

Starting to fire

Management delivered a quality FY19 result, typified by excellent cash generation and the return of the dividend (4cps). The outlook to FY20 is strong, revenues guided to 30-40% growth y/y; however what continues to stand out in our mind is the strong upgrade potential that exists. Mastermyne remain the pre-eminent contractor in its class, a quality outfit that can continue to solidify market share. Investors are presented with a genuine opportunity to position into a company offering strong near-term catalysts, strong cash conversion, growing earnings momentum combining for valuation upside. We make some small changes to forecasts, and retain our high conviction BUY, \$1.65 PT.

Key points

Quality shone in results: A solid set of results, and broadly in line with Wilsons estimates at \$238m revenue (W: \$245m) and EBITDA \$21m (W: \$21.5m). The declaration of a dividend (4cps, 2cps special) was the key upside surprise. Operating cash flow was incredibly strong, implying 106% cash conversion. This drove a strong year end cash balance of \$16.4m (W: \$13.9m). This leaves the recent acquisition and dividend securely cash funded, with c\$9m remaining.

Outlook incredibly strong: Management guided to revenues of \$295-315m (Wilscons \$315m) and EBITDA \$27-31m (W: \$30.9m), implying margins of 8.6-10.5%. Growth is impressive however made moreso given the loss of c\$12m of revenues following the sale of the scaffolding business, implying underlying revenues are growing by c\$70-90m, or 30-40% y/y. Management also highlight they are favourably positioned on several tenders worth \$50m per year in revenue. We see further upside near term, as tenders are awarded over H120.

Changes to forecasts: We incorporate FY19 actuals and make two minor changes, (1) slight moderation in EBITDA margin in FY20 from 10.1% to 9.8% and (2) improved cash cycle in FY20/21, as the benefits of a blue chip customer base result in rock solid debtor days. We also boost DPS in FY20 to c6cps from 4cps and we highlight a cash position of c\$21m by end-FY20E.

Valuation: Still trading at an undemanding 3.2x FY20 EVITDA and 8.9x P/E, the business is warranting of a higher multiple, in our view. Net cash, with self-funded growth projects, and on the cups of an upgrade cycle, investors should continue to position in this high quality, evolving growth story.

Risks and catalysts

Key catalysts: (1) updates on 4 tenders: Tahmoor (Simec), Narrabri (Whitehaven), Appin (South32) and Eagle Downs (Anglo) (2) growth in EBITDA margins (+10%). Key risks: (1) Coal prices (2) approval of new mines and government policy; (3) coal market disruption.

Earnings forecasts					
Year-end June (AUD)	FY18A	FY19A	FY20F	FY21F	FY22F
NPAT rep (\$m)	5.7	8.8	14.0	17.2	18.9
NPAT norm (\$m)	5.9	8.9	14.2	17.4	19.1
Consensus NPAT (\$m)			12.5	16.1	
EPS norm (cps)	5.9	8.6	13.4	16.5	18.1
EPS growth (%)	365.5	47.3	55.5	22.4	9.8
P/E norm (x)	20.3	13.8	8.9	7.2	6.6
EV/EBITDA (x)	6.1	4.8	3.2	2.9	2.7
FCF yield (%)	8.5	18.4	25.1	25.8	29.6
DPS (cps)	0.0	4.0	5.9	8.0	8.7
Dividend yield (%)	0.0	3.4	5.0	6.7	7.3
Franking (%)	0	100	100	100	100

Source: Company data, Wilsons estimates, S&P Capital IQ

Wilsons Equity Research

Analyst(s) who own shares in the Company: n/a
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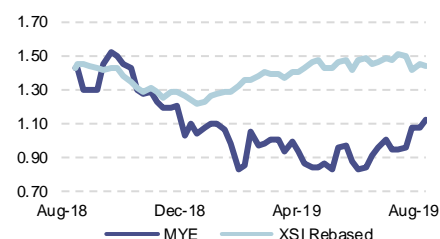
Recommendation	BUY
12-mth target price (AUD)	\$1.65
Share price @ 21-Aug-19 (AUD)	\$1.19
Forecast 12-mth capital return	38.7%
Forecast 12-mth dividend yield	4.8%
12-mth total shareholder return	43.5%

Market cap	\$121m
Enterprise value	\$100m
Shares on issue	102m
Sold short	0.0%
ASX 300 weight	n/a
Median turnover/day	\$0.1m



FUNDAMENTAL
INSIGHTS

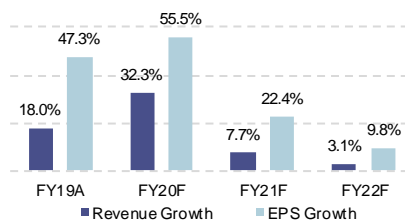
12-mth price performance (\$)



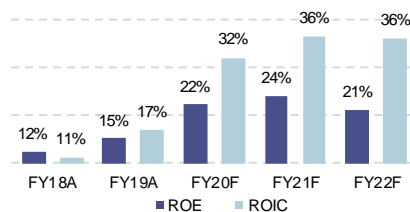
	1-mth	6-mth	12-mth
Abs return (%)	12.0	12.6	-21.7
Rel return (%)	15.0	6.9	-22.2

