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

ASX ANNOUNCEMENT

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NRW delivers record FY23 Results and is positioned for strong growth in FY24

Summary

- Revenue $2.7 billion up 11.4% on FY22 – consistent with guidance
- EBITA(1) $166.3 million up 13.3% on FY22 – consistent with guidance
- EBITDA(2) $288.8 million, up 10.2% on FY22
- Normalised Earnings per share(3) 23.2 cps, up 11.0% on FY22
- Record Cash holdings $227.6 million up from $219.3 million in FY22. Strong cash conversion(4) at 99.0%
- Record Order Book of $5.9 billion
- Record Secured Work for FY24 of $2.7 billion
- Record Annual Dividend payout ratio – 71.5% (60.7% on comparable franked basis)
- Final fully franked dividend of 8.0 cents per share up from the interim dividend which was equivalent to 6.0 cents per share on a comparable franked basis. The total dividend for the year is 16.5 cents per share (12.0% increase from FY22 on comparable franked basis).
- Net debt of $84.3 million, gearing of 13.8% including leases, 5.4% excluding leases

Jules Pemberton Managing Director and CEO commenting on these results said:

“I am delighted to present this very strong set of results for FY23. These results, which build on the foundation of last year’s post COVID-19 recovery, deliver on our commitments to our shareholders and other stakeholders.

The Group has contended with very challenging conditions across each of our key markets during the year. These included significant disruption caused by La Nĩna weather patterns in Queensland, approval driven factors delaying the award of a number of key projects, significant cost inflation and skilled labour pressures on construction projects, together with continued price competition for new work.

Despite these significant challenges, the extensive diversification that is built into our business model, has allowed NRW to respond to quickly to changing conditions by reallocating resources to maintain profitability. I would like to thank and acknowledge the dedicated efforts of our 7,200 people as they have been instrumental in safely delivering these excellent results.”

1) EBITA is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.
2) EBITDA is EBITA add back depreciation.
3) Normalised Earnings per share is EBITA less interest and tax (at a 30% tax rate) over number of shares.
4) Cash conversion is net cash from operating activities before interest, tax, non-cash transactions and non-recurring transactions over EBITDA.

Mr. Pemberton further noted,

“Unfortunately, as a result of these challenges our margins have been under pressure and in some businesses, notably Primero, the impact of cost escalation and labour availability on fixed price projects has been significant. We have acted swiftly to address these issues and worked with our clients to reach equitable outcomes.

We also identified a prior period error in Primero’s revenue recognition that affected the results of two projects that were completed in the 2022 financial year. Correcting this error, which was the overstatement of revenue and margin by $10.3 million, will require Primero to restate its 30 June 2022 financial statements.

Whilst not material to the Group’s 2022 published results, as described at note 1.9 in the Financial Statements, the prior period results have been restated in accordance with the applicable accounting standard requirements, and the prior period error corrected through opening retained earnings in the NRW Holdings FY23 financial statements.

Additional review processes for all significant projects have been implemented at the NRW Group level to ensure that this error will not be repeated. We have also appointed new executive leadership to Primero during the year to ensure the ongoing management and reporting of contracts is consistent with NRW group processes.

With all of these changes, we expect the Primero business will perform strongly in FY24, helping the MET margins to return to historical levels.

We have continued to invest in the growth of our businesses and the development of our people and infrastructure, to secure the opportunities that will come in FY24.”

Outlook

Outlook commentary for each of the three operating business is provided below:

Civil

The outlook for the Civil business continues to be buoyant across the key markets of resources and public infrastructure. NRW expects the contribution from this segment to continue to recover from the years impacted by COVID-19. Across the country, governments continue to support large programs of new multi-year infrastructure projects and based on their published forward expenditure estimates, the public infrastructure market will continue to be robust for the foreseeable future in Western Australia and Queensland, particularly ahead of the 2032 Brisbane Olympic Games.

Both the NRW Civil and Golding businesses are well positioned in these markets with prominent existing projects and solid pipelines of current opportunities. The urban business in particular is well positioned in the Southeast Queensland land development market and is benefiting from the continuous growth in that region’s residential market.

Activity levels in the private infrastructure sector are also recovering. In the resources sector, the iron ore replacement and Sustaining Capital cycle creates a visible pipeline of new mine developments, expansions and upgrades as the major miners continue to expand the footprint of their operations to access replacement tonnages, maintaining their production levels and supporting growth. These activities support a steady pipeline of new project opportunities. In addition, the renewable energy commitments of the resources sector’s clients will drive significant new investment in mine site renewable energy generation and associated infrastructure, for which the Civil business is well positioned.

Beyond iron ore, the rapid expansion of the battery critical minerals sector is seeing the development of new mining and processing projects, often in very remote locations, driving a sustained need for supporting infrastructure.

The challenging macroeconomic environment, characterised by high inflation and tight labour market conditions, together with persistent delays in regulatory approvals, continued to impact confidence levels in certain sectors thereby delaying clients' approvals of new projects. However, NRW has recently begun to see the impact of these factors fading as clients adjust their criteria for capital investment decisions to these conditions, which are expected to continue for the foreseeable future.

In addition, abnormally high rainfall levels in Queensland and parts of Western Australia that impacted the Civil business at the beginning of the year have abated and appear to be returning to longer term patterns. NRW therefore does not presently expect sustained weather disruptions to impact the Civil business in the near-term.

Work in hand currently totals $0.6 billion and there are current active tenders totalling circa $0.4 billion.

