

Sembcorp Marine's Briefing to Analysts – Proposed S\$1.5 Billion Rights Issue and Potential Combination of Sembcorp Marine and Keppel Offshore & Marine

Analyst Briefing Transcript

25 June 2021, 10.00am

WWS	Wong Weng Sun, President & CEO of Sembcorp Marine Ltd
WG	William Goh, Group Finance Director of Sembcorp Marine Ltd
CMY	Chua Mun Yuen, Head of Investor Relations & Corporate Communications of Sembcorp Marine Ltd / Moderator
SCM	Sembcorp Marine Ltd

Chua Mun Yuen

Good morning everyone. Thank you for dialling in. Today's meeting is to allow us to share with you the announcements the company released on the Singapore Stock Exchange last evening. As our discussion will contain forward-looking statements, I would like to draw your attention to the disclaimer statements in our announcement.

This morning, Sembcorp Marine is represented by Mr Wong Weng Sun, President and CEO of the Group, and Mr William Goh, Group Finance Director.

Mr Wong will start with his opening remarks, followed by a presentation by our Group Finance Director. I would now like to invite Mr Wong to address the meeting. Mr Wong, please.

Address by Mr Wong Weng Sun, President & CEO of Sembcorp Marine

Good morning everyone.

Thank you for joining us at this briefing session.

At 5.30pm yesterday, we made two important announcements.

First, is the need for a further S\$1.5 billion Rights Issue to strengthen our financial position amid continuing COVID-19 disruptions.

The second is on the non-binding MOU that we have signed with Keppel Corporation to explore the potential combination of Sembcorp Marine and Keppel Offshore & Marine.

We are making these announcements during very challenging times.

The Board and Management have been monitoring closely the market environment and the ongoing challenges in our industry.

The ongoing COVID-19 disruptions have been more severe and prolonged than we thought.

The Board and Management have to act decisively and judiciously. We are of the view that we must pivot more quickly to the growing new energy segment, including offshore renewables.

To do so, we must recapitalise to strengthen our financial position and allow sufficient liquidity to complete our present orders and seize new opportunities in the new energy sector.

On our first announcement on the proposed Rights Issue, we are mindful that this comes closely after the Group's 2020 Rights Issue in September last year. But we are convinced that this is in the best interests of the Group and all our stakeholders.

Mr William Goh will give you more details on the Rights Issue shortly.

On the second announcement, let me make a few comments.

Sembcorp Marine started in 2015 to pivot to the new energy sector that is growing and robust. We have developed innovative engineering capabilities in the offshore and marine sector and this puts us in good stead to capture the growth of the new energy segment.

The non-binding MOU that we have signed with Keppel allows us to explore a potential combination which would create a larger Offshore and Marine player to capitalise on the growing opportunities in the renewable and clean energy sectors.

A possible Combined Entity will enable us to be better placed to compete on the global stage for larger contracts and pursue synergies arising from combined scale, footprint and capabilities.

We have prepared a presentation – and please allow me to share the details with you.

As most of you know Sembcorp Marine fairly well, I shall dispense with the introduction. Let us go straight to Slide No. 5 to give you a fuller understanding of the operating environment facing the Group.

Our Group Finance Director, Mr William Goh, will then take you through the details of the Proposed Renounceable Underwritten Rights Issue, and the potential combination with Keppel O&M under the non-binding MOU.

Before that, I would like to go through Slide No. 3 very quickly. Let me take this opportunity to give a quick introduction. Our Group has close to 60 years of track record in the design and construction of rigs, floaters, offshore platforms, and specialised vessels, as well as in the repair, upgrading and conversion of different ship types.

Our solutions focus on the following areas:

- Renewables,
- Process,
- Gas,
- Ocean Living and
- Advanced Drilling Rigs.

Sembcorp Marine operates shipyards and other facilities in five countries: Singapore, Indonesia, the United Kingdom, Norway and Brazil. We have an approximately 20,000 strong global workforce and an integrated global platform poised for future growth. We are a global player in innovative engineering solutions for the Offshore, Marine and Energy industries, with an increasing focus on renewable and other clean energy solutions.

Let me share about Sembcorp Marine's strategic focus. While oil remains a critical resource in the short- to mid-term with anticipation of uptick because of recent under-investment, we will be rebalancing our product solutions portfolio towards gas and renewables, as we transform to position SCM for the global shift towards a low-carbon economy.

Our range of sustainable product solutions include Wind Farms, Hydrogen-powered vessels, LNG-battery hybrid tugs and LNG Terminals.

