BELL POTTER

27 June 2022

Change of analyst
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Authorisation
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Mader Group Limited (MAD)

Finishing the year with a bang

Recommendation
Hold (unchanged)
Price
$2.55
Target (12 months)
$2.65 (previously $3.10)

GICS Sector

Commercial Services and Suppliers

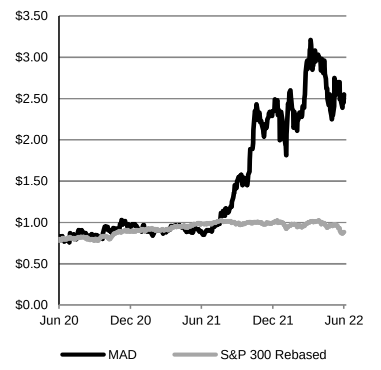
Expected Return	
Capital growth	**3.9%**
Dividend yield	**1.5%**
Total expected return	**5.4%**

Company Data & Ratios	
Enterprise value	**$531m**
Market cap	**$510m**
Issued capital	**200m**
Free float	**23.5%**
Avg. daily val. (52wk)	**$295,036**
12 month price range	**$0.85-3.25**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	2.30	2.93	0.90
Absolute (%)	10.9	-13.0	184.9
Rel market (%)	19.0	-3.1	194.2

Absolute Price



SOURCE: IRESS

Transfer of coverage; positive view maintained

We have transferred analyst coverage of MAD, with our investment thesis unchanged. Our Hold recommendation is underpinned by a favourable medium-term outlook, recognising MAD's mature and profitable Australian operations and fast-growing North American business. We also recognise that MAD stands to benefit from further diversification of earnings streams, with respect to geography, services provided, customer base and commodity exposure, as the company executes its international growth strategy and expands its service offerings to existing customers. We see MAD's strong balance sheet supporting its organic growth ambitions in addition to paying a recurring dividend. However, we view MAD's FY23e P/E of 18.3x as fair value, and therefore maintain our Hold recommendation. To reflect higher operational and interest costs we have downgraded our EPS forecast by -3% in FY22e; -9% in FY23e; and -9% in FY24e.

We expect MAD can meet its FY22e guidance for revenue of >$370m (BPe $386m) and NPAT of >$24.0m (BPe $24.4m). MAD's annualised Q3 FY22 revenue run-rate was $392m and we expect a continuation of record quarterly revenue performance into Q4 FY22e, supported by strong demand for heavy mobile equipment maintenance services. Despite mounting cost pressures in the Australian mining industry, we see MAD's revenue outperformance supporting its NPAT outlook.

Investment thesis: Hold, TP$2.65/sh (prev. $3.10/sh)

We continue to forecast a strong medium-term earnings outlook for MAD, however, we believe the company is fairly valued at the current share price. This earnings outlook is underpinned by ongoing expansion of MAD's core service offerings into new, large markets, including the United States' mining and energy sectors and Canada. These growth opportunities complement the company's mature Australian business, where management have demonstrated a track record of consistent annual revenue growth and stable margins in recent years. The company's balance sheet is capable of funding its growth ambitions and supporting future dividends within its stated policy.

Earnings Forecast

Year ending 30 June	2021a	2022e	2023e	2024e
Sales (A$m)	304	386	453	515
EBITDA (A$m)	35	44	54	64
NPAT (reported) (A$m)	19	24	28	33
NPAT (adjusted) (A$m)	19	24	28	33
EPS (adjusted) (¢ps)	9.7	12.2	14.0	16.7
EPS growth (%)	11%	26%	14%	20%
PER (x)	26.4x	20.9x	18.3x	15.2x
FCF Yield (%)	0%	2%	3%	5%
EV/EBITDA (x)	15.3x	12.0x	9.8x	8.2x
Dividend (¢ps)	3.0	3.7	4.2	5.8
Yield (%)	1%	1%	2%	2%
Franking (%)	1.0	1.0	1.0	1.0
ROE (%)	36%	35%	31%	31%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Investment thesis and recommendation

