

# **Nordic Group Limited**

## **3Q2018 Results Briefing**

**30 November 2018**

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- 1. Financial Review**
- 2. Business Outlook**
- 3. Investment Merits**

# Key Highlights



**3Q2018 Revenue -20% to S\$21.4 million**

**3Q2018 Net Profit -24% to S\$3.3 million**



**9M2018 Revenue -1% to S\$70.2 million**

**9M2018 Net Profit +2% to S\$11.1 million**



**Outstanding Order Book of S\$104.3 million.**



**2018 Contract Winning Momentum of S\$75.7 million**



**Net Profit CAGR of 43% from FY2011 to FY2017**

# Financial Review

S\$'000	Unaudited 3Q2018	Unaudited 3Q2017	Change (%)	Unaudited 9M2018	Unaudited 9M2017	Change (%)
<b>Revenue</b>	<b>21,385</b>	26,814	(20)	<b>70,169</b>	70,784	(1)
<b>Gross Profit</b>	<b>5,688</b>	9,065	(37)	<b>19,693</b>	23,233	(15)
<b>Gross Profit Margin <sup>(1)</sup></b>	<b>26.6%</b>	33.8%	(7)Ppts	<b>28.1%</b>	32.8%	(5)Ppts
<b>Net Profit after Tax</b>	<b>3,317</b>	4,388	(24)	<b>11,107</b>	10,919	2
<b>Net Profit Margin <sup>(1)</sup></b>	<b>15.5%</b>	16.4%	0.9 ppts	<b>15.8%</b>	15.4%	0.4ppts
<b>EBITDA</b>	<b>4,530</b>	6,332	(28)	<b>14,831</b>	16,078	(8)
<b>EBITDA Margin <sup>(1)</sup></b>	<b>21.2%</b>	23.6%	(2.4)ppts	<b>21.1%</b>	22.7%	(1.6)ppts
<b>EPS (cents) <sup>(2)</sup></b>	<b>0.8</b>	1.1	(27)	<b>2.8</b>	2.8	0

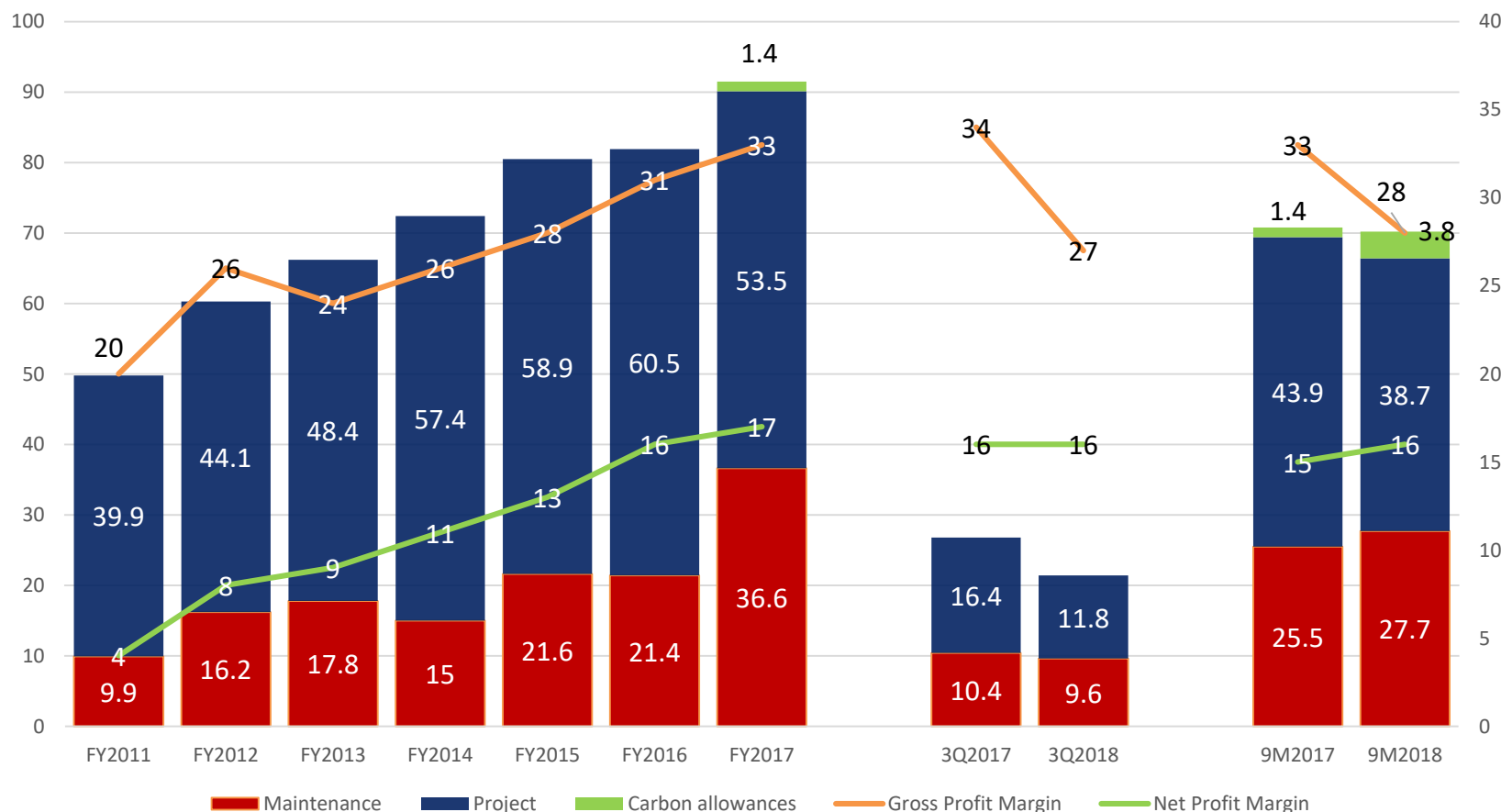
(1) Removing the effect of carbon allowances, 9M2018 GPM 29.4%, NPM 16.5% and EBITDA margin 22.1% (9M2017 GPM 32.8%, NPM 15.0% and EBITDA margin 22.5%)

