

COMPANY RESULTS

Civmec (CVL SP)

3QFY24: Results In Line With Expectations; Record-breaking Quarter

Civmec's record-high 3QFY24 earnings of A\$17m (+17% yoy) is in line with our expectation, with 9MFY24 forming 78% of our full-year estimate. Its orderbook remains robust with strong tendering activity across all sectors, while its new Port Hedland facility and upcoming Gladstone facility expansion are expected to drive growth. We continue to like Civmec for its strong growth potential and attractive 6% dividend yield. Maintain BUY and target price of S\$1.23.

3QFY24 RESULTS

Year to 31 Jun (A\$m)	3QFY24	3QFY23	yoy % chg	qoq % chg
Revenue	258.3	187.8	37.6	4.5
EBITDA	31.6	27.4	15.2	2.9
EBITDA margin (%)	12.2	14.6	(2.4ppt)	(0.2ppt)
Net profit	17.1	14.6	16.9	2.4
Net margin (%)	6.6	7.8	(1.2ppt)	(0.2ppt)
Orderbook	821	1,189	(31.0)	(18.1)

Source: Civmec, UOB Kay Hian

RESULTS

- Results in line; earnings up 17% yoy to hit record high.** Civmec's 3QFY24 net profit of A\$17m (+17% yoy) is in line with our expectations, resulting in 9MFY24 accounting for 78% of our full-year forecast. 3QFY24 revenue soared 37.6% yoy to A\$258m, but net margin contracted by 1.2ppt yoy to 6.6%. The group also recorded a net cash position of S\$35.9m (Q3FY23: net liability position of S\$16.7m), illustrating strong operating cash flows during the period.
- Robust orderbook with new contracts awarded.** Civmec still sees a strong pipeline of tendering opportunities in all the sectors it operates in (resources, energy and infrastructure, marine and defence). Orderbook stands at A\$821m, with Civmec continuing to expand both its service offerings and client base. This secures most of its revenue for the next 12 months, with a portion extending up to 2029. Civmec continues to have early contractor involvement with its existing and new clients by leveraging on its established track record and strategic locations, and expects to keep replenishing its orderbook.
- New maintenance facilities to unlock opportunities and spur growth.** The group has been awarded a higher volume of maintenance-related projects during the period, with notable clients like Iron Bridge JV, Wesfarmers Chemicals, Energy and Fertilisers (WesCEF), Cargill and Pilbara Minerals Pilgangoora Operation. Civmec's recently constructed Port Hedland maintenance and workshop facility will therefore allow the group to better serve existing clients and capitalise on the higher activity levels in the west coast like the Pilbara region. Expansion of a new Queensland maintenance hub in Gladstone is also in the works, bringing about more maintenance growth opportunities in the east coast.

KEY FINANCIALS

Year to 31 Jun (A\$m)	2022	2023	2024F	2025F	2026F
Net turnover	809	831	1,029	1,107	1,191
EBITDA	89	103	103	111	119
Operating profit	72	85	86	94	102
Net profit (rep./act.)	51	58	63	67	74
Net profit (adj.)	51	58	63	67	74
EPS (S\$ cent)	10.1	11.4	12.4	13.3	14.6
PE (x)	8.8	7.8	7.1	6.6	6.1
P/B (x)	1.2	1.1	1.0	0.9	0.8
EV/EBITDA (x)	4.6	4.0	4.0	3.7	3.5
Dividend yield (%)	3.4	5.6	5.6	6.8	6.8
Net margin (%)	6.3	6.9	6.1	6.1	6.2
Net debt/(cash) to equity (%)	8.9	(3.3)	(8.5)	(14.2)	(20.0)
Interest cover (x)	18.2	21.6	12.6	13.5	14.5
ROE (%)	15.3	14.6	14.3	14.1	14.2
Consensus net profit	-	-	63	63	68
UOBKH/Consensus (x)	-	-	1.00	1.07	1.09

Source: Civmec, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	S\$0.795
Target Price	S\$1.23
Upside	+54.7%

COMPANY DESCRIPTION

Civmec is an integrated, multi-disciplined construction and engineering services provider to the oil and gas, metals and minerals, infrastructure, and defence markets.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	CVL SP
Shares issued (m):	507.6
Market cap (S\$m):	403.5
Market cap (US\$m):	299.0
3-mth avg daily t'over (US\$m):	0.1

Price Performance (%)

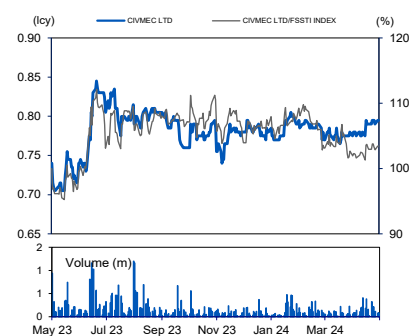
52-week high/low	S\$0.845/S\$0.705			
1mth	3mth	6mth	1yr	YTD
1.9	0.6	0.0	8.2	1.9

