



*Building Momentum, Capturing Opportunities*

# **Nordic Group Limited**

## **3Q2019 Results Briefing**

**2 December 2019**

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

# Financial Highlights for 3Q2019 and 9M2019

3Q19 Revenue ↓2%

**\$20.9m**

3Q18: \$21.4m

9M19 Revenue ↓12%

**\$61.4m**

9M18: \$70.2m

3Q19 EPS ↓13%

**0.7 cents**

3Q2018: 0.8 cents

3Q19 Net profit ↓12%

**\$2.9m**

3Q18: \$3.3m

9M19 Net profit ↓35%

**\$7.2m**

9M18: \$11.1m

9M19 EPS ↓36%

**1.8 cents**

9M2018: 2.8 cents

3Q19 EBITDA ↓13%

**\$3.9m**

3Q18: \$4.5m

9M19 EBITDA ↓28%

**\$10.7m**

9M18: \$14.8m

NTA per share ↑4.9%

**21.6 cents**

31 Dec 18: 20.6 cents

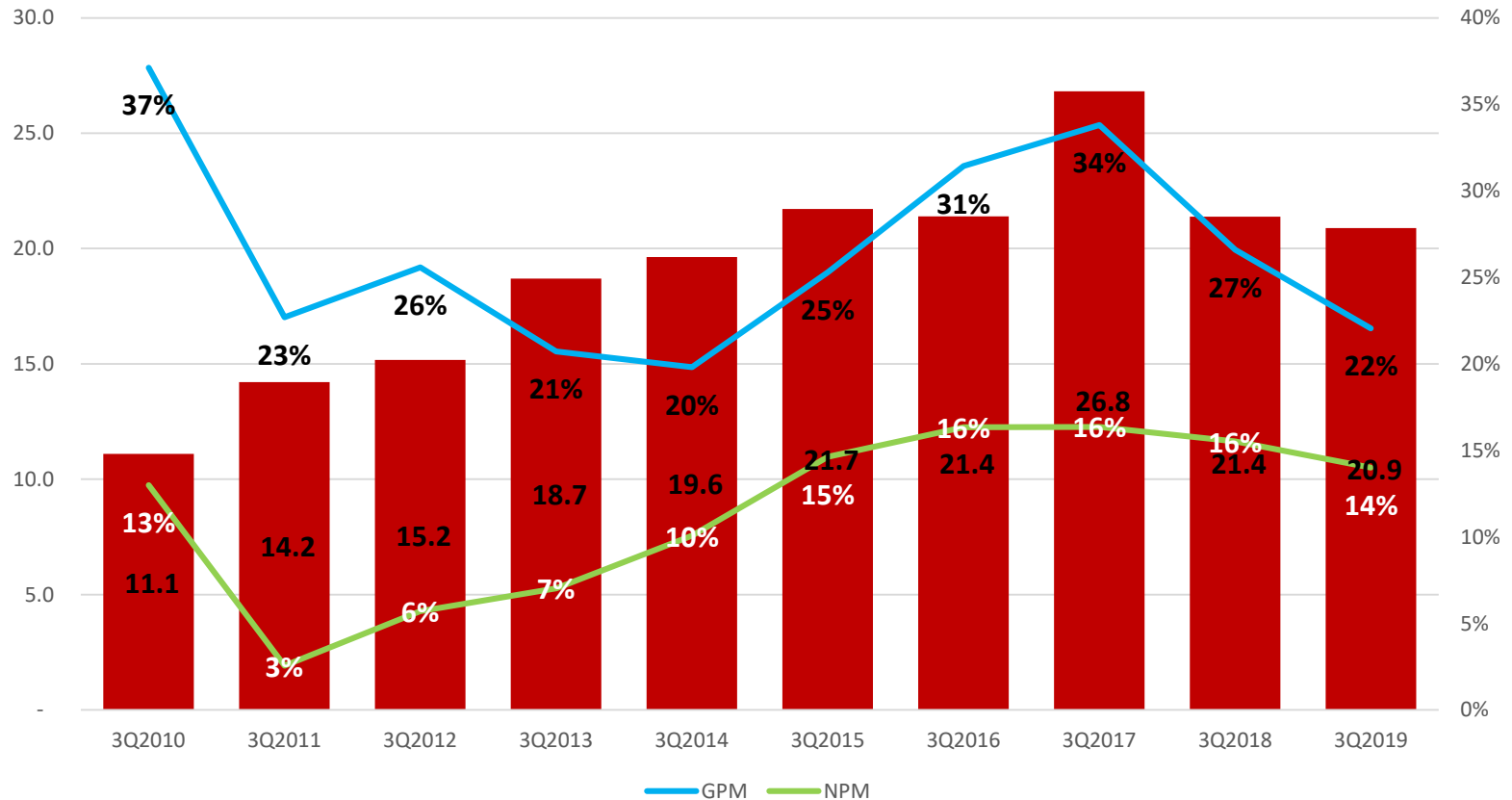
# Financial Review

S\$'000	Unaudited 3Q2019	Unaudited 3Q2018	Change (%)	Unaudited 9M2019	Unaudited 9M2018	Change (%)
<b>Revenue</b>	<b>20,892</b>	21,385	(2)	<b>61,436</b>	70,169	(12)
