BSA Limited (BSA) - Upgrade to Buy

Improved positioning in Wireless; Covid recovery expected in APS

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Recommendation	**Buy (High Risk)**
Risk Rating	**High**
12-mth Target Price (AUD)	**$0.33 (was $0.31)**
Share Price (AUD)	$0.275
12-mth Price Range	$0.23 - $0.435
Forecast 12-mth Capital Growth	20.0%
Forecast 12-mth Dividend Yield	4.0%
12-mth Total Shareholder Return	**24.0%**
Market cap ($m)	119.1
Net debt (net cash) ($m)(Jun 20)	(21.3)
Enterprise Value ($m)	97.9
Gearing (Net Debt/ Equity)	N/a – Net Cash
Shares on Issue (m)	433.2
Options / Perf rights on Issue (m)	2.4
Sector	Industrials
Average Daily Value Traded ($)	$61,000
ASX 300 Weight	n/a

Financial Forecasts & Valuation Metrics

Years ending June $m	**19(A)**	**20(A)**	**21(e)**	**22(e)**	**23(e)**
Sales revenue	469.8	490.4	514.2	535.2	532.8
Sales growth	10%	4%	5%	4%	0%
EBITDA	24.6	25.9	25.7	27.8	28.2
NPAT (reported)	0.2	-1.0	9.3	10.8	10.7
NPAT (adjusted)	12.8	9.9	9.9	10.8	10.7
EPS (adjusted)	3.0	2.3	2.3	2.5	2.5
EPS growth	23%	-23%	-1%	9%	-1%
DPS	0.5	1.0	1.1	1.2	1.2
OCF / share	4.3	7.2	1.7	5.4	5.2
P/E	9.2x	12.0x	12.1x	11.1x	11.2x
P / OCF	6.4x	3.8x	16.0x	5.1x	5.3x
EV / Sales	0.2x	0.2x	0.2x	0.2x	0.2x
EV / Ebitda	4.1x	4.1x	4.0x	3.4x	3.0x
Yield	1.8%	3.6%	4.0%	4.2%	4.4%
Franking	100.0%	100.0%	100.0%	100.0%	100.0%
Cash from Operations	18.3	31.3	7.5	23.5	22.8
Net cash (net debt)	16.3	21.3	11.5	21.2	30.4

BSA SHARE PRICE PERFORMANCE

Summary

BSA Limited (BSA) is a Sydney-based technical services contracting company operating nationally. 2 main segments:

Communications & Utility Infrastructure (nee BSA Connect) (68% of FY20 Ebitda) – Large field force of technicians /contractors serving the Telecommunications sector (NBN, Optus, Foxtel etc.).

Advanced Property Solutions (merger of BSA Maintain – Commercial building maintenance including fire, HVAC (heating, ventilation and air conditioning), electrical, plumbing and general; and **BSA Build/ Fire** – Technical design and construction of fire suppression and fire detection systems in commercial buildings and motorway tunnels. Project based.

What has changed?

- **Strategic acquisition of Catalyst One Pty Ltd** – for $2.0m cash and up to $3.5m 2-yr earn-out. This provides BSA with a strategic entry into the Wireless Telecomms segment to complement BSA's Fixed Line Telecomms services business.
- Further extension of NBN OMMA contract by 6 months to 30 June 2021, with an option for NBN to extend for a further 6 months to Dec 21. Possible new NBN work to be allocated.

FY20 Result ahead of our forecasts

BSA reported adjusted NPAT of $9.9m for FY20 (v $12.8m), down 23%. However, this was ahead of our $7.4m downgraded forecast.

Revenue was $490m (v $470m) up 4.4% and 2% ahead of our $483m forecast.

Ebitda was $25.9m (v $24.6m) +5.2%, 17% ahead of our forecast of $22.1m.

Abnormal / significant items of $2.1m ($2.9m pre-tax) and losses on Discontinued division $8.8m (HVAC Build) resulted in a Reported Net Loss of $1.0m (Our forecast $0.9m Loss).

EPS (adjusted) was 2.3 cents (-23%), ahead of our 1.7c est.

DPS was 1.0 cent fully franked (v 0.5c ff) signalling the Board's confidence in the company (43% pay-out rate).

Change in estimates

We have trimmed our FY21 EPS forecasts by 2%, but upgraded FY22 by 22%. We expect Communications & Utility revenue to be stable (new work to offset expected NBN decline). Further contract wins or acquisitions could provide upside. We expect a strong recovery from the Covid-19 impact on the APS maintenance division in 2H21 (particularly retail and tertiary education).

Recommendation & Opinion

Our revised 12-mth price target is $0.33 (was $0.31) due to the Catalyst ONE acquisition and improved prospects in Wireless / 5G. This includes a 10% "positioning premium" as BSA looks well placed to grow in large Telecomms and Property Maintenance sectors. We upgrade to BUY from Accumulate.

1. Small but strategic acquisition

On 8 October 2020 BSA announced the acquisition of Catalyst ONE Pty Ltd, its first acquisition in 8 years (since 2012). Catalyst provides BSA with a strategic entry point into the Wireless Telecommunications market which complements BSA's existing Fixed Line Telecommunications Services business. Further acquisitions are likely.

Key points:

- Acquisition price $2.0m cash up-front plus a maximum further $3.5m under a 2-year earn-out based on the achievement of agreed Ebitda targets.
- Deferred consideration will be paid as 75% cash and 25% equity.
- Acquisition expected to be EPS accretive in the first 12 months. We estimate revenue at around $11m (0.5x EV/ Sales assuming the max consideration) and Ebitda at around $0.9-1.1m (we assume an 8-10% ebitda margin).
- Managing Director and founder Anthony Osment will stay on and continue in his current role of MD of Catalyst One.
- LinkedIn: https://www.linkedin.com/company/catalyst-o-n-e-pty-limited/
- Website: www.catalystone.com.au/
- Founded: March 2005 (15 yrs 7 months)
- Based St Leonards, Sydney; 49 employees on LinkedIn.
- Before joining Catalyst, MD had 7 years at Hutchison 3 as Project Manager and Deployment Manager, 8 months at Nokia Brazil as Deployment Manager and 1 year at Optus as Contracts Manager, Agility Networks Mobile Broadband start-up.

Description on LinkedIn

- Catalyst ONE is an ISO 9001, ISO 14001 and AS/NZS4801 Certified Company, as well as a NATA Accredited Laboratory to perform RF Modelling Services.

- Catalyst is one of the most highly regarded project management consultancies working in the mobile telecommunications industry. Focussed principally on the niche area of Mobile Network Infrastructure deployment, but with a number of complementary industry areas also covered, the company uses the Quality and Governance based constructs of the Project Management discipline.

Projects

BAI Communications
Town Planning

Superloop (BigAir)
Design Services
Town Planning

Cisco
Property Acquisition
Town Planning

Ericsson Australia
Project and Site Acquisition Management

Telstra Corporation
Project Management Services

Hutchison Telecommunications (Australia) Limited
CDMA 1X Site Deployment
2G 'Orange' Transmission Separation sub-Project
2G Network Site Termination / Decommissioning Project

Nokia
Design Services
Property Acquisition
RF Compliance Management
Town Planning

Singtel Optus
Environmental Planning Services
Site Design Services
Property and Leasing Negotiation

Hutchison 3G Australia Pty Ltd
WCDMA 2100MHz 3G Network Deployment
Design & Construction Management
Product Service Centres
Retail Store Property and Lease Management

TPG Telecom
Structural, Electrical & Civil Design Services
Town Planning

Visionstream Pty Ltd
Project Personnel Recruitment/Selection

Vividwireless & Unwired
National Project Management Services
Civil Site and Transmission Design
Facility Re-arrangement & Decommissioning Services
Property Acquisition
Town Planning

Vertel
Town Planning
Construction and Installation Services
Transmission Link Installation

Vodafone
Project Management Services
Town Planning

Source: Catalyst One website

2. NBN Contract Extension

On 15 October, BSA announced a further extension of its NBN OMMA contract (Operate and Maintain Master Agreement) which was due to expire December 2020, for a further 6 months to June 2021. There is a further option for NBN to extend for a further 6 months to December 2021. The extension will be on similar commercial terms to the existing contract.

BSA will continue to provide NBN with a range of activation and assurance services for the following:

- Fibre to the Premise (FTTP)
- Fibre to the Node (FTTN)
- Fibre to the Basement (FTTB)
- Fibre to the Curb (FTTC)
- and Hybrid Fibre Coax (HFC) network infrastructure.

BSA said in the announcement "we look forward to working through NBN's procurement process to support a long-term agreement being secured beyond this current extension". We understand that management is hoping for a 3 year (or similar) long-term agreement to come out, providing more certainty than the current 6 month repeat extensions of the original 3-year contract.

We also understand that a separate NBN contract for a project called "Unify" is currently out to tender with contract awards imminent.

NBN Capital Expenditure Summary

The major NBN roll-out phase has been completed with 11.7m homes and business premises passed and ready to connect at June 2020. However only 7.3m (62.4%) of these have been connected / activated, and there are an estimated further 1m+ premises still to be passed, plus new houses and new business premises completions coming on every year. So we see new connection and activity work continue for another 3-5 years, but at a declining rate as saturation approaches. We estimate BSA's share of NBN at around $200m which is just 3.5% of NBN's capex ($5.038bn) and network costs ($641m) combined. This would be ~7% if we assume the NBN spend is 50/50 equipment and labour. NBN installations are quite labour intensive. BSA has exposure to all / most of the major technologies deployed by NBN.

And the recent Catalyst One acquisition provides exposure to the fixed wireless and mobile wireless sectors as well.

