



YOUR CONNECTION TO THE RIGHT MACHINE

ENGINEERED FOR  
CONTINUOUS GROWTH

# FY2014 Results Presentation



YOUR CONNECTION  
TO THE RIGHT MACHINE

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# Presentation Outline

-  Corporate Profile
-  Business Overview
-  Financial Highlights
-  Outlook &  
Strategies / Recent  
Developments



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# Corporate Profile

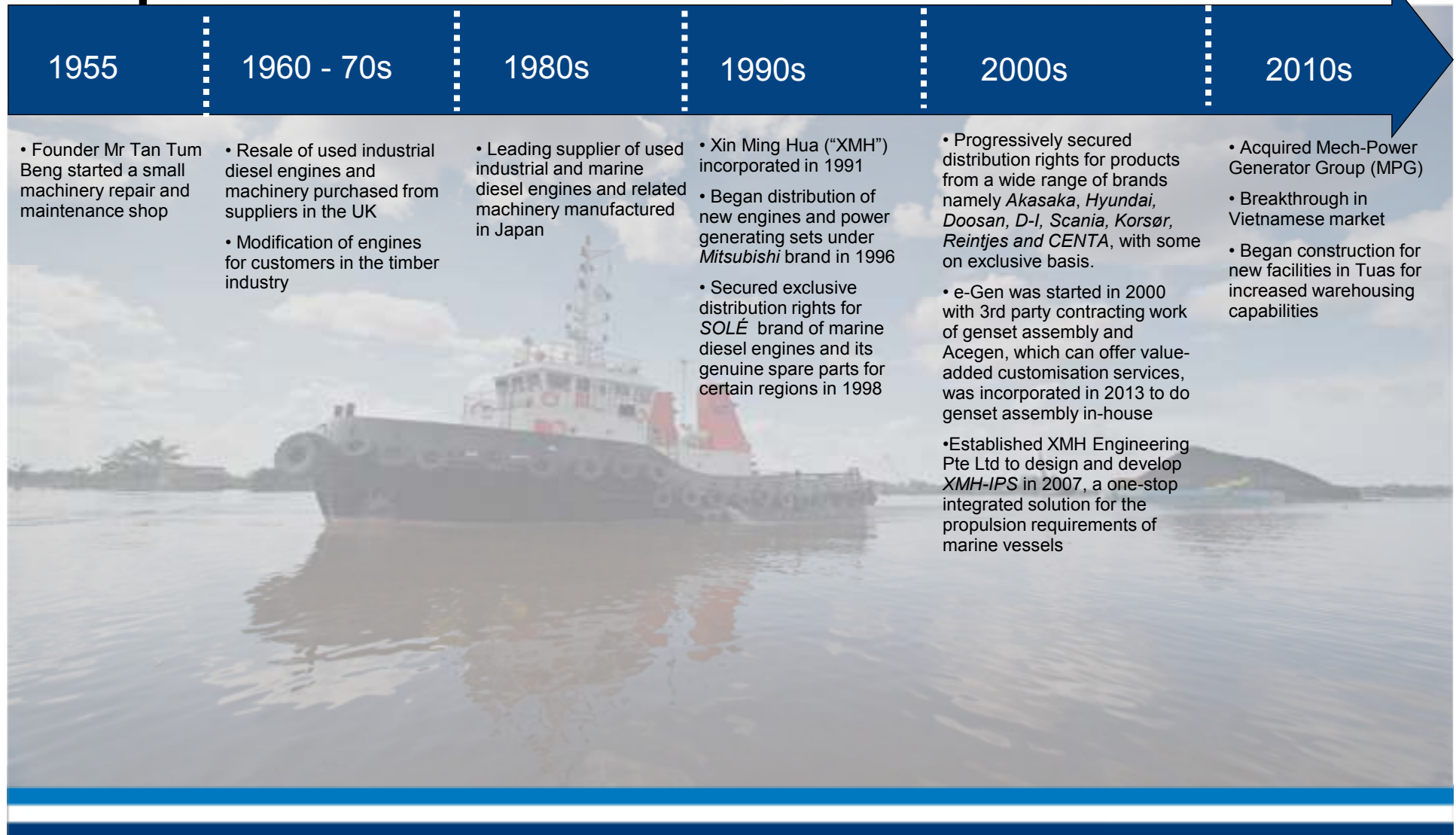
## Corporate Profile

- A diesel engine, propulsion and power generating solutions provider in the marine and industrial sectors
- Over 50 years of operating track record mainly in Asia
- Listed on the Main Board of the SGX-ST on 26 January 2011

