

ASX ANNOUNCEMENT

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ACN: 118 300 217
 181 Great Eastern Highway, Belmont Western Australia 6104
 PO Box 592 Welshpool, Western Australia 6986

Tel +61 (0)8 9232 4200 Web nrw.com.au

Record results; more to come

Leading Australian Resources and Infrastructure contractor NRW Holdings Limited (ASX: NWH) is pleased to provide its results for the half year ending 31 December 2019.

Highlights

Operations

- ✓ Revenue⁽¹⁾ of \$808.7 million, an increase of 55% compared to the prior comparative period (pcp)
- ✓ Comparative EBITDA⁽²⁾ of \$94.6 million up 27% on pcp
- ✓ NPATA⁽³⁾ up 28% to \$41.2 million

BGC Contracting

- ✓ Completed acquisition of BGC Contracting (renamed NRW Contracting)
 - Cash payment funded through equity raised at a premium \$116.4M
 - Net Debt assumed⁽⁴⁾ (included \$28.6M of cash) \$153.7M
 - **Total consideration** **\$270.1M**
- ✓ Value underpinned by a fleet of over 200 items of high quality mobile mining equipment and DIAB Engineering generating maintenance annuity style revenues
- ✓ Integration progressing well with circa 50% of annual run rate savings already achieved of the \$15 million target
- ✓ BGC Contracting awarded 65km of rail formation at Eliwana for Fortescue Metals Group (\$138M); and additional works at Eliwana also awarded – Airstrip and Roads (\$17M).

Strategic

- ✓ Secured \$70 million of new Civil contracts for BHP Mitsubishi Alliance (BMA) at Blackwater and Goonyella
- ✓ RCRMT has secured \$171 million of work under NRW ownership (to December 19) including the award of a design and construct equipment package for a crushing plant for FMG at their Cloudbreak mine site. Acquisition of DIAB Engineering to further strengthen our service offering
- ✓ Awarded circa \$70 million Iron Bridge package for FMG and Formosa Steel (February 2020)
- ✓ Formed Alliance partnerships for large West Australian infrastructure projects.

Balance Sheet

- ✓ Strong cash conversion resulting in cash holdings increasing to \$122.5 million from \$65.0 million at June 19
- ✓ Net Debt increase due to assumption of BGC Contracting asset finance debt: Gearing increased to 37.8% - forecast to reduce to below 30% by financial year end
- ✓ Interim Dividend declared of 2.5 cents fully franked (up 25% on pcp).

Notes

- (1) Statutory Revenue of \$783.6 million plus revenue from associates of \$25.1 million.
 (2) Comparative EBITDA is earnings before interest, tax, depreciation, amortisation, transaction costs and pre-adoption of AASB16
 (3) NPATA is Net earnings before amortisation of acquisition intangibles at normal tax rates
 (4) Debt excludes additional lease obligations as a result of the adoption of AASB16

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Commenting on the results Jules Pemberton, NRW's Chief Executive Officer and Managing Director, said:

"Despite the very positive calendar year 2019 the company has had, including the highly successful acquisitions of RCRMT and BGC Contracting, the events of the last six months remind us of the importance of ensuring the safety and wellbeing of our people. Sadly, we reported on 28 January that one of our employees in the recently acquired DIAB Engineering business sustained serious injuries on site and later tragically passed away in hospital. DIAB Engineering continue to provide support to the investigation into the incident, and to the family and their employees."

Turning to the results, the first half performance shows another period of growth in both Revenue and Earnings across all parts of the business. The acquisition of BGC Contracting which completed in December will make a significant contribution to the second half performance and will support further business growth.

The integration of BGC Contracting is currently our key focus across all business divisions and functions. We successfully managed the integration of the RCRMT business in the year which has delivered a standout performance since the acquisition in February 2019. We are aiming for similar results from the BGC Contracting business.

