



# NRW HOLDINGS

## HALF YEAR RESULTS

20 FEBRUARY 2020

# 20



## Operations

- ✓ Revenue<sup>(1)</sup> of \$808.7M, an increase of 55% compared to the prior comparative period (pcp)
- ✓ Comparative EBITDA<sup>(2)</sup> of \$94.6M up 27% on pcp
- ✓ NPATA<sup>(3)</sup> up 28% to \$41.2M.

## Balance Sheet

- ✓ Strong cash conversion resulting in Cash holdings increasing to \$122.5M
- ✓ Net Debt increase due to assumption of BGC Contracting asset finance debt: Gearing increased to 38% - forecast to reduce to below 30% by financial year end
- ✓ Interim Dividend declared of 2.5 cents fully franked (up 25% on PCP).

## BGC Contracting

- ✓ Completed acquisition of BGC Contracting (renamed NRW Contracting)
  - ✓ Cash payment funded through equity raised at a premium \$116.4M
  - ✓ Net Debt assumed (included \$28.6M of cash) \$153.7M
  - ✓ Total consideration \$270.1M
- ✓ Value underpinned by a fleet of over 200 items of high quality mobile mining equipment and DIAB Engineering generating maintenance annuity style revenues
- ✓ Integration progressing well: in excess of 50% of annual run rate savings already achieved of the \$15M target
- ✓ BGC Contracting awarded 65km of rail formation plus additional scope at Eliwana (\$155M) for Fortescue Metals Group.

## Strategic

- ✓ Secured \$70M of new Civil contracts for BHP Mitsubishi Alliance (BMA) at Blackwater and Goonyella
- ✓ RCRMT has secured \$171M of work under NRW ownership (to Dec 19) including the award of a design and construct equipment package for a crushing plant for FMG at their Cloudbreak mine site
- ✓ Awarded circa \$70M Iron Bridge package for FMG and Formosa Steel (Feb 2020)
- ✓ Formed Alliance partnerships for large WA infrastructure projects.

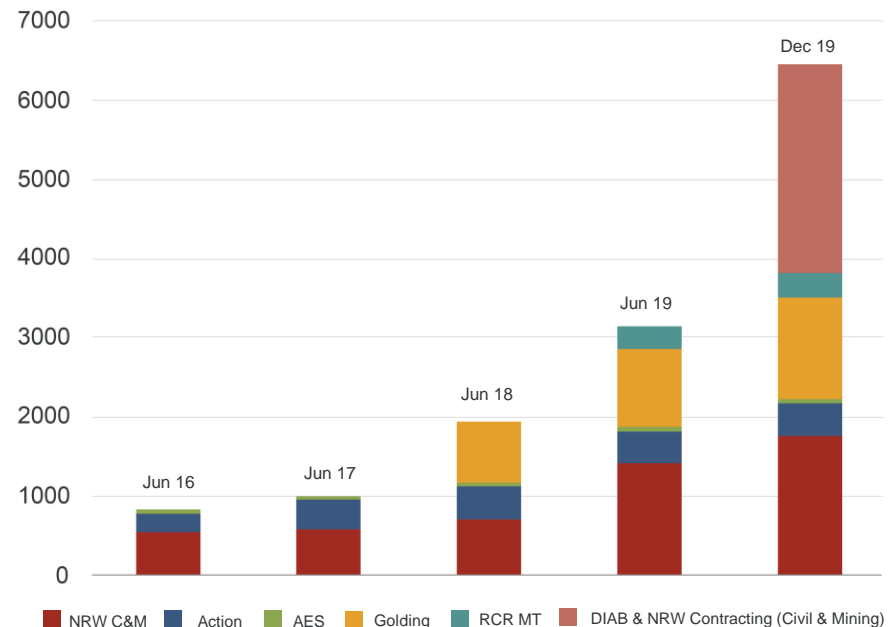
(1) Statutory Revenue of \$783.6M plus revenue from associates of \$25.1M

(2) Comparative EBITDA is earnings before interest, tax, depreciation, amortisation, transaction costs and pre adoption of AASB16

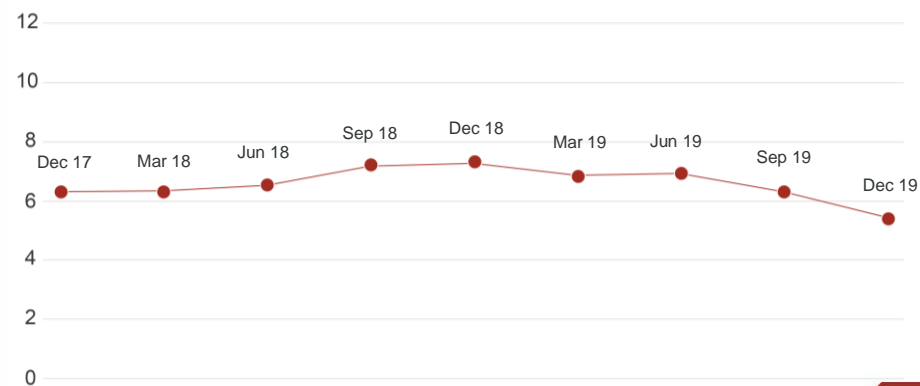
(3) NPATA is Net earnings before amortisation of acquisition intangibles at normal tax rates.

