Research as a Service

Metarock Group Ltd

H1 FY22 Result & Outlook

Mining Services

FY23 guidance is rocking

8th March 2022

Metarock Group Ltd (ASX:MYE) has reported its H1 FY22 result and provided a revised guidance range for FY22 and first-time guidance for FY23. The H1 FY22 result saw two significant items (Crinum costs of $6.9m and PYBAR transaction costs of $1.1m) and adjusting for these delivered EBITDA of $16.6m, +70% on the depressed H1 FY21 earnings base. Adjusted for a first-time contribution from PYBAR, growth was closer to 35%. The PYBAR contribution was below that implied by acquisition metrics and the result of two problem contracts that are being worked through. FY22 revenue and EBITDA guidance has been downgraded on the back of PYBAR and Crinum delays but still implies growth of 60% and 320% respectively. FY23 guidance implies an average 120% EBITDA uplift on FY22 as the two whole-of-mine contracts (Crinum and Cook) reach full production, and PYBAR secures new contracts while resolving problem contracts. Importantly, this level of revenue and EBITDA should be sustainable for at least six years given the structure of the contracts, and a key reason why we believe the stock deserves a premium rating relative to its peer group. We estimate a FY22 peer EV/EBITA and EV/EBITDA multiple of 6.1x and 3.7x respectively. A blended FY23 multiple for MYE (the first year of WOM delivery) implies a share price of $1.40/share. Our valuation is closer to $1.78/share on the premise that longer-term contracts deserve a premium to the sector average. A sector re-rate offers further upside. Our DCF as a sense check is $2.00/share.

Business model

MYE provides a range of contracted services and equipment hire to major underground metallurgical coal and more recently metalliferous hard rock owner/operators via the acquisition of PYBAR. These services include underground roadway development, conveyor installation, longwall relocation and maintenance, and supply and installation of underground ventilation control devices. Such services require the recruitment of human resources and efficient 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.

Transformational deals not yet evident in reported numbers

The $47m PYBAR acquisition (plus assumed equipment hire leases) has contributed for just two months, the seven-year WOM Crinum contract delayed 20 weeks, and the four-six-year Cook Colliery contract has just been signed, while significant capex/costs have been incurred in readiness for all three. Revised guidance for FY23 provides an insight into the group's earnings potential and implies EBITDA growth of ~120% on FY22. Importantly, the FY23 earnings levels should be sustainable over the next six years given contract duration and structure. This is key when looking at numbers and resulting valuation multiples.

Valuation of $1.78/share based on peer multiples

Our preferred valuation methodology for MYE is multiple-based given the number of long-listed mining services companies on the ASX. We apply FY22 "top-three" peer multiples to MYE's FY23 earnings as they are more reflective of the recent WOM contracts and PYBAR acquisition. The result is a blended valuation of $1.78/share and implies multiples of just 4.4x EV/EBITDA and 6.9x EV/EBITDA. We see upside from a sector re-rate off this low base.

Historical earnings and RaaS estimates (in $A unless otherwise stated)

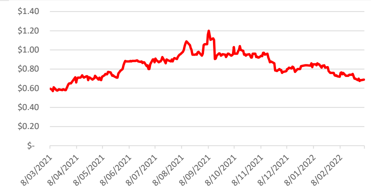
Year end	Adj. Revenue	Rep. EBITDA	Adj. NPATA	EPS (adj) (c)	P/E (x)	Dividend Yield (%)	EV/EBITDA (x)
06/21a	233.1	22.3	5.9	0.05	12.6	4.3%	2.2
06/22e	461.8	38.4	3.0	0.02	28.3	0.0%	4.5
06/23e	716.2	83.4	20.9	0.16	4.3	7.2%	2.1
06/24e	733.9	88.0	24.8	0.19	3.6	11.6%	1.9

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

Share Details

ASX code	MYE
Share price (7-Mar)	$0.69
Market capitalisation	$90.0M
Shares on issue	130.2M
Net debt at 31-Dec-21	$70.2M
Free float	~52.4%

Share Performance



Upside Case

- Delivering on $1.9bn order book
- New WOM contracts like Crinum/Cook
- Delivering on PYBAR acquisition

Downside Case

- Lower metallurgical coal prices/lower activity
- 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
Paul Rouse	Non-Executive Director

