



# NRW HOLDINGS

## FULL YEAR RESULTS

19 August 2020

# RESULTS OVERVIEW

## FINANCIAL

- Record Revenue of \$2,062M up 83% on pcp.
- **EBITDA at \$250M: up 74% on FY19.**
- Operating EBIT increased to \$140.9M up 120% on FY19 of \$64.2M.
- Net Earnings after tax normalised for acquisition intangibles increased 122% to \$89.7M.
- Cash at June 30 totalled \$170.2M; an increase of \$105.2M in the financial year.
- **Cash conversion at record high of 97%.**
- **Debt repayments** in the year totalled **\$82.4M.**
- Lease Debt included in the balance sheet (AASB16) reduced from \$122M at the half year to \$65M comprising mostly long-term property leases.
- **Gearing reduced to below 30%** including lease debt (67% at December 2019) and to 15.8% excluding lease debt.

## OPERATIONAL

- **4<sup>th</sup> Pillar - Outstanding performance** delivered by **RCR Mining Technologies (RCRMT)** including the successful delivery of the HOP9 Crushing Plant project for Fortescue Metals Group.
- Completion and continuing delivery of a number of critical iron ore infrastructure establishment projects – South Flank, Koodaideri, Eliwana and Iron Bridge.
- **Mining contracts continue to perform to production objectives.**
- **Strong order intake in the year increasing the order book to \$3.5B** with a number of mining contracts expected to be renewed in FY21.
- Gold sector - working closely with the Gascoyne Resources management team and FTI in support of the Dalgarna project turnaround and their recapitalisation plan.

## STRATEGIC

- **Successful acquisition of BGC Contracting** completed in December 2019 now fully integrated into NRW's operations around Australia.
- RCRMT and DIAB Engineering integrated into the group and strongly aligned on **growth to \$500M** per annum combined revenues through growth in maintenance, fabrication, shutdown and project works.
- **Preferred Proponent** for the \$852M **Bunbury Outer Ring Road** project as member of the Southwest Connex Alliance.
- Significant additional opportunities in public infrastructure currently in tender and evaluation phase.
- Positioned for growth through diversified order book and strengthening pipeline.

# HSE & PEOPLE

## SAFETY

- It was with great sadness we reported the fatalities of Jack Gerdes, an employee of Golding at the Baralaba North Coal Mine on 7 July 2019, and Howard Prosser an employee of DIAB Engineering working at the Roy Hill Iron Ore mine in WA on 27 January 2020.
- COVID-19 was a significant issue - actions guided by health advice from Federal and State governments.
- Workforce responded well and adapted to social distancing, working from home, changing logistics for site travel, and alternate shift rosters.
- Total Recordable Injury Frequency Rate (TRIFR) at June 2020 reduced to 5.21 compared to 6.92 at June 2019.

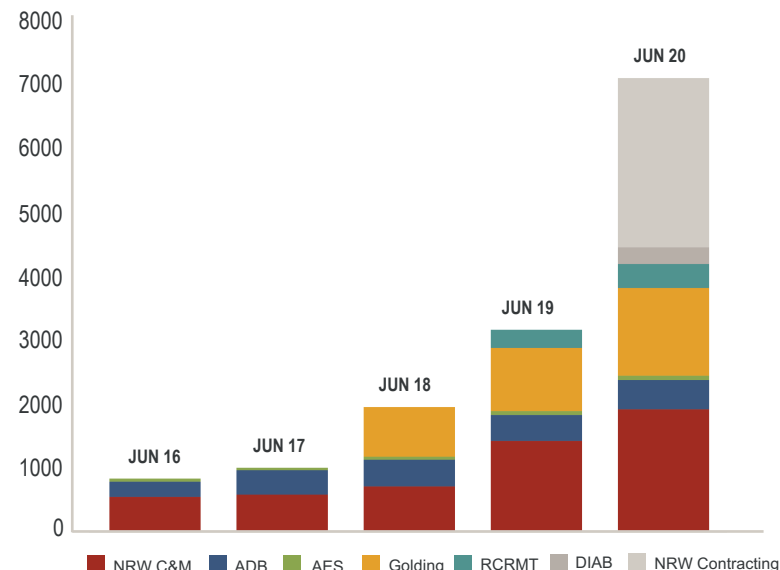
## PEOPLE

- Current workforce levels have increased through the year as a result of increased activity and the successful acquisition and integration of BGC Contracting.
- Headcount at **June 2020 totalled 7,053** (June 2019 – 3,145).
- Indigenous participation rate which has ranged between 5% to 11% across our major projects in Western Australia and an employee retention rate, despite project cycles, of 79%.