NBN Co - Capital Expenditure Summary Years ended June $m	FY16	FY17	FY18	FY19	FY20	FY20 Change	Our Comments
FTTP network (Fibre to the Premises)	1,078	431	350	395	479	21%	BSA - some
FTTN/B network (Fibre to the Node / Basement)	1,668	2,259	1,639	1,181	847	-28%	BSA - some
FTTC network (Fibre to rthe Curb)	-	93	827	1,428	1,491	4%	BSA main target segment - Yes
HFC network (Hybrid Fibre Coax)	412	1,260	1,306	1,540	974	-37%	BSA main target segment - Yes
Fixed Wireless network	354	317	353	443	456	3%	Catalyst One target segment - Yes
Satellite network	135	201	72	70	69	-1%	No
Transit network	288	527	451	207	156	-25%	No
Common capital expenditure	734	750	715	641	566	-12%	?
Total	**4,669**	**5,838**	**5,713**	**5,905**	**5,038**	**-15%**	
(Not part of NBN - 4G, 5G mobile networks)							Catalyst One target segment - Yes
YoY Changes							
FTTP network	-36%	-60%	-19%	13%	21%		
FTTN/B network	399%	35%	-27%	-28%	-28%		
FTTC network	n/a	n/a	789%	73%	4%		
HFC network	1014%	206%	4%	18%	-37%		
Fixed Wireless network	4%	-10%	11%	25%	3%		
Satellite network	-45%	49%	-64%	-3%	-1%		
Transit network	18%	83%	-14%	-54%	-25%		
Common capital expenditure	69%	2%	-5%	-10%	-12%		
Total	**40%**	**25%**	**-2%**	**3%**	**-15%**		

Source: NBN Co Annual Reports; Segments with negative growth highlighted in pink

Although the major capex cycle at NBN is now in decline (highlighted in pink above), NBN expenditure is still large, and expected to switch from installations/ connections towards maintenance (R&M presumably in NBN's Direct Costs below).

NBN Co - Key Operating Statistics	FY16	FY17	FY18	FY19	FY20	Change	Our Comments
Premises ready to connect (RTCs)	2.90	5.70	7.00	9.95	11.70	17.6%	Should continue but at slower rate
Activations	1.10	2.40	4.00	5.53	7.30	32.0%	Still ~ 4.4m premises (60%) to go
Premises ready to connect	37.9%	42.1%	57.1%	55.6%	**62.4%**		Still plenty to go to saturation
RTCs added in year (m)		2.80	1.30	2.95	1.75	-40.7%	Should continue but at slower rate
Activations added in year (m)		1.30	1.60	1.53	1.77	**15.7%**	Still ~ 4.4m premises (60%) to go
NBN Co - Financial Performance Summary Years ended June $m	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**	**FY20 Change**	**Our Comments**
Residential revenue				2,167	2,979	37.5%	
Business revenue				476	666	40.0%	
Other revenue	18	79	160	182	192	5.5%	
Total Revenue	**421**	**1,001**	**1,978**	**2,825**	**3,837**	**35.8%**	
Direct network costs	(407)	(537)	(691)	(746)	(641)	-14.1%	BSA participates here
Employee costs	(601)	(751)	(787)	(867)	(877)	1.2%	
Other operating costs	(403)	(539)	(603)	(604)	(553)	-8.4%	
Operating expenses	**(1,411)**	**(1,827)**	**(2,081)**	**(2,217)**	**(2,071)**	**-6.6%**	
EBITDA before subscriber costs	**(990)**	**(826)**	**(103)**	**608**	**1,766**	**190.5%**	
Subscriber costs	(582)	(1,573)	(1,948)	(1,903)	(2,414)	26.9%	
EBITDA	**(1,572)**	**(2,399)**	**(2,051)**	**(1,295)**	**(648)**	**-50.0%**	
Ebitda margin %	**-373%**	**-240%**	**-104%**	**-46%**	**-17%**		
Depreciation & amortisation	(884)	(1,488)	(2,167)	(2,614)	(3,154)	20.7%	
EBIT	**(2,456)**	**(3,887)**	**(4,218)**	**(3,909)**	**(3,802)**	**-2.7%**	
Interest	(293)	(368)	(580)	(993)	(1,460)	47.0%	
Other	(1)	11	18	24	23		
Loss for the year	**(2,750)**	**(4,244)**	**(4,780)**	**(4,878)**	**(5,239)**	**7.4%**	
Financial Position							
Total assets	18,552	24,127	28,203	32,757	36,850	12.5%	
Contributed equity	20,275	27,465	29,500	29,500	29,500	0.0%	
Capital expenditure	**4,669**	**5,838**	**5,713**	**5,905**	**5,038**	**-14.7%**	**BSA participates here**

Source: NBN Annual Reports

3. Changes in Estimates

We have trimmed our FY21 EPS forecast by -1.4%, but upgraded FY22 EPS by 22% as follows:

Changes in Estimates Years ending June $m	FY20A	FY21e Old	FY21e New	FY21e Change	FY22e Old	FY22e New	FY22e Change
Sales revenue	**490.4**	**499.5**	**514.2**	**2.9%**	**487.6**	**535.2**	**9.8%**
Sales growth	4.4%	3.5%	4.8%	1.3%	-2.4%	4.1%	6.5%
EBITDA	**25.9**	**25.2**	**25.7**	**2.1%**	**23.2**	**27.8**	**19.7%**
Ebitda Margin %	5.3%	5.0%	5.0%	0.0%	4.8%	5.2%	0.4%
Depreciation & Amortisation	-10.4	-10.0	-11.0	10.0%	-10.0	-12.1	21.0%
EBIT	**15.5**	**15.2**	**14.7**	**-3.1%**	**13.2**	**15.7**	**18.8%**
Ebit Margin %	3.2%	3.0%	2.9%	-5.9%	2.7%	2.9%	8.2%
Interest expense	-1.8	-1.0	-1.0	0.0%	-0.7	-0.7	0.0%
Pre-Tax Profit (Loss)	**13.8**	**14.2**	**13.7**	**-3.3%**	**12.5**	**15.0**	**19.8%**
Abnormal items	-2.1						
Discontinued Operations	**-8.8**						
NPAT (reported including Abnormals)	-1.0	9.9	9.3	-6.6%	8.8	10.8	23.2%
NPAT (normalised)	**9.9**	**9.9**	**9.9**	**-0.6%**	**8.8**	**10.8**	**23.2%**
EPS (normalised)	**2.3**	**2.3**	**2.3**	**-1.4%**	**2.0**	**2.5**	**22.2%**
EPS growth %	-23%	35%	-1%	-36.2%	-12%	9%	21.1%
Cash Flow per share	**7.2**	**4.5**	**1.7**	**-61.9%**	**4.3**	**5.4**	**26.9%**
DPS	**1.0**	**1.1**	**1.10**	**0.0%**	**1.1**	**1.15**	**4.5%**
Payout rate (of normalised EPS)	43%	48%	49%	0.7%	54%	46%	-7.8%
Shares on issue (F/D; weighted average)	432.3	431.8	435.6	0.9%	431.8	435.6	0.9%
Balance Sheet:							
Net Cash (Net Debt)	21.3	13.5	11.5	-14.4%	17.3	21.2	22.4%

Key Assumptions

For the **Communications and Utility Infrastructure division**, there is a complex mixture of components. Overall, we are forecasting revenue to be little changed, as BSA looks to replace declining NBN work with either new NBN maintenance work (not in our forecast) and an entry into the Wireless / mobile infrastructure segment (including the Catalyst ONE acquisition). These assumptions are summarised in the following trends table.

BSA Limited (BSA) - Communications & Utility Infrastructure division Revenue Assumptions	FY20A	FY21e	FY22e	FY23e
1. NBN MIMA - New build (Completed 1H20)	Completed 1H20	Nil		
2. NBN OMMA - Connections & Maintanance	25.9% revenue growth as NBN raced to practical completion; Covid benefit.	Stable to 30/6/21	Assume renewed, but a 20% decline	20% annual decline
3. NBN - New work	None	Nothing assumed	Nothing assumed	Nothing assumed
4. Foxtel	22.4% decline reported	Revenue doubles, but at a lower margin	10% decline	10% decline
5. Optus & other small Telcos	Optus -10%	10% growth	10% growth	10% growth
6. Wireless - new segment (Fixed, 3G, 4G, 5G)	No work in this segment	Assume $5m new work	Assume $20m	Assume $35m
7. Catalyst ONE acquisition (from late October 2020)	N/a	$7m (8 months)	$13m (20% growth)	$17m (20% growth)
Utilities:				
8. Smart Metereing / connected buildings	51% increase to $7.6m	20% growth	20% growth	20% growth
Total Segment Revenue	**8.5% growth achieved**	**2% growth**	**2% decline**	**Stable**

Source: Sequoia forecasts

- For NBN OMMA, the largest item, we expect a stable revenue / volume for FY21 as NBN finishes off a an estimated 1m further connections to premises, and activation rates continue strongly boosted by Covid / stay-at-home/ work-from-home (62% connected at 30/6/20). However, we expect a 20% annual decline in FY22 and FY23 as the major installation phase winds down.
- We expect that BSA will offset this decline with the Catalyst ONE acquisition (~$11m revenue in a full year), and new growth in 5G work (including 3G removal work), and near-doubling of Foxtel turnover (BSA now has 100%, was 50%).
- We also expect 20% pa growth in Smart meters / connected buildings area (51% growth in FY20).
- For the **Advanced Property Solutions (APS) division**, we forecast continuing Covid impact in 1H20 (similar to 2H20), before a strong recovery in 2H21 (mainly in the former BSA: Maintain business – E.g. In the retail and education sectors, and employees gradually returning to work. There could even be a surge in back-log maintenance work deferred, de-prioritised, or not able to be done during the Covid period.
- **Central costs** – We allow for a 6% increase in each of FY21 and FY22.
- **Cash flow**: We assume the $14.3m ATO Covid deferral of payroll tax and BAS payments is reversed in 1H21 and FY21 (BSA has confirmed it returned to normal payments and dealt with the deferred amount from July).

4. FY20 Results Review

We review BSA's FY20 results below.

