

31 August 2012

NOMAD RETURNS TO PROFITABILITY

Nomad Building Solutions Limited has reported a net profit after tax of \$3.2M on sales revenue of \$145.1M for the 2012 financial year. This represents a significant turnaround from the loss of \$20.2M reported in the prior year.

Key highlights included:

- The return to profitability, reporting a net profit after tax of \$3.2M. This is the first full year profit reported by Nomad since 2009;
- A strong financial position, with no net debt on the balance sheet, and net cash of \$3.3M at year end;
- The wind down of the loss making division, Nomad Modular Building, Western Australia (NMBWA). Losses from this business will not recur in the 2013 financial year;
- Continued strong performances from McGrath Homes, Nomad Eastern States and Nomad Rental.

Financial Results

The financial results as required under AIFRS accounting principles are reported below:

	<u>2011</u> \$M	<u>2012</u> \$M	<u>% Change</u>
Revenue	181.3	145.1	(19.9%)
EBITDA	(15.9)	10.1	N/A
EBIT	(22.2)	5.7	N/A
Net Profit After Tax	(20.2)	3.2	N/A
Cashflow from Ops.	9.0	3.6	(60.0%)
Earnings Per Share (cents)	(9.2)	1.1	N/A

The 2012 financial year result was impacted by:

- A net loss of \$5.2M before tax from NMBWA, which includes operating losses for the year of \$6.8M; wind down costs of \$1.2M; the reversal of the TDK Gorgon Liquidated Damages provision of \$4.2M and an additional provision of \$1.4M related to further variations and back-charges from the TDK Gorgon contract.
- Profit on the sale of rental assets of \$3.0M.

The earnings table below has been prepared with regard to ASIC Regulatory Guide 230 for disclosing non-IFRS financial information. The intention is to clearly differentiate the operating performance of the ongoing businesses of Nomad from the discontinued business unit (Nomad Modular Building WA).

	<u>2011</u>	<u>2012</u>	<u>% Change</u>
	\$M	\$M	
Revenue			
- McGrath	36.9	33.7	(8.7%)
- Nomad ES	28.0	29.0	3.6%
- Rapley	57.1	33.7	(40.9%)
- Nomad Rental	11.1	19.0	71.2%
Continuing Operations Revenue	133.1	115.5	(13.2%)
- Nomad Modular WA (discont.)	43.6	29.6	(32.1%)
- RTS (discont.)	4.6	-	
Total Reported Revenue	181.3	145.1	(19.9%)
Total EBITDA	(15.9)	10.1	
Continuing Operations EBIT	2.8	10.9	286.5%
- Nomad Modular WA (discont.)	(13.8)	(5.2)	
- RTS (discont.)	(1.2)	-	
- Goodwill Impairment	(10.0)	-	
Total EBIT	(22.2)	5.7	
Borrowing Expense	(1.7)	(1.1)	
Profit Before Tax	(23.9)	4.6	
Income Tax Expense	3.8	(1.4)	
Net Profit After Tax	(20.2)	3.2	
Earnings Per Share	(9.2)	1.1	
Weighted Average Securities	219,975,923	277,479,329	

The earnings table above indicates that while the continuing operations revenue declined by 13.2% to \$115.5M in the 2012 financial year, the attributable continuing operations EBIT increased by an encouraging 286% to \$10.9M. This EBIT was before the losses contributed by the discontinued NMBWA activities and reflects:

- a significant uplift in the EBIT contribution from Nomad Eastern States;
- a significant reduction in the EBIT loss from Rapley;
- a lower but satisfactory EBIT contribution from McGrath;
- a strong contribution from Nomad Rental, including an EBIT profit of \$3M from the sale of rental assets; and
- a reduction in corporate overhead costs of \$1.2M.

Review of Operations

- **McGrath Homes**

McGrath Homes is a Western Australian based manufacturer of modular housing. The group services both the commercial sector and the private residential market, having established a strong reputation within the north-west of Western Australia.

Revenue for the year declined by 8.7% to \$33.7M, with the number of houses/units sold falling from 120 to 115. This reflected the mildly weaker housing market and delays in a number of commercial projects. Increased competition was evident, with a consequent impact on operating margins.

The major commercial projects completed during the year included the Ranges project in Karratha (41 units) and the Kiama project in Derby (10 houses).

McGrath has continued to invest capital in its facilities, with an additional concrete mould facility completed and new display centres at Wangara and Maddington in WA under construction.

Looking forward, McGrath is tendering on a substantial amount of resource sector work with award decisions likely by the end of September 2012. Demand for residential product is also likely to remain firm, aided by the expanded display centre offering.

