

10 in 10 – AusGroup (SGX Code: 5GJ)

10 Questions in 10 Minutes with SGX-listed companies



10 Questions for AusGroup

Company Overview

AusGroup is a leading integrated service solutions provider, with over 30 years of experience and operations across Australia and Southeast Asia. The Group has over 1,400 employees and eight strategically located facilities. The suite of services that AusGroup provides include specialist fabrication, mechanical & piping works, industrial insulation, painting and fireproofing, electrical and instrumentation, and access services, amongst others. [Link to StockFacts company page](#)

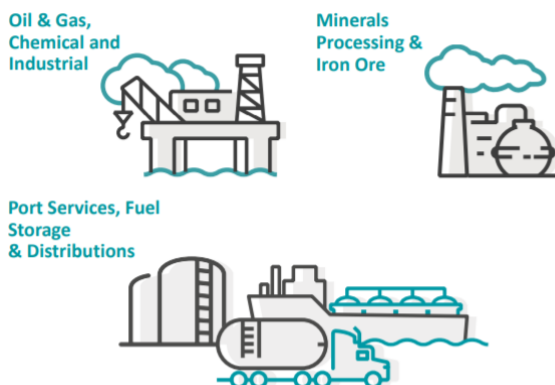
SGX Code: 5GJ	BBG: AUSG SP	RIC: AUSG.SI
Market cap on 29 Nov (\$m)	70.5	
Price on 29 Nov (S\$)	0.023	
52 wk high/low (S\$)	0.042 - 0.020	
12m ADTV (S\$)	547,463	
Shares Outstanding (m)	3,063	
Float	47.7%	
P/E (LTM)	69.5	
P/B (LTM)	1.9	
Dividend Yield	--	

Source: Bloomberg (29 Nov 2021)

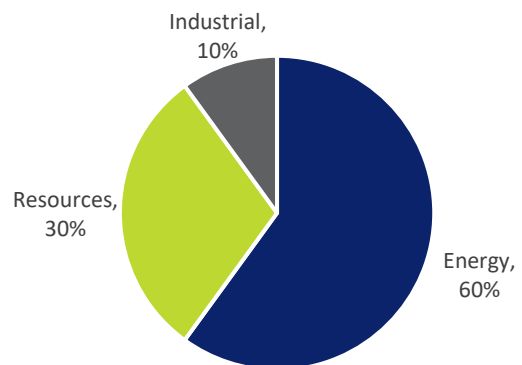
1. Please elaborate on AusGroup’s revenue segments and business model.

- AusGroup provides planning, maintenance and construction services across a number of sectors including Energy, Resources and Industrial. We also own and operate a port in Australia.
- Our clients include major energy and resources companies such as Chevron, Shell, Woodside, Rio Tinto, BHP, Fortescue Metals Group, Wesfarmers Chemicals, Energy & Fertilisers, Tianqi and Acciona.

AusGroup’s market sectors



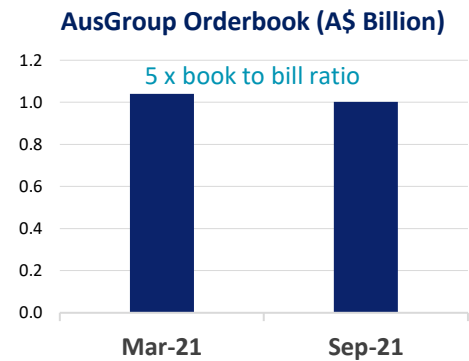
AusGroup’s latest revenue split by sectors



Source: AusGroup

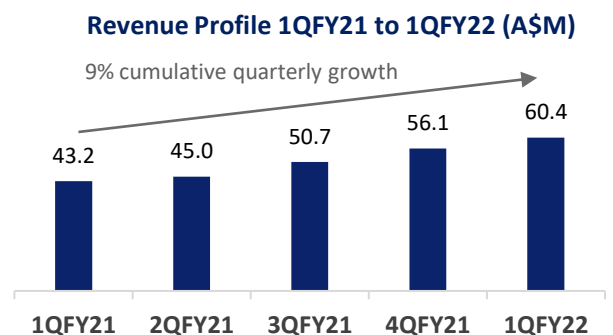
2. How has the Group’s order book grown over the years? How do you plan to sustain this growth going forward?

