

# ASX ANNOUNCEMENT



23 February 2021

## **SRG Global delivers increased profit, cash and dividend, upgrades full year guidance**

SRG Global Limited ('SRG Global' or 'the Company') (ASX: SRG), an engineering-led global specialist asset services, mining services and construction group, has delivered its Half Year Financial Results for the six months ended 31 December 2020 ('1H FY21').

### **Highlights**

- **Revenue Up 6%** to \$283m (from 1H FY20)
- **EBITDA Up 32%** to \$20.5m (from 1H FY20)
- **Net Cash Improved** to \$5.3m (from Net Debt of \$8.4m as at 30 June 2020)
- **Fully Franked Dividend Doubled** to 1 cent per share in 1H FY21 (from 1H FY20)
- **\$750m of Contract Wins** announced since 1 July 2020 with repeat / targeted clients
- **Record \$1b Work in Hand, Up 41%** as at 31 December 2020 (from 30 June 2020)
- **Well funded for growth** - available funds of \$82m plus undrawn \$26.5m equipment finance facility
- **Two Thirds Annuity Earnings Profile** in FY21 and beyond
- **Upgraded FY21 EBITDA Guidance** to \$45m - \$47m (up from \$42m - \$45m)

The 1H FY21 results demonstrate the continued execution of SRG Global's stated strategy for growth. The significant level of new contract wins and the record work in hand of \$1b is underpinned by demand for the Company's engineering led, end-to-end solutions, across the asset services, mining and construction sectors.

The Company is well positioned for long-term sustainable growth, with two thirds annuity-style earnings, exposure to the broader macro-economic growth drivers across the mining and asset services sectors, and COVID-19 Government stimulus programs in the Infrastructure and Construction sectors.

SRG Global has significantly strengthened its financial position over the past six months, moving from net debt of \$8.4m to a net cash position of \$5.3m. The Company has improved its liquidity to \$82m of available funds, plus an additional undrawn \$26.5m of equipment finance facility, with SRG Global well-placed to fund future growth.

SRG Global Managing Director, David Macgeorge, said: "SRG Global's strategy of shifting towards a greater proportion of annuity / recurring earnings, with a disciplined focus on core business, core clients and core geographies, is delivering. The Company is in a strong position to continue the momentum in the second half of FY21 and deliver further growth in FY22 and beyond.

"We have upgraded our full year EBITDA guidance range to \$45m - \$47m, which is a significant increase on the previous year.

"The improved financial performance and guidance is underpinned by our recent contract wins, record work in hand position of \$1b and a high level of annuity earnings. The outlook for SRG Global remains positive given the Company's exposure to diverse sectors and geographies, quality commodities, a tier one client base and growing levels of infrastructure, construction and maintenance expenditure.

"The strength of result means SRG Global will pay shareholders a fully franked dividend of 1c per share, which is double the first half dividend paid in the previous corresponding period."

## **Business Overview**

During 1H FY21, SRG Global recorded revenue of \$283m and EBITDA of \$20.5m. In the same period the Company significantly improved its cash position from net debt of \$8.4m as at 30 June 2020 to net cash of \$5.3m. This was achieved despite investing in working capital to support the commencement of more than \$550m of contract wins announced in the half.

SRG Global bolstered its funding to \$82m, positioning the Company well from a liquidity perspective to fund its future growth. The Company has an additional facility in place for equipment finance of \$50m of which \$23.5m has been drawn, as at 31 December 2020.

**Table 1: 1H FY21 Segment Results (\$m)**

	<b>TOTAL</b>	<b>ASSET SERVICES</b>	<b>MINING SERVICES</b>	<b>CONSTRUCTION</b>	<b>CORPORATE</b>
Revenue	<b>283.3</b>	85.9	42.9	154.4	-
EBITDA	<b>20.5</b>	10.2	9.9	7.4	(7.0)

**Revenue** in 1H FY21 of \$283m (up 6% from 1H FY20).

**EBITDA** in 1H FY21 of \$20.5m (up 32% from 1H FY20).

**Overall EBITDA % margin** increased to 7.2% in 1H FY21 from 5.8% in 1H FY20.

**Asset Services** experienced strong growth with 8 new long-term contracts secured YTD. Solid financial and margin performance with EBITDA margin of 11.9% in line with historical levels. Excellent start up and mobilisation of new contracts which will continue in 2H FY21.

