

SRG Global (SRG)

Rating: Buy | Risk: High | Price Target: \$1.15

22 August 2023

SRG delivers 40% EBITDA growth in FY23 and guides to a further 20% growth in FY24

Key Information

Current Price (\$ps)	0.73
12m Target Price (\$ps)	1.15
52 Week Range (\$ps)	0.66 - 0.81
Target Price Upside (%)	58.6%
TSR (%)	64.1%
Reporting Currency	AUD
Market Cap (\$m)	376.6
Sector	Industrials
Avg Daily Volume (m)	0.6
ASX 200 Weight (%)	0.02%

Fundamentals

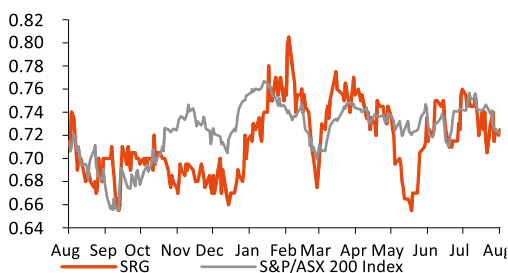
YE 30 Jun (AUD)	FY23A	FY24E	FY25E	FY26E
Sales (\$m)	809.0	949.5	1,030.0	1,078.7
NPAT (\$m)	27.1	34.2	38.7	40.1
EPS (cps)	5.7	6.6	7.4	7.7
EPS Growth (%)	22.7%	14.8%	13.2%	3.5%
DPS (cps) (AUD)	4.0	4.0	4.5	4.6
Franking (%)	100%	100%	100%	100%

Ratios

YE 30 Jun	FY23A	FY24E	FY25E	FY26E
P/E (x)	13.1	11.0	9.7	9.4
EV/EBITDA (x)	4.9	3.6	3.1	2.6
Div Yield (%)	5.3%	5.5%	6.2%	6.3%
Payout Ratio (%)	69.8%	60.8%	60.4%	59.7%

Price Performance

YE 30 Jun	1 Mth	2 Mth	3 Mth	1 Yr
Relative (%)	(1.9%)	2.5%	0.6%	0.4%
Absolute (%)	(4.6%)	1.4%	(1.4%)	1.4%
Benchmark (%)	(2.7%)	(1.1%)	(2.0%)	1.0%



Price performance indexed to 100

Source: FactSet

Major Shareholders

First Sentier Investors	5.8%
Perennial Value Management Ltd.	5.1%
Ryder Capital	3.8%

Event

SRG delivered FY23 Underlying EBITDA of \$80.1m, up 40% versus PCP and slightly above both company guidance (\$79-\$80m) and the prior Shaw forecast (\$79.8m). The company also guided to FY24 underlying EBITDA growth of circa 20%. We have increased our price target from \$1.10 per share to \$1.15 per share and retain our BUY rating.

Highlights

- FY23 Reported Revenue of \$809.0m was up 25.6% vs PCP. The Shaw forecast was \$862.6m (-6.2%).
- Underlying FY23 EBITDA of \$80.1m (vs guidance of \$79-80m) was up 40% vs PCP and broadly in line with the Shaw forecast of \$79.8m (+0.4%). The company's EBITDA margin increased 100 bps to 9.9%.
- Period-end Work in Hand was a record \$1.9b up 46% vs PCP.
- Tenders & Pipeline totalled \$6.5b at period end. This was up on the \$6.0b in the PCP despite the company winning over \$1.2b in work over the past 13 months.
- 2H23 fully franked final dividend of 2.0 cps was up 33% vs PCP (in line with Shaw). Total FY23 dividends were 4.0 cps (up 33% vs PCP, in line with Shaw).
- Reported NPAT of \$22.6m was up 12.1% vs PCP and 32% below the Shaw forecast due to one-off costs (PT Business \$2.0m, Acquisition related \$4.5m) and higher Depreciation & Amortisation charges.
- Net operating cash flow was down on the PCP due to the investment in working capital required to support revenue growth.
- Asset Maintenance: FY23 Revenue of \$302.3m (+40.7% vs PCP, -6.5% vs Shaw), EBITDA \$35.8m (+42.4% vs PCP, -4.4% vs Shaw).
- Mining Services: FY23 Revenue of \$140.4m (+23.1% vs PCP, -9.3% vs Shaw), EBITDA \$29.5m (+23.5% vs PCP, -5.6% vs Shaw).
- Engineering and Construction: FY23 Revenue of \$366.4m (+16.2% vs PCP, -4.8% vs Shaw), EBITDA \$31.8m (+39.0% vs PCP, +11.6% vs Shaw).
- Corporate costs: Corporate costs of \$17.0m (+15.7% vs PCP, -2.5% vs Shaw).
- Outlook Statement: FY24 EBITDA expected to be circa 20% higher than FY23 EBITDA.
- We had previously forecast 18.5% EBITDA growth and now forecast 20% growth. The composition of the growth has been revised to reflect the run-rates in the FY23 results. Our FY24 EBITDA forecast in dollars has increased by 1.7% to \$96.1m.
- We have also increased our Depreciation and Amortisation forecasts to reflect the actual results. This has negatively impacted our EPS forecasts though is a non-cash item. Our capital expenditure forecasts have also reduced.
- Our DCF valuation has increased from \$1.10 per share to \$1.15 per share.

