

SRG | Further Unpacking Half Year Results

SRG.ASX | SRG GLOBAL LIMITED | INDUSTRIALS | ENGINEERING & CONSTRUCTION

PRICE
A\$2.78/shTARGET PRICE
A\$3.51/sh
(FROM A\$3.40/sh)RECOMMENDATION
BUY
(UNCHANGED)

Event

- We earlier provided first impressions [research](#), which we don't intend to replicate here, other than to re-iterate our view that SRG has reported a solid set of first half numbers, delivered in the context of associated commentary and buoyant outlook statements.
- We are tweaking our numbers to reflect upgraded full year guidance and our 2027 aspirations are largely unchanged.
- The stock has been sold off modestly post reporting (which we attribute to profit taking and call out as an opportunity) and we continue to look at SRG as a business capable of steady and consistent future growth driven by what are in our view long term structural tail winds.

Impact

- SRG has increased full year 2026 EBITDA guidance to \$164m to \$168m (up from \$163m).
- We have tweaked our numbers upward to reflect this.
- Our 12 month PT increases to \$3.51 as we roll forward to 2027 (see below).
- Ultimately the investment case, beyond the nuance of a six month period of reporting, is about track record, which we replicate below:

Figure 1: Half on Half track record

A\$m	1H22	2H22	1H23	2H23	1H24	2H24	1H25	2H25	1H26	2H26E
Revenue	\$297.0	\$347.2	\$380.0	\$429.0	\$510.7	\$558.6	\$619.7	\$703.6	\$743.9	\$896.1
EBITDA	\$27.0	\$30.2	\$34.0	\$46.1	\$45.1	\$53.4	\$59.0	\$68.1	\$71.0	\$94.6
EBIT(A)	\$15.9	\$18.3	\$20.9	\$29.1	\$28.4	\$28.2	\$42.1	\$51.7	\$53.2	\$74.3
NPAT(A)	\$10.1	\$12.3	\$13.2	\$18.6	\$17.7	\$22.6	\$26.6	\$34.4	\$33.7	\$48.4
EBITDA Margin	9.1%	8.7%	8.9%	10.7%	8.8%	9.6%	9.5%	9.7%	9.5%	10.6%
EBIT(A) Margin	5.4%	5.3%	5.5%	6.8%	5.6%	5.0%	6.8%	7.3%	7.2%	8.3%
NPAT (A) Margin	3.4%	3.5%	3.5%	4.3%	3.5%	4.0%	4.3%	4.9%	4.5%	5.4%
Dividends (cps)	1.5c	1.5c	2.0c	2.0c	2.0c	2.0c	2.5c	3.0c	3.0c	3.0c
EPS (A)	2.3c	2.7c	3.0c	3.7c	3.4c	3.1c	4.6c	5.7c	5.5c	5.7c

Source: EH

- SRG's track record speaks for itself - our investment case calls for more of the same for a sustained period.

Action

- Buy - we increase our 12 month PT to \$3.51/sh (explored below)

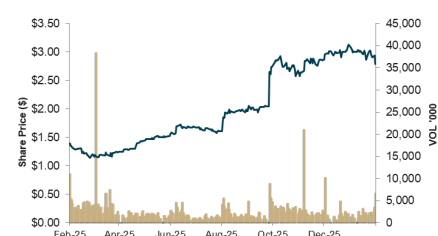
Analyst

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Share Price	2.78	A\$/sh	
Price Target	3.51	A\$/sh	
Valuation (DCF)	3.86	A\$/sh	
WACC	10%		
Terminal Growth	3%		
Shares on issue	626.5	m, dil	
Market Capitalisation	1,741.6	A\$m	
Enterprise Value	1,797.5	A\$m	
Net (Debt) Dec 25	(21.0)		
Net (Debt) (Inc leas...)	(55.9)	A\$m	
Key Financial Metr...	25A	26F	27F
Revenue (A\$m)	1323.3	1640.0	1819.7
EBITDA reporting (...)	121.1	161.6	190.0
EBITDA underlying ...	127.1	165.6	190.0
EBIT (A\$m)	74.6	110.5	135.4
EBITA underlying (...)	93.8	127.5	148.4
Reported NPAT (A\$m)	47.9	70.2	87.0
Normalised NPAT (...)	61.0	82.1	96.1
Gross Cashflow (A\$...)	83.5	109.4	129.7
Capex (A\$m)	-28.4	-35.0	-35.0
Op. Free Cashflow ...	53.5	64.0	96.8
Revenue Growth (%)	24%	24%	11%
EBITDA Growth (%)	25%	33%	18%
PER (x)	27.6	22.0	18.1
EV:EBITDA (x)	14.8	10.9	9.5
EV:EBITA adj (x)	19.2	14.1	12.1
DPS (Ac)	5.5	6.0	6.0
Dividend Yield (%)	2.0%	2.2%	2.2%
Net cash (debt) (A\$...)	-16.1	-53.5	5.5
*inc leases			