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***The analyst holds shares**

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Investment Case Revisited

Off a low FY21 earnings base, MYE is poised for a period of strong 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 12 months and metallurgical coal prices are >250% higher than the December 2020 lows on recovering European demand and trade disruptions caused by China's import ban on Australian coal.
- Higher prices are resulting in increased contracting activity together with the restarting of a number of mines under care and maintenance.
- The Gregory Crinum WOM contract announced in May 2021 is an example, offering a seven-year term and ~$100m in annual revenue (40% of the FY21 revenue base) at better-than-group EBITDA margins.
- QCoal (Cook Colliery) is another recently signed with a four-year contract and two-year option promising ~$80m per annum in annual revenue.
- The recent acquisition of PYBAR not only provides MYE exposure to the underground metalliferous sector, diversifying away from metallurgical coal, it almost doubles revenues. While cost synergies are modest, revenue synergies should be solid as MYE utilises its ASX listing and balance sheet for larger contracts, with the recently awarded Maxwell Drifts contract an example ($55m-$65m or 23% of FY22).
- 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. Our selected peer group has delivered CAGR 30% revenue growth and CAGR 49% EBIT growth between FY16 and FY21 while reducing debt and keeping average capex/depreciation below 1.0x. Over the last six months there have been widespread revenue upgrades and few earnings misses despite wage and Covid pressures.

PYBAR Acquisition

MYE completed the acquisition of underground metalliferous rock mining service company PYBAR on 5 November 2021. Key information on PYBAR and terms of the deal are as follows:

- $47m purchase price and the assumption of $52m in equipment hire leases, $23.5m cash (half paid on completion and half 12 months from completion) and $23.5m in shares at an effective price of $1.01.
- PYBAR revenues have ranged from $270m-$350m in recent years, with FY22 revenues guidance of $260m.
- Most contracts are tied to production and development activities with long-standing tier-one clients.
- A diverse FY21 revenues mix with gold (36%), copper (36%), lead (16%) and zinc (12%) key commodity exposures.
- PYBAR FY21 EBITDA of $33m, depreciation $24m and EBIT of $9.0m.
- Resulting FY21 acquisition metrics imply an EV/EBITDA of 3.0x and EV/EBIT of 11.0x. We estimate an EBIT multiple closer to 8.0x if deprecation policies are aligned.
- A fleet book value of $57m with an average age of four-five years, which has recently been revalued to $69m. 40% of the fleet has been purchased in the past three years.

The businesses are expected to run side by side, so synergies will be limited to the likes of insurance, borrowing rates, procurement and training, together with some back office.

Interim Result Summary – H1 FY22

Key take-outs from the interim FY22 result include:

- Underlying contracting business in-line with expectations with revenue ~11% above H1 FY21 and underlying EBITDA ~35%.
- The PYBAR contribution, albeit for just two months, was well below initial guidance with the EBITDA contribution ~$3.5m against an implied contribution closer to $5.0m. Two problem contracts have impacted group margins, apparently known about pre-acquisition and being worked through currently.
- Significant abnormals relating to the Crinum fatality ($6.9m) and PYBAR acquisition transaction costs ($1.1m) were incurred. We have treated these costs as abnormals in the table below.
- Net debt at $70m against a net cash position at 30 June 2021 of $18m. This was expected and the result of the PYBAR acquisition and initial capex for Crinum and Cook.
- Capex spend of $19m against $1.2m in the pcp for the reasons mentioned above.

Exhibit 1: MYE H1 FY22 underlying earnings summary (in $A unless otherwise stated)

Variable (A$000')	H1 FY21	H1 FY22	% CHG	Comments
Sales	**110.9**	**178.4**	**61%**	
Contracting	102.0	113.6	11%	Improved met. coal environment
Hire/sale of goods	8.9	11.4	27%	
Whole of mine	0.0	10.0	nm	
PYBAR		43.4	nm	two months of PYBAR
Operating costs (inc. other income)	101.1	163.2	61%	
EBITDA	**9.8**	**15.2**	**56%**	
Depreciation	6.3	11.0	74%	Includes PYBAR asset revaluation (~$1m)
EBITA	**3.4**	**4.2**	**23%**	
Amortisation	0.0	1.1		PYBAR acquisition
EBIT	**3.4**	**3.1**	**-11%**	
Adjusted NPATA	**2.0**	**2.1**	**10%**	
Reported NPATA	2.0	-5.8		Includes Crinum/transaction costs

