



Building Momentum, Capturing Opportunities

Nordic Group Limited

2Q17 Results Briefing

22 August 2017

www.nordicgrouplimited.com



Disclaimer

- This presentation (this “**Presentation**”) has been prepared by Nordic Group Limited (“**Nordic**” or the “**Company**”) for information purposes only and has not been independently verified. It is not the intention to provide, and you may not rely on this Presentation as providing, a complete or comprehensive analysis of the Company’s financial or trading position or prospects. This Presentation does not constitute, or form any part of any opinion on any advice to sell, or any offer for the sale or subscription of, or invitation or agreement to subscribe for, or solicitation of any offer to buy or subscribe for, any securities, nor shall it or any part of it form the basis or be relied on in connection with, any contract or commitment or investment decision whatsoever.
- This Presentation may contain projections and forward-looking statements that reflect the Company’s current views with respect to future events and financial performance, which are based on current assumptions subject to various risks and may therefore change over time. 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.
- Opinions expressed herein reflect the judgement of the Company as of the date of this Presentation and may be subject to change without notice if the Company becomes aware of any information or developments, whether specific to the Company, its business or in general, which may have a material impact on any such opinions. Additionally, the information contained herein is current only as of the date of this Presentation and shall not, under any circumstances, create any implication that such information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the financial condition or affairs of the Company since the date herein. This Presentation may be updated from time to time and the Company does not undertake to post any such amendments or supplements on this Presentation.
- None of the Company or any of its subsidiaries, affiliates, advisers or representatives shall be responsible for any consequences resulting whatsoever from the use of this Presentation as well as the reliance upon any opinion or statement contained herein, or for any omission herein.
- Neither this Presentation nor any of its contents may be used, quoted, reproduced or disclosed in any manner by any other person without the prior written consent of the Company.

Outline



1. Financial Review

2. Business Outlook

3. Investment Merits

Key Highlights



2Q2017 Revenue + 10% to S\$24.0 million



2Q2017 Net Profit + 22% to S\$3.7 million



Outstanding Order Book (including maintenance contracts) of S\$111.5 million



Group declared an interim dividend of 0.653 Singapore cents per share

Financial Review

Financial Highlights

S\$'000	Unaudited 2Q2016	Unaudited 2Q2017	Change (%)	Unaudited 1H2016	Unaudited 1H2017	Change (%)
Revenue	21,812	24,047	10	41,623	43,970	6
Gross Profit	6,864	8,064	17	13,154	14,168	8
Gross Profit Margin	31.5%	33.5%	2.0 ppts	31.6%	32.2%	0.6 ppts
Operating Expenses	(2,706)	(3,226)	19	(5,648)	(5,315)	(6)
Net Profit after Tax	3,057	3,721	22	5,372	6,531	22
Net Profit Margin	14.0%	15.5%	1.5 ppts	12.9%	14.9%	2.0 ppts
EBITDA	4,711	5,560	18	8,444	9,746	15
EPS (cents)*	0.8	0.9	13	1.4	1.7	21

*Computed based on weighted average number of ordinary shares (excluding treasury shares) of 393,159,000 ordinary shares for 2Q2017 and 393,167,000 ordinary shares for 1H2017 (2Q2016: 394,097,000 ordinary shares ; 1H2016: 394,479,000 ordinary shares)

