



Building Momentum, Capturing Opportunities

Nordic Group Limited

1Q17 Results Briefing

19 May 2017

www.nordicgrouplimited.com



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1. Financial Review

2. Business Outlook

3. Acquisition of Ensure

4. Investment Merits



Financial Review

Highlights

- **1Q2017 Net Profit increased 21% to S\$2.8 million**
- **Acquisition of Ensure Engineering, completed in April 2017, to contribute in future quarters**
- **Outstanding project based order book stood at S\$35.7 million (including Mechanical Services)**
- **Recent contract win announced on 11 May, 2017 of S\$38.9 million**



Financial Review

Financial Highlights

S\$'000	Unaudited 1Q2017	Unaudited 1Q2016	Change (%)
Revenue	19,923	19,810	1
Gross Profit	6,104	6,289	(3)
<i>Gross Profit Margin</i>	<i>30.6%</i>	<i>31.7%</i>	<i>-1.1 ppts</i>
Operating Expenses	(2,273)	(3,205)	29
Net Profit after Tax	2,810	2,315	21
<i>Net Profit Margin</i>	<i>14.1%</i>	<i>11.6%</i>	<i>2.5 ppts</i>
EBITDA	4,185	3,733	12
EPS (cents)*	0.7	0.6	17

*Computed based on weighted average number of 393,175,000 ordinary shares for 1Q2017 and 394,862,000 ordinary shares for 1Q2016



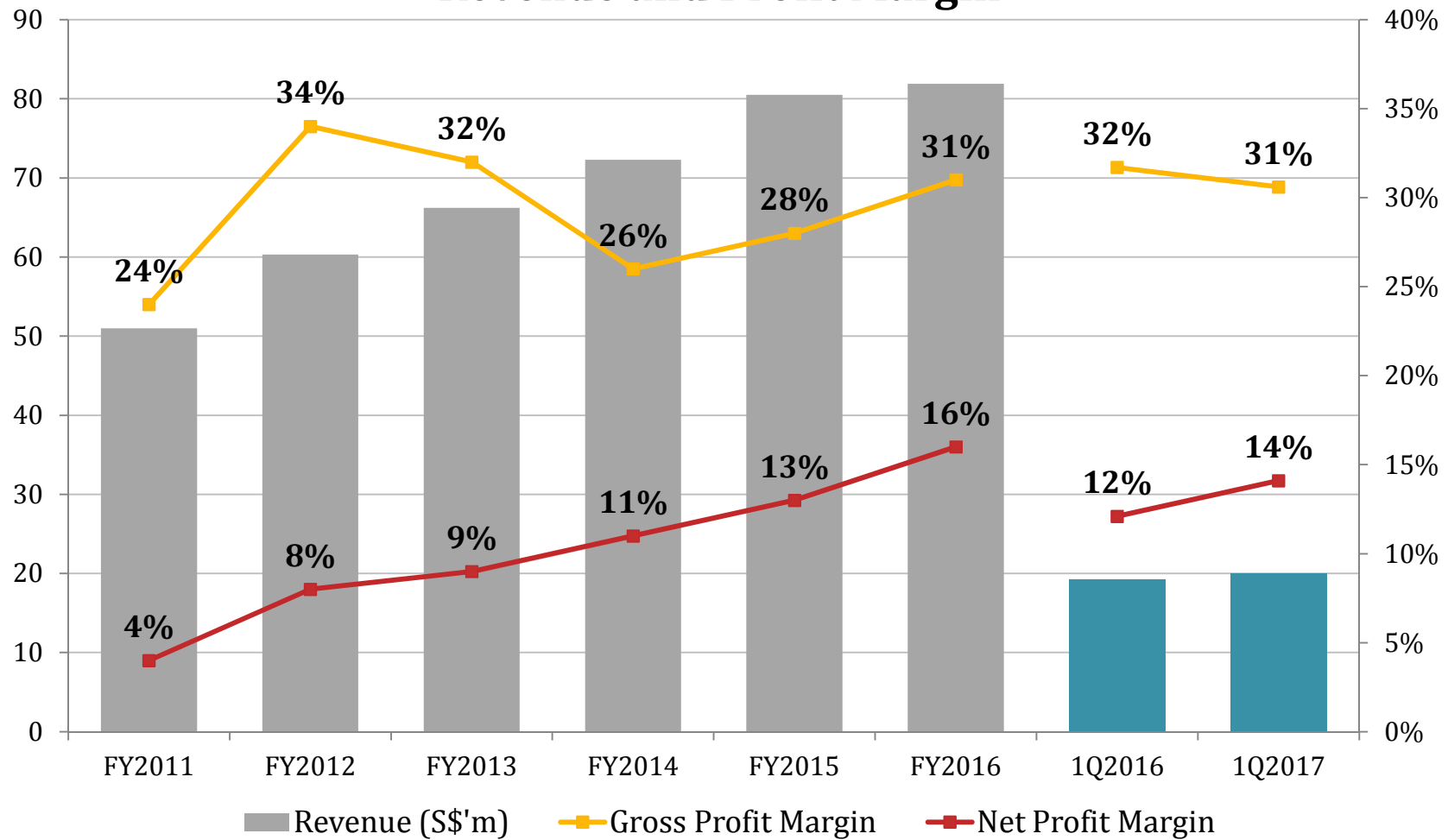
Financial Review

Revenue breakdown by segment

S\$ '000	Unaudited 1Q2017	Unaudited 1Q2016	Change (%)
Project Services	13,061	15,145	(14)
Maintenance Services	5,475	4,665	17
Others	1,387	-	-
Total	19,923	19,810	1

