

Singapore

ADD (no change)

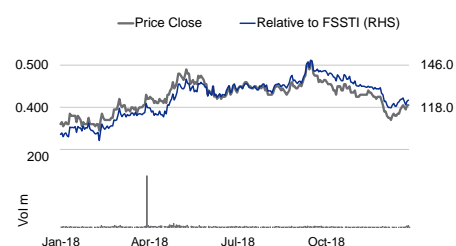
Consensus ratings*: Buy 4 Hold 0 Sell 0

Current price:	S\$0.41
Target price:	S\$0.56 ▲
Previous target:	S\$0.50
Up/downside:	37.3%
CGS-CIMB / Consensus:	-0.7%
Reuters:	CSES.SI
Bloomberg:	CSE SP
Market cap:	US\$152.5m
	S\$206.1m
Average daily turnover:	US\$0.19m
	S\$0.27m
Current shares o/s:	516.1m
Free float:	70.9%

*Source: Bloomberg

Key changes in this note

➤ FY18-20F EPS revised up by 2%/7.3%/12%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-4.7	-12.9	9.5
Relative (%)	-7.8	-16.3	19.4

Major shareholders

	% held
Serba Dinamik	25.2
FMR LLC	10.2
Edgbaston Investment Partners LLP	4.9

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CSE Global

Infra bump-up!

- CSE has announced that it secured a cumulative S\$84.8m of infrastructure works in 4Q18, bumping up its FY18 infrastructure wins to S\$150.5m.
- Post the new wins, we lift FY18-20F EPS by 2.0-12% on higher infrastructure revenues and GP margins.
- We maintain our Add call with a higher TP of S\$0.56, still based on 13.5x P/E, as we roll over to FY20F valuations. CSE remains our small-cap pick.

S\$84.8m infrastructure wins in the bag

4Q18's S\$84.8m order wins were c.3x the average quarterly infrastructure win of S\$22m per quarter in 9M18, and takes cumulative FY18 infrastructure order intake to S\$150.5m (+43.6% vs. FY17's S\$104.9m). We believe the S\$84.8m could include some larger contracts that may be executed over the medium-term. CSE mentioned that the 4Q18 wins include government contracts in Singapore and involve process control solutions and telecommunications systems and security systems and maintenance projects.

Diversified order book mitigates reliance on O&G division

The wins lift cumulative group order intake to S\$323.8m (9M18: S\$239.0m) and order backlog to S\$221m (S\$136.5m as at end-Sep 18), before including wins from CSE's other segments. Assuming O&G and mining and minerals added another c.S\$60m order intake in 4Q18F (based on both segments' average quarterly wins for 9M18), cumulative order intake could be S\$381m, which is comparable to the S\$382m won in FY17.

Infrastructure segment the steady ship

The infrastructure segment's revenue grew to 27.9% of 9M18 group revenue (vs. CY15/16: 13.1%/18.5%) as CSE's diversification strategies have borne fruit. Coupled with healthier margins of >10%, the division's 9M18 EBIT accounted for 54.9% of group EBIT (CY15/16: 20.3%/30.2%). In CY17, the segment's contribution even spiked to c.78% of group EBIT as the oil and gas division faced a downturn. In CY17-9M18, the segment contributed EBIT of S\$10.7m-15m (CY15/16: c.S\$8m p.a.).

FY18-20F EPS raised

The new infrastructure contract wins bump up our FY19-20F revenue by 2.3% and 7%, respectively. We also increase FY19-20F GP margins to 27% (from 26.8%). Overall, this lifts FY19-20F by 7.3% and 12%.

Maintain Add

CSE is our preferred small-cap O&G pick due to its i) earnings recovery (higher GPMs, firmer contract execution) from CY17's doldrums; ii) its net cash position and iii) its dividend yield of c.6.8% (on DPS of 2.75 Scts). Our target price is based on an unchanged 13.5x CY20F P/E (close to its historical 5-year mean of 13.1x). Catalysts are higher order wins and GP margins. Risks are vice-versa.

Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (S\$m)	317.8	362.4	378.3	391.1	409.9
Operating EBITDA (S\$m)	34.10	11.92	32.78	35.10	36.73
Net Profit (S\$m)	21.22	11.50	18.77	20.31	21.25
Core EPS (S\$)	0.040	0.022	0.036	0.039	0.041
Core EPS Growth	(32.3%)	(44.6%)	63.2%	8.2%	4.6%
FD Core P/E (x)	10.06	18.17	11.13	10.29	9.84
DPS (S\$)	0.028	0.023	0.028	0.028	0.028
Dividend Yield	6.79%	5.56%	6.79%	6.79%	6.79%
EV/EBITDA (x)	3.96	16.28	5.80	5.33	5.04
P/FCFE (x)	NA	NA	10.27	10.34	10.54
Net Gearing	(27.5%)	(8.8%)	(10.7%)	(12.0%)	(12.7%)
P/BV (x)	0.83	1.20	1.17	1.13	1.09
ROE	8.4%	5.4%	10.7%	11.2%	11.3%
% Change In Core EPS Estimates			2.0%	7.3%	12.0%
CIMB/consensus EPS (x)			1.10	1.01	0.96

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Infra bump-up!

Order intake ►

CSE's infrastructure order intake has been growing steadily since CY16; with FY17/FY18 growing by 74% and 43% yoy, respectively.

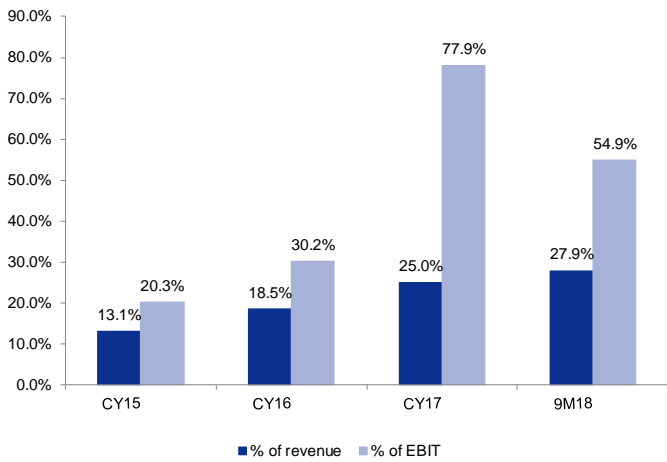
Figure 1: CSE's historical order intake



Infrastructure division – a growing contributor ►

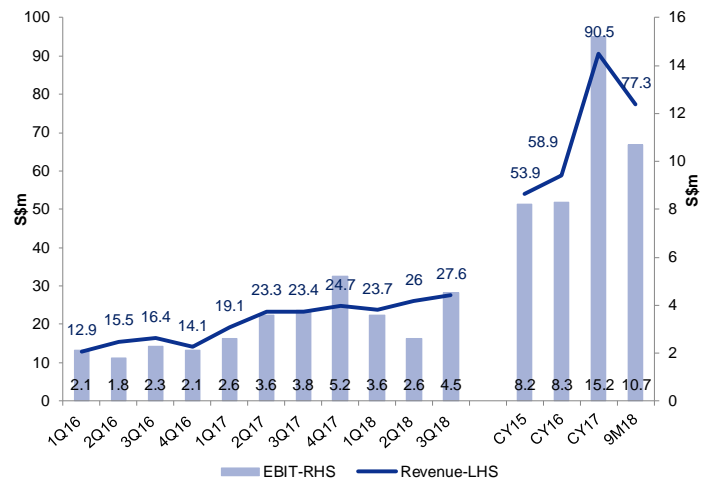
In CY16, we mentioned that CSE aimed to double the contributions from the infrastructure segment from 15% in FY15 to 30% of group revenue; thus far, its diversification attempts have borne fruit. In CY17/9M18, the segment accounted for 25% and 27.9% of group revenue (vs. CY15/16: 13.1%/18.5%). In terms of EBIT, the segment accounted for 77.9% and 54.9% of CY17/9M18 group EBIT (vs. CY15/CY16: 20.3%/30.2%). Quantum wise, the infrastructure's CY17/9M18 revenue grew to S\$90.5m/S\$77.3m (vs. CY15/16 of S\$53.9m/S\$58.9m) while CY17/9M18 EBIT grew to S\$15.2m/10.7m (vs. CY15/16 EBIT of c.S\$8m p.a.). Overall, CSE's infrastructure division (Power, Water, Waste Treatment & Transportation and the Australian communication segment) has been the stabilising force for the company, especially when its oil and gas (O&G) business faced a downturn in FY16/FY17.

