Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Advancer Global Limited

Security: Advancer Global Limited

Meeting details:
Date: 29 April 2019
Time: 10.00 a.m.
Venue: Arena Country Club, Acacia Room, Level 1, 511 Upper Jurong Road, Singapore 638366

Company Description

Advancer Global Limited is an integrated services provider. The Company operates through three segments: Employment Services Business, Cleaning and Stewarding Business, and Security Services Business. The Employment Services Business segment provides one-stop shop services for sourcing, employment and training of foreign domestic workers to households, as well as sourcing and employment of foreign workers to corporations and organizations. The Cleaning and Stewarding Business segment provides integrated cleaning and stewarding solutions and services to hospitals, hotels, commercial and residential properties, as well as pest control services. The Security Services Business segment is engaged in provision of manpower for security solutions and services to commercial, industrial and residential properties, as well as security escort services. The Facilities Management Businesses offer both the Cleaning and Stewarding Business, and the Security Services Business.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=43Q)

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Q1. As noted in the Letter to shareholders, the Employment Services division retained its position as one of the leading employment agencies in Singapore, with one of the highest number of placements of Foreign Domestic Workers.

BUSINESS SEGMENTAL REVIEW

FYE 31 Dec (S$'000)	Revenue			Gross Profit			Gross Margin	
	FY2018	FY2017	YoY Change	FY2018	FY2017	YoY Change	FY2018	FY2017
Employment Services	12,471	13,151	(5.2%)	5,647	6,139	(8.0%)	*45.3%*	*46.7%*
Building Management Services	36,124	37,135	(2.7%)	8,560	9,597	(10.8%)	*23.7%*	*25.8%*
Security Services	18,688	14,974	24.8%	3,076	3,121	(1.4%)	*16.5%*	*20.8%*
Total	**67,283**	**65,260**	**3.1%**	**17,283**	**18,857**	**(8.3%)**	**25.7%**	**28.9%**

(Source: Company annual report)

In the performance review (page 9), it was shown that revenue from the security services segment grew by an impressive 25% although the revenue from employment services and building management services dipped by 5.2% and 2.7% respectively. Gross profit and gross profit margin for all three segments decreased.

Overall, gross profit margin decreased by 3.2 percentage points from 28.9% in FY2017 to 25.7% in FY2018, mainly due to:

- Employment Services: Higher average recruitment costs paid/payable to overseas recruiters;
- Building Management: Increased direct labour costs of pest control services; and
- Security Services: Increase in average salaries of security guards.

Profit for the financial attributable to owners of the company dropped by more than 56% from $3.06 million in FY2017 to $1.34 million in FY2018.

(i) **Can management elaborate further on the group's value proposition? How does the group differentiate itself from other service providers in the crowded marketplace?**

(ii) **What is the group's market share in the three segments?**

(iii) **How much pricing power does the group have? What are management's strategies to restore the group's profit margin?**

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(iv) **Has management evaluated the impact of the "Progressive Wage Model" on the group's earnings and cash flow?** The Progressive Wage Model was jointly developed by tripartite committees consisting of unions, employers and the government to uplift low-wage workers in the cleaning, security and landscape sectors.

(v) **Has management carried out a risk assessment to identify and properly manage the risks in each segment?**

(vi) **Sustainability Report: When will the company be releasing its sustainability report?**

Q2. On 31 August 2018, the company issued and allotted 65,000,000 subscription shares to Fullcast Holdings Co., Ltd., a listed company in Japan who through its subsidiaries provides a range of human resource services to companies in Japan.

The company and Fullcast have also entered into a strategic alliance agreement to establish and operate a joint venture company in Japan to provide foreign labour staffing and employment services in Japan.

This proposed joint venture will be well-positioned to address the labour shortages which Japan is currently facing.

(i) **What is the progress made with Fullcast on the joint venture company?**

(i) **Would management help shareholders understand the synergies it has with Fullcast?**

(ii) **Who is leading the discussion with Fullcast?**

(iii) **How does management ensure that it can bridge any differences in working style/culture both at the JV level and later by its foreign labour staffing?**

Q3. Since its listing, the company has leveraged its listing status to acquire other companies.

In 2017, the group acquired 76% interest in Envirocare Landscape (S) Pte. Ltd. to expand into the gardening and landscaping business, which was previously outsourced to third party providers. The group also expanded into waste management services through its investment in an associate company, G3 Environmental Private Limited, to acquire 100% of Chiang Kiong Group.

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On 26 November 2018, the group announced the acquisition of 76% of the issued and paid-up share capital of Country Cousins Pte. Ltd. for the purpose of expanding its landscaping business. This was completed in 2019.

(i) As the group expands its services through acquisition, how does it ensure that companies being acquired share the group's vision and mission?

(ii) What are the lessons gleaned by management from the acquisitions made in the past 2-3 years?

(iii) Has the integration been completed?

In addition, on 9 May 2018, the group entered into a non-binding letter of intent with a third party for the acquisition of 70% equity interest at a purchase consideration of S$6.12 million over a period of three years. The refundable deposit paid was fair valued at S$200,000 as at 31 December 2018. Subsequent to the financial year end, management decided not to proceed with the acquisition and the deposit is expected to be refunded by end of March 2019.

(iv) In particular, for the aborted acquisition, did the board consider it necessary to make an announcement on SGXNET when it entered into a non-binding letter of intent with a purchase consideration of $6.12 million?

(v) What was the actual amount of refundable deposit paid to the potential vendors?

(vi) What guidance has the board given to management to ensure that acquisitions are being made at a reasonable pace and contribute to the overall strengthening of the group without being excessively risky or pricey?