Issuer: Civmec Limited
Security: Civmec Limited

Meeting details:
Date: 26 October 2017
Time: 2.30 p.m
Venue: Novotel Singapore Clarke Quay, The Clove Room, Level 5, 177A River Valley Road, Singapore 179031

Company Description

Civmec Limited, an investment holding company, provides heavy engineering and construction services for oil and gas, metals and minerals, infrastructure, and defense markets in Australia. It operates through Oil and Gas, Metals & Minerals, and Infrastructure segments. 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 instrumentation projects consisting of structural assembly and erection, mechanical installations and alignments, piping installation and pre-commissioning support, site welding, tanks, and equipment; and provides electrical and instrumentation solutions, including electrical and instrumentation installations, substations, switchrooms and switchyard construction, and shutdown and maintenance services. Further, it offers industrial insulation services comprising sheet metal and light gauge fabrication, fireproofing, surface treatment, and site installation; integrated supply chain solutions to the onshore and offshore drilling industry; maintenance services, such as planned and emergency shutdowns, mechanical upgrades; and a range of access solutions, such as scaffolds, fabricated platforms, rope access, and netting systems, as well as executes refractory projects. The company was founded in 2009 and is headquartered in Henderson, Australia.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=P9D)

Q1. As shown in the Financial Highlights (page 10 of the annual report), revenue slipped 12.8% to $346 million while profit measures such as EBITDA, net profit after tax and earnings per share all drop by 32.6% - 51.3%. Cashflow from operations was negative at $26.8 million in 2017.

As mentioned in the Executive Chairman's Statement (page 12), the group executed well on its strategy "to grow, gain greater market share and take advantage of the increased opportunities in the markets in which we operate".

a) **Can management provide better clarity of the group's market share in the various segments/locations?**

While the profit margins have remained steady at 10.7% in 2017 (2016: 10.9%), the group was negatively affected by the results of the joint venture, higher administrative expenses and higher finance costs.

b) **Can management update shareholders if the Sedgman Civmec Joint Venture is still operational and would be/have been bidding for projects?**

c) Employee benefits formed the largest component of administrative costs. Employee benefits as part of administrative costs increased by 26.2% to $18.8 million, as total administrative costs increased by 14% to $26.8 million. **Can management help shareholders understand the higher employee benefits under administrative costs? What led to the substantial increase in a year when revenue dropped?**

Q2. As the total borrowings of the group increased from $32.1 million as at 30 June 2016 to $62.0 million as at 30 June 2017, the net debt-to-equity ratio of the group increased to 0.54x.

Net debt-to-equity ratio is calculated as net debt divided by total equity, net debt being total financial liabilities less cash and cash equivalents (page 129). The table below shows the net debt-to-equity ratio of the group since 2014.

	Net debt-to-equity ratio
2014	0.61
2015	0.30
2016	0.24
2017	0.54

Source: Company annual reports

a) **Under the group's risk management framework, has the board determined a limit on the net debt-to-equity ratio?**

b) In terms of concentration of credit risk, as at 30 June 2017, the largest counterparty of the group accounted for 17% (2016: 21%) of trade receivables as at 30 June 2017. As the carrying amounts of trade receivables and other receivables of the group were $65.2 million and $92.2 million for the financial year ended 30 June 2017 respectively, there appears to be some credit risk. **As the group carries out its expansion, how does it ensure that credit risks with its counterparties are well controlled and are in line with the group's risk tolerance?**

Q3. In the Executive Chairman's Statement, the group is said to be have started exploring a possible dual listing on the Australian Stock Exchange (ASX) in the near future. This move is said to help the group in improving the chances of securing Australian defence and infrastructure projects, and to reinforce its strong presence in Australia.

a) **Can the company tell shareholders how much exploratory work has been carried out for the possible dual listing on the ASX?**

b) **When would the current investigation work be concluded? Has an advisor been appointed by the company?**

c) What are the factors being considered by the board for the possible dual listing?

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

https://sias.org.sg/qa-on-annual-reports/?company=Civmec%20Ltd

The company's response could be found here: -----