



*Building Momentum, Capturing Opportunities*

# **Nordic Group Limited**

## **3Q17 Results Briefing**

**16 November 2017**

[www.nordicgrouplimited.com](http://www.nordicgrouplimited.com)



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

## Key Highlights



**3Q2017 Revenue + 25% to S\$26.8 million**  
**3Q2017 Net Profit + 26% to S\$4.4 million**  
**3Q2017 EBITDA + 28% to S\$6.3 million**



**9M2017 Revenue + 12% to S\$70.8 million**  
**9M2017 Net Profit + 23% to S\$10.9 million**  
**9M2017 EBITDA + 20% to S\$16.1 million**



**Outstanding Order Book (including maintenance contracts) of S\$99.4 million**



**2017 Contract Winning Momentum of S\$61.3 million**



**5-Year Net Profit CAGR of 48%**



# Financial Review

## Financial Highlights

S\$'000	Unaudited 3Q2016	Unaudited 3Q2017	Change (%)	Unaudited 9M2016	Unaudited 9M2017	Change (%)
<b>Revenue</b>	21,390	<b>26,814</b>	25	63,012	<b>70,784</b>	12
<b>Gross Profit</b>	6,726	<b>9,065</b>	35	19,880	<b>23,233</b>	17
<i>Gross Profit Margin</i>	31.4%	<b>33.8%</b>	2.4 ppts	31.5%	<b>32.8%</b>	1.3 ppts
<b>Net expenses</b>	(3,231)	<b>(4,677)</b>	17	(11,013)	<b>(12,314)</b>	12
<b>Net Profit after Tax</b>	3,495	<b>4,388</b>	26	8,867	<b>10,919</b>	23
<i>Net Profit Margin</i>	16.3%	<b>16.4%</b>	0.1 ppts	14.1%	<b>15.4%</b>	1.3 ppts
<b>EBITDA</b>	4,953	<b>6,332</b>	28	13,397	<b>16,078</b>	20
<i>EBITDA Margin</i>	23.2%	<b>23.6%</b>	0.4 ppts	21.3%	<b>22.7%</b>	1.4 ppts
<b>EPS (cents)*</b>	0.9	<b>1.1</b>	22	2.3	<b>2.8</b>	22

\*Computed based on weighted average number of 393,136,000 ordinary shares for 3Q2017 and 393,149,000 ordinary shares for 9M2017 (3Q2016: 393,633,000; 9M2016: 394,195,000)

# Financial Review

## Revenue breakdown by segment

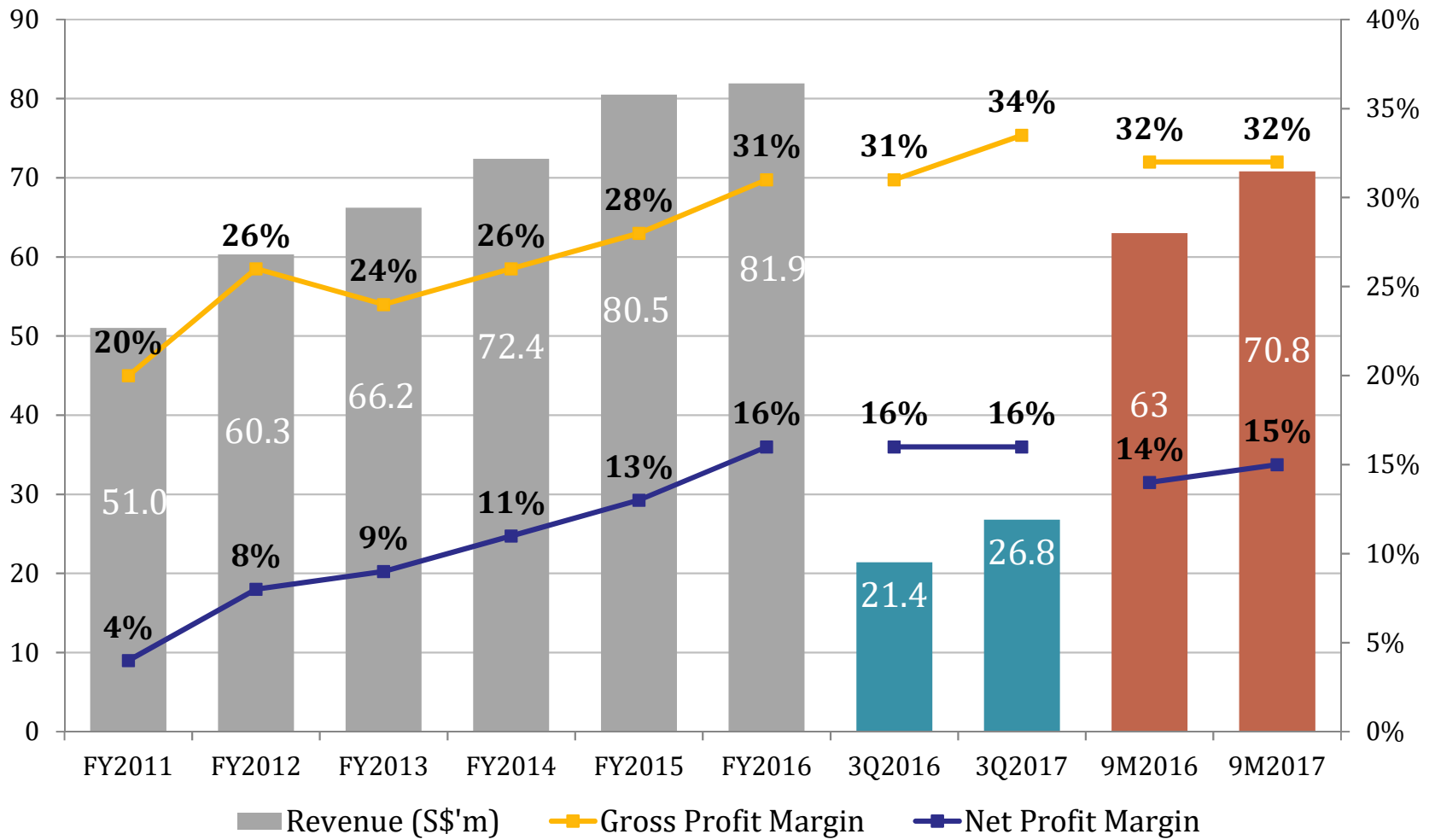
S\$ '000	Unaudited 3Q2016	Unaudited 3Q2017	Change (%)	Unaudited 9M2016	Unaudited 9M2017	Change (%)
<b>Project Services</b>	15,687	<b>16,394</b>	4	47,160	<b>43,899</b>	(7)
<b>Maintenance Services</b>	5,703	<b>10,420</b>	83	15,852	<b>25,498</b>	61
<b>Others</b>	-	-	-	-	<b>1,387</b>	nm
<b>Total</b>	21,390	<b>26,814</b>	25	63,012	<b>70,784</b>	12

