Monadelphous

2014 Half Year Results

18 February 2014

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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
~$1.5b	5,656	~$1,277m	86.3c	60c

(as at 31 December 2013)

Engineering Construction

Maintenance and Industrial Services

^ Underlying basis. Refer to slide 20 for reconciliation.

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Group Highlights

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Financial	• Sales revenue down 1% to $1,277m • Record NPAT of $87.1m up 10.1%, underlying NPAT^ up 0.1% to $79.2m • Underlying EPS^ down 2.6% to 86.3c, DPS down 3.2% to 60c • Strong cashflow from operations of $78.1m, conversion rate of 92%
Operating	• Revenue levels maintained, supported by a high volume of construction activity • Outstanding safety performance – 38% improvement • Awarded ~$700m of new contracts and contract extensions year-to-date
Strategic	• Sale of aviation support services business, Skystar • Strengthened position in new service markets • Consolidation of operating structure delivering productivity improvements • Company-wide cost reduction program savings of ~$34m p.a.

^ Underlying basis. Refer to slide 20 for reconciliation.

Contract Activity

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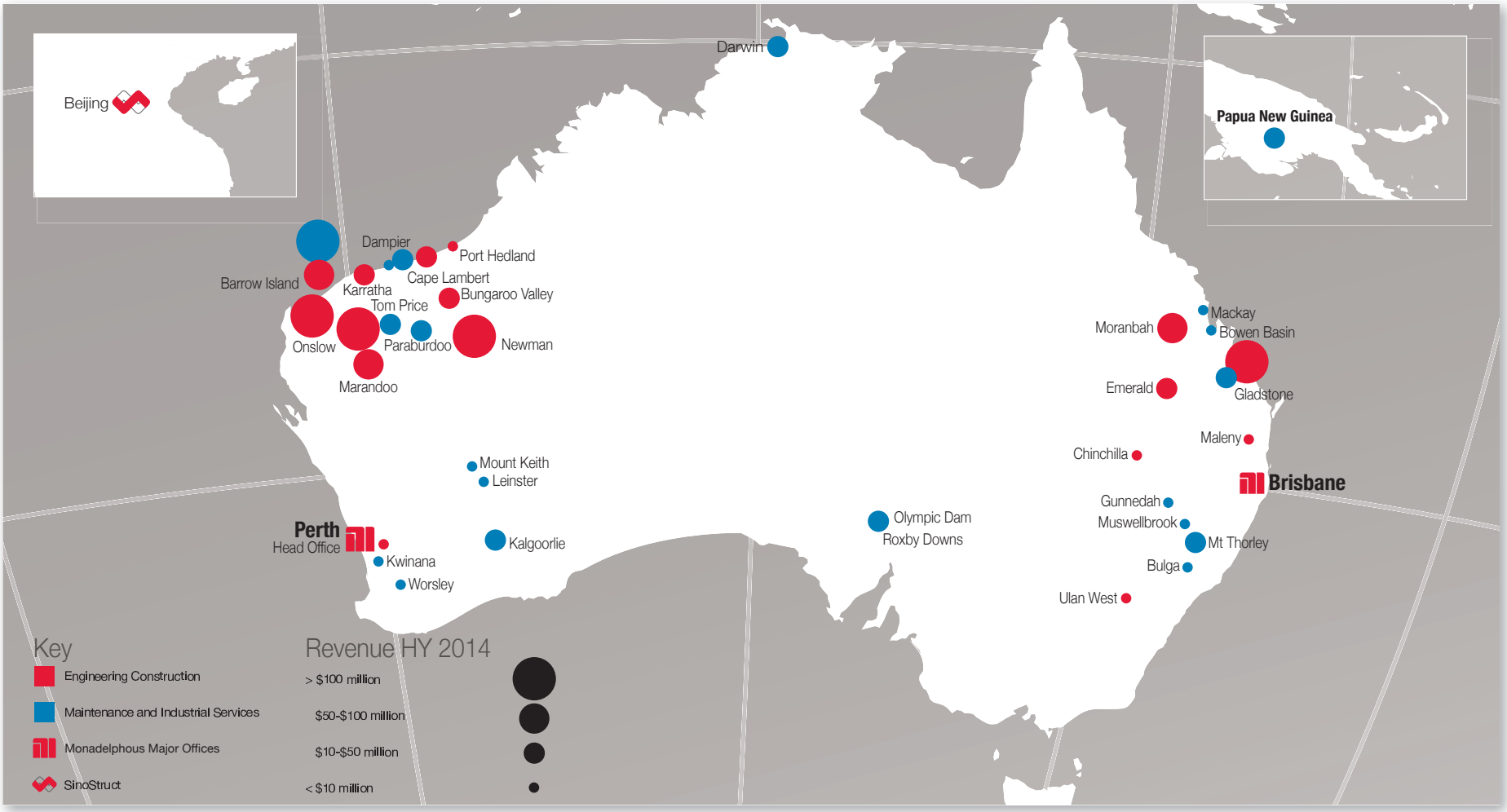
Geographic representation



