



# **FY20 FULL YEAR RESULTS**

**25 AUGUST 2020**



# ABOUT US

## WHO WE ARE

We're an **engineering-led** specialist asset services, mining services and construction group



## OUR OPERATING MODEL

End-to-end solutions across the entire asset lifecycle

- Engineer
- Construct
- Sustain

## OUR VISION

The **most sought-after** specialist asset services, mining services and construction business

**MAKING THE  
COMPLEX  
SIMPLE**

## SUMMARY

Shares on Issue	445.8m
Share Price <sup>(1)</sup>	\$0.30
Market Capitalisation <sup>(1)</sup>	\$134m
Net Assets	\$221m

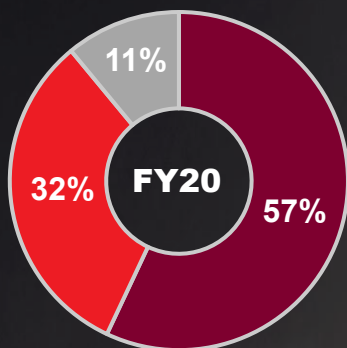
Note: (1) Share price and market capitalisation as at 24 August 2020

## SUBSTANTIAL HOLDERS

Perennial Value Investment	13.3%
Mitsubishi UFG Financial Group, Inc	9.7%
Wentworth Williamson	5.1%
Board and Management	12.5%

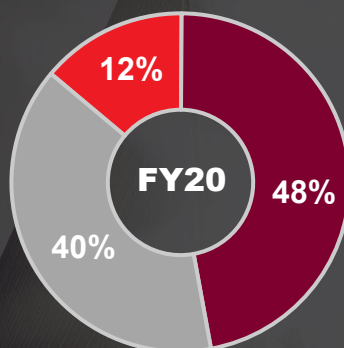
Source: Latest ASX announcements & Company share registry

## EARNINGS BY GEOGRAPHY



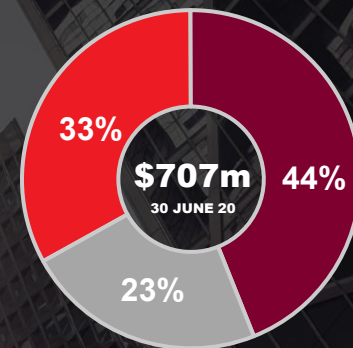
- Australia - East
- Australia - West
- International

## EARNINGS BY SEGMENT



- Asset Services
- Mining Services
- Construction

## WORK IN HAND BY SEGMENT



- Asset Services
- Mining Services
- Construction



# OUR YEAR IN REVIEW





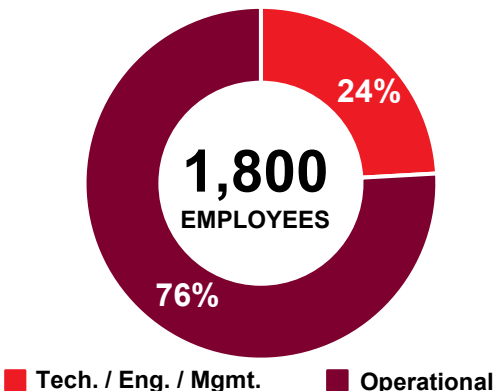
- **Revenue** in FY20 of \$545m and **Underlying EBITDA<sup>1</sup>** of \$20.5m
- Results impacted by key COVID-19 drivers:
  - Deferral of non-essential maintenance in Australia and NZ
  - Productivity / commercial challenges in the Building division
  - Credit Loss (Bad Debts) provision of \$7.9m recognised in the Building division
  - Non-cash impairment of goodwill of \$24.8m in the Building division
  - Restructuring costs of \$2.7m incurred in 2H FY20
- **Repositioned** and **simplified** the business - core business, clients and geographies
- Continued transition of business mix towards **Annuity Earnings**
- **Strong Work in Hand** of \$707m at 30 June, with **Opportunity Pipeline** of \$6.2b
- **Significant liquidity** with available funds of \$73m
- **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 1.0 cps)

1: Pre AASB 16, FY20 restructuring costs, goodwill impairment & COVID-19 related credit loss provisions