- The events of the last six months remind us of the importance of ensuring the safety and wellbeing of our people. Sadly, we reported on 28 January that one of our employees in the recently acquired DIAB Engineering business sustained serious injuries on site and later tragically passed away in hospital.
- DIAB Engineering continue to provide support to the ongoing investigation into the incident and to the family and their employees.
- Improvement in Total Recordable Injury Frequency Rate (TRIFR) performance across the business as at December 2019; 5.45 (6.92 as at June 2019).
- Strong growth in headcount to over 6,000 v circa 3,100 at June 2019.
- Business is responding well to increasing manning requirements – through re-engagement of previous NRW employees, growing diversity of service offering and our strong company profile.
- Indigenous participation rate of between 5% to 8% across major projects in WA and a retention rate, despite project cycles, of 85%.
- NRW embraces diversity and inclusiveness across all of our activities - our aim is to increase participation across a range of demographics.

## Headcount



## Total Recordable Injury Frequency Rate







Mt Webber, WA



Woodside Karratha, WA

# BGC CONTRACTING OVERVIEW



Kemerton, WA



NorthLink, WA



## Background

**BGC Contracting (renamed NRW Contracting) further expands NRW's position as a leading player in the provision of services across the Australian resources, infrastructure and energy sectors with a long-term high-profile client base.**

Headquartered in Perth, WA, BGC Contracting is comprised of three business groups:

- **MINING:** Open cut contract mining business, contract crushing and processing;
  - **CONSTRUCTION:** Civil construction business with capability across the public infrastructure, energy and resources sectors; and
  - **DIAB ENGINEERING:** Key capabilities: maintenance (shutdown services and onsite maintenance), construction and fabrication in the resources sector across Australia.
- Mining and Construction value underpinned by a comprehensive fleet of over 200 items of high-quality mobile mining equipment (including ultra class) with an average age of <3 years
  - DIAB with two permanent facilities (WA and VIC) generates annuity revenues with attractive growth characteristics.

## Transaction

- Net acquisition \$270.1M funded through equity (\$116.4M) and assumed debt net of cash in BGC Contracting (\$152.7M)
- Highly EPS accretive circa 2.7x pre synergies targeted at \$15M per annum pre transaction and integration costs
- Debt is Asset Finance – weighted interest cost below 4.5%
- Gearing forecast to be below 30% by June 20
- Integration progressing well: in excess of 50% of annual run rate savings already achieved of the \$15M target
- Enhanced revenue and earnings base via BGC Contracting's existing contract portfolio and order book of ~\$1.5B, including ~\$0.8B currently scheduled for delivery in FY20
- Good visibility on FY20F earnings, BGC Contracting FY20 forecasts revenue of ~\$850M, EBITDA (pre AASB16) of ~\$100M. NRW to recognise 7 months (Dec 19 to Jun 20)
- BGC Contracting awarded 65km of rail formation at Eliwana for Fortescue Metals Group.

# BGC CONTRACTING – BUSINESS OVERVIEW

- BGC Contracting is a leading player in the provision of services across the Australian resources, energy and infrastructure sectors offering diversified and complimentary earnings.

## BUSINESS UNIT OVERVIEW

	LOCATIONS		FY19 REVENUE CONTRIBUTION	WORK IN HAND <sup>3</sup>	CLIENTS
<b>MINING</b> Leading Australian nationwide provider of open cut mining contracting, with a proven track record in iron ore, gold, coal and other commodities >1,100 person workforce <sup>1</sup>	Open cut mining Mine site infrastructure Drill and blast	Mineral processing Asset and fleet management	  o \$493M	<b>\$1.2B</b>	    
<b>CONSTRUCTION</b> A long-standing provider of earthworks and civil construction projects to the resources, energy and public infrastructure sectors >700 person workforce <sup>1</sup>	Transport infrastructure Non-process infrastructure Mine site infrastructure	Earthworks Civil concrete work Water infrastructure	  \$255M o	<b>\$0.3B</b>	     
<b>DIAB ENGINEERING</b> Acquired by BGC Contracting in 2016, DIAB Engineering has been providing integrated engineering and maintenance services to resources projects since 1970 ~50 permanent employees ~350 casual employees and contractors	Structural, mechanical, piping Fabrication services Routine preventative and OHP shutdowns Crane / equipment hire	Processing plant upgrades Offsite repairs Hire, sales and distribution of MonZon Scaffold System	  o \$115M	<b>~\$50M<sup>2</sup></b>	     

1. Includes indirect workforce (e.g. subcontractors and labour hire)

2. Represents estimated recurring annual revenue

3. As at 31 August 2019 - economic effective date.





Iron Baron, SA



Pilgangoora Lithium, WA

# FINANCIAL OVERVIEW



Belt Reelers



Sovereign Pocket 3, QLD

## Results

- Revenue up 55% to \$808.7M
  - Increased Civil activity
  - Higher volumes in Mining (additional fleet deployed)
  - Addition of RCRMT (6 months) and BGCC (1 month)
- EBITDA pre AASB16 up 27% to \$94.6M
- Net earnings pre amortisation (NPATA) up 27% to \$41.2M
- Return on capital employed (post tax) improved to 25.1% (FY19 12.5%)
- Note: tax assets offsetting any cash tax payments.

