Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: PEC Ltd.

Stock code: IX2

Meeting details:
Date: 25 Oct 2024
Time: 3.00 p.m.
Venue: 14 International Business Park, Singapore 609922

Q1. For the financial ended 30 June 2024, the group reported higher revenue of $491.0 million, with net profit attributable to shareholders increasing to $16.0 million. Segment revenue from "project works" and "plant maintenance and related services" were $260 million and $230 million respectively.

The group has also commissioned a new engineering and fabrication facility in Abu Dhabi, United Arab Emirates (UAE) in July 2024.

(i) **How does the technological sophistication of the new facility compare to the Fujairah yard? What are the key upgrades, and how do they improve operational efficiency or quality?**

(ii) **What is the targeted utilisation rate of the new 6-hectare facility? How does management plan to secure additional projects and contracts to fully leverage the increased production capacity?**

(iii) **Is management seeing strong evidence of sustained growth in the modular projects segment? What are the growth drivers, and how does the group plan to capture new opportunities in this area?**

(iv) **Considering the global trend towards energy transition, would an investment in India signal that the group is doubling down on fossil fuels? Is the group doing enough to keep pace with the accelerating global transition to cleaner energy?**

(v) **How much of the group's experience from Fujairah and Dubai is transferable to India? What is management's understanding of the Indian O&G industry, and how does it differ from the Middle Eastern market?**

(vi) **Has the board set a limit on the group's investment in India? What is the go-to-market strategy for entering this new market, and how does management intend to manage risk?**

(vii) **With regard to the maintenance segment, has management assessed any potential impact on the group from the announced sale by Shell of its Energy and Chemicals Park in Singapore?**

(viii) **What progress has management made in collecting the long overdue receivables from a customer from the Middle East?** As at 30 June 2024, the group recognised $32.4 million in allowance for expected credit loss, with most of the debt remaining outstanding for several years. **What concrete actions are being taken to address this long-standing issue?**

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Q2. The group reported a net asset value (NAV) of 96.4 cents per share as at 30 June 2024.

Since 2019, the group has consistently generated net cash from its operating activities. The group has held significant amounts of cash on hand over the years, with net cash of about $142.9 million as at 30 June 2024.

	Net cash generated from operating activities	Cash & cash equivalents
FY2019	$22.3 million	$93.4 million
FY2020	$36.3 million	$100.1 million
FY2021	$55.8 million	$145.3 million
FY2022	$20.7 million	$157.6 million
FY2023	$0.2 million	$126.1 million
FY2024	$42.1 million	$146.6 million

Based on SGX StockFacts (https://investors.sgx.com/securities/stocks?security=IX2), the total market capitalisation of the company is around $162 million, and the company is trading at a price-to-book valuation of 0.66 times.

(i) **Can the board provide insights on the rationale behind the group's consistent cash holdings over the years? What is the optimal structure to support the group's growth?**

(ii) **Has the board evaluated the group's return on equity (ROE) and return on invested capital (ROIC) as key measures of shareholder value creation? What initiatives are in place to improve these metrics, particularly given the company's current valuation and significant cash position?**

(iii) **What are the factors that determine the company's share buyback?**

(iv) **Has the board considered a capital reduction or a significant special dividend to allow shareholders to make their own capital decisions, especially for those looking to diversify away from the oil and gas industry given the headwinds and the global transition toward decarbonisation?**

(v) **Other than share buyback, has the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**

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Q3. The group's internal audit function is outsourced to Wensen Consulting Asia (S) Pte. Ltd.

(i) **Can the audit and risk management committee (ARMC) provide a detailed overview of the scope of the internal audit for FY2024, along with the key findings and specific recommendations made by the internal auditor?**

(ii) **How was the internal audit carried out for these foreign subsidiaries? Can the ARMC confirm that all foreign operating subsidiaries in China, Malaysia, Thailand, Oman, United Arab Emirates and Vietnam were included in the internal audit?**

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