Figure 2: CSE's historical infrastructure segment revenue and EBIT % contribution to group financials



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: CSE's historical infrastructure segment revenue and EBIT



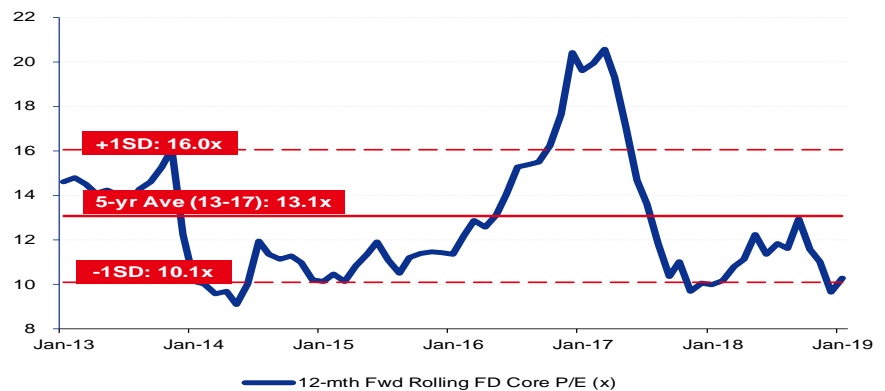
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Valuation and recommendation

Attractively valued below the 5-year average mean ▶

CSE is currently trading at 9.9x FY20F P/E, below its 5-year average mean of 13.1x and lower than the 13.7x it traded at in Sep 18, which makes it more attractively priced, in our opinion.

Figure 4: CSE's forward rolling FD core P/E

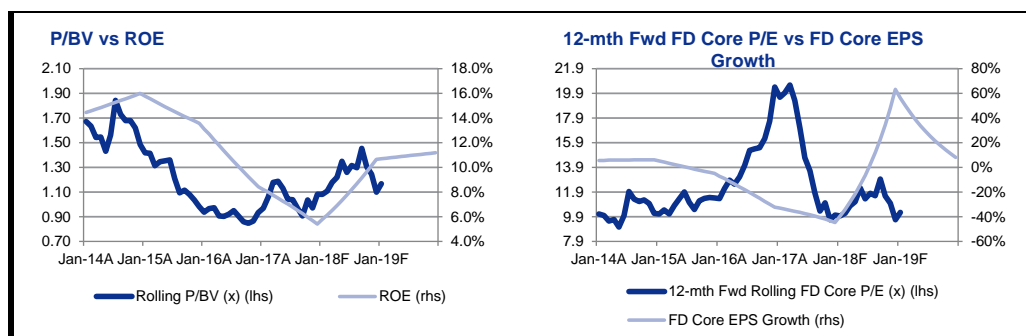


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 5: Forecast revisions

FYE Dec (\$m)	New			Old			Change (%)		
	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F	FY18F	FY19F	FY20F
Revenue	378.3	391.1	409.9	378.3	382.3	383.2	-	2.30	6.96
Gross Profit	101.4	105.6	110.7	101.4	102.4	102.7	-	3.07	7.76
Gross Profit Margins (%)	26.8%	27.0%	27.0%	26.8%	26.8%	26.8%	0%	75%	75%
Net profit	18.8	20.3	21.3	18.4	18.9	19.0	2.0	7.3	12.0
Core Net profit	18.8	20.3	21.3	18.4	18.9	19.0	2.0	7.3	12.0
EPS	0.04	0.04	0.04	0.04	0.04	0.04	2.0	7.3	12.0
Core EPS	0.04	0.04	0.04	0.04	0.04	0.04	2.0	7.3	12.0