<b>Gross Profit</b>	<b>4,608</b>	5,688	(19)	<b>15,289</b>	19,693	(22)
<b>Gross Profit Margin <sup>(1)</sup></b>	<b>22%</b>	27%	(5) ppts	<b>25%</b>	28%	(3)ppts
<b>Net Profit after Tax</b>	<b>2,927</b>	3,317	(12)	<b>7,215</b>	11,107	(35)
<b>Net Profit Margin</b>	<b>14%</b>	16%	(2) ppts	<b>12%</b>	16%	(4)ppts
<b>EBITDA</b>	<b>3,951</b>	4,530	(13)	<b>10,652</b>	14,831	(28)
<b>EBITDA Margin</b>	<b>19%</b>	21%	(2)ppts	<b>17%</b>	21%	(4)ppts
<b>EPS (cents) <sup>(2)</sup></b>	<b>0.7</b>	0.8	(13)	<b>1.8</b>	2.8	(36)

(1) Excluding the sale of carbon allowances, GPM for 9m2018 was 29.4%. There was no sales of carbon allowances in 3Q2019 and 9M2019

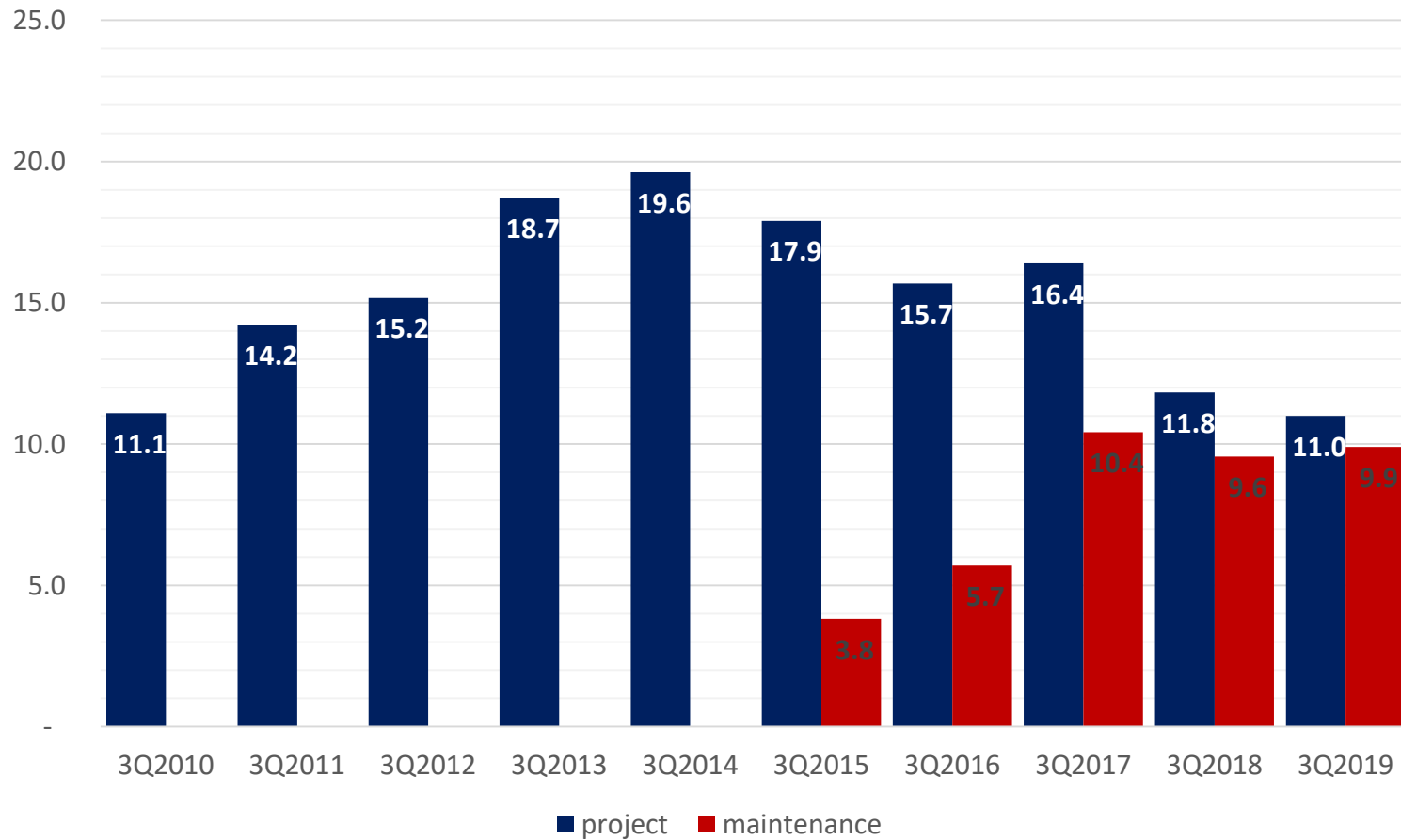
(2) Computed based on weighted average number of 391,904,000 ordinary shares for 3Q2019 (392,992,000 ordinary shares for 3Q2018) and 392,226,000 ordinary shares for 9M2019 (393,047,000 ordinary shares for 9M2018)