Key changes				
		19-Aug	After	Var %
NPAT:	FY20F	14.4	14.2	-1.4%
norm	FY21F	18.1	17.4	-4.3%
(\$m)	FY22F	19.9	19.1	-4.2%
EPS:	FY20F	14.0	13.4	-3.8%
norm	FY21F	17.6	16.5	-6.6%
(cps)	FY22F	19.3	18.1	-6.5%
DPS:	FY20F	3.5	5.9	69.3%
(cps)	FY21F	7.9	8.0	0.6%
	FY22F	8.6	8.7	1.5%
Price target:		1.65	1.65	0.0%
Rating:		BUY	BUY	

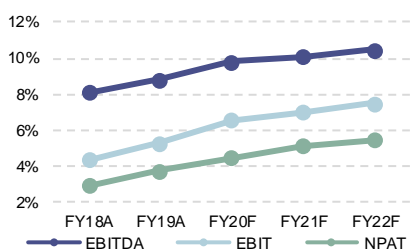
Growth rates



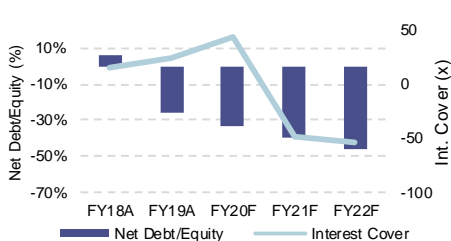
Returns



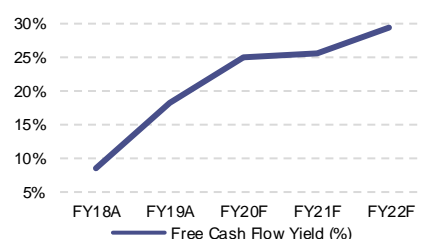
Margin trends



Solvency



Free cash flow yield



Interims (\$m)

	1H19A	2H19A	1H20E	2H20E
Sales revenue	116.8	121.3	157.5	157.5
EBITDA	9.3	11.7	14.5	16.4
EBIT	4.9	7.7	10.3	10.3
Net profit	3.3	5.6	7.8	6.3
Norm EPS	3.3	5.3	7.6	5.9
EBIT/sales (%)	4.2	6.4	6.6	6.6
Dividend (c)	0.0	3.2	2.9	3.0
Franking (%)	0.0	100.0	100.0	100.0
Payout ratio (%)	0.0	60.2	37.6	51.6
Adj payout (%)	0.0	28.5	53.8	13.1

Key assumptions

	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Revenue Growth (%)	-3.3	-26.3	62.5	18.0	32.3	7.7	3.1
EBIT Growth (%)	304.4	-84.8	-520.5	43.0	62.4	15.3	10.1
NPAT Growth (%)	214.2	-84.5	-392.4	51.1	59.4	22.4	9.8
EPS Growth (%)	188.3	-84.5	-365.5	47.3	55.5	22.4	9.8
EBITDA margin (%)	-3.9	3.3	8.1	8.8	9.8	10.1	10.5
EBIT margin (%)	-8.3	-1.7	4.4	5.4	6.6	7.1	7.6
Tax Rate (%)	12.3	26.8	31.9	29.7	30.0	28.8	28.9
ROA (%)	-19.5	-3.2	10.8	13.9	21.7	20.8	19.5
ROE (%)	-29.5	-4.8	11.0	13.9	22.3	21.4	19.1
Capex / Sales ratio (%)	1.3	4.3	4.7	0.9	4.5	4.0	4.0
Working Cap / Sales (%)	-1.5	0.4	-3.5	-0.1	-1.1	-0.5	

Working Cap / Sales (%) -1.5 0.4 -2.4 0.4 -0.2 -0.9 -0.2

Financial ratios

	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
PE (x)	-7.8	-50.7	19.1	13.0	8.3	6.8	6.2
EV/EBITDA (x)	-15.1	24.3	6.1	4.8	3.2	2.9	2.7
Dividend yield (%)	0.9	0.0	0.0	3.6	5.3	7.1	7.8
FCF yield (%)	0.3	4.5	8.5	18.4	25.1	25.8	29.6
Payout ratio (%)	<0	0.0	0.0	46.3	43.9	48.5	48.3
Adj payout (%)	239.1	0.0	0.0	15.0	20.5	27.0	25.7

Profit and loss (\$m)

	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Sales revenue	168.4	124.2	201.7	238.0	315.0	339.2	349.8
EBITDA	-6.6	4.1	16.3	21.0	30.9	34.3	36.6
Depn & amort	7.6	6.4	7.5	8.3	10.2	10.5	10.3
EBIT	-14.2	-2.3	8.8	12.7	20.7	23.8	26.3
Net interest expense	0.8	0.6	0.6	0.5	0.5	-0.5	-0.5
Tax	-1.9	-0.8	2.6	3.6	6.1	7.0	7.7
Minorities/pref divs	0.0	0.1	-0.2	-0.2	0.1	0.1	0.1
Equity accounted NPAT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (pre-sig items)	-13.2	-2.2	5.7	8.8	14.0	17.2	18.9
Abns/exts/signif	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reported net profit	-13.2	-2.2	5.7	8.8	14.0	17.2	18.9

Cash flow (\$m)

