SRG Global Ltd (SRG AU)
Construction & Engineering

Barrenjoey

Rating	Price Target	Price	Exp. total rtn	Market cap
Overweight	**A$3.30** From A$3.20	**A$2.79** 17/02/26 17:56	**21.1%**	**A$1,748m**

Thesis unchanged, maintain OW

6 min read 10 pages

The 1H26 print was a slight miss on Cons, however full-year guidance highlights improving momentum into 2H (stronger organic growth rate and TAMS performing well). In our view, the investment thesis is unchanged: SRG has successfully added scale and improved revenue quality over recent years. Combined with strong end markets, this sets SRG up well for the next couple of years (3-year EPS CAGR +10% p.a.), with potential upside from acquisitions (SRG has a good track record on acquisitions and should be net cash by end-FY26).

Key takeaways from the 1H26 result

Solid organic growth. 1H26 group revenue growth was +20%, which we estimate was driven by +9% organic revenue growth, the TAMS acquisition contribution from 1-Nov-25 and an extra two months from Diona. At EBITDA, we estimate 1H26 organic growth of ~4% driven by a flat E&C outcome and ~8% organic growth in M&I. We think full-year EBITDA guidance implies a stronger organic growth rate in 2H vs 1H.

FY26 guidance drivers. EBITDA guidance range updated to $164-168m from "at least $163m" provided at the time of the TAMS acquisition. We lift 2H EBITDA by ~5% largely driven by our TAMS assumptions and higher 2H skew in E&C. On a full-year basis, we move near the top end of the new range (B*e $167m, +2% vs old assumption). We think SRG has good earnings visibility (WIH sitting at $4.2bn) and note a history of meeting or beating guidance.

TAMS performing well. Delivered revenue of $33.6m and EBITDA of $6.1m in the first two months of ownership. Assuming no seasonality, the result implies FY26 pro-forma EBITDA of ~$36m vs the original target for $35m, though we assume a further pick-up in 2H (B* sitting at ~$40m pro-forma EBITDA). If the contingent consideration value proves to be correct, TAMS could deliver >$50m EBITDA in CY26 vs B*e $42m.

Balance sheet trending back to net cash. Deleveraging post the TAMS acquisition appears to be ahead of company expectations at the time of the acquisition. We forecast a return to net cash position by end-FY26. This continues to provide optionality for acquisitions, which remain part of the growth strategy (along with ongoing organic growth).

Remain Overweight

We are OW given: **1)** Increasing scale and diversification within the Australian professional services industry; **2)** Ongoing focus on recurring maintenance-style work (now ~80% of revenue classified as recurring); **3)** 3-year EPSA CAGR +10% p.a. (Feb-26 onwards); **4)** Valuation support. Looking across the mining-exposed peers, we think MND is now the best comparable company. We acknowledge SRG (nor any other mining-exposed peer) does not have as long a track record of consistent performance throughout the resources cycle. However, we think SRG screens well on its high level of recurring revenue, low capital intensity, strong balance sheet, and growth outlook. Our Price Target of $3.30 implies an FY27 PE ratio of ~17.5x vs MND on ~27x FY27 Cons, giving us confidence in our PT; **5)** Potential for further EPS accretive acquisitions over the medium term.

Earnings & valuation changes

EPSA changes are -1% in FY26 and +1% in FY27 and FY28. The small positive revisions are driven by higher assumptions from the M&I segment partly driven by the TAMS acquisition. Our PT increases to $3.30 from $3.20 driven by valuation roll-forward and small positive earnings revisions.

Forecasts versus consensus

Y/E Jun (A$)	FY26E	FY27E	FY28E
EPSA	0.13	0.15	0.16
From	0.13	0.15	0.16
Change (%)	(1.2)	0.7	0.5
Consensus	0.13	0.15	0.16
B* vs cons (%)	(3.0)	(1.3)	0.8

Source: BBG, FactSet, VA. B*e use underlying, diluted data unless otherwise stated


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Financials

Rating: **Overweight**
Price Target: **A$3.30**

Income Statement (A$m)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Sales	1,069	1,323	1,649	1,849	1,974
Operating revenue	1,069	1,323	1,649	1,849	1,974
Operating expenses	(974)	(1,198)	(1,484)	(1,658)	(1,769)
Gross profit	1,069	1,323	1,649	1,849	1,974
EBITDA	99	127	167	193	206
D&A	(40)	(46)	(52)	(57)	(61)
EBIT	59	81	115	136	146
Net interest	(7)	(8)	(10)	(10)	(8)
PBT	52	72	105	126	137
Income tax	(16)	(21)	(32)	(38)	(41)
Recurring NPAT	35	52	72	88	96
Recurring NPATA	40	61	82	98	106
Reported NPAT	(7)	41	72	88	96

