Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Mermaid Maritime Public Co Ltd

Stock code: DU4

Meeting details:
Date: 29 April 2020
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As mentioned in the Business overview, due to the challenging outlook across the oil and gas industry, the group has adopted a two-pronged strategy, namely a short-term/tactical approach of "Strengthening our Core" and a longer term vision of "Positioning for Growth" (page 51 of the annual report).

To strengthen the core, management had:

(a) secured a key inspection, repair and maintenance ("IRM") contract extension;
(b) rationalised non-performing assets across our subsea services segments;
(c) qualified as a decommissioning service provider;
(d) expanded into the offshore wind cable installation market; and
(e) consolidated and improved cost efficiency in 2019.

The company has stated that the priorities for 2020 would be to focus on the core business of IRM, prudently explore expansion of subsea service capabilities where market condition permits and increase the geographic footprint into new territories (page 4).

Given the outbreak of the pandemic and the oil price war between Russia and Saudi Arabia, crude oil prices have fallen below $30/barrel and various forecasts of Brent for 2020 ranged from US$20-30 per barrel.

(i) **Does management need to significantly change its short-term plans in view of the severe deterioration of market conditions in the first quarter of 2020?**

(ii) **In the subsea engineering segment, what headway has the group made with its customers with regard to its "innovative solutions"?**

Q2. For FY2018 and FY2019, the group reported negative EBITDA of US$(12.3) million and US$(1.5) million respectively. Net losses amounted to US$(51.5) million over the two years. While revenue for the year was US$105.9 million, the group's cost of rendering of services was higher at US$109.1 million. Coupled with US$23.7 million in administrative costs and US$3.4 million in finance costs, the group reported a loss of US$(24.2) million in 2019.

In 2018, revenue was US$98.2 million while total expenses were $132.6 million. Net loss for 2018 was US$(27.3) million.

The group has slipped from a net cash position to a net gearing position of 3.5% as at 31 December 2019

(i) **Has the group responded sufficiently to manage its cost and to right-size its operations in view of the "new norm" in the industry?**

(ii) **Would the board consider it opportune to carry out a strategic review so as to re-formulate its strategies given that the prospects of the sector do not appear to be brighter in the near future?**

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Q3. As shown in the Sustainability report, the company carried out its material assessment to identify material topics which are then mapped onto the appropriate Sustainable Development Goals ("SDGs"). Based on the materiality matrix (page 75), the High exposure/High materiality SDGs are SDG 3 (Good Health and Well-being), SDG 7 (Affordable and Clean Energy), SDG 13 (Climate Action) and SDG 14 (Life Below Water).

Specifically, under SDG 3 (Good Health and Well-being), the group reported a Total Recordable Injury Rate ("TRIR") of 0.92 in FY2019, an increase from 0.51 in FY2018. There were also 8 reported events of "Near Miss Cases". The table of Health and Safety Key Performance Indicators can be found on page 82 (reproduced below):

EXHIBIT 10: HEALTH AND SAFETY KEY PEFORMANCE INDICATORS

OSHA Indicator	2019	2018	2017
Total Recordable Injury Rate	0.92 (10 cases x 200,000 / 2,185,326 man-hours)	0.51 (6 cases x 200,000/ 2,368,292 man-hours)	1.29 (13 cases x 200,000 / 2,004,403 man-hours)
Total Fatality Rate	0	0	0
Near Miss Cases	8 cases	10 cases	8 cases
Vehicle Incident Rate	0	0	0

(Source: company annual report)

(i) **What are management's pro-active plans to further improve the health and safety culture of the group to bring down the injury and near-miss rates?**

In addition, under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer's sustainability practices with reference to the following primary components: (a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

(ii) **Would the board/management be setting appropriate targets (using suitable performance indicators) for the group's SDGs?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

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Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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