

Slight pause as balance sheet is right sized

Metarock Group Ltd (ASX:MYE) has delivered revenues and adjusted EBITDA within its guidance range for FY22, but Crinum remediation costs were well above forecast at ~\$18.5m, while recently acquired PYBAR recorded an EBITA loss of \$3.7m which was well below initial forecasts. This cost coupled with the capex required to restart two Mine Operations (Crinum and Cook) have forced a consolidation in growth plans to right the balance sheet. Crinum production has been delayed 12-months and Cook 6-months as a result, while a relook at capital allocation and the business model should result in at least ~\$20m of excess equipment sales and lower ongoing capex. FY23 revenue guidance as a result has declined from \$700m-\$750m to \$600m-\$650m, and EBITDA from \$80m-\$95m to \$50m-\$55m. Importantly the previous guidance range is expected to hold true in FY24 when both Mine Operation sites are expected to be at full production. We have made extensive estimate changes across revenues, EBITDA, depreciation, and capex. Our new estimates still see MYE (FY23) trading at a 35% discount to the adjusted EV/EBITDA peer group (FY22) and material (66%) discount using forecast FY24 metrics (vs FY22), the first full year of Mine Operations. The recent MLD takeover metrics add valuation support for MYE, with a similar EV/EBITDA multiple implying \$0.80/share for MYE. Our DCF valuation remains well above the current share price at \$1.55/share despite an increased beta assumption.

Business model

MYE provides a range of contracted services and equipment hire to major underground metallurgical coal operators (roadway development, conveyor installation, longwall relocation and maintenance, supply & installation of underground ventilation control devices) and metalliferous hard rock operators (mine development, raise boring, shotcreting, cable bolting and production drilling) via the acquisition of PYBAR. More recently the group has moved into Mine Operations via the Crinum and Cook contracts, operating mines in their own right for asset owners with limited underground experience. Such operations are longer-term in nature providing repeatable revenues at higher margins relative to contracting.

Reducing the number of balls in the air

The combination of the PYBAR acquisition, the gearing up for two sizable Mine Operation contracts, two fatalities at separate sites and sector headwinds including wet weather, a tight labour market and higher consumable/capital costs has seen MYE slow growth ambitions to right size the balance sheet and consolidate operations. The combination of Crinum cost recovery and a lighter capital model could reduce debt by at least \$30m, while the delay of Crinum by 12-months better spreads the capital load across FY22-FY24.

Valuation between \$0.95/share (FY23) to \$2.00/share (FY24)

Our preferred valuation methodology for MYE is multiple-based given the number of long-listed mining services companies on the ASX. We apply FY22 peer adjusted EV/EBITDA multiples to MYE's FY23 & FY24 earnings as they are more reflective of recent contracts. The result implies a valuation of \$0.95/share using FY23 estimates and \$2.00/share using FY24. The recent MLD takeover offer supports MYE metrics implying an FY23 valuation of \$0.80/share, while our DCF is \$1.55/share, incorporating stable Mine Operations earnings into FY28.

Historical earnings and RaaS estimates (in \$A unless otherwise stated)

Year end	Revenues (adj.)	EBITDA (rep.)	NPATA (adj.)	EPS (adj.) (c)	P/E (x)	Dividend yield (%)	EV/EBITDA (x)
06/21a	233.1	22.3	6.3	0.06	6.5	7.9	0.7
06/22a	452.7	38.6	7.0	0.06	6.7	0.0	3.3
06/23f	615.0	53.0	4.6	0.03	10.9	0.0	2.0
06/24f	718.4	84.9	25.6	0.20	1.9	21.1	1.0

Source: Company data; RaaS Advisory estimates for FY23f and FY24f

Mining Services

13th September 2022

Share Details

ASX code	MYE
Share price	\$0.38
Market capitalisation	\$49.7M
Shares on issue	130.2M
Net debt at 30-Jun-22	\$71.9M
Free float	~52.4%

