Research as a Service

Mastermyne Group Ltd

Initiation Report

New contract(s) a step change in earnings & rating

Mining services

Mastermyne Group Ltd (ASX:MYE) is the leading specialist provider of critical underground Metallurgical Coal mining services in Australia, employing over 1,150 people at December 2020 and representing 95%+ of revenue. FY21 was the first down revenue/earnings year since FY16 with COVID-related shutdowns causing the biggest decline in Metallurgical Coal demand (used for steel making) and exports since at least 1971. Fast forward 8-months and demand is recovering, prices are 100% higher than the December 2020 lows and a number of "care & maintenance" mines are being re-evaluated. The recently announced $600m+ Whole of Mine (WOM) Gregory Crinum contract for MYE is just one example, while MYE is also doing early work at the Cook Colliery (QCoal) and Dysart East. These contracts are gamer changers for MYE offering 6- to 7-year revenue visibility, a doubling in the order book, client diversity and improved margins. Overlaying this contract outlook is a potential "re-rating" of the Australia small- to mid-cap mining services sector, with our peer group currently priced at just 4.4x FY21 EBITDA and 7.8x EV/EBIT despite CAGR sales growth of 30%, EBITDA growth of 31%, EBIT growth of 49% and a reduction in debt/EBITDA from 1.0x to 0.6x between FY16 and FY21. Our analysis suggests MYE deserves a premium to this peer group, promising a re-rate on higher earnings, the ultimate share price driver.

Business model

MYE provides a range of contracted services and equipment hire to major underground Metallurgical coal owner/operators. These services include underground roadway development, conveyor installation, longwall relocation & maintenance and supply and installation of underground ventilation control devices. Such services require the recruitment of human resources and efficiency management of both human resources and equipment for hire. The business charges a margin on top of the cost of labour/equipment to derive revenue and earnings.

New contract(s) and cycle set-up growth for FY22 and FY23

FY21 was the first down revenue/earnings year for MYE since FY16 as COVID-related industrial shutdowns impacted the demand for steel and therefore Metallurgical Coal. Off this reduced base, MYE is poised to deliver strong growth into FY22 and beyond, with much improved Metallurgical Coal prices driving new mining activity. The Crinum and QCoal WOM contracts will add ~$70m revenue in FY22 (+30% on FY21) and ~$150m in FY23 (+65%) and are key drivers of FY22 earnings guidance. These contracts are game changers for MYE in terms of order book, revenue visibility, client diversity and margins.

Valuation of $2.25/share based on peer multiples

Given the number of quality and long-listed small to mid-cap "mining services" listed peers, our preferred valuation methodology for MYE is multiple-based. We have used a (7) variable matrix to assess appropriate relative multiples for MYE and apply the average of our highest rated peers to MYE's FY23 earnings as they are more reflective of the recent WOM contracts. The result is a blended valuation of $2.25/share which represents just 4.6x EV/EBITDA and 7.8x EV/EBIT. A sector re-rate adds upside to this valuation.

Historical earnings and RaaS Advisory estimates

Year end	Adj Revenue	Rep EBITDA	Adj. NPAT (A$m)	EPS (adj) (c)	P/E (x)	Div Yield (%)	EV/EBITDA (x)
06/20a	292.7	28.6	11.7	0.11	8.7	6.3%	2.6
06/21a	233.1	22.3	5.9	0.05	17.5	3.1%	3.5
06/22e	311.1	31.6	10.2	0.09	10.1	4.7%	3.4
06/23e	456.2	53.8	22.9	0.21	4.5	11.5%	1.9
06/24e	489.4	58.6	25.9	0.24	4.0	12.5%	1.6

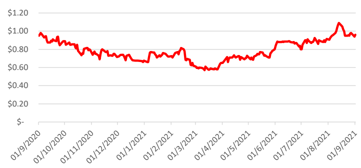
Source: Company data, RaaS Advisory Estimates for FY22e, FY23e, and FY24e

2nd September 2021

Share details

ASX Code	MYE
Share price	$0.96
Market Capitalisation	$103.0M
Shares on issue	107.0M
Net Cash at 30 Jun	$19.3M
Free float	~52.4%

Share performance



Upside Case

- Delivering on $1.1bn order book
- New WOM contracts similar to Crinum
- Acquisition and/or contract success outside of Metallurgical Coal

Downside Case

- Lower Metallurgical Coal prices reduce mining activity/increase cost focus of key customers.
- Long-term technological advancements in non-blast furnace steel making
- Safety issues at key mines

Board of Directors

Colin Bloomfield	Non-Exec Chairman
Anthony Caruso	Managing Director
Andrew Watts	Non-Executive Director
Julie Whitcombe	Non-Executive Director
Gabriel Meena	Non-Executive Director

MYE Group contacts

Brett Maff (CFO) +617 4963 0400

brett.maff@mastermyne.com.au

RaaS Advisory contacts

John Burgess +61 410 439 723
John.burgess@raasgroup.com

Finola Burke +61 414 354 712
Finola.burke@raasgroup.com

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RAAS Research as a Service

Mastermyne Group Limited

Mastermyne (ASX:MYE) listed on the ASX in 2010, raising $40m at $1.00/share. The group grew earnings impressively through FY13 then endured a 3-year downturn in FY14-FY16 on the back of lower Metallurgical Coal price-induced mining activity. Earnings recovered significantly from FY16 through FY20, with FY20 a record year in sales and EBITDA. Through this period the balance sheet saw significant repair in terms of debt levels and working capital metrics, placing the group in better shape for the next downturn and ultimate strategy. FY21 turned out to be that downturn, with COVID-induced declines in industrial activity reducing Australian Metallurgical coal exports by the greatest amount since at least 1971. Despite this, MYE delivered positive EBIT, retained a net cash position of $19.3m and secured a game-changing WOM contract, inspired by rising Metallurgical Coal prices. Higher prices are seeing more "care and maintenance" mines looking to resume production for ownerships that require the appropriate skills and financial resourcing to deliver such projects. MYE is well placed to deliver their ultimate strategy.

Investment case

Off the lower FY21 earnings base, MYE is poised for a period of solid earnings growth, and we believe this could be overlaid with a general "mining services" sector re-rate, offering significant share price upside. Key points regarding this thesis are outlined below:

- FY21 earnings were impacted by lower Metallurgical Coal activity which stemmed from the biggest reduction in demand since at least 1971 according to the International Energy Agency (IEA) due to COVID-induced slowdowns in construction and car making (biggest steel markets).
- Fast forward eight-months and Metallurgical Coal prices are 100% higher than the December 2020 lows on recovering European demand and trade disruptions caused by China's import ban on Australian coal.
- The Gregory Crinum WOM contract announced in May 2021, for a 7-year term promises $95m in annual revenue (40% of the FY21 revenue base) at better than group EBITDA margins. This mine is coming out of care & maintenance for new owners and promises to be a significant re-rating catalyst, improving earnings visibility with greater than industry average contract length.
- Discussions continue for other WOM contracts, namely QCoal (Cook) and Dysart, and based on the number of people likely to be employed, look similar in scale to Crinum.
- Management is looking to diversify revenues into other underground hard rock mining operations using existing skill sets, which is not only a revenue opportunity ($250m in tender opportunities currently), but a further rerating catalyst given the current 95+% exposure to Metallurgical Coal;
- FY21 net cash was $19.3m, providing sufficient capital to gear-up for two large WOM contracts which in return promise long visibility and higher margins.
- Finally, we see a re-rating potential for the greater small to mid-cap mining services sector, and our analysis suggests MYE deserves a multiple at the top-end of the peer group.