Investment thesis: Hold, TP$2.65/sh (prev. $3.10/sh)

Following a change in analyst, we retain our Hold rating. Our Hold rating is predicated on the following drivers:

Forecast three year CAGR revenue growth of 19% pa driven by: (1) scaling of ancillary and infrastructure service offerings and a strong development pipeline of projects by miners (Iron Bridge, the Ashburton hub, and Kathleen Valley to name a few) in Australia; (2) the acquisition of new recurring work streams and an expansion of service offerings to existing customers in the North American market; (3) success in MAD being awarded maintenance work streams in the US energy market; and (4) the unwind of COVID-19 related workforce mobility constraints which have impacted the ROW operations.

Favourable industry trends. MAD stands to benefit from tailwinds in the mining sector, including: miner's preference for deferring fleet reinvestment and seeking component rebuilds to extend fleet lives; and higher expected Australian export volumes for bulk commodities to support increased maintenance demand.

Earnings diversification across geography and customer base as MAD expands its service offerings to new and existing customers in Australia and abroad.

Strong operating cash flow generation and balance sheet: We forecast operating cash conversion of 65-86% over FY22-24e, which after capital expenditure requirements suggests MAD is capable of supporting recurring dividend payments in line with the company's stated policy of 25-50% of NPAT.

We expect rising operating costs in the short-term due to well-documented labour market tightness in the Australian and North American Resources industries. We expect that MAD, to an extent, can pass on some of these rising operating costs to customers who are subject to uncontracted, flexible pricing arrangements.

Fully priced at current prices. Forward multiples suggest MAD is fairly priced.

Upside risk to FY22 guidance

Our FY22e revenue forecasts sit above guidance of $370.0m. We see upside driven by:

- FYTD revenue is $283.3m, implying quarterly revenue of $86.7m is required in Q4 FY22e to achieve the company's guidance. We also note that MAD's annualised revenue run-rate for Q3 FY22 was $392.4m.
- MAD has delivered strong momentum of record quarterly revenue delivered over the past 5 consecutive quarters.
- MAD's effective recruitment practices and internal training program should support staff headcount in the current tight labour market and its ability to meet performance targets.
- Although we assume increased cost pressures during 2H FY22e, we see MAD's revenue outperformance in FY22e (BPe $385.6m) supporting its NPAT outlook.

Table 1 - MAD FY22 revenue and NPAT guidance

FY22 guidance metric	FY21 Actual	1H FY22 Actual	Q3 FY22 Actual	Q4 FY22e Implied	FY22e Guided	FY22e BPe
Revenue A$m	304.3	185.2	98.1	**>86.7**	**>370.0**	**385.6**
NPAT A$m	19.3	12.1	na	**na**	**>24.0**	**24.4**

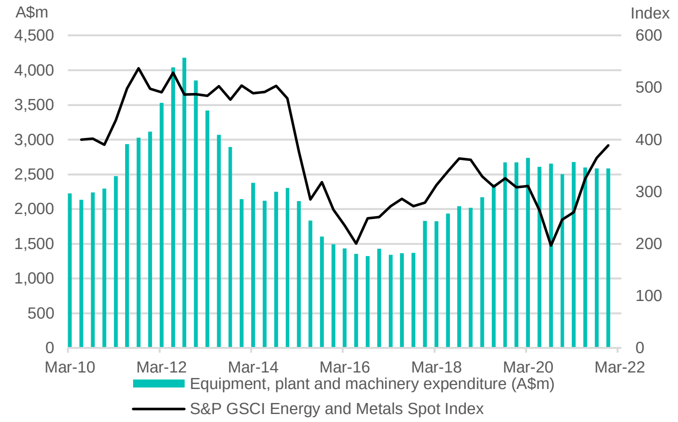
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key charts & industry trends