## Earnings

	FHFY20		FHFY19	
\$M	Revenue	Earnings	Revenue	Earnings
Revenue including Associates	808.7		521.2	
<b>Underlying EBITDA</b>		<b>94.6</b>		<b>74.3</b>
Adoption of AASB 16		21.8		-
<b>EBITDA</b>		<b>116.4</b>		<b>74.3</b>
Depreciation and Amortisation		(50.9)		(24.3)
<b>Total Revenue/Total EBIT</b>	<b>808.7</b>	<b>65.6</b>	<b>521.2</b>	<b>50.0</b>
Revenue from Associates	(25.1)		(27.1)	
Amortisation of Acquisition Intangibles		(4.0)		(5.6)
Transaction costs		(8.7)		-
<b>EBIT</b>		<b>52.8</b>		<b>44.4</b>
Interest		(6.7)		(4.1)
<b>Profit before income tax</b>		<b>46.1</b>		<b>40.3</b>
Tax		(12.7)		(12.1)
<b>Statutory Revenue / Net earnings</b>	<b>783.6</b>	<b>33.4</b>	<b>494.2</b>	<b>28.2</b>
<b>NPATA</b>		<b>41.2</b>		<b>32.1</b>

## AASB16

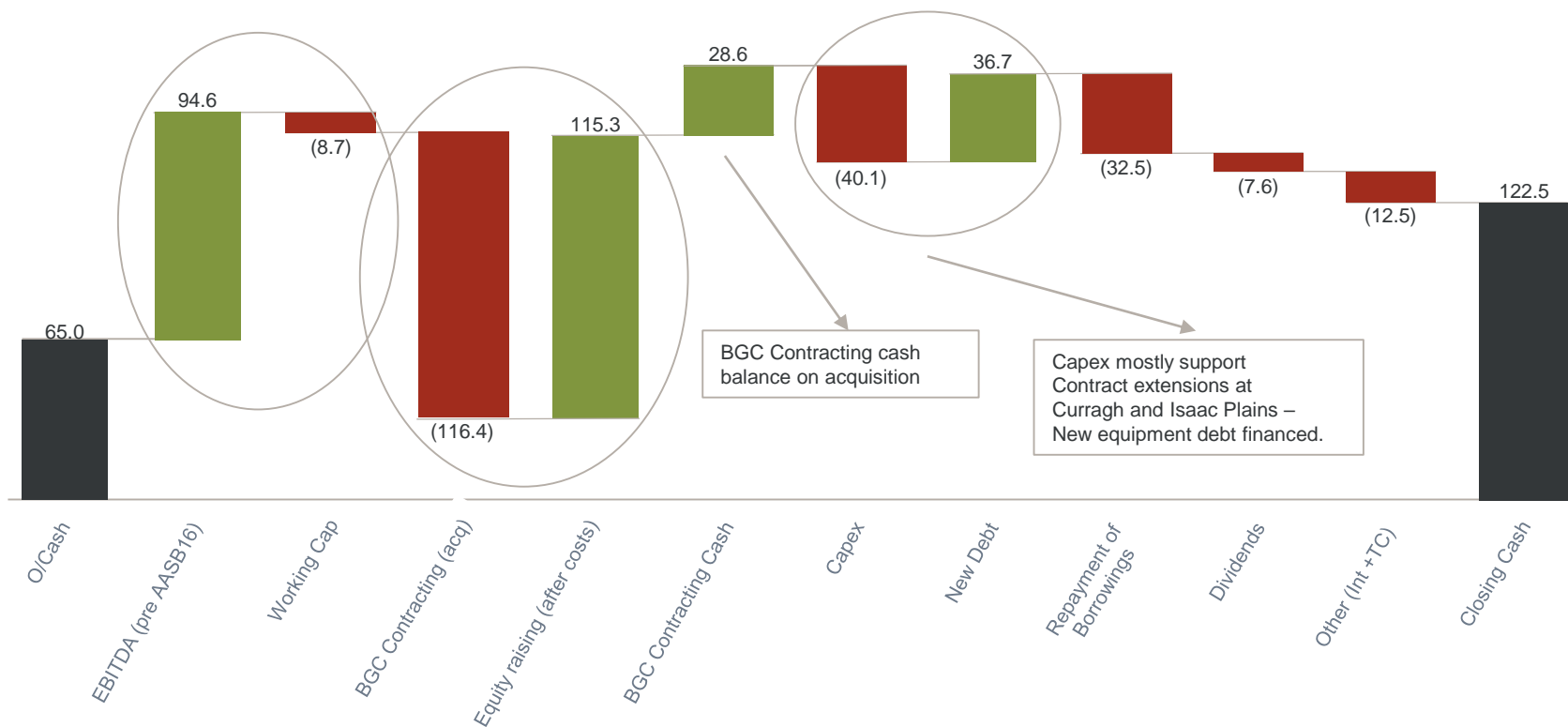
- Inclusion of lease liabilities for mobile equipment, offices & workshops
- Opening Balance sheet
  - Adds \$114.6M to "Right of use assets"
  - Circa \$122.0M additional debt
  - Difference in opening equity
- P&L impact
  - Rental costs reduced by \$21.8M
  - Depreciation expense increased by \$18.4M
  - Interest costs increased by \$2.9M
- Business segment results in following slides shown pre & post AASB16
- Gearing at 37.8% (pre AASB16) - Balance sheet shows 67% (inc Lease Liabilities).

