BELL POTTER

30 September 2020

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E&C August Newsletter

The definitive E&C reporting season summary

Bell Potter E&C Coverage

Stock	Rec.	Target
MND	Buy	$11.90
SSM	Buy	$2.30
LYL	Hold	$4.85

Bell Potter Index

Engineering & Construction

BP Engineering & Construction Index

Company	Market Cap ($m)*
BSA (BSA)	125.6
CIMIC (CIM)	5871.6
Civmec (CVL)	220.4
Decmil (DCG)	72.1
Downer (DOW)	3085.7
GR Engineering (GNG)	158.3
LogiCamms (LCM)	30.1
Lycopodium (LYL)	**165.7**
MACA (MLD)	221.1
Monadelphous (MND)	**959.7**
NRW (NWH)	866.2
Primero (PGX)	56.7
Saunders (SND)	60.7
SRG Global (SRG)	129.3
Service Steam (SSM)	**837.8**
Sthn Cross Electrical (SXE)	126.3
Tempo (TPP)	20.3
Worley (WOR)	4970.5
WestStar (WSI)	17.5

*Market caps as at 30 September 2020 close

BP E&C Index ($100 at 1 Jan 2020)*	
Total Market Cap	**$19.1bn**
Index Price	**65.27**
1-month price change	**8.2%**
Change since inception	**-34.7%**

*Changes as at 31 August 2020

SOURCE: IRESS, BELL POTTER SECURITIES

Over $1bn of contracts announced in August

During the month of August, over $1bn in new contracts were announced by companies in our index. This represents the highest monthly award total for this calendar year, and the first month during this calendar year that contract awards were over $1bn.

Contract awards were led by several large Maintenance & Industrial Services (M&IS) contract awards, including 4-year agreements (with two additional 2-year options) awarded to DOW and SSM by NBN Co. If maintained for the full 8-years, DOW expects its contract to be worth $320m, whilst SSM expects its contract to be worth $60m in its first year, and grow in the future.

Key points from the E&C reporting season summary:

Engineering Construction & Building work struggled

Most Engineering & Construction (E&C) and Building workloads saw material impacts from COVID-19. This came in the form of productivity declines, supply chain issues, difficulty in moving workers between sites and the delay and deferral of new workloads. This impacted both revenue and margins.

Utilities more resilient but not without impact

Those exposed to Utility workloads (like DOW and SSM), generally saw more resilient activity. Despite this, some non-essential maintenance work was reported as being delayed. Much of this was done in order to maintain the continuity of services whilst individuals remained at home. Contractors also generally saw some increased costs and impacts to productivity as a result of additional safety protocols.

Mining Services workloads remain strong

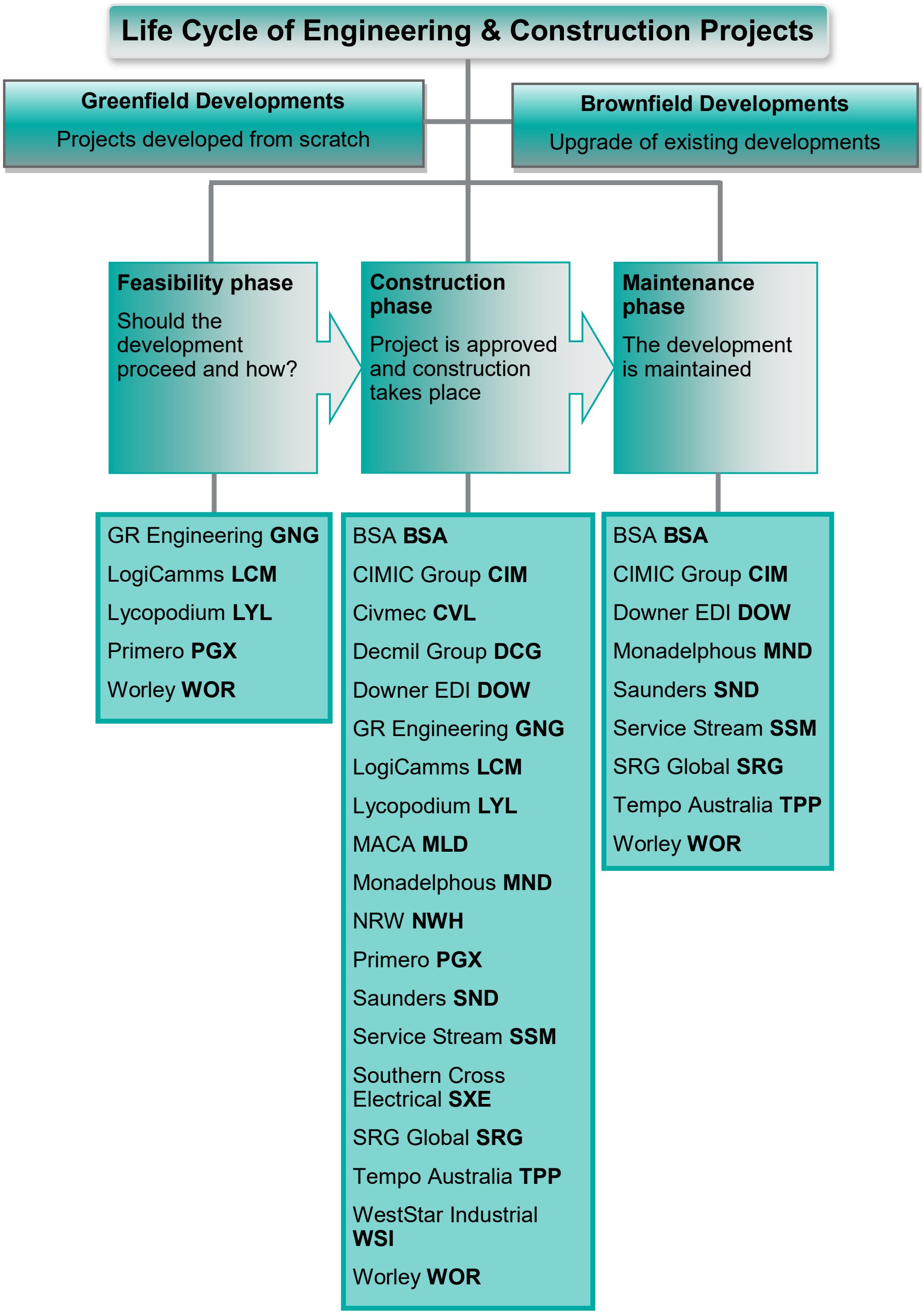
The key shining light amongst firms within our E&C index, were Mining Services workloads. Most operators that had Mining Services operations were able to continue working throughout the pandemic relatively unfazed. Many were able to materially grow their revenues, and margins remained solid across the sector, with some firms materially growing their Mining Services profitability. This comes as the Australian Mining sector saw little disruption to operating activities, and miners continued to focus on maintaining/growing output in light of commodity prices that have proven resilient.

E&C index rises in August

After falling significantly since its inception in January, the BP E&C Index rose materially in August, increasing in price by 8.2%. This was an important positive move on the back of reporting season. While a positive monthly move, the index remains 34.7% below where it began the year.

In order to see what moved the share prices of these company's during August, please read on, where you will find a summary of each company's result, broken down into the Good, Bad, and the Notable, as well as summaries of key financial information.

Engineering & Construction Food Chain



BELL POTTER COVERAGE

Monadelphous **MND**

Lycopodium **LYL**

Service Stream **SSM**

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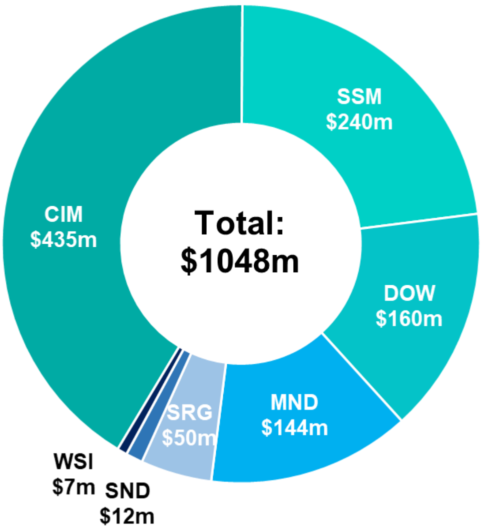
August contract awards

$1048m of new contracts announced

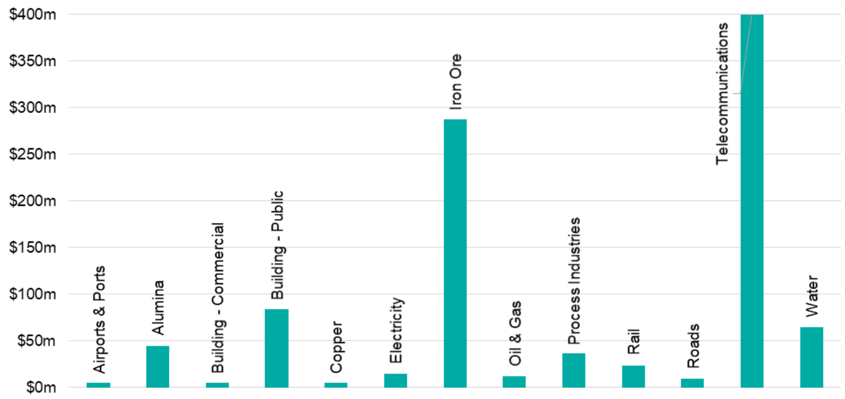
During August, over $1.0bn of contracts were announced by seven companies in our index. CIM secured the most awards at $435m, with the company winning several sets of agreements over the month of August in the Resources, Building and Infrastructure industries. SSM and DOW also won material work via a long-term agreement with NBN Co to optimise and maintain the nbn network.

Figure 1: August awards by company



SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 2: August contract awards by sector

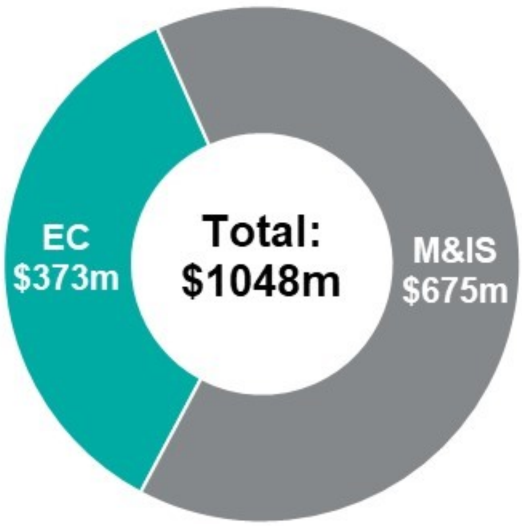


SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

M&IS contracts make up bulk of August awards

The great bulk of awards during the month were from Maintenance & Industrial services (M&IS) type awards. This includes SSM's and DOW's multi-year contracts with NBN Co.

Figure 3: August EC vs M&IS contract split



SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

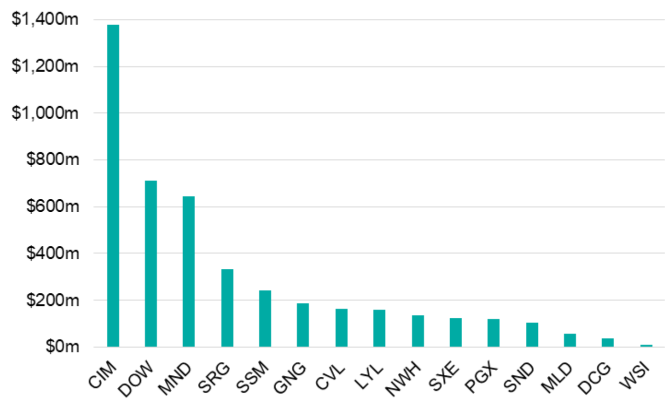
Calendar YTD contract award totals

$4.4bn of awards announced YTD

Year-to-date (YTD) materially announced E&C contract awards to the end of August are estimated at $4.4bn, with CIM currently announcing the most contract awards at $1.4bn, followed by DOW at $710m and MND at $644m. SRG, SSM, GNG, CVL, LYL, NWH, SXE, PGX and SND have all announced at least $100m of contracts since the beginning of the calendar year.

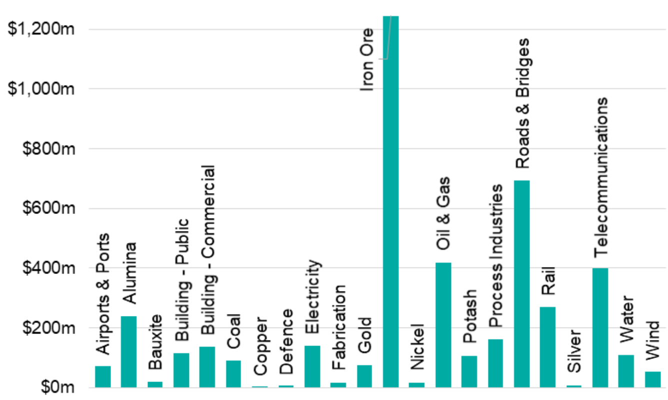
Iron Ore remains the sector with the most work announced, where we estimate over $1.2bn of contracts have been awarded to firms in our E&C index in calendar 2020.

