



**Revenue growth in challenging times. NPAT falls 26%. Increase in declared dividend.**

<b>Company/ASX Code</b>	<b>NRW Holdings Limited/NWH</b>
<b>AGM date</b>	Thursday 25 November 2021
<b>Time and location</b>	0900hrs WST at offices of Corrs Chambers Westgarth, L6 123 St Georges Tce Perth
<b>Registry</b>	Link Market Services
<b>Webcast</b>	No
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Len Roy.
<b>Pre AGM-Meeting?</b>	Yes, with Independent NED Peter Johnston & Company Secretary Kim Hyman

An associate of an individual involved in the preparation of this voting intention has a shareholding in this company.

**Business Summary**

NRW has been on a growth trajectory for the last four years. Acquisitions included Golding August 2017, RCR Mining Technologies February 2019, BGC Contracting November 2019, plus Primero & DIAB Engineering March 2021. The strategy has widened NRW capabilities to cover complete lifecycle – design, development, construction through to operations & maintenance. All acquisitions are complimentary services focused on the resources & infrastructure sectors. The WA based company now has activities in all main land states with an aggregate workforce approximating 7000.

Whilst the overall business has grown the structure has been simplified into three units being Civil, Mining & MET-Minerals, Energy & Technologies.

The resources & mining sectors in Australia experienced head winds FY20 & FY21 including management of the pandemic, restricted highly competitive labour pool, higher costs & higher turnover. In some areas, unseasonal adverse weather conditions prevailed.

Resource companies including miners have benefitted from high commodity prices in FY21 but support companies who provide engineering, construction, operations and or maintenance services have not experienced a flow through of profitability.

NRW did not access any Covid 19 related State or Federal support packages for any of its operations.

**Governance**

Fiona Murdoch was appointed Independent NED February 24, 2020, and now chairs the Sustainability committee which includes ESG. The FY21 AR includes NRW's first Sustainability report. NRW has always had a BODs which is relatively small and inclusive with in depth

knowledge of the sectors in which NRW operates. The current board make up is three Independent NEDs plus non independent NED chairman Michael Arnett and the CEO/MD. NRW continue to show the chairman as independent but considering he was appointed to the board July 27, 2007, ASA does not consider he is Independent.

Board attendance was 100% and there are three committees – Nomination & Remuneration, Audit & Risk plus Sustainability. All have Independent NED chair.

No material related party transactions occurred FY21. There is a DIAB Engineering legacy rental of commercial properties in Geraldton. The premises are the main workshops & facilities of DIAB and considered regionally strategic.

**Capital raising** During FY21 \$120m raised via institutional share placement and \$10m via SPP, both at \$2.85 ps.

The company had nil Safety Prosecutions or fines, fatalities or Environmental breaches or fines in FY21.

#### **Asset Sale**

On July 12, 2021, NRW announced the sale of major mining equipment owned & operated by NRW subsidiary Golding at the Boggabri Coal Operations. No impairment in the FY21 accounts was applicable as the selling price exceeded the carrying amount.

<b>Item 1</b>	<b>Financial Statements &amp; Directors' &amp; Auditor's reports</b>
<b>ASA Vote</b>	<b>No vote applicable</b>

#### **Summary of ASA Position**

In FY21 NRW revenue benefited from the acquisitions with 11.5% increase to \$2,301m including 12 months of BGC Contracting and 5 months of Primero contributions. However, NPAT was \$54.3m compared to FY20 \$73.7m. The Order Book 30 June 2021 was \$3.4bn and revenue guidance for FY22 is \$2.4 – 2.5bn.

Whilst the overall business has grown, the structure has been simplified into three units being Civil, Mining & MET-Minerals, Energy & Technologies.