## Balance Sheet

	31 Dec 19		30 June 19
	Incl. AASB16 \$M	Excl. AASB16 \$M	\$M
Cash	122.5	122.5	65.0
Debt	(409.0)	122.0	(100.5)
<b>Net Debt</b>	<b>(286.5)</b>	<b>(164.5)</b>	<b>(35.5)</b>
PPE	570.6	(114.6)	455.9
Lease receivable	6.4	6.4	-
Working capital	5.7	5.7	(1.7)
Investments in associates	2.8	2.8	2.7
Tax Assets	4.0	0.1	4.1
<b>Tangible Assets</b>	<b>303.1</b>	<b>310.3</b>	<b>227.5</b>
Intangibles and Goodwill	124.1	124.1	63.8
<b>Net Assets</b>	<b>427.2</b>	<b>434.7</b>	<b>291.4</b>
Gearing	67.0%	37.8%	12.2%



- Strong cash conversion – 91% of EBITDA – continued management of working capital
  - Contributed to continued growth in cash balances + BGC Contracting cash (\$28.6M) on acquisition
- Equity raise funded BGC Contracting acquisition; balance funded through assumed debt.



#### New Debt:

- Golding Asset Finance - \$23M
- ADB Drill Rig Finance - \$7M
- Other - \$6.7M

#### Repayment of borrowings:

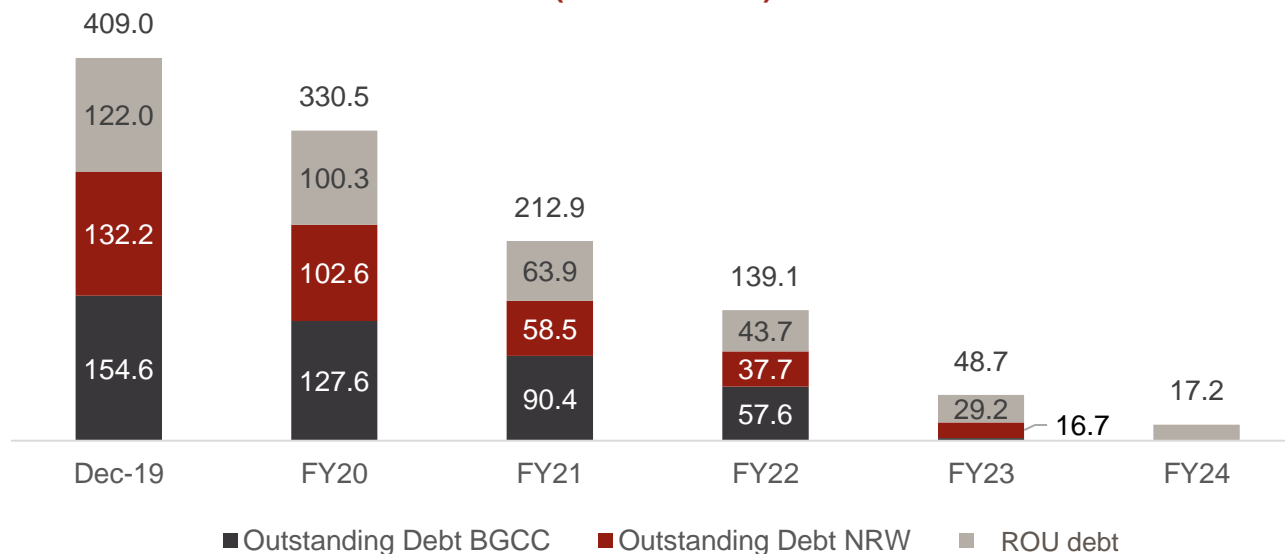
- Bankwest loan - \$9.3M
- Golding Acquisition Loan - \$8.0M
- Other - \$5.2M

#### Other

- Transaction Costs - \$8.7M
- Interest pre AA\$B16 - \$3.8M

- Corporate debt (“notes” and Golding acquisition) continues to be repaid
- Debt increased due to
  - BGC Contracting debt assumed through the acquisition \$182.3M (Dec 19)
  - New equipment finance to support Capex circa \$30M
- New lease standard (AASB16) adds \$122M to Balance sheet debt
- Bankwest facility extended to provide incremental working capital and contract guarantee facilities
- New agreement with Bank of China - provide up to \$40M debt or bonding
- High cashflow conversion is forecast to lead to deleveraging over short period of time
  - Implied gearing (pre AASB16) returning to target (below 30%) by June 20.