Share Performance



Upside Case

- Delivering on \$1.7bn tender book
- Meeting new Crinum/Cook schedules
- Delivering on PYBAR acquisition

Downside Case

- Lower metallurgical coal prices/lower activity
- Long-term technological advancements in non-blast furnace steel making
- Safety issues at key mines

Board of Directors

Colin Bloomfield	Non-Executive Chairman
Anthony Caruso	Managing Director
Andrew Watts	Non-Executive Director
Julie Whitcombe	Non-Executive Director
Gabriel Meena	Non-Executive Director
Paul Rouse	Non-Executive Director

Company Contact

Brett Maff (CFO) +61 7 4963 0400
brett.maff@metarock.com.au

RaaS Contacts

John Burgess* +61 410 439 723
john.burgess@raasgroup.com
Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*The analysts hold shares

FY22 Result Summary

Key take-outs from the FY22 result include:

- Total revenue was \$452.7m, within the guidance range of \$450m-\$480m despite PYBAR being well below initial expectations.
- Divisionally contracting revenue increased an estimated 15% on improved coal prices/activity, mine operations saw a first time ~\$20m contribution and PYBAR contributed for 8-months.
- Underlying EBITDA was \$38.6m, in-line with the guidance range of \$37m-\$43m.
- Divisionally the PYBAR contribution was below initial guidance with the EBITDA contribution \$13.3m. PYBAR was impacted by a number of production interruption events throughout the year and the unexpected demobilisation of a material contract shortly following the acquisition (this project historically generated ~\$7m EBITDA annually).
- Significant abnormals relating to Crinum remediation costs (\$18.5m) and other one-off costs (\$2.5m) were incurred. We have treated these costs as abnormals in the table below.
- Net capex spend of \$40.4m was well below the \$63m-\$65m guidance range as the Crinum project was paused. Some of this spend shifts to FY23.
- Net debt ended the year at \$71.9m (excluding the invoice financing facility and lease liabilities) compared to a net cash position at 30 June 2021 of \$18m. This was higher than expected (albeit forecast to be higher due to the PYBAR acquisition and capex spend) as a result of the quantum of the Crinum remediation costs.

Exhibit 1: MYE FY22 underlying earnings summary (in \$A unless otherwise stated)

Variable (A\$000')	FY21	FY22	% CHG	Comments
Sales	233.1	452.7	94	
Contracting	233.1	267.0	15	Improved met. coal environment
Mining operations	0.0	20.0	nm	
PYBAR	0.0	165.7	nm	Eight months of PYBAR, below forecast
Operating costs (inc. other income)	210.8	414.1	96	
EBITDA	22.3	38.6	73	
(Coal)	22.3	25.3	14	Sales translated to EBITDA
(PYBAR)	0.0	13.3	nm	
Depreciation	12.2	28.5	134	Includes PYBAR asset revaluation (~\$3m)
EBITA	10.1	10.1	0	
Amortisation	0.4	4.3		PYBAR acquisition
EBIT	9.7	5.8	(40)	
Adjusted NPATA	6.3	7.0	11	
Reported NPATA	6.3	(12.5)		Includes Crinum/transaction costs

Source: Company announcements and RaaS estimates

Revised guidance

FY23 guidance

The pausing of the Crinum Mine Operation contract by 12-months (to June 2023) and Cook Mine Operation contract by 6-months (to January 2023) has resulted in revised guidance for FY23 which we detail below:

- Revenues between \$600m-\$650m, down from \$700m and \$750m;
- EBITDA between \$50m and \$55m, down from \$80m and \$95m;
- Gross capex spend of \$50m, above the \$33m and \$38m prior guidance with some catch-up from the lower than forecast FY22 spend;
- The likelihood of equipment sales up to \$30m (RaaS is forecasting \$20m) as the group looks to sell and lease back excess equipment;

- The prospect of recouping some or all of the \$18.5m Crinum remediation costs (RaaS is forecasting \$12m) under contract terms.

