

23 August 2022

## MONADELPHOUS REPORTS 2022 FULL YEAR RESULTS

### Revenue \$1.93 billion<sup>1</sup>

- Record Maintenance and Industrial Services revenue - \$1.17 billion; up 19.4% on pcp
- Successful completion of major resources construction projects

Net profit after tax of \$52.2 million, up 11.0 per cent on pcp; EPS 54.9c

Full year dividend 49c; dividend payout ratio 90%

Secured approximately \$1.45 billion of new contracts and extensions

Strategic focus on people retention, attraction, development and wellbeing

Outlook for Monadelphous' core markets remains strong

Shortage of skilled labour will continue to be the most significant challenge

Engineering company Monadelphous Group Ltd (ASX: MND) ("the Company") today announced revenue of \$1.93 billion<sup>1</sup> for the year ended 30 June 2022.

The result reflects strong demand for maintenance services across the resources and energy sectors as customers maintained high levels of production, capitalising on favourable commodity prices. As forecast in the 31 December 2021 report, following a busy first half, construction revenue declined in the second half due to projects completing earlier in the period, with a wave of new construction opportunities currently in the tendering phase.

The Company's Maintenance and Industrial Services division reported record revenue for the full year of \$1.17 billion, up 19.4 per cent on the previous year. The Company experienced buoyant conditions across most sectors, with increased levels of activity in the oil and gas market, as well as in the Company's Chile and Papua New Guinea operations.

The Engineering Construction division reported revenue of \$774.4 million<sup>1</sup> for the year. The result followed the successful completion of a number of major resources construction projects in the first half of the period.

Since the beginning of the financial year, the Company secured approximately \$1.45 billion in new contracts and contract extensions across the resources, energy and infrastructure sectors, highlighting the strength of its customer relationships and reputation for high quality service delivery.

Net profit after tax for the period was \$52.2 million, an increase of 11.0 per cent on the prior corresponding period, representing earnings per share of 54.9 cents. The Board of Directors has declared a final dividend of 25 cents per share, taking the full year dividend to 49 cents fully franked, yielding a dividend payout ratio of 90 per cent.

High levels of activity in the industry, exacerbated by the interstate travel restrictions imposed to reduce the spread of COVID-19, significantly impacted the Company's ability to source and retain talent. With strong demand expected to continue, skilled labour shortages are likely to continue to constrain capacity.

Monadelphous continued to focus on employee retention, attraction, development and wellbeing initiatives, including a substantial program of work to review and reinforce its expectations in relation to acceptable workplace behaviours. The Company also formalised its goal of achieving net-zero emissions by 2050, underlining its commitment to the sustainable management of the unique environments in which it works.

Monadelphous Managing Director Rob Velletri said the buoyant conditions forecast in all Monadelphous' core markets over coming years were expected to provide opportunities for growth.

"Demand for our maintenance services is expected to remain strong and resource developments in iron ore and oil and gas as well as the significant pipeline of investment in battery metals and renewable energy will provide a solid volume of construction prospects in the coming years. However, a highly competitive labour market will remain the major challenge." he said.

<sup>1</sup> Includes Monadelphous' share of joint venture revenue – refer to page 10 for reconciliation

## **2022 FULL YEAR RESULTS**

### **Revenue**

Monadelphous recorded sales revenue for the year of \$1.93 billion<sup>1</sup>, down 1.2 per cent on the previous financial year.

The Maintenance and Industrial Services division reported record revenue of \$1.166 billion, up 19.4 per cent on the previous year. The result reflects strong demand for maintenance services across the resources and energy sectors as customers maintained high levels of production, capitalising on favourable commodity prices. The Company experienced buoyant conditions across most sectors, with increased levels of activity in the oil and gas sector, as well as in the Company's Chile and Papua New Guinea operations.

The Engineering Construction division reported revenue of \$774.4 million<sup>1</sup>, down 20.9 per cent on the previous period. As forecast in the 31 December 2021 report, following a busy first half, construction revenue declined in the second half due to a number of concurrent major resources projects completing earlier in the period, and the timing of the award and commencement of new projects. A new wave of resources projects is expected to see a ramp up in construction activity through the course of FY23.

