

**FY2013  
RESULTS PRESENTATION  
28 FEBRUARY 2014**



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# Contents

- Group Overview and Competitive Strengths
- Operations Review
- Financial Review – FY2013



# Mencast

PARTNER PERFECT

## Group Overview and Competitive Strengths

Please place title here



## Overview



### 3 Growth engines

- Offshore & Engineering
- Marine
- Energy



### 33

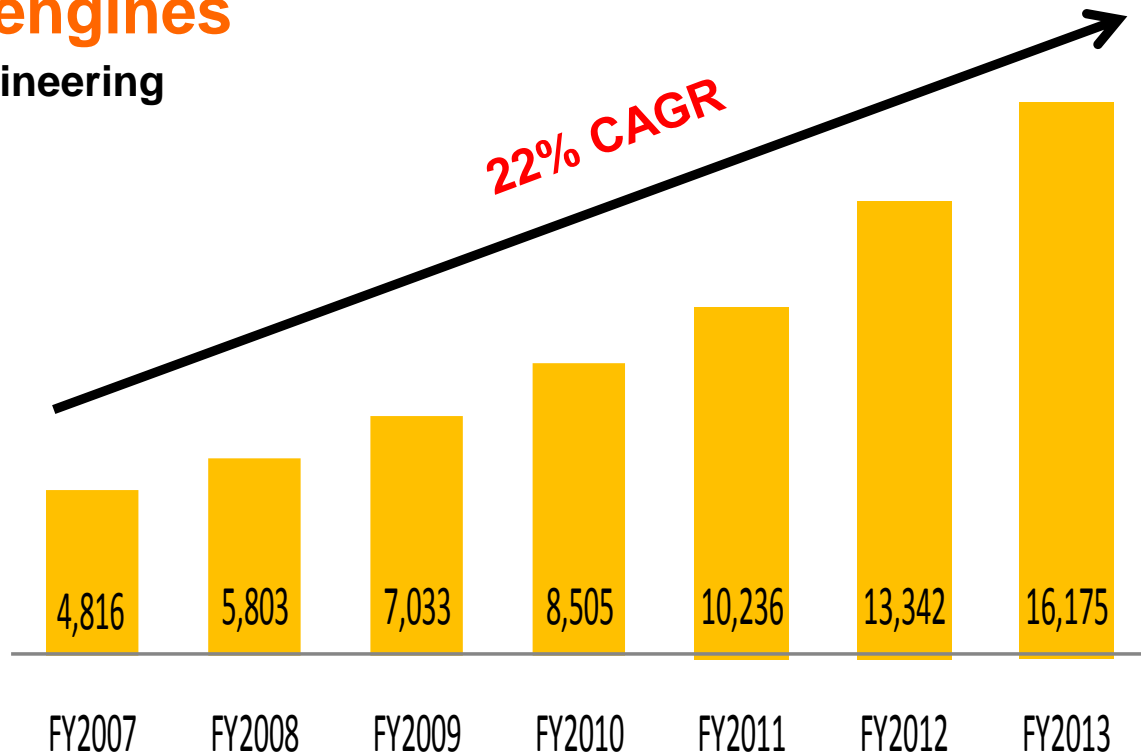
Years track record of excellence



### 800+

Employees

### Net Profit (S\$'000)



Through leadership in Maintenance, Repair & Overhaul (“MRO”) to the Oil & Gas and Marine Industry, Mencast serves the Global Energy Cycle



## Mencast serves the Global Energy Cycle

### ENERGY CYCLE



Exploration



Remediation



Production



Maintenance



Distribution

#### **Exploration & Production**

*Offshore structure engineering and fabrication for exploration, production and seismic survey  
Pressure vessels, tanks, skid plates and precision components  
Rig positioning and thruster installation  
Remote Operated Vehicles*

#### **Distribution**

*Manufacturing of sterngear systems and equipment for oil tankers  
Piping systems and equipment for O&G industry*