Recommendation

SRG's recent results and FY24 outlook provide strong evidence that SRG is delivering on its strategy and is a lower risk investment when compared to many construction and mining service peers given the recurring nature of a large portion of its revenue. We additionally expect the macro-outlook to remain strong, across infrastructure, asset services, mining and select construction. Recent acquisitions provide SRG with even greater leverage to these tailwinds and support what was already strong organic growth. SRG is trading at a material discount to our \$1.15 per share price target and at around 3.6x FY24 EV / EBITDA. Accordingly, we retain our BUY rating.

Philip Pepe | Senior Analyst

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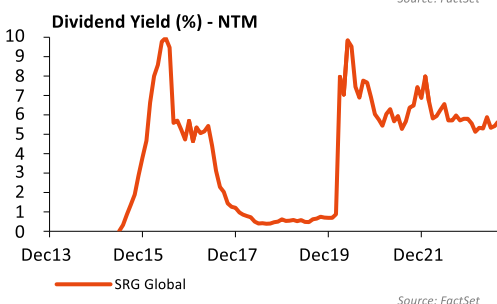
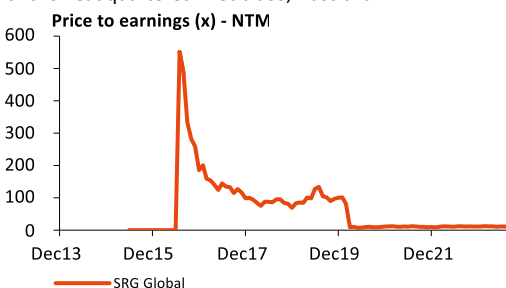
Philip.Pepe@shawandpartners.com.au

SRG Global Industrials Capital Goods

FactSet: SRG-AU / Bloomberg: SRG AU

Key Items	Data
Recommendation	BUY
Risk	HIGH
Price (\$ps)	0.73
Target Price (\$ps)	1.15
52 Week Range (\$ps)	0.66 - 0.81
Shares on Issue (m)	519.5
Market Cap (\$m)	376.6
Enterprise Value (\$m)	348.7
TSR (%)	64.1%
Valuation NPV	Data
Beta	1.20
Cost of Equity (%)	10.7%
Cost of Debt (net) (%)	4.2%
Risk Free Rate (%)	3.5%
Terminal Growth (%)	2.5%
WACC (%)	9.4%

SRG Global Ltd. is an engineering-led global specialist asset services, mining services and construction group operating across the entire asset lifecycle of engineer, construct and sustain. It operates through the following segments: Asset Services, Mining Services and Construction. The Asset Services segment supplies integrated services to customers across the entire asset life cycle. The Mining Services segment provides services to mining clients and ground solutions including production drilling, ground and slope stabilization, design engineering and monitoring services. The Construction segment supplies integrated products and services to customers involved in the construction of complex infrastructure. The company was founded in 1961 and is headquartered in Subiaco, Australia.