Statutory revenue, which excludes Monadelphous' share of revenue from joint ventures, was \$1.81 billion, up 3.2 per cent on the previous year.

### **Earnings**

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$111.2 million<sup>2</sup>, an increase of 2.3 per cent on the prior corresponding period, generating an EBITDA margin percentage for the period of 5.76 per cent.

Strong demand for labour within the industry, along with interstate travel restrictions in place for a significant portion of the year, hindered the efficient recruitment and mobilisation of the Company's workforce, and impacted labour costs, productivity and employee retention.

Net profit after tax for the period was \$52.2 million, an increase of 11.0 per cent on the prior corresponding period, representing earnings per share of 54.9 cents.

### **Dividend**

Monadelphous' Board of Directors declared a final dividend of 25 cents per share, taking the full year dividend to 49 cents per share fully franked, yielding a payout ratio of approximately 90 per cent of reported net profit after tax.

The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the final dividend.

### **Balance Sheet**

The Company ended the year with a strong cash balance of \$183.3 million.

During the year, the Board of Directors conducted a comprehensive review to assess the appropriateness of the Company's capital structure with the assistance of a global investment bank. Following the review, the Board concluded the Company's current capital structure was appropriate and reflects the necessary level of tolerance to accommodate business needs in the current operating environment, the changing market conditions and the medium-term outlook for the business.

The strength of Monadelphous' balance sheet provides the Company with the financial capacity required in the current economic environment and enables it to take advantage of suitable investment opportunities which may arise.

### **Strategic Progress**

Monadelphous secured approximately \$1.45 billion in new contracts and contract extensions since the beginning of the financial year across the resources, energy and infrastructure sectors, highlighting the strength of its customer relationships and reputation for high quality service delivery.

<sup>1</sup> Includes Monadelphous' share of joint venture revenue – refer to page 10 for reconciliation

The Company was awarded approximately \$400 million of new work in the Western Australian (WA) iron ore market, securing contracts with long term customers, including Rio Tinto and BHP, and continuing to advance its more recently developed customer relationships, including being awarded a strategically important five-year maintenance and shutdown services contract with Fortescue Metals Group (FMG). To better support its customers in the Pilbara region of WA, Monadelphous opened an expanded facility in Tom Price, significantly progressed the construction of a new facility in Port Hedland and approved the development of a new, larger facility in Karratha.

In the oil and gas sector, Monadelphous secured more than \$500 million of new contracts and contract extensions. Major contract wins included a two-year extension to its existing maintenance, shutdown and brownfields project services contract at the Woodside-operated onshore and offshore gas production facilities, as well as a two-year extension for the provision of maintenance, turnarounds and brownfields modifications at another customer's offshore liquefied natural gas facility. In addition, the Company commenced early decommissioning work with Petrofac on the Northern Endeavour floating production, storage and offtake facility, and continued to explore further offshore decommissioning opportunities.

The Company continued to expand its business overseas securing approximately \$175 million of new work since the start of the financial year.

Buildtek, the Company's Chile-based maintenance and construction services business, saw significant growth during the period, securing a number of construction and maintenance contracts with major copper producers. Buildtek was awarded a number of contracts with Codelco, the world's largest copper producer, including a three-year mine infrastructure maintenance services contract at the Chuquibambilla underground mine, a five-year maintenance contract at the Radomiro Tomic mine, as well as construction work associated with the development of a new underground section of the El Teniente mine. Buildtek was also awarded its first contract with Collahuasi Mining Company to provide modifications to its maritime terminal in Punta Patache.

In Papua New Guinea, the Company was awarded further work with Newcrest at Lihir Island, providing engineering, procurement and construction (EPC) services on the Tank Refurbishment Project, as well as structural, mechanical, piping and electrical and instrumentation works on the Front End Recovery Project.

After year end, Monadelphous was awarded a contract for the construction of surface infrastructure for the Oyu Tolgoi Underground Project located in the South Gobi region of Mongolia. The Company has successfully completed several other packages of work at Oyu Tolgoi previously, having worked at Oyu Tolgoi since 2017.

