Building Momentum, Capturing Opportunities

Nordic Group Limited

1Q2018 Results Briefing

14 May 2018

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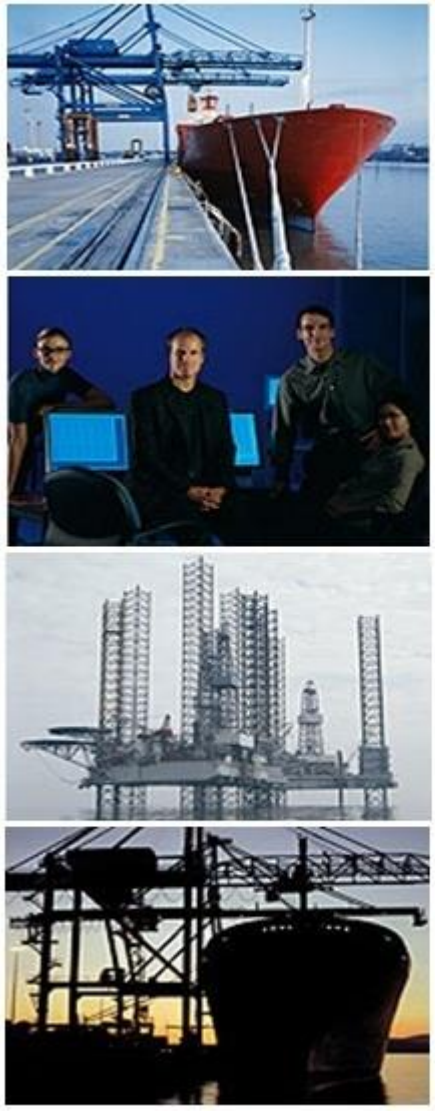
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Outline



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

Key Highlights

- **1Q2018 Revenue + 14% to S$22.7 million**
  1Q2018 Net Profit + 22% to S$3.4 million
- **Outstanding Order Book (including maintenance contracts) of S$99.3 million.**
- **2018 Contract Winning Momentum of S$33.6 million**
- **Net Profit CAGR of 43% from FY2011 to FY2017**

Financial Review

S$'000	Unaudited 1Q2018	Unaudited 1Q2017	Change (%)
Revenue	**22,708**	19,923	14
Gross Profit	**6,845**	6,104	12
Gross Profit Margin (1)	***30.1%***	*31.6%*	*1.5 ppts*
Net Profit after Tax	**3,441**	2,810	22
Net Profit Margin (1)	***15.2%***	*14.1%*	*1.1 ppts*
EBITDA	**4,671**	4,185	12
EBITDA Margin (1)	***20.6%***	*21.0%*	*(0.4)ppts*
EPS (cents) (2)	**0.9**	0.7	29

(1) Removing the effect of carbon allowance, GPM, NPM and EBITDA Margin for 1Q2017 is 30.3%, 12.4% and 19.9% respectively
(2) Computed based on weighted average number of 393,102,000 ordinary shares for 1Q2018 and 393,175,000 ordinary shares for 1Q2017

