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NRW HOLDINGS LIMITED

2016 Half Year Results

19 February 2016

FINANCIAL OVERVIEW

- Revenue of $150.4 million in line with expectations
- EBITDA of $24.0m; compared to $2.7m for the same period last year
- Net profit after tax $6.1m; compares to a loss of $120.6m in the same period last year
- A reduction of $27.1m in net debt to $80.5m
- Cash holdings increased by $3.9m to $38.5m
- Full compliance with banking covenants
- Credit approved debt rescheduling agreement reached with NRW's banking group
- New work secured during half year FY16 of $235m
- Order book increased to $780m from $695m at June 15
- Overhead costs reduced by >40% compared to the same period last year

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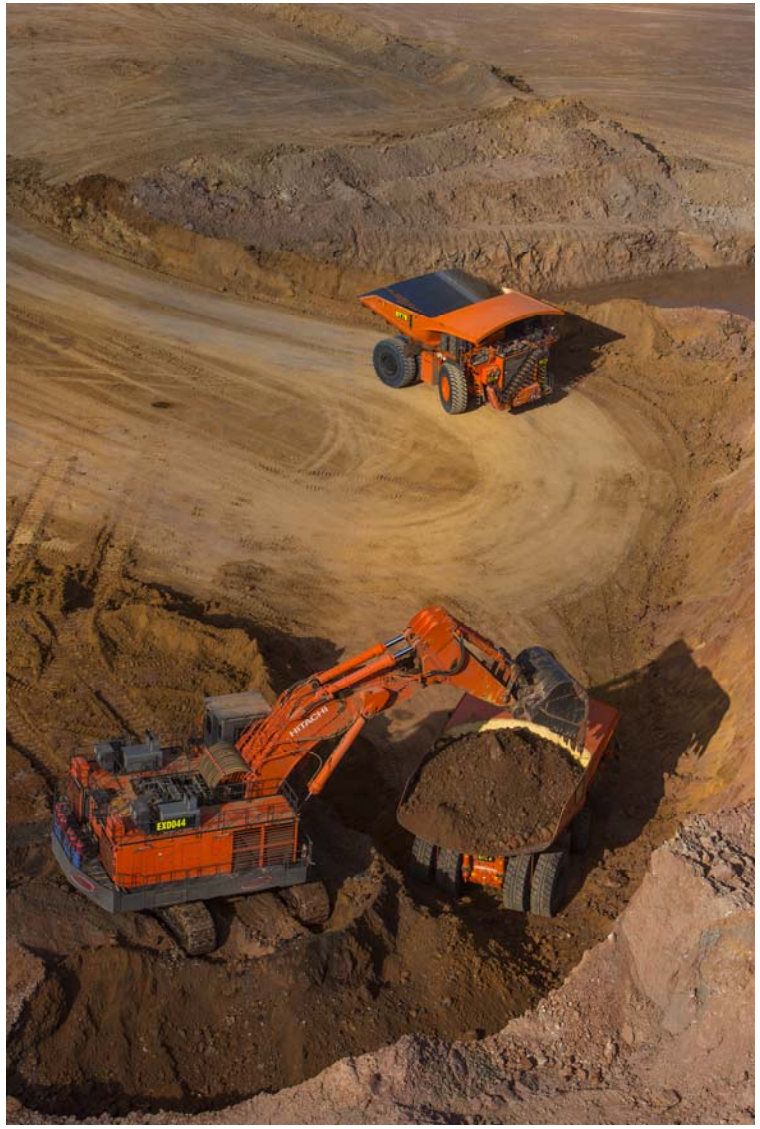
OPERATIONAL OVERVIEW

- Nammuldi Mining and Crushing contract win $140m
- Action Drill and Blast contract wins of $68m
    - Goldings Contractors (Isaac Plains)
    - Gold Fields (St Ives)
- NRW's total fleet utilisation has improved to 80%
- Continued to right-size and restructure the business to recognise current market environment
    - Headcount reduced from 2011 (December 2014) to 863 at 31st December 2015
- Finalised Roy Hill Rail contract with Samsung
- Successfully completed the Roy Hill Concrete project during half year 2016.