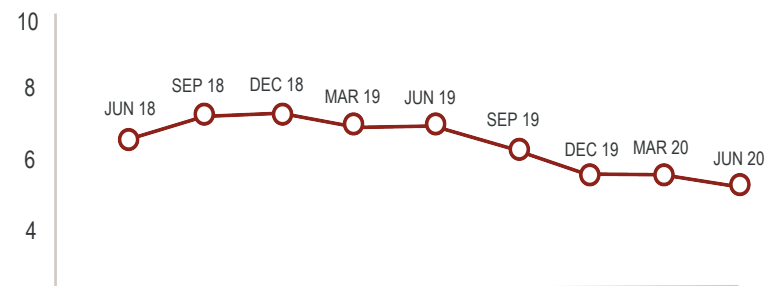
## TRAINING

- **New training facility** being established in WA to provide training to new recruits to the mining sector and for upskilling existing employees.
- Graduate programs in Commercial/Administration and Survey as well as Civil, Mining and Mechanical Engineering.
- **Partnered** with key suppliers to deliver a **trade skill upgrade** program from Light Vehicle Mechanics upgrading to a heavy industry qualification.

## HEADCOUNT



## TOTAL RECORDABLE INJURY FREQUENCY RATE





# FINANCIAL OVERVIEW

# FINANCIALS

- Revenue growth from order wins in civil +7 months of BGC Contracting.
- Earnings
  - Growth mainly from revenue;
  - Depreciation higher in BGC Contracting (EBITDA)
  - Civil margin lower due to slow start in Golding (as HY), COVID-19 impacts, non performing contracts
    - Overall impact of at least 1% to Civil margins
- **AASB16** impact much lower than half year run rate – added **\$14M to EBITDA**.
- Transaction cost - one off acquisition costs include reorganisation costs – in part to secure synergies.