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Sales Revenue Analysis

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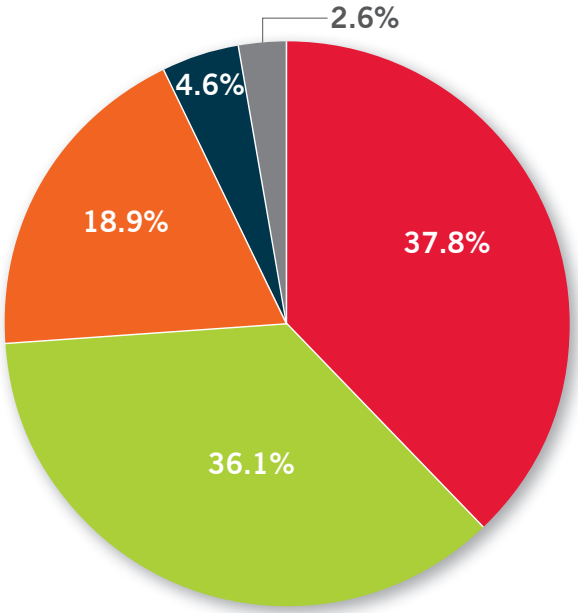
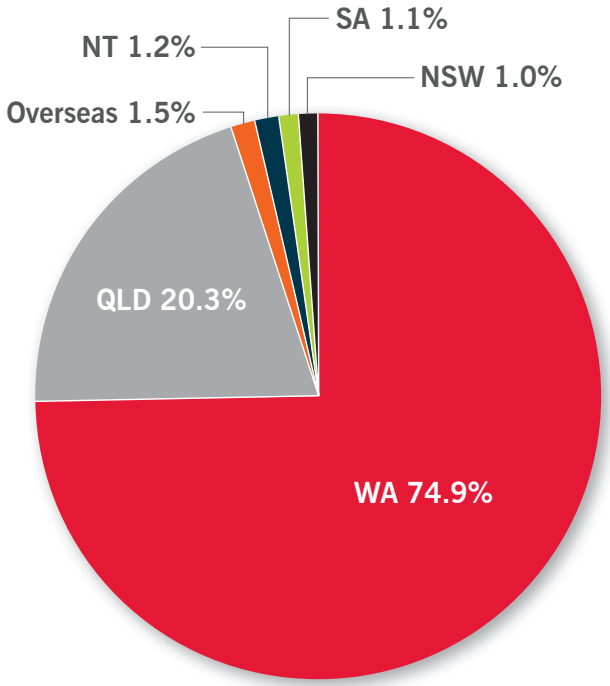
End Customer

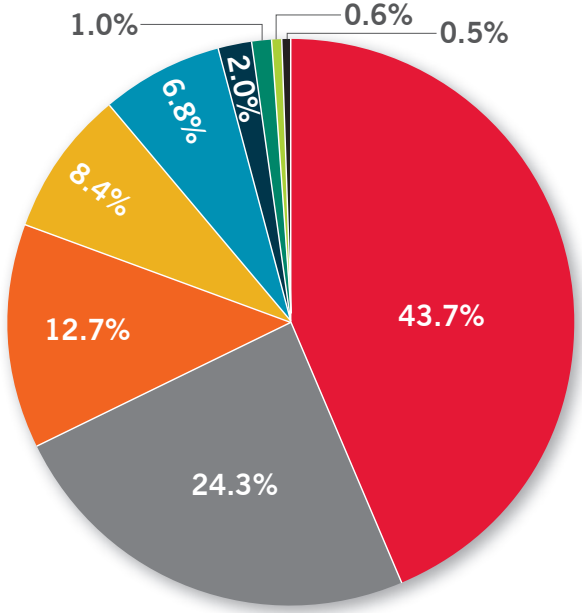


- Iron Ore
- Oil & Gas
- Coal
- Other Minerals
- Infrastructure

Geography



Service Market



- Process Plant SMP*
- Process Plant SMP* & E&I**
- Pipelines
- O&M***
- Marine
- Fabrication
- Water
- Aviation Support Services
- Process Plant E&I**