**Mining Services** disciplined growth and improved financial performance in 1H with EBITDA margin of 23.1%. Excellent operational delivery across all sites and high levels of asset utilization. A very successful start up of Saracen (now Northern Star) drill and blast contract.

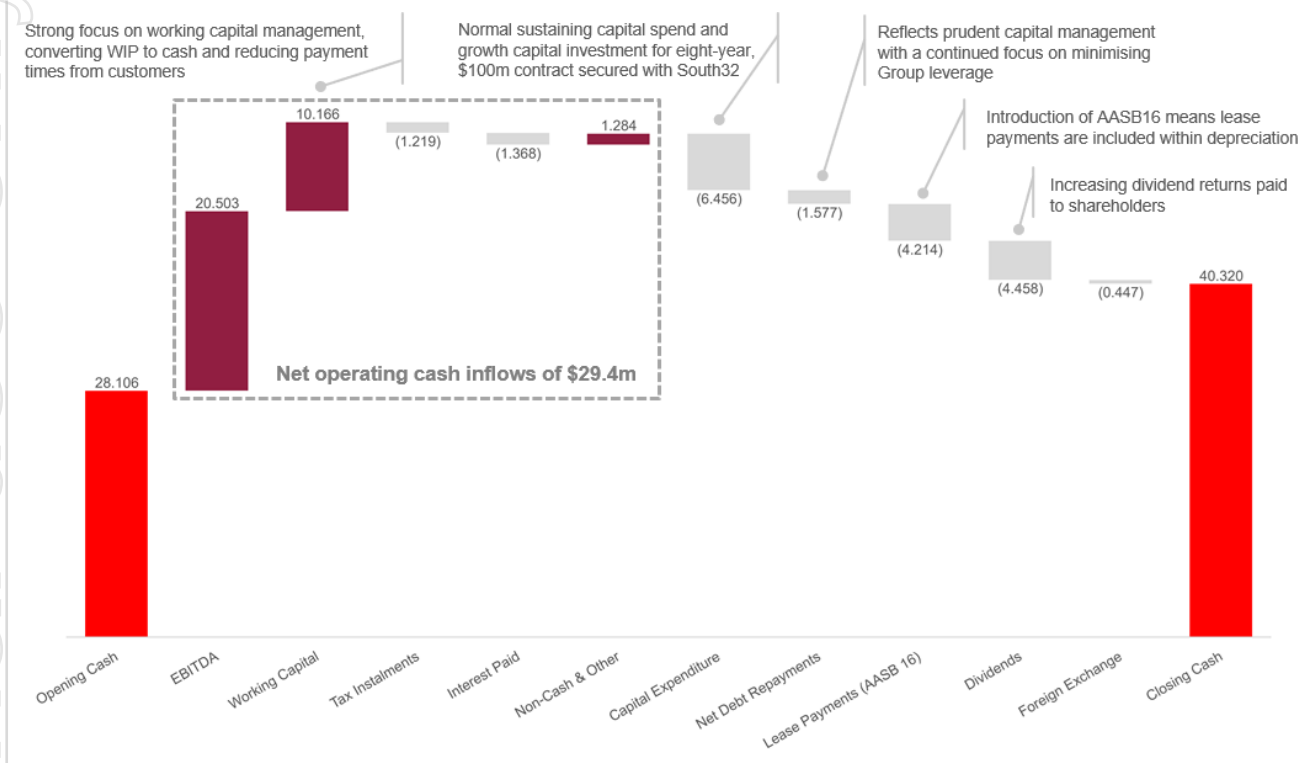
**Construction** delivered an improved financial performance in 1H with increased EBITDA margins of 4.8% which are expected to further improve post scale back and exit of non-core businesses.

**Civil & Engineering** strong performance across all Australian projects and scaled back operations Internationally.

**Specialist Building** solid performance across Facades and Structures West and completed the exit of Structures Victoria in 1H FY21.