The Offshore and Marine industry has seen a prolonged period of oil price weakness since 2015 and a sudden collapse in oil prices in 2020. Oil and gas companies have cut their capex massively and deferred investment decisions. In tandem with the industry downturn, SCM's order book was reduced significantly.

The COVID-19 pandemic has also disrupted supply chains and added further serious uncertainties going forward. The re-introduction of COVID-19 measures in 2021, including tighter border controls, amplified the shortage of skilled manpower, resulting in some attrition to competing industries.

While we have not faced any project cancellations to date, project delays could increase risk of contract terminations. Furthermore, given the challenges in the industry, we are in talks with our customers to re-schedule project completions, but this has resulted in deferral of contract payments by some customers, lowering operating cashflows.

The Group is also exploring alternative sources for skilled workers, which will result in increased manpower and other related costs.

We have also right-sized our resources and deferred all non-essential capital expenditure. Given these challenges, we are actively taking measures to improve operating and financial performance, including engaging external consultants to develop a Performance Improvement Plan.

Given this backdrop, the Rights Issue will address an urgent and critical funding need and we expect it to see us through till 2022.

A possible Combined Entity is a strategic move to reposition Sembcorp Marine to compete and thrive on a global stage in the new energy sector.

Before I pass the time to William to share more on the Proposed Rights Issue and the non-binding MOU, I would like to stress and emphasise that these two announcements are separate and independent of each other.

Thank you. William, please.

Presentation by Mr William Goh, Group Finance Director of Sembcorp Marine

Thank you, Mr Wong.

Once again, good morning, everyone. And thank you for taking time to join us on this call.

Allow me to take you through firstly the details on our Proposed Renounceable Underwritten Rights Issue.

First, the transaction overview.

The Group is proposing to raise S\$1.5 billion through a renounceable underwritten Rights Issue on the basis of three Rights Shares for every two existing Shares held. The Rights Issue will be priced at eight Singapore cents per share, representing a discount of 35.7% to the Theoretical Ex-Rights Price or TERP of 12.4 cents, and a discount of 49.2% to the pro forma net tangible assets (NTA) per share of 15.8 cents. The proceeds from this Rights Issue will be used for working capital and general corporate purposes, including debt servicing.

Startree Investments Pte. Ltd., a wholly owned subsidiary of Temasek, has committed to subscribe for its pro-rata 42.6% entitlement and excess rights such that its total subscription will be up to 67% of the Rights Issue; while DBS is underwriting the remaining 33% of the Rights Issue. This brings certainty of raising the full S\$1.5 billion contemplated from the Rights Issue.

Moving to the rationale for the Rights Issue, in which there are four key aspects.

Firstly, the Rights Issue will strengthen the Group's balance sheet and liquidity position amidst the continuing COVID-19 disruptions.

Secondly, it will enable the Group to fulfil existing project commitments, and better position us to bid and win new projects.

Thirdly, it will augment the Group's technological capabilities development and strengthen our competitive edge; and finally it will enable us to accelerate our strategic pivot to the high-growth renewable and clean energy segments.

Let me unpack each of this.

On the first point – given the challenges we face, the proposed Rights Issue will ensure that we have sufficient liquidity to meet near-term working capital needs to ride out the prolonged downturn.

The Rights Issue will enable us to strengthen our balance sheet and enhance liquidity to meet projected operational funding needs till the end of 2022, including replenishing our working capital. This in turn will strengthen the confidence of our external stakeholders, especially our lenders and customers in their ongoing partnerships with us.

In terms of the key financial metrics, on a pro forma basis as of 31 Dec 2020, the Rights Issue will increase our equity base and improve the Group's leverage significantly from 0.75 times to a much lower 0.25 times. Our net tangible assets will increase by close to 45% to S\$4.9 billion. And our cash balance would increase to S\$2.3 billion.

Secondly, the Rights Issue will also help us to execute and complete our existing projects, fulfil our commitments to our customers, and be better positioned to bid for higher-value and large-scale projects to ensure our long-term viability.

As of 31 Mar 2021, the Group has a net order book of S\$1.89 billion, of which about 40% relates to Green Solutions.

Our suite of products and solutions, as Mr Wong mentioned, are represented by the five pictures below. So besides executing our existing projects, we are also actively tendering for new projects especially in the Renewables, Gas, and Process Solutions segments, which include FPSOs and other Floating Production systems.

