



Building Momentum, Capturing Opportunities

Nordic Group Limited

FY18 Results Briefing

28 February 2019

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

Key Highlights



4Q2018 Revenue + 4% to S\$21.5 million
4Q2018 Net Profit - 95% to S\$0.2 million



FY2018 Revenue + <1% to S\$91.7 million
FY2018 Net Profit - 26% to S\$11.3 million



Outstanding Order Book (including maintenance contracts) of S\$92.7 million.



2018 Contract Winning Momentum of S\$75.7 million



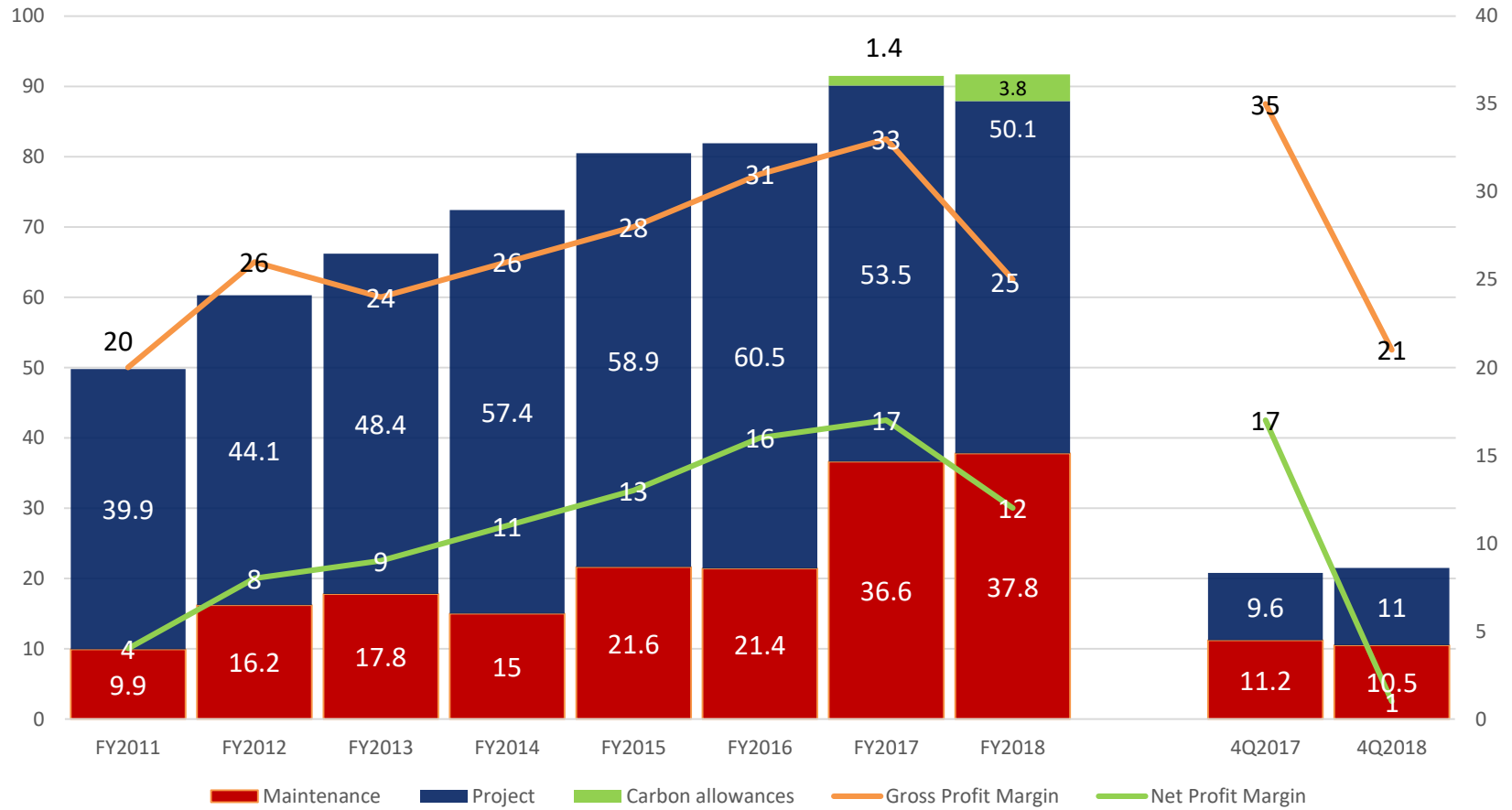
Net Profit CAGR of 30% from FY2011 to FY2018