(2) Computed based on weighted average number of 392,992,000 ordinary shares for 3Q2018 (3Q2017: 393,256,000) and 393,047,000 ordinary shares for 9M2018 (9M2017: 393,149,000)

Ppts : percentage points

# Financial Review

## Revenue and Profit Margin



Removing the effect of carbon allowances, 9M2017 and 9M2018 GPM are 32.8% and 29.4% and NPM are 15.0% and 16.5%

# Financial Review

## Revenue breakdown by segment

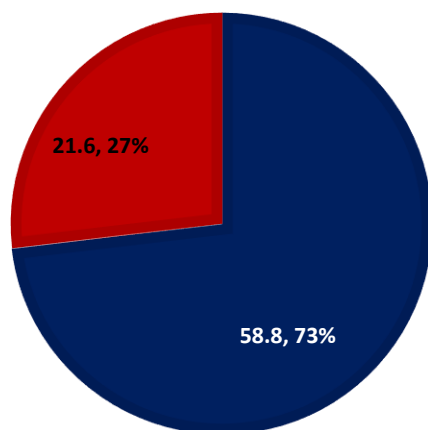
S\$ '000	Unaudited 3Q2018	Unaudited 3Q2017	Change (%)	Unaudited 9M2018	Unaudited 9M2017	Change (%)
<b>Project Services</b>	<b>11,828</b>	16,394	(28)	<b>38,683</b>	43,899	(12)
<b>Maintenance Services</b>	<b>9,557</b>	10,420	(8)	<b>27,699</b>	25,498	9
<b>Others</b>	-	-	-	<b>3,787</b>	1,387	173
<b>Total</b>	<b>21,385</b>	26,814	(20)	<b>70,169</b>	70,784	(1)

- Revenue from Maintenance Services boosted by contributions from Ensure
- Revenue from others was carbon allowance

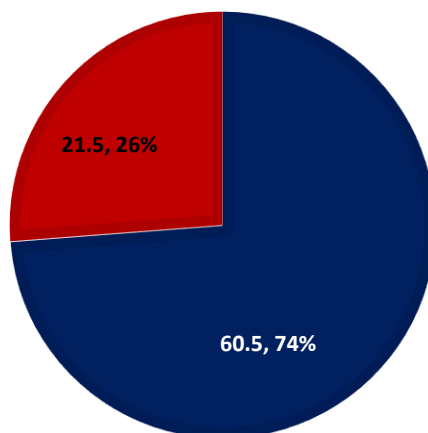
# Financial Review

## Revenue Breakdown by Segment

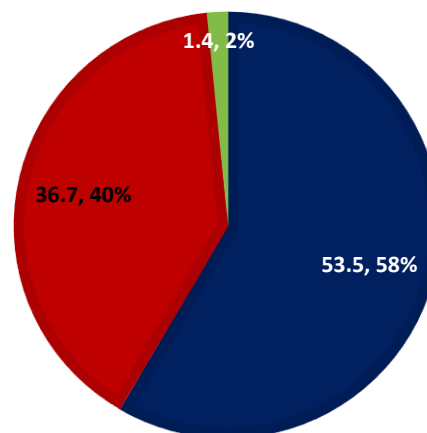
FY 2015



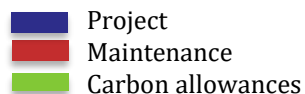
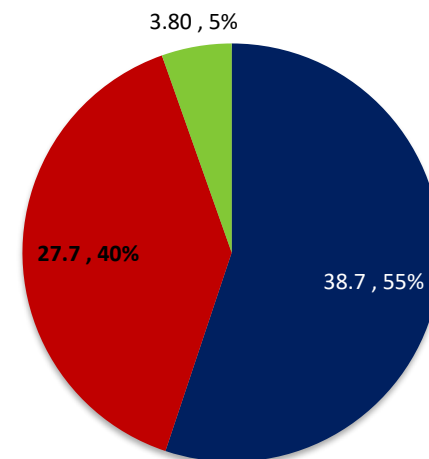
FY2016