Thirdly, the Rights Issue will also enable us to augment our technological capabilities so as to maintain and enhance our competitive edge.

We will be able to continue to acquire very selectively and develop intellectual properties, technologies especially in relation to renewables, and other clean energy solutions; and in tandem build the required engineering talent. We will also be able to make very selective investments to build strategic yard capabilities to execute secured projects. For example, as you may know, in our flagship integrated Tuas Boulevard Yard (the centre top picture), we have a 30,000 tonne crane-lifting capability, which enables us to build mega structures and offshore solutions with reduced time and costs, while enhancing safety and quality. Naturally, we will continue to collaborate with other industry players and mutually develop and tap best-in-class capabilities.

Last but not least, the Rights Issue will enable a greater capability to fund growth and strategic expansion especially into the renewable energy sectors, the outlook of which has been increasingly promising.

So, while the overall outlook for oil exploration and related activities remains uncertain, the outlook for energy transition solutions is robust, including areas such as offshore wind and clean energy such as hydrogen. Global offshore wind expenditure, for example is projected to grow at a CAGR of 11% this decade to reach US\$126 billion per year by 2030, according to independent energy research firm, Rystad Energy.

In this regard, we have already made significant inroads into the renewable energy space. As you know, a few months ago in March 2021, we jointly secured with GE Renewable Energy a S\$1.12 billion contract from RWE Renewables for the 1.4 GW Sofia Offshore Wind Farm. And we delivered our first offshore wind farm substation topsides solution for the Dudgeon project in the UK North Sea, back in 2016.

As you heard Mr Wong mentioned about our transformation and pivot way back in in 2015, and possibly even earlier, we will continue to strategically broaden our business portfolio to extend into new areas of renewable energy, electrification, gas value chain, ocean living, as well as carbon capture and storage solutions.

The next slide shows a summary which encapsulates the benefits to our valued shareholders and external stakeholders from this Rights Issue. In summary, the Rights Issue will position us well to be a global player in innovative engineering solutions for the Offshore, Marine and Energy industries, with an increasing focus on renewable and other clean energy solutions.

Let me move on quickly to a snapshot of important dates to note with regards to the S\$1.5 billion Rights Issue. Following our announcement today, the EGM to approve our Rights Issue is estimated to be convened in August, and the Rights Issue is targeted to be completed by September 2021.

The Rights Issue is subject to the approval of SCM shareholders and the receipt of applicable approvals from the SGX-ST.

Let me now move on to the second part of our announcement – the Potential Combination with Keppel Offshore & Marine (or KOM).

SCM and Keppel Corporation have entered into a non-binding memorandum of understanding to begin negotiations with a view to create a combination of the businesses of SCM and KOM.

Under the Proposed Combination, all existing assets and operations of SCM will be transferred into the Combined Entity. Likewise for KOM. However, certain KOM assets are excluded from the Proposed Combination. They include KOM's legacy completed and uncompleted drilling rigs, the associated receivables, and certain other assets.

It is envisaged that the Combined Entity, if a Potential Combination is completed, will be a listed entity.

Let me quickly summarise the rationale for the Potential Combination.

The Potential Combination would create a stronger player and accelerate the Combined Entity's pivot towards the energy transition, with the aim of creating sustainable value over the long term for Sembcorp Marine, Keppel Offshore & Marine, and their respective stakeholders.

The Combined Entity would bring together the best talents, engineering skills, intellectual properties, and technical know-how from both companies, so as to be better positioned to compete for larger contracts, whilst pursuing the synergies that can arise from the increased operational scale, broader geographical footprint and other enhanced capabilities.

Here is a snapshot of both companies' demonstrated and ongoing track record in renewables for your information.

The combination will bring the strengths of both companies and accelerate the pivot to the new energy sector.

Allow me to summarise the two announcements: We have highlighted the rationale and key terms for our proposed S\$1.5 billion Rights Issue, with undertaking and underwriting arrangements in place to ensure certainty of our receipt of the S\$1.5 billion cash proceeds.

In regard to the Potential Combination, we have signed a non-binding MOU to enter into negotiations; and respective parties will conduct mutual due diligence and negotiate terms in due course.

At this point, discussions are at a preliminary stage, and there is no certainty that the Potential Combination will take place.

But if completed, it would create a stronger player by bringing together the best of each company, to better compete globally, in the O&M, renewables and clean energy sectors.

That is all for the presentation. Thank you for your kind attention.

Q&A Session

CMY: Thank you, William. I would now like to open the floor for questions. You may pose your questions via the Q&A button on this platform. Please do let us know your name and the organisation that you represent.

