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ASX ANNOUNCEMENT (ASX:NWH)

18 August 2022

NRW delivers earnings ahead of guidance and very strong cash generation

Summary

- Revenue $2.4 billion up 4.6% on FY21 and consistent with guidance
- EBITA(1) $157.0M representing an upgrade compared to previous guidance range of $150M to $155M and 30.1% higher than FY21
- EBITDA(2) $272.4M up 2.1% on FY21: Depreciation and amortisation down 21.0% to $115.4M due to sale of Boggabri assets in July 21
- Statutory Net Profit $97.4M up 79.4% on FY21
- Normalised Earnings per share(3) 22.5 cps up 30.3% on FY21
- Cash Holdings $219.3M up from $146.5M at 30th June 21
- Net debt lower at $66.6M compared to $171.3M at 30th June 21
- Very strong cash conversion(4) at 111%
- Capital expenditure including equipment to support the Karara project of $206.3M
- Final Fully Franked Dividend declared of 7.0 cents per share up 40% on FY21, increasing total dividends for the year to 12.5 cents up 39% on FY21
- Major order wins in the year which have increased Order book to a new group record of $5.2 billion

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

“These are the best results NRW have reported despite the challenging conditions the business has encountered over the last 12 months.

Apart from the earnings highlight, the strong cashflow underlines the quality of those earnings and our ability to deliver a disciplined approach to balance sheet management. Gearing at 11% is well within our target range and provides flexibility for the business to not only manage through an expected higher interest rate environment but also provides opportunities for disciplined capital management.

The results demonstrate the importance of the strategic initiatives taken to diversify our revenue streams over the past few years and the Group’s ability to manage through the ongoing challenges of COVID-19, labour shortages, inflationary pressures and significant 1 in 100-year weather events. Activity in the Civil business is lower than last year as a consequence of a relatively short down cycle in iron ore earthworks and concrete construction projects and deferment by some mining and public infrastructure clients due to prevailing market conditions.

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 and tax over EBITDA.

This reduction, however, has been more than offset by increased demand and volumes in the MET business.

The results and the work we have successfully delivered to our clients is a credit to the NRW Group workforce to whom I would like to recognise and thank."

Outlook

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

Civil

The outlook for the NRW Civil business is buoyant across both key markets – resources and public infrastructure.

Our expectation in iron ore is that the opportunities with blue chip clients will far outweigh our capacity to bid, win and deliver, with the potential to provide an opportunity to be more selective on the work we contract. The critical issue for FY23 is timing of release of new projects given broader industry pressures. Delivery will rely on the availability of experienced staff which is expected to ease through FY23 providing the necessary resources to support increased activity.

In infrastructure although a number of projects have been deferred due to resource pressures, new projects have been added to the pipeline set for release between now and the end of next calendar year.

The Golding business continues to track a solid pipeline of civil opportunities in sectors where Golding has a strong track record of delivery. Over the last 12 months there has been a noticeable increase in the quantum of projects being tendered, or soon to come to the market which has resulted in an easing in what has traditionally been a very competitive sector. There are also positive indications the market is generally moving away from the more traditional form of hard dollar contracting (fixed price) and towards a more collaborative form of contracting. The Urban business despite the challenges faced through industry labour shortages and flood events during FY22 is also facing strong demand over the next 12 months.

Mining

The Mining business has secured most of the work expected to be delivered in FY23 and has long term contracts for a number of years beyond next year. Focus will be on improving productivity and asset utilisation. As previously advised the business has an objective to focus on green metals which is where future investment will be prioritised.

MET

The MET business continues to see the battery minerals and materials sector as a growth opportunity, increasing over the next three to five years; sectors where the Group's experience, capability and reputation is growing both locally and on a global scale. An increasing requirement for raw materials supply security within North America and specifically lithium has led to an equity investment in Green Technology Metals that may lead to project development and operating revenues over the coming years. Primero's North American operations have been centered around the Montreal office, established in 2017 predominantly with a front end design engineering and project management capability which has recently completed delivery of projects in Alaska for Northern Star Resources, and Quebec for Sayona Mining. To further support the growth of the North American business a second office location has been established in Houston to assist with upcoming downstream lithium refinery project works situated in the US.

Contract operations and build-own-operate opportunities are continuing to grow, with near term negotiations and discussions taking place for multi-year base revenue contracts that would allow the Group to train and maintain a depth of experience to service the Groups own operations and those of our clients.

Opportunities in the energy sector include building on the Groups highly skilled and technically competent team that continues to support emerging and established clients in the hydrogen and natural gas space.

Group

The overall group pipeline remains strong at $19.8 billion of which circa $3.5 billion are submitted tenders. The medium-term outlook is very positive, but as discussed above the timing of client awards provides both risk and opportunity to FY23 revenue forecasts.

The value of work secured for FY23 is around $2.3 billion which is either in the order book, or is expected as repeatable business in Urban, RCRMT and DIAB Engineering. Full year revenue for FY23 is expected to be between $2.6 billion to $2.7 billion.

Earnings for FY23 (EBITA) are expected to be between $162 million and $172 million. In providing this forecast we have assumed that projects will still be subject to current resource and supply chain pressures although we expect these to ease through the year.

Final Dividend

In line with the Company's dividend policy the board has resolved to pay a final fully franked dividend of 7.0 cents per share. The final dividend will be paid on the 12th October 2022. The total dividend payment for FY22 will be 12.5 cents per share totaling $56.1M representing a 56% pay out of NPATA.

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

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About NRW Holdings Limited:
NRW is a leading provider of diversified contract services to the resources and infrastructure sectors. With extensive operations in all Australian States, and 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 & 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 MET operating unit offers tailored mine to market solutions, specialist maintenance (shutdown services and onsite maintenance), non-process infrastructure, innovative materials handling solutions, and complete turnkey design, construction and operation of minerals processing and energy projects. NRW also offers a comprehensive OEM capability, providing refurbishment and rebuild services for earthmoving equipment and machinery. NRW has a workforce of around 7,000 people supporting projects around Australia for clients across the resources, 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).