



# **ROTARY ENGINEERING LIMITED**

## **1Q2014 RESULTS BRIEFING**

**7 May 2014**

**Smart thinking. Safe hands.**

## CAUTIONARY NOTE

This presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions.

Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital availability, competition from other companies and venues for the sale/distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

You are **cautioned not to place** undue reliance on these forward looking statements, which are based on current view of management on future events.



# OUTLINE

1. Financial Review
2. Ongoing Projects
3. Business Development & Summary
4. Question-&-Answer



# FINANCIAL REVIEW

Smart thinking. Safe hands.



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*This presentation should be read in conjunction with  
Rotary Engineering Limited's 1Q2014 Financial Results  
ended 31 March 2014 statement  
lodged on SGXNET on 7 May 2014*



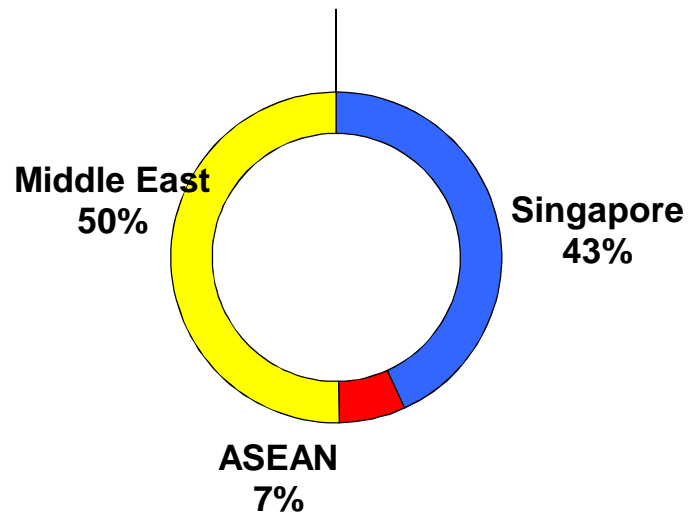
## INCOME STATEMENT SUMMARY

S\$'000	1Q2014	1Q2013	▲ ▼
<b>Revenue</b>	<b>199,170</b>	<b>102,825</b>	<b>▲94%</b>
<b>Gross Profit</b>	<b>33,619</b>	<b>15,742</b>	<b>▲114%</b>
<b>Gross Profit Margins (%)</b>	<b>17%</b>	<b>15%</b>	<b>▲2ppt</b>
Other income	791	1,125	▼30%
Selling & marketing costs	(114)	(289)	▼61%
Admin costs	(14,270)	(10,113)	▲41%
Other operating costs	(3,206)	(3,708)	▼14%
Finance costs	(286)	(463)	▼38%
Share of associates results	(270)	(563)	▼52%
<b>Profit Before Tax (PBT)</b>	<b>16,264</b>	<b>1,731</b>	NM
<b>Profit After Tax (PAT)</b>	<b>13,665</b>	<b>871</b>	NM
Non-controlling interests	(689)	(1,653)	▲58%
<b>Profit attributable to company (PATMI)</b>	<b>14,354</b>	<b>2,524</b>	NM
<b>EPS (cents)</b>	<b>2.5</b>	<b>0.4</b>	NM