Financial Review

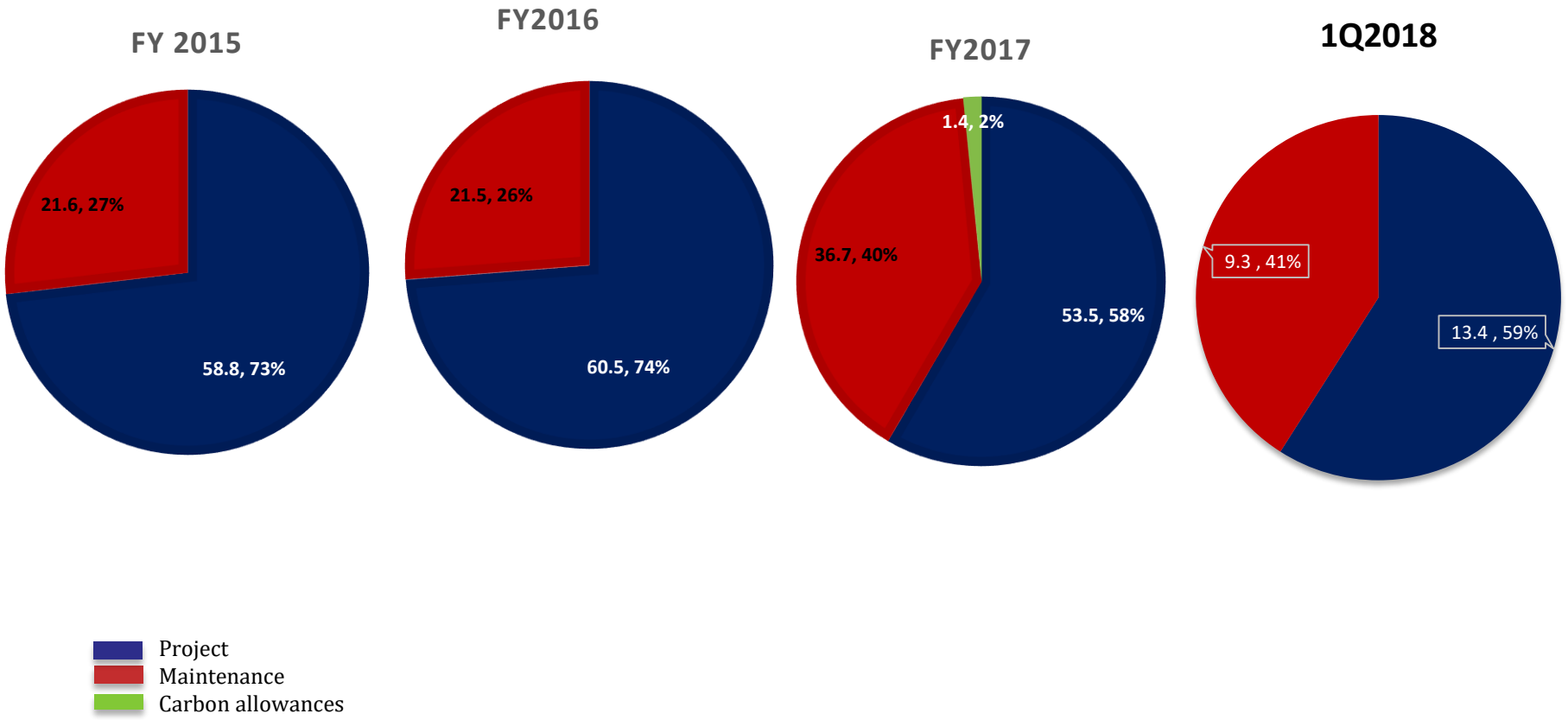
Revenue breakdown by segment

S$ '000	Unaudited 1Q2018	Unaudited 1Q2017	Change (%)
Project Services	**13,364**	13,061	2
Maintenance Services	**9,344**	5,475	71
Others	**-**	1,387	(100)
Total	**22,708**	19,923	14