BSA - FY20 Results Review **Years ended June $m**	**1H19**	**2H19**	**FY19**	**1H20**	**2H20**	**FY20**	**Change**	**Our Est. FY20**	**Comments**
Revenue									
Comms & Utility Infra (nee Connect)	117.7	133.8	251.5	150.8	122.1	272.9	8.5%	288.1	Record revenue; Completion of NBN MIMA contract in 1H; 51% growth in smart metering;
Advanced Property Solutions (Fire Build)	31.1	34.9	66.0	48.5	45.7	94.2	42.7%	91.2	Several large projects completed incl NorthConnex tunnel in Sydney & Grafton prison
Advanced Property Solutions (Maintain)	49.7	102.6	152.3	59.6	63.7	123.3	-19.0%	103.2	COVID impact in Q4, mainly in Tertiary education & retail segments
Corporate & Other	0.0	(0.0)	0.0	0.0	0.0	0.0		0.0	
Total Revenue	**198.5**	**271.3**	**469.8**	**258.9**	**231.5**	**490.4**	**4.4%**	**482.5**	Revenue now 80% recurring.
Revenue growth				30.4%	-14.6%	4.4%			COVID impact in Q4
Ebitda (normalised)									
Comms & Utility Infra (nee Connect)	8.6	12.1	20.7	11.7	9.4	21.0	1.7%	21.6	Creditable result despite COVID impact in Q4
Advanced Property Solutions (Fire Build)	2.3	3.0	5.3	3.9	3.6	7.5	41.2%	7.3	Creditable result incl completion of large projects
Advanced Property Solutions (Maintain)	1.8	2.4	4.2	0.9	0.2	1.1	-73.8%	1.0	Expansion costs in 1H20; Margin belted by COVID in 2H20
Corporate & Other	(2.0)	(3.6)	(5.6)	(3.7)	(0.1)	(3.7)	-33.0%	(7.8)	
Ebitda - Group	**10.8**	**13.8**	**24.6**	**12.8**	**13.1**	**25.9**	**5.2%**	**22.1**	
Ebitda growth				18.9%	-5.5%	5.2%			COVID impact in Q4
Ebitda Margins (normalised)									
Connect	7.3%	9.0%	8.2%	7.7%	7.7%	7.7%	-0.5%	7.5%	Creditable margin result; Some COVID inefficiencies
Build (Fire services only)	7.4%	8.6%	8.0%	8.1%	7.8%	7.9%	-0.1%	8.0%	Strong revenue growth and margin held up pretty well
Maintain	3.7%	2.3%	2.8%	1.5%	0.3%	0.9%	-1.9%	1.0%	Margin belted by COVID; less volume & less emergency call-outs
Corporate & Other			n/a			n/a		n/a	
Ebitda - Group	**5.4%**	**5.1%**	**5.2%**	**4.9%**	**5.6%**	**5.3%**	**0.0%**	**4.6%**	Improved margins in all divisions
Op. Revenue	**198.5**	**271.3**	**469.8**	**258.9**	**231.5**	**490.4**	**4.4%**	**482.5**	Good growth in retained businesses
Revenue growth	-32.1%	99.9%	9.8%	30.4%	-14.6%	4.4%	-5.4%	2.8%	NB 1H18 & 1H19 figures not restated yet for Discontinued. Also impacts 2H figures
Cost of Goods Sold	(146.9)	(210.5)	(357.4)	(197.4)	(170.6)	(367.9)	2.9%	(366.7)	
Gross Profit	**51.6**	**60.7**	**112.4**	**61.5**	**61.0**	**122.5**	**9.0%**	**115.8**	
Gross Profit Margin	26.0%	22.4%	23.9%	23.8%	26.3%	25.0%	1.1%	24.0%	GP margin improved
Other Income	0.1	(0.1)	0.0	0.2	(0.2)	0.0		0.2	
Cash Operating Expenses	(41.0)	(46.8)	(87.8)	(48.9)	(47.7)	(96.6)	10.1%	(98.7)	Costs up 10% as BSA expanded capability (Vs Revenue up 4.4%)
EBITDA	**10.8**	**13.8**	**24.6**	**12.8**	**13.1**	**25.9**	**5.1%**	**22.1**	Ebitda still recorded modest 5.1% growth for FY20
Ebitda Margin	5.4%	5.1%	5.2%	4.9%	5.6%	5.3%	0.0%	4.6%	Creditable that margin held, despite COVID impact on maintenance business
Depreciation & Amort	(3.1)	(3.1)	(6.2)	(5.1)	(5.2)	(10.4)	67.6%	(10.2)	D&A up $4.2m or 68% due to AASB16 accounting for Leases.
EBIT	**7.7**	**10.8**	**18.4**	**7.7**	**7.9**	**15.5**	**-15.8%**	**11.9**	
Ebit Margin	3.9%	4.0%	3.9%	3.0%	3.4%	3.2%	-0.8%	2.5%	EBIT margin skinny at 3.2%
Net Interest Income (Expense)	(0.3)	(0.5)	(0.8)	(0.7)	(1.1)	(1.8)	115.1%	(1.4)	Increase partly due to $524k imputed interest on leases under AASB16
Share of Assoc NPAT (NLoss)	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Pre-tax profit	**7.3**	**10.3**	**17.6**	**7.0**	**6.8**	**13.8**	**-21.9%**	**10.5**	
Income Tax Credit (Expense)	(2.3)	(2.5)	(4.8)	(2.3)	(1.5)	(3.8)	-20.4%	(3.2)	
Tax Rate	-30.8%	-24.6%	-27.2%	-33.2%	-21.9%	-27.7%	-0.5%	-30.0%	
Non-recurring items (NRIs)	-1.1	-1.0	-2.1	0.0	-2.1	-2.1	3.7%	0.0	Business re-org costs and legal costs on legacy issues
Discontinued	-1.4	-9.2	-10.6	-8.3	-0.5	-8.8	-17.3%	-8.3	HVAC Major Projects business now sold
NPAT (reported)	**2.7**	**-2.5**	**0.2**	**-3.6**	**2.6**	**-1.0**	-658.1%	**-0.9**	Not very meaningful
Adjustments	2.4	10.2	12.7	8.3	2.7	10.9		8.3	Exclude Discontinued business losses & NRIs
NPAT (adjusted)	**5.1**	**7.8**	**12.8**	**4.7**	**5.3**	**9.9**	**-22.5%**	**7.4**	**Adjusted NPAT down 23%**
NPAT margin	**2.6%**	**2.9%**	**2.7%**	**1.8%**	**2.3%**	**2.0%**	**-0.7%**		**NPAT margin skinny at just 2.0%**
EPS - Reported (cents)	0.6	-0.6	0.040	-0.8	0.6	-0.222	-653.4%	-0.20	
EPS - Normalised (cents)	**1.2**	**1.8**	**2.99**	**1.1**	**1.2**	**2.29**	**-23.5%**	**1.7**	**Adjusted EPS down 23%**
DPS (cents)	0.0	0.5	0.5	0.5	0.5	1.0	100.0%	1.0	**Dividend up 100% shows confidence by the Board**
Franking	n/a	100%	100%	100%	100%	100%		100%	BSA has $12.5m franking credit balance (2.9 cents per share)
Dividend payout rate (of adjusted EPS)	0.0%	27.8%	16.7%	46.3%	40.9%	43.5%	26.8%	58.6%	Dividend payout rate 43% (v 17%) of adjusted EPS
Cash Flow									
Cash from Operations - reported	3.1	15.3	18.3	5.5	25.8	31.3	70.5%	3.3	Includes $14.3m GST deferral for Covid. Cash from operations is 3x adjusted NPAT.
adjust FY20 for ATO Covid payment short-term deferrals			0.0			-14.3			
Adjusted Cash from Operations			18.3			17.0	-7.4%	3.3	Underlying cash flow was down 7%
Balance Sheet									
Net Cash (Net debt)	**6.5**		**16.3**	**3.4**		**21.3**	30.8%	**11.2**	Net cash $10m better than we expected due to $14.3m ATO payment deferrals
Net cash - adjusted for ATO deferrals						**7.0**		**11.2**	Adjusted cash was $4.2m below our forecast
Debtor days			46			43	-6.5%		Debtor days look very speedy
Creditor days			60			57	-5.4%		Creditor days OK. BSA appears to be paying creditors in reasonable time frame
Shareholders Funds	**38.6**		**35.9**	**31.3**		**32.3**	**-10.1%**	**33.5**	

Source: BSA accounts; Sequoia forecasts & adjustments

BSA's FY20 results were messy, with $2.1m of significant items ($2.9m before tax), $8.8m of "discontinued" losses and final costs on exiting the HVAC major projects business, and the adoption of AASB16 Accounting for leases for the first time. BSA also re-named the segments and merged the Build and Maintain segments into one.

We look forward to cleaner results in FY21.

Key Points

- Revenue per Segmental $490m (v $469.8m pcp, re-stated) +4.4%. This includes $4.3m JobKeeper wage subsidy (v nil). 1H20 revenue up 30%, but 2H20 revenue was down -14.6%.
- Ebitda $25.9m (v $24.6m) up $1.3m (+5.2%). However this included an estimated $3m benefit from AASB16 (lease rental payments now shown in depreciation and interest lines), so the performance was in fact a $2m decline. There was a strong

1H performance followed by a 5.5% decline in 2H as COVID impacted.

- Ebitda margins virtually flat overall at 5.3% (v 5.2%), but down to about 4.7% excluding the AASB16 leases benefit.
- Cash operating costs $96.6m (v $87.8m) up $8.8m (+10%). Up $3m more adding back the ASSB16 benefit. This reflected CPI increases generally, some extra Covid related costs, and continued investment in expanding capability e.g. New Head of APS division, extra BDMs, and new maintenance branches / depots in Qld, Tas and Newcastle. There was also an $8m spend on IT systems which is capitalised and will be amortised when complete.
- Depreciation expense up $4.2m (67%) mainly due to the adoption of AASB16 Accounting for leases.
- EBIT $15.5m (v $18.4m) was down -16%, with the decline all in the second half (Covid).
- Interest expense up 115% due to the inclusion of imputed interest on leases under AASB16.
- Pre-tax profit $13.8m (v $17.6m) down 22.5%.
- Non-recurring items / significant items $2.1 ($2.9m before tax) being legal and professional fees relating to legacy issues.
- $8.8m loss from Discontinued operations (Major HVAC project business now sold).
- Reported Net loss $1.0m (v Net Profit after tax $0.2m in pcp). This line is not a true reflection of the earnings power of the businesses.
- Adjusted NPAT of $9.9m (v $12.8m, down -22.5%).
- Adjusted EPS 2.3 cents (v 3.0 cents) down 23%.
- Dividend per share 1.0 cent fully franked (v 0.5 cents ff), +100% despite the decline in underlying earnings. This represented a pay-out rate of 43% of adjusted EPS. We believe this strongly shows the Board’s confidence in BSA’s outlook going forward.