Balance Sheet (A$m)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Cash & equivalents	73	112	145	154	190
Current assets	318	392	564	623	703
Non current assets	323	463	577	565	553
Total assets	640	855	1,141	1,188	1,256
Current liabilities	264	367	517	556	592
Non current liabilities	72	96	160	130	120
Total liabilities	335	463	677	685	712
Common equity	305	392	464	502	544
Total equity	305	392	464	502	544
Borrowings	88	128	172	142	132
Net debt (Incl. leases)	14	16	27	(11)	(58)
Invested capital	319	409	491	491	486

Cash Flow (A$m)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Gross operating cash flow	99	127	167	193	206
Net operating cash flow	94	95	110	133	150
Maintenance capex	(26)	(27)	(29)	(37)	(40)
Total capex	(27)	(28)	(30)	(38)	(41)
Net acquisition / disposals	2	(91)	(51)	(6)	(8)
Net investing cash flow	(25)	(219)	(127)	(50)	(57)
Lease payment	–	–	(5)	(10)	(10)
Net financing cash flow	(43)	64	(1)	(80)	(65)
Free cash flow	68	67	81	96	110

Per Share (A$)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Adjusted EPS (Dil.)	0.07	0.09	0.11	0.14	0.15
Adjusted EPSA (Dil.)	0.08	0.10	0.13	0.15	0.16
DPS (Ordinary)	0.06	0.06	0.07	0.09	0.09
FCF per share	0.13	0.11	0.13	0.15	0.17
NTA per share	0.26	0.17	0.13	0.21	0.30

Valuation	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Price to EPS (Spot) (x)	41.5	32.7	24.6	20.6	19.0
Price to EPSA (Spot) (x)	36.6	27.7	21.8	18.6	17.2
Price to Book (Spot) (x)	4.77	4.29	3.77	3.48	3.21
Price to Sales (Spot) (x)	1.4	1.3	1.1	1.0	0.9
Dividend yield (Spot) (%)	2.2	2.0	2.5	3.0	3.3
EV/EBITDA (Spot) (x)	17.9	13.9	10.6	9.0	8.2
EV/EBIT (Spot) (x)	30.0	21.9	15.5	12.7	11.6
Payout ratio (%)	89.3	64.4	61.8	62.8	63.3
FCF yield (Spot) (%)	4.6	4.0	4.5	5.3	6.0

Profitability	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Revenue growth (%)	32.2	23.8	24.6	12.1	6.7
EPS growth (%)	9.0	27.1	32.5	19.5	8.6
EPSA growth (%)	14.7	32.2	27.1	16.8	8.4
DPS growth (%)	20.0	(8.3)	27.3	21.4	9.4
EBIT margin (%)	5.5	6.1	7.0	7.4	7.4
ROIC (%)	12.6	14.1	16.2	19.4	21.0
Recurring ROE (Avg. %)	11.9	14.8	16.9	18.3	18.4

Gearing	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Interest Cover (EBIT) (x)	8.2	9.8	11.3	13.8	17.4
Net debt to ND+E (%)	4.5	3.9	5.6	(2.3)	(11.9)
Net debt to Equity (%)	4.7	4.1	5.9	(2.2)	(10.6)
Net debt to EBITDA (x)	0.1	0.1	0.2	(0.1)	(0.3)
Average assets / Equity (x)	2.1	2.1	2.3	2.4	2.3

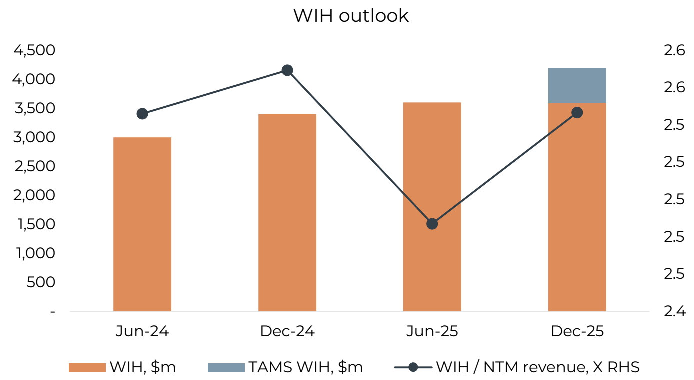
Revenue (A$m)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Maintenance & Industrial	661	867	1,156	1,322	1,414
Engineering & Construction	408	456	493	527	559
Corporate	–	–	–	–	–

