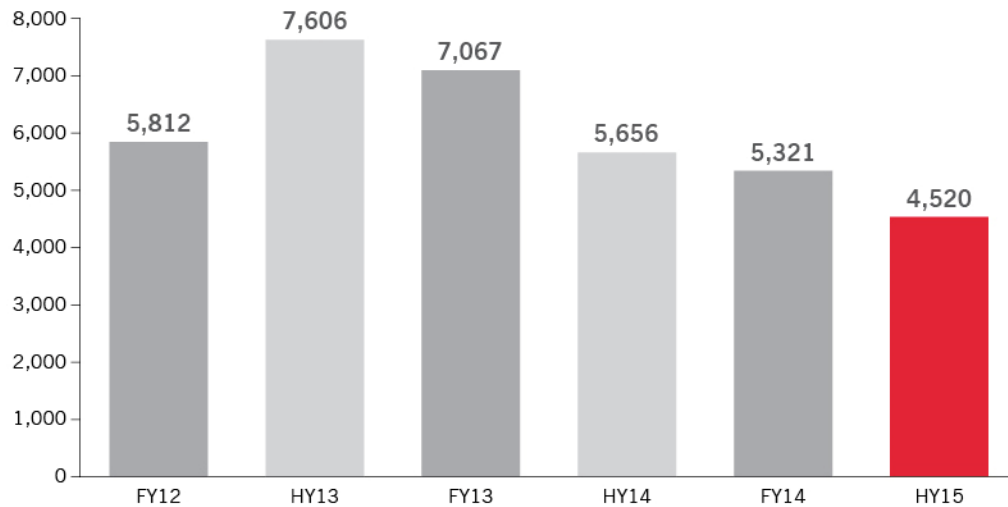


\*12-month rolling average (per million man-hours worked)

- Record safety performance – TCIFR improved 8%
- Continuing focus on frontline safety leadership contributed to the improvement
- Further development of the Company’s safety management system undertaken.

# People

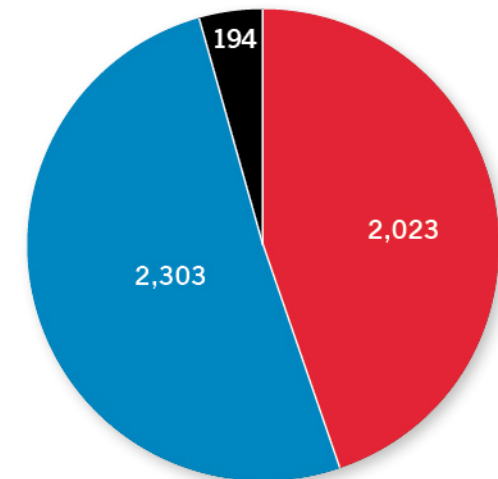
## Employee Numbers\*



\*Comparatives rebased to exclude Skystar employees

- Employee numbers reduced in line with slowing construction activity
- Improved availability of labour contributing to greater workforce productivity
- High levels of key talent retention and improving trend in permanent staff turnover.

## Employees by Division



- Engineering Construction
- Maintenance & Industrial Services
- Group Support



# Financial Performance

	Unit	HY15	HY14 ^	Change
Sales Revenue	\$m	1,052.0	1,276.7	(17.6%)
EBITDA ^ #	\$m	95.1	126.5	(24.8%)
EBITDA Margin ^ #	%	9.0	9.9	(0.9pp*)
NPAT ^	\$m	60.7	79.2	(23.4%)
NPAT Margin ^	%	5.8	6.2	(0.4pp*)
EPS ^	cps	65.4	86.3	(24.3%)
Operating Cash Flow	\$m	56.4	78.1	(27.8%)
DPS (Fully Franked)	cps	46.0	60.0	(23.3%)

\*pp = percentage points.

^ Underlying basis. Refer to Slide 18 for details.

