



# **3Q/9M 2017 Results Briefing**

## **CSE Global Limited**

Fullerton Hotel  
9 November 2017

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# 3Q & 9M 2017 Financial Review

# Summary Financials 3Q & 9M 2017

S\$'m	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
Revenue	85.6	81.0	5.7%	245.6	239.5	2.6%
Gross Profit	21.5	23.6	-8.8%	65.2	73.2	-10.9%
Operating expenses	20.2	17.8	13.4%	56.3	54.2	4.0%
Operating profit	1.3	5.7	-77.8%	8.9	19.0	-53.4%
EBIT	4.7	5.6	-15.6%	13.1	19.3	-32.1%
Operating PATMI	3.0	4.0	-25.3%	9.0	15.0	-40.1%
Profit attributable to shareholders	3.0	4.0	-25.3%	-7.8	15.0	-152.2%
Gross margin (%)	25.1%	29.1%	-13.7%	26.5%	30.6%	-13.1%
EBIT margin (%)	5.5%	6.9%	-20.2%	5.3%	8.1%	-33.8%
Net margin from continuing operations (%)	3.5%	5.0%	-29.3%	3.7%	6.3%	-41.6%
Operating cash flow from operations	6.2	17.1	-63.7%	0.5	60.9	-99.1%
Net Cash/(loan)	20.6	52.9	-61.0%	20.6	52.9	-61.0%
Net gearing (%)	-	-		-	-	
Order intake	86.4	70.8	22.1%	295.0	229.0	28.9%
Order book/backlog	207.6	179.0	16.0%	207.6	179.0	16.0%

# 3Q 2017 Financial Overview

- Revenue increased by 5.7% to S\$85.6m, mainly from Infrastructure industry segment
- Gross margins decreased to 25.1%, leading to 8.8% decline in GP to S\$21.5m
  - Unfavourable GP impact due to margin reduction: S\$3.2m
  - Offseted by favourable higher GP due to revenue growth: S\$1.2m
- Operating expenses were 13.4% higher in 3Q17, mainly due to higher provisions for doubtful debts
- Net Profit equitable to shareholders declined by 25.3% to S\$3.0m in 3Q17
- New orders in 3Q17 increased by 22.1% y-o-y to S\$86.4m, mainly from the growth in O&G and Infrastructure orders.
- Order book of S\$207.6m stood at 3Q17 vs S\$207.9m at 2Q17

# 9M 2017 Financial Overview

- Revenue increased by 2.6% to S\$245.6m, mainly from Infrastructure industry segment
- Gross margins decreased to 26.5%, leading to 10.9% decline in GP to S\$65.2m
  - Unfavourable GP impact due to margin reduction: S\$9.6m
  - Offseted by favourable GP impact due to revenue growth: S\$1.6m
- Operating expenses were 4.0% higher in 9M17, mainly due to increase in provision for doubtful debts and inclusion of new acquisitions
- PAT before exceptional items & NCI declined by 40.1% to S\$9.0m in 9M17
- Including the exceptional items of S\$16.8m in 2Q17, Group recorded a loss equitable to shareholders of S\$7.8m for 9M17
- New orders in 9H17 increased by 28.9% y-o-y to S\$295.0m mainly from the growth in O&G and Infrastructure orders.
- Order book of S\$207.6m at end of 9M17 vs S\$207.9m at end of 1H17

## Financial Position & Cashflow

- Cash inflow from operations of S\$6.2m in 3Q17 and S\$0.5m in 9M17
- Net Cash of S\$20.6m at 3Q17 vs S\$35.2m at 2Q17, after funding of working capital and payment of the S\$16.8m one-off settlement.
- Equity attributable to owners of the Company were S\$216.4m at 30 September 2017 vs S\$224.6m at 30 June 2017
- NAV per share at 30 September 2017 was at 41.93 cents vs 43.52 cents at 30 June 2017.