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

Financial Review

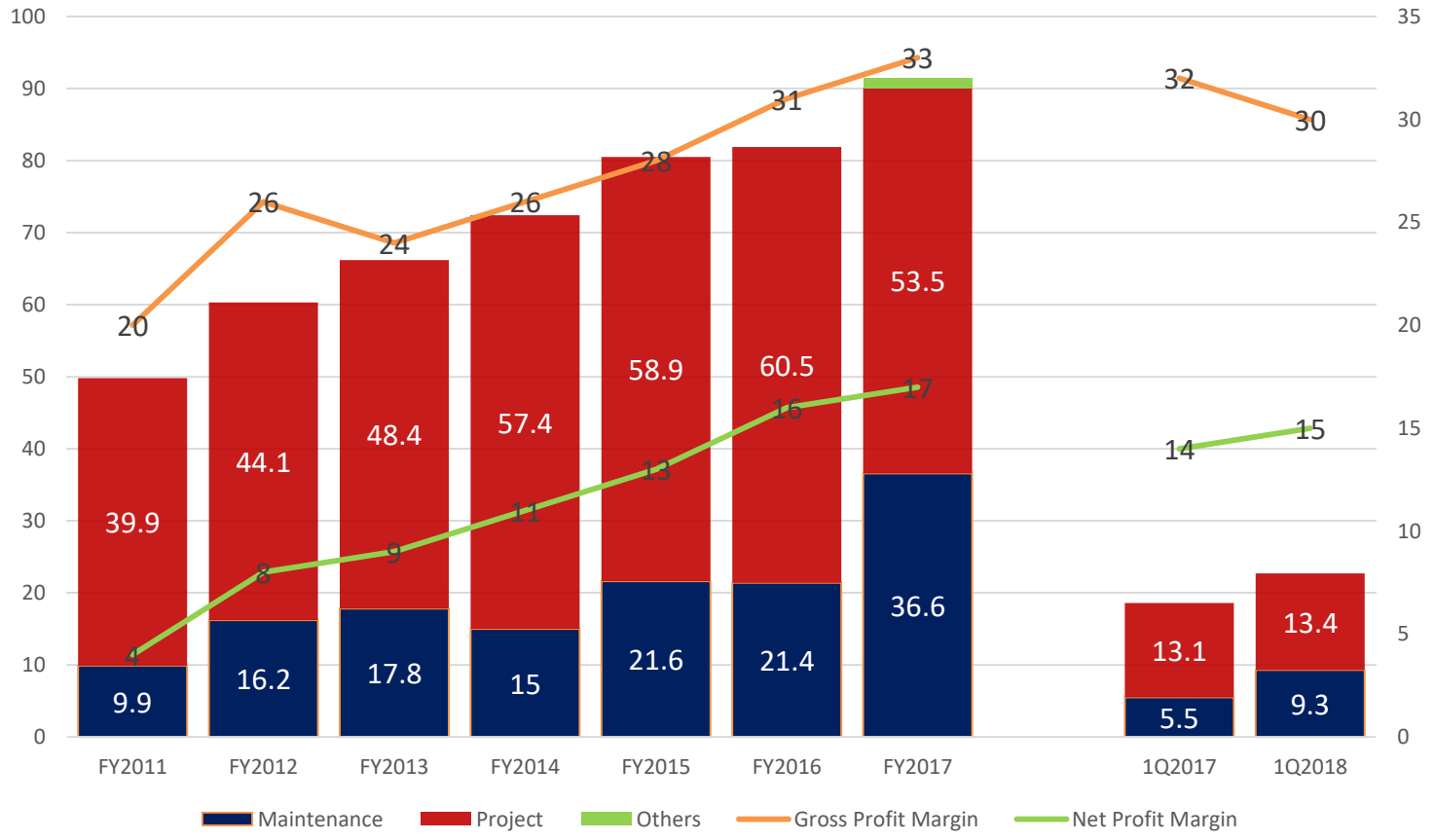
Revenue Breakdown by Segment



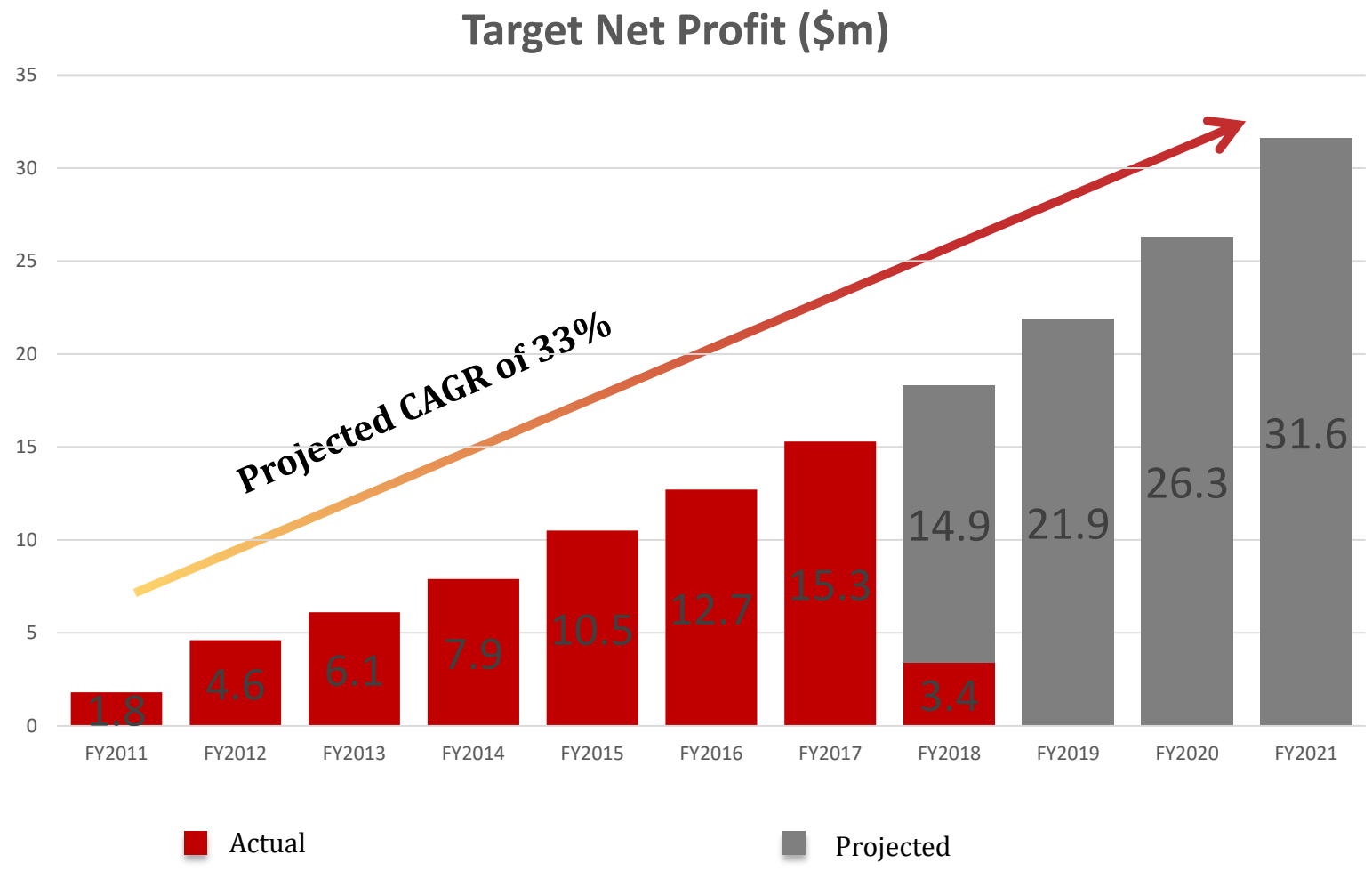
- Revenue from Maintenance Services is boosted by contributions from Ensure from FY2017

Financial Review

Revenue and Profit Margin



Projected 10 years 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

S$'000	Unaudited as at 31 March 2018	Audited as at 31 December 2017
Current Assets [1]	**94,579**	99,041
Non-current Assets	**51,934**	52,268
Current Liabilities [2]	**49,819**	57,922
Non-current Liabilities	**16,580**	16,773
Total Equity	**80,114**	76,614
Cash and Cash Equivalents	**38,474**	40,291
Net Asset Value per share (cents) [3]	**20.4**	19.5

[1] Included asset held for sale of $10.2m (31 Dec 17: $13.4m) for the properties for sale. One property at 42 Tech Park was sold at $3.425m in January 2018 and we have an offer for another property for $2.425m
[2] Included liabilities held for sale of $8.4m (31 Dec 17: $12.2m)
[3] Computed based on number of 393,060,000 (31 Dec 17: 393,113,000) ordinary shares, excluding treasury shares