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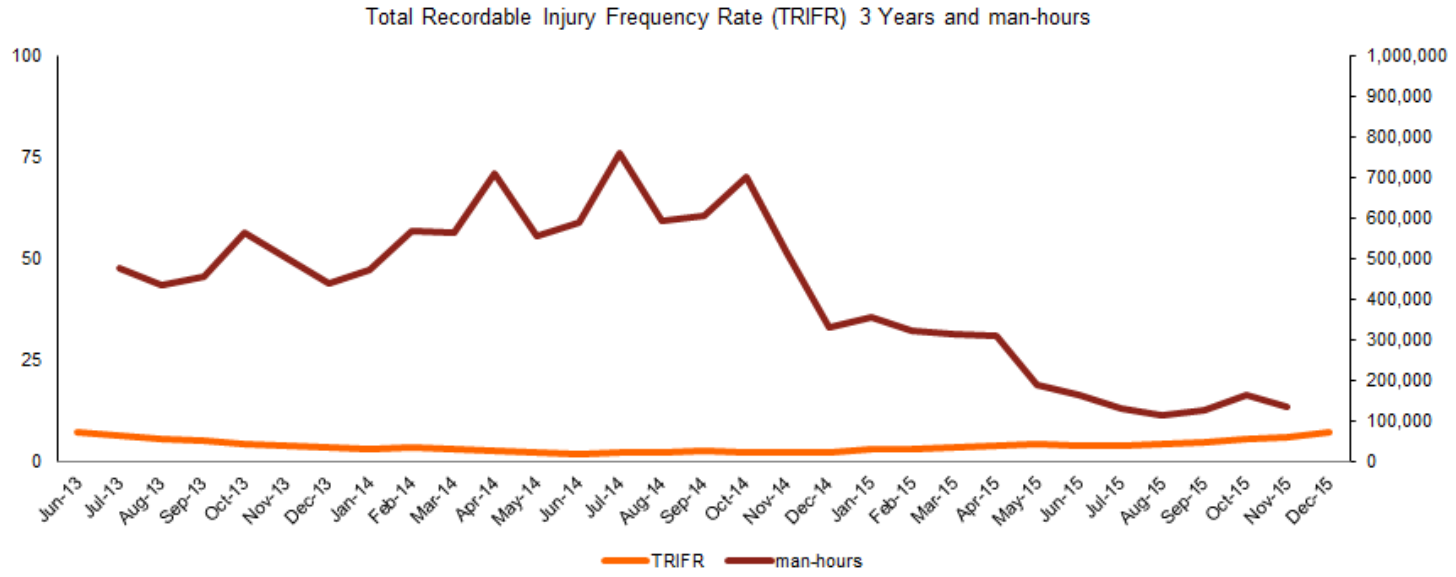
HEALTH SAFETY AND ENVIRONMENT



- 18% increase in lead safety indicators from June 2015 to December 2015, demonstrating a proactive safety culture driving ongoing improvement
- 23% reduction of recordable injuries in first half of FY16
- Zero lost time injuries recorded