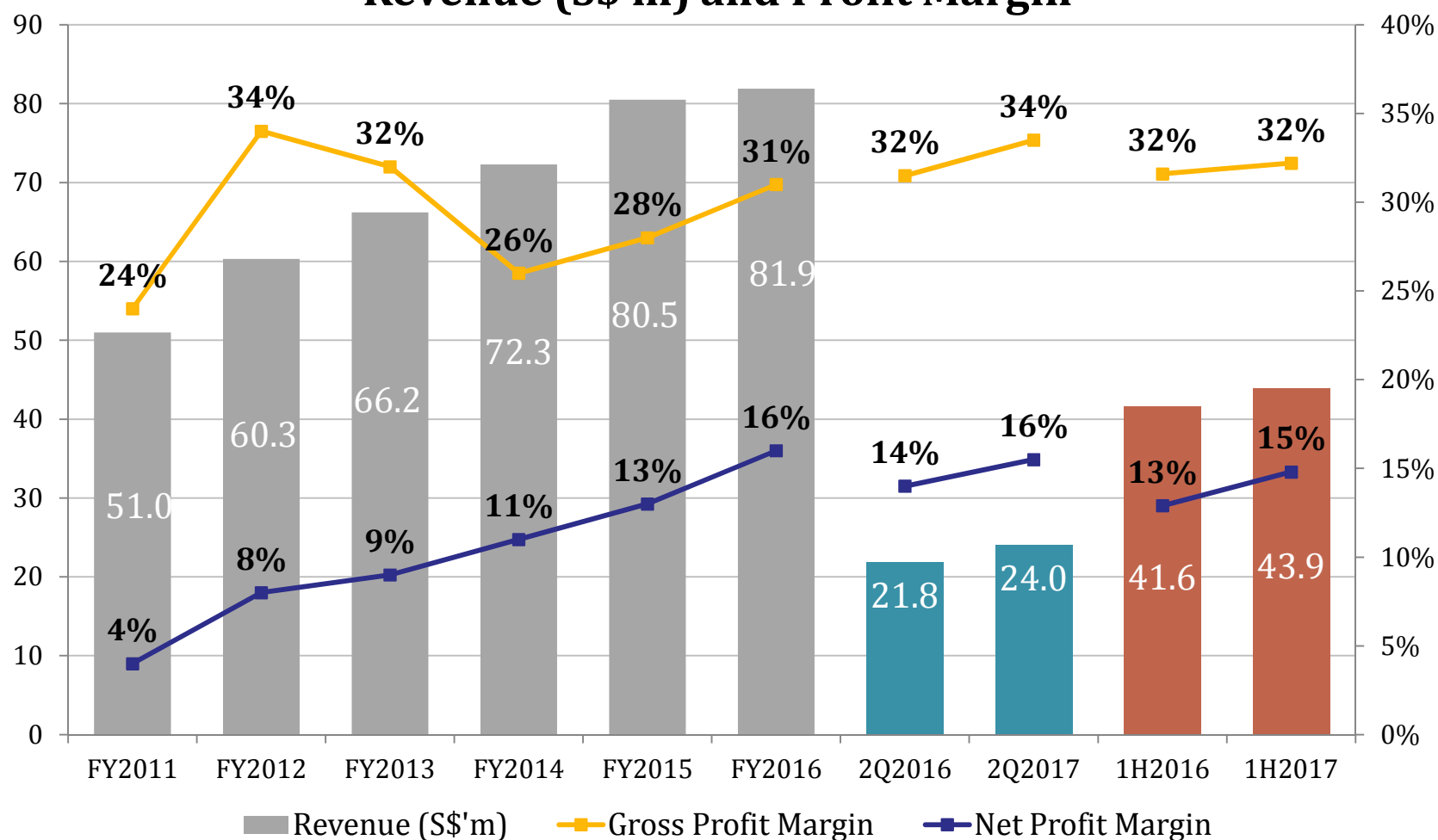
Financial Review

Revenue breakdown by segment

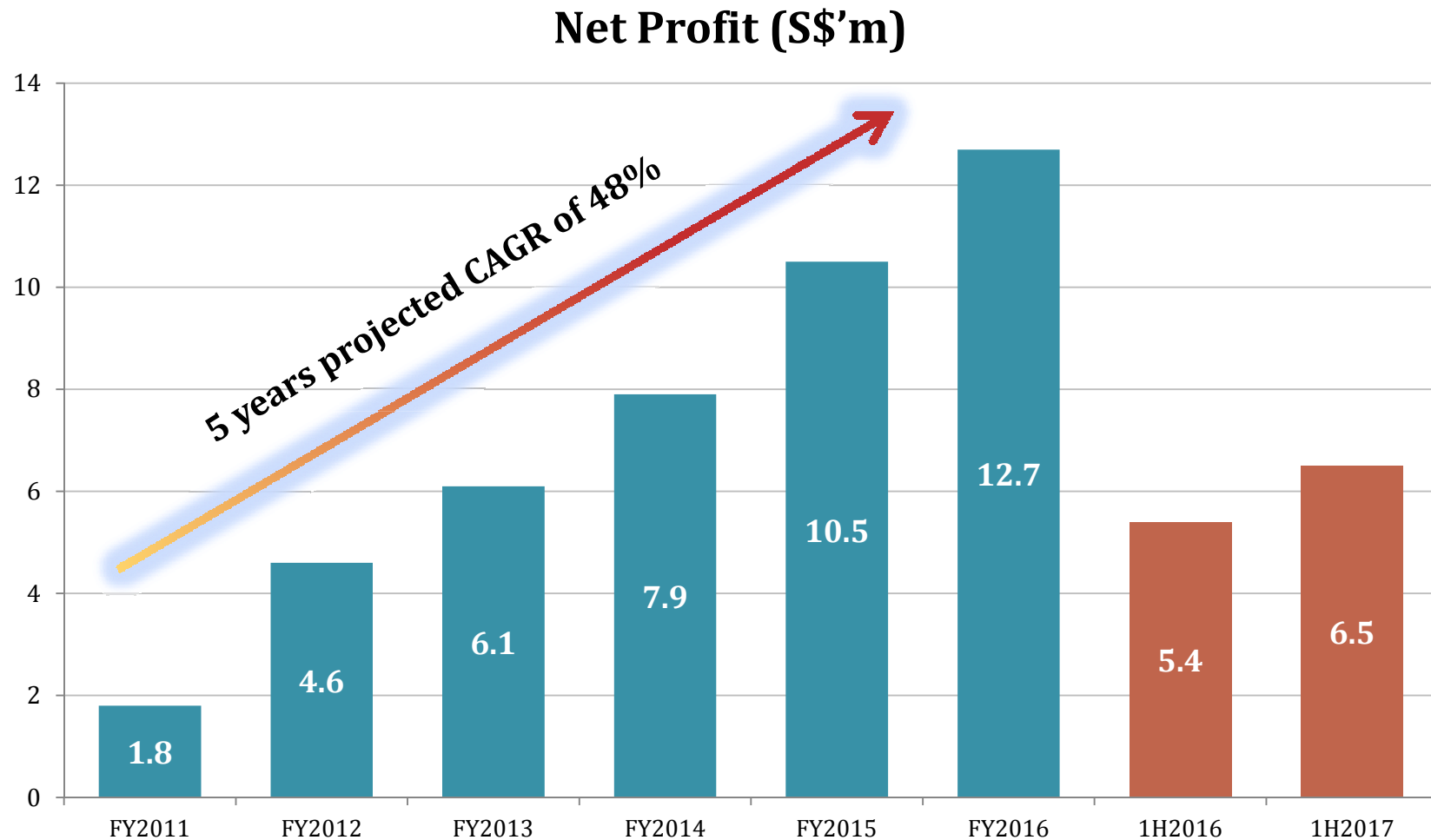
S\$ '000	Unaudited 2Q2016	Unaudited 2Q2017	Change (%)	Unaudited 1H2016	Unaudited 1H2017	Change (%)
Project Services	16,329	14,443	(12)	31,474	27,504	(13)
Maintenance Services	5,483	9,604	75	10,149	15,079	49
Others	-	-	-	-	1,387	nm
Total	21,812	24,047	10	41,623	43,970	6