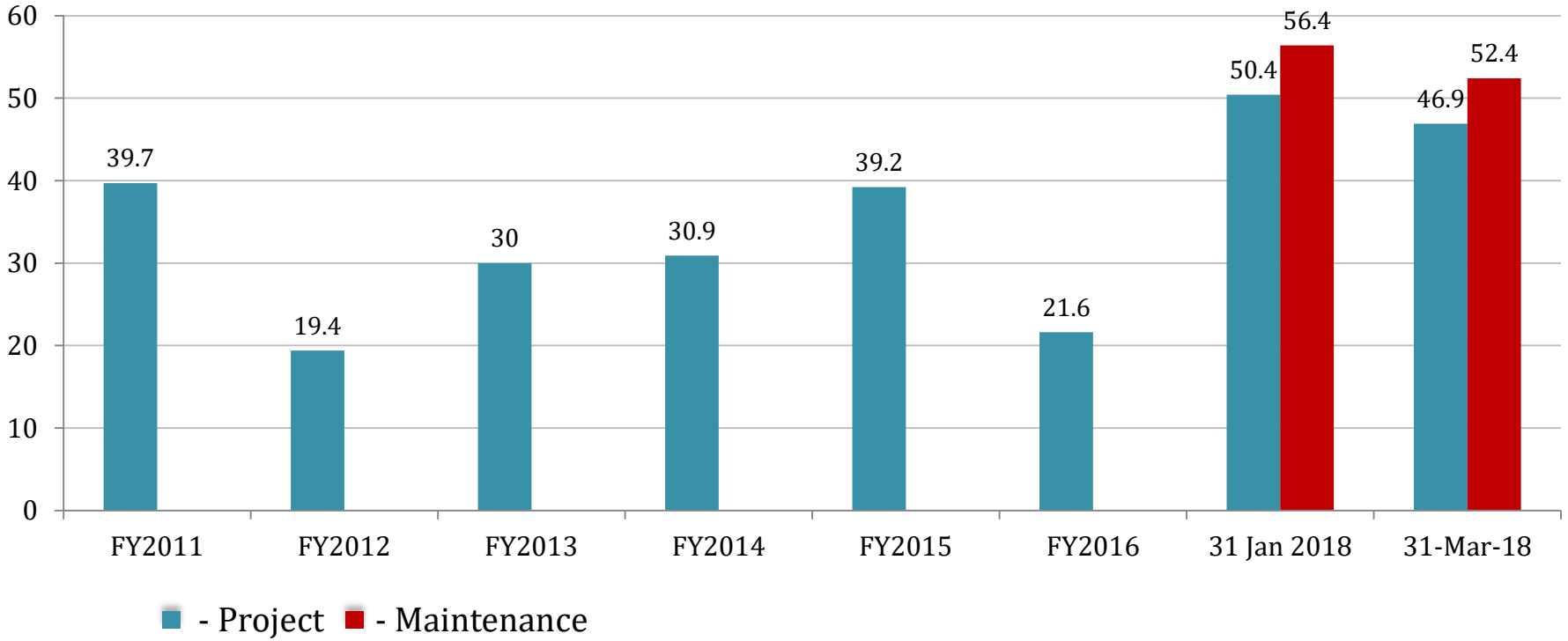
Financial Review

	As at end of						
S$'000	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	31 March 2018
Total Borrowings	26,834	21,539	25,320	32,155	28,085	46,612	41,306
Cash and Cash Equivalents	23,965	14,852	32,799	35,566	32,325	40,291	38,474
Net Debt/(Cash)	2,869	6,687	(7,479)	(3,411)	(4,240)	6,321	2,832
Net Gearing Ratio[1]	10%	19%	-19%[2]	-10%[2]	-11%[2]	13%[3]	6%

(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

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 FY2017, maintenance contracts are included and the values are estimated based on historical revenue trends.

SIP contract of $31.1m (31 Jan 18: $32.1 million) is included in project order book.