All the above has implications for the level of depreciation (lower assets) and debt into FY24, with management aiming to get debt/EBITDA back to 1.0x (RaaS has 0.9x at year end).

Exhibit 2: MYE net debt reconciliation	
Parameters	A\$m
Net Debt as @ 30 June 2022 (ex-invoicing facility)	71.9
add Crinum recovery	(12.0)
add Equipment sale	(20.0)
add operating cashflow	(43.8)
less capex	50.0
less Wilson tranche 2	3.9
Debt as June 2023	50.0
Debt/Adj EBITDA	0.9x

Source: RaaS estimates

FY24 and beyond

While no specific guidance has been provided, it is management's view that prior FY23 guidance would hold true in FY24 should Crinum and Cook reach full production.

With the Crinum contract 6-years in duration and Cook four years with a two-year option, we view FY24 numbers as sustainable well into FY28, hence our numbers remain elevated medium-term.

A summary of key earnings estimate changes is detailed in the chart below.

Exhibit 3: RaaS MYE earnings adjustments (A\$m unless stated)					
Variable	FY22	FY23	FY24	FY25	Comments
Revenue					
Old	461.8	716.2	733.9	732.8	Mine Operations
New	452.7	615.0	718.4	758.5	Pushed back & lower
% CHG	(2.0%)	(14.1%)	(2.1%)	3.5%	PYBAR
Adj. EBITDA					
Old	38.4	83.4	88.0	87.7	
New	38.6	53.0	84.9	86.2	
% CHG	0.4%	(36.4%)	(3.6%)	(1.8%)	
Adj EBITA					
Old	7.4	34.8	38.5	37.6	Lower Depn est.
New	10.1	11.7	41.1	43.2	(Asset sales,AASB16)
% CHG	35.9%	(66.3%)	6.8%	15.1%	
NPATA					
Old	3.3	20.9	24.8	24.5	
New	7.0	4.6	25.6	27.5	
% CHG	111.3%	(78.1%)	3.2%	12.2%	
EPS					
Old	0.024	0.160	0.191	0.189	
New	0.057	0.035	0.196	0.211	
% CHG	131.6%	(78.2%)	2.9%	11.8%	
Net Debt					
Old	86.6	87.7	73.1	56.6	Equipment sales
New	71.9	50.4	32.8	12.8	Crinum cost recovery
% CHG	(15%)	(43%)	(55%)	(77%)	
Capex					
Old	64.2	38.4	35.6	35.1	Lower capital model
New	40.4	50.0	29.1	29.6	
% CHG	(37%)	30%	(18%)	(16%)	

Source: Company announcements and RaaS estimates

Exhibit 4: MYE divisional earnings forecasts (in \$A unless otherwise stated)

	2021A	2022A	2023F	2024F	2025F
Sales	233.1	452.7	615.0	718.4	758.5
Contracting	233.1	267.0	285.0	273.4	276.5
Mine operations	0.0	20.0	80.0	170.0	185.0
PYBAR	0.0	165.7	250.0	275.0	297.0
Operating costs	210.8	414.1	562.0	633.5	672.3
EBITDA	22.3	38.6	53.0	84.9	86.2
EBITDA margin	9.6%	8.5%	8.6%	11.8%	11.4%
Depreciation	12.2	28.5	41.3	43.8	42.9
EBITA	10.1	10.1	11.7	41.1	43.2
Amortisation	0.0	4.3	4.5	3.5	3.0
EBIT	10.1	5.8	7.2	37.6	40.2
Interest expense	1.1	4.0	6.0	5.5	5.0
Pre-tax	9.1	1.8	1.2	32.1	35.2
Tax expense	2.8	-0.9	1.1	10.0	10.7
(Tax rate %)	31%	-50%	94%	31%	30%
Amortisation	0.4	4.3	4.5	3.5	3.0
Adjusted NPATA	6.3	7.0	4.6	25.6	27.5