Valuation $2.25/share based on relative peer multiples

Given the number of comparable ASX listed peers, their extensive listed track record and analyst coverage, we prefer a relative multiple valuation approach for MYE. To establish the appropriate "relative" (premium or discount) we have used a (7) variable matrix with (4) qualitative and (3) quantitative measures. Our analysis suggests MYE deserves a premium to the peer group, so our reference multiple is the average of the highest rated four stocks in our selection. Based on MYE's FY23 earnings this would equate to an EV/EBITDA 7.8x and EV/EBITDA of 4.6x, which translates to a blended valuation of $2.25/share for MYE.

The 2014-2016 downturn reshaped MYE

Background

MYE is the leading specialist provider of critical underground Metallurgical Coal mining services in Australia, employing over 1,150 people at December 2020. Services provided to major owner/operators include:

- Underground roadway development
- Conveyor installation
- Longwall relocation and maintenance
- Design & engineering of specialist equipment
- Supply and installation of ventilation devices
- Equipment hire
- Strata consolidation (chemical injection)
- Training services.

The group listed in May 2010, raising $40m at $1.00/share with pro-forma group EBITA at the time of $12.2m, and the offer representing 7.1x EV/EBITA and 9.7x price/earnings.

2014 cyclical earnings decline

In 2014 the business experienced a cyclical downturn on the back of lower coal price-induced production/cost measures and the expiry of some key contracts, which lasted 3-years. FY14 revenue declined ~31%, EBITDA ~53% and NPAT ~74%, while net debt peaked at $13.0m in FY16.

Learnings from the cycle and, one suspects dealing with their lenders during this period, changed the capital management strategy of the company which remains in place to this day, even reiterated in the FY20 annual report, and can be summarised as:

- Maintain a net cash position for financial flexibility
- Be adverse to debt
- Invest counter to the cycle
- Maintain a pay-out ratio of 40%-60% of NPAT, skewed to the June half.

Relative strength in recent FY21 downturn

According to the IEA, the recent CY20 downturn in Metallurgical Coal demand was the largest since IEA records began in 1971 and most likely the largest since the second World War. Global consumption of Metallurgical Coal declined ~3.2%, demand ~9% and exports ~12%.

Against this backdrop MYE maintained profitability and a strong net cash position in 1H21 despite sales declining 19% and EBIT 57%. These declines came mainly off the back of mine closures related to lower production volumes/prices.

2H21 saw an improved profitability relative to 1H21, with reported EBITDA of $12.5m against $9.8m in 1H21 while net cash ended at $19.3m.

Late in 2HFY21 MYE was awarded the $600m WOM Gregory Crinum contract (discussed later), undoubtably supported by the group's current capital structure. The group has also been investing ahead of the cycle in capital equipment in FY18 through FY20 with capex above underlying depreciation despite low Metallurgical coal prices. Both these actions will benefit the group in FY22 and beyond.

The following table summarises MYE's FY21 result by half year.

Exhibit 1: MYE FY21 earnings summary by half year

Variable (A$m)	1H20	1H21	% Chg	2H20	2H21	% Chg
Sales	**136.4**	**110.9**	**-19%**	**156.3**	**122.2**	**-22%**
Contracting	126.1	102.0	-19%	145.2	111.9	-23%
Hire/Sale of goods	10.3	8.9	-13%	11.1	10.3	-8%
Gross Profit	15.8	13.8	-13%	19.5	16.6	-15%
GP%	11.6%	12.4%	7%	12.5%	13.6%	9%
Operating Costs	4.4	4.0	-8%	2.4	4.1	75%
EBITDA	**11.4**	**9.8**	**-15%**	**17.2**	**12.5**	**-27%**
Depreciation	4.9	6.3		6.2	6.2	
EBIT	**6.6**	**3.4**	**-48%**	**11.0**	**6.3**	**-43%**
Adjusted NPAT	**4.3**	**2.0**		**7.3**	**3.9**	
Net Cash	4.9	17.4		25.0	19.3	

Source: Company financials & RaaS Analysis

Metallurgical Coal vs Thermal Coal

While the word "coal" is often used in reference to both Metallurgical and Thermal coal, the two should not be used in the same sentence. The use and therefore outlook for each is completely different, and in a world of increased climate change policies and public opinion, the distinction is important for the perceptions of Metallurgical Coal and therefore MYE.

Metallurgical/Coking Coal

Metallurgical Coal is used in steel making as a reductant (to convert iron oxide into metallic iron), as a carbon source to produce heat, and in the blast furnace to support the burden (preventing the iron ore and fluxes from collapsing into the liquid iron).

From an environmental viewpoint there are alternatives to steel, such as timber, aluminium and carbon fibre, but they have not been widely adopted in the key industries of construction and car making.

As China matures, increased steel recycling and the use of electric arc furnaces as a carbon source (at the expense of newly made steel) may reduce demand for steel making over time, but this lack of commercially viable alternatives will likely see demand for Metallurgical Coal for some time.

Thermal Coal

Thermal Coal is used to generate electricity and is cited as the single largest contributor to global carbon emission.

Thermal Coal competes directly with hydroelectricity, nuclear, gas/LNG and renewables. As a result there is a significant risk of near-term technological disruption, and consequently lower demand for thermal coal. For these reasons many new thermal coal projects are becoming increasingly un-bankable, with many major miners exiting the sector.

Metallurgical Coal fundamentals and outlook

Using the 2020 IEA "Coal 2020 Analysis & forecasts to 2025" as a reference we make the following observations regarding the Metallurgical Coal market over recent years and key outlook comments.

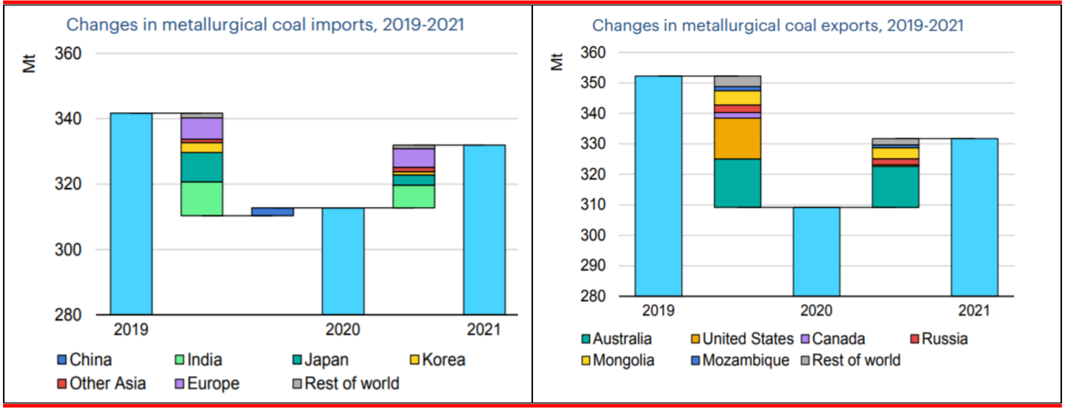
- China is the largest coal producer in the world, with 83% of this production thermal and 17% Metallurgical. This is all used internally with China a net importer of their remaining power (thermal) and industrial (Metallurgical) requirements.

- 32% of Metallurgical coal demand was met by imports in 2019, 88% of which is seaborne trade. This seaborne market is highly concentrated with Australia representing ~60% of seaborne trade, followed by the US (14%), Canada (10%) and Russia (9%).
- Asia Pacific is ~75% of the seaborne market, with China ~25%.
- The IEA uses the World Steel Association (WSA) https://www.worldsteel.org/steel-by-topic/statistics/short-range-outlook.html as their reference for global steel demand, which ultimately drives the demand for Metallurgical Coal.

  Following a -0.2 decline in FY20, the WSA is forecasting steel production growth of 5.8% in 2021 and 2.7% in 2022. China now represents 55% of global steel production.