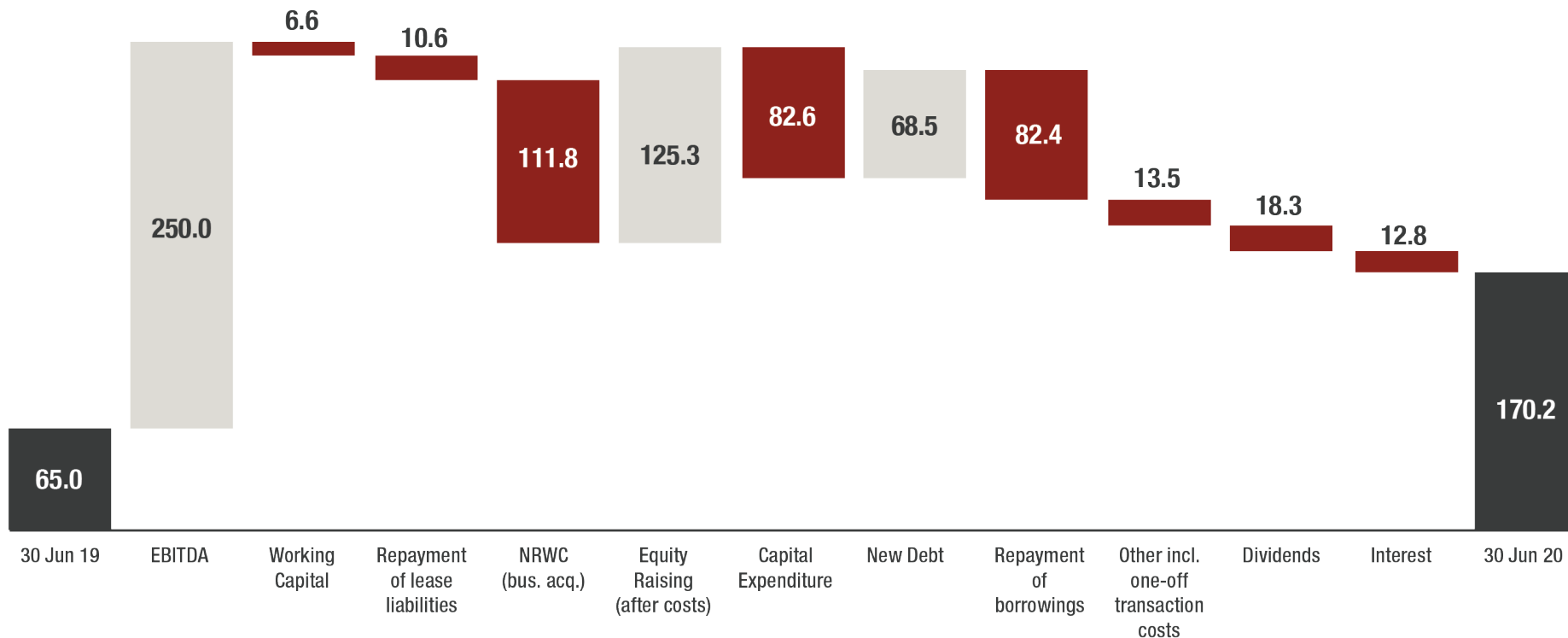
EARNINGS (\$M)	FY20		FY19	
	Revenue	Earnings	Revenue	Earnings
<b>Total Revenue / EBITDA</b>	<b>2,062.4</b>	<b>250.0</b>	<b>1,126.3</b>	<b>143.9</b>
Revenue from Associates	(58.1)		(48.2)	
Depreciation		(109.1)		(51.3)
Gascoyne impairment / RCRMT				(28.4)
<b>Operating EBIT</b>		<b>140.9</b>		<b>64.2</b>
Amortisation of Acquisition Intangibles		(13.0)		(10.8)
Transaction costs		(14.9)		(1.2)
<b>EBIT</b>		<b>113.0</b>		<b>52.2</b>
Interest		(12.8)		(6.5)
<b>Profit before income tax</b>		<b>100.2</b>		<b>45.7</b>
Tax		(26.5)		(13.5)
<b>Statutory Revenue / Net earnings</b>	<b>2,004.3</b>	<b>73.7</b>	<b>1,078.1</b>	<b>32.2</b>
<b>NPAT (N)</b>		<b>89.7</b>		<b>40.4</b>

- **Strong cash growth** and \$82.4M of debt repayments in the year.
- BGC Contracting adds circa \$200M of tangible assets – Goodwill at around 20% of headline purchase price.
- AASB16 – assets and lease debt shown separately on balance sheet.
- Gearing at year end including AASB16 lease debt was 29.6% compared to 12.2% in the prior year.
- **Gearing ex AASB16 was 15.6%** only marginally higher than FY19 despite the increased debt assumed on the acquisition of BGC Contracting.
- No tax cash costs expected until FY22.

BALANCE SHEET (\$M)	30 JUN 20	30 JUN 19
Cash	170.2	65.0
Financial debt	(244.8)	(100.5)
Lease debt	(65.1)	-
<b>Net Debt</b>	<b>(139.7)</b>	<b>(35.5)</b>
PPE	437.8	239.9
Lease assets (right of use)	58.3	-
Working capital	7.2	(1.6)
Investments in associates	2.6	2.7
Tax (Liabilities) / Assets	(9.7)	22.1
<b>Net Tangible Assets</b>	<b>356.5</b>	<b>227.6</b>
Intangibles and Goodwill	115.9	63.8
<b>Net Assets</b>	<b>472.4</b>	<b>291.4</b>
Gearing	29.6%	
Gearing Excl. AASB 16	15.6%	12.2%

# CASHFLOW

- **Strong cash conversion** - very low working capital increase.
- BGC acquisition funded through new equity (raised at a premium) and assumption of asset financing debt in the business.
- Capex to support Mining contract extensions and ongoing fleet maintenance (around 50/50 split).
- Repayment of lease obligations relate to AASB16 costs in EBITDA (\$10.6M).
- FY21 Finance debt repayments at similar level to FY20 (\$82.6M).
- Corporate debt will be repaid by March 21 all debt at end of FY21 currently forecast to be Asset Finance.



