



## A SURPRISINGLY POSITIVE YEAR PERFORMANCE

<b>Company/ASX Code</b>	Monadelphous (MND)
<b>AGM date</b>	Tuesday 23 November 2021
<b>Time and location</b>	10am AWST, The University Club, UWA, Crawley
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes, online platform <a href="#">Lumi</a> . Instructions for logging on, voting and asking questions are included in the notice of meeting (NoM). You will need your HIN or SRN, which is on your personalised proxy form with the NoM.
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Derek Miller / Geoff Corrick
<b>Pre AGM Meeting?</b>	Yes with Chair John Rubino and Company Secretary Kristy Glasgow

One of the individuals (or their associates) involved in the preparation of this voting intention has a shareholding in this company.

### Summary of issues for meeting

There are no major concerns with MND.

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

MND is a well established engineering company specialising in construction and maintenance for the mining and oil and gas industries and in recent years has expanded into infrastructure and power projects to allow growth outside the resources sector. MND is based in Perth and has projects throughout Australia and in China, Mongolia and Chile. A large percentage of MND's work is in West Australia (74%), next in size is Queensland (8%), but other areas are increasing.

MND recorded revenue for the year of \$1950m an 18.3% increase on the previous year. The top four customer sectors for revenue were iron ore 53%, oil and gas 18% and both copper and coal 7%.

The Engineering and Construction segment revenue was \$976.9m a 59% increase on the previous year partly from picking up work carried over from delays in the last quarter of 2020 due to COVID-19 Issues.

Major new construction projects included:

- 1) BHP South Flank including installation and construction of the worlds largest rail mounted stockyard machines.

2)Rio Tinto West Turner Syncline project installation of equipment from Sinostruct.

3)Pyro metallurgical plant at Marbl Lithium plant at Kemerton

4)Wind farm work for Vestas including management of subcontractors and also work on Crudine wind farm for CWP Renewables in regional NSW. Zenviron commenced the balance of work on the Murra Warra Stage 2 wind farm in regional Victoria for General Electric.

5)Mondium commenced work at the Talison Lithium Greenbushes mine site. Work includes engineering, procurement, construction and management of subcontractors.

The Maintenance and Industrial Services segment recorded revenue of \$769million down 6.9% on the previous year. There was a lower demand for work in the oil and gas sector but strong demand in the iron ore sector as prices of iron ore were very high.

Major maintenance work included:

1)Long term maintenance and sustaining capital work for BHP and Rio Tinto.

2)Car Dumper 3 Mega Shutdown for BHP in Port Hedland.

3)Work for BHP at Nickel West operations.

4)Buildtek, a JV with a major Chilean contractor, secured work with BHP mines in Chile and at Chuquicamata underground mine that is state owned.

5)Major maintenance and shutdown work at Olympic Dam mine.

6)Work on the Rio Tinto rail network, a new area for MND.

MND is getting maintenance and shutdown work at the sites of all major companies in Australia and Chile.

#### *Governance and culture*

- MND is well regarded in the industry for its management and workforce skills. It has a small effective seven person board and will have four independent directors after the AGM, two of whom are female. Chair John Rubino was a founder of MND. He was appointed Managing Director in 1991 and held dual roles until 2003. Due to his long service, ASA does not regard him as independent. He remains a large shareholder with just over 1million shares, 1.08% of issued capital.
- Sue Murphy, appointed two years ago, has replaced Peter Dempsey as deputy chair and lead independent director. ASA approves of this change. Mr Dempsey has a long 18year service as a director so he also is not regarded as independent.

#### *Financial performance*

- The EBITDA for the full year was \$109 million up from \$92million last year. The increase is totally due to the increase in profit before tax. EDITDA margin was 5.6% the same as last year. Hopefully this has now stabilised at this relatively low level.
- A reasonable improved dividend was paid for the year and TSR was plus 0.7%. The dividend was increased to 45cents per share, fully franked, up from 35cents per share last year. The payout ratio was 90%, relatively high. Share price seems to be affected by the somewhat negative sentiment to the mining services sector in spite of MNDS's excellent performance.

### Key events

- The writ for damages from Rio Tinto concerning a fire at Cape Lambert mentioned last year was resolved. The settlement in April was totally covered by MNDs insurance policy. The writ had a negative effect on market sentiment throughout the year.
- There was a 37% increase in workforce over the year.
- The Mondium JV with Lycopodium made progress on EPCM contract work.
- The Buildex JV in Chile performed strongly.

### Key Board or senior management changes

- Chris Michelmores will resign from the board at the conclusion of the AGM after 14 years service. He is being replaced by Ric Buratto, an experienced industry executive, whose appointment shareholders are asked to confirm at resolution 2.

MND has had a significantly improved year with an extensive range of new contracts and contract extensions in almost all major mining areas especially in the Pilbara, the major mining growth area in recent years.

MND enters 2022 seeing buoyant resource, energy and infrastructure sectors. Outlook is positive in the lithium, copper and nickel sectors which are all involved in the transition to clean energy. Skilled labour shortages remain the most significant challenge.

### Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	47.1	36.5	57.4	71.6	57.5
UPAT (\$m)	47.1	36.5	57.4	71.6	57.5
Share price (\$)	10.45	10.82	18.81	15.0	16.2
Dividend (cents)	45	35	48	62	54
Simple TSR (%)	0.7	-36	27.5	13.5	72
EPS (cents)	49.7	38.7	61.0	76.1	71.8
CEO total remuneration, actual (\$m)	1.166	1.209	1.195	1.135	1.000

For 2021, the CEO's total actual remuneration was 12.5 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics).

Simple TSR is calculated by dividing change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

<b>Resolution 1</b>	<b>Re-election of director - Mr Dietmar Voss</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Voss was appointed to the Board in 2014. He is a Chemical Engineer with 47 years experience in the oil and gas and mining industries throughout Australia and overseas. He is a member of the audit committee, remuneration committee and the nomination committee.

<b>Resolution 2</b>	<b>Re-election of director - Mr Enrico Buratto</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Buratto was appointed to the board on 11 October 2021. He has 45 years contracting experience in the resources and infrastructure sectors having worked for Cimic, Decmil and NRW. He has a BE degree in Civil Engineering. The board considers him an independent director as does ASA.

<b>Resolution 3</b>	<b>Grant of Options to the Managing Director.</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Velletri has been MD since 2003. These options further align his interests with those of shareholders and provide a cost effective remuneration structure. They were in fact granted last year and this resolution is affirming that grant. Mr Velletri is the sixth largest shareholder with more than 2% of the issued capital.

<b>Resolution 4</b>	<b>Adoption of the Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

This is the fourth year of the remuneration structure that was discussed with the ASA when it was established. It is one of the better structures and consists of:

- 1) Fixed remuneration
- 2) Combined reward plan with financial and non-financial targets.

No awards were made this year. In fact salaries were reduced this year for all board members and senior executives in response to the COVID 19 issues affecting the business operations. Board salaries were reduced by 30% for 6 months and executives by 10% to 20% for a similar period. This can be seen in the annual report salary tables where all figures are lower for this year.

CEO rem. Framework for FY21	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration (FR)	0.915	61	0.915	48
STI - Cash	nil		nil	
STI - Equity	0.366 40% of FR	24	0.549 60% of FR	29
LTI	0.225 25% of FR	15	0.450 50% of FR	23
Total	1.506	100.0	1.914	100%

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