

SRG Global Ltd (SRG)

Upgrades and Cashflow – The SRG Way

Key items	Latest
Rating	Buy
Price target	\$1.78
Market cap (\$m)	845
Enterprise value (\$m)	811
Last price (\$)	\$1.40
TSR (%)	31.1%
52-wk range (\$)	\$0.63 - \$1.35
Currency	AUD
Sector	Industrials

Financials	FY24	FY25e	FY26e	FY27e
Revenue (\$m)	1072.6	1298.1	1407.2	1526.9
EBITDA (\$m)	98.5	126.5	136.8	147.9
EBIT (\$m)	65.6	92.4	100.4	109.5
U-NPAT (\$m)	40.3	58.8	65.3	73.7
EPS (cents)	8.1	9.9	10.6	11.8
DPS (cents)	4.5	5.6	3.4	3.9

Valuation	FY24	FY25e	FY26e	FY27e
EV/sales	0.8x	0.6x	0.6x	0.5x
EV/EBITDA	8.2x	6.4x	5.9x	5.5x
EV/EBIT	12.4x	8.8x	8.1x	7.4x
PER	17.3x	14.1x	13.1x	11.8x
Div yield	3.2%	4.0%	2.5%	2.8%

Ratios	FY24	FY25e	FY26e	FY27e
Sales growth	32%	21%	8%	9%
EBITDA growth	23%	28%	8%	8%
EBITDA margin	9.2%	9.7%	9.7%	9.7%
ROE	11.3%	12.8%	14.2%	14.0%

One-year share price performance



Source (front page): FactSet, company reports, UCPS, other sources within report

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Rating	Price target	Last price	Mkt cap/EV	Risk
Buy	\$1.78	\$1.40	\$841m/\$811m	High

Event

1H25 results, headlined by a better-than-expected balance-sheet, strong cashflows and an upgrade to guidance.

Our Take

- 1H25 result** – A high-quality result and an upgrade to full-year guidance. Management has upgraded full-year guidance from EBITDA of \$125m to \$125m-\$128m. Assuming the mid-point (\$126.5m) the upgrade to guidance was 1.2%, the market was likely searching for slightly higher. Despite this, we believe the quality of the result has been underrated by the market. Cash conversion (statutory EBITDA / operating cashflow) was 103% and free cash flow's ex. the Diona acquisition cost were \$47.1m. Subsequently, SRG's balance-sheet is now in a very strong net cash position of \$9.1m vs UCPSe net debt of \$15.9m, a \$25.0m beat. SRG reported 1H25 uEBITDA of \$59.0m (UCPSe uEBITDA of \$56.0m, a 5% beat) and statutory EBITDA of \$54.0m which included \$5.0m Diona acquisition costs. A 15% beat was exhibited at the NPATA line and the introduction of EBITA guidance (in addition to typical EBITDA) is welcomed as this sees higher consensus EPS (~15%) and is a truer indication of cash flows and peer-based multiples.
- 2H25 outlook, consensus and core organic growth** – Assuming SRG does \$126.5m of EBITDA in FY25e, SRG is on track to do \$67.5m of EBITDA in 2H25. A half-on-half increase of \$8.5m or 14% and an annualised EBITDA of \$135m. FY26e consensus is \$138m and with \$700m in wins from November to contribute materially in FY26e, earnings risk in FY26e is skewed to the upside in our opinion. Diona is an ~\$20m EBITDA business, and contributes an extra 2 months (or ~\$3.5m EBITDA) in 2H25e. With \$8.5m in HoH growth, organic EBITDA growth is likely to be around ~\$5m, in-line with managements stated target of ~10% organic EBITDA growth.
- Order book** – SRG's order book is sitting at \$3.4b, a record for the company, albeit \$1.0b of this was acquired from the Diona acquisition. SRG's order book ex. Diona was \$2.0bn at the FY24 results, intimating the order book has grown \$400m organically half-on-half. While the current order book for Diona is unknown, it is probably around ~\$1.3b given the \$700m in wins in November was weighted towards Diona, less \$95m of revenue completion from Diona in 1H25. This implies the core business order book has grown ~\$100m or ~5% growth half-on half.
- Diona** – Management have highlighted Diona is trading above expectations. Diona did \$66m of revenue and PBT of \$6.9m under SRG's four months of ownership implying a 10.5% PBT margin. Diona's full 1H25 reported revenue and PBT was \$94.3m and \$7.5m, respectively, margins have improved, and this bodes well for further acquisitions and appetite as we rate management in this space.
- Changes** – Our key changes to earnings are relatively minor. Stronger than expected EBITDA margins in asset services and construction, increasing our FY25e and FY26e EBITDA by 1.1% and 0.9% respectively. A Stronger balance-sheet than anticipated reduces net-interest costs, in turn lifting our NPATA by 5.2% in FY25e and 4.2% in FY26e. Our adj. EPS increases by 1.7% and 4.1% in FY25e and FY26e.
- Rerating potential** – Despite SRG's high quality earnings, the company is trading at a discount, providing re-rating potential in our opinion. SRG trades at a 13% discount on FY25e PER, 27% discount on FY25e EV/EBITDA and a 19% discount on FY25e EV/EBIT. While the share price has had a decent run, the stronger balance-sheet has widened the valuation gap for SRG, alongside the management team cracking a maiden \$1Bn of annualised recurring work highlighting quality.

Call to Action

We rate SRG a Buy with High Risk.

