

# MTQ Corporation Limited

## Corporate Presentation

FY2010 Results Luncheon



## Presentation Outline

- About MTQ
- Financial Overview
- Operational Highlights
- Going Forward
- Key Investment Merits
- Q & A





## About MTQ



# Oilfield Engineering

## 1. Principal Activities

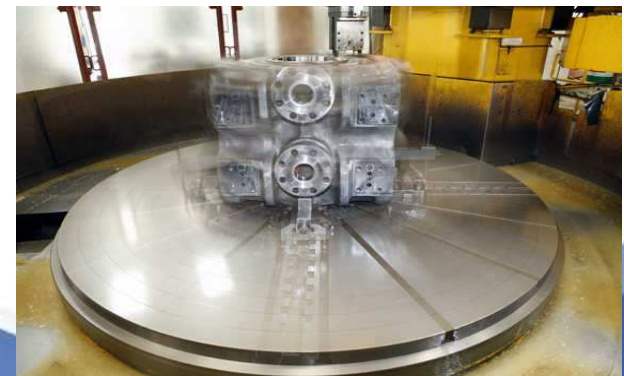
- Specializes in the repair and reconditioning of oilfield equipment for drilling & exploration of oil & gas
- Provides complementary fabrication and equipment rental services.
- OEM authorized repair facilities for Cooper Cameron, Varco BJ and QVM Valves – in particular, Blow Out Preventers (used to prevent blowouts during drilling operations)



# Oilfield Engineering

## 2. Competitive Advantages

- One of the leading service provider of engineering solutions for oilfield equipment with over 30 years of relevant experiences
- High barriers to entry – high initial set up costs, constant requirement for upgrade of skills and capabilities
- Strong commitment to high service quality
- Extensive customer bases in various regions – Asia, Middle East, US, etc
- Near term growth catalyst: the development of MTQ Bahrain to access a greater market in the Gulf Cooperation Council region (Saudi Arabia, Qatar, UAE, Oman and Bahrain)



## Update on operations in Bahrain

An artist's impression of the new MTQ  
Oilfield Services facility



- Incorporated a wholly owned subsidiary in Bahrain in June 2009
- Total expected investment is US\$20 million over the next 2 to 3 years
- Two-phased development to commence on a land of 40,000 sqm
- Building contractor, Poullaides Construction Company W.L.L has been formally selected and construction work has since commenced
- First phase development is scheduled to complete by early 2011

# Engine Systems

## 1. Principal Activities

- Largest suppliers of turbochargers and diesel four wheel drive kits in the Southern Hemisphere
- Major supplier of quality diesel fuel injection spare parts
- Authorized service agents/distributors for world renowned brands such as Bosch, IHI, Garrett, Denso, Schwitzer etc
- November 2009: Set up of "Bosch Superstore" to offer one-stop solution for a full range of Bosch automotive aftermarket products



## Engine Systems

### 2. Competitive Advantages

- Long established brand name among industry peers
- Has a wide nationwide network in Australia
  - In March 2010, the Group expanded to the Northern Territory in Australia via the acquisition of business assets of Premier Fuel Injection Pty Ltd (“Premier”)
- Owns state-of-the-art facilities







## Financial Overview



# Income Statement FY2010 vs FY2009



<b>S\$'000</b>	<b>FY2010</b>	<b>FY2009</b>	<b>%Change</b>
<b>Revenue</b>	<b>81,966</b>	<b>89,867</b>	<b>(9%)</b>
<b>Profit before taxation</b>	<b>14,317</b>	<b>13,745</b>	<b>4%</b>
<b>Profit after taxation</b>	<b>12,027</b>	<b>10,976</b>	<b>10%</b>
<b>Profit attributable to shareholders</b>	<b>12,034</b>	<b>10,982</b>	<b>10%</b>
<b>Basic Earnings per share (in Singapore cents)</b>	<b>13.67*</b>	<b>12.10**</b>	<b>13%</b>
<b>Net Cash provided by Operating Activities</b>	<b>3,900</b>	<b>4,498</b>	<b>(13%)</b>