Source: Company announcements and RaaS estimates

Updated Guidance for FY22 and FY23

FY22 guidance

Key revised guidance metrics for FY22 include:

- Revenues between $450m and $480m (against H1 FY22 of $178m) and previous guidance of $475m to $510m.
- EBITDA between $37m and $43m (against H1 FY22 of $16.6m) and previous guidance of $48m to $54m.
- Capex spend of between $63m and $65m (incorporating H1 FY22 spend of $19m) and previous guidance of $46m to $56m, with Crinum equipment spend main difference.

Our numbers sit at the lower end of the revised guidance range, implying the following H2 FY22 financials:

Exhibit 2: MYE H2 FY22 implied underlying earnings summary (in $A unless otherwise stated)

Variable (A$000')	H2 FY21	H2 FY22	% CHG	Comments
Sales	**122.2**	**283.4**	**132%**	
Contracting	111.9	134.6	20%	Continued strong environment
Hire/sale of goods	10.3	11.4	11%	
Whole of mine	0.0	10.0	nm	Accelerating contribution
PYBAR	0.0	127.4	nm	Full six months
Operating costs (inc. other income)	109.7	260.2	137%	
EBITDA	**12.5**	**23.2**	**85%**	
Depreciation	6.2	20.0	221%	**Includes $3m for PYBAR valuation uplift**
EBITA	**6.3**	**3.2**	-49%	
Amortisation	0.0	2.9		
EBIT	**6.3**	**0.4**	**-94%**	
Adjusted NPATA	**3.9**	**0.8**	**-78%**	
Reported NPATA	3.9	-2.0		

Source: Company announcement & RaaS estimates

FY23 guidance

Key guidance metrics for FY23 have been released for the first time and include:

- Revenues between $700m and $750m. This includes a $55m-$65m contract win (~23% of FY22 revenues) for PYBAR (Maxwell Drifts contract) and both Crinum and Cook reaching full production;
- EBITDA between $80m and $95m; and
- Capex spend of between $33m and $38m, well below that of FY22.

With Crinum a seven-year contract and Cook four years with a two-year option, we view FY23 numbers as sustainable well into FY28, hence our numbers remain elevated into FY24. With high Coal prices there is the distinct possibility of further contracts medium-term.

Exhibit 3: MYE divisional earnings forecasts (in $A unless otherwise stated)

	2020A	2021A	2022F	2023F	2024F
Sales	**292.7**	**233.1**	**461.8**	**716.2**	**733.9**
Contracting	271.2	213.9	248.2	231.2	218.1
Whole of mine	0.0	0.0	20.0	170.0	185.0
Hire/sale of goods	21.4	19.2	22.8	25.0	26.3
PYBAR	0	0.0	170.8	290.0	304.5
Operating costs	264.0	210.8	423.4	632.8	645.9
EBITDA	**28.6**	**22.3**	**38.4**	**83.4**	**88.0**
EBITDA margin %	9.8%	9.6%	8.3%	11.6%	12.0%
Depreciation	11.1	12.5	31.0	48.6	49.6
EBITA	17.5	9.7	7.4	34.8	38.5
Amortisation	0.0	0.0	4.0	4.5	4.0
EBIT	**17.5**	**9.7**	**3.4**	**30.3**	**34.5**
Interest expense	0.8	1.1	3.2	5.0	3.0
Pre-tax	16.8	8.7	0.3	25.3	31.5
Tax expense	5.1	2.8	1.3	8.9	10.6
(Tax rate %)	31%	32%	473%	35%	34%
Amortisation	0.0	0.0	4.0	4.5	4.0
Adjusted NPATA	**11.7**	**5.9**	**3.0**	**20.9**	**24.8**

