ASX ANNOUNCEMENT

SRG GLOBAL

25 August 2020

Full Year Results, Final Dividend & FY21 Guidance

Executive Summary

SRG Global Limited ('SRG Global' or 'the Company', ASX: SRG), an engineering-led specialist asset services, mining services and construction group has delivered its FY20 Full Year Financial Results.

Financial Summary FY20	Units	FY20
Revenue (including. Joint Ventures)	$ million	545.2
Underlying EBITDA (Pre-AASB 16)	$ million	20.5
Underlying EBITDA (Post-AASB 16)	$ million	29.0
Net cash / (debt)	$ million	(8.4)
Final Fully Franked Dividend	cents per share	0.5
Work in Hand	$ million	707

For a detailed reconciliation of reported to adjusted revenue and EBITDA please refer to Appendix 1.

- As previously disclosed FY20 was impacted by several key drivers related to COVID-19 including:
  - Deferral of non-essential maintenance and major shutdown work in Australia and NZ
  - Productivity / commercial challenges in the Building division
  - Credit Loss (Bad Debts) provision of $7.9m recognised in the Building division
  - Recognised a non-cash impairment of goodwill of $24.8m in the Building division
  - Restructuring costs incurred in 2H FY20 of $2.7m taking the total annual cost for FY20 to $4.2m
- **Repositioned** and **simplified** the business – core business, clients and geographies
- Continued to **execute strategy** to transition business mix to annuity earnings
- **Significant liquidity** with available funds of $73m (banking facilities renewal not due until FY22)
- **Net debt reduced** in 2H to $8.4m (inclusive of $26m of equipment finance debt)
- **Final fully franked dividend** of 0.5 cents per share (total FY20 dividend of 1 cps)

Business Outlook

- **Work in Hand of $707m** at 30 June and an **Opportunity Pipeline of $6.2b**
- **$200m of contract wins** since 1 July, further **imminent / near-term contract wins** expected
- Asset Services to continue **step change growth** in FY21
- Mining Services operating in **high demand, high quality** growth commodities
- Positive exposure to **fast-tracked Government stimulus** programs in Infrastructure Construction
- **Scaled back** approach to Building implemented; ongoing exposure minimised
- Expected earnings profile of **two thirds annuity earnings** in FY21 and beyond
- **FY21 EBITDA Guidance** of $38m - $42m
- Very well positioned for **long term sustainable growth**

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Strategy

SRG Global's strategy has been to transition the business to a greater proportion of annuity / recurring earnings versus project-based earnings. This strategic shift will ensure business earnings are built upon a stronger foundation underpinned by a high level of stable and predictable annuity earnings into the future.

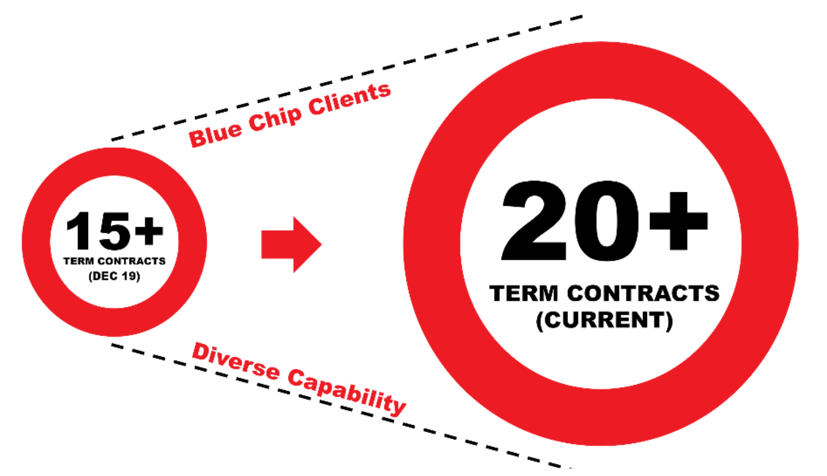

Image 1: Continued transition to Annuity Earnings

David Macgeorge, Managing Director said, "FY20 represented a step change in the execution of our strategy to transition the business to a greater proportion of annuity-based earnings. We now have more than 20 term contracts in the group, leveraging our diverse capability with blue chip clients which is a terrific achievement for our Company.