CMY: We have the first question from Terence Chua:

Question from Terence Chua of Phillip Securities

What is the principal consideration of Sembcorp Marine in considering the merger with Keppel O&M?

WWS: Thank you for the question. From the perspective of SCM, we will be looking into creating a stronger player, as mentioned by William just now, by bringing together the best talents, engineering skills, IP and know-how, and including the infrastructure, the capacity and the capabilities, as a Group. I think this is very important as we continue the journey for SCM in pursuing the cleaner, greener and renewable segment of the business. More importantly, it will enable us to grow from strength to strength to be a global leader and an important player which is relevant to the industry for the future.

CMY: We have a question here from an unnamed individual:

Question from Anonymous Attendee

If the transaction with Keppel Corporation materialises, is Temasek eligible to vote for it?

WG: The structure at this point in time is still not yet finalised and is preliminary. From our understanding, because the parties are connected, Temasek would not be in a position to vote.

CMY: Rahul of HSBC has a series of questions – a total of seven. I will run through them one by one, so we are able to address them.

Questions from Rahul Bhatia of HSBC

1. Could you share your thought process on deciding the Rights Issue of S\$1.5 billion versus taking on more debt? The leverage is good, interest rates are still favourable. Also, could you comment on how a low price of eight cents per share was arrived at? The current liquidity of SMM is already good.

WG: Thanks Rahul, as usual, I welcome your series of questions. In terms of our capital raising options, as you know, all these years we have always continued to evaluate various options that are optimal for us. Where we stand now, you are right that our leverage presently is not significantly high. But having said that, given the industry challenges as well as COVID-19 challenges, from the lender's standpoint, there are some banks who have a broad approach towards their exposure to our industry sector. And, in our assessment of the current situation, as we have mentioned in our various announcements, some of the banks – in terms of their willingness to continue with the full refinancing of our existing debt – given the challenges, it is not definite. So, in that sense as we assess the overall debt capacity, for us, with respect to whether banks will be willing to lend more, we see that there could be challenges.

For us more important is our ongoing operating cash flow. We will not unnecessarily want to increase our debt and therefore increase our debt service burden. So those were some of the considerations. And we also evaluate as usual the various hybrid debt/equity options – and we felt that under the present situation, if we proceed with a Rights Issue, it not only gives us liquidity but also strengthens our balance sheet further.

Looking at the trajectory going forward and the scale of projects, both in renewables and also in the traditional sectors, we see the importance of a strengthened balance sheet so that we are better positioned to take on these large projects and provide the added confidence to our potential customers and other stakeholders to support us. So that explains our equity capital raising selection instead of debt.

Regarding the Rights Share price – we wouldn't comment whether it is high or low – but what we will say is that, with our advisors, the typical industry benchmarks, such as the discount to TERP, were considered when structuring and pricing the Rights Issue. As we are seeking our shareholders' support for a capital call, we would like to make the terms of the Rights Issue accessible to all our shareholders.

On liquidity, while you are right that we do have our cash balances, I think it is important for us to plan ahead and bear in mind that the COVID-19 challenges are still with us. It is important that we have that necessary liquidity so that we do not have to always think about constraints of liquidity impacting our forward trajectory. So we think it is important for prudence to have that added liquidity so that we are better positioned for the future.

I hope that helps.

CMY: Thank you William. Question 2 and 3 are somewhat related. I will read them at the same time:

- 2. What are the assumptions in arriving at the need of S\$1.5 billion – does it include a significant cash inflow from Transocean’s two rig deliveries?**
- 3. Related to the Transocean Agreement, I understand the drillships need lots of upgrades which are significant in value. Will this be done at SMM yard? If yes, how are payments structured?**

WG: Thank you for the second set of questions. The need for S\$1.5 billion in broad strokes, as we have guided in the past, is a combination of evaluating our net operating cashflow needs, which presently is negative as we have reported; and consideration for our debt servicing requirements. And we look at the horizon to the end of 2022 – to give us that runaway to plan better and prepare for beyond. So that is how we arrived at the S\$1.5 billion. Just to be sure, this S\$1.5 billion is assessed based on our operational needs only.

In terms of Transocean, we have announced recently that the respective delivery date for the Transocean drillships is at the end of this year for the first one and the second one in the middle of next year. The payment terms for each of the drillship are in the announcement. So, in short I would say that the total delivery payments for these two drillships upon delivery is about S\$1.2 billion. We end up with a deferment of slightly over 50 percent, about S\$600+ million, deferred to 2023 and beyond. And we collect the rest at the respective delivery dates.