Financial Review

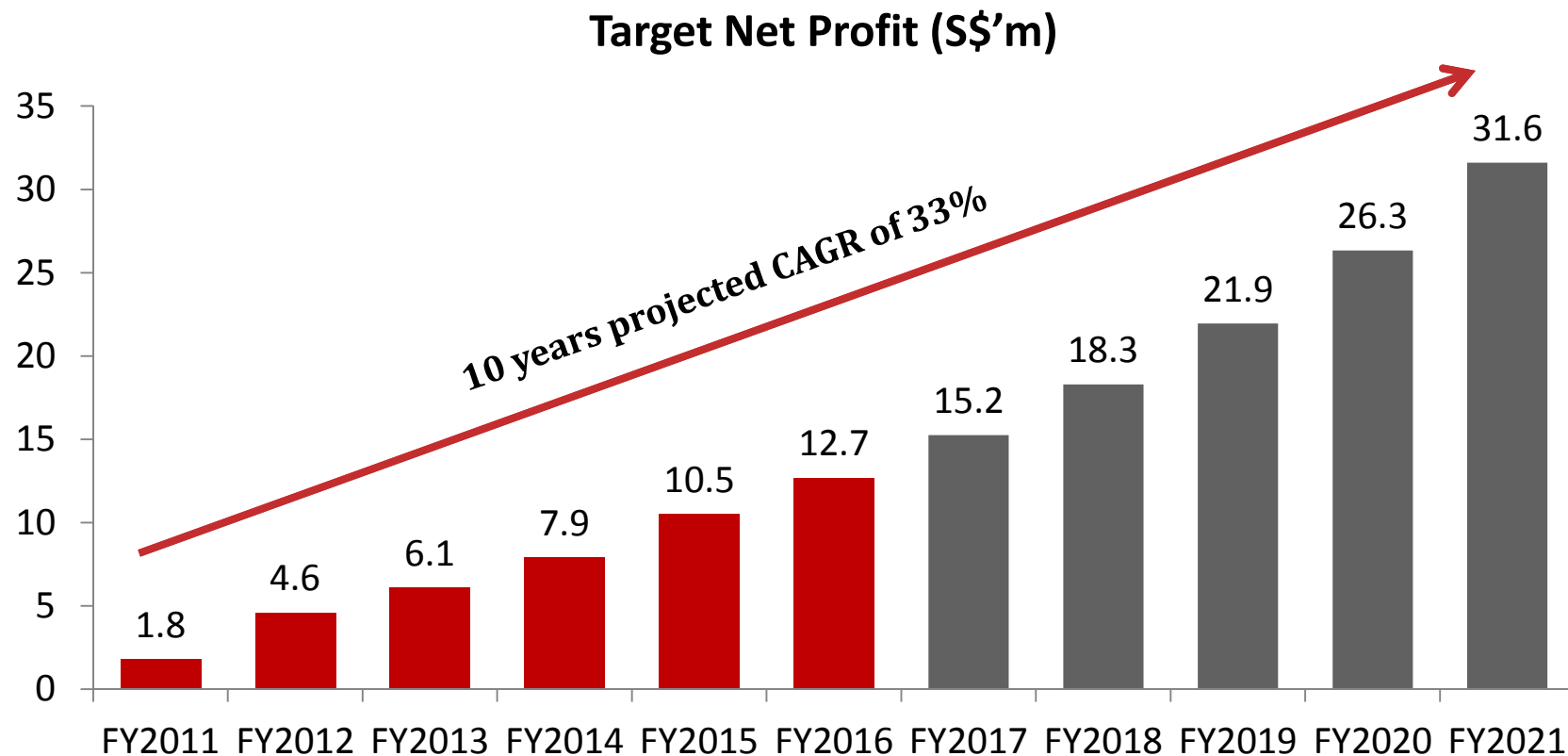
Revenue (S\$m) and Profit Margin



5 Years CAGR



Projected 10 years CAGR – for Illustrative Purposes only



Note: ■ Actual ■ Projected

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

S\$'000	Audited as at 31 December 2016	Unaudited as at 30 June 2017
Current Assets	72,411	85,426
Non-current Assets	39,514	66,050
Current Liabilities	37,297	50,937
Non-current Liabilities	7,824	30,157
Total Equity	66,804	70,382
Cash and Cash Equivalents	32,325	38,954
Net Asset Value per share (cents) ^[1]	17.0	17.9

^[1] Computed based on 393,113,000 ordinary shares (excluding treasury shares) (31 Dec 16: 395,175,000 ordinary shares(excluding treasury shares))