Figure 4: YTD E&C contract awards by company



SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 5: YTD contract awards by sector

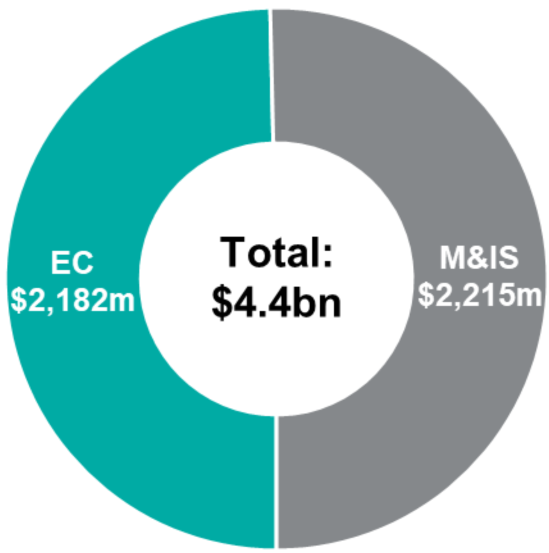


SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

M&IS contract awards overtake EC contracts

Following the large value of M&IS contracts awarded in July and August, the calendar YTD split between Engineering Construction (EC) and M&IS contract awards has flipped, with M&IS contract awards now slightly greater than EC awards.

Figure 6: EC vs M&IS YTD contract split



SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary - BSA

BSA– Refocused, but still SSM's poorer cousin

Good

- Reported revenue of $486.1m, which was a 3.5% increase on the $469.5m recorded in FY19.
- Record revenue and earnings recorded in its Communications & Utility Infrastructure segment.
- National maintenance contracts awarded from Aldi and 7-Eleven.
- Strong order book in Fire Build, with a number of contract wins in the period, including West Connex link 3A, Sydney Football Stadium, Gold Coast Airport and Sydney Metro.
- 3-year contract awarded with Foxtel to become their sole national delivery provider (up from 50% geographic coverage).
- No balance sheet factoring.
- Communications & Utility Infrastructure segment saw notable revenue growth, as did the Fire Build component of the Advanced Property Solutions business.
- Strong statutory cash conversion of 144.3% (helped by deferred ATO payments of $14.3m, which are non-recurring).

Bad

- Continuing operations NPAT down 27.5%, said to be due to technology/ people investments for future growth and discretionary work deferral in some sectors due to COVID-19.
- Noted minor productivity impacts due to additional safety protocols, minor delays in some work types due to client reprioritisation, and client deferrals and delays in its Communications & Utility Infrastructure segment as a result of COVID-19.
- Noted that maintenance workloads across its Advanced Property Solutions business unit were significantly impacted as a result of site access limitations and reduced client spend. The decline was significant enough to trigger JobKeeper access.
- Discontinued operations NLAT of -$8.8m in FY20 and $10.6m in FY19. Results have not been clean in past two years.
- Profit was supported by JobKeeper subsidies of $3.9m—if subsidy is excluded, PBT would have fallen by 52.9% to $7.0m.

Notable

- Statutory EBITDA up 5.5%, but this only comes as a result of AASB 16, ($3.9m benefit).
- Evolved organisational structure into two business units, being Advanced Property Solutions (APS) and Communications & Utility Infrastructure (CUI).
- Negotiating to extend nbn OMMA contract (activations & assurance) to June 2021 (6 month option).
- Significant items of $2.8m and $2.9m recorded in FY19 and FY20 respectively, said to reflect "non-operational legal costs and one-off restructuring costs".
- Communications & Utility Infrastructure segment may see some demand impact as a result of nbn activations likely peaking in FY20.
- Plans to enter the Wireless Telecommunications services market.
- Actively pursuing complementary & strategic opportunities.
- Outlook notes a backlog of work, timing is being delayed in some areas and productivity is being impacted by social distancing requirements.

Reporting season summary - BSA

Key financials

Figure 7: BSA Income statement Summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**486.1**	**469.5**	**3.5%**
Other income, gains and losses	0.4	0.3	48.6%
JobKeeper	**3.9**		
Total revenue	**490.4**	**469.8**	**4.4%**
Subcontractor and raw materials used	-368.7	-357.2	3.2%
Employee benefits expense	-61.2	-54.4	12.5%
Other expenses	-38.3	-36.2	5.9%
Finished goods inventory and WIP changes	0.8	-0.2	
Statutory EBITDA	**23.0**	**21.8**	**5.5%**
Statutory EBITDA %	*4.7%*	*4.6%*	*1.9%*
BSA sign. items (non-op legal & restructuring)	2.9	2.8	3.6%
Adjusted EBITDA	**25.9**	**24.6**	**5.3%**
Adjusted EBITDA %	*5.3%*	*5.2%*	*0.8%*
Statutory EBITDA less JobKeeper	**19.1**	**21.8**	**-12.4%**
Statutory EBITDA less JobKeeper %	*3.9%*	*4.6%*	*-15.4%*
Adjusted EBITDA less JobKeeper	**22.0**	**24.6**	**-10.6%**
Adjusted EBITDA less JobKeeper %	*4.5%*	*5.2%*	*-13.6%*
Depreciation	-6.9	-5.5	25.0%
Amortisation	-3.5	-0.7	416.9%
Statutory EBIT	**12.6**	**15.6**	**-19.2%**
Statutory EBIT %	*2.6%*	*3.3%*	*-22.6%*
Adjusted EBIT	**15.5**	**18.4**	**-15.7%**
Adjusted EBIT %	*3.2%*	*3.9%*	*-19.3%*
Statutory EBIT less JobKeeper	**8.7**	**15.6**	**-44.1%**
Statutory EBIT less JobKeeper %	*1.8%*	*3.3%*	*-46.0%*
Investment revenue	0.0	0.0	-45.5%
Finance costs	-1.8	-0.8	115.1%
PBT	**10.9**	**14.8**	**-26.6%**
Tax	-3.1	-4.0	-24.2%
NPAT	**7.8**	**10.8**	**-27.5%**
NPAT %	*1.6%*	*2.3%*	*-30.6%*
Weighted average shares	430.9	426.6	1.0%
EPS (cps)	**1.8**	**2.5**	**-28.2%**
Loss from discontinued operations	-8.8	-10.6	-17.3%
NPAT incl. discontinued operations	**-1.0**	**0.2**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 8: BSA Cash flow summary

	FY20 ($m)	FY19 ($m)
Cash receipts from customers	**536.5**	**641.7**
Cash payments to suppliers and employees	-506.0	-622.5
Government assistance	2.7	
OCFBIT	**33.2**	**19.2**
Interest received	0.0	0.0
Interest and other finance costs paid	-1.2	-0.8
Income tax paid	-0.7	
Operating cash flow	**31.3**	**18.3**
PPE sales	4.4	0.8
PPE purchases	-3.0	-7.0
Software purchases	-7.4	0.0
Finance leases	-4.4	-2.9
FCF	**20.9**	**9.2**
Cash conversion (statutory)	**144.3%**	**87.9%**
Cash conversion (adjusted)	**128.1%**	**77.9%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 9: BSA Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	37.7	21.9
Borrowings	-2.1	-1.8
Leases	-14.4	-3.9
Net cash (debt)	**21.3**	**16.3**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—CIM

CIM - There's no cash flow here

Good

- At 30 June 2020, around $70bn of tenders relevant to CIM were expected to be bid and/or awarded for the remainder of the year (subject to COVID-19 evolution) and around $470bn of projects were coming to the market in 2021 and beyond.
- Mining market proving resilient, Mining PBT up 11.3% vs pcp, despite a 4.6% decline in revenue. Margins said to have benefited from diversification across commodities and geographic markets.
- Supply chain finance balance of $361m, down significantly from $851m at 31 Dec 19.

Bad

- OCFBIT of negative $20.5m versus EBITDA of $982.1m - a major difference. 2Q20 conversion said to have been impacted by COVID-19.
- After adding back changes in factoring and reverse factoring, 1H20 OCFBIT was $558.2m, representing still weak conversion of 56.8%. CIM noted lower revenue, a lower net working capital position, and normal 1H seasonality.
- Statutory revenue down 10.8%, NPAT down 14.7% on account of COVID-19 related delays in the award of new projects and operating slowdowns across both domestic and overseas activities.
- Revenue decline puts downward pressure on the factoring balance which remains substantial, at $1.87bn.
- Construction revenue down 12.1%, PBT down 24.7% - COVID-19 delays in awards and slowdown in revenues.
- Services revenue down 17.3%, PBT down 17.6%, as delivery of some projects were delayed.
- Major increase in Corporate division loss (from $75.2m to $96.3m), which is said to include "corporate, EIC activities, Pacific Partnerships and the commercial & residential business, as well as CIMIC's investment in Ventia".
- Net debt of $2.5bn, or 324% of equity when including reverse factoring and lease liabilities.

Notable

- 1H20 EBITDA of $982.1m, down 4.1% vs pcp.
- $4.9bn of new work awarded in H1CY20, with new awards impacted by COVID-19 delays.
- WIH at 30 June of $38.1bn, including $3.1bn from the acquisition of Broadspectrum, versus $36.8bn at the same time last year.
- Gross cash of $4bn, with $264m of debt repayments due in the next 12 months.
- No significant one-offs recorded.
- To ramp up tendering activities in Hong Kong following reinstatement to approved tenderer list.
- Repurchased and cancelled 6.3m shares for total consideration of $147m.
- $2.7bn returned via dividends and buybacks since 2015.

Reporting season summary—CIM

CIMIC

Key financials

Figure 10: CIM Income statement summary

	H1CY20	H1CY19	% change
Statutory revenue	**6,206.3**	**6,955.1**	**-10.8%**
JV revenue	**1,168.1**	**1,170.5**	**-0.2%**
Total revenue	**7,374.4**	**8,125.6**	**-9.2%**
Expenses	-5,257.8	-5,934.2	-11.4%
JV profit/loss	33.6	2.9	1058.6%
EBITDA	**982.1**	**1,023.8**	**-4.1%**
EBITDA %	*13.3%*	*12.6%*	*5.7%*
Depreciation	-428.6	-434.0	-1.2%
Amortisation	-18.9	-20.8	-9.1%
EBIT	**534.6**	**569.0**	**-6.0%**
EBIT %	*7.2%*	*7.0%*	*3.5%*
Finance income	13.9	29.2	-52.4%
Finance costs	-118.9	-94.6	25.7%
PBT	**429.6**	**503.6**	**-14.7%**
PBT %	*5.8%*	*6.2%*	*-6.0%*
Tax	-115.9	-136.0	-14.8%
NPAT	**313.7**	**367.6**	**-14.7%**
NPAT %	*4.3%*	*4.5%*	*-6.0%*
NPAT attrib. to CIM shareholders	**316.6**	**366.7**	**-13.7%**
Weighted average shares (m)	321.2	324.3	-0.9%
EPS (cps)	**98.6**	**113.1**	**-12.8%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 11: CIM Net cash/(debt) summary

	H1CY20	H1CY19
Cash	**3,988.7**	**1,750.0**
Interest bearing loans	-5,291.1	-922.9
less lease liabilities	-809.6	-902.1
Net (debt)	**-2,112.0**	**-75.0**
less reverse factoring	-360.6	-851.3
Net (debt) including reverse factoring	**-2,472.6**	**-926.3**
Equity	763.2	723.0
Net debt/equity (including reverse factoring)	**324.0%**	**128.1%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 12: CIM cash flow summary

	H1CY20	H1CY19	% change
Cash receipts	6,648.7	7,642.9	-13.0%
Cash payments	-6,669.2	-7,174.0	-7.0%
OCFBIT	**-20.5**	**468.9**	
Interest received	12.8	14.8	-13.5%
Finance costs paid	-91.8	-72.1	27.3%
Income taxes	-104.1	-111.4	-6.6%
Operating cash flow	**-203.6**	**300.2**	
PPE purchases	-296.6	-341.1	-13.0%
PPE sales	10.9	14.6	-25.3%
Loans to JVs		-117.1	
Intangibles	-9.8	-1.0	880.0%
Leases	-157.5	-154.4	2.0%
FCF	**-656.6**	**-298.8**	**119.7%**
Cash conversion		**45.8%**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 13: CIM cash flow factoring summary

	H1CY20
OCFBIT	**-20.5**
add back factoring change	88.0
add back reverse factoring change	490.7
OCFBIT pre-factoring	**558.2**
Conversion pre-factoring	**56.8%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—CVL

CVL - A standout year

Good

- EBITDA of $35.6m up 52.4% from FY19.
- Net profit increased by 149.6% to $17.5m, from $7.0m in FY19 as a result of improved gross margin and lower finance costs.
- NPAT margin up 211.2% from 1.4% to 4.5%.
- EPS of 3.5cps, up 189.5% from FY19.
- Order book progressively grew throughout the year to reach $900m at 30 June.
- Contracted FY21 revenue already at least $450m.
- 4Q20 was the strongest revenue and NPAT result for the year, indicating good momentum and an ability to effectively mitigate COVID impacts.
- OCFBIT of $94.7m delivered, representing conversion of 266.4%.
- Net asset value up 51% to 52.5cps on back of solid profitability and ~$110.5m uplift in the value of land and buildings to fair value.
- COVID-19 had no significant impact on CVL, but some minor impact was seen in the timing of certain maintenance contracts.
- Received several significant contract awards, from clients including FMG, Rio Tinto and Albemarle.

Bad

- While reduced on account of its strong FY20 cash flow generation, CVL continues to carry a significant amount of debt for an E&C contractor.
  - When including all lease liabilities, CVL has net debt of $88.7m, and net debt to equity of 33.7%.
  - Importantly, the reason for CVL's debt is the significant investment it has put into its business, as opposed to simply leveraging the balance sheet to inflate shareholder returns.
  - Over $135m has been invested in PPE by CVL during the past two financial years, which has seen it complete the Assembly and Sustainment Hall at its Henderson shipbuilding facility.
  - With capex anticipated to significantly reduce in FY21, this should allow CVL to reduce its net debt. This should remain CVL's key priority before significant additional shareholder distributions are considered.