Summary Financials

SRG Global (SRG-AU)
RATING: Buy | RISK: High | PT AU\$1.78 | YE 30-Jun

P&L (AUD) \$m	FY24	FY25e	FY26e	FY27e
Revenue	1072.6	1298.1	1407.2	1526.9
Operating expenses	(974)	(1172)	(1270)	(1379)
Operating EBITDA	98.5	126.5	136.8	147.9
D&A	(32.9)	(34.1)	(36.4)	(38.4)
Operating EBIT	65.6	92.4	100.4	109.5
Net interest	(7.2)	(8.9)	(7.0)	(4.2)
EBT	58.4	83.5	93.3	105.3
Income tax expense	(18.1)	(24.7)	(28.0)	(31.6)
Operating NPAT	40.3	58.8	65.3	73.7
Customer rel. amort.	(5.9)	(4.2)	-	-
Significant items	-	(3.5)	-	-
Statutory NPAT	34.4	51.1	65.3	73.7

SEGMENTS & DRIVERS	FY24	FY25e	FY26e	FY27e
Asset services revenue	661.5	837.6	921.3	1013.4
Asset services EBITDA	94.2	123.0	135.3	148.8
Construction revenue	407.8	458.0	482.9	510.5
Construction EBITDA	29.3	32.7	33.8	35.7
Corporate EBITDA	(25.0)	(29.2)	(32.3)	(36.6)

CASH FLOW (AUD) \$m	FY24	FY25e	FY26e	FY27e
EBITDA	98.5	126.5	136.8	147.9
Working capital changes	14.5	9.3	(5.0)	(5.5)
Net interest	(7.2)	(8.4)	(7.0)	(4.2)
Tax paid	(13.2)	(22.3)	(28.0)	(31.6)
Other	1.1	5.7	10.0	11.0
Operating cash flow	93.8	110.9	106.7	117.7
Capex	(25.3)	(19.8)	(29.7)	(32.1)
Acquisitions	-	(99.0)	-	-
Other	-	-	-	-
Investing cash flow	(25.3)	(118.7)	(29.7)	(32.1)
Free cash flow	68.5	(7.9)	77.0	85.6
Change in borrowings	(22.1)	33.8	(40.0)	(20.0)
Dividends	(20.9)	(31.6)	(20.8)	(23.6)
Contributed Equity	0.0	62.9	0.0	0.0
Other	-	-	-	-
Financing cash flow	(42.9)	65.1	(60.8)	(43.6)
Total cash flow	25.6	57.2	16.2	42.0

BALANCE SHEET (AUD) \$m	FY24	FY25e	FY26e	FY27e
Cash and equivalents	73.4	130.6	146.9	188.9
Trade/other receivables	120.9	118.5	130.8	144.2
Inventories	26.0	31.4	34.6	38.2
Contract assets	92.2	111.6	123.1	135.8
Other current assets	5.1	6.2	6.8	7.5
Current assets	317.6	398.3	442.2	514.6
PPE	122.8	124.3	131.0	138.9
ROU assets	30.7	34.7	37.3	38.9
Intangible assets	132.7	285.6	285.8	285.9
Other non-current assets	36.6	1.5	1.5	1.5
Non-current assets	322.9	446.1	455.4	465.1
Total assets	640.5	844.4	897.6	979.7
Trade/other payables	143.7	173.8	191.7	211.5
Interest bearing liabilities	17.6	26.3	26.3	26.3
Contract liabilities	37.6	45.5	50.2	55.4
Provisions	52.4	82.7	91.2	100.6
Other current liabilities	12.4	11.3	11.3	11.3
Current liabilities	263.7	339.6	370.7	405.1
Interest bearing liabilities	38.0	69.7	29.7	9.7
Lease liabilities	10.2	9.8	9.8	9.8
Other non-current liabilities	23.6	26.7	28.2	29.8
Non-current liabilities	71.7	106.2	67.7	49.3
Total liabilities	335.4	445.8	438.4	454.4
Net assets / equity	305.1	398.6	459.1	525.3

Source: FactSet, company reports, UCPSe

RATIOS	FY24	FY25e	FY26e	FY27e
Valuation				
EV/Revenue (x)	0.8	0.6	0.6	0.5
EV/EBITDA (x)	8.2	6.4	5.9	5.5
EV/EBIT (x)	12.4	8.8	8.1	7.4
PER (basic u'lying EPS) (x)	17.3	14.1	13.1	11.8
Dividend yield (%)	3.2%	4.0%	2.5%	2.8%
P/OCF (x)	9.0	7.6	7.9	7.2
P/NTA (x)	4.9	7.5	4.9	3.5
P&L other ratios				
EBITDA margin (%)	9.2%	9.7%	9.7%	9.7%
EBIT margin (%)	6.1%	7.1%	7.1%	7.2%
Op-NPAT margin (%)	3.8%	4.5%	4.6%	4.8%
Revenue growth (%)	32%	21%	8%	9%
EBITDA growth (%)	23.0%	28.4%	8.1%	8.2%
U-NPAT growth (%)	26.8%	45.7%	11.2%	12.8%
EPS (basic u'lying) (cps)	8.1	9.9	10.6	11.8
EPS (diluted u'lying) (cps)	8.1	9.9	10.6	11.8
Dividend per share (cps)	4.5	5.6	3.4	3.9
ROE (%)	11%	13%	14%	14%

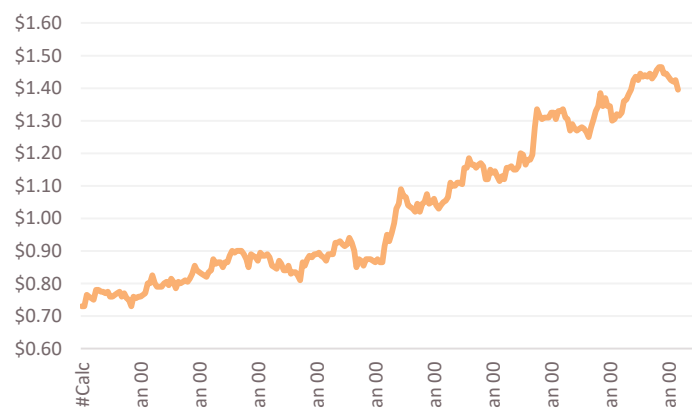
MARKET DATA (LAST)

Share price (last) (AUD)	\$1.40
52-wk range (AUD)	\$0.63 - \$1.35
Market capitalisation (\$m)	845
Enterprise value (\$m)	811
Net debt / (cash) (FY+1) (\$m)	(34.6)
Shares on issue (basic) (m)	603.9
Avg daily vol (1-mth) (m)	1.42

COMPANY DESCRIPTION

SRG is a diversified infrastructure services company that delivers critical services for major industry across the entire asset life cycle of engineer, construct and sustain. SRG has 2 core operating segments of maintenance & industrial services and engineering & construction, with a blue-chip client base across a broad range of sectors including water, energy transition, transport, resources, health and defence. SRG has a large exposure towards asset maintenance driven by aging infrastructure in Australia and New Zealand.