SOURCES: CIMB, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	317.8	362.4	378.3	391.1	409.9
Gross Profit	100.7	94.2	101.4	105.6	110.7
Operating EBITDA	34.1	11.9	32.8	35.1	36.7
Depreciation And Amortisation	(7.1)	(7.3)	(7.2)	(7.4)	(7.8)
Operating EBIT	27.0	4.6	25.6	27.7	28.9
Financial Income/(Expense)	0.2	(41.9)	(0.4)	(0.4)	(0.4)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	27.2	(37.3)	25.2	27.3	28.5
Exceptional Items	0.6		0.0	0.0	0.0
Pre-tax Profit	27.8	(37.3)	25.2	27.3	28.5
Taxation	(6.5)	(9.5)	(6.4)	(7.0)	(7.3)
Exceptional Income - post-tax	0.0		0.0	0.0	0.0
Profit After Tax	21.2	(46.8)	18.8	20.3	21.3
Minority Interests	(0.0)	1.7	(0.0)	(0.0)	(0.0)
Preferred Dividends	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax		56.6			
Net Profit	21.2	11.5	18.8	20.3	21.3
Recurring Net Profit	20.8	11.5	18.8	20.3	21.3
Fully Diluted Recurring Net Profit	20.8	11.5	18.8	20.3	21.3

Cash Flow

(\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	34.10	11.92	32.78	35.10	36.73
Cash Flow from Inv. & Assoc.					
Change In Working Capital	25.22	(13.49)	(1.16)	(3.54)	(5.21)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0.00	(16.60)	0.00	0.00	0.00
Other Operating Cashflow					
Net Interest (Paid)/Received	0.18	(0.32)	0.17	0.61	0.59
Tax Paid	(3.68)	(4.50)	(6.43)	(6.95)	(7.28)
Cashflow From Operations	55.81	(22.99)	25.36	25.21	24.83
Capex	(7.54)	(8.32)	(5.00)	(5.00)	(5.00)
Disposals Of FAs/subsidiaries	0.76	6.35	0.00	0.00	0.00
Acq. Of Subsidiaries/investments	(21.55)	(8.18)	0.00	0.00	0.00
Other Investing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Investing	(28.33)	(10.15)	(5.00)	(5.00)	(5.00)
Debt Raised/(repaid)	(35.01)	10.83	0.00	0.00	0.00
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased	0.00	0.00	0.00	0.00	0.00
Dividends Paid	(14.19)	(14.19)	(14.19)	(14.19)	(14.19)
Preferred Dividends					
Other Financing Cashflow	0.00	0.00	0.00	0.00	0.00
Cash Flow From Financing	(49.20)	(3.36)	(14.19)	(14.19)	(14.19)
Total Cash Generated	(21.73)	(36.50)	6.16	6.02	5.64
Free Cashflow To Equity	(7.54)	(22.31)	20.36	20.21	19.83
Free Cashflow To Firm	28.17	(32.31)	20.73	20.60	20.24

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(S\$m)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	90.8	46.9	50.7	53.7	56.0
Total Debtors	92.3	99.2	99.5	102.7	107.5
Inventories	14.7	14.6	15.3	15.8	16.6
Total Other Current Assets	41.9	63.3	54.9	56.8	59.5
Total Current Assets	239.7	224.1	220.5	229.1	239.6
Fixed Assets	26.5	28.0	27.8	27.6	27.4
Total Investments	7.4	1.3	1.3	1.3	1.3
Intangible Assets	53.1	27.6	27.6	27.6	27.6
Total Other Non-Current Assets	11.9	5.4	5.4	5.4	5.4
Total Non-current Assets	98.9	62.3	62.1	61.9	61.7
Short-term Debt	20.6	31.4	31.4	31.4	31.4
Current Portion of Long-Term Debt					
Total Creditors	37.1	60.8	51.1	52.8	55.4
Other Current Liabilities	16.4	12.6	13.7	14.0	14.6
Total Current Liabilities	74.1	104.8	96.2	98.3	101.3
Total Long-term Debt	0.0	0.0	0.0	0.0	0.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	4.3	0.3	0.5	0.7	0.9
Total Non-current Liabilities	4.3	0.3	0.5	0.7	0.9
Total Provisions	5.4	5.5	5.5	5.5	5.5
Total Liabilities	83.8	110.6	102.2	104.5	107.8
Shareholders' Equity	251.4	174.0	178.5	184.7	191.7
Minority Interests	3.5	1.8	1.8	1.8	1.8
Total Equity	254.8	175.8	180.3	186.5	193.5