Financial Review

Net Gearing Ratio

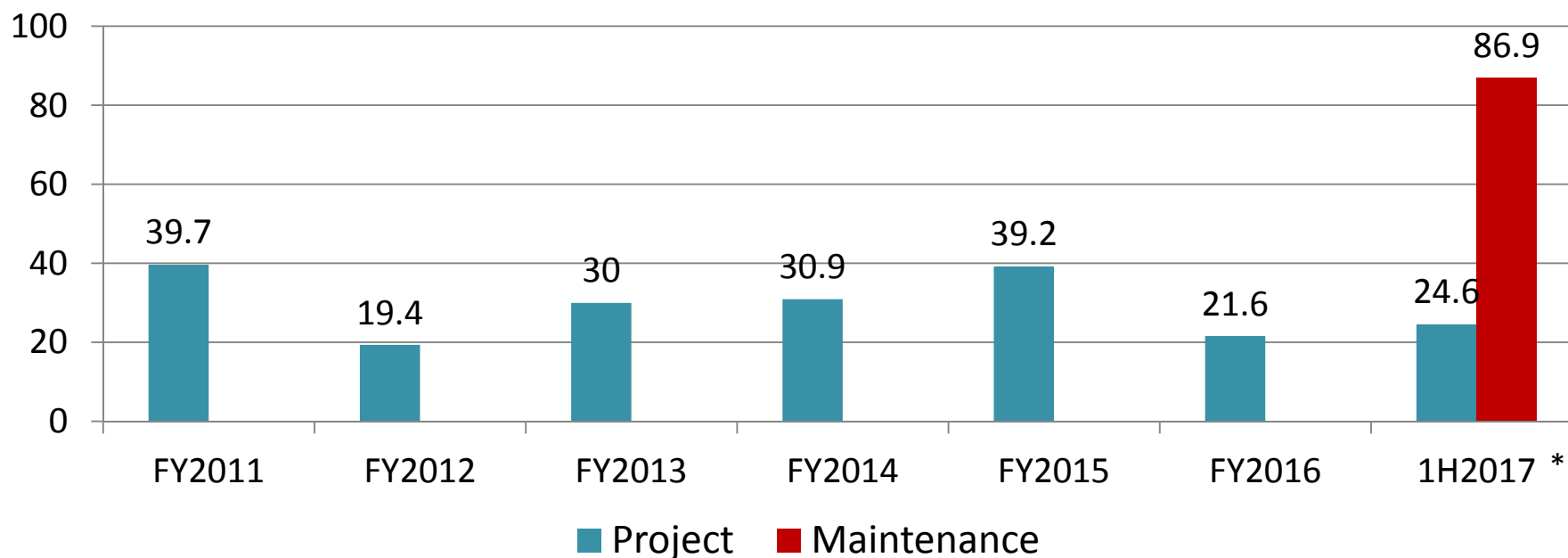
	As at end of					As at
S\$'000	FY2012	FY2013	FY2014	FY2015	FY2016	31 July 2017
Total Borrowings	26,834	21,539	25,320	32,155	28,085	50,859
Cash and Cash Equivalents	23,965	14,852	32,799	35,566	32,325	42,769
Total Equity less Goodwill	28,411	33,898	40,999	36,929	44,353	40,482
Net Gearing Ratio*	10%	19%	-19%**	-10%**	-11%**	19%

* Computed based on Total Borrowings (excluding finance leases) 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:

Certain maintenance contracts are based on unit rates and do not have a contract value upfront. For better disclosure, these contract values are estimated based on historical revenue trends and included above from 2Q2017.

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



Financial Review

Recent Contract Winning Momentum

Jun 29, 2017 - Total value: S\$9.6m

- MHS : ad-hoc projects for repeat customers
- AEA : insulation maintenance contract for a new customer
- NFC & ASZ : supply of valve remote control, tank gauging systems, machining and mechanical assembly for repeat customers
- EE : maintenance contracts for repeat customers

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

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

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

Outline



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



Source: Brent Crude 5-Year Chart , Bloomberg, 18 August 2017

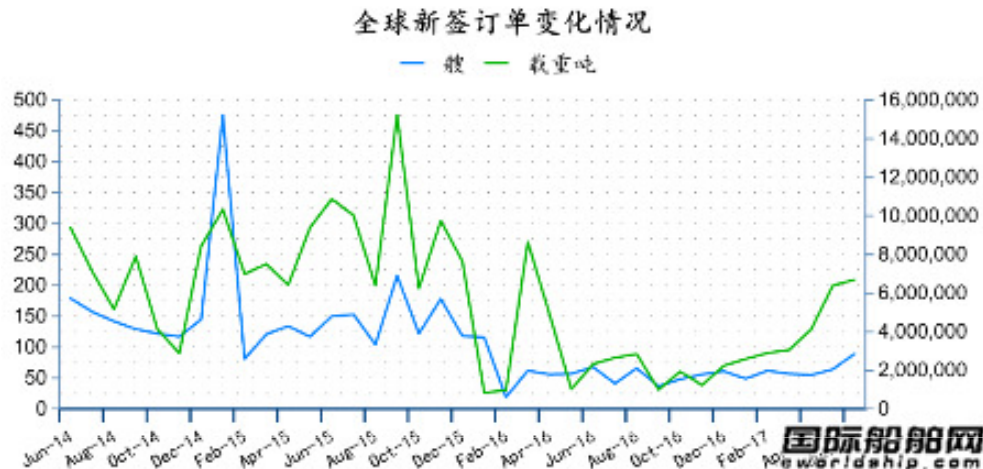
	31/8/2016	31/7/2017
Global	1547	2110
OPEC	404	438
Asia – Onshore	102	119
Asia – Offshore	92	76