Cash Flow

- Operating cash flow was huge at $31.3n (v $18.3m) +70.5% boosted by $14.3m of Tax deferrals. This was 3.0x adjusted NPAT and so not representative of a normal year.
- There was a working capital deficit of -$13.1m (v -$3.9m pcp), so creditors exceed debtors + inventories. This boosted cash flows by $9.2m in the year. It may swing the other way in future periods, and might not be sustainable.
- Capex was $10.4m (v $7.0m) including $8.0m on Software / IT systems for the new Salesforce.com “Lightning” system, and $2.4m on leasehold assets (presume new branches).
- Disposal proceeds were only $0.2m, being $4.6m proceeds offset by $4.4m of disposal costs. BSA said it was happy to be out of the HVAC major project business because of its volatile earnings profile, and declining margin trends. From what we have seen in previous years at BSA, we agree.

Balance Sheet

- Net cash was $21.3m (v $16.3m) up 31%. This was included a benefit of $14.3m from deferral of payroll tax and BAS GST payments under special COVID rules, so $7.0m on an underlying basis. Much closer to our forecast figure of $11m. We understand that BSA resumed normal payments and paid the deferral from July.
- Debtors $57.6m, all short-term. Debtor days 43 (v 46) look OK.
- Creditors $76.0m. Creditor days 57 (v 60) looks slow to us, but is lower than the

preceding 5-year average (although the business has been significantly re-positioned). Creditors are boosting cash generation of BSA slightly, helping fund the business.

- Inventories (including Contract assets) at just $5.3m are pretty immaterial. Looks OK. No big projects being carried.
- Working capital deficit -$13.1m (v -$3.9m) as Creditors exceeds Debtors + inventories.
- Shareholders funds was $32.3m (v $35.9m) down -$3.6m or -10% due to the reported loss of $1.0m, $4.3m of dividends provided and $1.5m of new equity from performance rights being exercised.
- BSA also has $12.5m of franking credits available (2.9 cents per share).

Segmental Results –

Communications & Utility Infrastructure (nee BAS Connect)

- Revenue up 8.5%, a record year.
- Completed work on the NBN MIMA agreement in 1H20 which resulted in an $8.6m reduction of revenue on the pcp.
- However work on the NBN OMMA agreement increased by $39.8m (+25.9%). We think this was partly due to NBN driving hard to achieve "practical completion by June 30 of 11.5m premises "ready to connect". Also that Covid would have driven increased NBN activation rates.
- Ebitda up 1.7%.
- Ebitda margin 7.7% (v 8.2%), the decline due to Covid inefficiencies.
- Covid – key contracts deemed as essential services. However minor productivity and cot impacts due to additional health & safety protocols. Minor delays in some work types due to client re-prioritisation and other restrictions.
- Client deferrals of tender processes / outcomes.
- Growth in Smart metering / connected building systems segment continued, with revenue +51% to $7.6m.
- Renewed Optus Consumer contract for a further 5 years.
- Foxtel revenue declined by 22.4% due to competition from other streaming services. BSA renewed the Foxtel contract for a further 3 years, securing 100% of the business (previously 50%) although we expect the margin will be lower going forward. This will transition to 100% over 1H21. Foxtel paid subscribers increased by 7% to 3.29m in the September quarter, so Covid seems to be helping reverse the long-term decline at least temporarily.
- 8/10/20 – Announced the acquisition of Catalyst ONE Pty Ltd, BSA's first acquisition in 8 years (since 2012). Catalyst provides BSA with a strategic entry point into the Wireless Telecommunications market which complements BSA's existing Fixed Line Telecommunications Services business. We note that Catalyst has previously done work with the following:
  ○ Major mobile equipment suppliers: Cisco, Ericsson and Nokia;
  ○ Telco network operators: Hutchison, Superloop / BigAir, Telstra, TPG Telecomms, Vivid Wireless / Unwired, Vertel and Vodafone;
  ○ Maintenance providers – Visionstream (now owned by Ventia / Cimic / Broadspectrum / Transfield Services).
- 15/10/20 – Announced extension of NBN OMMA contract from Dec 2020 to June 2021 with NBN having the option of a further 6 months to Dec 2021.

Outlook

- We expect another few strong years of NBN activations taking the connection rate to saturation of perhaps 80-90% of premises. With only an estimated 3.5% share of NBN spend currently, we see considerable scope for BSA's share to increase, even though NBN's spend will now decline having achieved "practical completion at June 2020 with 11.7 premises ready to connect.
- In contrast, we expect a significant increase in 5G spend by all the major telco operators including the new TPG / Vodafone merged company. BSA's acquisition

of Catalyst ONE was aimed at accelerating its presence in this area given the very strong capex outlook. BSA management also expect a fair bit of work will be required to remove old redundant 3G equipment from 10,000 plus mobile phone towers.

Advanced Property Solutions (nee BSA Fire: Build and BSA: Maintain)

- Revenue for the newly combined divisions was flat at $217.5m (v $218.3m). We presume this would include all/ most of the $4.3m of JobKeeper payments (so down -2.3% excluding that item). We regard this as a creditable performance given the impact of Covid.
- The old “Fire: Build” division revenue was up 43% to $94.2m (including completion of $28m Northconnex tunnel fire suppression system, over 2 years; also Grafton Prison – refer Table below).
- The old “BSA Maintain” division had revenue down -19% to $123.3m being significantly impacted by Covid. Revenue was up 20% in 1H20 but down -38% in 2H20. BSA was particularly impacted in the tertiary Education and Retail sectors because of site closures and lack of staff occupying buildings maintained by BSA.
- Ebitda for the newly combined division was $8.6m (v $9.5m) down -10%.
- Ebitda margin was 3.9% (v 4.2%) partly due to increased costs / investment in capability. E.g. New Executive General Manager recruited with deep industry experience.

BSA Limited (BSA) - FY20 Review **Advanced Property Solutions**	**State**	**Description**
Major completions in FY20		
NorthConnex tunnel, Sydney	NSW	New build - Fire suppression & HVAC mechanical systems
Grafton prison	NSW	New build - Fire suppression system
New constructions commenced		
WestConnex tunnel Sydney (new M4-M5 link)	NSW	New build - Fire suppression system (awarded 12/11/19)
Gold Coast Airport terminal expansion, Qld (completes mid-2021)	Qld	New build - Fire systems
Estia Health, Australia wide	National	Energy solutions - new national contract
50 Martin Place Sydney (new related works)	NSW	New build - Fire suppression system
Sydney Football Stadium ($828m project, comm Aug 20, comp. mid 2022)	NSW	New build - Fire suppression system
80 Anne St, Qld (Mirvac - 32 storey commercial tower, commenced FY20)	Qld	New build - Fire suppression system
Service contracts and projects		
HMAS Cerberus /Barpa (indigenous construction coy)	Vic	Mechanical upgrades
Health WA - North and South Metropolitan	WA	Fire services
Melbourne Convention Centre	Vic	HVAC services
Think Commercial	Qld	Multi-services
Aldi Supermarkets	National	Multi-services - new national contract
7-Eleven	National	Multi-services - new national contract

Source: BSA Annual Report

Outlook

- BSA has commenced work on the $30m WestConnex tunnel fire suppression system in Sydney, which we expect will be split approximately 50/50 across FY21 and FY22.
- BSA should also be well placed to be awarded the Melbourne Westgate Tunnel project (our estimate ~$20m) although that project is running behind schedule due to soil contamination issues. We expect that contract to be awarded within the next 6 months possibly providing some growth for 2H21, FY22 and FY23.
- BSA APS saw strong organic growth in stable sectors such as Health and Defence. It also won national maintenance accounts with Aldi (500 stores) and 7-Eleven (Qld, NSW & Vic for HVAC and refrigeration maintenance services) demonstrating good customer demand for a national service provider.
- We expect Covid impacts to continue in 1H21 but gradually abate in 2H21. And there could be a surge of “catch-up” maintenance work to fix things that have possibly gone unattended over the last 6 months.
- BSA is also progressively implementing a new Salesforce.com IT system (Field Service “Lightning”) from March 2020 onwards which should allow better control, transparency and efficiency for BSA’s 1,200 employees and 2,000 skilled field workers, and visibility for customers. $8m was expended so far in FY20 with a total capital cost of around $10-11m expected.
- We forecast 1H21 for this division to be at the same level as the depressed Covid-impacted 2H20, with a recovery plus continued organic growth in 2H20.

5. Valuation & Recommendation

BSA looks inexpensive on all fundamental measures – P/E, EV/ Ebitda and yield.

Refinitiv Code	Company	Market Cap $m	Net Cash (Debt)	Price A$	Revenue $m	Revenue $m	Revenue $m	Revenue	Ebitda $m	Ebitda $m	Ebitda $m	Ebitda	Ebitda Margin	Ebitda Margin	Ebitda Margin	Ebitda Margin
			FY0		FY0	FY1e	FY2e	FY3e	FY0	FY1e	FY2e	FY3e	FY0	FY1e	FY2e	FY3e
BSA.AX	**BSA Ltd**	**119**	**21**	0.275	**490**	**514**	**535**	**533**	25.9	25.7	27.8	28.2	**5.3%**	**5.0%**	**5.2%**	**5.3%**
SSM.AX	Service Stream Ltd	877	(14)	2.140	928	936	983	1,026	107	105	111	112	11.5%	11.2%	11.3%	10.9%
DOW.AX	Downer EDI Ltd	3,605	(2,200)	5.140	12,669	13,227	13,639	14,039	1,036	960	1,042	1,047	8.2%	7.3%	7.6%	7.5%
SRG.AX	SRG Global Ltd	138	(36)	0.310	520	546	634	685	12	38	45	51	2.3%	6.9%	7.0%	7.4%
ACF.AX	Acrow Formwork and Constru	79	(49)	0.360	82	99	104	105	16	22	24	25	19.2%	22.4%	23.1%	23.5%
	Average (excl. BSA)												**10.3%**	**11.9%**	**12.3%**	**12.3%**

Source: Sequoia estimates for BSA; Refinitiv consensus forecasts for others.