- Revenue from Maintenance Services boosted by contributions from Ensure
- nm – not meaningful



# Financial Review

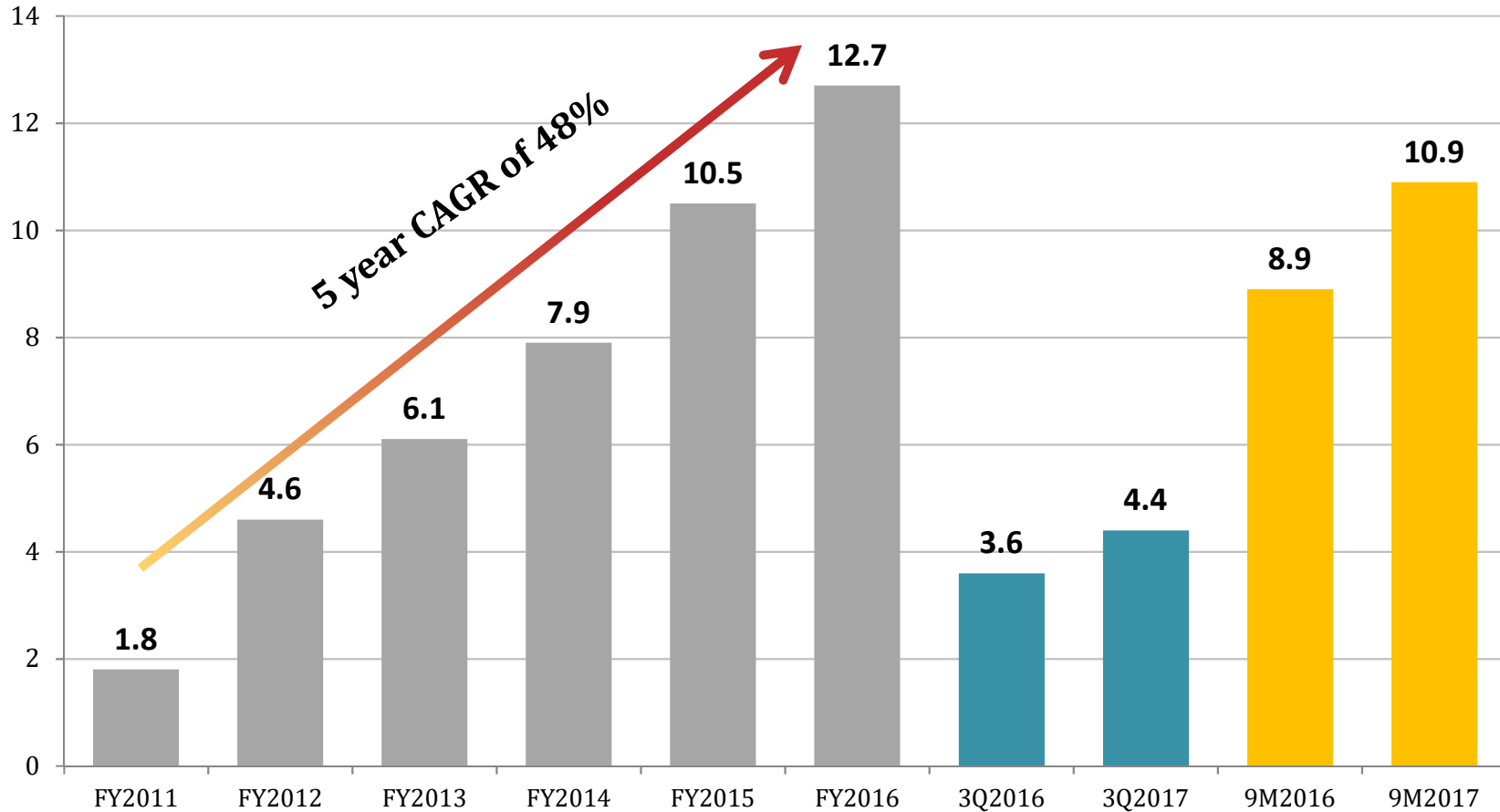
## Revenue (S\$m) and Profit Margin





# Financial Review

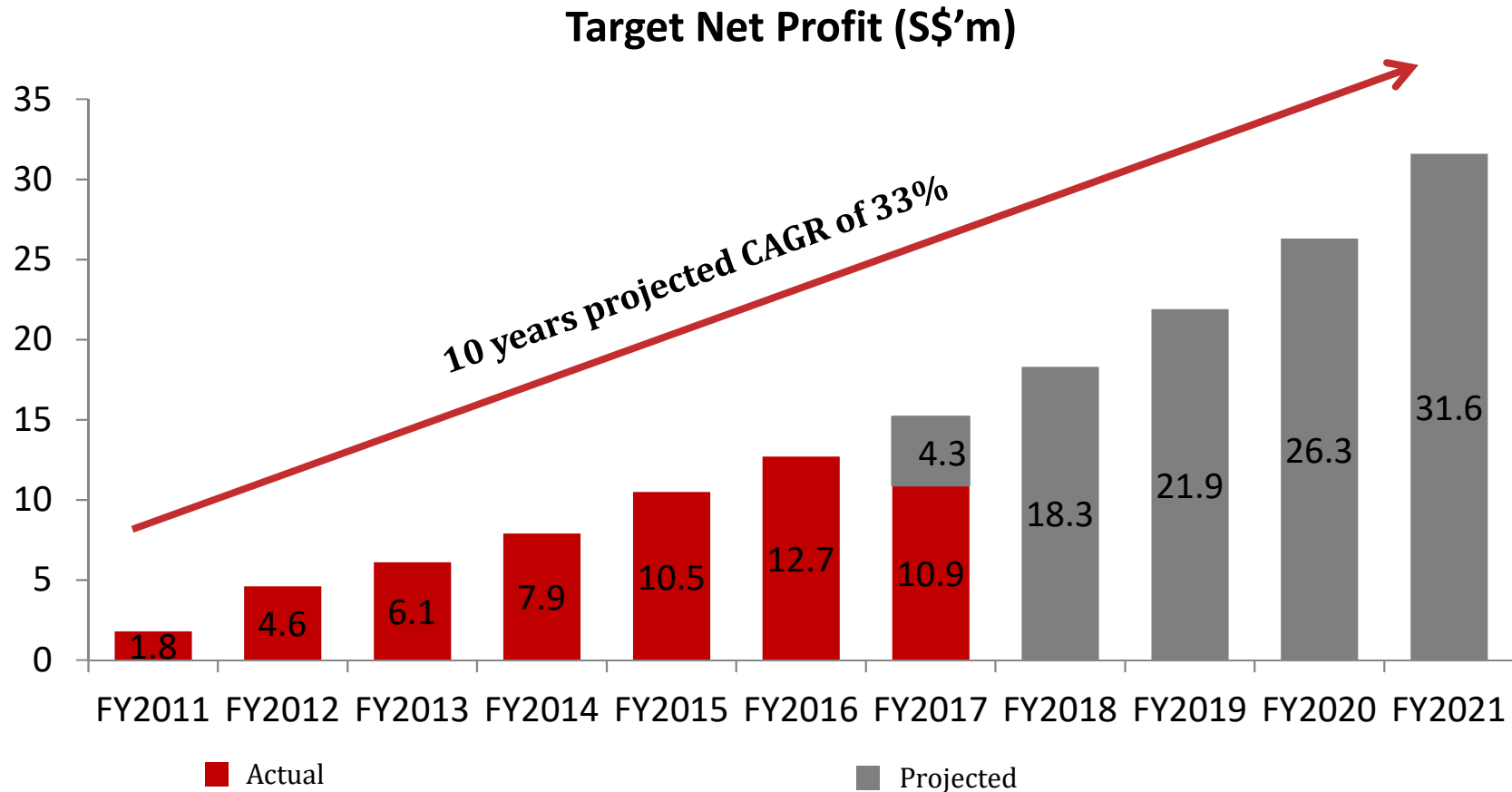
## Net Profit (S\$m)







# Projected 10 years CAGR – for Illustrative Purposes only



\* : Achieved 72% of \$15.2 million for FY2017

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>Audited as at 31 December 2016</b>	<b>Unaudited as at 30 September 2017</b>
<b>Current Assets</b>	72,411	99,915
<b>Non-current Assets</b>	39,514	52,136
<b>Current Liabilities</b>	37,297	66,208
<b>Non-current Liabilities</b>	7,824	13,613
<b>Total Equity</b>	66,804	72,230
<b>Cash and Cash Equivalents</b>	32,325	38,461
<b>Net Asset Value per share (cents) <sup>[1]</sup></b>	17.0	18.4

<sup>[1]</sup> Computed based on number of 393,113,000 (31 Dec 16: 393,175,000) ordinary shares, excluding treasury shares



# Financial Review

## Net Gearing Ratio

	As at end of					
SS'000	FY2012	FY2013	FY2014	FY2015	FY2016	9M2017
<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>48,534</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>38,461</b>
<b>Total Equity less Goodwill</b>	<b>28,411</b>	<b>33,898</b>	<b>40,999</b>	<b>36,929</b>	<b>44,353</b>	<b>42,330</b>
<b>Net Gearing Ratio*</b>	<b>10%</b>	<b>19%</b>	<b>-19%**</b>	<b>-10%**</b>	<b>-11%**</b>	<b>22%***</b>