- Metallurgical coal demanding declined ~8% in 2020, the result of COVID related lockdowns denting steel production in all economies except China. Recovery is expected in 2021, predominantly in India and Japan.
- Exports as a result declined ~12% in 2020, greater than demand due to delays in discharging coal ships at Chinese ports. A recovery is also forecast for 2021, albeit disrupted by China trade policies.

Exhibit 2: Changes in Metallurgical coal imports & exports by country 2019-2021F



Source: IEA Coal 2020 Analysis & outlook

Further to the IEA analysis the current Metallurgical coal market is seen by many commentators as "disrupted" and/or "structurally imbalanced" due to recent bans on Australian imports by China, which has disrupted trade flows and resulted in China pay a premium to source from other regions, in particular the US. Australian exports have been diverted to other traditional markets such as Japan, Korea and Taiwan. As a result of these bans:

- China spot buying has reduced from ~75% to ~45%
- Europe now represents 18% of Australia Metallurgical coal exports, up from 5% PCP
- CFR China prices have diverged from FOB Australian prices to be ~A$150/tonne higher and record levels.

BHP has divested all thermal coal interests and "to focus our coal portfolio on higher quality metallurgical coal assets used in steelmaking". BHP cites the current differential between FOB prices and China CFR as a value leakage for FOB producers, and an uncertain period ahead while natural trade flows are impaired. Longer term BHP believe the "a wholesale shift away from blast furnace steel making.....is still decades in the future". Demand "is expected to expand alongside the growth of the steel industry in HCC importing countries such as India".

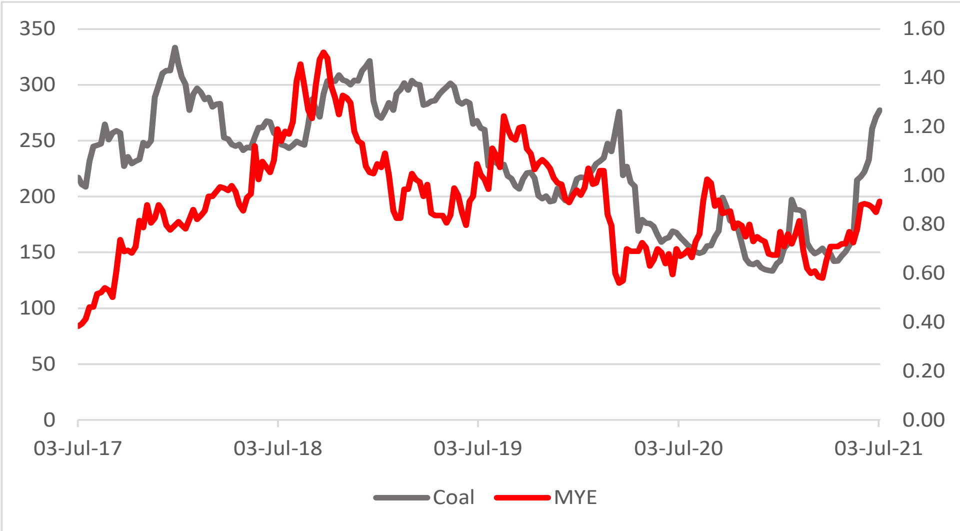
South 32 (ASX:S32) in its recent FY21 result presentation (page 28) suggests near-term pricing is supported by strong ex-China demand (mainly Japan, Korea and Taiwan) and tight supply from Australia while highlighting the China CFR price premium and the shift in Australian export trade flows.

MYE share price correlation to Metallurgical coal

The importance of the Metallurgical coal outlook to MYE can be summarised in the correlation between the Metallurgical coal price and the MYE share price.

After a period of relative out performance due to the balance sheet repair and earnings leverage off the low FY16 base, since June 2018 there has been a 0.62 correlation coefficient between the share price of MYE and the Metallurgical coal price (using the SCAFc1 or Singapore Exchanges TSI FOB Australia).

Exhibit 3: Correlation of Metallurgical coal prices against the MYE share price



Source: Thompson Reuters & RaaS analysis

Mining services deserves a "rerate"

The "Mining Services" sector typically conflates a range of business models, commodity exposures, skill sets and company specific issues.

Recent failures in the space such as RCR Thomlinson and McAleese, and earnings/share price implosions such as BLY and DCG, together with commodity cycle cyclicality are often cited/remembered as reasons to be wary of the sector, and therefore justify below market earnings multiples

A closer examination of such failures/implosions highlights the risk of debt and poor contract structure within the sector, particularly relating to large, fixed price contracts and the recovery of contract variations.

Outside of the failures/implosions mentioned above we have put together a "portfolio" of long-(ASX) listed small to mid-cap mining services players comprising MYE, LYL, NWH, MAH, MLD, GNG, EHL and MSV.

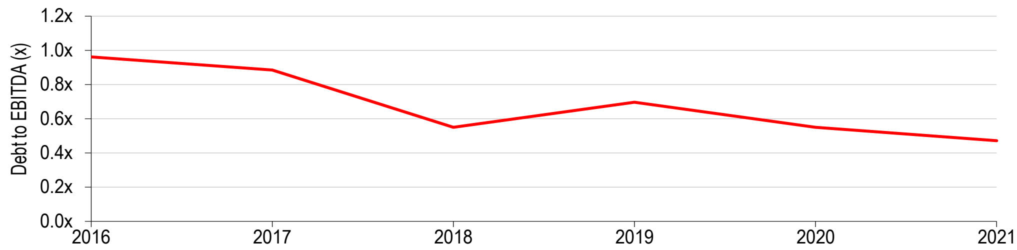
The combined financial performance of this portfolio since FY16 may surprise some, with:

- CAGR revenue growth of 30%
- CAGR EBITDA growth 32%
- An EBITDA margin range of 15% to 18.7% over the period
- CAGR EBIT growth of 49%
- Reduction in debt/EBIT from 1.0x in FY16 to 0.5x in FY21
- Average capex/depreciation of 0.8x.

Debt to EBITDA of the peer group has halved since FY16, falling from 1.0x in FY16 to 0.5x forecast in FY21. This is despite some significant acquisitions and capex spends by NRW (FY20) and MAH (FY21) respectively over the period.

MYE over this period had reduced net debt from $13m to net cash of $19.3m including a $6m capital raise in 2017.

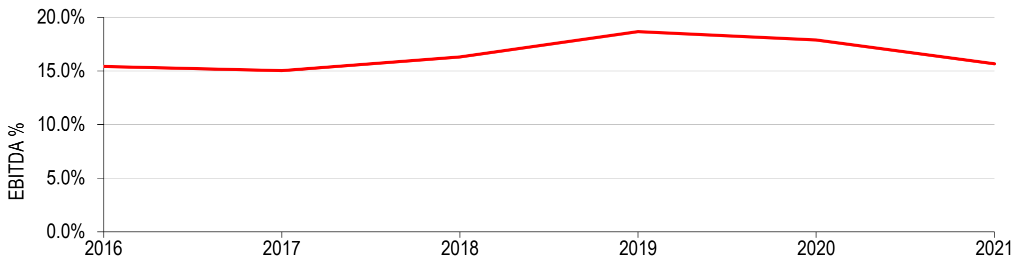
Exhibit 4: RaaS Mining Services index debt/EBITDA – FY16-FY21



Source: Company financials & RaaS estimates

Interestingly, peer group EBITDA margins (adjusted for AASB16) have been in a tight band despite inherent commodity price/activity level fluctuations. Between FY16 and FY21 EBITDA margins for the portfolio ranged between 15% (FY17) and 18.7% (FY19), far less volatile than one might think.