GLOBAL WORKFORCE



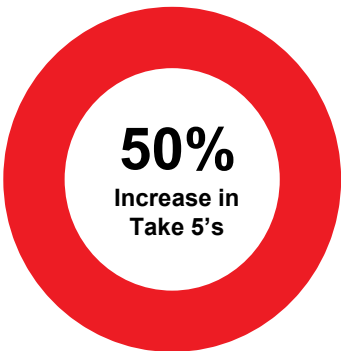
HIGHLY SKILLED WORKFORCE



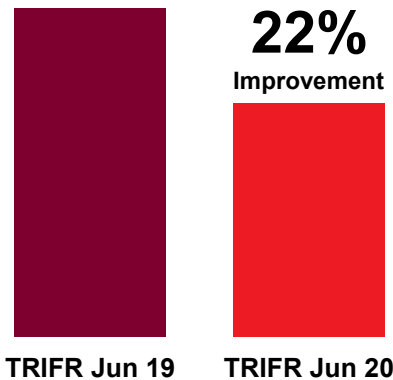
ZERO HARM LEADERSHIP



ZERO HARM INTERACTIONS



ZERO HARM IMPROVEMENT



## “Continuing to transition the business mix towards annuity earnings”

### **GROWTH** (1 - 2 YEARS)

- ✓ Step change growth in recurring Asset Services
- ✓ Innovation and selective growth in Mining Services
- ✓ Targeted growth in specialist Civil Infrastructure Construction
- ✓ Specialist services and products in Building Construction with key repeat clients
- ✓ **Continue transition of business mix towards annuity / recurring earnings**

### **LEADERSHIP** (3 YEARS +)

Zero Harm industry leader and recognised employer of choice

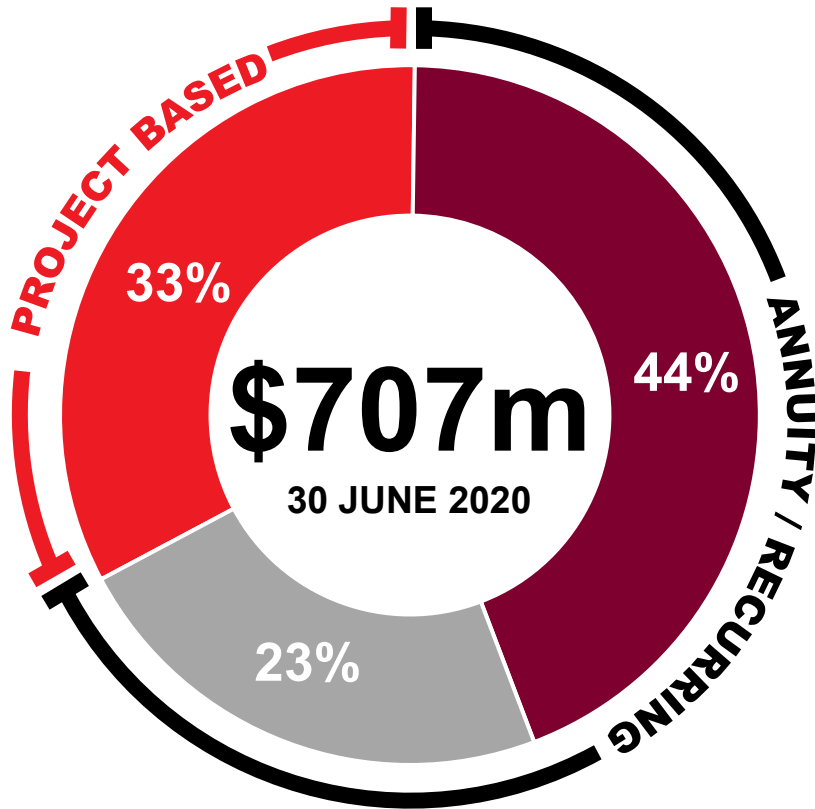
Key partner of choice in our specialised core markets with core clients

Consistent, above market shareholder returns (EPS and TSR)