Financial Review

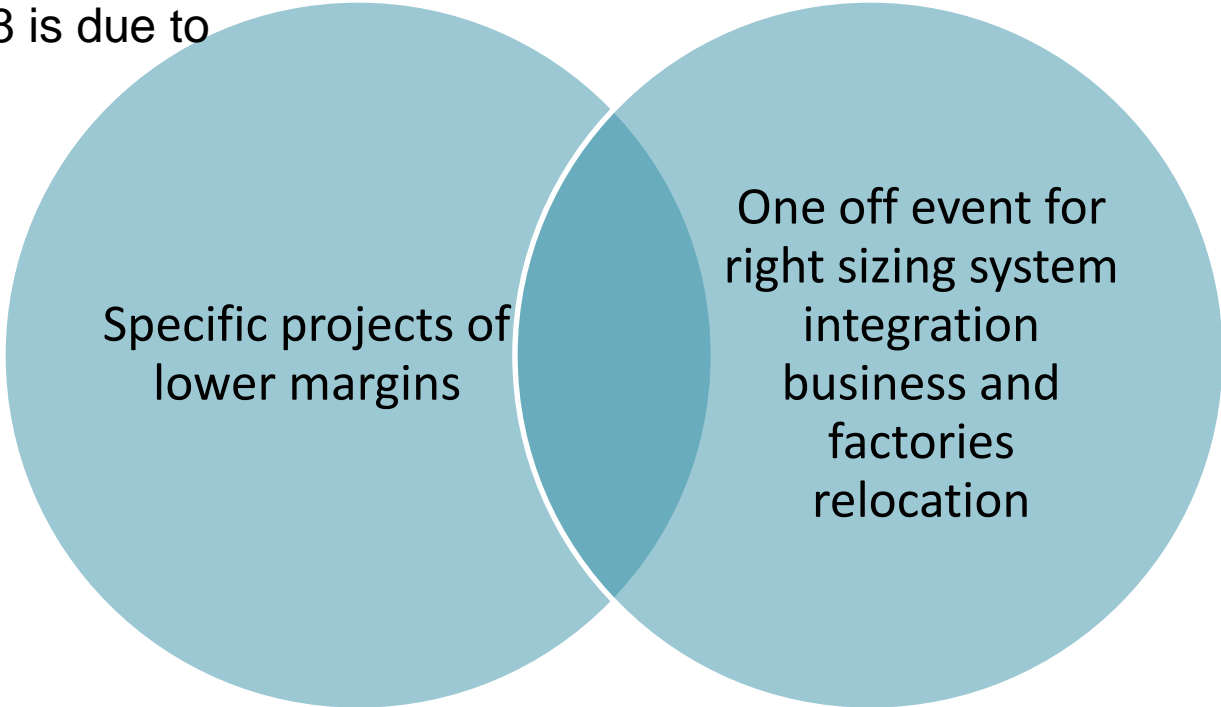
SS\$'000	Unaudited 4Q2018	Unaudited 4Q2017	Change (%)	Unaudited FY2018	Audited FY2017	Change (%)
Revenue	21,525	20,753	4	91,694	91,537	1
Gross Profit	3,633	7,207	(50)	23,326	30,440	(23)
Gross Profit Margin	16.9%	34.7%	(18) ppts	25.4%	33.3%	(8) ppts
Net Profit after Tax	218	4,347	(95)	11,325	15,266	(26)
Net Profit Margin	1.0%	20.9%	(20) ppts	12.4%	16.7%	0.4 ppts
EBITDA	1,214	4,637	(74)	16,045	20,718	(23)
EBITDA Margin	5.6%	22.3%	(17) ppts	17.5%	22.6%	(5) ppts
EPS (cents) ⁽¹⁾	0.1	1.1	(91)	2.9	3.9	(26)

(1) Computed based on weighted average number of 392,731,000 ordinary shares for 4Q2018 and 392,967,000 ordinary shares for FY2018 (4Q2017: 393,113,000; FY2017: 393,140,000)