Financial Review

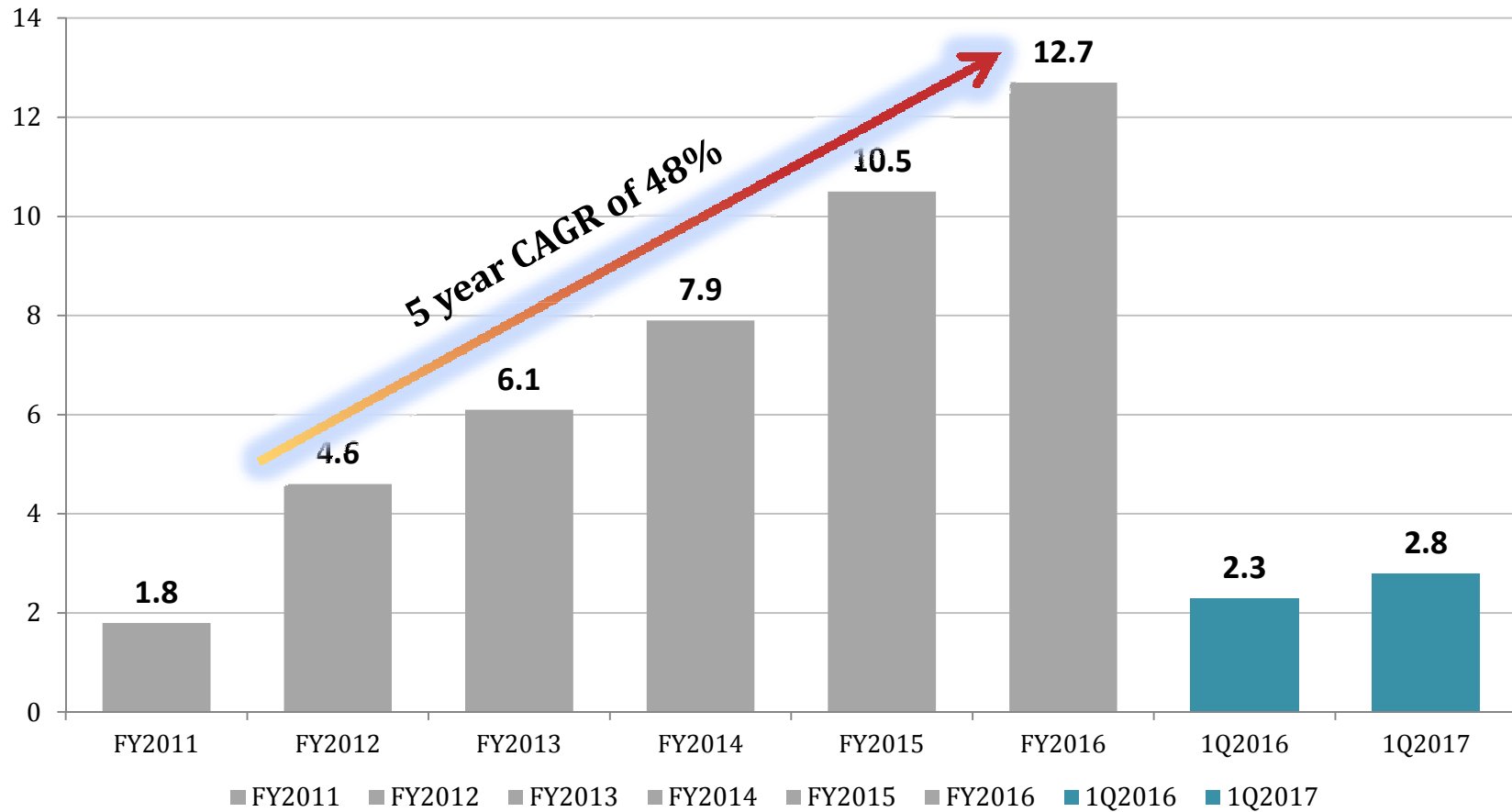
Revenue and Profit Margin





Financial Review

Net Profit (S\$m)



Financial Review

Balance Sheet Highlights

S\$'000	Unaudited as at 31 March 2017	Audited as at 31 December 2016
Current Assets	70,319	72,411
Non-current Assets	39,152	39,514
Current Liabilities	33,274	37,297
Non-current Liabilities	6,734	7,824
Total Equity	69,463	66,804
Cash and Cash Equivalents	32,654	32,325
Net Asset Value per share (cents) ^[1]	17.7	17.0

^[1] Computed based on weighted average number of 393,175,000 ordinary shares (31 Dec 16: 393,175,000 ordinary shares)