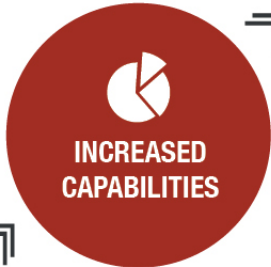
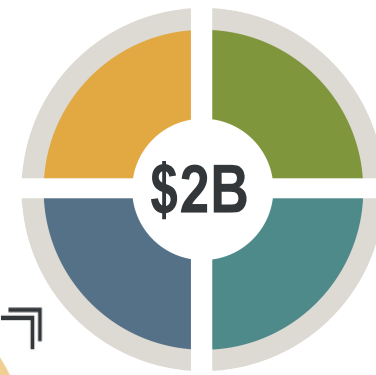


# BUSINESS STRUCTURE & PERFORMANCE

# POSITIONED FOR FUTURE GROWTH THROUGH STRATEGIC ACQUISITIONS

The acquisition of **BGC Contracting** significantly enhances the Company's ability to participate as a large construction partner in public works projects and adds further scale and diversity across Australian resources sector.

**DIAB Engineering** adds maintenance, construction & shutdowns capability in this growing market.



Established mining technologies and maintenance 4th pillar. **Platform for growth across Products & fixed plant maintenance.**

**Increased exposure** to east coast civil infrastructure, urban & mining markets.

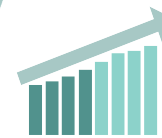




# STRATEGIC GROWTH

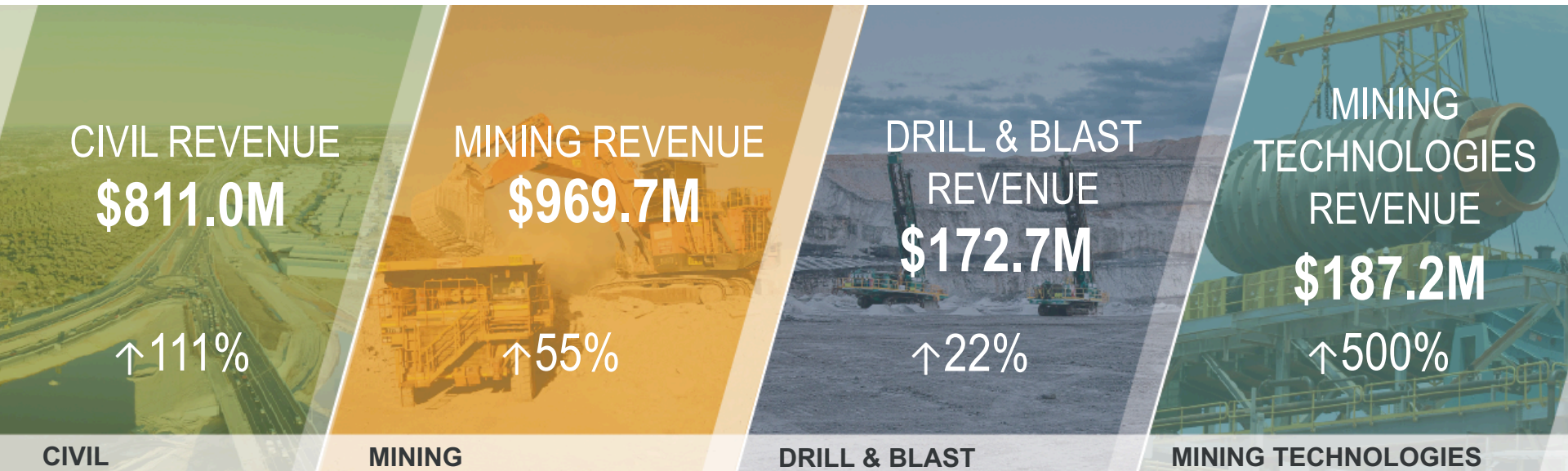


- Positioned to address **growing public infrastructure** pipeline in WA
- Preferred contractor Bunbury Outer Ring Road
- Shortlist proponent in:
  - Mitchell Freeway Extension H2R
  - Mitchell Freeway Southbound Widening
  - Leach Highway and Welshpool Road Interchange
  - Coolgardie Esperance Upgrade, Emu Rocks Section
- Growing opportunities in QLD
  - Defence
  - Inland Rail
  - Water
  - Infrastructure



- Target **growth in activities to \$500M per annum.**
- Growing non cyclical market.
- Opportunities to **add capability.**

# BUSINESS STRUCTURE



**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



CIVIL

CIVIL

## RESULTS

- Revenue growth from Resources project wins (Eliwana, South Flank, Koodaideri, Iron Bridge) and addition of BGC Contracting.
- Margin lower due to:
  - Low volumes in Q1 in Golding
  - Impacts of COVID-19
  - Nil margin projects – W2B and FAL
- Above represents at least 1% reduction against planned margins.

## 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.
- BHP Olympic Dam upgrade \$48M.