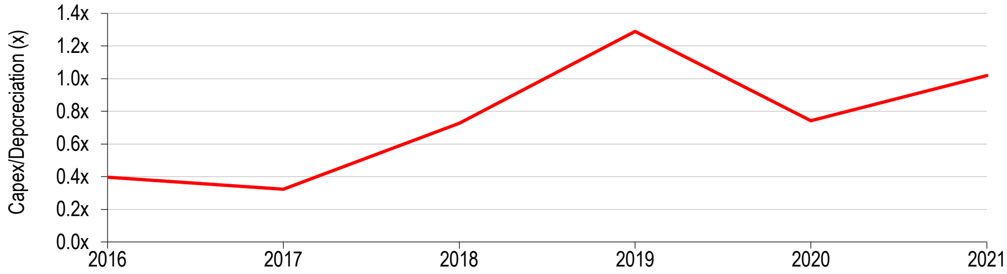
Exhibit 5: RaaS Mining Services index EBITDA margins – FY16-FY21



Source: Company financials & RaaS estimates

The 30% CAGR sales growth and 31% CAGR EBITDA growth has been achieved with an average capex/depreciation spend of 0.8x. There is some lumpiness to this spend mainly due to EHL and MAH, but the chart below highlights a relatively low capital intensity and perhaps conservative depreciation policies.

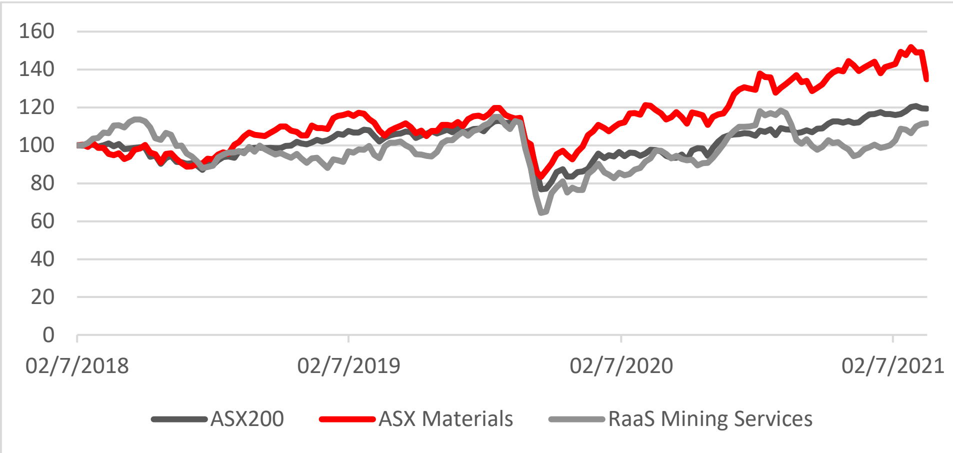
Exhibit 6: RaaS Mining Services index capex/depreciation – FY16-FY21



Source: Company financials & RaaS analysis

Despite this performance our equally weighted small cap mining services portfolio/index in share market terms has underperformed the ASX200 and ASX Materials indices over the last 3-years. The chart below is based to 100 from 1 July 2018 and suggests 17% relative under performance to the Material Index and 6% to the ASX200 Index.

Exhibit 7: RaaS mining services "small cap" index vs Materials and Energy



Source: Thompson Reuters & RaaS analysis

If we overlay the peer group financial performance since 2016 and the prospect of an improving commodity cycle as the world comes out of COVID, which is already evident in stronger commodity prices, then a re-rate" of the "small-cap Mining Services" sector is not only deserved but highly likely.

Outperformance will come from stocks that are currently relatively undervalued with a superior outlook/industry/company structure.

To establish a guide for ranking mining services stocks and therefore relative earnings multiples we have created a matrix of (7) equally rated variables, (4) somewhat subjective/qualitative and (3) quantitative in nature. The higher the total, the higher the relative earnings multiple should be compared to the peer group.

These variables are listed and explained below:

- **Revenue diversity**. Exposure to a single commodity or single client is high risk, with investors typically preferring some diversity to mitigate risk, so we mark down commodity/client concentration.

- **Contract length**. The longer the contract term in years the more visibility, allowing better management of resources, both labour and consumables. We estimate the average contract term for each company based on multiple contract announcements.
- **Contract terms**. Contracts can range from fixed price to cost plus to production based, and all can include contract variations. Protection clauses from cost inflation and the like are also preferred.
- **Competition**. It goes without saying the more competition in the space, the tighter the winning margin is likely to be, and therefore the less room for cost overruns.
- **Capital intensity**. The higher the capital intensity, measured by both capex/sales and working capital/sales, the more capital is required to deliver revenue and earnings growth. We rank the peer group on both metrics and take the average as our capital intensity measure.
- **Balance sheet strength (debt/EBITDA)**. With most mining services implosions linked back to high debt levels, and new work typically requiring some capital investment, having a strong balance is important. We rank the group from highest to lowest and convert to a score between 1 and 5.
- **Cyclicality**. We look at how many EBITDA declines there have been over the last 7-years to gauge earnings cyclicality and rank each company accordingly.

The following table summarises the results and suggests MYE sits third in rankings behind NBN/utilities service companies SSM and BSA, and just above drill contractors MSV and DDH. Only revenue diversity, both from commodity (95%) and customer (65%) keeps the group from recording the top spot, in our view.

Exhibit 8: Peer Group comparison for relative multiples

Company Name	Ticker	Revenue Diversity	Contract length	Contract type	Competition	Capital intensity	Debt/ EBITDA	Cyclicality	Total
Service Stream	SSM	4	4	3	3	5	3	3	**25**
BSA Limited	BSA	3	3	3	2	4	4	3	**22**
Mitchell Services	MSV	2	3	4	2	3	2	5	**21**
Licopodium	LYL	3	1	2	4	3	5	3	**21**
DDH1	DDH	2	3	4	2	1	3	5	**20**
NRW Holdings	NWH	3	2	2	3	3	3	4	**20**
Emeco	EHL	4	2	3	3	2	2	3	**19**
MACA	MLD	4	3	3	3	1	1	2	**17**
Macmahon	MAH	2	3	4	3	1	1	3	**17**
GR Engineering	GNG	2	1	1	3	4	5	1	**17**
Mastermyne	MYE	1	4	3	4	3	4	3	**22**

Source: RaaS Analysis

Key competition

In terms of underground coal contractors, MYE's key competition is unlisted PIMS Group.

Formed in 2008 with the combination of Pacific International Mining Group and Diahminco, the group pivoted to underground services and mining consultation in 2013.

Following the mining downturn in 2014/2015 the group has been awarded major development contracts at:

- Oaky No 1 coal mine for Glencore in the Bowen Basin, QLD
- North Goonyella underground Metallurgical coal mine for Peabody Coal in near Mackay in QLD
- Broadmeadow underground Metallurgical coal mine for BMA (a JV between BHP and Mitsubishi) in Moranbah, QLD.

The group is estimated to employ 200-300 people (against ~1,150 for MYE) and has offices in North Mackay and Wollongong.

Gregory Crinum contract – an earnings and “rating” game changer

Following the appointment in November 2020 as “underground mine operator”, MYE announced the “Whole of Mine” contract details In June 2021. The contract was signed for 7-years and is worth between $600 and $660m with Sojitz Blue Pty Ltd, a subsidiary company of Sojitz Corporation out of Japan.

Gregory Crinum is an old mine previously owned by the BHP/Mitsubishi JV and sold to Sojitz Blue in March 2019 for $100m. MYE worked on the mine for the BHP JV from 2009 to 2015 before it was closed, so it well understands the mine’s geology.

We view this contract as a game changer for MYE in terms of earnings visibility and market “rating”, setting the stage for further contracts with the likes of QCoal (Cook Colliery) and Dysart East.