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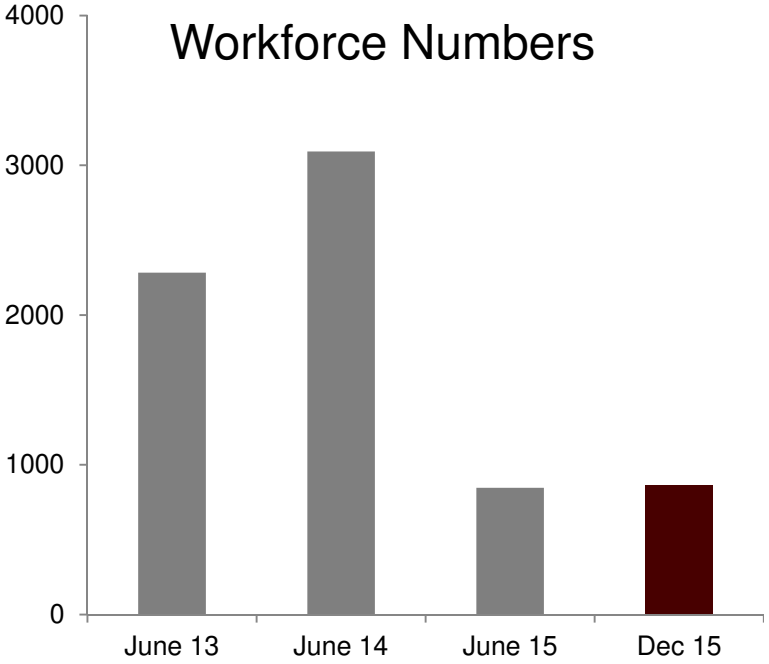
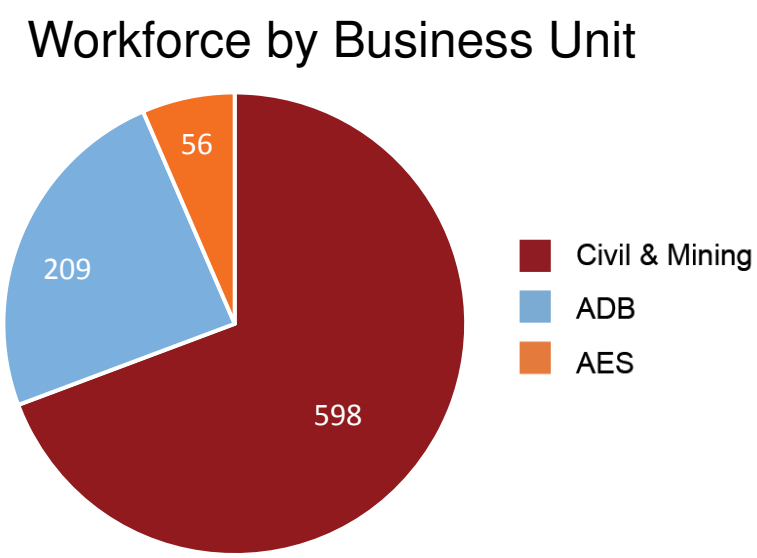
PEOPLE





- Excellent industrial record with no lost time due to industrial issues across group
- Maintained low levels of labour hire to reduce cost and retain key staff
- Commitment to Indigenous participation continues with 6.5% as a percentage of direct employees and greater than 80% retention rate.
- HR support systems in place to quickly identify candidates for new projects and allow rapid mobilisation
- New Coal Mining Enterprise Agreement registered and approved by Fair Work.

