

28 February 2013

- Nomad reports statutory loss for the first half of \$7.35m after goodwill impairment of \$5.0m and \$4.6m loss from underperforming Rapley business.
- Excluding Rapley losses and goodwill impairment, Nomad generated an EBITDA profit of \$3.3m for the first half.
- Post further asset sales to Black Diamond Group (refer ASX announcement dated 28 February), Nomad has net cash at bank of \$11.8m as at 28 February 2013 and no bank debt.
- Nomad order book stands at \$42m.

The first half of the 2013 financial year was characterised by a stalling in resource sector activity as customers reviewed their demand requirements for manufactured and in-situ accommodation in light of deteriorating commodity prices.

This has negatively impacted Nomad's first half result, but confirms that new restructuring initiatives in progress remain the appropriate strategy to reposition Nomad as a smaller but more robust and profitable entity.

The Board of Nomad took the decision to write down the remaining \$5m in goodwill associated with the Rapley business reflecting its continued underperformance. This took the Group's statutory loss after tax to \$7.35m for the period. The Rapley business has been restructured and is now running out its current profitable projects and is expected to generate an EBIT loss of \$0.4m for the remainder of the year.

	Half Year Ended 31 Dec 2011 \$M	Half Year Ended 31 Dec 2012 \$M	% Change FY13H1 to FY12H2
<b>Revenue</b>	<b>61.5</b>	<b>34.6</b>	(44%)
<b>EBITDA Before Rapley</b>	9.7	3.3	(66%)
Rapley EBITDA	0.6	(4.6)	(900%)
<b>EBITDA</b>	<b>10.3</b>	<b>(1.4)</b>	(113%)
Depreciation & Amortisation	2.3	1.8	
<b>EBIT</b>	<b>8.0</b>	<b>(3.1)</b>	(139%)
Discontinued Operations ( Nomad Modular )	(4.2)	0.0	
Interest	0.7	0.2	
<b>Operating Profit / (Loss) Before Income Tax Expense</b>	<b>3.1</b>	<b>(3.3)</b>	(208%)
Income Tax Expense	0.9	(1.0)	
<b>Operating Profit / (Loss) After Tax Expense</b>	<b>2.2</b>	<b>(2.4)</b>	(209%)
Goodwill Impairment	0.0	5.0	
<b>Statutory Net Profit After Tax</b>	<b>2.2</b>	<b>(7.4)</b>	(441%)
Earnings Per Share	0.8	-2.7	(444%)
Net Cash Surplus	4.1	3.3	(19%)

**McGrath Homes** reported break even EBITDA for the half, due to delays in the awarding of key contracts, however the cost base was maintained in expectation of future contract wins. As announced in late October 2012, McGrath was successful in securing a major material contract with miner Rio Tinto for the supply of modular housing in Wickham, Western Australia.

Approximately 50% of the Wickham contract value will flow through to sales in the second half of the 2013 financial year and this combined with continued growth in the residential market segment and other commercial contracts is expected to result in a second half EBITDA contribution of approximately \$3.7m.

**Nomad Eastern States (NES)** reported a strong first quarter for FY2013 but experienced significant deterioration in the second quarter as the order flow stalled in response to weak coal sector demand. For the half year NES reported a small EBITDA loss of \$0.1m and is expected to report a small profit for the full year. NES is a well managed manufacturer with substantial operating leverage to increased sales and throughput.

The in-situ builder **Rapley** has been the major disappointment over the past half year posting an EBITDA loss of \$4.6m. Rapley had a large tender pipeline, including tenders with major mining groups, but has been unable to win new business in an intensely competitive environment. Further, a number of existing contracts have been poorly executed, resulting in further losses. The Board has taken the decision to restructure and scale this business down with the first half loss incorporating the associated redundancy costs. The remaining order book will be completed by June 2013 following which further cost reduction initiatives will be implemented such that this business will have a negligible drag on future earnings. Rapley has incurred continual losses over the past three years and accordingly the Board have resolved to write down the remaining goodwill of \$5m.

During the period Nomad announced the sale of rental assets for a consideration of \$2.4m. This sale generated \$0.6m EBITDA, contributing to the \$5.3m EBITDA delivered by the **Nomad Rental** business unit for the half year.

In December 2012, Nomad announced that it had agreed to sell further rental assets to the Canadian group Black Diamond for a total consideration of \$6.2m. This transaction settled in January 2013. We are pleased to announce that further sales to Black Diamond of \$3.75m have been concluded during February 2013. In total, Nomad will receive cash proceeds of \$9.9m from these sales and generate EBITDA of \$4.0m. This result will be booked in the second half of the financial year.

### Full Year Earnings Outlook

Nomad is forecast to deliver a second half EBITDA profit of \$7.3m before a forecast non-recurring operating loss from Rapley of \$0.4m and \$1m provision to close out legacy issues. The \$7.3m EBITDA profit is an improvement on the comparable first half EBITDA profit of \$3.3m. The second half forecast includes:

- a strong recovery from McGrath as new contract wins begin to contribute;
- a building order book which currently stands at \$42m;
- an uplift in EBITDA from Nomad Rental due to asset sales; and
- an improved half for Nomad Eastern States.