During the period, Monadelphous established an unincorporated joint venture with Fagioli, a global heavy lifting company, to provide turnkey heavy lift solutions to the Australian market. The joint venture, named Alevro, provides the Company with increased capability and capacity to deliver large scale heavy lift and logistics services. Monadelphous' existing Heavy Lift business will continue to provide its current services to customers, with Alevro providing an additional delivery option to service opportunities which would benefit from the extended and complimentary capabilities of both Monadelphous and Fagioli. Monadelphous has already commenced working with Fagioli, providing services for NMT Logistics at FMG's Iron Bridge Project in the Pilbara region of WA.

Mondium, the Company's EPC joint venture with Lycopodium, successfully completed works at Rio Tinto's Western Turner Syncline Phase 2 Project, providing Mondium with a credible and proven track record in the successful delivery of large-scale EPC projects. In addition, Mondium also completed construction of the tailings retreatment plant at Talison Lithium's Greenbushes mine during the period.

Zenviron, the Company's renewable energy joint venture, continued to perform strongly, commencing activities to deliver approximately \$250 million of balance-of-plant civil and electrical works at the Rye Park Wind Farm, the largest wind farm to be constructed in New South Wales (NSW). In addition, Zenviron completed its contract at the Murra Warra Stage II Wind Farm in regional Victoria and substantially completed work at the Crudine Ridge Wind Farm in NSW.

## **Health and Safety**

Monadelphous' Total Recordable Injury Frequency Rate (TRIFR) at year end was 3.07 incidents per million hours worked. The Company's performance was impacted by the high levels of operational activity and the large number of new employees onboarded during the period.

Pleasingly, the Company's Serious Incident Frequency Rate improved by approximately 55 per cent over the course of the year as a result of Monadelphous' sustained focus on the identification, elimination and mitigation of fatal risk hazards, and the continued application of Fatal Risk Control Standards.

The Engineering Construction division launched a safety cultural program, Tinny Time, which recognises employees for positive safety behaviours and promotes these more broadly across the business, while the Maintenance and Industrial Services division implemented business unit specific actions relating to its safety behavioural framework, Delivering the Safe Way.

The Company continues to invest in, and be recognised for, its efforts in the area of safety innovation, having been named as a finalist in three industry safety innovation awards during the year.

## People

Monadelphous ended the year with a total workforce (including subcontractors) of 7,977, up 2.4 per cent on the prior corresponding period, with growth experienced in the Company's Chilean and Papua New Guinean workforces being partially offset by the demobilisation of employees from a number of major construction projects completed during the year.

The retention and attraction of highly capable employees aligned with the Monadelphous values will always remain a priority, particularly considering the high demand for talent across the industry. A variety of initiatives were undertaken during the year to enhance employee retention, wellbeing and job satisfaction.

During the period, the Company undertook a substantial program of work to review Monadelphous' processes and practices, and reinforce its expectations of its workforce, in relation to the prevention of sexual harassment and sexual assault. A comprehensive review of the Company's Code of Conduct and supporting policies was carried out in respect of acceptable workplace behaviours across its operations, culminating in the implementation of the Monadelphous 'It's Up to Us' campaign. The campaign, which highlights the important role every employee at Monadelphous plays in creating a safe, respectful and inclusive work environment, is a positive and proactive step towards preventing such incidents within the Company's workplaces.

The significantly high industry activity levels experienced during the year, which were exacerbated by the interstate travel restrictions imposed to reduce the spread of COVID-19, extensively impacted the Company's ability to source and retain talent. This extremely competitive labour market is predicted to continue in the foreseeable future, with labour demands expected to increase further as a result of the large number of construction opportunities forecast for coming years, and the continued strong demand for maintenance services.

In response, the Company implemented the Monadelphous 2021 Employee Retention Plan (ER Plan) during the period. The ER Plan acts as a retention incentive for those employees whose sustained contribution is of critical strategic and operational importance to the success of the business, in a manner aligned to the creation of shareholder wealth. The Plan provides a one-off issue of Retention Rights to select employees, which vest over a three-year period subject to continued service conditions, enabling employees critical to the achievement of the Company's strategic objectives to share in the long-term performance of the Company.

