

### Report type: Update

#### Company Overview

Boustead operates market leading infrastructure related businesses: Geospatial Technology (28% PBT), Industrial Property Design & Build + Property Portfolio (58%), Water & Wastewater Engineering (1%), and Energy (13%) Related Engineering. Boustead also generates strong excess cash.

#### Whats in the news?

- Energy Orderbook has surged by about S\$90m since March YE as Boustead's direct fired heater and waste heat recovery systems get more orders globally.
- Orders are outside the Middle East where margins are significantly better, reflecting the benefits of being a global operation.
- Management guides positively for Energy orders as they see demand firm up. The Shale story in the USA is potentially something to watch for as refining capex picks up there, Boustead being 1 of 4 global players at the heart of the refining process.
- Surge in Energy orders offsets weakness in Real Estate solutions, plus modest recovery in Water orders gives total orderbook backlog of S\$379m (versus S\$397m for last FY start).

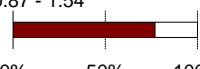
#### How do we view this?

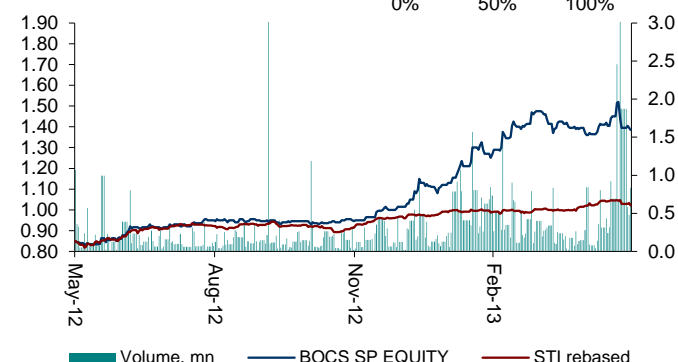
- FYMar13 saw a 46% surge in reported PATMI (S\$81.4m vs S\$55.6m y-y) due to early project completion, non-core investment gains, writeback of overprovision of taxes, all on the back of outperformance in core-earnings. The result blew past our PATMI expectations of S\$67.5m. Dividend payout declared for the full FY turned out to be S\$0.07, exactly as forecasted.
- **The key takeaway is to realize that at the core earnings level, segmental earnings from the 4 business groups far exceeded our estimate of S\$91.1m to clock in at S\$106.1m, which is 52% above previous year's S\$69.7m. Core-profitability is thus at a new level.**
- On the back of this, we estimate that core-profitability for FYMar14f would be S\$93.5m (versus our previous estimate of S\$88.6m), driven by energy and water orders making up for some lost ground from the real estate segment. In addition, recurring non-orderbook earnings from the industrial portfolio and geospatial segment continue to grow.

#### Investment Actions

- **Maintain BUY with a raised TP of S\$1.935 from S\$1.80 as core-profitability has increased.** At current price the stock is trading at 10.1x FYMar14 EPS or 5.1% FYMar14 DPS.

#### Boustead Singapore Ltd.

<b>Rating</b>	<b>1</b>	<b>Buy</b>
- Previous Rating	1	Buy
<b>Target Price (SGD)</b>	<b>1.935</b>	
- Previous Target Price (SGD)	1.80	
<b>Closing Price (SGD)</b>	<b>1.390</b>	
Expected Capital Gains (%)	39.2%	
Expected Dividend Yield (%)	5.1%	
<b>Expected Total Return (%)</b>	<b>44.3%</b>	
Raw Beta (Past 2yrs weekly data)	0.62	
Market Cap. (USD mn / SGD mn)	558 / 709	
Enterprise Value (USD mn / SGD mn)	407 / 522	
3M Average Daily T/O (mn)	0.5	
52 week range (SGD)	0.87 - 1.54	
Closing Price in 52 week range		