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(22.9%)	14.0%	4.4%	3.4%	4.8%
Operating EBITDA Growth	(24%)	(65%)	175%	7%	5%
Operating EBITDA Margin	10.7%	3.3%	8.7%	9.0%	9.0%
Net Cash Per Share (S\$)	0.14	0.03	0.04	0.04	0.05
BVPS (S\$)	0.49	0.34	0.35	0.36	0.37
Gross Interest Cover	38.57	5.52	67.64	70.74	70.63
Effective Tax Rate	23.6%	0.0%	25.5%	25.5%	25.5%
Net Dividend Payout Ratio	69%	123%	76%	70%	67%
Accounts Receivables Days	112.8	93.1	93.0	91.6	91.2
Inventory Days	22.38	19.97	19.73	19.92	19.84
Accounts Payables Days	73.95	66.60	73.76	66.42	66.16
ROIC (%)	11.2%	2.0%	12.9%	13.9%	14.2%
ROCE (%)	9.5%	2.1%	11.9%	12.6%	12.8%
Return On Average Assets	5.7%	14.3%	6.7%	7.2%	7.3%

Key Drivers

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook (S\$m)	162	175	205	258	314
Order Book Wins (S\$m)	286.6	381.9	332.2	366.4	383.9
Order Book Depletion (S\$m)	N/A	N/A	N/A	N/A	N/A
Average Day Rate Per Ship (US\$)	N/A	N/A	N/A	N/A	N/A
No. Of Ships (unit)	N/A	N/A	N/A	N/A	N/A
Average Utilisation Rate (%)	N/A	N/A	N/A	N/A	N/A
Oil Price (US\$/bbl)	N/A	N/A	N/A	N/A	N/A
Energy Production Volume (mmboc)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - Drilling Rigs (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - Drilling Rigs (%)	N/A	N/A	N/A	N/A	N/A
Average Day Rate - FPU's (US\$)	N/A	N/A	N/A	N/A	N/A
Average Util. Rate - FPU's (%)	N/A	N/A	N/A	N/A	N/A
Total Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Equity Share Of Oil Storage Capacity (000 cbm)	N/A	N/A	N/A	N/A	N/A
Assumed Util. Rate Of Oil Storage Capacity (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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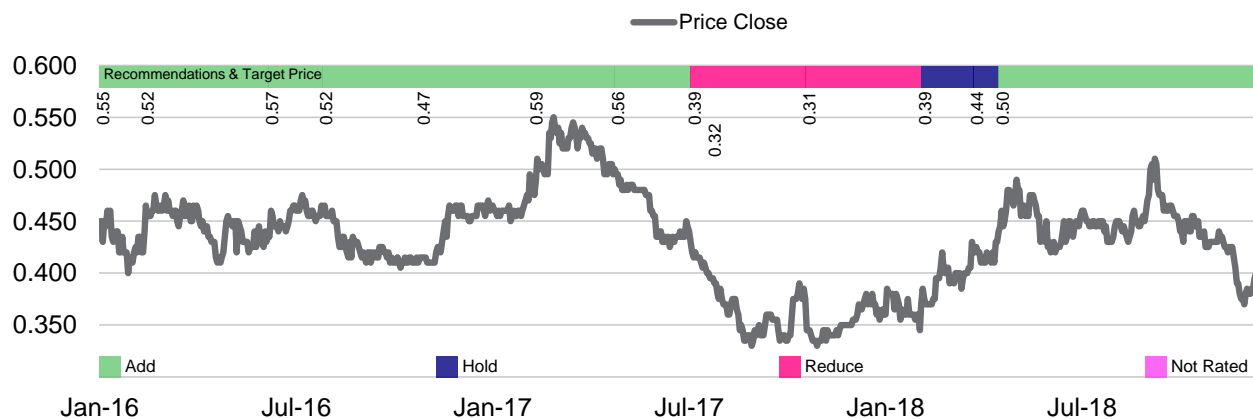
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	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Spitzer Chart for stock being researched (2 year data)

CSE Global (CSE SP)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

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Reduce	The stock’s total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
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Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Underweight

An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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