

01 June 2022

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## Decmil Group Ltd (DCG)

### Mining Services

#### BUY

**DCG A\$0.12 TARGET PRICE A\$0.24**

Decmil Group Limited, through its subsidiaries, provides design, civil engineering, and construction works for the oil and gas, resources, and infrastructure sectors in Australia. The company offers various civil works, such as large and small-scale brown field and green field projects in regional and remote areas, including industrial zones and port facilities; and basic and complex works.

#### Company Data

|                              |                     |
|------------------------------|---------------------|
| Number of shares             | 155.1               |
| Market Capitalisation (\$m)  | 17.8                |
| Free float (%)               | 98.0                |
| 12-month high/low            | \$0.515/\$0.096     |
| Average Daily Turnover (\$m) | 0.000058            |
| % S&P/ASX200                 | 0.001%              |
| DDM Ranking                  | 24                  |
| % All Ordinaries             | 0.001%              |
| GICS Industry Group          | Industrial Services |

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

| Year end June           | 2021A | 2022F | 2023F | 2024F |
|-------------------------|-------|-------|-------|-------|
| Revenue (\$M)           | 313.4 | 437.9 | 527.4 | 607.3 |
| EBITDA (\$M)            | 7.6   | -14.9 | 14.7  | 21.3  |
| Reported NPAT (\$M)     | -11.5 | -10.7 | 4.1   | 11.5  |
| Adjusted NPAT (\$M)     | -1.8  | -10.7 | 4.1   | 11.5  |
| Reported EPS (c)        | -8.9  | -15.8 | -0.6  | N/A   |
| Adjusted EPS (c - FD)   | 0.0   | -6.5  | 2.1   | 6.0   |
| Adjusted EPS growth (%) | N/A   | N/A   | N/A   | N/A   |
| Adjusted P/E (x)        | N/A   | N/A   | 5.5   | 1.9   |
| Dividend (c/sh)         | 0.0   | 0.0   | 0.3   | 2.1   |
| Gross yield (%)         | 0.0   | 0.0   | 3.1   | 25.5  |
| Net yield (%)           | 0.0   | 0.0   | 2.2   | 17.9  |
| ROIC (%)                | N/A   | N/A   | 3.0   | 8.6   |

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance



Source: FactSet, Barclay Pearce Capital

#### Disclaimer

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## FY22 EBITDA Guidance

On 24<sup>th</sup> February 2022, Decmil Group Ltd (DCG) announced updates to its order book and affirms FY22 EBITDA guidance with the following highlights:

#### Highlights:

- DCG wins three new contracts in Western Australia combined worth more than \$100m;
- The WA awards signify DCG's enhanced strategic progression into regional infrastructure and selective construction markets which are higher margin market segments of the broader construction sector;
- DCG also secures two new contracts in Victoria combined worth approximately \$37m;
- The Victorian awards highlight DCG's growing repeat revenue base with blue chip clients;
- Revenue and earnings from new contracts to be reflected in FY23 financial results; and
- FY22 EBITDA guidance retained, while FY22 revenue guidance revised, after Ryan Corner and Crookwell wind farm project commencements delayed into FY23.

#### Guidance:

- Revenue in FY22 is now expected to be in the range of \$400m to \$425m;
- DCG reiterates its FY22 EBITDA guidance of between (\$15m) and (\$10m);
- The vast majority of the revenue and earnings from the three contracts announced today will be reflected in DCG's FY23 financial results.

#### CEO comments:

DCG interim CEO, Vin Vassallo, said: "The South Hedland TAFE and Karratha Senior High School contracts follow our award earlier in the year to construct the new Port Hedland Community Centre, which illustrates the increasingly strong track record we are building in the construction of non-process infrastructure for the local Pilbara community. Our contract to deliver an apartment complex for highly-regarded property developer Stirling Capital has followed a lengthy Early Contractor Involvement (ECI) relationship and provides a prudent and strategic opportunity in the specialised luxury apartment construction market that also provides robust margin opportunities while utilising the construction skills that Decmil possesses. Additionally, our relationship with the Victorian Government is going from strength to strength and the works we have secured in the state stem from our inclusion in contractor panels, which is conducive to sustainable long-term growth."

## Earnings changes

DCG gave FY22 EBITDA guidance in the range of (\$15m) - (\$10m), which is in line with the market expectation of (\$14.9m). Hence, we do not expect any earnings revision for FY22 and for future periods.

## Valuation

We are initiating coverage on DCG with a 12-month target price of \$0.24 and with a BUY recommendation. The price target is underpinned by our valuation.

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**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

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### Barclay Pearce Capital Recommendation Proportions

|              |       |   |
|--------------|-------|---|
| Buy          | 37.9% | 0.0% of stocks with recommendations are Barclay Pearce clients) |
| Hold         | 22.8% | 0.0% of stocks with recommendations are Barclay Pearce clients) |
| Underperform | 39.4% | 0.0% of stocks with recommendations are Barclay Pearce clients) |