

## NRW Holdings Ltd

### Contract wins resume

NRW Holdings (NWH) undertakes mining services and provides drill and blast services in Australia. It has expanded from its Western Australian base into Queensland's Bowen and Surat Basin and into northern NSW, the Gunnedah Basin and the Hunter Valley. The civil division contributed 63.5% of EBITDA, mining accounted for 24.2% and drill and blast 12.3% in H118. EBITDA margins for H118 were 6% for civil, 19.1% for mining and drill and blast 8.7%.

### Strategy

Following the decline in commodity markets in FY15 and a focus by mining companies on cost cutting NWH has maintained its focus on diversifying in terms of commodities, geographic location and expanding the client base. In line with these strategies acquisitions (Golding, Queensland based with civil, urban and mining services operations along the Australian East Coast [acquisition price \$85m] and The East Coast division of Hughes Drilling [acquisition price \$11m]) provide diversification and scale. There is no timetable for the re-introduction of dividend payments with priority given to debt repayment. During FY17 Capital management included a \$19.7m equity placement and 5m raised via a share purchase plan to NWH shareholders (undertaken in September 2016 at \$0.68) and the issue of NRW Corporate Notes (\$70m) which were used to repay bank debt. The Corporate Notes are repayable in 4 years compared with a 2-year term under the previous banking arrangements.

### Outlook

As at February 2018 work in hand was \$1.6b including \$360m of work to be delivered in H218. The tender pipeline comprised \$6b (includes \$1.5b of active tenders) of opportunities. No guidance has been provided on the level of profitability and no dividend has been declared following a decision to retain cash to ensure that debt is fully serviced.

#### Earnings history and Consensus forecasts (A\$m)

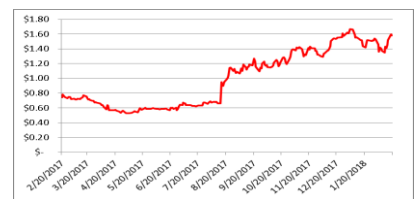
Y/E	Revenue	EBITDA	EBIT	NPAT*	DPS (c)	EPS (c)*	PE (x)	P/CF (x)	Yield (%)
6/16	288.0	38.3	14.2	21.5	0.0	6.4	24.7	9.2	0.0
6/17	344.6	50.8	23.5	28.5	0.0	9.0	17.6	10.7	0.0
6/18 (f)	696.4	n/p	n/p	36.3	3.0	10.2	15.5	n/p	1.9
6/19(f)	926.8	n/p	n/p	45.4	4.0	12.3	12.8	n/p	2.5

Source: Company data; Consensus for FY18 and FY19 derived from Stockopedia.com

#### Share details

ASX Code	NWH
Share Price	\$1.58
Market Capitalisation	\$586M
Number of shares	370.6m
Enterprise Value	\$635M
Sector	Construction/Engineering
Free Float	98.8%

#### Share price performance



#### RaaS RAP 5-point score\* = 4/5

Revenue increasing (1); EPS increasing (1); Return on Capital Employed [ROCE] (0); EBIT interest cover >3x (1) Gross Operating cash flow/EBITDA >90%(1)

#### Upside Case

- Diversification by product and geography assisted by acquisitions
- FY17 showed material increase in profitability compared with FY16 (EBITDA margin 14.7% compared with 13.3%.
- Strong balance sheet - debt has four years to run

#### Downside Case

- Low margin business leaves little room for error
- Contract risk when contracts are fixed price or design pre-agreed outcome
- Near term acquisitions to be bedded down

#### Catalysts

- Demonstrate growth in revenue and EBIT
- Improving ROE

#### Comparative companies (Australia & NZ)

MAH, MLD, RCR

#### Substantial Institutional Shareholders

CBA 5.29%, Westoz Funds Management 5.03%, Dimensional Fund 5.00%

#### RaaS Advisory contacts

Moira Daw	+61 418 697 275 moira.daw@raasgroup.com
Finola Burke	+61 414 354 712 finola.burke@raasgroup.com

#### DISCLAIMER and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363) and should be read in conjunction with RaaS Advisory's Financial Services Guide at [www.raasgroup.com](http://www.raasgroup.com). All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however RaaS Advisory cannot guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory is a Corporate Authorised Representative under AFSL licence No 456663. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. Past performance is not a guarantee of future performance. To the maximum extent permitted by law, RaaS Advisory, its affiliates, the respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. Copyright 2018 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.