## NRW GROUP – OUTSTANDING DEBT (Incl. AASB 16) (AUD millions)







**CIVIL**

**MINING**

**DRILL & BLAST**

**MINING TECHNOLOGIES**

**NRW Civil**  
**BGC Contracting**  
**Golding Civil**  
**Golding Urban**

- Mine development
- Bulk earthworks
- Roads & bridges
- Rail
- Marine works
- Commercial & residential subdivisions
- NPI
- Airstrips
- R5, B4, F150+

**NRW Mining**  
**BGC Contracting**  
**Golding Mining**  
**AES Equipment Solutions**

- Whole of mine management
- Mine development
- Load & haul
- Dragline
- Coal handling preparation plants
- Mine site rehabilitation
- Maintenance services
- Mobile Equipment
- Truck sales

**Action Drill & Blast**

- Full scope drill & blast
- Production drill & blast – metalliferous mining
- Production drill & blast – coal mining
- Pit development drill & blast
- Civil works drill & blast
- Explosives supply & management
- Blast engineering & optimisation

**RCR Mining Technologies**  
**DIAB Engineering**

- Apron, belt & hybrid feeders
- Material handling specialists
- Stackers & scrubbers
- Product support, spare parts & service
- Maintenance services & shutdowns
- Heat Treatment
- Structural, mechanical and piping work
- Routine preventative and OHP shutdowns
- Processing plant upgrades
- Offsite repairs and fabrication services
- Hire, sales and distribution of MonZon Scaffold System





Boggabri, NSW



Koodaideri Mine Pre-Strip, WA

# BUSINESS PERFORMANCE



Apron Feeders



DIAB Engineering





W2B, NSW



Eliwana, WA

# CIVIL



BGCC NorthLink Stage 2, WA



Koodaideri, WA

## Results

- Revenue growth is Iron Ore projects
  - South Flank
  - Koodaideri
  - Eliwana (NRW & BGCC)
  - West Angeles (BGCC)
- FY19 margin was higher than underlying rate as the result included a number of completing projects delivered above bid margins
- FY20 margin impacted by low volumes in Golding Q1 FY20, improvement forecast H2 FY20
- FAL: TBM's reaching end of tunneling.

## New Work

- Blackwater and Goonyella for BMA - \$70M
- Eliwana rail - 65km of rail formation awarded to NRW Contracting - \$138M
- Awarded circa \$70M Iron Bridge package for FMG and Formosa Steel (Feb 2020)
- Additional scope added to BGCC early works Eliwana project for Airstrip and roadworks (\$17M)
- Contract for new client Origin Energy in Queensland circa \$15M.

## Outlook

- Most of FY20 forecast now secured
- Further mine and infrastructure packages currently being tendered across Iron Ore, Coal and Main Roads
- BGC Contracting
  - Long history of large public infrastructure delivery in WA
  - Certified to highest national government accreditation for civil road and bridge construction contracts (R5 / B4 and F150 Plus)
- Positioning for involvement in large WA Infrastructure projects. Construction to commence in calendar 2021
- Further stages of existing property developments for the Urban business and continued expansion into new Brisbane growth corridors – sustained revenue through working across more projects.

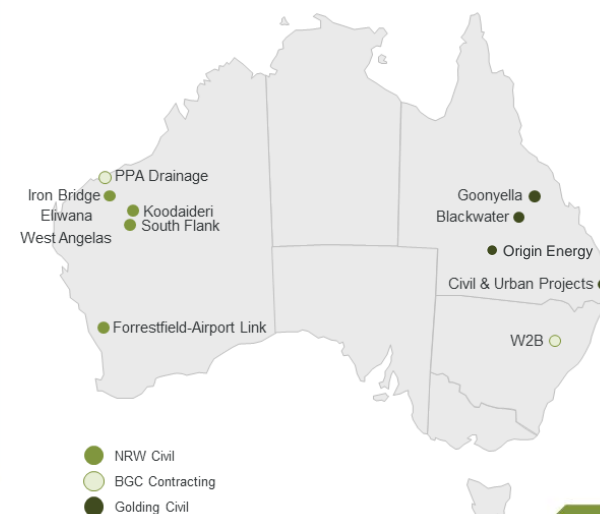
	FH FY20		FH FY19	
Revenue	305.0		163.8	
EBITDA (pre AASB16)	12.1	4.0%	12.8	7.6%
AASB16 Adj.	4.8			
EBITDA	16.9			
Depreciation	(6.6)		(1.0)	
EBIT	10.3	3.4%	11.8	7.0%

	Revenue	EBITDA Margin(1)
Range - Lower	775.0	4.0%
Range - Upper	825.0	5.0%

(1) Pre AASB16

- Revenue range increased due to BGC Contracting
- Margin range revised due to inclusion of BGC Contracting which includes completion of W2B project at nil margin.

