



ROTARY ENGINEERING LIMITED

FY2014 RESULTS BRIEFING

26 February 2015

IMPORTANT NOTICE

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 Performance - Key Takeaways
2. Productivity Drive - 3M Strategy
3. Business Update and Development
4. Q&A



FINANCIAL PERFORMANCE - KEY TAKEAWAYS



This presentation should be read in conjunction with Rotary Engineering Limited's 4Q / FY2014 Financial Results ended 31 December 2014 statement lodged on SGXNET on 25 February 2015



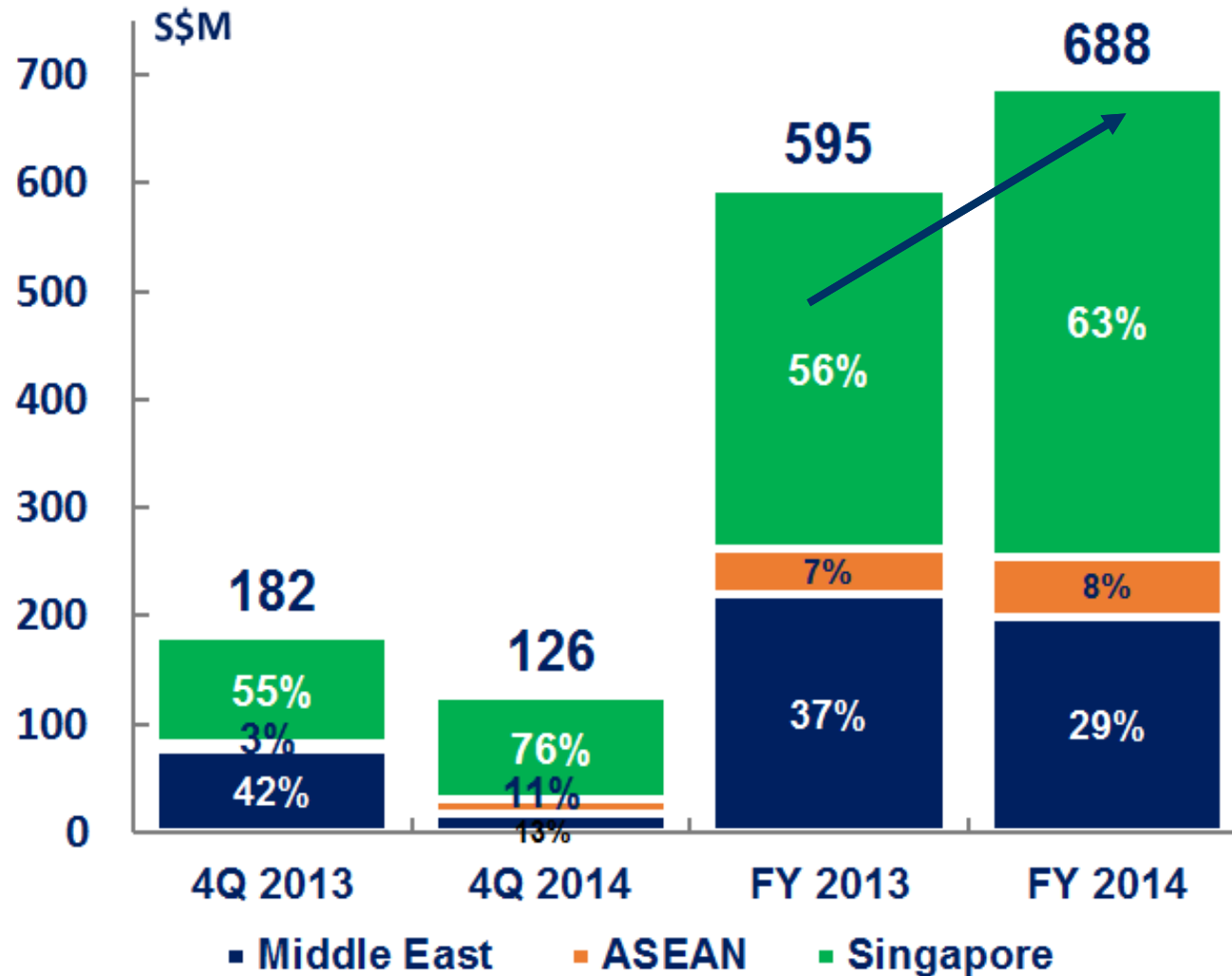
Earnings Highlights

S\$'000	4Q 2014	4Q 2013	% Change	FY 2014	FY 2013	% Change
Revenue	125,676	181,502	↓ -31%	687,658	595,026	↑ 16%
Gross Profit	22,915	18,411	↑ 24%	117,224	68,554	↑ 71%
