28 November 2013

Company Announcements Office
ASX Limited

Dear Sir / Madam

Chairman's and Managing Director's Addresses to AGM

The attached Chairman's Address and Managing Director's Address will be delivered to the Annual General Meeting of Nomad Building Solutions Limited today.

Mr Andrew Sturcke
Chief financial Officer/Company Secretary
Tel: (08) 9303 3798

Chairman’s Address
Nomad Building Solutions Limited
Annual General Meeting
12.30pm Thursday, 28 November 2013

2013 Financial Year Overview

The Company has reported a statutory net loss after tax of $13.7 million for the year ending 30 June 2013. There are a number of significant one off transactions which contribute adversely to this result. These include 1) a non cash impairment of deferred tax assets of $9.3 million, 2) non cash impairment of Rapley goodwill of $5 million and 3) losses after tax for discontinued operations of $4.2 million.

Excluding these one off transactions profit after tax for continuing operations for FY2013 was $4.9 million on sales revenue of $79.1 million. The continuing operations for FY2013 include Nomad Eastern States, McGrath Homes and the Rental business, each of which produced positive results for the year. The rental business included the sale of rental assets during the year of $13.1 million yielding $5.1 million of EBITDA. Corporate overheads for the year were $3.9 million, down $1.3 million from $5.2 million in FY2012.

As reported at the December half year, the Board took the decision to restructure the in-situ builder Rapley as a result of the inability to win new business in an intensely competitive environment and due to losses incurred over the past three years, including significant losses in FY2013 on a number of under performing contracts. The restructure of Rapley is now substantially complete with minimal work in progress to be finalised in FY2014.The final FY2013 result for Rapley, exclusive of the $5 million goodwill impairment was an EBITDA loss of $5.2 million. The Rapley business will have minimal impact on future earnings.

The wind down of the Nomad Modular Building, WA business (NMBWA) continued in FY2013 with a number of projects being closed out resulting in a small profit of $0.3 million EBITDA for the year.

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.

Cash flow from the Company’s operations was positive $11.0 million for the year with a cash balance of $11.3 million at year end. $6.9 million of debt was paid down during FY2013 reducing borrowings to zero.

Under the direction of Peter Hogan the focus through FY2013 has been to;

- Continue to close out legacy issues, particularly in relation to NMBWA. The 18 open issues at 1 July 2012 have been reduced to 4 at 30 June 2013. The largest of the remaining 4 issues is the TDK Gorgon contract, with discussions ongoing between the parties. Expectations are that this will be closed out during the FY2014 financial year. The remaining three projects are subject to completion of final documentation and drawings, resolution of final defects, expiry of the defects liability periods and final commercial settlement.

- Focus on ensuring McGrath and NES are appropriately resourced and structured to yield ongoing positive returns through their ability to continually re stock their order books and to consistently deliver projects within budget and to customers' expectations.

- Monetise the rental assets. To this end the sale of rental assets during FY2013 included $2.4 million to Auzcorp, $9.9 million to Black Diamond and $0.7 million of other sales. The primary rental asset remaining, a 56 room accommodation facility in Karratha, WA, is currently being marketed for sale.

- Mitigate Rapley losses resulting from a number of poorly executed contracts and to successfully complete the remaining order book. The Rapley business has now been scaled down significantly and all work is substantially complete with a small amount of final work on Karratha houses due for completion by the end of October.

- Reduce corporate overheads in line with the reduction in the scale of the Nomad business. A reduction in overheads to a current annualised rate of $2 million, down from $3.9 million in FY2013 and $5.2 million in FY2012. The current annualized rate of $2 million will fall a further $1.1 million to $0.9 million when implementation of current management changes and other initiatives are complete.

Outlook and the Year Ahead

Subsequent to year end the Board has taken the decision to mothball the Nomad Eastern States (NES) business. Following positive returns for FY2013, NES entered the FY2014 year with a declining order book and has been unable to win sufficient new work due to poor industry wide demand and the lack of available larger projects resulting in intense competition at unacceptable margins. The decision on NES will result in one-off employee redundancy costs of $0.7 million; however these will be offset by expected asset sales of $0.4 million. NES has incurred a one off loss for the September quarter of $600k and this would otherwise continue at $400k per month if the decision was not taken to place the business into care and maintenance.

The expectation for McGrath Homes (McGrath) in FY2014 is for a strong performance on the back of a rebounding WA housing market and ongoing opportunities in the commercial sector. McGrath has experienced a stronger enquiry level in private residential which has converted to an increased order book for the sector. In addition the major contract for Wickham housing has continued into the FY2014 year with the award of an additional 20 houses and is supplemented by a number of smaller commercial contract awards and a robust pipeline of new opportunities.

The focus for McGrath in FY2014 is on identifying and providing highly competitive bids on the limited opportunities that will be available. In addition there will be significant focus on increasing private residential market share, implementing production efficiency measures, increasing the product range and assessing other opportunities to grow the business.