## 3Q Revenue and Gross Profit and Net Profit Margins



3Q2010 and 2011 was only the GPM of system integration division. The drop in GPM and NPM in 2011 was mainly due to the downturn of the marine industry and weakening of USD against SGD. Increase in GPM and NPM in 3Q2015 was due to the contribution from Austin Energy post acquisition

## 3Q Segment Revenue



## Balance Sheet Highlights

<b>S\$'000</b>	<b>Unaudited as at 30 September 2019</b>	<b>Audited as at 31 December 2018</b>
<b>Current Assets <sup>(1)</sup></b>	<b>85,935</b>	<b>92,042</b>
<b>Non-current Assets</b>	<b>64,319</b>	<b>59,818</b>
<b>Current Liabilities <sup>(2)</sup></b>	<b>52,238</b>	<b>58,045</b>
<b>Non-current Liabilities</b>	<b>13,266</b>	<b>12,823</b>
<b>Total Equity</b>	<b>84,750</b>	<b>80,992</b>
<b>Cash and Cash Equivalents</b>	<b>39,663</b>	<b>39,232</b>
<b>Net Asset Value per share (cents) <sup>[3]</sup></b>	<b>21.6</b>	<b>20.6</b>

<sup>[1]</sup> Included asset held for sale of \$8.1m (31 Dec 18: \$8.1m) for the properties for sale.

<sup>[2]</sup> Included liabilities held for sale of \$3.0m (31 Dec 18: \$8.4m)

<sup>[3]</sup> Computed based on number of 391,904,000 (31 Dec 18: 392,519,000) ordinary shares, excluding treasury shares



# Financial Review

	As at end of							
S\$'000	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	30 Sep 2019
<b>Total Borrowings</b>	26,834	21,539	25,320	32,155	28,085	46,612	48,807	45,158
<b>Cash and Cash Equivalents</b>	23,965	14,852	32,799	35,566	32,325	40,291	39,232	39,663
<b>Net Debt/(Cash)</b>	2,869	6,687	(7,479)	(3,411)	(4,240)	6,321	9,575	5,495
<b>Net Gearing Ratio<sup>(1)</sup></b>	10%	19%	-19% <sup>(2)</sup>	-10% <sup>(2)</sup>	-11% <sup>(2)</sup>	13% <sup>(3)</sup>	19% <sup>(4)</sup>	10% <sup>(5)</sup>

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

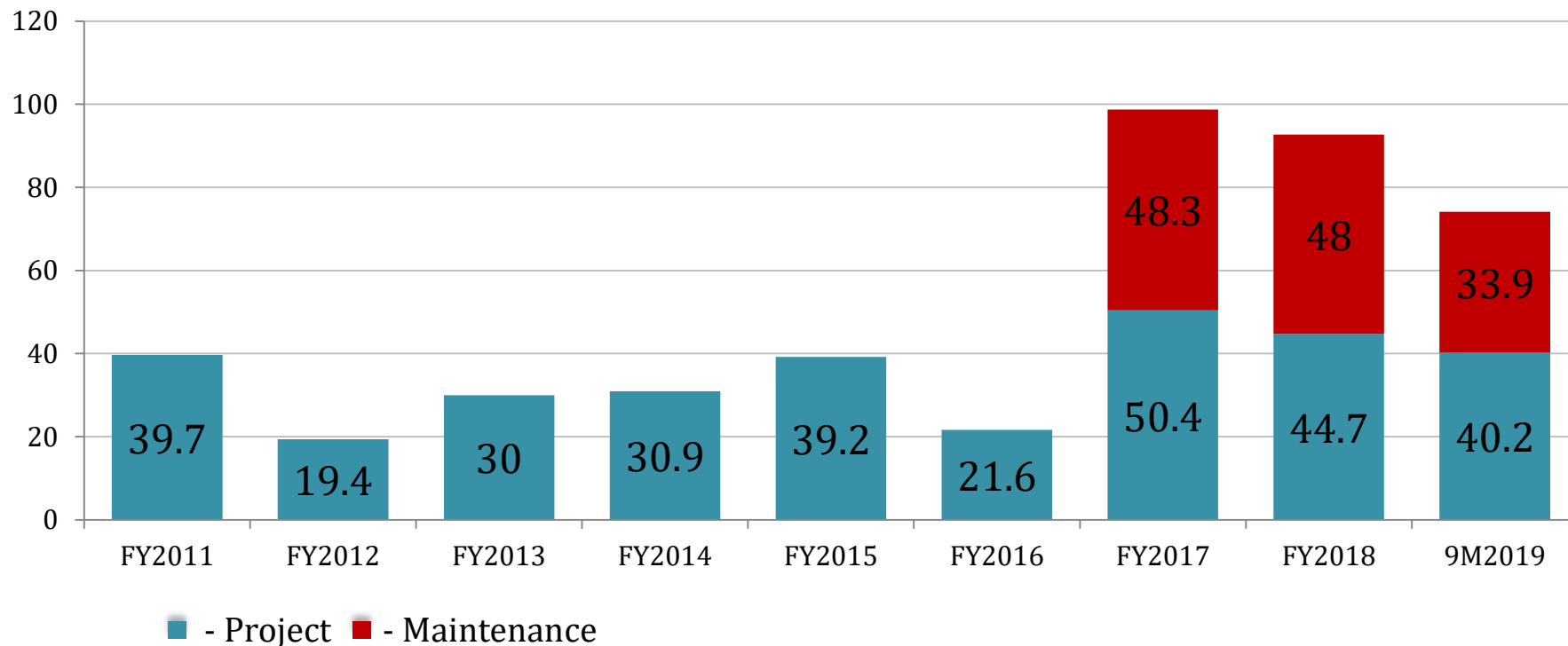
(2) Negative due to the Group being in a Net Cash position