#### **Refinery/ Maintenance**

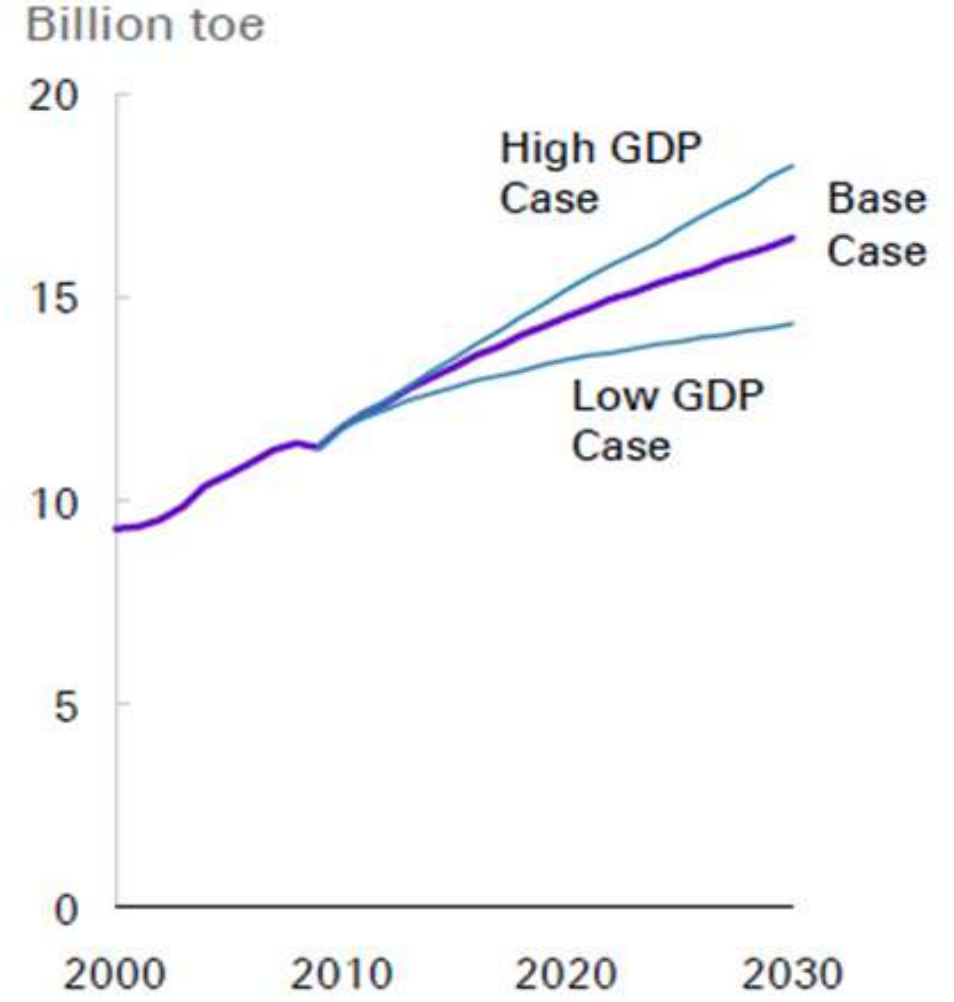
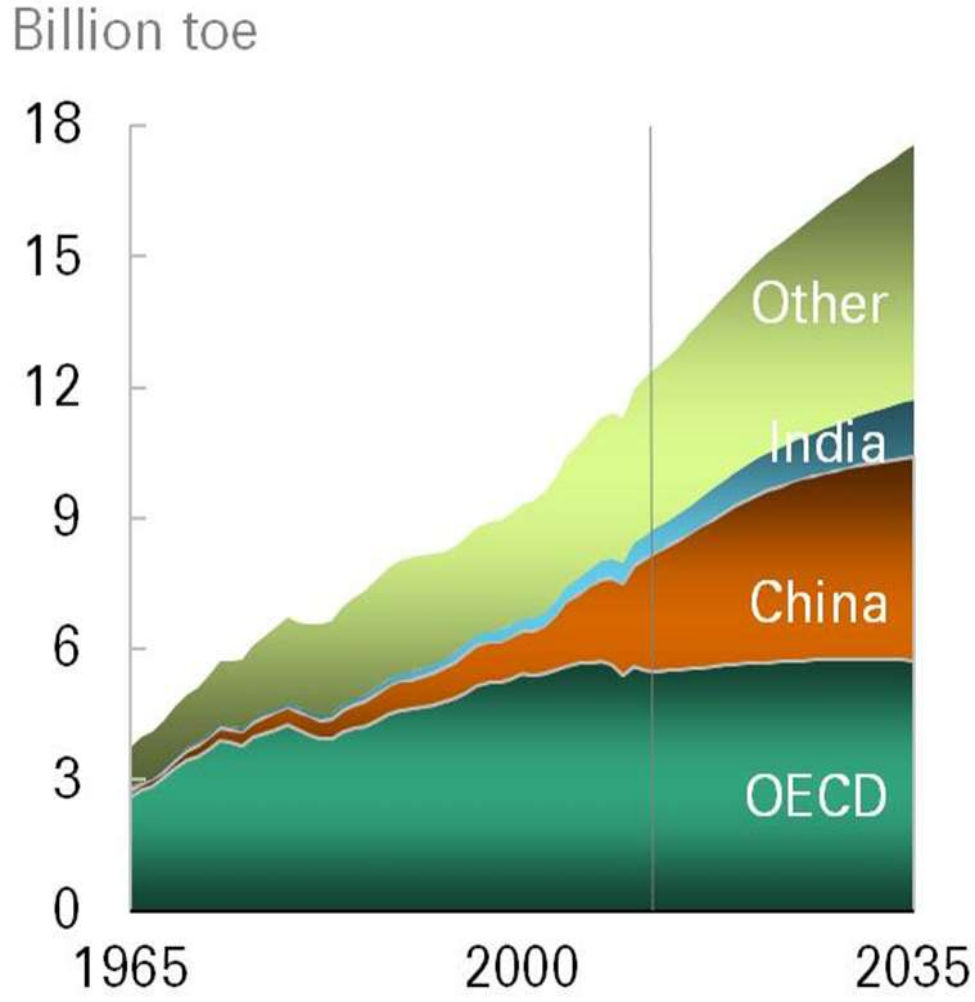
*Integrated MRO services for oil and gas and marine industry  
Underwater, topside and offsite capabilities*

#### **Environmental Remediation**

*Cleaning, waste management and processing services  
Carbon footprint management  
Decommissioning*

## Sustained Energy Demand Growth

### Consumption by region



Source: BP Statistical Review of World Energy, June 2013

## Business Divisions: Primed for Growth

### Offshore and Engineering



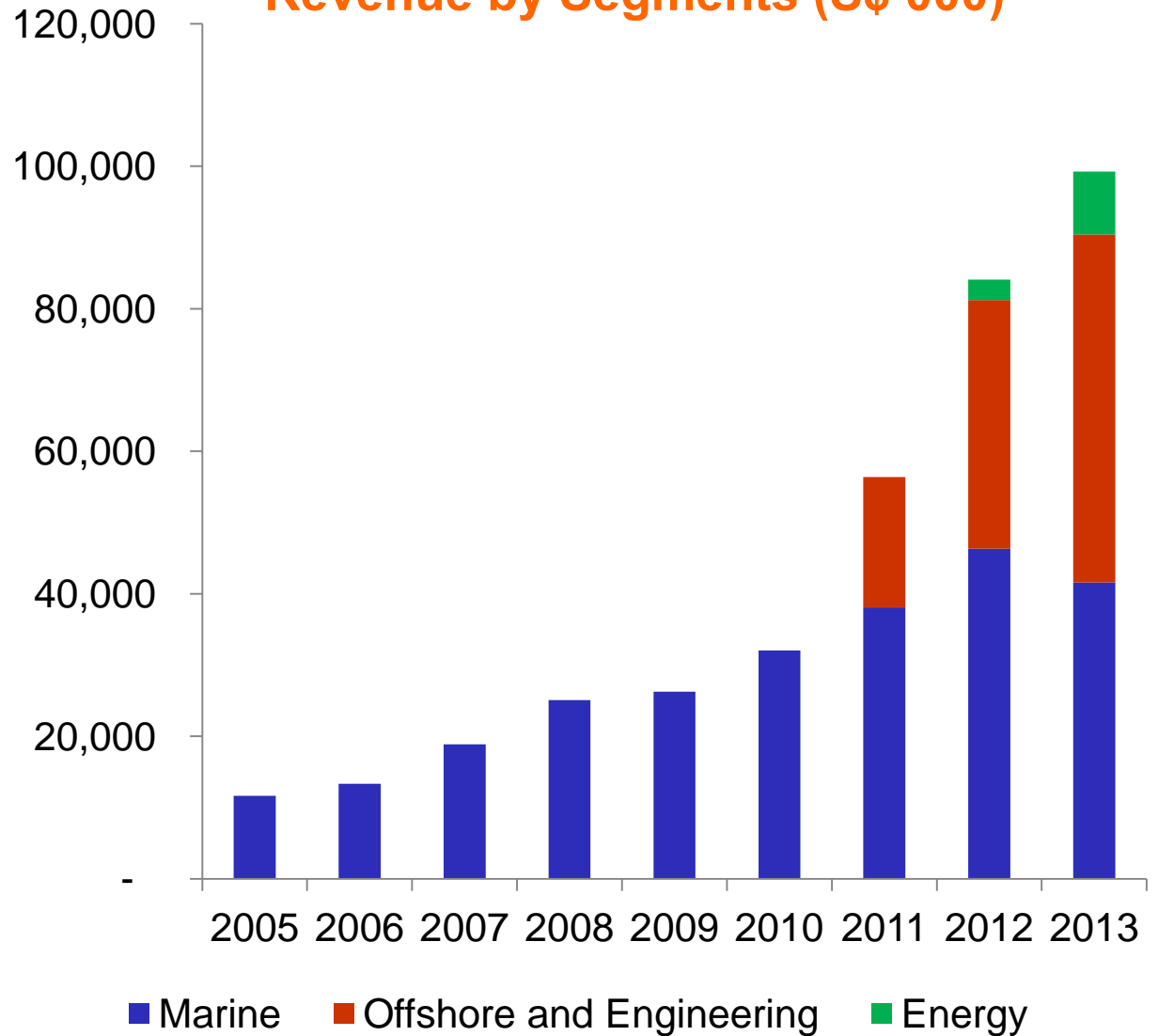
Marine



Energy



### Revenue by Segments (S\$'000)





## Key Clients

Strong relationships with the clients have allowed Mencast to secure contracts averaging 3 to 5 years.