Gross Profit Margin (%)	18%	10%		17%	12%	
Profit Before Tax	8,924	2,342	↑ 281%	48,896	7,587	↑ 544%
Profit attributable to Company	11,790	5,169	↑ 128%	50,084	20,735	↑ 142%
EPS (Cents)	2.1	0.9	↑ 128%	8.8	3.7	↑ 138%
Dividend per Share	NA	NA	NM	2.5	1.5	↑ 67%

- FY2014 revenue increased by 16% to S\$688M
- GPM at 17%, in line with guidance on the back of productivity improvement efforts
- PATMI more than doubled to S\$50M
- Significant improvement in EPS at 8.8 cents



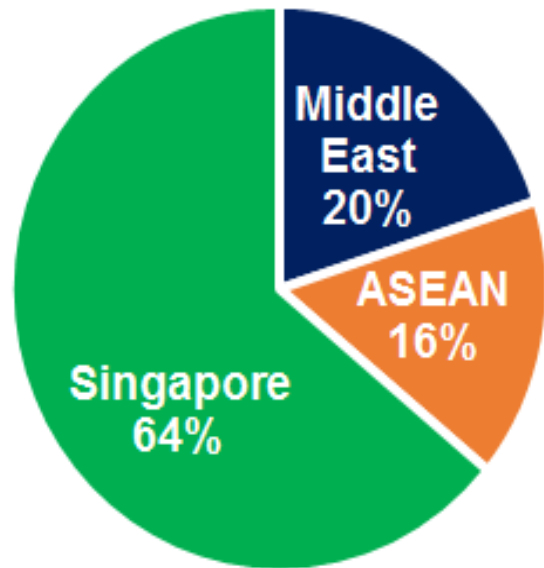
Revenue by Geographical Segment



- FY2014 revenue increased by 16% to S\$688M as execution of projects gained pace and momentum
- Singapore continues to be the main contributor at 63% of total revenue