	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
EBITDA	-6.6	4.1	16.3	21.0	30.9	34.3	36.6
Interest & tax	-0.8	-0.6	-0.6	-0.5	-0.5	0.5	0.5
Working cap/other	7.9	1.9	-5.4	1.8	0.0	-3.6	-1.2
Operating cash flow	0.4	5.5	10.3	22.3	30.4	31.2	35.8
Maintenance capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.4	5.5	10.3	22.3	30.4	31.2	35.8
Dividends paid	-0.9	0.0	0.0	-3.3	-6.2	-8.4	-9.2
Growth capex	-2.5	-5.3	-9.8	-8.0	-14.2	-13.6	-14.0
Invest/disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oth investing/finance flows	0.5	1.0	5.9	5.7	-4.0	-0.2	-0.2
Cash flow pre-financing	-2.5	1.1	6.5	16.6	6.0	9.0	12.5
Funded by equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Funded by debt	-4.4	-3.7	-6.3	-3.0	2.0	2.0	2.0
Funded by cash	6.9	2.6	-0.2	-13.6	-8.0	-11.0	-14.5

Balance sheet summary (\$m)

	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F
Cash	1.8	0.0	0.0	16.4	21.1	32.1	46.6
Current receivables	29.1	29.5	43.4	39.2	42.5	47.5	49.0
Current inventories	3.4	2.7	3.0	3.2	4.7	5.1	5.2
Net PPE	21.5	18.7	21.1	18.3	12.9	16.2	20.0
Intangibles/capitalised	15.7	16.2	15.5	14.9	14.6	14.5	14.3
Total assets	71.8	67.3	83.0	92.0	95.9	115.3	135.1
Current payables	11.0	11.4	19.0	16.8	19.9	21.3	21.9
Total debt	13.0	10.0	3.5	0.0	0.0	0.0	0.0
Total liabilities	27.3	24.9	29.2	27.6	32.0	34.2	35.1
Shareholder equity	44.4	42.3	53.8	64.3	63.9	81.1	100.1
Total funds employed	57.4	52.3	57.3	64.3	63.9	81.1	100.1



Key takeaways from results

- **Strong growth:** Company showed strong growth y/y, with revenues +18% y/y and EBITDA up c30% y/y, while NPAT and EPS doubled.
- **Dividend returns:** Dividend returns with 4cps declared, (ex-date 26 Sept) and fully franked. This was the key upside surprise in our view. This includes a 2cps special following the disposal of the scaffolding business in H2 (\$2m profit on disposal).
- **Earnings broadly in line:** Revenues were just slightly behind our forecasts however within the guidance range (albeit low end). EBITDA came within the \$21-22m range, implying an 8.8% EBITDA margin, in line with Wilsons estimates. Importantly the exit run rate for H219 implies 9.7% EBITDA margins and the company are on track to deliver double-digit margins in FY20, particularly taking into account the recent WMS acquisition.
- **Cash generation stands out:** Operating cash flow was incredibly strong, implying 106% cash conversion. Working capital inflow was c\$3.4m, despite solid top line growth. This drove a strong year end cash balance of \$16.4m, \$2.6m above Wilsons estimates. The recent acquisition and dividend are securely cash funded, leaving c\$9m of cash on hand.
- **Self-funded growth in FY20:** Moving into a net cash position, the company maintain two undrawn facilities, \$20m working capital and \$10m equipment facility. Growth can be largely self-funded in our view.
- **Outlook is already cum upgrade:** Management has guided to revenues of \$295-315m (Wilson's \$315m) and EBITDA \$27-31m (W: \$31.7m), implying margins of 8.6-10.5% and underlying revenue growth (ex discontinued businesses) of 30-40% y/y. While this was within our current forecast range (top end) Management also highlight they are favourably positioned on several tenders worth \$50m per year in revenue and which will be awarded H120. With Management typically conservative in their guidance, we see upside to these estimates as the year progresses. The order book has risen to a record \$584m and up strongly from \$250m at H119, with importantly \$185m of revenues already secured for FY21.

Figure 1: FY19 results summary

	FY19A	FY19E	Diff. (%)	FY18A	Growth (%)
Revenue	238.0	245.0	-3%	201.7	18%
EBITDA	21.0	21.5	-2%	16.3	29%
margin (%)	8.8%	8.8%	0.0pps	8.1%	9%
D&A	(7.8)	(8.8)	-11%	(7.5)	4%
EBIT	13.2	12.7	4%	8.8	50%
margin (%)	5.5%	5.2%	0.4pps	4.4%	27%
Interest	(0.5)	(0.6)	-3%	(0.6)	-11%
PBT	12.1	12.2	0%	8.2	48%
margin (%)	5.1%	5.0%	0.1pps	4.1%	25%
Tax	(3.6)	(3.7)	-3%	(2.6)	37%
NPAT	10.6	10.4	2%	5.6	89%
EPS	10.4	10.6	-2%	5.42	92%
DPS	4.0	0.0	N/A	0.0	N/A
Operating cashflow	22.2	21.3	4%	10.3	115%
Capex	(2.2)	(9.8)	78%	(9.8)	-78%
Net Debt (cash)	(16.4)	(13.8)	19%	3.5	-566%
Net Debt (x)	(0.8)x	(0.6)x	N/A	0.2x	-462%

Source: Company data, Wilsons



Genuine cash generator as the cycle gains strength

An area we think is often overlooked is MYE's ability to generate cash. While a key feature of this result, we suggest this can continue to feature given:

- **Their clients are blue chip miners:** These large companies, pay on time, religiously. Management can therefore run a consistent debtor days (c44 days) and then manage payables around this. As we saw in FY19, this generated a working capital inflow, despite growth in EBITDA of c1/3rd. Looking ahead, this cash cycle can be sustained.
- **Margins do exhibit operating leverage:** MYE is effectively a skilled labour business with an equipment rental business on the side. This creates a strong synergy as demand for both escalates, and drives efficiencies in new capital deployment, as cost to serve reduces as work rates on existing sites escalates, as is now happening (Anglo Umbrella contract, Whitehaven Narrabri and South32 Appin).
- **The cycle still has plenty of legs:** There is an apparent disconnect between equities markets and resources markets at present. While mining cycles have historically had a duration of 7-8 years, investors could be forgiven for thinking we are just passed mid-cycle. Commodity prices had a strong run, and then retreated recently. However, what typifies this cycle is (1) lack of capex and greenfield or even brownfield development and (2) increased market share of the majors (Glencore particularly in Coal). While we see new mine development as sporadic, this production cycle is really only in it's infancy in our view and we believe we are still far from "peak" or even mid-cycle.