FY2017



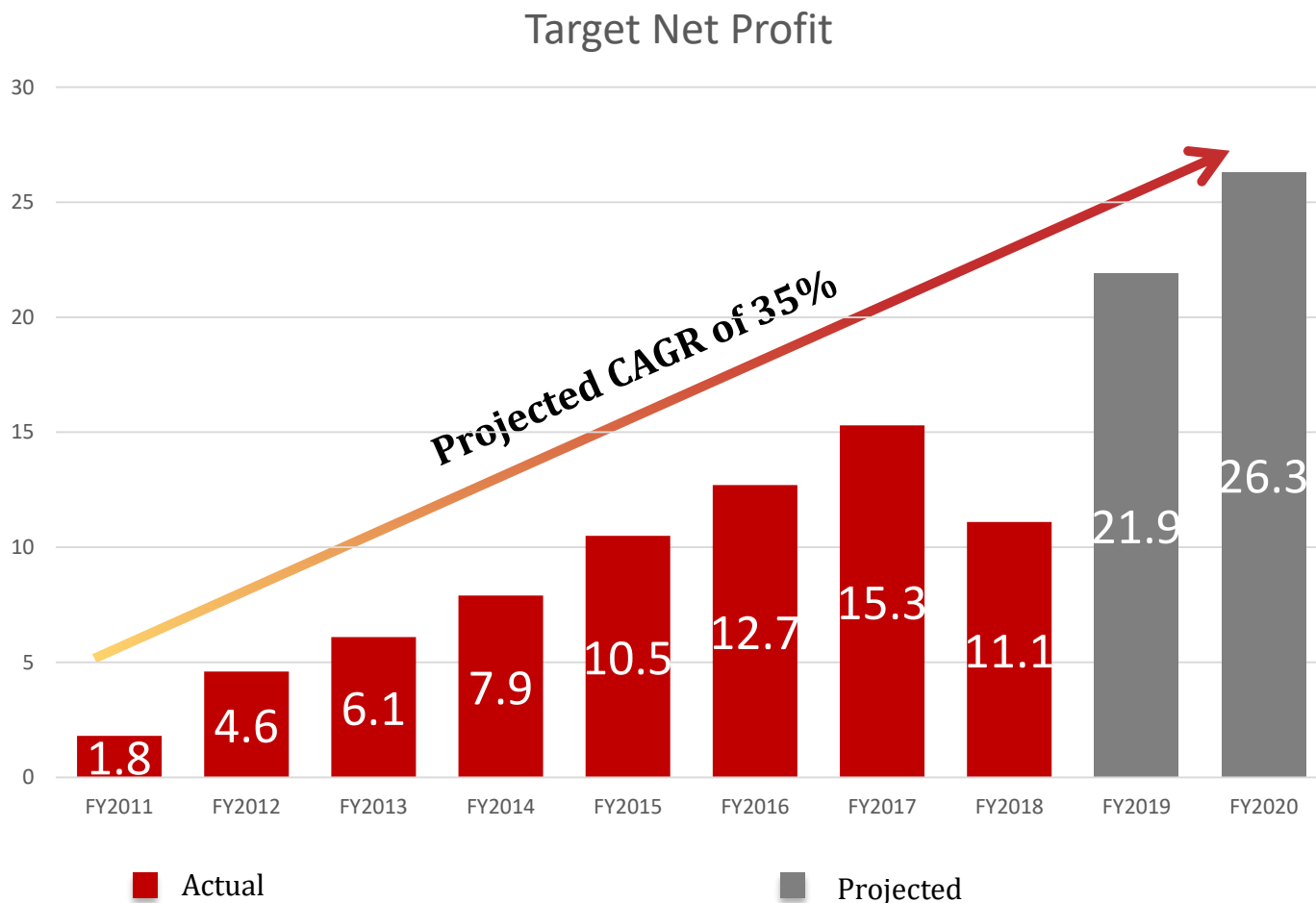
9M2018



- Revenue from Maintenance Services is boosted by contributions from Ensure in FY2017



# Projected CAGR – for Illustrative Purposes only



Note: CAGR projection is based on our internal target net profit growth of 20% per annum and supported by extrapolation from last 5 years actual growth trend. No assurance can be given that future events may occur, that projections will be achieved, or that the company's assumptions are correct. Actual results may differ materially from those which may be projected.