(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

(5) Excluded lease liabilities- current and non current of \$3.8m as these related mainly to the land rent of our properties and certain dormitory leases which have to be capitalized due to the new accounting standard on leases as compared to being a operating lease commitment in the past.

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

SIP contract of \$21.4 million (FY2018: \$25.2 million) is included in project order book.

# Sale of Properties

- 24 Benoi Place (land area: 39,052 sq ft; gross floor area: 45,090 sq ft; current market value: \$5.8 million; Tenure: 12.5 years)
- 133 Tuas View Square (land area: 7,231 sq ft; gross floor area: 10,200 sq ft; 5 years commercial dormitory license from April 2019; current market value \$3.5 million)

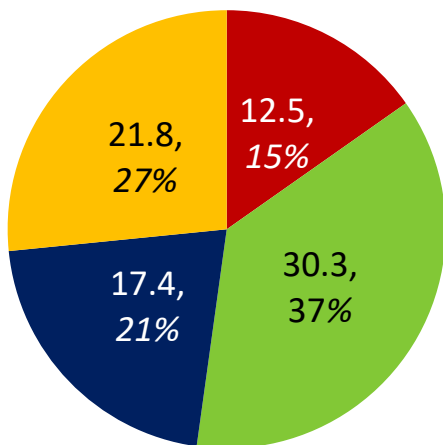


## General Business Outlook

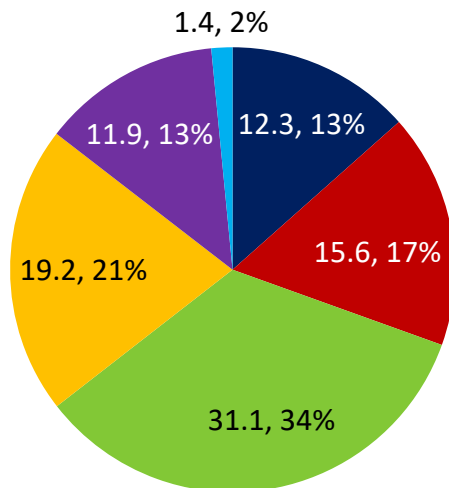
- Nordic Group serves the marine, oil and gas industries whose operating environment and business conditions remain challenging.
- Sustainability of oil price recovery
- Fluctuations in the exchange rate of the US dollar against the Singapore dollar and trade war between US and China
- Our Group expects 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.***

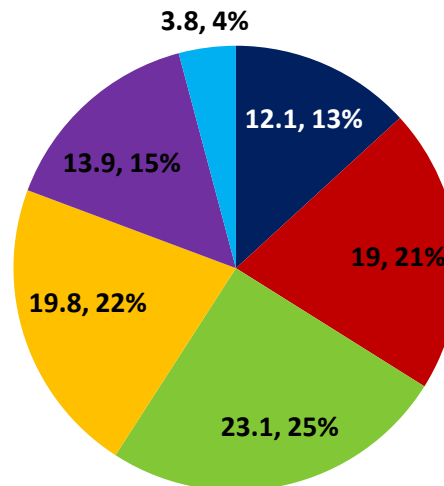
FY2016



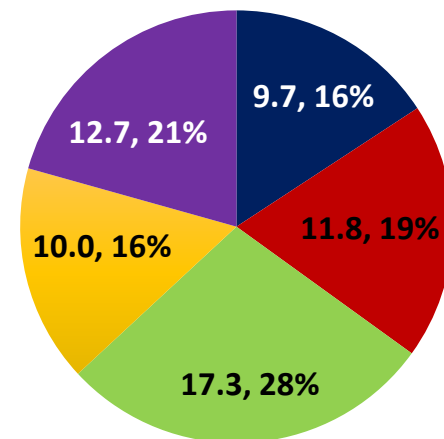
FY2017



FY2018



9M2019



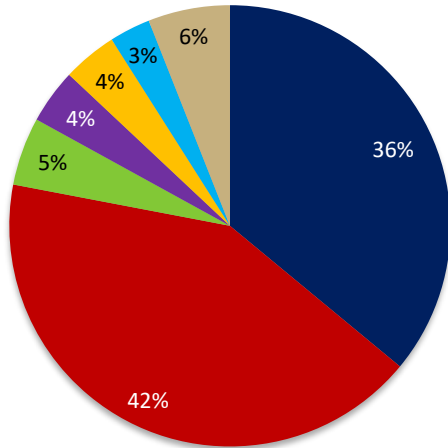
- System Integration / MRO & Trading
- Scaffolding Services
- Insulation Services
- Precision Engineering
- Petrochemical and Environmental Services
- Carbon allowances