\*Based on 88.059 million shares \*\*Based on 90.789 million shares

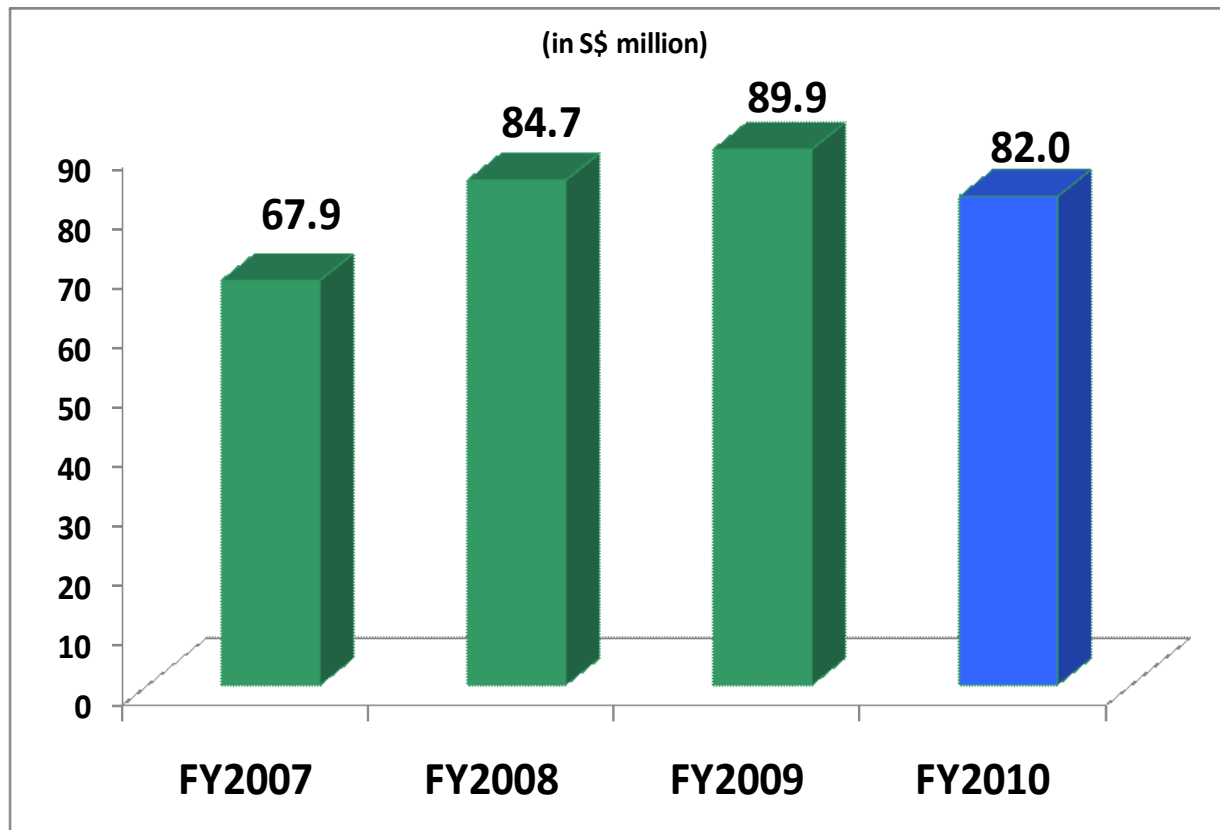
Note: Per share data excludes treasury shares of 7.5 million shares as at both financial year end