\* Computed based on Total Borrowings less Cash and Cash Equivalents / Total Equity less Goodwill x 100%

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

\*\*\* Disposal of our 4 properties and sale of Carbon Allowances would generate cash of approximately \$15.3 million and \$6.3 million. This would result in a net cash position of \$11.5 million if no additional loan is taken up



# Financial Review

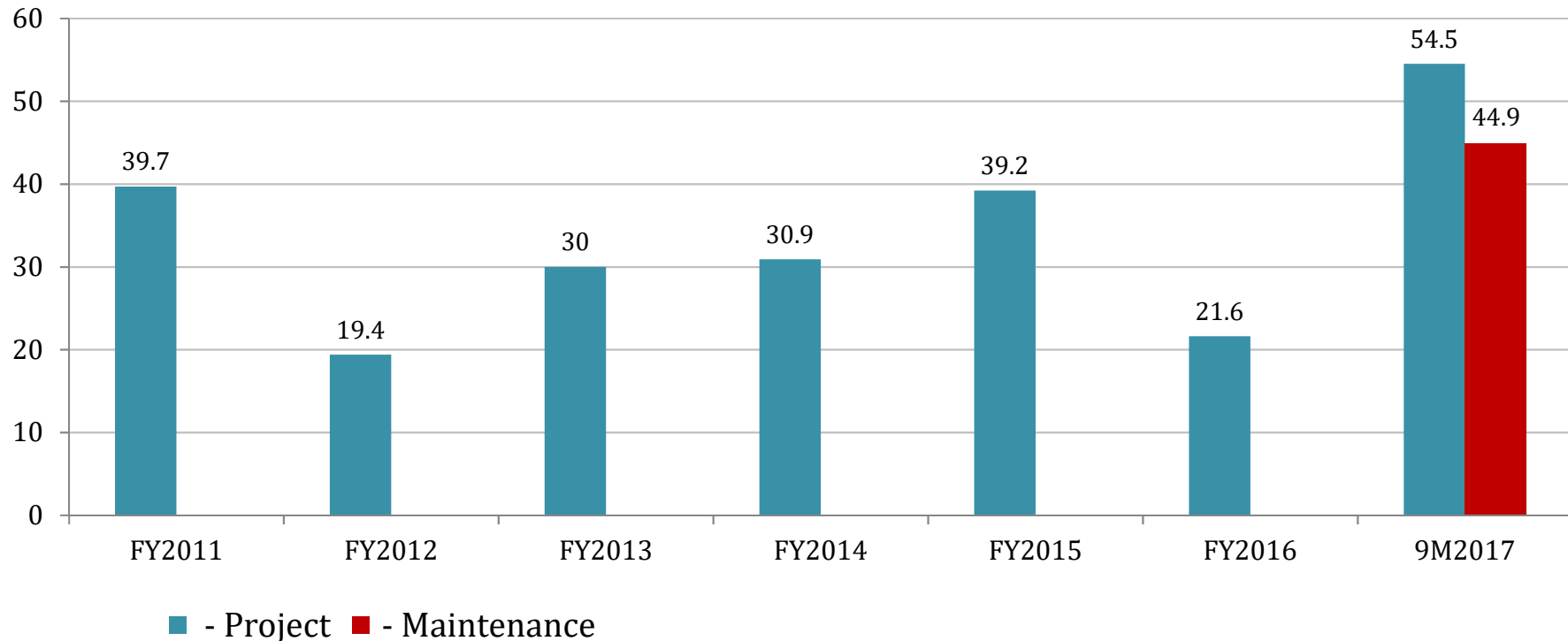
Other Financial Ratios	9M2017	FY2016
Share price on 15 November (cents)	0.56	0.25
Market Capitalisation	218.18	98.30
EPS	0.04	0.03
PE Ratio	15.86	7.81
Dividend Yield	2.49	4.75
Current Ratio	1.51	1.94
Total Debt to Assets	21.84	25.09
Total Debt to Equity	45.98	42.04
Return on Asset	11.23	11.36
Return on Equity	21.80	20.22
AR Turnover Days	127.31	114.53
Inventory Turnover Days	70.94	54.78
AP Turnover Days	114.58	79.49
Cash Conversion Cycle	83.67	89.82
Debt Servicing Ratio	2.05	2.68

Certain information above are extracted from Bloomberg, 15 November 2017



# Financial Review

## 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 9M2017, maintenance contracts are included and the values are estimated based on historical revenue trends.

SIP contract of \$33.6 million is included in 9M2017 project order book.



# Financial Review

## Recent Contract Winning Momentum

### Oct 23, 2017 - Total value: **S\$5.1m**

- MHS : provision of labour and materials to perform scaffolding works for repeat customer
- NFC : supply of valve remote control and tank gauging systems for repeat customer and tidal gate maintenance for new customer
- EE : servicing, inspection and testing of lifting equipment, pressure vessels and gas holders for repeat customer