Order Book by Geographical Segment

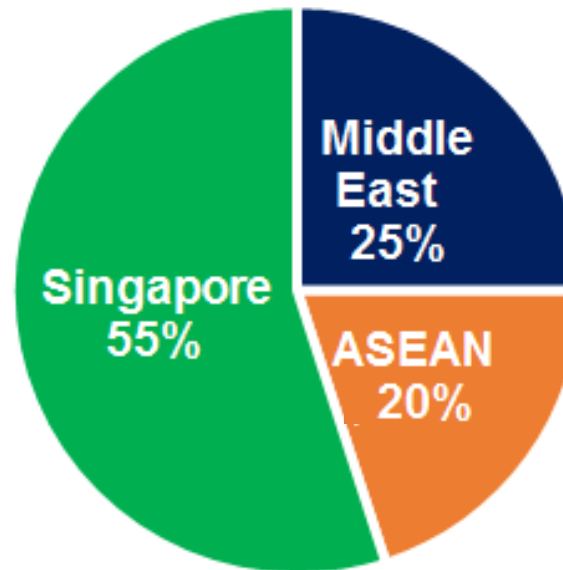
3Q 2014



▪ Middle East ▪ ASEAN ▪ Singapore

S\$ 303 M

4Q 2014

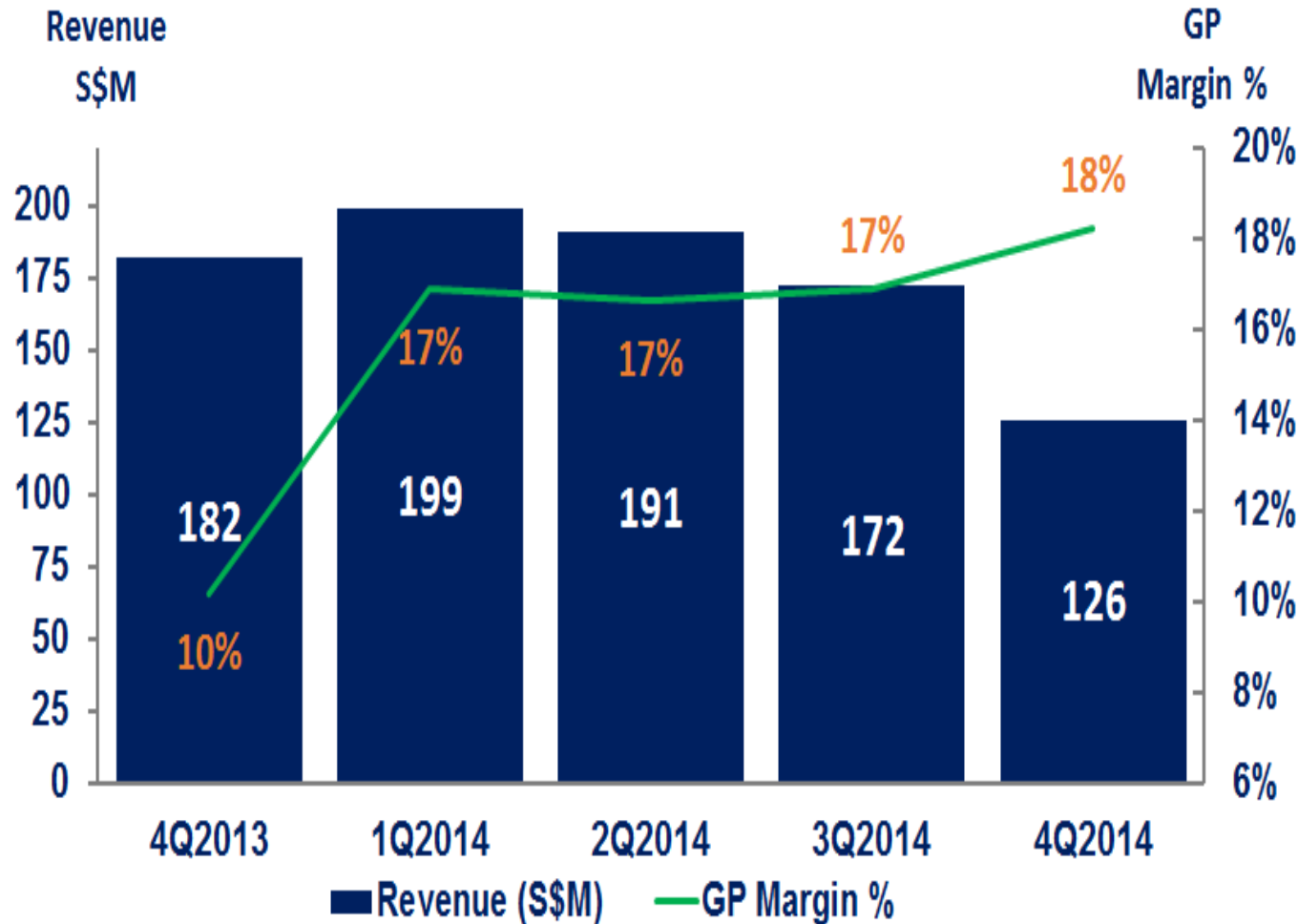


▪ Middle East ▪ ASEAN ▪ Singapore

S\$ 204 M

- Order Book will be built leveraging on the strong experience in Singapore, ASEAN and Middle East

Improved Gross Margin % driven by productivity gains



- Significant improvements in gross margin from 10% to 18% (vs same quarter LY) resulting from smooth project execution and the Groups' productivity efforts
- FY2014 GP improved from 12% to 17% (5 ppts)
- GPM Guidance: 15% - 18%



Cash Flow Key Highlights

S\$'000	FY 2014	FY 2013
Operating Cash Flow before changes in working capital	64,327	21,013
Net cashflow from operations	42,244	59,291
Net cashflow used in investment	(21,883)	(1,321)
Net cashflow used in financing	(20,642)	(66,791)
Less Repayment of bank loans	(50,881)	(25,449)
Decrease / (increase) in pledged fixed deposits	39,672	(37,904)
Dividend paid	(9,433)	(3,438)
Net decrease in cash and cash equivalents	(281)	(8,821)
Effect of FX changes	1,611	123
At beginning of period	155,727	164,425
At end of period	157,057	155,727