# 3Q & 9 Months 2017 FX Movement

	<b>3Q 2017</b>	<b>3Q 2016</b>	<b>Variance (%)</b>	<b>9M 2017</b>	<b>9M 2016</b>	<b>Variance (%)</b>
<b>USD/SGD:</b>	1.3652	1.3540	0.82%	1.3949	1.3782	1.21%
<b>GBP/SGD:</b>	1.7735	1.7909	-0.97%	1.7720	1.9410	-8.71%
<b>AUD/SGD:</b>	1.0746	1.0161	5.76%	1.0631	1.0116	5.10%



# 3Q & 9M 2017 Constant Currency

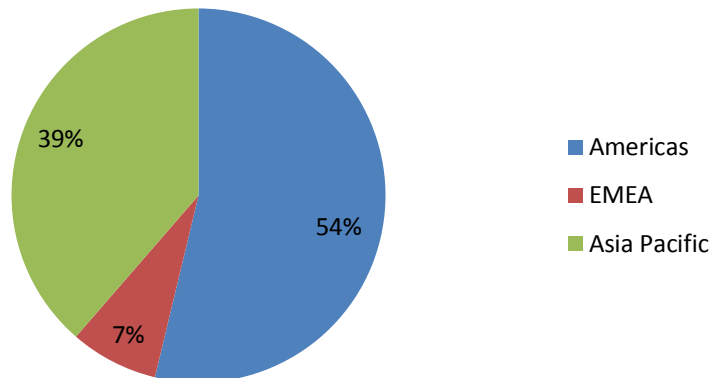
S\$M	3Q 2017	3Q 2016	Variance (%)	3Q 2017 Constant Currency	Variance (%)
<b>Revenue:</b>	85.6	81.0	5.7%	85.2	5.2%
<b>PATMI:</b>	3.0	4.0	-25.3%	3.0	-26.4%

S\$M	9M 2017	9M 2016	Variance (%)	9M 2017 Constant Currency	Variance (%)
<b>Revenue:</b>	245.6	239.5	2.6%	240.8	0.6%
<b>PATMI:</b>	9.0	15.0	-40.1%	8.9	-40.8%

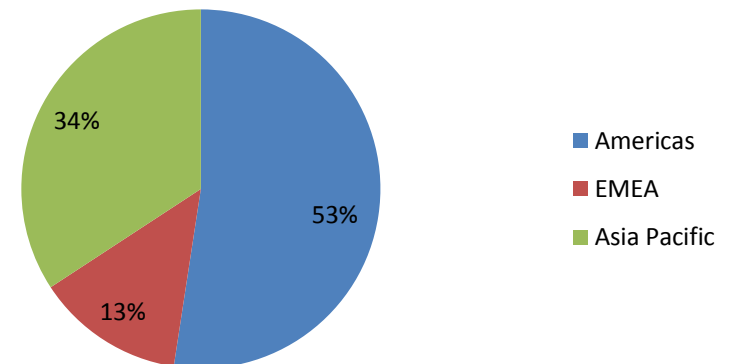
# Revenue by Geographical Region - 9M 2017

S\$m	9M 2017	9M 2016	Var %
Americas	132.0	125.5	5.2%
EMEA	18.7	32.0	-41.5%
Asia Pacific	94.9	82.0	15.8%
Total	245.6	239.5	2.6%

