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ASX Announcement

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NRW Holdings Limited
181 Great Eastern Highway
Belmont, 6104, Western Australia

Australian Securities Exchange
Perth

TRANSFORMATIONAL ACQUISITION OF NATIONAL CONTRACTOR BGC CONTRACTING

Highlights

NRW to acquire 100% of BGC Contracting for an equity value of \$116.4M and an implied enterprise value of \$310M (excluding net cash flow generated from the economic effective date of 31 August 2019 of ~\$25M)

- BGC Contracting provides services to the resources, energy and infrastructure sectors across three core businesses: **Mining, Construction and DIAB Engineering.**
- Strong strategic fit adding significant scale through an expanded service offering to a high-profile client base with a long track record of contract renewal and extension.
- Significant strengthening of NRW's "Mining Technologies" pillar through the addition of DIAB Engineering, which provides specialist industrial engineering, shutdown maintenance and fabrication services and generates annuity style revenues.
- Value underpinned by a fleet of over 200 items of high-quality mobile mining equipment with a book value in excess of \$200M.
- BGC Contracting's existing contract portfolio and order book of ~\$1.5B delivers a step change in scale.
- Good visibility on FY20F earnings – expected to generate revenue of ~\$850M, EBITDA of ~\$100M and earnings before tax (and synergies) of ~\$29.5M¹.
- Targeting pre-tax cost synergies of \$15M pa (excluding integration and other one-off costs).
- Highly EPS accretive: >14% pre synergies and >25% post synergies² driven by consolidation and reduction in duplication, including facilities and systems.
- Combined order book of ~\$4.0B, including ~\$2.2B scheduled for delivery in FY20.
- Conservative funding structure with gearing returning to target (below 30%) within 12 months of Acquisition – through expected strong cashflows.
- BGC Contracting operates a contract which includes an option for the client to acquire certain fleet which, if exercised, will not materially impact the value generated from this transaction (further details provided below).

¹ The pro forma and forward-looking financial information, and the historical information, provided in this announcement is for illustrative purposes only and is not represented as being indicative of actual future financial condition and/or future performance. Actual FY20 revenue and earnings recognised by NRW for BGC Contracting will also be impacted by the Acquisition economic effective date and completion date. No definitive assessment of Acquisition accounting impacts has yet been made. Refer to "Important Notices and Disclaimers" contained in Acquisition of BGC Contracting & Capital Raising presentation lodged with the ASX on the date of this release for further details.

² Based on pro forma FY20F unaudited NRW Broker Consensus and BGC Contracting forecast NPAT, after allowing for \$15M synergies.

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Transaction Terms

NRW Holdings Limited (**NRW**) (ASX:NWH) is pleased to announce that it has executed an agreement to acquire 100% of BGC Contracting with an assumed economic effective date of 31 August 2019 (**Acquisition**).

The Acquisition values the equity of BGC Contracting at \$116.4M (payable by NRW in cash at completion). As part of the Acquisition NRW will also assume \$193.6M³ of debt related to asset finance.

The Acquisition implies an enterprise value of \$310M (**EV**).

NRW will retain the benefit of all cash flows generated post the economic effective date (~\$25M as at 31 October 2019).

NRW is undertaking a fully underwritten placement to raise \$120M (before costs) (**Placement**). Separately, NRW also intends to undertake a share purchase plan (**SPP**) capped at \$10M.

The FY20F EV/EBITDA Acquisition multiple is:

- 3.1x – pre synergies at economic effective date; and
- 2.8x – pre synergies but after allowing for cash flows generated (~\$25M) from the economic effective date.

There are no conditions to the completion of the Acquisition, which is expected to occur in early December 2019.

Strong Strategic Rationale

The Acquisition of BGC Contracting represents another transformational milestone and delivers a value accretive step change in scale and diversity for NRW's business across Australia at an attractive value for NRW shareholders:

- Delivers an **enhanced platform and service offering** with diversified earnings base and service provision with exposure across the entire mining lifecycle through the Mining, Construction and DIAB Engineering businesses.
- **Strong strategic fit** adding significant scale through an expanded service offering to a high-profile client base with a long track record of contract renewal and extension.
- **Significant additional capability and service offering** to support NRW's "Mining Technologies" business, through the addition of DIAB Engineering, which provides specialist maintenance (shutdown services and onsite maintenance), industrial engineering and fabrication services.
- **Strengthening of the Highest National Prequalification** for civil (Road and Bridge) construction contracts (R5 / B4 and F150 Plus).
- **Significantly enhances NRW's revenue and earnings base** with a contract order book of ~\$1.5B, including ~\$0.7B currently scheduled for delivery in FY20.
- **Attractive acquisition metrics** expected to be highly EPS accretive: >14% pre synergies and >25% post synergies⁴.