# Comparatives restated to reflect a change in accounting policy. Refer to slide 19 for details.

# Financial Position and Funding

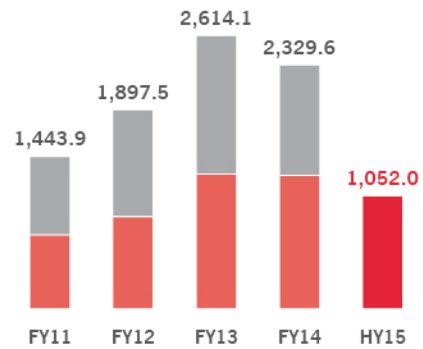
## Maintained strong balance sheet

	HY15 \$m	HY14 \$m	Change
Cash at Bank	212.4	234.6	(9.5%)
Net Cash Position (Cash less interest bearing loans and borrowings)	184.4	188.1	(2.0%)
Capital Expenditure (Cash and Hire Purchase)	1.1	2.8	(61.3%)

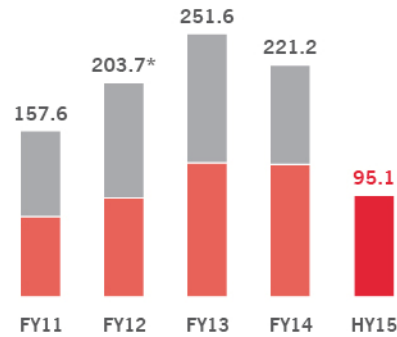
### Bank Guarantee & Performance Bond Facilities

