

### COMPANY RESULTS

#### Civmec (CVL SP)

1HFY24: Results In Line; Positive Dividend Surprise And Robust Net Cash Position

**Civmec's 1HFY24 net profit of A\$32m (+13% yoy) is in line with our expectation, making up 51% of our full-year estimate. Civmec proposed a 25% higher interim dividend of 2.5 A cents for 1HFY24, driven by strong operating cash flow of A\$111.2m (+32% yoy). Its net cash position surged to A\$83m (+549% yoy). Civmec remains positive on its future outlook given the robust orderbook and strong tendering opportunities across all the sectors in which it operates. Maintain BUY and target price of S\$1.23.**

#### 1HFY24 RESULTS

Year to 31 Jun (A\$m)	1HFY24	1HFY23	yoy % chg
Revenue	492.3	418.9	17.5
EBITDA	59.6	53.0	12.6
EBITDA margin (%)	12.1	12.6	(0.5ppt)
Net profit	31.9	28.3	12.8
Net margin (%)	6.5	6.7	(0.2ppt)

Source: Civmec, UOB Kay Hian

#### RESULTS

- Results in line; robust earnings growth for 1HFY24 and stable margins.** Civmec's 1HFY24 net profit of A\$31.9m (+12.8% yoy) is in line with our expectations, making up 51% of our full-year forecast. The substantial 17.5% yoy rise in revenue is mainly due to the resources segment's revenue growing to A\$418.9m (+21.5% yoy) and the energy segment's revenue growing to A\$20.4m (+18.0% yoy). Net margin held steady on the back of efficient cost management and higher-return projects.
- Higher-than-expected dividend on stronger operating cash flows and net cash growing 549% yoy to A\$83m.** Civmec proposed a 25% higher 1HFY24 interim dividend of 2.5 A cents (1HFY23: 2.0 A cents), driven by its solid operating cash flow of A\$111.2m (+32.2% yoy) during the period. Civmec's net cash position surged to A\$83.1m (+549.2% yoy, +89.2% qoq), equivalent to around 20% of its market cap. It is worth noting that Civmec recorded operating cash flow of A\$67.3m in 2QFY24 alone, a 53.3% qoq improvement from 1QFY24.
- Solid orderbook maintained with more contract wins.** Civmec continues to see strong tendering activity in all the sectors it operates in (resources, energy and infrastructure, marine and defence). The company's good track record of performance and delivery has enabled it to achieve a high level of client satisfaction and keep replenishing its orderbook. Civmec continues to have early contractor involvement with many other existing and new clients across various commodities for future opportunities, with one example being its first contract win under State-wide Road Construction Panel Agreement in Western Australia. Civmec's orderbook remains above A\$1b, securing most of its revenue for the next 12 months, with a portion extending up to 2029, and we expect its strong orderbook to be maintained moving forward.

#### 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)	9.0	8.0	7.3	6.8	6.2
P/B (x)	1.2	1.1	1.0	0.9	0.9
EV/EBITDA (x)	4.8	4.1	4.1	3.8	3.6
Dividend yield (%)	3.3	5.5	5.5	6.6	6.6
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	-	-	62	65	69
UOBKH/Consensus (x)	-	-	1.02	1.04	1.07

Source: Civmec, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	S\$0.795
Target Price	S\$1.230
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):	0.0

#### Price Performance (%)

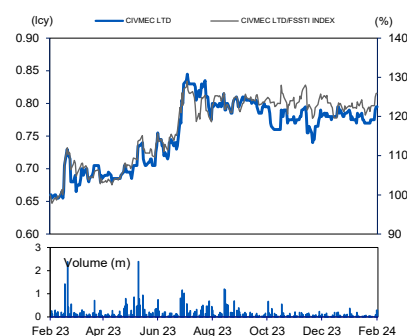
52-week high/low	S\$0.845/S\$0.655			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
1.3	1.9	2.6	20.5	1.9

