NRW delivers 90% increase in Net Earnings

Australian civil and mining contractor NRW Holdings Limited (ASX: NWH) is pleased to provide its results for the half year ending 31st December 2016.

Highlights

- Revenue of $176.6 (1) million up 17.6% on the same period last year
- Underlying EBITDA(2) of $29.2 million up 21.7% on the prior comparative period
- Net Profit after Tax of $11.6 million (up 90.0%) and Earnings per share of 3.8 cents
- New work secured circa $200 million; Order book $1.0 billion as at February 2017
- Successful issue of $70 million NRW Corporate Notes used to repay $75M of bank debt. Changes term from two-year to four-year
- Raised $19.7 million through equity placement in September 2016
- Significant reduction in Net Debt to $40.7 million from $59.3 million at June 2016
- Improved gearing ratio of 22.4% compared to 39.6% at June 2016
- Cash holdings of $31.0 million
- Successfully acquired the East Coast business of Hughes Drilling with current order book in excess of $50 million

Notes (1) Statutory Revenue of $171.3M plus Revenue from associates $5.2M

(2) Underlying EBITDA excludes one off costs debt rescheduling and Hughes acquisition costs of $2.3 million

Commenting on the results Jules Pemberton, NRW's Chief Executive Officer and Managing Director, said:

"I'm very pleased to report not only another good set of operating results but also significant improvements to our financing structure and the successful acquisition of the Hughes east coast drilling business.

The underlying EBITDA of $29.2 million represents another 6 months of growth supported by solid operating cash generation.

The share issue successfully placed to institutional investors in September 2016 improved liquidity and provided funds for further debt repayment. This step was important as it allowed the refinancing of a lower debt base through an innovative corporate note structure which raised $70 million in December 2016 providing the funds to repay bank debt. The term of the note is 4 years which compared to the remaining two-year term on prior banking arrangements will significantly contribute to improved liquidity.

In addition, we negotiated a new $35 million multi option facility with a leading West Australian based bank.

The acquisition of the Hughes east coast business further strengthens our drill and blast capability and aligns with our strategy to build on our existing presence in Queensland and also expanding our geographical service offering into New South Wales. The business is now integrated within Action Drill and Blast and is expected to make a strong incremental contribution in the second half of the financial year.

Operationally the Civil and Mining business is performing well. Continued focus on delivering existing contracts for Rio Tinto Iron Ore and Middlemount Coal have generated good outcomes for both the client and NRW, recognised in part through the award of further work for Rio Tinto following the award of the circa $40 million Yandicoogina contract announced in December. The Forrestfield-Airport Link contract is progressing well and whilst not a major contributor to the half year results due to the early phase of the contract remains critical to our long term goals of improving our delivery capability. The tunnel boring machines are scheduled for delivery in the second half of FY17 and their commissioning will be a major milestone for the project team.

In Mining we have been successful in securing a new contract for Altura in Lithium ($110 million) and in Drill and Blast we secured new work for Macmahon at Telfer ($40 million) and a two-year contract extension for Talison Lithium at Greenbushes ($12 million).

Outlook

The company has secured a number of long term contracts which underpin business activity in the short and medium term. The orderbook at February 2017 totals $1.0 billion which includes $170 million of secured work for delivery in the second half of FY17 and also includes $300 million of work secured for delivery in FY18.

Whilst the balance sheet at December 2016 is now in a much improved position with gearing levels of 22.4% and our banking relationships normalised, this represents a relatively recent transition in financial standing. The revised debt structure provides improved liquidity and potentially additional funds to recommence payment of a dividend within the near future. However, the Directors have determined not to pay a dividend at the half year. The Directors will continue to actively assess options to reintroduce dividend payments when appropriate.

Operationally our focus will remain on

- Continuing to deliver projects to client expectations
- Supporting the Iron Ore sector as plans for sustaining current production volumes are developed
- Growing our presence in QLD and NSW on the back of the recent Hughes acquisition
- Reviewing opportunities to expand our service offering in our core markets and to diversify where we have relevant expertise
- Continue to assess strategic partnerships and opportunistic consolidation targets