EBITDA (A$m)	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Maintenance & Industrial	94	121	164	192	205
Engineering & Construction	29	36	39	42	44
Corporate	(25)	(30)	(36)	(40)	(43)

Source: Company data, Barrenjoey Research

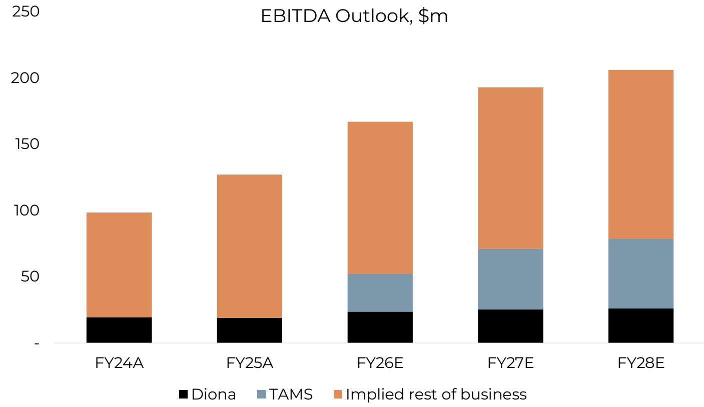
Key charts

Figure 1 - $4.2bn WIH profile, +24% YoY (ex TAMS $3.6bn, +6% YoY)



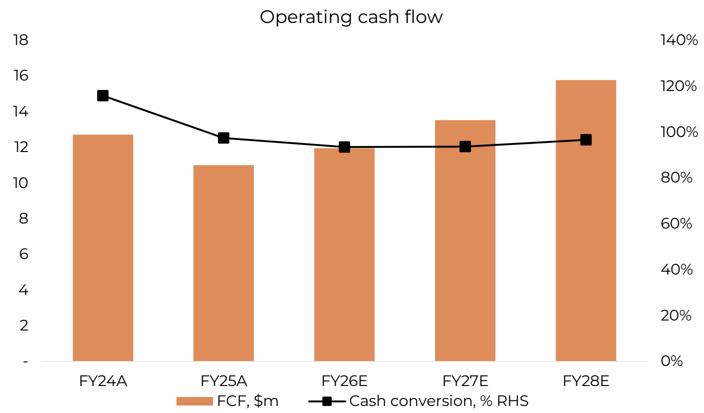
Source: Company data, Barrenjoey Research

Figure 2 - 18% EBITDA CAGR to FY28E



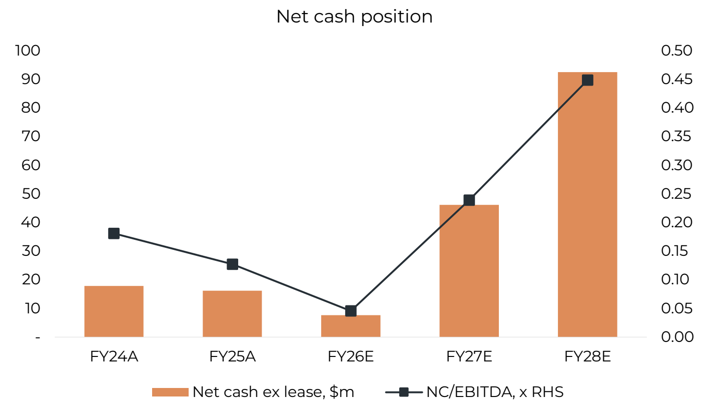
Source: Company data, Barrenjoey Research