Notable

- Revenue decreased 19.8% to $391.9m in FY20 from $488.5m in the pcp.
- CVL has completed the Assembly and Sustainment Hall at its Henderson shipbuilding facility. This coincides with the commencement of construction of the first of 10 offshore patrol vessels for the Royal Australian Navy over the next 10 years. CVL also notes that they are the preferred tenderer on a number of other projects commencing in the next 12 months, that will utilise the Henderson facility.
- CVL spent $70m on capex in FY20, predominately related to the development of its manufacturing facilities in Henderson. Capital spend is expected to significantly reduce in FY21.
- In-house manufacturing capabilities have proved beneficial in ensuring continuity of supply. In addition to supply chain security, the ability to also support domestic jobs should aid CVL in securing work.
- Notes that the forward tendering environment remains positive with strong tendering activity.
- With plenty of contracted work and significant further opportunities to grow its order book, the key for CVL is to ensure that it now builds a strong track record, primarily by continuing to deliver its work with healthy margins and cash conversion, as it was able to do in FY20.

Reporting season summary—CVL

CIVMEC

Key financials

Figure 14: CVL Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**391.9**	**488.5**	**-19.8%**
Cost of sales	-337.0	-453.3	-25.7%
Other income	1.7	4.7	-63.4%
Share of associate/JV profit	0.2	0.0	415.4%
Administrative expenses	-16.7	-16.4	2.0%
Other expenses	-4.5	-0.3	1536.1%
EBITDA	**35.6**	**23.3**	**52.4%**
EBITDA %	*9.1%*	*4.8%*	*90.0%*
D&A	-10.5	-10.0	4.5%
EBIT	**25.1**	**13.3**	**88.5%**
EBIT %	*6.4%*	*2.7%*	*135.0%*
Interest income	0.2	0.7	-66.8%
Finance costs	-2.6	-5.0	-49.0%
PBT	**22.8**	**9.0**	**153.2%**
PBT %	*5.8%*	*1.8%*	*215.6%*
Tax	-5.2	-2.0	165.9%
NPAT	**17.5**	**7.0**	**149.6%**
NPAT %	*4.5%*	*1.4%*	*211.2%*
NPAT attrib. to CVL shareholders	**17.6**	**6.1**	**189.5%**
Weighted avg. shares	501.0	501.0	0.0%
EPS	**3.5**	**1.2**	**189.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 15: CVL Cash flow summary

	FY20 ($m)	FY19 ($m)
OCFBIT	**94.7**	**81.6**
Interest received	0.2	0.6
Finance cost paid	-4.3	-4.6
Net income tax	4.6	1.3
Net cash from operations	**95.2**	**78.9**
PPE purchases	-70.0	-68.2
PPE sales	0.1	0.6
Net JV transfers	-0.3	0.2
Repayment of lease principal	-6.0	0.0
FCF	**18.9**	**11.5**
Cash conversion	**266.4%**	**349.8%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 16: CVL Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	27.7	40.7
Borrowings	-62.4	-98.0
Lease liabilities	-54.1	-19.2
Net (debt)	**-88.7**	**-76.5**
Equity	263.2	174.2
Net debt to equity	**33.7%**	**43.9%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—DCG

DCG - Saved by FY19's $79m net cash position

Good

- FY19 net cash balance of $79.0m allows DCG to remain afloat
- Energy sector work now focused on balance of plant contracts (which should limit downside risks), and notes that it is now very careful to avoid any interconnection risks
- Targeting pipeline of $7-$8bn

Bad

- FY20 statutory loss of $140.4m
- $44.8m loss from discontinued NZ operations
- $35.8m impairment of Gladstone Homeground accommodation village
- $26.5m of other project write-downs
- DCG forecasting a weak 1H21
- Significant Sunraysia Solar Farm and NZ Department of Corrections Prison contract disputes remain outstanding
- EBITDA loss of $42.3m excluding NZ and Homeground impairment
- Current FY21 WIH of $245m well below FY20 revenue of $443.2m
- Negative OCFBIT of $96.0m
- Negative FCF of $105.7m
- Ends FY20 with net debt position of $2.5m, vs $79.0m net cash position in pcp, after including benefit of $52m capital raising

Notable

- Continuing E&C revenue down 19% to $443.2m vs $547.3m in pcp
- $52m capital raising completed
- Overheads cut 35% or $14.2m in FY20, with regional management and reporting layers removed
- Said to have seen minimal COVID impact but some impact on near-term government tender awards
- Order book of $446m on a contracted and preferred basis to FY23
- DCG forecasting a stronger 2H21
- DCG states that it intends to return to an operating profit and positive operating cash flow in FY22
- 35% of FY20 revenue was in Victoria. While not noted in their results, the introduction of Stage 4 in Victoria may impact project productivity in 1Q21.
- Homeground accommodation village remains available for sale
- Appears to have received $2.2m in JobKeeper subsidies during FY20

Reporting season summary—DCG

Key financials

Figure 17: DCG Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Engineering & Construction revenue	**443.2**	**547.3**	**-19.0%**
Accomodation revenue	5.7	4.2	37.0%
Grant income	2.2		
Rentals	0.2		
Total revenue	**451.3**	**551.4**	**-18.2%**
Cost of sales	-452.4	-503.9	-10.2%
Gross profit	**-1.1**	**47.6**	
Administration expenses	-40.2	-31.3	28.4%
Equity based payments	-1.0	-1.5	-34.6%
Adjusted EBITDA	**-42.3**	**14.7**	
Writedown of Gladstone accomodation village	-35.8		
Statutory EBITDA	**-78.1**	**14.7**	
D&A	-5.7	-2.6	124.0%
EBIT	**-83.9**	**12.2**	
Interest received	0.1	0.2	-76.7%
Borrowing costs	-3.4	-2.4	40.7%
PBT	**-87.2**	**10.0**	
Tax	-8.5	-3.7	126.3%
Net profit/(loss) from continuing operations	**-95.7**	**6.3**	
(Loss)/profit from discontinued operations	-44.8	7.7	
Net profit/(loss)	**-140.4**	**14.0**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 18: DCG Cash flow statement summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	544.9	564.7
Payments to suppliers and employees	-640.9	-535.6
OCFBIT	**-96.0**	**29.1**
Interest received	0.1	0.4
Finance costs paid	-3.7	-2.3
Income taxes paid	-2.1	-5.5
Net cash from operating activities	**-101.6**	**21.7**
PPE purchases	-0.5	-1.3
PPE sales	0.2	0.3
Repayment of lease liabilities	-3.8	-0.3
FCF	**-105.7**	**20.3**
Cash conversion (statutory)		**137.8%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 19: DCG Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	43.9	83.5
Borrowings	-25.2	-0.2
Lease liabilities	-21.2	-4.2
Net cash/(debt)	**-2.5**	**79.0**
Equity	140.8	235.1
Net debt to equity	**1.8%**	**Net cash**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—DOW

DOW - Forging a new pathway

Good

- The scale back of E&C operations to move towards a more pure play asset services provider comes after significant losses were delivered in such divisions. This should result in more resilient earnings.
    - Infrastructure & Construction (Spotless) business unit will now focus on maintenance and related minor capex work worth less than $5m.
    - Engineering & Construction (DOW) bidding scope restricted to Power Systems, being HV power and substations.
        - Existing scope of projects in wind down now less than $100m.
- Mining division delivered resilient performance and recorded profit growth vs pcp. This should bolster DOW's ability to sell the division for a significant price, which can further reduce debt.
- Secured significant multi-year contracts across Power, Gas & Water worth hundreds of millions of dollars each.

Bad

- FY20 result impacted by very large number of abnormal items, with DOW excluding $386m of costs from its underlying number. Despite this:
    - 'Underlying' EBITA was down 25.8% to $416m.
    - 'Underlying' NPATA of $215.1m, down 36.8%.
- Statutory NPATA loss of $105.8m.
- DOW's NZ business was materially impacted by Level 4 COVID restrictions—but profit impact partially offset by government wage subsidies (DOW received $62.6m in government grants).
- Spotless' hospitality business was severely impacted by COVID restrictions and has been placed in hibernation. Virtually no 4Q revenue, and 6,000 people stood down. Review underway to determine which parts will continue, be sold or closed.
- The Laundries business was also impacted by COVID restrictions including the deferral of elective surgeries.
- Infrastructure & Construction (Spotless) and Engineering & Construction (DOW) divisions see a major decline in profitability—both are now being drastically scaled back.
- Cash conversion on 'underlying EBITDA' of just 39.5%, impacted by poor 1H20 conversion from Murra Warra wind farm, nbn winding down and Waratah bogie overhaul.

Notable

- Total revenue excluding government grants down 0.7% vs pcp to $13.4bn.
- WIH of $42.2bn.
- Intends to move to 100% ownership of Spotless.
- Exiting several business units and drastically scaling back its E&C operations.
- Completed $400m equity raising post balance date to reduce debt and acquire the remaining share of Spotless.
- Impact on Yarra Trams fare box partially offset by Victorian government.
- DOW continues to explore the potential sale of the Mining portfolio in parts or as a whole, with recent enquiries from a number of parties.
- Laundries sale process paused and will resume when investment market conditions improve.
- No final dividend.
- Factoring of $102.2m at 30 June, down from $113.7m at 31 Dec 19, no reverse factoring.
- Capex down 23.4%, Mining & Laundries represent 65.2% of total capex.
- Total WIH of $42.2bn, vs $44.3bn at 30 Jun 19 and $46.4bn at 31 Dec 19.

Reporting season summary—DOW

Key financials

Figure 20: DOW Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue from customers	**12,657.6**	**12,773.5**	**-0.9%**
Share of JV revenue	**675.2**	**635.6**	**6.2%**
Other revenue	22.5	39.2	-42.6%
Government grants	62.6		
Total revenue	**13,417.9**	**13,448.3**	**-0.2%**
Employee benefits	-4,217.3	-4,340.4	-2.8%
Subcontractor costs	-4,406.0	-4,193.7	5.1%
Raw materials and consumables used	-2,157.7	-2,114.4	2.0%
Plant and equipment costs	-660.6	-689.8	-4.2%
Impairment of non-current assets	-212.0		
Other expenses from ordinary activities	-632.5	-682.6	-7.3%
JV net profit	19.4	30.4	-36.2%
EBITDA	**476.0**	**822.2**	**-42.1%**
EBITDA %	*3.5%*	*6.1%*	*-42.0%*
add back DOW claimed abnormals	386.0	28.0	1278.6%
Adjusted EBITDA	**862.0**	**850.2**	**1.4%**
Adjusted EBITDA %	*6.4%*	*6.3%*	*1.6%*
Depreciation on leased assets	-151.8		
Other depreciation and amortisation	-365.5	-360.0	1.5%
Adjusted EBIT	**344.7**	**490.2**	**-29.7%**
Adjusted EBIT %	*2.6%*	*3.6%*	*-29.5%*
add back acquisition amortisation	71.3	70.4	1.3%
Adjusted EBITA	**416.0**	**560.6**	**-25.8%**
Adjusted EBITA %	*3.1%*	*4.2%*	*-25.6%*
less DOW claimed abnormals	-386.0	-28.0	1278.6%
EBITA	**30.0**	**532.6**	**-94.4%**
EBITA %	*0.2%*	*4.0%*	*-94.4%*
less acquisition amortisation	-71.3	-70.4	1.3%
EBIT	**-41.3**	**462.2**	
Finance income	6.0	8.8	-31.8%
Lease finance costs	-26.4		
Other finance costs	-91.6	-91.2	0.4%
PBT	**-153.3**	**379.8**	
Tax	-2.4	-103.5	-97.7%
NPAT	**-155.7**	**276.3**	
add back acquired amortisation	49.9	49.3	1.2%
NPATA	**-105.8**	**325.6**	
DOW claimed abnormals	320.9	14.5	2113.1%
Adjusted NPATA	**215.1**	**340.1**	**-36.8%**
Adjusted NPATA %	*1.6%*	*2.5%*	*-36.6%*

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 21: DOW Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	13,841.5	14,177.4
Payments to suppliers and employees	-13,518.3	-13,442.8
Distributions from equity accounted investees	17.2	22.4
OCFBIT	**340.4**	**757.0**
Interest received	4.7	5.2
Interest paid on lease liabilities	-26.4	
Interest and other costs of finance paid	-82.0	-76.1
Income tax paid	-57.9	-55.9
Cash from operating activities	**178.8**	**630.2**
PPE purchases	-290.4	-346.2
PPE sales	21.9	16.1
Intangible assets	-61.7	-44.8
Advances to JVs	-3.6	-5.5
Finance lease payments	-152.9	
Purchases of assets as a lessor	-34	-52.6
FCF	**-341.9**	**197.2**
Cash conversion (statutory)	**71.5%**	**92.1%**
Cash conversion (adjusted)	**39.5%**	**89.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 22: DOW Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	588.5	710.7
Borrowings	2,051.3	1,703.5
Lease liabilities	763.2	
Net debt	**-2,226.0**	**-992.8**
Equity	2,476.3	2,879.0
Debt/Equity	**89.9%**	**34.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—GNG

GNG - Pipeline supported by strong gold price

Good

- Solid net cash position of $30.1m.
- No material impact noted from COVID-19.
- Strong FY21 order book, which has increased by $170m since the 1 June 2020.
- Forecasting FY21 revenue of $280m -$300m and improved EBITDA margins.
- Awarded several significant projects including the $107m Lake Way Project for Salt Lake Potash Ltd and the $32.6m Carosue Dam Plant Expansion project for Saracen Gold.
- Adjusted cash conversion of 102.9%. Follows strong FY19 adjusted cash conversion of 321.0%.