- Higher Operating CF before adjustments reflected overall higher profit before tax in 2014
- Lower CF from operations in line with completion of major projects
- CF used in Investments arose from participation in oil terminal storage in Indonesia
- CF in financing activities included loan repayment using pledged fixed deposits



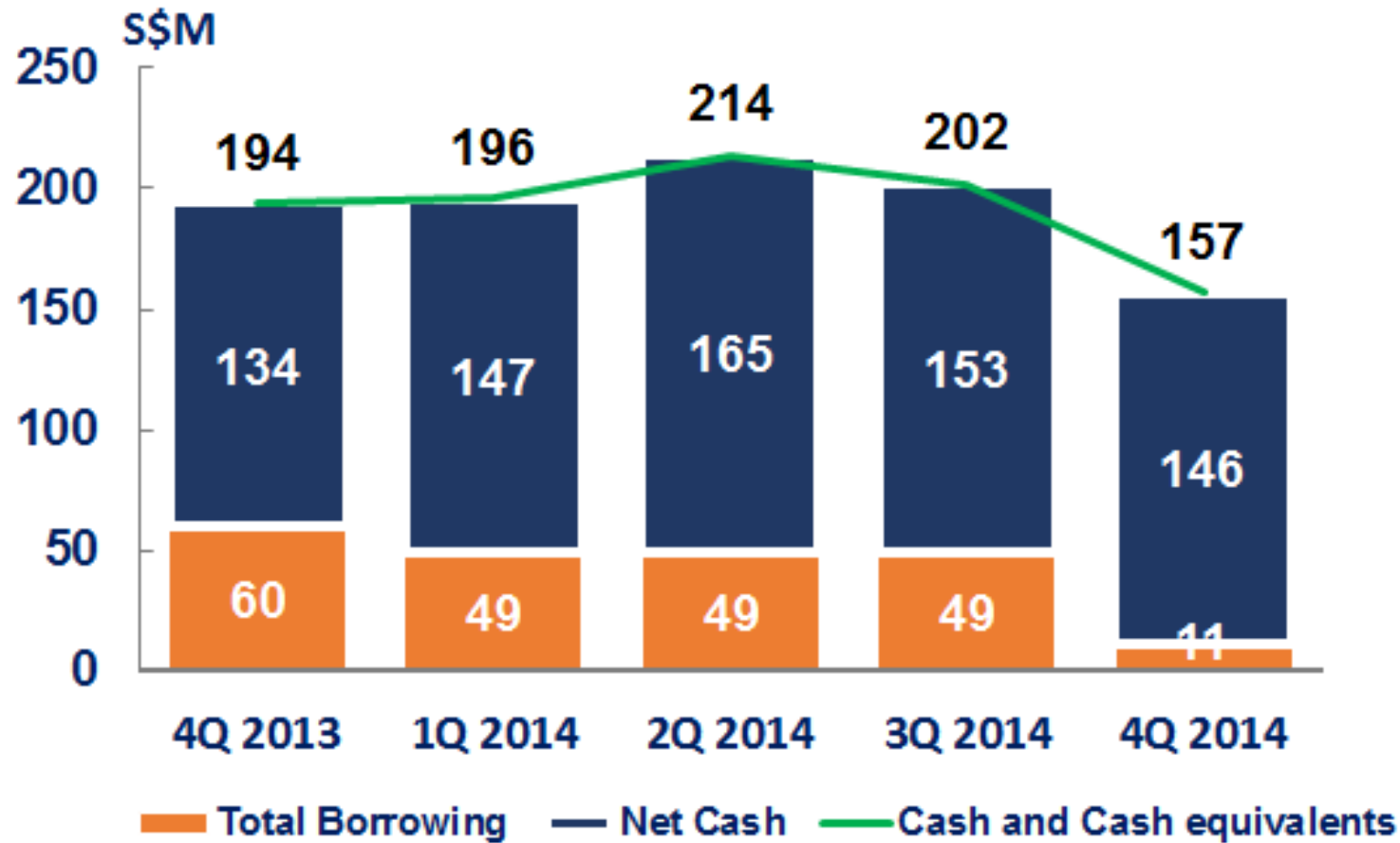
Balance Sheet Summary

S\$'000	FY 2014	FY 2013	
Property, plant & equipment	48,389	53,730	
Cash & short-term deposits	157,057	193,725	
Trade & other receivables	185,504	144,914	
Investments	35,077	4,425	
Other current & non-current assets	32,593	72,874	
Total Assets	458,620	469,668	
Trade & other payables	143,526	141,871	
Total borrowings	11,041	59,765	
Other current & non-current liabilities	175,681	169,658	