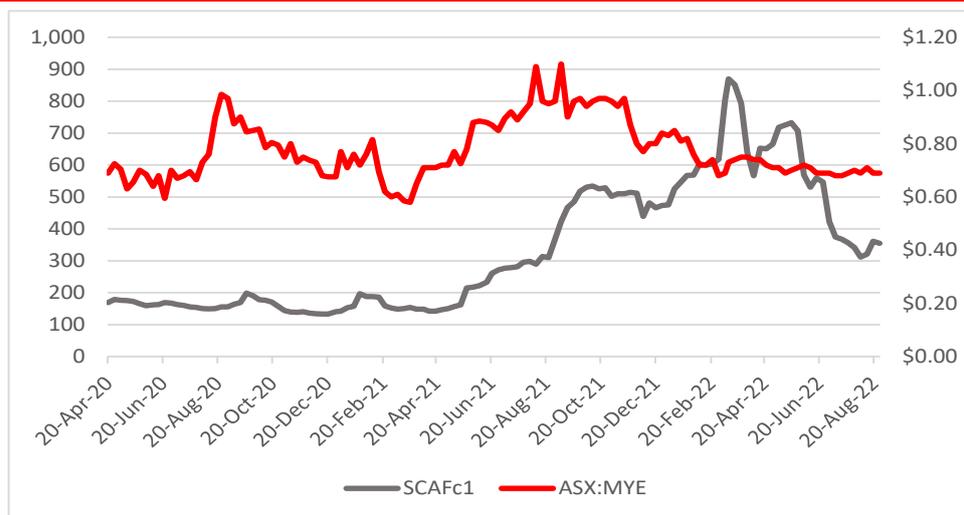
Source: Company financials and RaaS estimates

Coal price update

The metallurgical coal price and outlook is still important to MYE, but the historical correlation between the MYE share price and the metallurgical coal price (using the SCAFc1 or Singapore Exchange's TSI FOB Australia) has broken down in recent quarters due to company specific issues at MYE.

The coking coal price has corrected in recent quarters but remains well above FY20 levels.

Exhibit 5: Correlation of metallurgical coal prices (A\$) against the MYE share price



Source: Refinitiv & RaaS analysis

Peer Comparison

Our assessed peer group for MYE relies on a mix of human resources and equipment to deliver services, typically under contract, mostly on a fixed-rate basis and predominantly across the mining services space. These companies are people-heavy and rely on the efficient management and utilisation of people and equipment to deliver contracted outcomes and derive an acceptable return.

We have only included companies under A\$1b market cap, with most under \$500m.

The table below summarises the peer group financials for FY22 and MYE for FY23 & FY24 given these are the first-years earnings are derived from the capex and debt incurred in FY22. The highlighted stocks represent the three highest-rated stocks according to our relative matrix and are key to our relative valuation approach.

Exhibit 6: Peer group financial comparison – FY22 metrics (MYE FY23)

Company Name	Ticker	Share price (cps)	Mkt. cap. (A\$m)	FY22 net debt (A\$m)	FY22(f) EBITDA (A\$m)	FY22(f) sales (A\$m)	EBITDA %	Working capital/sales %	EV/ EBITDA (x)	EV/ EBIT (x)
NRW Holdings	NWH	2.77	1,244	66.6	272.4	2,407	11.3%	4.2%	4.8	8.3
Emeco Holdings	EHL	0.87	455	245.0	239.3	754	31.7%	4.3%	2.9	5.8
Macmahon	MAH	0.16	345	215.5	220.0	1,700	12.9%	10.3%	2.5	5.6
DDH1 *	DDH	0.88	375	16.6	112.8	507	22.3%	33.4%	3.5	5.1
MACA Limited	MLD	1.07	366	194.9	150.9	1,651	9.1%	10.0%	3.7	9.0
GR Engineering	GNG	2.15	333	-97.8	56.4	652	8.7%	(1.1%)	4.2	4.3
Licopodium	LYL	6.61	262	-99.4	32.4	229	14.2%	25.5%	5.0	5.3
Mitchell Services	MSV	0.37	83	39.2	31.7	213	14.9%	11.0%	3.8	26.5
AVERAGE			433				15.6%	12.2%	3.8	6.2#
Top-3 rated average									4.7	7.7
Metarock (FY22)	MYE	0.38	50	71.9	31.8	453	7.0%	9.6%	3.8	12.0
Metarock (FY23)	MYE	0.38	50	49.6	45.6	615	7.4%	9.6%	2.2	8.5
Metarock (FY24)	MYE	0.38	50	32.0	76.4	718	10.6%	9.6%	1.1	2.0