One-year share price performance



Company summary and investment thesis

Company Overview

SRG Global (SRG) is a diversified infrastructure services company that delivers critical services for major industry across the entire asset life cycle of engineer, construct and sustain. SRG has two core operating segments of Maintenance & Industrial Services and Engineering & Construction, with a blue-chip client base across a broad range of sectors including water, energy transition, transport, resources, health and defence. SRG has a large exposure towards asset maintenance driven by aging infrastructure in Australia and New Zealand.

Key Metrics

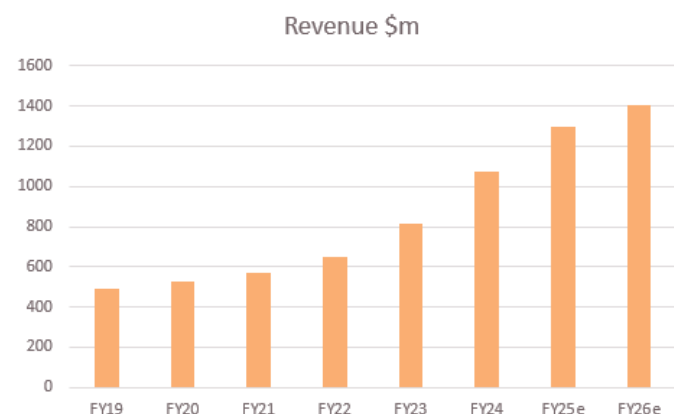
Key items	Capital structure	Valuation
Rating	Buy	Market cap \$845m
Price Target	\$1.78	EV \$811m
Last price / TSR	\$1.40 / 31.1%	Debt / cash (FY1) \$96.0m / \$130.6m
Risk	High	Net debt / (cash) (FY1) (\$34.6m)
		EV/EBITDA (FY+1) 6.4x
		EV/EBITDA (FY+2) 5.9x
		PE (FY+1) 14.1x
		PE (FY+2) 13.1x

Source: FactSet, UCPS

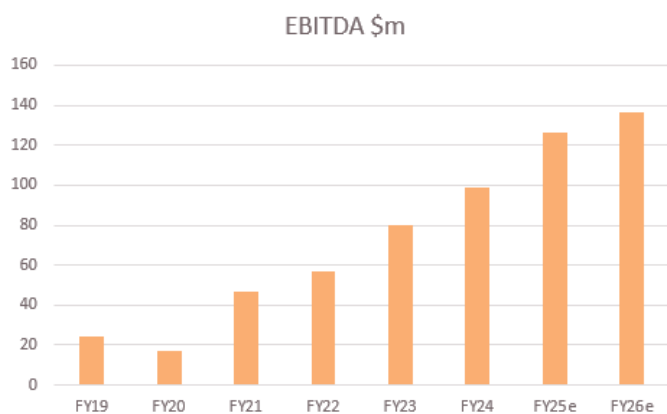
Catalysts (Upcoming + Potential)

- **Results, margins and recurring work** – Typically SRG give guidance when they report their full-year results, this is normally followed up by an update to guidance at the half-year results, we see potential for upside risk to company guidance and note strong margins and large base of maintenance work that we expect to grow.
- **Structural tailwinds driving further contract wins** – Themes of aging critical infrastructure maintenance work and new builds should underpin a stable and growing amount of work for SRG in our opinion. This is particularly the case with water infrastructure post the Diona acquisition.
- **EPS accretive acquisitions** – Historically SRG has been acquisitive and post the GCS merger, SRG has been successful with its acquisitions, we believe it is likely SRG will continue to be active, and we see potential for further accretive financial activities.

Financial Assumptions and Drivers



Source: Company reports, UCPS



Source: Company reports, UCPS

	1H24	2H24	FY24	1H25a	2H25e	FY25e	FY26e	FY27e
P&L \$m								
Revenue	512.6	559.9	1072.6	620.7	677.3	1298.1	1407.2	1526.9
Operating expenses	(467.6)	(506.5)	(974.1)	(561.7)	(609.8)	(1171.6)	(1270.4)	(1379.0)
Operating EBITDA	45.1	53.4	98.5	59.0	67.5	126.5	136.8	147.9
D&A	(16.7)	(16.2)	(32.9)	(16.9)	(17.2)	(34.1)	(36.4)	(38.4)
Operating EBIT	28.4	37.2	65.6	42.1	50.3	92.4	100.4	109.5
Net interest	(3.6)	(3.6)	(7.2)	(4.1)	(4.3)	(8.9)	(7.0)	(4.2)
EBT	24.8	33.6	58.4	38.0	45.9	83.5	93.3	105.3
Income tax expense	(7.1)	(11.0)	(18.1)	(11.4)	(13.8)	(24.7)	(28.0)	(31.6)
Operating NPAT	17.7	22.6	40.3	26.6	32.2	58.8	65.3	73.7
Significant items	-	-	-	(7.7)	-	(7.7)	-	-
Statutory NPAT	15.3	19.1	34.4	18.9	32.2	51.1	65.3	73.7

SEGMENTS & DRIVERS

Asset services revenue	233.3	428.2	661.5	388.0	449.6	837.6	921.3	1013.4
Asset services EBITDA	26.2	68.0	94.2	56.8	66.2	123.0	135.3	148.8
Construction revenue	203.9	203.8	407.8	231.7	226.3	458.0	482.9	510.5
Construction EBITDA	14.8	14.5	29.3	16.5	16.2	32.7	33.8	35.7
Corporate EBITDA	(11.3)	(13.7)	(25.0)	(14.3)	(14.9)	(29.2)	(32.3)	(36.6)

Source: Company reports, UCPS

Earning Changes

Figure 1: Earnings changes

FY	FY25e			FY26e			FY27e		
	Variable (\$m)	Pre	Post	Change %	Pre	Post	Change %	Pre	Post
Revenues	1354.0	1298.1	-4.1%	1467.7	1407.2	-4.1%	1591.7	1526.9	-4.1%
Operating EBITDA	125.1	126.5	1.1%	135.6	136.8	0.9%	148.1	147.9	-0.1%
Operating EBITA	90.1	92.4	2.5%	98.2	100.4	2.2%	108.7	109.5	0.8%
uNPATA	55.9	58.8	5.2%	62.7	65.3	4.2%	72.6	73.7	1.5%
Statutory NPAT	48.6	51.1	5.0%	59.5	65.3	9.8%	69.9	73.7	5.5%
Operating CF	89.7	110.9	23.6%	100.2	106.7	6.5%	112.2	117.7	4.9%
Net change in cash	33.3	57.3	72.1%	-7.4	16.2	-319.1%	16.4	42.0	156.1%
Adjusted EPS (cps)	9.8	9.9	1.7%	10.2	10.6	4.1%	11.7	11.8	1.5%
Diluted EPS (cps)	9.8	9.9	1.7%	10.2	10.6	4.1%	11.7	11.8	1.5%

Source: Company data, UCPS

Our earnings changes reflect the upgraded guidance to the market.