Refinitiv Code	Company	EV/ Sales	EV/ Sales	EV/ Sales	EV/ Sales	EV/ Ebitda	EV/ Ebitda	EV/ Ebitda	P/E	P/E	P/E	EPS Growth	EPS Growth	Yield	Yield
		FY0	FY1e	FY2e	FY3e	FY1e	FY2e	FY3e	FY1e	FY2e	FY3e	FY1e	FY2e	FY1e	FY2e
BSA.AX	**BSA Ltd**	**0.2x**	**0.2x**	**0.2x**	**0.2x**	**4.0x**	**3.4x**	**3.0x**	**12.1x**	**11.1x**	**11.2x**	**-1.5%**	**9.3%**	**4.0%**	**4.2%**
SSM.AX	Service Stream Ltd	0.9x	1.0x	0.9x	0.9x	8.5x	8.0x	8.0x	15.4x	14.0x	13.9x	14.9%	10.0%	4.4%	4.8%
DOW.AX	Downer EDI Ltd	0.4x	0.5x	0.4x	0.4x	6.4x	5.9x	5.9x	14.0x	11.7x	10.7x	-240.5%	19.3%	3.0%	4.6%
SRG.AX	SRG Global Ltd	0.2x	0.3x	0.3x	0.3x	4.6x	3.9x	3.4x	13.5x	9.3x	5.2x	-134.4%	45.7%	4.8%	6.5%
ACF.AX	Acrow Formwork and Constru	1.4x	1.3x	1.2x	1.2x	5.7x	5.3x	5.2x	9.5x	8.5x	7.3x	147.1%	11.8%	5.8%	6.1%
	Average (excl. BSA)	**0.7x**	**0.8x**	**0.7x**	**0.7x**	**6.3x**	**5.8x**	**5.6x**	**13.1x**	**10.9x**	**9.3x**	**-53.2%**	**21.7%**	**4.5%**	**5.5%**

Source: Sequoia estimates for BSA; Refinitiv consensus forecasts for others.

We consider the best comparable to be Service Stream (SSM) which operates a similar business to BSA in the Telecoms sector, and is a market leader in the utilities / smart meters area. BSA has net cash of $21.3m ($7m if adjusted for $14.3m ATO payments deferred for Covid), whilst SSM now has modest net debt of $14m at June 2020. However, SSM's Ebitda margins are 2.0-2.2x larger than BSA's. We believe that BSA is under-earning on its potential, possibly due to smaller scale versus peers.

We think that a 12.0x FY22 P/E multiple would be a realistic valuation for BSA, being a 15% discount to SSM's multiple, which is a much broader and more well-known businesses. That suggest a valuation of $0.30 per share.

BSA has a high proportion of low value, high volume recurring earnings in its Communications & Utility Infrastructure business and the Advanced Property Solutions (APS) division also has recurring and repeatable revenue. 80% of revenue is recurring. We think the quality of earnings at BSA has improved post the exit of the more volatile HVAC – Major projects business. But we don't think the stock-market has recognised this improvement yet.

BSA has potential for further acquisitions, new NBN work and we expect it to win some work with its planned entry in the Wireless / mobile segment. A buy-back has been announced and a special dividend is possible. We think that BSA is currently a bit sub-scale, so it is not yet achieving its full earnings potential.

Simplistically, if BSA can achieve $700m annual revenue, at a 5.5% margin (half of SSM's 11% ebitda margin), equals $38.5m Ebitda. On a 6.0x Ebitda multiple, the enterprise value could be worth $231m, or $0.53 per share. Less any increase in net debt required to get there. This is where BSA is heading, and the Communications and Property sectors are big sectors where that targeted revenue is entirely possible.

With a market cap of only $119m, any sizeable NBN or 5G Telco installation or maintenance contracts could move our valuation significantly at BSA.

We add a 10% (was 25%) "positioning premium" to our base valuation of BSA, because we think it is well positioned to capture further market share in its Telecomms and Maintenance sectors, either organically, or by further acquisition. And management has clearly flagged its confidence that this is coming. The Advanced Property Solutions business has potential for a strong Covid recovery in 2H21 and long-term growth.

We set our 12-mth price target at $0.33 (was $0.31). With a 4.0% forecast yield for FY21 this implies a 12-month total shareholder return of around 24%.

With a Covid recovery in sight for 2H21, we upgrade to a BUY recommendation (previously Accumulate).

We remain attracted to BSA because of the large long-term work available in the Telco, Utility and Commercial Property Maintenance sectors. The profit performance and share price growth achieved by rival Service Stream over the last 5-6 years encourages us to remain positive on BSA through the current difficult period. New Telco contracts (particularly 5G), and the Melbourne Westgate tunnel fire systems contract are the key opportunities short term.

6. Share Price Catalysts

We identify the following possible share price catalysts for BSA:

1. **NBN** - Securing a further renewal or extension of the NBN OMMA contract (already extended by 12 months + 6 months to June 2021). (Only 3 service providers currently: Telstra, Service Stream SSM and BSA).

   New NBN "Unify" contract award imminent (separate to OMMA).

2. **Westgate tunnel** - Outcome of Westgate tunnel tender (tenders expected soon) – 2x 5 klm tunnels, so could be a ~$20m project (based on pro-rating the ~$30m contract value for the WestConnex 2x 7.5 klm tunnels in Sydney).

3. **5G & Other -** Possible other major Telco or Fire or Maintenance contract wins. Winning some work in 5G is a strategic objective and would be well received by the stock market. BSA must also be a favourite to win the on-going maintenance contract for the NorthConnex tunnels in Sydney for Transurban.

4. **Possible acquisitions –** With net cash of $7m currently ($21.3m less $14.3m delayed ATO payments), BSA could consider further complementary acquisitions. BSA would like to increase revenue to a "sweet spot" of around $700m from $490m currently.

5. **Increased dividends or Special dividends.**

6. **Activating the Buy-back** recently announced (although this would potentially reduce liquidity in the stock, which is already tight because of its small market cap and concentrated share register).

7. Positive Factors – Reasons to Buy

1. **Strategic acquisition in Wireless – Catalyst ONE completed in October, BSA's first acquisition in 8 years. We think this accelerates and increases BSA's potential for 5G maintenance opportunities** – Previously BSA provided services only in the fixed line and wireless segments (fibre optic cable e.g. NBN; hybrid coax cable – HFC, and microwave wireless) but did not operate in the mobile telecommunications segment despite having trained technicians with the skills to do so. This could be a $1.0 billion per annum maintenance opportunity. A 5% market share could add $50m to BSA's current ~$500m turnover.
2. **Simplified business post sale of HVAC Large Projects business** – This business was sold September 2019, where BSA was unable to earn acceptable risk adjusted returns. This has allowed BSA to increase its focus on its recurring revenue businesses (Communications and APS Advanced Property Solutions) Recurring revenue business was 80% of turnover in FY20 turnover.
3. **No abnormal items expected for FY21** – The FY18, FY19 and FY20 accounts were very messy with $9.7m, $12.6m, and $8.3m of abnormal items and adjustments spoiling and complicating the underlying results. In our opinion, BSA is now in excellent shape, with $7m of net cash on the balance sheet and its first acquisition in 8 years. We expect that a "clean" first half and full year profit result in FY21 will be rewarded with a re-rating, as investors re-discover this interesting stock.
4. **Service Stream (SSM) – shows the way.** SSM is the larger and major competitor to the "BSA Connect" telecoms and smart meter businesses. SSM's share price has increased from 18.5 cents on 30/6/14 to $2.14 (up nearly 12-fold) in a remarkable 5-6-year turnaround and now in growth and diversification mode. Revenue more than doubled from $390m in FY14 to $929m in FY20. Ebitda increased 540% from $16.6m to $105.6m. And NPAT increased 20-fold from $2.3m to $49.3m. Please refer to Appendix 4 in this report for a summary of the SSM turnaround. To be clear, we are not forecasting a 12-fold improvement in BSA's share price. But we do see a number of similarities and BSA's smaller size and market share provides a clear opportunity for significant growth in two of the same markets that SSM operates in. BSA Communications had $273m of turnover in FY20. SSM had turnover of $544m in that Telecommunications segment in FY20

SSM – 10-year share price chart, Source: Refinitiv

5. **NBN maintenance opportunities –** As the NBN construction phase nears completion, the next opportunity is the estimated $1.0 billion to $1.3 billion per annum maintenance requirement. BSA has already completed its small share of the NBN installation work (MINA contract completed Dec 2018), and continues to work under the NBN (OMMA) master agreement which has been extended from 3 years to 4 (to December 2020) and again for another 6 months to June 2021. We understand that BSA has been performing well under the OMMA

contract and has been allocated increased work / market share reflecting this. We therefore expect that BSA will be replaced to secure an increased allocation of work when new long-term contracts are eventually awarded. That could be a major catalyst for the share price.

6. **Major success in Infrastructure** – BSA Build Fire was awarded a $30m Fire Protection Systems contract for Sydney's WestConnex tunnels (2 x 9 klm tunnels). This follows the March 2018 award of a similar contract for the NorthConnex tunnel which completed in June 2020. Assuming successful execution, we believe these two marquee contracts cement BSA's reputation in the burgeoning Infrastructure sector. BSA already has a strong reputation in Commercial with major projects such as Barangaroo and International Convention Centre Hotel, Darling Harbour (fire & HVAC) completed. Revenue for this business was up 27% to $66m in FY19 and Ebitda up 52% to $5.3m. We forecast strong growth from here.
7. **Property Maintenance opportunities** – BSA is promoting its "Multi-Service" capabilities where it can provide bundled services of fire, HVAC, electrical, plumbing and general repairs under one contract, has expanded its regional base of depots, and has won new national accounts with Harvey Norman, Aldi and 7-Eleven. We recall that Spotless was quite successful with a similar strategy, as customers try to reduce the number of suppliers, but also look to outsource more services.
8. **Further acquisitions** – BSA made its first acquisition in over 8 years last month. We believe BSA is now in a strong position to consider further complementary bolt-on acquisitions (which could be internally financed) or something larger (which could require additional capital). Maintenance businesses with large, national customers and a high level of recurring revenues would be of interest.
9. **Scope for increased Dividends –** BSA has a franking credit balance of $12.5m available (2.9 cents per share). As BSA increases the proportion of recurring revenue (currently 80%), we see scope for the dividend pay-out to be increased (FY20 payout was 43% of adjusted EPS).