Source: Company financials and RaaS estimates

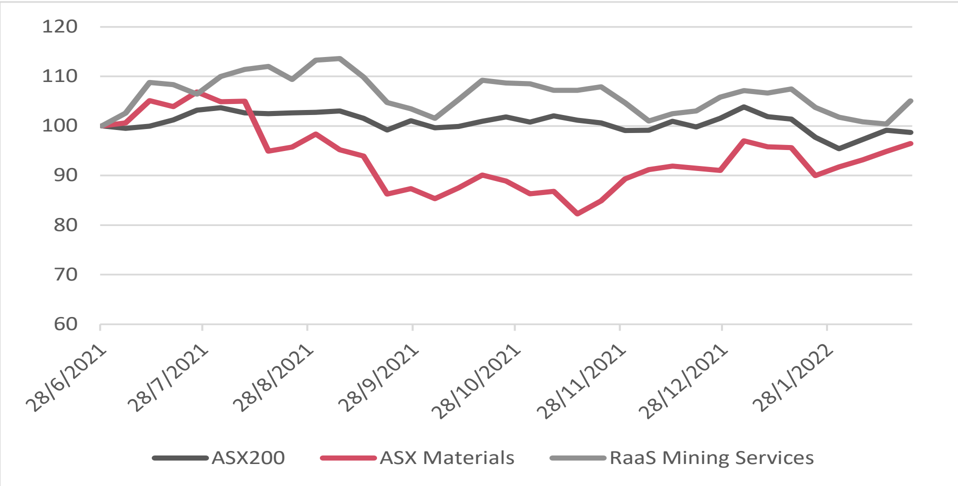
Mining Services Sector Performance

We have constructed a "portfolio" of long-ASX-listed small to mid-cap mining services players comprising MYE, LYL, NWH, MAH, MLD, GNG, EHL and MSV, which utilise both people and equipment to deliver on "mining services" contracts for major miners. All of these companies are included in our peer group for valuation purposes.

Since our Initiation Report in September 2021, we have seen:

- 6% relative outperformance of the portfolio against the ASX200 and 9% against the materials index (since 30 June 2021). MYE has underperformed the portfolio by 17%;
- Over the past 12 months the coking coal price is up 250%, copper and gold prices are 10% higher while iron ore is down 17%;
- Upgraded FY22 revenues guidance from GNG, NWH, LYL and MLD;
- Reiteration of revenues guidance for EHL and MSV;
- EBITDA/EBITA guidance generally unchanged or slightly higher despite wage pressures and COVID-related disruptions; and
- A merger of equals between (ASX:DDH) and the drilling division of (ASX: SWK), continuing the industry consolidation theme.

Exhibit 4: RaaS mining services "small cap" index vs materials and energy



Source: Thompson Reuters and RaaS analysis

Gregory Crinum Update – Full Production by Q1 FY23

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 seven years and is worth between $600m 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.

Tragically, early surface works resulted in a fatality from a fall of ground in the conveyor drift to the mine. Operations were suspended for investigation and remediation work and has resulted in:

- An estimated 20-week delay in production;
- No change to the mine support plan or production methodology which incorporates staged bord and pillar production over 6.5 years expected to see 11m tonnes (ROM) over the life of the project;
- Overhauls and surface work that resulted in $6.9m of additional costs over H1 FY22; and
- Full production by Q1 FY23, with employee numbers set to grow from 71 to 180.

Cook Contract Further Cements WOM Positioning

MYE announced the finer details of the Cook Colliery (QCoal) WOM contract in February 2022 following the announcement in July 2021 that MYE had been selected to operate the Cook mine and involvement in "early contractor works" including the recommissioning of underground infrastructure, overhauling of mining equipment and all associated procurement works.

Mining production is on-track to commence in Q3 FY22 ramping to full production by Q1 FY23 with other key details including:

- Four-year contract with a two-year option;
- Annualised revenues of $70m-$80m expected at full production, with employees set to grow from 60 to 198;
- Purpose-built board and pillar mining methodology to be employed; and
- Most of the start-up capital has been offset by the utilisation of the owner's capital made available and refurbished in early works.

We view these WOM contract as game-changers for MYE in terms of earnings visibility, relative margin and market "rating".