Maintenance demand variability through the mining cycle

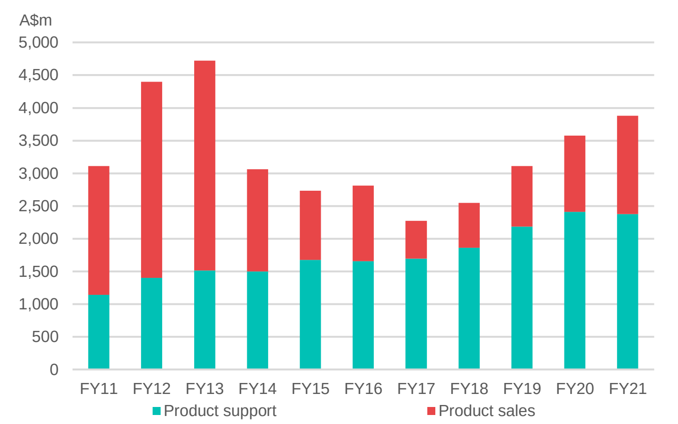
Historically, mining capital expenditure has shown a strong correlation to commodity prices. We note that Seven Group Holding's (SVW, not rated) product support division (a proxy we view for maintenance demand and equipment component sales) has exhibited less variability in revenues than its product sales business in the past.

Figure 1 - Australian mining sector capital expenditure



SOURCE: DEPARTMENT OF INDUSTRY, SCIENCES, ENERGY AND RESOURCE & BLOOMBERG

Figure 2 - SVW annual product support and sales revenues



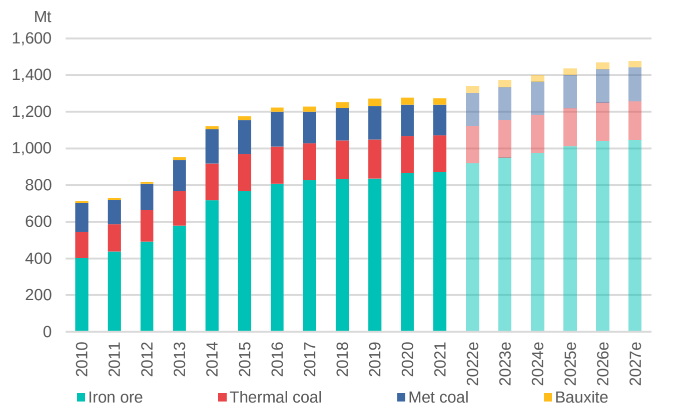
SOURCE: SEVEN GROUP HOLDINGS (SVW) FINANCIAL REPORTS

Higher expected export volumes and ageing fleet supportive

Export volumes for bulk commodities, including iron ore, thermal and metallurgical coal and bauxite are expected to rise in the short to long term. This forecast implies further maintenance demand from increased machinery stock and/or utilisation rates.

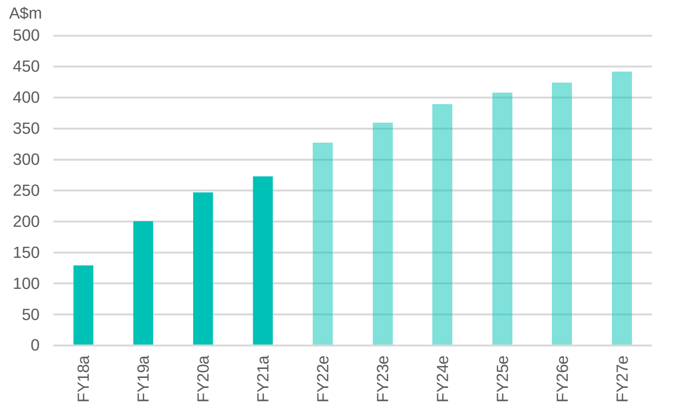
Recent market commentary from SVW's Westrac business pointed to Australian miner's preference for deferring fleet reinvestment and seeking component rebuilds to extend fleet lives. Intuitively, ageing fleet are likely to require incremental maintenance to maintain productivity rates and reduce the risk of downtime, a positive for MAD.