#### 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

#### ANALYST(S)

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### STOCK IMPACT

- New maintenance facility to increase capacity.** In 1HFY24, Civmec completed the construction of its new Port Hedland maintenance facility's structure. This will allow Civmec to better serve existing clients and capitalise on new opportunities in the region. With the company seeing higher activity levels in the Pilbara from more projects awarded by existing clients, management expects the new facility to boost Civmec's presence in the maintenance services industry.
- Redomicile plans to Australia expected to increase opportunities.** On 27 Oct 23, Civmec announced plans to gain regulatory approvals to redomicile from Singapore to Australia. With the Australian government and corporations increasingly introducing assessment criteria for local corporations, redomiciling to Australia would likely allow Civmec to successfully tender for more projects. In particular, this may bolster Civmec's chances of contributing significantly to defence projects brought about by the 2023 Defence Strategic Review. As of end-1HFY24, Civmec was working with the relevant regulatory bodies to finalise the scheme documents and gain approvals.
- Revenue growth from new contracts and extensions.** Civmec has renewed or signed new term and maintenance contracts with several clients including: a) widening and sealing of a road in rural Western Australia under a State-wide Road Construction Panel Agreement; b) providing maintenance inspections at Fortescue's Anderson Point site, which is a three-year contract with an option for a two-year extension; c) an "umbrella" services agreement to provide construction services for the delivery of sustaining capital projects for Rio Tinto facilities across multiple sites, which is a three-year contract with options for extension; and d) a contract from a new client in the lithium sector for steelwork supply, fabrication and surface treatment.

### 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 1SD below five-year mean). We think the current valuation of 7x FY24F PE is attractive, given its strong growth profile of 10% three-year EPS CAGR for FY22-25 and huge orderbook. Civmec's Australian peers are trading at an average of 17x 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 @ 14-Feb-24 (1cy)	Market Cap (US\$m)	PE			P/B 2023 (x)	EV/EBITDA 2023 (x)	ROE 2023 (%)	Yield 2023 (%)	Net Margin	
				2022 (x)	2023 (x)	2024 (x)					2023 (%)	2024 (%)
<b>Australia Peers</b>												
MONadelphous	MND AU	13.89	875	25.3	24.9	21.3	3.1	12.9	12.6	3.5	3.1	3.1
NRW Holdings	NWH AU	2.86	839	14.2	15.1	11.2	2.1	5.1	14.2	5.4	3.2	4.1
Imdex Ltd	IMD AU	1.525	504	13.7	19.2	14.7	1.4	8.5	8.2	2.4	8.5	12.3
Austal	ASB AU	2.08	488	9.5	n.a.	22.4	0.8	15.3	(1.5)	3.4	(0.9)	2.0
<b>Average</b>				<b>15.7</b>	<b>19.7</b>	<b>17.4</b>	<b>1.8</b>	<b>10.5</b>	<b>8.4</b>	<b>3.7</b>	<b>3.5</b>	<b>5.4</b>
<b>Asia Peers</b>												
ST Engineering	STE SP	3.83	8,833	22.3	20.4	17.6	4.8	12.9	23.9	4.2	5.9	6.5
Sany Heavy Equip	631 HK	5.4	2,203	9.4	6.7	5.2	1.3	4.7	20.3	4.0	10.7	10.7
Favelle Favco	FAVCO MK	1.89	92	11.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Average</b>				<b>14.3</b>	<b>13.6</b>	<b>11.4</b>	<b>3.1</b>	<b>8.8</b>	<b>22.1</b>	<b>4.1</b>	<b>8.3</b>	<b>8.6</b>
<b>Singapore Peers</b>												
Dyna-Mac	DMHL SP	0.255	196	20.1	15.0	11.1	5.0	8.3	38.8	2.0	5.6	6.2
Cse Global	CSE SP	0.405	184	45.5	12.0	9.9	1.2	6.2	9.7	6.8	3.1	3.3
Marco Polo Marine	MPM SP	0.056	156	9.3	13.0	12.1	1.4	6.0	11.0	0.0	2.4	2.2
Atlantic Nav	ATL SP	0.275	107	9.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Average</b>				<b>21.1</b>	<b>13.3</b>	<b>11.1</b>	<b>2.5</b>	<b>6.8</b>	<b>19.8</b>	<b>2.9</b>	<b>3.7</b>	<b>3.9</b>
Civmec	CVL SP	0.80	299	9.0	7.6	7.3	1.1	4.7	14.4	5.5	7.9	7.1