Financial Year End: 30 June

Investment Summary (AUD)	FY22A	FY23A	FY24E	FY25E	FY26E
EPS (Reported) (cps)	4.5	4.8	6.6	7.4	7.7
EPS (Underlying) (cps)	4.7	5.7	6.6	7.4	7.7
EPS (Underlying) Growth (%)	72.8%	22.7%	14.8%	13.2%	3.5%
PE (Underlying) (x)	13.1	13.1	11.0	9.7	9.4
EV / EBIT (x)	11.7	8.4	6.4	5.2	4.5
EV / EBITDA (x)	6.2	4.9	3.6	3.1	2.6
DPS (cps) (AUD)	3.0	4.0	4.0	4.5	4.6
Dividend Yield (%)	4.9%	5.3%	5.5%	6.2%	6.3%
Franking (%)	100%	100%	100%	100%	100%
Payout Ratio (%)	64.2%	69.8%	60.8%	60.4%	59.7%
Profit and Loss (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Sales	644.2	809.0	949.5	1,030.0	1,078.7
Sales Growth (%)	13.1%	25.6%	17.4%	8.5%	4.7%
EBITDA	57.2	80.1	96.1	103.8	107.6
EBITDA Margin (%)	8.9%	9.9%	10.1%	10.1%	10.0%
Depreciation & Amortisation	(26.7)	(33.4)	(41.8)	(43.1)	(44.9)
EBIT	30.6	46.7	54.3	60.7	62.7
EBIT Margin (%)	4.7%	5.8%	5.7%	5.9%	5.8%
Net Interest	(2.6)	(4.3)	(5.5)	(5.5)	(5.5)
Pretax Profit	28.0	42.3	48.8	55.3	57.2
Tax	(7.2)	(15.3)	(14.6)	(16.6)	(17.2)
Tax Rate (%)	(25.6%)	(36.0%)	(30.0%)	(30.0%)	(30.0%)
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT Underlying	20.8	27.1	34.2	38.7	40.1
Significant Items	(0.7)	(4.5)	0.0	0.0	0.0
NPAT Reported	20.1	22.6	34.2	38.7	40.1
Cashflow (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBIT	30.6	46.7	54.3	60.7	62.7
Tax Paid	4.0	(2.5)	(8.6)	(10.6)	(11.2)
Net Interest	(2.6)	(4.3)	(5.5)	(5.5)	(5.5)
Change in Working Capital	0.7	(21.4)	8.2	(0.6)	(0.4)
Depreciation & Amortisation	26.7	33.4	41.8	43.1	44.9
Other	1.8	(8.7)	0.0	0.0	0.0
Operating Cashflow	61.1	43.1	90.2	87.2	90.6
Capex	(18.7)	(30.3)	(28.5)	(30.9)	(32.4)
Acquisitions and Investments	(15.1)	(75.3)	0.0	0.0	0.0
Disposal of Fixed Assets/Investments	2.5	4.4	0.0	0.0	0.0
Other	(2.2)	(1.4)	0.0	0.0	0.0
Investing Cashflow	(33.6)	(102.5)	(28.5)	(30.9)	(32.4)
Equity Raised / Bought Back	0.0	48.8	0.0	0.0	0.0
Dividends Paid	(11.1)	(17.1)	(16.8)	(26.0)	(23.9)
Change in Debt	(3.4)	16.2	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing Cashflow	(14.5)	47.9	(16.8)	(26.0)	(23.9)
Exchange Rate Effect	0.1	(0.1)	0.0	0.0	0.0
Net Change in Cash	13.1	(11.6)	44.9	30.3	34.3
Balance Sheet (AUD) (m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	59.3	47.7	92.6	122.9	157.3
Accounts Receivable	97.9	110.3	129.4	140.4	147.0
Inventory	18.7	21.5	25.2	27.3	28.6
Other Current Assets	66.4	92.4	92.4	92.4	92.4
PPE	104.3	119.0	122.0	126.1	126.3
Goodwill & Intangibles	102.6	170.4	163.9	157.4	150.9
Investments	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	35.3	29.9	14.1	(1.8)	(14.0)
Total Assets	484.6	591.2	639.6	664.8	688.5
Accounts Payable	122.4	116.1	147.2	159.6	167.2
Short Term Debt	14.0	20.3	20.3	20.3	20.3
Long Term Debt	24.8	44.4	44.4	44.4	44.4
Income Taxes Payable	0.0	0.5	0.5	0.5	0.5
Other	88.8	119.4	119.4	119.4	119.4
Total Liabilities	250.0	300.7	331.7	344.2	351.8
Total Shareholder Equity	227.6	282.5	299.9	312.6	328.8
Ratios	FY22A	FY23A	FY24E	FY25E	FY26E
ROE (%)	9.3%	10.6%	11.7%	12.6%	12.5%
ROIC (%)	10.8%	12.4%	13.4%	16.3%	18.1%
Gearing (%)	(9.9%)	5.7%	(10.3%)	(22.9%)	(39.2%)
Net Debt / EBITDA (x)	(0.4)	0.2	(0.3)	(0.6)	(0.9)

SRG FY23 Financial Results Analysis

Financial Results Summary

Figure 1: SRG FY23 Financial Results vs Shaw and Partners Forecasts

SRG Global Limited	FY22A \$m	FY23A \$m	Growth %	FY23F \$m	Beat / Miss %
Revenue	644.2	809.0	25.6%	862.6	-6.2%
Asset Maintenance	214.8	302.3	40.7%	323.1	-6.5%
Mining Services	114.0	140.4	23.1%	154.7	-9.3%
Engineering & Construction	315.4	366.4	16.2%	384.8	-4.8%
Other Revenue	2.2	2.8	na	4.4	na
EBITDA	57.2	80.1	40.0%	79.8	0.4%
Asset Maintenance	25.2	35.8	42.4%	37.5	-4.4%
Mining Services	23.9	29.5	23.5%	31.3	-5.6%
Engineering & Construction	22.8	31.8	39.0%	28.5	11.6%
Corporate	-14.7	-17.0	15.7%	-17.4	-2.5%
Depreciation & Amortisation	-26.7	-33.4	25.3%	-32.0	4.3%
EBIT	30.6	46.7	52.8%	47.8	-2.2%
EBITDA margin	8.9%	9.9%	101bp	9.2%	67bp
EBIT margin	4.7%	5.8%	102bp	5.5%	24bp
Interest expense	-2.6	-4.3	69.6%	-3.7	18.0%
Income tax	-7.2	-15.3	113.0%	-10.9	40.3%
Net profit after tax (underlying)	20.8	27.1	30.0%	33.2	-18.4%
Net profit after tax	20.1	22.6	12.1%	33.2	-32.0%
Basic EPS (cents)	4.7	5.7	22.7%	7.2	-19.9%
Diluted EPS (cents)	4.6	5.7	22.8%	7.1	-19.7%
DPS (cents)	3.0	4.0	33.3%	4.0	0.0%
Net operating cashflow (including leases)	61.1	43.1	-29.4%	78.5	-45.1%
Net investing cashflow	-33.6	-102.5	205.4%	-119.3	-14.1%

Source: SRG; Shaw and Partners

Key Points

SRG Reported FY23 Revenue of \$809.0m, up 25.6% vs PCP. The Shaw forecast was \$862.6m (-6.2%).