Figure 3 - Historical and expected Australian export volumes



SOURCE: DEPARTMENT OF INDUSTRY, SCIENCES, ENERGY AND RESOURCES

Figure 4 - MAD's Australian segment annual revenues



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Changes to estimates & valuation

Earnings changes

We have updated our financial model for MAD, with the following key changes:

- **Modestly reduced our EBITDA margin assumptions** across all of MAD's business segments in FY22-23e to reflect heightened global labour cost pressures in operating markets, particularly in Australia and the United States, as well as general economy-wide inflation (higher fuel costs and power prices). We expect cost pressures to peak in FY23e.
- **Increased our interest rate assumptions on borrowings**, consistent with recent changes to the RBA cash rate.
- **Elevated capital expenditure assumptions** for all business segments in FY22-23e in consideration of inflationary cost pressures.

The net result of these changes are modest downgrades to EPS forecasts of -9 to -3% over FY22-24e. We make no changes to our revenue estimates.

Table 2 - Changes to earnings estimates from operational adjustments only

	Previous						Change		
Year ending 30 June	**FY22**	**FY23**	**FY24**	**FY22**	**FY23**	**FY24**	**FY22**	**FY23**	**FY24**
Revenue A$m	385.2	451.8	516.9	**385.6**	**453.1**	**515.0**	0%	0%	0%
EBITDA A$m	45.1	57.0	66.6	**44.3**	**54.1**	**64.4**	-2%	-5%	-3%
NPAT (underlying) A$m	25.1	30.6	36.7	**24.4**	**27.9**	**33.5**	-3%	-9%	-9%
EPS (underlying) Acps	12.5	15.3	18.3	**12.2**	**14.0**	**16.7**	-3%	-9%	-9%
DPS Acps	3.7	4.6	6.4	**3.7**	**4.2**	**5.8**	0%	-9%	-9%
Valuation A$/sh	**3.03**			**2.60**	**2.62**	**2.65**	**-14%**	**na**	**na**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Valuation changes

We lower our Target Price to $2.65/sh (previously $3.10/sh), reflecting the changes listed above and a higher WACC of 10.0% (previously 9.6%). We view MAD's FY23e P/E of 18.3x as fair value, and therefore maintain our Hold recommendation. We believe the company's valuation premium compared with its peers (see table 4) is justified, as explained below.

Valuation methodology & assumptions

The table below outlines our MAD sum of the parts valuation. We value each of the company's business segments, including MAD's Australian, North American and Rest of World operations, as well as an allowance for Group level corporate costs. Each business segment is valued using DCF modelling, with a nominal WACC of 10%.

BUSINESS SEGMENT ASSUMPTIONS

Australian operations: A mature business with annual revenue growth of 4-11% between FY22-25e and long term annual growth of 4%. We forecast EBITDA margins of 10% over the short to medium term, which incorporates rising labour cost pressures arising from a tight labour market and general economy-wide inflation. We see the scope for upside to margin assumptions through scaling of newer, higher margin services. Given the maturity of these operations, we recognise its relatively lower capital expenditure requirements compared with MAD's other, smaller segments.

North American operations: The key growth level to MAD is targeting opportunities in the North American (US and Canada) mining and energy markets. We expect these operations to deliver compound annual revenue growth of 54% over FY22-25e. Beyond this period, we expect revenue growth rates to steadily weaken to 4% per year as operations mature. We estimate segment EBITDA margins to moderate from around 25% in recent reporting periods to 18% in long term. We expect MAD's North American operations will make up a significant proportion of Group growth capital expenditure over the forecast period as it expand its service vehicle fleet and support other organic opportunities (Mader Energy).

Rest of World operations (RoW): Although being MAD's smallest segment by revenue, RoW operations have historically generated the highest segment EBITDA margins. Though we expect the RoW segment to remain the most profitable, we assume it will continue to be a relatively small contributor to Group performance and valuation.

