

18 February 2015

**ACQUISITION OF LEADING CONSTRUCTION FIRM – BLOOMER
CONSTRUCTIONS AND UPDATE ON HALF-YEAR RESULTS**

Key Highlights

- Nomad Building Solutions (**NBS or Company**) takes first step to deliver on its strategic commitment to restore shareholder value through complimentary M&A.
- NBS to acquire Bloomer Constructions Qld (**BCQ**) a leading private residential and commercial construction business, for an acquisition consideration of up to \$10.4m.
- Acquisition consideration of up to \$10.4m comprises \$5.9m upfront - \$1.5m cash plus \$4.4m in NBS shares (issued at \$0.05) and subject to escrow provisions, plus up to \$4.5m earn out component payable in NBS shares post FY2017, subject to BCQ generating aggregate EBIT of at least \$8m in FY2016 and FY2017.
- BCQ has a strong pipeline of work in hand - currently \$158m together with \$68m of work won but not yet commenced.
- BCQ is expected to generate EBIT margins of approximately 3.5% on the \$226m of work in hand and work won but not yet commenced.
- Based on work in hand, work won but not yet commenced and continuing tender activity, NBS expects the full earn out consideration of \$4.5m will be paid with BCQ expected to generate a total EBIT of at least \$8m over FY2016 and FY2017 implying an acquisition EBIT multiple of approximately 2.6x.
- At completion BCQ is expected to have at least \$5m of NTA and no debt.
- BCQ is a privately owned residential and commercial construction business founded in 1983 with offices in Capalaba, Hendra and Newstead, Queensland.
- BCQ founder and owner Wayne Bloomer (**Vendor**) will enter a 5 year employment agreement with NBS enhancing the new NBS management team led by CEO Heather Gardner.
- Acquisition is transformational for NBS, injecting significant revenue and earnings into the Company.
- Acquisition to enable NBS to leverage its existing infrastructure and compete in the high growth east coast residential and commercial construction markets.
- Importantly enables NBS valuable tax losses to be progressively utilized and franking credits distributed out of NBS with the payment of dividends expected to recommence in FY2016.
- NBS will undertake a placement of \$3.5m at \$0.05 per share to sophisticated and professional investors and directors of NBS to fund the cash consideration component of the acquisition and to provide supplementary working capital for future growth opportunities.

Transaction Overview

Nomad Building Solutions Ltd (**NBS** or **Company**) (ASX:NOD) is pleased to announce the acquisition of Bloomer Constructions (Qld) Pty Ltd (**BCQ**) a leading medium sized private residential and commercial construction company based in Capalaba, Queensland.

The proposed acquisition values BCQ at \$10.4m and is structured as an upfront cash and share payment of \$5.9m with an earn-out component up to \$4.5m as follows:

- \$5.9m upfront – comprised of \$1.5m cash payable on completion plus 88.0m NBS shares (**Completion Shares**) issued at \$0.05 per share (value: \$4.4m); plus
- \$4.5m earn out comprised of:
 - \$1.5m attendance target payable in 30m NBS shares issued at \$0.05 per share (**First Earn Out Consideration Shares**); and
 - \$3.0m performance target payable in 46.2m NBS shares issued at \$0.065 per share, provided BCQ has generated aggregate EBIT of at least \$8m in the two financial years of FY2016 and FY2017 (**Second Earn Out Consideration Shares**).
- Completion Shares are restricted securities with an escrow period of 36 months, to be released from escrow as follows:
 - 1/3 of the restricted securities 12 months from completion;
 - a further 1/3 of the restricted securities 24 months from completion; and
 - the remaining restricted securities 36 months from completion. During the escrow period the Vendor may not deal with the restricted securities remaining in escrow.
- BCQ to have a minimum \$5m of net tangible assets at completion, with the Completion Shares subject to a \$1 for \$1 net asset adjustment mechanism for any amounts greater than or less than \$5m.

The \$1.5m up-front cash consideration payable to the vendor is to be funded from existing cash reserves and via a \$3.5m placement at \$0.05 per share to sophisticated and professional investors and directors of NBS managed by Ryder Capital Pty Ltd.

Vendor will hold a ~19.9% stake in NBS post completion of the deal expected to occur in April 2015, and up to 31% of NBS provided both earn-out targets are satisfied by 30 June 2017 and no further shares are issued by the Company.

BCQ founder Wayne Bloomer will enter into a 5 year employment agreement with the Company following completion of the acquisition.

The acquisition is subject to the satisfaction of conditions precedent including no material adverse change to the operations of NBS or BCQ, and any approvals required by NBS.

The acquisition is subject to NBS shareholder approval which is expected to take place in April, 2015 with the Explanatory Memorandum outlining further details of the transaction and the Notice of Meeting expected to be dispatched by late February.