8. Risks / Negative Factors

1. **Legal action** – On 10/8/20 BSA advised the market of a legal claim by Shine Lawyers in relation to independent contractors and whether they are properly characterised as such. We understand that BSA's competitor Tandem has also been targeted by Shine. BSA said it will vigorously defend the action and that its position on the validity of the sub-contracting arrangements was unchanged on its 9/12/19 ASX announcement (when the Shine action was first rumoured). We understand that BSA's contractors choose to be contractors. They are paid more money as contractors, have flexibility on which jobs they take, and when and where they work, are free to take as much time off as they want, and are free to work for other companies (and apparently many do). Whilst this looks to us like a "nuisance claim" funded by litigation funders, not an action by the ATO, it is impossible for us to predict or quantify the outcome.
2. **NBN contract expiry** - BSA Connect's NBN (OMMA) maintenance contract expires June 2021 (although NBN has an option to extend for a further 6 months to December 2021). There is a risk that BSA will not win further work with the NBN from June, though we think that risk is extremely low given BSA's multiple public statements that it is performing well, and has won several performance awards from NBN.
3. **Concentrated customer base in Telecomms business** – BSA's largest business – Communications & Utility Infrastructure which was 56% of revenue last year. This revenue is primarily from a small number of customers – NBN, Optus, Foxtel and Ericsson. We understand that BSA has no current work for Telstra, which is starting to outsource some of its work. We also understand that BSA currently does no work for Vodafone or TPG, so that might be a significant opportunity. We note that Catalyst ONE, BSA recent acquisition has previously worked for Hutchison 3, Vodafone and TPG Telecomm, and its MD spent 7 years working at Hutchison.
4. **Foxtel business still facing long-term challenges**– Foxtel is still a major customer, and BSA recently moved from 50% to 100% of this account, though we suspect at a reduced margin. Foxtel subscriptions were up 7% in the September quarter, benefitting from the Covid lock-downs. BSA will approximately double its turnover from this account in FY221, but in the medium term we expect connection to resume the long-term decline due to competition from new streaming services.
5. **Limited visibility on B2B business –** Most of BSA's work is business to business where we have limited visibility apart from at results time and the AGM update. However, BSA is diversifying its customer base, expanding its geographic base, and expanding into new niches.
6. **Macro Factors / Non-residential construction & Large-scale Residential construction**– Currently the macro environment for these sectors is favourable, and BSA's order book is strong. However, these buoyant conditions will not last indefinitely. The impact of COVID-19 on new construction, after existing projects complete, is yet to be seen.

9. Directors Shareholdings

BSA - Directors Shareholdings	Shares Annual Report 30/06/2020	Perf Rights (Latest)	Shares (Latest)	% of Coy (ordinary shares)
Michael Givoni (Non-exec Chairman)(appointed NED: 23/3/05)	1,461,828	0	1,255,946	0.3%
Timothy Harris (MD & CEO)(Appointed MD 9/3/20)	375,391	495,616	550,831	0.1%
Non-Executives:				
Nicholas Yates (ex MD)(appointed NED: 9/3/20)	4,200,958	0	4,253,483	1.0%
Mark Lowe (appointed: 2/4/12)	10,315,403	0	10,315,403	2.4%
Paul Teisseire (appointed: 23/5/05)	680,012	0	680,012	0.2%
David Prescott (appointed: 3/6/19)(Lanyon representative)	94,311,187	0	94,311,187	21.8%
Chris Halios-Lewis (appointed: 2/9/19)(Birketu representative)	73,175,760		73,175,760	16.9%
Total - Directors and senior management	**184,520,539**	**495,616**	**178,482,362**	**41.2%**
Ex Directors:				
Graeme Barclay (appointed: 30/6/2015, resigned 16/12/19)				

Source: BSA FY20 Annual Report; ASX announcements; Refinitiv

10. Major Shareholders

BSA has a heavily concentrated register with three shareholders having over 15%. And two of these names have continued to increase since June 30. We believe they are attracted by the inexpensive valuation, and BSA's opportunities in two/ three large market sectors – Telecommunications infrastructure and maintenance, essential Utilities infrastructure and maintenance, and Commercial Property maintenance (including essential Fire systems).

Substantial Shareholdings / Top 5 Shareholders	FY19 Annual Report 30/06/2020	Latest	% of Coy	Change FY21 YTD
Naos Asset Management	110,430,180	121,238,340	27.99%	10,808,160
Trust Company (Lanyon Asset Mgt)	94,311,187	96,000,000	22.16%	1,688,813
Birketu Pty Ltd (Bruce Gordon)	73,175,760	73,175,760	16.89%	-
Sandhurst Trustees (Wentworth Williamson)	22,113,723	22,113,723	5.10%	-
Sam Lowe Pty Ltd <Lowe Super Fund>	10,115,403	10,320,000	2.38%	204,597
Subtotal	**310,146,253**	**322,847,823**	**74.53%**	**12,701,570**
Total Shares on Issue	**432,642,322**	**433,206,615**	**100.0%**	**564,293**

Source: FY20 Annual report; ASX announcements; Refinitiv

Appendix 1 - Company Description

BSA Limited is a technical services contracting company. The Company's segments include the BSA Connect, BSA Build and BSA Maintain.

BSA Communications & Infrastructure (Telco, energy & utilities focus)(56% of FY20 Revenue, 71% of Ebitda)

BSA Communications & Infrastructure is a national provider of strategic advice, design, implementation operations and maintenance services to telecommunications, subscription television and communication industries. Its contracting services cover all technologies (fixed line, wireless, mobile and satellite), the installation of subscription television, the installation of free to air television antennas, security systems and nurse call systems.

This segment has also expanded into Energy Services including installation and maintenance of smart meters, solar and battery systems, and high volume connected home device programs (residential).

Major customers in telecommunications include: NBN – for connections and maintenance (BSA is 1 of 3 providers), Foxtel (BSA is now the sole provider), Optus and Ericsson.

Major customers in Energy Services include: energy retailers and smart meter companies (e.g. Vector AMS). In solar, BSA has partnered with Energy Australia for the residential market, and Green Peak Energy for the commercial market.

Competitors include: Telstra (TLS), Service Stream (SSM), Downer (DOW), Visionstream (now owned by Ventia, formed in 2015 by the merger of Broadspectrum, Leighton Contractor Services and Thiess Services now owned 50/50 by Cimic CIM and Apollo Global Management), and Fulton Hogan (NZ based private company).

Advanced Property Solutions (APS) (Commercial focus) (44% of FY20 revenue, 29% of Ebitda) - provides design and construction of fire suppression and fire detection systems for commercial and industrial buildings and infrastructure. Other activities include smaller scale, specialised HVA projects (the major projects business has been sold) and commercial solar installations.

Major projects awarded in FY19 include: Crown Casino Sydney, Grafton prison (largest prison in Australia), and Wynyard Commercial development. In November 2019, BSA was awarded the fire suppression systems contract for the WestConnex M4-M5 motorway tunnel in Sydney (2 x 9 klm tunnels) by the Lendlease Samsung Bouygues Joint Venture (LSBJV).

Customers include: Major construction companies and property asset owners.

APS also includes the previous BSA Maintain business which provides maintenance of building services for commercial and industrial buildings, including bundled “Multi-Service” contracts. These cover mechanical services, fire, heating and ventilation, air conditioning (HVAC), electrical, plumbing, building repairs, and commercial building solar equipment.

Major customers include: CBRE, JLL, Charter Hall, St John of God Hospital, Harvey Norman (national), Aldi (national), Broadspectrum (nee Transfield Services), YMCA, universities, local councils and government departments.

General

The Company serves a range of sectors, including infrastructure, office, retail, health, education, government and residential (via B2B relationships with providers). BSA operates nationally from approximately 23 locations including Sydney Head Office (Macquarie Park, Sydney).
BSA performs approximately 100,000 tickets of work per month for its customers. It employs approximately 1,200 people and uses a pool of around 2,000 contractors.

Appendix 2 – Competitor - Visionstream (Ventia)

www.ventia.com/news

On 30 June 2020 Ventia completed the acquisition of Broadspectrum Australia and New Zealand which included Visionstream. Ventia is an AUD 5.0bn revenue essential and infrastructure services provider to the Telecoms, Health, Transport, Defence, Water, Power, Energy, Social and Environmental sectors with more than 35,000 employees and contractors.

Visionstream is Australia's largest Telecommunications Infrastructure installation, services, operations and maintenance business. Visionstream operates in all states of Australia and in New Zealand. Visionstream is now a division of Ventia Pty Ltd, the 50/50 investment partnership formed in 2015 between CIMIC Group Limited and funds managed by affiliates of Apollo Global Management and comprises the former Leighton Contractors & Thiess Services telecommunications businesses.

Visionstream Australia Pty. Ltd. (Visionstream) had a 5-year five-year Multi-Technology Integrated Master Agreement (MIMA) with NBN Co Ltd, announced June 2015. Under this, Visionstream would construct fibre to the node and fibre to the premise's connections across Queensland, New South Wales, Victoria and Tasmania. The value of the first year of Visionstream's contract is expected to exceed AUD$270 million. Additional works were expected to be periodically issued throughout the remaining duration of the contract.

On 4/9/20, Ventia (Visionstream) announced it has been awarded a significant contract with NBN Co. The new 4-year contract also includes an additional two x 2-year options, at the discretion of NBN Co. Ventia said its Telecommunications business will support NBN Co and users of the NBN network by providing field operations, maintenance and optimisation services throughout NSW, Queensland, Victoria and Tasmania. This latest contract continues our commitment to supporting critical communication infrastructure for the benefit of communities.