Table 3 - MAD sum of the parts valuation

Diluted shares on issue	**200m**					
Valuation period	**Current**		**+12 months**		**+24 months**	
	A$m	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
Australian operations	$419m	$2.10	$415m	$2.08	$408m	$2.04
North American operations	$122m	$0.61	$135m	$0.68	$142m	$0.71
Rest of World operations	$59m	$0.29	$62m	$0.31	$66m	$0.33
Total value of operating assets	**$600m**	**$3.00**	**$612m**	**$3.06**	**$616m**	**$3.08**
Corporate & admin	-$60m	($0.30)	-$64m	($0.32)	-$69m	($0.35)
Enterprise value	**$540m**	**$2.70**	**$548m**	**$2.74**	**$546m**	**$2.73**
Net debt / (cash)	$21m	$0.10	$25m	$0.12	$15m	$0.08
Total equity value	**$520m**	**$2.60**	**$523m**	**$2.62**	**$531m**	**$2.65**

SOURCE: BELL POTTER SECURITIES ESTIMATES

VALUATION CROSS-CHECK

We believe MAD is fairly valued at current market prices, with higher-than-average multiples justified; MAD's valuation premium against peers is 84% (FY23 P/E). We see MAD's relative sector premium supported by:

Track record of execution: Management has demonstrated an ability to execute on its growth strategies and to deliver positive annual revenue growth across the company's Australian operations in recent years (years impacted by COVID-19 related restrictions and mobility constraints) as well as in emerging markets;

Track record of geographic expansion: MAD's track record of replicating its existing business model across new services, including infrastructure maintenance and a suite of new ancillary services, and new addressable markets, including the United States' mining and energy sectors and Canada;

Earnings diversification: MAD's increasingly diversified business model across geography, services provided, customer base and commodity exposure;

Ability to grow and retain staff: MAD's ability to grow and retain its workforce of specialised tradespeople in a tight labour market in WA, across the Australian East Coast and abroad;

Self-funded growth: MAD's ability to self-fund its organic growth opportunities (no reliance on new equity), manage disciplined debt financing (net leverage and net gearing at low to reasonable levels); and

Consistent dividend history: MAD's track record of paying dividends (since listing on the ASX) in line with its payout policy of 25-50% of NPAT and expectations of paying further dividends.

Table 4 - Mining Services industry comps

	EV ($m)	EPS growth (%)			EV/EBITDA (x)			P/E (x)		
		FY22e	FY23e	FY24e	FY22e	FY23e	FY24e	FY22e	FY23e	FY24e
Capital products										
EHL	605	15%	19%	12%	2.4x	2.2x	2.1x	5.5x	4.6x	4.1x
ORI	8,201	41%	19%	17%	9.1x	8.2x	7.5x	21.9x	18.3x	15.6x
Exploration										
ALQ	6,484	46%	14%	8%	12.1x	10.6x	9.9x	20.7x	18.1x	16.8x
DDH	289	5%	27%	16%	3.0x	2.2x	2.1x	6.1x	4.8x	4.1x
IMD	813	75%	17%	11%	7.7x	7.0x	6.5x	17.7x	15.2x	13.6x
MSV	86	-377%	86%	3%	2.0x	1.7x	1.8x	7.5x	4.0x	3.9x
XRF	74	50%	2%	7%	8.2x	7.7x	7.3x	13.3x	13.0x	12.2x
Mining contractors										
MAD	**531**	**33%**	**20%**	**na**	**11.3x**	**9.2x**	**na**	**19.9x**	**16.6x**	**na**
MAH	533	0%	7%	0%	1.8x	1.8x	1.7x	5.0x	4.7x	4.7x
MLD	446	-6%	13%	21%	2.2x	2.2x	2.1x	5.8x	5.1x	4.2x
MLG	72	-61%	71%	14%	2.1x	1.6x	1.5x	11.7x	6.9x	6.0x
NWH	838	35%	9%	2%	3.0x	2.7x	2.7x	7.9x	7.2x	7.1x
PRN	988	1%	24%	14%	2.4x	2.2x	2.1x	6.0x	4.9x	4.3x
Engineering										
ANG	183	100%	30%	na	5.9x	4.7x	na	7.7x	5.9x	na
DOW	4,607	-10%	32%	9%	6.4x	5.8x	5.7x	16.8x	12.7x	11.7x
GNG	203	74%	-22%	na	3.9x	4.8x	4.1x	9.0x	11.6x	na
MND	875	-12%	15%	17%	8.4x	7.6x	6.8x	19.6x	17.0x	14.5x
LYL	173	103%	3%	6%	4.3x	4.1x	3.8x	8.9x	8.7x	8.1x
WOR	8,782	38%	27%	14%	11.8x	10.2x	9.5x	23.3x	18.4x	16.1x
Simple average					**5.7x**	**5.0x**	**4.5x**	**12.4x**	**10.3x**	**9.1x**
Trimmed average (25%)					**5.4x**	**4.8x**	**4.2x**	**12.0x**	**10.1x**	**8.7x**
Median					**5.0x**	**4.6x**	**3.8x**	**10.3x**	**8.9x**	**7.3x**