Transaction Terms

The key terms of the acquisition are set out below:

Structure	Acquisition of 100% of the shares in Bloomer Constructions
Purchase price: Cash	\$1.5m cash payable at completion (April 2015)
Purchase price: NBS Shares	\$4.4m in new NBS shares: 88m shares issued at \$0.05 per share – subject to escrow
Earn-out consideration: NBS Shares	<p>Potential earn-out of \$4.5m in new NBS shares comprised of:</p> <ul style="list-style-type: none"> • \$1.5m Attendance Target: 30m NBS shares at \$0.05 per share • \$3.0m Performance Target: up to 46.2m NBS shares at \$0.065 per share
Employment	Wayne Bloomer will enter into a 5 year employment agreement with NBS and will work with CEO Heather Gardner
Funding	Purchase consideration to be funded from a combination of existing cash reserves and via a \$3.5m placement at \$0.05 per share to sophisticated and professional investors and directors of NBS managed by Ryder Capital Pty Ltd
Completion	<p>Subject to satisfaction of conditions precedent (see below) and shareholder approval expected to take place in April 2015.</p> <p>At completion BCG must have a minimum \$5m of net tangible assets, and is subject to a completion adjustment mechanism affecting the number of Completions Shares to be issued to Vendor</p>
Conditions precedent	<p>No material adverse change</p> <p>Any approvals required by NBS</p>

Strategic Rationale

This acquisition represents a transformational step for NBS and is based on the following strategic rationale:

- ✓ BCQ is a strong, well known complimentary operating business
- ✓ Preserves and unlocks valuable tax assets
- ✓ Founder and Owner to continue operating BCQ
- ✓ Leveraged to high growth construction markets in QLD and NSW
- ✓ Robust pipeline of opportunities
- ✓ Bolsters NBS balance sheet
- ✓ Brings forward the ability of NBS to consider the resumption of dividend payments and utilise it's significant franking credit balance

The new NBS management expect to considerably enhance the value of the acquisition by introducing commercial project opportunities into BCQ.

BCQ currently has \$158m of work in hand along with \$68m of work won but not yet commenced. BCQ is expected to generate EBIT margins of approximately 3.5% on the \$226m of work in hand and work won but not yet commenced.

Based on work in hand, work won but not yet commenced and continuing tender activity, NBS expects the full earn out consideration of \$4.5m will be paid with BCQ expected to generate a total EBIT of at least \$8m over FY2016 and FY2017.

The total purchase price of \$10.4m implies an acquisition EBIT multiple of approximately 2.6x on the basis of the full earn out consideration being paid to the Vendor.

BCQ will have a net tangible asset position of at least \$5.0m at completion of the acquisition, subject to a \$1 for \$1 net asset adjustment mechanism for any amounts greater than or less than \$5m.

At completion and prior to the proposed placement, NBS and BCQ will have combined cash at bank of between \$3-4m and no debt.

Commenting on the acquisition, CEO Heather Gardner CEO of NBS said:

“This is an enormously exciting step forward for NBS. I know for some shareholders it has been a long time coming; however selecting the right company, with the right people, to achieve the right business for us was certainly worth waiting for. BCQ is well managed; profitable and has an excellent reputation within the industry. We are looking forward to building greater opportunities for BCQ and NBS in the future. It is an extremely gratifying day for the company.”

Wayne Bloomer, CEO of BCQ said:

“On behalf of BCQ and all its staff, I am very pleased with the partnership that this acquisition represents. We look forward to working with and as part of NBS to capitalise on significant opportunities we currently see in the market.”

NBS 1H FY2015 results and goodwill impairment

NBS anticipates releasing its 1H FY2015 results on or before 27 February 2015.

As part of the current audit review of the NBS 1H FY2015 results, NBS will be impairing a number of balance sheet assets, specifically the carrying value of goodwill associated with the historic acquisition of the McGrath business. NBS will write down the carrying value of goodwill by approximately \$15m, to approximately \$1.3m. Other impairments and provisions will be in the order of \$5-6m and are made up of a number of other items. These impairments are non-cash charges and will total in the range of \$20-21m. These impairments reflect historic acquisitions and investments. Further details of these write-downs, impairments and provisions will be provided in the 1H FY2015 results announcement.

Excluding the above mentioned impairments and provisions, NBS anticipates a group operational EBIT loss, including one off costs for the half of approximately \$2.3m. Substantial restructuring of the McGrath business has occurred since the new NBS CEO Heather Gardner joined on 20 November 2014. This has resulted in a material reduction in cost overheads, realignment of business practices and a strengthened operational focus. Commercial tender participation and activity has increased significantly which combined with the continued stabilisation and rationalisation of business processes is expected to deliver near term positive results. NBS expects McGrath will return to profitability and produce a positive, albeit small EBIT profit contribution for 2H FY2015.

CEO Heather Gardner said *“it is disappointing to note the decline in the McGrath operating profit contribution for 1H FY2015 together with the projected full year result showing only a small profit contribution, however McGrath is a solid business, with a great product and an enviable reputation for quality, affordability and style within modular construction. During the short period I have been at on board I have worked vigorously to reposition the objectives of the business and I am pleased to report that both the Team and the business has responded positively, furthermore I expect it to gain momentum in the near term.”*

Advisors

Ryder Capital and FTI Consulting are acting as joint Financial Advisors to NBS and Mills Oakley are acting as Legal Advisor.

For further information:

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