## CURRENT CIVIL OPERATIONS





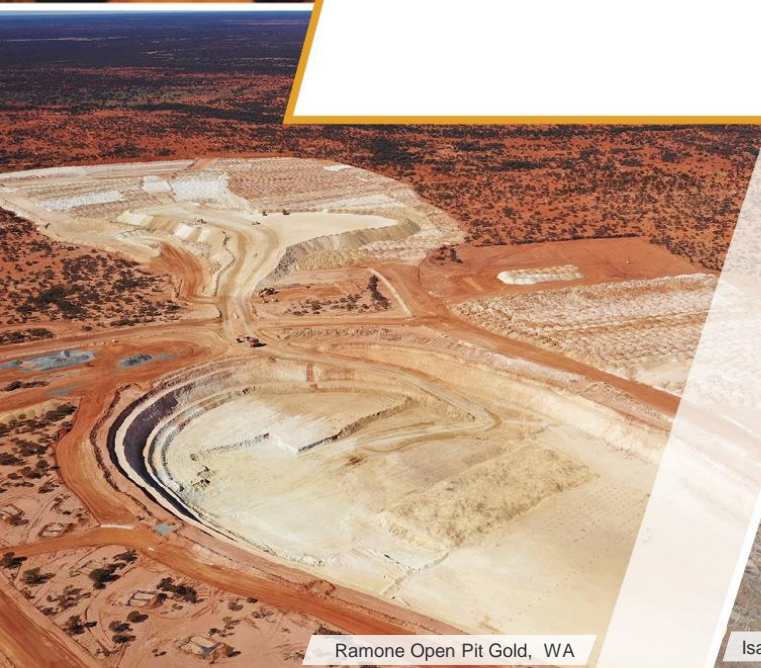


Boggabri Coal, NSW



Dalgaranga, WA

# MINING



Ramone Open Pit Gold, WA



Isaac Plains, QLD

## Results

- Revenue increase
  - Additional mining fleet deployed at Curragh and Isaac Plains
  - BGC Contracting for one month
- Comparative EBITDA margin similar on existing projects overall margin impacted by mix change
- New Work includes
  - 5 year extension at Isaac Plains for Stanmore Coal \$500M
  - Koodaideri prestrip contract from Rio Tinto valued at \$95M.

## CURRENT MINING OPERATIONS



## Outlook

- Most of FY20 forecast revenue now secured
- New equipment deployed through Capex and 3<sup>rd</sup> party hire incrementing revenue
- Opportunities in iron ore to provide mine development work on major projects.
- Gascoyne Resources:
  - Gold production increasing (Jan results released by GCY)
  - Major cutback progressing well to expose main gold seam.
- BGC Contracting projects include:
  - Boggabri
  - Simec
  - Phosphate Hill
  - Mount Webber
  - Ramone

	FH FY20		FH FY19	
Revenue	375.1		310.1	
EBITDA (pre AASB16)	70.5	18.8%	59.8	19.3%
AASB16 Adj.	14.0			
EBITDA	84.5			
Depreciation	(36.0)		(19.3)	
EBIT	48.5	12.9%	40.5	13.1%

	Revenue	EBITDA Margin(1)
Range - Lower	900.0	18.0%
Range - Upper	950.0	19.5%

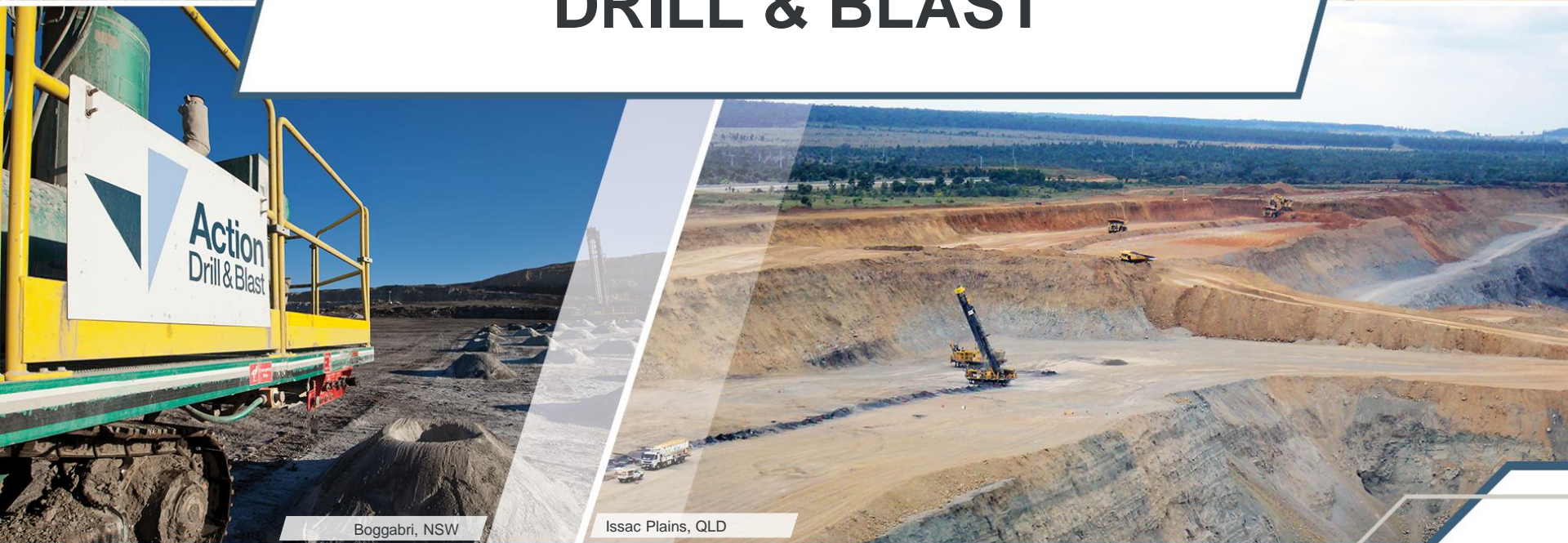
(1) Pre AASB16

- Revenue range increased (BGC Contracting)
- AASB16 additions are long term truck rentals to support capital light model.