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

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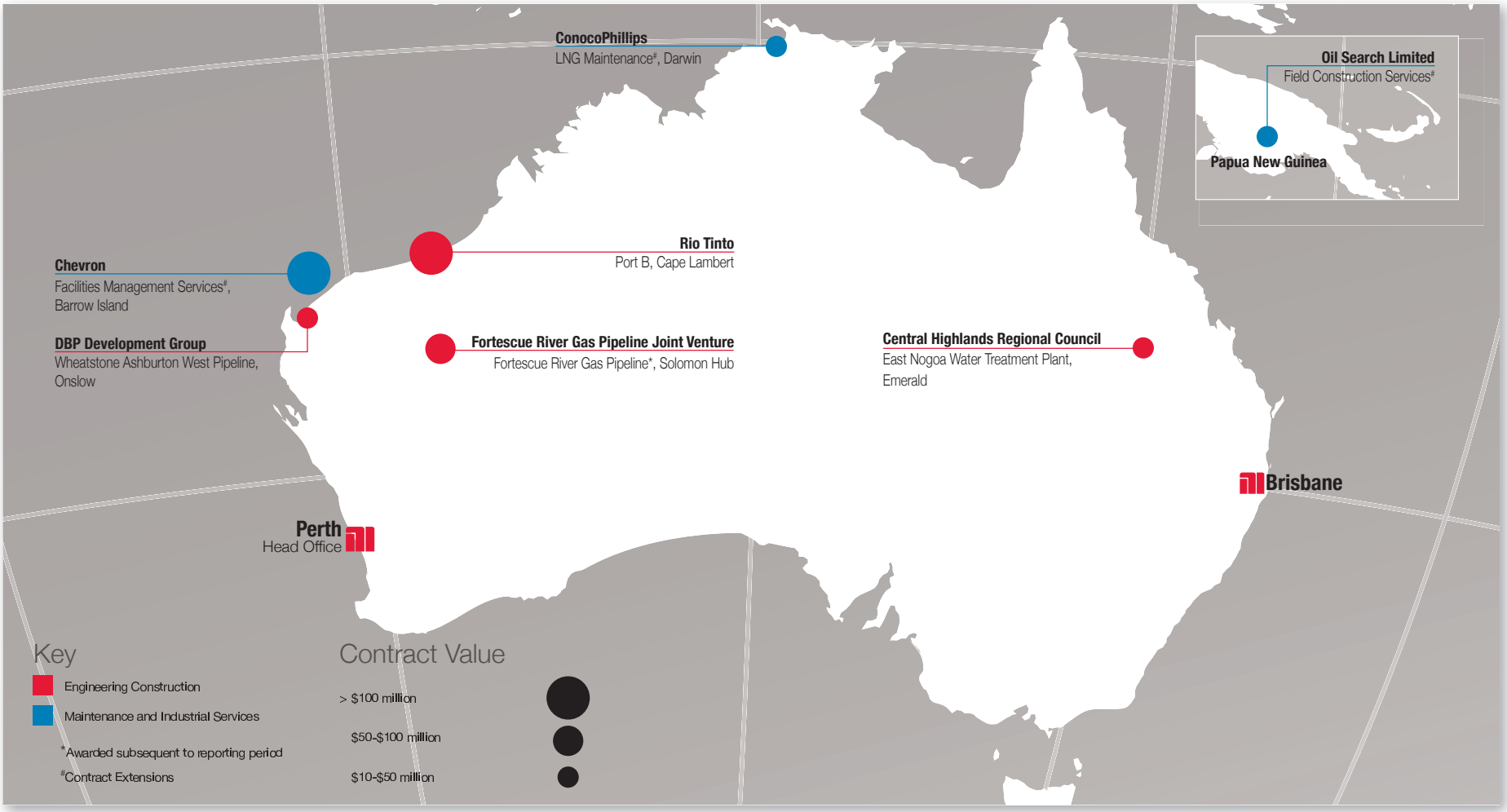
Contracts Secured

$700m of new contracts and contract extensions year-to-date



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Safety Scorecard

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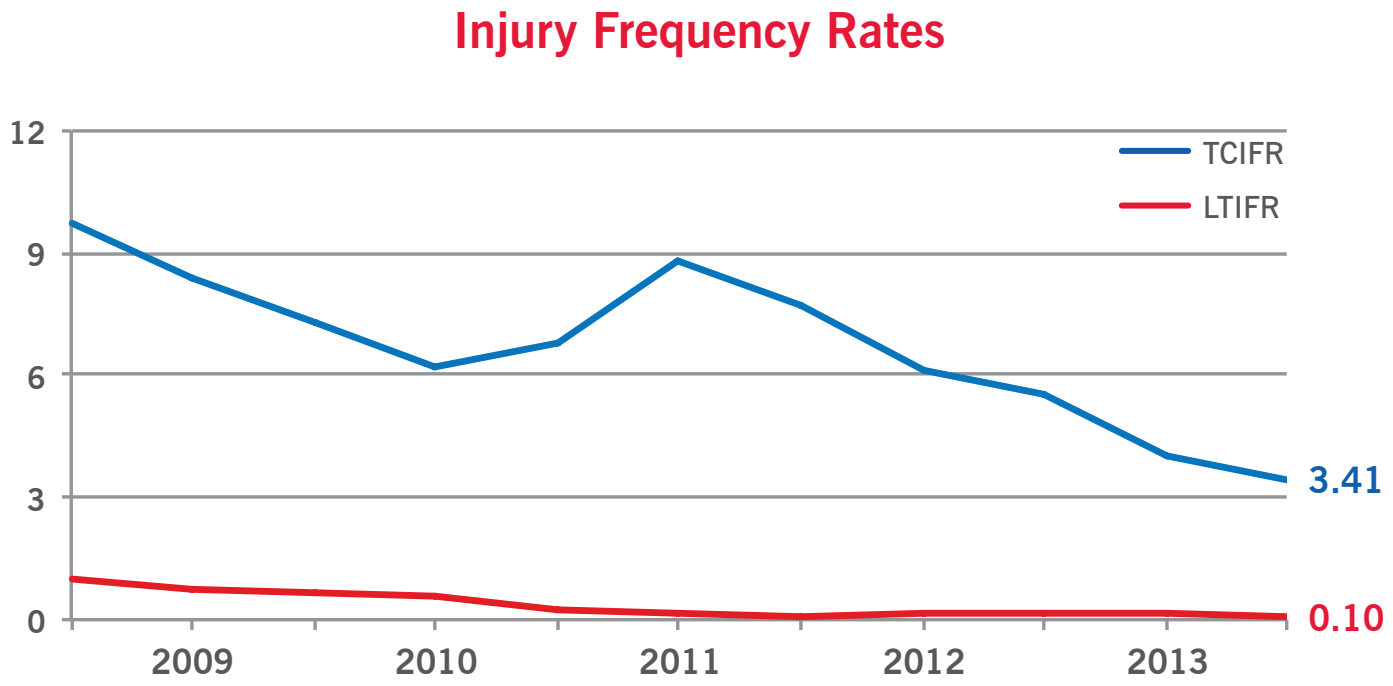

12-month rolling average (per million man-hours worked)

- Record safety performance
- TCIFR improved 38% to 3.41 incidents per million man-hours worked
- Implementation of new incident management system.