Whilst the remaining rental asset (accommodation facility in Karratha) is being marketed for sale, in the interim, it is expected to provide ongoing positive EBITDA contributions to the group.

The focus on winding down NMBWA, Rapley and NES and all legacy issues will continue in FY2014. In addition there will also be an ongoing focus on continuing to reduce both corporate and business unit overheads, noting, as mentioned above, that the annualised rate for corporate overheads will be circa $0.9 million with the completion of current management changes and other savings initiatives. This includes a reduction in Directors' fees from 1 July 2013 from $265,000 to $190,000 with the Chairman's fee reduced from $130,000 to $90,000 and individual non-executive director fees reduced from $67,500 to $50,000. These fees are inclusive of superannuation.

Nomad will continue to consult with corporate advisors 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 has not declared a dividend for the 2013 financial year and the dividend reinvestment plan remains suspended until further notice. It is the intention of the Board to return to a dividend payment when it is considered prudent to do so.

Board and Management Changes

As mentioned in my introduction to the meeting a number of Board and Management changes come into effect at the conclusion of this meeting. To re-iterate:

- I will stand down as Chairman and as a director of the Company.
- David Franklyn will take over as Chairman.
- Peter Hogan will stand down as Managing Director and commence as a Non Executive Director.
- Andrew Sturcke will join the Board as an executive director and will also take on the dual role of Chief Executive / Chief Financial Officer, and will continue as Company Secretary.

Peter Constable, appointed to the Board on 23 August 2012 will continue as a non-executive director as will David Bottomley, alternative director for Peter Constable appointed on 14 September 2012.

I would like to take this opportunity to thank my fellow Directors, the senior Management and all of the Company's employees for their efforts in FY2014.

I now invite Peter Hogan to deliver his Managing Director's address.

Peter Abery
Chairman

Managing Director's Address
Nomad Building Solutions Limited
Annual General Meeting
12.30pm Thursday, 28 November 2013

Thank you Mr. Chairman and thank you ladies and gentleman for your attendance here this afternoon.

The Chairman has already provided you with an overview of the FY13 financial outcomes. Generally in FY13, conditions in the markets in which Nomad operates were patchy. Sentiment was negative in WA since Iron Ore prices plummeted last September before steadily recovering, the resource sector has moved from an expansion phase to an operational phase and in Queensland where our products are exposed to coal and Coal Seam Gas developments, final investment decisions in an expansionary sense have been deferred or shelved altogether. The continuing strength of the Australian Dollar also makes imports of modular products into Australia more competitive. Combined with the political uncertainty through much of the year, this has created an environment for Nomad which required much focus on the sustainability of some of our businesses and has led to some further difficult decisions being made.

Nomad reported a statutory loss after tax for FY13 of $13.7M, although I note that the Board took the decision to impair the residual goodwill on the Rapley business of $5M as well as impairing the deferred tax assets being held on our balance sheet of $9.3M. Both of these are non cash items. In looking at the trading result, the Total Group EBITDA was $4.1M (against $10.1M last year) for both continued and discontinued operations. All ongoing businesses reported lower EBITDA than the prior year, a reflection of the tougher market conditions facing our industry. At this point I will now expand on some of the initiatives that management has progressed over this past twelve months:-

- In December of 2012 we took the decision to place the Rapley business into "Care & Maintenance". This business has been unprofitable for several years now and in the first half of FY13 has already accumulated losses of $4.6M. The market in which Rapley has operated successfully has structurally changed as a result of increased competition, increased compliance and regulation by both the government and non government sectors, and most of all a substantial reduction in both the quantity and quality of sub contract trade labour. Together with cost increases in managing this business it was our view that this led to an unsustainable future for Rapley. Following the decision taken in December 2012, Rapley had three (3) remaining group housing projects to be completed at Derby, Halls Creek and Karratha. Pleasingly these were all completed to our expectations. As a result the second half result was a substantially reduced loss of $600k with most of this being redundancy and closure costs.

