

CEO ADDRESS

NRW Holdings Pty Ltd

Annual General Meeting

26th November 2019

Jules Pemberton

Thank you, Michael and good morning ladies and gentlemen, welcome and thank you for joining us at our 2019 AGM which also happens to be NRW's 25th anniversary.

I am incredibly proud of all that has been achieved during the 25 years to date and particularly proud of all the amazing people who have contributed so much during that time, in both helping create the culture of NRW and also shaping the company we are today.

Over the last 25 years, we have created over 56,000 direct employment opportunities, engaged many thousands more through our subcontractors, labour hire and suppliers, we've provided development and training opportunities, developed Indigenous joint ventures, and importantly we have given back to the communities in which we operate.

It has been an incredible journey so far, and we look forward to accomplishing many more achievements in the years ahead.

Now onto the FY19 Year in review.

FY19 was another extraordinary year of growth for the company and we achieved a year on year increase in revenue of 49% during the last 12 months. Overall, organic growth through new civil work, contract growth in the mining business and improved performance in drill and blast have all contributed to this success. As you can see from the slide, we have a demonstrated track record of strong growth over the last four years and expect that to continue based on our guidance this year.

In May, NRW was re-admitted as an ASX 200 Company after a period of absence, and we have also once again reached a \$1 billion market capitalisation milestone.

Our strategy to provide a broader suite of services was significantly strengthened by the acquisition of the RCR Mining Technologies business in February this year.

Whilst a fixed plant and maintenance capability has long been desired to round out our suite of services your management team has been both patient and in this case also opportunistic when RCR fell into the hands of administrators. RCRMT is an extraordinary business with a wonderful culture, expertise and quality of product that is highly regarded by its clients.

As mentioned in the annual report, in the eight months since NRW acquired the business, over \$150 million in new orders has already been secured and the pipeline

continues to grow. The business has been successfully integrated into the group and is performing well. Just a reminder, we acquired this business for \$10 million.

Before I talk more broadly about the company's strategy and outlook, let me cover off on the business unit performance throughout the year.

In summary, our results achieved were:

Financial Year Highlights:

- A 49% increase in revenue to \$1.126.3 million
- Our comparative EBITDA increased to \$144.0 million, up 54%
- Cash holdings increased to \$65 million
- Gearing remained at very modest 12.2%
- And we declared a Final Dividend of 2 cents fully franked

Disappointingly, earnings would have been higher had it not been for impairment of \$33.5 million made on the Gascoyne Resources Dalgara project relating to their voluntary administration in June. The administrators are continuing to work through a sales and recapitalisation process.

Business Unit Performance

Following the successful acquisition of RCRMT, NRW has structured its business reporting into four segments, Civil, Mining, Drill and Blast, and Mining Technologies.

Civil

The Civil business reported growth in revenue to \$383.5 million as a result of contract awards for Iron Ore sustaining tonnes projects. It was pleasing to report the award of contracts for three major iron ore producers (BHP, Fortescue Metals Group and Rio Tinto) in Western Australia, and to be well placed to continue to win and deliver contracts in this sector as plans for sustaining current production volumes continue to grow.

If you refer to the slide, you can see current secured revenue of \$508 million and we are busy on a healthy pipeline of opportunities across Iron Ore and also Infrastructure, in both the West and East Coast markets.

Mining

The Mining business also reported significant growth in revenue to \$622.9 million, up from \$347.3 million in the prior year, taking into account a full year of Golding contribution compared to 10 months when the business was acquired in FY18.

A five-year extension to Isaac Plains mining services was secured by Golding in November 2018 with an increased contract value of circa \$950 million, requiring minimal new capital outlay. The increased activity has been supported with new mining fleet and transfer of fleet from NRW's Middlemount operations, in line with the reduced requirements for fleet on that project.

A number of existing mining clients increased production volumes in the year and we delivered a full year of activity on both the Baralaba North project for Wonbindi Coal

and Gascoyne Resources Dalgaranga gold project both of which commenced in FY18.

Post the financial year-end, we were awarded a \$95 million contract with Rio Tinto for the Koodaideri Mine pre-strip and are currently mobilising our workforce to site.