Revenue and Profit Margin



Lower net profits in
4Q2018 is due to



Specific projects of
lower margins

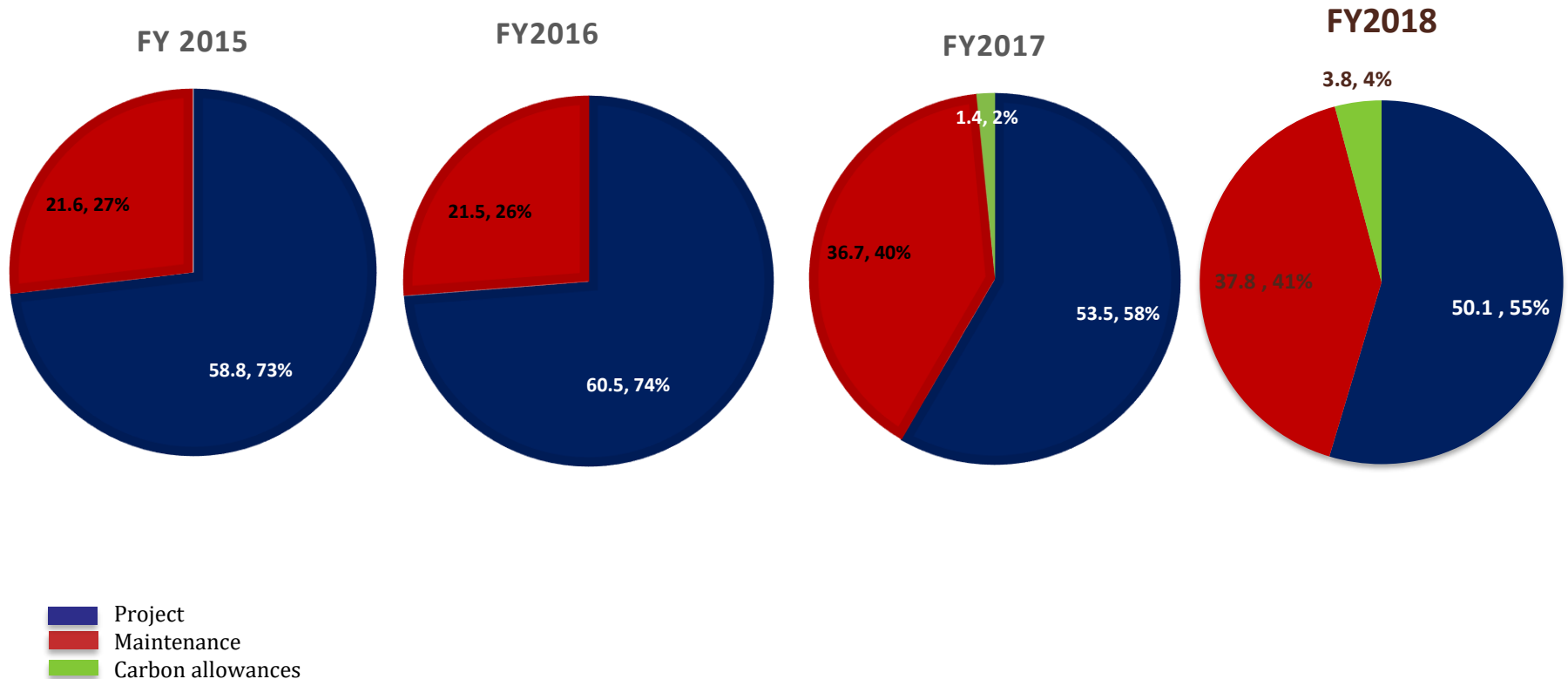
One off event for
right sizing system
integration
business and
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relocation