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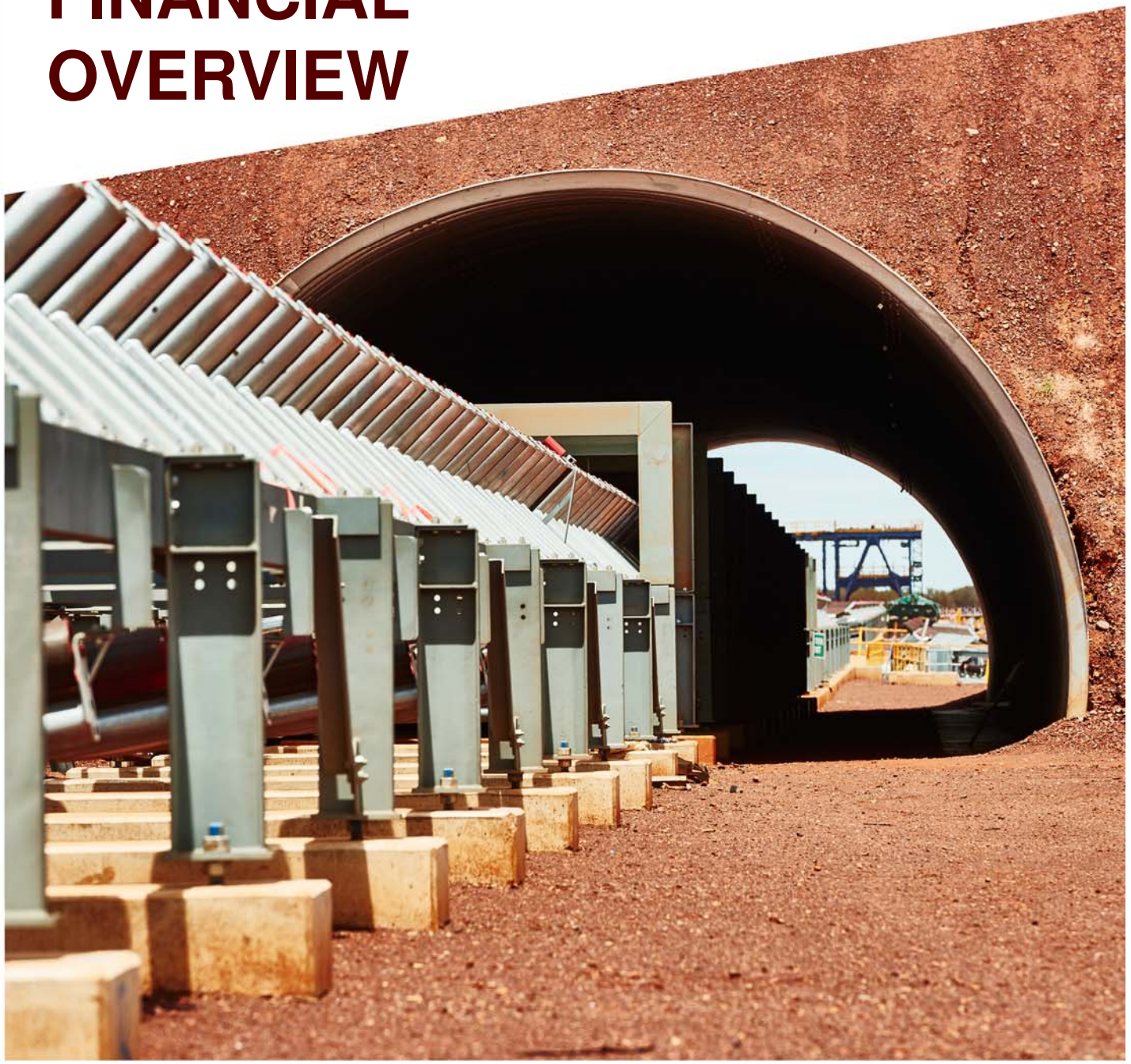
FINANCIAL OVERVIEW



NRW Holdings

SUMMARY FINANCIALS

- Revenue in line with guidance
- Civil and Mining lower due to completing projects and lower or deferred client spend
- ADB margin reflects lower drill utilisation during the half; Improvement expected with new contract wins
- Lower finance costs as debt reduces
- No tax expense due to unrecognised tax losses

	Revenue		Profit / (Loss)	
Half Year to 31 December	FY16	FY15	FY16	FY15
Civil & Mining	108.1	525.3	9.2	(131.6)
Drilling & Blasting Services	39.9	49.2	0.0	2.8
Fabrication & Repair Services	8.2	9.7	(0.3)	(21.3)
Eliminations	(5.9)	(13.7)	-	-
Total for continuing operations	**150.4**	**570.4**	**9.0**	**(150.1)**
Share of profit / loss in associates			(0.8)	-
Other unallocated expenses			3.0	(7.1)
Net finance costs			(5.1)	(6.1)
Income tax expense			0.0	42.6
Profit for the period			**6.1**	**(120.6)**