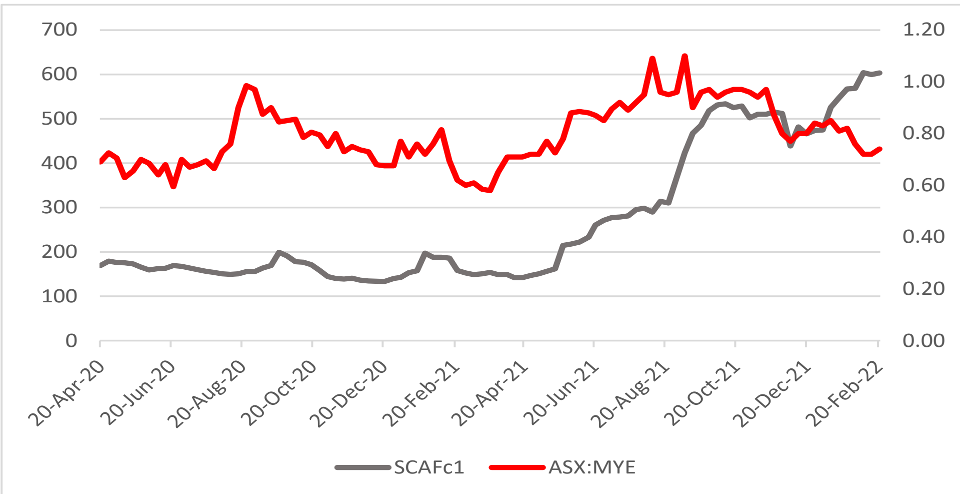
<u>The recurring theme with these contracts is that they are with small- to mid-tier owners who do not have the resources and/or experience of operating underground coal mines in Australia.</u>

Coal price update

The metallurgical coal price and outlook is still important to MYE, and we summarise historical correlation below, which demonstrates <u>a 0.62 correlation co-efficient</u> between the share price of MYE and the metallurgical coal price (using the SCAFc1 or Singapore Exchange's TSI FOB Australia).

This correlation has diverged significantly in recent months despite the coking coal price reaching US$435/tonne in recent weeks, a three-fold increase from year-ago levels.

Exhibit 5: Correlation of metallurgical coal prices against the MYE share price



Source: Thompson Reuters and RaaS analysis

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Other Financial Commentary

Balance sheet

FY21 finished the year with $19.3m net cash. Following the acquisition of PYBAR and significant capex associated with gearing-up for the two WOM contracts, we estimate a net debt position of $92.7m as at June 2022.

Exhibit 6: MYE net debt reconciliation

Parameters	A$m
Cash as @ June 30 2021	**19.3**
Assumed PYBAR debt on acquisition	-52.0
PYBAR tranche-one payment	-10.0
Pro-forma debt at June 2021	-42.7
add forecast operating cashflow	22.2
less forecast capex	-64.2
less abnormals	-8.0
Less dividend	-2.4
Debt as June 2022	**-92.7**

Source: RaaS estimates

There are $20.2m or $0.19/share in excess franking credits on the balance sheet that may be used for capital management purposes. Dividends are likely to resume post peak capex (FY23).

There was $103.4m ($0.80/share) in property, plant and equipment on the balance sheet as at December 2021, mainly equipment for hire acquired via the PYBAR acquisition and capex for the WOM contracts plus Mastermyne additional underground equipment (used for coal contracting contracts).

Cash flow

Capex typically reflects the purchase of plant and equipment for use in contracts, both new and replacement. FY22 capex will increase materially as MYE gear-up for the two WOM contracts and assumes the maintenance spend for PYBAR.

Exhibit 7: MYE capex forecast by division

	2020A	2021A	2022F	2023F	2024F
Contracting	8.3	7.3	6.0	6.0	9.0
Crinum	0.0	0.0	40.4	14.4	3.2
Cook	0.0	0.0	7.5	4.0	2.4
PYBAR	0.0	0.0	10.3	14.0	21.0
TOTAL	**8.3**	**7.3**	**64.2**	**38.4**	**35.6**

Source: Company financials and RaaS estimates

The second tranche payment for PYBAR ($10.0m) is expected in November 2022, while the performance payment for Wilsons Mining is expected to be achieved in relation to FY22 EBITDA targets, the final payment will be made in September 2022 ($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 and utilisation of these people to deliver contracted outcomes and derive an acceptable return.

We have only included companies under A$1b market cap, with most under $500m.