Figure 2: Revenue, EBITDA and EBITDA margin (FY14-22E)

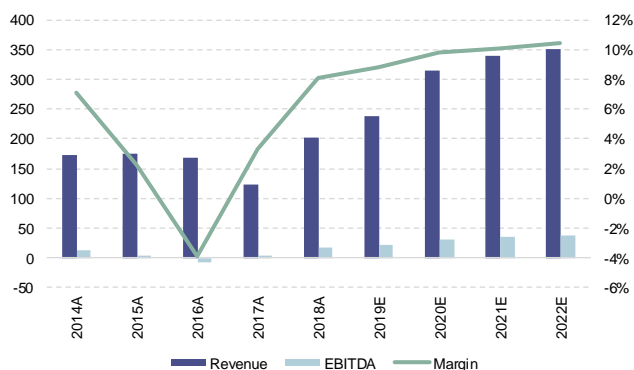
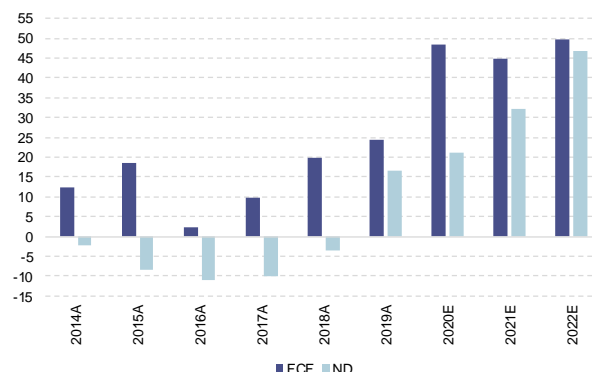


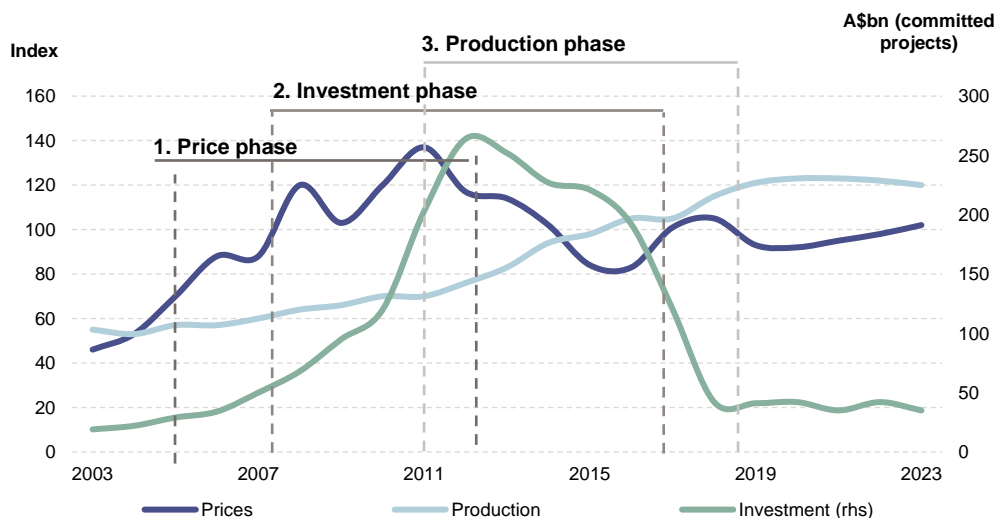
Figure 3: Net debt vs FCF (FY14-22E)



Source: Wilsons estimates, Company data

Source: Wilsons estimates, Company data

Figure 4: Cycle has entered long-term production phase (A\$b, index, 2003-23E)



Source: Department of Industry, Innovation and Science



Changes to forecasts

We make only very minor changes to our forecasts:

- Moderate margins by 30bps over FY20-22E, with EBITDA pulling back slightly but inline with Management guidance (\$27-31m).
- Increasing cash conversion and reducing working capital outflows over the forecast. Cash conversion now sits above 90% and we feel comfortable that this is achievable, despite the ramp up in revenues.
- We increase the dividend payment to 6cps in FY20E, from c4cps.
- Increased shares on issue by c3m, which impacts our per share forecasts (EPS).

This has a flow on effect, however we make no other changes to forecasts and this has no impacts on our valuation.