Figure 3 - Operating cash flow remains strong



Source: Company data, Barrenjoey Research

Figure 4 - In net cash position across forecast period, with leverage <0.5x



Source: Company data, Barrenjoey Research

SRG vs. Peers

Figure 5 - Sector comparison for measurable financial and operational metrics

Mining exposed	EBITDA margin*	EBIT margin*	Maintenance % revenue	ND/EBITDA	EPS CAGR 3-year	Cash conversion	Capex % revenue	ROIC	Score	Rank
MAH	15.7%	6.6%	0%	0.4	6%	101%	9.9%	14%	28	6
MND	6.4%	4.4%	60%	-0.8	6%	116%	1.6%	21%	20	1
NWH	11.9%	6.1%	50%	0.4	3%	85%	5.1%	19%	27	5
PRN	17.7%	6.8%	0%	0.5	13%	115%	6.8%	9%	26	4
SRG	**9.4%**	**5.9%**	**80%**	**0.1**	**10%**	**92%**	**1.6%**	**14%**	**22**	**2**
TEA	14.7%	11.8%	80%	1.3	8%	71%	4.0%	20%	22	2
Average	**12.6%**	**6.9%**	**45%**	**0.3**	**8%**	**97%**	**5%**	**16%**		

Source: Barrenjoey Research, Visible Alpha, FactSet

Figure 6 - Sector comparison - EPS growth and valuation

Ticker	Market cap, A$m	EPS CAGR 3-year history	EPS CAGR 3-year forecast	EV/EBIT	PE NTM	PE STM	FCF yield	Div yield	ND/EBITDA
MAH	1,368	17%	6%	8.0	11.6	10.8	n.m.	3%	0.4
MND	2,971	16%	6%	18.3	27.4	26.4	4%	3%	-0.8
NWH	2,534	8%	3%	10.0	14.5	13.7	6%	4%	0.4
PRN	2,481	30%	13%	8.0	12.0	11.4	n.m.	3%	0.0
SRG	1,729	25%	10%	13.0	18.9	17.3	5%	2%	0.1
TEA	1,010	48%	8%	7.7	12.1	10.8	7%	4%	1.3
	2,677	**22%**	**7%**	**10.7**	**15.6**	**14.5**	**7%**	**3%**	**0.4**

Source: Company data, Barrenjoey Research, FactSet, Visible Alpha consensus for MND, NWH, MAH, PRN

Result summary

Segment drivers

- **M&I:** Demonstrated solid revenue growth +30% YoY. On our assumptions, growth excluding TAMS and Diona was +14%. TAMS achieved revenue of $34m and 18.2% EBITDA margin in the first two months of contribution, which management said was slightly ahead of business case. Acquisition integration continues to progress well, and the management team view the outlook for TAMS as very positive.

- **E&C:** Flatter half with revenue growth +3% and EBITDA steady YoY, mostly driven by spend being pushed into 2H for Government and data centres. SRG management noted that execution has been excellent for the business and repeat work continues to be won, with strong commercial frameworks across favourable sectors. Tanks and dam anchorage were called out as areas of strength.

Figure 7 - 1H26 B* vs. Consensus

A$m	1H25A	1H26A	B*e 1H26	Cons 1H26e	% vs pcp	% vs B*e	% vs Cons
Total Revenue	**620**	**744**	**737**	**737**	**20%**	**1%**	**1%**
EBITDA	**59**	**71**	**72**	**73**	**20%**	**-2%**	**-3%**
EBITDA margin	9.5%	9.5%	9.8%	10.0%			
D&A	-17	-18	-18	-19	5%	1%	-5%
EBITA	**42**	**53**	**55**	**55**	**26%**	**-3%**	**-3%**
EBITA margin	6.8%	7.2%	7.4%	7.4%			
Amort customer contracts	-6	-6	-6	-7	2%	2%	-8%
EBIT	36	47	49	48	30%	-3%	-2%
Net interest	-4	-5	-4	-4	15%	13%	11%
PTP	32	42	45	44	32%	-5%	-3%
Tax	-10	-13	-13	-14	34%	-3%	-5%
Implied Tax rate	30%	31%	30%	31%			
NPAT	**22**	**29**	**31**	**30**	**31%**	**-6%**	**-2%**
Amort customer contracts (AT)	4.2	4.3	4.2	5.0	2%	2%	-14%
Underlying NPATA	**27**	**34**	**35**	**35**	**27%**	**-5%**	**-4%**
EPSA basic	4.61	5.50	5.79	5.69	19%	-5%	-3%
DPS	2.50	3.00	3.00	2.89	20%	0%	4%
Payout	54%	55%	52%	51%			
Operating cash flow	52	44	55	47	-16%	-20%	-8%
Conversion*	88%	62%	75%	65%			
Capex	-12	-11	-15	-15	-11%	-26%	-25%
Net debt (ex lease)	-9	21	20	24	133%	7%	-11%
Work in hand	3,400	4,200	4,113	n/a	24%	n/a	n/a