### Supporting Partners Across Offshore, Marine and Oil & Gas Sectors

#### Offshore & Engineering

 Keppel Offshore & Marine

 HALLIBURTON

 MAKINO  
SIEMENS

 Brandt

 CAMERON

 ENSCO  
Seadrill

 Transocean

 DIAMOND  
OFFSHORE

 MÆRSK

 VEOLIA  
WATER  
Solutions & Technologies

#### Marine

 JSL JURONG SHIPYARD

 SEMBAWANG  
SHIPYARD

 ST Marine  
A company of ST Engineering

 SWIRE PACIFIC OFFSHORE

 EZRA

 Swiber

 becker marine systems

 OTTO MARINE LIMITED

#### Energy Services



 ExxonMobil

 Vopak

 SRC

 NSL

 SANKYU INC.  
Providers of logistics and maintenance outsourcing services

## Accreditations and Certifications

### Mencast OFFSHORE & ENGINEERING



### Mencast MARINE



### Mencast ENERGY SERVICES

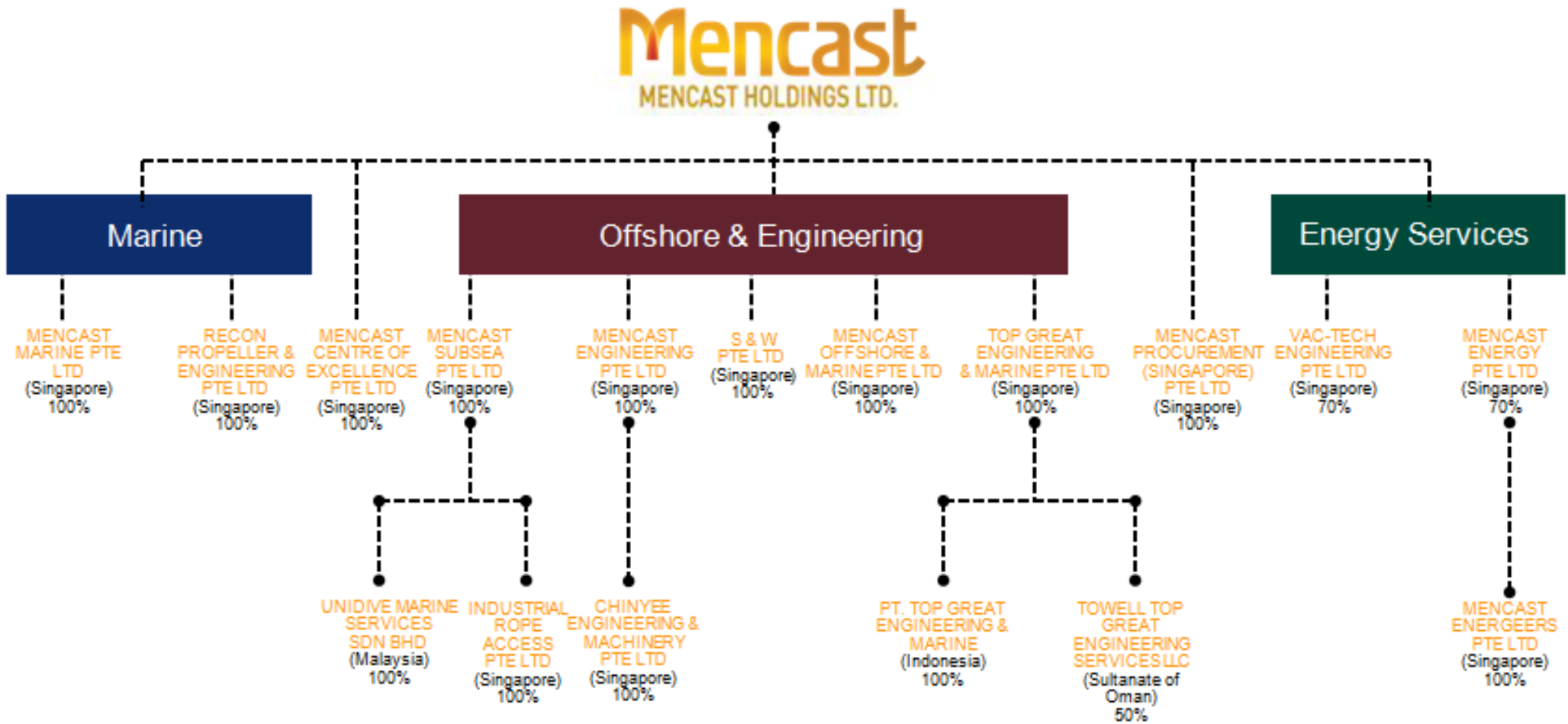


## Eight Acquisitions Since IPO





## Group Organizational Structure



## Roadmap: One Billion Market Cap.

### KEY DRIVERS

#### Revenue Growth

Strong demand for MRO from Singapore and new markets. US\$2 billion revenue potential from identified markets.