Performance



Source: IRESS

Income Statement	25A	26F	27F
Sales	1323.3	1640.0	1819.7
Other	0.0	0.0	0.0
Revenue	1323.3	1640.0	1819.7
Operating costs	-1166.8	-1442.4	-1593.7
Overhead	-35.4	-36.0	-36.0
EBITDA (reported)	121.1	161.6	190.0
EBITDA (underlying)	127.1	165.6	190.0
Depreciation	-33.3	-38.1	-41.6
EBITA (underlying)	93.8	127.5	148.4
Amortisation	-13.2	-13.0	-13.0
EBIT	74.6	110.5	135.4
Net Interest income/(expense)	-8.3	-10.3	-11.1
Other income/(expense)	0.0	0.0	0.0
EBT	66.3	100.2	124.3
Tax expense	-18.8	-30.1	-37.3
Reported Earnings	47.9	70.2	87.0
Normalized Net Profit	61.0	82.1	96.1
Cash flow	25A	26F	27F
Pretax profit	66.3	100.2	124.3
+ Depreciation & Amort	46.5	51.1	54.6
- Lease Expense	-11.9	-11.9	-11.9
+/- Non Cash	2.4	0.0	0.0
- Profit on sale of non-current as...	0.0	0.0	0.0
- Tax Paid	-19.9	-30.1	-37.3
Gross Cashflow	83.5	109.4	129.7
- Capital Expenditure	-28.4	-35.0	-35.0
- Change in Working Capital	-1.6	-10.4	2.1
Operating Free Cashflow	53.5	64.0	96.8
- Dividends Paid	-28.2	-33.8	-37.6
- Acquisitions	-99.0	-95.0	0.0
+ Proceeds from sale of property	0.0	0.0	0.0
- Investments	0.0	0.0	0.0
+ Equity issued	63.5	27.7	0.0
+ Vendor Finance	0.0	0.0	0.0
+/- Other	-0.1	0.0	0.0
Net Cashflow	-10.2	-37.1	59.2
BoP Net Cash / (Debt)	-14.3	-16.1	-53.5
(+/-) Net Cashflow	-10.2	-37.1	59.2
(+/-) AASB16 Adj.	8.5	-0.2	-0.2
Net Cash / (Debt) inc leases	-16.1	-53.5	5.5
Balance Sheet	25A	26F	27F
Cash	111.9	128.8	157.7
Receivables	250.3	295.2	327.5
Inventory	25.2	31.3	34.7
Other	4.7	4.7	4.7
Total current assets	392.1	459.9	524.6
Property, plant and equipment	126.3	135.3	140.9
Intangibles	290.7	372.7	359.7
ROUA	30.6	30.6	30.6
Deferred tax assets	15.1	15.1	15.1
Other	0.6	0.6	0.6
Total non current assets	463.2	554.3	546.8
Total assets	855.3	1014.2	1071.4
Payables/provisions	320.1	360.6	398.4
Interest bearing liabilities	29.9	29.9	29.9
Lease Liability	9.8	9.8	9.8
Current tax liabilities	6.7	6.7	6.7
Total current liabilities	366.5	407.0	444.9
Interest bearing liabilities	65.8	120.0	90.0
Lease Liability	22.4	22.4	22.4
Provisions	8.2	8.2	8.2
Total non current liabilities	96.4	150.6	120.6
Total liabilities	462.9	557.7	565.5
Net Assets	392.4	456.5	505.9
Contributed equity	330.9	358.6	358.6
Reserves	13.7	13.7	13.7
Retained Earnings	47.9	84.2	133.6
Total equity	392.4	456.5	505.9