## Revenue Contribution by Businesses

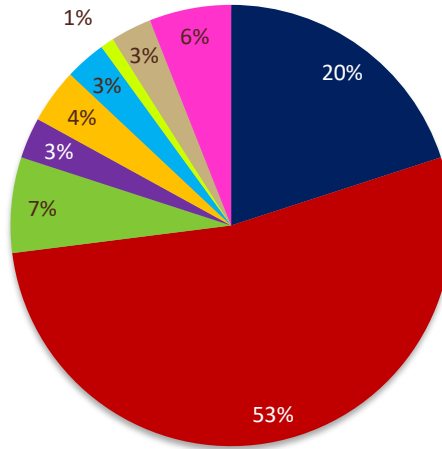
Note: Combined contracts between the entities such as SIP contracts are reflected in the entity who won the contracts. Value is approximately FY17:\$1.3m, FY18:\$3.6m, 1H19:\$2.1m

**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.**

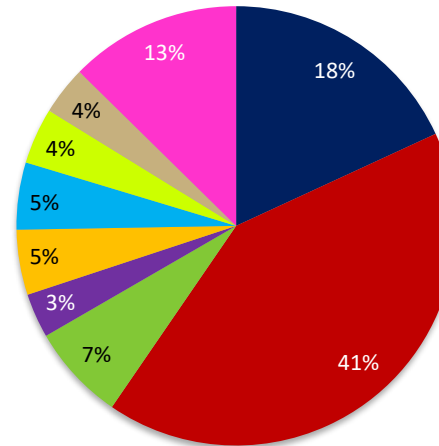
FY2016



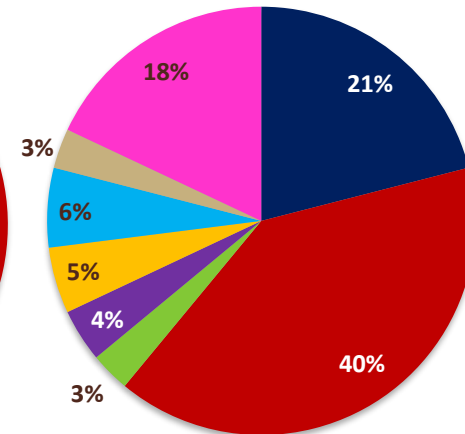
FY2017



FY2018



3Q2019



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

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

## Healthy Order Book

Order book of approximately **S\$74.1 million** on hand, including maintenance contracts. Contract winning momentum of **S\$18.6 million** secured up to 9 May 19.

## Dividend Payout

- Half-yearly dividend payout from FY15
- ~ **40%** dividend payout policy
- FY19 interim dividend: **0.429 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.

# Dividend Payout

Payment date	Financial Year	Final / Interim / Special	Amount per share (cents)	Payout ratio
Sep 5, 2019	2019	Interim	0.429	40%
May 14, 2019	2018	Final	0.353	
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	
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%
<b>Total</b>			<b>7.1852</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>			
September 2015	1,086,500	1,086,500	0.27
October 2015	1,800,100	2,886,600	0.72
November 2015	346,400	3,233,000	1.47
December 2015	1,436,200	4,669,200	1.54
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 2017	30,500	6,855,100	1.71

Source : SGX Announcement

\*\* Up to a maximum of 40 million shares being 10% of total issued shares of 400 million shares (including treasury shares).



# 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>			
June 2017	32,000	6,887,100	1.72
March 2018	53,000	6,940,100	1.74
April 2018	15,000	6,955,100	1.74
September 2018	208,300	7,163,400	1.79
November 2018	186,300	7,349,700	1.84
December 2018	131,200	7,480,900	1.87
May 2019	477,100	7,958,000	1.99
June 2019	138,500	8,096,500	2.02
<b>VOLUME WEIGHTED AVERAGE PRICE</b>		<b>S\$0.2144</b>	

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 :