Jules Pemberton, NRW's CEO & Managing Director, said:

"We are extremely pleased to announce the acquisition of BGC Contracting which is strongly aligned with our objective to pursue opportunities to further diversify our revenues and enhance shareholder returns.

BGC Contracting has a well-recognised and proud history built around the strong foundations set by the late Len Buckeridge. With an excellent track record supported by a diversified earnings base, extensive fleet and a long history with several high-profile clients, the acquisition is strategically and financially compelling and aligns with NRW's objective to deliver growth across the business and drive NRW shareholder value.

This transaction will enhance our core business across a variety of key financial and operational metrics and provides our shareholders with diversified exposure to our growing maintenance pillar, "Mining Technologies", which delivers annuity style earnings.

³ This figure is at 31 August 2019 (economic effective date).

⁴ Accretion based on pro forma FY20F unaudited NRW Broker Consensus and BGC Contracting forecast NPAT, after allowing for \$15M synergies.

We are enthusiastic about the opportunities ahead for the expanded NRW group, to leverage the additional capabilities and regional strengths of the combined group and further capitalise on our strong market reputation.

Together with our combined workforce of around 6,000 people supporting more than one hundred projects around Australia, we are well placed to offer a diverse range of services and project solutions to clients across the infrastructure, resources, industrial engineering, maintenance and urban sectors.”

Placement and Share Purchase Plan

The equity consideration will be funded via a fully underwritten Placement of \$120M. The key details of the Placement are:

- An offer of up to approximately 45.3M new fully paid ordinary shares, representing approximately 12% of NRW's issued capital;
- The offer price will be determined via a variable price bookbuild with a floor price of \$2.65 and a maximum price of \$2.85;
- The floor price of \$2.65 represents a discount of 5.7% to NRW's adjusted closing price of \$2.81 on 27 November 2019⁵; and
- Offer to be made to professional and sophisticated investors in Australia and eligible investors in certain overseas jurisdictions⁶.

Shares issued under the Placement will rank equally with existing NRW shares, except that they will not be entitled to the FY19 final dividend. NRW does not require shareholder approval in connection with the Placement.

NRW intends to also offer a share purchase plan (**SPP**) to raise up to \$10M from eligible NRW shareholders.

Combined 'New NRW' Overview – Financial Pro forma⁷

The combined group post-Acquisition (**New NRW**) will have a portfolio of projects across Australia, with revenue and earnings diversification and exposure to the resources, civil infrastructure and urban development sectors.

Based on pro forma FY19 figures the 'New NRW' business would have generated revenue of \$2B and EBITDA of \$199M⁸.

The combined group order book as at 31 August 2019 was \$4.0B, with circa \$2.2B scheduled for delivery in FY20.

NRW will assume the existing BGC Contracting asset finance obligations of circa \$193.6M from the economic effective date. An amount of \$170M has been retained with existing BGC Contracting asset financiers and \$23M refinanced through NRW banking relationships⁹.

On a 30 June 2019 pro forma basis, 'New NRW' would have gross debt of \$294M with a weighted average interest cost below 4.5% and net debt of \$230M¹⁰. Pro forma net debt / FY19 EBITDA is 1.1x and less than 1.0x including cash generated in the business post economic effective date (~\$25M).

High cashflow conversion is forecast to lead to deleveraging over a short period of time, with ~\$92M of scheduled debt repayments in FY20, reducing pro forma gross debt to ~\$203M at 30 June 2020 and post-Acquisition gearing returning to target (below 30%¹¹) within 12 months of acquisition.

NRW has secured incremental contract bonding through bank facilities and surety providers to support the transaction.

⁵ NRW closing price of \$2.83 on 27 November 2019 adjusted to take into account that the Placement shares will not receive the FY19 final dividend of 2 cents per share.

⁶ Refer to Acquisition of BGC Contracting & Capital Raising presentation lodged with the ASX on the date of this release for further details of these jurisdictions.

⁷ Refer to Acquisition of BGC Contracting & Capital Raising presentation lodged with the ASX on the date of this release for full details of the pro forma balance sheet together with details of the assumptions and qualifications on which it has been prepared.

⁸ Includes realised losses and a provision totalling \$21.7M recorded by BGC Contracting on an east coast infrastructure project.

⁹ At a General Meeting to be held in February 2020, NRW will seek approval of the NRW shareholders, for the purposes of section 260B(2) of the Corporations Act, at the request of the financier for financial assistance which is proposed to be provided by NRW, to assist the acquisition by the Company of all of the shares in BGC Contracting. Further details will be provided in the notice for the General Meeting.