Financial Review

Balance Sheet Highlights

	As at end of					
S\$'000	FY2012	FY2013	FY2014	FY2015	FY2016	1Q2017
Total Borrowings (excl. finance leases)	26,745	21,445	25,082	31,764	27,598	25,566
Cash and Cash Equivalents	23,965	14,852	32,799	35,566	32,325	32,654
Total Equity less Goodwill	28,411	33,898	40,999	36,929	44,353	47,012
Net Gearing Ratio*	10%	19%	-19%**	-10%**	-11%**	-15%**

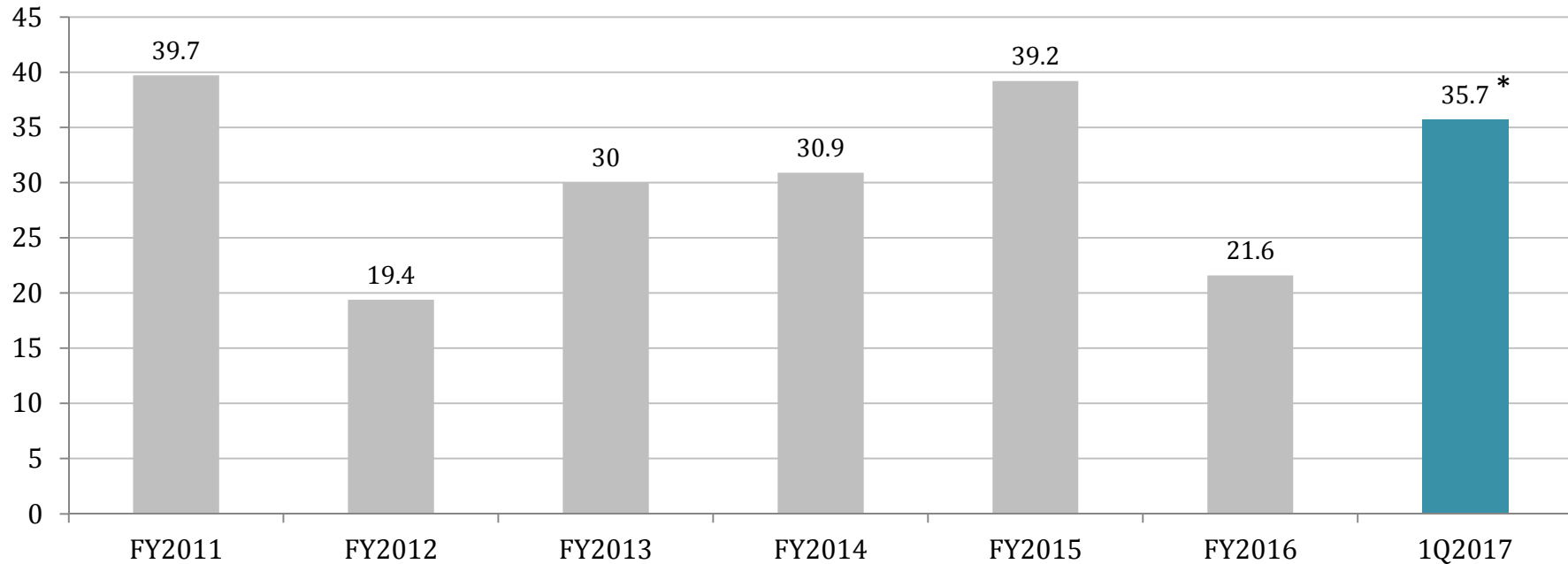
* Computed based on Total Borrowings (excluding finance lease) less Cash and Cash Equivalents / Total Equity less Goodwill

** Negative due to the Group being in a Net Cash position



Financial Review

Order Book Summary (S\$m)



Note:

The order book summary does not include maintenance contracts from Scaffolding Services, Insulation Services and Mechanical Services which are typically contracted over a 2-year period at unit rates and therefore do not have a contract value upfront.

*As of 30 April 2017 (including order book of Ensure Engineering which was acquired on 28 April 2017)



Financial Review

Recent Contract Winning Momentum

May 11, 2017 - Total value: **S\$38.9m**

- AEA : scaffolding, insulation and coating capital project for a multinational company in the petrochemical industry (3 years starting 1 June 2017)
- AEA & MHS : capital and ad hoc projects with a repeat customer for architectural, piping and equipment insulation and scaffolding work

Feb 9, 2017 - Total value: **S\$7.7m**

- NSZ & ASZ: machining and mechanical assembly for several repeat and new customers
- AEA & AEO : insulation works for repeat customers
- MHS : capital and ad-hoc projects with repeat customers
- AEA & MHS : renewed maintenance contracts with several repeat customers

Nov 10, 2016 - Total value: **S\$2.6m**

- NFC : supply of valve remote control and tank gauging systems for a repeat customer
- AEA : insulation, painting and fabrication facilities for repeat customers
- AEO : fabrication, supply and installation of insulation works for a repeat customer

NFC : Nordic Flow Control Pte Ltd
AEA : Austin Energy (Asia) Pte Ltd
NSZ: Nordic Flow Control (Suzhou) Co., Ltd