A number of leadership training and development initiatives were undertaken during the period recognising the important role leaders play in the delivery of services to customers and in retaining talent. These initiatives included the Leading at Monadelphous, Emerging Leaders and Group Mentoring programs, as well as frontline leadership courses such as Leading the Safe Way. In addition, the Company launched its Red Book, a practical overview of what new managers need to know as they step into people management roles at Monadelphous.

Monadelphous' new talent acquisition and performance management system, Avature, was launched during the second half of the year. Avature will drive efficiencies in the sourcing, onboarding and re-deployment of the Company's workforce, and support the Company's talent management processes. In parallel with the implementation of Avature, the Company undertook activities to improve its attraction systems, including enhancing its employee referral programs, reinforcing its Alumni program, and reinvigorating its international sourcing strategy which was placed on hold during the period of international travel restriction.

Importantly, the Company undertook a comprehensive review of its organisational structure during the period to ensure that it is appropriately organised to achieve its strategic objectives and deliver long-term, sustainable growth. The review identified a number of structural improvements to enhance the Company's approach to growth and diversification and optimise project delivery.

## Board Changes

During the year, the Company announced several changes to its Board and subcommittees. On 11 October 2021, Mr Ric Buratto, a Civil Engineer with more than 45 years of contracting experience in the resources and infrastructure sectors, was appointed as a Non-Executive Director. Mr Buratto has extensive leadership and management experience in engineering, mining and construction across a range of disciplines including earthworks, marine, civil, structural, mechanical and piping construction, as well as maintenance and shutdown execution. He brings an abundance of industry knowledge, experience and relationships, and complements the existing capabilities of the Board.

At the close of the Company's Annual General Meeting on 23 November 2021, Mr Chris Michelmore retired as a Non-Executive Director following a 14-year term with Monadelphous. Mr Michelmore was a highly valued member of the Board and its subcommittees during his time with Monadelphous and contributed significantly to the Company's continued growth and success. The Board thank Mr Michelmore for his loyalty, hard work, dedication and commitment and wish him all the best in his retirement.

Ms Sue Murphy AO replaced Mr Michelmore as Chair of the Company's Remuneration Committee on 1 October 2021, following his resignation from the role on 30 September 2021. On 11 October 2021, Ms Murphy replaced Mr Peter Dempsey as Deputy Chair / Lead Independent Non-Executive Director of the Company.

## Diversity, Community and Environment

Monadelphous is committed to positively contributing to the communities in which it operates, focusing its efforts on the key strategic areas of diversity, community and environment.

As part of Monadelphous' 2022 NAIDOC Week celebrations, the Company launched its latest Stretch Reconciliation Action Plan (RAP) for the period 2022 to 2025 following endorsement of the Plan by Reconciliation Australia. The Company's fourth RAP, and second Stretch RAP, articulates Monadelphous' pledge to take meaningful action to advance reconciliation for Aboriginal and Torres Strait Islander peoples, and is based around the core pillars of relationships, respect and opportunities.

Commitments contained in the 2022 to 2025 RAP include the provision of long-term Indigenous employment opportunities and training and development programs, as well as supporting First Nations businesses through the establishment of meaningful and mutually beneficial commercial partnerships. As part of the Plan, the Company has committed to continuing to maintain in excess of three per cent Indigenous employment across its Australian workforce and improving supplier diversity by growing spend with Indigenous-owned businesses.

Since its launch in July 2021, in excess of 20 participants have taken part in Monadelphous' Indigenous Pathways Program, delivered in partnership with Rio Tinto. The Program, which provides current and future employees with traineeships, apprenticeships and tertiary study support, aims to increase the amount of skilled and qualified Indigenous people, and create rewarding, long-term careers in the resources sector.