Sources: Company financials, RaaS estimates; Prices as at 12 September 2022 *Pro-forma #Ex MSV

Looking at selected peer group FY22 metrics (against MYE's FY-22 FY24) we would highlight MYE:

- Is one of only two stocks to be < \$100m market cap;
- Has lower-than-average EBITDA margins, impacted by the recent PYABR acquisition;
- MYE EBITA margins and multiple are distorted by a significant depreciation charge near-term;
- FY23(f) EV/EBITDA metrics (adjusted for AASB16) are 34% below peer group FY22 metrics (2.5x vs 3.8x); and
- FY24(f) EV/EBITDA metrics (adjusted for AASB16) are 66% below peer group FY22 metrics (1.3x vs 3.8x).

From the recent reporting season, we would note:

- NRW has issued EBITA guidance 3%-10% higher in FY23;
- MAH has guided EBITA 4%-24% higher in FY23;
- EHL is confident of growth 'across all divisions' without providing specific guidance, and is undertaking a 5% share buyback;
- MSV expects a "material year on year increase in earnings", is reinstating dividends while conducting a 10% buyback, and
- MLD received a takeover offer ~50% above the prevailing share price at the time.

This continues on from the strong operating metrics of the sector over the last 3-years where we estimate CAGR sales growth of 31%, CAGR EBITDA growth (ex AASB16) of 15% and CAGR EBIT growth of 15%.

Capex spend relative to depreciation has increased significantly, from 0.9x in FY20 to 1.6x in FY22, setting the sector up for further growth in the future.

Peer Group Relative Multiple Valuation

Given the number of comparable ASX-listed peers, their extensive listed track record and analyst coverage, we prefer a relative multiple valuation approach for MYE. To establish the appropriate “relative” (premium or discount) we have used our seven-variable matrix with four qualitative and three quantitative measures. Our analysis suggests MYE deserves a premium to the peer group, so our reference multiple is the average of the highest-rated three stocks in our assessed peer group.

Based on FY22 metrics this equates to an EV/EBITDA of 3.8x (we provide EV/EBIT multiples but believe MYE’s high depreciation charge distorts this comparison) and apply these multiples to MYE’s FY23 & FY24 metrics as these years are more reflective of ongoing earnings under the recently won Mine Operation contracts and the PYBAR acquisition. The resulting valuation on an EV/EBITDA basis translates to \$0.85/share (FY23) and \$1.85 (FY24) depending on what year is selected. We have not valued excess franking credits which currently equate to \$0.19c/share.

Exhibit 7: MYE valuation under various scenarios

	MYE @ 0.36c	Peer average	Top-3 rated *	Top rated	Comments
EV/EBIT					
Multiple	7.9 x	6.2 x	7.7 x	9.0 x	
FY23	\$0.38	\$0.18	\$0.30	\$0.42	Distorted by high Depn in FY23
FY24		\$1.70	\$2.15	\$2.60	
EV/EBITDA					
Multiple	2.4 x	3.8 x	4.7 x	5.0 x	
FY23	\$0.38	\$0.95	\$1.25	\$1.35	Only 6-months Cook
FY24		\$2.00	\$2.50	\$2.70	Both Crinum/Cook at full production
Blended (50%)					
FY23	\$0.38	\$0.57	\$0.78	\$0.89	
FY24		\$1.85	\$2.33	\$2.65	

Source: Company financials and RaaS estimates

MACA (ASX:MLD) takeover

During the quarter mining service contractor MACA (ASX:MLD) was the subject of a recommended off-market takeover from fellow mining service operator Thiess Pty Ltd, and subsequent interest from NRW Holdings.