"The COVID-19 pandemic had a significant impact in FY20 and came at a very challenging time as we were starting to build strategic momentum in the business. The uncertainty it caused made us reflect on what we needed to focus on in the future. We have now simplified the business, changed the way we operate and reduced the fixed cost base, fast tracked our withdrawal from non-core businesses and focused on core business, core clients and core geographies.

"SRG Global's focus has and will remain the safety and wellbeing of its people and I am proud of the way our people have responded to the challenges in FY20 which has been a year like no other.

"The decisive actions taken in FY20 has us well positioned for long-term sustainable growth, underpinned by an earnings profile of two thirds annuity-based in FY21 and beyond. We continue to grow work in hand towards record levels with $200m of recently announced contract wins. We have a strong opportunity pipeline in excess of $6b, with positive exposure to Government backed infrastructure investment, high quality commodities, diverse industries and a tier one client base.

"We expect FY21 EBITDA to be $38m - $42m," Mr Macgeorge concluded.

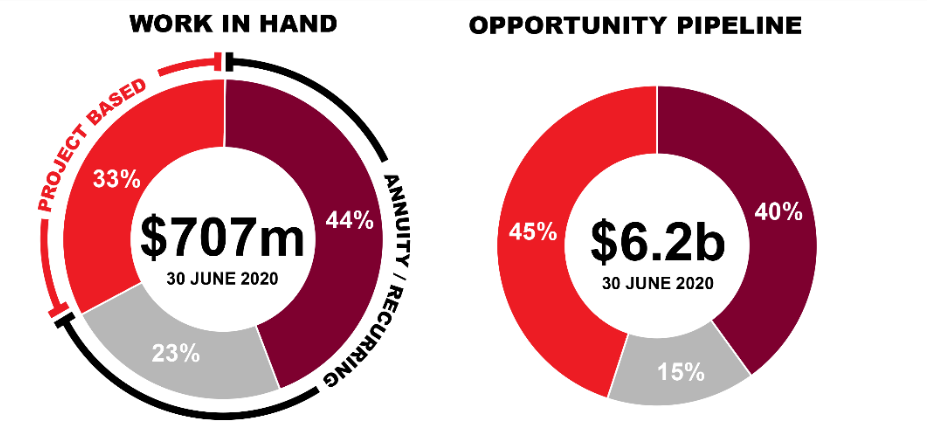

Image 2: Work in Hand and Opportunity Pipeline

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Financial and Business Overview

During the FY20 financial year, SRG Global implemented a number of cost mitigation initiatives to ensure the Company remained in a robust financial position through the uncertainty of the COVID-19 pandemic and beyond. The outcome is a more simplified business moving forward with a reduced fixed cost base. This has resulted in the implementation of significant restructuring initiatives including:

- Reduced Board positions from seven to four
- Reduced Executive positions from eight to six
- Reduced fixed cost base within both the corporate and business unit overhead bases
- Exited fixed cost base in the US
- Scaled back the Building division, specifically Structures Victoria and Building Post Tensioning in both Australia and the Middle East

As communicated in the July market update, SRG Global has undertaken a review of its intangible asset base in the Construction Segment in relation to a scaled back approach in the Building division. This review resulted in a one-off non-cash impairment of goodwill of $24.8m.

SRG Global is in a strong liquidity position with available funds of $73m, banking facilities not due for renewal until early FY22 and access to additional equipment finance facilities, if required. The Company continued to invest in growth capital in 2H FY20 including the commencement of five-year contracts with both Alcoa and Saracen Minerals; the latter requiring new drill rig purchases of $6m (funded through equipment finance debt). Despite the above investment, the Company's net debt position improved in the second half to $8.4m (inclusive of $26m of equipment finance debt).

Table 1: FY20 Segment Revenue and Results Reconciliation

	ASSET SERVICES	MINING SERVICES	CONSTRUCTION	CORPORATE	TOTAL FY20
Reported Revenue	151.9	71.7	296.4	-	**520.0**
ADJUSTMENTS:					
50% of JV revenue	-	-	25.2	-	**25.2**
Adjusted Revenue	**151.9**	**71.7**	**321.6**	**-**	**545.2**
Reported EBITDA (including JV)	18.6	13.9	(27.1)	(13.1)	**(7.7)**
ADJUSTMENTS:					
Impairment of goodwill	-	-	24.8	-	**24.8**
Restructuring costs	-	-	2.7	1.5	**4.2**
Provision for expected credit losses	-	-	7.9	-	**7.9**
Impact of AASB 16	(3.1)	(0.5)	(4.2)	(1.0)	**(8.7)**
Underlying EBITDA	**15.5**	**13.4**	**4.2**	**(12.6)**	**20.5**
Underlying EBITDA Margin [%]	**10.2%**	**18.7%**	**1.3%**	**-**	**3.8%**

Highest growth and earnings segment in the Group, despite the short-term impact of COVID-19 in New Zealand and Australia.