¹⁰ Pro forma net debt for New NRW is calculated as NRW's net debt at 30 June 2019 of \$36m plus the BGC Contracting assumed asset finance obligations of \$193.6M at 31 August 2019 (economic effective date).

¹¹ Calculated as net debt / book equity.

Jules Pemberton, NRW's CEO & Managing Director, said:

"We remain committed to retaining prudent gearing levels and the high cashflow conversion is expected to lead to the deleveraging of the balance sheet over a relatively short period of time."

Integration and Synergies

NRW is targeting pre-tax synergies of \$15M per annum (excluding integration and other one-off costs) driven by consolidation and reduction in duplication, including facilities and systems.

Jules Pemberton, NRW's CEO & Managing Director, said:

"Following our previous acquisitions of Golding and RCR Mining Technologies, we have a well-developed integration plan designed to realise expected synergy benefits."

Client Option

A BGC Contracting client holds an option (**Option**) to acquire all or part of the associated mining fleet used to provide contract services to that client. The contract includes the provision of contract maintenance services and mobile plant hire (to extent not acquired) which are expected to continue, whether or not the Option is exercised.

The mining fleet deployed on this contract forms a material part of BGC Contracting's assets (PP&E) and asset finance obligations (debt) which in turn contributes materially to the depreciation costs incurred by the business and therefore to EBITDA. However, given the pricing structure the loss of the depreciation, associated interest costs and margin, should the client exercise the Option, does not result in a material impact on net earnings.

The exercise of the Option would reduce net earnings (pre-tax) by circa \$3M per annum and PP&E and debt by circa \$154M respectively.

Jules Pemberton, NRW's CEO & Managing Director, said:

"The value generated from this transaction is highly compelling for NRW under either scenario. In the event the Option is exercised, we will benefit from an improved balance sheet and enhanced acquisition metrics."

The table below summarises the FY20F expectations for BGC Contracting, transaction metrics and the effect of the Option, if exercised.

	BGC Contracting FY20F	Client Option	BGC Contracting Adjusted FY20F
Revenue	850.0	(39.9)	810.1
Cost	750.0	0.0	750.0
EBITDA	100.0	(39.9)	60.1
Depreciation	(63.1)	31.0	(32.1)
EBIT	36.9	(9.0)	27.9
Interest	(7.4)	6.0	(1.4)
EBT	29.5	(3.0)	26.5
Tax - Notional (30%)	(8.9)	0.9	(8.0)
NPAT	20.7	(2.1)	18.6
\$15M Synergies - Post Tax	10.5		10.5
NPAT - Adjusted	31.2		29.1
Debt and Equity			
Debt - 31 August Economic Effective Date	193.6	(154.4)	39.2
Equity	116.4	-	116.4
Enterprise value (EV)	310.0	(154.4)	155.6
Multiples (Pre-Synergies)			
EV/EBITDA	3.1x		2.6x
EV/EBIT	8.4x		5.6x
PE	5.6x		6.3x
Multiples (Post Synergies)			
EV/EBITDA	2.7x		2.1x
EV/EBIT	6.0x		3.6x
PE	3.7x		4.0x

Share Purchase Plan (SPP)

Following the completion of the Placement, NRW also intends to undertake an SPP to provide eligible NRW shareholders in Australia and New Zealand with the opportunity to participate in the equity raising.

The SPP will not be underwritten and the total amount to be raised will be subject to a \$10M cap.

Each eligible NRW shareholder at 7.00pm (AEDT) on Wednesday, 27 November 2019 will be invited to subscribe for up to \$15,000 worth of new fully paid ordinary shares in NRW, subject to scale back, without incurring brokerage or transaction costs. Eligible NRW shareholders are holders of fully paid ordinary shares in NRW and whose address on the share register is in Australia or New Zealand (provided that such shareholder is not in the United States or acting for the account or benefit of a person in the United States).

The issue price of the new NRW shares under the SPP will be the same price as under the Placement.

NRW reserves the right (at its absolute discretion) to scale back applications under the SPP if the total demand exceeds \$10M. When determining the amount (if any) by which to scale back an application, NRW may take into account a number of factors, including the size of an applicant's shareholding, the extent to which eligible shareholders have sold or bought additional shares after the Record Date and the date an application was made. Eligible shareholders are therefore encouraged to submit their applications early. The maximum number of shares proposed to be issued pursuant to the SPP is 3.8M. NRW does not require shareholder approval in connection with the SPP.

Further details of the SPP will be provided in the SPP Offer Booklet which will be sent to eligible shareholders in the coming weeks.