With respect to the drillship upgrades, the upgrades have been discussed and already included in our contract some time back. If you are talking about the 20K PSI BOP and the 3 million lb hook load, these are part of our scope and included in our current contract value.

Thank you.

CMY: Alright, thank you William. Question 4 and 5 will be read together:

- 4. Could you provide more colour on expectations for employee costs for 2021?**
- 5. When you say general corporate purposes, can it, if needed, include a cash payment to Keppel as part of the combination?**

WG: Thank you. In terms of expectations for employee costs, whether it will increase or decrease, I think it is more important for us to know the needs of our projects – we have 17 projects ongoing – and to plan for new projects. What is important is that we have to manage our manpower costs according to the present and foreseeable outlook – and we continue to do that. We have guided in the past that we continue to manage and optimise our overheads, and you are aware we recently announced that we have put in place a Performance Improvement Plan that Mr Wong mentioned earlier. So, all these are part and parcel of sharpening our overall cost base so that we can be more competitive externally.

In terms of general corporate purposes, from our standpoint, just to be precise, the S\$1.5 billion as I mentioned earlier is very much for working capital, debt servicing, and for general corporate purposes – here we are referring to our overall operational funding needs.

CMY: Thank you, thank you William. Alright Question 6:

6. Could you comment on the kind of potential synergies and its quantum from the combination?

7. [CMY: And the last question, I am not quite sure we can comment] Can you comment on the shareholder?

WWS: Yes on the potential synergies, as we have just signed the non-binding MOU, we will explore the areas where we can create synergies. At the moment we will think about the possibility of creating synergies from the engineering capabilities, the procurement process, which means the buying power, and also the outsourcing capabilities. So, these could be some areas where we could create some synergies at this moment.

CMY: Thank you Mr Wong. As I mentioned, we will not be able to comment on the shareholder.

CMY: Alright, Paul Chew had the same question that was asked earlier [**If Keppel Corp and Sembcorp Marine combination materialises, is Temasek eligible to vote for it?**]. I think we have answered that.

CMY: Let us go on to the next question:

Question from Low Horng Han, CLSA

If Temasek ends up with more than their pro-rated stake, will there be a mandatory offer?

WG: Horng Han, thank you, good morning to you too. Yes, you are right, under the regulations of SGX, if Temasek increases its shareholding by 1 percentage point under the Creeper Rule, there will be a mandatory general offer by Temasek.

CMY: Alright. Good morning Siew Khee, Siew Khee has this question to just drill down on the S\$1.5 billion again.

Question from Lim Siew Khee of CGS-CIMB

How long will the S\$1.5 billion last? Are you seeing orders coming in the second half?

WG: Thank you Siew Khee. The S\$1.5 billion if I were to unpack a bit more – I would say that it is largely for two broad purposes. First, to fund our working capital to see through our existing projects and also cater for new orders. As we have guided, orders visibility is improving. For example, the Cambo project that was deferred from last year. It is scheduled to proceed with final investment decision by the customer in the second half of this year. So, we do cater for existing and expected working capital needs. We do have to cater for our ongoing payables and we balance that with our revenue receipts inflow as well. So that's the big part of our needs and as I mentioned earlier, we look at it all the way through to the end of 2022.

At the same time, we also look at, on the financing side, the debt maturities that occur over the next 18 months. We also cater for that as well. So that's how we arrived at the S\$1.5 billion and the horizon for your reference will be end 2022.

CMY: Thank you William. I guess your answer kind of covered the questions that Ajay has for us. Two questions from him:

Questions from Ajay Mirchandani from JP Morgan:

1. **Can you share – of the proposed Rights Issue of S\$1.5 billion, how much will likely go into debt repayment [CMY: I guess your response earlier has covered that. Let us go to Question 2.]**
2. **Will it be fair to say post-completion of the Rights Issue and the consolidation with KOM, you will not need further equity injection?**

WG: Thank you Ajay for the question. We are some distance away from the combi. So, I would not comment on what happens after that because even the structure is still preliminary. From our present capital needs planning, as I mentioned earlier, we are looking, from our perspective, at the capital needs and the necessary buffer till the end of 2022. We hope that there is no further need for any capital call and it is predicated on generally conservative assumptions. But just to give some colour, as we complete our existing projects, we will collect the progress payments and completion payments. As we deliver both Transocean drillships, we will collect around S\$600 million dollars. And in 2023 as you recall we do have our other receivables due as well. So that is our overall assessment, and we continue to be prudent in our projections, but this is the visibility we have at the moment.