Unallocated expenses in FY15 includes Impairment costs of $7.5M

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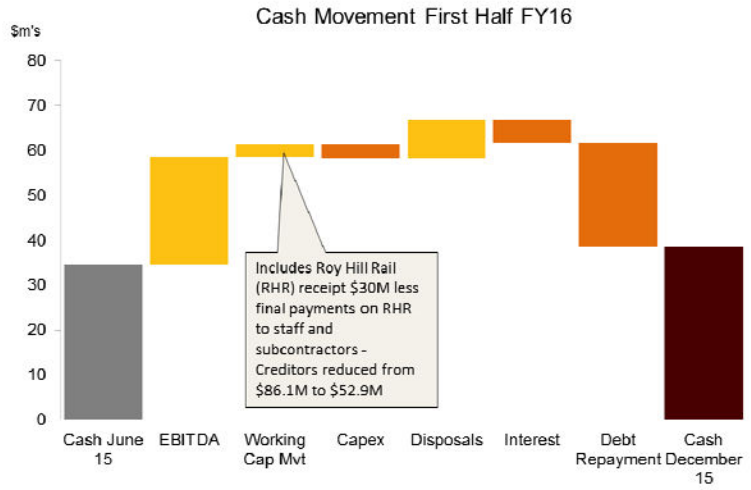
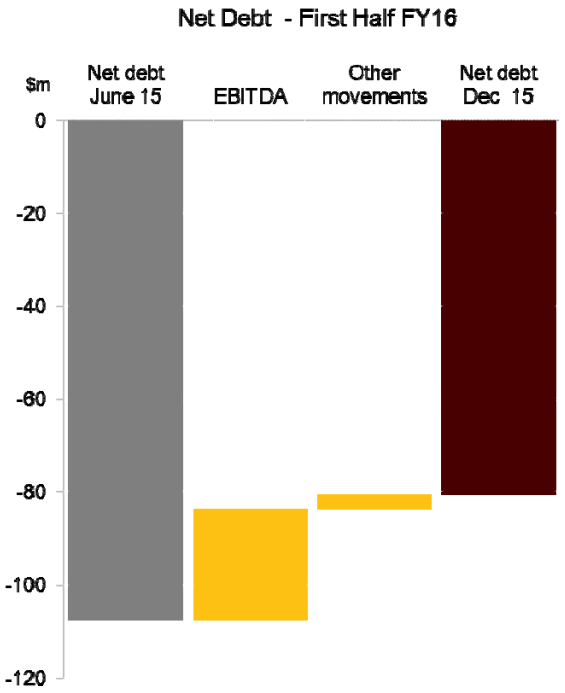
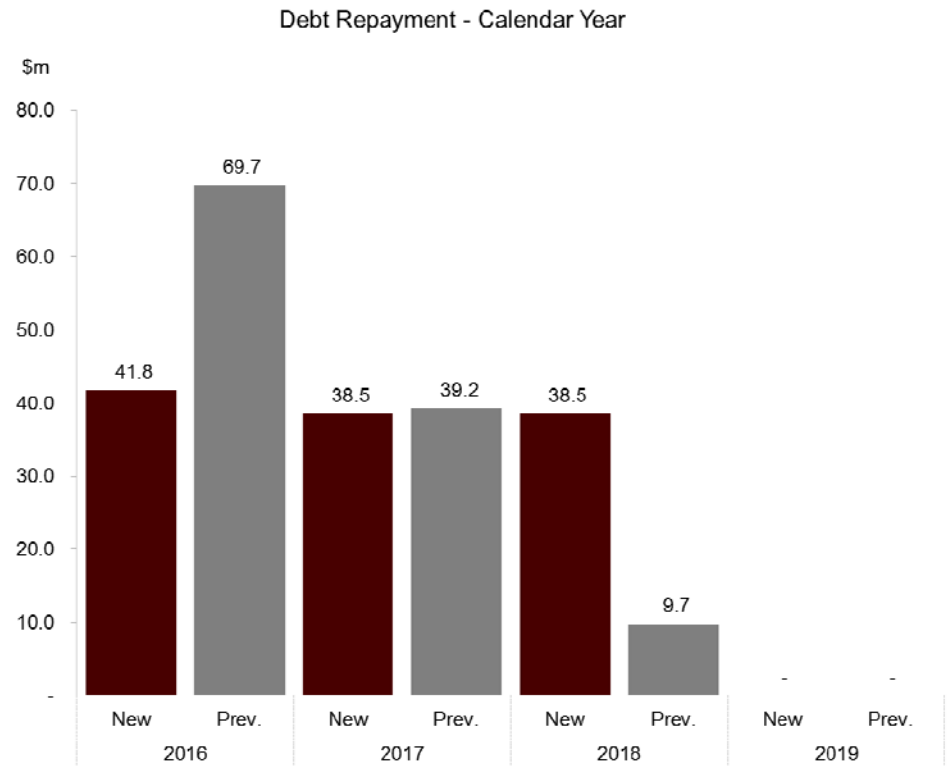
CASHFLOW

- Further reductions in net debt from $107.6m to $80.5m
- Full conversion of EBITDA ($24.0m) into operating cashflow
- Capex spend – $3.1m – major components
- Equipment disposals realised at book value $8.6m
- Roy Hill Rail project closing settlement largely used to meet final plant hire costs and accrued staff entitlements
- Debt repayments all in line with existing bank commitments
- Cash at December 2015 - $38.6m.