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

Exhibit 8: 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	2.13	956	40.0	282	2,450	11.5%	6.0%	3.5	6.6
Emeco Holdings	EHL	0.95	517	220.0	256.0	690	37.1%	4.9%	2.9	5.8
Macmahon	MAH	0.18	388	130.0	280	1,650	17.0%	7.2%	1.8	5.2
Service Stream # *	SSM	0.92	567	128	122	1,350	9.0%	-6.2%	5.7	8.3
DDH1 *	DDH	1.04	444	12.0	114	494	23.1%	18.0%	4.0	5.9
MACA Limited	MLD	0.78	267	207.0	172.2	1600	10.8%	7.1%	2.7	6.2
GR Engineering	GNG	2.04	316	-93.6	48.5	590	8.2%	-3.0%	4.6	5.0
Licopodium	LYL	5.50	218	-63.8	28.3	245	11.6%	13.8%	5.5	6.7
Mitchell Services	MSV	0.35	78	24.4	42.0	210	20.0%	6.4%	2.4	5.1
AVERAGE			417				16.5%	6.0%	3.7	6.1
Top-3 rated average									**3.7**	**6.1**
Metarock (FY23)	**MYE**	0.69	90	92.7	83.4	716	11.6%	9.6%	2.2	5.2

Sources: Company financials, Thompson Reuters, RaaS estimates ; *Pro forma

Looking at selected peer group FY22 metrics (against MYE's FY23) we would highlight MYE:

- Is one of only two stocks to be < $100m market cap;
- Has lower-than-average EBITDA margins and slightly higher-than-average WC/sales;
- Is trading at a 41% EV/EBITDA and 15% EV/EBIT discount to the peer average; and
- Is trading at a 50% EV/EBITDA and 30% EV/EBIT discount to our top-three rated peers.

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 seven-variable matrix with four qualitative and three quantitative measures. Our analysis suggests MYE deserves a premium to the peer group, so our reference multiple is the average of the highest-rated three stocks in our assessed peer group.

Based on FY22 metrics this equates to an EV/EBIT multiple of 6.9x and EV/EBITDA of 4.4x. We apply these multiples to MYE's FY23 metrics as this year is more reflective of ongoing earnings under the recently won WOM contracts and the PYBAR acquisition. The resulting valuation translates to $1.78/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 9: MYE valuation under various scenarios

	MYE @ 0.68c	Peer average	Top-3 rated *	Top rated	Comments
EV/EBIT					
Multiple	**4.6x**	**6.1x**	**6.9x**	**8.4x**	Top-3 rated = 15% premium to peer
FY23	$0.68	$1.10	$1.35	$1.75	
EV/EBITDA					
Multiple	**2.1x**	**3.7x**	**4.4x**	**5.8x**	Current peer averages are very low
FY23	$0.68	$1.70	$2.20	$3.00	
Blended (50%)					
FY23	$0.68	$1.40	**$1.78**	$2.38	$1.78 is our blended valuation

Source: Company financials and RaaS estimates; *SSM, DDH, NWH

DCF Valuation

To cross-check our relative multiple approach we have constructed a DCF valuation for MYE. Using the assumptions listed below we derive a DCF valuation of $2.00/share or A$303m enterprise value. Key assumptions include:

- Zero medium-term growth (between FY27 and FY30);
- Terminal growth rate of 2.2%;
- Sustainable EBITA margin of 5.2%;
- Longer-term working capital to sales of 6.0%; and
- Medium-term capex to depreciation of 0.9x.

Exhibit 10: MYE base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	10%
Beta	1.1x
Terminal growth rate assumption	2.2%
Sum of PV	$144m
PV of terminal value	$210m
PV of enterprise	$354m
Debt (cash) at June 2022	$92.7
Net value - shareholder	$261.6m
No. of shares on issue	130m
NPV	$2.00