PERFORMANCE RATIOS	25A	26F	27F
Growth & Margins			
Revenue Growth	24%	24%	11%
EBITDA Growth	25%	33%	18%
EBIT Growth	30%	48%	23%
Normalized Net Profit Growth	51%	30%	21%
EBITDA margin	9.1%	9.9%	10.4%
EBIT margin	5.6%	6.7%	7.4%
Normalized net profit margin	4.6%	4.8%	5.3%
Effective tax rate	28%	30%	30%
Liquidity			
Capex/depreciation (x)	61%	68%	64%
Current ratio (x)	1.1	1.1	1.2
Quick ratio (x)	1.1	1.2	1.2
Receivable days	69	66	66
Inventory days	8	8	8
Payable days	100	91	91
Risk Measures			
Dividend Cover (x)	1.7	2.1	2.3
Payout ratio (%)	0.6	0.5	0.4
Net interest cover (x)	9.0	10.8	12.2
Net debt/equity (%)	4%	12%	-1%
Returns			
ROIC	11%	13%	15%
ROA	7%	8%	9%
ROE	16%	17%	19%
SHARE DATA/VALUATION	25A	26F	27F
Share Data			
Issued shares (m)	604.0	626.5	626.5
Weighted ave shares (m)	590.7	626.5	626.5
Fully diluted shares (m)	605.1	626.5	626.5
Basic EPS (A\$)	8.0	11.2	13.9
YoY change (%)	22%	39%	24%
Fully diluted EPS (A\$)	7.8	11.2	13.9
YoY change (%)	19%	43%	24%
Fully diluted normalised EPS (A\$)	10.1	12.7	15.3
YoY change (%)	30%	26%	21%
Dividend/share (A\$)	5.5	6.0	6.0
Franking (%)	100%	100%	100%
Gross cashflow/share (A\$)	14.1	17.5	20.7
NBV/share (A\$)	66.4	72.9	80.8
NTA/Share (A\$)	17.2	13.4	23.3
Valuation			
PER (Basic) (x)	34.6	24.8	20.0
PER (Fully diluted) (x)	35.4	24.8	20.0
PER (Fully diluted, normalised) (x)	27.6	22.0	18.1
P/CFPS (x)	19.7	15.9	13.4
Price/NBV (x)	4.2	3.8	3.4
Price/NTA (x)	16.1	20.8	11.9
Dividend Yield (%)	2.0%	2.2%	2.2%
EV/EBITDA (x)	14.8	10.9	9.5
EV/EBITA (x)	19.2	14.1	12.1
EV/Revenue (x)	1.4	1.1	1.0

^Excl. tran. costs & amort

We build earnings as follows:

Figure 2: Earnings Build

	2024	1H 2025	2H 2025	FY 2025	1H 2026	2H 2026	FY 2026	FY 2027
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Revenue								
Engineering and Construction	407	232	224	456	240	250	490	505
Maintenance and Industrial	662	388	479	867	504	646	1150	1315
	1069	620	704	1323	744	896	1640	1820
EBITDA								
Engineering and Construction	29.4	16.5	20	36.2	16.7	17.6	34.3	35.3
Maintenance and Industrial	92.7	56.8	65	121.3	70.7	92.6	163.3	190.7
	122.1	73.3	84.2	157.5	87.4	110.2	197.6	226.0
Corporate	-25	-19.3	-17.1	-36.4	-20.4	-15.6	-36.0	-36.0
EBITDA	97.1	54.0	67.1	121.1	67.0	94.6	161.6	190.0
Transaction, redundancy costs	1.4	5.0	1.0	6.0	4.0	0.0	4.0	0.0
Underlying EBITDA	98.5	59.0	68.1	127.1	71.0	94.6	165.6	190.0
Depreciation	-32.9	-16.9	-16.4	-33.3	-17.8	-20.3	-38.1	-41.6
Amortisation	-6.9	-6.0	-7.2	-13.2	-6.1	-6.9	-13.0	-13.0
EBIT	57.3	31.1	43.5	74.6	43.1	67.4	110.5	135.4
Interest	-7.2	-4.0	-4.3	-8.3	-4.7	-5.6	-10.3	-11.1
EBT	50.1	27.1	39.2	66.3	38.4	61.9	100.2	124.3
Income tax	-15.7	-8.1	-10.7	-18.8	-11.8	-18.3	-30.1	-37.3
NPAT	34.4	19.0	28.5	47.5	26.6	43.6	70.2	87.0
EBITA (underlying)	65.6	42.1	51.7	93.8	53.2	74.3	127.5	148.4
NPAT (underlying)	40.9	26.7	34.1	60.8	34.0	48.1	82.1	96.1
Margin								
Engineering and Construction	7.2%	7.1%	8.8%	7.9%	7.0%	7.0%	7.0%	7.0%
Maintenance and Industrial	14.0%	14.6%	13.5%	14.0%	14.0%	14.3%	14.2%	14.5%
EBITDA margin	9.2%	9.5%	9.7%	9.6%	9.5%	10.6%	10.1%	10.4%
EBITA margin	6.1%	6.8%	7.3%	7.1%	7.2%	8.3%	7.8%	8.2%