# DRILL & BLAST



Boggabri, NSW

Issac Plains, QLD



## Results

- Revenue increase - higher volumes on
  - Civil projects
  - Baralaba
  - Isaac Plains
- EBITDA – further improvement in margins to 11.7%
  - Drill remediation actions a major contributor to the improvement.

## Outlook

- Secured work for FY20 currently at \$120M; achieving higher end of revenue range is dependent on securing new work
- Good start with the award of short term contracts at Batchfire's Callide and Yancoal's Yarrabee mines, both of which have opportunity for growth
- Focus on securing extensions to contracts completing in FY19, in addition to new project opportunities.
- Appointment of Andrew Broad to General Manager of the Drill & Blast business
- Andrew has extensive experience in this sector with over 20 years working in Ausdrill more recently as COO.

	FH FY20		FH FY19	
Revenue	79.5		63.9	
EBITDA (pre AASB16)	9.3	11.7%	3.5	5.5%
AASB16 Adj.	-			
EBITDA	9.3			
Depreciation	(4.4)		(3.4)	
EBIT	4.9	6.2%	0.1	0.2%

	Revenue	EBITDA Margin(1)
Range - Lower	130.0	11.0%
Range - Upper	150.0	13.0%

(1) Pre AASB16

## CURRENT DRILL & BLAST OPERATIONS



South Flank, WA



Plant Safety Cage



DIAB Engineering

# MINING TECHNOLOGIES



RCR Heat Treatment



Apron Feeders

## Results

- Revenue of \$74.1M ahead of range
  - Administration delayed award of key contracts which has concentrated activity in calendar 19
  - Cash generated in half more than acquisition cost (\$10M)
- Results include one month of DIAB Engineering
- RCRMT has secured \$171M of work in calendar 19
- Key award for FMG
  - design and construct equipment package for a crushing plant for FMG at their Cloudbreak mine site.

## Outlook

- Mining Technologies includes RCRMT and DIAB Engineering
- DIAB has proven capabilities in the metals and mining industry and provides specialist maintenance (shutdown services and onsite maintenance), industrial engineering and fabrication services
- DIAB represents more of an annuity style earnings base, with long-term clients and panel style contracts
- DIAB offers a number of services to its clients, supporting projects from engineering design project management through to construction.

	FH FY20		FH FY19
Revenue	74.1		-
EBITDA (pre AASB16)	5.3	7.2%	-
AASB16 Adj.	2.1		
EBITDA	7.4		
Depreciation	(2.5)		-
EBIT	4.9	6.6%	-

	Revenue	EBITDA Margin(1)
Range - Lower	165.0	7.0%
Range - Upper	175.0	8.0%

(1) Pre AASB16

- Range and margin revised due to inclusion of DIAB Engineering and improved first half performance in RCRMT
- AASB16 increases are for facility lease costs for Welshpool, Bunbury and Geraldton.