- The Group has had a significant increase in our order book in Mar 2021, when we announced a 10-year maintenance contract with Chevron. Our six years of delivering services to Chevron was critical in securing this contact win, which was longest maintenance master contract awarded to date in the Australian oil and gas market.
- Our order book reached above A\$1 billion in Mar 2021, which is the highest in our 30 years of operations and maintained close to A\$1 billion since then. It represents a healthy book-to-bill ratio of five times based on FY21 revenue.
- Going forward, we are focused on securing a mix of multi-year maintenance contracts and larger construction contracts to continually replenish the order book.
- We see potential organic growth in our order book arising from the work and contracts already completed from customers in the iron ore and lithium sectors.
 - **Iron ore market outlook** - Iron ore prices remained strong due to supply disruptions. Exports expected to grow from 874 million tonnes to 996 million tonnes between 2019 and 2025 from productions at large new Western Australian mines. (Source: [Office of the Chief Economist Australia](#))
 - **Lithium market outlook** - The lithium market is expected to triple in the next five years as the world embraces electric vehicles (EVs). Australia has 30% of the world's lithium resources, with the majority located in Western Australia. (Source: [Office of the Chief Economist Australia](#))



3. Recently, the Group secured A\$32 million worth of new contracts in resources and energy sectors, how will this affect the projected financials and capacity needed for operations?

- The Group has seen quarter-on-quarter revenue growth as the business returned to pre-COVID-19 levels. The quarterly revenue growth of 9% is shown in the chart on the right.
- We believe that the Group has the capacity to deliver the contracts and sustain our growth. However, there are challenges, particularly in the Western Australian region, brought about by competition for labour resources to meet these client’s demands.



4. Does the Group have active plans in place to expand geographical reach within Australia?

- Our operations span across Southeast Asia and Australia but is predominantly focused on Australia. Due to the growth in new resources projects, particularly in projects which focus on decarbonisation (e.g., lithium, hydrogen and nickel), we believe that the Group has significant opportunities to expand our revenue base and reach in Australia.
- Beyond Australia, we also signed a Memorandum of Understanding (MoU) in May 2021 with the wholly owned subsidiary of Singapore’s Jurong Engineering Limited (JEL) - JEL Maintenance (JML) - to jointly pursue maintenance contract opportunities in Singapore.

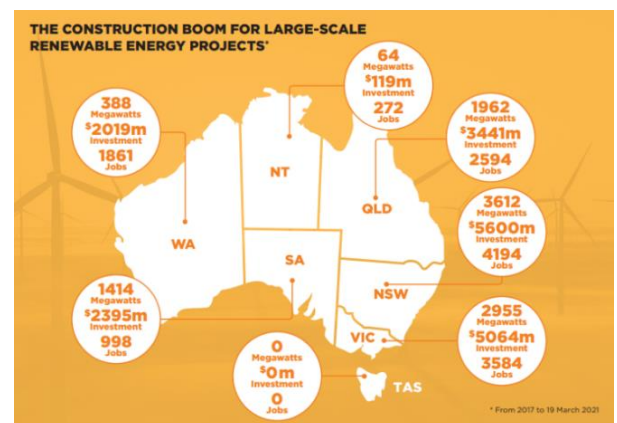
5. AusGroup diversified its services beyond just the oil and gas sector in recent years. What are some key focus areas? Are there plans to continue this diversification strategy?

- We have intentionally focused on building long term relationships with our clients. We see ourselves as partners to some of these clients as the Group is highly integrated into their operations.
- The sectors we service span across energy (e.g., liquefied natural gas (LNG)), resources (e.g., iron ore, gold, lithium, nickel, industrial salt), industrial (e.g., chemical producers) and renewables (e.g., waste-to-energy plants and hydrogen production). The services we provide are scalable and transferrable across these sectors, providing opportunities for diversification as new energy sectors grow.

6. What do you think are some key drivers or trends in the various sectors the Group service?

- There is a significant push for decarbonisation globally. The construction and maintenance services that AusGroup provides are critical in building and maintaining such decarbonisation projects in the coming decades. LNG continues to make up a large element of energy requirements and will remain a key driver for decades to come. AusGroup signed a 10-year maintenance contract with Chevron to maintain its onshore and offshore LNG production facilities in Mar 2021. These facilities have an expected lifespan of at least 40 to 50 years. These services are scalable and transferable to support new decarbonisation projects (e.g., lithium and hydrogen).
- The trend to electrify transport solutions is also a significant and structural growth that can provide opportunities for AusGroup. Australia is emerging as a leader in the lithium market which is the critical component for lithium batteries.

