nomad building solutions limited

**28 August 2014**

## NBS FINANCIAL YEAR 2014 RESULTS

Nomad Building Solutions Limited (**NBS or Group**) has reported sales revenue of $37.9m for the 2014 financial year (**FY2014**) and a net operating loss after tax of $0.2m from continuing operations.

The FY2014 statutory net loss after tax was $6.9m, which is inclusive of a $1.7m onerous contract provision for the lease of the Wacol premises and impairment of the value of the Derby housing assets of $0.6m.

The cash position at 30 June 2014 was $8.3m with $1.7m held in trust for bank guarantees. The estimated cash balance at the end of August is $5.0m following the $2.6m payment made in early July for the South Hedland Development infrastructure costs and after working capital.

### Financial Results

The financial results as required under AIFRS accounting principles are reported below:

| | FY2014 $m | FY2013 $m | Change % |
|---|---|---|---|
| ***Continuing Operations*** | | | |
| Revenue | 37.9 | 51.6 | (26.6%) |
| EBITDA | 0.9 | 7.6 | (87.7%) |
| EBIT | (0.1) | 5.5 | (102.0%) |
| Net Profit After Tax but excluding Deferred Tax Impairment | (0.2) | 4.0 | (104.4%) |
| Net Profit After Tax and after Deferred Tax Impairment | (0.2) | (5.3) | (96.7%) |
| Cash Flow From Operations | 0.0 | 3.6 | |
| Earnings Per Share excluding Deferred Tax Impairment | (0.1) | 1.4 | |

The earnings on the following page have been prepared to clearly differentiate the operating performance of the ongoing businesses of NBS from the discontinued business units. The key aspects of the results as per the summary table above and table following page include:

- McGrath Homes continues to generate profits with revenue up 16% on FY2013 and EBITDA of $2.6m for the full year.
- The Rental business continues to generate profits with $0.4m of EBITDA for the full year.
- Corporate overheads continue to be reduced and totalled $2.1m for FY2014 down from $3.9m in FY2013.
- Following the decision in October 2013 to place the business into care and maintenance Nomad Eastern States has reported an EBITDA loss of $4.5m including an onerous contract provision of $1.7m for the Wacol premises lease.
- Nomad Modular has reported an EBITDA loss of $1.1m which reflects costs to close out the remaining projects.
- Rapley has reported an EBITDA loss of $1.1m reflecting a $0.6m impairment of the houses in Derby and final costs on closing out projects and attending to defect work claims.

| | FY 2014 $m | FY 2013 $m | Change % |
|---|---|---|---|
| **Revenue** | | | |
| McGrath | 36.7 | 31.8 | 15.60% |
| Rental Business | 1.1 | 19.8 | (94.7%) |
| Corporate & Other | 0.1 | 0.0 | |
| ***Continuing Operations Revenue*** | **37.9** | **51.6** | **(26.5%)** |
| Nomad Modular WA (discontinued) | 0.0 | 0.0 | |
| Rapley (discontinued) | 0.7 | 7.5 | |
| Nomad Eastern States (discontinued) | 5.8 | 27.5 | |
| Other (discontinued) | 0.0 | 0.0 | |
| **Total Reported Revenue** | **44.5** | **86.6** | **(48.6%)** |
| **EBITDA** | | | |
| McGrath | 2.6 | 1.4 | 82.07% |
| Rental Business | 0.4 | 10.0 | (96.1%) |
| Corporate & Other | (2.1) | (3.9) | (46.8%) |
| ***Continuing Operations EBITDA*** | 0.9 | 7.6 | **(40.0%)** |
| Nomad Modular WA (discontinued) | (1.1) | 0.3 | |
| Rapley (discontinued) | (1.1) | (5.2) | |
| Nomad Eastern States (discontinued) | (4.5) | 1.5 | |
| Other (discontinued) | 0.0 | (0.0) | |
| **Group EBITDA** | **(5.7)** | **4.1** | **(238.4%)** |
| | | | |
| **Group EBIT before Goodwill Impairment** | **(6.9)** | **1.7** | **(513.9%)** |
| Borrowing Expenses | (0.1) | (0.4) | |
| **Group Profit Before Tax** | (6.9) | 1.3 | |
| Income Tax Expense | 0.0 | 0.1 | |
| Impair Deferred Tax Asset | 0.0 | (10.1) | |
| Goodwill Impairment ( Rapley ) | 0.0 | (5.0) | |
| **Statutory Net Profit After Tax** | (6.9) | (13.7) | |

## Review of Operations

McGrath Homes

The McGrath homes revenue for FY2014 of $36.7m includes $17m of private residential and $20m from commercial projects. The Rio Tinto project for 80 homes was completed in the first half of FY2014 and comprises $16m of the commercial projects total. Private residential sales for the year have been consistent despite poor sentiment affecting investment in regional areas exposed to mining and mining services. Revenue for other commercial projects (i.e. excluding the Rio project) is below expectations, primarily as a result of a delay in the start of a 30 dwelling development in Karratha.

The FY2015 outlook for McGrath homes remains sound for both the private residential and commercial sectors. The ongoing focus on sales to the private residential market is expected to produce continued growth and there remains a strong pipeline of opportunities in the commercial projects business. The commercial sector pipeline includes a number of housing projects with state and local government and private enterprise, accommodation requirements for lifestyle villages and housing projects for major resource companies, however the timing of these opportunities in uncertain.