# Financial Review

## Balance Sheet Highlights

<b>S\$'000</b>	<b>Unaudited as at 30 September 2018</b>	<b>Audited as at 31 December 2017</b>
<b>Current Assets <sup>(1)</sup></b>	<b>92,583</b>	<b>99,041</b>
<b>Non-current Assets</b>	<b>58,331</b>	<b>52,268</b>
<b>Current Liabilities <sup>(2)</sup></b>	<b>56,095</b>	<b>57,922</b>
<b>Non-current Liabilities</b>	<b>13,914</b>	<b>16,773</b>
<b>Total Equity</b>	<b>80,905</b>	<b>76,614</b>
<b>Cash and Cash Equivalents</b>	<b>35,748</b>	<b>40,291</b>
<b>Net Asset Value per share (cents) <sup>(3)</sup></b>	<b>20.6</b>	<b>19.5</b>

<sup>(1)</sup> Included asset held for sale of \$8.1m (31 Dec 17: \$13.4m) for the properties for sale. 42 Tech Park was sold for \$3.425m in January 2018 and 5 Kwong Min Road was sold in August 2018 for \$2.425m

<sup>(2)</sup> Included liabilities held for sale of \$8.4m (31 Dec 17: \$12.2m)

<sup>(3)</sup> Computed based on number of 392,837,000 (31 Dec 17: 393,113,000) ordinary shares, excluding treasury shares

# Financial Review

	As at end of						
S\$'000	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	30 September 2018
<b>Total Borrowings</b>	<b>26,834</b>	<b>21,539</b>	<b>25,320</b>	<b>32,155</b>	<b>28,085</b>	<b>46,612</b>	<b>48,373</b>
<b>Cash and Cash Equivalents</b>	<b>23,965</b>	<b>14,852</b>	<b>32,799</b>	<b>35,566</b>	<b>32,325</b>	<b>40,291</b>	<b>35,748</b>
<b>Net Debt/(Cash)</b>	<b>2,869</b>	<b>6,687</b>	<b>(7,479)</b>	<b>(3,411)</b>	<b>(4,240)</b>	<b>6,321</b>	<b>12,625</b>
<b>Net Gearing Ratio<sup>(1)</sup></b>	<b>10%</b>	<b>19%</b>	<b>-19%<sup>(2)</sup></b>	<b>-10%<sup>(2)</sup></b>	<b>-11%<sup>(2)</sup></b>	<b>13%<sup>(3)</sup></b>	<b>25%<sup>(4)</sup></b>

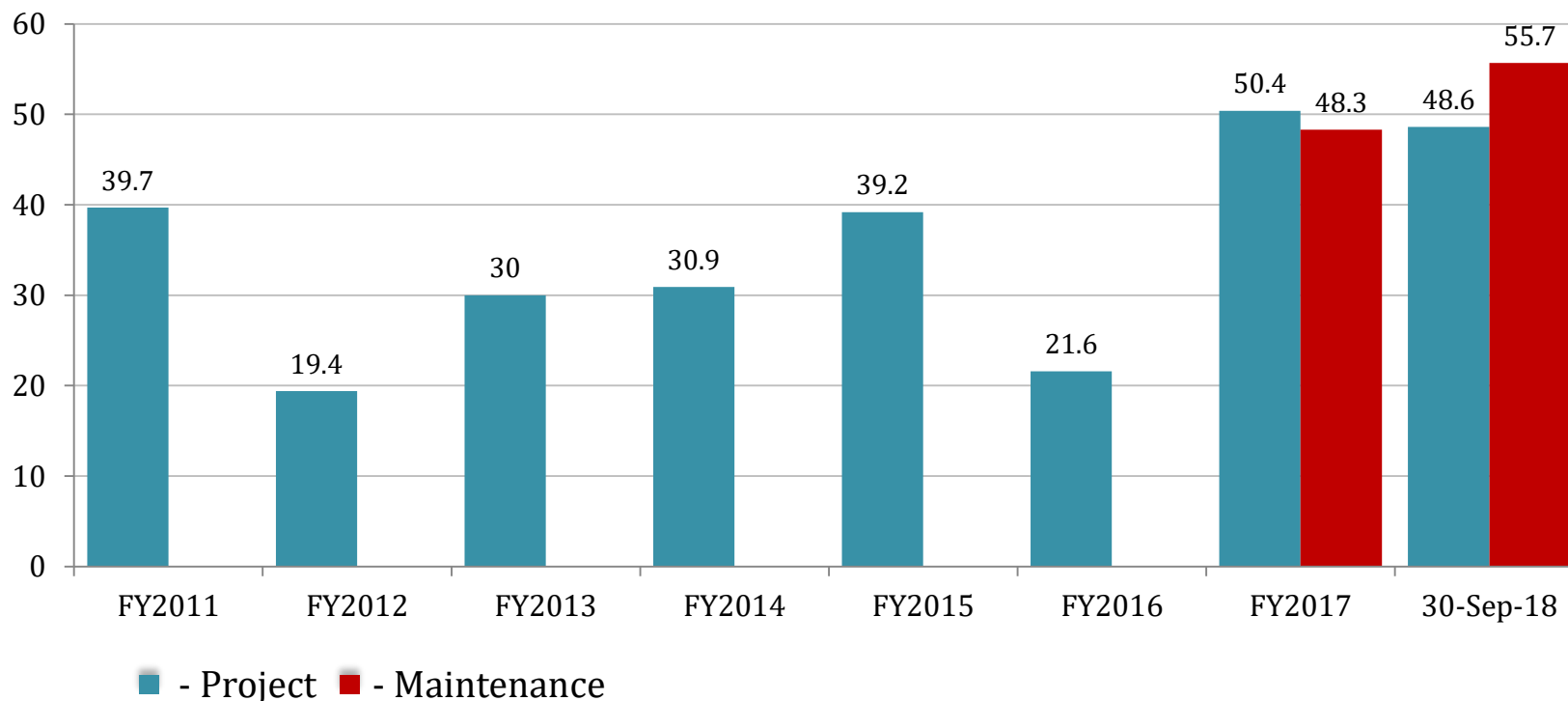
(1) Computed based on Total Borrowings less Cash and Cash Equivalents / Total Equity less Goodwill x 100%