Underlying FY23 EBITDA of \$80.1m (vs guidance of \$79-80m) was up 40% vs PCP and broadly in line with the Shaw forecast of \$79.8m (+0.4%).

Period-end Work in Hand (WIH) was a record \$1.9b up 46% vs PCP.

Tenders & Pipeline totalled \$6.5b at period end. This was up on the \$6.0b in the PCP despite the company winning over \$1.2b in work over the past 13 months.

2H23 fully franked final dividend of 2.0 cps was up 33% vs PCP (in line with Shaw). Total FY23 dividends were 4.0 cps (up 33% vs PCP, in line with Shaw).

Reported NPAT of \$22.6m was up 12.1% vs PCP and 32% below the Shaw forecast due to one-off costs (PT Business \$2.0m, Acquisition related \$4.5m) and higher Depreciation & Amortisation charges.

Net operating cash flow was down on the PCP due to the investment in working capital required to support revenue growth.

Asset Maintenance: FY23 Revenue of \$302.3m (+40.7% vs PCP, -6.5% vs Shaw), EBITDA \$35.8m (+42.4% vs PCP, -4.4% vs Shaw).

Mining Services: FY23 Revenue of \$140.4m (+23.1% vs PCP, -9.3% vs Shaw), EBITDA \$29.5m (+23.5% vs PCP, -5.6% vs Shaw).

Engineering and Construction: FY23 Revenue of \$366.4m (+16.2% vs PCP, -4.8% vs Shaw), EBITDA \$31.8m (+39.0% vs PCP, +11.6% vs Shaw).

Corporate costs: Corporate costs of \$17.0m (+15.7% vs PCP, -2.5% vs Shaw).

Outlook Statement: FY24 EBITDA expected to be circa 20% higher than FY23 EBITDA (broadly in line with prior Shaw forecast).

Earnings Forecasts Changes

Earnings Revisions

Figure 2: SRG Earnings Forecasts Changes

SRG Global Limited	FY22A \$m	FY23A \$m	FY24F \$m	Prev \$m	Change %	FY25F \$m	Prev \$m	Change %	FY26F \$m	Prev \$m	Change %
Revenue	644.2	809.0	949.5	996.5	-4.7%	1030.0	1037.4	-0.7%	1078.7	1085.6	-0.6%
Asset Maintenance	214.8	302.3	393.0	417.6	-5.9%	459.6	444.1	3.5%	494.0	477.4	3.5%
Mining Services	114.0	140.4	161.5	168.3	-4.0%	165.5	172.5	-4.0%	169.7	176.8	-4.0%
Engineering & Construction	315.4	366.4	395.0	410.6	-3.8%	404.9	420.8	-3.8%	415.0	431.3	-3.8%
Other Revenue	2.2	2.8	2.8	4.4	na	2.8	4.4	na	2.8	4.4	na
EBITDA	57.2	80.1	96.1	94.5	1.7%	103.8	100.1	3.8%	107.6	105.2	2.2%
Asset Maintenance	25.2	35.8	46.6	48.5	-3.8%	54.5	53.3	2.2%	58.6	57.3	2.2%
Mining Services	23.9	29.5	34.0	34.0	-0.1%	34.8	34.9	-0.1%	35.7	35.7	-0.1%
Engineering & Construction	22.8	31.8	34.2	30.4	12.8%	35.1	31.1	12.8%	36.0	31.9	12.8%
Corporate	-14.7	-17.0	-18.7	-18.3	2.2%	-20.6	-19.2	7.0%	-22.6	-19.7	14.9%
Depreciation & Amortisation	-26.7	-33.4	-41.8	-36.0	16.3%	-43.1	-37.2	15.9%	-44.9	-38.9	15.4%
EBIT	30.6	46.7	54.3	58.6	-7.3%	60.7	62.9	-3.4%	62.7	66.3	-5.5%
EBITDA margin	8.9%	9.9%	10.1%	9.4%	65bp	10.1%	9.6%	45bp	9.9%	9.7%	29bp
EBIT margin	4.7%	5.8%	5.7%	5.9%	-15bp	5.9%	6.0%	-16bp	5.8%	6.1%	-29bp
Interest expense	-2.6	-4.3	-5.5	-5.0	10.2%	-5.5	-5.0	10.2%	-5.5	-5.0	10.2%
Income tax	-7.2	-15.3	-14.6	-13.5	8.9%	-16.6	-15.5	7.1%	-17.2	-16.4	4.6%
Net profit after tax (underlying)	20.8	27.1	34.2	40.2	-14.9%	38.7	42.4	-8.9%	40.1	44.9	-10.9%
Net profit after tax	20.1	22.6	34.2	40.2	-14.9%	38.7	42.4	-8.9%	40.1	44.9	-10.9%
Basic EPS (cents)	4.7	5.7	6.6	7.7	-14.9%	7.4	8.2	-8.8%	7.7	8.7	-10.9%
Diluted EPS (cents)	4.6	5.7	6.5	7.6	-14.9%	7.4	8.1	-8.8%	7.6	8.6	-10.9%
DPS (cents)	3.0	4.0	4.0	4.6	-13.0%	4.5	4.9	-8.2%	4.6	5.2	-11.5%
Net operating cashflow (including leases)	61.1	43.1	90.2	83.6	7.9%	87.2	86.1	1.2%	90.6	90.4	0.2%
Net investing cashflow	-33.6	-102.5	-28.5	-39.9	-28.5%	-30.9	-41.5	-25.5%	-32.4	-43.4	-25.5%
Key Ratios	FY22A	FY23A	FY24F	Prev	Change	FY25F	Prev	Change	FY26F	Prev	Change
Revenue growth	13.1%	25.6%	17.4%	15.5%	185bp	8.5%	4.1%	436bp	4.7%	4.6%	9bp
EBITDA margin	8.9%	9.9%	10.1%	9.4%	65bp	10.1%	9.6%	45bp	9.9%	9.7%	29bp
EBITDA growth	21.6%	40.0%	20.0%	18.5%	149bp	8.0%	5.9%	217bp	3.6%	5.2%	-153bp
NPAT growth	72.8%	30.0%	26.2%	21.0%	518bp	13.2%	5.7%	754bp	3.5%	5.9%	-234bp
Return on Capital	10.8%	12.4%	13.4%	15.2%	-184bp	16.3%	16.2%	10bp	18.1%	17.2%	88bp