Monadelphous continued to contribute financial support and resources as a part of its partnership with the Polly Farmer Foundation (PFF), which aims to empower Indigenous students to complete school and progress into early career pathways. As a founding corporate sponsor of PFF's Living the Dream alumni network, Monadelphous contributed to the provision of 12 bursaries for PFF Living the Dream alumni to support their tertiary education. Company employees also presented to PFF Follow the Dream students at regional schools during the year, with Follow the Dream students from Bunbury and Katanning, both in WA, visiting Monadelphous facilities to learn about career options.

In late 2021, the Company launched its second Gender Diversity and Inclusion Plan 2021 to 2024. The Plan focuses on ensuring a safe, respectful and inclusive workplace for all, increasing female participation through early career pathways, nurturing key female talent, removing gender-based barriers to entering trade roles, and connecting women through networking and mentoring.

The Plan contains measurable targets, including achieving a minimum of 20 per cent female intake in the Company's Graduate and Vacation Programs, 30 per cent female composition of the Monadelphous Board, 90 per cent retention of key female talent and a minimum of 12 per cent female representation in the Company's key talent program. Monadelphous is pleased to confirm that all measures have been reached or exceeded during the period.



In line with its commitment to connecting women through networking and mentoring, the Company launched a new corporate partnership with the National Association of Women in Operations (NAWO). Through this partnership, Monadelphous employees are able to participate in industry events focused on facilitating networking and mentoring opportunities with industry peers.

Monadelphous extended its partnerships with the University of Western Australia's Girls in Engineering Program and the Queensland University of Technology's Gender Equity in Engineering Makes Sense Program, to aid the Company's objective of increasing female participation through early career pathways. The Company facilitated the Girl's in Engineering Karratha tour in WA, where students attended Monadelphous facilities and were afforded the opportunity of learning about a career in engineering from experienced professionals.

The Company's approach to community engagement continued to focus on delivering meaningful value through a combination of partnerships and initiatives in key operational areas, as well as employee-led community projects. During the year, the Company participated in more than 100 community initiatives across 25 locations, contributed over \$370,000 in funds and supported its employees in the provision of 600 hours of voluntary work. Initiatives included donations towards the construction of family-friendly, gender diverse changerooms at the sporting precinct in Roxby Downs, South Australia (SA), sponsorship of the Yallarm STEM Camp in Gladstone, Queensland, a donation to the Queensland State Emergency Services to support flood assistance efforts, as well as the provision of financial support to approximately 40 regional sporting clubs across Australia.

Monadelphous has formalised a goal of achieving net-zero emissions by 2050, underlining its commitment to the sustainable management of the unique environments in which it works. The Company's environmental strategy is focused on decarbonising operational activities, and includes objectives supporting the transition to renewable power, 'greening' its fleet and offsetting carbon emissions. The Company's commitment to net-zero emissions by 2050 was supported by the establishment of an Environmental Strategy Steering Committing and Innovation Working Group to identify green-fuel options that advance both the Company's, and its customers', decarbonisation goals.

Monadelphous continues to monitor advances in technology applicable to its business that provide opportunities to reduce emissions. The Company will also maintain its focus on minimising potential environmental impact areas, including waste, natural environment clearing activities and the prevention of pollution. During the period, the Company supported a variety of environmental initiatives, including participating nationally in Keep Australia Beautiful Day, foreshore rehabilitation programs in Karratha, WA, and support for Arid Recovery wildlife reserve in Roxby Downs, SA.

## **Productivity and Innovation**

Monadelphous continues to identify opportunities to improve productivity and deliver value for its customers through business-aligned innovation and technology initiatives. The Company strives to deploy proven fit-for-purpose technology to improve operational productivity and to develop a knowledge base that captures and shares innovation initiatives across the business.

Trials of robotic process automation (RPA), which aim to remove manual tasks and improve productivity by automating business processes, have resulted in the successful deployment of RPA initiatives across Monadelphous, improving task efficiency and freeing up employees to work on higher-value work.

The Company also continued to progress its digital transformation journey, maximising value from data-backed decision-making through the ongoing digitalisation of in-field data-capture processes. Monadelphous is focused on consolidating and streamlining applications to enable the delivery of high-quality customer service, on-time project delivery and improved productivity.