# Balance Sheet



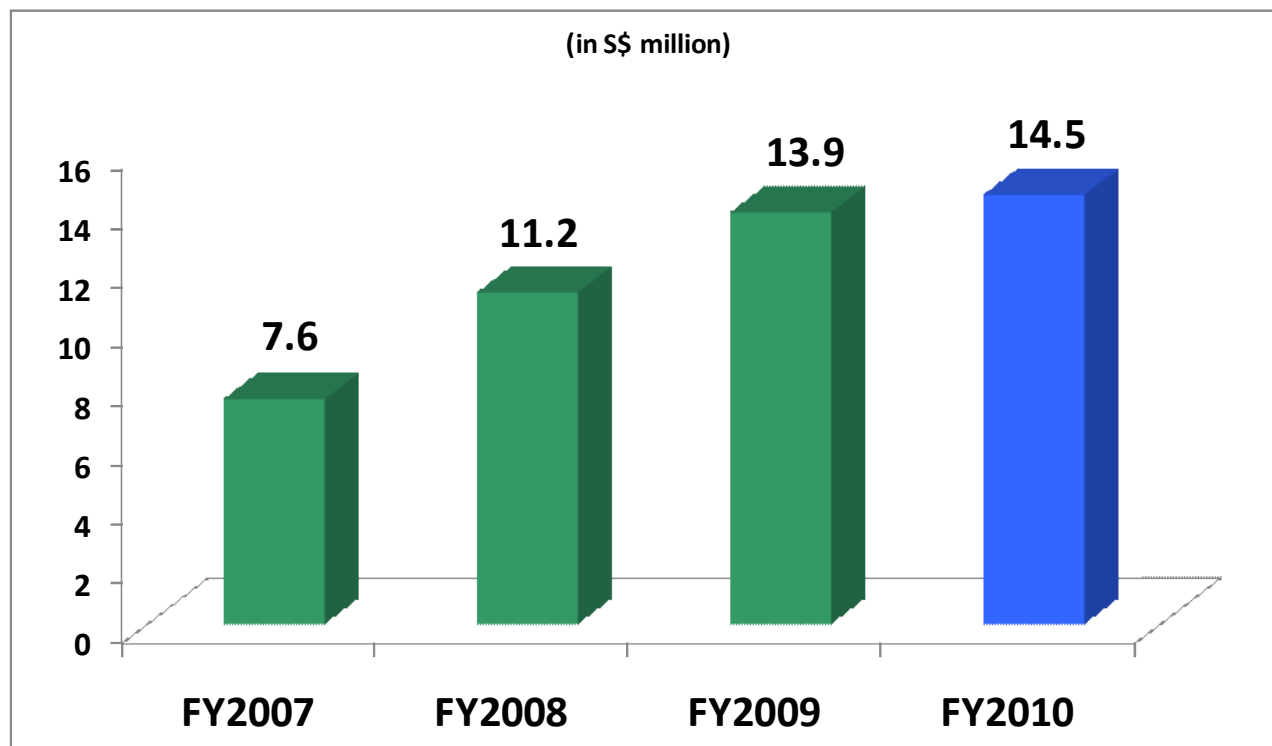
<b>S\$'000</b>	<b>As at 31 March 2010</b>	<b>As at 31 March 2009</b>	<b>%Change</b>
<b>Net Current Assets</b>	<b>44,796</b>	<b>35,263</b>	<b>27%</b>
<b>Total Assets</b>	<b>101,462</b>	<b>84,881</b>	<b>20%</b>
<b>Total Liabilities</b>	<b>28,146</b>	<b>28,051</b>	<b>NM</b>
<b>Total Shareholders' Fund</b>	<b>73,988</b>	<b>57,495</b>	<b>29%</b>
<b>Net Asset Value per share (in Singapore cents)</b>	<b>84.02</b>	<b>65.29</b>	<b>29%</b>
<b>Cash and Cash Equivalents</b>	<b>20,314</b>	<b>21,984</b>	<b>(8%)</b>
<b>Net Cash (less borrowings)</b>	<b>16,941</b>	<b>17,536</b>	<b>(3%)</b>

