

## A very satisfactory year of growth and returns

<b>Company/ASX Code</b>	<b>Monadelphous Group Limited / MND</b>
<b>AGM time and date</b>	<b>10am AWST Tuesday 19 November 2024</b>
<b>Location</b>	University Club, UWA, Crawley
<b>Registry</b>	Computershare
<b>Type of meeting</b>	Hybrid. To participate on-line go to <a href="https://meetnow.global/M2PDSPU">https://meetnow.global/M2PDSPU</a>
<b>Monitor</b>	Geoff Corrick
<b>Pre-AGM Meeting</b>	with Rob Velletri (Executive Chair) and Kristy Glasgow (Joint Company Secretary)

Monitor Shareholding: The individual or their associates involved in the preparation of this voting intention has no shareholding in this company.

### 1. How we intend to vote

No	Resolution description	
1	Re-election of Director – Mr Dietmar Voss	For
2	Re-election of Director – Mr Enrico Buratto	For
3	Grant of Performance Rights to the Managing Director under the Company's Short-Term Incentive Plan for the year ended 30 June 2024	For
4	Grant of Performance Rights to the Managing Director under the Company's Long-Term Incentive Plan for 2023	For
5	Grant of Performance Rights to the Managing Director under the Company's Long-Term Incentive Plan for 2024	For
6	Adoption of Remuneration Report	For

### 2. Summary of Issues and Voting Intentions for AGM

Monadelphous is well-governed and performed very well over the last year with double-digit growth in the measures in the table below. Revenue is up 11%, net profit after tax (NPAT) is up 16.2%, earnings per share (EPS) is up 14.9% and dividend up 18.4%.

On ASA focus issues this year:

- shareholders are treated fairly,
- the company is well governed. Board members have an appropriate mix of skills and experience, and are not overcommitted. There is a majority of independent directors and good gender diversity.

- sustainable practices and ESG strategy are given due importance. Safety, training, community relations, encouraging ideas for improving work practices and actions towards net zero emissions are among the well reported matters.
- remuneration reporting is transparent and understandable. There is an emphasis on employee retention.

Differences with ASA guidelines are not a major concern as argued further in Section 3.

- continuing with what is now a tradition of an Executive Chair.
- employee long term incentives are in the form of performance rights which have a term of three years rather than four. Also there is only one measure: percentage increase in EPS, apart from having to stay employed for the period.

ASA intends to vote open proxies for all resolutions.

### 3. Matters Considered

#### Accounts and reports

Financial performance

(As at FYE)	2024	2023	2022	2021	2020
NPAT (\$m)	62.2	53.5	52.2	47.1	36.5
UPAT (\$m)	62.2	53.5	52.2	47.1	36.5
Share price (\$)	12.84	11.72	9.95	10.45	10.82
Dividend (cents)	58	49	49	45	35
Simple TSR (%)	14.5	22.7	-0.1	-2.4	-41.7
EPS (cents)	64.08	55.85	54.9	49.7	38.65
CEO total remuneration, actual (\$m)	1.64	1.72	1.54	1.17	1.21

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.

The percentage increases in the measures in the above table are listed in Section 2, first paragraph. Not listed in our table is the return on equity at 13.4%, the best result since 2018. Further down in this section, under 'Audit report', there is a short story about the profit margin.

#### Governance and culture

For Board matters our only quibble is the tradition of Monadelphous to have an Executive Chair. Four of the six directors are independent, and a lead independent director, Sue Murphy AO, has been designated. The Executive Chair does not sit on the Audit and the Remuneration Committees. These two committees are entirely formed of the independent directors. The Executive Chair also receives fixed remuneration only, and is not eligible to take part in either the short or long term performance rights plans. However, he was issued some shares during the year on vesting of rights granted in 2022 under the Combined Reward Plan while he was Managing Director. The Chair has a substantial shareholding through a family account of 2.14% of the issued capital.

One of the independent directors up for re-election this year has served 10 years on the board and the ASA has made known our view that after this next term we are concerned that independence may not be maintained.

Monadelphous has financed all its growth from retained earnings, dividend re-investment or by forming joint ventures. So there have never been any placements or SPPs to dilute shareholder interests.

ASA guidelines include inviting shareholders to analyst market briefings. Monadelphous welcomes shareholder participation, but to take part is not quite straightforward. At Appendix 2 below is the procedure for joining briefings.