- Shoalwater Bay training area (Defence) contract for AMSTI - \$19M.

## PUBLIC INFRASTRUCTURE

- **Preferred Proponent for the \$852M Bunbury Outer Ring Road (BORR) project as a 40% member of the Southwest Connex Alliance.**

## OUTLOOK PUBLIC INFRASTRUCTURE

- Preferred on Bunbury Outer Ring Road.
- **Another 4 infrastructure packages** tendered or in progress where NRW is on short list which include:
  - Mitchell Freeway Extension H2R
  - Mitchell Freeway Southbound Widening
  - Leach Highway and Welshpool Road Interchange
  - Coolgardie Esperance Upgrade, Emu Rocks Section
- Growing infrastructure and Defence opportunities in QLD & NSW.
- Urban business responding to stimulus programs.

## OUTLOOK RESOURCES

- Order book supports revenue at FY20 levels for first half.
- Infrastructure work to start contributing in 2<sup>nd</sup> half.
- More capex expected from majors in iron ore to sustain current WA production volumes.

	FY20		FY19	
<b>Revenue</b>	<b>811.0</b>		<b>383.5</b>	
EBITDA	32.1	4.0%	19.1	5.0%
Depreciation	(7.2)		(2.3)	
<b>EBIT</b>	<b>24.9</b>	<b>3.1%</b>	<b>16.7</b>	<b>4.4%</b>

## FY20

- Revenue at higher end of range.
- Margin within range.

## FY21

- Revenue in second half likely to be lower as Infrastructure ramps up for delivery FY22.
- Opportunities to improve margins.





MINING

MINING

## RESULTS

- Revenue increased to \$969.7M up 55%. Growth in both revenue and earnings mostly due to the addition of BGC Contracting's mining activities.
- Mining contracts performed to production objectives** agreed with clients across our coal portfolio where production levels have been relatively consistent throughout FY20.
- Five-year extension secured with Stanmore Coal for Isaac Plains East valued at \$500M.
- Koodaideri Pre-Strip contract for Rio Tinto valued at \$95M.