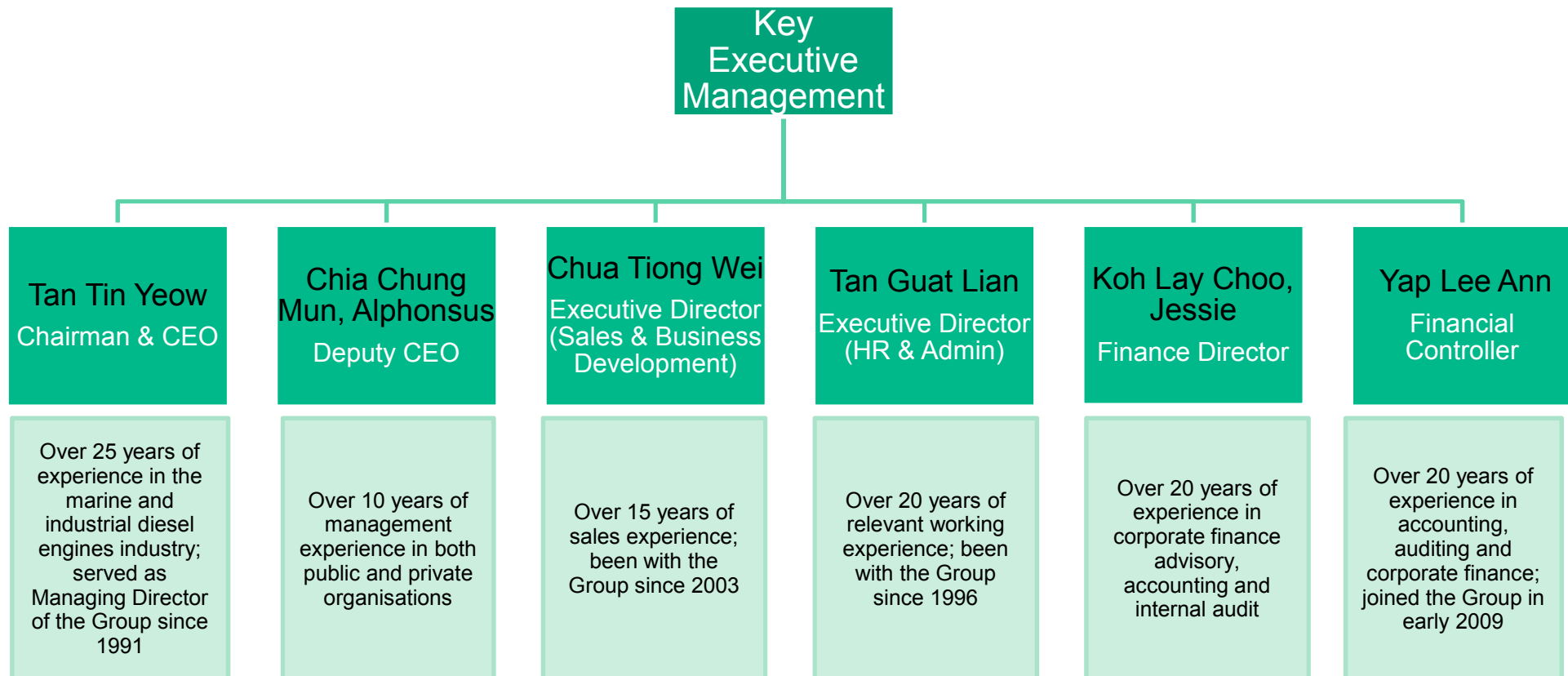




# Corporate Milestones



# Key Executive Management



# Investment Merits

**Strong balance sheet and operating fundamentals to foster growth**

**Experienced and committed management team**

**Diversified customer base allows minimization of fluctuations in demand arising from a downturn in any particular sector**

**Exposure to significant growth opportunities e.g. developments in Indonesia, booming O&G sector**

**Developed in-house capability with the ACEGEN and IPS products**

**Successful diversification into the adjacent industrial sectors with acquisition of MPG Group**



## Share Statistics

| Bloomberg code<br>Reuters code           | XMH SP EQUITY<br>XMHL.SI |       |
|--|--------------------------|-------|
| Share Price                              | S\$0.30                  |       |
| Market Capitalization<br>(433.4M shares) | S\$129.5 million         |       |
| P/E                                      | 10.8                     |       |
| NAV per share                            | S\$0.13                  |       |
| Free Float                               | 22.0%                    |       |
| Substantial Shareholders                 | Directors                | 58.4% |
|  | Credence Capital         | 19.4% |