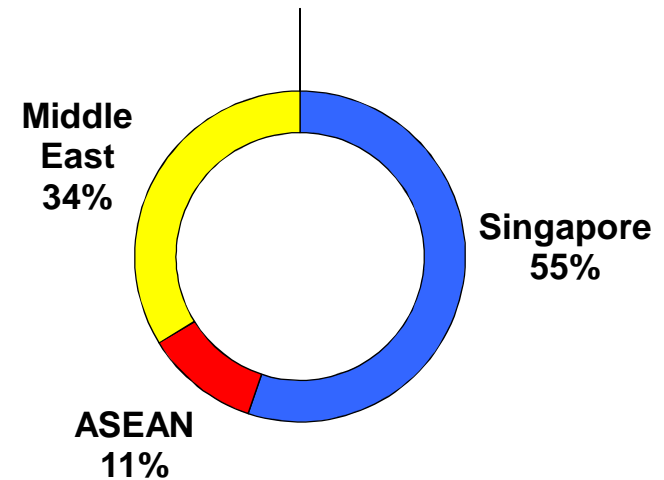


# REVENUE BY GEOGRAPHICAL SEGMENTS

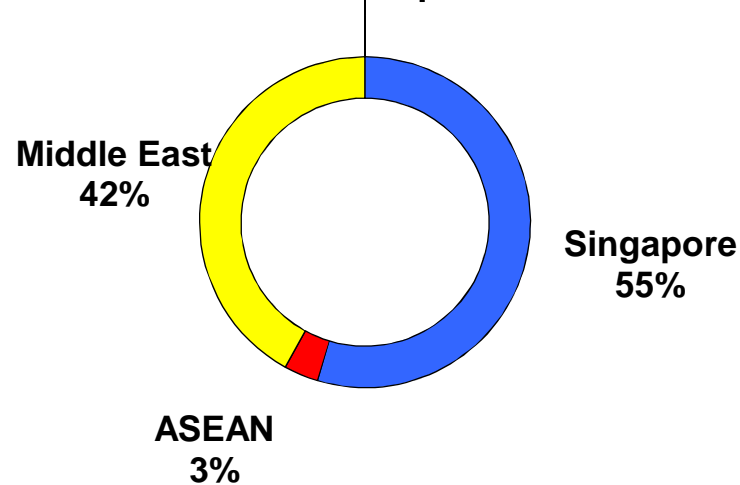
**1Q2014: S\$199.2m**



**1Q2013: S\$102.8m**



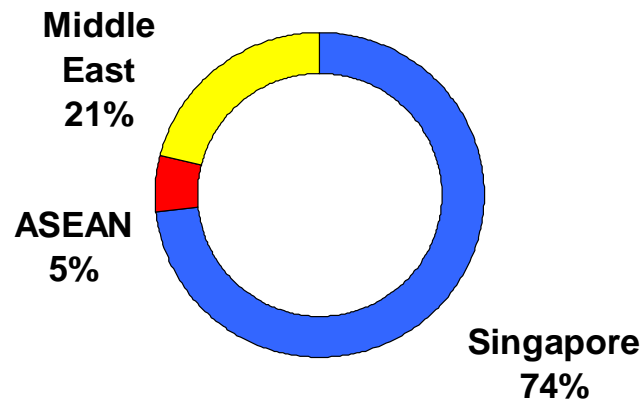
**4Q2013: S\$181.5m**



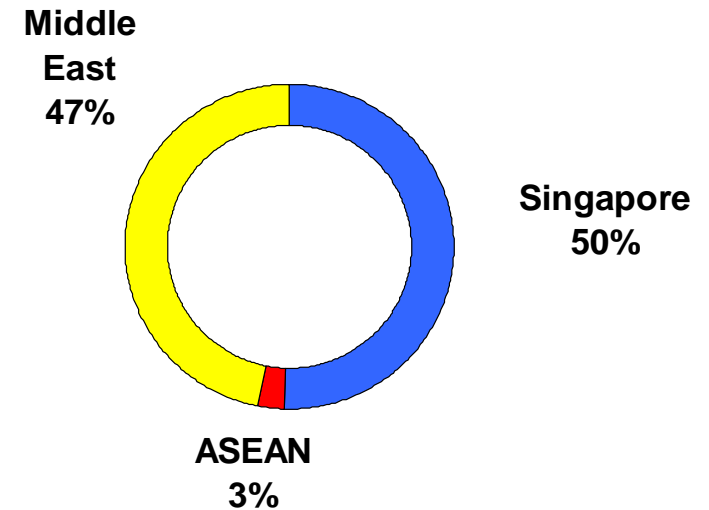