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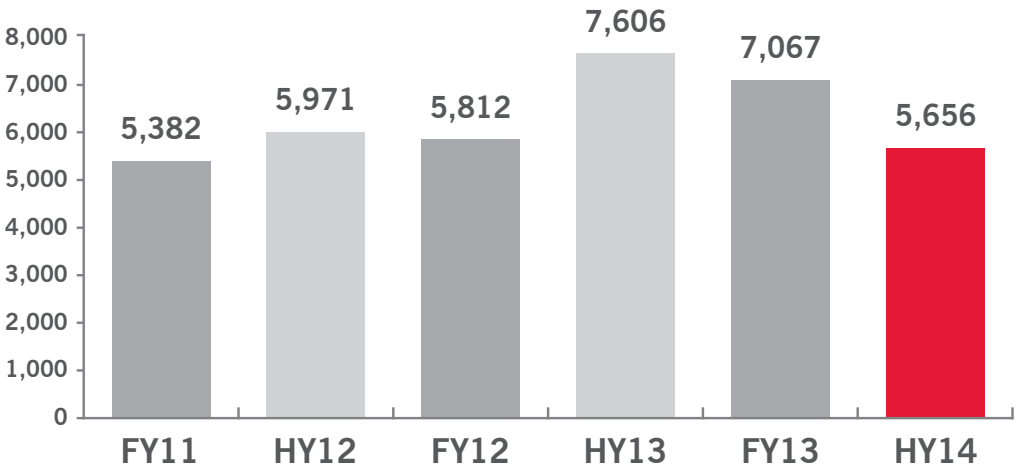
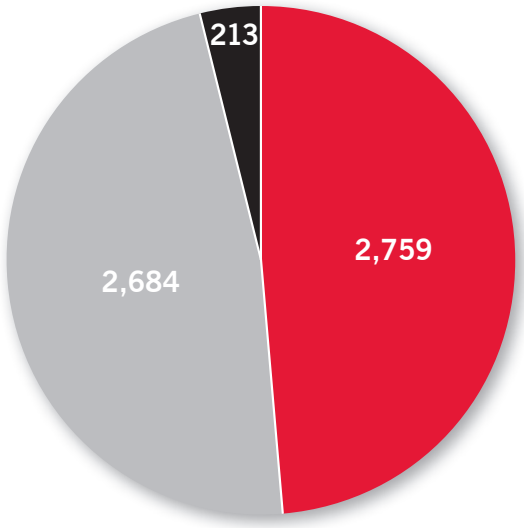
People

Employee Numbers



Rebased to exclude Skystar employees

Employees by Division



- Employee numbers reduced in line with slowing construction activity
- Key talent retention remains high
- Restructuring and right-sizing in response to the change in market conditions.

- Engineering Construction
- Maintenance & Industrial Services
- Group Support

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Productivity

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Company-wide cost reduction program

Focus areas	Major initiatives implemented	Progress
Projects People Procurement Plant & Equipment Property	• Consolidation of support and service structures • Review of project delivery methodologies • Consolidation and renegotiation of major supply agreements • Rationalisation of the plant and equipment fleet • Tightening of expenditure processes and authorities	**Cost savings of ~$34m p.a. realised to date including ~$17m p.a. in overhead reductions.**

Financial Performance

Group highlights

	Unit	HY14	HY13	Change
Sales Revenue	$m	**1,277**	**1,289**	-1.0%
EBITDA ^	$m	**121.4**	**125.3**	-3.1%
EBITDA Margin ^	%	**9.5**	**9.7**	-0.2pp*
NPAT ^	$m	**79.2**	**79.1**	+0.1%
NPAT Margin ^	%	**6.2**	**6.1**	+0.1pp*
EPS ^	cps	**86.3**	**88.6**	-2.6%
Operating Cash Flow	$m	**78.1**	**43.4**	+80.2%
DPS (Fully Franked)	cps	**60.0**	**62.0**	-3.2%

^ = Underlying basis. Refer to slide 20 for reconciliation.

*pp = percentage points.

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Financial Position and Funding

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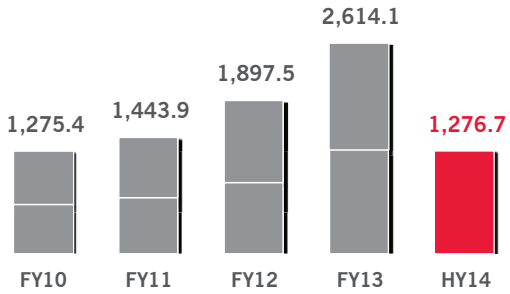
Balance sheet remains strong

	Dec 13 $m	Dec 12 $m	Change
Cash at Bank	**234.6**	**189.3**	+23.9%
Net Cash Position (Cash less interest bearing loans and borrowings)	**188.1**	**126.3**	+48.9%
Capital Expenditure (Cash and Hire Purchase)	**2.8**	**36.3**	-92.2%
Capital Expenditure Commitments	**0.2**	**3.3**	-95.5%

Bank Guarantee & Performance Bond Facilities

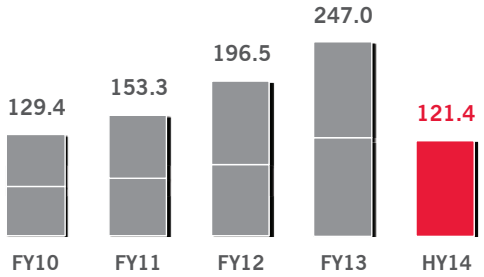
Utilised	**433.0**	**383.1**	+13.0%
Available	**192.6**	**98.1**	+96.3%
Total Facility	**625.6**	**481.2**	+30.0%