Source: Company data, Barrenjoey Research, Visible Alpha

FY26 Outlook commentary

- **FY26 EBITDA and EBITA guidance updated.** SRG now expects FY26 EBITDA in the range of $164-168m (from at least $163m) and EBITA $126-130m (from at least $125m). Midpoint of new range implies Cons EBITDA +5% in 2H and +1% full year and Cons EBITA +6% in 2H and +2% full year. SRG has guided to a typical split being 45/55. Management expects TAMS to have similar seasonality to the rest of the business. EBITDA seasonality ex B*e assumptions for TAMS is 47/53.

- **$4.2b WIH and $11.5b Opportunity Pipeline.** The pipeline includes $3.0bn of opportunity related to TAMS (provided at time of acquisition).

- **Organic revenue and EBITDA growth** for year landing ~8%.

- **'Strong' outlook expected for TAMS.** Contingent consideration on balance sheet implies EBITDA of $52m, though the contingent consideration value could be adjusted throughout the course of this year.

Earnings changes

- Updated model for 1H result and full year moves higher with updated guidance range. We forecast FY26 EBITDA of $167m, near the top of the range for $164-168m.
- We are mroe positive on the outlook for the M&I segment, partly due to TAMS. This drives FY27 and FY28 forecasts higher.

Figure 8 - SRG - Earnings changes

A$m	FY26E	FY26 old	Chg %	FY27E	FY27 old	Chg %	FY28E	FY28 old	Chg %
Revenue	1,651	1,597	3%	1,851	1,793	3%	1,975	1,914	3%
EBITDA	**167**	**164**	**2%**	**193**	**188**	**3%**	**206**	**201**	**3%**
EBITDA margin	10.1%	10.3%		10.4%	10.5%		10.4%	10.5%	
Depreciation	-39	-38	1%	-43	-43	1%	-46	-46	1%
EBITA	**128**	**126**	**2%**	**150**	**145**	**3%**	**160**	**155**	**3%**
Amortisation	-14	-14	0%	-13	-13	0%	-14	-14	0%
EBIT	**115**	**112**	**2%**	**136**	**131**	**4%**	**146**	**141**	**3%**
Net interest	-10	-9	14%	-10	-9	7%	-8	-8	3%
Pre tax profit	105	103	1%	126	122	4%	137	133	3%
Tax	-32	-31	4%	-38	-37	4%	-41	-40	3%
Tax rate	31%	30%		30%	30%		30%	30%	
Underlying NPAT	**72**	**72**	**0%**	**88**	**85**	**4%**	**96**	**93**	**3%**
NPATA	82	82	0%	98	95	3%	106	103	3%
EPSA - basic, Acps	13.2	13.3	-1%	15.6	15.361	2%	16.9	16.677	2%
EPSA - diluted, Acps	12.6	12.8	-1%	15.0	14.9	1%	16.2	16.1	1%
DPS, Acps	7.0	7.0	0%	8.5	8.2	4%	9.3	8.9	5%
Payout	53%	53%		54%	53%		55%	53%	
Net debt / (cash) - ex lease	-8	-3	191%	-46	-38	21%	-93	-83	11%
Operating cash flow	110	113	-3%	133	127	5%	150	145	3%

Source: Barrenjoey Research

Financial Summary

Figure 9 - SRG Financial Summary

SRG Global (SRG)

Price Target, A$/sh **$3.30**

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Income statement A$m	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	1,069	1,323	1,649	1,849	1,974
Other income	3	2	2	2	2
Total revenue	1,073	1,326	1,651	1,851	1,975
Operating costs	-974	-1,198	-1,484	-1,658	-1,769
EBITDA	**99**	**127**	**167**	**193**	**206**
Depreciation	-40	-46	-52	-57	-61
EBITA	**66**	**94**	**128**	**150**	**160**
Amortisation of acq intangibles	-7	-13	-14	-13	-14
EBIT	**59**	**81**	**115**	**136**	**146**
Net interest	-7	-8	-10	-10	-8
PTP	52	72	105	126	137
Tax	-16	-21	-32	-38	-41
Tax rate	31%	29%	31%	30%	30%
NPAT	**35**	**52**	**72**	**88**	**96**
NPATA	**40**	**61**	**82**	**98**	**106**
EPSA - basic, Acps	7.7	10.3	13.2	15.6	16.9
DPS, Acps	6.0	5.5	7.0	8.5	9.3
Shares (basic), mn - end	521	604	627	627	627
Shares (dil), mn - end	526	624	654	654	654