**Corporate** overheads of \$7m equates to 2.5% of revenue, with scope for further leverage as business grows.

**Table 2: 1H FY21 Cashflow**



**Table 3: Strong Financial Position For Growth**

**BALANCE SHEET (\$m)**

	1H FY21
Cash and cash equivalents	40.3
Trade, other receivables & contract assets	109.2
Inventories	17.3
Property, plant and equipment	79.2
Right of use assets	23.1
Intangibles	105.3
Tax assets	32.3
Other	7.3
<b>Total Assets</b>	<b>414.0</b>
Trade, other payables & contract liabilities	100.2
Borrowings	35.0
Right of use liabilities	24.0
Current tax liabilities	2.3
Provisions and other	29.5
<b>Total Liabilities</b>	<b>191.0</b>
<b>Net Assets</b>	<b>223.0</b>

**Available liquidity** of \$82m, comprised of cash on hand of \$40m and available undrawn working capital facilities of \$42m

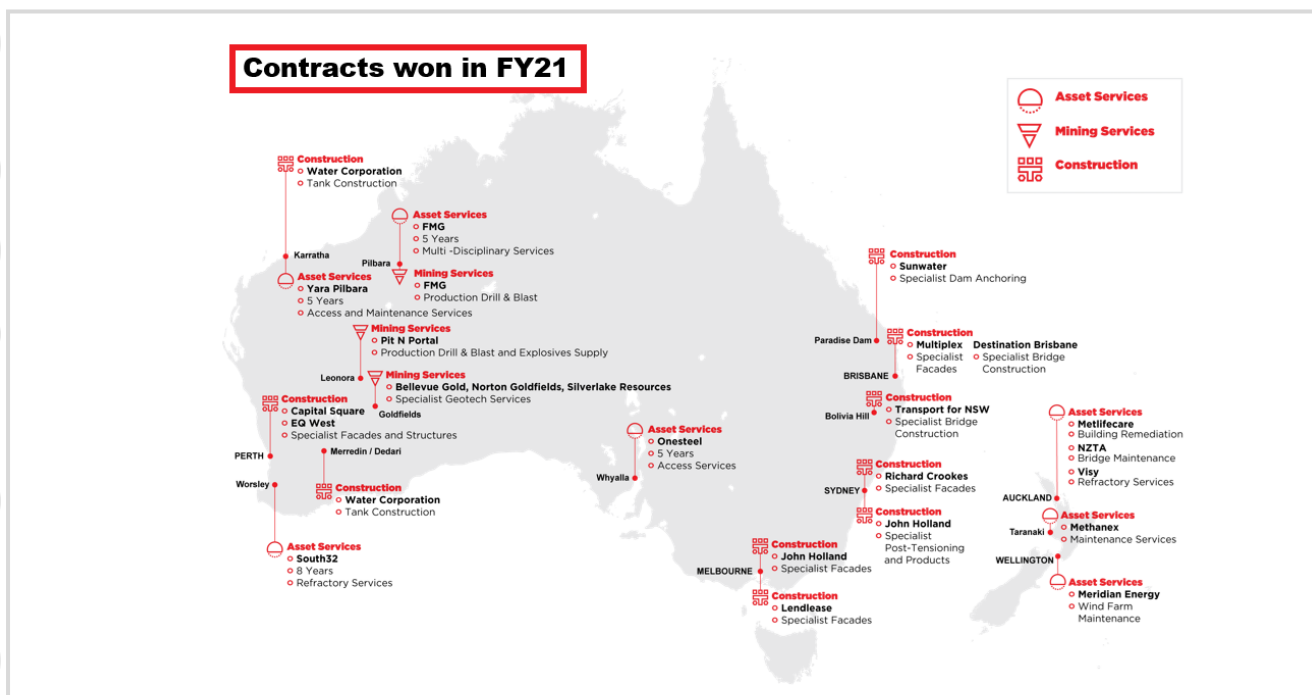
**Net cash** of \$5.3m, from a net debt position of \$8.4m at 30 June 2020 representing a \$13.7m improvement in 1H FY21 through prudent management of working capital.