"Under our Visionstream brand, our business has worked on the NBN for over a decade", explained Tim Harwood, Ventia's Group Executive – Telecommunications. The team has supported the national rollout of the network since the beginning, and for the past seven years has also provided network restoration services." Work under the new **Unified Field Operations Agreement (Unify Networks)** will commence later this month (September) and will encompass network restoration, network optimisation, alternate power systems, routine maintenance and urgent work directions. Ventia will provide these services across various fibre (FTTN, FTTP, FTTB and FTTC), copper and HFC network technologies. "We are excited by the opportunity to continue supporting, maintaining and improving the NBN network," said Neil Barnes, GM – Network Operations and Assurance, who will lead the team delivering these services. "There is a real sense of purpose within the team. We know how important connectivity is to NBN Co and the community; so be it planned upgrades or emergency restoration of a service following floods, bushfires or accidental damage, our crews are on-hand to help."

This latest contract award follows Visionstream (now Ventia) being named NBN Co's Supplier of the Year for the past two years.

Our Comment:

Visionstream (then owned by Leighton Contractors), Silcar (then owned by Thiess/ Leighton and Siemens and Transfield (then independent and ASX listed; became Broadspectrum, later acquired by Ferrovial) were the main constructors involved in the NBN roll-out from 2011. Now these are all part of Ventia. So Ventia it has an advantage over BSA in that it built the network. BSA hopes to provide technicians on a sub-contractor basis to Visionstream for some of this work, given BSA's strength in NSW and Victoria, and availability of technicians.

Appendix 3 – Competitor - Service Stream Limited

Service Stream (SSM) is an S&P/ASX 200 listed business providing integrated end-to-end asset life-cycle services to utility and telecommunications asset owners, operators and regulators across Australia. Service Stream specialises in the design, construction, operation and maintenance of assets across these networks. Service Stream is technology-agnostic to the various types of essential networks:

- Telecommunications - Fixed-line, Wireless. Principal customers include NBN Co and Telstra.
- Utilities - Electricity - Gas - Water - Renewable Energy.

SSM has 2,200+ employees underpinning a strong performance capability, and access to a pool of more than 3,000 skilled contractors. 84% of turnover is annuity revenues.

Telecommunications division FY20 results (fairly comparable to BSA)

- FY20 revenue $544.2m (v $589.4m) down by $45.2m (7.7%) due to (a) completion of the NBN D&C activities in 2H20 (-$89.1m), (b) Wireless revenue $73.1m down $14.4m (16%) due to slow ramp-up of 5G expenditure by carriers, and COVID-19 impacts delaying some project works, (c) offset by an increase in NBN activation and maintenance activities.
- FY20 Ebitda $83.1m (v $77.1m) up $6.0m (7.8%).
- FY20 Ebitda margin 15.3% (v 13.1%) improved due to (a) the adoption of AASB16 accounting for leases, (b) the profitable wind-up of D&C activities and (c) favourable O&M work mix.
- SSM did not draw on JobKeeper or other support packages during FY20.

Recent Telecomms division news

- During FY20 SSM successfully concluded its Design & Construct (D&C) operations with NBN under the “Multi-technology Integrated Master Agreement (MIMA) and Design and Construction Master Agreement (DCMA) contracts.
- On 23/9/19 the Network Maintenance and Restoration Activities (NMRA) agreement with NBN was extended to June 2021 with a potential further extension to December 2021. **On 31/8/20 SSM announced a new multi-year agreement** (4+2+2 at NBN’s election) for Unified Field Operations (network maintenance) for NBN. This supercedes the NMRA agreement which had been extended by NBN on multiple occasions since its original execution in September 2012. Under Unify Network’s regional allocation model, NBN has initially awarded SSM works across Victoria, NSW, Queensland and the ACT, with additional works able to be allocated at NBN’s discretion. Revenue of approximately $60m is expected in its first year, and to grow as the network and its associated support activities expand in the future.
- During FY20, the Operations & Maintenance Master Agreement (OMMA) was extended to December 2020. On 13/10/20 SSM announced a further 6-month extension to June 2021 with NBN having an option to extend to December 2021. (BSA announced a similar extension on 15/10/20).
- On 30/9/19 SSM announced a **panel agreement with SingtelOptus for 5G** Wireless Design and Construction. SSM will initially provide site acquisition, design and construction services on the Optus network nationally. SSM said it was strategically significant that **SSM now had arrangements in place to provide 5G services on all 3 carrier networks in Australia.** Whilst the panel arrangement does not provide guaranteed volume, SSM estimated revenue of $40m over the initial 2 years, commencing Q3 of FY20.

- FY21 Priorities – securing additional work programs recently announced by NBN associated with the $4.5bn network upgrade.

Appendix 4 – Service Stream – Remarkable turnaround

Service Stream Limited (SSM) has delivered a remarkable turnaround with the share price recovering from a low of 9.6 cents in August 2013 to a high of $3.06 last year. Now $2.15.

Over the last 6 years, SSM has grown revenue by 15.6% CAGR (includes the $161m Dec 2018 Comdain acquisition), Ebitda by 36.1% CAGR, NPAT by 66.7% CAGR and the share price by 47.5% to $1.90 at 30 June 2020 (highlighted in yellow below).

Service Stream Limited (SSM) - 6 year Summary			
Share price now	$ 2.150	9/11/2020	
All time low	$ 0.096	9/08/2013	
All time high	$ 3.060	29/07/2019	
Years ended 30 June ($m)	**FY14**	**FY20**	**6 Year CAGR**
Total Revenue	389.6	929.1	15.6%
Ebitda	16.6	105.6	36.1%
Ebitda margin	4.3%	11.4%	17.8%
NPAT	**2.3**	**49.3**	**66.7%**
EPS (diluted) cents	0.75	12.09	58.9%
DPS cents	0.00	9.00	n/a
Net Cash (Debt)	-10.0	-13.9	n/a
Total Assets	257.2	588.7	14.8%
Shareholders Funds	179.6	321.8	10.2%
Net Debt / Net Equity	6%	4.3%	n/a
ROE (NPAT / SHF)	1.3%	15.3%	51.2%
Shares on issue	386.4	408.0	0.9%
Market Cap at 30 June	71.5	777.3	48.8%
Share price at 30 June	**$ 0.185**	**$ 1.905**	**47.5%**
Segmental	**FY14**	**FY20**	**6 Year CAGR**
Revenue			
Fixed Communications	98.4		
Mobile Communications	166.9		
Telecommunications	**265.3**	**544.2**	**12.7%**
Utilities (Energy & Water)	124.2	384.1	20.7%
Eliminations & other	0.1	0.9	60.2%
Total	**389.6**	**929.1**	**15.6%**
Ebitda			
Fixed Communications	2.4		
Mobile Communications	7.7		
Telecommunications	**10.1**	**83.1**	42.0%
Utilities (Energy & Water)	11.2	30.8	18.4%
Eliminations & other	-4.8	-8.3	9.8%
Total	**16.6**	**105.6**	**36.2%**
Ebitda Margin %			
Fixed Communications	2.4%		
Mobile Communications	4.6%		
Telecommunications	**3.8%**	**15.3%**	
Utilities (Energy & Water)	9.0%	8.0%	
Eliminations & other	nm	nm	
Total	**4.3%**	**11.4%**	

Source: SSM accounts; Iress

BSA Limited (BSA) $ 0.275

Profit & Loss

Year end June	**FY19**	**FY20**	**FY21e**	**FY22e**	**FY23e**
	A$m	**A$m**	**A$m**	**A$m**	**A$m**
Op. Revenue	469.8	490.4	514.2	535.2	532.8
Revenue growth %	9.8%	4.4%	4.8%	4.1%	-0.5%
Cost of Goods Sold	(357.4)	(367.9)	(390.8)	(406.8)	(404.9)
Gross Profit	**112.4**	**122.5**	**123.4**	**128.5**	**127.9**
Gross Profit Margin	23.9%	25.0%	24.0%	24.0%	24.0%
Other Income	0.0	0.0	0.0	0.0	0.0
Cash Operating Expenses	(87.8)	(96.6)	(101.5)	(106.5)	(111.9)
EBITDA	**24.6**	**25.9**	**25.7**	**27.8**	**28.2**
Ebitda Margin	5.2%	5.3%	5.0%	5.2%	5.3%
Depreciation & Amort	(6.2)	(10.4)	(11.0)	(12.1)	(12.7)
EBIT	**18.4**	**15.5**	**14.7**	**15.7**	**15.5**
Ebit Margin	3.9%	3.2%	2.9%	2.9%	2.9%
Net Interest Income (Expense)	(0.8)	(1.8)	(1.0)	(0.7)	(0.2)
Share of Assoc NPAT	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	**17.6**	**13.8**	**13.7**	**15.0**	**15.3**
Income Tax Credit (Expense)	(4.8)	(3.8)	(3.8)	(4.2)	(4.6)
Tax Rate	-27.2%	-27.7%	-28.0%	-28.0%	-30.0%
Minorities (share of loss)	0.0	0.0	0.0	0.0	0.0
Abnormals	-12.7	-8.3	-0.6	0.0	0.0
NPAT (reported)	**0.2**	**-1.0**	**9.3**	**10.8**	**10.7**
Adjustments (Abnormals)	12.7	10.9	0.0	0.0	0.0
NPAT (normalised)	**12.8**	**9.9**	**9.9**	**10.8**	**10.7**