Total Liabilities	330,248	371,294	
Shareholders' Equity	256,409	211,178	↑ 21%
NAV per share (cents)	45.2	37.2	↑ 21%

- Trade & other receivables increased in line with business activities
- Increased Investments reflected participation in an independent oil terminal storage in Indonesia
- Down payments to suppliers & from customers decreased due to execution of on-going projects
- Cash and Borrowings reduced due to repayment of bank loans

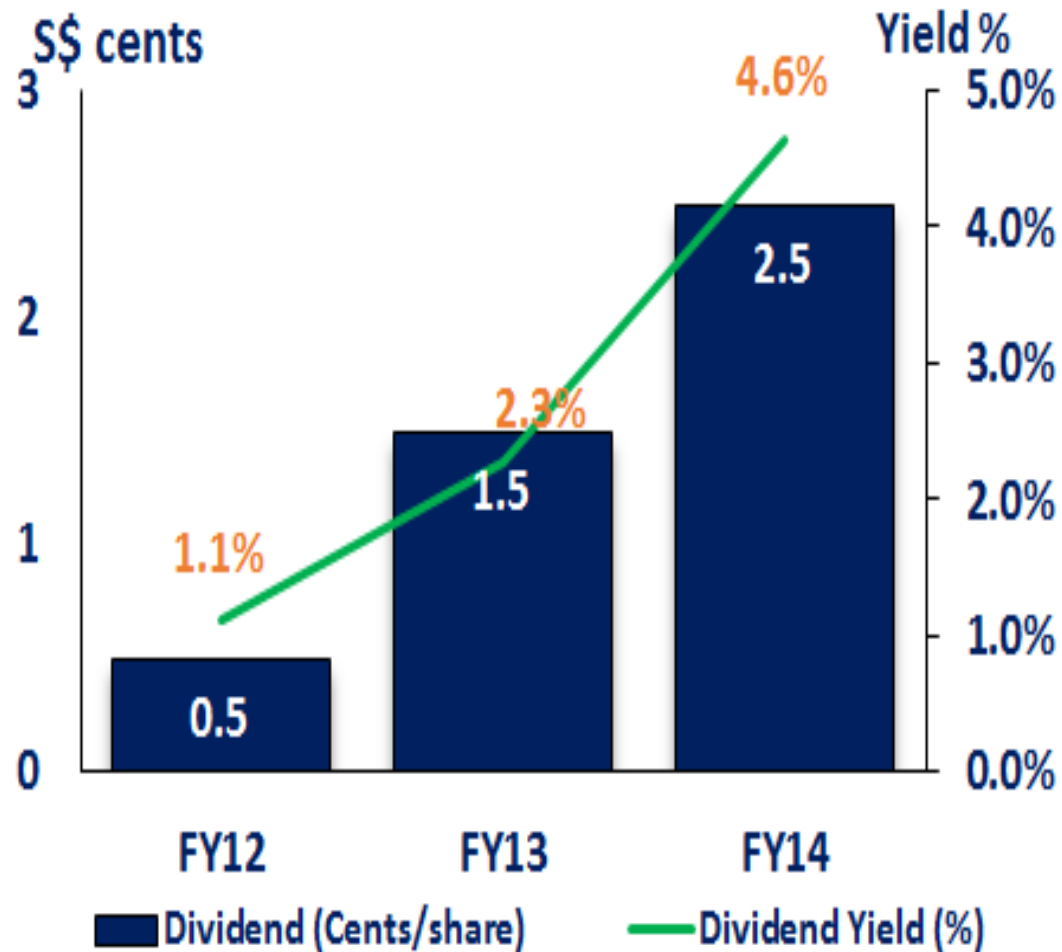


Net Cash Position





Dividend Trend



- Final dividend of 2.5 cents per share proposed for FY2014
- Dividend yield of 4.6% based on closing share price of 54 cents as at 24 Feb 2015
- Company does not have a fixed dividend policy
- FY2012 to FY2014
 - Dividend payout ratio: 28% ~ 40%
 - Dividend yield: 2% ~ 5%