Extremely solid financial performance underpinned by exceptional asset utilisation rates and operational execution driving strong operating margins.

Construction margins impacted by COVID-19 and challenging conditions in Structures Victoria and Building Post-Tensioning. Scale back of these businesses has been implemented.

Corporate overheads equate to 2.3% of Adjusted Revenue.

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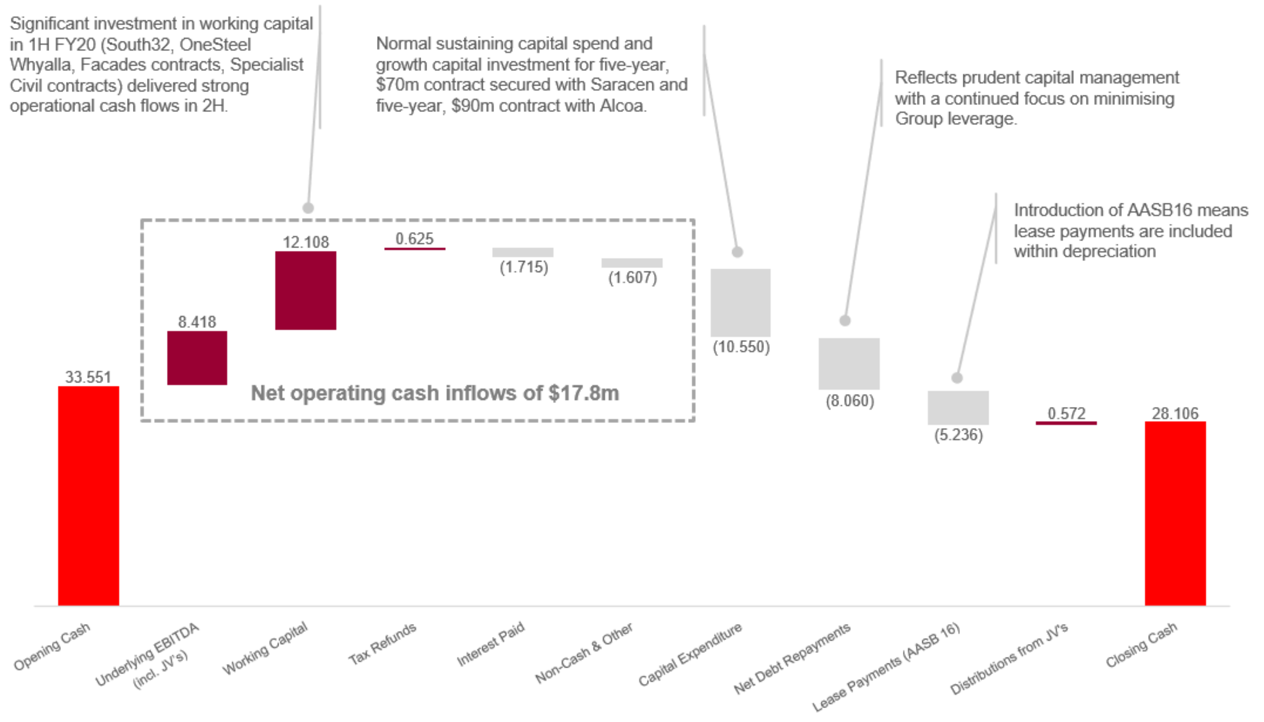
Cash Flow and Balance Sheet

Operating cashflow in the 2H of FY20 was positive $17.8m. In 1H FY20 several new annuity contracts and projects commenced (South32, OneSteel Whyalla, Facades and Specialist Civil projects) which required a significant amount of working capital investment. This investment translated to delivering strong operational cash flows in the 2H FY20. In parallel, the Company continued its disciplined focus on capital management which contributed to the strong 2H performance despite continued working capital investment in the commencement of new contracts such as Saracen, Alcoa and Multiplex in WA.

In 2H, SRG Global invested $10.5m in both sustaining capital and growth capital investment inclusive of the new contracts mentioned above. Total capital expenditure for the year is $20m, comprised of approximately $12m of sustaining capital and $8m of growth capital. This demonstrates the Company's continued investment in the business and growth trajectory.