(2) Negative due to the Group being in a Net Cash position

(3) Increase is due to the \$21million loan from the acquisition of Ensure in April 2017

(4) Increase is due to the drawdown of \$10 million loan for the purchase of property at 2 Tuas Ave 10 and working capital. When the properties at 133 Tuas View Square and 24 Benoi Place are sold and borrowings repaid, net debt for 30 September 2018 would be approximately \$4.6 million and net gearing ratio would be approximately 9%.

## Order Book Summary (S\$m)



Note:

The order book from FY2011 to FY2016 does not include maintenance contracts as they do not have a contract value upfront. For FY2017, maintenance contracts are included and the values are estimated based on historical revenue trends.

Shell contract of \$27.1m (31 Dec 17: \$32.6 million) is included in project order book.

# Financial Review

## Recent Contract Winning Momentum

### Nov 9, 2018 - Total value: **S\$29.1m**

- Scaffolding, Insulation and Petrochemical: ad-hoc and maintenance contracts from new customers from the infrastructure industries for insulation works, scaffolding and maintenance of mechanical equipment.
- Precision Engineering : machining and mechanical assembly for repeat customers
- System Integration: supply of valve remote control, anti-heeling and tank gauging systems for new and repeat customers

### Jul 17, 2018 - Total value: **S\$13.0m**

- Scaffolding and Insulation: ad-hoc contracts for scaffolding and insulation works from repeat customers
- Petrochemical and Scaffolding : contracts from new customer for the provision of manpower and equipment for operation, servicing and preventive maintenance of wastewater treatment plant and rental and erection of scaffolds
- Precision Engineering : machining and mechanical assembly for repeat customers
- System Integration: supply of valve remote control and tank gauging systems for repeat customers

### May 3, 2018 - Total value: **S\$6.1m**

- Scaffolding and Insulation: ad-hoc contracts for scaffolding and insulation works from repeat customers
- Petrochemical : contracts from new and repeat customers for the provision of test skid support equipment and statutory examination and load testing of lifting gears, appliances and machines
- System Integration : secured variation orders for a conversion project for the supply of hydraulic system
- Precision Engineering : machining and mechanical assembly for several repeat customers

**Scaffolding:** Multiheight Scaffolding Pte Ltd

**Precision Engineering:** Avitools (Suzhou) Co. Ltd

**Petrochemical:** Ensure Engineering Pte Ltd

**System Integration:** Nordic Flow Control Pte Ltd

**Insulation:** Austin Energy (Asia) Pte Ltd

# Financial Review

## Recent Contract Winning Momentum

### Feb 26, 2018 - Total value: **S\$6.9m**

- System Integration : supply of valve remote control and tank gauging systems for repeat customers
- Precision Engineering : machining and mechanical assembly for several repeat and new customers

### Jan 4, 2018 - Total value: **S\$20.6m**

- Petrochemical : servicing and maintenance of screening, sludge, grit and related equipment at various water reclamation plants in Singapore for repeat customer
- Insulation and Scaffolding: maintenance contract for insulation and scaffolding works for 1 to 2 years for repeat customer
- System Integration : supply of valve remote control and tank gauging systems for repeat customers
- Precision Engineering : machining and mechanical assembly for several repeat and customers

**Scaffolding:** Multiheight Scaffolding Pte Ltd

**Precision Engineering:** Avitools (Suzhou) Co. Ltd

**Petrochemical:** Ensure Engineering Pte Ltd

**System Integration:** Nordic Flow Control Pte Ltd

**Insulation:** Austin Energy (Asia) Pte Ltd

# Sale of Properties

- 42 Tech Park sold on 12 Jan 2018 at \$3.425m. Valuation: \$3.3m
- 5 Kwong Min Road sold in August 2018. Offer price: \$2.425m. Valuation: \$2m
- 24 Benoi Place (land area: 39,052 sq ft; gross floor area: 45,090 sq ft; current market value: \$5.8 million; Tenure: 13 years)
- 133 Tuas View Square (land area: 7,231 sq ft; gross floor area: 10,200 sq ft; current market value \$3.5 million)



# Business Outlook



Source: Brent Crude 5-Year Chart , Macro trends, 27 November 2018

	31/10/2017	31/10/2018
<b>Global</b>	<b>2077</b>	<b>2271</b>
<b>Asia</b>	<b>213</b>	<b>222</b>