Mining

The Mining business has a fully secured orderbook for FY24 which includes forecast growth. Further, the long-term nature of these contracts means there is currently a significant level of revenue secured in FY25 and beyond. This allows the business to be selective in targeting specific projects and commodities, including key battery critical minerals and gold. In addition, the strong order book supports the business maintaining its disciplined approach to the allocation of capital.

Work in hand in the Mining business currently totals $3.9 billion and there are current active tenders totalling circa $0.4 billion.

Minerals, Energy & Technologies (MET)

The MET business has a diversified portfolio of projects across the iron ore, gold, rare earths and battery critical minerals sectors. Each of these industry sectors is experiencing significant sustained capital investment which is delivering strategically important new project opportunities for MET.

In Australia, the sustained investment in the iron ore sector discussed above is resulting in contracts for the MET business across a number of capabilities including Non-Processing Infrastructure, materials handling, ore processing and beneficiation for key clients including Rio Tinto and FMG. This is repeated across the gold and rare earths sectors with major projects awarded in the current year, and continuing into FY24 and beyond, for Northern Star Resources, Lynas Corporation and Iluka Resources.

It is in the battery critical minerals sector that Primero continues to have an international market leading advantage. Across the Australian and North American markets, Primero is positioned as the leading process design and construction company for the refinement of ores into mineral concentrates, and now moving downstream into refined battery grade minerals. This reputation has been developed from Primero's direct involvement in most of the lithium concentration and refinery projects that exist today in Australia. Leveraging this reputation into North America, Primero is engaged in a number of detailed engineering scoping studies for the development of similar US based projects, which it supports from its Montreal and Houston offices. This market is some years behind the Australian market which is the largest producer globally.

During the year, the US Government's introduction of the Inflation Reduction Act, and similar legislation in Canada aimed at driving self-sufficiency in clean energy production, has provided a significant stimulus to the development of the battery critical minerals industry in North America – and will continue to do so for the foreseeable future. Primero's early-stage positioning in this market, supporting clients that range from single asset developers to global multi-asset owners and downstream clients, provides a strong growth trajectory over coming years.

In addition, MET is actively supporting clients on a range of green energy development projects, including hydrogen processing and production and decarbonisation projects. These capabilities, which are at the forefront of renewable and green energy technologies, are helping to position Primero as a leader in this emerging sector.

Work in hand in MET currently totals $1.4 billion and there are active tenders totalling $0.8 billion.

Group

The overall Group pipeline sits at $17.1 billion of which circa $1.6 billion are submitted tenders. Work in hand currently sits at a record $5.9 billion, with the value of work secured for FY24 circa $2.7 billion. This provides clear visibility of the Group's future revenue and earnings potential.

Final Dividend

In line with the Company's dividend policy, the Board has resolved to pay a final fully franked dividend of 8.0 cents per share. The final dividend will be paid on the 11 October 2023. The total final dividend payment for FY23 will be 16.5 cents per share, totalling $74.5 million for 2023.

Guidance

Guidance is provided for FY24 as follows:

- Revenue in excess of $2.8 billion;
- EBITA in the range of $175.0 million to $185.0 million; and
- Cash and gearing consistent with long term averages.

Mr. Pemberton said,

"Our confident outlook for solid growth across both revenue and earnings in FY24 is driven by the record secured work of $2.7 billion. In addition, today we have $2.5 billion of FY25's revenue already secured.

With the successful completion of FY23's challenging contracts, an anticipated improvement in the operating environment and the migration to more balanced risk sharing contract structures in the current project portfolio, we expect to deliver far better performance across the Group during FY24 and beyond, driven by a very strong demand for our services."

This ASX Announcement has been approved in accordance with the Company's published continuous disclosure policy and authorised for release by the Board of NRW Holdings Limited.

Kim Hyman
Company Secretary

For more information, please contact:

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

Richard Simons
Chief Financial Officer
NRW Holdings Limited
+61 8 9232 4200

About NRW Holdings Limited:

NRW is a leading provider of diversified contract services to the resources and infrastructure sectors. With extensive operations across all of Australia, and engineering offices in Canada and the USA, NRW's geographical diversification is complemented by its ability to deliver a wide range of services. NRW's Civil and Mining businesses provide civil construction, including bulk earthworks, road and rail construction and concrete installation, together with contract mining and drill and blast services. The Minerals, Energy & Technologies (MET) operating unit offers tailored mine to market solutions, specialist maintenance (shutdown services and onsite maintenance), non-process infrastructure, innovative materials handling solutions, Build-Own-Operate (BOO) process plant solutions, and complete turnkey design, construction and operation of minerals processing and energy projects. NRW also offers a comprehensive Original Equipment Manufacturer (OEM) capability, providing refurbishment and rebuild services for earthmoving equipment and machinery. NRW has a workforce of around 7,200 people supporting projects around Australia for clients across the resources, renewable energy, infrastructure, industrial engineering, maintenance and urban subdivision sectors.

Forward-Looking Statements

To the extent this document contains certain "forward-looking statements" and comments about future events (including projections, guidance on future earnings and estimates) these statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such statements by their nature involve known and unknown risks, uncertainty and other factors, many of which are outside the control of NRW. As such, undue reliance should not be placed on any forward-looking statement and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements, forecast financial information or other forecast. Similarly, past performance should not be relied upon (and is not) an indication of future performance. It represents NRW's historical financial position at a specific date (and reference should be had to the full accounts released to ASX from which it is derived).