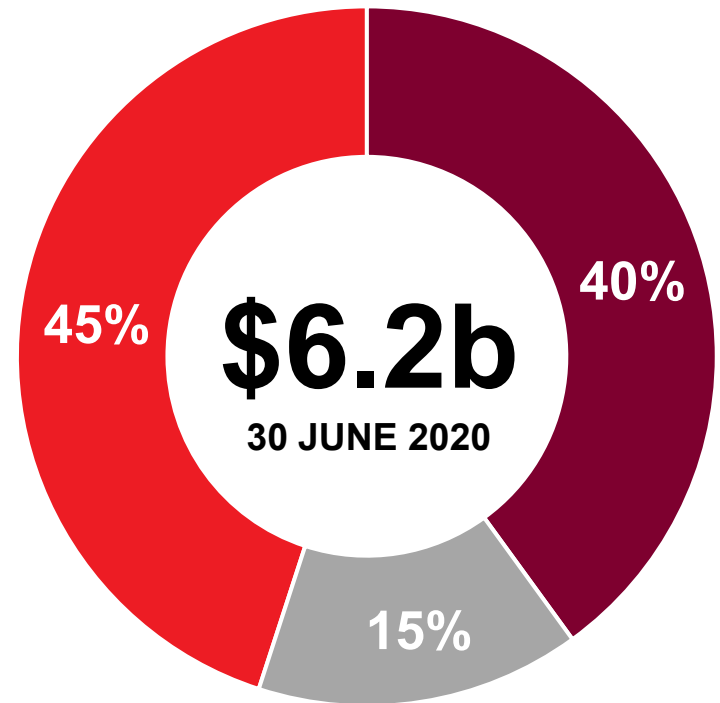
Selective strategic acquisitions to complement capability / footprint

**Two thirds annuity / recurring and one third project-based earnings**

## WORK IN HAND



## OPPORTUNITY PIPELINE



■ Asset Services    ■ Mining Services    ■ Construction



## “\$200M OF CONTRACT WINS ANNOUNCED SINCE 1 JULY”

### SRG Global Secures NZ\$25m Transport Infrastructure Maintenance Contract in New Zealand

#### Highlights

- SRG Global has secured an eight-year contract for inspection and specialist maintenance services on the Auckland Harbour Bridge
- Estimated revenues under the contract are NZ\$25 million
- Scope of work includes the provision of inspection and specialist maintenance services

7 JUL 2020

### SRG Global Secures \$25m Specialist Facades Contract for Victorian Heart Hospital

#### Highlights

- SRG Global has secured a \$25m contract with John Holland for the new Government backed \$564m Victorian Heart Hospital
- Works under the contract include the design, supply and installation of specialist engineered curtain wall facade
- Scope of works are expected to commence in January 2021 with a duration of nine months

15 JUL 2020

### SRG Global Secures \$25m Five-Year Access and Maintenance Contract with Yara Pilbara

#### Highlights

- SRG Global has secured a long-term five-year \$25m contract with Yara Pilbara
- Works under the base contract include access and insulation services with additional scope opportunities for various fixed plant maintenance solutions
- Contract works have commenced at Yara Pilbara's facilities and will continue until mid-2025

21 JUL 2020

### SRG Global Secures Specialist Facades Contracts Valued at \$40m in Sydney & Melbourne

#### Highlights

- SRG Global has secured two specialist facades contracts totalling \$40m
- Project works include the design, supply and installation of specialist engineered curtain wall facade in Sydney and Melbourne
- This brings the total major works secured and announced to ASX since the start of the new financial year to more than \$110m

23 JUL 2020

### SRG Global Secures \$30m Specialist Civil Water Infrastructure Projects with Water Corporation

#### Highlights

- Two projects secured with Water Corporation valued at \$30m
- Scope of works includes the specialist design and construction of two water tanks in Western Australia
- Contract works are expected to commence in July 2020 with a duration of approximately 18 months

28 JUL 2020

### NZ\$50m of New Work Secured in New Zealand, Operations Returned to Normal Levels

#### Highlights

- SRG Global NZ business has now fully returned to normal levels of operational activity
- NZ\$50m of new work secured across access and industrial coatings, windfarm maintenance, building remediation services and specialist refractory services