Key points to note for the contract include:

- Initial re-establishment of underground infrastructure expected to take 6-months and represent ~$60m in revenue, ~$40m of which is likely to land in FY22
- Staged bord & pillar production over 6.5 years expected to see 11m tonnes (ROM) over the life of the project, resulting in revenue varying between $90m and $110m per year for MYE
- At full production the mine will employ 180 full time personnel
- Equipment will be supplied from the current MYE fleet
- The contract is said to have minimal downside risk while at the same time rewarding production performance
- As a result of the long contract term, the group’s order book has almost doubled from $600m to $1.1bn.

Similar “appointment of mine operator” announcements to the ASX have been made over the last 6-months by MYE, with every chance they will convert to a WOM contract, namely:

- **Dysart East in November 2020**, with mining plans currently up for public submission. Mine plans for a bord & pillar operation with a production rate of 1.9mtpa were approved for the Mining Lease and it is anticipated the project will employ 200 people at full production.

  Bengal Coal is a private company incorporated in 2009 for the purpose of developing the Dysart East Coal project, with major shareholder Bengal Energy out of India.

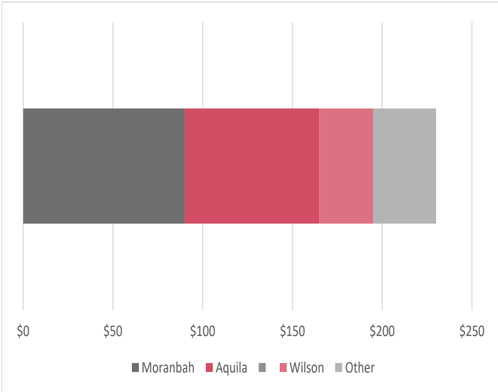
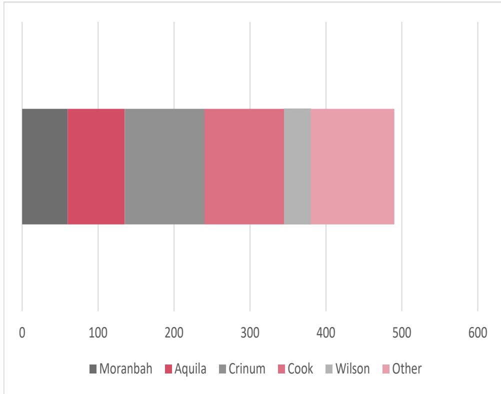
- **QCoal (Cook Colliery) in July 2021**, announcing MYE’s selection “to operate” the mine and involvement in “early contractor works” including the recommissioning of underground infrastructure, overhauling of mining equipment and all associated procurement works.

  QCoal acquired the Cook Colliery from Bounty Mining in 2020 following its receivership in December 2019 following a roof fall, low commodity prices and inability to gain funding for “place change mining”.

<u>The recurring theme with these contracts is that they are with small- to mid-tier owners who do not necessarily have the resources and/or experience of operating underground coal mines in Australia.</u>

Should these preferred contractor announcements move to contract status we estimate similar additions to the order book as Gregory Crinum ($500m-$600m for each project) annual revenue from these WOM contracts could reach $250m by FY24.

This would reduce the current exposure to Anglo America from ~60% in FY21 to ~30%, further diversify the customer base and double FY21 revenue.

Exhibit 9: MYE FY21 revenue mix	MYE forecast FY24 revenue mix
	

Source: RaaS estimates & company announcements

MYE financial forecast assumptions

Revenue

We have pieced together key contract announcements in order to estimate revenue across our forecast period. We have cross-checked these estimates against the current order book as sense check:

- Revenue guidance for FY22 is $300m-$320m
- Anglo (Moranbah North and Aquila) projects are forecast to dominate FY22 revenues accounting for ~60% of total MYE revenues. While the Aquila contract expires in FY23 we have assumed rollover.
- Crinum will contribute for the first time in FY22, estimated at $40m, growing to ~$90m in FY23 and ~$105m in FY24.
- While the final QCoal contract is yet to be signed, detailed information in the FY21 result presentation suggests the deal is done and we have factored this contract into our numbers accordingly, with ~$30m revenue expected in FY22 and ~$100m in FY23.
- We have probability weighted a potential contribution from the Dysart East WOM site at (50%) and assumed a total contract size 20% lower than Crinum and QCoal.
- Wilson Mining is forecast to achieve revenues equal to that at acquisition ($30m).

Exhibit 10: MYE revenue by contract

	2020A	2021A	2022F	2023F	2024F
Contracting	**292**	**233**	**241**	**251**	**244**
Anglo America	185	165	165	165	135
Moranbah Nth	90	90	90	90	60
Aquilia Underground	75	75	75	75	75
Grosvenor	20	0	0	0	0
BMA	0	15	15	15	0
S32 Appin Colliery	25	0	0	0	0
Whitehaven Narrabri	25	0	0	0	0
Wilsons (acquisition)	14	25	30	30	35
Other	43	28	31	41	74
WOM	**0**	**0**	**70**	**205**	**245**
Gregory Crinum (100%)	0	0	40	90	105
Dysart (Bengal)(50%)	0	0	0	15	35
QCoal (Cook)(100%)	0	0	30	100	105
TOTAL	**292**	**233**	**311**	**456**	**489**

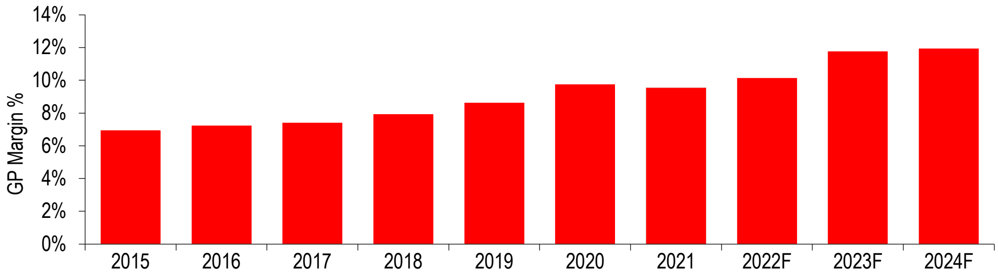
Source: Company announcements & RaaS estimates

EBITDA

Key observations regarding historical and forecast EBITDA and resulting margins are:

- EBITDA guidance for FY22 is $28m-$32m, with our numbers sitting at the top-end of this guidance. EBIT guidance is for $14m-$16m with our numbers again at the top-end of this range.
- Margins have continually improved since the cycle low in FY15 to be sitting at 9.6% in FY21.
- The Anglo America umbrella contract is likely to be a trade-off between volume and margin with group margins likely to be a good indication of Anglo margins.
- We have assumed a higher average margin for both WOM contracts given the significant capex spend and relative bargaining power. Post ramp-up we have group margins at 12% with WOM margins ~1.5% better than contracting together with some operating leverage.
- Equipment hire margins are not disclosed but given the high fixed cost nature of this business and ~45% margins achieved by peer Emeco (ASX:EHL) there is significant earnings leverage to fleet utilisation rates.
- We have "Office" and "Other" costs growing at 10% over FY22 and FY23, and 4% into FY24.