Historical Performance



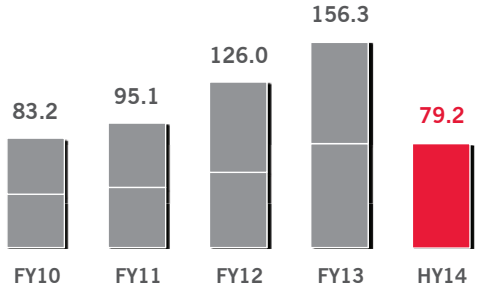
Sales Revenue

-1%



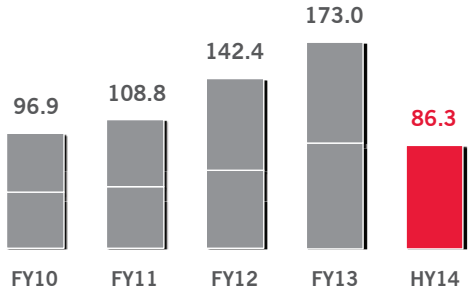
EBITDA ^

-3.1%



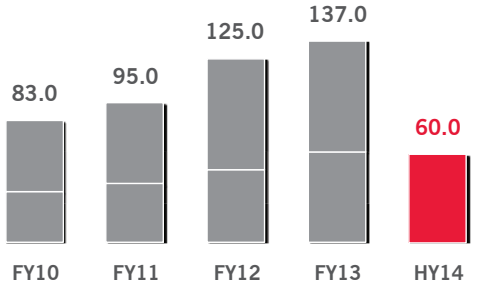
Net Profit After Tax ^

+0.1%



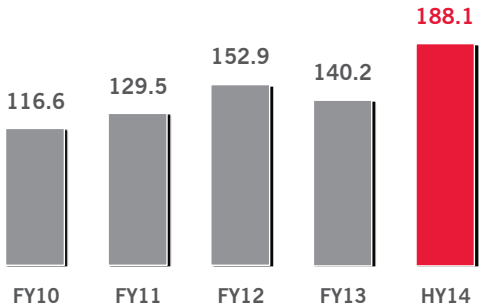
Earnings Per Share ^

-2.6%



Dividends Per Share

-3.2%



Net Cash Position

+48.9%

^ Underlying basis. Refer to slide 20 for reconciliation.

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Cash Flow Performance

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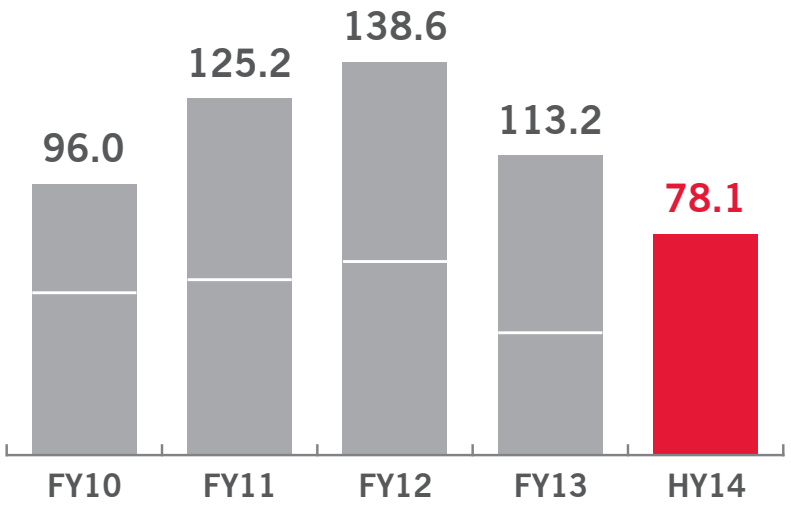
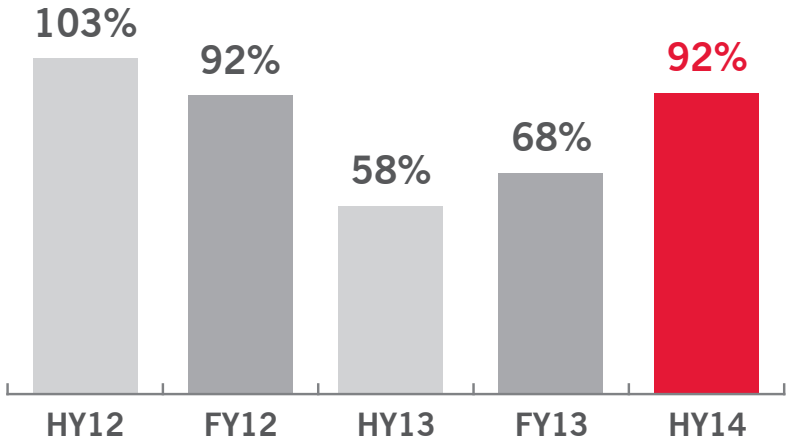
Operating Cash Flow



Cash Flow Conversion



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

- Strong cash flow from operations and cash flow conversion
- Continued focus on contract administration and collections delivering improved performance.

^ Underlying basis. Refer to slide 20 for reconciliation.