Source: SRG; Shaw and Partners

Key Points

SRG has guided to FY24 EBITDA circa 20% higher than FY23 EBITDA.

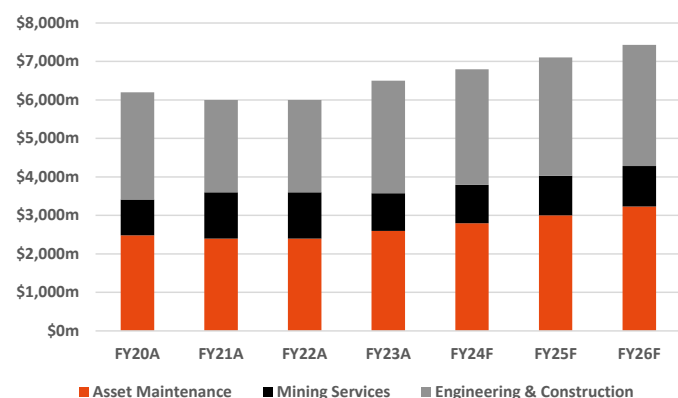
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We have also increased our Depreciation and Amortisation forecasts to reflect the actual results. This has negatively impacted our EPS forecasts though is a non-cash item.

Our capital expenditure forecasts have also reduced.

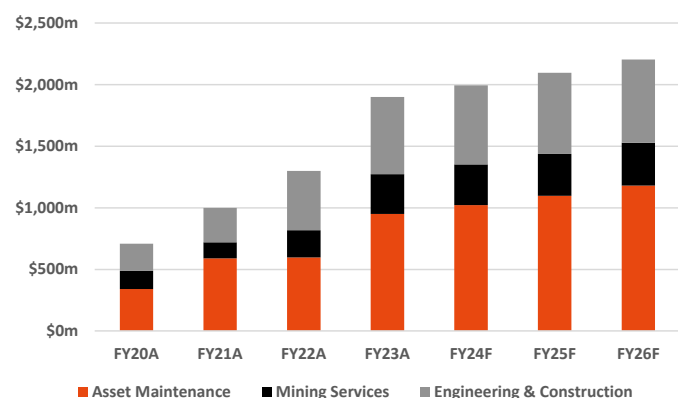
Summary in Charts

Figure 3: Pipeline of Opportunities



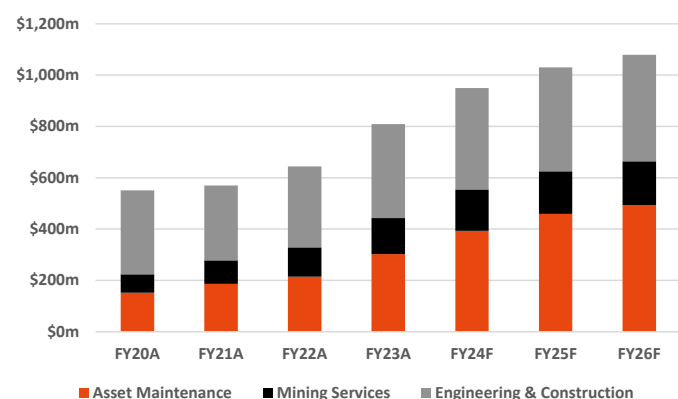
Source: SRG; Shaw and Partners

Figure 4: Work in Hand



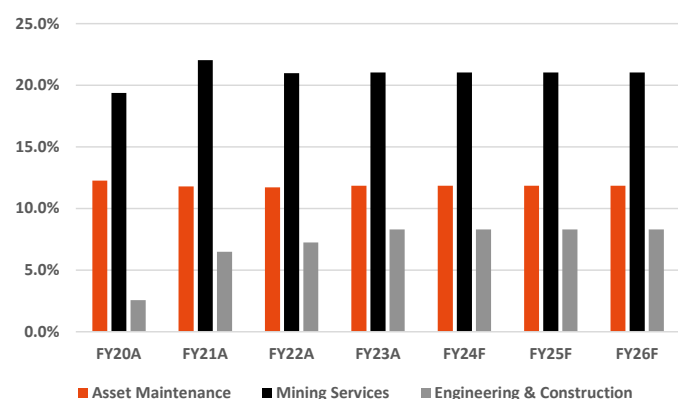
Source: SRG; Shaw and Partners

Figure 5: Revenue



Source: SRG; Shaw and Partners

Figure 6: EBITDA Margin



Source: SRG; Shaw and Partners

Figure 7: Comparable Companies

Ticker	Security Name	Last Price	Mkt Cap	PE (x)			EV/EBITDA (x)			EV/EBIT (x)			EBITDA growth	
				FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24
SRG	SRG Global	0.72	374	12.6x	10.9x	9.7x	4.9x	3.6x	3.0x	8.4x	6.4x	5.2x	40.0%	20.0%
SND	Saunders	1.07	119	13.0x	12.8x	11.6x	4.8x	4.5x	3.9x	5.8x	5.4x	4.6x	34.4%	1.4%
ACF	Acrow Formwork and Construction Services	0.89	236	7.6x	7.2x	6.8x	5.3x	4.1x	3.5x	7.4x	5.6x	4.8x	46.6%	23.7%
DCG	Decmil Group	0.18	27	-	-	-	-	-	-	-	-	-	-	-