Source: EH

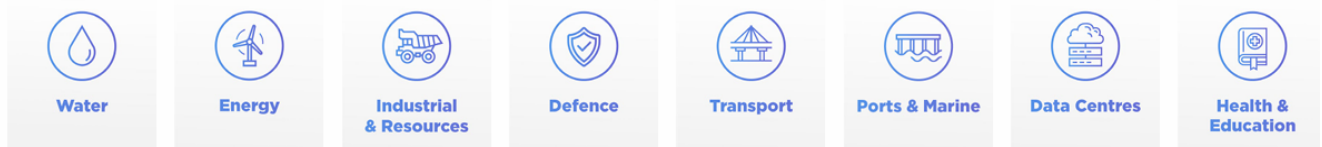
- We look for a stronger 2H 2026 as the TAMS business contributes for a full six months.
- As a consequence we see Maintenance and Industrial margin increasing and longer term look for 10.5% EBITDA margin over the entire business.

Investment Case

- As reminder, in summary:
 - Guidance upgraded to \$164m to \$168m
 - \$4.2b WIH position and \$11.5b in opportunity pipeline
 - Provides diversified services across a national footprint to sectors with structural tails winds being (not exhaustively)
 - Water
 - Energy
 - Resources
 - Transport
 - Defence
 - Health
 - Education
 - Datacentres
 - Port and Marine

Figure 3: Key Sectors

OUR KEY SECTORS



Source: SRG

- Earnings have an annuity style
- Services and Geographies are diverse
- Capital light and scalable
- Paying dividends and growing

Price target

We set our 12 month PT as follows:

Figure 4:

	2027 (\$m)
EBITDA	190.0
Target Multiple	11.0
Enterprise value	2,090.0
Less net debt (proforma inc of Leases)	- 55.9
Market capitalisation	2,034.1
Issued shares	626.5
implied value per share	\$ 3.29
EBITA	148.4
Target multiple	15.0
Enterprise value	2,226.1
less net debt (exc leases)	- 21.0
Market capitalisation	2,205.1
Issued shares	626.5
Implied value per share	\$ 3.51
NPATA	96.1
Target multiple	22.0
Market value	2,114.1
Issued shares	626.5
implied value per share	\$ 3.37
DCF	\$ 3.86
Average	\$ 3.51

Source: EH

- Our targets are based on the trading metrics of selected peers such as MND, MAD, GNP, SSM, VNT - being companies experiencing similar structural tails winds (SRG numbers may not tie out as the peers are based on Factset)

Figure 5: Selected Peers

Ticker	Company	Last price (\$)	SOI m	Mkt cap (\$m)	Net debt (\$m)	EV (\$m)	EV/EBITDA (x)		EV/EBITA (x)		P/E (x)	
							2026	2027	2026	2027	2026	2027
VNT	Ventia	5.50	839.46	4,617	571	5,759	10.4	9.8	13.5	12.6	17.3	16.0
MND	Monadelphous	29.57	99.26	2,935	(126)	2,684	15.9	15.1	21.9	20.6	33.7	31.9
MAD	Mader Group	8.57	203.46	1,744	15	1,774	14.0	12.1	17.9	15.3	26.4	22.3
SSM	Service Stream	2.17	616.73	1,338	4	1,346	8.4	7.3	13.2	10.9	18.8	15.4
SRG	SRG Global	2.79	605.00	1,688	21	1,779	10.9	9.3	14.1	11.9	20.8	17.4
GNP	Genusplus	6.76	180.36	1,219	(109)	1,110	13.2	11.3	17.3	14.6	27.4	22.2
Mean				2,257	63	2,409	12.1	10.8	16.3	14.3	24.1	20.9
Median				1,716	9	1,777	12.0	10.6	15.7	13.6	23.6	19.8

Source: Factset

- Investors will interpret value as they see fit; for us, SRG trades up with earnings in the normal course, and track record in combination with annuity earnings arguably demands metrics beyond peers. Buy maintained.

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Company disclosures

The companies and securities mentioned in this report, include:

SRG Global Limited (SRG.ASX) | Price A\$2.78 | Target price A\$3.51 | Recommendation Buy;

Price, target price and rating as at 17 February 2026 (not covered)*

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