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Meeting details:

Date: 29 Apr 2024

Time: 2.00 p.m.

Venue: 38 Alexandra Terrace, Level 2, Singapore 119932

Q1. As highlighted in the message to shareholders, the Monetary Authority of Singapore, along with the Association of Banks in Singapore, announced plans to gradually phase out the use of corporate cheques by the end of 2025. While an end date for cheques by individuals has not been determined, these regulatory changes have introduced a high degree of uncertainty to the Security Printing business. Management is currently reassessing the business model and operational strategies to identify effective pathways forward.

An impairment loss of \$1.0 million representing the write-down of property, plant and equipment was recognised in “administrative expenses”. The recoverable amount of the cash generating unit (CGU) relating to Security Printing was assessed to be \$4.9 million.

- (i) **What portion of the revenue can be attributed to corporate and personal cheque printing?** The security printing segment recognised \$5.6 million in revenue in 2023 and a segment loss of \$(0.4) million (page 139).
- (ii) **When does management anticipate finalising its response to the regulatory changes?**
- (iii) **Are there alternate uses for the property, plant and equipment used in Security Printing segment? Is there a possibility that the recoverable amount of the Security Printing CGU may eventually be written down to \$0 from its current value of \$4.9 million?**

Q2. Would the board/management provide greater clarity on the following operational and financial matters? Specifically:

- (i) **Security guarding:** The segment achieved lower gross profit margin due to higher liquidated damages from manpower shortages. **What was the total amount of liquidated damages paid out in 2023? Can management clarify whether Soverus has been facing on going challenges with manpower shortages, leading to it not meeting its contractual/operational obligations to its customers? How is management optimising business growth, service quality and reputation in this segment given the current market dynamics?**
- (ii) **Progressive wage model (PWM):** How does management see the impact of PWM on the industry in both the near term and the long term? Will it lead to the exit of smaller players and/or significant market consolidation?
- (iii) **Cybersecurity:** In August 2023, the group acquired a 51% stake in Onesecure Asia Pte Ltd (OSA) which provides cybersecurity services including round-the-clock security operation centre monitoring, detection of web spoofing and site defacement, as well as identifying and mitigating Distributed Denial of Service attacks. **How many new customers were acquired with the OSA acquisition and are there opportunities for upselling and cross-selling the group's services? What is the earn-out target for OSA?** The purchase consideration for OSA could be as high as \$2 million and the group has recognised a goodwill of \$1.62 million arising from this acquisition.

Q3. The company disclosed its economic performance in the sustainability report showing the economic value generation and distribution.

	FY2023	FY2022
Direct Economic Value Generated (S\$'000)		
Net sales	59,677	48,637
Revenues from financial investment ¹	263	88
Other operating income	3,163	2,508
Economic Value Distributed (S\$'000)		
Operating costs	13,214	11,633
Employee wages and benefits	48,630	38,340
Finance costs	95	81
Dividends to shareholders	550	1,000
Income tax expense	229	223
Economic Value Retained² (S\$'000)	385	(44)

Note: Blue arrows in the original image point from '81% of net sales' to the 48,630 value for Employee wages and benefits in FY2023, and from '79% of net sales' to the 38,340 value for Employee wages and benefits in FY2022.

(Source: company annual report; emphasis added)

Approximately 80% of the economic value generated is distributed as wages and benefits.

- (i) **Is the current level sustainable? If not, what would be a more appropriate level to ensure the sustainability of the business?**
- (ii) **In terms of capital allocation, has the board assessed returns across different industries and segments to refine its capital allocation accordingly?**
- (iii) **Does the group plan to make significant investments in cybersecurity? Will these investments primarily focus on organic growth, or is the strategy centered around acquiring cybersecurity firms that align with the group's overall strategy?**

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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