	FY 2013 H1 \$M	FY 2013 H2 \$M	FY 2013 Total \$M
<b>Revenue</b>			
McGrath Homes	11.5	33.6	45.1
Nomad Eastern States	10.6	12.8	23.4
Nomad Rental	8.3	11.2	19.5
Corporate and Other	0.0	0.0	0.0
<b>Revenue Before Rapley</b>	<b>30.4</b>	<b>57.6</b>	<b>88.0</b>
Rapley	4.2	5.3	9.5
<b>Total Revenue</b>	<b>34.6</b>	<b>62.9</b>	<b>97.5</b>
<b>EBITDA</b>			
McGrath Homes	0.0	3.7	3.7
Nomad Eastern States	(0.1)	0.7	0.6
Nomad Rental	5.3	4.7	10.0
Corporate and Other	(2.0)	(1.8)	(3.8)
<b>EBITDA Before Rapley &amp; Provisions</b>	<b>3.3</b>	<b>7.3</b>	<b>10.5</b>
Rapley	(4.6)	(0.4)	(5.0)
Provision for Legacy Issues	0.0	(1.0)	(1.0)
<b>Total EBITDA</b>	<b>(1.4)</b>	<b>5.8</b>	<b>4.5</b>

## **Our Vision for Nomad**

### **Build on the strong market position of McGrath Homes**

Nomad's key operating division is the McGrath Homes business unit. This business is an industry leader in its field with activities spanning the resources, corporate and residential market. The business is well placed over the near term with a strong order book underpinned by the Rio Tinto Wickham contract and a strong reputation in the corporate market.

The WA residential housing market is expected to continue to improve throughout 2013 noting that private residential sales traditionally generate at least 40% of McGrath Homes' revenues. In the near term McGrath Homes is expected to benefit from the broader market recovery and as a direct result of establishing new display centres at Wangarra and Maddington.

We expect this business to deliver second half EBITDA of approximately \$3.7m, with the outlook for the 2014 financial year looking robust.

### **Position Nomad Eastern States for a market recovery**

NES is heavily exposed to the Queensland resources sector, a sector that is still feeling the effects of lower commodity prices, particularly coal. We expect that weak demand conditions will remain in place for much of the second half and management have sought to reduce its cost base to reflect this situation. On the upside, NES is a highly efficient manufacturer with a strong position in its market.

Halley Homes (a division of NES) is a modular housing specialist that has historically generated revenues as high as \$4m from private residential sales. With the Queensland residential housing market forecast to continue to improve this calendar year, Halley Homes is well positioned to service the expected increase in demand for modular and prefabricated housing.

We expect that as market conditions improve this business will rebound strongly. NES is forecast to generate an EBITDA profit of \$0.6m for the full year and a continued positive contribution for the 2014 financial year.

### **Monetise the remaining Rental Assets**

As detailed above, Nomad has realised in excess of \$12m in cash from the sale of rental assets during the first 8 months of the 2013 financial year. Our objective is to continue the sale process of these assets assuming an appropriate value can be achieved. We estimate that up to \$7m in further sales could be realised by 30 June 2013. This would essentially complete the sale of our rental portfolio.

### **Focus on Shareholder Value**

The Board wishes to advise it has received unsolicited approaches for certain operating assets of the group. The Board has formed a committee to validate and evaluate these enquires to ensure minimal internal distraction while ensuring appropriate engagement with bona fide parties and with the primary objective of maximising shareholder value. To date there have been no proposals or offers submitted in a form or at a value capable of being recommended to shareholders.

In the event of sufficient balance sheet flexibility, the Board will consider a resumption of dividends or a return of capital to shareholders during the 2013/14 financial year. In this regard Nomad will seek to utilise the Company's substantial tax losses and franking credits.

### **Close out legacy issues**

Management continues to focus on concluding long standing legacy issues including the TDK Gorgon contract, Nomad Modular contracts for FMG and Rio Tinto and several Rapley contracts. Since the closure of the Nomad Modular business in WA in 2012, much progress has been made in the closure of open contracts. We expect this progress to continue and to close out the remaining legacy contracts for both Nomad Modular and Rapley by June of this year.

### **Eliminate Bank Debt and Build Cash**

The Company has successfully reduced its banking facilities from \$14.5m at 30 June 2011 to \$0.5m at 31 December 2012. Further debt repayments were made in January 2013 reducing borrowings to zero.

As at 31 December 2012 Nomad had net cash of \$3.3m.

### **Reduce Corporate Overheads**

There has been a continuing focus on corporate overheads and management's objective is to reduce the annual corporate overhead costs to approximately \$2.5m by 30 June 2013, in line with the reduced scope of the Nomad business. This represents a substantial reduction of the corporate cost run rate of \$4.1m per annum for the first half.

### **Our Objective**

In summary, by 30 June 2013 it is the Boards intention to have Nomad totally restructured. By this time we expect that it will have two strong core operating businesses in McGrath and Nomad Eastern States, and have in excess of \$10m in net cash and no bank debt.

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#### **About Us:**

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

Rapley is an in-situ builder focused on remote and regional areas of Western Australia.

Nomad Modular (QLD) is a leading manufacturer of modular buildings for the mining, commercial and residential sectors

Nomad Rental provides modular buildings for hire to the mining and commercial sectors. It operates in QLD and WA.