Source: Baker Hughes Oil Rig Count, Bloomberg, 27 November 2018

## Upstream Oil & Gas Outlook

- Brent crude oil prices hit a high of approximately US\$86 per barrel in early October and is still trading above US\$60 per barrel despite the recent dip in November
- We expect demand for maintenance services to remain stable while project services to improve along with sustainable oil prices



# Business Outlook



Monthly	30/9/2017	30/9/2018
Total No. of New Build Orders	83	82

## Marine & Shipbuilding Outlook

- Total number of new build orders have remained stable over approximately 12 months
- However the overall situation has been slowing down in recent months for the Total DWT and number of vessels
- Nordic has since diversified its revenue streams and clientele base away from the sector

## General Business Outlook

- Nordic Group serves largely the marine, oil and gas industries whose operating environment and business conditions remained challenging.
- Sustainability of oil price recovery,
- Fluctuations in the exchange rate of the US dollar against the Singapore dollar
- Our Group expects growth to be muted and full recovery to be slowed.
- However, we are optimistic with
  - 1) secured contract wins till date largely from the onshore and downstream oil and gas sectors;
  - 2) our prudent cost and risk management initiatives undertaken;
  - 3) the credit worthiness of our growing clientele base (e.g. oil majors, government agencies etc.);
  - 4) and further opportunities for earnings accretive M&A.

***Nordic Group will continue to deliver value to shareholders.***

# Acquisition Track Record

## 2011 Multiheight

- Acquired for around S\$29m
- Design, erection, modification dismantling and rental of scaffolding system
- Diversify away from shipyards to serve oil majors like Exxon Mobil and Shell etc.
- Gain recurring income and reduce lumpy earnings trend via maintenance services
- Goodwill \$12.3 million

MHS FY2011 EBITDA: S\$2.9m  
MHS FY2012 EBITDA: S\$6.8m  
MHS FY2013 EBITDA: S\$6.1m

Group FY2011 Net Debt: S\$3.4m  
Group FY2012 Net Debt: S\$2.9m  
Group FY2013 Net Debt: S\$6.7m  
Group FY2014 Net Cash: S\$7.5m

## 2015 Austin Energy

- Acquired for around S\$26m
- Specialize in thermal insulation, fireproofing and industrial coating
- Complementary business to scaffolding, able to cross-sell and bundle both sides to same or new set of customers
- Enable entry into pharmaceutical industry, further diversifying offshore marine risks
- Goodwill \$10.2 million

Austin FY2015 EBITDA: S\$2.2m  
Austin FY2016 EBITDA: S\$5.0m  
Austin FY2017 EBITDA: S\$5.2m

Group FY2015 Net Cash: S\$3.4m  
Group FY2016 Net Cash: S\$4.2m

## 2017 Ensure Engineering

- Acquired for around S\$17m
- Specialize in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services
- In line with Group's strategy to acquire earnings accretive, familiar customer base and complementary businesses with recurring income
- Move Nordic from serving private sector into government agencies like PUB and NEA etc.
- Goodwill \$7.1 million

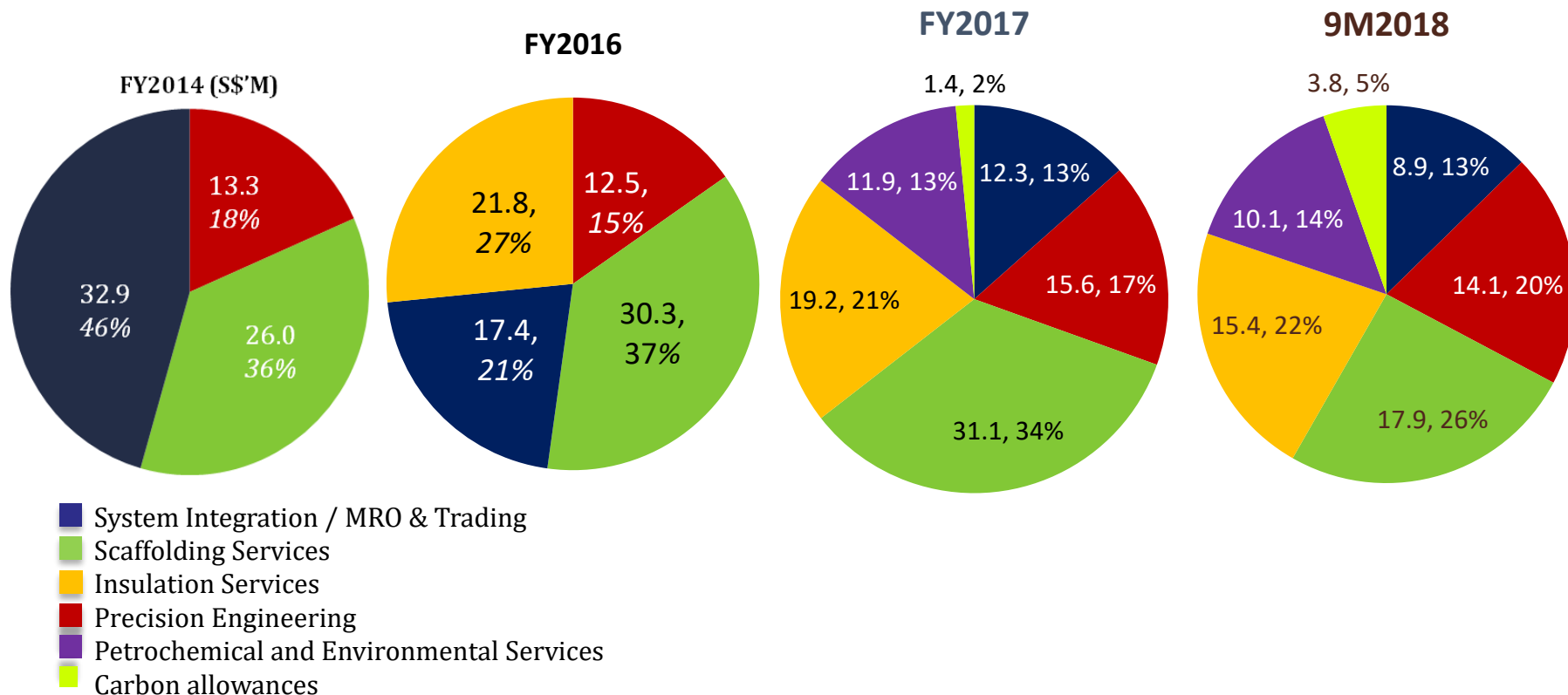
Ensure FY2017 \* EBITDA: S\$5.0m  
Ensure 9M2018 EBITDA: S\$1.8m