#### Margins

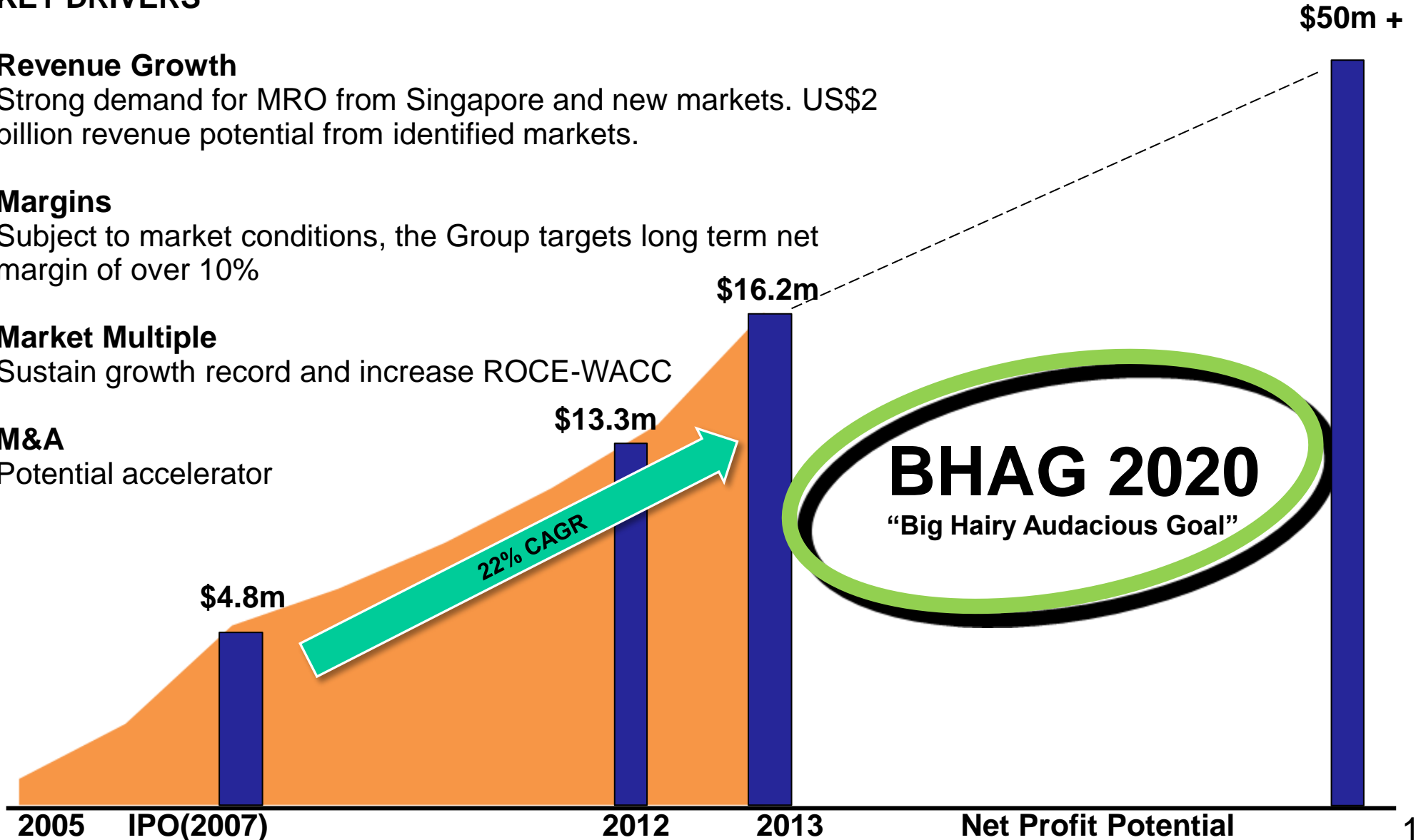
Subject to market conditions, the Group targets long term net margin of over 10%

#### Market Multiple

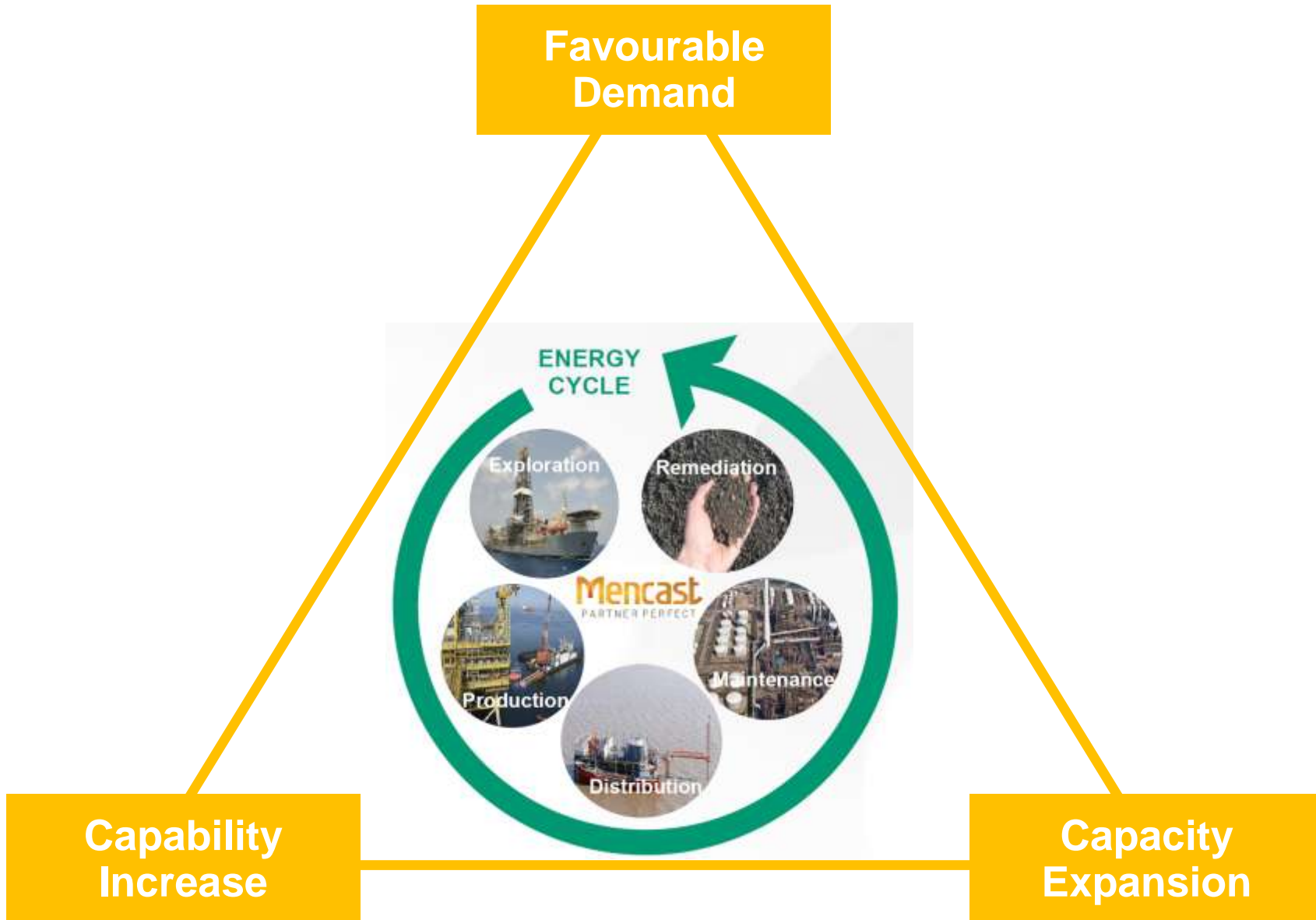
Sustain growth record and increase ROCE-WACC

#### M&A

Potential accelerator



## Primed for High Quality Growth







# Operations Review



# OFFSHORE & ENGINEERING

Mencast

## Principal Services

- Inspection, maintenance and fabrication of offshore structures
- Onshore structures-related services and engineering
- In-house capabilities to manufacture metal precision components

## Services Capability

- Fabricate complex skids, filtration membrane and pressured vessels
- Analysis of pressure vessels, and storage tank designs
- Full turnkey project management of engineering projects
- Supply Manpower onboard vessel to mobilize equipment
- Industrial rope access to bridges, tunnels and other construction projects