Business unit	Civil	Mining	MET
FY21 Revenue	\$726.5m	\$1,177.2m	\$426.9m
FY21 EBIT	\$22.9m	\$83.9m	\$33.6m

## Summary NRW Group Financial Outcome FY21

	FY21		FY20	
	Revenue	Earnings	Revenue	Earnings
	\$M	\$M	\$M	\$M
Total Revenue <sup>(1)</sup> / EBITDA <sup>(2)</sup>	<b>2,300.6</b>	<b>266.7</b>	<b>2,062.4</b>	<b>250.0</b>
Revenue from Associates	(79.1)		(58.1)	
Depreciation		(146.1)		(109.1)
<b>Operating EBIT<sup>(3)</sup></b>		<b>120.6</b>		<b>140.9</b>
Amortisation of Acquisition Intangibles		(20.2)		(13.0)
Non-recurring transactions <sup>(4)</sup>		(11.2)		(14.9)
<b>EBIT</b>		<b>89.2</b>		<b>113.0</b>
Net interest		(13.3)		(12.8)
<b>Profit before income tax</b>		<b>75.9</b>		<b>100.2</b>
Tax		(21.6)		(26.5)
<b>Statutory Revenue / Net earnings</b>	<b>2,221.5</b>	<b>54.3</b>	<b>2,004.3</b>	<b>73.7</b>
<b>NPATN<sup>(5)</sup></b>		<b>75.1</b>		<b>89.7</b>

(1) Revenue including our share of revenue earned by our associates and joint ventures.

(2) EBITDA is earnings before interest, tax, depreciation, amortisation of acquisition intangibles and non-recurring transactions.

(3) Operating EBIT / EBITA, is earnings before interest, tax, and amortisation of acquisition intangibles and non-recurring transactions.

(4) Non-recurring transactions include Altura impairment, Gascoyne writeback and Primero transaction costs (FY21) and costs associated with the acquisition of BGC Contracting (FY20).

(5) NPATN – earnings before amortisation of acquisition intangibles and non-recurring transactions at 30% tax rate.

Net Assets increased in the year by \$72.7 million to \$545.1 million reflecting earnings in the year net of dividend payments and equity related to the acquisition of Primero (\$50.5 million). The acquisition of Primero was funded through new equity and a \$50.0 million debt facility.

<b>Item 2 Resolution 2</b>	<b>Approval of financial assistance</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA position

Considerable detail is included in the NRW NOM concerning the acquisition of Primero Group Limited and consequential variation deeds involving NRW's facility agreements.

The acquisition was by way of the entire issued capital of Primero Group Ltd and the transaction was completed March 24, 2021. Primero has become a wholly owned subsidiary of NRW Holdings Ltd.

In connection with the acquisition, NRW has or will enter variation deeds associated with two facility agreements:

Multi-option Facility Agreement

BOC Facility Agreement

It is a condition of both facility agreements that Primero accede as a borrower, guarantor, & obligor to the relevant facility agreement and grant the General Security Agreement by November 30, 2021. The directors of NRW Holdings Ltd unanimously recommend shareholders' approval and

interested parties should avail themselves of the comprehensive details, relative to the Resolution, included in the Explanatory Memorandum.

We support the resolution.

<b>Item 3 Resolution 2</b>	<b>Re-election of Mr Jeff Dowling</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Dowling was appointed NED August 21, 2013. His background includes 36 years professional service with Ernst & Young. His leadership roles within E & Y focused on the mining, oil & gas and other industries. His qualifications include Bachelor of Commerce, Fellow of the Institute of Chartered Accountants, AICD & Financial Services Institute.

He is considered a valuable contributor to the board and is not overloaded with external appointments.

We support the resolution.

<b>Item 4 Resolution 3</b>	<b>Re-election of Mr Peter Johnston</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

Mr Johnston was appointed NED July 1, 2016. His professional qualifications include Bachelor of Arts (psychology & industrial relations) and is a Fellow of both AICD and AusIMM.

He is considered a valuable contributor to the board and is not overloaded with external appointments.

We support the resolution.

<b>Item 5 Resolution 4</b>	<b>Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

#### **Summary of ASA Position**

At the Company's FY20 AGM a first strike was received -42.38% Against.