The \$1.075/share all cash Thiess offer implies the following FY22 metrics, which we then compare to the FY23 metrics of MYE for valuation purposes.

- **EV/sales 0.34x.** A similar multiple for MYE based on our forecast FY23 metrics would imply a share price of \$1.10/share.
- **EV/EBITDA 3.7x** (ex AASB16). A similar multiple for MYE based on our forecast FY23 metrics would imply a share price of \$0.80/share.
- **EV/EBITA 9.0x.** A similar multiple for MYE based on our forecast FY23 metrics would imply a share price of \$0.45/share.

While the MLD acquisition multiples incorporate a takeover premium, in our view it still under values/estimates the long duration/speciality nature of MYE’s Coal Contracting and Mine Operations revenue streams.

Investment Case Revisited

MYE is poised for a period of strong earnings growth, and we believe this could be overlaid with a general “mining services” sector re-rate (in-line with commodity prices, valuation and recent capital spend), offering significant share price upside. Key points regarding this thesis are outlined below:

- Metallurgical coal prices remain >250% higher than the December 2020 lows on recovering European demand and trade disruptions caused by China’s import ban on Australian coal, offering strong operating margins for the sector.
- Higher prices are resulting in increased contracting activity together with the restarting of a number of mines under care and maintenance.
- The Gregory Crinum Mine Operation contract announced in May 2021 is an example, offering a seven-year term and ~\$100m in annual revenues at better-than-group EBITDA margins, beginning June 2023.
- QCoal (Cook Colliery) is another recently signed with a four-year contract and two-year option promising ~\$80m per annum in annual revenues, beginning January 2023. Importantly this contract is cost reimbursement plus an undisclosed profit share arrangement.
- The recent acquisition of PYBAR provides MYE exposure to the underground metalliferous sector, diversifying away from metallurgical coal, while utilising MYE’s ASX listing and balance sheet for potentially larger contracts, with the recently awarded Maxwell Drifts contract an example.
- Finally, we see a re-rating potential for the greater small-to-mid-cap mining services sector, and our analysis suggests MYE deserves a multiple at the top-end of the peer group if they can deliver FY23/FY24 guidance. Our selected peer group has delivered CAGR 31% revenues growth and CAGR 15% EBIT growth between FY20 and FY22 while reducing debt/EBITDA metrics. Capex to depreciation spiked in FY22 promising further growth into FY23 as related contracts are executed.