MHS: Multiheight Scaffolding Pte Ltd
AEO: Austin Energy Offshore Pte Ltd
ASZ: Avitools (Suzhou) Co., Ltd



Financial Review

Recent Contract Winning Momentum

Sep 15, 2016 - Total value: S\$4.8m

- NFC : supply of anti-heeling systems, valve remote control and tank gauging systems and alarm & monitoring systems with 2 repeat customers
- MHS : ad-hoc projects with various repeat customers

Jul 06, 2016 - Total value: S\$4.2m

- NFC : supply of valve remote control and tank gauging systems for a new customer
- AEA: supply of labour to carry out insulation works at an oil major's refinery
- MHS & AEA: maintenance contracts with a repeat customer from the process industry

NFC : Nordic Flow Control Pte Ltd
AEA : Austin Energy (Asia) Pte Ltd
NSZ: Nordic Flow Control (Suzhou) Co., Ltd

MHS: Multiheight Scaffolding Pte Ltd
AEO: Austin Energy Offshore Pte Ltd
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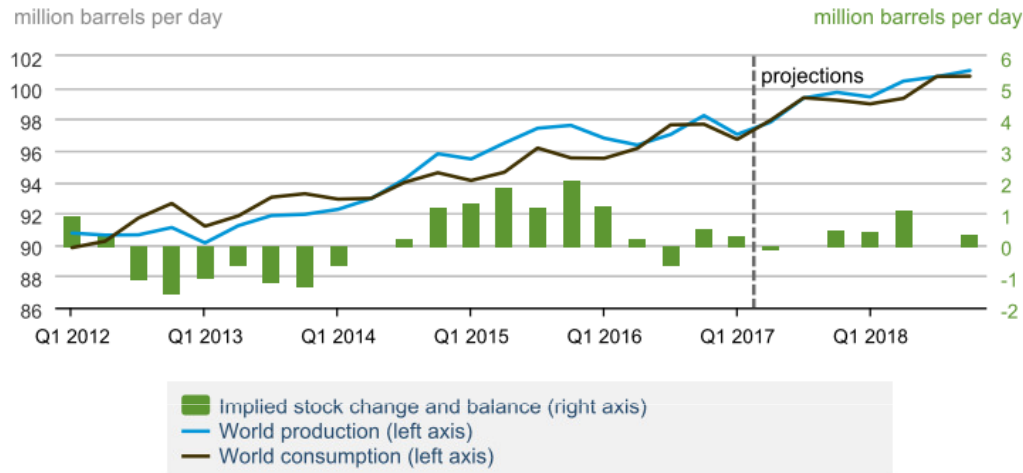


1. Financial Review

2. Business Outlook

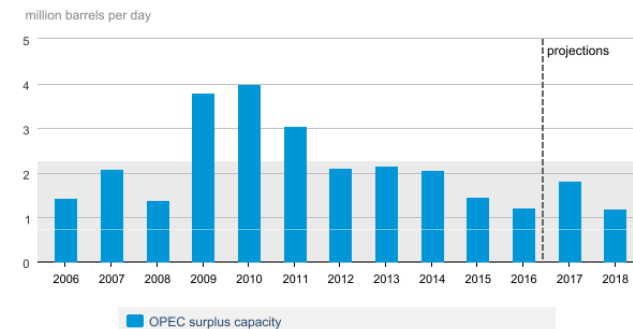
3. Acquisition of Ensure

4. Investment Merits



Source: EIA, World liquid fuels production and consumption balance, May 2017

	2017E	2018E
EIA Forecast	US\$ 53/bbl	US\$ 57/bbl



Source: EIA (May 2017)

Forecasts For Recovery Have Moderated

- While the EIA still forecasts crude oil to average US\$ 53/bbl in 2017, significant inventories remain, and oil prices are expected to recover gradually as a result
- It expects the supply glut situation to alleviate in 2018, when oil prices are expected to resume their climb towards more sustainable levels for upstream producers
- Saudi Oil Minister Khalid al-Falih has gone on record to say OPEC will “do whatever it takes” to rebalance the global oil market, providing some near-term support for crude prices



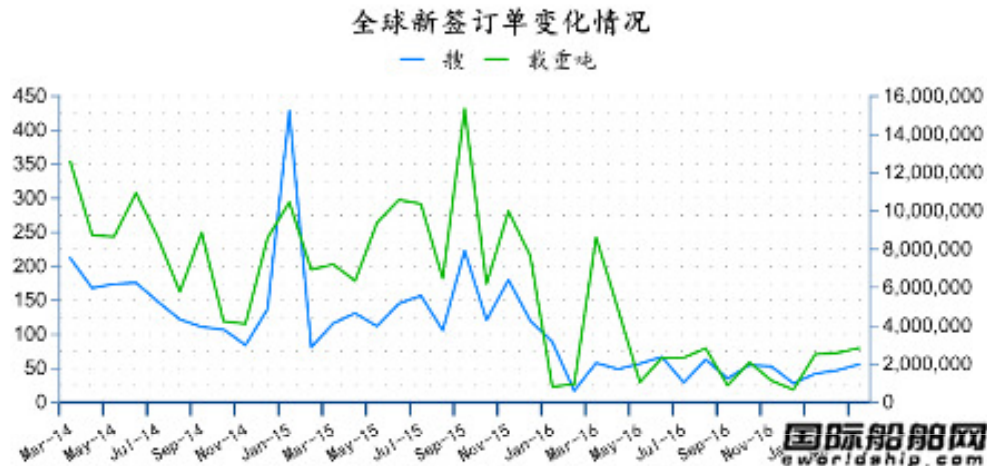
Source: Brent Crude 5-Year Chart , Bloomberg, 16 May 2017