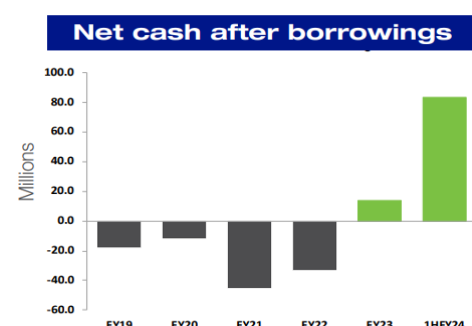
Source: Bloomberg, UOB Kay Hian

### STRONG DIVIDEND TRACK RECORD



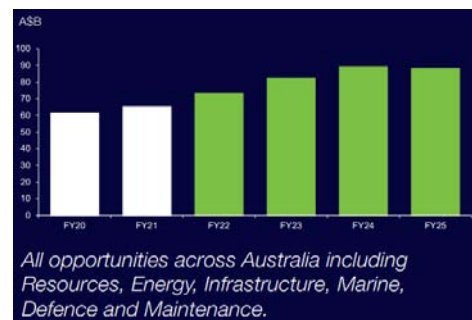
Source: Civmec, UOB Kay Hian

### STRONG GROWTH IN NET CASH POSITION



Source: Civmec, UOB Kay Hian

### PUBLICLY AVAILABLE INFORMATION SUGGESTED ~A\$330B OF TARGETABLE OPPORTUNITIES ACROSS THE SECTORS CIVMEC OPERATE IN AUSTRALIA TO FY25



All opportunities across Australia including Resources, Energy, Infrastructure, Marine, Defence and Maintenance.

Source: BIS Oxford Economics

### 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)
<b>Pre-tax profit</b>	<b>82.6</b>	<b>80.8</b>	<b>86.7</b>	<b>94.7</b>
Tax	(24.9)	(17.9)	(19.2)	(21.0)
Minorities	(0.0)	(0.1)	(0.1)	(0.1)
<b>Net profit</b>	<b>57.7</b>	<b>62.8</b>	<b>67.4</b>	<b>73.6</b>
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
<b>Total assets</b>	<b>774.5</b>	<b>851.0</b>	<b>902.7</b>	<b>961.6</b>
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)
<b>Total liabilities &amp; equity</b>	<b>774.5</b>	<b>851.0</b>	<b>902.7</b>	<b>961.6</b>

### CASH FLOW

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
<b>Operating</b>	<b>95.2</b>	<b>66.2</b>	<b>77.8</b>	<b>83.6</b>
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
<b>Investing</b>	<b>(19.4)</b>	<b>(16.0)</b>	<b>(16.0)</b>	<b>(16.0)</b>
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
<b>Financing</b>	<b>(46.3)</b>	<b>(25.3)</b>	<b>(30.3)</b>	<b>(30.3)</b>
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
<b>Net cash inflow (outflow)</b>	<b>29.5</b>	<b>24.9</b>	<b>31.5</b>	<b>37.3</b>
<b>Beginning cash &amp; cash equivalent</b>	<b>40.8</b>	<b>70.4</b>	<b>95.3</b>	<b>126.8</b>
Changes due to forex impact	0.0	0.0	0.0	0.0
<b>Ending cash &amp; cash equivalent</b>	<b>70.4</b>	<b>95.3</b>	<b>126.8</b>	<b>164.1</b>

### KEY METRICS

Year to 31 Jun (A\$m)	2023	2024F	2025F	2026F
<b>Profitability</b>				
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
<b>Growth</b>				
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
<b>Leverage</b>				
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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