Major Shareholders

James Finbarr Fitzgerald	19.5
Patrick John Tallon	19.5

FY24 NAV/Share (A\$)	90.76
FY24 Net Cash/Share (A\$)	0.08

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Revenue growth from new contracts and extensions.** Cimec has renewed or signed new term and maintenance contracts with several clients including: a) providing engineering, procurement and construction services for WesCEF in support of its brownfield projects; b) supplying steel and pipe modules for Chevron's Gorgon Carbon Capture and Storage (CCS) system; c) installing structural, mechanical, piping and E&I components with Pilbara Minerals on the P1000 expansion project; and d) an "umbrella" services agreement to provide construction services for the delivery of sustaining capital projects for Rio Tinto facilities across multiple sites.
- Changes to DSR fleet but still a strong contender for future defence work.** In the Australian government's "Independent Analysis into Navy's Surface Combatant Fleet" released on 20 Feb 24, the Navy's requirement for offshore patrol vessels (OPVs) was reduced from 12 to six. Cimec has recently completed its scope of supply for the six OPVs, and redeployed its shipbuilding workforce to other projects. This is therefore not expected to impact its FY24 financial performance, demonstrating Cimec's effective diversification of contracts across sectors. The Australian government has committed to expense A\$25.67b on maritime defence capabilities in the west coast between 2024-34. Cimec remains a strong contender for future defence projects, considering its successful delivery of the OPV Program and long-standing relationship with the Department of Defence.
- Redomicile plans to Australia still underway.** With the Australian government and corporations increasingly introducing local assessment criteria, redomiciling to Australia would likely allow Cimec to successfully tender for more projects. As of end-3QFY24, Cimec was still working with the relevant regulatory bodies to finalise the scheme documents and gain approvals before proposing a shareholder vote.

EARNINGS REVISION/RISK

- We maintain our earnings forecasts.

VALUATION/RECOMMENDATION

- Maintain BUY with a target price of S\$1.23**, pegged to 11x FY24F PE (based on 0.5SD below its long-term historical mean). We think its current valuation of 7x FY24F PE is attractive, given its strong orderbook. The stock is trading at a deep 55% discount to its regional peers, which are trading at an average of 16x FY24F PE.

SHARE PRICE CATALYST

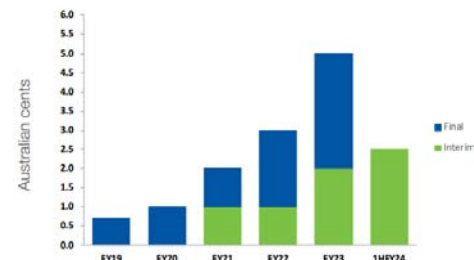
- Earnings surprise due to higher-than-expected contract wins and margin.
- Better-than-expected dividend.
- Takeover offer by strategic shareholder(s) given the high barriers of entry for the defence business.

PEER COMPARISON

Company	Ticker	Price @ 27-May-24 (lcy)	Market Cap (US\$m)	PE			P/B 2024 (x)	EV/EBITDA 2024 (x)	ROE 2024 (%)	Yield 2024 (%)	Net Margin 2024 (%)
				2023 (x)	2024 (x)	2025 (x)					
Australia Peers											
MONadelphous	MND AU	14.04	909	25.1	22.2	19.1	3.0	9.8	13.4	3.8	3.1
NRW Holdings	NWH AU	2.98	897	15.7	11.6	10.8	2.1	4.8	19.0	4.8	4.0
Imdex Ltd	IMD AU	2.21	750	27.8	21.5	19.9	2.0	9.3	9.6	1.4	11.8
Austal	ASB AU	2.45	590	n.a.	27.2	17.6	0.9	7.9	3.5	0.3	2.0
Average				22.9	20.6	16.9	2.0	7.9	11.4	2.6	5.2
Asia Peers											
ST Engineering	STE SP	4.11	9,500	21.8	18.6	16.3	4.8	12.1	26.6	3.9	6.3
Sany Heavy Equip	631 HK	6.45	2,638	10.3	8.2	6.8	1.4	5.9	18.1	3.3	8.9
Favelle Favco	FAVCO MK	2.25	112	10.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				14.2	13.4	11.5	3.1	9.0	22.3	3.6	7.6
Singapore Peers											
Dyna-Mac	DMHL SP	0.41	318	14.9	n.a.	n.a.	4.9	7.8	n.a.	2.4	8.5
Cse Global	CSE SP	0.41	206	11.2	11.0	10.0	1.1	5.8	10.8	6.7	3.7
Marco Polo Marine	MPM SP	0.068	189	11.3	8.7	8.2	1.3	4.6	14.2	2.2	4.4
Atlantic Nav	ATL SP	0.33	128	7.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average				11.1	9.9	9.1	2.5	6.1	12.5	3.8	5.5
Cimec	CVL SP	0.80	299	7.8	7.1	6.7	1.0	4.1	14.2	5.6	8.3