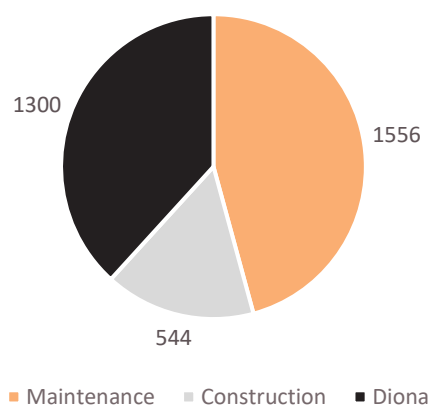
- Upgrades to EBITDA, EBITDA, NPATA and operating cashflow, driven by stronger margins;
- Stronger margins are likely to sustain with the integration of Diona being a higher margin business, compared to the core; and
- Stronger balance sheet reducing net interest costs

Figure 2: Share price target changes

Valuation	Pre	Post	Change %
\$ p.s	1.67	1.78	6.6%

Source: Company data, UCPS

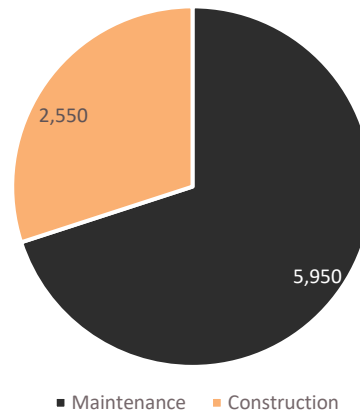
Healthy pipeline and order book

Figure 3: 1H25 work in hand (\$m) UCPSe


Source: Company data, UCPS

SRG has increased its order book from \$3.0b to \$3.4b, with the last set of contract wins announced in November 2024. We are probably likely to see new contract wins in Q3 or early Q4.

Figure 4: Opportunity pipeline (\$m)

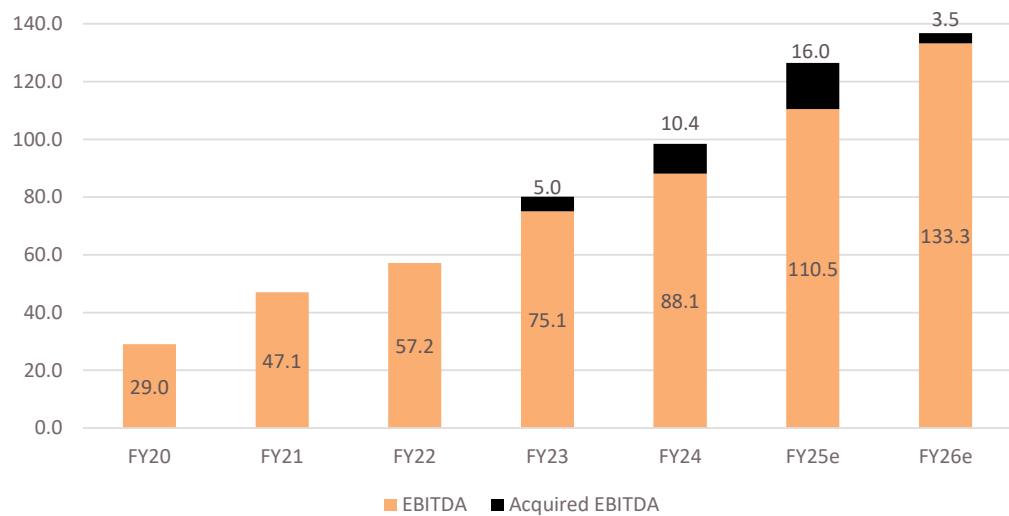


Source: Company data, UCPS

SRG's \$8.5b 'opportunity pipeline' includes projects that have not been tendered for, but could be in the short-term, or may not be at managements discretion. We would look at the pipeline on a 2–3-year lens given SRG's average contract length. ~70% of the pipeline is maintenance work which bodes well for SRG's short to medium term EBITDA margins

Organic growth

Figure 5: EBITDA growth (\$m)



Source: Company data, UCPS

EBITDA growing from \$98.5m to \$126.5m in FY25 with ~\$16m (10 months of ownership) contribution from Diona, organic EBITDA growth is \$12.0m in FY25e. Implying a 12% organic EBITDA growth rate in FY25e.

Diona is tracking above expectations so this could be closer to 10% organic EBITDA growth.

Recent contract wins and continued momentum

SRG is currently delivering the highest win rates by number, size and consistency across the group. This will buttress the order book and provides upside risk to UCPSe, whilst also underwriting the future growth in the business.