Balance Sheet

Cash	21.9	37.7	28.0	37.7	46.8
Receivables	59.0	57.6	60.4	62.8	62.5
Inventories & contract assets	14.1	5.3	5.6	5.8	5.8
Other	17.4	0.0	0.0	0.0	0.0
Total current assets	**112.5**	**100.6**	**93.9**	**106.3**	**115.1**
PP&E	16.3	20.6	28.6	36.6	44.6
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	12.3	18.6	18.6	18.6	18.6
Deferred tax assets	9.0	7.6	7.6	7.6	7.6
Other	0.4	0.0	0.0	0.0	0.0
Total non-current assets	**38.0**	**46.8**	**54.8**	**62.8**	**70.8**
Total Assets	**150.5**	**147.5**	**148.8**	**169.1**	**186.0**
Payables	-77.0	-76.0	-65.7	-68.3	-68.0
Interest bearing liabilities - Curr	-2.9	-7.5	-7.5	-7.5	-7.5
Provisions	-11.7	-13.9	-13.9	-13.9	-13.9
Other	-15.5	-1.6	-1.6	-1.6	-1.6
Total Current Liabilities	**-107.0**	**-98.9**	**-88.6**	**-91.3**	**-91.0**
Interest-bearing liabilities - Non	-2.8	-9.0	-9.0	-9.0	-9.0
Provisions	-4.6	-7.3	-7.3	-7.3	-7.3
Other	-0.1	0.0	-9.0	-20.4	-31.2
Total Non-current Liabilities	**-7.5**	**-16.3**	**-25.3**	**-36.6**	**-47.5**
Total Liabilities	**-114.5**	**-115.2**	**-113.8**	**-127.9**	**-138.5**
Total Shareholders' Equity	**35.9**	**32.3**	**34.9**	**41.3**	**47.5**

Interims

Year end June	**1H20**	**2H20e**	**1H21e**	**2H21e**
Sales	**258.9**	**231.5**	**243.4**	**270.7**
Sales Growth (g)	30.4%	-14.6%	-6.0%	16.9%
EBITDA	**12.8**	**13.1**	**10.8**	**14.9**
EBITDA Margin	4.9%	5.6%	4.5%	5.5%
EBIT	7.7	7.9	5.3	9.4
Equity Share of Assocs NPAT	0.0	0.0	0.0	0.0
NPAT (Reported)	-3.6	2.6	3.3	6.0
NPAT (Adjusted)	**4.7**	**5.3**	**3.5**	**6.4**
EPS (adjusted)(cents)	**1.1**	**1.2**	**0.8**	**1.5**
EPS Growth	-9.7%	-32.1%	-25.3%	19.6%
DPS (cents)	0.5	0.5	0.6	0.6

Source: Sequoia estimates

Per share & Ratio data

Year end June	**FY19**	**FY20**	**FY21e**	**FY22e**	**FY23e**
Shares on Issue - Wavge (f/d)	428.6	432.3	435.6	435.6	435.6
Shares on Issue - at year-end	428.2	431.9	433.2	433.2	433.2
Reported EPS (cents)	0.04	(0.2)	2.1	2.5	2.5
Growth	-89.1%	-653.4%	Large +ve	16.4%	-0.8%
P/E ratio (x)	685.3x	-123.8x	12.9x	11.1x	11.2x
EPS (normalised)(cents)	**3.0**	**2.3**	**2.3**	**2.5**	**2.5**
Growth	23.1%	-23.1%	-1.5%	9.3%	-0.8%
P/E ratio (x)	9.2x	12.0x	12.1x	11.1x	11.2x
DPS (cents)	0.5	1.0	1.1	1.2	1.2
Franking	100%	100%	100%	100%	100%
Yield	**1.8%**	**3.6%**	**4.0%**	**4.2%**	**4.4%**
OCF per share (cents)	4.3	7.2	1.7	5.4	5.2
Price/OCF (x)	6.4x	3.8x	16.0x	5.1x	5.3x
Enterprise Value $m	102.0	106.2	102.9	93.2	84.0
EV/ Sales	0.22x	0.22x	0.20x	0.17x	0.16x
EV/EBITDA	**4.1x**	**4.1x**	**4.0x**	**3.4x**	**3.0x**
EV/EBIT	5.5x	6.8x	7.0x	5.9x	5.4x
Liquidity & Leverage					
Net Cash (Debt) $m	16.3	21.3	11.5	21.2	30.4
Net Debt / Equity %	n/a	n/a	n/a	n/a	n/a
Net Debt / EBITDA	n/a	n/a	n/a	n/a	n/a
ROA (EBIT / T.Assets) %	12.3%	10.5%	9.9%	9.3%	8.3%
ROE (NPAT / T.Equity) %	35.7%	30.8%	28.8%	26.6%	22.8%
Interest Cover (EBIT)	22.5x	8.8x	14.7x	22.4x	77.5x
Dividend Payout % (of adj EPS)	17%	43%	49%	46%	49%

Cash Flow

EBITDA	24.6	25.9	25.7	27.8	28.2
Chge in Working Capital	19.6	9.3	-13.4	0.6	-0.6
Interest Received (Paid)	-0.8	-1.2	-1.0	-0.7	-0.2
Income taxes paid	0.0	-0.7	-3.8	-4.2	-4.6
Other	-25.0	-2.0	0.0	0.0	0.0
Operating cash flows	**18.3**	**31.3**	**7.5**	**23.5**	**22.8**
Capex	-7.0	-10.4	-8.0	-8.0	-8.0
Acqns & Investments	0.0	0.0	-2.0	-1.3	-1.3
Disposals	0.8	0.2	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Net investing cash flows	**-6.3**	**-10.2**	**-10.0**	**-9.3**	**-9.3**
Equity raised (bought back)	0.0	0.0	0.0	0.0	0.0
Dividends paid	-0.9	-1.6	-7.2	-4.5	-4.3
Change in Debt	-1.9	-4.0	0.0	0.0	0.0
Other	0.0	0.4	0.0	0.0	0.0
Financing cash flow	**-2.8**	**-5.3**	**-7.2**	**-4.5**	**-4.3**
Change in Cash	**9.3**	**15.8**	**-9.7**	**9.7**	**9.1**

Revenue by Segment

Comms & Utility Infra (nee Connect)	251.5	272.9	277.9	273.2	273.4
Advanced Prop Solutions (Fire Build)	66.0	94.2	96.1	100.9	90.2
Advanced Prop Solutions (Maintain)	152.3	123.3	140.1	161.1	169.2
Corporate & Other	0.0	0.0	0.0	0.0	0.0
Total Revenue	**469.8**	**490.4**	**514.2**	**535.2**	**532.8**

Ebitda by Segment	**FY19**	**FY20**	**FY21e**	**FY22e**	**FY23e**
Comms & Utility Infra (nee Connect)	20.7	21.0	19.9	19.1	18.6
Advanced Prop Solutions (Fire Build)	5.3	7.5	7.7	8.1	7.2
Advanced Prop Solutions (Maintain)	4.2	1.1	2.1	4.8	6.8
Corporate & Other	-5.6	-3.7	-4.0	-4.2	-4.4
Total Ebitda	**24.6**	**25.9**	**25.7**	**27.8**	**28.2**

Ebitda Margins

Comms & Utility Infra (nee Connect)	8.2%	7.7%	7.2%	7.0%	6.8%
Advanced Prop Solutions (Fire Build)	8.0%	7.9%	8.0%	8.0%	8.0%
Advanced Prop Solutions (Maintain)	2.8%	0.9%	1.5%	3.0%	4.0%
Corporate & Other	nm	nm	nm	nm	nm
Total Company	**5.2%**	**5.3%**	**5.0%**	**5.2%**	**5.3%**

SEQUOIA FINANCIAL GROUP (ASX: SEQ) - About Us

Sequoia Financial Group is a boutique investment house known for the quality of its advice, the strength of its relationships and depth of expertise across financial markets. The Group has also expanded into corporate advisory, equity capital markets, institutional dealing and financial planning.

Sequoia Financial Group is listed on the Australian Securities Exchange and trades under the stock code SEQ. We provide: • Investment and superannuation products • Wealth management and advisory services • Corporate advisory and capital markets expertise • Retail, wholesale and institutional trading platforms • Market data and financial news services.

With offices in Melbourne, Sydney and Gold Coast, Sequoia Financial Group provides products and services to self-directed retail and wholesale clients and those of third-party professional service firms. Our group includes:

• **Sequoia Wealth Management** - is a holder of an Australian Financial Services License (AFSL). Our aim is to prove exceptional unbiased advice to high net wealth individuals, families and institutional investors.

Our team of diverse experts provide provides strategic and tailored investment advice to our clients. We specialise in advising our clients on portfolio management, SMSFs, direct shares, superannuation, structured products, option trading, personal insurance, margin lending, cash solutions and much more.

Our services are designed for individuals and family offices all seeking unbiased financial and strategic structuring advice.

• **Sequoia Direct** - offers self-directed investors a variety of investment opportunities. Most of our clients sign up to our award winning online ASX share and option trading service, where others, use our service to gain access to various investment opportunities such as IPOs & capital raising opportunities.

• **Sequoia Corporate Finance** - is a leading Australian small and mid-market corporate adviser. We apply our knowledge, extensive contacts, expertise and professionalism to deliver best-practice, objective advice in the following disciplines: Public market M&A; Private treaty M&A; Equity capital markets; Capital management and restructuring; Corporate and strategic advice.

• **InterPrac Financial Planning** - The easy choice for client-focussed and accountant-aligned financial planners to deliver superior integrated and practical solutions.

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• **Sequoia Specialist Investments Pty Ltd (SSI)** - Since 2010 SSI has been building innovative investment solutions for Australian investors. SSI works with investors, financial advisers and stockbrokers to develop and deliver investment solutions that meet the needs and objectives of their clients.

Over the years we have developed numerous investments opportunities that give investors access to both local and foreign shares and indices that offer income and capital growth potential.

SSI can also offer a variety of solutions for professional advisers where we can provide white-label solutions for groups that want to retain their own branding.

• **Bourse Data –** is one of Australia's most trusted and leading suppliers of stock market analysis software and financial market data for private and professional investors and traders.

• **Finance News Network** (FNN) is an independent news organisation, specialising in the production and distribution of online finance news, digital communications and productions services for ASX-listed companies and managed funds. Annually FNN produces over 3,000 video news items and it's one of the largest suppliers of wholesale online finance video in Australia.

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Morrison Securities has been providing white labelled trading solutions to Broker Dealers (Shadow Broker) since 2007. We assist broker dealer groups in providing a superior product to their clients by offering a wholesale broking solution and a comprehensive range of white-label products.

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Recommendation Criteria

Investment View

The Sequoia Wealth Management (SWM) Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Accumulate	Hold	Reduce	Sell
>20%	10% – 20%	0% – 10%	0% to -10%	>-10%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

SWM has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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