#### Major Shareholders

	(%)
1. Wong Fong Fui	33.0
2. Chartered Asset Mgt	9.3
3. Saiman Ernawan	8.8

#### Key Financial Summary

FYE	03/12	03/13	03/14f	03/15f
Revenue (SGD mn)	408.7	513.2	506.1	522.6
core-PBT (SGD mn)	69.7	106.1	93.5	98.6
PATMI (SGD mn)	55.6	81.4	69.3	72.8
EPS (SGD)	0.110	0.162	0.138	0.145
P/E (X)	12.6	8.6	10.1	9.6
BVPS (SGD)	0.50	0.60	0.67	0.74
P/B (X)	2.8	2.3	2.1	1.9
DPS (SGD)	0.050	0.070	0.070	0.074
Div. Yield (%)	3.6%	5.0%	5.1%	5.3%

Source: Bloomberg, PSR est.

\*All multiples & yields based on current market price

#### Valuation Method

Free Cash Flow to Equity (Re 10%, Rf 3%, WACC 9.9%, terminal 0%)

#### Analyst

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*For a detailed description of Boustead's businesses, please refer to our Initiation Report dated 25<sup>th</sup> Feb 2013, which is available on POEMS.*

## SWOT ANALYSIS

### Strengths

- Market dominance for Geospatial in Australia and Singapore, due to its exclusive country license & service provider agreement with ESRI – the global leader in geospatial technology with 61% global market share in the public sector (41% overall). Closest competitor is a distant 10% global market share.
- Market leadership in Industrial Property Design & Build, one of only 3 known full turnkey players in Asia.
- Market leadership in Direct Fired Heat Processors and Waste Heat Recovery Systems – 4 players globally including Boustead.
- Recurring income growing due to Industrial Portfolio and Geospatial.
- Boustead's immense free-cash generation allows for new value-accreting investments.

FREE CASH FLOW	FY03/12	FY03/13	FY03/14f	FY03/15f
PBT	71.9	97.4	89.6	94.5
Cashflow from ops	87.1	49.7	101.7	83.1
to MI	(0.7)	(0.5)	(0.6)	(0.7)
Less: CAPEX, net	(3.7)	(5.6)	(6.1)	(6.4)
<b>Free Cash Flow to Firm:</b>	<b>82.7</b>	<b>43.6</b>	<b>94.9</b>	<b>76.1</b>
- Discretionary Investments, net	(61.9)	2.2	15.7	0.0
- Dividends + Sharebuyback	(36.7)	(29.0)	(35.2)	(37.0)
- Pay Debt	(3.1)	16.1	0.0	0.0

### Weakness

- Water business too much competition. But seeing results by concentrating on the high purity grade boiler feedwater market for power producers.

### Opportunities

- Geospatial Technology is riding the secular trend of data driven decision making in the government and private sector – continued penetration in Australia and Singapore as government agencies increase the number of users and buy more licenses. Meanwhile Indonesia and Malaysia are in the process of adoption.
- Industrial Property Design & Build business will ride Singapore's progressive march up the industrial value added chain.
- Process Heaters & Waste Heat systems finding new demand in the US, Australia, South America, and Asia. Shale energy revolution in North America is throwing up interesting prospects.
- Waste-Heat recovery may find increased demand to make the oil and gas refining process more environmentally friendly.
- Boustead is currently pursuing a 5<sup>th</sup> business segment of providing solar energy in Japan. It has a 20MW concession with Kyushu Electric of which 10MW has obtained the final interconnection agreement. We have not factored this business into our forecasts yet.

### Threats

- Industrial Property Design & Build business is facing keener competition as competitors are willing to drop margins for the job.
- Contingent liability of US\$18.8m from an advanced payment guarantee and performance guarantee issued through Arab Banking Corporation (ABC) to the Bank of Commerce and Development (BCD), subsequent to its S\$300m township JV project in Libya in 2007. Due to the 2011 civil war, the project was abandoned and Boustead is claiming "force majeure" to release itself of the guarantees. Although common sense advises that force majeure will likely be upheld by the courts, one should not take these things for granted.