Bad

- $17.7m of bad debts incurred primarily as a result of an Oil & Gas sector customer entering liquidation.
- Continues run of material bad debts over recent years. While they can be adjusted to ascertain underlying operational performance, the recurring nature of the charges mean they need to be considered for valuation purposes.
- Adjusted EBITDA margin declined by 21.5% to 4.8% (excludes $17.7m of bad debts).
- The large number of bad debts saw a statutory net loss of -$7.2m vs $6.5m profit in pcp.

Notable

- Final dividend of 4cps declared.
- Adjusted EBITDA of $10.9m (excluding bad debts), down 2.7% vs pcp.
- Pipeline of potential projects moving to construction includes the $74m Abra Base Metals project in Australia and the $92.4m Woodlark Gold project in PNG.
- Engaged on 26 studies at 30 June, including 11 studies related to prospective Gold projects.
- Order book predominately Australian projects.
- Acquired US based Hanlon Engineering & Associated during FY20.

Reporting season summary—GNG

Key financials

Figure 23: GNG Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**222.4**	**182.3**	**22.0%**
Other income	4.2	0.5	746.7%
Total revenue	**226.6**	**182.8**	**24.0%**
Employee benefits	-70.7	-67.6	4.6%
Superannuation	-6.1	-6.0	1.6%
Workers compensation	-0.8	-0.9	-16.2%
Equity based payments	-0.8	-0.6	34.4%
Direct materials & subcontractor costs	-128.5	-88.8	44.7%
Accountancy & audit fees	-0.5	-0.5	-2.2%
Marketing	-0.1	-0.2	-43.5%
Occupancy	-0.4	-1.7	-75.1%
Administration	-7.9	-5.3	49.4%
Adjusted EBITDA	**10.9**	**11.2**	**-2.7%**
Adjusted EBITDA %	*4.8%*	*6.1%*	*-21.5%*
Bad debts	-17.7	-1.3	1275.4%
Statutory EBITDA	**-6.8**	**9.9**	
D&A	-2.7	-1.4	90.6%
Adjusted EBIT	**8.1**	**9.7**	**-16.5%**
Adjusted EBIT %	*3.6%*	*5.3%*	*-32.7%*
Statutory EBIT	**-9.5**	**8.4**	**-212.9%**
Interest revenue	0.2	0.4	-55.5%
Finance costs	-0.3	-0.1	405.4%
PBT	**-9.7**	**8.8**	
Tax	2.4	-2.2	
NPAT	**-7.2**	**6.5**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 24: GNG Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	215.2	200.1
Payments to suppliers and employees	-204.0	-174.2
OCFBIT	**11.2**	**25.8**
Income tax paid	-0.1	-1.5
Interest received	0.2	0.4
Operating cash flow	**11.2**	**24.7**
Purchase of PPE	-1.0	-1.0
Sale of PPE	0.1	0.0
Lease liabilities	-2.2	-0.3
FCF	**8.1**	**23.4**
Cash conversion (adjusted EBITDA)	**102.9%**	**231.0%**
Cash conversion (statutory EBITDA)	**n/a**	**249.6%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 25: GNG Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	37.5	31.4
Borrowings	-3.4	
Lease liabilities	-4.1	-0.6
Net cash	**30.1**	**30.9**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—LCM

LCM - Settling in

Good

- Adjusted EBITDA (excluding investment impairment and merger transition costs) up 56.7%.
- Statutory EBITDA excluding government subsidies up 8.4%.
- Statutory EBITDA margin excluding government subsidies up to 6.4% from 5.8%.
- Net cash position of $7.2m.
- Demand from mining industry, particularly in WA said to have remained solid.
- Merger synergies of $3m in annualised savings said to have been realised.
- Cash flow conversion above 100% on a statutory and adjusted basis.

Bad

- While expecting an increase in Infrastructure investment, it also anticipates an increase in competition which will create margin pressures.
- Expects work opportunities in 1H21 to be somewhat subdued (but a stronger 2H21).

Notable

- Said to have embedded merger of OSD Pty Ltd—comparable pcp numbers are pro-forma as a result of this merger.
- Pro-forma revenue relatively flat despite impact of reduced and deferred Oil & Gas expenditure.
- Earnings supported by $1.1m in government subsidies.
- Operating segments have been focused on six specialty service lines - Asset Management, Competency Training, Digital Industry, Pipelines, Power, and Process Plant.
- FY20 revenue split: 39% Hydrocarbons, 27% Minerals & Metals, 34% Infrastructure & Other.
- Following merger being bedded in, LCM is investing more in marketing and business development.
- Revamped WA management team to take advantage of the strong WA market.
- Expects increase in infrastructure investment.

Reporting season summary—LCM

Key financials

Figure 26: LCM Income statement summary

	FY20 ($m)	FY19 pro-forma ($m)	% change
Revenue	**117.0**	**119.4**	**-2.0%**
Cost of sales	-80.7	-81.5	-1.0%
Gross profit	36.3	37.9	-4.2%
Other income	0.3	n/a	
Acquisition costs	0.0	n/a	
Salaries and wages	-18.5	n/a	
Other operating expenses	-7.4	-31.0	-76.1%
Share of JV profit	0.0	n/a	
Adjusted EBITDA	**10.8**	**6.9**	**56.7%**
Adjusted EBITDA %	*9.2%*	*5.8%*	*59.9%*
Investment impairment	-0.3	n/a	
Merger transition and other one-offs	-3.0	n/a	
Statutory EBITDA exc. govt subsidies	**7.5**	**6.9**	**8.4%**
Statutory EBITDA exc. govt subsidies %	*6.4%*	*5.8%*	*10.7%*
JobKeeper & NZ Wage subsidy	1.1		
Statutory EBITDA	**8.6**	**6.9**	**24.0%**
Statutory EBITDA %	*7.3%*	*5.8%*	*26.5%*
D&A	-3.9	-2.0	94.6%
EBIT	**4.7**	**4.9**	**-4.8%**
EBIT %	*4.0%*	*4.1%*	*-2.9%*
Interest income	0.0		
Interest expense	-0.6	-0.5	25.2%
PBT	**4.0**	**4.4**	**-8.2%**
PBT %	*3.5%*	*3.7%*	*-6.3%*
Tax	-1.2	-1.2	3.7%
NPAT	**2.8**	**3.2**	**-12.6%**
NPAT %	*2.4%*	*2.7%*	*-10.8%*
NPAT attrib. to owners of LCM	**2.8**	**3.2**	
Weighted avg. shares (m)	200.9	n/a	
EPS (cps)	**1.4**	**1.6**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 27: LCM Cash flow summary

	FY20 ($m)
Receipts from customers	140.5
Payments to suppliers & employees	-128.0
OCFBIT	**12.5**
Interest received	0.0
Interest paid	-0.6
Income taxes paid	-0.3
Operating cash flow	**11.6**
PPE purchases	-1.5
PPE sales	0.1
Dividends from Associates	0.0
Lease liabilities	-2.3
FCF	**7.9**
Adjusted cash conversion	**107.0%**
Statutory cash conversion	**135.3%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 28: LCM Net cash/(debt) summary

	FY20 ($m)	FY19 restated ($m)
Cash	15.9	8.3
Borrowings	-3.5	-3.7
Lease liabilities	-5.1	0.0
Net cash	**7.2**	**4.6**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—LYL

Lycopodium

LYL - Buoyed by Gold, weighed by travel restrictions

Good

- Revenue from customers up 36.7% to $206.7m.
- Adjusted PBT (excluding warranty provision changes) up 74.5% to $17.8m vs pcp.
- Adjusted PBT margin of 8.5% vs 6.7% in pcp.
- Strong OCFBIT of $65.9m and cash conversion of 249.8%, supported by upfront payments for construction projects.
- FCF of $55.6m.
- Progress of projects in delivery was generally unaffected by COVID-19.
- Successfully completed two significant projects, being the Sanbrado Gold Mine for West African Resources and Teranga Gold's Wahgnion Gold Mine.
  - Both completed safely, ahead of schedule and within budget.
- Delivery of the Yaouré Gold Mine for Perseus Mining remained on schedule.
- Current economic outlook is supporting the price of gold, which particularly works to LYL's strengths.
- 0 Lost Time Injury Frequency Rate over 2.5m controlled man-hours.
- Infrastructure revenue saw solid growth of 17.4%, with a focus on Rail and non-process Infrastructure.

Bad

- As a result of COVID-19, the award and commencement of new opportunities was curtailed, with projects delayed or suspended as a result of COVID-19.
- Bulk of revenue continues to be sourced from Africa—72.1% and 69.3% of revenue in FY20 and FY19 respectively.
  - Quarantine requirements in African nations, as well as Australia, and the limited availability of flights will likely make completing new projects in the region difficult.
  - This is likely to delay the approval of new work.

Notable

- NPAT of $11.7m slightly higher than updated guidance in May of $11.5m.
- Final dividend of 5cps, total dividend of 20cps.
- Mondium JV commenced work on Rio Tinto's Western Turner Syncline Phase 2 Iron Ore project with the team now mobilised to site.
- Mondium well advanced with earthworks and concrete works for Talison Lithium's Tailings Retreatment Project in WA.
- Completed numerous Feasibility Studies across a range of commodities throughout the year, leading to the award of further scope on a number of projects.
- LYL's Industrial Process business is devoting attention to emerging opportunities in renewable energy and sustainability related projects.
- Orway IQ (OIQ) formed to provide remote optimisation consulting services to the minerals processing industry. Over the past 12 months, OIQ has been providing services on three foundation projects, with these initial projects meeting all technical goals.
- Notes opportunity in the domestic Australian market to support clients embarking on sustaining capital works, particularly given the potential for some new developments to be delayed on account of economic conditions.

Reporting season summary—LYL

Lycopodium

Key financials

Figure 29: LYL Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue from customers	**206.7**	**151.1**	**36.7%**
Other income	3.0	1.1	173.4%
Total income	**209.6**	**152.2**	**37.7%**
Employee benefits	-67.0	-66.7	0.4%
Project expenses	-5.0	-5.5	-9.6%
Equipment and materials	-71.1	-18.4	285.8%
Contractors	-31.3	-32.1	-2.6%
Occupancy expense	-1.2	-8.1	-84.9%
Other expenses	-12.1	-12.2	-0.4%
JV profit	2.9	0.7	340.9%
Adjusted EBITDA	**24.9**	**9.9**	**151.5%**
Adjusted EBITDA %	*11.9%*	*6.5%*	*82.6%*
Warranty provision	0.7	13.4	-94.9%
Statutory EBITDA	**25.6**	**23.3**	**10.0%**
Statutory EBITDA %	*12.2%*	*15.3%*	*-20.1%*
D&A	-8.0	-1.5	452.9%
EBIT	**17.5**	**21.8**	**-19.5%**
EBIT %	*8.4%*	*14.3%*	*-41.6%*
Interest income	1.5	1.8	-16.0%
Finance costs	-0.6	-0.1	749.8%
Adjusted PBT	**17.8**	**10.2**	**74.5%**
Adjusted PBT %	*8.5%*	*6.7%*	*26.7%*
Statutory PBT	**18.5**	**23.5**	**-21.6%**
Statutory PBT %	*8.8%*	*15.5%*	*-43.1%*
Tax	-6.8	-7.1	-5.2%
NPAT	**11.7**	**16.4**	**-28.8%**
NPAT %	*5.6%*	*10.8%*	*-48.3%*
NPAT attrib. to owners of LYL	**11.8**	**16.5**	**-28.5%**
Weighted average shares (m)	39.7	39.7	0.0%
EPS (cps)	**29.7**	**41.5**	**-28.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 30: LYL Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	256.1	158.3
Payments to suppliers	-190.3	-146.6
OCFBIT	**65.9**	**11.7**
Interest received	1.6	1.8
Income taxes paid	-5.2	-12.4
Operating cash flow	**62.2**	**1.1**
PPE purchases	-0.5	-1.6
PPE sales		0.0
Intangible assets	-0.4	-0.1
Dividends from JVs	0.8	2.0
JV loans	0.8	0.4
Lease liabilities	-7.3	-0.5
FCF	**55.6**	**1.3**
Cash flow conversion (adjusted)	**249.8%**	**11.3%**
Cash flow conversion (statutory)	**257.5%**	**50.3%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 31: LYL Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	102.9	60.5
Borrowings	-0.5	-0.7
Lease liabilities	-3.2	
Net cash	**99.2**	**59.7**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—MLD

MLD - Adjusted result sees strong improvement

Good

- FY20 continuing operating revenue up 24.8% to $792.5m.
- Total revenue of $808m a record result.
- FY21 revenue guidance of $850m+, with $740m currently secured.
- Record order book of $2.3bn, over $1.2bn won in the last 12 months.
- Adjusted EBITDA up 91% to $128.1m.
- Stated that improved Mining performance expected to continue into FY21 as benefits of recent investment into plant are realised. Activity within the mining sector, in particular Gold and Iron Ore, is expected to support future growth.
- Enters FY21 with a record $200m+ of Civil Construction and Infrastructure Maintenance WIH. Continues to see increased activity levels due to the significant capital works programs underway in WA. VIC Civil & Infrastructure division enters FY21 with $41m WIH.
- MACA Interquip enters FY21 with a strong tender pipeline in both the Gold and Iron Ore sectors, in addition to secured ongoing maintenance contracts and minor works projects.
- MLD holds a positive outlook for FY21, supported by its strong WIH position.
- Strong cash conversion of 105.7% on adjusted EBITDA.

Bad

- Records $51.6m in impairments, driven by a decline in forecast cash flows from the Bluff PCI project resulting in a $48m reduction in the carrying amount of receivables.
- Results in a statutory continuing NPAT reduction of 84% to $3.6m.
- Records $10.5m loss from discontinued Brazilian operations, plus an additional related $10.6m loss on forex.
- Results in a statutory net loss from all operations of -$17.5m.