SOURCE: BLOOMBERG

Summary: Mader Group Limited (MAD)

Company description

Mader Group (MAD) is a leading provider of specialised contract labour for maintenance of heavy mobile equipment in the resources and civil industries. The company was founded in Perth in 2005 and has since grown to become the largest independent heavy mobile equipment labour provider in Australia outside of the original equipment manufacturers (OEMs). MAD is currently pursuing growth opportunities in larger addressable markets, namely, the United States (Mining and Energy) and Canada, which are extensions to its existing operations outside Australia.

MAD provides a broad range of contract labour services to support and maintain the heavy mobile equipment fleets of miners and contractors. MAD leverages its large employment base of qualified tradespeople to also provide ancillary services to heavy mobile equipment, light vehicles, drills, rail and fixed/mobile plant equipment and also through the provision of auto-electricians, high voltage electricians and boilermakers.

Investment thesis: Hold, TP$2.65/sh (prev. $3.10/sh)

We continue to forecast a strong medium-term earnings outlook for MAD, however, we believe the company is fairly valued at the current share price. This earnings outlook is underpinned by ongoing expansion of MAD's core service offerings into new, large markets, including the United States' mining and energy sectors and Canada. These growth opportunities complement the company's mature Australian business, where management have demonstrated a track record of consistent annual revenue growth and stable margins in recent years. The company's balance sheet is capable of funding its growth ambitions and supporting future dividends within its stated policy.

Valuation methodology

Our MAD valuation is based on discounted cash flow models of the company's core assets and includes an allowance for Group level corporate costs. Key inputs underpinning our DCF valuations include a WACC of 10%, terminal growth rate of 3.4% and target gearing ratio of 30%.

Key risk to investment thesis

Risks to investment thesis

Key risks to MAD include, although are not limited to:

COVID-19: The substantial impact of COVID-19 on the global and domestic economies is creating enormous volatility and uncertainty in global share markets.

Commodity price risk: Customer production and capital expenditure decisions are typically made based upon commodity prices that are inherently cyclical. While production is typically more resilient than capital expenditure, a prolonged contraction to demand may have an adverse effect on demand for MAD’s services.

Declines to fleet requirements in mining: While demand for commodities is the major driver for commodity production, any exogenous changes to mining such as declines in stripping ratios or changes to mining operations that reduce the volumes of earth moved via fleet in mining, may negatively affect demand for MAD’s services.

Reputation risk: Poor delivery of services, failures, adverse media coverage or other publicity may impact MAD’s brand and reduce the demand for MAD’s services, adversely impacting relationships with potential and existing customers and/or employees.

Occupational health & safety risk - Any adverse workplace incident or the failure to comply with applicable regulations or requirements may result in significant liabilities against MAD, increase costs or cause suspension of operation, and also negatively affect the ability of the company to retain and win contracts within the resources industry.

Key staff risk: The loss of key Management personnel, delays in their replacement, and/or failure to attract new talent may adversely affect MAD’s operations.

Risks of labour shortages and costs: Increases to activity in the resources industry, both domestically and globally, may increase the competition for skilled personnel, increasing the cost of labour and effecting MAD’s ability to fulfil its employee requirements.