Event	Date
SPP Record Date	7pm AEDT on 27 November 2019
SPP Offer Opens	8am AEDT on 6 December 2019
SPP Offer Closes	7pm AEDT on 2 January 2020
SPP Allotment Date	8 January 2020

NRW will remain in a trading halt until the Placement is finalised.

Investor Presentation

Further details of the Acquisition and the Placement are detailed in the investor presentation released on the ASX platform today.

Advisers

Longreach Capital is acting as financial adviser. Corrs Chambers Westgarth is acting as legal adviser on the Acquisition and equity financing and King & Wood Mallesons is acting as legal adviser in relation to the debt financing aspects of the Acquisition.

Kim Hyman
Company Secretary

For further information, please contact:

Jules Pemberton
CEO and Managing Director
NRW Holdings Limited
+61 8 9232 4200

Andrew Walsh
Chief Financial Officer
NRW Holdings Limited
+61 8 9232 4200

Media Enquiries – Cannings Purple
Warrick Hazeldine / Peter Klinger
whazeldine@canningspurple.com.au
pklinger@canningspurple.com.au
+61 417 944 616 or +61 411 251 540

About NRW Holdings Limited:

NRW is a diversified provider of contract services to the resources and infrastructure sectors in Australia. With extensive operations in Western Australia, South Australia, New South Wales, Queensland and Victoria. NRW's geographical diversification is complemented by its delivery of a wide range of operations. These encompass civil expertise including bulk earthworks and concrete installation; contract mining and drill and blast. NRW also offers a leading original equipment manufacturing (OEM) and innovative materials handling design capability with comprehensive additional experience for refurbishment and rebuild service for earthmoving equipment and machinery.

Forward looking statements

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan", "estimate", "will", "believe", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the Acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of NRW and cannot be predicted by NRW and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which NRW operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised.

None of NRW or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statements. Statements about past performance are not necessarily indicative of future performance.

Not an offer

This announcement is for information purposes and is not a prospectus, product disclosure statement or any other offering document under Australian law or the law of any other jurisdiction (and will not be lodged with the Australian Securities and Investments Commission ("ASIC") or any foreign regulator). The information does not and will not constitute or form part of an offer, invitation, solicitation or recommendation in relation to the subscription, purchase or sale of securities in any jurisdiction and neither this announcement nor anything in it shall form any part of any contract for the acquisition of NRW shares or New Shares. The distribution of this announcement in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Refer to the 'International Offer Restrictions' section in the investor presentation released on the ASX platform today for more information.

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This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933 ("US Securities Act") and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

Financial data

All dollar values are in Australian dollars (\$) unless stated otherwise.

Investors should note that this announcement contains pro forma historical and forward-looking information. In particular, pro forma revenue and EBITDA information for FY19 has been prepared using NRW's and BGC Contracting's audited FY19 financial results (in each case without any accounting for the acquisition or other adjustments). This announcement also includes pro forma combined order book and revenue and earnings performance currently scheduled for delivery for FY20. This information is based on a review of both NRW's and BGC Contracting's internally verified order book numbers maintained by their respective management teams. The pro forma and forward-looking financial information, and the historical information, provided in this announcement is for illustrative purposes only and is not represented as being indicative of actual future financial condition and/or future performance.

NRW's pro forma historical and forward-looking financial information has been prepared based on the accounting policies adopted by NRW, applicable accounting standards and other mandatory reporting requirements in Australia. In particular, the pro forma financial information included in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities Exchange Commission. Investors should be aware that financial data in this announcement includes "non-IFRS financial information" under ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC and also "non-GAAP financial measures" within the meaning of Regulation

G under the US Securities Exchange Act of 1934. Non-IFRS/non-GAAP measures in this announcement include EBITDA and the pro forma financial information. NRW believes this non-IFRS/non-GAAP financial information provides useful information to users in measuring the financial position and conditions of NRW. The non-IFRS/non-GAAP financial information do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS/non-GAAP financial information and ratios included in this announcement.

NRW has prepared (and made assumptions in the preparation of) the financial information relating to BGC Contracting in reliance on limited financial and other information provided by or on behalf of BGC Contracting and its vendor. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, correctness, completeness or accuracy. NRW does not take responsibility for any of that information.

Past performance

Past performance and pro-forma historical information, including past share price performance, given in this announcement is given for illustrative purposes only and should not be relied upon (and is not) an indication of future performance. Historical information in this announcement relating to NRW is information that has been released to the market. For further information, please see past announcements released to ASX.

Refer to the Investor Presentation for further Important Notices and Disclaimers.

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