During the 2H of FY20, SRG Global made debt repayments of $8.1m, reflecting our prudent capital management with a continued focus on minimising Group leverage. Despite the significant capital investment mentioned above, the Company's net debt position improved in the second half to $8.4m, inclusive of $26m of equipment finance debt (net debt of $11.4m at 31 December 2019).

Image 3: 2H FY20 Cash Flow demonstrates strong return on Working Capital invested in 1H, significant debt repayments to minimise group leverage and continued further investment in growth



Engineer Construct Sustain
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Asset Services Segment

The Asset Service Segment experienced significant growth in FY20, underpinned by an expanded service offering and significant contract awards. In FY20 the Asset Services Segment delivered Underlying EBITDA of $15.5m.

In January 2020 SRG Global executed a contract with Alcoa for the provision of multi-disciplinary maintenance services over five years at Alcoa's Kwinana refinery. Works under the contract are expected to deliver $90m of revenue over the contract term. The delivery of access solutions for South32 Worsley Alumina continued during the year. Pleasingly, customer feedback has been positive which is critical to our ability to optimise our site presence through the provision of additional services. Operational service delivery at the North West Shelf Project for Woodside Petroleum remained consistent during the year, with strong utilisation of access equipment.

During the second half of FY20 operational activity levels were impacted by COVID-19, with clients deferring non-essential maintenance and major shut-down work across Australia and New Zealand. The New Zealand Asset Services business was further impacted following a six-week Government imposed shut-down for the majority of industrial operations across the North and South Islands.

The Asset Services business has now returned to normal levels of operation in the first quarter of FY21 which is earlier than anticipated and pleasingly since the start of this new financial year we have secured multiple new term contracts with NZ Transport Authority (Auckland Harbour Bridge), Methanex, Meridian Energy and Yara Pilbara.

We continue to focus on innovation, technology and data analytics as market differentiators across our service offerings. These are important aspects of how we continue to win new work and as such we will continue to embrace new technology and insight to drive improvement and efficiency in our customers' operations.

There are additional imminent / near term contract wins anticipated and we expect to deliver continued step change growth in FY21.

ALCOA KWINANA

Multi-disciplinary Asset Services

AUCKLAND HARBOUR BRIDGE

Specialist Infrastructure Maintenance

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Mining Services Segment

The Mining Services business has experienced a very strong year. In FY20 the Mining Services Segment delivered Underlying EBITDA of $13.4m. This improvement reflects the additional value proposition SRG Global offers to its customer base through innovation and technology solutions, including remote operated drill rigs.

The Specialist Geotech business ceased operating in the civil infrastructure sector due to the risk profile for this type of service in this sector. SRG will solely focus on our core expertise and current work in the mining sector in which SRG Global has operated for over 30 years. This accounted for the reduction in revenue for this Segment during the year.

The Segment delivered a consistent operational performance with high utilisation across the equipment fleet (>90%). In the initial stages of COVID-19 SRG Global implemented a number of early and proactive operational measures to ensure continuity of service delivery across all operations. These early actions minimised the impact of COVID-19 on the production drill and blast business. There was some impact experienced by our specialist Geotech business due to site restrictions, but this is expected to normalise in early FY21.

During FY20 the business secured and commenced a major new contract with Saracen Mineral Holdings. The new works are valued at $70m and include the provision of specialist drill and blast services, explosives management and grade control drilling at the Thunderbox and Carosue Dam operations, both located in Western Australia.

Innovation and technology continued to be a core focus for our business to deliver value to our clients. We continue to investigate safer and more innovative ways of working to optimise performance for each customer’s mine site and minimise handling and risks to our personnel.

There is a strong pipeline of new opportunities in high quality commodities such as gold and iron ore, along with continued growth with key clients / sites. We expect this to translate to a further uplift in earnings for Mining Services in FY21.

SARACEN

Production Drill and Blast

INNOVATION

Remote Control Drilling

Construction Segment

The Construction Segment delivered a mixed result for FY20 with underlying EBITDA of $4.2m.

The Civil business in Australia had a very strong year and was largely unaffected by COVID-19. However, COVID-19 impacted our International operations and access to the US, Middle East and South Africa. During the year, we restructured the fixed cost base to manage future international opportunities from Australia and scaled back operations in the Middle East and US. The business will continue to target specialist projects in dams, bridges and tanks globally from Australia.

