

Issuer: Triyards Holdings Limited

Security: Triyards Holdings Limited

Meeting details:

Date: 21 December 2016

Time: 1500H

Venue: 51 Shipyard Road Singapore 628139

Company Description

Triyards Holdings Limited, an investment holding company, provides integrated engineering, fabrication, and ship construction solutions for the offshore and marine industries worldwide. The company is involved in specialized ship building; and building aluminum and steel vessels, as well as complex aluminum and steel structures for the marine infrastructure and mining sectors. Its military portfolio includes inshore patrol vessels, fast response vessels, offshore patrol vessels, landing crafts, fisheries vessels, and police vessels. The company also offers ship repair, maintenance, and conversion services for various vessels, such as anchor handling tug supply, lift boats, rigs, jack-up barges, barges, passenger ships, bulk carriers, tankers, tug boats, and calm buoys, as well as platform supply, multi-purpose/survey, maintenance, river, and dredger vessels. In addition, it is involved in the provision of rig building services; and customizing of onshore and offshore fabrication works primarily in medium to heavy industrial works, ranging from steel fabrication to electrical installation through to equipment manufacturing services. Further, the company supplies equipment for ship building and engineering works; offers ship chartering services; leases non-financial intangible assets; and constructs boats. The company was incorporated in 2012 and is headquartered in Singapore. Triyards Holdings Limited is a subsidiary of Ezra Holdings Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=RC5)

Q1. Revenue increased by 20% to reach US\$325 million, the second highest level since the group's listing in 2012. Net attributable profit fell to US\$17.8 million "due to lower gross profit margins resulting from different mix of projects, allowance for impairment of Houston facilities amounting to US\$1.7 million and an absence of non-recurring negative goodwill amounting to US\$3.6 million recognised in FY15" (page 11 of the annual report – Chairman's Message). Even though the Chairman noted that the offshore oil and gas industry remained muted and "demand for offshore support vessels by owners remain depressed", the group performed creditably in the financial year by diversifying its client base across geographies and by going into other product lines.

- a) **Could the company help shareholders understand the current utilisation rate of the shipyards?**
- b) The profit after tax attributable to owners of the company had an average margin of 10.5% from FY2013-FY2015. In this financial year, the profit margin decreased to 5.5%. **Can the company provide a further breakdown to show the profit margin in the new products segment and in the core offshore oil and gas segment?**
- c) **What are the other specialised shipping niches and geographies that the group can expand to?**
- d) **The current orderbook stands at US\$422 million. How much of the current orderbook is expected to be delivered in this coming financial year?**

Q2. The net gearing ratio has increased from 29% to 50% (page 122 – Capital Management). This arose as net debt increased from US\$60.7 million to US\$112.1 million. In addition, net cash outflow from operating activities was US\$30.1 million "mainly due to increase in spending for working capital for the shipbuilding and fabrication projects". Cash and cash equivalents at the end of the financial year was US\$15.6 million.

- a) **Can the board/company elaborate further on the credit risk assessment of the group?** Currently, four major customers account for 94% of the group's trade receivables of more than US\$170 million.
- b) **Can the company help shareholders understand how it assesses counterparty risks, especially for new customers?**
- c) **What are the typical payment terms for a new build?**
- d) In the age analysis of trade receivables, a sum of more than US\$40.5 million has been past due for more than 180 days (page 93). **Can management elaborate further on the identity/profile of the customer? What assessment has the management made to come to the conclusion that no further allowance for doubtful debt is necessary?**

Q3. Mr. Chan Eng Yew, the Chief Executive Officer of Triyards Holdings, was appointed as the interim CFO of Ezra Holdings Limited with effect from 27 January 2016. As announced by the company on 26 January 2016, Mr. Chan, as Ezra's Interim CFO, will "oversee all financial matters relating to the company(Ezra)".

As noted in the Chairman's Message, the offshore oil and gas environment is expected to remain challenging in the near future. The company (Tiryards) has to maintain its reputation and track record as a leading liftboat builder and provider of engineering and fabrication services, and at the same time, make progress into the diversification strategy, including leveraging on the aluminium craft arm capability acquired through Strategic Marine. Shareholders would expect the CEO, Mr. Chan, to be fully focused on Triyards.

Would Mr. Chan and the Nominating Committee help shareholders understand how Mr. Chan is expected to double-hat as the interim CFO at Ezra as well? What is the time allocation between the two roles?

As interim CFO, Mr. Chan would have to oversee Ezra's potential fund-raising/refinancing or disposal activities. All these would require significant time and efforts from the CFO. **Would Mr. Chan have sufficient bandwidth to perform both roles well? Would the nominating committee deem it necessary to increase the management depth in Triyards to cover for Mr. Chan?**

Lastly, Mr. Chan received an annual remuneration of between S\$250,001 to S\$500,000 for the financial year 2015. In the financial year ended 31 August 2016, Mr. Chan's annual remuneration package was in the S\$500,001 to S\$750,000 band. The bonus component has increased from 7% to 27%.

As Mr. Chan was appointed as the interim CFO to Ezra on 27 January 2016, he would have been double-hatting for more than seven months in this financial year. As noted, Mr. Chan's compensation has increased from the S\$250,001 to S\$500,000 band, to the higher band of S\$500,001 to S\$750,000. **Can the remuneration committee comment on the compensation arrangement for Mr. Chan with respect to his role as the interim CFO in Ezra?**