Exhibit 8: Financial Year Financial Summary

Metarock Group (MYE.ASX)						Share price (12 September 2022)						A\$	0.380				
Profit and Loss (A\$m)						Interim (A\$m)						H121A	H221A	H122A	H222A	H123F	H223F
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue	110.9	122.2	178.4	274.3	277.0	338.0					
Revenue	292.7	233.1	452.7	615.0	718.4	EBITDA	9.8	12.5	15.2	23.4	22.8	30.2					
Other Income	1.3	0.8	3.2	0.0	0.0	EBIT	3.8	6.3	4.2	5.9	2.9	8.8					
Operating Costs	262.7	210.0	410.9	562.0	633.5	NPATA (normalised)	2.3	3.9	2.1	4.8	(0.0)	4.6					
Underlying EBITDA	28.6	22.3	38.6	53.0	84.9	Abnormals	0.0	0.0	(6.8)	(8.4)	0.0	12.0					
Depn	(11.1)	(12.2)	(28.5)	(41.3)	(43.8)	NPAT (reported)	2.3	3.9	(5.8)	(6.7)	(2.5)	14.6					
Amort	0.0	0.0	(4.3)	(4.5)	(3.5)	EPS (normalised)	0.022	0.037	0.017	0.039	(0.000)	0.035					
EBIT	17.5	10.1	5.8	7.2	37.6	EPS (reported)	0.022	0.037	(0.047)	(0.055)	(0.019)	0.112					
Interest	(0.8)	(1.1)	(4.0)	(6.0)	(5.5)	Dividend (cps)	0.008	0.023	0.000	0.000	0.000	0.000					
Tax	(5.1)	(2.8)	0.9	(1.1)	(10.0)	Imputation	100%	100%	100%	100%	100%	100%					
NPAT	11.7	5.9	2.7	0.1	22.1	Operating cash flow	na	na	na	na	na	na					
Adjustments	0.0	0.4	4.3	4.5	3.5	Free Cash flow	na	na	na	na	na	na					
Adjusted NPATA	11.7	6.3	7.0	4.6	25.6	Divisionals	H121A	H221A	H122A	H222A	H123F	H223F					
Abnormals (net)	0.0	0.0	(15.2)	0.0	0.0	Contracting	110.9	122.2	125.0	142.0	137.0	148.0					
Statutory NPAT	11.7	5.9	(12.5)	0.1	22.1	Mine Operations	0	0	10.0	10.0	20.0	60.0					
Cash flow (A\$m)						Hard Rock (PYBAR)	-	-	43.4	122.3	120.0	130.0					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Total Revenue	110.9	122.2	178.4	274.3	277.0	338.0					
EBITDA (inc cash rent)	25.6	16.0	33.3	47.6	78.9	Operating Costs											
Interest	(0.8)	(1.1)	(4.0)	(6.0)	(5.5)	Contract Disbursements	14.2	16.3	34.9	66.5	65.9	80.4					
Tax	(5.5)	(3.0)	(2.3)	0.0	(6.7)	Personnel	83.0	89.3	123.3	174.1	177.3	216.3					
Working capital/other	9.7	1.2	(12.8)	16.5	(4.6)	Office	3.6	3.5	5.4	7.9	8.0	8.0					
Operating cash flow	29.1	13.2	14.2	58.1	62.0	Other	1.0	0.8	1.3	4.0	3.0	3.0					
Mtce capex	(6.0)	(6.0)	(17.0)	(28.0)	(28.0)	Other income	(1.2)	(0.7)	(0.1)	(1.7)	(1.5)	0.0					
Free cash flow	23.1	7.2	(2.8)	30.1	34.0	Total costs	100.6	109.1	164.8	250.7	252.7	307.8					
Growth capex	(2.3)	(1.3)	(23.4)	(22.0)	(1.1)	EBITDA	10.2	13.1	13.6	23.6	24.3	30.2					
(Acquisitions)/Disposals	(3.8)	0.0	(13.7)	0.0	0.0	EBITDA margin %	9.2%	10.7%	7.6%	8.6%	8.8%	8.9%					
Other	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns		FY20A	FY21A	FY22A	FY23F	FY24F					
Cash flow pre financing	17.0	5.9	(39.9)	8.1	32.9	EBITDA margin %		9.8%	9.6%	8.5%	8.6%	11.8%					
Equity	0.0	0.0	0.0	0.0	0.0	EBIT margin %		6.0%	4.3%	1.3%	1.2%	5.2%					
Debt	0.0	0.0	24.5	(20.0)	(12.0)	NPAT margin (pre significant items)		4.0%	2.7%	1.5%	0.7%	3.6%					