## Forecasts & Valuation

*For forecasts please refer to Pgs.3-5, for tables depicting forward looking orderbooks, segmental P&Ls, and financials.*

We ramp up contribution from the **Energy** segment to reflect the recent spat of announcements of S\$90m orders added, current backlog management has guided to be around S\$174m (up from our previous estimate of S\$114m). Margins have also improved significantly here to 11.2% (previous estimate 8.2%) as jobs done and orders won are outside of the margin squeezing Middle East region. Where we estimated S\$8.3m for FYMar14f we forecast now S\$17.7m on the back of such order strength. For **Industrial Property Design & Build** we have moderated orders to managements' guidance of S\$174m, down from our previous estimate of S\$206m. Keener competition is sited along with margin pressure for D&B, however, increased contributions from the industrial portfolio we reckon will actually offset margin pressure somewhat for the segment reporting overall. We take these into account and expect contributions from this segment to moderate to S\$41.8m (previous estimate S\$45.2m) from last FY's S\$61.8m. **Geospatial** segment is expected to chug along with predictable growth in revenue and profit in the low teens CAGR (11%, 12.7%).

All in, the final segmental PBT for FYMar14f we reckon would be S\$93.5m (previous estimate S\$88.6m). After taking into head-office costs, normalized taxation, and minority interests, final PATMI estimate is S\$69.3m or S\$0.138 EPS (previous estimate S\$63.1m, S\$0.126 EPS). Taking the improved forecasts into our Discounted Free Cash to Equity raises our Fair Value from S\$1.80 to S\$1.935 (Re:10%, Rf: 3%, WACC: 9.9%, terminal: 0%), which values the stock at 10.1x fwd EPS and 5.1% fwd yield.

Boustead Singapore	FY03/12	FY03/13	FY03/14f	FY03/15f
EPS	\$ 0.110	\$ 0.162	\$ 0.138	\$ 0.145
EPS, adj.	\$ 0.085	\$ 0.150	\$ 0.138	\$ 0.145
DPS	\$ 0.050	\$ 0.070	\$ 0.070	\$ 0.074
P/E, (X) - last price	12.6	8.6	10.1	9.6
Dividend Yield (%) - last price	3.6%	5.0%	5.1%	5.3%
P/E (X) - fair value		11.9	14.0	13.3
Dividend Yield (%) - fair value		3.6%	3.6%	3.8%