Financial Review

Revenue breakdown by segment

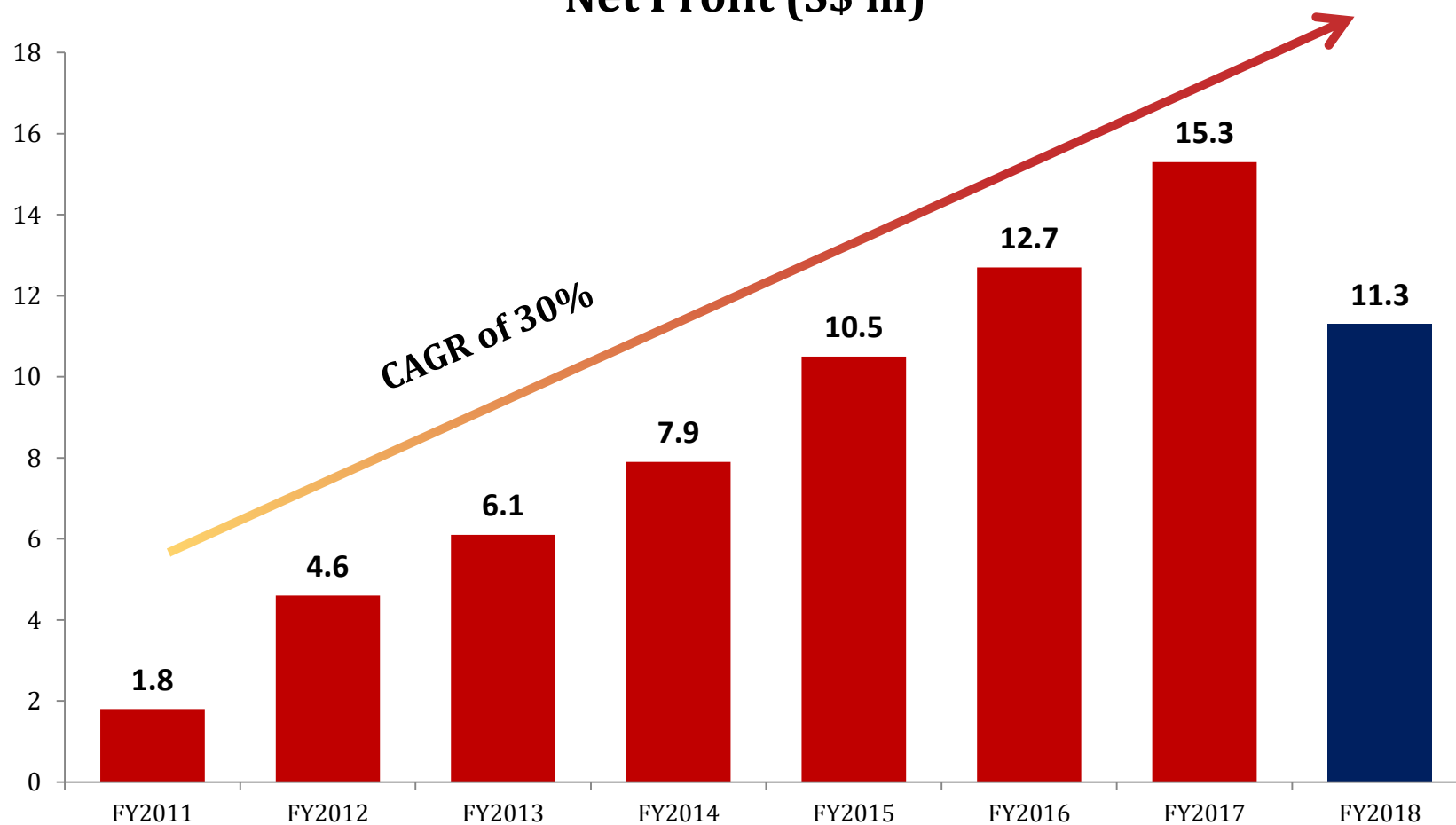
S\$ '000	Unaudited 4Q2018	Unaudited 4Q2017	Change (%)	Unaudited FY2018	Audited FY2017	Change (%)
Project Services	10,992	9,588	15	50,089	53,486	(6)
Maintenance Services	10,533	11,165	(6)	37,818	36,664	3
Others	-	-	-	3,787	1,387	173
Total	21,525	20,753	4	91,694	91,537	<1

Revenue Breakdown by Segment



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

Net Profit (S\$m)



Balance Sheet Highlights

S\$'000	Unaudited as at 31 December 2018	Audited as at 31 December 2017
Current Assets ⁽¹⁾	92,042	99,041
Non-current Assets	59,818	52,268
Current Liabilities ⁽²⁾	58,045	57,922
Non-current Liabilities	12,823	16,773
Total Equity	80,992	76,614
Cash and Cash Equivalents	39,232	40,291
Net Asset Value per share (cents) ^[3]	20.6	19.5

^[1] Included asset held for sale of \$8.1m (FY2017: \$13.4m) are the 2 (FY2017: 4) properties for sale. 42 Tech Park was sold at \$3.425m in January 2018 and 5 Kwong Min Road was sold at \$2.425m in August 2018.

