



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Mencast Holdings Ltd.

Stock code: 5NF

Meeting details:

Date: 30 April 2021

Time: 10.30 a.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.

Q1. As noted in the chairman's message, six years into the downturn in the oil markets, the group focused on reducing debt. In FY2020, the group generated EBITDA \$18.1 million. Cash and cash equivalents amounted to \$15.6 million as at 31 December 2020.

The chairman noted that the group's assets and debt increased during the decade long boom in the oil and gas markets in order to gain leverage in the up-cycle. When the downturn came, this has cost the group adaptability and resilience.

The financial highlights are shown below (page 8 of the annual report):

\$'000	2016	2017	2018	2019	2020
Revenue	60,091	51,715	59,417	42,950*	46,872
Gross profit/(loss)	7,194	(4,162)	4,259	3,731*	12,617
(Loss)/profit before income tax	(26,324)	(80,189)	(9,104)	(8,346)*	5,902
Net (loss)/profit	(26,370)	(80,664)	(6,613)	(5,776)	5,196
Total assets	342,378	259,617	257,125	242,564	224,610
Property, plant and equipment	225,625	205,642	119,990	118,667	102,328
Cash and cash equivalents	7,416	14,741	16,385	18,314	15,604
Total liabilities	220,380	219,502	224,175	223,123	199,744
Total equity	121,998	40,115	32,950	19,441	24,866

* Restated

(Source: company annual report)

Total equity peaked at \$133.8 million in FY2015. At the trough, the company lost 85% of its equity. As at 31 December 2020, the loss has been reduced to 81.4%. For reference, the group's total equity in FY2008 (based on the first annual report as a listed company) was \$20.7 million.

- (i) **With the benefit of hindsight, have the directors reviewed how the board could have acted differently at critical moments in the past that could have made a difference and steered the group differently in this downturn, knowing what they know at that point in time?** As noted in the corporate governance statement, the board is collectively responsible for the long-term success of the company. One of the board's main role is to provide risk management and governance and to set strategic objectives (page 18).

- (ii) **Has the board reviewed its decision-making process, especially for strategic decisions?**
- (iii) **What has the board done to further improve the independence element, to raise the diversity of thoughts, to foster more complete discussion and to encourage more robust debate?**

At the annual general meeting scheduled to be held on 30 April 2021, Mr. Wong Fook Choy Sunny and Mr. Ng Chee Keong will be seeking shareholders' approval in a two-tier vote for their continued appointment as independent directors on the board. Mr Wong Fook Choy Sunny, also the lead independent director, was appointed on 29 May 2008. Mr Ng Chee Keong was appointed on 9 October 2009.

- (iv) **Can the long-tenured directors help shareholders understand their contributions to the board since 2008/2009? How effective have they been at working with management to achieve long-term success for the group?**
- (v) **Regardless of whether the long-tenured directors get shareholders' approval for the two-tier vote, what are the near-term plans for board renewal?** The board has stated it recognises succession planning as being an important part of good corporate governance. It disclosed that board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory (page 24).

Q2. The group's strategic priorities are shown on page 5 and reproduced below:



(Source: company annual report)

- (i) **Can the board/CEO elaborate further on how the strategic priorities (shown above) tie in with the group's vision to be the most admired MRO partner and employer in the world?**
- (ii) **How significant is Mencast Innovation Centre to the group's MRO growth?**
- (iii) In Note 32 (page 125 – Segment information), it can be seen that revenue from the energy services segment increased by 147% \$14.6 million. **What were the reasons for the increase in underlying demand for waste management? Did the group gain market share?**
- (iv) In the Offshore & Engineering segment, revenue increased by 11% to \$10.3m in FY2020 due to higher demand for precision engineering, rope access and heat exchanger work, offset by weaker demand for offshore structure and fabrication. Segment results was \$(1.5) million in FY2020 although it is an improvement from \$(4.1) million a year ago. **What is the group's value proposition to customers in the offshore & engineering segment? What does the group need to achieve operationally to return to profitability?**

Q3. On 26 August 2020, the group entered into an amendment and restatement of the Debt Restructuring Agreement (“Amended DRA”) with the lenders on amending and restating the Debt Restructuring Agreement to restructure the group’s existing debts owed to the lenders.

The full details can be found on pages 63 to 65.

The salient terms are: the property backed restructured term loans being reprofiled over a 240-month period but with a bullet repayment in the 120th month; and other restructured term loans reprofiled over 48 months. In addition, the group shall also seek to deleverage its debts by at least \$55 million on or before 31 March 2022 through the divestment of identified non-core assets of the group.

- (i) How are the non-core assets identified?**
- (ii) Does management have an estimate of the bullet repayment amount due in the 120th month?**
- (iii) What is the impact of the amended DRA on the group’s strategy (including the pace of growth) and/or operations?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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](http://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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