# ORDER BOOK BY GEOGRAPHICAL SEGMENTS

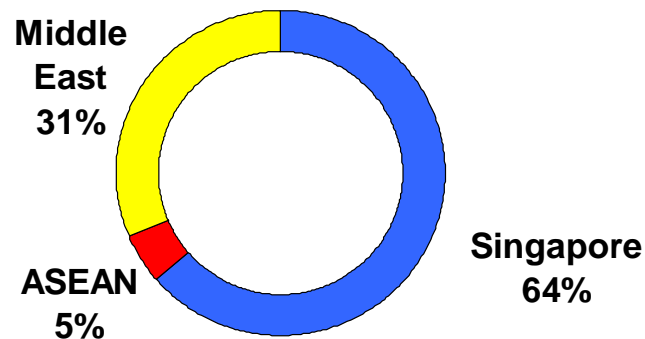
**@ 31 Mar 2014: S\$535m**



**@ 31 Mar 2013: S\$756m**



**@ 31 Dec 2013: S\$694m**







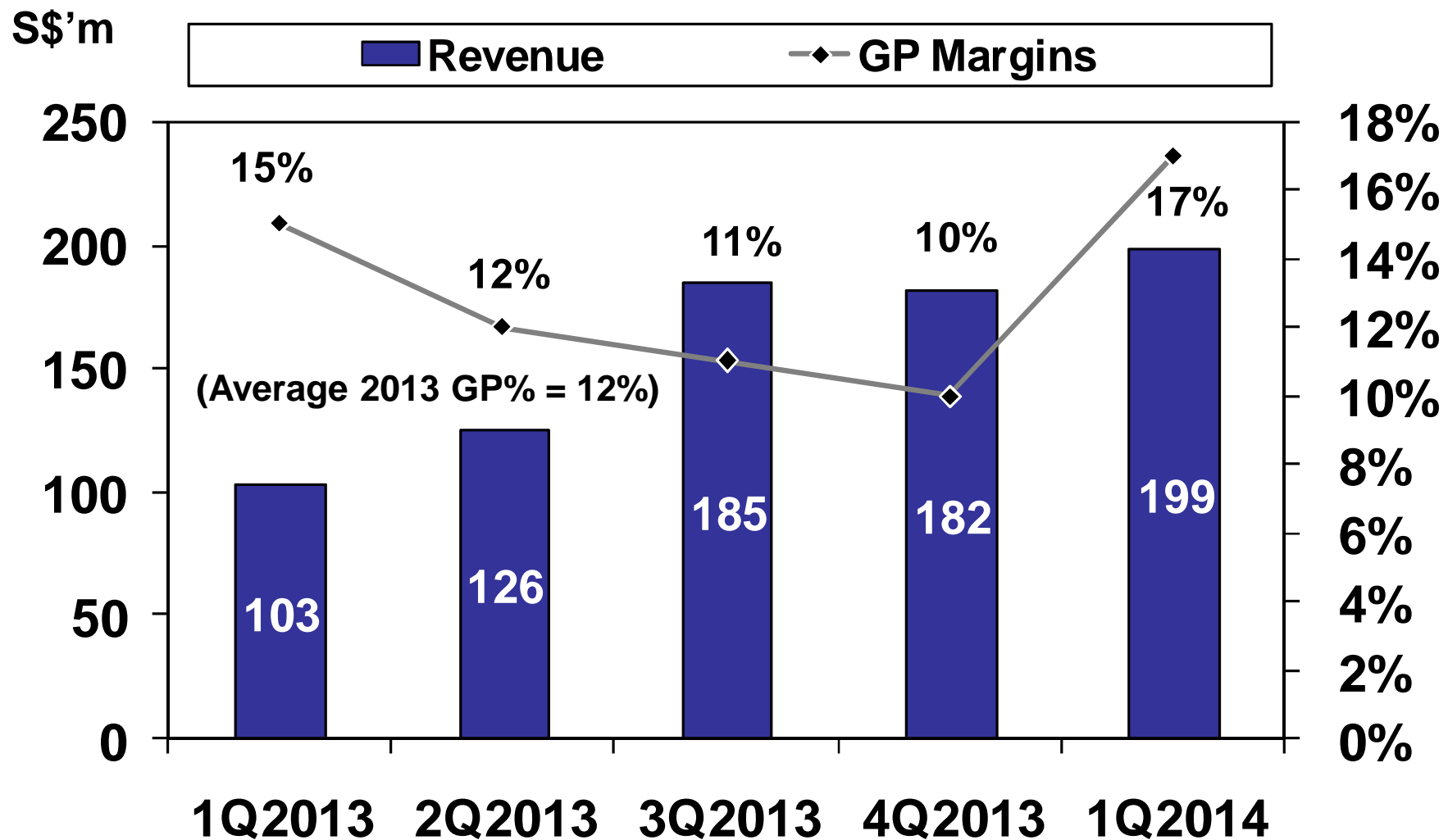
## GROSS PROFIT MARGINS

S\$'000	1Q2014	1Q2013	▲ ▼
Gross Profit	33,619	15,742	▲114%
Gross Profit Margins (%)	17%	15%	▲2ppt