	30/4/2017	31/1/2017
Global	1917	1918
OPEC	436	415
Asia	520	518

Source: Baker Hughes Oil Rig Count, Bloomberg, 16 May 2017

Upstream Oil & Gas Outlook

- Brent crude oil prices have traded in a tight range between US\$ 50-60, since recovering from 5-year low of US\$27.88 on 20 January 2016, due to the November 2016 OPEC production cut
- As a result, global total number of rigs has remained stable since January 2017 – although still 14% lower than in August 2015
- As rig numbers remain stable, demand for maintenance services is expected to be similar



Monthly	31/3/2017	31/3/2016
Total No. of New Build Orders	56	58

Marine & Shipbuilding Outlook

- Total number of new build orders continues to decline from early 2014 levels of approximately 500 vessels per month to 33 vessels per month in January 2017
- The total average DWT of new build vessels has also declined in the same period
- Nordic has diversified its businesses – contributions from the System Integration/ MRO & Trading business segment have fallen from 46% in FY2014 to 21% in FY2016



Business Outlook

- Our businesses serving largely the marine, oil and gas industries remain challenging. Amidst persistent weak oil prices, fluctuations in the exchange rate of the US dollar against the Singapore dollar and the contagion effect from the fallout of some of the local oil and gas players, growth is envisaged to be highly uncertain.
- However, we are optimistic with the **contract wins secured to date, the prudent cost and risk management initiatives** undertaken and the **opportunities for M&A**, we will continue to deliver value to shareholders.



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Ensure Engineering Pte Ltd (Ensure)

Specialist engineering company, specializing in engineering repairs, maintenance and plant turnaround services

Areas of specialization:

- Pre and Post Commissioning Cleaning
- Heat Exchanger Cleaning
- Tank Cleaning
- Process Plant Recovery Work
- Support in Operation of Utility Plant
- Temporary Intervention Activities in Process Plant
- On Line Cleaning Process
- Turnaround Work & Support
- Decontamination Service
- Temporary Equipment Support Service
- Product Filtering Services



Properties

Total factory space:
113,000 sq ft



*No.1 Tuas Avenue 10
Main Office*



*133, Tuas View Square
Light Factory & Ancillary Dormitory*



*42, Tech Park Crescent
Light Factory & Ancillary Dormitory*

Staff strength

260 employees



Acquisition of Ensure - Overview



ExxonMobil



OPUB

Keppel Seghers
SOLUTIONS FOR A CLEANER FUTURE

Keppel FELS

Keppel Shipyard

Vopak

National Environment Agency
Safeguard • Nurture • Cherish

NATIONAL PARKS
LET'S MAKE SINGAPORE OUR GARDEN

EVONIK INDUSTRIES



INVISTA™

ASIA PACIFIC BREWERIES SINGAPORE



Acquisition of Ensure – Financial Highlights



<i>FY2016</i>	Ensure S\$'million	Nordic Group S\$'million	Size of relative figure (%)
Revenue	13.9	81.9	17.0
Gross Profit	5.6	25.5	22.0
Profit before Tax	1.4	14.7	9.5
Profit after Tax	1.3	12.7	10.2
<i>As at 31/12/2016</i>			
Current Assets	20.0	72.4	27.6
Non-Current Assets	18.7	39.5	47.3
Current Liabilities	1.3	37.3	3.5
Non-Current Liabilities	28.0	7.8	359.0
Total Equity	9.4	66.8	14.1

Note: Data for Ensure is adjusted for due diligence adjustments and provisional fair value adjustments



Acquisition of Ensure - Valuation



- **At purchase consideration of up to S\$17,998,745**
- **Goodwill of approximately S\$7.9 million**
- **To be fully settled in cash with internally generated funds and bank borrowings**
- **On date of completion, Cash and Cash equivalents was S\$14.6 million**



Acquisition of Ensure – Pro Forma Financial Effects



- **Assuming that the Proposed Acquisition had been effected at the end of FY2016:**

	Before the Proposed Acquisition	After the Proposed Acquisition
Earnings per Share for FY2016	3.2	3.6
Net Tangible Assets per Share as at 31/12/2016 (cents)	11.3	9.2
Gearing Ratio as at 31/12/2016*	(0.11)	0.36

* *Total Borrowings (excluding finance leases) less Cash and cash equivalents / Total Equity (excluding goodwill)*

Ensure's business performance is subject to a few risk factors, including :

- **Successful renewal of maintenance contracts which is usually 1 to 5 years**
- **Dependence on its key management personnel**

