



Company	Monadelphous Group Limited
Code	MND
Meeting	AGM
Date	24 November 2020
Venue	Online and University Club, UWA, Crawley, WA
Monitor	Geoff Corrick assisting Derek Miller

Number attendees at meeting	32 in person and a peak of 40 online
Number of holdings represented by ASA	130
Value of proxies	\$4.93m
Number of shares represented by ASA	401 507 (0.4% of 94.681m issued shares, 0.75% of 54.6m shares voted on the day)
Market capitalisation	\$1,162m – at close on day of meeting
Were proxies voted?	Yes, on a poll for all items
Pre AGM Meeting?	Yes, with John Rubino (Chairman) and Kristy Glasgow (Joint Company Secretary) on 29/10/20.

Positive outlook in tough market

In a slight change of tradition at Monadelphous AGMs both joint company secretaries shared the chair duties. Phil Trueman opened the meeting and began by inviting Matt Macfarlane to give an Acknowledgement of Country. Mr Macfarlane is a Noongar man who has been employed by Monadelphous for 15 years. He currently has the role of Local Content Coordinator responsible for developing and maintaining relationships with indigenous people, organisations and businesses, and also plays a key part in attracting and retaining indigenous employees.

The chair made an excellent effort to include online participants in the meeting including an explanation of how to ask questions and how to vote using some slides for illustration. He declared voting and online questions open so that plenty of time was available for input.

A webcast of the meeting is available at <https://www.monadelphous.com.au/investors/shareholder-meetings/>

This is a sound recording with slides. You do not see the speaker delivering the words.

Three board members attended online: Mr Dempsey, Ms Gillies and Mr Michelmore.

John Rubino, Executive Chairman, gave his customary one page summary of the year. The ASA monitors are concerned that long serving non-executive directors lose their independence and will be watching for changes following the remark that "we will continue to review our talent management and succession planning, including at board level."

Managing director (MD) Rob Velletri followed with a half hour presentation. The script is available in an announcement and contains useful cross references to the slide presentation, or watch the webcast recording.

Two factors had a major effect on profit for the year. The water infrastructure business had disappointing levels of productivity and there were extra expenses in restructuring the business. The COVID-19 pandemic had a major effect on revenue. Services activities were delayed, suspended or reduced and projects were deferred.

In spite of these headwinds 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. Cash flow in the second half remained strong. A 20% reduction in staff numbers was made between February and June which must have been a painful process for both sides.

Monadelphous is proud of its record in attracting and retaining good people. It is estimated that about ten percent of financial year 2020 (FY20) revenue has been deferred into this year. Other cost reduction and cash preservation measures were implemented including senior executives and the board agreeing to salary reductions of up to 30% for six months. Since June staff numbers have rebounded and at end of October there were 6800 employees, well up on the same time last year.

Since the end of the financial year a writ has been raised by Rio Tinto as a result of a fire in their Cape Lambert iron ore processing plant back in January 2019. Monadelphous denies the allegations and claimed losses. Together with its insurers Monadelphous is continuing to work with Rio Tinto to gain a satisfactory outcome. The MD also pointed out that relationships with Rio Tinto were still strong with a number of new contracts recently awarded. Major ones included three year maintenance services contracts at operations at Gove and in the Pilbara.

Many other new contracts are mentioned in the report including increasing work on wind farms through the Zenviron joint venture.

Unusually for Monadelphous, which has typically preferred joint ventures, the company acquired the construction and maintenance services business Buildtek in Chile in late 2019. Revenue is expected to benefit from revival of copper projects after COVID-19 shutdowns. The acquisition will provide a foundation for growth in South America.

The managing director was clearly still distressed at the fatal accident in March to Haydyn Grubb, an employee at the Kalgoorlie service depot. Most of the second page of the report is devoted to safety matters,

On the outlook Mr Velletri noted that nearly all sectors are seeing improving market conditions and expects revenues for the first half of FY21 to be up 10% on the second half of FY20.

In a somewhat unusual way of moving through the formal part of the meeting all the resolutions were introduced in quick succession, including displays of proxy votes received. This part of the meeting was chaired by Kristy Glasgow, the second joint company secretary. Discussion on all was delayed until the end.

Phil Trueman then chaired shareholder discussion. Questioners in the room were given a microphone so most can be heard clearly on the webcast and likewise would have been heard by online participants. Questions start at 48mins and 10secs into the recording. Any online questions would have been passed on by the company secretary monitoring a laptop at the front table however there were none. The first questioner sought further details on the decline in profits. This was due mainly to the \$14m write down on water infrastructure projects, with COVID-19 delays and deferrals also a significant contributor.

The second question concerned the writ raised by Rio Tinto. Phil Trueman answered in his capacity as CFO saying any costs are expected to be covered by insurance. The next question concerned safety where there were good results in the Engineering and Construction segment, but not so good in Maintenance Services. The MD agreed that performance in the latter had settled on a plateau but said there were new programs introduced for moving plant and 'line of fire' care. Better efforts were being made to give new staff timely and adequate training.

The ASA pointed out the declining profit margin over the last five years. The MD agreed that Maintenance Services was a low margin segment, but it promised long-term sustainable revenue. They are starting to see some larger construction jobs more suited to Monadelphous which can lead to better margins. He also feels the company is becoming more respected in the market place.

The last questioner returned to the writ from Rio Tinto and hoped Monadelphous would avoid the costs of going to court. Assurances were given that that was the company's hope too, and negotiations are continuing.

Kristy Glasgow returned to the lectern to conduct the poll and close the meeting. The poll results show all resolutions were carried. A significant 14% of voted shares opposed Resolution 3, the grant of options to the MD. The remuneration report, Resolution 4, was supported with 96% of voted shares.