Drill and Blast

The Drill and Blast business delivered increased revenue of \$140.9 million, with strong earnings improvement in the second half.

A number of new contracts and contract extensions were secured during the year including work at Greenbushes for Talison Lithium, for the Civil business at South Flank and Koodaideri, and for the Mining business at Isaac Plains and Baralaba. Activity levels have increased compared to last year and importantly, earnings have followed. The value of contract awards and extensions in the year was \$175 million.

Across the business we have successfully implemented a structured programme to upgrade drills ensuring availability levels are at an acceptable standard, which is now contributing to improved earnings.

Mining Technologies and Heat Treatment

The highly successful acquisition of RCR Mining Technologies (RCRMT) has added to our diversified capability offering, and the services and people are now well embedded in the NRW business.

RCRMT owns significant intellectual property across a range of products and processes and is recognised as a market leader by global resource companies.

Since the transaction, the business has secured a number of contracts which clients were prepared to hold off placing elsewhere during administration, which underlines the reliance clients place on the quality of equipment and services supplied by the business.

Key recent award post the financial year end was the award of the HOP9 relocatable crushing plant, an innovation-driven solution for Fortescue Metals Group.

People and Safety

Now as our Chairman addressed earlier, one of our colleagues, Jack Gerdes, an excavator operator working for Golding at the Baralaba North Coal Mine was fatally injured on 7 July 2019. The investigation into the circumstances of the tragedy is ongoing with the support of both NRW and Golding. Our condolences and thoughts remain with Jack's colleagues, family and friends.

NRW is, has, and will always be committed to our goal of Zero Harm. Our people are our family and their safety and wellbeing is our highest priority.

As Michael also mentioned earlier, our workforce levels have significantly increased through the year as a result of the strong growth in secured work and also through the acquisition of RCRMT where we welcomed their 300 employees into the NRW family.

With strong growth in our workforce, we need to continue to focus on our people training and development to ensure that the cultural and behavioural standards continue to align and be maintained at the highest levels expected within NRW.

Our total workforce at 30 October is around 3,800, nearly double the June 2018 total.

Strategy and Outlook

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, increasing our opportunity to deliver projects Australia wide;
 - We have built on our sustainable revenue base with more annuity-style revenue secured 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 and blast businesses, given these contracts are production-based and generally longterm contracts.

Most importantly, our acquisition of RCRMT this year has set us on a highly strategic and important path of growth across fixed plant construction, product support and shutdown maintenance which is critical to productive mining operations. If you look across at the slide we can see our delivery capability now extends across public and resources infrastructure, contract mining and drill and blast but also our new pillar NRW Mining Technologies.

We plan to grow this business strongly over the coming years. As the demand for Mining and Oil & Gas related maintenance services, particularly in Western Australia and Queensland, is forecast to grow from around \$9 billion in annual spend to more than \$12 billion in annual spend, there is a significant opportunity to grow our business further in a sector that requires minimal company capital investment.

Now onto our tender pipeline and outlook.

Our traditional markets in which NRW operates continue to provide opportunities for growth and as mentioned 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. Our order book remains at circa \$2.5 billion.

The near term tender pipeline remains consistent at around \$8 billion with current submitted tenders of \$1.2 billion. We remain confident of strong activity levels across our key sectors over the years ahead and we maintain our guidance of circa \$1.5 billion in revenue for FY20 with covered revenue as at 30 October 2019, at \$1.46 billion.

So just before I conclude my address, I confirm as advised on the 4th November that we are the preferred bidder for the BGC Contracting business subject to final documentation. As with any transaction of this nature there can be no assurance a transaction will be the result but you can be assured that we will keep the market fully informed in accordance with our continuous disclosure obligations.

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

In closing, I want to thank all of our valued employees for their contributions this year, it has been another year of strong performance by the company and credit goes to you all across our businesses. I would also like to thank our new employees for choosing to join NRW during the year and welcome our RCRMT employees who became part of the NRW family.

I would also like to acknowledge and thank my Leadership Team and fellow board members for their commitment and support over the last 12 months.

Lastly, I would like to thank our shareholders, particularly those of you who have been able to make it along to today's AGM.

Jules Pemberton

CEO and Managing Director, NRW Holdings