PRODUCTIVITY DRIVE – 3M STRATEGY



Productivity Drive – 3M Strategy

Managing Manpower, Material, and Machine

- **Manpower:**
 - Global Workforce (GWF) scheme trains and deploys workforce for overseas projects
 - Relocate GWF HQ from Singapore to Chennai, India - tap on talent pool
 - Recruit more engineers to expand engineering design capability
 - Higher labour productivity with off-site prefabrication (eg Batam yard)
 - Higher labour productivity with on-site dormitories to cut commuting time (eg Pulau Busing project)



Productivity Drive – 3M Strategy (Cont.)

Managing Manpower, Material, and Machine

- **Material:**
 - Leverage on bulk purchase discounts
 - Leverage on use of Information Technology to tie in sourcing, procurement, storage, delivery and payment processes
 - Efficient warehousing and prompt logistics support to projects
 - Off-site prefabricated structures shorten construction time and costs



Productivity Drive – 3M Strategy (Cont.)

Managing Manpower, Material, and Machine

- **Machine:**
 - Mechanisation and specialised equipment (eg concrete batching plant)
 - Supply chain logistics (eg vessels for transportation of prefabricated structures to project sites)
 - Greater use of 3D software for design and modeling (eg SP3D software)
 - Innovative construction methods (eg gantry crane)



BUSINESS UPDATE AND DEVELOPMENT

Smart thinking. Safe hands.

Strategic Investment to diversify sources of income



Indonesia Oil Terminal

- ✓ Strategic Investment
- ✓ Recurring Income
- ✓ Strengthen supply chain integration
- ✓ Complement existing activities
- ✓ Diversify revenue stream

- Oil terminal's strategic location along main crude and petrochemical shipping routes
- Two deep-draft 21m berths and 21 tanks totalling approximately 300,000 m³ can accommodate tankers up to 110,000 dwt
- Within trucking distance to serve as break bulk distribution hub for high population density hinterland
- Storage space fully rented out for next ten years, with plans for additional 130,000 m³ expansion
- Serves as foothold and track record to explore other similar opportunities in fast-growing Indonesia bulk liquid storage market



Business Development

A wider approach to address new opportunities:

- Bidding/Tendering
- Direct negotiations
- Strategic partnerships
- Joint ventures
- Specialist sub-contractors
- Part of consortium
- BOO (Build, Own, Operate)
- BOT (Build, Own, Transfer)



Business Development (Cont.)

Singapore

- Moves up bulk liquid storage value chain
- Opportunities from mid-sized specialty chemical companies that outsource their engineering
- Higher value-add projects that integrate tankage with owners' production technology
- Opportunities in LNG space due to Singapore's development of the LNG ecosystem of supply, storage and distribution

SIJORI (Singapore, Johor, Riau Islands)

- Bulk liquid storage projects spill into Johor and the Riau islands as Singapore focusses on higher value storage
- Malaysia plans storage terminals not only for crude, but also for petrochemicals and LNG in Pengerrang, Tanjong Bin and Tanjong Piai
- Indonesia's rapid urbanization creates opportunities for storage terminals not only in Karimun and other Riau islands but also in Java, Sumatra and Kalimantan
- Equity stake in oil terminal establishes footprint for further Own & Operate opportunities in Indonesia



Business Development (Cont.)

Thailand

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

Middle East

- **UAE**
 - Success of FOT project yields VLCC project and other upcoming opportunities like liquid and solid storage
- **Saudi Arabia**
 - Re-organise operations structure
 - Take on sub-contractor and fabrication projects
 - Actively focus on projects within 200-300km radius of Jubail petrochemical complex
- **Oman**
 - Rep Office set up to explore opportunities
 - Eg Duqm, Raz Markaz
 - Trained six Oman engineers on Rotary construction methodologies and systems in preparation



THANK YOU

Smart thinking. **Safe hands.**