### 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

**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



# 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**

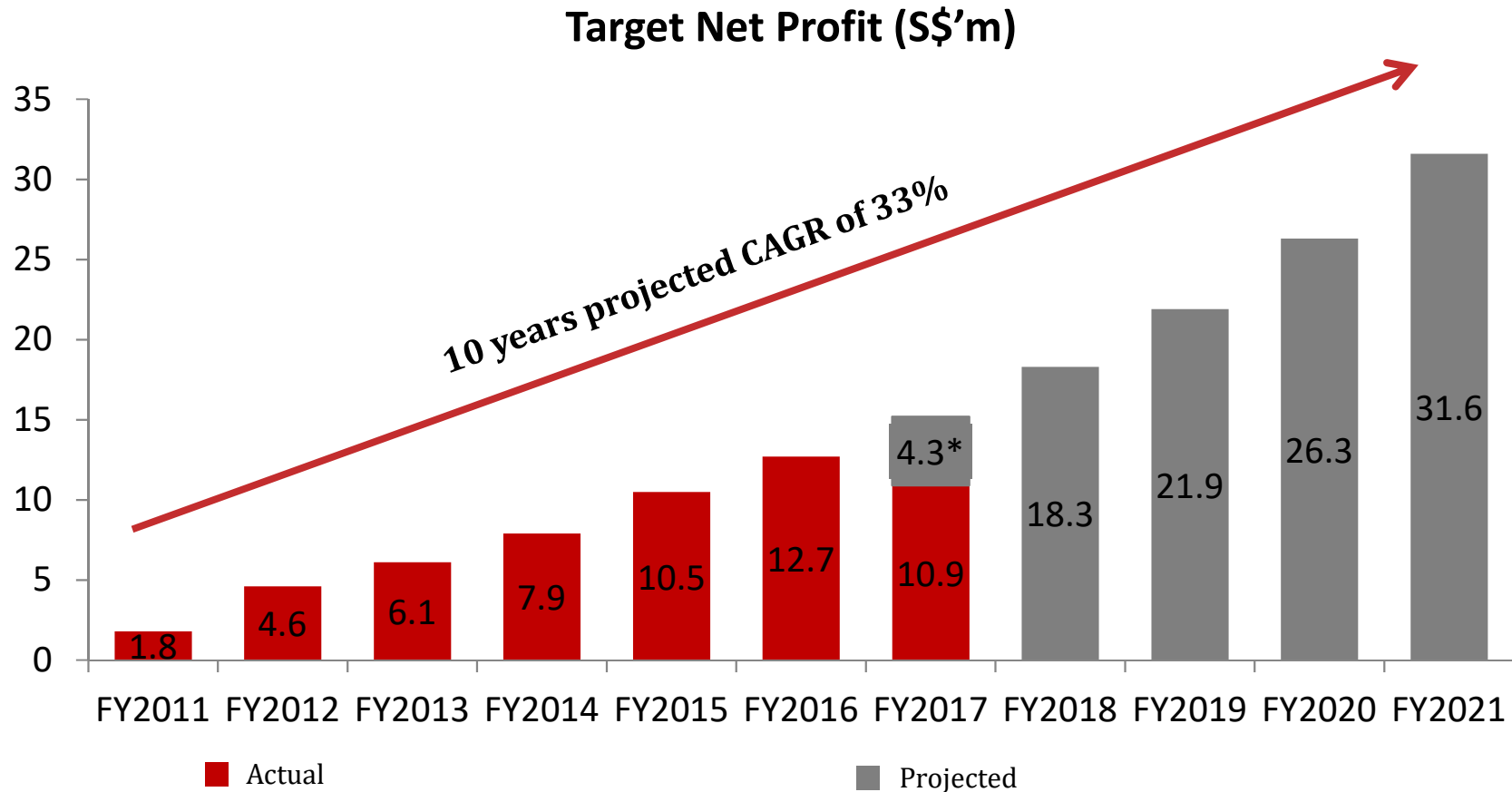
- NSZ & ASZ: machining and mechanical assembly for several repeat and new customers
- AEA & AEO : insulation works for repeat customers
- MHS : capital and ad-hoc projects with repeat customers
- AEA & MHS : renewed maintenance contracts with several repeat customers

**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



# Projected 10 years CAGR – for Illustrative Purposes only



\* : Achieved 72% of \$15.2 million for FY2017

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.





# Building Blocks for FY2018

\$99.4 million Order Book over 1 to 3 Years

Full Year Contribution from Ensure Engineering

Carbon Allowances

Right Sizing System Integration Business

Consolidation of Businesses into 2 Tuas Ave 10

M&A



## Carbon Allowance

- Guangdong price on 14 November 2017 is RMB 14
- Pending announcement on launch of National Emission Trading System. Thereafter, conversion of our units to National Trading System would take place
- With a guaranteed price by our counterparty, we would have a minimum gains of approximately S\$900,000



# Right Sizing System Integration Business





# Consolidation of Businesses in 2 Tuas Ave 10



5 Kwong Min Road



24 Benoi Place



Purchase of 2 Tuas Ave 10 (opposite Ensure) to house Nordic Flow Control, Austin Energy and Multiheight Scaffolding (land area: 60,009 sq ft; gross floor area: 67,572 sq ft; purchase price: \$6.2million; valuation: \$13 million; Tenure: 32 years)



2 Tuas Ave 10



## Consolidation of Businesses in 2 Tuas Ave 10

- Kwong Min Road (land area: 43,400 sq ft; gross floor area: 30,926 sq ft; current market: \$3 million; Tenure: 5 years with option to renew another 15 years)
- 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 \$3.1 million)
- 42 Tech Park (received offer)