DEBT RESCHEDULING



- Agreement reached with NRW banking group to reschedule $104.6m debt
  - Term – April 16 to December 18
  - Amortised monthly in equal installments
  - Facility cost similar to existing leases
  - Covenants based on NRW business plan
  - March quarter principle payments to be made to current schedule.
  - Legal documentation to be finalised in March
  - Structured to facilitate working capital and bank guarantee facilities
  - Ability to accelerate repayments if business conditions improve.

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BUSINESS UNIT PERFORMANCE

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BUSINESS UPDATE

NRW Civil and Mining

Civil

- Ravensthorpe Heavy Haul Route successfully completed
- Secured minor work for Fortescue – Trinity overpass
- Tenders submitted with potential project commencement dates in Q4 FY16
- Tender activity includes a number of Government Infrastructure projects
- Preferred contractor in Joint Venture with Salini Impregilo on the Forrestfield Airport Link project

Mining

- Nammuldi progressing well
- Additional assets deployed at Middlemount
- Tenders submitted for projects in Western Australia and Queensland - project start dates scheduled March / April 2016
  - Would utilise existing NRW fleet

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BUSINESS UPDATE

Action Drill and Blast

- Secured new contracts
  - Goldings Contractors (Isaac Plains)
  - Gold Fields (St Ives)
- Commenced contract extension for Fortescue (Cloudbreak)
- Solid tender activity in gold and coal across Western Australia and Queensland

AES Equipment Solutions

- Cost base restructured but unlikely to be profitable until activity levels recover.
- Workshop activities expected to improve in the second half with further scope for longer term maintenance contracts.

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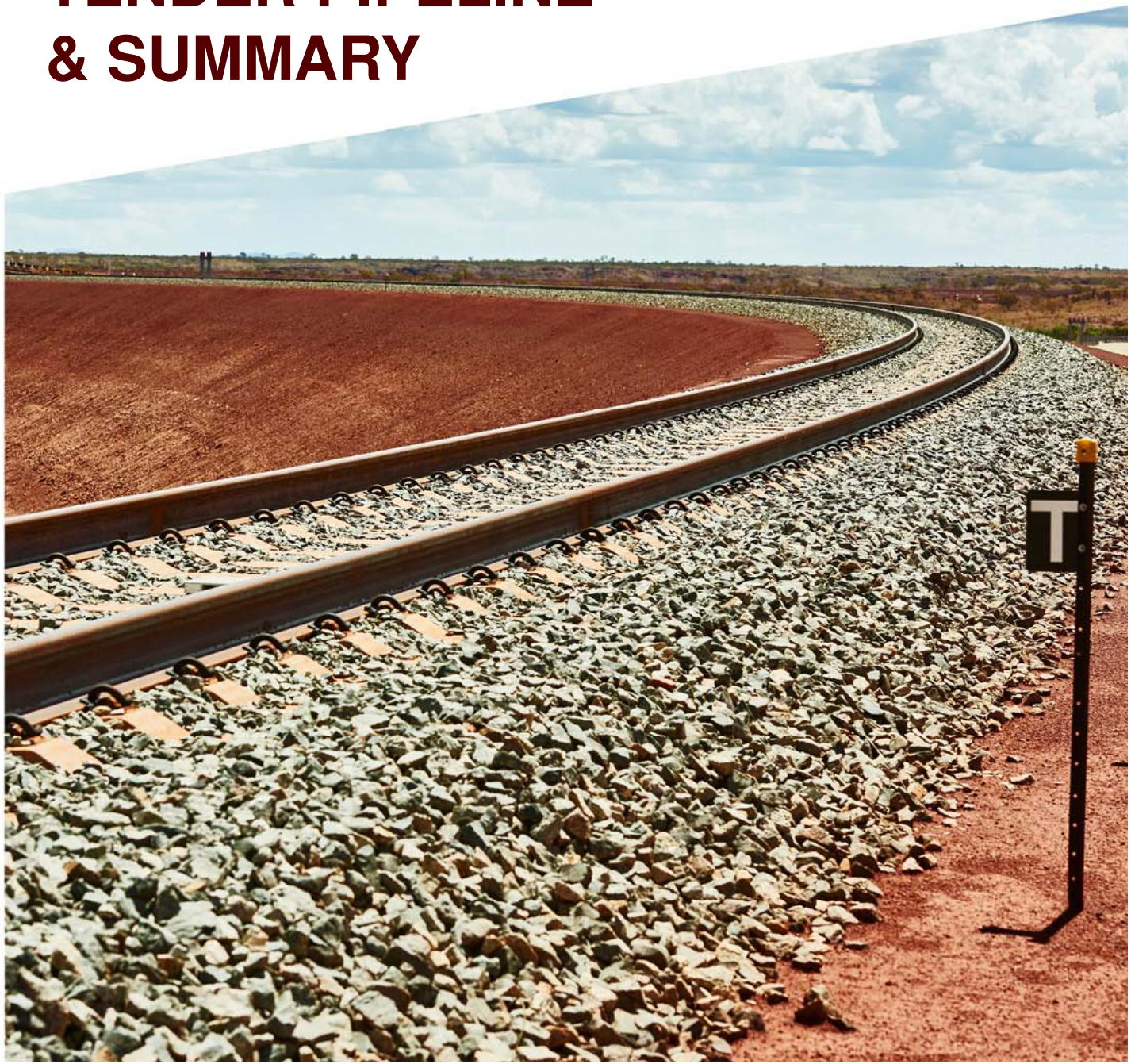
TENDER PIPELINE & SUMMARY