Figure 5: Changes to forecasts, FY20-22E

	FY20E			FY21E			FY22E		
	New	Old	Chg. (%)	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	315.0	315.0	(0.0)%	339.2	328.7	3.2%	349.8	348.0	0.5%
EBITDA	30.9	31.8	(2.8)%	34.3	34.5	(0.6)%	36.6	36.6	0.1%
margin (%)	9.8%	10.1%	(0.3)%	10.1%	10.5%	(0.4)%	10.5%	10.5%	(0.0)%
D&A	10.2	10.6	(4.0)%	10.5	10.3	1.6%	10.3	10.2	1.2%
EBIT	20.7	21.1	(2.3)%	23.8	24.2	(1.5)%	26.3	26.4	(0.3)%
margin (%)	6.6%	6.7%	(0.2)%	7.0%	7.4%	(0.3)%	7.5%	7.6%	(0.1)%
Interest	(0.5)	(0.7)	(27.5)%	(0.5)	(0.9)	(44.9)%	(0.5)	(1.1)	(55.2)%
Tax	6.1	6.1	(1.4)%	7.0	7.0	0.1%	7.7	7.6	2.0%
rate (%)	30.0%	30.0%	0.0%	30.0%	30.0%	0.0%	30.0%	30.0%	0.0%
NPAT	14.1	14.3	(1.4)%	16.4	16.3	0.1%	18.1	17.7	2.0%
EPS	13.5	14.0	(3.8)%	15.6	16.0	(2.3)%	17.2	17.3	(0.5)%
DPS	5.9	3.6	64.4%	8.0	8.2	(2.3)%	8.7	8.9	(1.4)%
Payout ratio	43.7	25.6	70.9%	51.2	51.2	0.1%	50.7	51.2	(0.9)%
Operating cashflow	30.4	19.2	58.0%	31.2	26.1	19.6%	35.8	23.2	54.4%
Cash conversion (%)	98.4%	60.5%	37.9%	90.8%	75.5%	15.4%	98.0%	63.5%	34.4%
Capex	(14.2)	(12.6)	12.5%	(13.6)	(13.1)	3.2%	(14.0)	(13.9)	0.5%
Capex-sales (%)	(4.5)%	(4.0)%	(0.5)%	(4.0)%	(4.0)%	0.0%	(4.0)%	(4.0)%	0.0%
Net Debt (cash)	(21.1)	(12.9)	63.2%	(32.1)	(17.5)	83.4%	(46.6)	(17.8)	161.8%
Net Debt (x)	(0.7)x	(0.4)x	68.0%	(0.9)x	(0.5)x	84.5%	(1.3)x	(0.5)x	161.5%

Source: Company data, Wilsons



Valuation – it’s cheap, whichever way you cut it

Trading at 3.2x EV/EBITDA (Wilson’s 2019E) and 8.9x P/E is slightly behind LT average 3.2x and 8.2x (respective) multiples. We would expect a premium multiple at this point in the cycle. Looking further ahead this multiple does not appear challenging for a company with such significant growth prospects and is a steep discount to the XSR.

Figure 6: 1-yr fwd EV/EBITDA, based on consensus figures



Source: IRESS

Figure 7: 1-yr fwd P/E, based on consensus figures



Source: IRESS

Valuation summary

Our valuation is based on an equal (50:50) weighting to our DCF and EBITDA multiple valuations. Our DCF utilises a WACC of 10%, based on beta of 1.25x and LT growth rate of 3%. Note we factor in a deterioration in the cycle in 2022E; while the cycle will moderate the questions is timing. We believe this is prudent for this sector.

We apply a 5x multiple to FY20E EBITDA (\$30.8m), a level of more normalised earnings and inline with the methodology we apply across the sector.

Figure 8: DCF valuation summary

DCF Summary	
Implied EV	151.8
TV as % of NPV	34.6%
Net debt/(cash)	(21.1)
Implied market cap	172.9
No. of shares outstanding	105.5
Price per share	1.64

Source: Wilsons, company data

Figure 9: EV/EBITDA multiple valuation summary

EV/EBITDA Valuation	
FY20E EV/EBITDA	5.00
FY20E EBITDA	30.9
EV	154.3
(Net debt)/cash	21.1
Equity Value	175.4
Diluted shares	105.5
Equity Value/sh	1.66