# Outline



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



# Business Outlook



Source: Brent Crude 5-Year Chart , Bloomberg, 11 November 2017

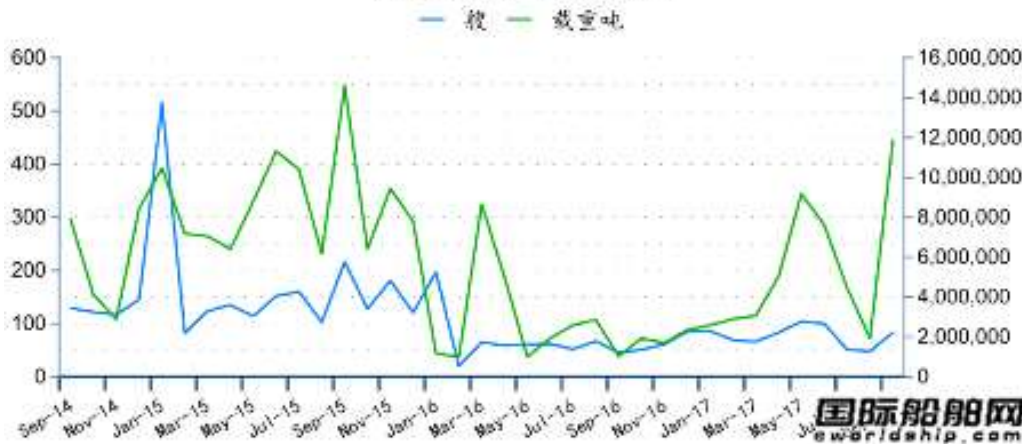
	30/10/16	30/10/17
<b>Global</b>	<b>2,081</b>	<b>2,077</b>
<b>OPEC</b>	<b>422</b>	<b>423</b>
<b>Asia – Total</b>	<b>189</b>	<b>213</b>
<b>Asia – Offshore</b>	<b>92</b>	<b>89</b>

Source: Baker Hughes Oil Rig Count, Bloomberg, 11 November 2017

## Upstream Oil & Gas Outlook

- Brent crude oil prices have broken through the tight range between US\$50-60, since recovering from 5-year low of US\$27.88 on 20 January 2016, hitting a new high of US\$64.27 on 6 November 2017
- Demands for maintenance services is expected to remain stable while project services is expected to improve along with higher oil prices

全球新签订单变化情况



Legend: Number of Vessels V Total DWT

Source: Global New Build Orders, E World Ship, 23 October 2017

Monthly	30/1/17	30/9/17
Total No. of New Build Orders	33	83

## Marine & Shipbuilding Outlook

- Total number of new build orders declined from the peak of 2015 levels of approximately 500 vessels to 83 vessels in the month of September 2017
- However the overall situation has been improving for both the Total DWT ordered and new build orders towards end 2017
- Nordic has since diversified its revenue streams and clientele base from the sector





# 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.

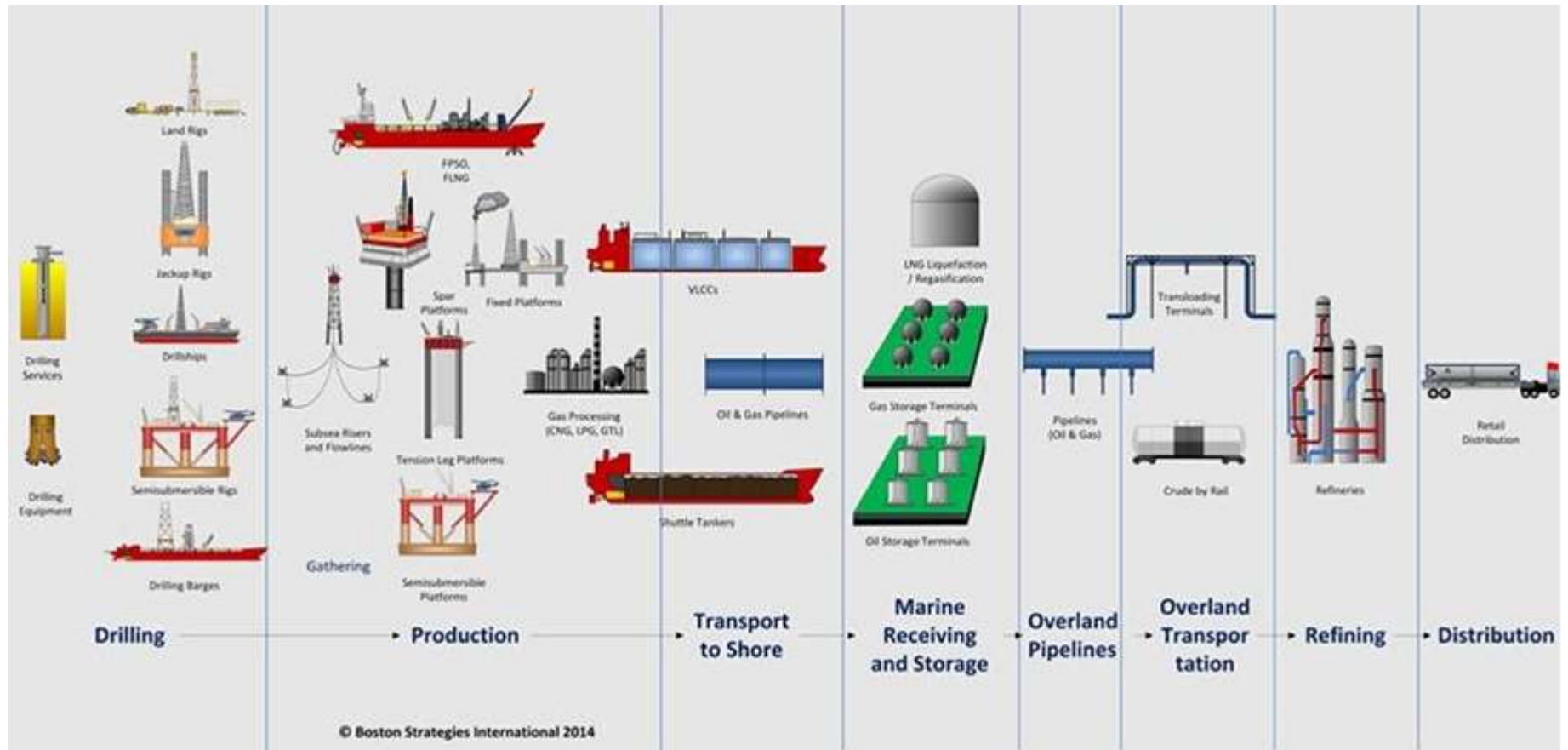
However, we are optimistic with **secured contract wins to date largely from the onshore and downstream oil and gas sectors; the prudent cost and risk management initiatives** undertaken; and the **opportunities for further M&A**, we will continue to deliver value to shareholders.