Source: RaaS estimates

Exhibit 11: Financial Year Financial Summary

Metarock Group (MYE.AX)					
Profit and Loss (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
Revenue	292.7	233.1	461.8	716.2	733.9
Other Income	1.3	0.8	1.7	0.0	0.0
Operating Costs	262.7	210.0	421.7	632.8	645.9
Underlying EBITDA	28.6	22.3	38.4	83.4	88.0
Depn	(11.1)	(12.5)	(31.0)	(48.6)	(49.6)
Amort	0.0	0.0	(4.0)	(4.5)	(4.0)
EBIT	17.5	9.7	3.4	30.3	34.5
Interest	(0.8)	(1.1)	(3.2)	(5.0)	(3.0)
Tax	(5.1)	(2.8)	(1.3)	(8.9)	(10.6)
NPAT	11.7	5.9	(1.0)	16.4	20.8
Adjustments	0.0	0.0	4.0	4.5	4.0
Adjusted NPAT	**11.7**	**5.9**	**3.0**	**20.9**	**24.8**
Abnormals (net)	0.0	0.0	(6.8)	0.0	0.0
NPAT (reported)	**11.7**	**5.9**	**(7.8)**	**16.4**	**20.8**
Cash flow (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
EBITDA (inc cash rent)	25.6	15.6	31.4	76.2	80.8
Interest	(0.8)	(1.1)	(3.2)	(5.0)	(3.0)
Tax	(5.5)	(3.0)	(1.3)	(8.9)	(10.6)
Working capital/other	9.7	1.2	(1.4)	3.0	1.7
Operating cash flow	**29.1**	**12.8**	**25.6**	**65.3**	**68.8**
Mtce capex	(6.0)	(6.0)	(17.0)	(28.0)	(28.0)
Free cash flow	**23.1**	**6.8**	**8.6**	**37.3**	**40.8**
Growth capex	(2.3)	(1.3)	(47.2)	(10.4)	(7.6)
(Acquisitions)/Disposals	(3.8)	0.0	(65.6)	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Cash flow pre financing	**17.0**	**5.5**	**(104.2)**	**26.9**	**33.3**
Equity	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	110.0	(4.0)	(15.0)
Net Dividends paid	(6.1)	(4.7)	(2.4)	(6.1)	(10.4)
Net cash flow for year	**10.9**	**0.8**	**3.4**	**16.7**	**7.9**
Balance sheet (A$m)					
Y/E 30 June	**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
Cash	25.4	24.4	22.0	16.8	16.5
Accounts receivable	49.1	40.4	76.5	97.6	100.0
Inventory	6.3	6.4	25.1	36.8	37.7
Other current assets	0.0	1.2	0.0	0.0	0.0
Total current assets	*80.7*	*72.4*	*123.6*	*151.2*	*154.2*
PPE	22.4	22.9	118.9	123.9	125.3
Goodwill	12.2	12.3	37.3	32.8	28.8
Right of use asset	14.5	14.0	21.0	21.0	21.0
Deferred tax asset	7.9	7.5	7.5	7.5	7.5
Other	0.0	0.0	1.8	13.2	15.0
Total non current assets	*57.0*	*56.8*	*186.5*	*198.4*	*197.6*
Total Assets	137.7	129.2	310.2	349.6	351.8
Accounts payable	34.1	24.4	65.8	82.5	84.6
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	26.9	38.8	39.6
Total current liabilities	*50.6*	*44.2*	*93.7*	*122.3*	*125.2*
Long term debt	0.0	0.0	110.0	106.0	91.0
Other non current liabs	13.1	9.9	14.0	14.0	14.0
Total long term liabilities	*13.1*	*9.9*	*124.0*	*120.0*	*105.0*
Total Liabilities	63.8	54.0	217.7	242.3	230.2
Net Assets	**73.9**	**75.2**	**92.4**	**107.2**	**121.6**
Share capital	61.0	64.3	87.8	87.8	87.8
Reserves	(19.8)	(22.5)	(22.5)	(22.5)	(22.5)
Retained Earnings	32.2	33.4	27.2	41.9	56.3
Minorities	0.5	0.0	0.0	0.0	0.0
Total Shareholder funds	**73.9**	**75.2**	**92.5**	**107.2**	**121.6**