Source: Bloomberg as at 24 Jun 2014

## Analyst Calls

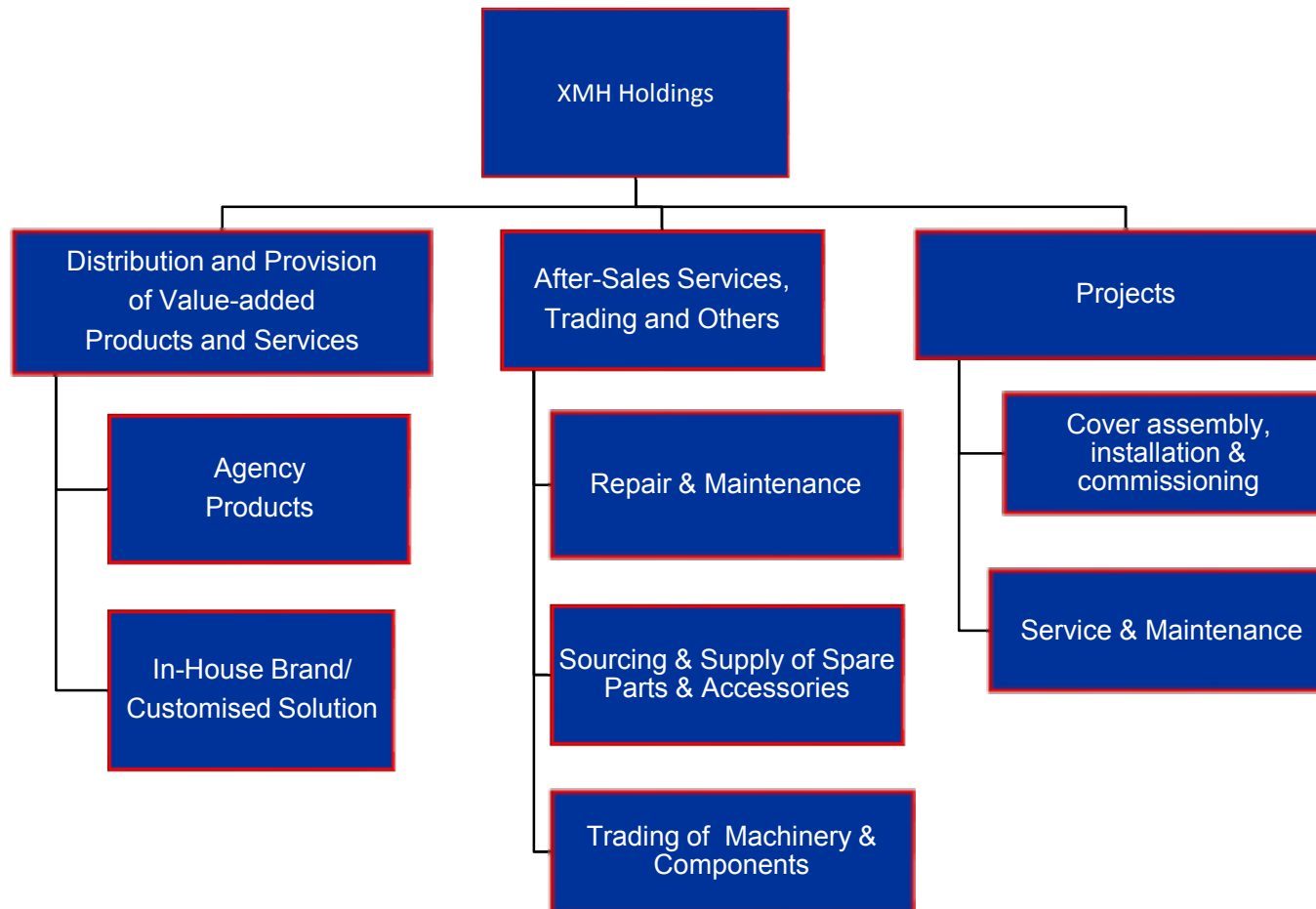
| House                 | Call / Target Price |
|-----------------------|---------------------|
| OSK-DMG (Lee YueJer)  | BUY / S\$0.41       |
| NRA Capital (Joel Ng) | OVERWEIGHT / \$0.40 |