- 1Q2014
  - GP margins exceeded previous guidance
  - Higher margins contributed by productivity improvements efforts and better cost control
- GPM guidance going forward : 12% ~ 18%



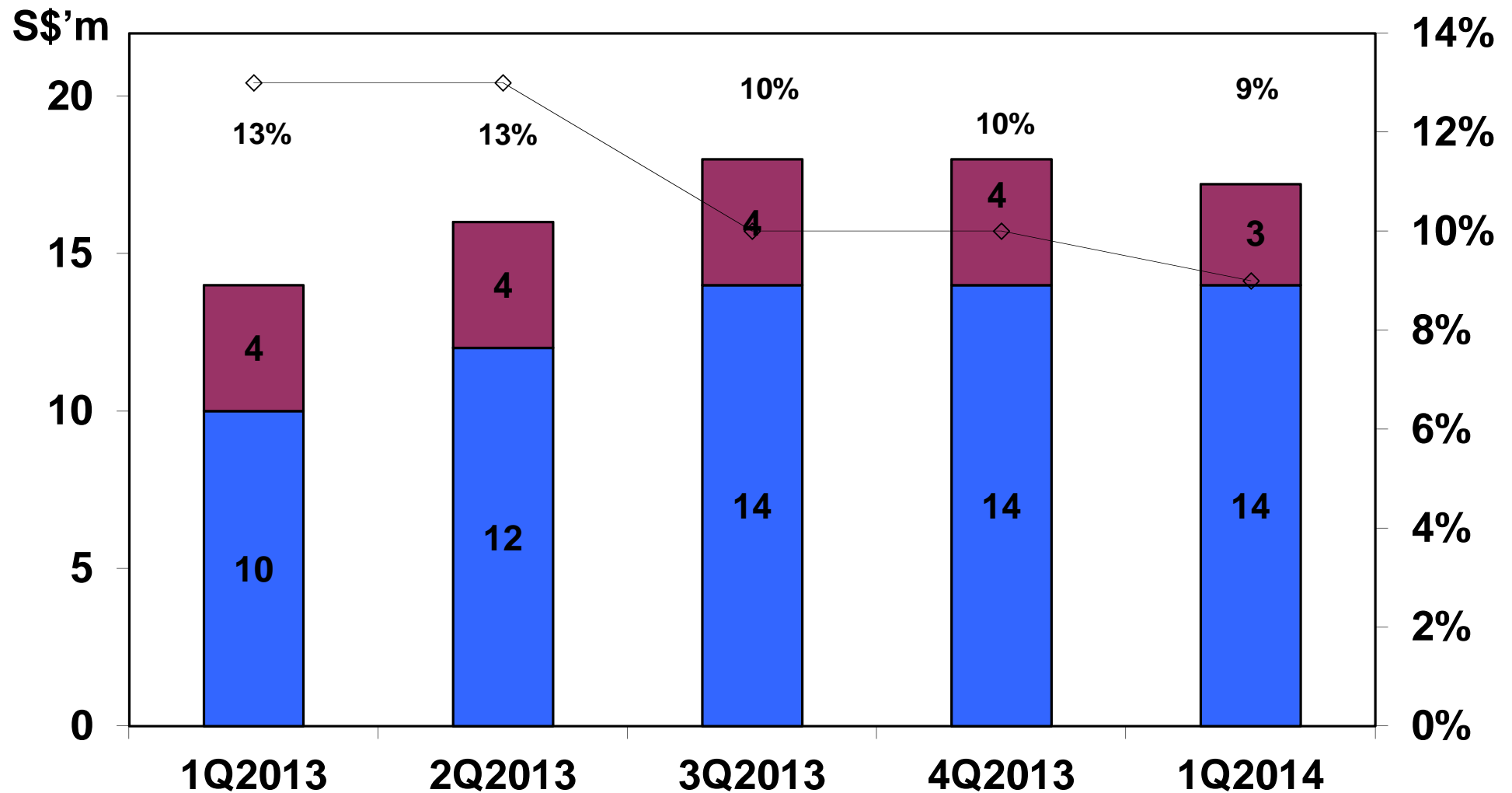
# REVENUE & GROSS PROFIT MARGINS





# ADMIN (EXCL FX) & OTHER OPERATING COSTS

■ Other Operating Costs ■ Admin Costs (excl FX) ◇ Total Costs (excl FX) as % of revenue





## ADMINISTRATIVE COSTS

S\$'000	1Q2014	1Q2013	▲ ▼
Admin costs (including FX)	(14,270)	(10,113)	▲41%
FX gain/(loss)	104	(277)	NM
<b>Admin costs (excluding FX)</b>	<b>(14,374)</b>	<b>(9,836)</b>	<b>▲46%</b>

- Costs in line with increased business activities and performance
- Minimal FX exposure due to implementation of FX policy



## OTHER OPERATING COSTS

S\$'000	1Q2014	1Q2013	▲ ▼
<b>Other operating costs</b>	<b>(3,206)</b>	<b>(3,708)</b>	<b>▼14%</b>
• Write-back of allowance for doubtful debts	-	24	NM
• Inventories written down	(16)	(6)	NM
• Amortisation of intangible assets	(329)	(307)	▲7%
• Depreciation of PPE	(2,861)	(3,419)	▼16%

- Decrease in depreciation due to certain assets fully amortised.



## CASHFLOWS SUMMARY

<b>S\$'000</b>	<b>1Q2014</b>
Net cashflows from operations	13,966
Net cashflows used in investment	(1,014)