Monadelphous has developed the internal capability to provide sites with a tool for the rapid creation of electronic forms and digital workflows, including safety-based inspections, electronic timesheets, progress capture and asset inspections. Electronic forms and voice capture are recognised as efficient methods of delivering improvements in the accuracy and timeliness of data capture required to support service delivery.

The Company also continues to focus on standardising data capture processes and producing dynamic and interactive visualisations to support rapid decision-making and gain improved visibility of project performance.

Across its operations, employees continued to focus on improving safety and efficiency through innovation. In the south-west region of WA, the Monadelphous team designed and implemented a prefabricated, adjustable

tool to enable new calciner weigh feeder belts to be easily and safely transferred into position. The unique design eliminated manual handling and the related risk of injury, and removed both cost and time from the process. Ongoing collaboration between the Company's project engineers and drone pilots has seen an increase in the use of drones to conduct safety and efficiency inspections, particularly in difficult to access locations and in support of incident investigations.

## **OPERATIONAL ACTIVITY**

### **Engineering Construction**

Monadelphous' Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, reported revenue of \$774.4 million<sup>1</sup> for the year, down 20.9 per cent on the previous corresponding period. The result followed the successful completion of a number of large resources construction projects in the first half of the period, with lower levels of activity experienced in the second half of the year as a result of the timing of the award and commencement of new major projects. The division has secured approximately \$325 million of additional work since 1 July 2021.

The Company completed a number of packages of work at BHP's South Flank Project during the year, including structural, mechanical, piping and electrical and instrumentation work associated with the Project's inflow and outflow infrastructure.

Monadelphous successfully delivered one of the largest shutdown campaigns ever undertaken at BHP's Olympic Dam mine in Roxby Downs, SA, which comprised major deconstruction and reconstruction activities to improve the integrity of critical plant and infrastructure. In addition, the Company executed the Port Availability Improvement Project for BHP in the Pilbara, WA, under its existing WA Iron Ore Panel Agreement, which included 20 shutdowns over the course of the project.

The Company also delivered a number of packages of work for Rio Tinto during the period, including at the West Angelas Deposits C & D Project, as well as the provision of multidisciplinary services at the Gudai-Darri iron ore project and shutdown works at the Western Turner Syncline Phase 2 project.

Monadelphous completed structural, mechanical and piping work associated with the pyromet plant at the Kemerton lithium hydroxide plant in the south-west of WA for MARBL Lithium Joint Venture. On the back of a strong performance, the Company was also awarded electrical and instrumentation work at the project.

Subsequent to year end, the Company also secured a contract with Talison Lithium Australia for the construction of a range of facilities forming the mine services area at Talison Lithium's Greenbushes mine site in the south-west of WA, with work expected to be completed in the first half of 2023.

In New South Wales, a multidisciplinary construction services contract was secured with Tronox Mining Australia in Broken Hill, with work expected to be completed in the second half of 2022.

In addition to providing heavy lift services to FMG under a long-term services contract at the Solomon and Eliwana mine sites in WA, the Company also provided specialist services and equipment to Woodside, BHP and Rio Tinto under existing construction and maintenance contracts, and continued to upgrade its heavy lift fleet in support of customers.

And finally, SinoStruct, the Company's fabrication business, secured a new four-year agreement to continue supplying wellheads to Australia Pacific LNG (APLNG) and, post year end, was awarded a contract to fabricate over 2,000 tonnes of structural steel for a construction project in Ashburton, in the Pilbara region of WA.

### **Maintenance and Industrial Services**

Monadelphous' Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital works and turnarounds, reported full year revenue of \$1.166 billion, up 19.4 per cent on the previous year. Pleasingly, the division has secured approximately \$1.125 billion in new contracts and contract extensions since the beginning of the 2022 financial year.

The Company delivered a significant volume of maintenance, shutdown and project works during the year across its contracts in the iron ore sector in the Pilbara region of Western Australia.