5 AUG 2020

- **Work in Hand of \$707m** at 30 June and an **Opportunity Pipeline of \$6.2b**
- **\$200m of contract wins** announced since 1 July 2020
- 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 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**



# **FY20 FINANCIAL OVERVIEW**



# FY20 FINANCIAL PERFORMANCE



## REVENUE (\$m)

	FY20
Reported Revenue	520.0
<b>ADD ADJUSTMENT ITEMS</b>	
50% of JV revenue	25.2
<b>Total Adjustment Items</b>	<b>25.2</b>
<b>Adjusted Revenue</b>	<b>545.2</b>

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

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

## EBIT AND EBITDA (\$m)

	FY20
Reported EBIT	(31.9)
<b>ADD ADJUSTMENT ITEMS</b>	
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)
<b>Total Adjustment Items</b>	<b>41.8</b>
<b>Underlying EBIT</b>	<b>9.9</b>
Add Depreciation	10.6
<b>Underlying EBITDA (Pre-AASB 16)</b>	<b>20.5</b>
Add Depreciation impact of AASB 16	8.5
<b>Underlying EBITDA (Post-AASB 16)</b>	<b>29.0</b>

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.

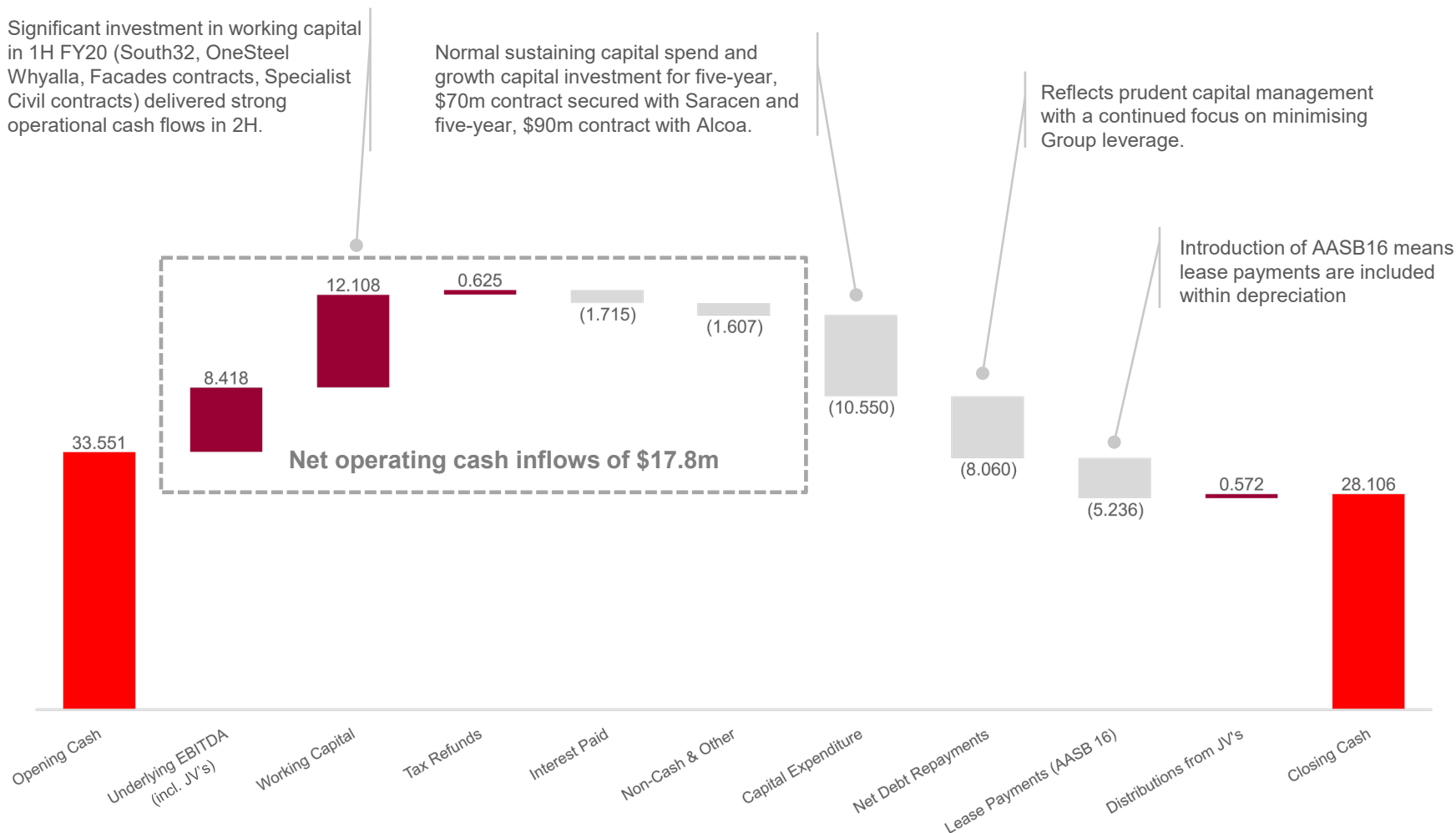
Amortisation of Customer Contracts from previous acquisitions, adjusted to reflect earnings from underlying operations.