9M 2017

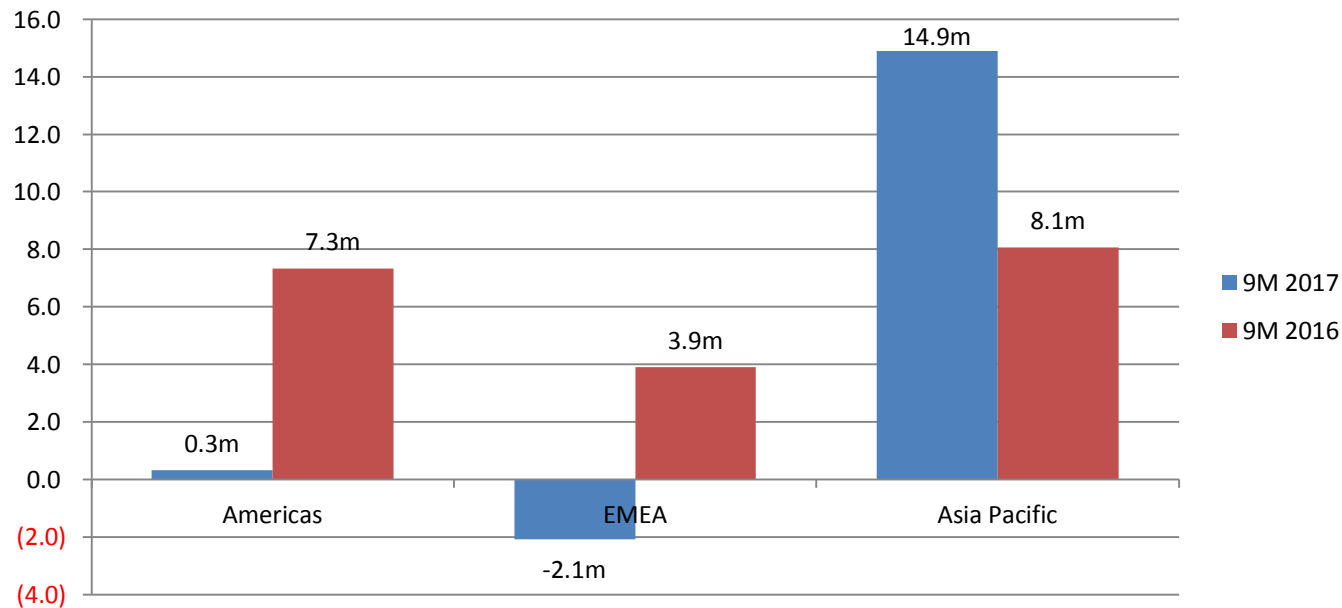


9M 2016



# EBIT by Geographical Region - 9M 2017

S\$m	9M 2017	9M 2016	Var %
Americas	0.3	7.3	-95.6%
EMEA	(2.1)	3.9	-153.7%
Asia Pacific	14.9	8.1	84.5%
<b>Total</b>	<b>13.1</b>	<b>19.3</b>	<b>-32.1%</b>



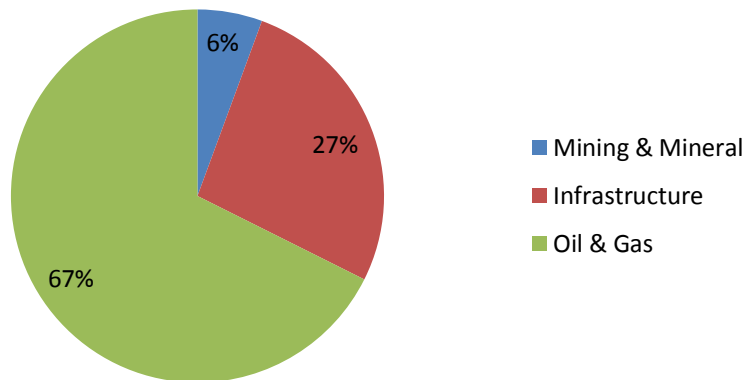
# Revenue by Geographical Region - Qtrly Trends

<b>S\$m</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
<b>Americas</b>	53.9	40.9	37.2	34.2	53.9	39.2	47.4
<b>EMEA</b>	1.6	8.3	8.8	9.4	1.6	8.9	12.0
<b>Asia Pacific</b>	30.1	36.3	28.5	34.7	30.1	26.2	24.9
<b>Total</b>	85.6	85.5	74.5	78.3	85.6	74.3	84.2

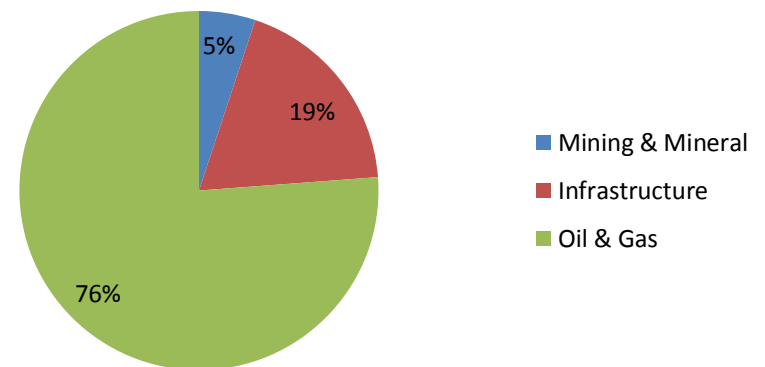
# Revenue by Industry - 9M 2017

S\$m	9M 2017	9M 2016	Var %
Mining & Mineral	13.8	12.2	13.4%
Infrastructure	65.7	44.8	46.6%
Oil & Gas	166.1	182.5	-9.0%
Total	245.6	239.5	2.6%