## Revenue (FY2007-FY2010)



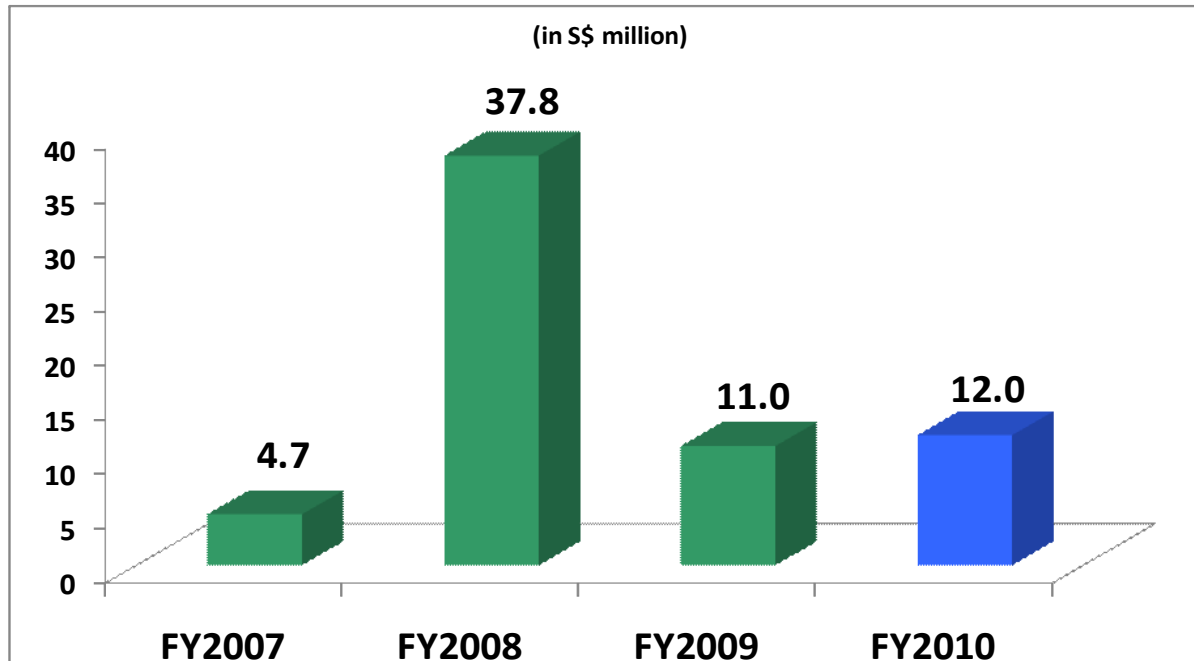
**Revenue decreased by 9% to S\$82.0 million on the back of weaker demand for its products and services under the Oilfield Engineering segment, partially offset by a 17.5% growth in revenue from Engine Systems Division**

# Profit from operating activities (FY2007-FY2010)



Despite lower revenue, the Group posted net operating profits of S\$14.5 million in FY2010, up 4% from FY2009. The increase was mainly attributable to an increase in other income, which includes S\$1.9 million gain on disposal of quoted shares