Financial Review

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: Pending JTC approval. 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 $3.1 million)









Business Outlook



Source: Brent Crude 5-Year Chart , Macro trends, 11 May 2018

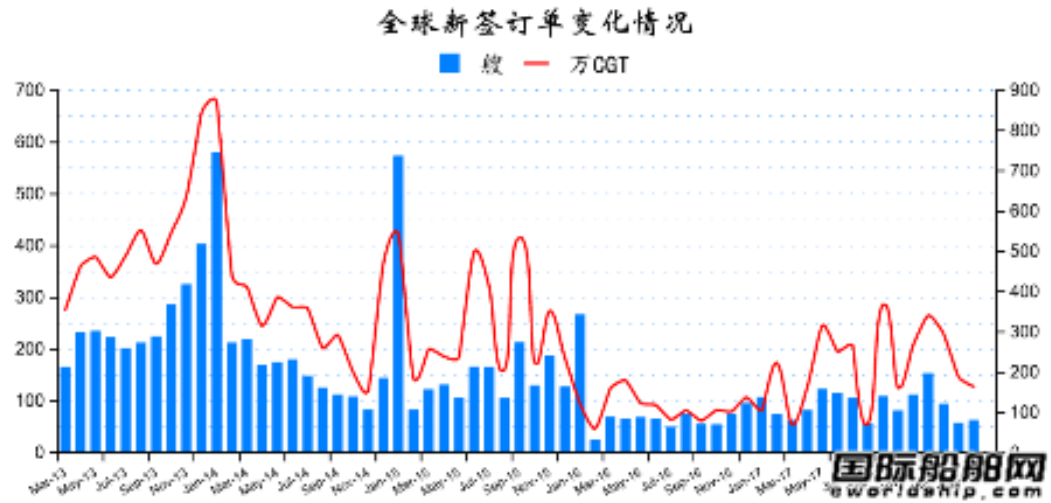
	30/3/2017	30/3/2018
Global	**1935**	**2179**
Asia – Offshore	**76**	**71**

Source: Baker Hughes Oil Rig Count, Bloomberg, 31 March 2018

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, recently have been trading above US$70 per barrel
- We expect demand for maintenance services to remain stable while project services to improve along with higher oil prices

Business Outlook



Legend: Number of Vessels V Total DWT

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

Monthly	31/3/2017	30/3/2018
Total No. of New Build Orders	56	62

Marine & Shipbuilding Outlook

- Total number of new build orders declined from the peak of 2014 levels of approximately 500 vessels, however orders have improved from 56 vessels to 62 vessels over the year
- However the overall situation has been improving for both the Total DWT ordered and new build orders
- Nordic has since diversified its revenue streams and clientele base from the sector

Business Outlook

General Business Outlook

- Nordic Group serves the marine, oil and gas industries whose operating environment and business conditions remain 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