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# Business Overview

# Business Segments



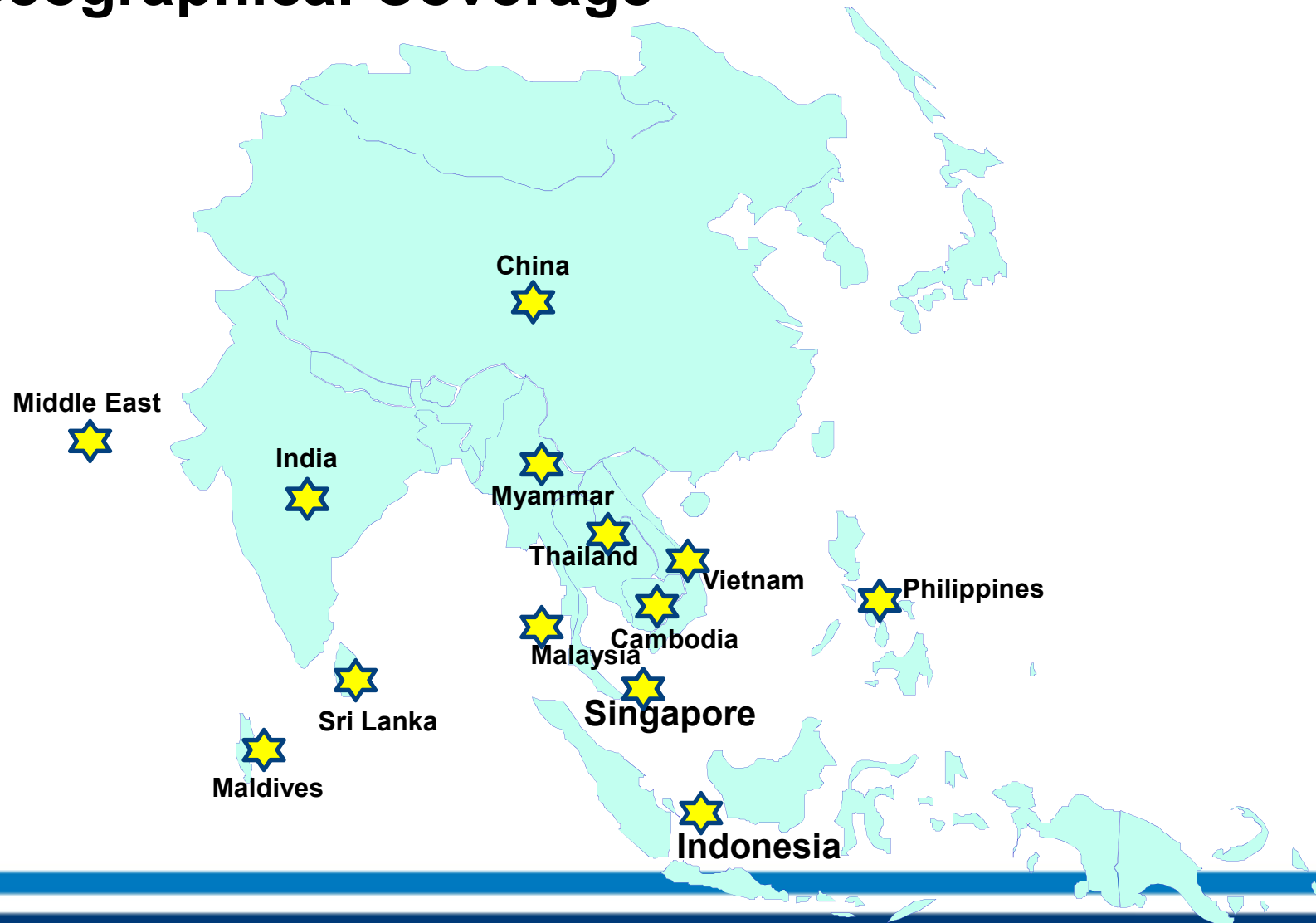
# Product Range & Applications

Distribute a wide range of marine and industrial diesel engines, power generating sets and related components for the following applications:

|                           | Marine   | Industrial  |
|---------------------------|--|---|
| Applications:             | <ul style="list-style-type: none"> <li>• Transportation vessels (tugs and barges, self-propelled barges, cargo vessels and ferries)</li> <li>• Offshore support vessels (anchor handling and supply tugs)</li> <li>• Specialised vessels (crane &amp; pipe laying &amp; accommodation barges)</li> <li>• Bulk carriers and tankers</li> <li>• Fishing vessels</li> </ul> | <ul style="list-style-type: none"> <li>• Power generating sets used in hotels and buildings</li> <li>• Power generating sets used in data centres</li> <li>• Power packs for water and oil pumps</li> </ul> |
| Target Customers include: | <ul style="list-style-type: none"> <li>• Shipyards</li> <li>• Vessel owners</li> <li>• Dealers</li> </ul>  | <ul style="list-style-type: none"> <li>• Hotel proprietors</li> <li>• Data centres</li> <li>• Building owners</li> <li>• Main contractors</li> </ul>  |

**A diversified customer base helps to mitigate the downturn from any particular sector**

# Geographical Coverage





## Reputable Distribution Brands

| BRAND             | PRODUCT TYPE  | TERRITORIES   |
|-------------------|---|---|
| <b>Mitsubishi</b> | 1) Limited range of high-speed and medium-speed marine diesel engine and power generating sets, including related spare parts and accessories | 1) China, India, <b>Indonesia, the Maldives, Singapore</b> , Vietnam  |
|                   | 2) OEM industrial power generating sets   | 2) Worldwide  |
| <b>Akasaka</b>    | Main engine for propulsion and after-sales services   | Singapore, Malaysia, Indonesia  |
| <b>Hyundai</b>    | Marine engine and generator   | <b>Malaysia, Singapore, Indonesia</b>   |
| <b>Doosan</b>     | Marine engines and related spare parts  | Indonesia, Singapore, Malaysia  |
| <b>SOLE</b>       | Marine engines and power generating sets, including related spare parts and accessories   | <b>Cambodia, Indonesia, Malaysia, the Maldives, Myanmar, the Philippines, Singapore, Sri Lanka, Thailand, Vietnam</b> |
| <b>Scania</b>     | Marine propulsion engines, marine auxiliary engines and related spare parts   | Singapore   |

