

Issuer: Vibrant Group Limited
Security: Vibrant Group Limited

Meeting details:

Date: 30 August 2016
Time: 09:30AM
Venue: 51 Penjuru Road #04-00, Freight Links Express Logisticentre, Singapore 609143

Company Description

Vibrant Group Limited provides logistics, real estate, and financial services worldwide. It operates through three segments: Freight and Logistics Business, Financial Services, and Real Estate Business. The company provides international freight forwarding services, including ocean and air freight forwarding, consolidation and deconsolidation, transshipment, project cargo management, shipment documentation, customs clearance, and land transportation services; and project logistics services for oil and gas, infrastructure development, power plant, and factory relocation. It also offers chemical logistic solutions, such as warehousing and storage for dangerous goods and non-dangerous goods, drumming, container haulage and packaged goods transportation, plant management logistics, and emergency recovery, and safety escort services; and contract logistics solutions, which include order management, warehousing storage and handling, inventory management, zero-GST warehouse schemes, online warehouse management system, air-conditioned temperature control storage, cross docking, transportation and distribution, GST permit import/export, automated storage and retrieval system, and custom brokerage services, as well as value added services, such as packaging. In addition, the company provides record management services comprising document storage and retrieval, safe document destruction, and urgent document retrieval services. Further, it offers fund management and financial leasing, real estate fund management, and asset and trust management services; and invests in, develops, and manages real estate properties, as well as leases industrial buildings. The company was formerly known as Freight Links Express Holdings Limited and changed its name to Vibrant Group Limited in November 2013. The company was founded in 1981 and is headquartered in Singapore. Vibrant Group Limited operates as a subsidiary of Vibrant Capital Pte Ltd.

(Source: http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BIP)

1. The group is engaged in Freight & Logistics, Financial Services and Real Estate. The revenue from the three operating segments are 57%, 6% and 37% respectively. While the group’s revenue has increased consistently from \$149 million in 2012 to \$280 million in 2016, the growth in revenue was not accompanied by steady profit growth. Net profit was \$32 million in 2012, \$38 million in 2013, \$43 million in 2014, and then decreasing to \$30 million in 2015 and \$10 million in 2016. Over the same period, net debt to equity increased from 0.08x, to 0.30x, to 0.38x, to 0.97x and to 1.15x in 2016. Return to equity has also decreased from 17.56%, to 16.54%, to 11.90%, to 8.06% and to 2.7% in 2016.

5-YEAR FINANCIAL SUMMARY

	FY2012	FY2013	FY2014	FY2015	FY2016
OPERATING RESULTS					
Revenue (\$'000)	149,354	176,634	191,422	203,204	280,731
Net Profit (\$'000)	32,214	38,361	42,658	30,003	10,023
Return on Equity (%)	17.56	16.54	11.90	8.06	2.70
Net debt : Equity (times)	0.08	0.30	0.38	0.97	1.15

Source: Vibrant Group, Annual Report FY2016

Can the board provide more details on the capital allocation strategy? No doubt the group is larger, it would appear that the group has done so through the use of leverage and have invested in assets with lower yield. The return on assets for FY2016 is 0.96%. **Specifically, shareholders would like to understand the expected returns from the three segments.**

2. The group is the sponsor and manager of Sabana Real Estate Investment Trust(REIT) and owns 51% of the manager, Sabana Investment Partners Pte Ltd. The group is also the largest unit holder (9.72%) of Sabana REIT which has total assets exceeding \$1 billion. As noted on page 97 of the annual report, under note 26 – Profit for the year, there is an “Impairment loss on available-for-sale financial assets” amounting to \$19.955 million. This should be due to the drop in the price of the units of Sabana REIT. Even though the industrial properties sector in Singapore is facing headwinds, Sabana has taken a harder hit than most peers. Based on Sabana’s announcement, NPI has been on a downward trend for about 10 quarters, leverage has increased and the DPU has dropped from 2.19c from 4Q2013 to 1.23c in 2Q2016. As noted in the latest update from Sabana, there were negative rental revisions for certain master leases renewals and non-renewal of 218 Pandan Loop which has been left vacant. **Would the board/management help shareholders understand the group’s role in managing Sabana REIT? With the REIT manager being controlled by the group, shareholders would imagine that the group would be pro-actively managing the assets so that the manager would be rewarded with higher fees and the group will benefit from higher distribution from the REIT. Can management share in detail the pro-active efforts they have taken to improve the situation at Sabana?**

3. On 6 Jun 2016, the company announced on SGXNet that it had noted that the media had on 23 May 2016 reported that the company will offer RMB 1 billion panda bonds in China. Then on 24 June 2016, the company announced that it had entered into an underwriting agreement with China International Capital Corporation Limited (the “Underwriting Agreement”), to appoint China International Capital Corporation Limited as the lead underwriter and bookrunner to issue a total of not more than RMB1 billion Panda bonds, pursuant to the terms of the Underwriting Agreement.

(i) Firstly, the amount of debt will increase the net debt to equity ratio to nearly 2x if the proceeds are not used to repay current debt. **Can the board/management help shareholders understand the need to raise such a large sum and to do so “offshore” in the proposed structure (i.e. raising RMB in China)?**

(ii) If the panda bonds are offered in anticipation of future investments in China, **can management provide details on the nature of investment that they have/will consider for investing in China? Would the scale and nature alter the risk profile of the group?** Currently the group's non-current assets in China amount to about \$45 million (page 102 of the annual report) and most of the assets should be in the real estate.

(iii) Lastly, shareholders note that there could be a currency mismatch if the funds raised through the issue of panda bonds are used to fund activities outside China. Currently, the group's net exposure to the RMB as a foreign currency risk is \$8 million (page 109). **Can the board/management help shareholders understand the group's hedging policy for foreign currency?** Specifically, this relates to the proposed issue of up to RMB 1 billion of panda bonds in China.