# Outline



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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**



# 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 9M2017 EBITDA: S\$3.3m

Group FY2015 Net Cash: S\$3.4m  
 Group FY2016 Net Cash: S\$4.2m  
 Group 9M2017 Net Debt: S\$5.3m

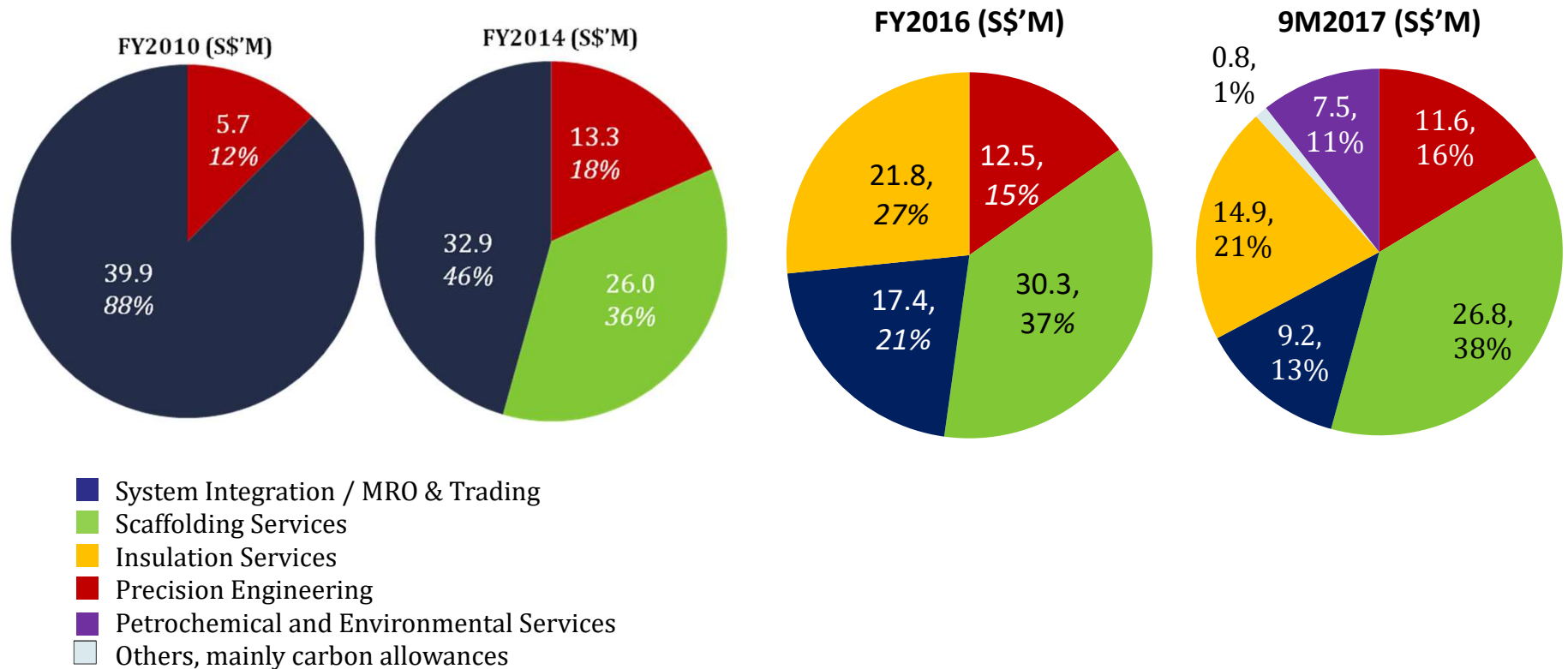
## 2017 Ensure Engineering

- 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 \$7.4 million

Ensure 9M2017 EBITDA: S\$3.3m

Group 9M2017 Net Debt: S\$5.3m

## 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.**

# 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 in April 2017

## Healthy Order Book

Order book of approximately **S\$99.4 million** on hand, including maintenance contracts. Contract winning momentum of **S\$61.3 million** secured in 2017.



