09 June 2022

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Johns Lyng Group Ltd (JLG)

Industrials

UNDERPERFORM

JLG A$5.740 **TARGET PRICE A$4.29**

Johns Lyng Group Ltd (JLG) provides building and restoration services. It operates through following segments: Insurance & Building Restoration Services, Commercial Building Services, Commercial Construction Services and Other. The company was founded in 1953 and is headquartered in Doncaster, Australia.

Company Data

Number of shares	259.2M
Market Capitalisation ($m)	1,469.6
Free float (%)	59.1
12-month high/low	$9.23/$4.17
Average Daily Turnover ($m)	7.45
% S&P/ASX200	0.070%
DDM Ranking	407
% All Ordinaries	0.060%
GICS Industry Group	Construction & Engineering

Source: FactSet, Barclay Pearce Capital

Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue ($M)	568.4	867.0	1,010.4	1,123.5
EBITDA ($M)	52.6	83.0	106.1	119.5
Reported NPAT ($M)	27.5	38.9	55.5	63.6
Adjusted NPAT ($M)	29.7	38.0	51.1	58.8
Reported EPS (¢)	8.3	18.4	22.0	24.8
Adjusted EPS (¢ - FD)	9.2	14.8	19.2	22.3
Adjusted EPS growth (%)	25.5	60.7	29.6	16.1
Adjusted P/E (x)	61.4	38.2	29.5	25.4
Dividend (¢/sh)	5.0	6.6	9.1	10.5
Gross yield (%)	1.3	1.7	2.3	2.6
Net yield (%)	0.9	1.2	1.6	1.9
ROIC (%)	58.2	14.0	19.1	19.7

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

FY22 Earnings Upgrade

On 9th of June 2022, Johns Lyng Group (JLG) announced a revenue and EBITDA forecast upgrade for FY22, with the following highlights:

Highlights:

- Upgrade driven by ongoing strong demand for Group's core Business as Usual (BaU) services;
- An increase in Catastrophe (CAT) activity during FY22 primarily drive in Northern NSW and South-East Queensland as a result of the devastating floods that impacted those regions;
- Upgrades to EBITDA also includes mobilisation costs for the South-East Queensland and Northern NSW flood work;
- Group CEO Scott Didier advised that the group would provide further guidance in respect of FY23 on release of final FY22 results in late August; and
- Further guidance would include an update on the CAT work in hand which is still being quantified and continues to grow.

JLG CEO, Scott Didier, commented: "*This again emphasises that Johns Lyng continues to benefit from underlying long-term growth drivers with our business model delivering excellent returns to shareholders on a BaU basis. Additionally, our model has flexibility and infrastructure to assist communities dealing with CAT events. Johns Lyng is proud to partner with the residents of South-East Queensland and Northern NSW after the devastating weather events that have impacted those communities. CAT Related activity continues to boost our returns to shareholders, with an increasing frequency of major weather events. We are very busy assessing the impact of the recent extreme weather events in our business which is expected to be materially positive and multi-year in tenure*.

Earnings Guidance:

- Forecast revenue has been upgraded by $64.6m to $867.0m, representing an 8.0% increase on earlier guidance of $802.4m provided in February 2022 and 9.2% increase excluding Reconstruction Experts;
- This represents revenue growth of 52.5% year on year from FY21;
- Forecast EBITDA has been upgraded by $4.3m to $83.0m, representing an 8.0% increase on earlier guidance of $78.7m provided in February 2022 and 6.4% increase, excluding Reconstruction Experts; and
- This represents EBITDA growth of 57.8% year on year from FY21;

Earnings changes

JLG has updated its expected EBITDA for FY22 to be $83.0 million. This compares to market expectations of $82.6 million for FY22. Hence, we do not expect significant earnings revisions for FY22 or future periods.

Valuation

We are updating our target price from $4.56 to $4.29 and retaining an UNDERPERFORM 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.

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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)