The acquisition of BGC Contracting was very strongly supported by shareholders through the equity raise which completed at a premium, and the subsequent share purchase plan, which completed in January 2020. The structure of the transaction and very good cash conversion across the business has, in our view, strengthened the balance sheet and increased our access to equipment to support operations despite the increase in gearing.

Outlook

The acquisition of BGC Contracting represents another significant milestone in the development of NRW and after the highly successful acquisitions of Golding Group and RCR Mining Technologies, delivers a further step change in scale and diversity for NRW's business in Australia.

As we look forward through the continuously evolving NRW and the broader industry we operate in, we have built capability across a number of areas and improved our revenue visibility:

- We have made acquisitions which have assisted in improving our delivery capability;
- Our geographic reach has expanded, furthering our ability to deliver projects Australia wide;
- We have built on our sustainable revenue base with more annuity-style revenue in the order book;
- We are maintaining consistent revenues in our urban business, "through the cycle"; and
- We have achieved strong growth through a relatively capital light model in our Mining and Drill & Blast businesses, given these contracts are production-based and generally longer-term contracts.

Commenting on the results Jules Pemberton also noted;

"Most importantly the acquisitions of RCRMT and now DIAB Engineering have set us on a highly strategic and important path of growth across fixed plant construction, product support and shutdown maintenance services critical to productive mining operations. We plan to grow this business strongly over the coming years as a combination of aging assets and the demand for maintenance services in Western Australia and Queensland is forecast to significantly grow from around \$9 billion in annual spend to more than \$12 billion in annual spend".

"The traditional markets in which NRW operates continue to provide opportunities for growth, and we have secured a number of new contracts and contract extensions during the year, which places us in an excellent position to capitalise on the positive market conditions. BGC Contracting has a long history of public infrastructure delivery in Western Australia. Securing work in the infrastructure sector under Alliance style contracts is another key strategic focus and will provide further diversification opportunities to the enlarged business from calendar year 2021".

"Our strategy of growing and diversifying our revenues through organic growth or strategic acquisitions remains our long term strategy continuing our evolution and further developing the company as a multi-disciplined "through the cycle" services business".

The tender pipeline, now at around \$10 billion, remains strong. We remain confident of improving activity levels in resources and infrastructure for the next five years.

With this growing pipeline of work, delivery capability is critical. The combined group currently has over 100 projects around Australia supported by a workforce of approximately 6,000 people.

Following the acquisition of BGC Contracting the order book at December 2019 increased to \$3.8 billion.

The company previously advised revenue guidance of \$1.5 billion for the current financial year. The company now expects revenue to be circa \$2.0 billion, most of which is already secured.

Interim Dividend

The Directors have declared an interim dividend for the half year ended 31 December 2019 of 2.5 cents per share which compares to the 2 cents per share declared in the prior comparative period. The dividend will be fully franked and will be paid on 15 April 2020.

Kim Hyman
Company Secretary

For more information, please contact:

Jules Pemberton
CEO and Managing Director
NRW Holdings Limited
+61 8 9232 4200

Andrew Walsh
Chief Financial Officer
NRW Holdings Limited
+61 8 9232 4200

About NRW Holdings Limited:

NRW is a Leading, diversified provider of contract services to the resources and infrastructure sectors in Australia. With extensive operations in Western Australia, South Australia, New South Wales, Queensland and Victoria. NRW's geographical diversification is complemented by its delivery of a wide range of operations. These encompass civil expertise including bulk earthworks and concrete installation; contract mining and drill and blast. NRW also offers a leading original equipment manufacturing (OEM), specialist maintenance (shutdown services and onsite maintenance), industrial engineering and innovative materials handling design capability with comprehensive additional experience for refurbishment and rebuild service for earthmoving equipment and machinery. NRW has a workforce of around 6,000 people supporting more than one hundred projects around Australia supporting clients across the infrastructure, resources, industrial engineering, maintenance and urban sectors.

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