Notable

- Final dividend of 2.5cps, takes total full-year dividend to 5cps.
- Closes Brazilian operations, but set to begin operations in Cambodia in 1H21.
- Appointed Mike Sutton as CEO and MD, David Greig as COO.
- 71% of FY20 revenue from Mining & Crushing and 25% from Civil Construction and Infrastructure Maintenance divisions.
- 52% of FY20 revenue from Gold, 20% from Government customers.
- Workforce increased from 1,958 at FY19 to 2,381 at FY20 (including contractors).
- 80% of employees in Mining & Crushing, 17% in Civil & Infrastructure.
- $543m of the $740m in currently secured FY21 revenue relates to Mining & Crushing.
- 90% of total WIH relates to Mining & Crushing, 42% of that relates to WIH in Gold.
- 5-year, $480m contract award from First Quantum Australia for its Ravensthorpe Nickel Project.
- 5-year Corunna Downs Mining Services contract from Atlas Iron worth $230m.
- Has a material net debt position of $73.4m.

Reporting season summary—MLD

Key financials

Figure 32: MLD Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**792.5**	**634.8**	**24.8%**
Other income	38.0	31.7	20.0%
Direct costs	-679.4	-583.1	16.5%
Other expenses from ordinary activities	-23.0	-16.3	41.1%
Adjusted EBITDA	**128.1**	**67.0**	**91.0%**
Adjusted EBITDA %	*15.4%*	*10.1%*	*53.3%*
Asset impaiment	-51.6		
Forex gains/(losses)	1.4	1.7	-15.1%
Fair value gain/losses on financial assets		-0.4	
Statutory EBITDA	**77.9**	**68.3**	**14.0%**
Statutory EBITDA %	*9.4%*	*10.2%*	*-8.5%*
D&A	-68.6	-38.0	80.3%
EBIT	**9.3**	**30.3**	**-69.2%**
EBIT %	1.1%	4.5%	-75.3%
Adjusted EBIT	**59.5**	**29.0**	**105.0%**
Adjusted EBIT %	*7.2%*	*4.4%*	*64.5%*
Interest revenue	3.2	5.1	-37.1%
Finance costs	-6.5	-3.4	90.7%
PBT	**6.1**	**32.0**	**-81.0%**
PBT %	*0.7%*	*4.8%*	*-84.8%*
Adjusted PBT	**56.3**	**30.8**	**82.9%**
Adjusted PBT %	*6.8%*	*4.6%*	*46.8%*
Tax	-2.5	-9.6	-74.1%
Net profit from continuing ops	**3.6**	**22.4**	**-84.0%**
NPAT %	*0.4%*	*3.4%*	*-87.2%*
NPAT attrib. to owners of MLD	**3.2**	**20.6**	**-84.6%**
Weighted avg. shares (m)	268.0	268.0	0.0%
EPS	**1.2**	**7.7**	**-84.6%**
Loss from discontinued operations	-10.5	0.0	
Discontinued operations forex loss	-10.6		
Statutory profit/(loss)	**-17.5**	**22.4**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 33: MLD Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	787.5	629.6
Payments to suppliers and employees	-652.1	-568.0
OCFBIT	**135.4**	**61.5**
Interest received	3.3	8.1
Interest paid	-6.8	-4.1
Income tax paid	-15.2	-8.0
Operating cash flow	**116.6**	**57.5**
PPE purchases	-63.4	-89.3
PPE sales	7.7	1.6
FCF*	**60.9**	**-30.2**
Cash conversion (adjusted EBITDA)	**105.7%**	**91.8%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

*During the period ended 30 June 2020 MLD acquired $61.1m (2019: $76.6m) in plant and equipment by means of finance leases (included in right-of-use assets), directly from original equipment manufacturers. These acquisitions are not reflected above.

Figure 34: MLD Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	114.7	59.3
Interest bearing liabilities	-188.1	-142.1
Net (debt)	**-73.4**	**-82.8**
Equity	306.1	329.5
Net debt/equity	**24.0%**	**25.1%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—MND

Monadelphous

MND - COVID bad, outlook positive

Good

- Record Maintenance & Industrial Services (M&IS) revenue, up 5.1% to over $1bn.
    - 3rd consecutive record annual revenue.
- MND notes a solid forward workload.
- Number of strategically important contract wins through Mondium and in Rail Infrastructure Maintenance.
    - Mondium JV awarded a $400m contract with Rio Tinto at its Western Turner Syncline Phase 2 project.
    - Awarded a 3-year rail maintenance contract by Rio Tinto for its privately owned rail network.
- MND expects the resources sector to provide a steady flow of opportunities over coming years.
- With a strong iron ore price and Chinese demand, the outlook for Australian iron ore investment remains solid.
- Post year-end, MND's acquired Chilean business, Buildtek, secured several new contracts. MND expects the resumption of a number of suspended or deferred Chilean copper projects to provide opportunities for growth.

Bad

- 2H20 earnings impacted by COVID-19 and $14m of provisions recorded as a result of underperforming contracts and a restructuring of the Water Infrastructure business.
- COVID resulted in the delay, suspension, deferral and reduction of services across a broad range of MND's projects and worksites, and the temporary deferral of potential new contract awards.
- Customers reduced non-essential work and delayed discretionary expenditure, particularly fly-in, fly-out operations. Supply chain issues caused delays on several large construction projects.
- Continuing operations progressed slower than expected due to health management practices. When combined with an underutilisation of plant and equipment, it resulted in materially lower productivity.
- MND was notified in July that Rio Tinto has filed a Write of Summons in the Supreme Court of WA against it for a fire incident that occurred at Rio's Cape Lambert processing facility in January 2019. The writ has not yet been served on MND, but Rio has informed MND that its claim is for $493m in loss and damages. $35m comprises material damage costs and $458m for a temporary operating solution and business interruption losses. MND has $150m in public liability insurance and the relevant contract has exclusions and limitations of liability. MND is working with Rio to seek a satisfactory outcome.

Notable

- $1.7bn in revenue, up 2.6% on pcp, 2H20 significantly impacted by COVID-19.
- ~10% of annual revenue deferred into subsequent financial periods.
- E&C revenue down 1.1% to $615.9m.
- Secured $1.2bn of new contracts and extensions to results release date.
- Strategic acquisitions completed in coal seam gas, rail and Chile totaling $14.3m.
- Final dividend of 13cps, full-year dividend of 35cps.
- Renewables investment has eased as the industry focuses on the development of improved grid access and transmission capacity.
- Maintenance activity is expected to recover slowly and continue to be impacted by domestic travel restrictions, and physical distancing requirements. MND has noted demand steadily improving from customers, with a slow recovery over recent months.
- MND notes that it has entered the new FY with a solid forward workload, but short to medium-term performance is dependent on the extent and duration of COVID impacts.
- Declining oil & gas demand has delayed new LNG project development, with customers reducing operating costs and deferring non-essential work.

Reporting season summary—MND

Monadelphous

Key financials

Figure 35: MND Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Statutory revenue	**1,487.4**	**1,477.3**	**0.7%**
JV revenue	**163.4**	**131.0**	**24.7%**
Other income	5.0	5.9	-16.4%
Total revenue	**1,655.7**	**1,614.2**	**2.6%**
Costs of services rendered	-1,386.3	-1,351.5	2.6%
Business development and tender expenses	-17.2	-20.8	-17.1%
Occupancy expenses	-3.7	-3.7	-0.3%
Administrative expenses	-32.4	-31.8	1.9%
Share of profit from JVs	4.9	7.1	-31.0%
Unrealised forex	-0.1	0.4	
add back D&A	31.2	20.8	50.1%
EBITDA	**88.8**	**103.9**	**-14.5%**
EBITDA %	*5.4%*	*6.4%*	*-16.6%*
Adjusted EBITDA (add back Water provision)	**102.8**	**103.9**	**-1.0%**
Adjusted EBITDA %	*6.2%*	*6.4%*	*-3.5%*
D&A	-31.2	-20.8	50.1%
EBIT	**57.6**	**83.1**	**-30.7%**
EBIT %	*3.5%*	*5.1%*	*-32.4%*
Adjusted EBIT	**71.6**	**83.1**	**-13.8%**
Adjusted EBIT %	*4.3%*	*5.1%*	*-16.0%*
Finance revenue	1.2	2.3	-48.4%
Finance costs	-3.7	-1.9	91.4%
PBT	**55.1**	**83.4**	**-34.0%**
PBT %	*3.3%*	*5.2%*	*-35.6%*
Adjusted PBT	**69.1**	**83.4**	**-17.2%**
Adjusted PBT %	*4.2%*	*5.2%*	*-19.3%*
Tax	-17.9	-31.3	-43.0%
NPAT	**37.2**	**52.1**	**-28.6%**
NPAT %	*2.2%*	*3.2%*	*-30.4%*
NPAT attrib. to owners of MND	**36.5**	**50.6**	**-27.8%**
Weighted avg. shares (m)	94.4	94.1	0.3%
EPS (cps)	**38.7**	**53.7**	**-28.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 36: MND cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	1,734.6	1,596.3
Payments to suppliers	-1,610.6	-1,546.4
Other income	2.3	2.3
Dividends received	0.2	0.2
OCFBIT	**126.6**	**52.4**
Interest received	1.2	2.3
Finance costs paid	-3.7	-1.9
Income tax paid	-5.0	-36.8
Operating cash flow	**119.1**	**16.0**
PPE purchases	-12.1	-19.7
PPE sales	3.8	5.0
JV loans	1.2	0.6
Hire purchase lease liabilities	-12.4	-10.0
Other lease liabilities	-7.3	0.0
FCF	**92.2**	**-8.2**
Cash conversion (adjusted EBITDA)	**123.1%**	**50.5%**
Cash conversion (statutory EBITDA)	**142.5%**	**50.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 37: MND Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	208.3	164.0
Borrowings	-3.5	-38.2
Lease liabilities	-88.4	
Net cash	**116.4**	**125.8**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—NWH

NWH - A transformational year

Good

- Record revenue of $2.1bn, up 83.1% vs pcp.
- Statutory EBITDA of $235.1m up 105.7% vs pcp.
- Strong cash conversion of 97.2%, strong FCF of $124m.
- Preferred Proponent for the $852m Bunbury Outer Ring Road projects (40% member of the Alliance).
- Significant additional opportunities in public infrastructure currently in tender and evaluation phase.
- Mining contracts continue to perform to production objectives.
- Strong order intake increased order book to $3.5bn (post Bunbury Outer Ring Road announcement).
- Pipeline strong with $12.9bn of awards expected over the next 12 months. NWH has currently submitted $1.4bn of tenders.
- NWH forecasting revenue between $2.2bn-$2.3bn in FY21. $2bn either currently contracted, in accordance with agreed mining schedules or expected as repeatable business.
- Worked on a number of significant WA Iron Ore projects—South Flank, Koodaideri, Eliwana and Iron Bridge.
- Mining revenue up 55% to $969.7m, EBIT margins up to 10.3% from 6.3%. Increased opportunities in Gold and other hard rock commodities.
- Drill & Blast revenue up 22% to $172.7m, EBIT margin up to 6.7% from 3.7%.

Bad

- May be a lag between current Civil Iron Ore projects completing and the potential ramping up of Civil Infrastructure work.
    - NWH notes that 2H21 Civil revenue is likely to decline before Infrastructure ramps up in FY22.
- Civil margins impacted by lower volumes in Q1 in Golding, COVID-19 and nil margin projects.
    - FY20 EBIT margin of 3.1% vs 4.4% in FY19.

Notable

- Acquired BGC Contracting in December 2019, now said to be fully integrated in NWH's operations around Australia.
- RCR Mining Technologies and DIAB Engineering integrated into the Group.
- Currently working with coal clients to support production forecasts given coal price declines.
- Working closely with Gascoyne Resources in support of a recapitalisation plan.
- A number of mining contracts expected to be renewed in FY21.
- Increased final div to 4cps (2cps pcp).
- Headcount at FY20 up to 7,053, from 3,145 at FY19.
- Focus on retaining, recruiting and training workforce to meet strong market demand.
- Mining Technologies division has aspirational target to achieve $500m in annual revenue (vs $187.2m in FY20).

