

## Media Coverage

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Author: Raphael Lim

### **Boustead Singapore's geospatial business potential worth watching for investors**

**The company has successfully grown its revenue and profit contribution from sectors outside real estate**

Singapore

BOUSTEAD Singapore has had a decent performance in spite of the pandemic year. For FY2021 ended March, it recorded a slight dip in revenue but generated record net profit.

The company's bottomline has been powered by its geospatial and energy engineering divisions, as well as a value-unlocking gain at its real estate division.

The real estate gain is a one-off, but the results also show that Boustead has successfully grown its revenue and profit contribution from sectors outside real estate. That successful diversification makes Boustead a stock worth watching.

The infrastructure-related engineering and technology services conglomerate was established almost two centuries ago, but its modern operations date back to 1996 when chairman and group chief executive Wong Fong Fui took a controlling stake in the company. Today the group operates in several key business divisions: energy engineering, geospatial, real estate and healthcare.

#### **Geospatial growth**

The geospatial division has in recent years been one of the top contributors to Boustead's profit before tax (PBT). Boustead exclusively distributes Esri's ArcGIS technology – a leading geographic information system (GIS) smart mapping and location analytics platform – in major Asia-Pacific markets such as Australia, Singapore, Malaysia and Indonesia. Esri's software facilitates smart infrastructure for cities and communities.

Covid-19 has generated demand for GIS technology in the government and healthcare sectors, to assess, monitor and manage the impact of the pandemic.

Revenue for the division has grown from S\$103 million in FY2016 to S\$170.4 million in FY2021 - a compounded annual growth rate of 10.6 per cent. The division is also profitable, with high margins.

PBT grew 37 per cent on year to hit S\$40.7 million, and PBT margins stood at 23.9 per cent. The deferred services backlog has grown to a record of S\$100 million as at end-March.

Boustead said organisations in Australia and Indonesia have also requested for complimentary short-term access to the software for crisis and disaster management solutions.

Some of this could lead to conversions for revenue generation in future. With the trend of smart cities growing, the geospatial division may be able to see sustained tailwinds in the years to come.

#### **Shaky outlook for engineering**

Another key revenue driver is Boustead's energy engineering division, which provides process technologies and eco-sustainable solutions to the global oil & gas (O&G), petrochemical and energy sectors.

Despite the pandemic, revenue climbed 37 per cent to S\$198.4 million during FY2021 to account for 29 per cent of total revenue. The division's PBT more than trebled to S\$28 million during the year, with the strong performance attributed to a healthy order backlog being carried forward.

Contracts secured during FY2021, however, shrunk some 83 per cent on year to S\$52 million, as uncertainty in the O&G sector made companies reluctant to commit to investments.

Boustead said it would be difficult to replicate the FY2021 performance. It remains to be seen whether the division can perform well going forward, given the current dampened outlook for the oil and gas segment.

### **Real estate recovery**

The group's largest revenue contributor for the past 14 years has been its real estate business division. This is parked under mainboard-listed Boustead Projects (BPL) – a 53 per cent subsidiary of Boustead.

Boustead's other divisions shone in FY2021 partly because revenue from the real estate division has been more severely impacted by the pandemic.

Revenue fell 29 per cent to S\$301.4 million due to prolonged project closures, lower productivity and shortage of foreign labour resources. The pandemic's impact is still expected to linger in the coming financial year, but there are positives.

The division delivered record PBT of S\$140.6 million helped by a one-off value unlocking gain of S\$134.8 million as BPL sold interests in 14 leasehold properties selected from its portfolio of 25 leasehold properties to private business trust Boustead Industrial Fund (BIF).

The capital recycling exercise can position the company better for future growth. BPL also has a pipeline of leasehold properties – mainly under joint ventures – with over S\$700 million in estimated market valuation. These could potentially be sold to BIF in the future, unlocking further value for investors.

### **Decent financials**

The divestment of the property assets has improved the group's balance sheet.

Boustead has minimal debt, and the group had a net cash position of S\$472.8 million as at end-March, according to its annual report. This compares favourably to its current market capitalisation of around S\$500 million.

Net asset value per share also rose to 92.3 Singapore cents, from 70.3 cents a year earlier. Boustead shares have gained 21.6 per cent year to date, and it currently trades at S\$0.985, around 7 per cent over book value.

Singapore-domiciled and listed companies in the engineering and construction industry trade on average at a price-to-book ratio of 0.66, Bloomberg data showed, close to the 0.74 ratio BPL trades at.

Boustead may also appeal to those seeking dividend income. Over the past five years, its average dividend payout ratio was 43 per cent.

Annual dividends were around S\$0.03 per share between FY2018 and FY2020. The dividend rose to S\$0.08 in FY2021, but this included a S\$0.04 special dividend.

In FY2021, Boustead generated a return on equity (ROE) of 25.3 per cent boosted by the one-off gains from the real estate division. Its average ROE over the four preceding financial years was 9.3 per cent.