Source: Wilsons, company data



Figure 10: Coal comps FY20-22E

	Ticker	Currency	Year-end	Mkt cap (m)	EV/EBITDA			EV/EBIT			P/E (norm.)		
					FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Wilsons coverage													
Ausdrill Limited	ASX:ASL	AUD	31-Dec	1,183	3.9x	3.6x	3.6x	7.1x	6.5x	6.7x	8.7x	7.9x	7.9x
Austin Engineering Limited	ASX:ANG	AUD	31-Dec	107	4.4x	4.1x	0.0x	7.4x	6.5x	0.0x	8.9x	8.0x	0.0x
Mastermyne Group Limited	ASX:MYE	AUD	30-Jun	121	3.2x	2.9x	2.7x	4.8x	4.2x	3.8x	8.9x	7.2x	6.6x
Monadelphous Group Limited	ASX:MND	AUD	30-Jun	1,596	10.7x	9.4x	8.5x	12.4x	11.1x	8.5x	19.9x	17.7x	13.7x
Mitchell Services	ASX:MSV	AUD	31-Dec	108	3.9x	3.3x	3.1x	5.4x	4.4x	4.0x	7.0x	6.0x	5.3x
NRW Holdings Limited	ASX:NWH	AUD	31-Dec	823	5.4x	5.3x	0.0x	8.1x	7.9x	0.0x	11.7x	11.4x	0.0x
					5.3x	4.8x	3.0x	7.5x	6.8x	3.8x	10.8x	9.7x	5.6x
Wilsons coverage - Consensus													
Ausdrill Limited	ASX:ASL	AUD	31-Dec	1,183	4.1x	3.9x	N/A	8.2x	7.8x	N/A	9.0x	8.4x	N/A
Austin Engineering Limited	ASX:ANG	AUD	31-Dec	107	4.5x	4.2x	N/A	7.5x	6.7x	N/A	12.0x	10.3x	N/A
Mastermyne Group Limited	ASX:MYE	AUD	30-Jun	121	3.7x	3.4x	N/A	5.6x	4.9x	N/A	8.6x	6.8x	N/A
Monadelphous Group Limited	ASX:MND	AUD	30-Jun	1,596	11.8x	9.7x	8.8x	14.5x	11.6x	10.5x	22.3x	17.6x	15.9x
Mitchell Services Limited	ASX:MSV	AUD	31-Dec	108	4.0x	3.4x	N/A	5.3x	4.3x	N/A	6.6x	11.9x	N/A
NRW Holdings Limited	ASX:NWH	AUD	31-Dec	823	5.3x	5.0x	N/A	8.1x	7.3x	N/A	12.0x	11.1x	N/A
Average					5.6x	4.9x	8.8x	8.2x	7.1x	10.5x	11.8x	11.0x	15.9x
Large cap engineering contractors													
CIMIC Group Limited	ASX:CIM	AUD	30-Jun	10,152	4.5x	4.4x	N/A	7.7x	7.6x	N/A	12.3x	12.8x	N/A
Downer EDI Limited	ASX:DOW	AUD	31-Dec	4,464	6.2x	6.1x	6.4x	10.7x	10.3x	10.5x	13.5x	12.7x	13.7x
Monadelphous Group Limited	ASX:MND	AUD	30-Jun	1,596	11.8x	9.7x	8.8x	14.5x	11.6x	10.5x	22.3x	17.6x	15.9x
WorleyParsons Limited	ASX:WOR	AUD	31-Dec	7,229	5.5x	5.0x	N/A	6.6x	5.9x	N/A	14.3x	12.4x	N/A
Average					7.0x	6.3x	7.6x	9.9x	8.9x	10.5x	15.6x	13.9x	14.8x
Contract mining													
Ausdrill Limited	ASX:ASL	AUD	31-Dec	1,183	4.1x	3.9x	N/A	8.2x	7.8x	N/A	9.0x	8.4x	N/A
Macmahon Holdings Limited	ASX:MAH	AUD	31-Dec	364	2.3x	2.2x	N/A	5.3x	5.0x	N/A	6.1x	6.1x	N/A
Mastermyne Group Limited	ASX:MYE	AUD	30-Jun	121	3.7x	3.4x	N/A	5.6x	4.9x	N/A	8.6x	6.8x	N/A
MACA Limited	ASX:MLD	AUD	31-Dec	241	2.7x	2.5x	N/A	6.7x	5.7x	N/A	9.0x	7.9x	N/A
Average					3.2x	3.0x	N/A	6.5x	5.8x	N/A	8.2x	7.3x	N/A
Production/Equipment													
ALS Limited	ASX:ALQ	AUD	31-Mar	3,650	11.4x	10.7x	10.2x	14.2x	13.2x	12.5x	19.4x	17.6x	16.4x
Austin Engineering Limited	ASX:ANG	AUD	31-Dec	107	4.5x	4.2x	N/A	7.5x	6.7x	N/A	12.0x	10.3x	N/A
Boom Logistics Limited	ASX:BOL	AUD	31-Dec	67	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Emeco Holdings Limited	ASX:EHL	AUD	30-Jun	653	4.5x	4.1x	3.1x	7.9x	7.1x	4.8x	8.1x	7.7x	4.8x
Mastermyne Group Limited	ASX:MYE	AUD	30-Jun	121	3.7x	3.4x	N/A	5.6x	4.9x	N/A	8.6x	6.8x	N/A
Seven Group Holdings Limited	ASX:SVW	AUD	30-Jun	5,806	8.9x	7.8x	N/A	11.6x	9.9x	N/A	11.7x	10.6x	N/A
Average					6.6x	6.1x	6.7x	9.4x	8.4x	8.7x	12.0x	10.6x	10.6x
Engineering/Construction/Civils													
CIMIC Group Limited	ASX:CIM	AUD	30-Jun	10,152	4.5x	4.4x	N/A	7.7x	7.6x	N/A	12.3x	12.8x	N/A
Decmil Group Limited	ASX:DCG	AUD	31-Dec	199	2.9x	2.9x	N/A	3.2x	3.2x	N/A	8.2x	8.5x	N/A
GR Engineering Services Limited	ASX:GNG	AUD	31-Dec	154	6.6x	6.3x	N/A	7.1x	6.7x	N/A	12.0x	12.2x	N/A
Lycopodium Limited	ASX:LYL	AUD	31-Dec	244	7.4x	7.1x	N/A	7.8x	7.6x	N/A	13.0x	13.8x	N/A
Monadelphous Group Limited	ASX:MND	AUD	30-Jun	1,596	11.8x	9.7x	8.8x	14.5x	11.6x	10.5x	22.3x	17.6x	15.9x
NRW Holdings Limited	ASX:NWH	AUD	31-Dec	823	5.3x	5.0x	N/A	8.1x	7.3x	N/A	12.0x	11.1x	N/A
Seven Group Holdings Limited	ASX:SVW	AUD	30-Jun	5,806	8.9x	7.8x	N/A	11.6x	9.9x	N/A	11.7x	10.6x	N/A
Tempo Australia Limited	ASX:TPP	AUD	31-Dec	12	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average					6.7x	6.2x	7.6x	8.8x	8.0x	10.5x	13.1x	12.4x	14.8x
Drillers													
AJ Lucas Group Limited	ASX:AJL	AUD	31-Dec	165	15.2x	N/A	N/A	26.6x	N/A	N/A	NM	N/A	N/A
Boart Longyear Limited	ASX:BLY	USD	31-Dec	184	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mitchell Services Limited	ASX:MSV	AUD	31-Dec	108	4.0x	3.4x	N/A	5.3x	4.3x	N/A	6.6x	11.9x	N/A
Swick Mining Services Limited	ASX:SWK	AUD	31-Dec	60	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average					9.6x	3.4x	N/A	16.0x	4.3x	N/A	6.6x	11.9x	N/A
Group Median					4.5x	4.3x	6.4x	7.7x	7.2x	8.5x	11.7x	10.9x	13.7x
Group Average					6.0x	5.3x	5.4x	8.8x	7.4x	7.1x	11.8x	11.0x	10.0x