Nordic entered into Service Agreement with the Directors of Ensure for 4 years

Deferred payment of consideration for 4 years



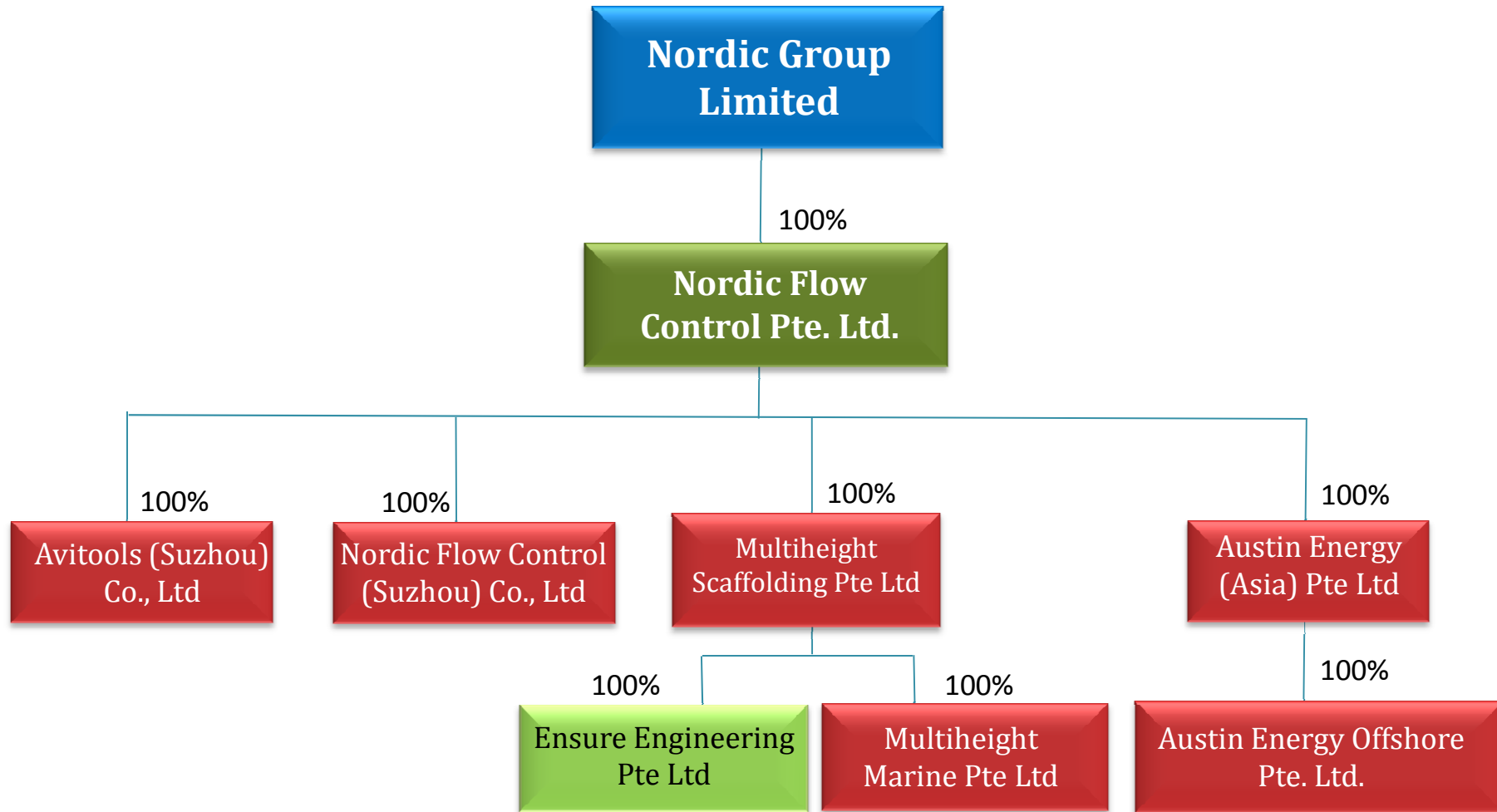
Acquisition of Ensure - Rationale



- **In line with the Group's strategy to acquire new businesses in order to increase its product range as well as penetrate new markets**
- **Tap into new customers in the government sectors, thereby expanding its customer base.**
- **Complements Group's existing businesses**
Introduce its existing products and services to the customers of Ensure in the waterworks, incinerators and petrochemical industries.
- **Ensure is also expected to provide the Group with a more stable income stream as almost all of its revenue is derived from recurrent maintenance contracts which are typically of durations from 1 year to 5 years.**