Choice on how shareholders receive communications, and the holding of hybrid meetings are in accord with ASA guidelines.

### **Board skills matrix**

One of ASA's focus issues is to have a skills matrix published in the Annual Report. Such a matrix would be a simple table that lists the skills identified as required by the board and lists for each member of the Board their strengths in each of the skills, or at least identify the members who cover each skill. Monadelphous does not present such a table in the annual report. However the company complies with the ASX Corporate Governance Principles and Recommendations which allow publication on the website. It is well presented in the [Corporate Governance Statement](#) (CG Statement) which lists 15 skills and experience which should be covered by the board members. Alongside each skill is a bar graph showing the number of board members covering this item, without mentioning names. Most of the list is covered by all 6 directors. An Appendix 4G Notice is released each year which tells where to find the CG Statement.

The company points out that the information provided about the skills and experience of individual directors is contained in the short resumes in the list of directors on pp 21 and 22 of the Annual Report, and also in the Notice of Meeting (NoM) for those standing for re-election. However it is a challenge to match the words used there with the skills in the CG Statement. ASA is not expecting that all directors have all the skills required of the board as a whole, so a paragraph discussing the skill with the lowest "score" - Technology – is not really necessary. As we found on discussion at last year's pre-AGM meeting, Monadelphous have taken extensive steps at the operational level to ensure cyber security. This year we heard that staff had recently run their crisis management simulation to test their procedures.

### **Audit report**

The audit report devoted a page to the key audit matter headed "recognition of revenue and profits on long-term contracts". Competent project management is core business for the ongoing success of Monadelphous. With net profit margin for recent years only slightly better than the major supermarkets at 3% (plus or minus a few points) it is a testament to management skills that this margin has at least been maintained, with no major trip-ups.

### **Key events**

The Perth-based civil business Melchor Contracting was acquired for a cash outlay of \$10m. The acquisition adds capacity for concrete construction work. During the 8 months of ownership this business brought in revenue of \$103m for a margin of 5.5% before tax. If this revenue run rate can be achieved over a full year it would add about 7% to Monadelphous' revenue.

The Maintenance and Industrial Services division achieved another record annual revenue of \$1.32b.

During the year the workforce numbers (including sub-contractors) rose to 7423, up almost 31% at year end. Growth was mostly due to increased work in hand, but also from the Melchor acquisition.

The emphasis on employee safety saw the total recordable injury frequency rate fall by 12.5% for the year to 3.02 incidents per million hours worked.

New construction contracts awarded during the year amounted to \$1.1b, including the share of joint venture revenue. This amount is reduced by \$200m for the termination of a contract with Albermarle for extensions to a lithium treatment plant at Kemerton. Under contract terms the client pays for Monadelphous' demobilisation costs from the site. In good news the company has made further announcements each month of new contracts amounting to \$390m. These contracts are a mix of construction and/or maintenance. Most will run for two or three years.

### **Key board or senior management change**

There were no changes during the year.

### **Sustainability/ESG**

Monadelphous is committed to achieving net zero emissions by 2050. Pages 51-58 in the Annual Report are a section on Climate Disclosures. The company has undertaken a review of the upcoming mandatory Australian reporting standards to ensure effective compliance with future disclosure obligations.

### **Remuneration reporting**

The remuneration report on pp66-86 of the Annual Report sets out in good and reasonably clear detail the remuneration arrangements.

- **Short Term Incentive Plan**

The awards are based on performance targets set at the beginning of each year by the Board and a performance assessment at the end of the year. Targets are set on a number of factors pertinent to individual duties. The award is made up of 25% cash and 75% performance rights. The cash is paid at the end of the first year. Although the rights are issued as a short term incentive, they vest in equal parts on the first of July over the following three years. Vesting is dependent on continuity of employment – there is no retesting of performance.

- **Long Term Incentive Plan**

There is only one performance measure for performance rights which is the percentage increase in EPS. Half the rights will vest if EPS increases by 4% a year for a period of three years, or 12.49% for the three years. Full vesting will occur if EPS grows by 8% per annum. It is the Board's preference that the measure be based on EPS. It is seen as a good representation of company performance and is influenced by executive performance. Total shareholder return (TSR) is subject to the whim of the market as shown in the above table. The increase in profit, EPS and dividend is in contrast to the fluctuations in the share price and hence TSR.