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



# GENERATING STRONG OPERATING CASH IN 2H



## 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
<b>Total Assets</b>		<b>422.9</b>
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
<b>Total Liabilities</b>		<b>201.4</b>
<b>Net Assets</b>	B	<b>221.4</b>

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.



# OPERATING SEGMENTS



# OPERATING SEGMENTS



## **ASSET SERVICES**

Sustaining  
complex  
infrastructure

**Annuity Earnings**

## **SPECIALIST MAINTENANCE**

Highly skilled specialist  
maintenance services focusing  
on refractory, oil and gas,  
industrial assets and transport  
and marine infrastructure

## **ACCESS SOLUTIONS**

Comprehensive structural  
and technical access solutions  
targeting the mining and  
resources, oil and gas, offshore  
marine and industrial locations



## **MINING SERVICES**

Comprehensive  
ground  
solutions

**Annuity Earnings**

## **PRODUCTION DRILL & BLAST**

Integrated range of  
complementary production drill  
& blast services working across  
multiple commodities including  
gold, precious metals and iron ore

## **SPECIALIST GEOTECH**

Highly technical specialist  
ground and slope stabilisation  
services for all mining services  
applications



## **CONSTRUCTION**

Constructing  
complex  
infrastructure

**Project Based Earnings**

## **CIVIL & ENGINEERING**

Specialist engineering, post-  
tensioning and construction  
services for complex structures  
in key markets including dams,  
bridges, windfarms and tanks

## **SPECIALIST BUILDING**

Specialist facade and structural  
construction and remediation  
services with repeat, tier one  
clients





## ASSET SERVICES

Sustaining  
complex  
infrastructure

**Annuity Earnings**

## SPECIALIST MAINTENANCE

Highly skilled specialist  
maintenance services focusing  
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## ACCESS SOLUTIONS

Comprehensive structural  
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## KEY CLIENTS

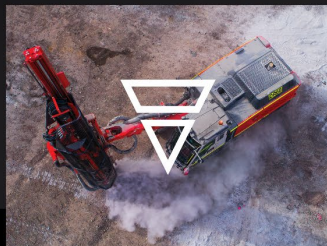


Meridian.



- Highest growth and earnings segment in the Group
- A number of contract wins
  - 5-year multi-disciplinary contract with Alcoa
  - 8-year maintenance contract with NZTA for Auckland Harbour Bridge
  - 5-year maintenance contract with Methanex
  - 2-year maintenance contract with Meridian Energy
  - 5-year access and maintenance contract with Yara
- 2H FY20 impacted by COVID-19, operations returned to normal levels in Q1 FY21
- Continue focus on innovation, technology and data analytics as market differentiators
- Further imminent / near term contract wins expected





## MINING SERVICES

Comprehensive  
ground  
solutions

**Annuity Earnings**

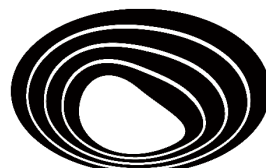
## PRODUCTION DRILL & BLAST

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& blast services working across  
multiple commodities including  
gold, precious metals and iron ore

## SPECIALIST GEOTECH

Highly technical specialist  
ground and slope stabilisation  
services for all mining services  
applications

## KEY CLIENTS



FIRST QUANTUM  
MINERALS LTD.