Note: Territories highlighted in red represent **exclusive** distribution

## Reputable Distribution Brands

| BRAND                   | PRODUCT TYPE  | TERRITORIES   |
|-------------------------|---|---|
| <b>Reintjes</b>         | Gearboxes and related spare parts                         | <b>Indonesia</b>  |
| <b>D-I</b>              | Gearbox<br>Steering Systems and PTO                       | <b>Singapore and Indonesia</b><br><b>Singapore</b> and Indonesia  |
| <b>Korsør</b>           | Controllable pitch propellers                             | China, India, <b>Indonesia, Malaysia,</b><br>Middle East, <b>Singapore, Thailand,</b><br><b>Vietnam</b> |
| <b>Kamome Propeller</b> | Propellers and Thrusters                                  | Indonesia   |
| <b>Mentrade</b>         | Fixed pitch propellers                                    | <b>Indonesia and Vietnam</b>  |
| <b>Guangzhou Diesel</b> | Industrial/Marine diesel engine and power generating sets | Singapore, Malaysia and Indonesia   |
| <b>Centa</b>            | Couplings for marine and industrial applications          | Indonesia   |

Note: Territories highlighted in red represent **exclusive** distribution

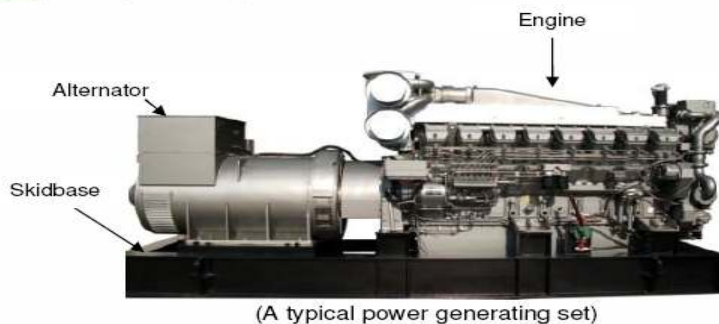
# In-house Brands/Solutions

Leveraged on internal technical know-how to develop value-added products and customized solutions:

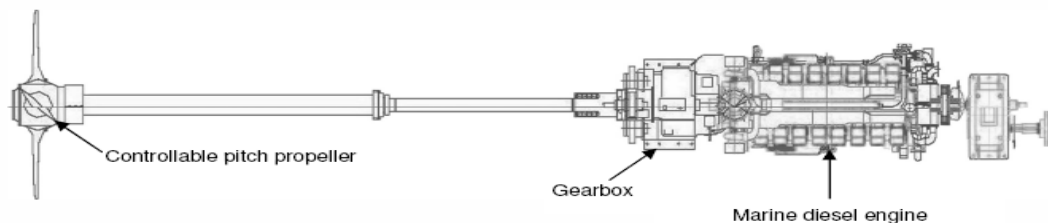
## ACEGEN

- In-house range of marine and industrial power generating sets
- Offers customers a choice between standardised and customised packages

### ACEGEN power generating set




integrated solution to vessel owners requiring diesel engine (or electricity) driven propeller-based propulsion systems to power their vessels



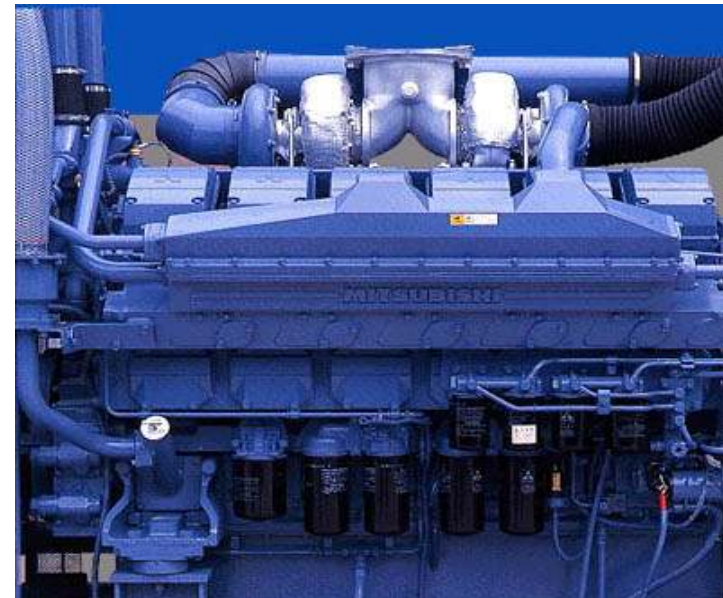
## After-Sales Services & Trading Activities

- **Provision of after-sales services such as repair and maintenance**
  - Supported by a team of skilled and experienced engineers and technicians
- **Sourcing and supply of spare parts and accessories**
  - Achieve time-savings for customers by maintaining a ready supply of genuine spare parts and accessories to cater to their immediate needs
- **Trading activities to provide diesel engines, power generating sets and other machinery and related components**



## Projects (MPG)

- **Cover assembly, installation & commissioning**
  - Manufacturing & assembly of generator sets
  - Fabrication, manufacturing and customization of supporting equipment
- **Service & Maintenance**





## Key Competitive Strengths

- **Wide product range of reputable brand names**
  - Currently have distributorship agency or dealership arrangements for mainly **13 brands** of products, covering a range of **over 4000 product items**
  - Recognised by **Mitsubishi** as its **largest worldwide distributor** for marine diesel engines for **8 consecutive years** since 2005
- **Strong after-sales support and value-added products and services**
  - **Skilled, experienced engineers and technicians** in place to attend to customers' product requests
  - Provide **timely after-sales support** and minimise customers' downtime