A transition is underway from options to performance rights which adds to the detail in the report. Also some options were exercised by the Executive Chair this year as mentioned at 'Governance and culture' above.

#### **4. Rationale for Voting Intentions**

##### **Resolution 1: Re-election of Director – Mr Dietmar Voss (for)**

Mr Voss was appointed to the Board in 2014. He is an independent director. If re-elected his term will pass the ASA recommended 12 years for which a director is considered independent. He now has 50 years' experience in energy, mining and minerals industries and has worked in many countries around the world. In the Explanatory Memorandum to the Notice of Meeting (NoM) reference is made to consideration of Mr Voss's skills in relation to the Board's skills matrix. As mentioned earlier this skills matrix is not published in the Annual Report, nor in the NoM. Mr Voss is currently a member of the three board committees: Audit, Remuneration and Nomination.

##### **Resolution 2: Re-election of Director – Mr Enrico Buratto (for)**

Mr Buratto was elected to the Board three years ago. He is a civil engineer with senior executive experience in most aspects of construction and maintenance in the resources and infrastructure sectors. As for Resolution 1, the NoM Explanatory Memorandum points to Mr Buratto's skills, commitment and contribution to the work of the Board. ASA agrees with the Board that he is an independent director. Mr Buratto is also a member of the three board committees.

##### **Resolution 3: Grant of Performance Rights to the Managing Director under the Company's Short-Term Incentive Plan for the year ended 30 June 2024 (for)**

The Short-Term Incentive Plan makes awards to about 180 senior executives. Just the award to the Managing Director needs shareholder approval. The scheme is well explained on pp 69-71 of the Annual Report.

##### **Resolution 4: Grant of Performance Rights to the Managing Director under the Company's Long-Term Incentive Plan for 2023 (for)**

This is confirming the previous year's grant which went to other senior staff after last year's AGM. The grant to the Managing Director needs shareholder approval at a General Meeting. Shares granted by this resolution will be subject to performance assessment as if they were granted in December 2023. See the earlier discussion of the LTI plan in Section 3.

##### **Resolution 5: Grant of Performance Rights to the Managing Director under the Company's Long-Term Incentive Plan for 2024 (for)**

These awards are based solely on the company's achievement of EPS growth targets, so aligning the reward with shareholder's interests as discussed earlier in Section 3. Although the ASA would prefer a four-year term for performance rights we support this resolution.

##### **Resolution 6: Adoption of Remuneration Report (for)**

Remuneration arrangements are acceptable overall, support the company's incentive objectives and are clearly explained in the report. Remuneration arrangements are appropriate for a company of this size.

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## Appendix 1

### Remuneration framework detail

CEO rem. Framework for FY24	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneratio	0.930	52.63%	0.930	47.86%
STI - Cash	0.093	5.26%	0.137	7.05%
STI - Equity	0.279	15.79%	0.411	21.15%
LTI	0.465	26.32%	0.465	23.93%
Total	1.767	100.0%	1.943	99.99%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

\*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration frameworks set a maximum opportunity amount, but not all.

## Appendix 2

### How to register for analyst market briefing webcast

The briefings take place about the third week in August (for the full year) and in February (for the half year). The simplest way to receive notification of these is to go to the ['Investors'](#) tab on the website, pick 'Investor Enquiry' from the list on the left hand side and request to be added to the investor relations email distribution list . This will ensure notification of future results releases.

Alternatively, shareholders need to watch the ['Investor Calendar'](#), one of the entries in the left hand side list of contents on the 'Investors' section of the website. A greenish/yellow rectangle will appear on the calendar for these dates. It will be placed there about a month earlier. Click on this rectangle, and then click on 'View more'. This will take you to another page which confirms date and time of the briefing and on the last line 'The link for the audio webcast is here'. Click on 'here' (probably highlighted or underlined) which is a link to a page asking you to register for the briefing webcast. Once registered you will then receive an email advising you how to access the webcast. You will also get a similar email for all future result briefings.

If you want to listen to the webcast after it has occurred a link is added to the ['Financial Results'](#) in the left hand side list of contents of 'Investors' webpage shortly after the webcast is finished. It is fairly straightforward to navigate to the webcast.

If you also open the 'Presentation' document in the 'Financial Results' you can follow the slides to which the MD is talking. He'll tell you when to turn to the next slide as the webcast proceeds.