Group FY2017 Net Debt: S\$6.3m  
Group 30 Sep 2018 Net Debt: \$12.6m

\* For period 1 May 2017 to 31 Dec 2017

# Diversified Model – Improved Earnings Quality

## Revenue Contribution by Businesses



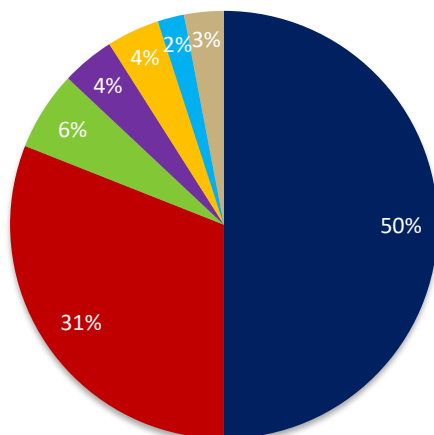
Note: Combined contracts between the entities such as SIP contracts are reflected in the entity who won the contracts. It is approximately \$1.3m and \$2.6m for FY2017 and 9M2018

**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.**

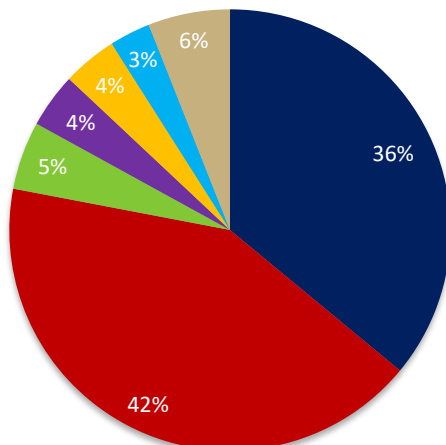
# Diversified Model – Improved Earnings Quality

## Revenue Contribution by Industry

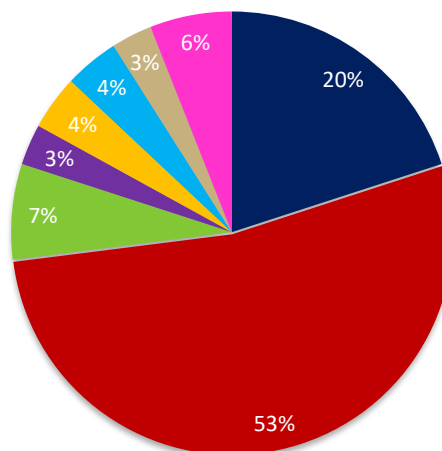
**FY2015**



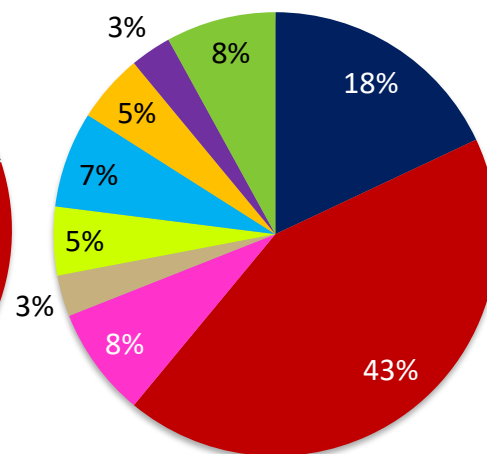
**FY2016**



**FY2017**



**9M2018**



- Onshore/Downstream
- Marine/Upstream
- Electronics Manufacturing System
- Onshore/Infrastructure
- Analytical Instrumentation
- Medical equipment/Industrial
- Pharmaceutical
- Aerospace
- Carbon allowances

**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.**

# 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 acquisitions of Austin Energy and Ensure that have enhanced Group earnings

## Healthy Order Book

Order book of approximately **S\$104.3 million** on hand, including maintenance contracts. Contract winning momentum of **S\$75.7 million** secured up to 9 Nov 2018.

