

# Nomad : FY2014 First Half Investor Presentation



Rio Tinto, Wickham Housing Project, 80 houses provided by McGrath Homes

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# Half Year FY2014 : Nomad Summary

- ✓ **Market Capitalisation: 277.4M shares at 5.5 cents = \$15.3M**
- ✓ **\$8.3M Cash at Bank, at 27 February 2014.**
- ✓ **Zero Bank Debt.**
- ✓ **\$2M EBITDA for McGrath Homes in first half of FY2014.**
- ✓ **\$0.5M EBITDA for Nomad Rental in the first half of FY2014.**
- ✓ **Planned sale of surplus and non income generating assets of \$2.9M.**
- ✓ **Less risk going forward from continued progress on closure of discontinued operations (Nomad Modular, Rapley and Nomad Eastern), and in particular the settlement with TDK in December 2013.**
- ✓ **Corporate Overheads reduced to \$1.5M p.a. and progressing toward target of \$0.9M.**
- ✓ **Franking Credits of \$17M.**
- ✓ **Tax Losses of \$27M.**

# Half Year 2014 Results Summary

	Half Year FY2014 \$M	Half Year FY2013 \$M	Change %
<b>Revenue</b>			
McGrath	24.9	11.5	117.20%
Rental Business	0.7	8.3	(91.2%)
Corporate & Other	0.0	0.1	(20.6%)
<b>Continuing Operations Revenue</b>	<b>25.7</b>	<b>19.8</b>	<b>29.56%</b>
Nomad Modular WA (discontinued)	0.0	(0.0)	
Rapley (discontinued)	0.7	4.2	
Nomad Eastern States (discontinued)	5.8	10.6	
Other (discontinued)	0.0	(0.1)	
<b>Total Reported Revenue</b>	<b>32.3</b>	<b>34.6</b>	<b>(6.6%)</b>
<b>EBITDA</b>			
McGrath	2.1	(0.0)	(10319.3%)
Rental Business	0.5	5.3	(90.9%)
Corporate & Other	(1.1)	(2.0)	(44.0%)
<b>Continuing Operations EBITDA</b>	<b>1.5</b>	<b>3.3</b>	<b>(54.0%)</b>
Nomad Modular WA (discontinued)	(0.3)	0.0	
Rapley (discontinued)	0.1	(4.6)	
Nomad Eastern States (discontinued)	(1.8)	(0.1)	
Other (discontinued)	(0.0)	0.0	
<b>Group EBITDA</b>	<b>(0.5)</b>	<b>(1.4)</b>	<b>(60.9%)</b>
<b>Group EBIT before Goodwill Impairment</b>	<b>(1.2)</b>	<b>(3.1)</b>	<b>(62.2%)</b>
Borrowing Expenses	(0.0)	(0.3)	
<b>Group Profit Before Tax</b>	<b>(1.2)</b>	<b>(3.3)</b>	<b>(64.6%)</b>
Income Tax Expense	0.0	1.0	
Goodwill Impairment ( Rapley )	0.0	(5.0)	
<b>Statutory Net Profit After Tax</b>	<b>(1.2)</b>	<b>(7.4)</b>	<b>(83.8%)</b>

- ✓ Continuing Operations Revenue up 29.5% to \$25.7M.
- ✓ Continuing Operations EBITDA down 54% to \$1.5M.
- ✓ Nomad Eastern States business placed into Care and Maintenance in October 2013. \$1.8M loss for the half from redundancies, closure costs and operating losses.
- ✓ Corporate Overheads down 44% to \$1.1M.
- ✓ Minimal impact from discontinued operations – Rapley and Nomad Modular.
- ✓ Group EBIT of \$1.2M loss.
- ✓ Statutory net profit after tax of \$1.2M.

# McGrath Homes - Half Year Results

## McGrath Homes - Results

- ✓ Revenue for the half of \$24.9M with EBITDA of \$2.1M. An improvement on FY13 on the back of the Rio project and increased private residential sales.
- ✓ Revenue comprised \$16M of Commercial Projects, \$9M of private residential.
- ✓ Rio Tinto housing substantially complete by half year end. Final houses delivered in January 2014.
- ✓ EBITDA Margin is 8.4% for the half, up on FY13 margins, but down on the FY12 full year, refer table below. Whilst the first half is an improvement on FY13, we are focused on returning to margins achieved in FY12. The focus will be on achieving this through increased proportion of private residential, percentage of overhead synergies and reductions, product innovation and improved purchasing arrangements.