^[2] Included liabilities held for sale of \$8.4m (FY2017: \$12.2m)

^[3] Computed based on number of 392,519,000 (31 Dec 17: 393,113,000) ordinary shares, excluding treasury shares

Financial Review

	As at end of						
SS'000	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Total Borrowings	26,834	21,539	25,320	32,155	28,085	46,612	48,807
Cash and Cash Equivalents	23,965	14,852	32,799	35,566	32,325	40,291	39,232
Net Debt/(Cash)	2,869	6,687	(7,479)	(3,411)	(4,240)	6,321	9,575
Net Gearing Ratio⁽¹⁾	10%	19%	-19% ⁽²⁾	-10% ⁽²⁾	-11% ⁽²⁾	13% ⁽³⁾	19% ⁽⁴⁾

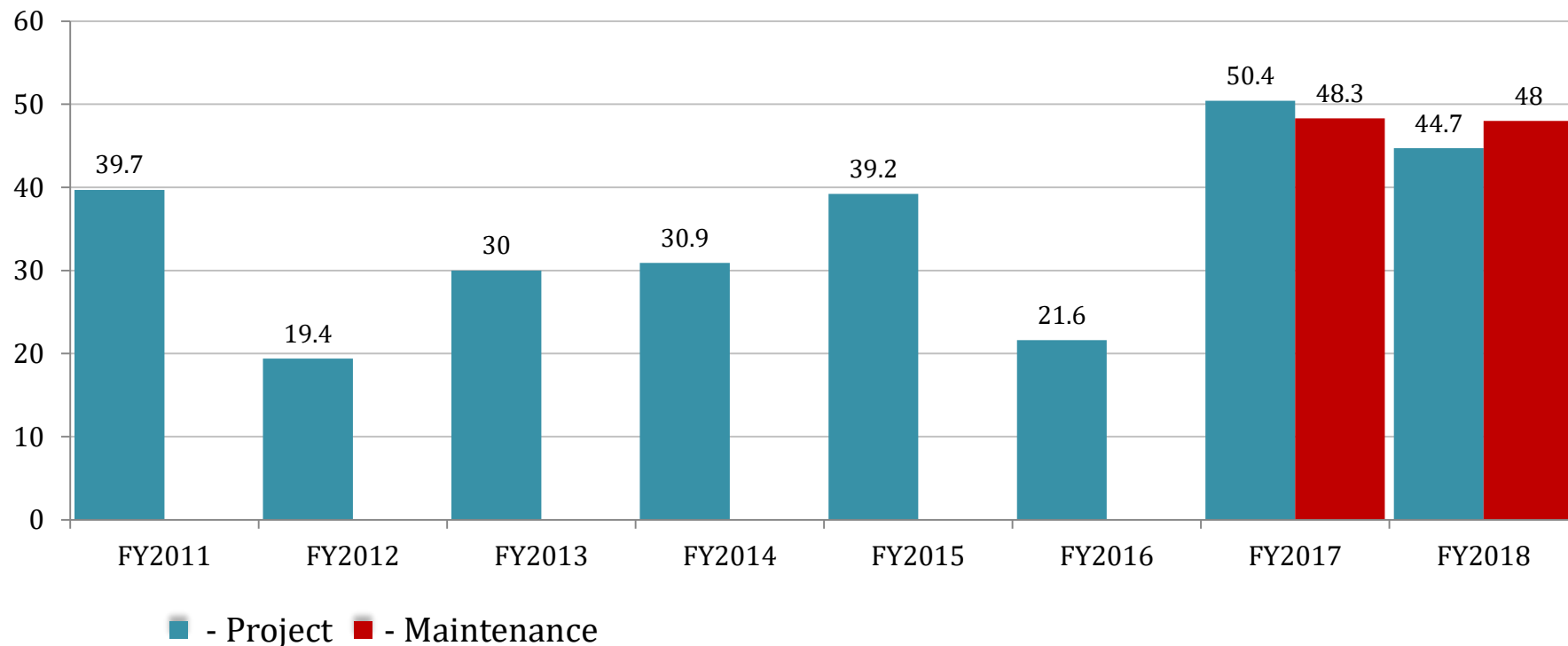
(1) Computed based on Total Borrowings less Cash and Cash Equivalents / Total Equity less Goodwill x 100%

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

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

(4) Increase due to \$10million loan for the acquisition of factory at 2 Tuas Ave 10. Net debt as of 24 Feb is \$6million

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.

