

Mader Group Ltd

(MAD \$0.89) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Gavin Allen	March 2021	\$1.21/sh

Growth continues, outlook themes robust

Investment case

MAD has released first half 2021 numbers a little better than our expectations, delivering revenues of \$141.2m and EBITDA of \$16.3m (EH \$15.8m) and we have no reason to amend our previously forecast full year aspirations, looking for EBITDA of \$35.7m.

MAD has and continues to develop track record in providing a disruptive service into a large heavy equipment maintenance and shut down market. The offering is relatively capital light and growth is available both organically and strategically, off what is still, in many regions, a very low base. Buy maintained.

Key points

MAD has reported half year results broadly in line with our expectations as follows:

- Revenues were \$141.2m (EH \$143.2m) and underlying EBITDA was \$16.3m (EH \$15.8m)
- In general margins were a little better than we had forecast and 2Q EBITDA margin was 12.6% up from 10.5% the quarter before.
- A 1.5c fully franked interim dividend was declared.
- Operating cash (before tax) was \$12.7m, which subsequently paid tax, saw \$6.6m invested in growth investments and paid \$3m in final dividend such that net debt (exc leases) at period end was \$19.9m compared to \$18.5m at end June.
- Under the hood:
 - Australian revenues were up 6.4% on pcp and 12% on 2h 2020.
 - US revenues were up 166% on pcp and 22% on 2h 2020.
 - Rest of World (ROW) revenues were down 75% on pcp however up 157% in Q2 over Q1; recovering off a low base.
- Outlook themes are robust, with continuing growth looked for in Australia and North America and previously pandemic effected regions are positioned to return to previous growth rates (per commentary). In the meantime:
 - Australia has significant levels of unfilled customer demand.
 - Large addressable markets in the US and entry into Canada.
 - ROW has demand and MAD is targeting re-entry into these markets.
- We have no reason to amend full year ambitions or our 12 month PT of \$1.21.

Mader Group Ltd	Year End 30 June	
Share Price	0.89	A\$/sh
Price Target	1.21	A\$/sh
Valuation (DCF)	1.67	A\$/sh
WACC	8.9%	
Terminal Growth	3.0%	
Shares on issue	200	m
Market Capitalisation	178.0	A\$m
Enterprise Value	201.8	A\$m
Cash	5.7	A\$m
Debt (inc leases)	29.5	A\$m

Key Financials	2020a	2021f	2022f
Revenue (A\$m)	273.5	298.8	326.5
EBITDA (A\$m)	32.7	35.7	39.7
EBIT (A\$m)	26.0	28.3	32.2
Reported NPAT (A\$m)	17.5	18.6	21.3
Normalised NPAT (A\$m)	17.5	18.6	21.3

Gross Cashflow (A\$m)	24.6	25.6	28.5
Capex (A\$m)	-12.9	-14.2	-7.9
Op. Free Cashflow (A\$m)	7.0	13.3	20.3

Revenue Growth (%)	20%	9%	9%
EBITDA Growth (%)	29%	9%	11%
Norm. NPAT Growth (%)	6%	6%	7%

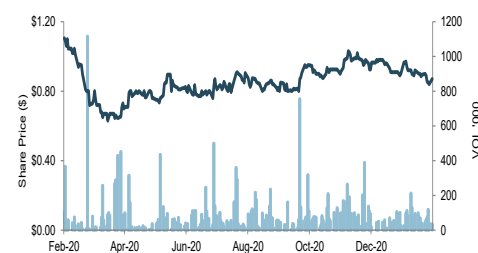
Normalised EPS (Ac)	8.75	9.29	10.66
Norm. EPS growth (%)	na	0.06	0.15
PER (x)	10.17	9.58	8.35
EV:EBITDA (x)	6.18	5.66	5.08
EV:EBIT (x)	7.75	7.13	6.27