Source: Baker Hughes Oil Rig Count, Bloomberg, 18 August 2017

Upstream Oil & Gas Outlook

- Brent crude oil prices have stabilized between US\$50-60, since recovering from a 5-year low of US\$27.88 on 20 January 2016
- This range of oil prices enable onshore rig demand to improve while offshore rig demand continues to remain weak
- Demand for maintenance services is expected to be similar

Business Outlook



Monthly	30/6/2016	30/6/2017
Total No. of New Build Orders	54	89

Shipbuilding Outlook

- Total number of new build orders continues to remain at low levels after hitting a peak in early 2015 of approximately 500 vessels per month
- However, the situation has started to recover slightly from the base as global ship owners start to replace its old fleet with newer, more efficient and higher tonnage models
- This recovery should provide a slight boost for Nordic's System Integration, MRO & Trading businesses but the macroeconomic situation remains uncertain

Business Outlook

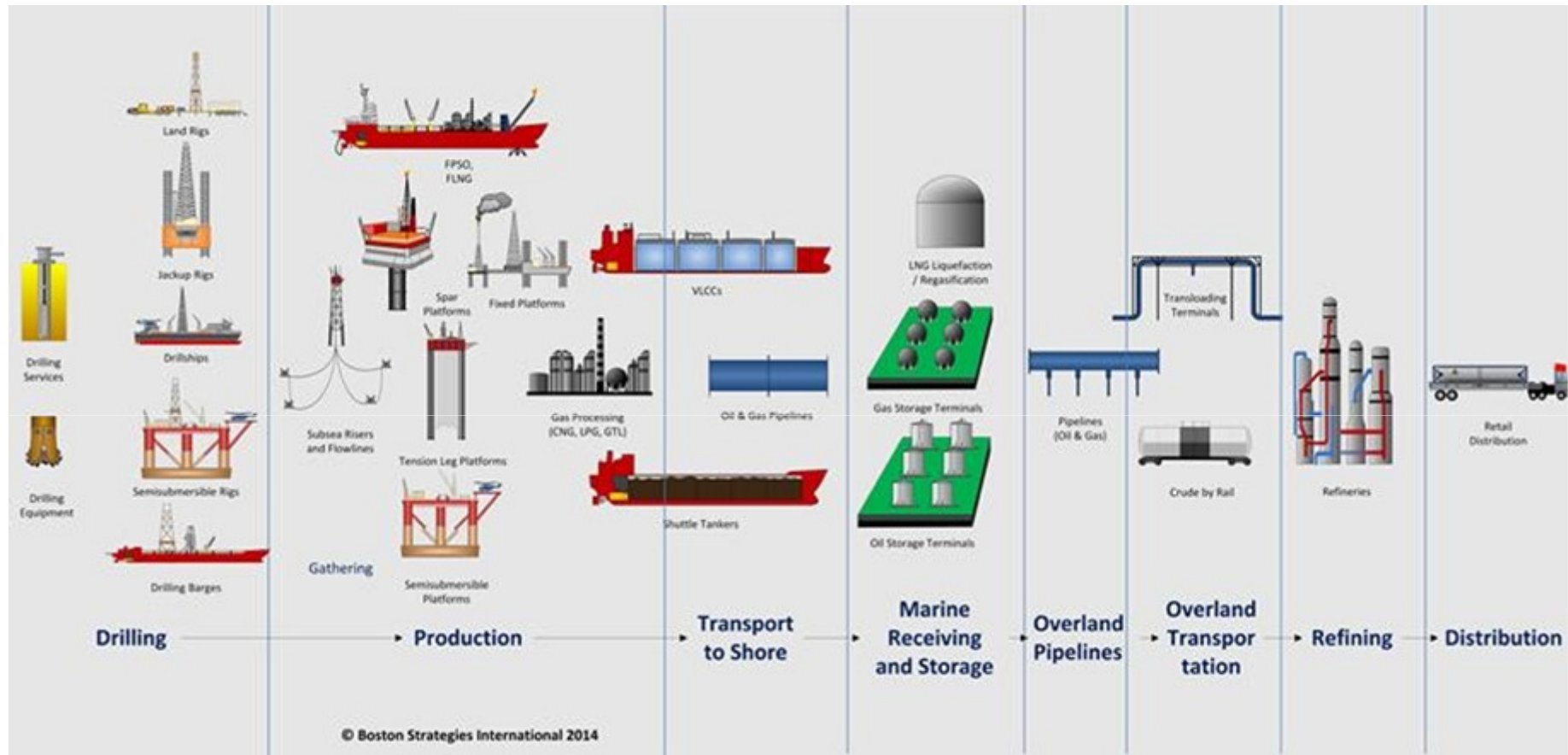
- Our businesses serving largely the marine, oil and gas industries remain challenging. Amidst persistent weak oil prices, fluctuations in the exchange rate of the US dollar against the Singapore dollar and the contagion effect from the fallout of some of the local oil and gas players, growth will be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