NORTHERN STAR  
RESOURCES LIMITED



Saracen



- A very strong FY20 financial performance
- Excellent asset utilisation of the fleet (>90%)
- Continued capital investment in fleet for growth and sustaining capital
- Early and proactive measures implemented to ensure continuity of operational delivery
- Excellent start up with new five-year \$70m contract with Saracen Minerals
- Continued focus on innovation including:
  - high precision GPS
  - bespoke real-time data analytics
  - semi-autonomous / remote control drilling
- Growth expected with key existing clients / sites and strong pipeline of new opportunities
- Key commodity exposure - gold and iron ore







## CONSTRUCTION

Constructing complex infrastructure

**Project Based Earnings**

## CIVIL & ENGINEERING

Specialist engineering, post-tensioning and construction services for complex structures in key markets including dams, bridges, windfarms and tanks

## SPECIALIST BUILDING

Specialist facade and structural construction and remediation services with repeat, tier one clients

## KEY CLIENTS



Transport  
for NSW

**sunwater**

**snowy**hydro



**MULTIPLEX**  
Built to outperform.

**seqwater**  
WATER FOR LIFE

**Built.**

**JOHN  
HOLLAND**

## Civil and Engineering

- Strong performance in Australia despite COVID-19
- Strong pipeline of Government opportunities
- Imminent / near term contract wins expected
- International operations impacted by COVID-19
- Scaled back operations in the Middle East and US
- Restructured fixed cost base
- Target specialist projects globally from Australia

## Specialist Building

- Specialist Facades performed strongly due to differentiated operating model
  - Near term contract wins expected
- Structures Victoria and Building Post-Tensioning impacted by COVID-19
  - Scaled back, minimising future exposure
- Structures West commenced Multiplex project
  - Strong pipeline of opportunities





# OUR STRATEGIC DIRECTION



## Building the **most sought-after** specialist asset services, mining services and construction business

### **GROWTH** (1 - 2 YEARS)

- ✓ Step change growth in recurring Asset Services
- ✓ Innovation and selective growth in Mining Services
- ✓ Targeted growth in specialist Civil Infrastructure Construction
- ✓ Specialist services and products in Building Construction with key repeat clients
- ✓ **Continue transition of business mix towards annuity / recurring earnings**