Exhibit 11: MYE EBITDA margin history & forecast



Source: Company financials & RaaS estimates

Exhibit 12: MYE divisional earnings forecasts

	2020A	2021A	2022F	2023F	2024F
Sales	**292.7**	**233.1**	**311.1**	**456.2**	**489.4**
Contracting	271.2	213.9	220.0	228.0	220.0
Whole of Mine	0.0	0.0	70.0	205.0	245.0
Hire/Sale of goods	21.4	19.2	21.1	23.2	24.4
Operating Costs	264.0	210.8	279.5	402.4	430.8
EBITDA	**28.6**	**22.3**	**31.6**	**53.8**	**58.6**
EBITDA Margin	9.8%	9.6%	10.2%	11.8%	12.0%
Depreciation	11.1	12.5	16.1	19.9	20.4
EBIT	17.5	9.7	15.5	33.9	38.1
Interest expense	0.8	1.1	1.0	1.2	1.1
Tax expense	5.1	2.8	4.4	9.8	11.1
Adjustments	0.0	0.0	0.0	0.0	0.0
Adjusted NPAT	**11.7**	**5.9**	**10.2**	**22.9**	**25.9**

Source: Company financials & RaaS estimates

Other Financial Commentary

Balance sheet

FY21 finished the year with $19.3m net cash, which includes a hire purchase agreement of ~5m. This has and will continue to provide the group with considerable financial flexibility for new contract wins and/or acquisition.

There are $20.2m or $0.19/share in excess franking credits on the balance sheet that may be used for capital management purposes.

Working capital has improved as a % of sales from 17% in FY17 to 10% in FY21 on the back of a significant improvement in receivables management. Inventories relative to sales are very modest.

There was $22.9m ($0.21/share) in property, plant and equipment on the balance sheet at June 2021, mainly equipment for hire in contracts, but this will almost double in FY22 on the back of capex spend for the new WOM contracts.

Cash flow

Capex reflects the purchase of plant and equipment for use in contracts. It is a little lumpy in nature given the cost and timing of machinery purchase but has averaged between 2.8% and 4.7% of sales in recent years. FY22 and FY23 spend is expected to be 7%-9% of sales as the company gears up for the WOM contracts. Medium term we have an ongoing spend equal to 3.0% of sales.

We have assumed a performance payment for Wilsons Mining is achieved in relation to FY22 EBITDA targets, and the $4.0m payment is spread across FY22 ($1.8m and FY23 ($2.2m).

Peer Comparison

Our assessed peer group for MYE rely on a mix of human resources and consumables to deliver services, typically under contract, mostly on a fixed rate basis and predominantly across the mining services space. These companies are people heavy and rely on the efficient management & utilisation of these people to deliver contracted outcomes and derive an acceptable return.

We have only included companies under A$1bn market cap, with most under $500m. A brief summary of selected peers is listed below.

Service Stream (SSM:ASX). A provider of essential network services to the telecommunications and utility sectors. The group has >2,200 employees and access to >3,000 contractors.

FY21 revenue was $804m, split ~60% telecommunications (mainly NBN) and ~40% utilities. In July 2021 SSM announced the acquisition of Lendlease Services for $310m enterprise value (6.9x EBITDA pre-synergies), adding a further $800m in revenue and bringing complementary (Telco and Utilities) and new (transport infrastructure, mainly roads) to the portfolio and increasing employee numbers to ~5,000.

Macmahon (MAH:ASX). A contract miner offering a comprehensive range of services across Australia and Southeast Asia, predominantly across Surface (75%), Underground (22%) and Mining Support (3%).

MAH has a cornerstone contract in Indonesia until FY31 with AMNT (the Batu Hijau Copper mine) which represented 23% of FY21 revenue, while most other clients and projects are in Australia, particularly Gold.

Licopodium (LYL:ASX). Provides engineering, construction and asset management solutions operating across the resources, infrastructure and industrial processes sectors. The group specialises in complex, multidisciplinary projects through the provision of feasibility studies and advisory services with offices in Australia, South Africa, Canada and the Philippines.

In FY21 resources represented 87% of group revenue while Africa represented 62% of revenue by Geography and Australia 26%.

GR Engineering (GNG:ASX). An engineering design and construction contractor specialising in fixed price engineering design and construction services to the resources and mineral processing industry.

Projects are predominantly Australia based and announced regularly to the market. FY21 revenue was $393m, well up on the $220m delivered in FY20. Guidance for FY22 if for $440-$460m.

MACA Limited (MLD:ASX). The largest contract miner in WA with a diversified offering that extends across mining, crushing, civil infrastructure and SMP.

Post acquiring Mining West from Downer (ASX:DOW) in February 2021 MLD employs over 3,000 people and has over 500 major fleet items including Dump Trucks, Excavators and Surface Drills. The group has significant client diversity (largest client is 13% of FY22 work in hand) with commodity exposure concentrated around Gold and Iron Ore.

NRW Holdings (NWH:ASX). Is a diverse contractor across Mining (~45% revenue), Civil (38%), Drill & Blast (7%) and Minerals, Energy & Technology (10%). The group recent acquired Primero Group, providing further capabilities in construction and EPC capabilities.

NWH is the largest peer by market cap at $850m with forecast revenue in FY22 of ~$2.5bn.

DDH1 (DDH:ASX). Is a mineral drilling company with ~100 rigs generating and ~1,000 employees that generated $945m in revenue over FY21 across predominantly Gold (~60%) and Iron Ore (~18%) clients.

The group has only recently listed (March 2021), having been a private equity roll-up including Strike and Ranger drilling.

Mitchell Services (MSV:ASX). Is a mineral drilling company with 96 rigs generating $191m in revenue over FY21 predominantly across Coking Coal (~45%) and Gold (~35%) clients.

The group is predominantly East Coast based with ~70% of revenue in QLD and 15% NT.

BSA Limited (BSA:ASX). One of Australia's leading providers of technical services and field solutions to the Communications & Utilities (CUI) and Property (APS) sectors. The group has over 1,200 employees and access to >2,000 skilled field workers.

In FY21 the revenue split between CUI and APS was even, and key contracts included NBN, Telstra and Foxtel.

Emeco Holdings (EHL:ASX). Is leading provider of earthmoving equipment rental and maintenance services to the Australian mining industry, be it fully maintained, or customer maintained.

The group has >1,000 production and ancillary vehicles supported by a network of workshops and proprietary EOS technology to manage capacity utilisation.

The table below summarises the peer group financials for FY22. The highlighted stocks represent the four highest rated stocks according to our relative matrix and are key to our relative valuation approach.

Exhibit 13: Peer Group financial comparison – FY22 metrics

Company Name	Ticker	Share price (cps)	Mkt Cap (A$m)	FY21 Net Debt (A$m)	FY22(f) EBITDA (A$m)	FY22(f) Sales (A$m)	EBITDA %	Working Capital/Sales	EV/ EBITDA (x)	EV/ EBIT (x)
NRW Holdings	NWH	1.91	858	88.7	293.0	2,450	12.0%	6.0%	3.2	6.3
Emeco Holdings	EHL	1.13	615	225.0	259.0	690	37.5%	4.9%	3.2	6.4
Macmahon	MAH	0.23	495	130.3	254.0	1,450	17.5%	7.2%	2.5	6.3
Service Stream # *	SSM	0.84	517	128.0	122.0	1,350	9.0%	-6.2%	5.3	7.7
DDH1	DDH	1.13	387	-14.5	79.0	315	25.1%	18.0%	4.7	6.9
MACA Limited	MLD	0.85	290	180.0	172.2	1400	12.3%	7.1%	2.7	6.2
GR Engineering	GNG	1.89	293	-76.9	41.6	450	9.2%	-3.0%	5.2	5.6
Licopodium	LYL	4.71	187	-76.8	26.5	165	16.1%	13.8%	4.2	5.1
BSA Limited	BSA	0.31	134	-12.0	22.8	430	5.3%	1.7%	5.4	8.8
Mitchell Services #	MSV	0.45	100	24.4	42.0	210	20.0%	6.4%	3.0	6.2
AVERAGE			388	59.6			**16.4%**	**5.6%**	**3.9**	**6.6**
Top-4 rated Average									**4.6**	**7.4**
Mastermyne	**MYE**	**0.96**	**103**	**-19.5**	**31.6**	**311**	**10.2%**	**9.6%**	**2.6**	**5.4**

Sources: Company financials, Thompson Reuters, RaaS estimates # Debt adjustments made for post June-30 events * Pro forma

Looking at selected peer group FY22 metrics we would highlight MYE has:

- The equal lowest market cap of the group at just over $100m
- Has lower than average EBITDA margins and higher than average WC/sales
- Is trading at a 33% EV/EBITDA and 18% EV/EBIT discount to the peer average
- Is trading at a 40% EV/EBITDA and 27% EV/EBIT discount to our top-4 rated peers
- FY22 has limited contribution n from the WOM contracts relative to the full year run rate.

