

30 August 2013

Nomad Building Solutions Limited has reported an operating net profit after tax for the 2013 financial year of \$4.9M from continuing operations (before non cash impairment of tax assets) on sales revenue of \$79.1M.

Including non cash impairment of tax assets of \$9.3M, the after tax result from continuing operations was a loss of \$4.4M.

The statutory net loss after tax was \$13.7M, which included the losses from discontinued operations of \$4.2M (after tax and before goodwill), goodwill of \$5M and the non cash impairment of tax assets of \$9.3M.

Key aspects of the results include:

- Continued profitability from McGrath Homes, Nomad Rental and Nomad Eastern States, despite challenging market conditions.
- Sale of rental assets of \$13M revenue yielding \$5.1M in EBITDA.
- A strong financial position, with nil bank debt and cash at bank of \$11.3M at year end.
- The wind down of the under performing Rapley business which incurred a loss in FY13 of \$5.2M before tax and excluding the goodwill impairment.
- Positive cash flow from operations of \$11.0M
- Continuing reduction in Corporate overhead costs from \$5.2M in FY12 to \$3.9M in FY13.
- Non Cash Impairment of remaining Rapley goodwill of \$5M.
- Non Cash Impairment of deferred tax assets of \$9.3M.

Financial Results

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

	FY 2012 \$M	FY 2013 \$M	Change %
<i>Continuing Operations</i>			
Revenue	81.8	79.1	(3.3%)
EBITDA	15.1	9.1	(40.0%)
EBIT	11.1	6.7	(39.7%)
Net Profit After Tax Before Impairment of Tax Assets	7.0	4.9	(29.8%)
Net Profit After Tax & Impairment of Tax Assets	7.0	(4.4)	(163.0%)
Cash Flow From Operations	3.6	11.0	204.4%
Earnings Per Share Before Impairment of Tax Assets	2.5	1.8	(29.0%)

The earnings table below has been prepared to clearly differentiate the operating performance of the ongoing businesses of Nomad from the discontinued business units and goodwill impairment.

	FY 2012 \$M	FY 2013 \$M	Change %
Revenue			
McGrath	33.5	31.8	(5.1%)
Nomad Eastern States	29.1	27.5	(5.6%)
Rental Business	19.0	19.8	4.1%
Corporate & Other	0.1	0.0	
Continuing Operations Revenue	81.8	79.1	(3.3%)
Nomad Modular WA (discontinued)	29.6	0.0	
Rapley (discontinued)	33.7	7.5	
Other	0.4	0.0	
Total Reported Revenue	145.5	86.6	(40.5%)
EBITDA			
McGrath	4.4	1.4	(67.7%)
Nomad Eastern States	3.0	1.5	(51.7%)
Rental Business	12.8	10.0	(21.7%)
Corporate & Other	(5.2)	(3.9)	(25.3%)
Continuing Operations EBITDA	15.1	9.1	(40.0%)
Nomad Modular WA (discontinued)	(4.8)	0.3	
Rapley (discontinued)	(0.2)	(5.2)	
Other discontinued)	0.0	(0.0)	
Total Group EBITDA	10.1	4.1	(59.2%)
Total Group EBIT before Goodwill & Tax Impairment	5.7	1.7	(70.8%)
Borrowing Expenses	(1.1)	(0.4)	
Group Profit Before Tax	4.6	1.3	
Income Tax Expense	(1.4)	0.1	
Impair Deferred Tax Asset	0.0	(10.1)	
Goodwill Impairment (Rapley)	0.0	(5.0)	
Statutory Net Profit After Tax	3.2	(13.7)	

The table illustrates the following major points;

- Continuing operations have generated revenue of \$79.1m (a 3.3% reduction on FY12) and has contributed \$9.1M of EBITDA.
- Lower profitability for McGrath and Nomad Eastern States which was driven by challenging market conditions in both WA and Queensland.
- Strong profit contributions from the Rental Business driven by the sale of rental assets.
- Significant losses from poor project performance in the now discontinued Rapley business.
- No further losses in Nomad Modular and a small profit for the year as the last few remaining projects continue to be closed out.
- A twenty five per cent reduction in corporate overhead costs.

The Total Group EBITDA before goodwill impairment of \$4.1M was slightly down on the \$4.4M estimate provided in the interim accounts. This largely resulted from a lower than expected

contribution from McGrath Homes which was impacted by delays in commercial projects and private residential commencements.

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.

McGrath reported EBITDA of \$1.4M on sales revenue of \$31.8M for the year. The result was below expectations with the first half impacted by establishment costs associated with the ramp up for the Rio Tinto Wickham housing project and the second half affected by delays in commercial projects and private residential commencements.

Commercial activities accounted for approximately 60% of revenue for the period. The Rio Tinto Wickham housing project was awarded in October 2012 and at year end was approximately 50% completed. A number of smaller commercial contracts were also finalised during the year including 13 houses in Port Hedland for the Department of Housing.