Boustead Orderbook, Segmentals (\$m)	FY03/08	FY03/09	FY03/10	FY03/11	FY03/12	FY03/13	FY03/14f	FY03/15f
<b>Orderbook Backlog</b>							forecasts =>	
Energy Related	117	123	143	67	145	174	176	177
Water	46	23	20	37	5	31	31	30
Real Est. - D&B only	287	221	214	142	246	174	172	171
<b>Total Orderbook (\$\$ millions)</b>	<b>294</b>	<b>367</b>	<b>377</b>	<b>246</b>	<b>397</b>	<b>379</b>	<b>379</b>	<b>378</b>
<b>Design, Build &amp; Leaseback</b>					93			
<b>Segmental P&amp;L (\$m)</b>								
Energy - Revenue	137.2	146.5	122.3	140.9	125.7	122.0	157.5	159.1
- PBT	15.9	18.5	19.9	17.0	13.4	13.7	17.7	17.9
- PBT %y-y		16.4%	7.6%	-14.6%	-21.2%	2.2%	29.1%	1.0%
- PBT Margin	11.6%	12.6%	16.3%	12.1%	10.7%	11.2%	11.2%	11.2%
Water - Revenue	35.9	26.8	54.9	28.7	40.1	25.0	26.0	25.7
- PBT	(14.0)	(8.4)	7.8	(1.7)	0.1	1.5	1.6	1.5
- PBT %y-y	-40.0%	-31.3%	-192.9%	-121.8%	-105.9%	1400.0%	3.8%	-1.0%
- PBT Margin	-39.0%	-31.3%	14.2%	-5.9%	0.2%	6.0%	6.0%	6.0%
Industrial D&B + Rental Revenue	193.3	265.5	183.7	295.7	134.1	251.8	195.6	196.9
- PBT	59.9	58.9	16.8	37.8	29.3	61.2	41.8	43.2
- PBT %y-y		-1.7%	-71.5%	125.0%	-22.5%	108.9%	-31.7%	3.3%
- PBT Margin	31.0%	22.2%	9.1%	12.8%	21.8%	24.3%	21.4%	21.9%
Geo-Spatial - Revenue	67.8	74.2	74.8	94.7	108.2	114.4	127.0	141.0
- PBT	16.3	21.0	18.7	23.8	26.9	29.7	32.5	36.0
- PBT %y-y		28.8%	-11.0%	27.3%	13.0%	10.4%	9.3%	11.0%
- PBT Margin	24.0%	28.3%	25.0%	25.1%	24.9%	26.0%	25.5%	25.5%
<b>Total Revenue</b>	<b>434.2</b>	<b>513.0</b>	<b>435.7</b>	<b>560.0</b>	<b>408.1</b>	<b>513.2</b>	<b>506.1</b>	<b>522.6</b>
- PBT, segmentals	<b>78.1</b>	<b>90.0</b>	<b>63.2</b>	<b>76.9</b>	<b>69.7</b>	<b>106.1</b>	<b>93.5</b>	<b>98.6</b>
- PBT %y-y, segmentals		15.2%	-29.8%	21.7%	-9.4%	52.2%	-11.9%	5.5%
- PBT Margin, segmentals	18.0%	17.5%	14.5%	13.7%	17.1%	20.7%	18.5%	18.9%
- Hd Office Costs & non-seg. gains & losses	(2.4)	(8.6)	(4.2)	(3.3)	2.2	(8.7)	(3.9)	(4.1)
- PBT reported	<b>75.7</b>	<b>81.4</b>	<b>59.0</b>	<b>73.6</b>	<b>71.9</b>	<b>97.4</b>	<b>89.6</b>	<b>94.5</b>
- PBT reported, %y-y		7.5%	-27.6%	24.8%	-2.2%	35.4%	-8.0%	5.5%
- PBT reported, margin		15.9%	13.5%	13.1%	17.6%	19.0%	17.7%	18.1%
<b>Revenue (% total)</b>								
Energy Related	31.6%	28.6%	28.1%	25.2%	30.8%	23.8%	31.1%	30.4%
Water	8.3%	5.2%	12.6%	5.1%	9.8%	4.9%	5.1%	4.9%
Real Est - D&B, Portfolio	44.5%	51.8%	42.2%	52.8%	32.9%	49.1%	38.7%	37.7%
Geo-Spatial	15.6%	14.5%	17.2%	16.9%	26.5%	22.3%	25.1%	27.0%
<b>PBT (% total)</b>								
Energy Related	20.4%	20.6%	31.5%	22.1%	19.2%	12.9%	18.9%	18.1%
Water	-17.9%	-9.3%	12.3%	-2.2%	0.1%	1.4%	1.7%	1.6%
Real Est - D&B, Portfolio	76.7%	65.4%	26.6%	49.2%	42.0%	57.7%	44.7%	43.8%
- D&B	72.3%	61.0%	19.6%	43.2%	31.0%	50.2%	34.4%	32.3%
- Portfolio	4.4%	4.5%	7.0%	6.0%	11.0%	7.5%	10.3%	11.5%
Geo-Spatial	20.9%	23.3%	29.6%	30.9%	38.6%	28.0%	34.7%	36.5%
<b>Recurring PBT (non-orderbook):</b>								
<b>Geospatial + Ind. Portfolio (% PBT)</b>	<b>25.3%</b>	<b>27.8%</b>	<b>36.6%</b>	<b>36.9%</b>	<b>49.6%</b>	<b>35.5%</b>	<b>45.0%</b>	<b>48.0%</b>
<b>Geospatial + Ind. Portfolio PBT growth</b>		<b>26.8%</b>	<b>-7.6%</b>	<b>22.9%</b>	<b>21.8%</b>	<b>8.9%</b>	<b>11.7%</b>	<b>12.6%</b>