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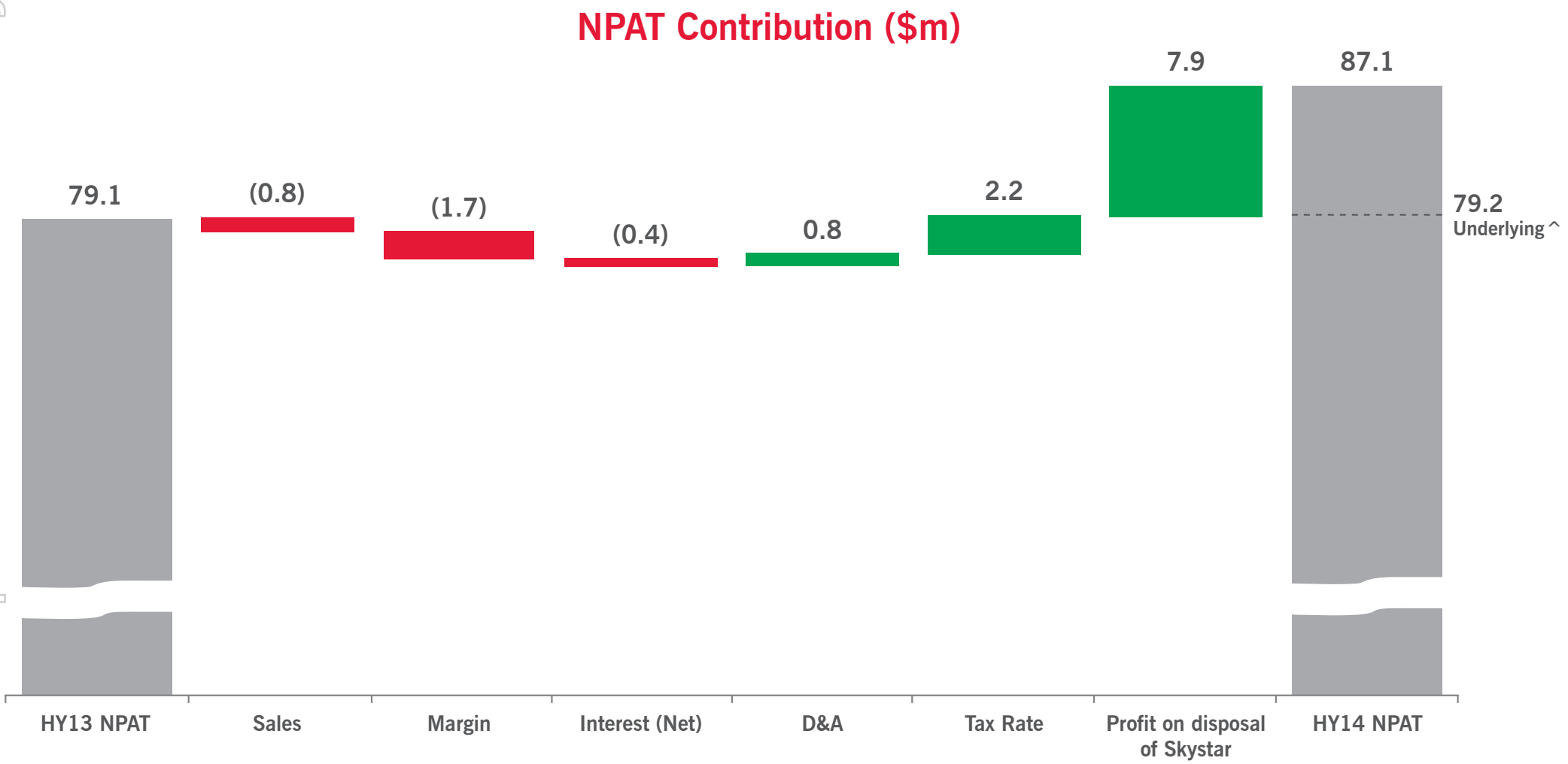
NPAT Contribution Analysis



^ Underlying basis. Refer to slide 20 for reconciliation.

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Sales Revenue Summary

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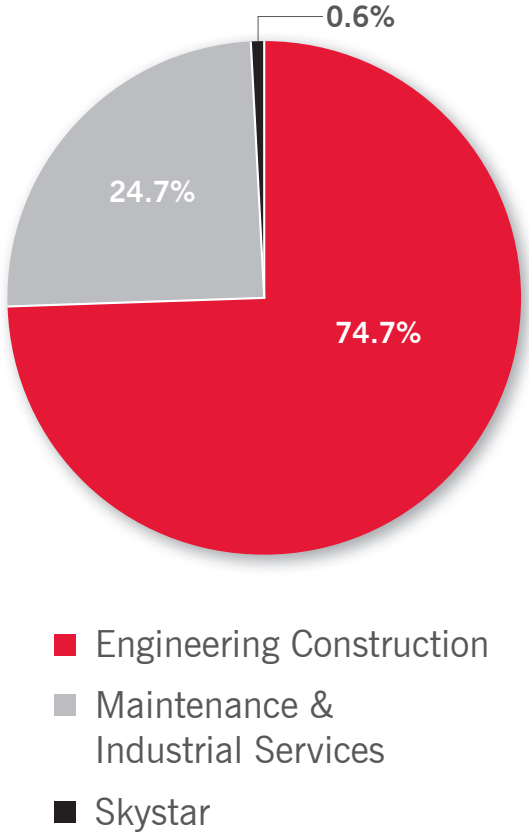
Divisional Highlights

	Unit	HY14	HY13	Change
Engineering Construction*	$m	**960.4**	**952.4**	+0.8%
Maintenance & Industrial Services*	$m	**317.1**	**339.8**	-6.7%
Skystar	$m	**7.8**	**11.2**	-30.4%
Internal Eliminations	$m	*-8.6*	*-14.1*	
Total	$m	**1,276.7**	**1,289.3**	-1.0%

*Comparatives restated to reflect consolidation of Infrastructure division's revenue.