DRA	DRA Global	1.37	75	-	-	-	-	-	-	-	-	-	-	-
DUR	Duratec	1.29	315	17.0x	14.2x	-	7.3x	5.9x	-	9.4x	7.4x	-	91.2%	-
EVZ	EVZ	0.14	16	-	-	-	-	-	-	-	-	-	-	-
LYL	Lycopodium	10.20	405	8.7x	9.7x	10.3x	5.2x	5.0x	-	5.7x	5.6x	-	-	-
MAD	Mader Group	7.31	1,462	38.0x	30.9x	25.6x	20.3x	16.1x	13.7x	25.6x	20.0x	16.6x	55.3%	27.1%
MCE	Matrix Composites & Engineering	0.26	49	-	130.0x	130x	-	8.3x	7.0x	-	22.1x	21.1x	-	-
MGH	MAAS Group Holdings	3.07	1,008	14.1x	11.5x	9.1x	9.0x	7.1x	6.2x	12.2x	9.4x	7.9x	30.3%	21.9%
MND	Monadelphous Group	13.48	1,301	24.1x	20.1x	16.8x	10.4x	8.8x	7.6x	15.4x	12.4x	10.0x	(0.6%)	14.5%
NWH	NRW	2.76	1,240	11.9x	10.7x	10.1x	4.6x	4.2x	3.9x	9.3x	7.3x	6.7x	6.0%	9.3%
RDG	Resource Development Grp	0.04	127	22.0x	22.0x	8.8x	17.7x	10.2x	6.6x	19.5x	12.1x	7.9x	-	-
SHA	Shape Australia	1.40	117	11.9x	8.8x	6.5x	3.2x	2.4x	1.7x	4.4x	3.1x	2.1x	100.0%	25.8%
SSM	Service Stream	0.85	520	14.3x	11.3x	10.1x	5.3x	4.4x	3.8x	12.4x	8.7x	7.0x	25.2%	11.1%
SXE	Southern Cross Electrical	0.68	178	8.7x	9.2x	-	-	-	-	-	-	-	2.3%	-
VBC	Verbrec	0.10	22	7.5x	4.7x	4.0x	3.3x	2.3x	1.6x	6.7x	4.6x	3.0x	-	-
VNT	Ventia Svc Grp	2.78	2,378	13.0x	11.9x	10.3x	6.4x	5.7x	5.2x	9.7x	8.4x	7.5x	7.0%	7.3%
Median				13.6x	11.5x	10.1x	6.4x	5.8x	5.7x	9.7x	8.6x	7.7x	25.2%	14.5%

Source: FactSet; Shaw and Partners (SRG, SND)