## Key Competitive Strengths

- **Developed strong customer and supplier relationships over the years**
  - Strong customer loyalty with **high repeat sales averaging over 70%** in the last three financial years
  - Key distributor **of Mitsubishi** for **17 years** and running
- **Experienced and committed management team**
  - Group led by industry veteran **Mr Elvin Tan Tin Yeow** who is instrumental in developing the Group's business and chartering its strategic directions
  - A senior management team with an average of **over 20 years of experience** in their respective areas of expertise





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# Financial Highlights

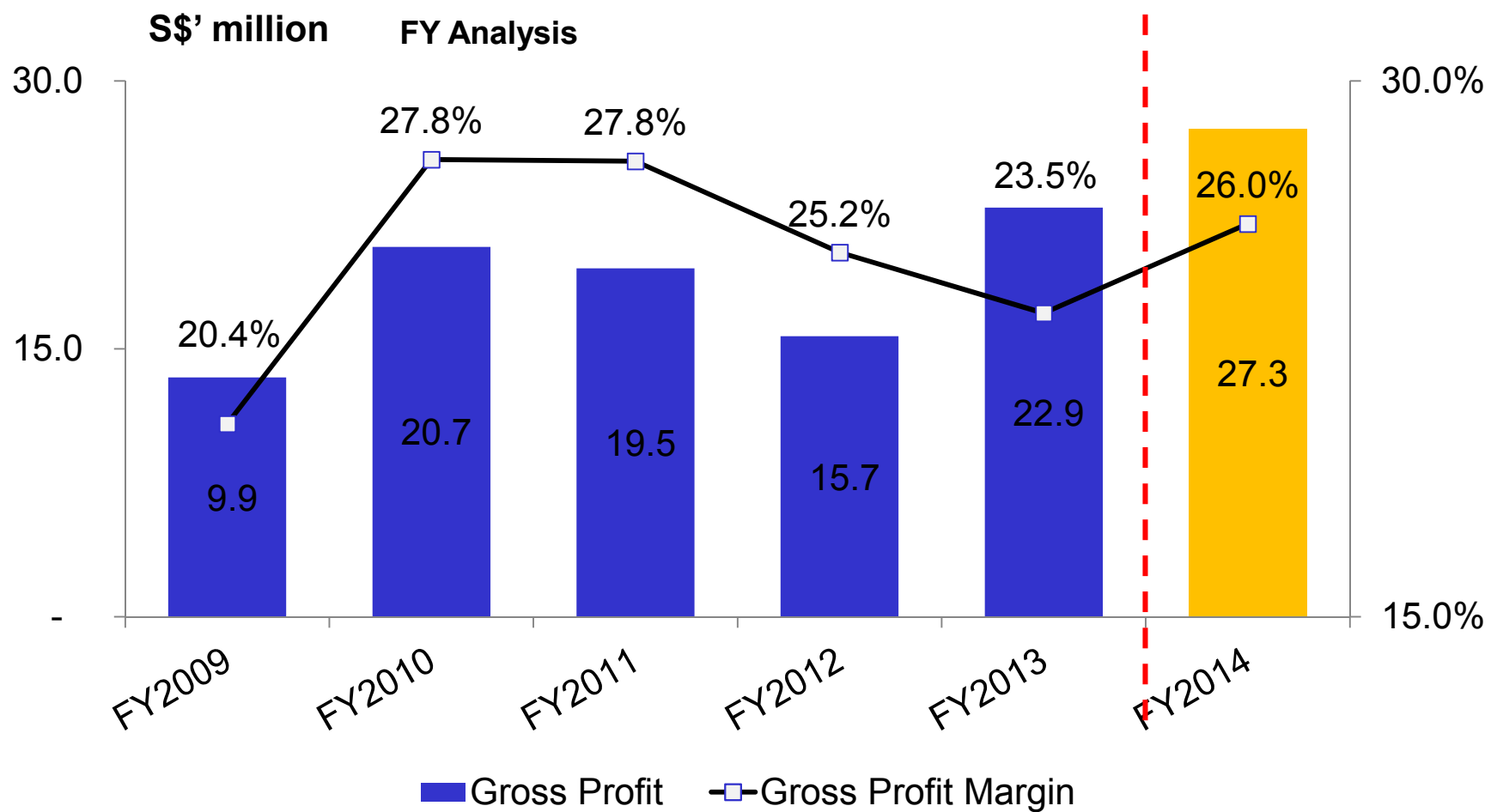


## P&L Snapshot

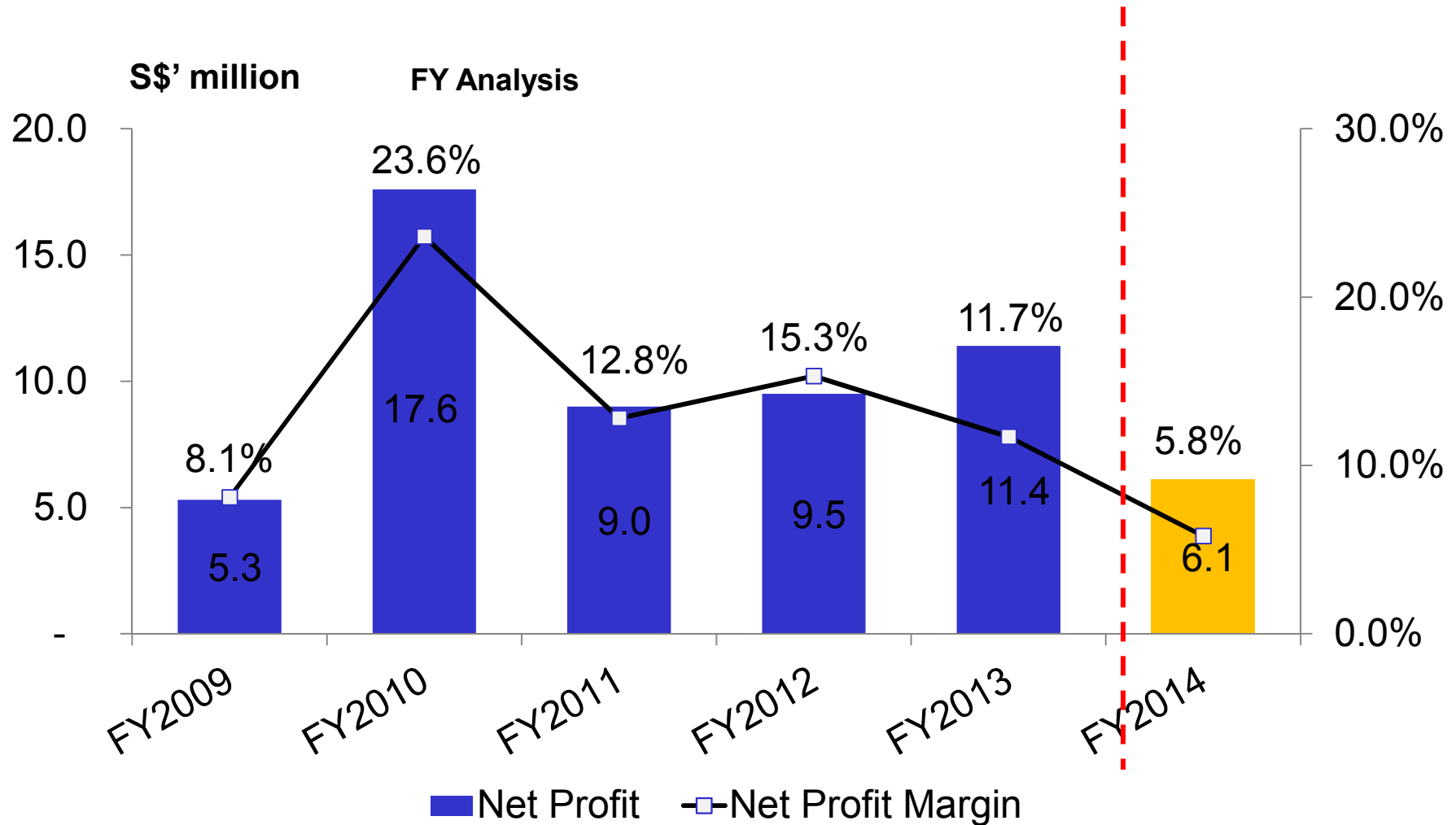
| Profit & Loss                                   | FY2014<br>S\$'000 | FY2013<br>S\$'000 | Change<br>% |   |
|---|-------------------|-------------------|-------------|---|
| Revenue   | 105,174           | 97,645            | 7.7         | Increase in revenue due to contribution from MPG Group  |
| Gross Profit                                    | 27,309            | 22,918            | 19.2        | In line with higher revenue & increase in sales of higher margin products                     |
| Gross Profit Margin                             | 26.0%             | 23.5%             | 2.5 pp      |   |
| Operating Expenses                              | (16,009)          | (9,834)           | 62.8        | Increased due to payroll and benefits, marketing & promotion activities and professional fees |
| Operating Profit                                | 7,401             | 14,168            | (47.8)      |   |
| Net Profit Attributable to Equity holders       | 6,125             | 11,431            | (46.4)      |   |
| Net Profit Margin                               | 5.8%              | 11.7%             | (5.9) pp    |   |
| Fully Diluted Earnings Per Share (S\$' cents) # | 1.45              | 2.93              | (50.5)      |   |

#: # Based on 423,419,908 weighted average number of shares for FY2014 (FY2013: 389,512,233)