Private residential housing continues to provide an ongoing steady revenue stream with 66 houses/units sold in FY13 compared to 72 in FY12. This represented approximately 40% of revenue for the period.

Expectations are for a stronger performance from McGrath in 2013/14, driven by an improving residential market and completion of the commercial contracts underway.

The private residential housing market in WA (where McGrath has the greatest exposure) appears to be rebounding strongly with Housing Industry of Australia (HIA) reporting a forecast year on year increase in new housing starts of 27%. This combined with the flow through benefits of new display centres at Wangara and Maddington has resulted in McGrath commencing the 2013/14 financial year with \$17M of orders (up from \$12M in July last year) for private residential houses.

Market sentiment and trading conditions in the resources services sector remain difficult, however the Rio Tinto contract will extend through the first half of the financial year. Other opportunities are also being pursued although competition is intense.

- **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 EBITDA of \$1.5M on revenue of \$27.5M for the period. The EBITDA performance was above expectations and reflected a strong final quarter operating performance. Major projects for FY13 included continuation from FY12 of accommodation and associated facilities for a 400 man camp for McConnell Dowell for the Roma Hub Gas Project, project offices and other facilities for Aurizon's rail duplication project in Northern Queensland, and camp accommodation and facilities for the RLW Group at Chinchilla, Queensland. At June 30 approximately 30% of the RLW Group contract remained to be completed in FY14.

NES is primarily exposed to the Queensland resources sector – a sector that remains extremely weak - and the order book visibility into FY14 is low. Management are focused on reducing operating costs and continue to actively pursue opportunities in a highly competitive environment.

- **Rapley**

As reported at the December half year Rapley has incurred significant losses to December 2012 on a number of under performing contracts. These contracts have now been completed and the second half focus for Rapley has been the successful completion of the remaining work in progress. At June 30 this was substantially complete with a small amount of work on Karratha houses due for completion by the end of September.

The Rapley business has now been scaled down significantly and will have minimal impact on future earnings.

- **Nomad Rental**

The Rental Business reported sales of \$19.8M and an EBITDA of \$10M for FY13. The result included total rental assets sales in FY13 of \$13.8M contributing \$5.1M EBITDA including \$9.9M of sales to the Black Diamond Group and \$2.4M of sales to Auzcorp.

The primary asset remaining within the Rental business is a 56 room accommodation facility in Karratha, WA. The facility is consistently achieving 90% plus occupancy and is expected to continue to provide positive profit contributions. This facility is currently being marketed for sale.

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

The wind down of the remaining Nomad Modular projects continued during FY13 with a number of projects being closed out and resulting in a small profit uplift. At year end four projects are yet to reach final closure. The largest of these being the TDK Gorgon contract, with discussions ongoing between the parties. Expectations are that this will be closed out during the FY14 financial year. The remaining three projects are subject to completion of final documentation and drawings, resolution of final defects and expiry of the defects liability periods and are expected to be finalised by the end of December 2013.

- **Corporate**

The corporate overhead costs continue to be reassessed and have been reduced in line with the reduction in the scale of the Nomad business. Significant downsizing occurred in FY13 including relocating to smaller and less costly premises in Balcatta and a number of senior management positions being made redundant. The current annualised rate for corporate overhead costs is down to \$2M (\$3.9M in FY13, \$5.2M in FY12 and \$8.2M in FY11).

As part of finalising the year end accounts Nomad has reviewed the deferred tax asset balance and consistent with accounting standards has taken a conservative view in impairing the full value on the basis that, given the reduced size of the Nomad group, there is reasonable uncertainty of the recovery of the asset value within a reasonable time frame.

Outlook

The sustained weakness in the resource states of Western Australia and Queensland will continue to have a negative impact on the commercial activities of both McGrath and NES. McGrath is relatively better placed due to its strong residential order book and the carry over of the Rio Tinto Wickham housing project, whereas NES is facing a challenging period given its larger resource sector exposure and lack of longer term contracts.

Both McGrath and Nomad Eastern States are focused on identifying and providing highly competitive bids on the limited opportunities that will be available in FY14.

The remaining rental asset (accommodation facility in Karratha) is expected to continue with high occupancy rates and ongoing positive EBITDA contributions to the group.

There will continue to be an ongoing emphasis on minimising costs within the business, both by reducing the fixed costs of the operating entities in line with lower production activities, and by continuing to reduce the corporate overhead cost.

Nomad has retained the services of a corporate advisor to assist with corporate interest for certain assets of the group and to advise on strategy including assisting the Board with maximising value for shareholders in a timely and efficient manner.

The Board continues to consider the strength of the balance sheet with a view to a dividend payment and / or a return of capital to shareholders in due course.

For Further Information:

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Nomad is a leading provider of integrated manufacturing, construction and property development solutions, particularly in regional and remote areas of Australia.