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Boustead faces industry storm with war chest and finger on trigger

by Kenneth Lim

BOUSTEAD Singapore's net profit fell 26 per cent in its second fiscal quarter under the weight of a depressed energy segment and heightened margin pressures, but the infrastructure engineering group is not shying away from hunting down acquisition opportunities if it can.

"The group continues to search for merger and acquisition and investment opportunities across its divisions in related business fields, as well as in potential new business fields," Boustead said in its earnings report on Friday. "Given the group's significantly improved net cash position of S\$205.8 million and untapped S\$500 million multi-currency medium-term note programme, the group is in an excellent position to capitalise on any good acquisition and investment opportunities that may arise."

Boustead's net profit slid to S\$7.6 million, or 1.5 Singapore cents per share, for the three months ended Sept 30, 2016. Six-month profit was down 12 per cent at S\$14.6 million, or 2.8 Singapore cents per share.

The company is declaring an interim dividend of 0.5 Singapore cent per share, down from the one Singapore cent per share payout a year ago. The stock closed at 86 Singapore cents on Friday before the results were announced.

"The group is seeking to conserve cash resources in order to be ready to take advantage of potential acquisition and investment opportunities," Boustead said.

Revenue slipped one per cent to S\$113.5 million during the quarter. The energy-related engineering division's pre-tax profit fell 73 per cent to S\$1.5 million, including S\$1.1 million of foreign exchange gains.

"The depressed state of the global oil and gas industries continues to significantly impact

revenue at the energy-relating engineering division ... Cancellations or deferments of major oil and gas capital expenditures have been prevalent across all parts of the value chain," Boustead said.

Real estate solutions fared better, with profit before tax rising 27 per cent to S\$9.1 million as the design-and-build business managed to grow despite challenges in the industrial real estate sector.

Geo-spatial technology pre-tax profit fell 17 per cent to S\$4.8 million as revenue retreated 2 per cent in the face of currency headwinds.

Boustead reported an order book backlog of S\$216 million as at end-September. Of that total, S\$84 million is from the energy-related engineering division and S\$132 from real estate solutions.

The group expects to be profitable for fiscal 2017, although it cautioned profit might decline amid tough conditions.

"The current macro economic environment continues to be challenging," Boustead said. "In Singapore, the Monetary Authority of Singapore recently released statements on muted economic prospects and sentiment in Singapore for 2016 and 2017. In the light of this, the group will continue to apply prudent cost management measures."

Nevertheless, with its sizeable war chest, Boustead said that it is a keen shopper in these challenging times.

"We are conserving our cash resources while actively reviewing acquisition and investment opportunities, where timely deployment of our cash resources may have a transformational impact on the group," chairman and chief executive Wong Fong Fui said in a statement.