Peer group relative multiple valuation

Given the number of comparable ASX listed peers, their extensive listed track record and analyst coverage, we prefer a relative multiple valuation approach for MYE. To establish the appropriate "relative" (premium or discount) we have used our (7) variable matrix with (4) qualitative and (3) quantitative measures. Our analysis suggests MYE deserves a premium to the peer group, so our reference multiple is the average of the highest rated four stocks in our assessed peer group.

Based on FY22 metrics this equates to an EV/EBIT multiple of 7.4x and EV/EBITDA of 4.6x. We apply these multiples to MYE's FY23 metrics (including a net debt position) as this year is more reflective of ongoing earnings under the recently won WOM contracts. The resulting valuation translates to $2.25/share for MYE using a 50% weighting of each multiple. We have not valued excess franking credits which currently equate to $0.19c/share.

Exhibit 14: MYE valuation under various scenarios

	MYE @0.96c/FY22	Peer Average	Top-4 rated *	Top rated	Comments
EV/EBIT					
Multiple	**5.4 x**	**6.6 x**	**7.4 x**	**8.8 x**	
FY22	$0.96	$0.85	$1.01	$1.07	
FY23	$1.62	$2.00	$2.25	$2.70	
EV/EBITDA					
Multiple	**2.6 x**	**3.9 x**	**4.6 x**	**5.4 x**	
FY22	$0.96	$1.33	$1.55	$1.78	
FY23	$1.20	$1.90	$2.25	$2.65	
Blended (50%)					
FY22	$0.96	$1.09	$1.28	$1.43	Not reflective on MYE upside
FY23	$1.41	$1.95	**$2.25**	$2.68	Selected year for valuation

Source: Company financials & RaaS estimates * SSM, BSA, DDH, MSV

DCF valuation

To cross check our relative multiple assumptions we have constructed a DCF valuation for MYE. Using the assumptions listed below we derive a DCF valuation of $1.85/share or A$197m enterprise value:

- MYE experiences two EBIT declines over the forecast period
- Terminal EBIT is 25% below that forecast for FY23
- Terminal growth rate of 2.2%
- Sustainable EBITDA margin of 7.2%;
- Longer-term working capital to sales of 10.0%
- Longer-term capex to sales of 3.0%
- No acquisitions or material hard rock contracts forecast.

Exhibit 15: MYE Base Case DCF valuation

Parameters	Outcome
Discount Rate / WACC	10%
Beta	1.1x
Terminal growth rate assumption	2.2%
Sum of PV	$87.8m
PV of terminal Value	$90.0m
PV of Enterprise	$177.8m
Debt (Cash)	-$19.5
Net Value - Shareholder	$197.3m
No of shares on issue	107m
NPV	$1.85

Source: RaaS estimates

SWOT analysis

The strengths and opportunities for MYE outweigh the weaknesses and threats in our view and can be summarised below.

Exhibit 16: Strengths, Weaknesses, Opportunities, Threats

Strengths	Opportunities
Market leader in underground/Metallurgical coal services	Deliver on WOM Gregory Crinum contract
Long-term relationships with mining majors	Secure further WOM contracts from current relationships
Strong balance sheet	Improve contract structure of WOM vs Umbrella agreements
Equipment ownership for use in contracts	Migrate skill sets into other hard rock commodities
Increasingly diversified revenue stream	Diversify client exposure
Weaknesses	**Threats**
Heavily exposed to one commodity (Metallurgical coal)	Acceleration of decarbonising stell making process
Currently highly exposed to one client (Anglo America)	Sustained weakness in Metallurgical coal prices
ESG perception of "coal"	

Source: RaaS analysis

Board and management

Directors

Mr Colin Bloomfield, non-Executive Chairman. Starting as an underground miner himself, Colin spent 27-years with BHP Billiton which included 8-years as President of Illawarra Coal, and the Vice President Health Safety and Environment and Project Director for the BHP Billiton merger.

Mr Anthony Caruso, Managing Director. Joined Mastermyne in 2005 and has overseen the growth, development and listing of MYE.

Tony has worked for >30-years in a number of senior management positions for contracting services across major underground mining projects in NSW and QLD.

Mr Andrew Watts, Non-Executive Director. Co-founder of Mastermyne in 1996 and from 1996 to 2005 was responsible for all aspects of Mastermyne's operations until the appointment of Anthony Caruso.

Mr Gabriel Meena, Non-Executive Director. An executive with >30-years' experience in the steel, mining and stevedoring industries. Gabriel's most recent role was GM of Operations with Patrick Terminals. Prior to this Gabriel held roles as General Manager for Mills & Coating for Bluescope Steel and General Manager for a number of mines at BHP Collieries'.

Ms Julie Whitcombe, Non-Executive Director. Currently GM Strategy & Development for CleanCo, a Government Owned Corporation focused on the development and supply of firmed renewable energy for Queensland customers. Prior to her current role Julie held leadership roles including CEO of RDO Australia, an industrial and agricultural equipment dealer and 9-years as part of the executive team of Senex Energy, an ASX-listed oil & gas company.

Management

Mr Brett Maff, Chief Financial Officer. Brett has over 20 years' experience in senior financial and executive roles in the mining resources and mining services industries. Brett has also worked on mine sites during the construction and operations throughout his career

Ms Vivienne Gayton, Executive GM, HR. Joined Mastermyne in 2010 after holding management roles in a number of organisations. Responsible for all aspects of HR, organisational development, industrial relations, governance and HR strategy.

Mr David Sykes, Executive GM, Strategy & Growth. David has worked across a number of underground coal operations including Moranbah North, Dartbrook and Central Colliery in roles including Mine Manager and SSE/General Manager.

Mr Paul Green, Executive GM, Mining Queensland. Paul commenced his role in March 2020 having been well known to the Mastermyne business and comes with over 25-years of experience in operational management, strategic development and organisational change roles in the Australian coal mining industry.