Utilised	471.2	433.0	
Available	204.4	192.6	
Total Facility	675.6	625.6	8.0%

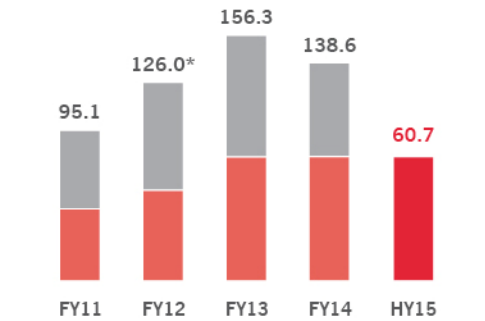
# Historical Performance



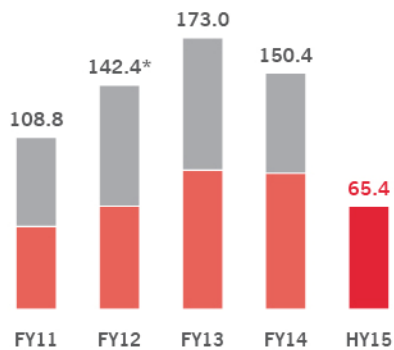
**Sales Revenue (\$m)**



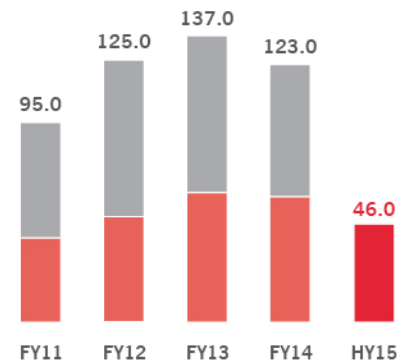
**EBITDA ^# (\$m)**



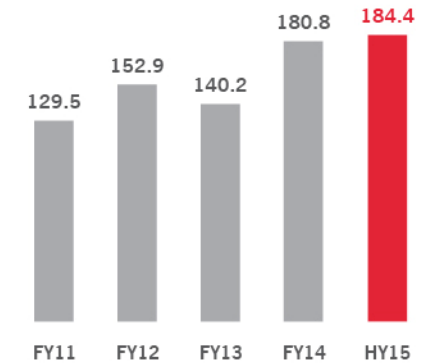
**Net Profit After Tax ^ (\$m)**



**Earnings Per Share ^ (cents)**



**Dividends Per Share (cents)**



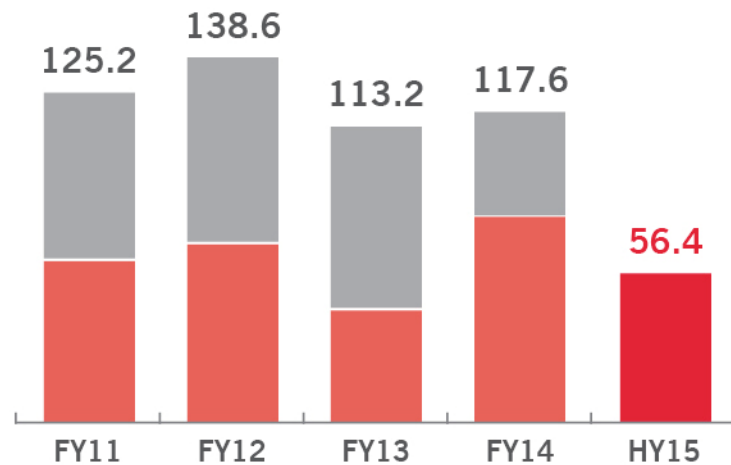
**Net Cash Position (\$m)**

■ 1st Half   ■ 2nd Half

^ Underlying basis. Refer to Slide 18 for details.  
 # Comparatives restated to reflect a change in accounting policy. Refer to slide 19 for details.  
 \*2012 comparative excludes sale of Norfolk Group Limited shares. Refer to slide 18 for details.

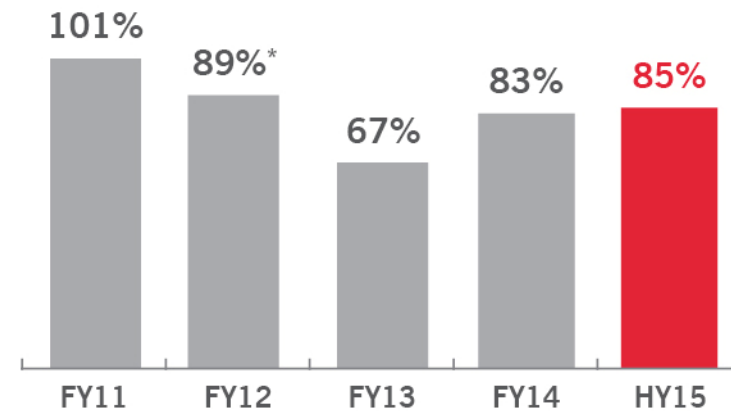
# Cash Flow Performance

## Operating Cash Flow



■ 1st Half   ■ 2nd Half

## Cash Flow Conversion



$$\text{Cash flow conversion} = \frac{\text{Operating cash flow before interest \& tax}}{\text{EBITDA}^{\wedge \#}}$$

- Maintained strong balance sheet, solid cash flow and robust cash flow conversion
- Bank facilities renewed for a further two years, with improved pricing and terms and conditions.

<sup>^</sup> Underlying basis. Refer to Slide 18 for details.

<sup>#</sup> Comparatives restated to reflect a change in accounting policy. Refer to slide 19 for details.

\*2012 comparative excludes sale of Norfolk Group Limited shares. Refer to slide 18 for details.

# Net Profit After Tax Analysis

NPAT Waterfall (\$m)



^ Underlying basis. Refer to slide 18 for reconciliation.

# Engineering Construction

## Highlights

- \$250m of new contracts
- Secured work in new service markets
- Expanded presence in water infrastructure.

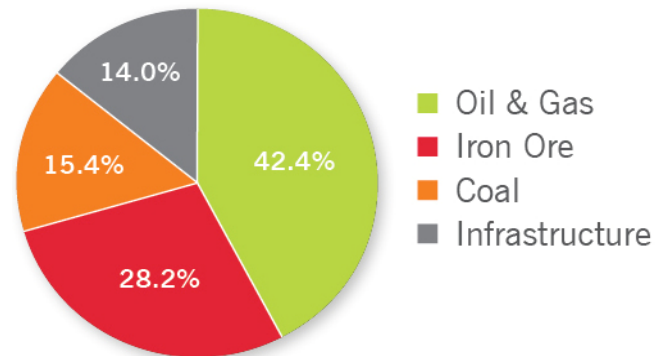
## Major Contract Activity

- APLNG, Roma, Queensland
- Rio Tinto, Cape Lambert Port B, WA
- JKC, Ichthys Project Onshore LNG Facility, Darwin, NT
- JKC, Ichthys Project Onshore Gas Pipeline, Darwin, NT
- Fortescue River Gas Pipeline Joint Venture, Dampier to Bunbury Natural Gas Pipeline (DBNGP), Pilbara, WA
- WICET, (MMM), Gladstone, Queensland