Our specialist capability, particularly in bridges, tanks and dams means we are a partner of choice for many of the projects we secure. We will continue to be disciplined and selective utilising our Collaborative Contracting Model and approach. Importantly, this business has a positive exposure to an ever-growing pipeline of opportunities being fast tracked through Government stimulus programs, resulting in a positive outlook for FY21 with further imminent / near term contract wins expected.

Structures Victoria and Building Post-Tensioning were significantly impacted by COVID-19 due to productivity issues, along with a challenging operating environment. Moving forward these businesses will be scaled back and focused on key tier-one clients only.

Structures West commenced the $75m One The Esplanade Multiplex project at the end of FY20, addressing the known carrying cost issue. There is a strong pipeline of opportunities in Western Australia, with Structures West well positioned as the market leader in that market.

The Specialist Facades business performed strongly nationally in FY20 and was largely unaffected by COVID-19. This is due to its differentiated business / operating model which balances operational delivery risk with our subcontractor partners. The division has a high level of secured work, positive pipeline of opportunities and we expect further imminent / near term contract wins in this business.

The Company continues to position itself to target the flammable cladding market. However, this is not expected to have a meaningful impact in the next 12 months due to uncertainty on the key issue of who is liable to pay for the rectification work to which SRG Global is not exposed.

BOLIVIA HILL

Specialist Bridge Construction

FAIRBAIRN DAM

Specialist Dam Anchoring

Outlook

The Company has work in hand of $707m as at 30 June 2020 with approximately two thirds of work in hand being annuity / recurring in nature. SRG Global has secured $200m of new work since 1 July, a strong pipeline of further opportunities in excess of $6b, with positive exposure to Government backed Infrastructure investment, high quality commodities, diverse industries and a tier one client base.

SRG Global is well positioned for sustainable growth in FY21 and beyond underpinned by a solid work in hand position, a strong opportunity pipeline with further imminent and near term contract wins expected, and a future earnings profile of two thirds annuity / recurring in nature and one third project based.

SRG Global expects FY21 EBITDA to be in the range of $38m - $42m.

Final Dividend

The Board of Directors has declared a Final dividend of 0.5 cents per share, fully franked. The record date of the dividend is 9 September 2020 with a payment date of 21 October 2020.

– ends –

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About SRG Global

SRG Global is an engineering-led 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.

Appendix 1: Financial Information and Balance Sheet

REVENUE ($m)

	FY20
Reported Revenue	**520.0**
ADD ADJUSTMENT ITEMS	
50% of JV revenue	25.2
Total Adjustment Items	**25.2**
Adjusted Revenue	**545.2**

Joint Venture revenue related to the Ocean Reef / Wanneroo Rd Interchange and Bolivia Hill projects.

EBIT AND EBITDA ($m)

	FY20
Reported EBIT	**(31.9)**
ADD ADJUSTMENT ITEMS	
Non-cash impairment of goodwill	24.8
One-off restructuring costs	4.2
Amortisation of customer related intangibles	5.1
Provision for expected credit losses (bad debts)	7.9
Net interest adjustment in relation to AASB16	(0.2)
Total Adjustment Items	**41.8**
Underlying EBIT	**9.9**
Add Depreciation	10.6
Underlying EBITDA (Pre-AASB 16)	**20.5**
Add Depreciation impact of AASB 16	8.5
Underlying EBITDA (Post-AASB 16)	**29.0**

One-off, non-cash impairment of goodwill related to the scaling back of operations in the Building division.

COVID-19 cost initiatives / restructuring implemented to ensure the Company remained in a robust financial position. Restructuring costs were $2.7m in 2H, full year restructuring costs were $4.2m.

Amortisation of Customer Contracts from previous acquisitions, adjusted to reflect earnings from underlying operations.

Credit loss provisions (bad debts) due to the economic challenges caused by COVID-19.