## Dividend Payout

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



## 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 the acquisition of Ensure Engineering.





# Historical NGL Share Price – since IPO



Source: Yahoo Finance, 13 November 2017

Capital gains of 667% from the lowest of 0.075 cents in May and November 2011 to highest of 0.575 cents on 13 November 2017



# Our Share Price vs ST Index



Source: Bloomberg, 13 November 2017





# How do We Compare to Our Peers?

## Balance Sheet Indicators

	Nordic Group, MR7	Hai Leck Holdings, BLH	Mun Siong Engineering, MF6	PEC Ltd, IX2	Hiap Seng Engineering, 510	Rotary Engineering, R07	Viking Offshore, 557	Jason Marine, 5PF
Financial Year End	December	June	December	June	March	December	December	March
Share price on 15 November (cents)	0.56	0.58	0.07	0.64	0.14	0.45	0.02	0.13
Market Capitalisation	218.18	118.86	41.93	162.96	42.53	255.38	17.58	13.96
EPS	0.04	0.04	-	0.03	0.01	0.03	(0.02)	0.01
PE Ratio	15.00	14.87	10.75	10.16	-	17.58	-	10.69
Dividend Yield	2.49	8.62	2.11	3.97	7.19	1.12	-	-
Current Ratio	1.51	4.07	4.54	2.16	1.87	1.34	1.05	3.36
Total Debt to Assets	21.84	0.12	0.17	2.50	13.68	5.22	25.06	-
Total Debt to Equity	45.98	0.15	0.21	3.97	26.38	10.67	49.67	-
AR Turnover Days	127.31	115.12	77.16	79.64	56.61	138.15	229.11	110.30
Inventory Turnover Days	70.94	6.94	44.71	0.52	-	37.22	170.31	92.12
AP Turnover Days	114.58	60.55	23.58	27.20	80.89	99.17	78.13	58.86
Cash Conversion Cycle	83.67	61.51	98.29	52.96	(24.28)	76.20	321.29	143.56

Source: Bloomberg or Yahoo Finance, 15 November 2017



# How do We Compare to Our Peers?

## Profit or Loss Indicators

	Nordic Group, MR7	Hai Leck Holdings, BLH	Mun Siong Engineering, MF6	PEC Ltd, IX2	Hiap Seng Engineering, 510	Rotary Engineering, R07	Viking Offshore, 557	Jason Marine, 5PF
Financial Year End	December	June	December	June	March	December	December	March
<b>Return on Asset</b>	11.23	5.30	5.11	4.04	(2.46)	4.00	(11.58)	2.02
<b>Return on Equity</b>	21.80	6.63	6.73	7.03	(4.63)	6.19	(11.95)	3.61
<b>Net Profit Margin</b>	16.36	7.26	4.46	3.77	(2.12)	1.73	(38.73)	(12.32)
<b>Gross Profit Margin</b>	33.81	44.61	10.58	20.75	9.02	21.98	44.15	26.91
<b>EBITDA Margin</b>	23.60	13.46	9.46	6.46	0.67	7.71	(30.38)	6.72
<b>Operating Margin</b>	20.36	7.39	4.90	2.86	(3.35)	6.36	(35.87)	5.13
<b>Revenue</b>	89.69	109.27	86.86	417.08	134.76	51.84	9.08	28.86
<b>Net Income</b>	14.73	7.89	3.76	15.71	(2.86)	1.96	(2.44)	0.86
<b>EBITDA</b>	21.17	14.65	8.08	26.92	0.91	4.07	(0.98)	1.94
<b>Interest Coverage</b>	14.54	736.33	-	102.48	(62.41)	25.98	(0.82)	53.05

Source: Bloomberg or Yahoo Finance, 15 November 2017. Using trailing 12 months



# 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%
<b>Total</b>			<b>0.0475</b>	



# 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
<b>VOLUME WEIGHTED AVERAGE PRICE</b>		<b>S\$0.188</b>	

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%

## 20 October 2017 :

Director	No. of shares held	% shareholdings*
Chang Yeh Hong**	217,699,225	55.38%
Eric Lin Choon Hin	44,050,000	11.27%
Dorcas Teo Ling Ling	31,939,500	8.12%
	293,688,725	74.77%

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

\*\* Purchased 5,677,500 ordinary shares at \$0.50 on 12 and 20 October 2017



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# FRS 115 – Core Principle and 5 Steps Approach

## Singapore Financial Report Standards (“FRS”) 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):**

Customer concurrently receives & consumes the benefits provided by the entity’s performance as the entity performs *(for service cts where no asset created & customer consumes the service as it is provided)*

Entity’s performance creates or enhances a customer-controlled asset  
*(customer controls work in progress as entity manufactures)*

Entity’s performance does not create an asset with an alternative use and the entity has a right to payment for performance completed to date *(customer does not control an asset as it is created or no asset is created)*



## International Financial Reporting Standards 15 – Contracts with Customers

Revenue streams affected:

Business	Remarks
System Integration	<ul style="list-style-type: none"><li>- Change in accounting method for New builds where revenue will be recognised at the point in time upon delivery of goods</li><li>- No change for Conversion jobs. Revenue will continue to be recognised over time based on percentage of completion.</li></ul>
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"><li>- Revenue derived from project contracts will be recognised over the project duration on straight-line basis.</li><li>- Revenue derived from maintenance contract will recognise over the scaffold usage period stipulated on service contract.</li></ul>





## FRS 115 Update

Revenue is based on deliveries – 3Q2017 S\$4 million vs 3Q2016 S\$4.2 million

Accrued revenue to be invoiced – 30 Sep 2017 S\$1.5 million

- System Integration Business

Revenue is based on time proportion for use of asset – 3Q2017 S\$8.5 million vs 3Q2016 \$8.3 million

- Scaffolding Business





*Building Momentum, Capturing Opportunities*

# Thank You

For more information, please contact

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