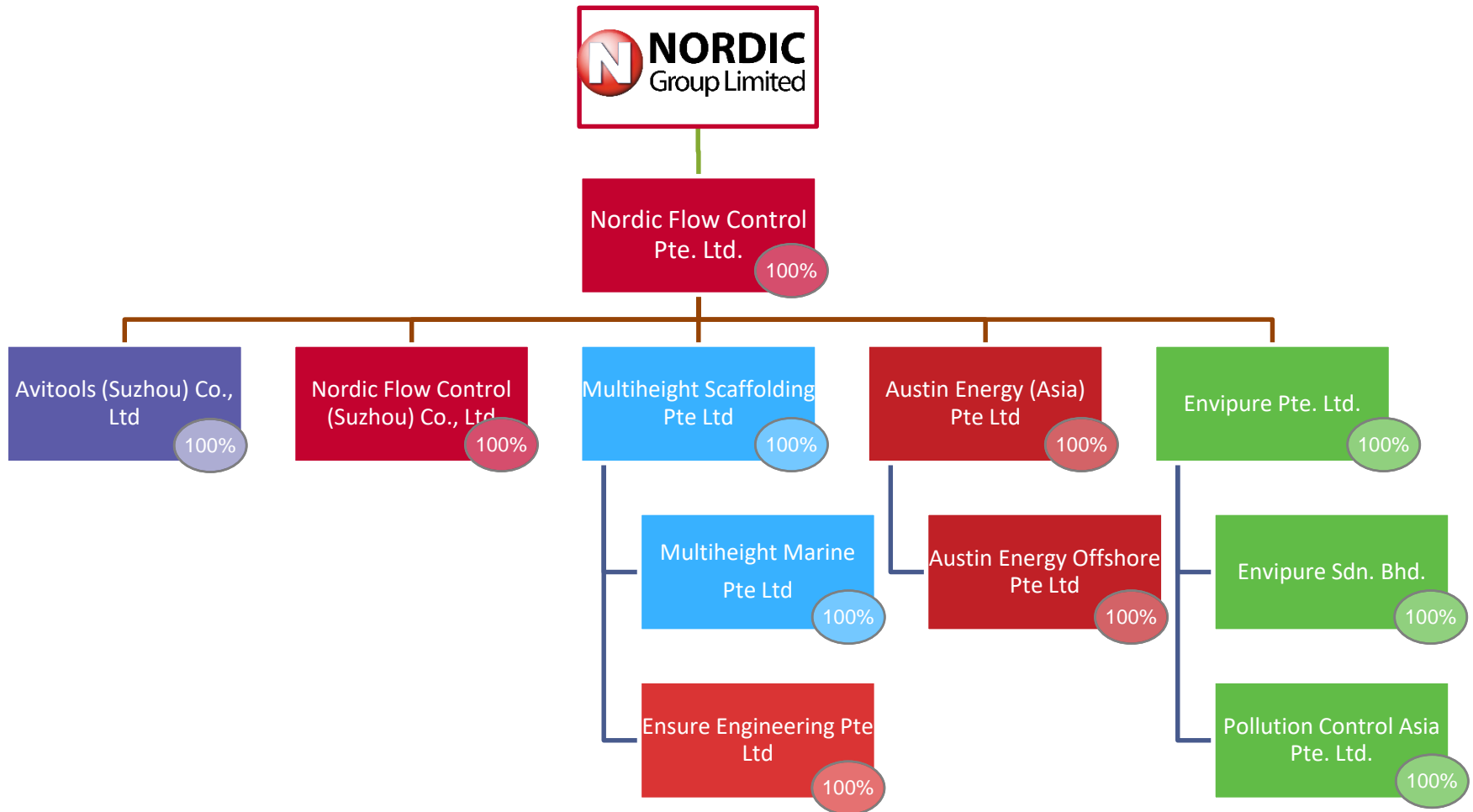
Director	No. of shares held	% shareholdings
Chang Yeh Hong	200,480,625	50.12%
Eric Lin Choon Hin	43,500,000	10.88%
Dorcas Teo Ling Ling	29,000,000	7.25%
	272,980,625	68.25%

### 4 September 2019 :

Director / Executive Officer	No. of shares held	% shareholdings*
Chang Yeh Hong	217,780,225	55.57%
Eric Lin Choon Hin	44,050,000	11.24%
Dorcas Teo Ling Ling	32,319,500	8.25%
Lee Kok Keng Andrew	1,061,800	0.27%
Chia Meng Ru	1,871,600	0.48%
	297,083,125	75.81%