### **LEADERSHIP** (3 YEARS +)

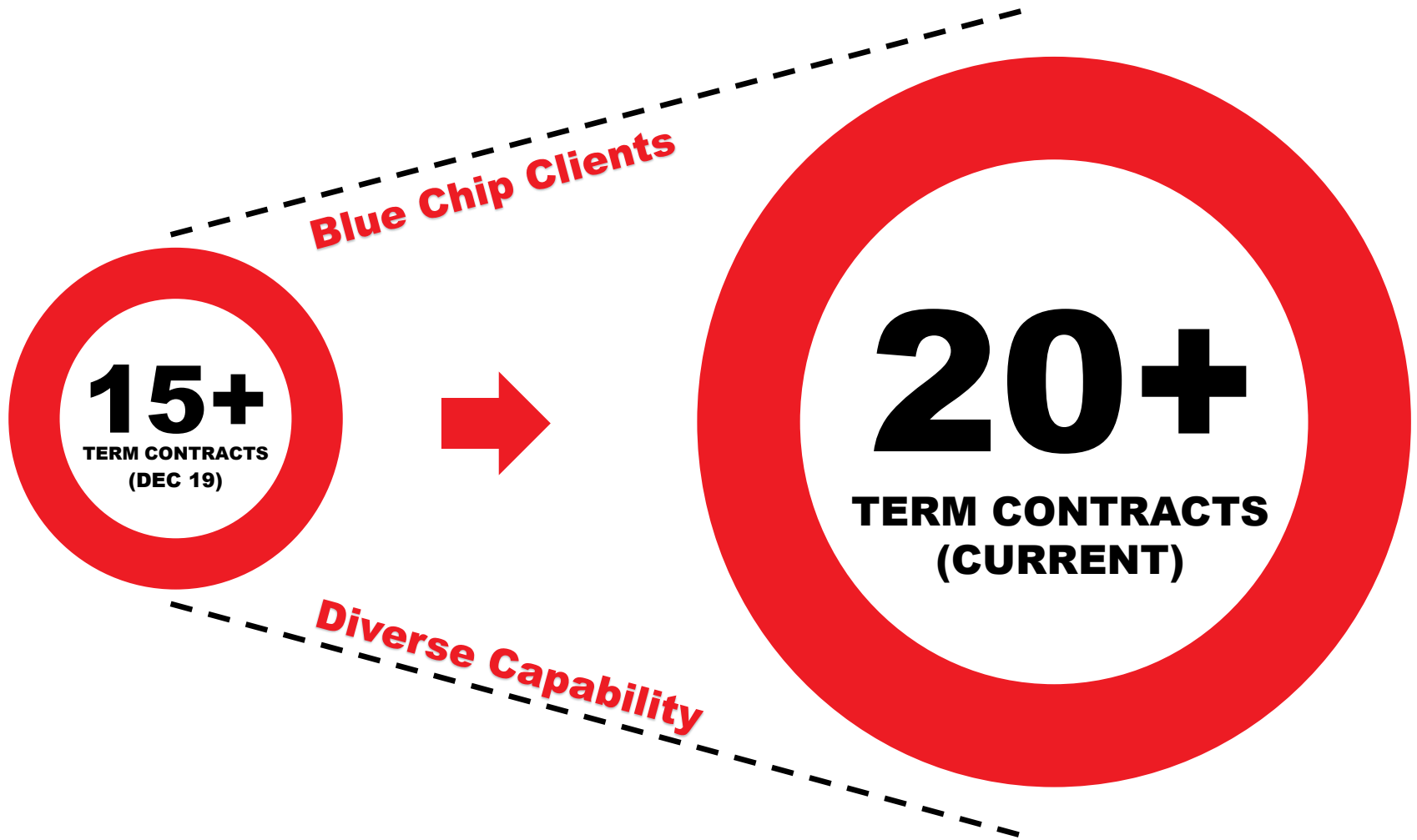
Zero Harm industry leader and recognised employer of choice

Key partner of choice in our specialised core markets with core clients

Consistent, above market shareholder returns (EPS and TSR)

Selective strategic acquisitions to complement capability / footprint

**Two thirds annuity / recurring and one third project-based earnings**





# WINNING CONTRACTS IN DIVERSE SECTORS

**TRANSPORT**



**CHEMICAL**



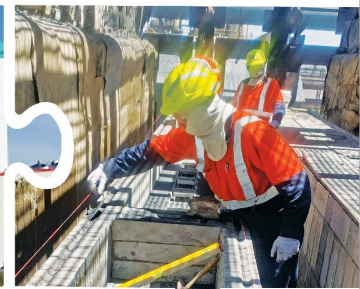
**ENERGY**



**DAIRY**



**STEEL**



**IRON ORE**



**GOLD**



**ALUMINA**



**OIL & GAS**



**RENEWABLES**



# OPPORTUNITY TO LEVERAGE OUR SITE PRESENCE



# INVESTMENT PROPOSITION

Complete  
business model  
(end-to-end)

Diverse  
market sector  
exposure

Annuity  
earnings  
profile

Strong  
growth  
outlook

Attractive  
valuation  
multiples

Dividend  
paying  
stock





# APPENDIX



# FY20 SEGMENT PERFORMANCE



## SEGMENT RESULTS (\$m)

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

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.