Figure 6: Contract wins

Announced	Client	Project	Business unit	Value (\$m)	Location	Commencement (expected)	Completion (expected)
Jun-18	Victorian dept. of Health	Hospital. Precast panels, reinforcements.	GCS Summit Contracting	\$5.30	Victoria	Nov-18	7 months
Aug-18	J. Hutchinson	24-level Vibe Hotel, Precast panels	GCS Summit Contracting	\$7.40	Victoria	Q1 FY19	7 months
Aug-18	Watpac Construction	Deakin University, concrete structure works	GCS Summit Contracting	\$24.60	Victoria	Q1 FY19	9 months
Oct-18	Lendlease	Goulburn Valley Health, precast panels	SRG Global	\$11.50	Victoria	Q2 FY19	12 months
Oct-18	Multiplex Constructions	82-level resi tower, Façade design & install	SRG Façade division	\$30	Brisbane	Late 2018	24 months
Oct-18	Downer	BMA's Blackwater coal mine, drilling	Mining services	\$20	Queensland	Oct-18	30 months
Nov-18	University of Melbourne	Melbourne Connect development, façade	SRG Façade division	\$14	Victoria	Early 2019	18 months
Jan-19	Main Roads WA	Wanneroo and Ocean Reef road, various	SRG Global	\$20.80	WA	Early 2019	18 months
Apr-19	Evolution Mining	Mt Rawdon, Cowal, Mt Carlton, Drill & blast	Mining services	\$78 + \$37	WA	1H'20	3 year + 2 year
Apr-19	Kalgoorlie Cons. Gold Mines	Ground support, rock fall mitigation	SRG Geotech	\$18	WA	n/a	n/a
Apr-19	J. Hutchinson	Lincoln Square, precast	SRG Global	\$11.85	Victoria	Mid 2019	n/a
May-19	VicRoads and Besix	Bridges, asset services and construction	Geotechnical & other	\$17	Vic & Dubai	n/a	31 weeks & 2022
May-19	South32	Worsley Alumina, scaffold and other	Asset services	\$30 + \$30	WA	Jun-19	3 years + 3 year option
May-19	GFG Libery OneSteel	Whyalla Steelworks site, refractory services	SRG Global	\$30 + \$15	SA	1H'20	4 years + 2 year option
Jun-19	Transpower NZ (renewal)	National grid, blasting and coatings	Asset services	\$35	NZ	1H'20	3 years
Jun-19	J. Hutchinson	Office tower, façade	SRG Façade division	\$20	Brisbane	Jan-20	18 months
Sep-19	Built Obayashi JV	Parramatta Square project, façade	SRG Façade division	\$44	NSW	mid 2020	18 months
Sep-19	Sunwater Ltd	Fairbairn Dam, remediation and strength	Civil division	\$12	Queensland	Sep-19	~12 months
Dec-19	Alcoa	Alumina refinery, maintenance and other	Asset services	\$90	WA	early 2020	5 years
Feb-20	Multiplex Constructions	The Esplanade, façade	SRG Façade division	\$72	Perth	May-20	24 months
Mar-20	Saracen Mineral Holdings	Thunderbox and Carosue dam, drill & blast	Mining services	\$70	WA	2H'20	5 years
Jul-20	ASM	Auckland harbour bridge, maintenance	Asset services	\$25.00	NZ	1H'FY21	8 years
Jul-20	John Holland	Vic heart hospital, facades	SRG Façade division	\$25	Victoria	Jan-21	9 months
Jul-20	Yara Pilbara	Fertiliser plant, insulation services	Asset services	\$25	WA	1H'FY21	5 years
Jul-20	Richard Crookes & Lendlease	Tower, facades	SRG Façade division	\$40	Syd & Melb	Sep-20 & early-21	9 and 12 months
Jul-20	Water Corporation	Water tank design and construct	SRG Global	\$30	WA	Jul-20	18 months
Aug-20	Methanex, Meridian, Metlifecare and OI Glass	Coating, wind turbine maintenance, remediation and refractory services	SRG Global	\$50	NZ	1H'FY21	24 months
Sep-20	John Holland	Sydney football stadium redevel, facades	SRG Façade division	\$65	Sydney	1H'FY21	n/a
Oct-20	South32	Worsley Alumina, Refractory services	Asset services	\$125	WA	Oct-20	8 years
Nov-20	Transport for NSW, Water Corporation and Sunwater	Balanced cantilever bridge variation, D&C water tank and dam remedial works	SRG Global	\$55	NSW, WA & QLD	1H'FY21	less than 12 months
Nov-20	Multiplex & D&C Corp.	Resi tower - facades, structure work	SRG Global	\$100	QLD and WA	Nov-20	18-30 months
Feb-21	GFG Libery & Pit N Portal	Steelworks - engineering, drill & blast	Asset serv. & mining serv.	\$45	SA & WA	Feb-21	3 years and 1 year
Feb-21	Fortescue	Multiple sites - maintenance shutdown	Asset services	\$150	WA	Feb-21	5 years
Jun-21	Lendlease, Built and HMAS	Facades and defence	SRG Global	\$50	VIC, SA, WA	Jun-21	<24 months
Oct-21	Fortescue	Port, maintenance and shutdown	Bugarrba	\$25	WA	Oct-21	5 years
Nov-21	Rio, Roy Hill, Fonterra, Transpower NZ & Refining NZ	Shutdown maintenance, asset services, tower maintenance, coating & refractory	Asset services	\$110	WA & NZ	Nov-21	1 to 3 years
Dec-21	Built	Westralia Square project, facades	SRG Façade division	\$70	WA	Jan-22	12 months
Dec-21	Built	Festival Square development, facades	SRG Façade division	\$20	SA	Dec-21	18 months
Dec-21	Lendlease & Multiplex	M1 building and Footscray hosp, facades	SRG Façade division	\$20	Victoria	Dec-21	<24 months
Dec-21	Lendlease	Navy training centre & HMAS, structures	SRG Global	\$30	WA	Dec-21	9 months
Feb-22	OneSteel Manufacturing	Iron ore, drill and blast	Mining services	\$150	SA	Feb-22	5 years
Feb-22	Vic dept, of transport	Latrobe bride, construction & roadworks	Civil division	\$11	Victoria	Feb-22	14 months
Feb-22	Evolution, Navarre & Red 5	Drill and blast, geotechnical	Mining services	\$60	NSW WA QLD	Feb-22	6-24 months
May-22	Alcoa	Kwiana alumina refinery, civil maintenance	Asset services	\$95	WA	May-22	5 years
Jun-22	Hutchinson Builders	Tower, facades	SRG Façade division	\$30	Brisbane	Jun-22	3 years
Jun-22	Lendlease	Defence, facades	SRG Façade division	\$20	WA	Jun-22	7 months
Jul-22	FMG and Visy	Iron Bridge shutdown services & refractory	Asset services	\$100	WA & SA	Jul-22	5 years
Jul-22	South32, Fremantle Ports & BCI Minerals	Worsley Alumina - civil and maintenace. Kwinana Bulk Jetty - various works. Mardie salt - earthworks and civil	Civil division	\$80	WA	Jul-22	18 months, 18-30 months and 6 months
Jul-22	Northern Star & Meridian Energy	Kalgoorlie gold mine - mining services Hydro & wind - coatings & paintings	Mining services & Asset services	\$90	WA & NZ	Jul-22	2027 and 2029
Aug-22	Built	Atlassian building - facades	SRG Façade division	\$65	NSW	Aug-22	2027
Sep-22	Alcoa and Albemarle	Wagerup & Pinjara alumina refineries Kemerton lithium refinery	Asset services	\$80	WA	Sep-22	4 years & 2.5 years
Oct-22	Fortescue	Iron Bridge - shutdown services	Bugarrba	\$40	WA	Early 2023	5 years