Outline



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

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



Acquisition Milestones

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

FY2011 EBITDA: S\$4.6m
FY2012 EBITDA: S\$9.7m

Dec 2011 Net Debt: -S\$3.4m
Dec 2012 Net Debt: -S\$2.9m

2015

Austin Energy

- Acquired for around S\$26m
- Specialise 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

FY2015 EBITDA: S\$16.2m
FY2016 EBITDA: S\$18.3m

Dec 2015 Net Cash: S\$3.4m
Dec 2016 Net Cash: S\$4.2m

2017

Ensure Engineering

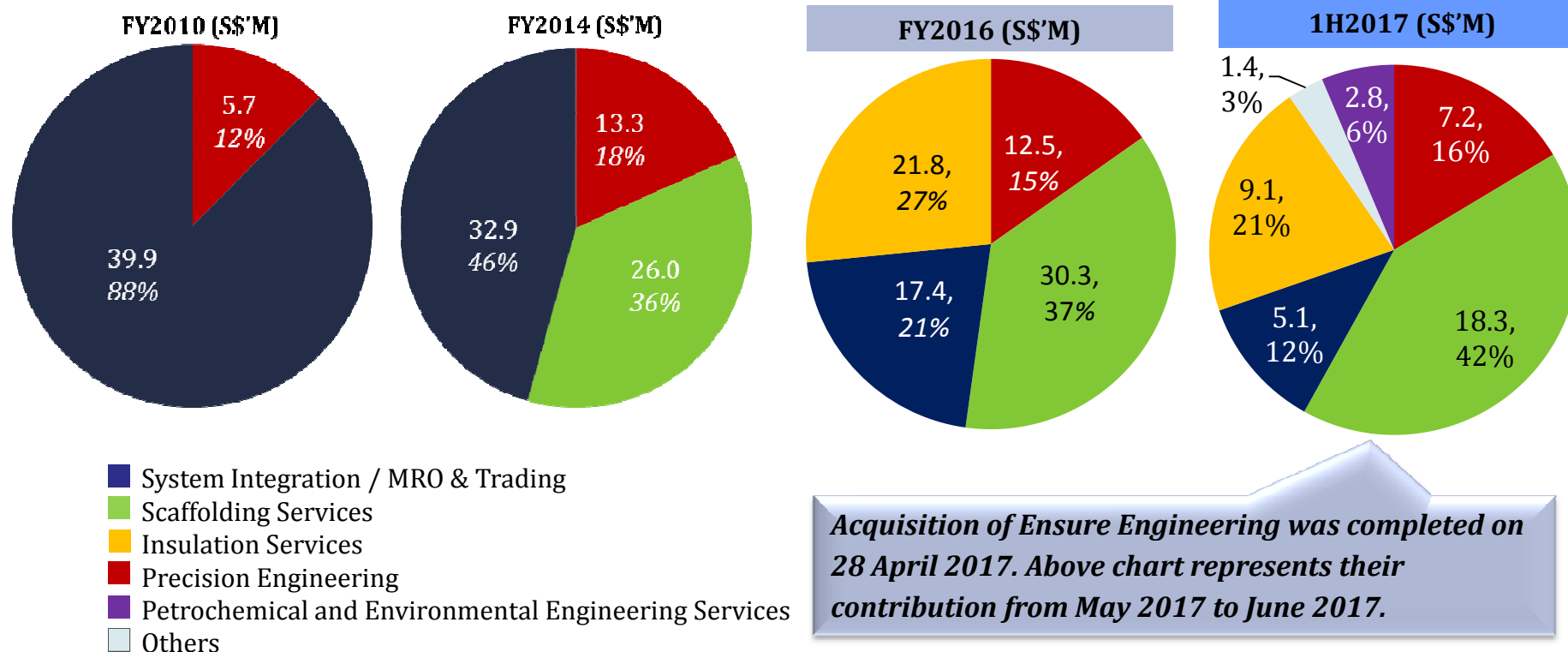
- Acquired for around S\$17m
- Specialise in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services
- In line with Group's strategy to acquire earnings accretive, familiar customer base and complementary businesses with recurring income
- Move Nordic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