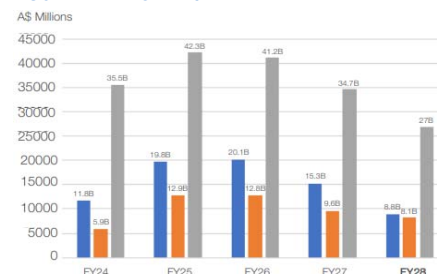
Source: Bloomberg, UOB Kay Hian

STRONG DIVIDEND TRACK RECORD



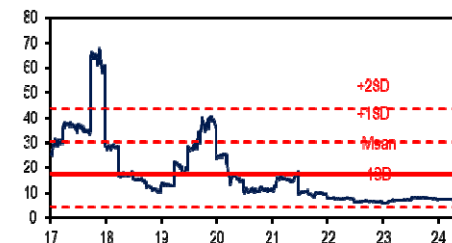
Source: Cimec, UOB Kay Hian

PUBLICLY AVAILABLE INFORMATION SUGGESTED -A\$305.8B OF TARGETABLE OPPORTUNITIES ACROSS THE SECTORS CIMEC OPERATES IN AUSTRALIA TO FY28



Source: BIS Oxford Economics

LONG-TERM PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
Net turnover	830.9	1,029.0	1,107.0	1,191.4
EBITDA	103.1	103.0	110.7	118.8
Deprec. & amort.	18.4	17.0	16.9	16.8
EBIT	84.7	86.0	93.9	101.9
Total other non-operating income	2.6	3.0	1.0	1.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(4.8)	(8.2)	(8.2)	(8.2)
Pre-tax profit	82.6	80.8	86.7	94.7
Tax	(24.9)	(17.9)	(19.2)	(21.0)
Minorities	(0.0)	(0.1)	(0.1)	(0.1)
Net profit	57.7	62.8	67.4	73.6
Net profit (adj.)	57.7	62.8	67.4	73.6

BALANCE SHEET

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
Fixed assets	476.3	475.3	474.5	473.6
Other LT assets	17.2	17.2	17.2	17.2
Cash/ST investment	70.4	95.3	126.8	164.1
Other current assets	210.6	263.1	284.2	306.7
Total assets	774.5	851.0	902.7	961.6
ST debt	8.0	8.0	8.0	8.0
Other current liabilities	189.4	228.3	242.8	258.3
LT debt	48.5	48.5	48.5	48.5
Other LT liabilities	108.0	108.0	108.0	108.0
Shareholders' equity	420.9	458.4	495.5	538.8
Minority interest	(0.3)	(0.2)	(0.1)	(0.1)
Total liabilities & equity	774.5	851.0	902.7	961.6

CASH FLOW

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
Operating	95.2	66.2	77.8	83.6
Pre-tax profit	82.6	80.8	86.7	94.7
Tax	(24.2)	(17.9)	(19.2)	(21.0)
Deprec. & amort.	18.4	17.0	16.9	16.8
Associates	0.0	0.0	0.0	0.0
Working capital changes	14.8	(13.7)	(6.5)	(6.9)
Non-cash items	(0.3)	0.0	0.0	0.0
Other operating cashflows	4.0	0.0	0.0	0.0
Investing	(19.4)	(16.0)	(16.0)	(16.0)
Capex (growth)	(19.9)	(16.0)	(16.0)	(16.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.4	0.0	0.0	0.0
Others	0.1	0.0	0.0	0.0
Financing	(46.3)	(25.3)	(30.3)	(30.3)
Dividend payments	(20.2)	(25.3)	(30.3)	(30.3)
Proceeds from borrowings	45.5	0.0	0.0	0.0
Loan repayment	(63.0)	0.0	0.0	0.0
Others/interest paid	(8.6)	0.0	0.0	0.0
Net cash inflow (outflow)	29.5	24.9	31.5	37.3
Beginning cash & cash equivalent	40.8	70.4	95.3	126.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	70.4	95.3	126.8	164.1

KEY METRICS

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	12.4	10.0	10.0	10.0
Pre-tax margin	9.9	7.9	7.8	8.0
Net margin	6.9	6.1	6.1	6.2
ROA	7.7	7.7	7.7	7.9
ROE	14.6	14.3	14.1	14.2
Growth				
Turnover	2.7	23.8	7.6	7.6
EBITDA	16.5	(0.1)	7.5	7.3
Pre-tax profit	18.0	(2.1)	7.2	9.3
Net profit	13.6	9.0	7.2	9.3
Net profit (adj.)	13.6	9.0	7.2	9.3
EPS	13.0	8.9	7.2	9.3
Leverage				
Debt to total capital	11.8	11.0	10.2	9.5
Debt to equity	13.4	12.3	11.4	10.5
Net debt/(cash) to equity	(3.3)	(8.5)	(14.2)	(20.0)
Interest cover (x)	21.6	12.6	13.5	14.5

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