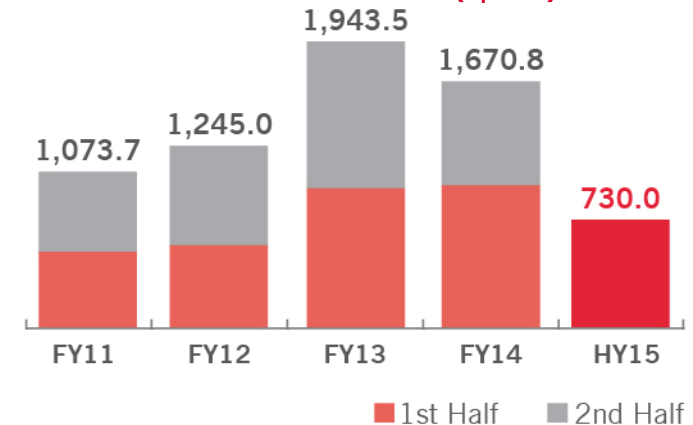
## Contract Awards

- Sino Iron, Sino Iron Project, Cape Preston, WA
- APLNG, Spring Gully Pipeline Compression Facility, Queensland
- Queensland Urban Utilities, Oxley Creek Sewage Treatment Plant, Queensland
- DDG Ashburton, Ashburton West Gas Pipeline, Onslow WA.

## End Customer



## Sales Revenue (\$m)



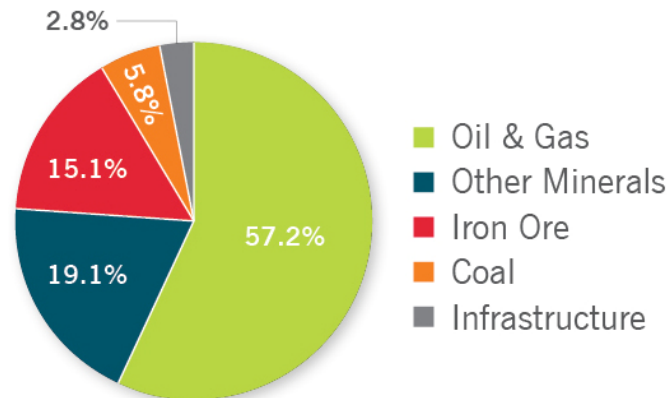


# Maintenance and Industrial Services

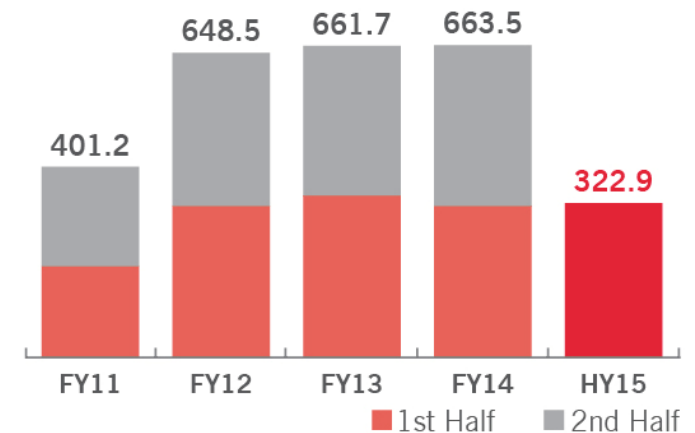
## Highlights

- Achieved revenue growth in a challenging market
- Awarded \$200m contract extension
- Successful completion of major LNG shutdowns.

## End Customer



## Sales Revenue (\$m)



## Major Contract Activity

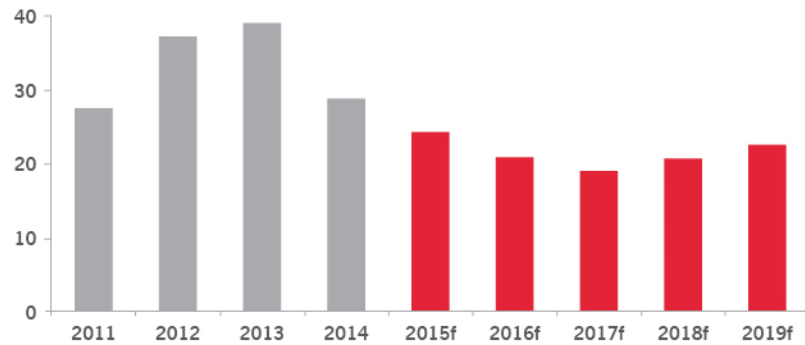
- Chevron-operated Gorgon Project, Barrow Island, WA
- Woodside-operated Karratha Gas Plant and Pluto LNG Plant, WA
- Rio Tinto, coastal and inland operations, Pilbara, WA
- BHP Billiton Nickel West, Goldfields, WA
- Oil Search Limited, Papua New Guinea
- ConocoPhillips, Darwin LNG facility, NT

## Contract Extension

- Chevron-operated Gorgon Project, Barrow Island, WA (13 month extension).