	FY20		FY19	
Revenue	969.7		622.9	
EBITDA	182.7	18.8%	113.4	18.2%
Depreciation	(82.3)		(40.6)	
Gascoyne			(33.5)	
<b>EBIT</b>	<b>100.4</b>	<b>10.3%</b>	<b>39.3</b>	<b>6.3%</b>

## COMMODITIES

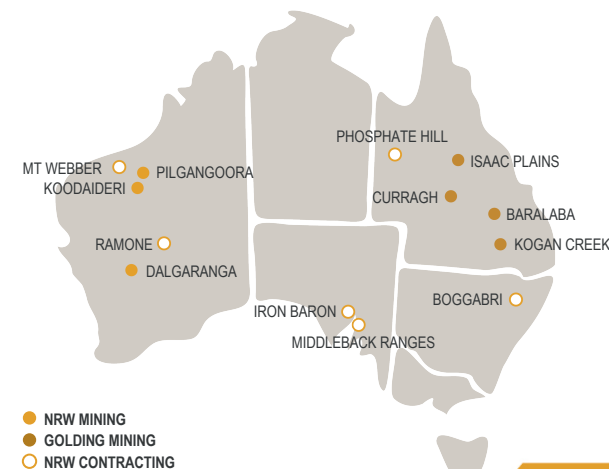
- Coal projects included work for Stanmore Coal at Isaac Plains, Coronado Coal at Curragh, Wonbindi Coal at Baralaba and Idemitsu at Boggabri.
- Iron ore mining activities included work for Simec at Iron Baron, Atlas Iron at Mount Webber and Rio Tinto at Koodaideri.
- Gold projects include continuation of mining at Northern Star's Ramone Project and Gascoyne Resources Dalgaranga project.
  - Agreement reached with Gascoyne and FTI - full recovery of all amounts owed subject to Gascoyne recapitalisation process.
- Lithium – work progressing at Altura Pilgangoora project.

## OUTLOOK

- Increasing opportunities in gold and other hard rock commodities.
- A number of current major **mining contracts** expected to be **renewed** in FY21.

### COAL

- We are working closely with our clients to support their 6 and 12 month production forecasts.
- At this stage, we do not expect any material impact to our Mining business outlook as clients are both looking to accelerate production in some instances but also continue to maintain a strong focus on costs given disruptions as a consequence of COVID-19 to the current coal market.



# DRILL & BLAST

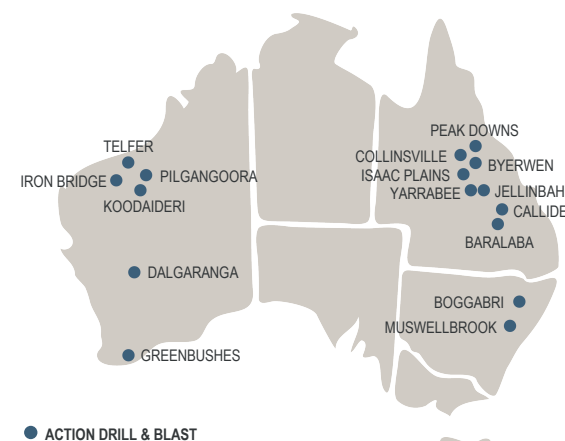
## RESULTS

- Revenue increased to \$172.7M up from \$140.9M.
- Activity levels increased as a result of new contract awards and higher civil activity for both internal businesses and external customers.
- New contracts and contract extensions secured in the year, including work for the Mining business at Koodaideri Pre-Strip, and Iron Bridge bulk earthworks.
- \$96M of new awards during the year - more than **60% generated through external clients and opportunities**.
- Talison Lithium's Greenbushes mine - a further 30-month contract extension. ADB has been on site continuously since July 2011.
- Jellinbah mine contract - 48 month extension to overburden drilling in Central QLD.

## OUTLOOK

- New highly experienced leadership in Andrew Broad focussed **on improving efficiencies and business growth** through FY21, building on improvement programmes initiated in FY19.
- Coal and battery minerals have been affected by commodity pricing which may result in short term reduction of volumes on some projects, expect minimal impact on current order book and remain on track for revenue and earnings growth in FY21.
- Following the drill maintenance program from prior years, the business will continue to build on its reinvestment into its fleet for growth opportunities, or where technological improvements and innovations result in a marked reduction in operating costs.
- Commencing the year with 75% of forecast revenue secured with a **strong tender pipeline of new projects executed to deliver into the current year**.