Balance sheet A$m	FY24A	FY25A	FY26E	FY27E	FY28E
Cash	73	112	145	154	190
Receivables	121	139	199	234	262
Inventory	26	25	36	39	41
Other	97	116	183	197	209
Current assets	**318**	**392**	**564**	**623**	**703**
PPE	123	126	148	148	149
Intangibles	168	291	381	369	355
Right-of-use	31	31	33	33	33
Other	2	16	15	15	15
Total non-current Assets	**323**	**463**	**577**	**565**	**553**
Total Assets	**640**	**855**	**1,141**	**1,188**	**1,256**
Payables	144	192	249	268	286
Borrowings & lease	28	40	45	45	45
Provisions	52	88	94	104	113
Other	40	47	129	139	148
Current Liabilities	**264**	**367**	**517**	**556**	**592**
Provisions	12	8	33	33	33
Borrowings & lease	60	88	127	97	87
Other	0	0	0	0	0
Total non-current Liabilities	**72**	**96**	**160**	**130**	**120**
Total Liabilities	**335**	**463**	**677**	**685**	**712**
Contributed equity	267	331	369	369	369
Retained profits	29	48	80	119	160
Other	9	14	14	14	14
Total equity	**305**	**392**	**464**	**502**	**544**

Ratios	FY24A	FY25A	FY26E	FY27E	FY28E
EBITDA margin	9.2%	9.6%	10.1%	10.4%	10.4%
EBITA margin	6.1%	7.1%	7.8%	8.1%	8.1%
EBIT margin	5.5%	6.1%	7.0%	7.4%	7.4%
Revenue growth	32%	24%	25%	12%	7%
EBITDA growth	23%	29%	31%	16%	7%
NPAT growth	20%	46%	40%	22%	9%
EPS growth	15%	32%	26%	18%	8%
Net debt / (cash) - incl lease	14	16	27	-11	-58
Leverage (ND/EBITDA)	0.1	0.1	0.2	-0.1	-0.3
EV/EBITDA	4.0	5.9	9.5	8.9	8.1
EV/EBIT	6.7	9.4	13.9	12.6	11.5
PE - using diluted EPS	10.9	14.4	22.4	20.4	18.8
PE - using diluted EPSA	9.5	11.9	19.0	17.7	16.3
Dividend yield	8%	4%	3%	3%	3%
FCF yield	17%	9%	5%	5%	6%

Cash flows A$m	FY24A	FY25A	FY26E	FY27E	FY28E
EBITDA	99	127	167	193	206
Interest	-7	-8	-10	-10	-8
Tax & other	2	-24	-47	-50	-48
Operating cash flow	**94**	**95**	**110**	**133**	**150**
Capex	-27	-28	-30	-38	-41
Other investing	2	-91	-46	-6	-8
Investing cash flow	**-25**	**-120**	**-76**	**-44**	**-49**
Dividends	-21	-28	-37	-50	-55
Debt raised / repaid	-22	28	41	-20	0
Other financing	0	64	-5	-10	-10
Financing cash flow	**-43**	**64**	**-1**	**-80**	**-65**
Net change in cash	26	39	33	9	36
FCF ex acquisitions	66	66	80	95	109

Segments A$m	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue					
Maintenance & Industrial Services	661	867	1,156	1,322	1,414
Engineering & Construction	408	456	493	527	559
Group Revenue	**1,069**	**1,323**	**1,649**	**1,849**	**1,974**
EBITDA					
Maintenance & Industrial Services	94	121	164	192	205
Engineering & Construction	29	36	39	42	44
Corporate / other	-25	-30	-36	-40	-43
Group EBITDA	**99**	**127**	**167**	**193**	**206**
EBITDA margin					
Maintenance & Industrial Services	14.2%	14.0%	14.2%	14.5%	14.5%
Engineering & Construction	7.2%	7.9%	7.9%	7.9%	7.9%
Group EBITDA margin	**9.2%**	**9.6%**	**10.1%**	**10.4%**	**10.4%**

Source: Company data, Barrenjoey Research

Valuation and Risks

Valuation

- Our PT $3.30 is a 50/50 blend of our DCF and EV/EBIT multiple-based valuations.
  — DCF valuation of $3.10/sh. We discount cash flows from FY27E to FY36E, using WACC of 10% (from 9.6%), risk-free rate of 4.5% (from 4%, reflecting B* house view) and terminal growth rate of 2.8% (from 2.5%), driven by recent acquisitions and strong growth forecast.

