

Issuer: Grand Banks Yachts Limited

Security: Grand Banks Yachts Limited

Meeting details:

Date: 26 October 2017

Time: 10.00 a.m.

Venue: York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516

Company Description

Grand Banks Yachts Limited, an investment holding company, manufactures and sells luxury yachts to dealers and end customers worldwide. The company offers its yachts under the Heritage Series, Eastbay Series, and Aleutian Series names. It primarily sells its yachts in the United States, Europe, Australia, Singapore, and Japan. Grand Banks Yachts Limited was founded in 1956 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=G50)

Q1. The acquisition of Palm Beach Motor Yacht Co Pty Ltd (Palm Beach) was completed just over three years ago on 1 August 2014. In the Chairman’s Statement (page 2 of the annual report), it was said that the company “has made significant investments that form a strong foundation” for the company’s long-term growth.

- a) **Has the integration of Palm Beach and Grand Banks been successfully completed?**
- b) **Although the group has maintained the two unique and renowned brands, Grand Banks and Palm Beach, how much of the group’s backend operations have been centralised? For example, have the functional departments such as payroll, human resource, finance etc been merged and streamlined?**
- c) **With the fully redeveloped 300,000 square feet facility in Pasir Gudang, Malaysia, can management help shareholders understand how does the group optimise its production between the two manufacturing yards (Pasir Gudang, Johor, Malaysia, and Berkeley Vale, Sydney, Australia)? Are there differences between the two yards such as manufacturing capability, speed, quality and costs?**

Q2. In the FY2017 Financial Highlights (page 6), the company stated that revenue was impacted by the “longer than expected delivery time for the first Grand Banks 60 yacht”.

- a) **Can management comment on the cause(s) of the “longer than expected delivery time” of the Grand Banks 60?**
- b) **As at 30 June 2017, the group employed 634 employees, with 248 of them being new employees hired in FY2017. Can management help shareholders understand if it is common for the group to have such high turnover or did the group greatly increase its headcount in FY2017?**
- c) **With \$13.6 million invested into purchases of property, plant and equipment in the past two financial years, has the upgrading and capex-intensive investment cycle been completed?**
- d) **As at 30 June 2017, the group has \$8.9 million in stock boats and work-in-progress for stock boats, higher than the \$4.9 million as at 30 June 2016. Has the company made an informed decision to build up its inventory of stock boats? If so, what are the indicators and/or market trends that would justify such a build up?**

Q3. As shown in Note 28 (page 106 – Operating segments), in 2017, the group derived its revenue from USA and Australia (68.7% and 31.3% respectively).

- a) **Revenue from USA rebounded very strongly in 2016 to hit \$46.1 million but it has dipped slightly to \$40.3 million in 2017. Has the market demand/ supporting infrastructure been affected by the recent natural disasters in the USA?**
- b) **What were the reasons for the strong growth in Australia? What is the breakdown of sales by product type/brands in 2017?**
- c) **Sales in Singapore, Japan and Europe have stopped. Is that due to unfavourable market conditions or due to the change in the sales and distribution model to the factory-direct sales model?**
- d) **Has the group evaluated the potential of the Chinese market?**
- e) **Is the group looking to establish an early foothold in this market which is still at the development stage? If so, what is the market entry strategy for China and what are the major milestones and timeline?**