	FY20		FY19	
<b>Revenue</b>	<b>172.7</b>		<b>140.9</b>	
EBITDA	21.4	12.4%	12.0	8.5%
Depreciation	(9.9)		(6.8)	
<b>EBIT</b>	<b>11.5</b>	<b>6.7%</b>	<b>5.2</b>	<b>3.7%</b>





# MINING TECHNOLOGIES (MAINTENANCE)

CN-12801  
MB  
WJL



## RESULTS

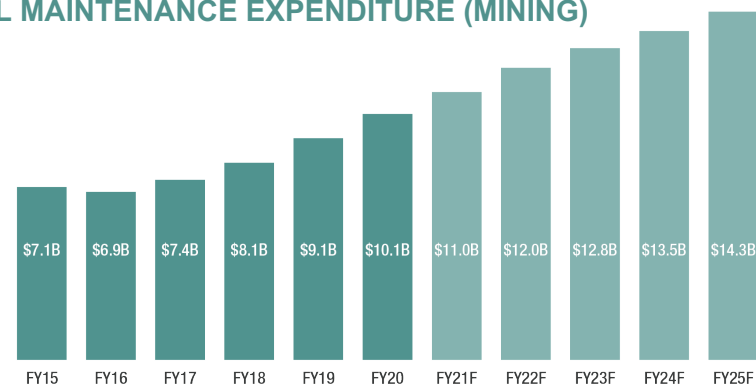
- Revenue delivery of \$187.2M across the business was ahead of expectations and earnings were strong.
- Results includes seven months of DIAB Engineering.
- Depreciation costs increased to include right of use asset costs following the adoption of AASB16 for the workshops in Geraldton, Welshpool and Bunbury (\$3.6M).
- **Outstanding performance delivered** by RCRMT including the successful delivery of the HOP9 Crushing Plant project for Fortescue Metals Group.
- In the year DIAB Engineering undertook:
  - Fabrication and construction of a gold processing plant for Northern Star;
  - Fabrication and construction an ultra fines processing plant and the construction of a 6.5km conveyor system for Roy Hill;
  - Installation of a crushing circuit for a major lead/zinc producer Golden Grove; and
  - The construction of a screening/stacking plant for Iluka.

	FY20		FY19	
<b>Revenue</b>	<b>187.2</b>		<b>30.9</b>	
EBITDA	22.4	12.0%	0.7	2.3%
Depreciation	(6.5)		(0.3)	
Gain on acquisition			5.1	
<b>EBIT</b>	<b>15.9</b>	<b>8.5%</b>	<b>5.5</b>	<b>17.8%</b>

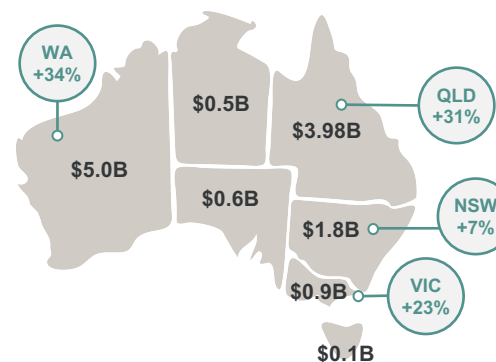
## OUTLOOK

- The combination of RCRMT and DIAB Engineering has resulted in the formation of NRW's 4<sup>th</sup> Pillar – "Mining Technologies".
- These businesses participate in a growing Mining services maintenance sector forecast to grow to from around \$9B to over \$13B revenue per year.
- The sector is forecast to grow particularly in WA and QLD.
- The businesses will focus on fixed plant construction, product support and shutdown maintenance– all critical to productive mining operations.
- Combined group is focussing on growth to \$500M per annum combined revenues.