▪ **Renewable energy market outlook** - At the end of 2020, 76 large-scale wind and solar projects were under construction in Australia, representing more than 8 GW of new capacity and employing over 9,000 workers. A total of A\$19 billion is invested into large-scale renewable energy projects across Australia with A\$2 billion in Western Australia. (Source: [Clean Energy Council Australia](#))



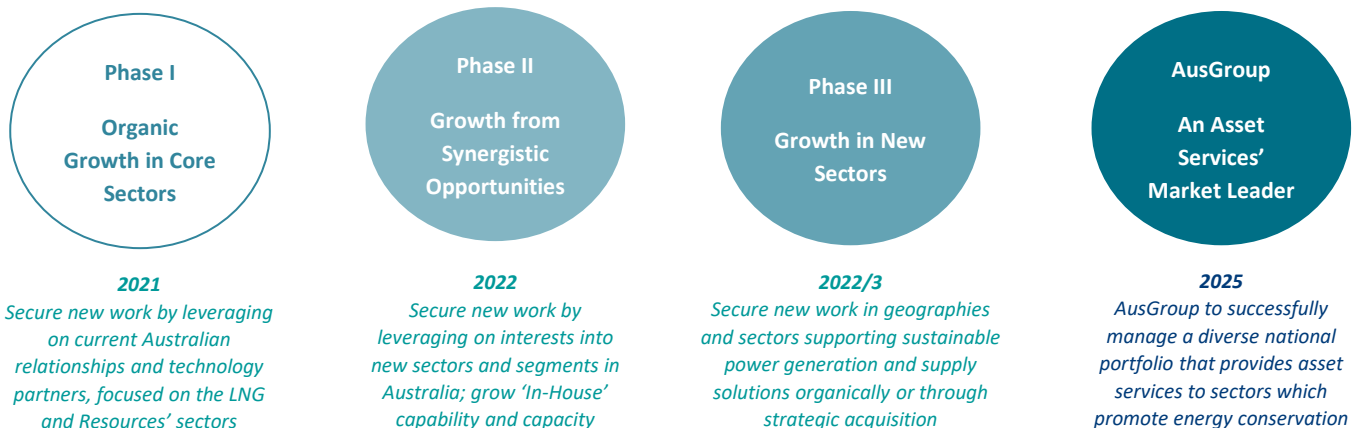
Renewable energy projects in Australia
(Source: CEC Clean Energy Council)

▪ **Waste-to-energy market outlook** - Global waste-to-energy market is expected to reach US\$41.7 billion by 2025 and will grow at a healthy growth rate of more than 5.1% over 2018 to 2025. AusGroup is currently working with Acciona on two waste-to-energy projects in Kwinana and Rockingham, Western Australia. (Source: [Industry Research](#))

7. What are the key focus areas for AusGroup in the next 3 to 5 years?

- AusGroup has implemented a phased approach for growth over the medium-term (3 to 5 years) which aligns with our current operating model and long-term strategic objective to diversify across sectors and regions.

AusGroup's Phased Growth Approach



8. How does the Group plan to expand your focus on the renewables and new energy markets? Any developments in this areas?

- The services we provide to our current customers are transferrable to clients in the renewable and new energy markets.
- We are constructing two waste-to-energy plants in Western Australia. We believe that with the expected growth trajectory in this sector with multiple plants planned for construction over the coming years, coupled with the Group's experience in constructing such facilities, AusGroup will be able to tap on these future opportunities.
- We have experience in constructing lithium infrastructure and maintaining lithium processing plants (lithium hydroxide plants). We believe that there is significant growth in the lithium market due to the electrification of transport solutions to meet decarbonisation targets.
- We are also in discussions to assess the viability of supporting the construction of a green hydrogen plant that would utilise the export capability of our port facility in Northern Australia.

9. Does the Group have an investment and divestment strategy? If so, could you elaborate?

- We will continue to look at both investment and divestment opportunities that provide commercial returns and expand our capability or capacity. This includes opportunities in different geographical regions.
- We are also increasingly focused on providing integrated technological solutions to help our clients manage their operations and drive efficiencies.

10. Why should investors take a closer look at AusGroup?

- The Group has a clear focus on delivering value to our clients safely.
- In addition, the partnership that we have with Chevron places AusGroup in a unique position to further leverage our technical knowledge built over the past six years to service other clients across other sectors. Our technical knowledge, technology systems and data driven efficiencies also places AusGroup in a strong position to utilise this knowledge to service other clients.
- Our healthy book-to-bill ratio of over five times is a strong indicator of AusGroup's position in the market.



10 in 10 – 10 Questions in 10 Minutes with SGX-listed companies

Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit www.ausgrouppltd.com
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Notes



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Singapore Exchange

2 Shenton Way
#02-02 SGX Centre 1
Singapore 068804
+65 6236 8888



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