Reporting season summary—NWH

NRW Holdings

Key financials

Figure 38: NWH Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Statutory revenue	**2,004.4**	**1,078.1**	**85.9%**
JV revenue	**58.1**	**48.2**	**20.5%**
Other income	0.3		
Total revenue	**2,062.8**	**1,126.3**	**83.1%**
JV profit/(loss)	-0.0	-2.1	-98.0%
Materials and consumables	-390.6	-237.1	64.7%
Employee benefits expense	-570.2	-295.4	93.1%
Subcontractor costs	-441.9	-246.3	79.4%
Plant and equipment costs	-344.0	-145.7	136.2%
Other expenses	-22.9	-8.9	155.5%
Adjusted EBITDA	**235.1**	**142.7**	**64.8%**
Adjusted EBITDA %	*11.4%*	*12.7%*	*-10.0%*
Impairment of financial assets (Gascoyne)		-33.5	
Gain on acquisition		5.1	
Statutory EBITDA	**235.1**	**114.3**	**105.7%**
Statutory EBITDA %	*11.4%*	*10.1%*	*12.3%*
D&A	-108.8	-50.0	117.8%
Adjusted EBITA	**126.3**	**64.3**	**96.4%**
Adjusted EBITA %	*6.1%*	*5.7%*	*7.2%*
Amortisation of acquisition intangibles	-13.3	-12.1	9.8%
EBIT	**113.0**	**52.2**	**116.4%**
EBIT %	*5.5%*	*4.6%*	*18.1%*
Finance income	0.5	0.7	-31.5%
Finance costs	-13.3	-7.2	83.9%
PBT	**100.2**	**45.7**	**119.1%**
Tax	-26.5	-13.5	96.5%
NPAT	**73.7**	**32.3**	**128.5%**
NPAT %	*3.6%*	*2.9%*	*24.8%*
Weighted avg. shares (m)	405.0	373.9	8.3%
EPS (cps)	**18.2**	**8.6**	**111.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 39: NWH Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	2,120.6	1,111.6
Payments to suppliers and employees	-1,892.1	-1,004.5
OCFBIT	**228.5**	**107.1**
Interest paid	-13.3	-7.2
Interest received	0.5	0.7
Income tax paid	0.0	-0.8
Operating cash flow	**215.7**	**99.8**
PPE purchases	-82.6	-77.3
PPE sales	1.4	1.3
Lease liabilities	-10.6	0.0
FCF	**123.9**	**23.9**
Cash conversion (adjusted)	**97.2%**	**75.1%**
Cash conversion (statutory)	**97.2%**	**93.7%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 40: NWH Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	170.2	65.0
Financial debt	-244.8	-100.5
Leases	-65.1	
Net (debt)	**-139.6**	**-35.4**
Equity	472.4	291.4
Net debt/equity	**29.6%**	**12.2%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—PGX

PRIMERO

PGX - Reasons for concern

Good

- Total revenue up 35.8% to $205.6m.
- Current contracted order book of ~$230m for FY21.
- The market remains active (but also competitive), with a large volume of further EPC opportunities up for award over 1H21.
    - Recently awarded an additional preferred contract. Awarded by Strandline Resources for the EPC delivery of a processing facility, and worth approximately $150m.
    - Full project award subject to Strandline Resources approving a Final Investment Decision.

Bad

- EBITDA margins impacted by "conservative" Wartsila contract revenue recognition ($40m recognised at nil margin).
- Barker Inlet Power Station Project (Wartsila Contract) subject to ongoing dispute. PGX initially awarded $16.9m by adjudication (25% of total outstanding monies claimed), but it has since been set aside by the Supreme Court of SA as the adjudicator did not have jurisdiction to make the decision.
- Makes "conservative" $40m revenue recognition at "nil margin" questionable. The conservative approach may have been to have written off the revenue and booked an impairment charge on the contract (until the courts potentially determine PGX's claim is valid).
- This is supported by PGX's poor OCFBIT of negative $10.8m versus adjusted EBITDA of $9.6m and statutory EBITDA of $9.1m—i.e. the "conservative" revenue recognition does not at all reflect the cash result.
- Comes on top of weak FY19 cash conversion.

Notable

- Forecast FY21 underlying EBITDA margin of 6-8%.
- Large volume of further EPC opportunities up for award over 1H21, preferred contractor status for approximately $750m at time of result release.
- $2m investment in private Australian gold developer, Barton Gold. Said to reflect incremental ownership strategy. Uncommon approach not generally deployed by other Australian E&C players.
- 39% of revenue from Energy (driven by Barker Inlet Power Station project).
- 31% of revenue from Non-Process Infrastructure (driven by works on a number of Pilbara Iron Ore projects).
- 30% of revenue from Minerals (earned across a range of mining projects in different geographies and commodities).
- PGX has a current qualified tender pipeline of approximately $1.4bn. PGX held preferred contract status for five projects totaling approx. $750m (the EPC and two EPC/ O&M) at the time of its result release.
- Heavy exposure to EPC contracts carries with it significant risks. Appears to be more aggressive in tendering for and winning additional EPC work than some other competitors like LYL.

Reporting season summary—PGX

PRIMERO

Key financials

Figure 41: PGX Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**205.6**	**151.4**	**35.8%**
Other income	0.5	0.1	235.4%
Cost of sales	-187.5	-131.7	42.4%
Other overhead expenses	-8.8	-8.2	7.2%
Employee incentive scheme	-0.2	-0.1	54.8%
Adjusted EBITDA	**9.6**	**11.5**	**-16.6%**
Adjusted EBITDA %	*4.6%*	*7.6%*	*-38.6%*
IPO costs		-0.2	
Bad debts	-0.5	-0.3	46.3%
Due diligence costs		-0.1	
Share based payments expense (IPO share loans)	0.0	-0.5	
Statutory EBITDA	**9.1**	**10.3**	**-11.5%**
Statutory EBITDA %	*4.4%*	*6.8%*	*-35.0%*
D&A	-1.9	-1.2	56.3%
Statutory EBIT	**7.3**	**9.1**	**-20.5%**
Statutory EBIT %	*3.5%*	*6.0%*	*-41.5%*
Interest income	0.0	0.3	-90.8%
Finance costs	-0.6	-0.2	153.8%
PBT	**6.7**	**9.2**	**-27.4%**
PBT %	*3.2%*	*6.1%*	*-46.6%*
Tax	-2.0	-3.0	-32.6%
NPAT	**4.6**	**6.2**	**-24.9%**
NPAT %	*2.3%*	*4.1%*	*-44.8%*
Weighted avg. shares (m)	162.3	148.6	9.2%
EPS (cps)	**2.9**	**4.2**	**-31.2%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 42: PGX Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	160.2	143.6
Payments to suppliers and employees	-171.4	-137.7
Other revenue	0.4	0.1
OCFBIT	**-10.8**	**6.0**
Interest received	0.0	0.3
Income tax paid	-1.1	-3.2
Operating cash flow	**-11.9**	**3.1**
PPE purchases	-2.1	-3.2
PPE sales	0.4	
Strategic company investments	-2.0	
Finance costs	-0.3	0.0
FCF	**-15.9**	**-0.1**
Cash conversion (adjusted)	**-113.2%**	**52.3%**
Cash conversion (statutory)	**-118.7%**	**58.2%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 43: PGX Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	15.2	21.9
Lease liabilities	-5.7	-3.0
Net cash	**9.5**	**18.9**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—SND

SND - Returns to profit, set for growth

Good

- FY20 revenue of $66.5m, up 32.7% on pcp.
- EBITDA of $3.4m vs -$1.2m in pcp.
- Record order book of $110.5m, further $70m of contracts with preferred status at time of financial results (subsequently awarded a $26m Defence Fuel contract in September).
- WIH of $110.5m compares to $60.5m in pcp.
- Secured new $10m bonding facility.
- Strong FY20 cash flow conversion of 147.1%.
- SND states that it has been focused on working capital management, which has been a principle driver of the strong cash flow.
- Over 2.7m hours LTI free, zero LTIs since May 2013.
- Awarded over $100m in new contracts in 2H20, including major contracts with Rio, Sydney Water and BP.
- Successful entry into Defence sector with completion of one project and award of others.
- Value of live tenders was $303.8m, and pipeline yet to be tendered of $367.6m at time of results release.

Bad

- 2H20 had some COVID challenges, which disrupted the economy, clients and the market in which SND operates.
- SND has experienced resourcing and logistical issues as a result of border closures.
- Reduced productivity was seen across a number of sites due to the implementation of social distancing measures, but operations were maintained at all sites.
- While a strong improvement vs pcp, NPAT margin of 1.9% remains low.

Notable

- Seeing increased level of new business enquiries and requests for tenders in emerging services and sectors, Defence, and Energy.
- Outlook remains uncertain due to COVID, but current budget forecasting $100m revenue target with EBIT margin of 3.75%-4.75%.
- Despite a net cash position of $9.0m, board did not declare a final dividend. Notes that best protection against any unforeseen COVID impacts is to maintain a strong balance sheet with a positive net cash balance. Smart decision.
- Intends to resume fully franked dividend payments in FY21.
- 218 employees.
- Seeking to proactively work with key customers and Federal/State governments to offer innovative solutions for Australia's Fuel Storage Program.
- Expects a return to rational margin pricing in construction services due to the reduced competitive capacity of several key competitors in the sector.
- Intends to maintain a strong net cash position and expand bonding facilities to take on larger contracts.

Reporting season summary—SND

Key financials

Figure 44: SND Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**66.5**	**50.1**	**32.7%**
Other income	0.2	0.2	-15.1%
Materials and third-party costs	-37.3	-26.2	42.4%
Employee benefits expense	-22.6	-21.8	3.8%
Motor vehicle expense	-0.3	-0.3	7.0%
Occupancy and operating lease expense	-0.2	-0.7	-65.8%
Other expenses	-2.8	-2.6	10.1%
EBITDA	**3.4**	**-1.2**	
EBITDA %	5.1%	-2.5%	-308.0%
D&A	-1.5	-1.1	37.2%
EBIT	**1.9**	**-2.3**	
EBIT %	2.9%	-4.6%	
Interest income	0.0	0.1	-91.9%
Finance costs	-0.1	0.0	
PBT	**1.9**	**-2.3**	
PBT %	2.8%	-4.5%	
Tax	-0.6	0.7	
NPAT	**1.3**	**-1.6**	
NPAT %	1.9%	-3.2%	
Weighted avg. shares	102.8	93.6	9.9%
EPS (cps)	**1.2**	**-1.7**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 45: SND Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	73.2	55.0
Payments to suppliers and employees	-68.2	-58.7
OCFBIT	**5.0**	**-3.7**
Interest received	0.0	0.0
Finance costs paid	-0.1	
Income tax		0.4
Operating cash flow	**4.9**	**-3.3**
PPE purchases	-1.4	-1.2
PPE sales	0.0	0.2
Lease liabilities	-0.4	-0.1
FCF	**3.1**	**-4.4**
Cash conversion	**147.1%**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 46: SND Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	11.1	8.0
Borrowings		-0.5
Lease liabilities	-2.1	
Net cash	**9.0**	**7.5**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—SRG

SRG - Everything now recurring (even the one-off charges)

Good

- WIH of $707m at 30 June, opportunity pipeline of $6.2bn.
- $200m of contract wins since 1 July to reporting date. Additional $65m of contracts announced in September.
- Mining division sees solid improvement in EBITA margins to 11.8%, from 8.3%.
- Secured $70m contract with Saracen Minerals to provide specialist Drill & Blast, explosives management and grade control drilling.
- Strong pipeline of opportunities in Gold, Iron Ore, expect further Mining Services earnings uplift in FY21.
- Asset services division records notable revenue growth, underpinned by expanded service offering and significant contract awards, including a 5-year, $90m contract with Alcoa awarded in January.
- Asset services work has now returned to normal operating levels in 1Q21.
- Imminent/near term contract wins anticipated in Asset Services and Construction.
- Structures West commenced $75m Multiplex project at the end of FY20, addressing WA carrying cost mismatch. Strong pipeline of opportunities in WA. SRG states Structures West is the market leader.
- Specialist Facades said to have performed strongly.

Bad

- COVID-19 leads to several impacts, including the deferral of non-essential maintenance and major shutdown work, and productivity challenges and bad debts in the Building division.
- Impaired Building division goodwill by $24.8m, $4.2m in 'one-off' charges.
- Asset Services sees decline in EBITA margins from 9.8% to 8.6%. NZ Asset Services business impacted by strict 6-week lockdown.
- Construction division sees very large PBT loss of $35.7m, driven by impairment and bad debt charges.
- Adjusted cash conversion of 37.6%. Statutory conversion of 64.5% (but excl. impairments). Blamed on working capital investment for new projects. Compounds very low FY19 conversion of 25.0%.
- Some COVID impact experienced by Specialist Geotech business due to site restrictions.
- No specific numbers provided on safety statistics.
- In a material net debt position of $35.2m.
- Material negative FCF of $18.5m and $11.8m delivered in FY20 and FY19 respectively.
- Adjusted EBITA falls 55.4% to $10.1m. Adjusted EBITA margin falls to 1.9% from 4.6%.

Notable

- Continued to transition business mix to recurring earnings.
- Final fully-franked dividend of 0.5cps, total dividend of 1cps.
- Asset services expected to see step change growth in FY21.
- Scaled back approach to Building implemented. Structures VIC and Building Post-Tensioning now focusing on tier-one clients.
- Expected earnings profile of two thirds annuity earnings in FY21 and beyond.
- FY21 EBITDA guidance of $38m-$42m.
- Reduced board positions, corporate and business unit overheads, exited fixed cost base in US, scaled back Structures Victoria and Building Post Tensioning in both Australia and the Middle East.
- Specialist Geotech business ceased operating in the civil infrastructure sector due to its risk profile, accounting for the reduction in Mining Services revenue.
- Mining Services fleet >90% utilised.
- Civil Construction said to have had a strong year, however COVID impacted international operations. Cost base restructured to service international work from Australia.
- 1800 employees, 78% Aus, 22% International, 76% tech/eng/mgmt, 24% operational.