Source: Company data, UCPS

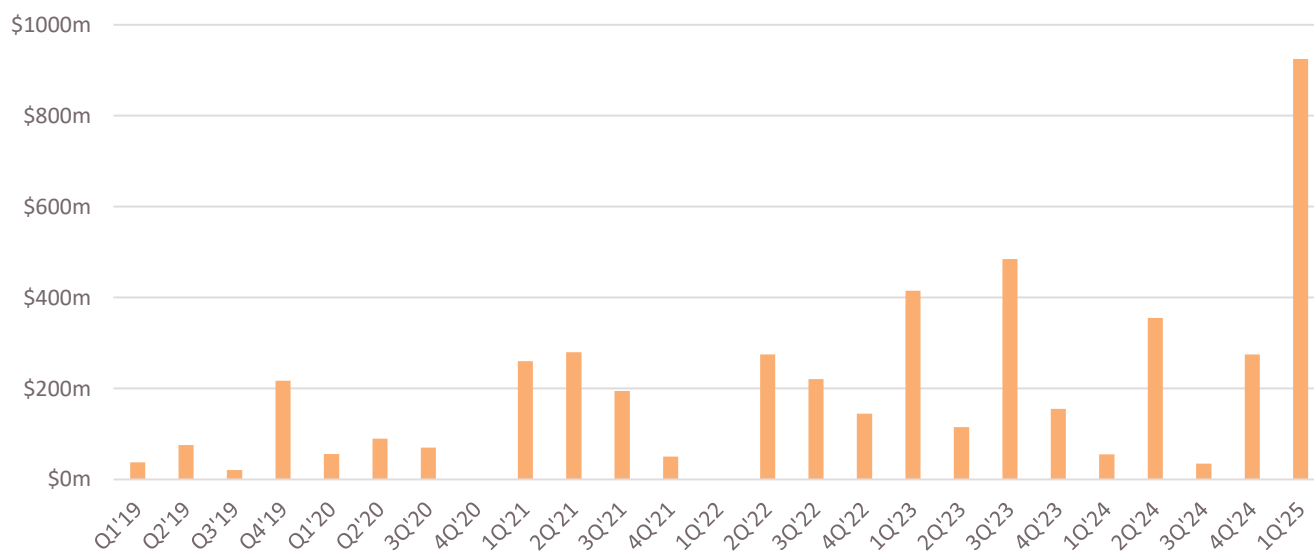
Figure 7: Contract wins (continued)

Announced	Client	Project	Business unit	Value (\$m)	Location	Commencement (expected)	Completion (expected)
Nov-22	Transpower, Genesis Energy and Channel Infrastructure	Windfarm & hydro maintenance, fuel storage coating, tower refurb & facades	Asset services & SRG Façade division	\$45	NZ	Nov-22	1-3 years
Nov-22	Lendlease	Building tower, facades	SRG Façade division	\$30	Victoria	Nov-22	2025
Feb-23	Northern Star	Bronzewing, Thunderbox - Drill & blast	Mining services	\$220	WA	Feb-23	5 years
Feb-23	Transport Vic, McConnell Dowell & CBGU JV	Westate bridge + others, remedial & strengthening, Port Melb wharf services	Civil and asset services	\$40	Victoria and Queensland	Feb-23	2 to 21 months
Feb-23	Multiplex	ECU city project, facades	SRG Façade division	\$120	Perth	Feb-23	2025
Mar-23	BHP, Northern Star, Albermale and Anglo Gold	WAlO & Nickel West -rail, road & port. Gidji tailings, Tropicana aerodome upgrade	Civil division	\$50	WA	Mar-23	2 years and 3-6 months
Mar-23	Fortescue	Eliwana, construction of haul road	Civil division	\$55	WA	Mar-23	9 months
Jun-23	Lendlease	Circular Quay precinct, facades	SRG Façade division	\$40	NSW	Jun-23	2025
Jun-23	Wate Corporation WA	Oean outfall trans tower, construct	SRG Global	\$50	WA	Jun-23	2025
Jun-23	BHP, Rio & QAL	Yarwun, Pilbara shutdown & wharf services	Bugarrba	\$65	WA & QLD	Jun-23	3-5 years
Jul-23	Lendlease	Frankston hospital, facades	SRG Façade division	\$30	Victoria	Jul-23	12 months
Aug-23	Multiplex	Esplanade project, facades	SRG Façade division	\$25	Perth	Aug-23	12 months
Oct-23	Transpower NZ	National grid, blasting and coatings	Asset services	\$65	NZ	Jul-24	5 years
Oct-23	Transport NSW	Princes High & Jervis Bay rd, D&C	Civil division	\$90	NSW	Oct-23	2026
Nov-23	Genesis mining, Evolution mining, AGL, Sydney water, Babcock NZ, Illuka, Dept. of transport Vic, Roy Hill, Richard Crookes Construction	Admiral Gold drill and blast, Mount Rawdon drilling, testing AGL's power gen assets, Sydney water monitoring services, painting marine structures, access services, bridge maintenance, HanRoy infrastructure, façade & rail	Mining services, asset services, civil, façade	\$200	Aus & NZ	Nov-23	6 months to 5 years, average 3 years
Mar-24	BlueScope Steel	Port Kembla, remediation services	Asset services	\$35	NSW	Mar-24	2026
Apr-24	NRG, Vic. Dept. of transport, Evolution mining, Pilbara minerals	NRG Gladstone, Dampier Salt, Delta Electricity, Kwiana Energy Hub, West gate bridge, Cowal gold operations, Pilgangoora tailings dam & Genesis' Leonora operation	Mining services, asset services, civil	\$150	NSW, WA, QLD & VIC	Apr-24	3, 4, 14 months and 3-5 years
Jun-24	RIO, Origin Energy, Snowy Hydro & BHP	Yarwun refinery asset integrity, Origin contract extension asset integrity, Tumut 1 Power station D&C roof structure, concrete tanks BHP in Newman	Civil, asset services	\$125	QLD, NSW & WA	Jun-24	6 years, 2025, 18 & 24 months
Jul-24	Built, PACT Constructions, Lendlease, Talison Lithium & Multiplex	Chifley South development façade, Hancock prospecting HQ façade, D&C Melbourne metro façade, Greenbushes tailings works & Joondalup hospital structure work	Mining services and SRG façade division	\$225	NSW, VIC & WA	Jul-24	2025-2026
Nov-24	SA Water, DCCEEW, Fonterra NZ, Dept. of Transport and Planning, Multiplex, South32, Glencore, Hancock & Pilbara Minerals	Installation of water pipelines, upgrading water pipeline and pumps, dairy sites, Westgate Bridge strength, Structures at St John of God hospital, Worsley alumina & bauxite refinery maintenance, Murrin Murrin mine maintenance, Hanroy Civil, Pilgangoora tailings dam maintenance	Mining services, asset services, civil, façade	\$700	Aus & NZ	Nov-24	4 years, July 2026, 3 years, mid 2025, 2025, 5 years, 5 years, mid 2025 and mid 2025