- **Nomad Eastern States (NES)**

NES operates from Wacol in Brisbane, Queensland. It manufactures and installs both modular homes (under the Halley Homes brand) and modular buildings for mining camps such as single persons quarters (SPQs), kitchens and other associated buildings.

NES reported a 3.6% increase in revenue to \$29.0M but a substantial improvement in EBIT contribution in the 2012 financial year. The strong result was achieved by being responsive to clients needs and by being able to manufacture both houses and mining camp buildings from the single site.

During the year, NES benefited from the activity in the coal seam gas sector which generated repeat business from clients, reflecting the ability to deliver good quality product on time and within budget.

NES is expected to report further growth in its EBIT contribution in the 2013 financial year.

- **Rapley**

Rapley is a WA based in-situ building company. It has established a reputation for delivering market leading designs for group housing projects in the north west of Western Australia for the resources, government and commercial sectors. It also engages in selected commercial building projects in regional Western Australia.

While revenue declined by 40.9% to \$33.7M, EBIT losses reduced during the 2012 financial year as the group refocused on a small number of group housing projects in the north west of Western Australia.

Looking forward, the key objective is to ensure that the order book is expanded and that the group has the internal capability to successfully execute this work at acceptable margins.

- **Nomad Rental**

Nomad Rental is a newly established division that has been created by pooling the rental and camp assets previously held within the other business units. It consists of rental assets in Western Australia and Queensland and the Karratha Village camp in Karratha, Western Australia.

The Rental division reported a 71.2% increase in revenue to \$19.0M, with the growth largely driven by the sale of rental assets to Boddington Gold. The sale of rental assets is a normal aspect of this business, although the timing and magnitude of asset sales can vary depending on client lease agreements.

The Group will continue to invest in its rental fleet in the year ahead.

- **Nomad Modular Building, WA (NMBWA)**

Nomad announced its intention to wind down this business unit in the ASX announcement released on 1 June 2012. NMBWA was the WA based manufacturer of modular mining camp buildings such as kitchens, single persons' quarters, laundries, communications buildings etc.

NMBWA reported an EBIT loss of \$5.2M for the 2012 financial year which comprised the following:

- An operating loss of \$6.8M EBIT excluding provisioning costs/reversals listed below;
- Costs associated with the wind down of the business of \$1.2M, which included site closure costs and staff costs;
- Reversal of the \$4.2M liquidated damages provision relating to the TDK Gorgon project; and
- The provisioning of a further \$1.4M against the TDK Gorgon project relating to additional back-charges and variations.

The wind down of this business unit was a necessary step to ensure that the substantial operating losses were not continued into the 2013 financial year. Nomad will consider re-entering this market segment in Western Australia at an appropriate time in the future, leveraging of the modular expertise inherent in the McGrath and NES business units.

- **Corporate**

The corporate head office provided a range of services to the business units including financial, human resources, health & safety, business development, project evaluation and information technology.

The size of the corporate overhead has reduced in line with the reduction in scale of the Nomad business and it is expected that further reductions will be achieved in 2013.

Outlook

Since year end, the positive momentum has continued for Nomad, with the following important initiatives:

- Peter Hogan has been appointed as Managing Director, commencing on 1 August 2012. Peter brings strong leadership, management expertise and experience across many industry segments;

- The Board of Directors has been expanded with the appointment of Michael Folwell and Peter Constable; and
- Nomad has reached in-principle agreement with its bank, Westpac Banking Corporation, to extend its debt facilities for a further twelve months subject to completion of legal documentation.

While tender activity is generally at a high level across the business units, contract award decisions continue to be delayed, which is likely to result in a skewing of earnings to the second half year.

Nomad is confident that it can build on the return to profitability in 2012 with a stronger operating result in 2013. Key to achieving this objective is to continue to build the order book and to execute this business efficiently.

For Further Information:

Peter Hogan
Managing Director
08 9204 8743

David Franklyn
Non-Executive Director
0402 447 839

About Us:

McGrath Homes is a leading Western Australian based manufacturer of modular housing for the mining, commercial and residential sectors. It operates in WA.

Rapley is an in-situ builder focus on remote areas. Key clients span the mining, commercial and residential sectors. It operates in WA.

Nomad Modular (QLD) is involved in the manufacture and sale of modular buildings for the mining, commercial and residential sectors. It operates in QLD

Nomad Rental is involved in the rental of modular buildings for the mining and commercial sectors. It operates in QLD and WA.