	FY14 Half 1	FY13 Half 2	FY13 Half 1	FY12 Full Yr
Revenue	24.9	20.3	11.4	33.5
EBITDA	2.1	1.4	0	4.4
EBITDA Margin %	8.4%	6.9%	0.0%	13.1%



4 X 2 private residential house, Karratha WA.



Office Building for Mount Magnet Mines, Mount Magnet, WA.

# McGrath Homes - Outlook

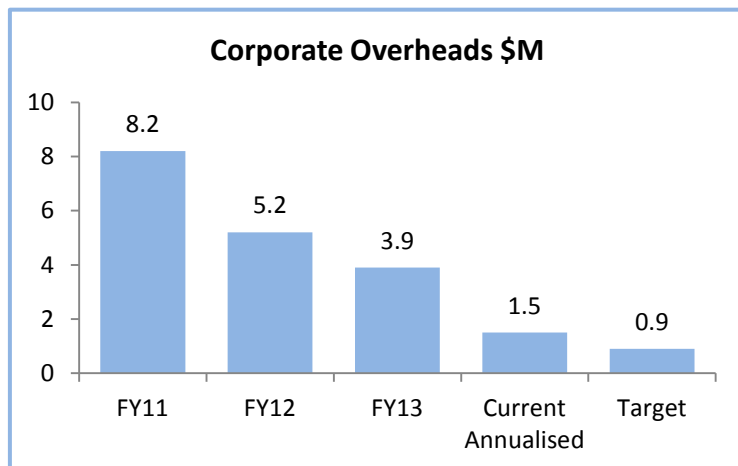
- ✓ Increased enquiry levels and sales are expected to produce an improved second half result for private residential.
- ✓ Current annualised run rate for private residential is \$25M of revenue.
- ✓ With the Rio project now complete, commercial revenue will be lower in the second half. Commercial revenue for the second half is expected to come primarily from the pipeline of projects outlined below.
- ✓ Pipeline of commercial projects, for potential revenue, to commence within a 2 to 8 month time period.
  - ✓ 30 dwelling development in Karratha - \$4M.
  - ✓ Six individual housing / office projects with six regional shire councils – total of circa \$4M.
  - ✓ Various commercial projects for government and private enterprise – total of circa \$2M.
- ✓ Pipeline of commercial projects, for potential revenue, to commence after FY2014.
  - ✓ Karratha housing development - \$35M.
  - ✓ Housing projects for major resource companies - \$60M.
  - ✓ Lifestyle Villages – 3 individual villages – accommodation requirements – circa \$93M.

# Nomad Rental - Results & Outlook

- ✓ Revenue for the half of \$0.7M with EBITDA of \$0.5M
  - ✓ \$0.6M of the revenue is from Karratha Village and the balance is rental income from residual assets.
- ✓ Karratha Village occupancy rate for the half was 50%, as a result of reduced activity in the area, and significantly lower than the 90% previously achieved. At 50% occupancy the EBITDA for the first half EBITDA was \$0.5M. At 75% and 90% occupancy the facility will return an EBITDA of \$1.0M and \$1.3M respectively.
- ✓ A number of new projects in the Karratha region are expected to increase demand for short term accommodation and an increased performance for Karratha Village in the second half.
- ✓ The outsourced management model for Karratha Village will be assessed against other options with a view to improved profitability for this asset.
- ✓ All residual assets are now off hire and we expect to sell these in the second half.

# Corporate - Results & Outlook

- ✓ Corporate overhead costs reduced to \$1.1M for the half year.
- ✓ The current annualised rate is \$1.5M, down significantly from \$3.9M in FY13, \$5.2M in FY12 and \$8.2M in FY11.
- ✓ Reductions in the last six months have been achieved primarily through reduced support personnel, December management changes and reduced Board remuneration.
- ✓ We are targeting an annualised rate of \$0.9M which is expected to be achieved in the second half of the 2014 calendar year, when all legacy issues are closed.
- ✓ The \$0.9M rate will be achieved through further reductions in manning numbers, management, administration and accounting synergies with McGrath, reduced IT support and infrastructure costs and other third party costs including bank fees, accounting, audit and tax fees, legal and consultant costs, registry costs and insurance.





# Discontinued Operations - Results & Outlook

## **Nomad Eastern States**

- ✓ Placed into care and maintenance in October 2013. EBITDA loss of \$1.8M comprising \$1.4M operating / overhead costs, \$0.7M of redundancies , offset by \$0.3M of assets sales.
- ✓ All redundancy costs incurred or provided for in first half – no EBITDA impact in the second half.
- ✓ All projects completed, albeit some are still within the defects liability period.
- ✓ Expect \$0.4M of proceeds in the second half from additional asset sales.
- ✓ Priority management action to sub lease Wacol premises to mitigate ongoing costs to 2019.