9M 2017



9M 2016



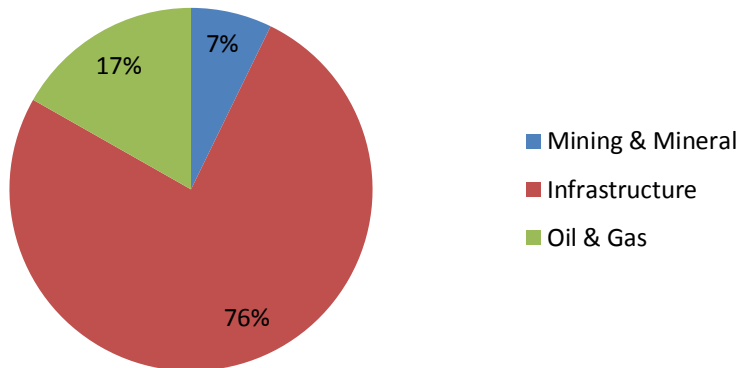
*Infrastructure: Power, Water, Waste Treatment & Transportation*



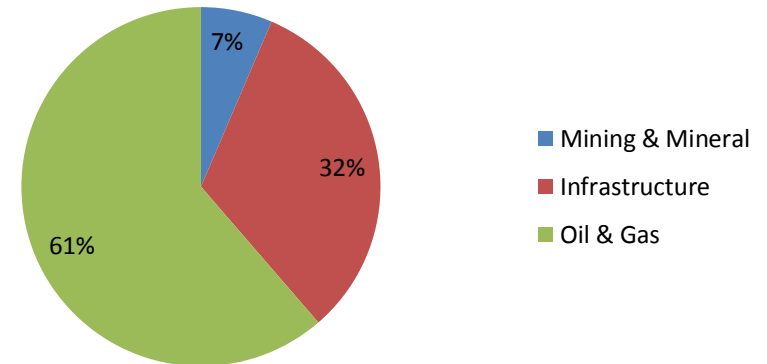
# EBIT by Industry - 9M 2017

S\$m	9M 2017	9M 2016	Var %
Mining & Mineral	0.9	1.2	-23.7%
Infrastructure	10.0	6.2	60.2%
Oil & Gas	2.2	11.8	-81.4%
<b>Total</b>	<b>13.1</b>	<b>19.3</b>	<b>-32.1%</b>

9M 2017



9M 2016



*Infrastructure: Power, Water, Waste Treatment & Transportation*



# Revenue by Industry - Qtrly Trends

<b>S\$m</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>	<b>Q1 2016</b>
<b>Mining &amp; Mineral</b>	2.7	9.1	2.0	9.9	6.7	2.8	2.7
<b>Infrastructure</b>	23.4	23.3	19.1	14.1	16.4	15.5	12.9
<b>Oil &amp; Gas</b>	59.4	53.2	53.5	54.4	57.9	56.0	68.6
<b>Total</b>	85.6	85.5	74.5	78.3	81.0	74.3	84.2

# 3Q 2017 Group Balance Sheet

S\$M	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
Cash at Hand & Bank	47.4	53.9	75.8	90.8	71.2
Quoted Investments	1.3	9.4	9.4	7.4	20.4
Work in Progress (Net)	41.4	38.4	42.3	30.9	27.0
Inventories	18.4	19.3	16.8	14.7	12.4
Trade Receivable	85.3	92.8	81.0	83.0	84.6
Other Receivable	12.5	9.5	12.9	5.6	11.9
Trade Payable	49.0	65.7	51.6	37.1	52.2
Net Current Assets	131.2	130.4	153.2	165.6	132.4
Loan	26.8	18.7	20.1	20.6	18.3
Net Cash/(loan)	20.6	35.2	55.8	70.2	52.9
Shareholder Fund	216.4	224.6	248.1	251.4	234.0



# 3Q /9 Months 2017 Group Cash Flow Statement

<b>S\$m</b>	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>9M 2017</b>	<b>9M 2016</b>
<b>As at beginning of the period</b>	53.9	64.0	90.8	109.7
<b>Net Operations</b>	6.2	17.1	0.5	60.9
<b>Interest and tax expenses</b>	(1.4)	(2.2)	(4.9)	(3.6)
<b>Exceptional settlement</b>	(16.6)	-	(16.6)	-
<b>Capital Expenditure (Net)</b>	(1.3)	(0.8)	(6.7)	(5.5)
<b>Quoted investments</b>	8.1	-	6.0	(20.3)
<b>Payment/ subsequent payment for subsidiary acquired</b>	-	(3.2)	(8.2)	(13.6)
<b>Bank Loans</b>	8.1	3.4	6.2	(37.2)
<b>Dividends</b>	(6.5)	(6.5)	(14.2)	(14.2)
<b>Net effect of FX on cash</b>	(3.1)	(0.7)	(5.5)	(5.0)
<b>As at end of period</b>	47.4	71.2	47.4	71.2