Changes to industrial relations or labour laws: Any changes to Australian industrial relations laws or policy, or an adverse ruling against MAD’s casual employment arrangements could increase labour costs and adversely affect MAD’s financial performance, as well as its ability to attract and retain employees.

Competition risk: MAD operates in a competitive market, with OEMs, labour houses and smaller competitors providing a similar service. An escalation in competition or new entrant to the market may result in lower rates, margins or market shares, negatively impacting MAD’s financial performance.

Debt servicing and financing risk: As at the 31 December 2019, MAD held a net debt position of $29.1m, comprising of an Invoice facility and Master Asset Facility. Any material deterioration in MAD’s financial performance could adversely affect its ability to service and/or refinance these facilities, or achieve its stated growth objectives.

Operational risks: The projects undertaken by MAD are in a variety of locations, some of which are remote, exposing the company to a range of operational risks (e.g. isolation, weather events, and travel impediments).

Regulations: Any adverse changes in regulations that affect MAD’s underlying customers business models such as additional environmental regulations or regulations relating to climate change, could adversely affect demand for MAD’s services.

Mader Group Limited
as at 27 June 2022

Recommendation	Hold
Price	$2.55
Target (12 months)	$2.65

Table 5 - Financial summary

Date		**27/06/22**
Price	**A$/sh**	**2.55**
Target price	**A$/sh**	**2.65**

Bell Potter Securities
Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)

PROFIT AND LOSS

Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	$m	274	304	386	453	515
Expenses	$m	(241)	(270)	(341)	(399)	(451)
Underlying EBITDA	**$m**	**33**	**35**	**44**	**54**	**64**
Depreciation & amortisation	$m	(7)	(8)	(10)	(14)	(16)
EBIT	**$m**	**26**	**27**	**35**	**40**	**48**
Net interest expense	$m	(2)	(1)	(2)	(2)	(2)
Profit before tax	**$m**	**25**	**26**	**33**	**39**	**46**
Tax expense	$m	(7)	(7)	(9)	(11)	(13)
NPAT (underlying)	**$m**	**18**	**19**	**24**	**28**	**33**
Adjustments	$m	-	-	-	-	-
NPAT (reported)	**$m**	**18**	**19**	**24**	**28**	**33**

CASH FLOW STATEMENT

Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASH FLOW						
Receipts from customers	$m	273	321	409	444	506
Payments to suppliers and employees	$m	(245)	(296)	(357)	(397)	(447)
Tax paid	$m	(6)	(8)	(12)	(11)	(13)
Net interest	$m	(2)	(1)	(1)	(2)	(2)
Other	$m	-	-	-	-	-
Operating cash flow	**$m**	**20**	**16**	**38**	**35**	**44**
INVESTING CASH FLOW						
Capex	$m	(14)	(11)	(30)	(22)	(18)
Disposal of assets	$m	1	0	0	-	-
Other	$m	-	(4)	(0)	-	-
Investing cash flow	**$m**	**(13)**	**(15)**	**(30)**	**(22)**	**(18)**
FINANCING CASH FLOW						
Debt proceeds/(repayments)	$m	0	2	1	-	-
Dividends paid	$m	(4)	(6)	(6)	(8)	(12)
Proceeds from share issues (net)	$m	-	-	-	-	-
Other	$m	-	-	-	-	-
Financing cash flow	**$m**	**(4)**	**(4)**	**(5)**	**(8)**	**(12)**
Change in cash	**$m**	**3**	**(3)**	**2**	**5**	**15**
Free cash flow	$m	8	1	8	13	26