Revenue by Division



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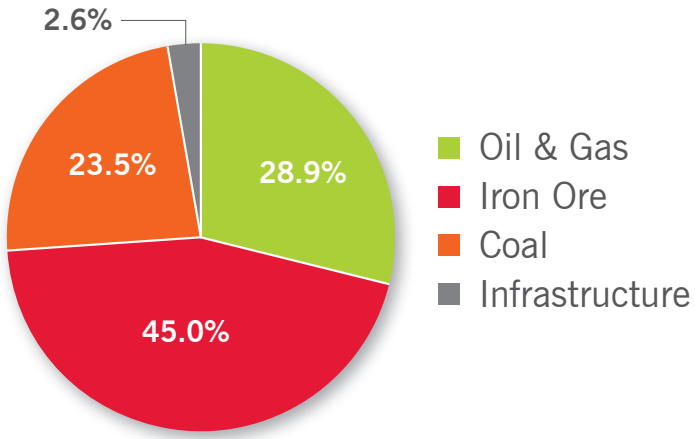
Engineering Construction

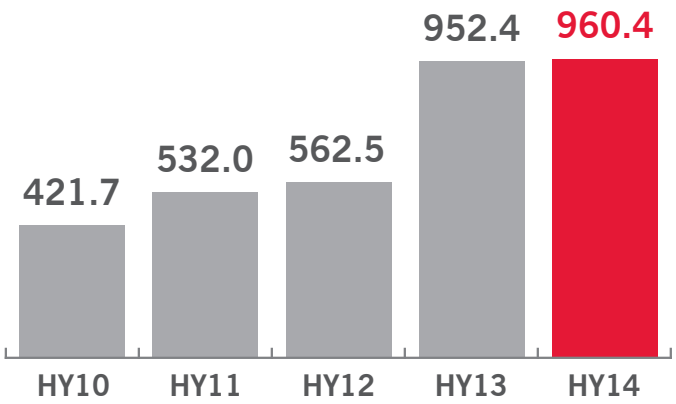
Highlights

- Revenue grew 0.8% to $960.4m
- High levels of construction activity
- Strengthened position in new service markets.

End Customer



Sales ($m)



Major Contract Activity

- Bechtel, Wheatstone Project, Onslow, WA
- Rio Tinto, Western Turner Syncline, Tom Price, WA
- Rio Tinto, Marandoo Phase 2 Expansion, WA
- BMA, Caval Ridge Mine Project, Moranbah, Qld
- WICET, (MMM), Gladstone, Qld.

Major Projects Secured

- Rio Tinto, Cape Lambert Port B, WA
- DDG, Wheatstone Ashburton West Pipeline, Onslow, WA
- Central Highlands Regional Council, East Nogoa Water Treatment Plant, Emerald, Qld
- DDG, Fortescue River Gas Pipeline, Pilbara, WA*.

*Awarded subsequent to reporting period

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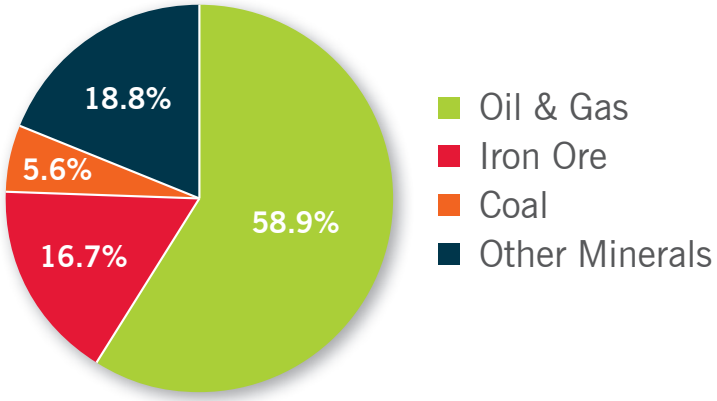
Maintenance and Industrial Services

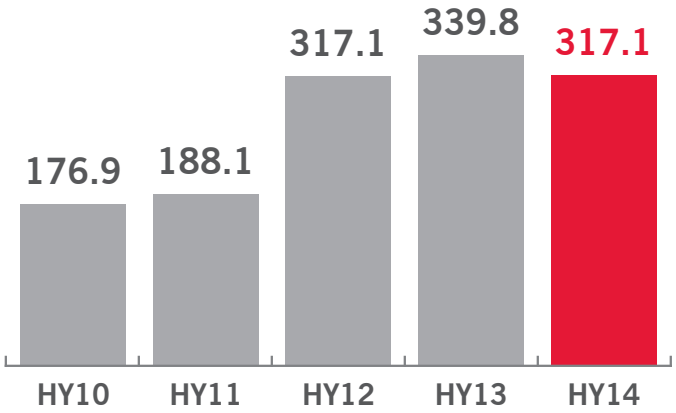
Highlights

- $250m of new contracts and extensions
- Growth in oil and gas maintenance activity
- Scope expansion with Woodside on Karratha Gas Plant.

End Customer



Sales ($m)



Major Contract Activity

- Chevron-operated Gorgon Project, Barrow Island, WA
- Woodside, Karratha Gas Plant, WA
- Chevron, Barrow Island & Thevenard Island, WA
- Rio Tinto, coastal and inland west, Pilbara, WA.