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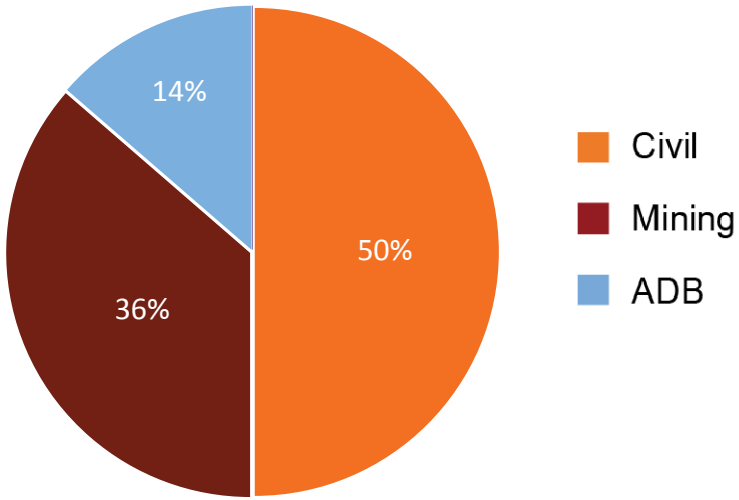
TENDER PIPELINE

- Order book of $780m
- Tender pipeline valued at $2.2 billion includes
  - Civil $1.1b
  - Mining $0.8b
  - Drill and Blast $0.3b
- Opportunities for API and Carmichael Coal - not included in above.
- NRW recently selected as preferred contractor in joint venture with Salini Impregilo on the Forrestfield Airport Link project.
- Mining includes bids for clients in gold, coal and iron ore.



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OUTLOOK

- We remain committed to working closely with our clients:
    - Focus on lowering operating costs and delivering improved productivity.
    - Capex spend on expansions and new projects in the resources sector is likely to remain subdued, though more prospective than in the first half FY16.
- NRW's forward order book totals $780m of which $140m is secured revenue for delivery in the second half of FY16.
    - Tender activity high - pipeline currently assessed at $2.2 billion.
- NRW's total fleet utilisation has improved to 80%.
- Right sized and restructured business.
    - Headcount reduced from 2011(Dec 2014) to 863 at 31st Dec 2015.
    - Year on year overhead reductions > 40%.

- Business has stabilised ; debt rescheduling agreement in place.
- Business to remain EBITDA and NPAT positive in FY16.

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