Source: S&P Capital IQ, Wilsons estimates



Figure 11: Coal comps FY20-22E

		ND/EBITDA			FCF yield			Div yield			EBITDA margin		
		FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Ausdrill Limited	ASL	1.1x	0.8x	0.6x	18.1%	21.5%	23.5%	4.8%	5.1%	5.1%	20%	20%	20%
Austin Engineering Limited	ANG	0.0x	(0.4)x	N/A	3.7%	8.6%	0.0%	0.0%	0.0%	0.0%	11%	11%	0%
Mastermyne Group Limited	MYE	(0.7)x	(0.9)x	(1.3)x	25.1%	25.8%	29.6%	5.0%	6.7%	7.3%	10%	10%	10%
Monadelphous Group Limited	MND	(1.3)x	(1.3)x	(1.2)x	6.9%	6.8%	7.6%	4.4%	5.0%	6.5%	7%	7%	7%
Mitchell Services	MSV	0.0x	0.0x	(0.6)x	6.7%	9.5%	14.3%	0.0%	0.0%	0.0%	22%	24%	26%
NRW Holdings Limited	NWH	(0.0)x	(0.3)x	N/A	11.3%	16.2%	0.0%	3.5%	3.6%	0.0%	12%	12%	0%
		(0.2)x	(0.3)x	(0.6)x	12.0%	14.7%	18.8%	4.4%	5.1%	0.0x	13.6%	14.2%	10.5%
Wilsons coverage - Consensus													
Ausdrill Limited	ASL	1.2x	1.0x	N/A	6.1%	10.0%	N/A	4.7%	5.1%	N/A	21%	21%	N/A
Austin Engineering Limited	ANG	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	N/A	11%	11%	N/A
Mastermyne Group Limited	MYE	(0.4)x	(0.5)x	N/A	N/A	N/A	N/A	2.9%	6.7%	N/A	10%	10%	N/A
Monadelphous Group Limited	MND	(1.0)x	(1.0)x	(1.1)x	5.0%	4.8%	6.9%	3.6%	4.8%	5.2%	7%	7%	7%
Mitchell Services Limited	MSV	0.0x	(0.3)x	N/A	10.5%	11.8%	N/A	0.0%	0.0%	N/A	21%	23%	N/A
NRW Holdings Limited	NWH	(0.0)x	(0.4)x	N/A	9.1%	10.4%	N/A	2.6%	2.8%	N/A	11%	12%	N/A
Average		(0.0)x	(0.2)x	(1.1)x	7.7%	9.2%	6.9%	3.4%	4.8%	5.2%	13.4%	14.0%	7.3%
Large cap engineering contractors													
CIMIC Group Limited	CIM	(0.6)x	(0.8)x	N/A	9.6%	N/A	N/A	5.2%	5.3%	N/A	12%	12%	N/A
Downer EDI Limited	DOW	0.9x	0.8x	0.8x	9.5%	N/A	N/A	4.4%	4.6%	4.7%	7%	7%	6%
Monadelphous Group Limited	MND	(1.0)x	(1.0)x	(1.1)x	5.0%	4.8%	6.9%	3.6%	4.8%	5.2%	7%	7%	7%
WorleyParsons Limited	WOR	1.3x	1.0x	N/A	4.8%	N/A	N/A	3.6%	4.3%	N/A	9%	9%	N/A
Average		0.2x	(0.0)x	(0.1)x	7.2%	4.8%	6.9%	4.2%	4.7%	5.0%	8.6%	8.7%	6.6%
Contract mining													
Ausdrill Limited	ASL	1.2x	1.0x	N/A	6.1%	10.0%	N/A	4.7%	5.1%	N/A	21%	21%	N/A
Macmahon Holdings Limited	MAH	0.1x	0.1x	N/A	17.1%	7.2%	N/A	6.5%	6.5%	N/A	15%	15%	N/A
Mastermyne Group Limited	MYE	(0.4)x	(0.5)x	N/A	N/A	N/A	N/A	2.9%	6.7%	N/A	10%	11%	N/A
MACA Limited	MLD	(0.3)x	(0.5)x	N/A	11.5%	15.9%	N/A	5.6%	6.6%	N/A	13%	14%	N/A
Average		0.2x	0.0x	N/A	11.6%	11.0%	N/A	4.9%	6.2%	N/A	14.8%	14.9%	N/A
Production/Equipment													
ALS Limited	ALQ	1.7x	1.6x	1.3x	4.5%	5.3%	5.0%	3.1%	3.4%	3.5%	21%	21%	22%
Austin Engineering Limited	ANG	N/A	N/A	N/A	N/A	N/A	N/A	0.0%	0.0%	N/A	11%	11%	N/A
Boom Logistics Limited	BOL	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Emeco Holdings Limited	EHL	1.5x	1.0x	0.4x	13.0%	13.0%	N/A	0.0%	0.0%	N/A	48%	49%	56%
Mastermyne Group Limited	MYE	(0.4)x	(0.5)x	N/A	N/A	N/A	N/A	2.9%	6.7%	N/A	10%	11%	N/A
Seven Group Holdings Limited	SVW	1.8x	1.2x	N/A	7.7%	10.2%	N/A	3.3%	2.9%	N/A	20%	21%	N/A
Average		1.2x	0.8x	0.8x	8.4%	9.5%	5.0%	3.1%	4.3%	3.5%	22.0%	22.6%	38.6%
Engineering/Construction/Civils													
CIMIC Group Limited	CIM	(0.6)x	(0.8)x	N/A	9.6%	N/A	N/A	5.2%	5.3%	N/A	12%	12%	N/A
Decmil Group Limited	DCG	(2.1)x	(2.6)x	N/A	(2.5)%	N/A	N/A	3.4%	3.2%	N/A	5%	5%	N/A
GR Engineering Services Limited	GNG	(1.4)x	(1.5)x	N/A	7.1%	8.5%	N/A	7.3%	6.8%	N/A	8%	8%	N/A
Lycopodium Limited	LYL	(3.0)x	(3.1)x	N/A	7.0%	N/A	N/A	5.1%	5.2%	N/A	13%	13%	N/A
Monadelphous Group Limited	MND	(1.0)x	(1.0)x	(1.1)x	5.0%	4.8%	6.9%	3.6%	4.8%	5.2%	7%	7%	7%
NRW Holdings Limited	NWH	(0.0)x	(0.4)x	N/A	9.1%	10.4%	N/A	2.6%	2.8%	N/A	11%	12%	N/A
Seven Group Holdings Limited	SVW	1.8x	1.2x	N/A	7.7%	10.2%	N/A	3.3%	2.9%	N/A	20%	21%	N/A
Tempo Australia Limited	TPP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average		(0.7)x	(0.9)x	(0.1)x	6.5%	8.5%	6.9%	4.4%	4.5%	5.0%	10.2%	10.5%	6.6%
Drillers													
AJ Lucas Group Limited	AJL	6.5x	N/A	N/A	N/A	N/A	N/A	0.0%	N/A	N/A	12%	N/A	N/A
Boart Longyear Limited	BLY	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mitchell Services Limited	MSV	0.0x	(0.3)x	N/A	10.5%	11.8%	N/A	0.0%	0.0%	N/A	21%	23%	N/A
Swick Mining Services Limited	SWK	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Average		3.3x	(0.3)x	N/A	10.5%	11.8%	N/A	N/A	N/A	N/A	16.7%	23.0%	N/A
Group Median		0.0x	-0.4x	-0.6x	7.7%	10.1%	6.9%	3.5%	4.7%	4.9%	10.9%	11.6%	7.3%
Group Average		0.2x	-0.2x	-0.2x	7.9%	9.3%	6.4%	3.3%	4.0%	4.8%	13.8%	14.2%	15.9%