Nomad Rental

The occupancy of the 56 room accommodation facility (King Village) in Karratha has varied significantly from month to month due to an over supply of accommodation and low levels of investment and other activity in the area. The occupancy by quarter for FY2014 from Q1 to Q4 has been 33%, 60%, 62% and 21% respectively. In FY2014King Village generated EBITDA of $0.4m.

NBS is working closely with the facility managers with the aim of securing improved occupancy. Indications are that Q1 FY2015 will see a solid increase in occupancy from the 21% achieved in Q4 FY2014.

Corporate

The NBS Corporate function contributed an EBITDA loss to the Group for FY2014 of $2.1m and following a number of initiatives completed during the year is currently operating at an annualised EBITDA loss (cost) of $1.2m. With the Managing Director and Chief Financial Officer position being made redundant, the sub lease of the Balcatta office and relocation of the corporate office and the integration of the Group finance function into the McGrath business, the Corporate overhead for the Group will reduce to approximately $0.5m per annum by the commencement of Q3 FY2015.

**Discontinued Operations and Other Issues**

Nomad Eastern States

All Nomad Eastern States jobs are now complete, the office closed and the premise at Wacol sub leased. As mentioned above the full year EBITDA loss of $4.5m comprises a non-cash onerous contract provision on the sub lease of $1.7m.

The sub lease of the Wacol premises is for a 12 month term plus two six month options thereafter. This provides for a material reduction in the cash carrying cost of the head lease while NES searches for a tenant for the remainder of the lease period which runs until February 2019. Sub leasing of the Wacol premises beyond the current agreement remains a major focus for management.

NBS has two properties in Roma Queensland which are currently being marketed for sale. We have engaged a specialist property consultant to assist with these sales and in total these are expected to provide cash receipts of approximately $0.5m by December 2014.

Rapley

Following the completion of all Rapley projects in the first half, core expertise was retained in the second half to identify and tender on appropriate in-situ construction activities. Whilst a number of tenders were submitted by Rapley there have been no jobs won due to limited opportunities and extreme competition, particularly on price. As such the remaining Rapley employees were made redundant in May 2014.

Some defect liability work, provided for in the FY2014 result, remains to be completed in the first half of FY2015. The FY2014 result for Rapley is an EBITDA loss of $1.15m. The Rapley business is not expected to negatively impact the Group's FY2015 results.

In addition to the Roma assets NBS has 5 houses for sale in Derby. The specialist property consultant, referred to above, is currently marketing these assets for sale and in total these are expected to provide cash receipts, net of expenses of $1.8m. Due to the weak market conditions in Derby at this time the expected net proceeds of $1.8m are lower than the $2.4m carrying value in the accounts. As such the asset value in the accounts has been by impaired by $0.6m and this is included in the $1.1m EBITDA loss for Rapley in FY2014.

Nomad Modular

Three Nomad Modular projects remain to be closed. It was expected that these projects would have been completed by this time however progress has been delayed due to difficulties in achieving closure with the Engineering Manager and clients in relation to engineering certifications and other deliverables and on backcharges and variations. As a result of these delays the cost to finally close these remaining jobs has been re-assessed and provided for in the full year EBITDA loss for Nomad Modular of $1.1m. Notwithstanding these issues we now expect the three jobs to be closed in the first half of FY2015.

South Hedland Development

As previously reported NBS is continuing to explore development options for the site in South Hedland. NBS has further progressed discussions with the relevant authorities to establish either a development lease leading to a conversion to freehold based on development milestones or a 20 year lease agreement. These discussions are ongoing.

NBS has a development application (DA), approved in 2012, for construction of a 113 unit development and is currently assessing the feasibility of progressing with the existing DA against all other options.

As part of this development NBS committed to the infrastructure works for the site in 2011 and with this work now complete NBS has settled all outstanding development costs. These works had a total cost of $2.645m and were paid in full in July 2014.

As part of the end of year audit process NBS has reviewed the forecast financial outcomes on all outstanding legacy issues and where required has adjusted the provisions in the accounts. These provision adjustments are reflected in the FY2014 results.

**Board and Management Changes**

As advised in recent announcements Mr Peter Hogan has retired from the Board of Directors effective 31 July 2014 and the position of NBS Managing Director and Chief Financial Officer have been made redundant. Mr Andrew Sturcke will depart from his executive position effective 7 November 2014 and from this date will continue on as a Non Executive Director. Errol Davies will continue as General Manager of McGrath Homes and will report directly to the Board of NBS.

**Next Steps**

The NBS Board continues to progress bringing all legacy issues to a timely conclusion whilst actively seeking to monetise all remaining surplus assets within the Group and in parallel, provide strong support for the profitable businesses of McGrath Homes and Nomad Rental. Specifically, in relation to McGrath, the Board are considering a number of partnership and development opportunities to deliver medium term baseline demand for its quality product and to build value within the Group's core business.

The NBS Board is of the view that the Group now has the appropriate settings to explore value enhancing opportunities and furthermore is in a position to resume a growth strategy. The NBS Board would like to thank shareholders for their support during a very protracted and complex period of restructuring, and expect to be in a position to provide a comprehensive update on strategy by the time of the 2014 AGM.

**For Further Information:**


| | |
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