Net cashflows used in financing	(10,273)
<b>Net increase in cash and cash equivalents</b>	<b>2,679</b>
<b>Cash &amp; cash equivalents:</b>	
Effect of exchange rate changes	74
At beginning of period	155,727
<b>At end of period</b>	<b>158,480</b>



## CASHFLOWS ANALYSIS (1Q2014)

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- **Net cash from operations**
  - Generated from profits
  
- **Net cash used in investment**
  - Purchase of property, plant and equipment
  
- **Net cash used in financing**
  - Repayment of loans & trade facilities



## BALANCE SHEET SUMMARY

S\$'000	31.03.2014	31.12.2013	▲ ▼
Property, plant & equipment	51,926	53,730	▼3%
Cash & short-term deposits	196,325	193,725	▲1%
Trade & other receivables	169,914	144,914	▲17%
Other current & non-current assets	61,080	77,299	▼21%
<b>Total assets</b>	<b>479,245</b>	<b>469,668</b>	<b>▲2%</b>
Trade & other payables	151,292	141,871	▲7%
Total borrowings	49,290	59,765	▼18%
Other current & non-current liabilities	166,783	169,658	▼2%
<b>Total liabilities</b>	<b>367,365</b>	<b>371,294</b>	<b>▼1%</b>
<b>Shareholders equity</b>	<b>224,832</b>	<b>211,178</b>	<b>▲6%</b>
<b>NAV per share (cents)</b>	<b>39.6</b>	<b>37.2</b>	<b>▲6%</b>