Acquisition of Ensure - Group Structure Post Acquisition





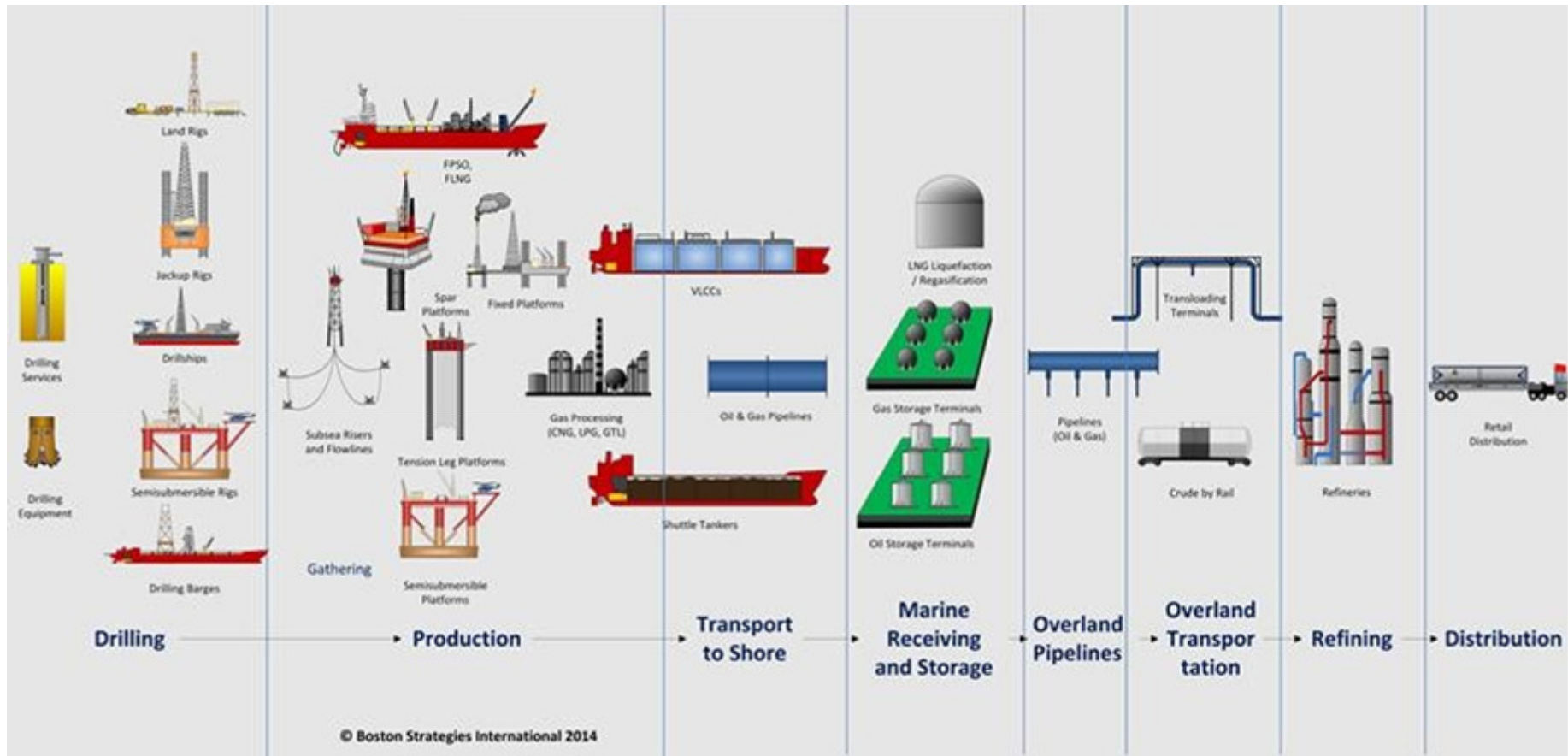
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Oil and Gas Upstream and Downstream Value Chain



Upstream

- Nordic Flow Control
- Multiheight
- Austin Energy
- Avitools

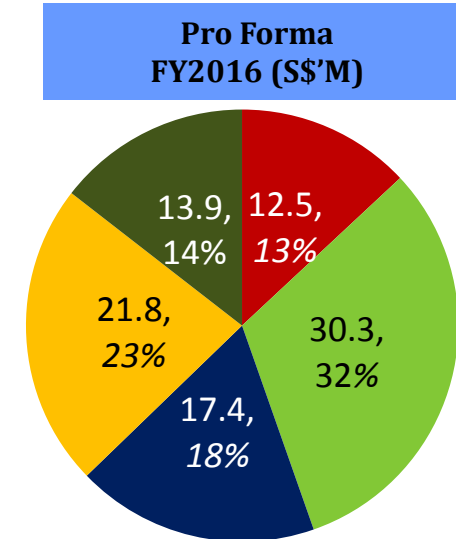
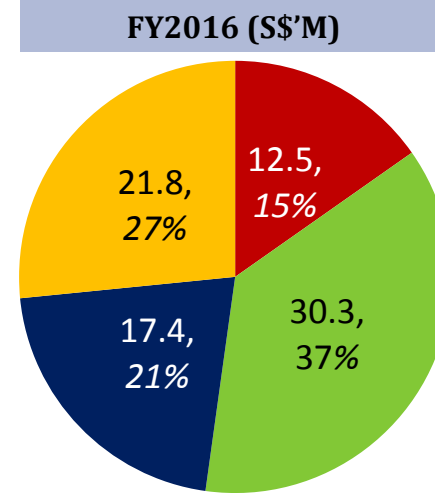
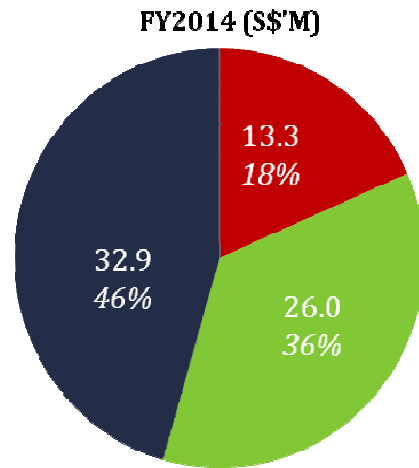
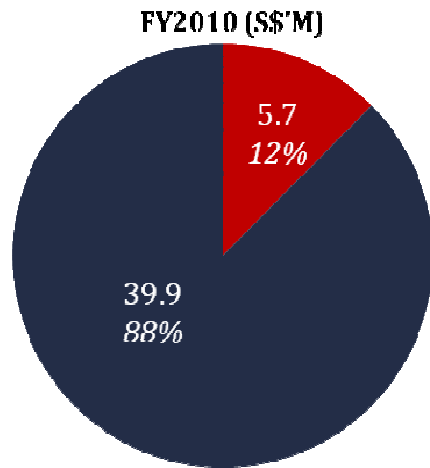
Downstream