Figure 8: Major Contracts Won

PERIOD	DATE	CLIENT	TERM	CONTRACT VALUE	LOCATION
FY24	15-Aug-23	Multiplex - Specialist Facades works at Nine The Esplanade	1 year	~\$25m	WA
	18-Jul-23	Lendlease - Frankston Hospital Facades	1 year	~\$30m	VIC
FY23	27-Jun-23	BHP, Rio Tinto and Queensland Alumina Limited	Various	~\$65m	QLD, WA
	20-Jun-23	Water Corporation	2 years	~\$50m	WA
	15-Jun-23	Lendlease	2 years	~\$40m	Sydney
	28-Mar-23	Fortescue	9 months	~\$55m	WA
	16-Mar-23	BHP, Northern Star, Albemarle Lithium, AngloGold Ashanti	3-24 months	~\$50m	WA
	28-Feb-23	Multiplex Constructions	2 years	~\$120m	Perth CBD
	16-Feb-23	ALS Asset Care acquisition			
	6-Feb-23	Dept of Transport Victoria, McConnell Dowell and CBGU JV	2-21 months	~\$40m	VIC, QLD
	2-Feb-23	Northern Star Resources Ltd	5 years	~\$220m	WA
	29-Nov-22	Lendlease - 51 Flinders Lane development in Melbourne	3 years	~\$30m	Vic
	24-Nov-22	Genesis, Channel Infra, Transpower, Southbase Cons	3, 3, 1, 3 years	~\$45m	NZ
	5-Oct-22	Iron Bridge Operations	5 years	~\$40m	WA
	20-Sep-22	Alcoa and Albemarle	4,2.5 years	~\$80m	WA, WA
	25-Aug-22	Facades / Solar Panels - Built-Obayashi / Dexu	5 years	~\$65m	Sydney CBD
	26-Jul-22	Northern Star Resources / Meridian Energy	5,7 years	~\$90m	WA, NZ
FY22	19-Jul-22	Worsley Alumina, Fremantle Ports, BCI Minerals	2,3,2	~\$80m	WA
	5-Jul-22	Iron Bridge Operations & Visy Industries Australia	5 years	~\$100m	WA & Adelaide
	29-Jun-22	Lendlease defence sector contract	7 months	~\$20m	WA
	22-Jun-22	Hutchinson Builders on behalf of Charter Hall and Investa	3 years	~\$30m	Brisbane
	18-May-22	Alcoa civil maintenance contract	5 years	~\$95m	WA
	14-Mar-22	WBHO Acquisition			
	17-Feb-22	3 Mining Service Contracts - D&B	6mth/2y/2y	~\$60m	NSW/QLD/WA
	15-Feb-22	Specialist Bridge and Road (Vic Govt)	14 months	~\$11m	Vic/SA/WA
	10-Feb-22	MS - Drill and Blast - OneSteel Manufacturing	5 Years	\$150m	SA
	15-Dec-21	Structures - Lendlease - Defence	9 months	\$30m	WA
	3-Dec-21	Facades - Melb Quarter / Footscray Hosp.	17 & 24 months	~\$20m	Vic/SA/WA
	7-Dec-21	Facades - Festival Square	18 months	~\$20m	SA
	1-Dec-21	Facades - Westralia Sq and Elizabeth QW	9 & 12 months	~\$70m	WA
	16-Nov-21	7 Term Contracts	1-3 years	~\$110m	QLD/WA/NZ
	20-Oct-22	FMG scaffold services (Aboriginal JV)	5 years	~\$25m (49%)	WA
FY21	2-Jun-21	CHC/Fed Govt/HMAS (Facades/Structures)	6-24 months	\$50m	Vic/SA/WA
	16-Feb-21	FMG	5 years	\$150m	WA
	4-Feb-21	GFG Liberty OneSteel and Pit N Portal	5 yr / 1 yr	\$45m	SA / WA
	24-Nov-20	Facades for Multiplex & Structures D&C Corp.	2022/2023	\$100m	QLD, WA
	17-Nov-20	Transport for NSW / Water Corp. / CPB	2021	\$55m	NSW, WA, QLD
	1-Oct-20	South32	8 years	\$100m	South West WA
	1-Oct-20	South32	+2 years	\$25m	South West WA
	10-Sep-20	John Holland / LLC	Various	\$65m	Syd, Per, Mel
	5-Aug-20	Methanex / Meridian / Metlifecare / Ol Glass	Up to 5 years	NZ\$50m	NZ
	29-Jul-20	Water Corp.	19 months	\$30m	WA
	23-Jul-20	Lendlease + Charter Hall	9-12 months	\$40m	Syd + Melb
	21-Jul-20	Yara Pilbara	5 years	\$25m	Pilbara
	15-Jul-20	John Holland	9 months	\$25m	Clayton, Vict.
	7-Jul-20	Auckland System Mngt Maintenance Alliance	8 years	NZ\$25m	Auckland
FY20	16-Mar-20	Saracen Mineral Holdings	5 years	\$70m	WA
	27-Feb-20	Multiplex Constructions	2 years	\$72m	Perth
	29-Jan-20	Alcoa	5 years	\$90m	WA
	23-Sep-19	Sunwater	1 year	\$12m	Emerald, Qld.
	3-Sep-19	Built Obayashi JV	1.5 years	\$44m	Sydney
FY19	27-Jun-19	J Hutchinson	1.5 years	\$20m	Brisbane
	4-Jun-19	Transpower New Zealand	3 years	NZ\$35m	NZ
	30-May-19	OneSteel	4 years + 2	\$45m	Whyalla, SA
	27-May-19	South32	3 years + 3	\$32m	South West WA
	23-May-19	VicRoads	31 weeks	\$9m	Melbourne
	23-May-19	Besix	~2-3 years	\$8m	Dubai
	11-Apr-19	J Hutchinson	n/a	\$12m	Uni of Melbourne
	9-Apr-19	Kalgoorlie Consolidated Gold Mines (KCGM)	5 years	\$18m	Kalgoorlie, WA
	5-Apr-19	Evolution Mining	3 years + 2	\$115m	NSW & Qld.
	31-Jan-19	Main Roads WA	18 months	\$21m (50% JV)	Perth
	12-Nov-18	University of Melbourne	18 months	\$14m	Melbourne
	18-Oct-18	BHP Billiton Mitsubishi Alliance (BMA)	2.5 years	\$20m	Qld.
	15-Oct-18	Multiplex Constructions	2 years	\$30m	Brisbane
	3-Oct-18	Woodside Energy	4 years	n/a	WA
	1-Oct-18	Lendlease	1 year	\$12m	Shepparton, Vic.