FYE March	FY03/11	FY03/12	FY03/13	FY03/14f	FY03/15f
<b>Valuation Ratios</b>					
P/E (X)	13.5	12.6	8.6	10.1	9.6
P/E (X), adj.	13.7	16.4	9.3	10.1	9.6
P/B (X)	3.1	2.8	2.3	2.1	1.9
EV/EBITDA (X), adj.	5.5	8.3	5.5	5.6	5.4
Dividend Yield (%)	5.0%	3.6%	5.0%	5.1%	5.3%
<b>Per share data (SGD)</b>					
EPS, reported	0.103	0.110	0.162	0.138	0.145
EPS, adj.	0.101	0.085	0.150	0.138	0.145
DPS	0.070	0.050	0.070	0.070	0.074
BVPS	0.45	0.50	0.60	0.67	0.74
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	27.9%	-27.1%	25.6%	-1.4%	3.3%
EBITDA	60.6%	-33.8%	52.4%	-3.0%	4.1%
EBIT	62.9%	-35.8%	54.0%	-3.4%	4.2%
Net Income, adj.	21.3%	6.4%	46.4%	-14.8%	5.1%
<b>Margins</b>					
EBITDA margin	16.9%	15.3%	18.6%	18.3%	18.4%
EBIT margin	16.2%	14.3%	17.5%	17.2%	17.3%
Net Profit Margin	10.4%	14.3%	16.5%	14.3%	14.6%
<b>Key Ratios</b>					
ROE (%)	22.8%	23.0%	29.3%	21.8%	20.6%
ROA (%)	10.7%	10.5%	13.9%	11.0%	10.8%
Net Debt (Cash)	(184.6)	(170.5)	(189.1)	(264.5)	(303.5)
Net Debt / Equity	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Debt / Equity	11%	8%	11%	10%	9%
<b>Income Statement (SGD mn)</b>					
<b>Revenue</b>	<b>560.6</b>	<b>408.7</b>	<b>513.2</b>	<b>506.1</b>	<b>522.6</b>
<b>EBITDA</b>	<b>94.5</b>	<b>62.6</b>	<b>95.3</b>	<b>92.4</b>	<b>96.3</b>
Depreciation & Amortisation	(3.6)	(4.1)	(5.3)	(5.5)	(5.7)
<b>EBIT</b>	<b>91.0</b>	<b>58.4</b>	<b>90.0</b>	<b>86.9</b>	<b>90.6</b>
Net Fin. & Invmt (Expense)/Income	2.1	3.0	2.5	2.7	4.0
<b>Operating PBT</b>	<b>93.0</b>	<b>61.5</b>	<b>92.5</b>	<b>89.6</b>	<b>94.5</b>
Other gains/losses	(19.3)	0.2	(1.3)	0.0	0.0
Investment gains/losses	1.0	12.7	6.3	0.0	0.0
Associates & JVs	(1.1)	(2.4)	0.0	0.0	0.0
<b>Profit Before Tax</b>	<b>73.6</b>	<b>71.9</b>	<b>97.4</b>	<b>89.6</b>	<b>94.5</b>
Taxation	(15.0)	(13.5)	(12.9)	(17.2)	(18.2)
<b>Profit After Tax</b>	<b>58.6</b>	<b>58.4</b>	<b>84.5</b>	<b>72.3</b>	<b>76.3</b>
Non-controlling Interest	(6.3)	(2.8)	(3.1)	(3.0)	(3.5)
<b>PATMI</b>	<b>52.2</b>	<b>55.6</b>	<b>81.4</b>	<b>69.3</b>	<b>72.8</b>