SIP contract of \$25.2 million (FY2017: \$32.6 million) is included in project order book.

Recent Contract Winning Momentum

Feb 21, 2019 - Total value: **S\$12.9m**

- Scaffolding, Precision Engineering and System Integration: capital contracts from repeat customers for scaffolding works, machining and mechanical assembly and supply of electric actuators, valves, sensors and tank gauging systems.
- Scaffolding, Insulation and Petrochemical: maintenance contracts from repeat and new customers from the petrochemical and infrastructure industries for insulation and scaffolding works and rental of boiler.

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

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

Recent Contract Winning Momentum

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

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)





Source: Brent Crude 5-Year Chart , Macro trends, 19 February 2019

	31/10/2017	31/01/2019
Global	2077	2264
Asia	213	232

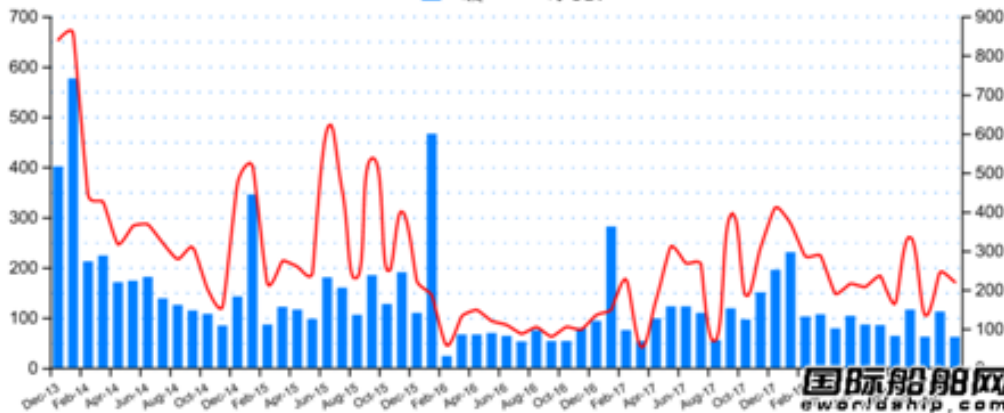
Source: Baker Hughes Oil Rig Count, Bloomberg, 31 January 2019

Upstream Oil & Gas Outlook

- Brent crude oil prices hit a high of approximately US\$86 per barrel in early October 2018 and is still trading above US\$60 per barrel despite the recent dip in November 2018
- We expect demand for maintenance services to remain stable while project services to improve along with sustainable oil prices

全球新签订单变化情况

■ 艘 — 万CGT



Legend: Number of Vessels V Total DWT

Source: Global New Build Orders, E World Ship, September 2018

Monthly	30/12/2017	30/12/2018
Total No. of New Build Orders	1,036	1,204

Note: Annual Figures

Marine & Shipbuilding Outlook

- Total number of new build orders have increased from a total of 1,036 new build orders to 1,204 new build orders over 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 which 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 future 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