Reporting season summary—SRG

Key financials

Figure 47: SRG Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**520.0**	**486.4**	**6.9%**
Other income	2.4	6.7	-64.1%
Total revenue	**522.4**	**493.1**	**5.9%**
Construction, servicing and contract costs	-265.3	-245.6	8.0%
Employee benefits expense	-207.5	-191.4	8.4%
Other expenses	-35.3	-32.5	8.9%
Equity accounted investments	2.8	0.5	432.4%
add back bad debts	8.0	0.1	6890.4%
add back restructuring costs	4.2	7.8	-46.2%
Adjusted EBITDA	**29.2**	**32.1**	**-9.1%**
Adjusted EBITDA %	*5.6%*	*6.5%*	*-14.2%*
Impairment expenses	-24.8		
Bad debts	-8.0	-0.1	6890.4%
Restructuring costs	-4.2	-7.8	-46.2%
Statutory EBITDA	**-7.7**	**24.2**	
Depreciation	-19.1	-9.5	101.3%
Adjusted EBITA	**10.1**	**22.6**	**-55.4%**
Adjusted EBITA %	*1.9%*	*4.6%*	*-57.9%*
Statutory EBITA	**-26.8**	**14.7**	
Acqusition related customer amortisation	-5.1	-6.6	-23.2%
Statutory EBIT	**-31.9**	**8.1**	
Finance costs	-3.0	-1.3	120.2%
PBT	**-34.9**	**6.7**	
Tax	5.2	2.7	94.2%
NPAT	**-29.7**	**9.4**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 48: SRG Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	557.5	522.6
Payments to suppliers & employees	-546.5	-516.5
OCFBIT	**11.0**	**6.0**
Interests received	0.1	0.5
Interest paid	-3.1	-1.8
Income tax paid	-0.6	-1.0
Operating cash flow	**7.5**	**3.7**
PPE purchases	-20.6	-19.4
PPE sales	4.0	3.7
JV (investments) / dividends	-1.7	0.2
Lease liabilities	-7.7	
FCF	**-18.5**	**-11.8**
Cash conversion (adjusted EBITDA)	**37.6%**	**18.8%**
Cash conversion (statutory EBITDA excl. impairment)	**64.5%**	**25.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 49: SRG Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	28.1	58.3
Borrowings	-36.6	-46.1
Lease liabilities	-26.7	
Net cash/(debt)	**-35.2**	**12.2**
Equity	221.4	252.7
Net debt/equity	**15.9%**	**Net cash**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—SSM

servicestream
ESSENTIAL NETWORK SERVICES

SSM - Keeps chugging along

Good

- Significant FCF generated in FY20 and FY19 of $45.7m and $49.7m respectively.
- Solid statutory cash conversion of 81.9% and 89.0% delivered in FY20 and FY19 respectively.
- Successfully renewed/secured in excess of $200m in annual utility contracted revenues in FY20.
- New long-term agreements with Sydney Water and Queensland Urban Utilities secured.
- Expanding Comdain's utility operations in western states, with work set to begin in WA in 1H21.
- Solid pipeline of organic growth opportunities across core markets.
- No factoring applied to receivables.
- Strong demand for nbn activations and retained market share assisting to reduce COVID impacts in 2H20.
- nbn maintenance volumes continue to increase as connections grow and the network footprint expands.
- Strong pipeline of gas and water utility projects being bid, associated with urban development and upgrade/replacement of aging infrastructure.

Bad

- While NPATA was up 3.6%, EPS was down 3%, largely as a result of shares issued from the Comdain acquisition.
- Revenue was resilient as a result of exposure to essential infrastructure, but COVID-19 had the following impacts:
  - Increased costs to support specific safety-related protocols across business operations.
  - Moratorium on electricity and gas disconnections (and subsequent reconnections).
  - Reduced residential housing estate land development activity .
  - Deferral of some maintenance activities by asset owners to ensure networks remain available for those working at home.
  - Delay in some projects due to shortage of client-supplied free-issue materials, travel and access restrictions.
- Wireless revenue down $14.4m vs pcp due to slow 5G expenditure ramp-up and COVID-19 delays in the commencement of some projects.
- New Energy revenue down 36% due to fluctuating volumes across commercial solar and battery storage work programs.

Notable

- Revenue from customers up 9.0% to $928m.
- Statutory EBITDA up 17.9% to $105.6m.
- Adjusted EBITDA up 15.9% to $108.1m.
- Statutory EBITA up 5.2% to $84.9m.
- Adjusted NPATA up 2.0% to $58.8m.
- Modest net debt/equity position of 4.3%.
- Final dividend of 5cps, taking full-year dividend to 9cps (in-line with pcp).
- Currently negotiating an extension to OMMA (nbn activation & assurance) agreement, due to expire in December 2020.
- Completion of DCMA and MIMA nbn construction programs in FY20.
- Continues to identify and assess M&A expansion opportunities.
- 58.6% of FY20 revenue from Telecommunications, 41.4% from Utilities.
- Earnings expected to remain resilient, supported by long-term contracts, but dependent on continued work volumes across existing contracts, no further client initiated delays, and the resumption of work previously delayed by COVID.

Reporting season summary—SSM

servicestream
ESSENTIAL NETWORK SERVICES

Key financials

Figure 50: SSM Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue from customers	**928.0**	**851.0**	**9.0%**
Other income	1.1	0.5	106.7%
Total income	**929.0**	**851.5**	**9.1%**
Employee salaries and benefits	-217.7	-193.6	12.5%
Subcontractor fees	-499.8	-474.9	5.2%
Raw materials and consumables	-54.5	-37.2	46.6%
Consulting and temporary staff	-9.4	-8.9	6.6%
Company administration and insurance	-7.2	-5.6	27.7%
Occupancy expenses	-2.0	-8.9	-77.5%
Technology and communication	-15.8	-14.6	8.2%
Motor vehicle expenses	-12.2	-12.7	-4.0%
Other expenses	-4.8	-5.6	-14.5%
Statutory EBITDA	**105.6**	**89.5**	**17.9%**
Statutory EBITDA %	*11.4%*	*10.5%*	*8.1%*
Acquisition related costs	2.5	3.7	-32.0%
Adjusted EBITDA	**108.1**	**93.3**	**15.9%**
Adjusted EBITDA %	*11.6%*	*11.0%*	*6.3%*
D&A	-20.7	-8.8	134.9%
Adjusted EBITA	**87.4**	**84.5**	**3.5%**
Adjusted EBITA %	*9.4%*	*9.9%*	*-5.1%*
Statutory EBITA	**84.9**	**80.7**	**5.2%**
Statutory EBITA %	*9.1%*	*9.5%*	*-3.6%*
Amortisation of customer contracts	-11.0	-7.4	48.2%
Statutory EBIT	**73.9**	**73.3**	**0.8%**
Statutory EBIT %	*8.0%*	*8.6%*	*-7.6%*
Interest income	0.1	0.7	-85.2%
Finance costs	-3.5	-1.9	86.8%
PBT	**70.5**	**72.1**	**-2.3%**
PBT %	*7.6%*	*8.5%*	*-10.4%*
Tax	-21.2	-22.3	-5.0%
NPAT	**49.3**	**49.9**	**-1.1%**
NPAT %	*5.3%*	*5.9%*	*-9.3%*
Amort. customer contracts post tax	-7.7	-5.2	48.2%
NPATA	**57.0**	**55.1**	**3.6%**
NPATA %	*6.1%*	*6.5%*	*-5.1%*
Adjusted NPATA (add back acq. costs)	**58.8**	**57.7**	**2.0%**
Weighted avg. shares	406.6	380.9	6.8%
Statutory EPS (cps)	**12.1**	**13.1**	**-7.4%**
EPS (NPATA) (cps)	**14.0**	**14.5**	**-3.0%**
EPS (adj. NPATA) (cps)	**14.5**	**15.1**	**-4.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 51: SSM Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from custsomers	1028.1	942.1
Payments to suppliers and employees	-941.6	-862.4
OCFBIT	**86.4**	**79.7**
Interest received	0.1	0.7
Interest and facility costs paid	-3.7	-2.1
Income taxes paid	-25.2	-18.8
Operating cash flow	**57.7**	**59.5**
PPE purchases	-2.2	-3.6
PPE sales	1.3	0.5
Intangible assets	-5.6	-6.3
Lease payments	-9.7	-0.4
Lease incentives	4.2	
FCF	**45.7**	**49.7**
Cash conversion (adjusted)	**80.0%**	**85.5%**
Cash conversion (statutory)	**81.9%**	**89.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 52: SSM Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	79.5	70.8
Borrowings	60.0	60.0
Lease liabilities	33.4	0.3
Net cash/(debt)	**-13.9**	**10.5**
Equity	321.8	307.8
Net debt/equity	**4.3%**	**Net cash**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—SXE

SXE - Another false start

Good

- Third successive year of record revenue with FY20 revenue up 7.5% to $415.1m.
- Business development pipeline not currently showing a material COVID impact.
- Final Heyday deferred acquisition consideration paid ($6.5m).
- Significant number of tenders currently submitted in the Resources sector, with order book currently well above pcp. Led by $65m Kemerton Lithium Plant award.
- Continues to see a significant pipeline of opportunities.
- Strong net cash balance of $49.3m.

Bad

- Gross profit margin down to 10.7%, from 12.3%.
- Statutory EBITDA down 8.8% to $21.6m.
- Adjusted EBITDA (excluding JobKeeper) down 21.1% to $17.5m.
- Statutory EBIT down 15.2% to $16.4m.
- Adjusted EBIT down 31.0% to $12.3m.
- Statutory NPAT down 14.5% to $10.9m.
- EPS down 18.1% to 4.5cps.
- Statutory EBIT margin declines to 4.0% from 5.0%.
- Adjusted EBIT margin declines to 3.0% from 4.6%.
- Profitability impacted by COVID disruptions which led to lower productivity, lower average margins on now finished transport infrastructure projects, and delay of some project scope into FY21. Level of short-term "win and do" orders were also lower than normal from March onwards.
- Cash conversion has been poor in FY20 and FY19 (51.3% and 43.5% on a statutory basis respectively).

Notable

- Fully franked final dividend of 3cps.
- FY21 revenue target of $400m, over 80% of this (over $330m) is currently secured.
- Total order book of $440m.
- Over $900m of tenders also submitted.
- Continuing to pursue commercial close out of claims and variations on some contracts.
- Acquisition activity resumed following suspension in 2nd half.
- Inter– and intra-state travel restrictions had initial impact, but have since been managed.
- Received $4.1m in JobKeeper payments.
- Infrastructure revenue grew to $196.0m vs $183.3m in pcp.
- Commercial revenue grew to $172.8m vs $114.5m in pcp.
- Resources revenue fell to $46.2m vs $88.2m in pcp.
- Overheads down 9% to $23.4m.
- Actively pursuing acquisition opportunities.
- 900 employees.
- Previously disclosed DCG dispute currently in arbitration at the pleadings stage.
- Looking to target maintenance and recurring earnings opportunities.

Reporting season summary—SXE

Key financials

Figure 53: SXE Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Contract revenue	**415.1**	**386.0**	**7.5%**
Contract expenses	-370.6	-338.5	9.5%
Gross profit	**44.5**	**47.5**	**-6.4%**
Gross profit %	*10.7%*	*12.3%*	*-12.9%*
Other income	0.5	0.4	39.4%
Employee benefits expenses	-13.2	-15.2	-13.7%
Occupancy expenses	-1.2	-2.3	-46.5%
Administration expenses	-7.5	-6.2	20.6%
Reduction in earn out payable		1.5	
Other expenses from ordinary activities	-1.6	-2.0	-21.0%
EBITDA	**21.6**	**23.6**	**-8.8%**
EBITDA %	*5.2%*	*6.1%*	*-15.2%*
less JobKeeper subsidy	-4.1	0.0	
less earn out payable movement	0.0	-1.5	
Adjusted EBITDA	**17.5**	**22.2**	**-21.1%**
Adjusted EBITDA %	*4.2%*	*5.7%*	*-26.7%*
D&A	-5.2	-4.3	20.1%
Adjusted EBIT	**12.3**	**17.9**	**-31.0%**
Adjusted EBIT %	*3.0%*	*4.6%*	*-35.9%*
Statutory EBIT	**16.4**	**19.4**	**-15.2%**
Statutory EBIT %	*4.0%*	*5.0%*	*-21.1%*
Finance income	0.3	0.5	-41.5%
Finance costs	-1.3	-1.7	-26.1%
PBT	**15.5**	**18.2**	**-14.9%**
PBT %	*3.7%*	*4.7%*	*-20.9%*
Tax	-4.6	-5.5	-15.9%
NPAT	**10.9**	**12.7**	**-14.5%**
NPAT %	*2.6%*	*3.3%*	*-20.5%*
Weighted avg. shares	243.9	233.6	4.4%
EPS (cents)	**4.5**	**5.4**	**-18.1%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 54: SXE Cash flow summary

	FY20 ($m)	FY19 ($m)
Cash receipts from customers	424.1	366.9
Cash paid to suppliers and employees	-415.7	-356.6
JobKeeper	2.7	0.0
OCFBIT	**11.1**	**10.3**
Interest received	0.3	0.5
Interest paid	-1.3	-1.3
Income taxes received/(paid)	0.0	1.2
Operating cash flow	**10.1**	**10.7**
PPE purchases	-0.6	-2.1
PPE sales	1.4	0.0
Lease liabilities	-2.2	
FCF	**8.7**	**8.7**
Operating cash flow (statutory)	**51.3%**	**43.5%**
Operating cash flow (excluding JobKeeper)	**48.0%**	**46.5%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 55: SXE Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	55.3	53.3
Borrowings		
Lease liabilities	-6.0	
Net cash/(debt)	**49.3**	**53.3**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—TPP

TPP - Continuing the turnaround

Good

- Revenue from customers up 9.9% to $15.7m.
- Delivered positive operating cash flow during H1CY20.
    - Benefits from improved debt collection in Electrical Maintenance business, JobKeeper and productivity improvements.
- Adjusted EBITDA of $0.6m at a 3.6% margin a strong improvement on Adjusted EBITDA of -$3.8m in pcp.
- Significant improvement in the net loss position vs pcp (-$0.2m vs -$20.2m in pcp).
- Net cash position of $3.8m.

Bad

- H1CY20 remained loss making.
- Adjusted EBITDA excluding JobKeeper resulted in another negative EBITDA result for H1CY20.
- FCF of -$0.4m.
- Cash conversion of 45.6% (statutory) and 41.9% (adjusted).