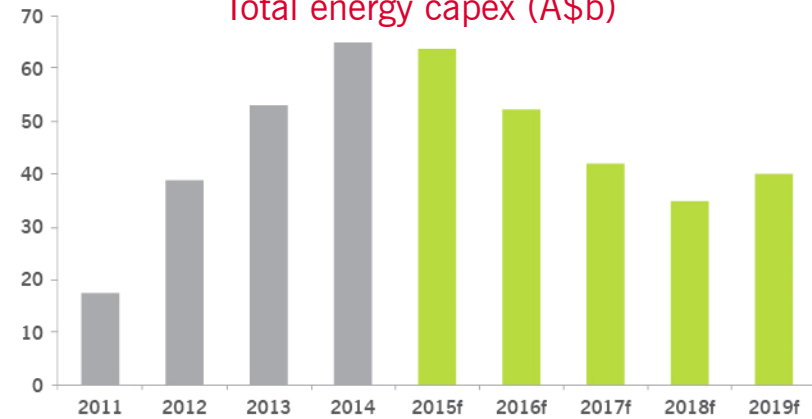
# Australian Market Conditions

Total mining capex (A\$b)



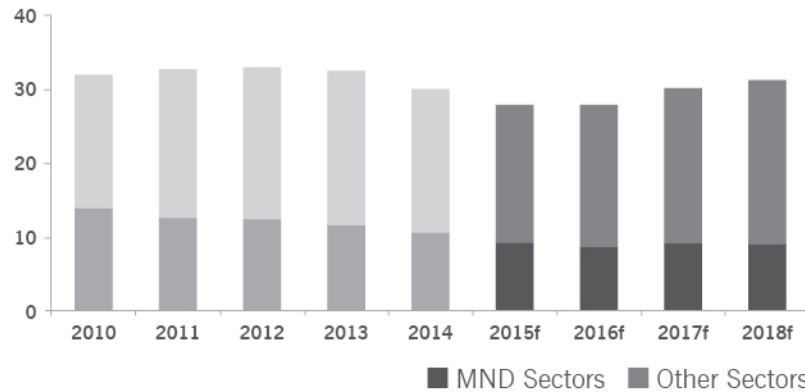
Source: BIS Shrapnel – Mining Investment by Commodity - Total New Fixed Capital Expenditure Constant 2011/12 Prices (November 2014)

Total energy capex (A\$b)



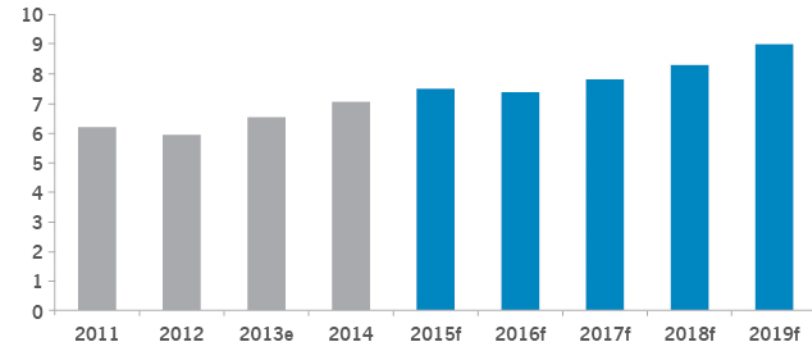
Source: BIS Shrapnel – Mining Investment by Commodity - Total New Fixed Capital Expenditure Constant 2011/12 Prices (November 2014)

Total infrastructure public sector capex (A\$b)



Source: BIS Shrapnel - Engineering Construction in Australia 2013/14 – 2027/2028: Value of Work Done Constant 2011/2012 Prices (November 2014)

Total maintenance expenditure (A\$b)



Source: BIS Shrapnel – Maintenance in Australia 2014-2029 - Maintenance Expenditure –Mining and Energy Sector – Constant 2011/12 Prices (October 2014).