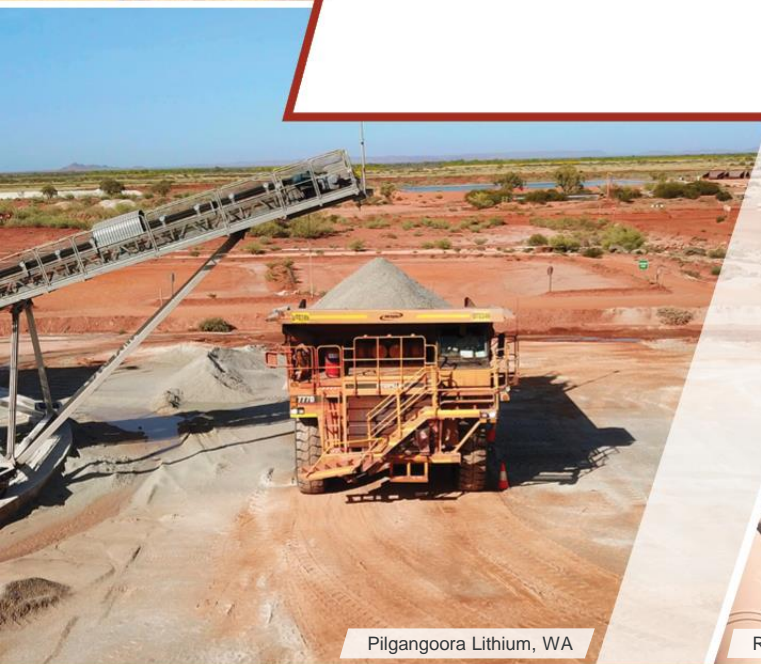


Dalgaranga, WA

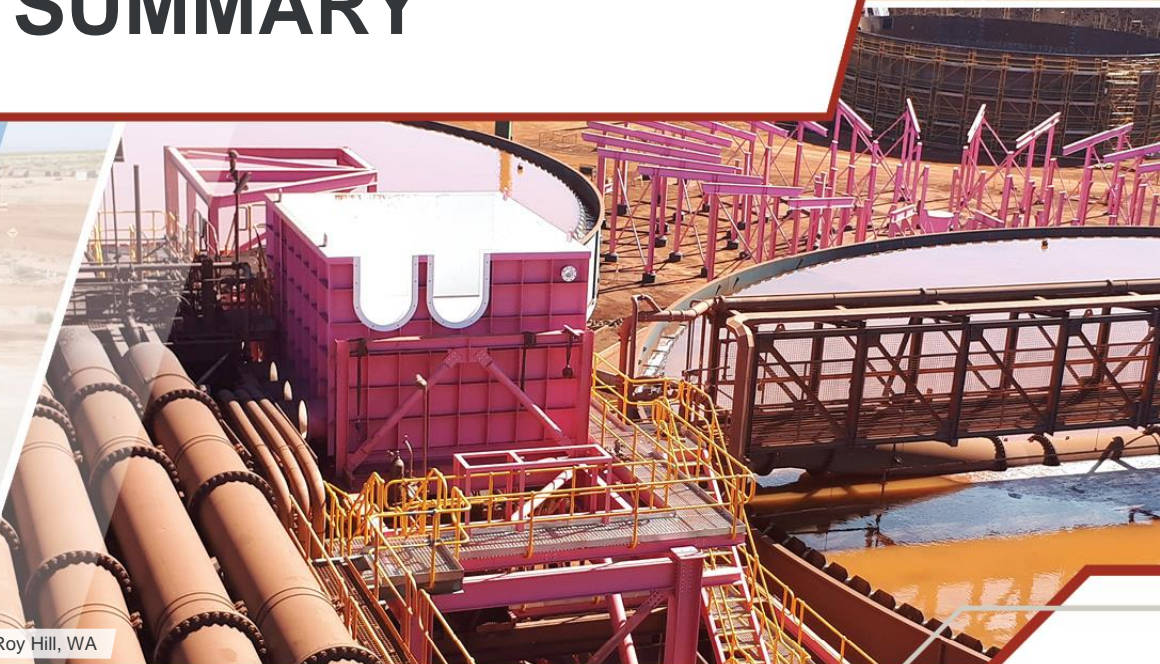


Iron Baron, SA

# SUMMARY

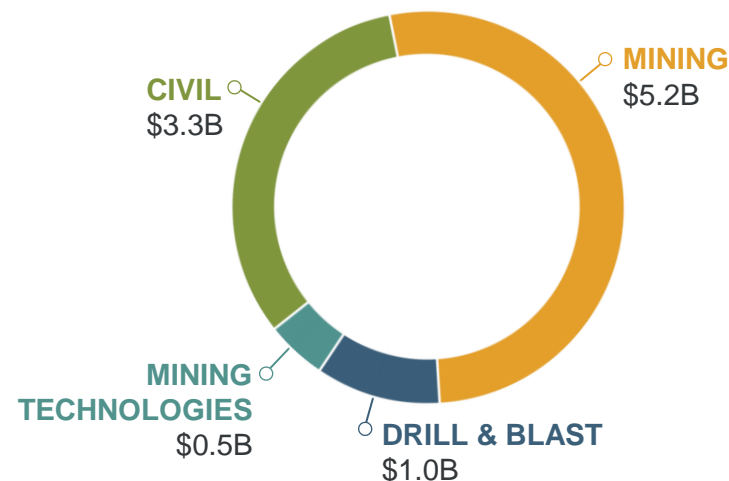


Pilgangoora Lithium, WA



Roy Hill, WA

- Current Order book \$3.8B
- FY20 revenue guidance \$2.0B – mostly secured
- Strengthening Pipeline circa \$10.0B<sup>(1)</sup>
- The acquisition of BGC Contracting represents another significant milestone in the development of NRW and after the highly successful acquisitions of Golding Group and RCR Mining Technologies, delivers a further step change in scale and diversity for NRW's business in Australia.
- We have built capability across a number of areas and improved our revenue visibility:
  - Our geographic reach has expanded, strengthening our capability to deliver projects Australia wide;
  - We have built on our sustainable revenue base with more annuity-style revenue in the order book;
  - We continue to achieve strong growth through a relatively capital light model in our mining and drill and blast businesses.
- Most importantly the acquisitions of RCRMT and now DIAB Engineering have set us on a highly strategic and important path of growth across fixed and relocatable plant construction, product support and shutdown maintenance activities all critical to productive operations.
  - We plan to grow this business strongly over the coming years as a combination of aging assets and the demand for maintenance services in Western Australia and Queensland are forecast to significantly grow from around \$9B in annual spend to more than \$12B in annual spend.
- Positioned to capitalise on the positive market conditions in public infrastructure delivery in WA.
  - Key focus on securing work in the infrastructure sector under Alliance style contracts will provide further diversification opportunities to the enlarged business from calendar 2021.
- Our strategy of growing and diversifying our revenues through organic growth or strategic acquisitions remains our long term objective continuing our evolution and further developing the company as a multi-disciplined “through cycle” services business.



(1) One year award / commencement potential



## Summary information

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