## OFFSHORE & ENGINEERING





## OFFSHORE & ENGINEERING



## OFFSHORE & ENGINEERING





## OFFSHORE & ENGINEERING



**5 Axis Milling Centre**



**42B Penjuru Road**



**CNC Vertical Lathe Machine**



**CNC Horizontal Turn-Mill Machine**



**CNC Horizontal Milling Centre 20**



# MARINE

## Principal Services

- Provide quality propeller repair and modification services
- Ship inspection, repair, maintenance, engineering and fabrication works
- Marine project management works

## Services Capability

- Customized manufacturing, mobile reclaiming and reconditioning of hull parts
- Customized marine project deployment and management
- Maintenance, repair and inspection at shipyards, ports, wharves and onboard vessels for offsite works
- 30 years of integrated marine specialist services, both offshore and onshore







## MARINE





## MARINE



# ENERGY SERVICES

Mencast

## Principal Services

- Chemical decontamination of exhumers
- Semi-robotic oil tank de-sludging
- Air-Fin cooling cleaning and Hydro cleaning
- Heat-Exchange re-tubing
- Mobile decontaminating plants

## Services Capability

- Custom-designed environmental and energy solutions
- Physically and chemically encapsulate wastes prior to landfill disposal
- Reclaim and lengthen asset life cycle to strengthen business model to become environmentally sustainable
- Design and launch carbon footprint management initiatives



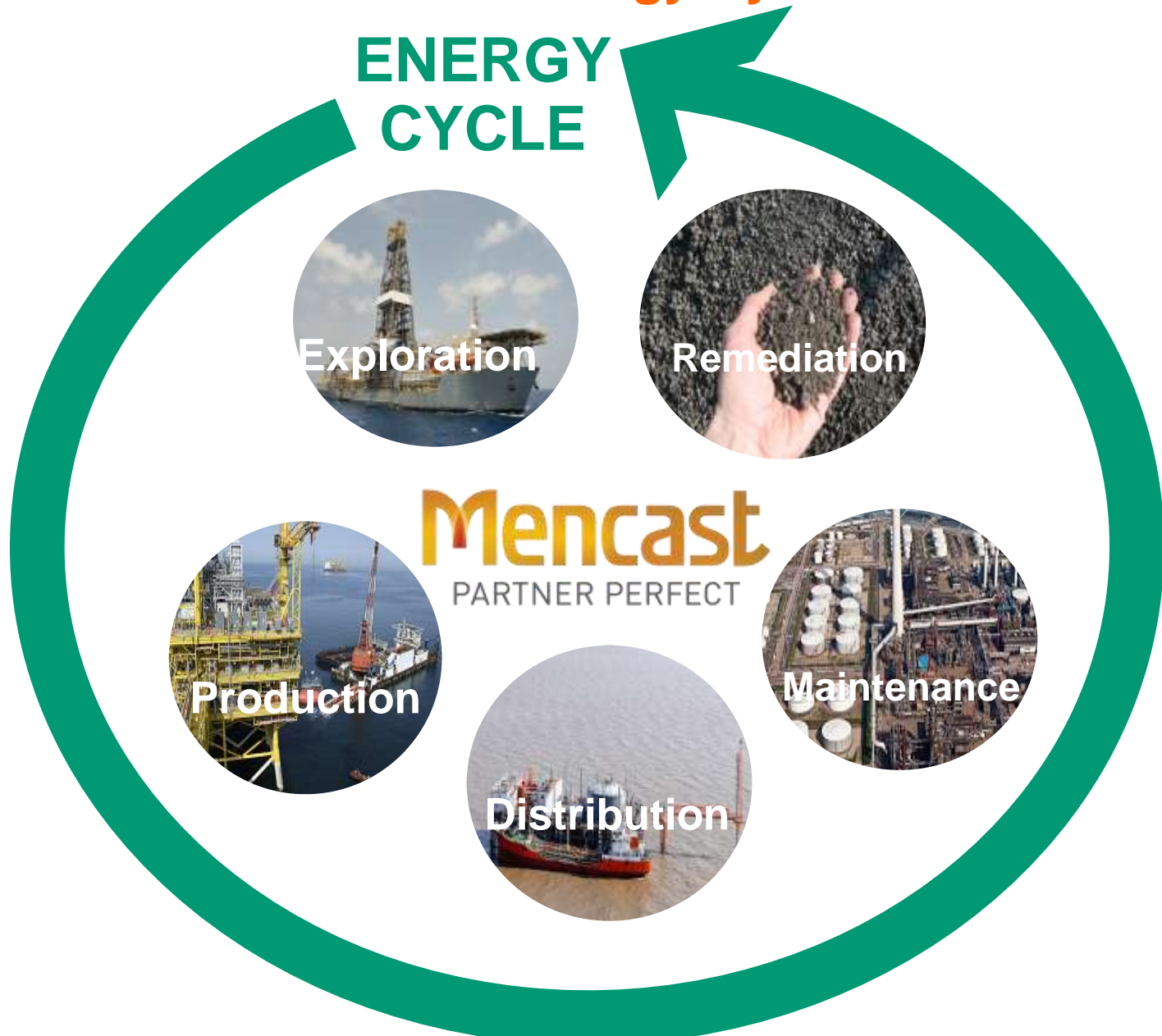


## ENERGY SERVICES





## Mencast serves the Global Energy Cycle





# Financial Review FY2013



## Group Financial Performance

S\$'000	FY2013	FY2012	Change (%)
Revenue	99,211	84,086	18
<b>Gross Profit</b>	<b>30,434</b>	<b>27,097</b>	<b>12</b>
<i>Gross Margin</i>	31%	32%	-
Other Gains - net	7,258	4,266	70
Finance Expenses	2,470	1,272	94
Total Expenses	20,842	18,317	14
<b>Operating Profit</b>	<b>13,693</b>	<b>11,939</b>	<b>15</b>
<i>Operating Margin</i>	14%	14%	-
<b>EBITDA</b>	<b>25,419</b>	<b>18,982</b>	<b>34</b>
<i>EBITDA Margin</i>	26%	23%	-
<b>Profit before Tax</b>	<b>16,850</b>	<b>13,046</b>	<b>29</b>
<b>Net Profit</b>	<b>16,175</b>	<b>13,342</b>	<b>21</b>
<i>Net Margin</i>	16%	16%	-



