

Issuer: Baker Technology Limited
Security: Baker Technology Limited

Meeting details:

Date: 25 April 2017

Time: 10:00H

Venue: Nautica II, Level 2, Republic of Singapore Yacht Club, 52 West Coast Ferry Road, Singapore 126887

Company Description

Baker Technology Limited, an investment holding company, manufactures and provides specialized marine offshore equipment and services for the oil and gas industry. It offers equipment, such as offshore pedestal cranes; steel products and components, including rack chords and pinions; ancillary equipment comprising elevating systems, skidding systems, raw water towers, and winches; and mechanical handling equipment, as well as design and engineering services for the offshore oil and gas sector. The company also designs and constructs mobile offshore units and critical equipment/components. In addition, it offers project management, quality assurance, and construction supervision services. The company has operations in China, Singapore, the Middle East, the Asia Pacific, and internationally. The company was formerly known as Wassall Asia Pacific Limited and changed its name to Baker Technology Limited in July 2000. Baker Technology Limited was incorporated in 1981 and is based in Singapore.

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

Q1. Despite the challenges in the oil and gas sector in recent years, the group’s balance sheet remains healthy – shareholders’ equity stands at \$216 million, with cash and short-term deposits at \$107 million. In the Chairman’s Message (page 11 of the annual report), it was said that:

Many of the merger and acquisition opportunities in the sector are still being played out and offer potentially profitable revenue streams for companies like Baker Tech which continues to have a strong balance sheet and significant experience turning around struggling assets.

- a) **What are the opportunities that would be synergistic to the group’s current operations?**
- b) **Can management elaborate further on some of the strategic priorities in the group’s growth plans?**

Q2. In Note 11 (page 113 – Intangible assets), the group’ recognised impairment loss on goodwill of \$7.5 million for its subsidiary, Sea Deep Shipyard Pte. Ltd.(Sea Deep). As disclosed in the note, the reason for the impairment loss is as follows:

Due to the extended oil price downturn and the reduction in Exploration and Production spending of the oil and gas industry, management has forecasted a significant decline of revenue in 2017, and moderate recovery from 2018 to 2021 (2015: decline of revenue in 2016, and 4% per annum from 2017 to 2020).

- a) **Can management help shareholders understand the kind of product customisation services that Sea Deep provides?**
- b) **Who are the typical customers of Sea Deep?**
- c) **What is Sea Deep’s contribution to the group’s revenue and Earnings before interest, taxation, depreciation and amortization (EBITDA) in 2016?**

Q3. The group started the construction of its first Liftboat (BEL320-4R200S – a self-propelled multi-purpose jack-up liftboat) in 2014 and would have completed or would be completing the construction soon. The determination of the net realisable value of the liftboat was highlighted by the Independent Auditors as one of two key audit matters (page 75).

- a) **Can management update shareholders on the current status of the liftboat? Has construction been completed?**
- b) **As this was the group’s first liftboat construction based on BEL’s design, what were the key learning points from the experience gained in the past 2-3 years?**

In Note 16 (page 118 – Inventories and work-in-progress), the amount recognised as work-in-progress is \$85.0 million as at 31 December 2016. It was also disclosed that “work-in-progress relates to the cost of direct materials, direct labour and costs incurred in connection with the liftboat”.

- c) **Can management update shareholders on the marketing efforts of the liftboat? Who would be the potential buyers for the state-of-the-art liftboat?**
- d) **Is there a market for the chartering of liftboats? Is that one of the options the group has considered or will consider?**