24 May 2012

Norfolk Group Limited FY2012 Financial Results

Key highlights:

- Continued sustainable growth, with a record order book of $1,051 million
- Net profit after tax (NPAT) of $36.8 million, including a one-off tax benefit of $16.8 million
- Normalised NPAT increase of 5%
- Full-year revenue of $901.7 million
- Earnings per share (EPS) of 23.2 cents
- EBIT of $30.8 million[1]
- Strong balance sheet, banking facilities renewed and no net debt
- Unfranked dividend of 2 cents per share declared

Norfolk Group Limited (ASX: NFK) ("Norfolk"), a leading provider of integrated engineering solutions, announces full year revenue of $901.7 million for the 2012 financial year to 31 March 2012, delivering a net profit after tax (NPAT) of $36.8 million and earnings per share (EPS) of 23.2 cents.

NPAT for the 2012 financial year included a one off tax benefit of $16.8 million, with normalised NPAT at $22.1 million[1], a 5 per cent increase from the previous corresponding period (pcp). Group EBIT was $30.8 million[1].

The Group's order book stands at $1,051 million with a strong balance sheet and no net debt, plus access to additional finance through a recently-renewed banking facility, providing improved financial flexibility.

Managing Director, Glenn Wallace, said: "This result demonstrates Norfolk's resilience and its ability to deliver a consistently solid performance over a sustained period."

"Our focus on building our specialist expertise in key sectors of the economy such as resources, infrastructure and health, has provided the diversity of earnings from across the Group to deliver another solid result for Norfolk's shareholders."

"We have a strong balance sheet, no net debt and the support of our financiers, and a healthy order book and new business pipeline, which collectively positions the Group for continued growth in the 2013 financial year."

Very importantly, Norfolk has maintained its commitment to safety throughout the past financial year maintaining its safety record at historical lows.

[1] Excludes Indian business goodwill impairment

Divisional performance

O'Donnell Griffin continued to be the largest contributor to Group revenue, contributing full year revenue of $579.2 million. Despite some impact from project delays and adverse weather, O'Donnell Griffin delivered another strong performance with EBIT of $31.3 million.

O'Donnell Griffin maintained its strong track record of delivering consistent performance, through its continued strength in resources, rail, infrastructure and power, positioning the business well for the future.

Haden posted revenue of $247.7 million and EBIT of $3.1 million[1]. This included a strong second half as the business focused on higher margin work in the industrial, sustainability and telecommunications sectors. Haden won $77 million worth of contracts in these growth sectors in the 2012 financial year.

Haden has successfully reduced both overheads and direct labour costs during the period and has maintained a disciplined approach to tendering for higher-margin projects leading into the 2013 financial year.

Resolve FM delivered record revenue of $73.8 million and strong EBIT of $6.5 million. The business won and extended a number of key contracts during the year as it maintained its focus on service delivery. The business has a strong order book and further growth opportunities through the delivery of technical solutions, a key area of innovation for the business.

Order book and new business pipeline

The Group's order book of $1,051 million is a record for Norfolk and underlines its solid growth prospects for the 2013 financial year. The new business pipeline currently stands at $5,704 million, with 19 per cent submitted and/or in negotiation.

Tax benefit

Norfolk recognised a one-off tax benefit of $16.8 million during the 2012 financial year. This was the result of proposed changes to the income tax law affecting consolidated groups as announced by the federal government in November 2011.

Cash Flow and Capital Expenditure

Norfolk experienced an increase in working capital during the period due to the demands of larger, more complex contracts with longer payment cycles. Operating cash flow for the 2012 financial year was $11.5 million.

Capital expenditure increased to $12.5 million due to continued investment in Research and Development (R&D), building the Group's specialist expertise, and the Group's ongoing drive to update systems and realise further internal efficiencies.

Balance Sheet, Capital Structure and Dividend Policy

Norfolk continues to take a considered and prudent approach to its balance sheet and capital structure. The Group remains debt free and recently announced it had secured new three-year $150 million bank facilities with its existing financiers including the Commonwealth Bank of Australia, Westpac Banking Corporation and HSBC Australia Ltd.

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[1] Excludes Indian business goodwill impairment

The Board has declared a final unfranked dividend for the 2012 financial year of 2 cents per share.

Group Strategy

Norfolk remains committed to the Group strategy, which encompasses:

- Building and maintaining a strong health and safety culture
- Focusing on growth industry sectors, such as resources, rail, sustainability and infrastructure
- Pursuing recurring and alliance-style revenue, which now accounts for over 50% of our order book delivering consistency of earnings with clear visibility
- The ongoing development and harnessing of technology, to deliver exceptional results for customers. Norfolk strives to be a sector-leader in technology development and application
- Leveraging Norfolk's existing customer network to broaden the commercial opportunities across the Group

Outlook

Norfolk will continue to deliver consistent and sustainable performance, and heads into the 2013 financial year with a strong order book and a positive outlook across the Group.

Norfolk expects growth in normalised NPAT of at least 10 per cent in the 2013 financial year.

The Board intends to maintain Norfolk's dividend policy of paying out 25 per cent of NPAT.

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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 3,300 people, including highly skilled engineers, electricians, air conditioning technicians and apprentices, across more than 120 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.