### TOTAL MAINTENANCE EXPENDITURE (MINING)



### MAINTENANCE SERVICES EXPENDITURE BY STATE



Figures: FY23F  
BIS Oxford Economics



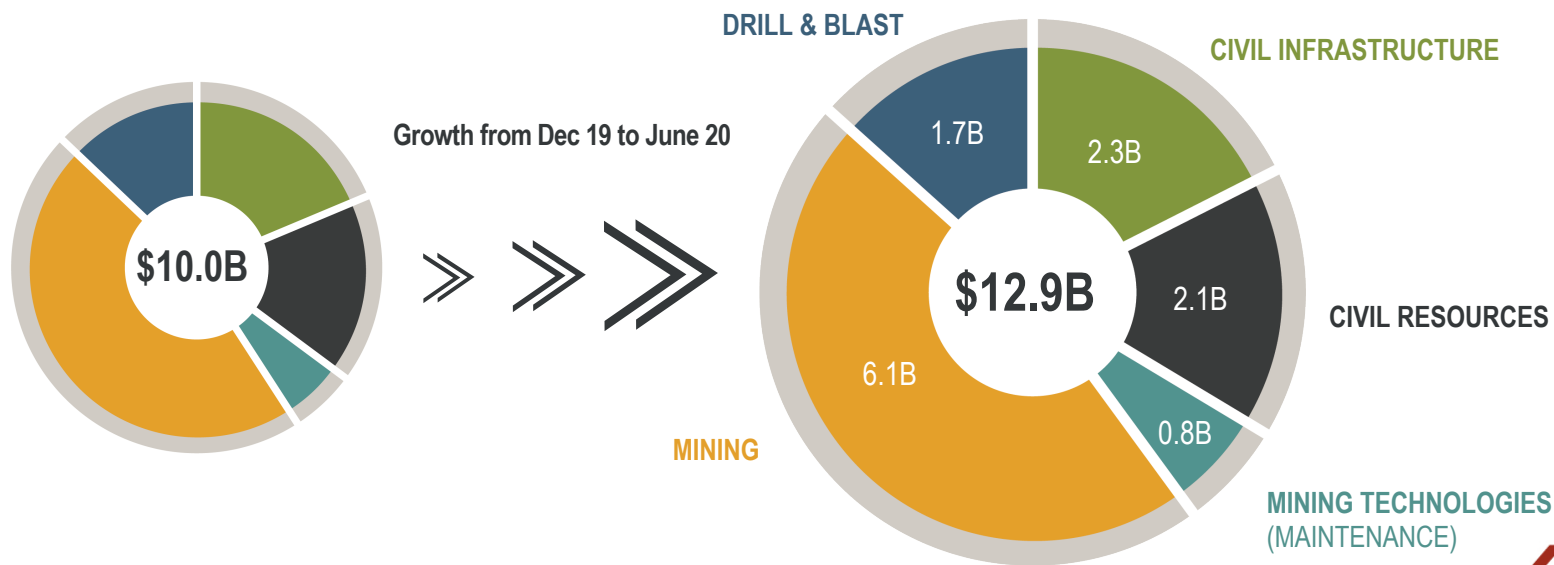
SUMMARY

# SUMMARY

# TENDER PIPELINE & OUTLOOK

- Order book post the announcement of the Bunbury Outer Ring Road is circa \$3.5B.
- **FY21 revenue forecast between \$2.2B to \$2.3B** - \$2B covered<sup>(1)</sup>.
- **Tender Pipeline increased to \$12.9B**, of which NRW has current submitted tenders of circa \$1.4B.
- COVID-19 impacts assumed to be manageable as last 6 months.
- Objectives going forward:
  - Addressing **growing public civil infrastructure opportunities** through proven delivery, our position in Bunbury Outer Ring Road and our accreditations around Australia;
  - **Leveraging our enlarged maintenance**, OEM products and Mechanical construction capabilities through the combination of RCRMT and DIAB Engineering to accelerate growth in this through cycle market;
  - Building on our **delivery record** in the Pilbara to address continued investment in **iron ore**;
  - Retaining, recruiting and **training our workforce** to meet strong market demand; and
  - Continuing to review options to **build a broader delivery platform**.

## PIPELINE



<sup>(1)</sup>\$2.0B is from current contracts, agreed mining schedules or is expected as repeatable business in Urban, RCRMT and DIAB.

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