DPS (Ac)	3.00	3.00	3.00
Dividend Yield (%)	0.03	0.03	0.03

Net Cash (A\$m)*	-21.05	-13.95	0.12
Net Debt:Equity (%)	-0.44	-0.23	0.00

*includes deferred consideration

Share Price Chart



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Financial Statements	2019a	2020a	2021f	2022f	Performance Ratios	2019a	2020a	2021f	2022f
Income Statement					Growth & Margins				
Revenue	228.6	273.5	298.8	326.5	Revenue Growth	46%	20%	9%	9%
COGS	-180.7	-218.8	-240.5	-264.5	EBITDA Growth	38%	29%	9%	11%
Gross Profit	47.9	54.7	58.3	62.0	EBIT Growth	39%	21%	9%	14%
OPEX	-22.6	-22.1	-22.6	-22.3	Normalized Net Profit Growth	34%	17%	6%	15%
EBITDA	25.3	32.7	35.7	39.7	EBITDA margin	11%	12%	12%	12%
Depreciation & amortisation	-3.8	-6.6	-7.4	-7.5	EBIT margin	9%	10%	9%	10%
Impairment	0.0	0.0	0.0	0.0	Normalized net profit margin	7%	6%	6%	7%
EBIT	21.5	26.0	28.3	32.2	Effective tax rate	27%	30%	30%	30%
Borrowing Costs	-1.5	-1.7	-1.7	-1.7	Liquidity				
Interest Income	0.0	0.0	0.0	0.0	Capex/depreciation (x)	4.6	1.9	1.9	1.0
FX	0.0	0.0	0.0	0.0	Current ratio (x)	1.4	1.7	1.7	1.9
Other income/(expense)	0.4	0.6	0.0	0.0	Quick ratio (x)	2.3	3.3	3.1	3.6
EBT	20.4	24.9	26.6	30.5	Receivable days	87	73	73	73
Tax expense	-5.5	-7.4	-8.0	-9.1	Payable days	45	29	33	33
Reported Earnings	14.9	17.5	18.6	21.3	Risk Measures				
Abnormal Expenses / (Incomes)	0.0	0.0	0.0	0.0	Dividend Cover (x)	na	2.9	3.1	3.6
Normalized Net Profit	14.9	17.5	18.6	21.3	Payout ratio (%)	0%	34%	32%	28%
Cash flow (A\$m)					Net interest cover (x)	14.4	15.0	16.3	18.6
Profit before Tax	20.4	24.9	26.6	30.5	Net debt/equity (%)	-35%	-44%	-23%	0%
(+) D&A	3.8	6.6	7.4	7.5	Returns				
(-) Lease Expense	20.4	24.9	26.6	30.5	ROIC(%)	25.5%	24.6%	22.8%	22.1%
(+/-) write-downs/revs	3.8	6.6	7.4	7.5	Return on assets (%)	17.0%	17.4%	15.4%	15.1%
(+/-) Other	0.0	-0.4	-0.4	-0.4	Return on average equity (%)	43.6%	36.4%	30.6%	28.0%
(-) Tax Paid	-2.8	-6.4	-8.0	-9.1	Share Data/Valuation				
Gross Cashflow	21.9	24.6	25.6	28.5	Share Data				
(-) Capital Expenditure	-17.6	-12.9	-14.2	-7.9	Issued shares (m)	0	200	200	200
(-) Change in WC	-6.0	-4.7	2.0	-0.3	Weighted ave shares (m)	0	100	200	200
Operating Free cashflow	-1.7	7.0	13.3	20.3	Fully diluted shares (m)	0	200	200	200
(+) Other	-9.2	0.0	0.0	0.0	Basic EPS (c)	na	8.8	9.3	10.7
(-) Dividends Paid	0.0	-4.3	-6.0	-6.0	YoY change (%)	na	na	6%	15%
(+) Equity issued	0.0	0.0	0.0	0.0	Fully diluted EPS (c)	na	8.8	9.3	10.7
Net Cashflow	-14.6	2.7	7.3	14.3	YoY change (%)	na	na	6%	15%
Bop Net Cash*	-6.5	-21.2	-21.0	-14.0	Fully diluted normalised EPS (c)	na	8.8	9.3	10.7
(+/-) Net Cashflow	-14.6	2.7	7.3	14.3	YoY change (%)	na	na	6%	15%
(-) AASB 16 Adjustment	-6.5	-21.2	-21.0	-14.0	Dividend/share (c)	na	3.0	3.0	3.0
EOp Net Cash (debt)	-21.2	-21.0	-14.0	0.1	Franking (%)	na	na	na	na
Balance Sheet (\$m)					Gross cashflow/share (c)	na	12.3	12.8	14.2
Cash	3.0	6.5	13.5	27.6	NBV/share (c)	na	24.1	30.4	38.0
Receivables	54.5	55.0	60.1	65.7	NTA/Share (c)	na	23.9	30.2	37.8
Other assets	1.4	1.8	1.8	1.8	Valuation				
Total Current Assets	58.9	63.3	75.5	95.2	PER (Basic) (x)	na	10.2	9.6	8.4
Property/plant/equipment	26.2	32.5	40.0	41.0	PER (Fully diluted) (x)	na	10.2	9.6	8.4
Other	0.4	0.4	0.4	0.4	PER (Fully diluted, normalized) (x)	na	10.2	9.6	8.4
DTA	1.9	1.8	1.8	1.8	P/CFPS (x)	na	7.2	7.0	6.3
Right of Use	0.0	2.6	2.6	2.6	Price/NBV (x)	na	3.7	2.9	2.3
Total Non-Current Assets	28.6	37.4	44.8	45.8	Price/NTA (x)	na	3.7	3.0	2.4
Total Assets	87.5	100.7	120.3	141.0	Dividend Yield (%)	na	3.4%	3%	3%
Payables	24.8	18.9	23.7	25.8	EV/EBITDA (x)	8.0	6.2	5.7	5.1
Provisions	0.7	1.9	1.9	1.9	EV/EBIT (x)	9.4	7.7	7.1	6.3
Interest Bearing liabilities	14.4	13.8	13.8	13.8	EV/Revenue (x)	0.9	0.7	0.7	0.6
Lease Liability	0.0	0.6	0.6	0.6	Company Description				
Current income tax liability	2.6	3.2	5.5	8.6	MAD is a leading, global equipment maintenacne provider dedicated to assisting clients achieving machine availability and productivity targets.				
Total Current Liabilities	42.5	38.4	45.4	50.7					
Deferred Tax Liability	0.5	1.1	1.1	1.1					
Lease Liabilities	0.0	2.0	2.0	2.0					
Provisions	0.4	0.0	0.0	0.0					
Borrowings	9.9	11.2	11.2	11.2					
Total Non-Current Liabilities	10.8	14.2	14.2	14.2					
Total Liabilities	53.3	52.6	59.6	65.0					
Net Assets	34.2	48.1	60.7	76.0					
Issued capital	0.0	0.0	0.0	0.0					
Reserves	-1.2	-0.4	-0.4	-0.4					
Retained profits	35.3	48.5	61.1	76.5					
Total Equity	34.2	48.1	60.7	76.0					

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