Source: S&P Capital IQ, Wilsons estimates



Mastermyne (MYE)

Business description

Mastermyne Group (MYE) provides contracting services to the underground long wall mining operations in Australia. It operates through two segments, Mastermyne and Mastertec. The Mastermyne segment offers project management, labour and equipment hiring, and underground mine support services. The Mastertec segment provides a range of above-ground contracting services to ports, resources, industrial, and infrastructure sectors. Mastermyne Group Limited was founded in 1996 and is headquartered in Mackay, Australia.

Investment thesis

Whole-of-mine solutions provide a formidable client solution while we remain positive towards the outlook for Coal, capitalising on Bowen Basin and Hunter locations, a leading market position and an enviable reputation for delivery. A highly skilled, blue collar workforce sets the business apart, while competition is very limited, allowing MYE to capture significant additional market share.

Revenue drivers

- Ongoing market share gains
- Greenfield coal mine development
- Increases in strip ratio's

Margin drivers

- Roll off of old, low/negative profit contracts signed during the depths of the downturn will roll off over the next two years
- Pricing to return as industry capacity levels achieved much earlier as a result of fewer competitors
- Margins may be capped as threat from larger players to enter the under-serviced underground coal market deter strong price lifts

Key issues/catalysts

- Update on "whole of mine" opportunities
- Expansion into remaining half of the underground coal mines in Australia they are not currently engaged with
-

Risk to view

- Commodity price volatility (coal)
- Ability to find and train high calibre staff
- East Coast coal specialisation

Balance sheet

- Net cash, however management have flagged they are prepared to use facilities if conditions warrant (i.e. contract wins)
- Expect a prudent approach to the balance sheet going ahead

Board

- Colin J Bloomfield: Non-Executive Independent Chairman
- Anthony (Tony) Caruso: MD & Executive Director
- Gabriel G Meena: Non-Executive Director
- Andrew D Watts: Non-Executive Director
- Julie A Whitcombe: Non-Executive Director

Management

- Anthony (Tony) Caruso: MD & Executive Director
- Brett Maff: CFO & Company Secretary

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Disclaimers and disclosures

Recommendation structure and other definitions

Definitions at wilsonsadvisory.com.au/Disclosures.

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