## Dividend Payout

- Half-yearly dividend payout from FY15 onwards
- ~ **40%** dividend payout policy
- FY18 interim dividend: **0.779 cents**

## Earnings Quality

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



# Investment Scorecard

	3Q2018	2Q2018	1Q2018	FY2017	FY2016	FY2015	FY2014	FY2013
<b>Share price (cents)</b>	0.41	0.495	0.55	0.56	0.25	0.19	0.11	0.11
<b>Market Capitalisation</b>	159	196	216	220	98	75	43	42
<b>EPS (cents)</b>	4 <sup>(4)</sup>	4 <sup>(4)</sup>	4 <sup>(4)</sup>	3.9	3.2	2.6	2.0	1.5
<b>PE Ratio</b>	10.38	12.38 <sup>(4)</sup>	13.75 <sup>(4)</sup>	14.36	7.81	7.27	5.40	7.07
<b>Dividend Yield</b>	4.08	2.93	2.77	2.73	5.08	5.56	2.31	2.36
<b>Current Ratio</b>	1.65	1.61	1.90	1.71	1.94	1.75	1.91	1.73
<b>Total Debt to Equity</b> <sup>(1)</sup>	60.33 <sup>(3)</sup>	63.21 <sup>(3)</sup>	52.20 <sup>(3)</sup>	61.57	42.04	54.15	47.51	46.63
<b>Return on Asset</b>	10.20 <sup>(4)</sup>	10.81 <sup>(4)</sup>	12.42 <sup>(4)</sup>	11.60	11.36	10.36	9.29	7.72
<b>Return on Equity</b>	20.19 <sup>(4)</sup>	21.84 <sup>(4)</sup>	21.26 <sup>(4)</sup>	21.29	20.22	18.68	15.80	14.04
<b>Return on Invested Capital</b> <sup>(2)</sup>	25.1	26.0	29.0	28.4	37.8	37.2	28.4	18.3
<b>EBITDA/Interest expense</b>	13.50	15.27	13.56	18.00	18.52	14.93	20.73	14.21

All data extracted from Bloomberg, 19 Oct and 27 Nov 2018 except those with notes

- (1) If calculated based on (total borrowings less cash)/equity, total debt to equity would be 3Q2018 – net debt 25%, 2Q2018 – net debt 20% 1Q2018 – net debt 6%, FY2017- net debt 13%, FY2016-net cash 11%, FY2015-net cash 10%, FY2014-net cash 19% and FY2013- net debt 19%
- (2) Calculated by NGL: Profit before interest and tax/tangible capital employed which is tangible non-current asset + current asset – current liabilities (trade and other payables, other liabilities, income tax payable) – excess cash
- (3) Adjusted Bloomberg's data to include liabilities held for sale of \$8.4m
- (4) Bloomberg – TTM / LTM

# Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount per share (cents)	Payout ratio
Sep 5, 2018	2018	Interim	0.779	40%
May 14, 2018	2017	Final	0.873	
Sep 5, 2017		Interim	0.653	
May 12, 2017	2016	Final	0.731	
Sep 2, 2016		Interim	0.5372	
May, 13 2016	2015	Final	0.65	
Sep 8, 2015		Interim	0.40	25%
May 21, 2015	2014	Special	0.25	
May 21, 2015		Final	0.25	16%
May 15, 2014	2013	Final	0.25	22%
May 15, 2013	2012	Final	0.25	56%
May 21, 2012	2011	Final	0.25	30%
May 16, 2011	2010	Final	0.53	
<b>Total</b>			<b>5.6242</b>	





# Nordic's Share Buyback – renewed on 26 April 2018 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
May – June 2017	62,500	6,887,100	1.72
March – April 2018	68,000	6,955,100	1.74
September 2018	208,300	7,163,400	1.791
November 2018	165,300	7,328,700	1.832
VOLUME WEIGHTED AVERAGE PRICE		S\$0.2054	

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' and Executive Officer's Share Purchases

**9 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%

**27 November 2018 :**

Director / Executive Officer	No. of shares held	% shareholdings <sup>*</sup>
Chang Yeh Hong	217,699,225	55.44%
Eric Lin Choon Hin	44,050,000	11.22%
Dorcas Teo Ling Ling	32,089,500	8.17%
Chia Meng Ru	1,871,600	0.48%
	295,710,325	75.31%

*\* Calculated based on 392,671,300 ordinary shares*

# Thank You

For more information, please contact

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