Source: PSR

FYE March	FY03/11	FY03/12	FY03/13	FY03/14f	FY03/15f
<b>Balance Sheet (SGD mn)</b>					
PPE	15.8	17.2	18.5	19.1	19.8
Intangibles	3.4	3.3	3.4	3.4	3.4
Associates & JVs	5.2	2.8	2.8	2.8	2.8
Investments	69.1	113.5	80.8	71.5	71.5
Others	2.9	3.5	3.2	3.2	3.2
<b>Total non-current assets</b>	<b>96.4</b>	<b>140.3</b>	<b>108.7</b>	<b>100.0</b>	<b>100.6</b>
Inventories	50.6	62.1	45.8	53.4	55.1
Accounts Receivables	112.7	116.2	171.0	141.6	146.3
Investments	16.8	56.7	57.8	57.8	57.8
Cash	209.8	192.5	223.5	298.9	338.0
Others	0.0	0.0	0.0	0.0	0.0
<b>Total current assets</b>	<b>389.9</b>	<b>427.5</b>	<b>498.2</b>	<b>551.8</b>	<b>597.1</b>
<b>Total Assets</b>	<b>486.3</b>	<b>567.8</b>	<b>606.9</b>	<b>651.8</b>	<b>697.8</b>
Short term loans	3.5	4.3	9.3	9.3	9.3
Accounts Payables	197.8	253.3	231.6	240.0	247.4
Others	21.7	23.6	19.2	19.2	19.2
<b>Total current liabilities</b>	<b>223.0</b>	<b>281.2</b>	<b>264.0</b>	<b>272.4</b>	<b>279.7</b>
Long term loans	21.6	17.7	25.2	25.2	25.2
Others	4.2	4.6	5.4	5.4	5.4
<b>Total non-current liabilities</b>	<b>25.8</b>	<b>22.3</b>	<b>30.6</b>	<b>30.6</b>	<b>30.6</b>
Non-controlling interest	8.1	9.9	11.5	13.8	16.7
<b>Shareholder's Equity</b>	<b>229.4</b>	<b>254.5</b>	<b>300.9</b>	<b>335.0</b>	<b>370.8</b>
<b>Cashflow Statements (SGD mn)</b>					
CFO					
PBT	73.6	71.9	97.4	89.6	94.5
Adjustments	21.0	(9.4)	(12.2)	(3.5)	1.8
Cash from ops before WC changes	94.5	62.6	85.2	86.0	96.3
WC changes	(28.0)	33.9	(21.2)	30.2	1.1
Cash generated from ops	66.5	96.5	64.0	116.2	97.4
Taxes, net	(16.5)	(12.4)	(16.8)	(17.2)	(18.2)
Interest, net	2.1	3.0	2.5	2.7	4.0
<b>Cashflow from ops</b>	<b>52.1</b>	<b>87.1</b>	<b>49.7</b>	<b>101.7</b>	<b>83.1</b>
CFI					
CAPEX, net	(1.7)	(3.7)	(5.6)	(6.1)	(6.4)
Div'd from Assoc & JVs, less Div'd to MI	0.1	(0.7)	(0.5)	(0.6)	(0.7)
Dividends/Interest from Investments	0.0	0.0	0.0	0.0	0.0
Purchase/sale of investments	(34.9)	(61.9)	2.2	15.7	0.0
Others	0.0	0.0	0.0	0.0	0.0
<b>Cashflow from investments</b>	<b>(36.5)</b>	<b>(66.4)</b>	<b>(3.9)</b>	<b>9.0</b>	<b>(7.0)</b>
CFF					
Share issuance	0.7	0.1	0.1	0.0	0.0
Purchase of treasury shares	(0.4)	(1.3)	(3.8)	0.0	0.0
Loans, net of repayments	2.2	(3.1)	16.1	0.0	0.0
Dividends to shareholders & capital reduction	(30.4)	(35.4)	(25.2)	(35.2)	(37.0)
Others	0.0	0.0	0.0	0.0	0.0
<b>Cashflow from financing</b>	<b>(28.0)</b>	<b>(39.8)</b>	<b>(12.8)</b>	<b>(35.2)</b>	<b>(37.0)</b>
<b>Net change in cash</b>	<b>(12.4)</b>	<b>(19.0)</b>	<b>32.9</b>	<b>75.4</b>	<b>39.1</b>
Effects of exchange rates	(0.2)	1.7	(1.7)	0.0	0.0
<b>CCE, end</b>	<b>209.8</b>	<b>192.5</b>	<b>223.5</b>	<b>298.9</b>	<b>338.0</b>

Source: PSR





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