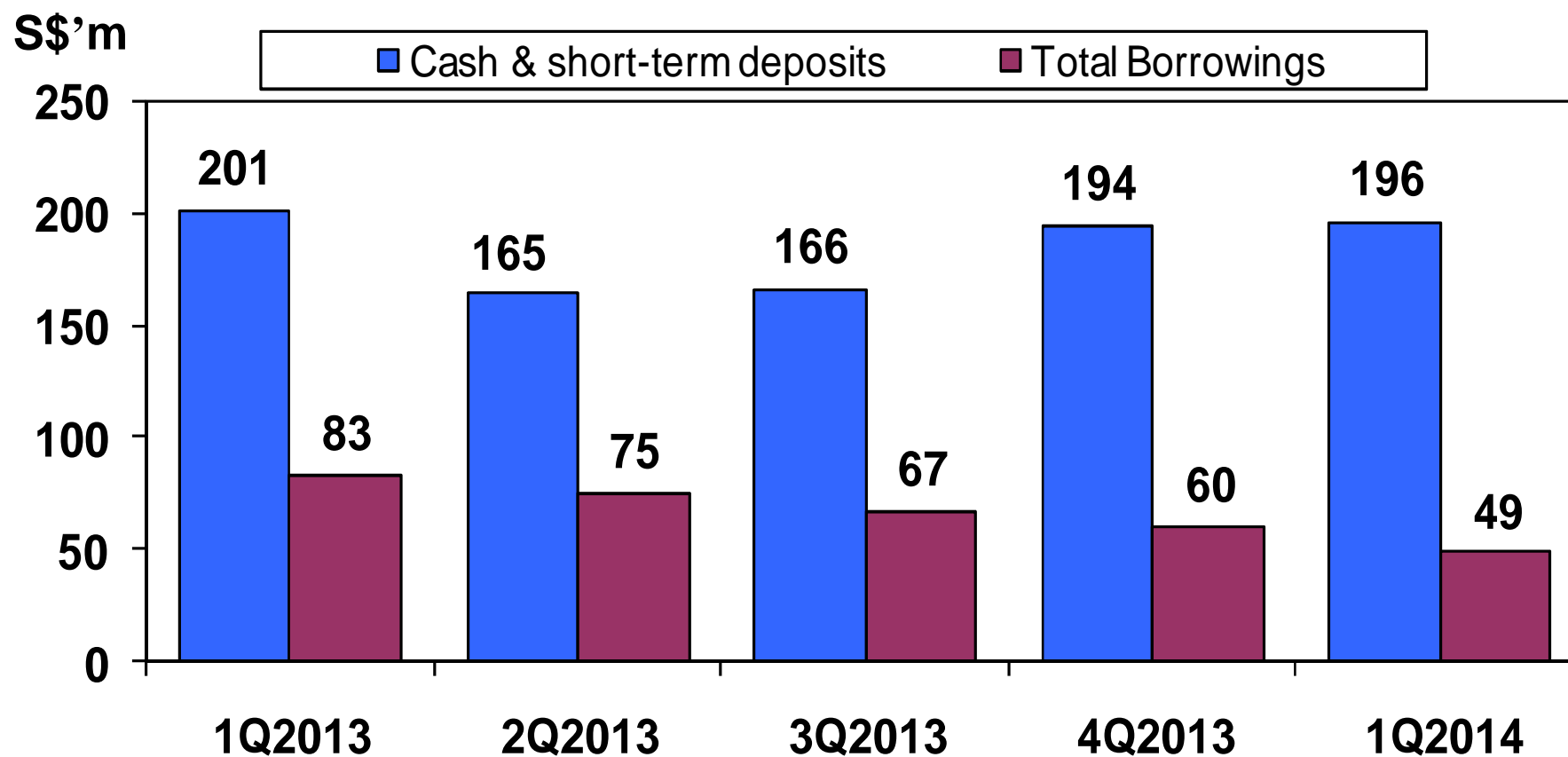
# BALANCE SHEET ANALYSIS

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- **Property, plant & equipment**
  - Decrease mainly due to depreciation
- **Trade & other receivables**
  - Increase in line with revenue
- **Other current and non-current assets**
  - Includes accrued revenue which will decrease when invoiced
- **Trade & other payables**
  - Increase in line with business activities
- **Borrowings**
  - Decrease due to repayments



# NET CASH POSITION



**NET CASH**    S\$118m     $\longrightarrow$     S\$147m



# ONGOING PROJECTS



## PROJECT SUMMARY

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Shell - Maintenance	Various	-	4Q2009	Ongoing
Concord Energy - Fujairah Oil Terminal	Fujairah – UAE	US\$261m	1Q2011	2H2014
Chevron Singapore-Maintenance	Jurong Island	(A)	4Q2011	4Q2014
Shoaiba II Combined Cycle Power Plant Project	Shoaiba-Saudi Arabia	US\$34m	2Q2012	2H2014
Samsung - civil works	Jurong Island	S\$11m	1Q2013	1Q2014 (Completed)