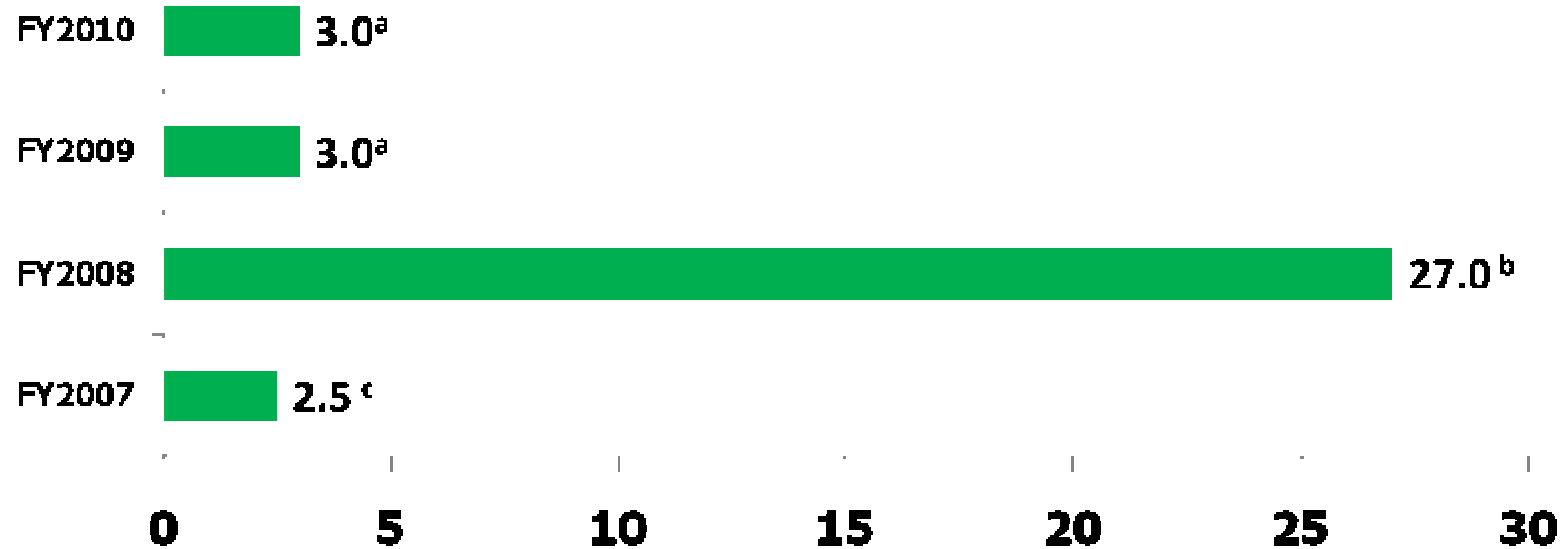
# Profit attributable to shareholders (FY2007-FY2010)



**As a result of better profit margins achieved, conscientious effort to keep costs low and lower taxes, net profit attributable to shareholders improved by 10% to S\$12.0 million.**

# Dividends

(in Singapore cents)



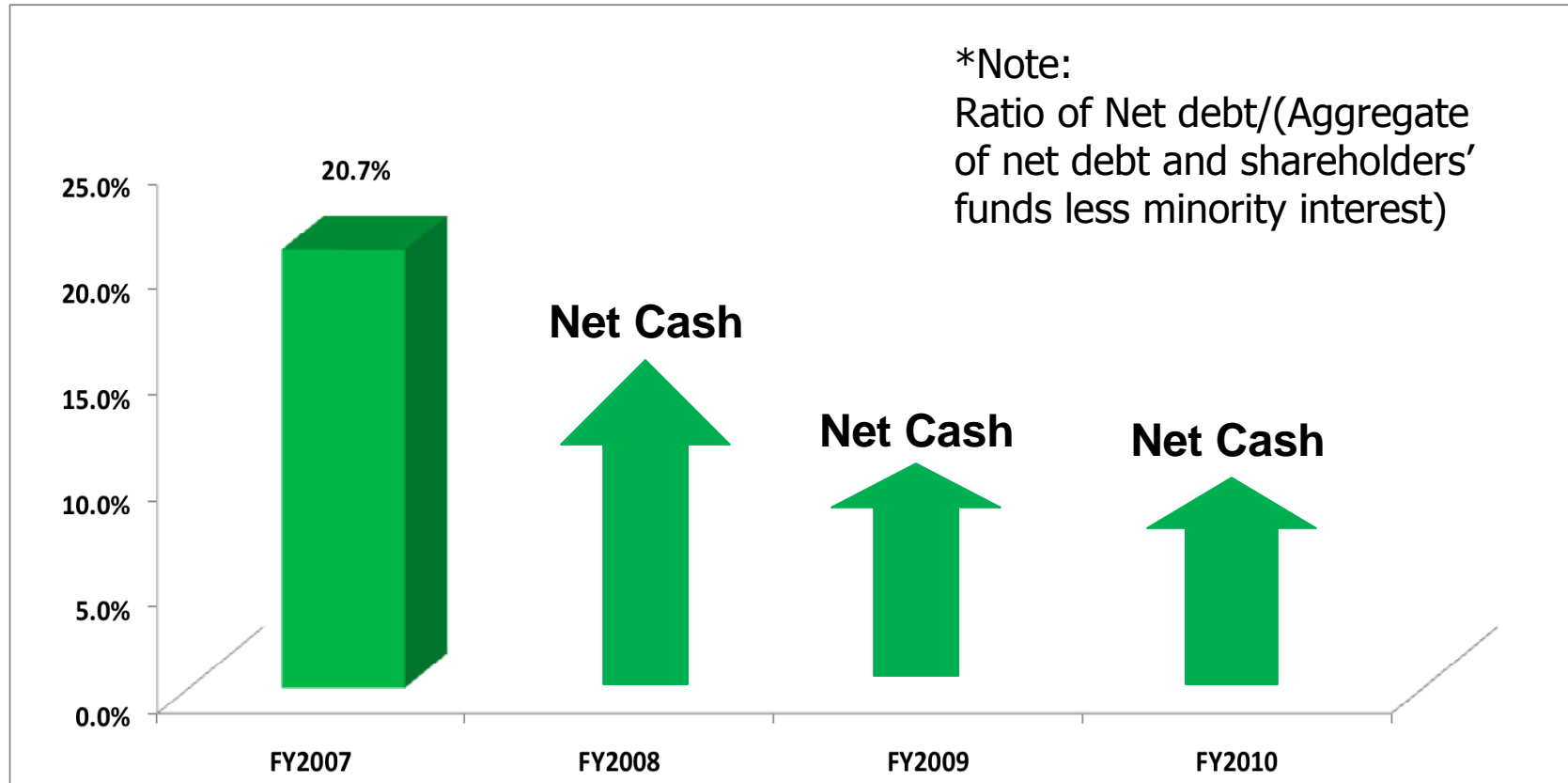
Notes:

<sup>a</sup> Tax-exempt (one-tier) dividend

<sup>b</sup> Includes a final tax-exempt dividend of 2.0 cents, a special gross dividend of 24.0 cents and an interim gross dividend of 1.0 cents.

<sup>c</sup> Gross dividend

## Net Debt Gearing ratio\*



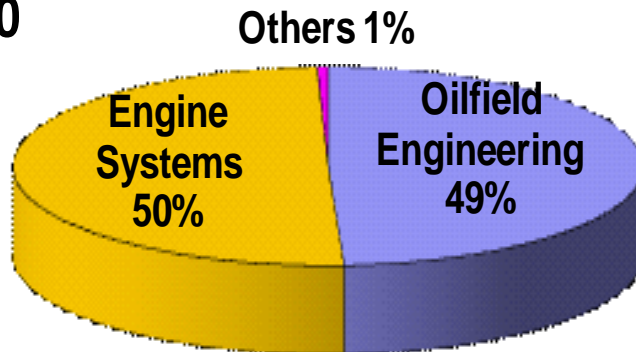




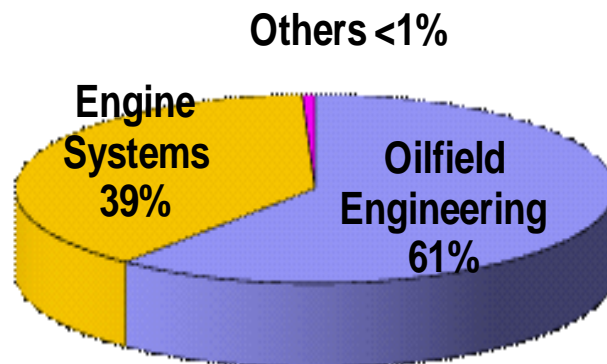
## Operational Highlights

## Revenue by Business Segments

**FY2010**



**FY2009**



- Revenue from Oilfield Engineering segment declined due to softer demand for its products and services
- The Engine Systems division recorded a significant 17.5% increase in revenue due to better sales across existing product segments