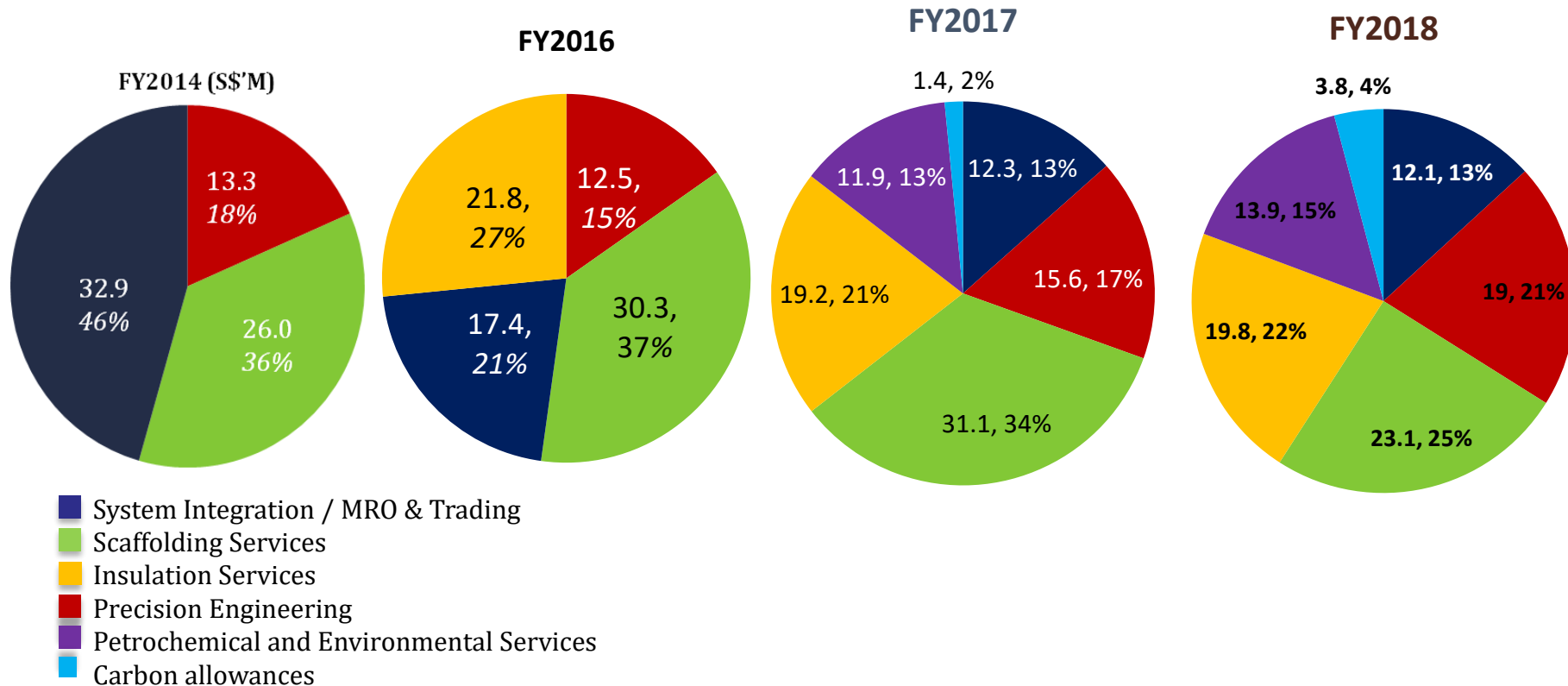
- Acquired for around S\$17m
- Specialize in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services
- In line with Group's strategy to acquire earnings accretive, familiar customer base and complementary businesses with recurring income
- Move Nordic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

Ensure FY2017 * EBITDA: S\$5.0m
 Ensure FY2018 EBITDA: S\$1.9m

Group FY2017 Net Debt: S\$6.3m
 Group FY2018 Net Debt: S\$9.6m

* For period 1 May 2017 to 31 Dec 2017

Revenue Contribution by Businesses

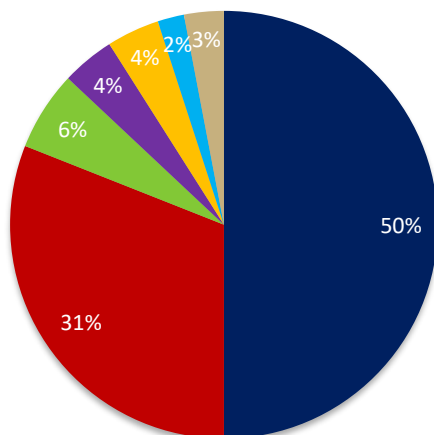


Note: Combined contracts between the entities such as SIP contracts are reflected in the entity who won the contracts. It is approximately \$1.3m and \$3.6m for FY2017 and FY2018

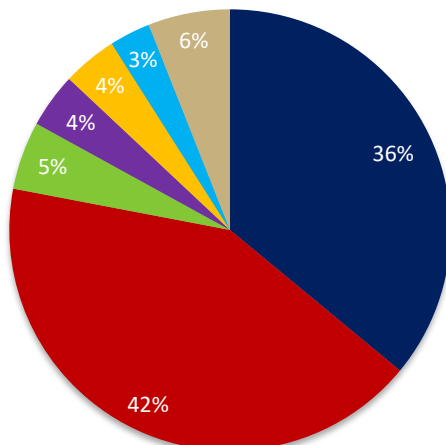
The acquisition of Multiheight in 2011 has effectively reduced industry-specific risk and supported the Group's consistent revenue growth. The acquisitions of Austin Energy in 2015 and Ensure Engineering in 2017 have further diversified the Group's revenue stream and stimulated revenue growth.