Source: Company data, UCPS

SRG has enjoyed strong momentum recently, Q1'25 being a standout with \$925m in contracts wins, underpinning growth into FY25e and beyond. We would likely expect the next contracts announced by SRG in January or February 2025. SRG now announce contracts in a total value and individual contract amounts are unknown.

Figure 8: Contracts wins by quarter



Source: Company data, UCPS

Valuation

We value SRG utilising an equal weighted contribution of the following methodologies:

- 1) Target EBITDA multiple output of \$1.61/share, from \$1.50/share.
- 2) DCF output of \$1.96/share, from \$1.83/share.

Target EBITDA multiple (peer trading multiples)

In order to produce a valuation under our target EBITDA methodology, we apply a multiple of 8.0x on FY26e EBITDA of (\$136.8m), discounted at a WACC of 10%.

Our EBITDA multiple sits at the FY26e median of our peer set at 7.1x. We believe SRG should trade at a premium compared to its peers given high levels of repeat EPCM work, higher quality earnings and growth trajectory versus its peers.

In essence, we believe our overall assumptions as part of our target EBITDA methodology are conservative, given SRG's track record with high levels of cashflow conversion and ~6% lower capex as a percentage of EBITDA versus its peers, SRG should probably be trading at a premium in our opinion.

With respect to the peer set trading multiples below, which is comprised of contractors, we note the following:

- SRG trades on a FY25e EV/EBITDA multiple of 6.4x, which represents a discount of 27% to our peer set average.
- SRG trades on a FY25e PER multiple of 14.1x, which represents a discount of 17% to our peer set average.

While the discounts to peers are not eye-watering, SRG is a quality business, so we believe there is scope for SRG to trade at a premium to its peers in our opinion. This may particularly be the case as the maintenance side of the business is rated, and/or the business continues to make accretive acquisitions.

Figure 9: Comparable peers (trading multiples)

Company	Last price	Market cap	EV	PER		EV/EBITDA		EV/EBIT	
				FY25	FY26	FY25	FY26	FY25	FY26
SRG Global Limited	\$1.40	\$845m	\$811m	14.1x	13.1x	6.4x	5.9x	8.8x	8.1x
Tasmea	\$3.35	\$682m	\$703m	15.6x	13.7x	9.1x	7.7x	11.0x	9.3x
Develop Global Limited	\$2.90	\$551m	\$526m	na	10.6x	33.2x	6.2x	na	10.1x
Downer EDI Limited	\$5.40	\$3,862m	\$4,724m	14.1x	12.1x	5.4x	4.9x	9.5x	8.2x
Duratec Limited	\$1.74	\$377m	\$327m	17.1x	14.7x	7.1x	6.0x	10.0x	8.3x
GenusPlus Group Ltd.	\$2.90	\$439m	\$356m	18.6x	15.5x	7.9x	6.6x	11.4x	9.3x
GR Engineering Services Ltd	\$2.86	\$377m	\$316m	17.0x	15.9x	9.0x	8.4x	10.3x	9.5x
Imdex Ltd	\$3.05	\$1,298m	\$1,334m	30.8x	25.3x	12.1x	10.5x	19.4x	16.4x
IPD Group Ltd	\$4.27	\$416m	\$422m	16.2x	14.6x	9.3x	8.4x	10.8x	9.8x
MAAS Group Holdings Ltd.	\$4.34	\$1,641m	\$2,154m	14.9x	11.7x	8.8x	7.0x	11.9x	9.1x
Mader Group Ltd	\$6.17	\$1,201m	\$1,289m	21.3x	17.8x	11.3x	9.4x	14.9x	12.3x
NRW Holdings Limited	\$3.35	\$1,781m	\$1,838m	11.5x	10.8x	4.4x	4.1x	7.8x	7.2x
Southern Cross Electrical	\$1.55	\$408m	\$328m	12.7x	11.8x	6.2x	5.5x	7.2x	6.5x
Ventia Services Group Limited	\$3.86	\$3,845m	\$4,304m	13.8x	13.0x	7.1x	6.7x	9.9x	9.1x
Worley Limited	\$14.60	\$7,302m	\$8,344m	17.0x	14.6x	8.8x	7.8x	12.0x	10.1x
Peers									
Average				17.0x	14.4x	10.0x	7.1x	11.2x	9.7x
Median				16.2x	14.1x	8.8x	6.8x	10.8x	9.3x
SRG premium/(discount) to peers									
Premium/(discount) to average				(17%)	(9%)	(36%)	(16%)	(22%)	(16%)
Premium/(discount) to median				(13%)	(7%)	(27%)	(13%)	(19%)	(13%)

Source: Company data, FactSet, UCPSe

Note: Last price, market capitalisation and EV in AUD

Overall, we believe SRG's valuation is undemanding versus its peers, given its growth trajectory and higher quality earnings. We see scope for a higher multiple for SRG if more emphasis was placed on their cashflow.