Net Dividends paid	(6.1)	(4.7)	(2.2)	0.0	(3.9)	Net Debt (Cash)	-	25.36	-24.18	78.78	56.47	38.85					
Net cash flow for year	10.9	1.2	(17.7)	(11.9)	17.0	Net debt/EBITDA (x)	(x)	-0.9 x	-1.1 x	2.0 x	1.1 x	0.5 x					
Balance sheet (A\$m)						ND/ND+Equity (%)	(%)	nm	nm	16.0%	13.3%	6.7%					
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	EBIT interest cover (x)	(x)	0.0x	0.1x	0.7x	0.8x	0.1x					
Cash	25.4	24.4	5.2	7.5	13.2	ROA		25.5%	7.6%	2.7%	2.4%	12.4%					
Accounts receivable	49.1	40.4	86.0	93.7	109.4	ROE		15.8%	7.8%	3.2%	0.1%	20.2%					
Inventory	6.3	6.4	21.1	26.9	31.4	ROIC		11.4%	2.4%	(19.0%)	0.1%	18.9%					
Other current assets	0.0	1.2	12.3	0.0	0.0	NTA (per share)		0.59	0.59	0.32	0.37	0.56					
Total current assets	80.7	72.4	124.7	128.1	154.0	Working capital		21.2	22.4	37.9	45.5	53.1					
PPE	22.4	22.9	110.7	106.7	100.6	WC/Sales (%)		7.2%	9.6%	8.4%	7.4%	7.4%					
Goodwill	12.2	12.3	44.1	39.6	36.1	Revenue growth		29.7%	(20.4%)	94.2%	35.9%	16.8%					
Right of use asset	14.5	14.0	19.6	19.6	19.9	EBIT growth pa		49.6%	(42.4%)	(42.7%)	24.4%	421.8%					
Deferred tax asset	7.9	7.5	0.0	0.0	0.0	Pricing		FY20A	FY21A	FY22A	FY23F	FY24F					
Other	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	105.4	107.0	123.0	130.7	130.7					
Total non current assets	57.0	56.8	174.5	166.0	156.3	Weighted Av Dil Shares	(m)	105.4	107.0	123.0	130.7	130.7					
Total Assets	137.7	129.2	299.2	294.1	310.3	EPS Reported	cps	0.111	0.055	(0.102)	0.001	0.169					
Accounts payable	34.1	24.4	69.2	75.1	87.7	EPS Normalised/Diluted	cps	0.111	0.058	0.057	0.035	0.196					
Short term debt	0.0	0.2	63.0	43.0	31.0	EPS growth (norm/dil)		48%	-47%	-3%	-38%	461%					
Provisions	1.6	1.0	0.0	0.0	0.0	DPS	cps	0.060	0.030	0.000	0.000	0.080					
Lease liabilities/other	14.9	18.5	45.1	49.7	43.6	DPS Growth		50%	-50%	-100%	n/a	n/a					
Total current liabilities	50.6	44.2	177.4	167.7	162.3	Dividend yield		15.8%	7.9%	0.0%	0.0%	21.1%					
Long term debt	0.0	0.0	21.0	21.0	21.0	Dividend imputation		100	100	100	100	100					
Other non current liabs	13.1	9.9	17.6	17.6	17.6	PE (x)		3.4	6.5	6.7	10.9	1.9					
Total long term liabilities	13.1	9.9	38.6	38.6	38.6	PE market		15.0	15.0	15.0	15.0	15.0					
Total Liabilities	63.8	54.0	216.0	206.3	200.9	Premium/(discount)		(77.1%)	(56.6%)	(55.2%)	(27.6%)	(87.1%)					
Net Assets	73.9	75.2	83.2	87.8	109.4	EVEBITDA		0.5	0.7	3.3	2.0	1.0					
Share capital	61.0	64.3	87.9	87.9	87.9	FCF/Share	cps	19.74	5.14	-22.54	4.67	23.29					
Reserves	(19.8)	(22.5)	(23.4)	(23.4)	(23.4)	Price/FCF share		1.92	7.40	-1.69	8.14	1.63					
Retained Earnings	32.2	33.4	18.7	23.3	45.0	Free Cash flow Yield		41.9%	11.1%	(55.8%)	52.6%	61.3%					
Minorities	0.5	0.0	0.0	0.0	0.0												
Total Shareholder funds	73.9	75.2	83.2	87.8	109.5												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Metarock Group Ltd and prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.