# Profitability Trend



# Profitability Trend



# Balance Sheet

| <b>Balance Sheet</b>                            | <b>30 Apr 2014<br/>S\$'000</b> | <b>30 April 2013<br/>S\$'000</b> |
|---|--------------------------------|----------------------------------|
| Property, plant and equipment                   | 6,844                          | 1,964                            |
| Inventories                                     | 22,525                         | 15,964                           |
| Trade and other receivables                     | 26,185                         | 6,638                            |
| Cash and cash equivalents                       | 36,388                         | 43,687                           |
| Total equity                                    | 58,381                         | 44,200                           |
| Net gearing ratio                               | Net cash                       | Net cash                         |
| Net asset value per ordinary share (S\$' cents) | 13.53                          | 11.48                            |





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# Outlook & Strategies

## Outlook

### Ongoing uncertainties in the Indonesian coal industry

According to regional experts, the electoral campaigns will be influenced by brewing nationalism and pressures from civil society to make better use of Indonesia's natural resources for the benefit of Indonesians. These aspects are likely to affect the environment in which coal companies operate.

Restrictions on coal production and coal exports, as well as increased royalty rates, have already been discussed at the national government level and could emerge as key points in the electoral campaign. In fact, regardless of the outcome of the elections, coal miners in Indonesia already expect some sort of restrictions to be introduced in 2014 –most probably production based. On the table is also an increase in the royalties paid to provincial and federal governments by companies that produce from coal mining leases (IUPs). Current royalties for IUP producers range from 5% to 10%, depending on coal quality, and rates possibly could increase to as much as 10 – 13.5%.

# Outlook

MPG's advantage as a leader in the data centre industry

## Singapore's iN2015 strategy

- To establish an ultra-high speed, pervasive, intelligent and trusted infocomm infrastructure
- To develop a globally competitive infocomm industry
- To develop an infocomm-savvy workforce and globally competitive infocomm manpower
- To spearhead the transformation of key economic sectors, government and society through more sophisticated and innovative use of infocomm

Source: <http://www.ida.gov.sg/infocomm-Landscape/iN2015-Masterplan>

# Outlook

- **Potentially benefit from continual growth in oil & gas sector**
  - Increased offshore oil & gas exploration activities
  - Potential replacement of a number of supply vessels which are near their scrap age
  
- **Expected increase in demand for after-sales services and spare parts**
  - Increase in demand for genuine spare parts and after-sales services from customers who had bought marine diesel engines or generating sets from the Group
  
- **Fresh exposure and entry to new industries with completion of the MPG acquisition**
  - MPG's products are supplied to:
    - shipyards and ports,
    - hospitals, education centres, data centres,
    - airports, hotels and resorts infrastructural projects (roads, bridges, underground tunnels, waste treatment plants etc.)
    - plants and factories worldwide

## Growth Strategies

- **Expand in-house range of products and services**
  - Further develop and market range of power generating units under **ACEGEN** trademark and strer **XMH | IPS** project management services
  - Establish assembly line for in-house range of power generating sets and exhaust silencers
  - Acquisition and development of new premise in line with business expansion
  - **XMH | IPS** *showed good growth in 2013 and its potential upside is expected to continue*



# Growth Strategies


- **Exploration of new revenue streams**
  - Focus on expansion of supplier base and secure new distributorships from other manufacturers
  - Received orders for new products XMH currently represents
  - Increase market share in relevant markets by forming strategic partnerships of joint venture
  
- **Securing new customers in emerging markets such as Vietnam, India**
  - Deploy marketing staff to these regions and/or establish subsidiaries or representative or marketing offices
  - Exploration of new revenue streams and increasing market share in relevant markets
  - Marketing efforts in **Vietnam** and **India** are underway; source actively for sales leads



## Recent Developments

- **Aug 2013 – Contract win of S\$4.6 million from a return Indonesian customer**
- **Oct 2013 – Completed acquisition of Mech-Power Generator Group**
- **March 2014 – Awards building contract for new 7-storey ramp-up industrial building in Tuas facilities to Soilbuild Construction**
  - Expected to be completed in the second quarter of 2015
  - Land area of 15,184 square meters; facilities to accommodate new assembly and production lines and increase general warehousing capabilities
- **April 2014 – Breakthrough in Vietnam with contract wins; first order for low speed main engine contract**
  - Contracts in Vietnam for more than 24 units of Mitsubishi marine engines, with the Group expecting another 10 units to be secured in the next two months
- **June 2014 - MPG Group secures multiple contracts worth a total of S\$10.57 million**
  - Five contracts from a diverse range of local and regional customers secured from April to June

## Recent Developments

- **Progress on the construction of the Group's new premises**
  - Acquired from JTC on total land area of 15,184 square metres
  - Construction is targeted for completion in 2<sup>nd</sup> quarter of 2015
  - To accommodate new assembly and production lines
  - Increase general warehousing capabilities
- **Developed in-house capabilities**
  - Developed range of power generating units under the  trademark
- **Entry of Credence Capital**
  - New major institutional shareholder of XMH
  - Net proceeds to fund the proposed development of the recently acquired JTC land and enhance working capital
- **Branding exercise**
  - XMH undergone a rebranding exercise and developed a new logo



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**THANK YOU**

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