

**Issuer:** Civmec Limited

**Security:** Civmec Limited

**Meeting details:**

Date: 27 Oct 2016

Time: 14:30H

Venue: Amara Hotel Singapore, Level 3, Connection Room 1,165 Tanjong Pagar Road, Singapore 088539

**Company Description**

Civmec Limited, an investment holding company, provides construction and engineering services for oil and gas, metals and minerals, infrastructure, and defence markets in Australia. It operates in two segments, Oil and Gas, and Mining and Others. The company undertakes large and small fabrication projects, including structural steel, platework, tanks, vessels, materials handling equipment, subsea and offshore structures, and pipe spooling services. It also offers modularization services; site civil works, such as earthworks, reinforcing steelwork, formwork, concrete placement, backfill and compaction, and final handover; and pre-cast concrete products comprising structural foundations, caissons, floor slabs and retaining walls, suspended slab sections, purpose built facilities, and breakwater systems. In addition, the company undertakes structural, mechanical, piping, and electrical installation projects; and provides industrial insulation services comprising sheet metal and light gauge fabrication, fireproofing, surface treatment, and site installation. Further, it offers integrated supply chain solutions to the onshore and offshore drilling industry; maintenance services, including planned and emergency shutdowns, mechanical upgrades, refractory lining, concrete repairs, and insulation services; and a range of solutions, such as fabricated platforms, rope access, and netting systems. The company was founded in 2009 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=P9D](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=P9D))

Q1. In the Financial Highlights, it was noted that “gross profit margins slipped slightly as compared to the previous year” (page 10 of the annual report). This was attributed to the change in the group’s project mix, which included more infrastructure projects, and the tighter margins in the resources and energy sectors.

	2012 S\$'000	2013 S\$'000	2014 S\$'000	2015 S\$'000	2016 S\$'000
Revenue	328,654	405,924	433,677	499,153	396,752
Gross profit	60,794	69,947	63,755	62,107	43,495
Gross profit margin	18.5%	17.2%	14.7%	12.4%	11.0%

(Source: Civmec Limited Annual Reports)

However, the 5-year summary shows that the gross profit margin has trended down since its listing in 2012. At the point of listing, gross profit margin was 18.5% before it started to decrease over the next 5 years and hit a low of 11.0% in 2016.

- a) **What is the impact due to tighter margins in the resource and energy sectors?**
- b) **And what is the impact on the group’s gross profit margin as the project mix changes with more infrastructure projects? To help shareholders understand the group’s prospects better, please provide some clarity into the targeted profit margins for the different segments, mainly “oil and gas”, “metals and minerals” and “infrastructure”?**
- c) **Have there been structural changes to the sectors that would affect the long term profitability of the group?**

Q2. The strategic acquisition of the Forgacs shipyard facilities and assets at Tomago, New South Wales was completed in February 2016.

- a) **Can management give shareholders an update on the progress made in integrating the Forgacs assets?**
- b) **What additional investments are needed to further develop the Newcastle site into as a multi-disciplinary facility which will operate at the same level as the flagship site in Henderson?**
- c) **Since its acquisition, how has the strengthening of the group’s presence on the East Coast of Australia help the group and what are the potential opportunities?**
- d) **Is the group still considering the Hexham and Gladstone sites that were left out of the final acquisition?**

Q3. During the financial year, the group has started further international growth with the setting up of a Ugandan office through Civtec Africa Ltd, which is a joint venture with Global Technical Works Ltd (“GTW”). The focus is said to be on securing works in the infrastructure and water industry.

- a) **Can management shed more light on the choice of Uganda as the launchpad for the group’s globalisation efforts?**
- b) **What expertise or experience does the group or GTW have that could be leveraged on to grow in Uganda?**
- c) **What is the potential of the Uganda market? Can it be used as the base to enter other African markets? Is the group/JV looking to enter other frontier or emerging markets?**