NRW engaged an independent consultant to assist in reviewing and upgrading the remuneration structure. Changes included:

The STI award could not be earned for managing safety. If safety is not managed to expectations, any STI earned can be adjusted downwards.

LTI incentive schemes are three year rolling schemes to be awarded to the CEO on an annual basis (in accordance with proxy guidance)

TSR hurdles were updated and now measured through two performance criteria –(1) growth in TSR and (2) growth in EPS.

Disclosure of financial hurdles for the CEO for the prior year short term scheme to improve the transparency of NRW remuneration practices. NRW considered current disclosure commercially sensitive.

ASA comment. Upgrading the NRW remuneration structure has been a slow process with NRW continuing to argue the remuneration structure best suited the company's requirements. We believe the balance of the incentivisation award system had favoured revenue and acquisition growth rather than statutory NPAT and EPS.

In the circumstances, we will support the resolution.

<b>Item 6 Resolution 5</b>	<b>Approval of grant of Performance Rights for FY21 to CEO Mr Pemberton under the NRW Holdings Performance Rights Plan.</b>
<b>ASA Vote</b>	<b>For</b>

### **Summary of ASA position**

The Company is proposing to issue 750,000 Performance Rights to CEO Mr Pemberton under the Plan as approved at the 2019 AGM. The Performance Rights granted or proposed under the long-term incentive scheme are based on a rolling three-year vesting period 1 July 2021 to 30 June 2024.

Under ASX Listing Rule 10.14 shareholder approval is required to issue the Performance Rights.

The last grant of the Performance Rights covered the 3-year period 1 July 2019 to 30 June 2022 and a further proposed grant should have been included at the 2020 AGM for the three year period commencing 1 July 2020 to 30 June 2023.

The Performance Rights award being made in a particular current financial year is for that year recognising that there is a three-year vesting period and will only be earned at the end of that vesting period.

The NRW board has determined this is an appropriate time to correct the anomaly.

Mr Pemberton's TFR is currently \$1,200,000 pa and he is entitled under his remuneration structure to be awarded LTI equal to a 120% of TFR. Dividends and voting rights do not apply to NRW Performance Rights prior to vesting.

The number of Performance Rights to be granted would be determined using a 30 day VWAP of shares in the company as at 30 June 2020 (\$1.92 ps). The Explanatory Memorandum provides considerable background detail on CEO remuneration structure including performance targets & vesting.

We support the resolution

<b>Item 7 Resolution 6</b>	<b>Approval of grant of Performance Rights for FY22 to CEO Julian Pemberton under the NRW Holdings Performance Rights Plan.</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Shareholder approval is required under Listing Rule 10.14 including 10.14.1.

If approved, NRW would issue 986,842 Performance Rights to Mr Pemberton and upon vesting subject to the relevant performance targets TSR, EPS and gearing. Vesting conditions include 3 year performance period, vesting date September 2024. The number of Performance Rights proposed to be granted was determined using 30-day VWAP as at 30 June 2021 (\$1.52 ps)

We support the resolution.

<b>Item 8 Resolution 7</b>	<b>Non-Executive Directors Fees</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA position

The NED fee cap was last increased in 2012. It is proposed that the maximum aggregate fees – Fee Cap- be increased by \$750,000 per annum from the current level of \$750,000.

If approved the new maximum aggregate NED fees will be \$1,500,000.

We concur the new level would provide the board with the flexibility and capacity to offer suitable remuneration to any additional NED in the future.

Considering the business growth in recent years together with associated risks and responsibilities to successfully manage that growth, we support the resolution.

<b>Item 9 Resolution 8</b>	<b>Conditional Spill Resolution</b>
<b>ASA Vote</b>	<b>Against</b>

### ASA Summary

Having considered the improvements in the structure of the remuneration report and going forward, the demonstrated willingness to listen to shareholder concerns, we concur with the four dot points NRW included in the NOM Explanatory Memorandum relevant to this resolution.

In the case of NRW, ASA do not see merit in voting for a resolution which has the potential to seriously damage & disrupt the business.

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