## 2013 Offshore and Engineering

**Gross Profit**  
**+ 43%**

Revenue FY2013

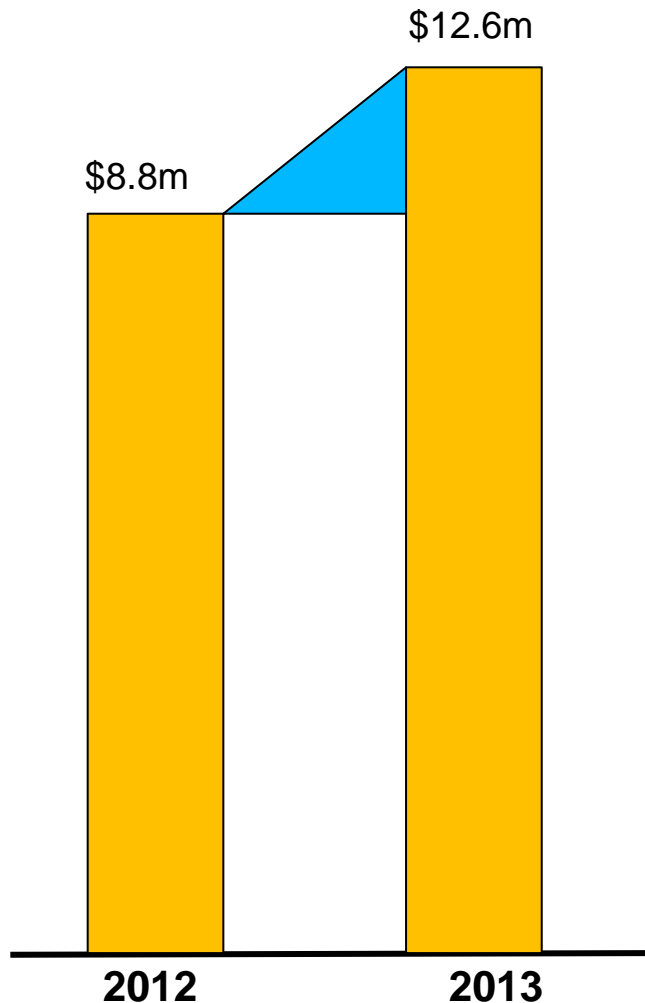
**\$48.7m**

Revenue Growth

**+40%**

\$12.6m

\$8.8m

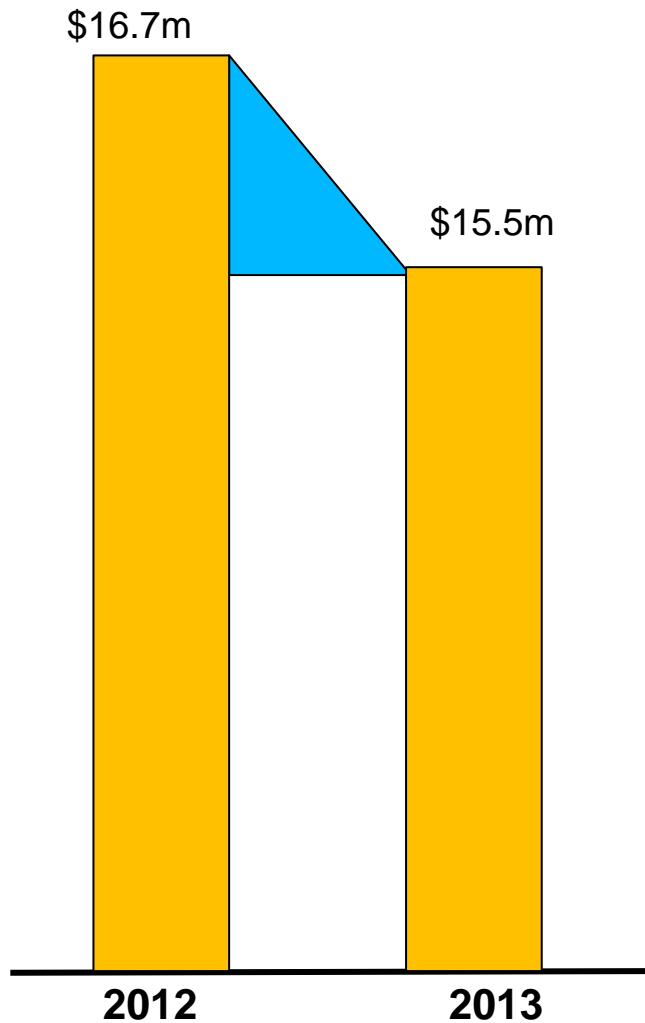


- Full-year revenue contribution from waterfront facility at 42E Penjuru
- Larger projects from major players in the Oil & Gas industries

## 2013 Marine

### Gross Profit

↓ 7%



### Revenue FY2012

\$41.6m

### Revenue

↓ 10%

- Slow down in the sterngear repair service market
- Sterngear manufacturing market remains positive