Notable

- Approximately 10% of staff made redundant after a review of operations.
- Current structure considered sustainable for the remainder of 2020.
- COVID led to operational changes to ensure that the health and well-being of staff remains a priority.
- Cash flow performance aided by JobKeeper.
- Engineering & Construction business has been able to partially replace previous turnover with a new solar balance of plant project.
- Ongoing tendering for further Engineering & Construction work.

Reporting season summary—TPP

tempo

Key financials

Figure 56: TPP Income statement summary

	FY20 ($m)	FY19 ($m)	%change
Revenue from customers	**15.7**	**14.3**	**9.9%**
Other income	0.1	0.2	-56.0%
Total revenue	**15.8**	**14.5**	**9.2%**
Employee and director benefits expense	-5.7	-9.5	-40.0%
Administration costs	-0.6	-0.9	-33.7%
Occupancy costs	-0.2	-0.2	-7.0%
Other expenses	-0.1	-0.1	-24.7%
Project material costs	-2.3	-3.2	-30.1%
Equipment and other subcontractor costs	-6.2	-3.6	69.0%
Listing and other statutory charges	-0.1	-0.1	9.3%
Other professional expenses	-0.2	-0.6	-62.8%
Adjusted EBITDA	**0.6**	**-3.8**	
Adjusted EBITDA %	*3.6%*		
less JobKeeper	-0.9		
Adjusted EBITDA less JobKeeper	**-0.3**	**-3.8**	**-92.1%**
Impairment expense	0.0	-10.3	-99.5%
JobKeeper	0.9		
Statutory EBITDA	**0.5**	**-14.1**	
Statutory EBITDA %	*3.3%*		
D&A	-0.6	-0.7	-16.7%
Statutory EBIT	**-0.1**	**-14.8**	**-99.3%**
Interest income	0.0	0.0	-33.3%
Finance costs	-0.1	-0.1	-24.6%
PBT	**-0.2**	**-14.9**	**-98.9%**
Tax		-5.3	
Net loss	**-0.2**	**-20.2**	**-99.2%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 57: TPP Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	20.4	17.4
Payments to suppliers and employees	-20.2	-18.5
OCFBIT	**0.2**	**-1.1**
Interest and finance charges paid	-0.1	-0.1
Interest received	0.0	0.0
Operating cash flow	**0.2**	**-1.2**
PPE purchases	0.0	-0.2
PPE sales	0.1	
Lease liabilities	-0.6	-0.4
FCF	**-0.4**	**-1.9**
Cash conversion (statutory)	**45.6%**	
Cash conversion (adjusted)	**41.9%**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 58: TPP Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	6.6	7.3
Borrowings	0.0	-0.2
Leases	-2.8	-3.0
Net cash	**3.8**	**4.1**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—WOR

energy | chemicals | resources

WOR - A major undertaking

Good

- Statutory EPS (NPATA base) up 16.8% to 48.4cps.
- 7% proforma aggregated revenue growth vs pcp.
- 7% proforma EBITA growth vs pcp.
- Acquisition synergies delivered of $177m, target increased to $190m by April 2021.
- Operational cost savings target of a further $275m to be delivered by December 2021, of which $165m has been delivered on a run rate basis by 30 June 2020.
- New contract awards of $5bn in 2H20 greater than backlog delivered of $4.8bn.
- Average cost of debt decreased in the half to 3.3%, from 4.2%.
- 81% of revenue reimbursable, 19% from fixed price/lump sum - WOR states no material lump sum turnkey contracts.
- Statutory cash conversion of 130.9%, adjusted cash conversion of 99.0%.
- FCF of $620m delivered, up from $199m in pcp.

Bad

- Backlog impacted by postponement of site shutdown season in USA and site access restrictions as a result of COVID.
  - WOR adjusts backlog for long-term operations and maintenance contracts every six months by applying the most recent quarter's work hours run rate. This resulted in a $1.1bn reduction to the backlog.
  - A further $0.4bn reduction was caused by FX translations, $0.4bn by an asset sale and $0.2bn by project cancellations.
  - Americas saw largest backlog decline ($1.4bn).
- Marks another year with major adjustments to the statutory results.
- Statutory EBITA margin of 3.8% down from 4.5% in pcp.
- Staff utilisation decreased over the past 6 months.
  - Headcount of 51,900 at 30 June, down 12% since 31 Jan 2020—may indicate synergies but also likely some demand decline evident.

Notable

- Statutory revenue up 89.6% to $13.1bn, NPATA up 45.4% to $269m, influenced by ECR acquisition.
- Underlying NPATA of $449m
- Final unfranked dividend of 25cps.
- Backlog is $16.8bn, vs $18.7bn at 31 Dec 19.
- $2bn of contracts awarded in Q4, in line with 4Q19.
- Majority of backlog in Americas ($9.4bn).
- Energy biggest contributor to backlog ($7.6bn).
- Near– to medium–term outlook more difficult to predict than in previous years.
- 40% of aggregated FY20 revenue from Chemicals versus <10% in FY17.
- 45% of FY20 revenue from Opex versus <10% in FY17.
- 49% of aggregated revenue from Americas.
- Net debt/equity of 31.0% - generally elevated for most company's in E&C, but note WOR has less exposure to EPC contracts, a large spread of contracts, access to debt markets and a large balance sheet.
- WOR notes greater geographic and sector spread, as well as a greater exposure to operating expenditure (as a result of the ECR acquisition), will make it a more resilient business.

Reporting season summary—WOR

Key financials

Figure 59: WOR Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Professional services revenue	7,350	4,530	62.3%
Procurement revenue	2,964	1,020	190.6%
Construction and fabrication revenue	2,720	1,329	104.7%
Other income	24	8	200.0%
Total revenue	**13,058**	**6,887**	**89.6%**
Professional services costs	-6,838	-4,195	63.0%
Procurement costs	-2,880	-992	190.3%
Construction and fabrication costs	-2,526	-1,226	106.0%
Global support costs	-169	-105	61.0%
Share of associates result	-6	11	-154.5%
Transition, transformation and restructuring costs	-250	-100	150.0%
Statutory EBIT	**389**	**280**	**38.9%**
Statutory EBIT %	*3.0%*	*4.1%*	*-26.7%*
Interest income	10	37	-73.0%
Finance costs	-132	-72	83.3%
Statutory PBT	**267**	**245**	**9.0%**
Statutory PBT %	*2.0%*	*3.6%*	*-42.5%*
Tax	-79	-81	-2.5%
NPAT	**188**	**164**	**14.6%**
NPAT %	*1.4%*	*2.4%*	*-39.5%*
NPATA	**269**	**185**	**45.4%**
NPATA %	*2.1%*	*2.7%*	*-23.3%*
NPAT attributable to WOR members	**171**	**152**	**12.5%**
NPATA attributable to WOR members	**252**	**173**	**45.7%**
Weighted avg. shares	521.1	417.6	24.8%
EPS (cps)	**32.8**	**36.4**	**-9.8%**
EPS (NPATA) (cps)	**48.4**	**41.4**	**16.8%**
Statutory EBITDA	**760**	**373**	**103.8%**
Statutory EBITDA %	*5.8%*	*5.4%*	*7.5%*
D&A	**-371**	**-93**	**298.9%**
Statutory EBIT	**389**	**280**	**38.9%**
add back acquisition amortisation	109	28	289.3%
Statutory EBITA	**498**	**308**	**61.7%**
Statutory EBITA %	3.8%	4.5%	-14.7%
add back transformation/restructuing costs	250	100	150.0%
Other WOR abnormals	-5	5	
Adjusted EBITA	**743**	**413**	**79.9%**
Adjusted EBITA %	*5.7%*	*6.0%*	*-5.1%*
plus other D&A	262	65	303.1%
Adjusted EBITDA	**1,005**	**478**	**110.3%**
Adjusted EBITDA %	*7.7%*	*6.9%*	*10.9%*
Adjusted NPATA	**449**	**277**	**62.1%**
Adjusted NPAT %	*3.4%*	*4.0%*	*-14.5%*
Adjusted NPATA attrib. to WOR members	**432**	**260**	**66.2%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 60: WOR Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	13,847	6,708
Payments to suppliers and employees	-12,856	-6,437
Dividends from associates	4	8
OCFBIT	**995**	**279**
Interest received	8	34
Finance costs paid	-121	-41
Income taxes paid	-53	-36
Operating cash flow	**829**	**236**
PPE purchases	-38	-12
PPE sales	2	
Intangible purchases	-26	-25
Lease liabilities	-147	
FCF	**620**	**199**
Cash conversion (stautory)	**130.9%**	**74.8%**
Cash conversion (adjusted)	**99.0%**	**58.4%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 61: WOR Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	467	457
Borrowings	-1,853	-2,138
Lease liabilities	-435	
Net (debt)	**-1,821**	**-1,681**
Equity	5,881	5,998
Net debt/equity	**31.0%**	**28.0%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Reporting season summary—WSI

WSI - Becoming more recognised

Good

- Record revenue from ordinary activities of $62.5m, up 118.8% from FY19.
    - SIMPEC growing market reputation and acquisition of Alltype Engineering.
- Record full-year NPAT of $3.5m.
- Net cash position of $3.5m.

Bad

- OCFBIT of -$4m.
    - EBITDA not backed by cash in FY20.
    - Though it is noted that cash conversion was very high in FY19 (OCFBIT of $6.2m, adjusted conversion of 370.9%).

Notable

- FY21 order book said to be bolstered by recent contract orders.
- WSI continues to tender strongly for new work.

Reporting season summary—WSI

Key financials

Figure 62: WSI Income statement summary

	FY20 ($m)	FY19 ($m)	% change
Revenue	**62.5**	**28.5**	**118.8%**
Other income	0.2	0.3	-48.5%
Total revenue	**62.6**	**28.9**	**116.8%**
Cost of goods sold	-51.2	-22.4	128.8%
Occupancy expenses	-0.7	-0.6	10.7%
Administration expenses	-5.1	-4.2	20.7%
Loss on sale of plant and equipment	-0.1		
Adjusted EBITDA	**5.6**	**1.7**	**235.0%**
Adjusted EBITDA %	*8.9%*	*5.8%*	*54.5%*
Recognition of intangibles		1.0	
Impairment charges		0.0	
Doubtful debts expense	-0.1	-0.6	-86.0%
Share based payments expense	-1.2	-0.6	83.2%
Statutory EBITDA	**4.4**	**1.4**	**216.3%**
Statutory EBITDA %	*7.0%*	*4.8%*	*45.9%*
D&A	-0.6	-0.2	271.8%
EBIT	**3.8**	**1.2**	**209.2%**
EBIT %	6.1%	4.3%	42.6%
Interest income	0.0	0.1	-76.5%
Finance costs	-0.3	-0.2	17.0%
PBT	**3.5**	**1.0**	**240.4%**
PBT %	*5.7%*	*3.6%*	*57.0%*
Tax	0.0	0.0	
NPAT	**3.5**	**1.0**	**240.4%**
NPAT %	*5.7%*	*3.6%*	*57.0%*
EPS (cps)	**0.4**	**0.2**	

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 63: WSI Cash flow summary

	FY20 ($m)	FY19 ($m)
Receipts from customers	53.6	31.6
Payments to suppliers and employees	-57.6	-25.4
OCFBIT	**-4.0**	**6.2**
Interest received	0.0	0.0
Interest paid	-0.1	-0.2
Operating cash flow	**-4.0**	**5.9**
PPE purchases	-0.1	-0.1
PPE sales	0.5	
FCF	**-3.7**	**5.9**
Cash conversion (statutory)		**443.0%**
Cash conversion (adjusted)		**370.9%**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Figure 64: WSI Net cash/(debt) summary

	FY20 ($m)	FY19 ($m)
Cash	6.6	10.1
Borrowings	-0.8	-0.9
Lease liabilities	-2.4	
Net cash	**3.5**	**9.2**

SOURCES: COMPANY DATA, BELL POTTER ESTIMATES

Share price performance

E&C shares rise again in August

After delivering a simple average return of 6.5% in July, the E&C index again delivered a strong simple average performance in August, rising by 6.1%. Despite two months of solid gains, the simple average price change across the index remains -16.3% over the past 12 months.

Figure 65: Share price changes to 31 August 2020

	1-month price change	12-month price change
BSA (BSA)	-12.1%	-23.7%
CIMIC (CIM)	-1.4%	-31.7%
Civmec (CVL)	5.0%	21.7%
Decmil (DCG)	-9.3%	-86.5%
Downer (DOW)	9.2%	-40.7%
GR Engineering (GNG)	10.5%	5.6%
LogiCamms (LCM)	23.1%	-15.8%
Lycopodium (LYL)	**-2.9%**	**-23.2%**
MACA (MLD)	10.8%	12.6%
Monadelphous (MND)	**26.7%**	**-29.0%**
NRW (NWH)	19.9%	-9.1%
Primero (PGX)	-6.9%	-32.5%
Sanuders (SND)	-3.4%	86.7%
SRG Global (SRG)	12.5%	-29.2%
Service Stream (SSM)	**7.0%**	**-33.1%**
Southern Cross Electrical (SXE)	7.1%	-15.0%
Tempo (TPP)	-10.0%	3.3%
Worley (WOR)	17.3%	-21.7%
WestStar (WSI)	12.5%	-48.6%
Simple average	**6.1%**	**-16.3%**

SOURCES: IRESS, BELL POTTER ESTIMATES

MND, LCM and NWH see large monthly share price gains

Three company's that saw particularly solid gains during the month of August, were MND, NWH and LCM, which saw their share prices rise by 26.7%, 23.1% and 19.9% respectively. Despite each of the companies seeing strong gains during August, each of the three company's share prices remain below where they were 12 months prior.

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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