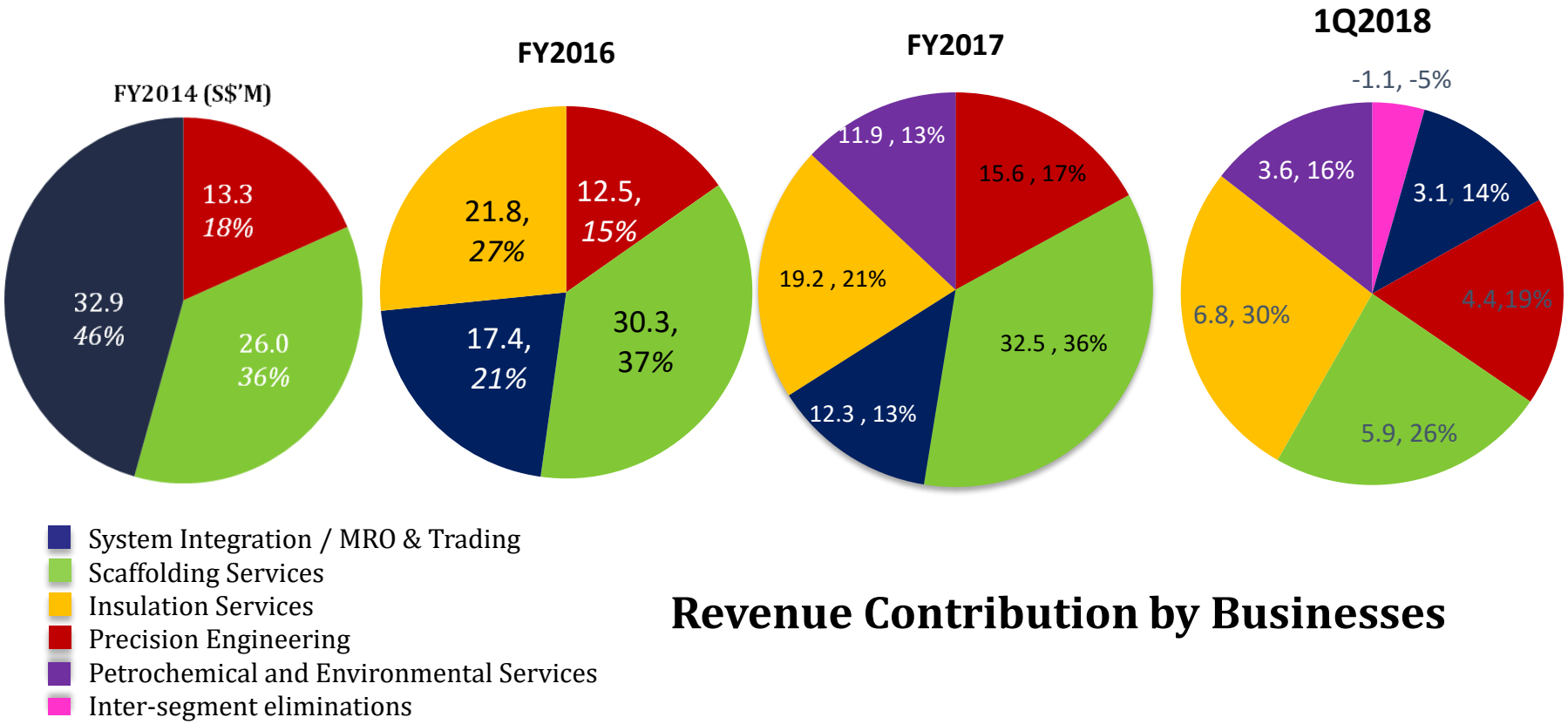
2017
Ensure Engineering

- 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 1Q2018 EBITDA:	S$1.2m
Group FY2017 Net Debt:	S$6.3m
Group 31 Mar 2018 Net Debt:	$2.8m

* For period 1 May 2017 to 31 Dec 2017

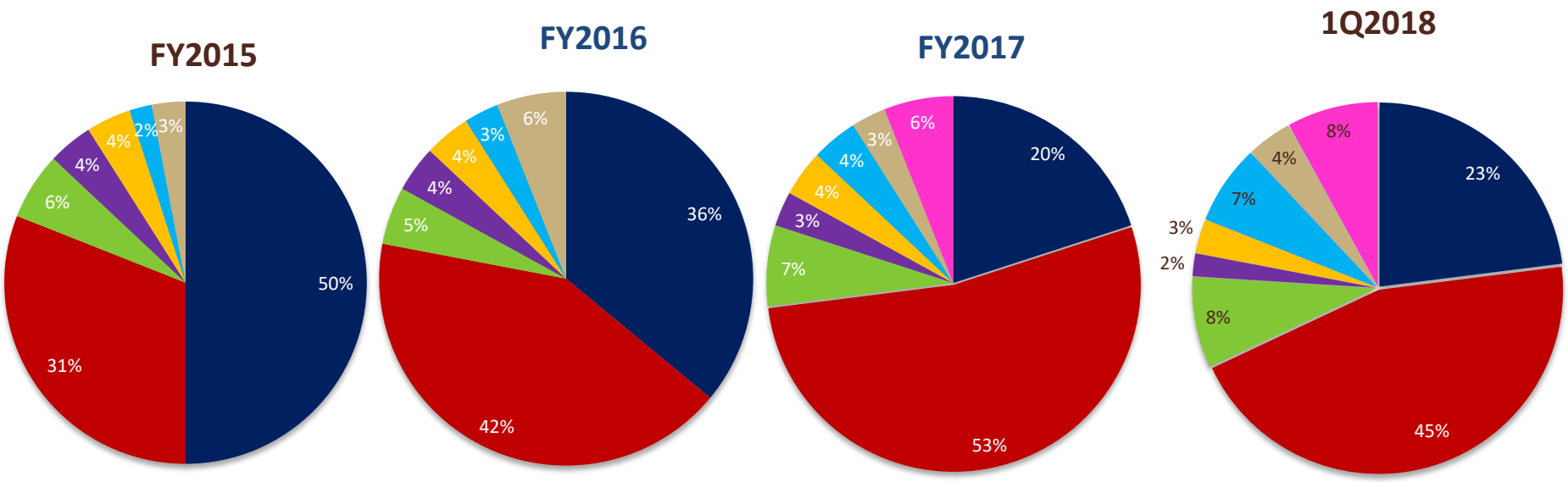
Diversified Model – Improved Earnings Quality