\* Calculated based on 391,903,500 ordinary shares

# Group Structure

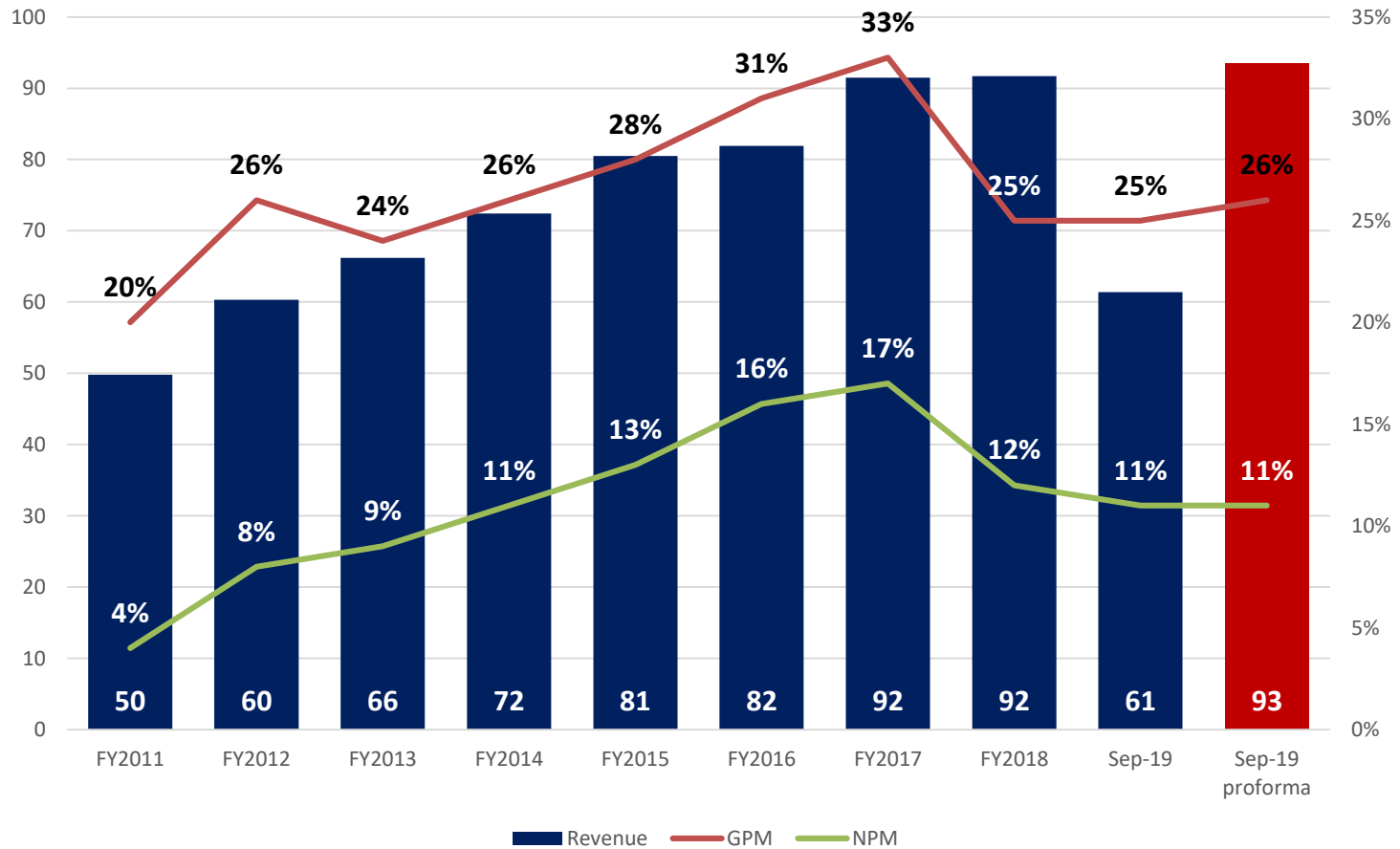


# Acquisition Track Record

FY2011 Multiheight Group	FY2015 Austin Energy Group	FY2017 Ensure Engineering	FY2019 Envipure Group
<ul style="list-style-type: none"> <li>- Acquired 100% for around S\$29m</li> <li>- Design, erection, modification dismantling and rental of scaffolding system</li> <li>- Diversify from shipyards to serve oil majors like Exxon Mobil and Shell etc.</li> <li>- Gain recurring income and reduce lumpy earnings via maintenance services</li> <li>- Goodwill: S\$12.3m</li> <li>- EBITDA from FY2011 to FY2013: S\$15.8m</li> </ul>	<ul style="list-style-type: none"> <li>- Acquired 100% for S\$26m</li> <li>- Specialize in insulation, fireproofing and industrial coating</li> <li>- Complementary business to scaffolding, able to cross-sell and bundle services</li> <li>- Enable entry into pharmaceutical industry, further diversifying offshore marine risks</li> <li>- Goodwill: S\$10.2m</li> <li>- EBITDA from FY2015 to FY2017: S\$12.4m</li> </ul>	<ul style="list-style-type: none"> <li>- Acquired 100% for around S\$17m</li> <li>- Specialize in engineering repairs, maintenance, plant turnaround services as well as decontamination and recovery services</li> <li>- In line with Group's strategy to acquire earnings accretive, familiar customer base and complementary businesses with recurring income</li> <li>- Move the Group from serving private sector to government agencies like PUB and NEA etc.</li> <li>- Goodwill: S\$7.1m</li> <li>- EBITDA from FY2017 to FY2018: S\$6.9m</li> </ul>	<ul style="list-style-type: none"> <li>- Acquired 100% for S\$14.8m</li> <li>- Specialize in clean room, air &amp; water solutions</li> <li>- Complementary business to scaffolding, able to cross-sell and bundle services</li> <li>- Enable entry into semi-conductor industry and the Malaysia market</li> <li>- Goodwill: nil</li> <li>- Order book on acquisition: S\$18.9m</li> <li>- Proforma NTA as at 31 Dec 2018: 13.1 cents</li> <li>- Proforma EPS for 31 Dec 2018 is 2.91 cents instead of 2.88 cents</li> </ul>