## Going Forward



## Challenges Ahead

- The initial set up of MTQ Bahrain
  - ✓ To ensure on-time completion (by early 2011)
  - ✓ Recruiting, training and development of local skilled workers
  - ✓ Sourcing of new and existing customers in the Middle East region
  - ✓ Integrating MTQ Bahrain into the Group
- Finding new products/services to complement existing businesses
- Constant upgrading of manpower skills to keep up with the technology advancement

## Future Plans – Company level



- Enhancing core competences for the twin engines of growth – Oilfield Engineering and Engine Systems
- Open to strategic mergers and acquisition opportunities that are compatible with MTQ's existing products and operational capabilities
- Defensive measures such as various cost cutting initiatives to maximise performance and operational efficiencies



# Future Plans – Division level



## *Oilfield Engineering*

- Focus on development of MTQ Bahrain
  - ✓ Construction of engineering facility expected to be completed by early 2011
- With the recovery of oil prices, demand for the Oil and Gas industry is also picking up

## *Engine Systems*

- Capitalise on recent exclusive dealership of Bosch products via the "Bosch Superstore" concept



- Continue to strengthen market positioning in the Australian Automotive Aftermarket
- Leverage on the greater nationwide reach following the acquisition of business assets of Premier



## Key Investment Merits



## Key Investment Merits

- Good track record and performance over the years
- Healthy balance sheet with negligible gearing and generates positive cash flows
- Based on closing share price of S\$0.84 as at 29 April 2010:
  - Trading at 6.1x PE
  - Price to book = 1.0x
  - Stable dividend payout representing 22% of FY2010 earnings







# Thank You!

## Q & A Session

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Home » [Company Archive](#) » 2008 » [MTQ Profit grows 28% \(discussing one-off gains\)](#)

**MTQ: Profit grew 28% (discussing one-off gains)**

Written by [Liang Chen Tan](#)  
Tuesday, 02 May 2008

MTQ Corporation's impending US\$20-million investment in a potential venture in Taiwan was a subject of much discussion during a results briefing held for analysts and fund managers last Wednesday (Apr 23).

Why Taiwan? Is this the right time? Will the investment drain cash from the company over the next 3-5 years? Will dividends be cut?

For the year ended Mar 31, MTQ reported a 2% rise in revenue to \$5.8 million.

Net profit dropped 65% to \$12.1 million – a percentage change that should be seen in the light of a one-off divestment gain of \$25.2 million in the year ended Mar 31 '08.

Including the divestment gain, the last-year profit would have grown 20%.

With its latest result, MTQ has checked up its third year of rising profit from operating activities – up from a mere \$1.4 million in FY06 to \$15.3 million in FY08 (see chart below).

It has not recommended a final dividend payout of 2 cents a share, unchanged from the previous year. MTQ had paid 1 cent a share as interim dividend.

Mr Kuan Kok Wai, chairman and CEO, said: "We have no reason to believe, barring unforeseen circumstances, that we will not be able to maintain our current dividend payout."

At 2 cents a share in dividend, the yield is 3.5% based on a recent stock price of 52 cents. The historical P/E ratio is 3.5X. The actual value per share rose 65.55 cents as at end of March 31. MTQ has bought back 1.45 million shares from the open market.

**Share growth in operating profit**

Fiscal Year	Operating Profit (in \$ million)
FY2005	5.8
FY2006	1.4
FY2007	7.6
FY2008	15.3
FY2009	35.3

Asked if MTQ had performed not as well in the second half as it had expected, group financial controller William Fong replied that there was a write-back of \$51.1 million from a litigation case in the first half, resulting in a net profit of \$7 million.

Stripping that one-time effect off, the operations in the second half can be seen to have performed slightly better.

On the current business condition, Mr Kuan said: "We do feel a weakening in demand for our services. We also feel customers are more fussy about prices because of their tighter operating budget."

Dressed for more details, he added: "In January and February this year, we were doing very well. March onwards there was some slowdown."

Given the current circumstances, about