# Outlook

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- Mining and minerals customers focused on optimising production and reducing costs
- Oil and gas sector impacted by decline in oil price
- Preferred contractor status achieved on new construction work
- Maintenance prospects remain positive in the oil and gas sector
- Focus on further reduction of costs to protect margins and improve sustainability
- 2015 full-year revenue anticipated to be 15-20% lower than the previous year
- Committed to broadening services in core markets and growing in infrastructure and overseas.

# Notes to Financials

## Non-IFRS Financial Information

Monadelphous Group Limited results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS measures that are not prepared in accordance with IFRS and therefore are considered non-IFRS financial measures. The non-IFRS measures should only be considered in addition to and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.

^ The term “underlying” used within this document, is a non-IFRS profit measure which refers to the statutory result for the half-year ended 31 December 2013, excluding the one-off gain from the sale of subsidiaries, Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd (“Skystar”). This measure is important to management as an additional way to evaluate the Company’s performance. The underlying profit measure is unaudited.

Underlying 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. Underlying EBITDA represents earnings before interest, tax, depreciation and amortisation and excluding the profit on sale of Skystar. Underlying NPAT represents NPAT excluding the after tax profit on sale of Skystar.

	31 December 2014 \$'000	31 December 2013 \$'000 Restated#
<b>Underlying EBITDA</b>		
Profit before income tax	84,622	122,288
Gain from sale of Skystar	-	(10,353)
Interest expense	974	1,731
Interest revenue	(2,550)	(1,165)
Depreciation expense	11,637	13,413
Amortisation expense	390	560
Underlying EBITDA	95,073	126,474
<b>Reconciliation of profit after income tax to underlying NPAT (unaudited)</b>		
Profit after income tax	60,656	87,108
Gain from sale of Skystar	-	(7,934)
Underlying NPAT	60,656	79,174

# Comparatives restated to reflect a change in accounting policy. Refer to slide 19 for details

\* Note to slides 11 and 12: - The 2012 EBITDA, NPAT, EPS and Cashflow Conversion figures exclude the gain from the sale of Norfolk Group Limited shares for comparative purposes to other financial years. The before tax gain was \$16,262,000 and the after tax gain was \$11,383,000.

# Notes to Financials (continued)

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## # Restatement of Comparatives – Change in Accounting Policy

As disclosed in the Financial Statements for the year ended 30 June 2014, the Group has elected to recognise the excess of the research and development tax offset over the statutory rate ('the R&D offset') being an additional 10% deduction as a government grant under AASB 120. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable. In prior years, the whole R&D offset was recognised as a reduction to the income tax expense. The change results in the R&D offset being separately disclosed and simplifies the presentation of the financial statements by matching the benefit of the grant against the expenditure which generated the R&D offset. The change has been applied retrospectively in accordance with Australian Accounting standards.

The impact on the income statement is as follows:

	31 December 2014 \$'000	31 December 2013 \$'000
Decrease in cost of services rendered	7,626	5,073
Increase in profit before tax	7,626	5,073
Increase in income tax expense	(7,626)	(5,073)
Profit after tax	-	-

There has been no impact on retained earnings, net profit after tax, earnings per share, statement of financial position or statement of cash flows.

# Important Notice

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## Disclaimer

Information, including forecast financial information, in this presentation, should not be considered as a recommendation in relation to holding, purchasing or selling shares, securities or other instruments in Monadelphous Group Limited or any other company. Due care and attention has been used in the preparation of forecast information, however, actual results may vary from forecast and any variation may be materially positive or negative.

Forecasts, by their very nature, are subject to uncertainty and contingencies may occur which are outside the control of Monadelphous Group Limited. Before making or varying any decision in relation to holding, purchasing or selling shares, securities or other instruments in Monadelphous Group Limited, investors should consider the appropriateness of that investment in light of their individual investment objectives and financial situation and should seek their own independent professional advice.



## For more information

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A decorative graphic consisting of a series of parallel lines that fan out from left to right. The lines on the left are thin and grey, while the lines on the right are thicker and red, creating a sense of motion and direction.

**TOGETHER  
WE DELIVER.**