## 2013 Energy

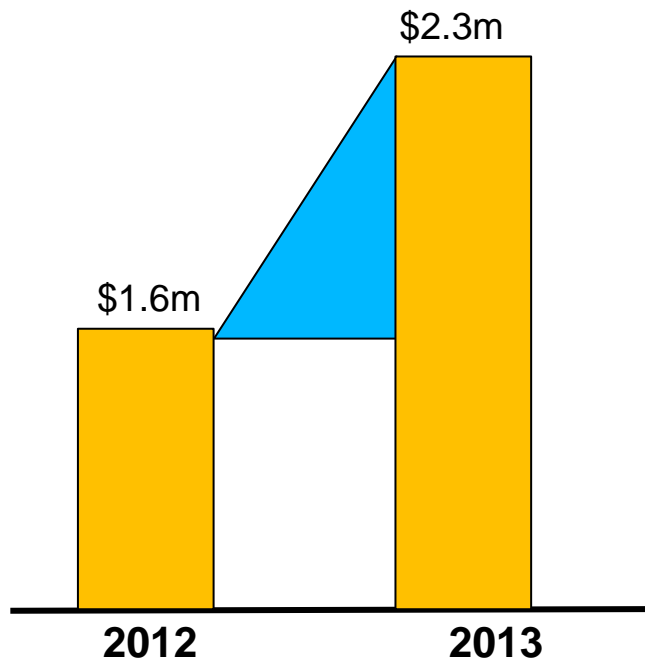
Gross Profit  
+ 39%

Revenue FY2013

**\$8.9m**

Revenue Growth

**+206%**

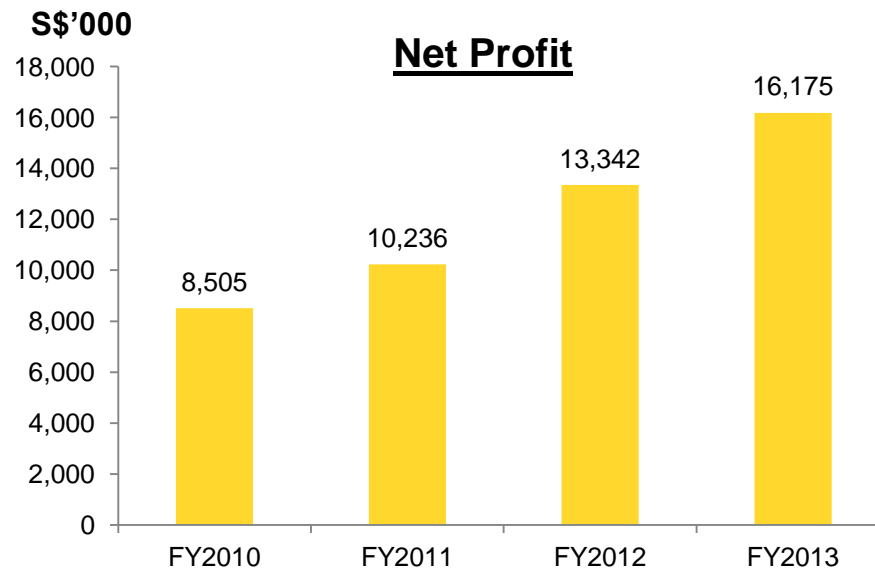
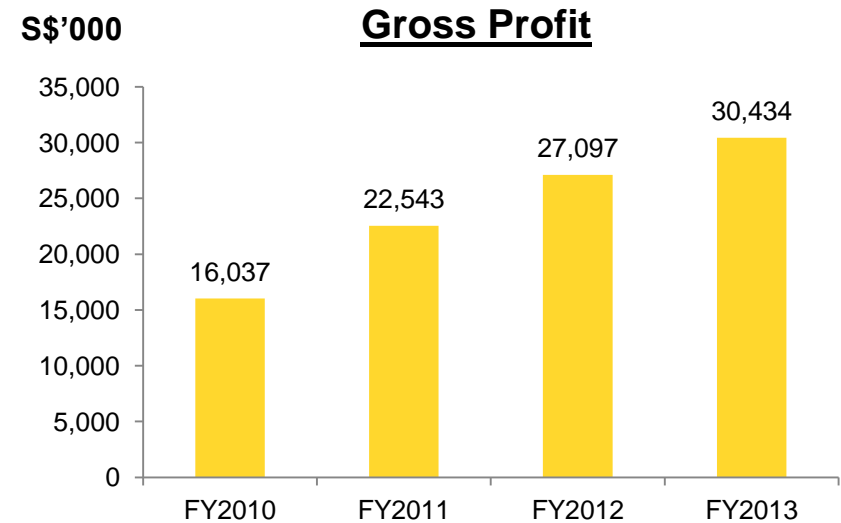
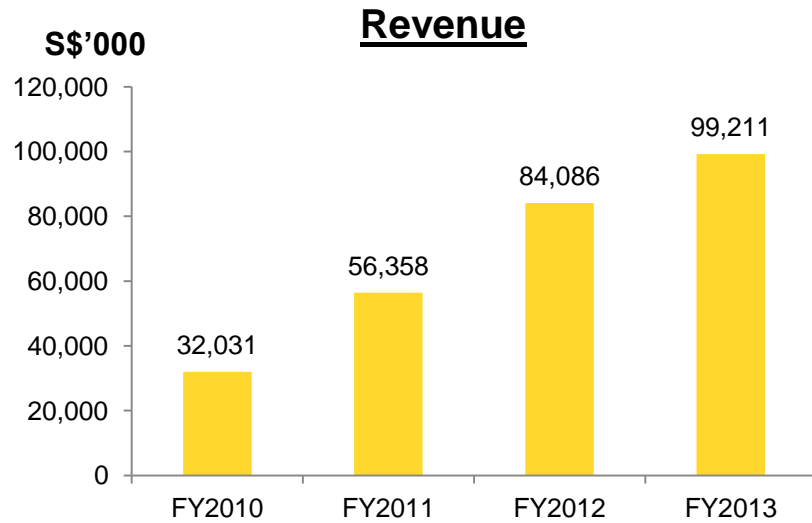


- Full year contribution from Vac-Tech
- Increase in contracts and capacity



## Group Track Record

Strong and consistent growth in earnings



## Group Financial Position

S\$'000	31 Dec 2013	31 Dec 2012	Change (%)
Total Assets	296,123	195,146	52
Total Liabilities	189,527	104,824	81
Total Debt *	127,423	60,575	110
Total Equity **	106,596	90,322	18
Gearing Ratio (Total Debt / Total Equity)	1.20x	0.67x	-
Gearing Ratio (adjusted for the effect of unrecognised fair values of properties) ***	0.92x	0.33x	-
Net Gearing Ratio (adjusted for the effect of unrecognised fair values of properties) ****	0.76x	0.52x	-

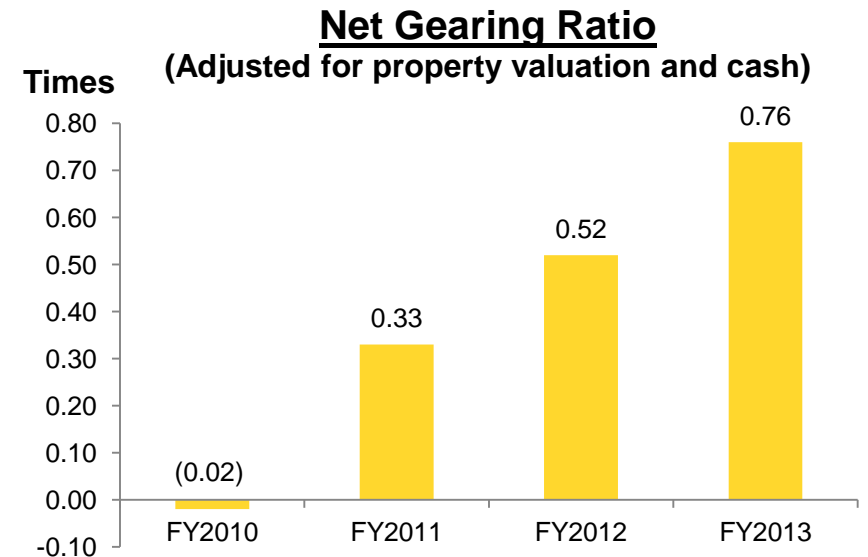
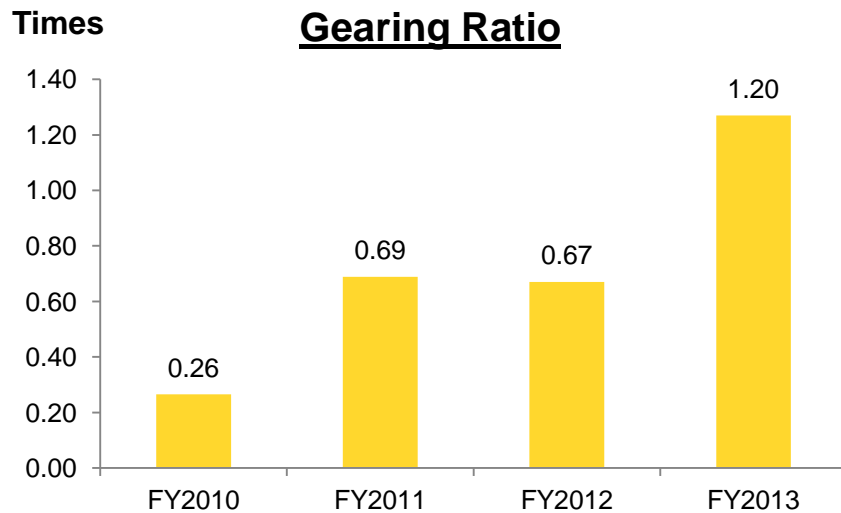
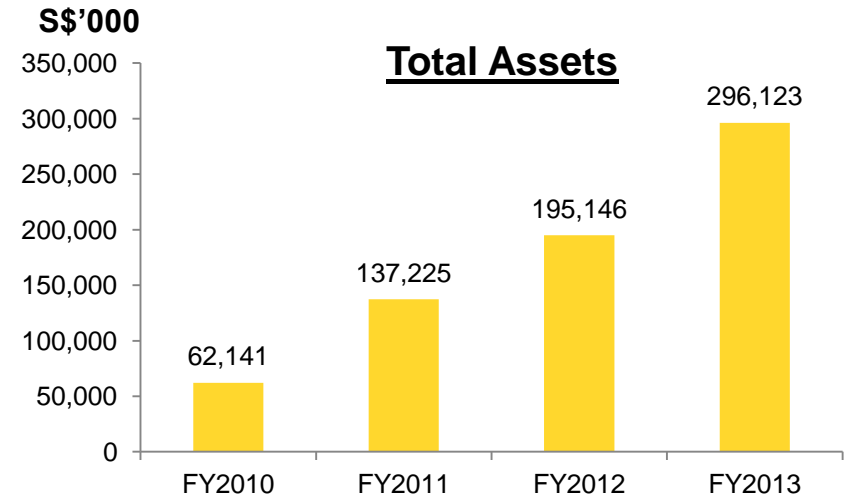
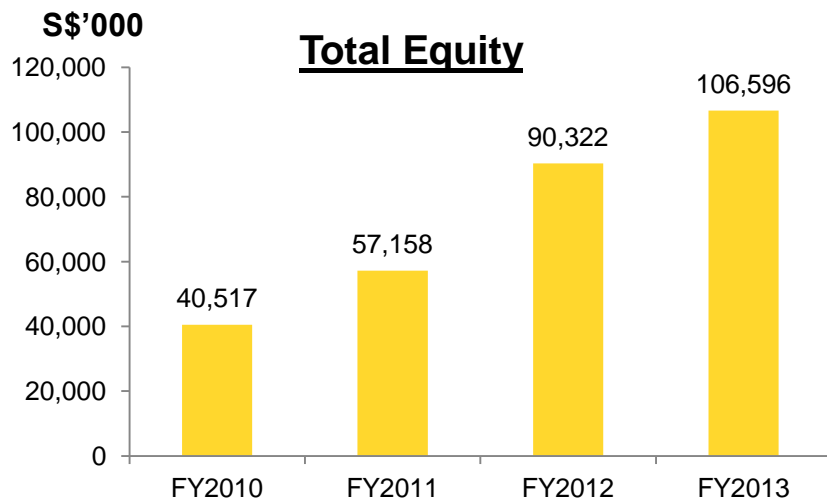
• *Total Debt is calculated as current and non-current borrowings.*