Contract Extensions

- Chevron-operated Gorgon Project, facilities management services, Barrow Island, WA (1yr)
- Oil Search Limited, field construction services, Papua New Guinea (3yrs)
- ConocoPhillips, maintenance and shutdown services, Darwin, NT (2yrs).

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Market Conditions

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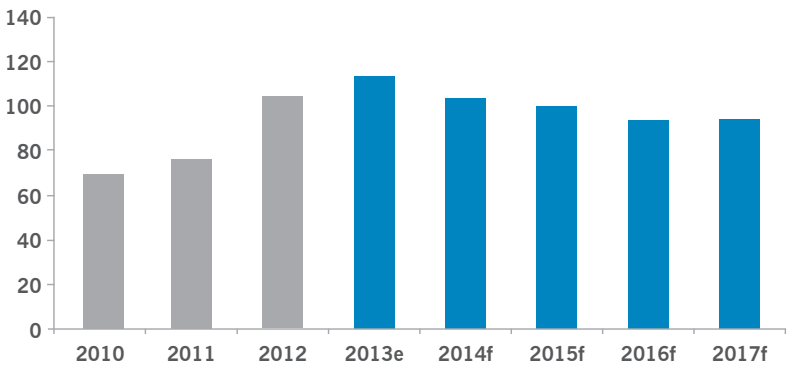
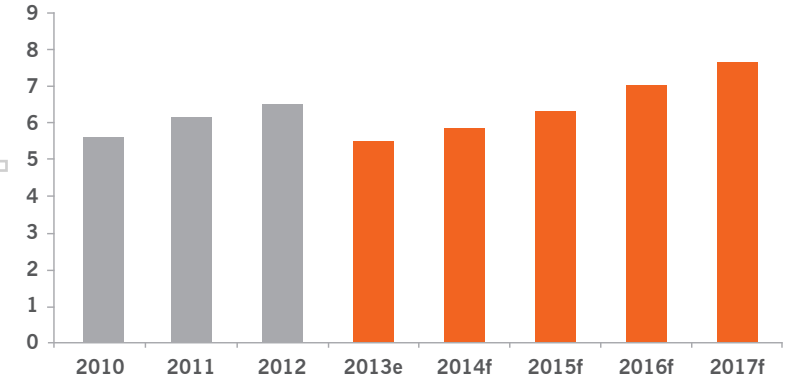
Construction (Capex A$b)



Maintenance (Resources and Energy A$b)



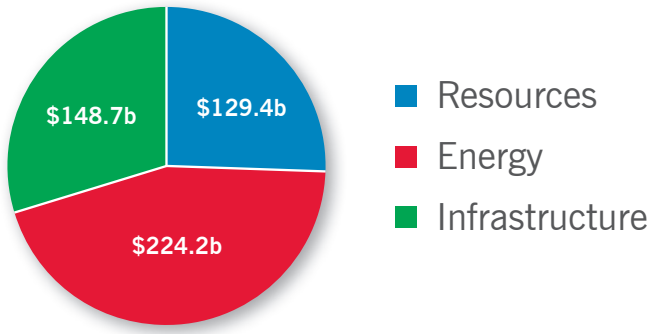
Construction

- Softer outlook despite capex remaining at historically high levels
- Large LNG projects will provide prospects in short to medium term

Maintenance

- Maintenance activity to increase on new assets and increased production
- Increased volumes in oil and gas, continued pressure from mining and minerals customers.

Forecast Capex by Market – $502.3b (2013-2017)



Source: BIS Shrapnel Mining Investment by Commodity New Fixed Capital Expenditure by Commodity Fixed Current Prices (Updated October 2013).

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Outlook

- Market conditions continue to tighten as customers pull back on capital expenditure and focus on maximising returns from existing assets
- Committed developments in oil and gas and iron ore will continue to provide opportunities in the short to medium term
- Bidding activity in oil and gas remains high and the company is in a strong position to secure new contracts in both upstream and downstream LNG developments
- Long term maintenance service market remains robust as new resources and energy developments come on stream
- Margins remain under pressure in an increasingly competitive environment
- 2014 full-year revenue moderating from historical peak and is expected to decline by around 10 per cent
- Continued focus on managing execution risks, improving productivity and reducing costs
- Increasingly diversified revenue base will support ongoing revenue opportunities and long-term growth.

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Non-IFRS Financial Information

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^ Reconciliation

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. 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.

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 underlying EBITDA presented by other companies. Underlying EBITDA represents earnings before interest, income taxes, depreciation, amortisation and profit on disposal of Skystar. This measure is important to management as an additional way to evaluate the Company's performance. Underlying NPAT represents NPAT excluding the after tax profit on disposal of Skystar.

The word "underlying" used within the Director's Report, refers to the statutory result for the half-year ended 31 December 2013 excluding the one-off gain from the sale of Skystar. This measure is important to management as an additional way to evaluate the Company's performance. Underlying measures are unaudited.

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.

	H1 2014 $'000	H1 2013 $'000
Underlying EBITDA		
Profit before income tax	117,215	110,200
Profit on disposal of Skystar	(10,353)	-
Interest expense	1,731	1,853
Interest revenue	(1,165)	(1,870)
Depreciation expense	13,413	14,534
Amortisation expense	560	560
Underlying EBITDA	**121,401**	**125,277**
Underlying NPAT		
Net profit after tax	87,108	79,096
Profit on disposal of Skystar	(7,934)	-
Underlying NPAT	**79,174**	**79,096**

Important Notice

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