In line with 2 July 2020 Market Update guidance provided of pre-AASB 16 Underlying EBITDA of $20m - $21m

BALANCE SHEET ($m)

		FY20
Cash and cash equivalents	A	28.1
Trade, other receivables & contract assets		124.2
Inventories		15.6
Property, plant and equipment		79.3
Right of use assets		26.0
Intangibles	B	107.3
Tax assets		33.6
Other		8.8
Total Assets		**422.9**
Trade, other payables & contract liabilities		104.4
Borrowings	A	36.6
Right of use liabilities		26.7
Current tax liabilities		2.5
Provisions and other		31.2
Total Liabilities		**201.4**
Net Assets	B	**221.4**

A = Net Debt of $8.4m

B = Net Tangible Assets of $114.2m

Strong available liquidity of $72.6m, comprised of cash on hand of $28.1m and available undrawn finance facilities of $44.5m

New asset class in FY20 relating to the introduction of AASB16. There is also corresponding Right of Use Liabilities of $26.7m.

Includes customer contracts and goodwill, reduced during the year through amortisation of $5.1m and recognition of a one-off non-cash goodwill impairment of $24.8m.

Includes carried forward tax losses of $24.4m reducing future tax payments in future years and deferred tax assets of $9.2m.

Net debt of $8.4m, representing a reduction in net debt in 2H FY20 of $3.0m through prudent management of working capital. Total borrowings includes $26m of asset finance and $8.8m of term loan facility related to business acquisition.

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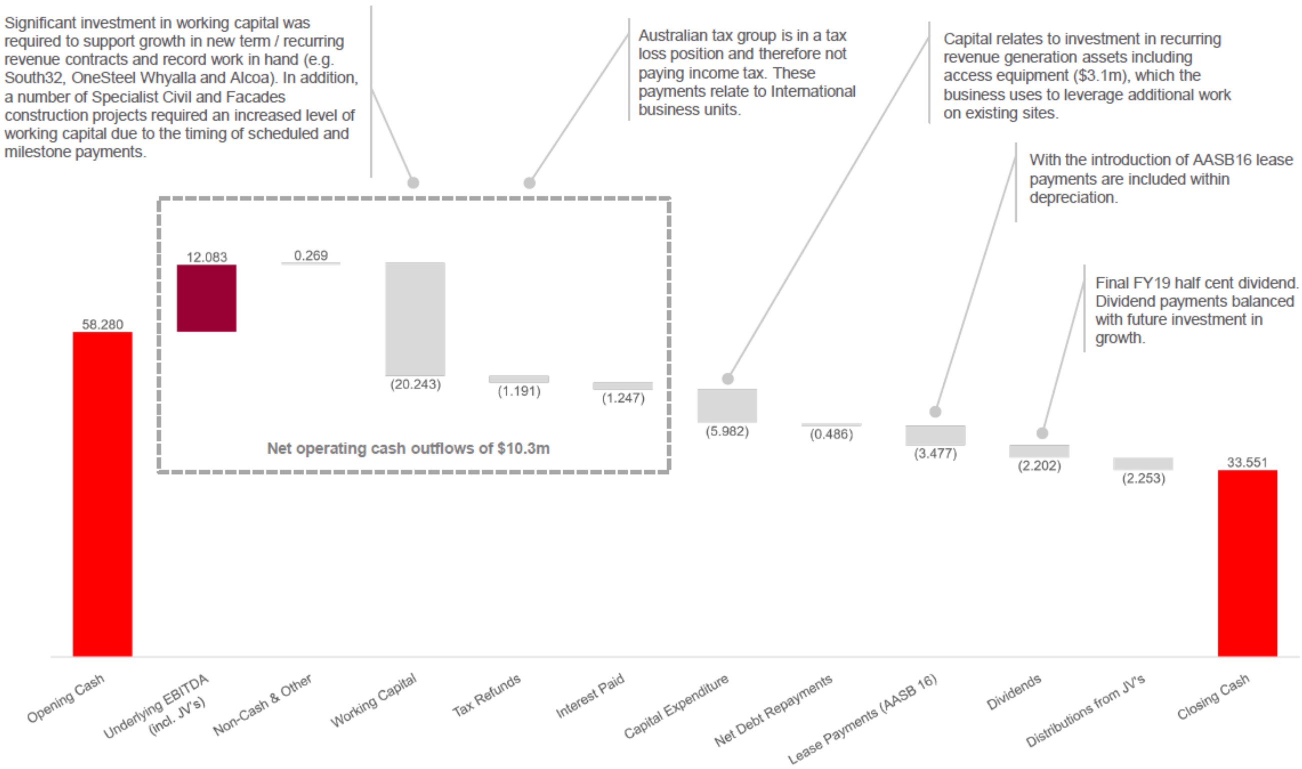
Appendix 2: 1H FY20 Cash Flow Reconciliation



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