Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Overseas Education Limited

Stock code: RQ1

Meeting details:
Date: 18 June 2020
Time: 1.00 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. In the chairman's message (published in early April 2020 and probably prepared weeks earlier), it was disclosed that the student enrolment for the semester up to June 2020 has "remained relatively unscathed" despite the COVID-19 outbreak.

Management also added that student enrolment for the next new school year, starting August 2020, may be impacted by the lingering economic uncertainty, especially if the COVID-19 outbreak persists longer.

On 3 April 2020, it was announced that a circuit breaker would be put in place starting from 7 Apr 2020 to 4 May 2020. The circuit breaker was later extended to 1 June 2020, with even tighter restrictions in place. Schools were moved to full home-based learning since the beginning of the circuit breaker.

(i) **Would management help shareholders understand the measures it has put in place during the circuit breaker? Specifically, how ready was the school to adopt full home-based learning? Were additional investments needed to allow the school to go into full home-based learning?**

(ii) **What is the feedback from parents and students on home-based learning?**

(iii) **Moving forward, how will its classroom instruction and the overall pedagogy be finetuned? What is the impact from COVID-19 (and from the measures put in place) on the group's business model?**

(iv) **Does management have an update on the enrolment numbers for the new school year?**

Q2. The 5-year financial summary is shown on page 18 of the annual report and reproduced below:

5-YEAR FINANCIAL SUMMARY

FINANCIAL HIGHLIGHTS (S$'000)	FY2015	FY2016	FY2017	FY2018	FY2019
Total revenue[1]	97,119	91,846	86,837*	83,078	82,299
Profit before taxation	17,374	7,500	8,439*	9,351	10,788
Net profit for the year	14,936	5,263	6,238*	6,907	8,007
Earnings per ordinary share (cents)	3.6	1.3	1.5	1.7	1.9

(Source: company annual report)

Revenue has slipped each year from $97.1 million in FY2015 to $82.3 million for the financial year ended 31 December 2019. While net profit for the year increased to $8 million in FY2019, the chairman has clarified that the improvement in results was due mainly to lower interest expense of the new bank loan facility compared to the bonds.

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(i) **Can the board elaborate further on the main macro/external factors that impact the group's performance (i.e. student enrolment)? What are the internal/controllable factors that management is addressing in its attempt to increase revenue?**

(ii) **What other levers are available to management to improve the financial performance of the group?** In FY2019, the better financial result was mostly due to lower financing costs.

(iii) **Compared to other foreign schools in Singapore, what are the main selling points of Overseas Family School?**

(iv) **How is management trying to close the gap to the leading foreign schools in Singapore? Given the numerous foreign schools that have begun operations in Singapore in the past years, how is OFS pulling itself away from the competitors?**

Q3. The board has recommended a dividend of 2.75 cents per share for the financial year.

If approved by shareholders at the annual general meeting, it will be the eighth consecutive year that the company is paying 2.75 cents per share.

As shown in the table above (in Q2), the EPS has been 1.3 cents per share to 1.9 cents per share. As at 1 January 2020, the chairman has stated that the company has revenue reserve of $67 million available for future dividends.

(i) While shareholders are happy that the board is once again recommending a dividend of 2.75 cents per share, dividends have surpassed earnings in the past 4 years. **How sustainable is the current practice of declaring 2.75 cents per share each year?**

As disclosed in Note 19 (page 109 – Borrowings), the group redeemed its bond in April 2019 and obtained a new 10-year bank term loan agreement of S$117,750,000 with maturity on 15 April 2029.

The new loan is unsecured, payable in quarterly instalments of S$1,540,000, with a final payment of outstanding loan balance upon maturity. The loan bears interest at average quarterly rates ranging from 3.3% to 3.7% per annum during the year.

(ii) **Can management confirm that the bank loan is on a floating rate? How is the interest rate priced?**

(iii) **Has the board evaluated the capital structure? Are there plans to grow the group beyond a single school in Singapore in the foreseeable future?**

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(iv) **If not, would the board be re-evaluating the need to hold more than $45 million in cash and cash equivalent on the balance sheet?**

^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.

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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^ 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)