



MTQ CORPORATION LIMITED

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FOR IMMEDIATE RELEASE

MTQ’s Quarterly Performance Improves

- Net loss narrowed on quarterly basis mainly due to cost rationalization
- Revenues and margins were broadly maintained from 2Q to 1Q for FY2016
- Operating cash inflow before changes in working capital of S\$4.6 million was generated for 2QFY2016
- Balance sheet remained strong with S\$38.8 million cash and cash equivalents and a net gearing of 12.2%
- No interim dividend for the period

Singapore, 29 October 2015 – SGX Mainboard-listed MTQ Corporation Limited (“MTQ” or “Group”), an established regional engineering, maintenance and subsea services group, reported a pre-tax loss of S\$0.9 million for the three months ended 30 September 2015 (“2QFY2016”).

Financial Highlights	2QFY2016	2QFY2015	Chg	1HFY2016	1HFY2015	Chg
	SGD’000	SGD’000	%	SGD’000	SGD’000	%
Revenue	57,820	80,334	(28)	117,832	157,028	(25)
Gross Profit	15,036	26,315	(43)	30,657	52,418	(42)
Gross Profit Margin	26.0%	32.8%		26.0%	33.4%	
Other Operating Expenses	(8,173)	(7,271)	12	(15,446)	(15,016)	3
Staff Costs	(9,256)	(11,930)	(22)	(19,450)	(24,135)	(19)
Profit Before Taxation	(896)	6,329	n/m	(3,145)	11,961	n/m
Net Profit Attributable to Equity Holders (PATMI)	(501)	5,282	n/m	(2,832)	9,406	n/m

*n/m: Not meaningful

Financial Review

The Group reported S\$57.8 million revenue for 2QFY2016, a decrease of 28% year-on-year (“yoy”). The lower revenue was primarily due to weak demand for oilfield engineering business, especially in Singapore. Bahrain continued to see a healthy level of activities and generated slightly higher revenue yoy. Engine Systems’ operating performance was stable, however, the impact of a weaker Australian dollar weighed on revenue in the quarter compared to a year ago.

Weaker gross margins have persisted in this current quarter, reflecting market pressures. Gross profit decreased by 43% yoy to S\$15.0 million for 2QFY2016. Gross profit margin declined to 26% for the quarter and the first half of the year, compared to 33% a year ago. To mitigate the weaker business outlook, operating expenses and staff costs as a whole have continued to be reduced in the quarter on both quarter-on-quarter (“qoq”) and yoy basis. Notwithstanding such efforts, the Group reported a net loss attributable to shareholders of negative S\$0.5 million, which translated to a diluted loss per share of 0.32 Singapore cents for the quarter.

In view of the weaker results in the first six months of the financial year, the Board of Directors has decided not to declare an interim dividend for the period.

Balance Sheet	30 Sep 2015	31 Mar 2015
	SGD’000	SGD’000
Net current assets	78,279	82,389
Net assets	133,070	138,350
Cash and cash equivalents	38,837	44,135
Finance lease payable	687	797
Borrowings	56,717	59,635
Shareholder’s funds	123,485	128,960
Net gearing¹	12.2%	10.5%
Net assets value per share²	80.0 cents	83.0 cents

¹ Net gearing ratio is calculated based on net debt divided by net capitalization. The Group includes within its net debt, bank borrowings and finance lease payable, less cash and cash equivalents. Net capitalization refers to net debt plus total equity.

² Net assets value is calculated based on the Group’s net assets after deducting the non-controlling interest, divided by the total number of issued shares excluding treasury shares as at the end of the financial period.

The Group generated S\$4.6 million cash from operating activities before changes in working capital for 2QFY2016, an improvement from S\$2.3 million for 1QFY2016. Cash and cash equivalents stood at S\$38.8 million as at 30 September 2015. The Group has continued to reduce borrowings during the period, and net gearing ratio was 12.2% as at 30 September 2015.

Outlook

Commenting on the financial results and outlook, Mr Kuah Boon Wee, Group Chief Executive Officer said,

“As oil prices remain weak and MTQ continues to see tepid demand for oilfield services, especially in Singapore which has historically had a reasonable workload due to new build activity. While revenue opportunities elsewhere have remained steady, competitive pricing has put pressure on margins, including the Middle East and Neptune. Binder managed to report an improved quarter on the back of higher sales.

The healthy cash balance and low gearing will provide us a financial cushion to weather the industry downturn and the flexibility in seizing available business opportunities. We will stay focused on securing business while continuing to monitor costs and raise utilization levels. The general outlook does remain challenging but we remain committed to being stronger in better markets.”

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About MTQ Corporation Limited (Bloomberg Code: MTQ.SP)

Established in 1969, **MTQ Corporation Limited (“MTQ”)** specialises in engineering solutions for oilfield equipment, including repair, manufacture and rental operations. Well-known for its broad experience for over 30 years and commitment to service quality, MTQ is the authorised working partner for some of the world’s largest OEMs in drilling equipment, and is accredited to carry out manufacturing and repair works in accordance to American Petroleum Institute Standards. The Premier group, in addition to repair and manufacture of oilfield equipments, is also supplier of oilfield equipment and tools manufactured by some of the leading global brands. Through its wholly owned subsidiary MTQ Engine Systems (Aust) Pty Ltd, the Group is also the leading independent supplier of turbocharger and fuel injection parts and services in Australia with a nationwide network. Neptune Marine Services Limited is located in Perth, Western Australia, and has operational presence in the UK and Asia. Neptune provides engineering services to offshore oil and gas, marine and renewable energy industries with a focus on subsea and topside services. In 2014, MTQ expanded into the design and manufacturing of proprietary and custom-built pipe support and pipe suspension solutions for the oil & gas sector through Binder Group Pty Ltd, which has production facilities in Perth and Indonesia.

For more information, please log on www.mtq.com.sg

**Issued for and on behalf of MTQ Corporation Limited
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