<sup>1</sup> Includes Monadelphous' share of joint venture revenue

Rio Tinto awarded Monadelphous several packages of work during the period, including a contract for work associated with the Marandoo Dewatering Sump Project. The Company was also awarded new contracts under its existing Sustaining Capital Projects Panel Agreement at Cape Lambert and East Intercourse Island and, after year end, a multidisciplinary construction contract for new conveyor facilities at the Tom Price mine site and upgrades to conveyor facilities at the Marandoo mine site. In addition, the Company commenced the construction of new hawser rails and upgrades to the existing dolphins at Cape Lambert wharf and successfully executed a conveyor gravity take up program of works across several mine sites, as well as a marine project at Parker Point wharf.

BHP extended the Company's existing general maintenance services contract across its Pilbara-based operations for a further 12-month period, with Monadelphous also being awarded two additional packages of work at BHP's Nelson Point and Jimblebar mine sites under the WA Iron Ore (WAIO) Site Engineering Panel Agreement. The Company also significantly progressed an extension to the haul road at the Jimblebar mine, as well as completing a light vehicle workshop fit out at Mining Area C and undertaking bridge bearing replacement work on BHP's Pilbara rail network.

Monadelphous continued to diversify its customer-base, securing a five-year maintenance and shutdown services contract across FMG's Pilbara operations, in addition to a contract to construct a pipeline, access road and transfer pond infrastructure at the Roy Hill mine site.

The Company performed a number of major turnarounds for customers under its existing onshore and offshore oil and gas maintenance contracts, continued to plan for a program of major turnarounds scheduled across Woodside, INPEX, Origin and Santos facilities over coming years and built on its industrial services capability in the sector, including increasing the provision of fabric maintenance and rope access services to customers. In Queensland, Monadelphous secured a three-year contract with Origin to provide turnaround and shutdown support services at APLNG's coal seam gas upstream facilities.

During the year, Monadelphous acquired fabrication business RTW Steel Fabrication and Construction, complementing its service offering in the south-west of WA and further broadening its customer base in the region.

Additional contracts secured since the beginning of the financial year included:

- a 12-month extension to its existing contract with BHP Mitsubishi Alliance for the provision of dragline shutdown and maintenance services to its operations in the Bowen Basin, Queensland;
- appointment to a panel to provide coating and concrete repair services at various Water Corporation sites and locations across WA for a term of five years;
- a 12-month extension for the supply of shutdown and major mechanical services at South32's Worsley Alumina Refinery in Collie, WA;
- a three-year extension for the operation and maintenance of Tronox's cogeneration power station in Kwinana, WA;
- a three-year contract to continue to provide operation and maintenance services at Synergy's Muja Power Station in Collie, WA;
- a 12-month extension to its existing mechanical and electrical maintenance, shutdown and project services contract across BHP's Nickel West operations in the Goldfields region of WA; and
- a three-year general mechanical maintenance services contract with Queensland Alumina Limited at its operations in Gladstone, Queensland.

Other significant contract activity undertaken during the period included:

- refurbishment of cells and rotating equipment at BHP's Nelson Point Car Dumper 1;
- maintenance, shutdown and sustaining capital works services for BHP's Pilbara-based iron ore operations, WA;
- fixed plant maintenance and sustaining capital works services for Rio Tinto's Pilbara-based iron ore operations, WA;
- maintenance and shutdown services for BHP's Olympic Dam copper-uranium operation at Roxby Downs, South Australia;
- general mechanical and maintenance services for Incitec Pivot Limited in Queensland;
- general track maintenance and renewals services, resurfacing services and rail workshop services for Rio Tinto on its privately-owned rail network in the Pilbara, WA; and
- dragline shutdowns in the Hunter Valley, NSW, for Glencore, BHP and Yancoal.



## Markets and Outlook

The outlook for Monadelphous' core markets continues to be strong.

The resources sector in Australia and in the Company's overseas locations will continue to provide a large number of significant opportunities across a broad range of commodity markets.

The outlook for the Australian iron ore industry is expected to remain buoyant with capital and operating expenditures required to sustain iron ore production levels continuing to drive strong demand for the Company's services.

High levels of global demand for battery metals are driving significant investment in lithium, copper, nickel and rare earths which will provide numerous prospects in the coming years. These markets, along with the gold sector, will present ongoing opportunities for Monadelphous in Australia, South America, Mongolia and Papua New Guinea.