# CASHFLOW ANALYSIS – 1H

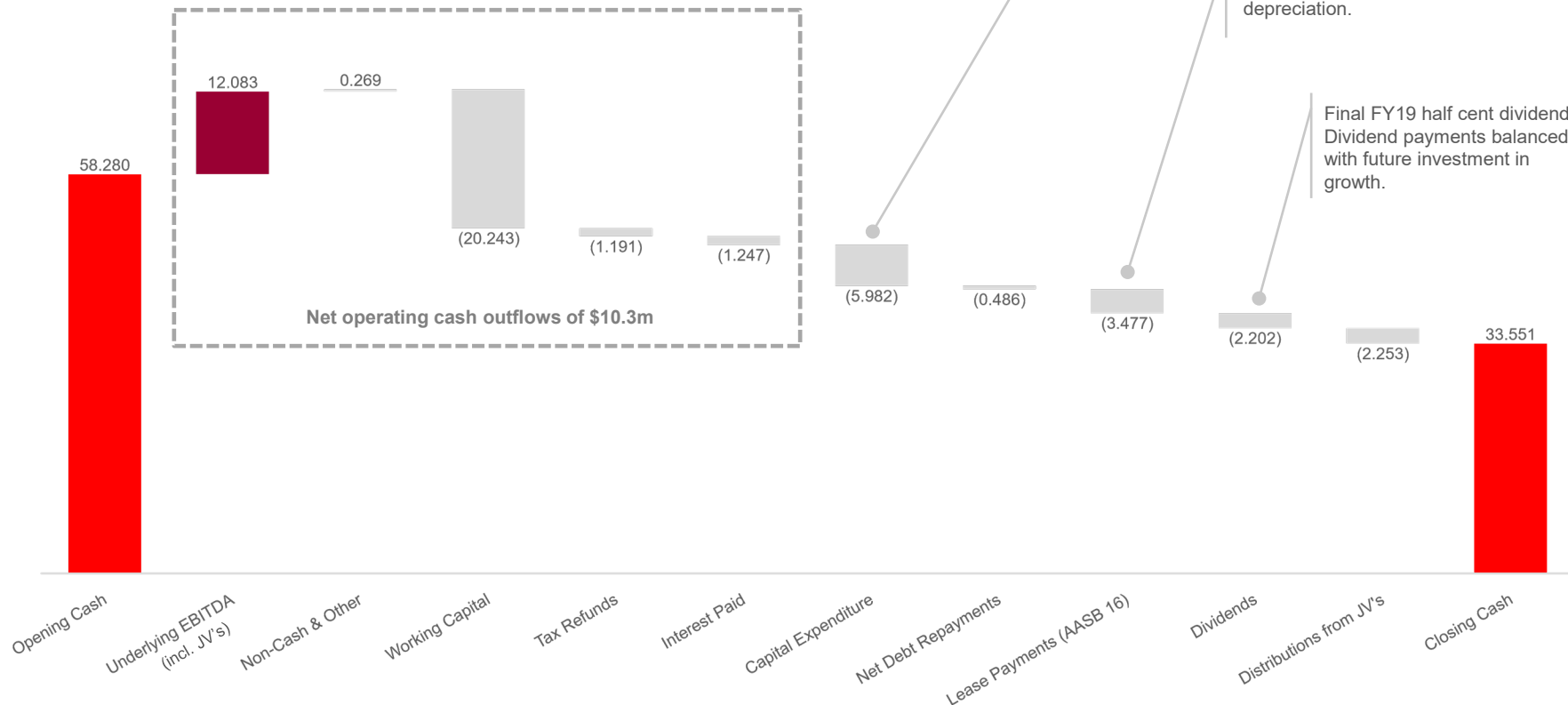
Significant investment in working capital was required to support growth in new term / recurring revenue contracts and record work in hand (e.g. South32, OneSteel Whyalla and Alcoa). In addition, a number of Specialist Civil and Facades construction projects required an increased level of working capital due to the timing of scheduled and milestone payments.

Australian tax group is in a tax loss position and therefore not paying income tax. These payments relate to International business units.

Capital relates to investment in recurring revenue generation assets including access equipment (\$3.1m), which the business uses to leverage additional work on existing sites.

With the introduction of AASB16 lease payments are included within depreciation.

Final FY19 half cent dividend. Dividend payments balanced with future investment in growth.



# Solving challenges wherever they are

[srgglobal.com.au](http://srgglobal.com.au)

○ Engineer   ○ Construct   ○ Sustain

**MAKING  
THE  
COMPLEX**  

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**SIMPLE**