Share price (March 7 2022)					A$	0.690
Interim (A$m)	**H121**	**H221**	**H122**	**H222F**	**H123F**	**H223F**
Revenue	110.9	122.2	178.4	283.4	324.0	392.2
EBITDA	9.8	12.5	15.2	23.2	36.7	46.7
EBIT	3.4	6.3	4.2	3.2	14.4	20.4
NPATA (normalised)	2.0	3.9	2.1	0.8	8.3	12.5
Abnormals	0.0	0.0	(6.8)	0.0	0.0	0.0
NPAT (reported)	2.0	3.9	(4.7)	0.8	8.3	12.5
EPS (normalised)	0.018	0.037	(0.038)	0.007	0.064	0.096
EPS (reported)	0.018	0.037	(0.038)	0.007	0.064	0.096
Dividend (cps)	0.008	0.023	0.000	0.000	0.000	0.050
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	**H121**	**H221**	**H122**	**H222F**	**H123F**	**H223F**
Contracting	102.0	111.9	113.6	134.6	91.0	140.2
Whole of Mine	0	0	10.0	10.0	82.0	88.0
Sale of Goods/Hire	8.9	10.3	11.4	11.4	11.0	14.0
Hard Rock (PYBAR)	-	-	43.4	127.4	140.0	150.0
Total Revenue	**110.9**	**122.2**	**178.4**	**283.4**	**324.0**	**392.2**
Operating Costs						
Contract Disbursements	14.2	16.3	34.9	51.0	53.1	64.3
Personnel	83.0	89.3	123.3	198.4	223.6	270.6
Office	3.6	3.5	5.4	9.2	9.0	9.0
Other	1.0	0.8	1.3	1.6	1.6	1.6
Other income	**(1.2)**	**(0.7)**	**(0.1)**	**(1.7)**	**0.0**	**0.0**
Total costs	**100.6**	**109.1**	**164.8**	**258.5**	**287.3**	**345.5**
EBITDA	**10.2**	**13.1**	**13.6**	**24.9**	**36.7**	**46.7**
EBITDA margin %	9.2%	10.7%	7.6%	8.8%	11.3%	11.9%
Margins, Leverage, Returns		**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
EBITDA margin %		9.8%	9.6%	8.3%	11.6%	12.0%
EBIT margin %		6.0%	4.2%	0.7%	4.2%	4.7%
NPAT margin (pre significant items)		4.0%	2.5%	0.6%	2.9%	3.4%
Net Debt (Cash)		- 25.36	- 24.18	87.99	89.20	74.50
Net debt/EBITDA (x)	(x)	-0.9 x	-1.1 x	2.3 x	1.1 x	0.8 x
ND/ND+Equity (%)	(%)	nm	nm	nm	nm	nm
EBIT interest cover (x)	(x)	0.0x	0.1x	0.9x	0.2x	0.1x
ROA		25.5%	7.3%	1.6%	9.2%	9.8%
ROE		15.8%	7.8%	(1.1%)	15.3%	17.1%
ROIC		11.4%	2.4%	(14.5%)	11.3%	9.9%
NTA (per share)		0.59	0.59	0.45	0.57	0.71
Working capital		21.2	22.4	35.8	51.8	53.1
WC/Sales (%)		7.2%	9.6%	7.8%	7.2%	7.2%
Revenue growth		29.7%	(20.4%)	98.1%	55.1%	2.5%
EBIT growth pa		49.6%	(44.5%)	(64.8%)	784.5%	13.8%
Pricing		**FY20A**	**FY21A**	**FY22F**	**FY23F**	**FY24F**
No of shares (y/e)	(m)	105.4	107.0	122.5	130.2	130.2
Weighted Av Dil Shares	(m)	105.4	107.0	122.5	130.2	130.2
EPS Reported	cps	0.111	0.055	(0.064)	0.126	0.160
EPS Normalised/Diluted	cps	0.111	0.055	0.024	0.160	0.191
EPS growth (norm/dil)		48%	-50%	-56%	556%	19%
DPS	cps	0.060	0.030	0.000	0.050	0.080
DPS Growth		50%	-50%	-100%	n/a	60%
Dividend yield		8.7%	4.3%	0.0%	7.2%	11.6%
Dividend imputation		100	100	100	100	100
PE (x)		6.2	12.6	28.3	4.3	3.6
PE market		18.0	18.0	18.0	18.0	18.0
Premium/(discount)		(65.4%)	(30.2%)	57.1%	(76.1%)	(79.9%)
EV/EBITDA		1.7	2.2	4.5	2.1	1.9
FCF/Share	cps	19.74	5.14	-36.26	14.49	19.29
Price/FCF share		3.50	13.43	-1.90	4.76	3.58
Free Cash flow Yield		23.1%	6.1%	(49.4%)	21.0%	28.0%

Source: RaaS Advisory

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

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AFSL 456663

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