- Nordic Flow Control
- Multiheight
- Austin Energy
- **Ensure Engineering**



Diversified Model – Improved Earnings Quality

Revenue Contribution by Segment



- System Integration / MRO & Trading
- Scaffolding Services
- Insulation Services
- Precision Engineering
- Mechanical Services

The acquisition of Multiheight in 2011 has effectively reduced industry-specific risk and supported the Group's consistent revenue growth. The acquisitions of Austin Energy in 2015 and Ensure Engineering in 2017 have further diversified the Group's revenue stream and stimulated revenue growth.

Highlight of Investment Merits

Established Market Player

Strong track record, performing above industry average

Established Management with Proven Track Record

Management with keen foresight and proven track record of:

- Leading the Group to achieve consistent performance despite market volatilities
- Successful acquisition and smooth integration of Multiheight
- Successful acquisition of Austin Energy that has proven to enhance Group earnings

Healthy Order Book

Order book of approximately S\$35.7 million on hand, excluding scaffolding, insulation and mechanical unit rate maintenance contracts. Recent contract win of a 3 year project with an oil major estimated at \$35.0 million and existing maintenance contracts provides recurring income



Improved Dividend Payout

- Half-yearly dividend payout from FY15 onwards
- **40%** dividend payout policy
- Total dividend for FY16: 1.27 cents



Improved Earnings Quality

Volatile project earnings supplemented by more stable recurring maintenance income from Scaffolding Services, Insulation Services and now Mechanical Services from acquisition of Ensure Engineering.





Nordic's Share Buyback

Share Buyback Mandate (renewed on 26 April 2017 – AGM):

MONTH OF ACQUISITION	QUANTITY	CUMULATIVE VOLUME	CUMULATIVE % OF TOTAL NO OF ISSUED SHARES **
<i>Share Buyback by way of Market Acquisition</i>			
January 2016	479,000	5,148,200	1.29
March 2016	352,000	5,500,200	1.37
April 2016	397,500	5,897,700	1.47
May 2016	275,100	6,172,800	1.54
June 2016	95,000	6,267,800	1.57
July 2016	117,000	6,384,800	1.60
August 2016	20,000	6,404,800	1.60
September 2016	119,500	6,524,300	1.63
October 2016	211,300	6,735,600	1.68
November 2016	8,000	6,743,600	1.69
December 2016	81,000	6,824,600	1.71
VOLUME WEIGHTED AVERAGE PRICE		\$S\$0.195	

Source : SGX Announcement

Up to a maximum of 40 million shares being 10% of total issued shares

** Total no of issued shares of 400,000,000 (including treasury shares).



Directors' Share Purchases

09 November 2010 – IPO :

Director	No. of shares held	% shareholdings
Chang Yeh Hong	200,480,625	50.12%
Eric Lin Choon Hin	43,500,000	10.88%
Dorcas Teo Ling Ling	29,000,000	7.25%
	272,980,625	68.25%

30 April 2017 :

Director	No. of shares held	% shareholdings *
Chang Yeh Hong	210,717,225	59.55%
Eric Lin Choon Hin	44,050,000	11.27%
Dorcas Teo Ling Ling	31,939,500	8.12%
	286,706,725	78.94%

* Based on total no. of issued shares (400m) excluding Treasury Shares held (6.8m) as of 30 April 2017.



Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount (\$) per share	Payout ratio
May 12, 2017	2016	Final	0.0073	40%
Sep 2, 2016	2016	Interim	0.0054	
May, 13 2016	2015	Final	0.0065	
Sep 8, 2015	2015	Interim	0.0040	
May 21, 2015	2014	Special	0.0025	25%
May 21, 2015	2014	Final	0.0025	
May 15, 2014	2013	Final	0.0025	16%
May 15, 2013	2012	Final	0.0025	22%
May 21, 2012	2011	Final	0.0025	56%
May 16, 2011	2010	Final	0.0053	30%
Total			0.0410	



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Thank You

For more information, please contact

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