\*\* *Total Equity includes share capital, reserves and non-controlling interests.*

\*\*\* *The Group's nine properties are carried in the books at \$86.5m. In FY2013 Q4 and FY2014 Q1, the Group engaged third-party valuers to carry out a valuation of the Group's properties. This determined a market value of \$118.5m, a revaluation surplus of \$32m.*

\*\*\*\* *Net gearing is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents.*

## Group Financial Position





## Building a Strong Growth Platform

Strong and Scalable Operations and Businesses Lines

Focus on High Growth Markets

Group Synergy and Cost Sharing

Diversified for Increased Earnings Quality



***Scalable Platform for High and Sustainable Growth***

### Overweight

Current Price	S\$0.58
Fair Value	S\$0.67
Up / (downside)	+15%

#### Stock Statistics

Market cap	S\$173.1m
52-low	S\$0.470
52-high	S\$0.605
Avg daily vol	156,033
No of share	295.9m
Free float	44%

#### Key Indicators

ROE 13F	16.8%
ROA 13F	6.1%
P/BK	1.6x
Net gearing	0.98x

#### Major Shareholders

Glennle Sim	22.1%
Chua Kim Choo	12.2%

#### Historical Chart



Source: Bloomberg

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### Turbo charged growth with more acquisitions

- Earnings in line with expectations.** Mencast's 4Q13 profits of S\$6.5m was in line with our estimates. However, stripping away gains of S\$4.7m that Mencast recognized from the acquisition of S&W below fair market value, net profit was below expectations. We adjust our FY14-15 sales upwards by 17% to account for the new acquisition and introduce FY16 estimates, but our net profit estimates remain unchanged due to higher expense assumptions. Thus our fair value remains S\$0.67, still pegged at 10x FY14 PER. Given the 17% potential upside, maintain **Overweight**. Mencast declared a surprise 2 cents special and 1 cent final dividend (total 3 cents) compared to our projected dividend of 1.2 cents, translating into a decent 5.2% yield.
- Hungry for more.** Just a little more than three months ago, Mencast acquired Chinyee Engineering (CYE) but it is still hungry to grow faster and bigger. It recently acquired S&W and S&W Process Equipment (S&W) for S\$5.1m, to be paid in three tranches of cash (S\$3.9m) and shares (2.2m shares based on current price of 58 cents/sh). This is the seventh company to be acquired in the past two years.
- S&W's immediate positive contribution to group performance.** In comparison to CYE, this acquisition should be able to contribute positively immediately to the bottom line of Mencast. S&W's profit before tax was S\$1.1m in FY12, compared to CYE's loss of S\$0.9m before tax. So basically S&W was acquired at 4.6x historical PER, which we think is reasonable. If the profit warranty of S\$2m/year for the next three years is taken into account, then the acquisition was acquired at 2.6x forward PER.
- How will S&W contribute?** S&W manufactures mainly heat exchangers, which should complement Mencast's current product range. It has operations in China that the group can tap on to expand overseas.
- 4Q13 revenue increased 1% yoy to S\$28m**, led by increases mainly in its offshore and engineering segment by 30% yoy. Its offshore engineering segment decreased 35% yoy. Its energy services, contributed S\$2.3m in 4Q13, a 143% increase yoy.
- Fully utilising the capital markets to fund growth.** Mencast generated S\$1m negative free cash flow in 3Q13 which was mainly due to capex spending of S\$7m. As a result, net gearing increased to 98% as at end 4Q13 as compared to 77% as at end 3Q13. Given the continued capex spending to expand its capacity, ramp up revenue from overseas operations, and further acquisitions, net gearing will continue to be high for our forecast three year period. Thus we keep our dividend forecast unchanged at 1.2 cents/sh.

#### Key Financial Data

(S\$ m, FYE Dec)	2012	2013	2014F	2015F	2016F
Sales	84.1	99.2	136.1	156.5	180.0
Gross Profit	30.9	30.4	44.9	52.9	61.2
Net Profit	13.2	15.7	20.1	23.4	27.3
EPS (cents)	4.7	5.4	6.6	7.7	9.0
EPS growth (%)	1.1	14.8	24.2	16.3	16.7
PER (x)	12.4	10.8	8.7	7.5	6.4
NTA/share (cents)	15.9	20.1	24.9	31.5	39.3
DPS (cents)	1.0	3.0	1.2	1.2	1.2
Div Yield (%)	1.7	5.2	2.1	2.1	2.1

Source: Company, NRA Capital estimates

# THANK YOU!

## **MENCAST HOLDINGS LTD.**

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