## **Rapley**

- ✓ All projects completed, albeit some are still within the defects liability period.
- ✓ Five of the Derby houses remain unsold and are expected to produce cash proceeds of circa \$2.4M.
- ✓ Core expertise has been retained in tendering, project management and administration and will, under the direction and support of McGrath, identify and tender on appropriate in-situ construction opportunities.

## **Nomad Modular**

- ✓ TDK dispute settled in December 2013, \$2.1M cash outlay, but nil EBITDA impact as settlement was within provisions.
- ✓ Three projects remain to be closed out. Activities required to close these out are to conclude all drawings and other deliverables and final commercial settlement .
- ✓ The accounts include provisions for the expected final outcome on the remaining projects and as such, no significant EBITDA impact is expected in the second half.

# 2013 – Cash, Debt and Banking

- ✓ Zero debt - \$26.8M of debt repaid since June 2010.
- ✓ Current bank balance is \$8.3M, \$3.2M in trust against issued bank guarantees.
- ✓ Cash in trust is expected to reduce to \$2M by mid March as bank guarantees are returned.
- ✓ New bank guarantee facility established with Bank Of Queensland.
- ✓ All Westpac Bank Guarantees will be exchanged for BOQ bank guarantees by mid March.
- ✓ Transition from Westpac transactional banking to BOQ transactional banking will commence in March.

# Management Focus and Strategy

The Management and Board have two main areas of focus for the second half of FY2014.

1. Closure of all current legacy issues, and
2. Actions to achieve growth and deliver enhanced shareholder value.

## **Closure of Legacy Issues, includes:**

- ✓ Sub lease of the NES premises in Wacol, Queensland in order to significantly reduce the 5 year lease liability.
- ✓ Sale of NES display villages and land for approximately \$0.4M cash.
- ✓ Sale of Derby housing for approximately \$2.4M cash.
- ✓ Completion of deliverables and commercial closure on the three outstanding Nomad Modular projects.

# Management Focus and Strategy (Cont'd)

## Actions to achieve growth and deliver enhanced shareholder value include:

- ✓ Increasing McGrath's market share for private residential housing through:
  - ✓ targeted advertising
  - ✓ sales training to increase the conversion rate of enquiry to sales
  - ✓ continual focus on product innovation and new designs
- ✓ Expand on McGrath's range of commercial customers. Traditionally McGrath has serviced predominantly the mining and mining services sectors. Areas of prospective expansion identified to date include retirement / lifestyle accommodation and government regional housing and related project work.
- ✓ Focus on improving McGrath margins through increased proportion of private residential, overhead reductions and synergies, productivity improvements and improved purchasing arrangements.
- ✓ Improving occupancy levels at the Karratha Village whilst reviewing the outsourced management model against other options with a view to improved profitability for this asset.
- ✓ Assessment of options and progression of the South Hedland development project.
- ✓ Cautiously investigate in-situ build opportunities in regional WA using the remaining Rapley resources under the management of the McGrath team.
- ✓ Continuing the focus on reducing corporate overheads and implementing productivity / cost saving initiatives across the whole organisation.
- ✓ Evaluate appropriate corporate growth opportunities via mergers and/or acquisitions.

# Dividend / Return of Cash To Shareholders

- ✓ Capital management activities will be an important component of restoring shareholder value. Currently we have cash of \$8.2M, franking credits of \$17M and tax losses of \$27M.
- ✓ While the cash position is strong, it is not yet appropriate to implement a major capital management program, for the following reasons:
  - ✓ Cash is required to be held in trust for bank guarantees, currently \$3.2M and expected to reduce in the short term, but additional amounts may be required on the back of future contract successes.
  - ✓ McGrath working capital requirements estimated at \$3.5M+ which reflects the expected change in weighting to residential work in the medium term.
  - ✓ Management of legacy issues not yet complete, with WACOL lease, closure of projects from discontinued operations and project defects having the potential to impact cash requirements.
  - ✓ Prudent to retain cash to meet any unforeseen issues while discontinued operations are finalised.
- ✓ The Immediate focus is:
  - ✓ Return NOD to sustainable profitability such that the company can return to paying sustainable fully franked dividends.
  - ✓ Board is considering seeking approval for a share buy back.

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