Figure 10: Target EBITDA multiple output

Variable	Value
FY26e EBITDA	\$136.8m
Target EBITDA multiple	8.0x
Enterprise value (EV)	\$1,094m
Divide by fully diluted shares	621.9m
Value per share	\$1.76
Discount back by time period	1.4 years
WACC	10.0%
Valuation (ps, pre-net cash/debt)	\$1.55
Plus net debt / (cash)	-\$34.6m
Valuation (per share)	\$1.61

Source: Company reports, UCPS

Target EBITDA multiple .

The output of our Target EBITDA yields a valuation of \$1.61/share.

Discounted cash flow (DCF)

Our DCF is undertaken through a long-term forecast of cash flows based on our financial estimates. We then apply a terminal value to deliver our DCF valuation.

Our thesis assumes SRG will continue to deliver significant free cashflows at scale, with our key DCF assumptions and output presented below.

The output of our DCF analysis yields a valuation of \$1.96/share.

Figure 11: DCF valuation

Variable	
Cost of equity	10.6%
Cost of debt (post tax)	4.2%
WACC	10.0%
Inflation	2.5%
Terminal growth rate	3.0%
Operational NPV	\$1252.6m
Net cash (debt)	(\$34.6m)
Total NPV	\$1218.0m
Fully diluted SOI	621.9m
Valuation (per share)	\$1.96

Source: Company reports, UCPS

Summary valuation

The combination of our target EBITDA multiple and DCF valuation methodologies produces our valuation and Price Target of \$1.78/share.

Figure 12: Summary valuation

Method	Valuation output	Weight	Value contribution
Target EBITDA multiple	\$1.61	50%	\$0.81
DCF	\$1.96	50%	\$0.98
Valuation (per share)			\$1.78
TSR			31%

Source: Company data, UCPS

Investment thesis

We utilise a range of risk methodologies and target ratings based on expected TSR's across our coverage. **We remain rated on SRG with a Buy Recommendation and High-Risk rating.**

Key drivers to our investment thesis include:

Earnings momentum and quality above market – We expect SRG to produce a strong earnings trajectory and momentum over time, especially as the group wins further work and benefits from the aging infrastructure thematic. In general, we expect SRG to grow above broader market growth rates. SRG's higher quality earnings versus its peers is underpinned by its 21% higher cash conversion since FY21.

Diversified operations – SRG has a diversified earnings profile across sector (infrastructure, commercial, resources, energy and transport) and geography (most Australian states and territories). This enables the group to pull levers in certain sectors through the cycle, maintain flexibility and pursue different strategies. Broadly we see the improved diversification and recurring earnings of the group underrated.

Acquisitive growth and greenfield potential – We see the potential for SRG to continue its acquisitive growth pathway. We also note the group has shown an appetite to undertake M&A in the past. We see it as likely that any M&A would be accretive.

Reasonable valuation with re-rating potential – In our view, SRG is conservatively valued with reference to peer multiples. On this basis, alongside execution we see the potential for SRG to re-rate and trade at higher levels versus current.

Track record of upgrading guidance – SRG has upgraded its full-year guidance in the past four financial years. We think SRG is on track for a strong FY25e based off its recent contract wins.

Sector tailwinds – Australian producing assets are typically run at name plate capacity or greater to be more competitive on the cost curve. This creates an increasing need for SRG's asset maintenance services.

Key risks

Key Risks to our investment thesis are outlined below, which should be considered non-exhaustive and read in conjunction with our Recommendation, Risk rating and entire report.

- **Contractual risk** – SRG relies on a series of contractual relationships with its key clients and suppliers. Parties to these relationships may not comply with their contractual rights and obligations, which may be costly for the company to enforce or lead to adverse financial impacts to the group.
- **Acquisition risk** – SRG has historically and may continue to explore an acquisitive growth path. Acquisitions inherently carry a level of execution risk. There is no guarantee that the group’s acquisitive strategy will materialise as planned.
- **Safety and litigation** – SRG must focus on the health and safety of its employees and personnel to ensure a high level of reputation and overall financial performance. Safety issues or other adverse scenarios may result in litigation against the company, or disruption to operations.
- **Macroeconomic risk and cyclicality** – Factors outside of SRG’s control including inflation, unemployment and the cash rate significantly impact the group’s demand and supply drivers. Volatility or changes in these factors may also impact the group’s financial performance.
- **Client risk** – SRG’s clients are typically large blue-chip clients. Any material financial adverse impact to SRG’s clients could impact their cash collection ability.
- **Balance sheet and capital requirements** – Debt and liabilities increase levels of financial risk. There is no guarantee that SRG will be able to repay any debt obligations as they arise. The group may also rely on other capital mechanisms to fund its operations, and there is no guarantee that the group will be able to access capital required to execute on its desired trajectory.
- **Competition** – SRG operates in a market with many participants, which may be faced with increasing levels of competition. Increasing competition and pricing pressure which may adversely impact SRG’s financial performance.
- **Retaining key staff** – Contracting businesses are largely built around large work forces. SRG need to attract and retain staff to be able to execute its contracted order book.
- **Reputational risk** –SRG has a track record of delivering projects and services with large repeat customers. If SRG’s quality of work were to diminish SRG could lose work with repeat clients.
- **Growth aspirations** – SRG is a growing business and as a result has invested in its people, facilities, brand, equipment and processes. Notwithstanding the growth potential of the business, there is no guarantee that SRG will be able to achieve our estimated growth targets.

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Rating Categories

Rating	Expected TSR Range
Buy	>10% TSR
Accumulate	0% to 10% TSR
Hold	-10% to 10% TSR
Sell	< -10% TSR
Not Rated	General research issued without formal recommendation

Risk Rating Categories

Risk Rating	Explanation
High	Risk is higher than market/general peer set
Medium	Risk is slightly higher than market/general peer set
Low	Risk is in line to lower than market/general peer set

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