1H2016 EBITDA: S\$8.4m
1H2017 EBITDA: S\$9.7m

Dec 2016 Net Cash: S\$4.2m
Jul 2017 Net Debt: -S\$8.1m

Diversified Model – Improved Earnings Quality

Revenue Contribution by Segment



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
- Acquisition of Ensure Engineering in April 2017

Healthy Order Book

Order book of approximately S\$111.5 million on hand including maintenance contracts.

Improved Dividend Payout

- Half-yearly dividend payout from FY15 onwards
- **40%** dividend payout policy
- Interim dividend for FY17: 0.653 cents

Improved Earnings Quality

Volatile project earnings supplemented by more stable recurring maintenance income from Scaffolding Services, Insulation Services and now Petrochemical and Environmental Engineering 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
May – June 2017	62,500	6,887,100	1.72
VOLUME WEIGHTED AVERAGE PRICE		S\$0.188	

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 June 2017 :

Director	No. of shares held	% shareholdings *
Chang Yeh Hong	210,717,225	53.60%
Eric Lin Choon Hin	44,050,000	11.27%
Dorcas Teo Ling Ling	31,939,500	8.12%
	286,706,725	73.00%

** Based on total no. of issued shares (400m) excluding Treasury Shares held (6.9m) as of 30 June 2017.*

Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount (\$) per share	Payout ratio
Sep 5, 2017	2017	Interim	0.0065	40%
May 12, 2017	2016	Final	0.0073	
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			0.0475	

International Financial Reporting Standards 15

(equiv. Singapore Financial Report Standards (“SFRS”) 115)

Recognise revenue to depict transfer of goods or services in an amount of consideration to which the entity expects to be entitled to. (Not “risk & reward” based)

5-Steps approach:

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when (as) a performance obligation is satisfied.

Revenue recognition over time criteria (if any one criteria is met) (SFRS115.35):
Customer simultaneously receives & consumes the benefits provided by the entity’s performance as the entity performs
Entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced
Entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

International Financial Reporting Standards 15 – Contracts with Customers

- Effective date of application: 1 January 2018
- Nordic Group is early adopting International Financial Reporting Standards “IFRS” (instead of Singapore FRS) and IFRS15 from 1 July 2017
- Prospective application from 1 July 2017
- Revenue streams affected:

Business	Remarks
System Integration	<ul style="list-style-type: none"> - Change in accounting method for New builds where revenue will be recognised at the point in time upon delivery of goods - No change for Conversion jobs. Revenue will continue to be recognised over time based on percentage of completion.
Scaffolding	<p>Scaffolds are assets of MHS. The contracts essentially provides for the customers’ use of the asset. Revenue to be recognised on a straight line basis as an operating lease.</p> <ul style="list-style-type: none"> - Revenue derived from project contracts will be recognised over the project duration on straight-line basis. - Revenue derived from maintenance contract will recognise over the scaffold usage period stipulated on service contract.

- No change for the other revenue streams.



Building Momentum, Capturing Opportunities

Thank You

For more information, please contact

Financial PR Pte Ltd

Investor Relations Consultants

Romil Singh / Colin Lum

romil@financialpr.com.sg

colinlum@financialpr.com.sg

Tel: (65) 6438 2990

Fax: (65) 6438 0064

www.nordicgrouplimited.com