Conditions in the oil and gas sector are also buoyant with construction opportunities from the development of new LNG projects currently in the pipeline, and demand for oil and gas maintenance services expected to remain strong.

Australia's transition towards clean energy will continue to strengthen and provide opportunities in the renewable energy sector. An increasing pipeline of new wind farms coming to market in the next few years will provide opportunities for Zenviron, both in the electricity market as well as in the private sector, as industrial operators move rapidly to meet their decarbonisation objectives. Rapid development of the hydrogen sector is also expected to provide opportunities in coming years.

More broadly, buoyant conditions and aging assets across all resources and energy sectors will continue to drive strong demand for maintenance services.

The shortage of skilled labour will be the most significant challenge for the Company's operations, especially in Australia. The Company is also mindful of the challenges posed by heightening supply chain risks and an escalating cost environment.

With capacity constrained, the Company will be taking a strategic and targeted approach to new work opportunities, engaging and collaborating earlier with customers and focusing on earnings quality.

The Company will continue to focus on employee attraction, training and development and making Monadelphous a great place to work. With travel restrictions lifted, the Company has also recently re-engaged its international labour sourcing strategy.

Supported by its strong balance sheet, the Company will continue to assess acquisition opportunities to achieve ongoing service and customer market diversification and support long-term sustainable growth.

As highlighted in the 31 December 2021 interim results, following a ramp down in construction activity as a number of large-scale projects completed in the first half of FY22, a new wave of construction projects, currently in the tendering phase, is expected to see activity ramp up over the 22/23 financial year and into following years. Revenue for FY23 will be dependent on the timing of awards and commencement of these projects, and will likely be skewed to the second half.

The Company's reputation as a leader in its markets and as an employer of choice, together with its ever-broadening services and geographical footprint, places it in a strong position to capitalise on the many opportunities and deal with the challenging environment that lies ahead.

In conclusion, I would like to take this opportunity to thank our loyal and talented team for their continued commitment and dedication. I would also like to extend my appreciation to our shareholders, customers and other stakeholders for their ongoing support during these interesting times.

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)**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Total revenue from contracts with customers including joint ventures	<b>1,930,040</b>	1,953,180
Share of revenue from joint ventures <sup>1</sup>	<b>(120,589)</b>	(199,442)
Statutory revenue from contracts with customers	<b>1,809,451</b>	1,753,738

<sup>1</sup> 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)**

	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Profit before income tax	<b>73,511</b>	70,372
Interest expense on loans and hire purchase finance charges	<b>1,841</b>	1,476
Interest expense on other lease liabilities	<b>1,511</b>	1,598
Interest revenue	<b>(740)</b>	(414)
Depreciation of owned and hire purchase assets	<b>24,523</b>	23,542
Depreciation of right of use assets	<b>8,574</b>	8,934
Amortisation expense	<b>-</b>	445
Share of interest, depreciation, amortisation and tax of joint ventures <sup>2</sup>	<b>1,981</b>	2,743
EBITDA	<b>111,201</b>	108,696

<sup>2</sup> Represents Monadelphous' proportionate share of the interest, depreciation, amortisation and tax of joint ventures accounted for using the equity method.

## **DIVIDEND ENTITLEMENTS**

The fully franked final dividend of 25 cents per share will be paid to shareholders on 30 September 2022 with the record date for entitlements being 9 September 2022.

## **Updating Direct Credit Details**

Monadelphous strongly encourages all shareholders in Australia and New Zealand to update their Australian or New Zealand banking details online through Computershare's Investor Centre website at [www.computershare.com.au/easyupdate/MND](http://www.computershare.com.au/easyupdate/MND). Alternatively, you may contact Computershare on 1300 364 961 (within Australia) or + 61 3 9946 4415 (outside Australia). Payments will be made in the currency of the bank account which is recorded on the register as at 9 September 2022.

## **Further Information**

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## **About Monadelphous**

*With 50 years' experience, 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 China, Mongolia, Papua New Guinea, Chile and the Philippines. Please visit [www.monadelphous.com.au](http://www.monadelphous.com.au) for further information.*