# Proforma Revenue and Profit Margins

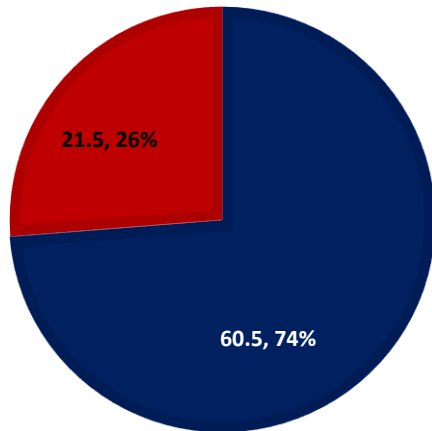
## Revenue and Profit Margins



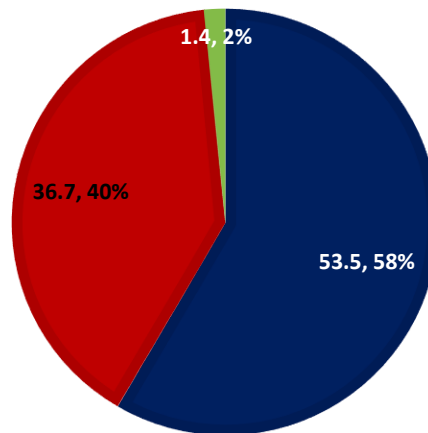
# Proforma Segment

## Revenue Breakdown by Segment

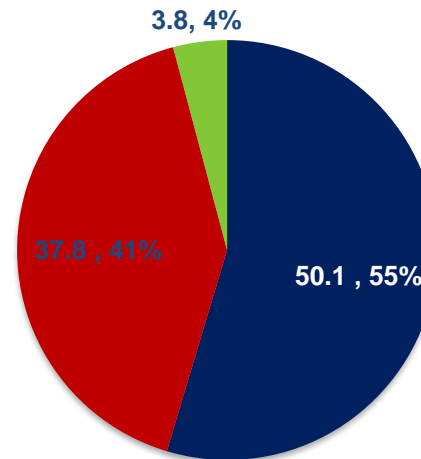
FY2016



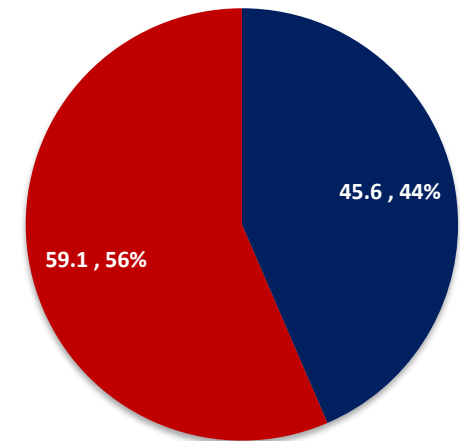
FY2017



FY2018

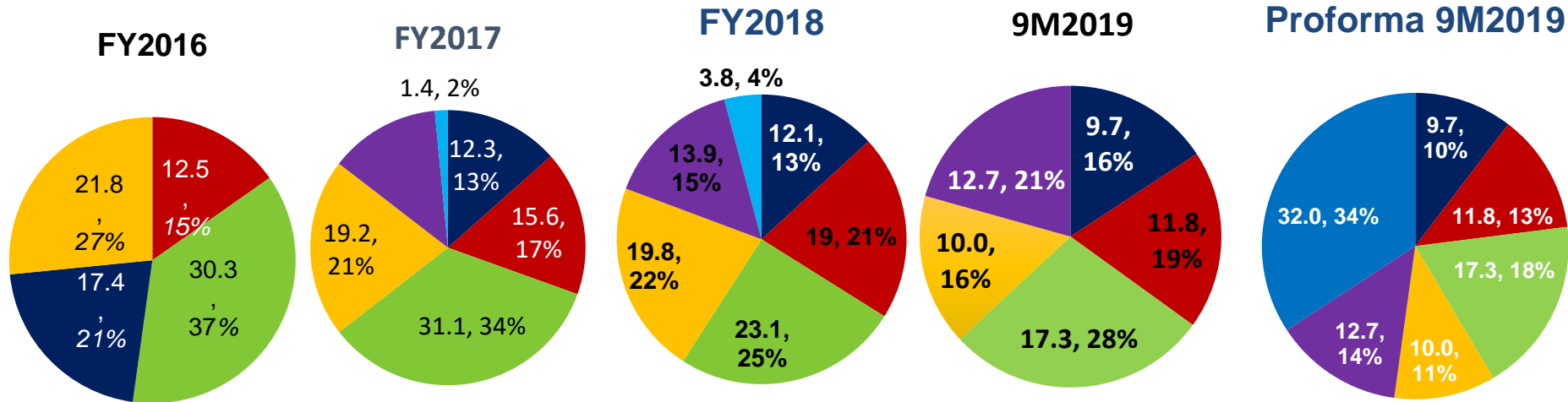


Proforma 9M2019



■ Project  
■ Maintenance  
■ Carbon allowances

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



- System Integration / MRO & Trading
- Scaffolding Services
- Insulation Services
- Precision Engineering
- Petrochemical and Environmental Services
- Cleanroom, Air & Water
- Carbon allowances

## Revenue Contribution by Businesses

Note: Combined contracts between the entities such as SIP contracts are reflected in the entity who won the contracts. Value is approximately FY17:\$1.3m, FY18:\$3.6m, 1H19:\$2.1m

**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.**



# Thank You

For more information, please contact

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