  — EV/EBIT-based valuation of $3.45/sh. We apply a multiple of 15x (which assumes a re-rate towards peers) to our FY27 EBIT forecast.

Taking the average of these two components rolled forward to Jan-27 less dividends provides a Price Target of $3.30.

Our Price Target increases to $3.30 from $3.20 driven by valuation roll-forward and small positive revisions to earnings. Our DCF assumptions and EV/EBIT multiple are unchanged.

Risks to our Price Target

Upside

- **Value-accretive acquisitions:** Our base case does not factor in additional acquisitions (other than those announced to date). SRG has a good track record of growing EPS and delivering higher ROCE. Therefore, further acquisitions could be a positive for revenue and EPS.
- **Stronger commodity prices:** Higher commodity prices would help SRG customers generate higher returns, therefore putting upward pressure on volumes and demand for SRG services. This could lead to better pricing for SRG. The TAMS acquisition leverages SRG further to commodity cycles, with port infrastructure tied heavily to production volumes.
-
- **New contract wins:** Part of SRG's revenue is covered by long-term agreements. If SRG won a significant new piece of work, this could support higher-than-expected revenue (and therefore EBIT outcomes).
- **Cross-selling success:** SRG aims to generate some revenue synergies on the back of acquisitions by cross-selling services across the group. We capture growth in acquisitions, but acknowledge this could be higher or lower.

Downside

- **Contract losses:** There is a risk that material contracts are not renewed, renewed on less favourable terms, or cancelled.
- **Competition for resources:** SRG's biggest asset is its employees, so skilled labour shortages could result in fewer contracts or delays to contracts.
- **Competition impact on contract pricing:** Increased competition from competitors could lead to lower pricing, which would adversely impact margins, all else equal.
- **Acquisition integration issues:** SRG is highly acquisitive and has made a number of acquisitions in recent years. There are always integration risks with acquisitions, including the investment missing target returns.

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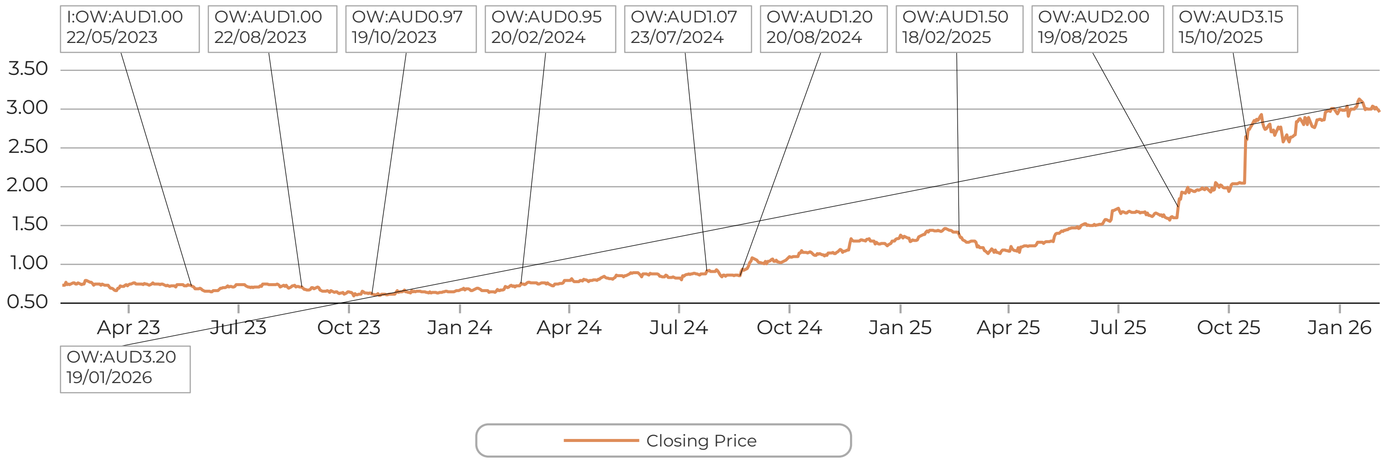

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			Corporate Finance services past 12 months	
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