Significant **undrawn facilities** available for growth

	DRAWN	UNDRAWN	TOTAL
<b>Borrowing Facilities</b>			
Equipment Finance	23.5	26.5	50.0
Term Loan	9.75	-	9.75
Working Capital	-	41.9	41.9
Other	1.79	-	1.75
<b>Total</b>	<b>35.0</b>	<b>68.4</b>	<b>103.4</b>
<b>Security Facilities</b>			
Bank Guarantees	10.3	9.7	20.0
Performance Bonds	64.9	69.7	134.6
<b>Total</b>	<b>75.2</b>	<b>79.4</b>	<b>154.6</b>

## \$750m of contract wins announced since 1 July 2020

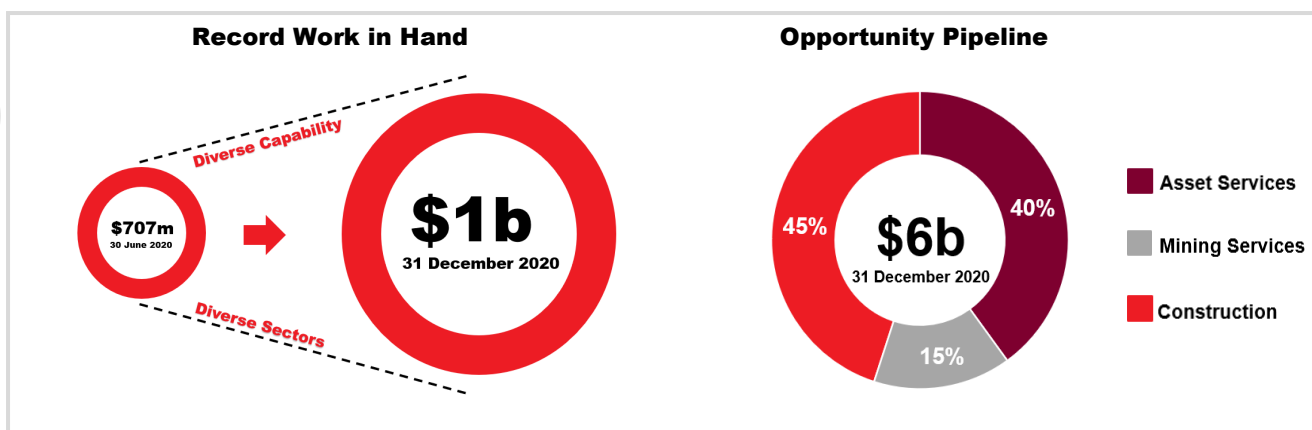
The Company has announced \$550m in new contract wins in 1H FY21 with repeat and targeted clients, and a further \$200m of new work in January and February 2021. The contract-winning performance reflects the macro drivers across the mining, construction and infrastructure sectors, as well as the demand for SRG Global's engineering led, end-to-end solutions.



## Record Work in Hand

As at 31 December 2020, the Company had work in hand in excess of \$1b, an increase of 41.5% since 30 June 2020 and a record for SRG Global. Of that work in hand figure, approximately two thirds falls into the annuity / recurring earnings category, in line with the Company's strategy.

SRG Global has a \$6b pipeline of opportunities with positive exposure to Government-backed infrastructure investment, high quality commodities, diverse industries and a tier one client base.



**Operating Segment Outlook**

- Asset Services delivering **step change growth** in diverse sectors with blue chip clients
- Mining Services operating in **high demand, high quality** growth commodities
- Construction positively linked to **Government Infrastructure stimulus** programs
- International focus on Specialist Civil Engineering opportunities – **Dams / Bridges / Tanks**

**Business Outlook**

- **FY21 EBITDA Guidance** range **upgraded** to \$45m - \$47m (up from \$42m to \$45m)
- **Record Work in Hand** of **\$1b** with an **Opportunity Pipeline** of **\$6b**
- **Strong liquidity / balance sheet position** to support growth working capital requirements
- Earnings profile of **two thirds annuity earnings** in FY21 and beyond

**Interim Dividend**

The Board of Directors has declared an interim dividend of 1 cent per share, fully franked. The record date of the dividend is 10 March 2021 with a payment date of 28 April 2021.

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**About SRG Global**

SRG Global is an engineering-led global specialist asset services, mining services and construction group operating across the entire asset lifecycle of engineer, construct and sustain. The Company operates three segments of Asset Services, Mining Services and Construction. For more information about the variety of services offered by SRG Global, click [here](#).

This announcement was authorised for release to ASX by the Managing Director.