BALANCE SHEET

Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash	$m	6	3	6	11	25
Receivables	$m	56	68	64	75	85
Property, plant & equipment	$m	33	37	58	66	67
Other assets	$m	6	14	22	22	22
Total assets	**$m**	**101**	**123**	**150**	**174**	**199**
LIABILITIES						
Creditors	$m	19	22	28	33	36
Borrowings	$m	25	27	28	28	28
Provisions	$m	2	3	4	4	4
Other liabilities	$m	7	11	10	10	10
Total liabilities	**$m**	**53**	**62**	**70**	**75**	**79**
NET ASSETS	**$m**	**48**	**61**	**79**	**99**	**121**
Share capital	$m	0	0	0	0	0
Reserves	$m	(0)	(1)	(1)	(1)	(1)
Retained earnings	$m	49	62	80	99	121
Non-controlling interest	$m	-	-	-	-	-
SHAREHOLDER EQUITY	**$m**	**48**	**61**	**79**	**99**	**121**
Weighted average shares	m	200	200	200	200	200

FINANCIAL RATIOS

Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
EPS (adjusted)	Ac/sh	8.8	9.7	12.2	14.0	16.7
EPS growth (Acps)	%	15.2%	10.5%	26.4%	14.2%	19.9%
PER	x	29.1x	26.4x	20.9x	18.3x	15.2x
DPS	Ac/sh	3.0	3.0	3.7	4.2	5.8
Franking	%	100%	100%	100%	100%	100%
Yield	%	1.2%	1.2%	1.5%	1.6%	2.3%
FCF/share	Ac/sh	3.8	0.7	3.9	6.7	13.1
FCF yield	%	1.5%	0.3%	1.5%	2.6%	5.2%
EV/EBITDA	x	16.1x	15.3x	12.0x	9.8x	8.2x
LIQUIDITY & LEVERAGE		-	-	-	-	-
Net debt / (cash)	$m	21	28	26	21	6
Net debt / Equity	%	43.7%	45.5%	32.9%	21.3%	5.3%
Net debt / Net debt + Equity	%	30.4%	31.3%	24.7%	17.6%	5.0%
Net debt / EBITDA	x	0.6x	0.8x	0.6x	0.4x	0.1x
EBITDA /net interest expense	x	21.9x	24.6x	28.3x	29.3x	36.3x
PROFITABILITY RATIOS		-	-	-	-	-
EBITDA margin	%	12.1%	11.4%	11.5%	11.9%	12.5%
EBIT margin	%	9.7%	8.9%	9.0%	8.9%	9.3%
Return on assets	%	18.6%	17.3%	18.0%	17.3%	18.0%
Return on equity	%	42.5%	35.6%	34.9%	31.4%	30.5%

Segment assumptions

Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Australia						
Revenue	$m	247	273	326	359	389
EBITDA	$m	29	27	33	37	44
EBITDA margin	%	*11.7%*	*10.0%*	*10.1%*	*10.3%*	*11.3%*
North America						
Revenue	$m	14	24	49	82	109
EBITDA	$m	3	7	12	18	24
EBITDA margin	%	*22.1%*	*27.9%*	*23.8%*	*22.5%*	*21.5%*
Rest of World						
Revenue	$m	13	7	10	12	16
EBITDA	$m	2	2	3	3	4
EBITDA margin	%	*14.6%*	*35.2%*	*26.8%*	*26.0%*	*24.0%*

Half yearly assumptions

Year ending 30 June	Unit	1H 2020a	1H 2021a	1H 2022e	1H 2023e	1H 2024e
Revenue	$m	141	185	218	250	278
EBITDA	**$m**	**16**	**21**	**26**	**31**	**32**
Depreciation & amortisation	$m	(4)	(4)	(6)	(8)	(9)
Net interest	$m	(0)	(1)	(1)	(1)	(1)
Pre-tax profit	**$m**	**12**	**16**	**18**	**22**	**22**
Tax expense	$m	(4)	(4)	(5)	(6)	(6)
Tax rate	%	*30%*	*27%*	*28%*	*28%*	*28%*
Share of associates	$m	0	1	-	-	-
Underlying net profit	**$m**	**9**	**12**	**13**	**16**	**16**
Adjustments	$m	-	-	-	-	-
Reported net profit	**$m**	**9**	**12**	**13**	**16**	**16**

SOURCE: BELL POTTER SECURITIES ESTIMATES

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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