- Following the closure of the Nomad Modular Business in 2012, Nomad Rental maintained a fleet of buildings that were on hire to clients in both WA and Qld, the latter being built at our site in Brisbane. Despite these assets providing an ongoing revenue stream, the ageing of the fleet and lessening demand for rented accommodation meant that there was an increasing risk for us that these could quickly change to become a liability. The costs of demobilising, transporting, storing and in many cases rebuilding the fleet caused us to rethink our footprint in this market and as such we sought to "monetise" these assets and remove the risk altogether. To this end we sold large holdings to Auzcorp (in Port Hedland) for $2.4M in November and a further tranche to the Black Diamond Group for $9.9M in January and February. There was also $700K of other asset sales during the year. As at June 30th 2013, the Nomad Rental business is primarily made up of our short stay accommodation village in Karratha.
- Progress continues to be made with the close out of legacy contracts from the Nomad Modular business which was closed during the second half of FY12. At the start of FY13 there were 18 open contracts and by year end this had been reduced to four (4). We remain in discussion and negotiation on these and are targeting to have the remaining contracts closed out in FY14. Of those that have been closed out, these have been done so in excess of our expectations yielding a small EBIT of $300k for FY13. Furthermore closing out these contracts has been a major contributor to reducing our guarantee securities outstanding from $12.2M at the start of the year to just over $4M today.
- As a result of a changing Nomad, it has also been a Board Imperative that we find substantial reductions in our Corporate Overhead costs. In FY11 these overheads were $8.2M and we have managed to reduce this in FY13 to $3.9M. There have been significant staff reductions in corporate functions and in June this year we moved corporate premises from Osborne Park to much smaller, cost effective offices at Balcatta in Perth's north. Following announcements subsequent to year end, we now believe that we can further reduce corporate overheads down to less than $900k per year (on an annualised basis)
- Cash Management has been an absolute priority for myself and the management team throughout FY13. We have seen an improvement in cash through improved debtors/creditors management, reducing costs, closing out legacy contracts in NM and Rapley, less client disputes and wage restraint. At the close of FY10 Nomad had Borrowings of $26.8M and Net Debt of $18M. Pleasingly in February of this year all debt was retired and at year end we are holding net cash of $11.3M (up from $3.3M twelve months ago). Nomad is also close to finalising a new banking agreement with Bank of Queensland to support existing and new bank guarantees up to a value of $5M. This new facility will provide greater flexibility to support the Company's ongoing operations as well as its growth into the future.

- Our McGrath Homes business is a Perth based manufacturer of modular housing and reported FY EBITDA of $1.4M on Sales Revenue of $31.8M (down by 4% on the pcp). This result was below expectations with the first half impacted by establishment costs for the ramp up of a major contract for Rio Tinto in Wickham. This project was ultimately awarded in late October 2012, some four months late due to delays in site development. Since award our supply has been varied from 60 homes up to 80 homes and we expect to complete this contract in Q3 of FY14. During the year we also completed a number of other smaller commercial contracts including the Department of Housing in Port Hedland and the first stage of the Ranges project in Karratha. Private residential housing continues to provide an ongoing steady revenue stream and in FY13 accounted for 40% of revenue. The housing marker in WA continues to recover and our Private residential pipeline of sales in hand as at July was $17M, up from $12M a year earlier. Expectations are for a stronger performance from McGrath in FY14, driven by a stronger residential market and the completion of commercial/resource sector contracts in hand and underway.
- Nomad Eastern States (NES) is a Brisbane based business that manufactures and installs both modular homes (under the Halley Homes brand) and modular buildings for mining camps including single persons quarters, kitchens and ancillary buildings. This business reported an EBITDA of $1.5M on a sales revenue of $27.5M (down by 5.6% on the pcp). Market conditions throughout the year in Queensland have been extremely difficult with enquiry levels diminishing in all sectors. Despite the conditions, NES was able to win and execute successful projects for McConnell Dowell in Roma, RLW in Chinchilla, a rail duplication project for Aurizon and two contracts for Canstruct for the Detention and Immigration processing center on Nauru. Throughout FY13, local management has also been able to identify and implement $800k of cost reduction initiatives.

Despite the difficulties encountered by Nomad in the first half of the year, I am pleased that we have been able to quickly stabilise the business, deal with under performing businesses and ageing assets and subsequently build cash. The Total Group EBITDA for the first half was in fact a loss of $1.4M however by responding quickly to opportunities and risks, the result for the second half was a positive EBITDA of $5.5M. McGrath and NES both built momentum into the second half and reported positive outcomes. Losses from the Rapley business were quickly stemmed once the decision was made to place it into Care and Maintenance.

Subsequent to year end, the Board has taken the decision to place the NES business into Care and maintenance and announced this to the market on the 25th October. We have been reviewing the Qld market for some six months now and we are of the view that a short term recovery in demand for temporary accommodation in this state was unlikely. As a result NES would incur cash losses of $400k per month whilst waiting for a recovery and the Boards view was that this is not in the best interests of our shareholders. This unfortunate decision removes substantial risk from Nomad and will free up resources to focus on the very well managed and profitable West Australian businesses. I would like to take this opportunity on behalf of the organization to thank Rowan Gibson and his management team in Brisbane for all the dedication, loyalty and support over many years and I sincerely wish all them the very best in their future endeavours.

As a result of this change, I will stand aside as Managing Director with effect from 30 November. I will, however, remain committed to the future of Nomad and as such, will stay on the Board as a Non-Executive Director. At Nomad we have a small but loyal management team and I would like to take this opportunity to thank each of them publicly for their support to me over the last year and a half. I also congratulate Andy Sturcke on his appointment as CEO/CFO. Andy is a tremendous asset to us at Nomad and I very much look forward to working with him in the future. I would also like to express my appreciation to my fellow Directors in Peter Abery, Peter Constable and David Franklyn for the support and guidance they have offered me in this challenging role.

Thank You

Peter Hogan