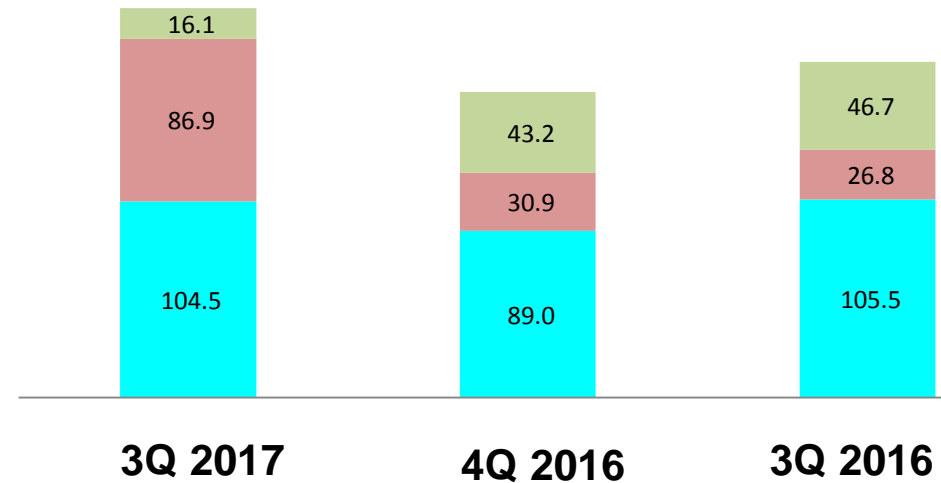
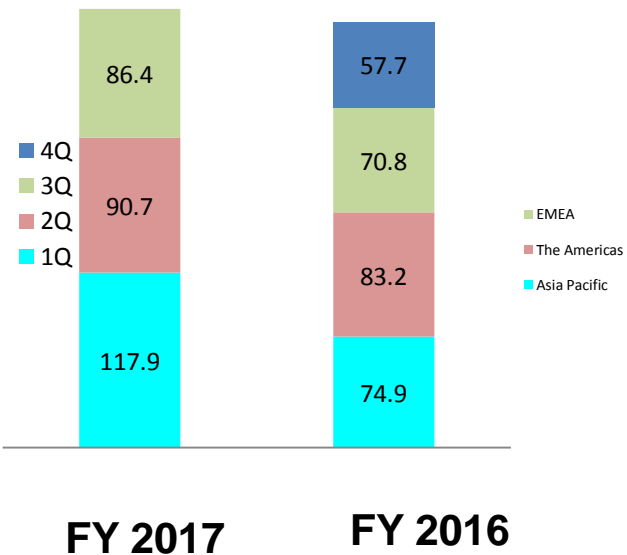
# 3Q/FY 2017 Orders