Revenue Contribution by Businesses

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



- Onshore/Downstream
- Marine/Upstream
- Electronics Manufacturing System
- Onshore/Infrastructure
- Analytical Instrumentation
- Medical/Industrial
- Pharmaceuticals
- Aerospace

Revenue Contribution by Industry

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$99.3 million** on hand, including maintenance contracts. Contract winning momentum of **S$33.6 million** secured up to 3 May 2018.

Dividend Payout

- Half-yearly dividend payout from FY15 onwards
- **~ 40%** dividend payout policy
- FY17 dividend: **1.526 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

	1Q2018	FY2017	FY2016	FY2015	FY2014	FY2013
Share price (cents)	0.55	0.56	0.25	0.19	0.11	0.11
Market Capitalisation	216	220	98	75	43	42
EPS (cents)	4 (4)	3.9	3.2	2.6	2.0	1.5
PE Ratio	13.75(4)	14.36	7.81	7.27	5.40	7.07
Dividend Yield	2.77	2.73	5.08	5.56	2.31	2.36
Current Ratio	1.90	1.71	1.94	1.75	1.91	1.73
Total Debt to Equity (1)	52.20(3)	61.57	42.04	54.15	47.51	46.63
Return on Asset	12.42(4)	11.60	11.36	10.36	9.29	7.72
Return on Equity	21.26(4)	21.29	20.22	18.68	15.80	14.04
Return on Invested Capital (2)	30.3(5)	28.4	37.8	37.2	28.4	18.3
EBITDA/Interest expense	13.56	18.00	18.52	14.93	20.73	14.21

All data extracted from Bloomberg, 12 May 2018 except those with notes

(1) If calculated based on (total borrowings less cash)/equity, total debt to equity would be 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 with liabilities held for sale of $8.4m

(4) Bloomberg – TTM

(5) Calculated by NGL: Same formula as (2) but using TTM for profit before interest and tax

Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount per share (cents)	Payout ratio
May 14, 2018	2017	Final	0.873	40%
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%
Total			**5.6242**	

Nordic's Share Buyback

Share Buyback Mandate
(renewed on 26 April 2018 – AGM):

MONTH OF ACQUISITION	QUANTITY	CUMULATIVE VOLUME	CUMULATIVE % OF TOTAL NO OF ISSUED SHARES **
Share Buyback by way of Market Acquisition			
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
VOLUME WEIGHTED AVERAGE PRICE		S$0.193	

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%

11 May 2018 :

Director / Executive Officer	No. of shares held	% shareholdings*
Chang Yeh Hong	217,699,225	55.39%
Eric Lin Choon Hin	44,050,000	11.21%
Dorcas Teo Ling Ling	31,989,500	8.14%
Chia Meng Ru	1,571,600	0.40%
	295,310,325	75.14%

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

** Calculated based on 393,044,900 ordinary shares*

Thank You

For more information, please contact

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