Research as a Service

Exhibit 17: Financial Year Financial Summary

Mastermyne Group (MYE.AX)					
Profit and Loss (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
Revenue	292.7	233.1	311.1	456.2	489.4
Gross profit	35.3	30.4	41.6	64.8	70.0
GP margin %	12.1%	13.0%	13.4%	14.2%	14.3%
Underlying EBITDA	28.6	22.3	31.6	53.8	58.6
Depn	(11.1)	(12.5)	(16.1)	(19.9)	(20.4)
Amort	0.0	0.0	0.0	0.0	0.0
EBIT	17.5	9.7	15.5	33.9	38.1
Interest	(0.8)	(1.1)	(1.0)	(1.2)	(1.1)
Tax	(5.1)	(2.8)	(4.4)	(9.8)	(11.1)
NPAT	11.7	5.9	10.2	22.9	25.9
Adjustments	0.0	0.0	0.0	0.0	0.0
Adjusted NPAT	**11.7**	**5.9**	**10.2**	**22.9**	**25.9**
Abnormals (net)	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**11.7**	**5.9**	**10.2**	**22.9**	**25.9**
Cash flow (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
EBITDA (inc cash rent)	25.6	15.6	24.6	46.7	51.3
Interest	(0.8)	(1.1)	(1.0)	(1.2)	(1.1)
Tax	(5.5)	(3.0)	(4.4)	(9.8)	(11.1)
Working capital/other	9.7	1.2	(4.5)	(11.0)	(0.2)
Operating cash flow	**29.1**	**12.8**	**14.8**	**24.7**	**38.9**
Mtce capex	(6.0)	(6.0)	(7.0)	(8.0)	(8.0)
Free cash flow	**23.1**	**6.8**	**7.8**	**16.7**	**30.9**
Growth capex	(2.3)	(1.3)	(31.0)	(12.0)	(14.7)
(Acquisitions)/Disposals	(3.8)	0.0	(1.8)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	**17.0**	**5.5**	**(25.0)**	**4.7**	**16.2**
Equity	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	10.0	(5.0)	(5.0)
Net Dividends paid	(6.1)	(4.7)	(3.5)	(8.0)	(11.8)
Net cash flow for year	**10.9**	**0.8**	**(18.5)**	**(8.3)**	**(0.6)**
Balance sheet (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
Cash	25.4	24.4	5.9	3.3	10.8
Accounts receivable	49.1	40.4	53.9	79.1	84.8
Inventory	6.3	6.4	8.6	12.6	13.5
Other current assets	0.0	1.2	0.0	0.0	0.0
Total current assets	*80.7*	*72.4*	*68.4*	*95.0*	*109.1*
PPE	22.4	22.9	51.8	51.1	52.6
Goodwill	12.2	12.3	12.3	12.3	12.3
Right of use asset	14.5	14.0	14.0	14.0	14.0
Deferred tax asset	7.9	7.5	7.5	7.5	7.5
Other	0.0	0.0	1.8	8.2	6.8
Total non current assets	*57.0*	*56.8*	*87.5*	*93.1*	*93.3*
Total Assets	137.7	129.2	155.8	188.1	202.3
Accounts payable	34.1	24.4	32.6	47.8	51.2
Short term debt	0.0	0.2	0.0	0.0	0.0
Provisions	1.6	1.0	1.0	1.0	1.0
Lease liabilities/other	14.9	18.5	20.5	27.6	29.3
Total current liabilities	*50.6*	*44.2*	*54.1*	*76.4*	*81.6*
Long term debt	0.0	0.0	10.0	5.0	0.0
Other non current liabs	13.1	9.9	9.9	9.9	9.9
Total long term liabilities	*13.1*	*9.9*	*19.9*	*14.9*	*9.9*
Total Liabilities	63.8	54.0	74.0	91.3	91.4
Net Assets	**73.9**	**75.2**	**81.9**	**96.8**	**110.9**
Share capital	61.0	64.3	64.3	64.3	64.3
Reserves	(19.8)	(22.5)	(22.5)	(22.5)	(22.5)
Retained Earnings	32.2	33.4	40.1	54.9	69.1
Minorities	0.5	0.0	0.0	0.0	0.0
Total Shareholder funds	**73.9**	**75.2**	**81.9**	**96.7**	**110.9**

Share price (September 1 2021)					**A$**	**0.960**
Interim (A$m)	**H120**	**H220**	**H121**	**H221**	**H122F**	**H222F**
Revenue	136.4	156.3	110.9	122.2	139.0	172.1
EBITDA	11.4	17.2	9.8	12.5	12.9	18.7
EBIT	6.6	11.0	3.4	6.3	5.4	10.1
NPAT (normalised)	4.3	7.3	2.0	3.9	3.4	6.7
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	4.3	7.3	2.0	3.9	3.4	6.7
EPS (normalised)	nm	0.070	0.018	0.037	0.032	0.063
EPS (reported)	nm	0.070	0.018	0.037	0.032	0.063
Dividend (cps)	0.020	0.040	0.008	0.023	0.010	0.035
Imputation	100%	100%	100%	100%	100%	100%
Operating cash flow	na	na	na	na	na	na
Free Cash flow	na	na	na	na	na	na
Divisionals	**H120**	**H220**	**H121**	**H221**	**H122F**	**H222F**
Contracting	126.1	145.2	102.0	111.9	104.3	115.7
Whole of Mine	0.0	0.0	0.0	0.0	25.0	45.0
Sale of Goods	3.0	2.5	2.2	2.5	2.5	2.7
Machinery Hire	7.3	8.7	6.7	7.8	7.2	8.7
Total Revenue	**136.4**	**156.3**	**110.9**	**122.2**	**139.0**	**172.1**
Gross profit	**15.8**	**19.5**	**13.8**	**16.6**	**18.2**	**23.4**
Underlying GP Margin %	11.6%	12.5%	12.4%	13.6%	13.1%	13.6%
Operating Costs						
Office	3.8	2.7	3.6	3.5	4.2	3.8
Other	0.7	0.8	1.0	0.8	1.1	0.8
Other income	- 0.2	- 1.2	- 0.7	- 0.1	-	-
Total costs	**4.4**	**2.4**	**4.0**	**4.1**	**5.3**	**4.7**
EBITDA	**11.4**	**17.2**	**9.8**	**12.5**	**12.9**	**18.7**
EBITDA margin %	8.4%	11.0%	8.8%	10.3%	9.3%	10.9%
Margins, Leverage, Returns		**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
EBITDA margin %		9.8%	9.6%	10.2%	11.8%	12.0%
EBIT margin %		6.0%	4.2%	5.0%	7.4%	7.8%
NPAT margin (pre significant items)		4.0%	2.5%	3.3%	5.0%	5.3%
Net Debt (Cash)		-25.4	-24.2	4.1	1.7	-10.8
Net debt/EBITDA (x)	(x)	-0.9 x	-1.1 x	0.1 x	0.0 x	-0.2 x
ND/ND+Equity (%)	(%)	nm	nm	nm	nm	nm
EBIT interest cover (x)	(x)	0.0x	0.1x	0.1x	0.0x	0.0x
ROA		25.5%	7.3%	10.9%	19.7%	19.5%
ROE		15.8%	7.8%	12.4%	23.7%	23.4%
ROIC		11.4%	2.4%	8.8%	15.9%	14.1%
NTA (per share)		0.59	0.59	0.65	0.79	0.92
Working capital		21.2	22.4	29.9	43.9	47.1
WC/Sales (%)		7.2%	9.6%	9.6%	9.6%	9.6%
Revenue growth		29.7%	(20.4%)	33.5%	46.6%	7.3%
EBIT growth pa		49.6%	(44.5%)	59.5%	118.4%	12.5%
Pricing		**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
No of shares (y/e)	(m)	105.4	107.0	107.0	107.0	107.0
Weighted Av Dil Shares	(m)	105.4	107.0	107.0	107.0	107.0
EPS Reported	cps	0.111	0.055	0.095	0.214	0.242
EPS Normalised/Diluted	cps	0.111	0.055	0.095	0.214	0.242
EPS growth (norm/dil)		48%	-50%	73%	125%	13%
DPS	cps	0.060	0.030	0.045	0.110	0.120
DPS Growth		50%	-50%	50%	144%	9%
Dividend yield		6.3%	3.1%	4.7%	11.5%	12.5%
Dividend imputation		30	30	30	30	31
PE (x)		8.7	17.5	10.1	4.5	4.0
PE market		18.0	18.0	18.0	18.0	18.0
Premium/(discount)		(51.8%)	(2.8%)	(43.9%)	(75.1%)	(78.0%)
EV/EBITDA		2.6	3.5	3.4	1.9	1.6
FCF/Share	cps	19.74	5.14	-21.71	11.86	22.60
Price/FCF share		4.86	18.68	-4.42	8.10	4.25
Free Cash flow Yield		20.2%	5.4%	(22.6%)	12.4%	23.5%

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS
BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000
RaaS. 20 Halls Road Arcadia, NSW 2159
P: +61 414 354712
E: finola.burke@raasgroup.com

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