(A) Amount not disclosed due to confidentiality



## PROJECT SUMMARY (Cont.)

<b>Client/Project</b>	<b>Location</b>	<b>Contract Value</b>	<b>Start Date</b>	<b>Expected Completion Date</b>
Oil major – piping and tankage	Jurong Island	S\$35m	1Q2013	1Q2014 (Completed)
Tankstore- EPC for oil terminal in Singapore	Pulau Busing	S\$300m	1Q2013	4Q2014
Global Independent storage operator – EPC for spherical storage tanks	Jurong Island	S\$30m	1Q2013	1H2014



## PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
International specialty chemicals company- E&I works + supply of materials for plant	Jurong Island	S\$30m (B)	3Q2013	2Q2014
Oil Major – piping & structural works for new processing unit	Jurong Island	S\$17m (B)	3Q2013	2Q2014
Various maintenance contracts	Singapore /Thailand	S\$13m (B)	3Q2013	2Q2014

(B) Total cumulative value S\$60m: per 9 Jul 2013 SGX announcement



## PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Lube Park Shared Facilities	Tuas South	(C)	3Q2013	3Q2015
International EPC-EPC for elastomers plant	Jubail/ Saudi	(C)	3Q2013	2H2014
International EPC-erection of 28 tanks for Sadara South Tank farm	Jubail/ Saudi	(C)	3Q2013	3Q2014
International EPC-fabrication works at multi-feed cracker	Jubail/ Saudi	(C)	3Q2013	2Q2014

(C) Total cumulative value S\$200m: per 30 Jul 2013 SGX announcement



## PROJECT SUMMARY (Cont.)

Client/Project	Location	Contract Value	Start Date	Expected Completion Date
Oil Major/ EPC for LOBP	Tuas South	(D)	3Q2013	2Q2015
IRPC/ Upstream Hygiene and Value Added project-engineering & construction of 7 spherical tanks + construction of 19 atmospheric tanks	Rayong/ Thailand	(D)	3Q2013	4Q2014

(D) Total cumulative value S\$100m: per 6 Aug 2013 SGX announcement



A decorative graphic on the left side of the slide, consisting of a network of thin white lines connecting various geometric shapes: a large circle at the top, a smaller circle below it, a hexagon, and another circle at the bottom, all connected by lines that form a partial circuit or network structure.

# **BUSINESS DEVELOPMENT & SUMMARY**

**Smart thinking. Safe hands.**



## BUSINESS DEVELOPMENT

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- **Overall**

- Business opportunities abound, especially in ASEAN and the Middle East
- Move up the storage facilities value chain, towards high spec tanks (e.g. cryogenic for LNG, Ethylene, Ammonia)
- Move up the project value chain by doing entire plants integrating owners' technology

- **Singapore**

- New quality investments in Jurong Island 2.0 offers opportunities for high spec tankage with ancillaries such as piping and E&I
- Strategic partnerships offer good prospects for LNG projects



## BUSINESS DEVELOPMENT (Cont.)

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- **Asean**

- Malaysia

- Tendering for jobs in Gebeng, Pahang
    - Petrochemical hub with many multi-national chemical companies such as BASF, Amoco and Eastman

- Thailand

- Following up on business opportunities in Map Ta Phut petrochemical hub
    - Well-established to take on EPC, tankage, pipeline and fabrication projects



## BUSINESS DEVELOPMENT (Cont.)

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### ▪ **Middle East**

- Focus on tankage, E&I and fabrication for Saudi Arabia
- Sizeable EPC contracts broken down into portions to be executed by dedicated teams
- Take on specialist sub-contract work for main contractors
- Explore BOO / BOT opportunities



## BUSINESS DEVELOPMENT (Cont.)

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- **Middle East**

- Saudi Arabia

- Focus on projects within 200-300km radius of Jubail

- Oman

- Rep Office set up to explore opportunities
    - E.g. Duqm, Raz Markaz

- Fujairah

- Capitalise on FOT project by pursuing other business opportunities in Fujairah.



THANK YOU