Source: SRG

Valuation

DCF Valuation

Our DCF valuation has increased from \$1.10 per share to \$1.15 per share as the net result of our forecast changes summarised above and valuation roll forward.

The key assumptions underlying our valuation are a Beta of 1.2, WACC of 9.4%, and terminal growth rate of 2.5%.

Key risks

- **Project delays:** The construction and mining service operations in Australia that SRG is exposed to have been considered critical infrastructure and as such were allowed to continue as essential businesses during COVID. There have been some (hopefully) temporary delays in the award of new projects and some maintenance work. Project delays may result in lower earnings than we forecast.
- **Industry risk:** S&P categorize the global construction sector as having above-average risks. However, SRG's focus on Asset and Mining Services and annuity (and alliance) style contracts have helped manage this risk.
- **Customer risk:** SRG has a broad range of customers across its three business units. No revenue from transactions with a single external customer amount to 10% or more of the Group's revenue. Key Government (good relationships with State and Federal NZ and Australia) and blue-chip corporate clients including Rio Tinto, Woodside, South 32, Yara, Multiplex, CPB etc.
- **Employee risk:** SRG has roughly 2,300 employees, 21% are technical, engineering and management with the remaining 79% operational. In regard to key personnel, the Board and Management own 12% of the issued capital, aligning their interests with other shareholders.
- **Commodity Prices:** SRG is exposed to commodity price risk through its consumption of steel its operations use for post-tensioning, and to a lesser degree in the mining services business. SRG monitors forward steel prices and endeavours to lock in agreed prices on a project-by-project basis prior to formalizing bid prices wherever possible.
- **Foreign Exchange:** SRG is exposed to foreign exchange risk in overseas projects executed by local subsidiaries. SRG does not hedge this risk however continues to monitor exchange rates so that currency exposure is maintained at an acceptable level. There is a natural hedge in place to the extent project costs are materially of the same foreign currency.
- **WBHO & Asset Care Acquisitions Integration Risk:** Any transaction comes with some integration risk.

Core drivers and catalyst

- Infrastructure investment by both governments and private sector.
- Maintenance expenditure continues to increase, driven by number of assets and outsourcing trend.
- Rising commodity prices boosting Mining investment.
- All the above, resulting in improving order book / WIH / pipeline.
- Higher recurring revenues.
- Lower risk alliance style contracts.
- Acquisitions / M&A potential.
- Margin improvement, especially in construction.
- Growth opportunities from WBHO and ALS Asset Care acquisitions.

Rating Classification

Buy	Expected to outperform the overall market
Hold	Expected to perform in line with the overall market
Sell	Expected to underperform the overall market
Not Rated	Shaw has issued a factual note on the company but does not have a recommendation

Risk Rating

High	Higher risk than the overall market – investors should be aware this stock may be speculative
Medium	Risk broadly in line with the overall market
Low	Lower risk than the overall market

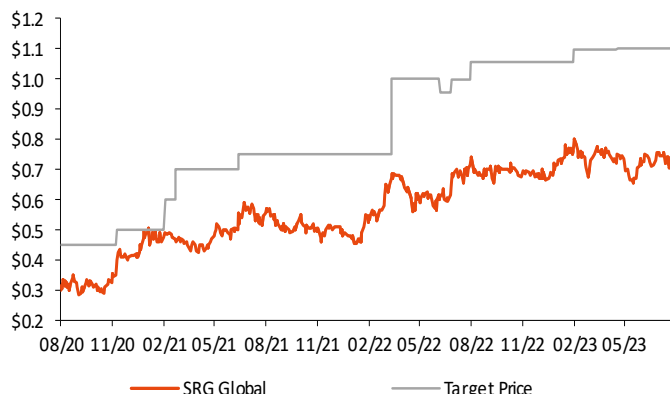
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Distribution of Investment Ratings

Rating	Count	Recommendation Universe
Buy	101	91%
Hold	10	9%
Sell	0	0%

History of Investment Rating and Target Price - SRG Global

Date	Closing Price (\$)	Target Price (\$)	Rating
22-Aug-23	0.73	1.15	Buy
10-May-23	0.75	1.10	Buy
22-Feb-23	0.76	1.10	Buy
23-Aug-22	0.71	1.05	Buy
20-Jul-22	0.67	1.00	Buy
30-Jun-22	0.61	0.95	Buy
4-Apr-22	0.67	1.00	Buy
6-Jul-21	0.56	0.75	Buy
16-Mar-21	0.47	0.70	Buy
26-Feb-21	0.49	0.60	Buy
2-Dec-20	0.40	0.50	Buy



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