## New orders

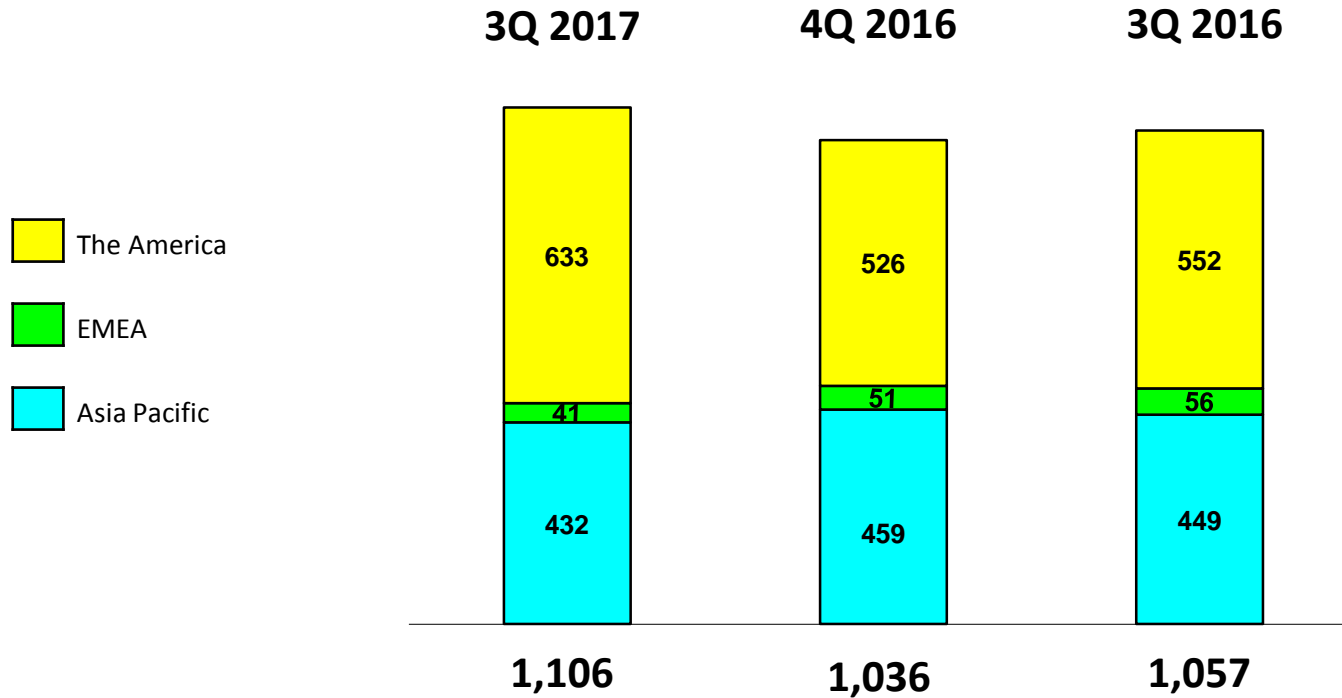
## Outstanding orders

**\$295.0m**    **\$286.6m**

**\$207.6m**    **\$163.1m**    **\$179.0m**



# Human Resource



# Order Intake by Industry

S\$m	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Oil & Gas	54.8	57.8	86.4	43.3	49.6	39.5	62.2
Mining	4.0	6.0	2.4	1.9	4.2	23.8	2.0
Infrastructure	27.6	27.0	29.0	12.5	17.0	19.9	10.7
<b>Total</b>	86.4	90.7	117.9	57.7	70.8	83.2	74.9

# Backlog by Industry

S\$m	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Oil & Gas	101.0	106.9	103.1	75.2	82.6	85.9	104.5
Mining	10.0	8.7	11.9	10.7	20.6	25.8	4.7
Infrastructure	96.6	92.4	89.2	77.1	75.8	74.9	70.5
<b>Total</b>	<b>207.6</b>	<b>207.9</b>	<b>204.2</b>	<b>163.1</b>	<b>179.0</b>	<b>186.6</b>	<b>179.7</b>

# Business Overview & Outlook

- Q3 2017 was another challenging quarter

## Negatives

- Lower margins for projects @ 25% GM

## Positives

- Good new order received of S\$86.4m
- Maintain order book > S\$200m
- Positive operating cash inflow

## The rest of FY2017

- Operating conditions remain challenging
  - increased enquires but no increase in awards
- Operating expenditure of customers remains resilient, but anticipate lower level of brownfield activities and prices



- What we intend to do

## Internal

- Focus on cash generation
- Continue to be vigilant in managing operating cost
- Integrate the 6 new acquisitions
- Strengthen its technical knowhow/solutions

## External

- Support and service its existing customers
- Build geographical presence
- Grow our Mining & Infrastructure business
- Diversify into midstream and downstream O&G business and new shale formations in USA

## Summary

- Conditions in the sectors which the Group operates in remain difficult. The current oil/gas and commodity prices continue to influence investment decisions and customers remain highly focused on cost control and cash flow generation.
- In the oil & gas sector, the Group will focus on executing the existing backlog and delivering the flow orders while keeping a look out for any new business opportunities that may arise either from its current operations or new investments. In the infrastructure segment, there are business opportunities, although not of a very significant nature, in Singapore and elsewhere that have yet to be awarded. The Group believes that, given its core engineering capabilities, it is in a good position in winning some of these opportunities for the rest of the year.

## Summary

- For the next quarter and FY2017, CSE expects to report weaker operating performance as compared to the same corresponding period in 2016, but it expects to remain in a net cash position at the end of the year. However, given the difficult operating environment, the Group expects that it may not recover some of its accounts receivables.
- The Group is presently undertaking a financial review of its business units for the purpose of assessing the fair value of its investments which together with the additional provisioning of some of its accounts receivables will likely see the Group reporting a loss in the next quarter. Consequently, with the earlier settlement of S\$16.8 million, the Group will end the full financial year with a loss.
- CSE will focus on integrating and consolidating the new acquisitions, and will continue to explore acquisition opportunities to support its long term sustainable growth objectives.

# Questions & Answers

Thank You