Revenue Contribution by Industry

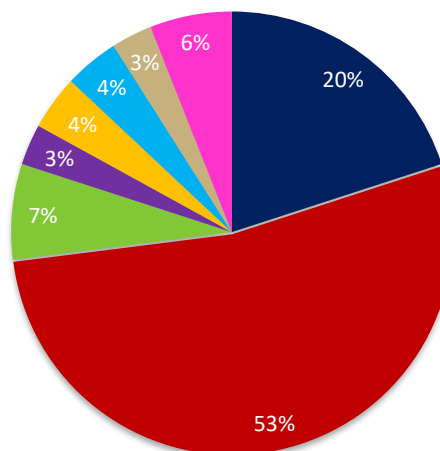
FY2015



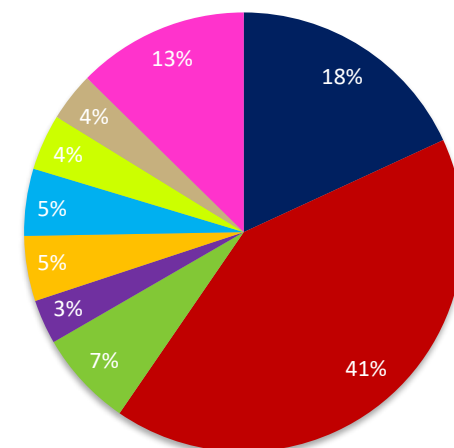
FY2016



FY2017



FY2018



- 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\$92.7 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
- ~ **40%** dividend payout policy
- FY18 dividend: **1.132 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

	FY2018	FY2017	FY2016	FY2015	FY2014	FY2013
Share price (cents)	0.35	0.56	0.25	0.19	0.11	0.11
Market Capitalisation	137.4	220	98	75	43	42
EPS (cents)	3	3.9	3.2	2.6	2.0	1.5
PE Ratio	13.79	14.36	7.81	7.27	5.40	7.07
Dividend Yield	4.13	2.73	5.08	5.56	2.31	2.36
Current Ratio	1.59	1.71	1.94	1.75	1.91	1.73
Total Debt to Equity ⁽¹⁾	60.75	61.57 ⁽³⁾	42.04	54.15	47.51	46.63
Return on Asset	7.47	11.60	11.36	10.36	9.29	7.72
Return on Equity	14.37	21.29	20.22	18.68	15.80	14.04
Return on Invested Capital ⁽²⁾	18.2	28.4	37.8	37.2	28.4	18.3
EBITDA/Interest expense	10.37	19.41	18.52	14.93	20.73	14.21

All data extracted from Bloomberg, 25 Feb 2019 except those with notes

(1) If calculated based on (total borrowings less cash)/equity, total debt to equity would be FY2018- net debt 19%, 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 - LTM

Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount per share (cents)	Payout ratio	
To be announced	2018	Final	0.353	40%	
Sep 5, 2018		Interim	0.779		
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		
May 21, 2015	2014	Special	0.25		25%
May 21, 2015		Final	0.25		
May 15, 2014	2013	Final	0.25	16%	
May 15, 2013	2012	Final	0.25	22%	
May 21, 2012	2011	Final	0.25	56%	
May 16, 2011	2010	Final	0.53	30%	



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	186,300	7,349,700	1.837
December 2018	131,200	7,480,900	1.870
VOLUME WEIGHTED AVERAGE PRICE		S\$0.2094	

Source : SGX Announcement

** Up to a maximum of 40 million shares being 10% of total issued shares of 400 million shares (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 February 2019 :

Director / Executive Officer	No. of shares held	% shareholdings*
Chang Yeh Hong	217,780,225	55.48%
Eric Lin Choon Hin	44,050,000	11.22%
Dorcas Teo Ling Ling	32,139,500	8.19%
Chia Meng Ru	1,871,600	0.48%
	295,841,325	75.37%

* Calculated based on 392,519,100 ordinary shares

Thank You

For more information, please contact

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