



# Sharp Investor

Australian Share Market Information

## July 2019 Newsletter

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### **Company Review**

#### **SRG Global (ASX:SRG)**

SRG Global is an engineering-led construction, maintenance and mining services company covering the entire asset lifecycle.

SRG Global was formed in September 2018 when Sydney Roads Group Ltd merged with GCS Ltd following Sydney Roads Group's acquisition of TBS Group, a specialist industrial contractor in asset and infrastructure services in March 2018.

The merger with GCS gives the company a greater geographical presence in Australia and increased service capability.

In June SRG secured a \$20 million contract to design, supply and install facades for a Brisbane office tower. Transpower NZ renewed a three year contract with SRG to provide industrial services with estimated revenue to SRG of ~NZ\$35m.

In May SRG won a four year contract, with options for two further years with Onesteel to provide refractory services, expected to bring in \$30 million over four years and \$45 million over six. A contract with South32 for three years with an option for a further three years is expected to bring in \$60 million in revenues for the full six years, with SRG providing a complete suite of engineering solutions to South32's Worsley plant. VicRoads has awarded SRG two bridge strengthening contracts in Melbourne worth \$8 and \$9 million respectively.

April saw SRG secure a contract worth \$11.85 million to provide structural services for the Lincoln Square in Carlton, Melbourne project and an \$18 million contract with Kalgoorlie Consolidated Gold Mines for ground support works. An agreement was also signed with Evolution Mining for \$115 million over an initial three year period with an option to extend for two more years, to provide drill and blast services.

The planned infrastructure spending by the Australian government should provide a tailwind to engineering companies, whilst increased capabilities from the merger will help in winning new work.

The first half 2019 financial year report showed the company has net cash in hand of \$16.8 million. EBITDA was \$16.4 million and a fully franked 1 cent dividend was declared.

The company has had eight insider buys since the merger with GCS, by five different directors and no sells.

Director ownership includes Peter McMorrow owning 11,765,727 shares, David MacGeorge 9,171,389, John Derwin 100,000, Peter Brecht 1,900,541, and Michael Atkins 800,000.

The current dividend yield is 6.21% and the P/E ratio is 10.57.

## Summary

SRG is a growing company with a diversified range of capabilities. The company has won a number of projects recently and the share price appears to be trending higher. SRG is well positioned to benefit from infrastructure spending.



## **The Benefits of Investment Journaling**

Documenting your investing decisions will help improve future decision making, slow down potentially hasty trades and help you learn from mistakes.

Overtime, keeping an investment journal can assist you to make better decisions. By looking back on mistakes that lead to losses you may be able to avoid them in future. Taking a small amount of time to write about why you are buying or selling a stock forces you to think through your decisions. Taking time for careful consideration is something you can do to give yourself a few extra percentage points of return over the years.

The decision making process is a large part of investing. How you actually make investing decisions and why, are more complex and may not be given enough thought by the amateur or even seasoned investor.

What are the main decisions? What to buy and when to buy, and what to sell and when.

Recently I started a decision journal for investing. By writing the decision down contemporaneously you begin to create a record of past decisions. Overtime you can think about why you are making decisions-Are they based on facts and fundamentals or emotion or any biases you may have. When required you can go back and have a look at what you did and why, then use it as a reference for when a similar decision comes up again.

While you cannot control outside influences on the market and your investments, you can control your decision making process.

Another benefit is to slow down the process, so you don't make a hasty trade. Buys and sells are often made on emotion, fear of missing out or panicking after some bad news.

Emotion is never a good reason to buy or sell, so ask yourself when writing down reasons for buying or selling, if any emotions are involved.

You can incorporate into this journal a checklist for buying and selling. Like a pilot or deep sea diver, a checklist ticks off fundamentals and factors to lessen the probability of disaster. An investing checklist helps with the decision making process, because again, it forces you to slow down and go through a process.

Your checklist can include such questions as;

- Is the company good value - Low Price/Earnings, Price/Sales, high dividend yield?
- Is it in an industry that will be a winner or loser from technological change and will it be around in twenty years?
- Is the management capable and how much of the company do they own?
- Does the company have manageable debt?
- Will earnings increase?
- Is the balance sheet solid?
- Have I checked the latest announcements?
- Can I explain simply what the company does?
- Is the stock trending up or down?
- Why am I buying/selling this stock?

Incorporate an investing journal and a checklist into your investing process. It does not have to be a novel, just why you bought or sold, the outcome and lessons learnt.

### Stocks on the radar

**Money3 (ASX: MNY)** provides car loans to customers who may not be able to get loans from a bank and also provides personal loans of up to \$12,000.

Mkt Cap (m):	\$389
Director Buys (last 12 months):	0
Director Sells (last 12 months):	1
% short:	0.5
Net Tangible Assets:	120 cents
Earnings per share:	19.95 cents
Dividend cents per share:	10 cents
Dividend Yield:	4.67%
P/E:	10.73

**Notes:** Decent dividend yield. Now focusing on automotive lending to Australasians excluded by banks and other lenders. Has deployable cash to grow the business. Increased Gross loan book in H1FY19. Increased Group NPAT by 13.3%. Acquired NZ-based automotive lender Go Car Finance in March 2019.



**Acrow Formwork & Scaffolding Pty Ltd (ASX: ACF)** is a formwork and scaffolding company offering innovative and cost-effective hire and sales solutions to major residential, commercial, civil and industrial customers.

Mkt Cap (m):	\$57
Director Buys (last 12 months):	9
Director Sells (last 12 months):	0
% short:	0
Net Tangible Assets:	23 cents
Earnings per share:	21.36 cents
Dividend cents per share:	1.5 cent
Dividend Yield:	4.62%
P/E:	1.54

**Notes:** The company is focusing on higher margin formwork and infrastructure. High insider buying. Likely to benefit from increased infrastructure tailwinds. The residential housing market has weighed on the price.



**Decmil Group (ASX: DCG)** engages in designing, civil engineering and construction works for the oil and gas, resources, government and infrastructure sectors.

Mkt Cap (m):	\$214
Director Buys (last 12 months):	2
Director Sells (last 12 months):	1
% short:	0.1
Net Tangible Assets:	64 cents
Earnings per share:	2.86 cents
Dividend cents per share:	1 cent
Dividend Yield:	1.11%
P/E:	31.47

**Notes:** Revenue has increased on multiple new infrastructure projects. Tailwinds from infrastructure spending.



**Reckon (ASX: RKN)** is a SaaS accounting software company.

Mkt Cap (m):	\$84
Director Buys (last 12 months):	1
Director Sells (last 12 months):	0
% short:	0.03
Net Tangible Assets:	0 cents
Earnings per share:	6.8 cents
Dividend cents per share:	3 cents
Dividend Yield:	4.03%
P/E:	10.96

**Notes:** Low valuation, especially for a SaaS business. Earnings and dividend paying. Transition to cloud-based subscription model.



**Apollo Tourism (ASX: ATL)** is focused on manufacturing, rental, sales and distribution of a range of RVs including motorhomes, campervans and caravans. The company operates in Australia, New Zealand, North America, Germany, the UK and Ireland.

Mkt Cap (m):	\$81
Director Buys (last 12 months):	4
Director Sells (last 12 months):	0
% short:	0.25
Net Tangible Assets:	48 cents
Earnings per share:	9.79 cents
Dividend cents per share:	5 cents
Dividend Yield:	11.36%
P/E:	4.49

**Notes:** Tourism in places further away like NZ is becoming more accessible. Shares are in a downtrend. Profit downgrade May 19. Four recent director buys. Watching for positive changes in trading conditions.



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