26 May 2010

Norfolk Group Limited FY2010 Financial Results

Key highlights:

- FY2010 revenue of $791.8 million[1] – a record level
- 20.7% increase in NPAT to $18.1 million[1]
- Earnings per share (EPS)[2] up 18.4% to 13.5 cents[1]
- EBITDA[1] up 7.4% to $36.2 million
- Strong operational cash flow[1] of $26.7 million, up 31.5%
- Strong balance sheet, successful completion of Rights Issue
- Record order book of $828.0 million
- Continued improvement in safety performance

Norfolk Group Limited (ASX:NFK), a leading provider of integrated engineering solutions, today announced record revenue of $791.8 million for the financial year to 30 March 2010, delivering a net profit after tax (NPAT) from continuing operations of $18.1 million and earnings per share of 13.5 cents.

Group EBITDA was up 7.4 per cent from the previous corresponding period (pcp) to $36.2 million ($33.7 million pcp) and operating cash flow has strengthened by 31.5 per cent to $26.7 million ($20.3 million pcp).

The Group reported a record order book of $828.0 million and a strong balance sheet with reduced debt, following the Rights Issue in February 2010.

Managing Director, Glenn Wallace, said Norfolk had worked hard over the last 12 to18 months to build a strong base for growth through the rationalisation of operations in New Zealand, the divestment of underperforming businesses, and the targeting of recurring and alliance-style revenue, with a continued and dedicated focus on stable industry sectors.

"With record revenues in 2010 and a strong order book going into the 2011 financial year, Norfolk is in a stable position for future expansion," Mr Wallace said.

Record Revenue

The 6.4 per cent increase in Norfolk's revenue in the 2010 financial year was largely driven by record revenue within Norfolk's Electrical & Communication division, up by 15.5 per cent to $403.5 million and earnings from alliance-style contracting doubling to deliver 10 per cent of total Group earnings.

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[1] From continuing operations
[2] EPS restated to reflect Rights Issue

Cash Flow and Capital Expenditure
The Group has achieved an outstanding net operating cash flow position of $26.7 million (up from $20.3 million pcp) due to earnings growth and good cash management. Capital expenditure for the year increased to $8.2 million, as a result of increased project activity.

Balance Sheet, Capital Structure and Dividend Policy
In February 2010, Norfolk raised $19.9 million through a Rights Issue that was over-subscribed and at the same time refinanced its bank debt facilities, removing refinancing risk. At the end of March, net debt was reduced to $13.4 million, down from $49.5 million at the end of March 2009.

The capital structure policy of Norfolk Group remains focused on debt repayment in order to further strengthen the balance sheet to support future growth. As such the Board has resolved not to pay a full year dividend.

New Zealand
Norfolk's operations in New Zealand returned to profitability during the year. This was underpinned by ongoing rail contracts with the New Zealand government and a number of restructuring initiatives undertaken during the previous financial year.

General weakness in the construction sector continues to impact the New Zealand order book, however the business is now considerably more robust and positioned to maximise opportunities as economic conditions improve.

Strategy
Norfolk Group remains committed to the strategy, which encompasses:
- Focus on stable industry sectors (such as rail, resources, health and power)
- Targeting and winning recurring and alliance-style revenue contracts
- Leveraging technology to become leaders in our respective fields
- Leveraging strong relationships with our existing customers, and
- Maintaining a strong health and safety culture.

During 2010, the Group has made considerable progress in each of these areas, including a 28 per cent increase in National Key Accounts within the Haden business, maintaining profits from service and maintenance at 74 per cent, and a 44 per cent reduction in Lost Time Injury Frequency Rates (LTIFR) and a 35 per cent reduction in Total Recordable Injury Frequency Rates (TRIFR).

Outlook
Mr Wallace said the Group had favourable long-term growth opportunities, particularly in the infrastructure and resource sectors.

As at 31 March 2010, Norfolk had a record order book ($828.0 million) and $625.0 million of FY2011 revenue underpinned by contracts, work orders and ongoing service commitments.

"Through maintaining our commitment to the existing Norfolk Group strategy, including our focus on stable sectors, we expect to achieve 10 per cent NPAT growth in the 2011 financial year.

"Following prudent management over the last 12 to18 months Norfolk is in a strong position to achieve growth, whilst being mindful of the current macro-economic uncertainty," Mr Wallace concluded.

-ENDS-

Investor/Analyst Call

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Norfolk Group Limited

Norfolk is a leading provider of integrated engineering services in the electrical, HVAC (heating, ventilation and airconditioning) and facilities management markets.

Norfolk employs more than 3,500 people, including highly skilled engineers, electricians, plumbers, air conditioning technicians and apprentices, across more than 150 sites throughout Australia, New Zealand and Asia. Norfolk has more than 19,500 customers across a range of sectors including infrastructure, industrial, commercial, resources, retail, government and communications.

For further information on Norfolk, please visit www.norfolkgl.com.