

## Restructured and poised to deliver

SSH Group (ASX:SSH) is a labour and equipment hire business operating predominantly in Western Australia with a focus on the key growth sectors of construction, resources, and energy. SSH listed in September 2021, issuing 31.25m shares at \$0.20/share to raise \$6.25m, along with the issue of 20.5m shares to the vendors of a labour-hire group of companies, Site Services. In May 2022, SSH acquired equipment hire group KMH for \$15m or 3.9x FY21 EBITDA. This acquisition has since been complemented by the start-up of fleet hire business Tru-Fleet. In FY23, SSH delivered revenue of \$41.1m, adjusted EBITDA of \$4.2m (revenue/adj EBITDA: +10%), Gross Margin of 26%, and an adjusted NPAT loss of \$0.7m, including restructuring costs of \$0.84m. In FY24, the focus for the recruitment business is to grow following a period of restructure which was required following the, as-planned, natural completion of a large (~\$60m) workforce-management contract. The equipment hire business is focused on maximising sustainable free cash-flow, reducing debt to EBITDA, and optimising return on capital. FY24 is off to a good start with Q1 FY24 EBITDA of \$1.2m against the pcp of ~\$0.2m. A further \$5.3m in equipment has been purchased to satisfy new contracts, bringing total equipment value to \$28m, equal to net debt including equipment finance. Based on actual FY23 earnings SSH is trading at a premium relative to its peer group comprising BSA, EHL, MIL, MYE and MSV. The broad equipment hire/mining services sector is trading at a significant EV/EBITDA and PER discount to the All Ords, offering the prospect of a sector rerate.

### Business model

SSH operates two complementary divisions that rely on the efficient allocation of labour and equipment respectively, under contracts typically six-to-12 months in duration. The recruitment division comprises Bridge Resources and SSH Safety and relies on the sourcing and retention of labour that is hired out at cost-plus-a-margin over the contract period. The equipment division comprises KMH and Tru Fleet and relies on the utilisation of the company's >300-piece equipment fleet, valued at ~\$28m and predominantly funded by hire purchase from OEMs such as Toyota and Caterpillar for three-to-five-year terms at a fixed rate. The group services a range of industries including construction, resources, and energy. SSH's strategy is to maximise asset utilisation while balancing debt reduction with accretive acquisitions include new equipment.

### Looking to leverage off a restructured cost/asset base

FY23 saw significant restructuring in the recruitment division following the natural completion of a large contract, together with the business rebranding, investment in equipment, and a partnership with Aboriginal investment company Four Hills Group. The benefits are beginning to flow, with first quarter FY24 EBITDA of \$1.2m against \$0.2m in the pcp. A further \$5.3m has been invested in equipment to satisfy new contracts, promising increased returns at full utilisation. Commodity prices, the AUD, and production/exploration activity remain broadly supportive of the Australian energy and resources sectors, particularly in WA, and therefore the need for labour and equipment to service such activity.

### Peers a mix of human services and equipment hire

We look to other companies of similar market capitalisation that rely on the utilisation of people and/or company-owned equipment for SSH's peers. On the people side, we include BSA, Millennium Services, Ashley Services and larger cap PeopleIn Ltd; and on the equipment side we include Babylon Pump & Power, Aquirian, Metarock, Mitchell Services, and larger cap Emeco. Using FY23 actual adjusted earnings, the average EV/EBITDA multiple of this group is currently ~4.3x, a discount to the SSH FY23 multiple. The sector, as a whole, is trading at a significant EV/EBITDA and PER discount to the ASX All Ordinaries, offering the prospect of a sector rerate. It is important to note equipment hire companies have much higher debt/EBITDA than people-hire businesses, supported by equipment assets.

### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.*	NPAT rep.	EPS adj.* (c)	EPS rep. (c)	EV/EBITDA (x)
06/21a	70.5	8.2	1.5	0.97	0.82	0.055	0.047	3.4
06/22a	96.1	11.7	2.3	(0.49)	(2.59)	(0.010)	(0.051)	9.2
06/23a	41.2	10.9	4.2	(0.73)	(1.30)	(0.011)	(0.020)	7.3

Source: Company data; Refinitiv; \*EBITDA, NPAT and EPS adjusted for one-time, non-cash items and discontinued operations; ^At year-end prices

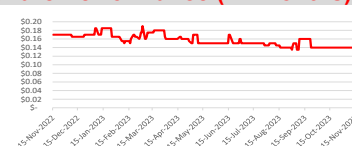
## Equipment Hire & Human Services

16 November 2023

### Share Details

ASX code	SSH
Share price (15-Nov)	\$0.16
Market capitalisation	\$10.5M
Shares on issue	65.9M
Gross cash at 30-Sep-23	\$1.46M
Net debt at 30-Sep-23	\$28.5M
Free float	~52%

### Share Performance (12 months)



### Upside Case

- Improved asset utilisation & margins
- Cross-sell opportunities
- EPS accretive acquisitions/purchases

### Downside Case

- Higher cost of debt
- Large contract culmination (although this helped improve margins significantly)
- Depressed sector multiples

### Catalysts

- New contract wins
- Broader sector rerate
- Further acquisition & investments in high-margin growth opportunities?

### Comparable Companies (Aust/NZ)

AQN, BPP, BSA, EHL, MIL, MSV, MYE, PPE

### Board and Management

Bruce Lane	Non-Executive Chair
Daniel Cowley-Cooper	MD and CEO
Stefan Finney	Executive Director
Anna Lane	Interim CFO
Sonu Cheema	Company Secretary

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# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

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**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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

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- deal on behalf of retail and wholesale clients in relation to
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