

Metarock Group Limited

Rocking FY23 guidance

Metarock Group Limited (ASX:MYE), formerly Mastermyne Group Ltd, is the leading specialist provider of critical underground metallurgical coal and metalliferous hard-rock mining services in Australia, employing almost 2,000 people at December 2021. The business has historically been focused on contracting for major operators including Anglo, S32 and Whitehaven, and still does. More recently, MYE has moved into the “whole-of-mine” (WOM) space meaning it operates the mines in its own right for mid-tier players Sojitz Blue (Crinum) and QCoal (Cook). Both these contracts are in the ramp-up phase requiring significant capex before full production by Q1 FY23. Such contracts are said to be higher margin than contracting and at least six years in duration including options. The current metallurgical coal price is supportive of both the contracting and WOM businesses with prices 350% above levels 18-months ago. To diversify the business away from coal MYE acquired underground hard-rock specialist PYBAR effective November 2021 for \$100m including assumed debt. While there are some commonalities between the businesses, they are expected to run side by side, with PYBAR benefitting from MYE’s ASX listing and balance sheet. Revenue guidance for FY22 is \$450-\$80m, rising to \$700m-\$750m in FY23. Similarly, EBITDA guidance for FY22 is \$37m-\$43m, rising to \$80m-\$95m in FY23, as full production is achieved.

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 revenues and earnings.

Transformational deals set to transform numbers

The \$47m PYBAR acquisition (plus assumed equipment hire leases) contributed for just two months in H1 FY22, while the seven-year WOM Crinum contract was delayed 20 weeks, and the four-to-six-year Cook Colliery contract has just been signed. Significant capex and costs have been incurred in readiness to deliver these contracts. Newly stated guidance for FY23 provides an insight into the group’s earnings potential as these contracts reach full production and PYBAR is integrated, with revenues growth of ~50% and EBITDA growth of ~120% on the revised FY22 guidance.

A number of long-time ASX- listed mining services peers

There are a number of long-ASX-listed small- to mid-cap mining services players which utilise both people and equipment to deliver on contracts in varying durations for mine owners. Peers include LYL, NWH, MAH, MLD, GNG, EHL and DDH. Based on consensus estimates in FY22 the average EV/EBITDA multiple for this group is ~3.8x and EV/EBIT 6.0x. MYE would sit well below this range based on FY23 guidance.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EPS rep. (c)	EV/Revenue (x)^	EV/EBITDA (x)^	PER (x)^
06/18a	190.5	15.7	4.86	5.02	0.05	0.05	0.85	10.4	14.2
06/19a	225.6	19.3	7.19	7.41	0.07	0.10	0.72	8.4	10.1
06/20a	292.7	28.6	11.56	11.66	0.11	0.11	0.56	5.7	6.5
06/21a	233.1	21.5	5.09	5.88	0.05	0.05	0.70	7.6	14.2

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^calculated using current enterprise value and share price

Mining Services

11th March 2022

Share Details

ASX code	MYE
Share price	\$0.71
Market capitalisation	\$92.4M
Shares on issue	130.2M
Net debt at 31-Dec-2021	\$70.2M
Free float	98.9%

Share Performance (12 months)



Upside Case

- Delivering on \$1.9b order book
- New contracts in both contracting and WOM
- Delivering on PYBAR acquisition metrics

Downside Case

- Significantly lower metallurgical coal prices
- Long-term technological advancement in steel making (key use of metallurgical coal)
- Safety issues at key mines

Catalysts

- Delivery of FY22 guidance (Aug-22)
- Further contract announcements

Comparable companies (Aust/NZ)

NRW Holdings (ASX:NWH), Maca Ltd (ASX:MLD), Emeco (ASX:EHL), DDH1 (ASX:DDH), GR Engineering (ASX:GNG), Macmahon (ASX:MAH)

Board and Management

Colin Bloomfield	Non-Executive Chair
Tony Caruso	Managing Director/CEO
Andrew Watts	Non-Executive Director
Gabriel Meena	Non-Executive Director
Julie Whitcombe	Non-Executive Director
Paul Rouse	Non-Executive Director

Company Contact

Brett Maff (CFO) +61 7 4963 0400
brett.maff@metarock.com

RaaS Contact

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

*The analyst holds shares



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

Effective Date: 6th May 2021



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR. This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- 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

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service ("RaaS"). This research is issued in Australia by RaaS and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.