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GST Reg No: M90367530Y0Y

Issuer: iWOW Technology Limited

Stock code: NXR

Meeting details:

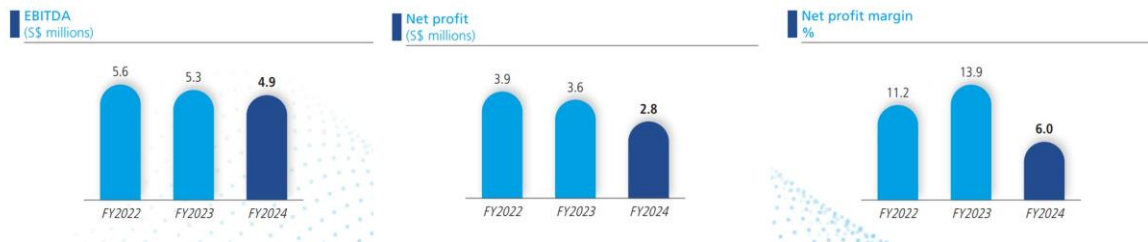
Date: 26 Jul 2024

Time: 2.00 p.m.

Venue: SAFRA Toa Payoh Level 3, Reef Room, 293 Lor 6 Toa Payoh, Singapore 319387

Q1. For the financial year ended 31 March 2024, the group recognised a record revenue of \$46.4 million, surpassing revenue in the TraceTogether Token project years. Having acquired ROOTS Communications, the group has three main business segments, namely Smart City Solutions (“SCS”), IoT-as-a-Service (“IaaS”) and Smart City Infrastructure (“SCI”).

However, net profit for the year was lower at \$2.8 million (FY2023: \$3.6 million) due to lower-margin projects as well as higher manpower-related costs.



(Adapted from company annual report)

- (i) **Can management elaborate on the group’s pricing power for its products and services?**

The group’s products, such as VANGuard, wrist tags (EMS), and Alarm Alert System (AAS)/Buddy of Parents (BOP), appear to have limited market potential or appeal to very selected customers.

- (ii) **Considering the specialised nature of the group’s projects, how challenging is it to achieve premium profit margins, especially for services and products targeted at a limited customer base?**
- (iii) **What strategies does the group have in place to expand the market potential for niche products such as VANGuard, wrist tags (EMS), and the Alarm Alert System (AAS)/Buddy of Parents (BOP)?**
- (iv) **How is the board ensuring that management's strategic initiatives align with the objective of achieving returns that justify the group's risk and investment?**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024

	Note	Group	
		2024 S\$'000	2023 S\$'000
Revenue	4	46,405	25,569
Other operating income	5	630	729
Changes in inventories & raw materials used		(18,842)	(12,398)
Employee benefits expense	6	(12,031)	(4,949)
Amortisation and depreciation expense		(1,646)	(1,487)
Other operating expenses		(11,081)	(3,500)
Finance costs	7	(49)	(66)
Profit before income tax	8	3,386	3,898
Income tax expense	9	(607)	(340)
Profit for the year		2,779	3,558

(Source: company annual report)

- (i) **Why did salaries and bonuses increase from \$3.96 million to \$10.26 million in FY2024 (Note 6 Employee benefits expense)? Is this increase attributable to the acquisition of ROOTS, and if so, is this the expected normalised level of employee benefits expense going forward?**
- (ii) **Can management provide a detailed breakdown of “Other operating expenses,” which increased from \$3.5 million to \$11.1 million?**
- (iii) **Can management identify which specific projects led to the substantial increase in sub-contracting costs from \$1.99 million to \$8.86 million in FY2024? What measures are being implemented to manage and control these costs effectively?**

- (iv) As shown in Note 31 Capital management policies and objectives (page 136), management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as the sum of borrowing, lease liabilities, trade payables and other payables (excluding contingent consideration), contract liabilities, less cash and cash equivalents.

	Group		Company	
	2024 S\$'000	2023 S\$'000	2024 S\$'000	2023 S\$'000
Net debt	9,143	2,845	2,376	1,568
Total equity	21,328	19,395	15,988	15,301
Gearing ratio	43%	15%	15%	10%

Given the group's involvement in projects that require significant working capital tied to contract assets and milestones, how does the board ensure effective monitoring and management of the gearing ratio? What strategies are in place to optimise working capital management and mitigate associated risks?

Q3. The group acquired ROOTS Communications Pte. Ltd. for a consideration of up to \$18 million. The first payment to the vendors of \$8.1 million consisted of \$4.86 million in cash and \$3.24 million in shares of the company. Contingent on the performance of ROOTS from 1 April 2023 to 31 March 2026, the company has to pay up to \$9.9 million, of which \$5.94 million is to be paid in cash and the balance in shares.

- (i) **Can management help shareholders better understand the synergies between ROOTS and the iWOW, given that ROOTS' core expertise is in network infrastructure?**
- (ii) **Is management able to quantify the synergies realised following the successful acquisition and integration of ROOTS Communications?**
- (iii) The DES segment reported external revenue of \$11.2 million and a segment result of \$(78,000) in FY2024. **What specific challenges are being faced in the DES segment, and what strategic initiatives is management planning to address these challenges and drive profitability?**
- (iv) The financial statements show \$1.9 million in contingent consideration under Other payables. **Can management provide detailed insights into the calculation and criteria used to determine this contingent consideration? Is there a potential that a further sum of \$8 million in contingent consideration may be added to the group's liabilities?**
- (v) **Is the group still on the lookout for other mergers and acquisitions? If so, how is it conducting its search?**

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

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