Hope that helps.

CMY: Alright, the next set of questions comes from Adrian of UOB Kay Hian:

Questions from Adrian Loh of UOB Kay Hian:

1. **[CMY: For Question 1, I believe we have dealt with that] Can you give us an idea of the rough split of the use of proceeds post the S\$500 million payment to Keppel?**
2. **How have order enquiries trended in 2021 thus far? More renewables or oil and gas? Has the increase in long-term oil prices led to increase in enquiries from oil and gas companies?**

WG: Adrian, morning, thank you. First question is quite straightforward – as we have guided earlier, the S\$1.5 billion Rights Issue is intended for our operational needs so the question on the payment of the S\$500 million is not applicable.

With respect to orders, we see improved visibility on both sides – both renewables and clean energy on the one hand and on the other hand, in the traditional sector, very much the production systems, the FPSO, FPU etc. So, there is improved visibility on both sides – as you know the orders for each of these are relatively significant. So, the split really depends on the orders that we secure on both sides. I would say that the emphasis and therefore the visibility are relatively equal and improving at this point in time.

CMY: Thank you William. Peggy Mak of SAC has this question:

Questions from Peggy Mak of SAC Capital:

How much debt do you have owing to DBS? Would this be offset against the Rights proceeds if they were to take up some shares at the Rights Issue? Are you in breach of any debt covenants?

WG: Thanks Peggy. We do not give specific guidance on our individual banks' indebtedness. So, I cannot comment on that. What I would say is that as far as our overall debt covenants are concerned, we are not in breach of any of them.

CMY: Alright, Paul has returned in with more questions:

Question from Paul Chew of Phillip Securities

If the transaction with Keppel materialises, where are the areas for cost savings or synergies? What assets may be disposed in view of the possible excess yard capacity?

WWS: Thanks Paul for the question. At the present time, as we are still in the initial stage of commencing discussions, we will not be able to provide you with the answer – which will probably come at a much later time. But more importantly I would like to emphasise here the Rights Issue of S\$1.5 billion is not meant to fund any of the requirements of the combi under the proposed non-binding MOU. The S\$500 million mentioned is not part of the S\$1.5 billion Rights Issue funding.

I hope this is clear

CMY: Alright we have a question. This is posted anonymously:

Questions from Anonymous Attendee:

Keppel's announcement mentioned a cash consideration for their business of up to S\$500 million. If Keppel is paid S\$500 million, the remaining cash raised from the Rights Issue for the Combined Entity will be S\$1 billion. Is this amount sufficient to last until the end of 2022?

WWS: As I mentioned just now, the S\$1.5 billion Rights Issue we are raising is not for the S\$500 million consideration for the combi that is mentioned in the announcement by Keppel. Which means in short the S\$1.5 billion Rights Issue is not meant for the consideration in the future for the combination of these two companies.

CMY: Alright Kwok Wei has this question for Management:

Questions from Chang Kwok Wei of Citi:

Under the Performance Improvement Plan, it is said to include overall reduction of overheads. Will trimming excess yard capacity be factored into this?

WWS: Thank you Kwok Wei. I think under the Performance Improvement Plan, the overall reduction of overheads is not targeting at the trimming of people but at enhancing the utilisation of people and resources. The reduction of resources also means improving efficiencies in how we perform our jobs, from execution of projects to procurement, as well as the digitalisation of our daily work and automation of the production process. So, at this moment, under the Performance Improvement Plan, the overall reduction of overheads is not focused on trimming executives or capacity. It is more about how to enhance utilisation and how we optimise our resources.

CMY: Thank you, thank you Mr Wong. There are some more questions on the debts, and I am going to combine a couple of them:

Kwok Wei (of Citi) asked this question on **breaking down of the key debt towers until the end of 2022**, while Cheryl (of UBS) has this question on **how much debt payments are due for debt repayments or refinancing in the coming years?** I think William has touched on it a little but maybe you would like to reiterate.

WG: Sure. I think as we mentioned, we do not comment on the specifics but in terms of overall numbers, you will see from our Annual Report the respective debt servicing needs for the next 12 months and beyond. So, you can take guidance from there. I think what's important to note is that our ongoing engagement with our lenders is very much working towards, on the one hand, support of their existing lending to us and also exploring increase in facilities where possible to support us especially in some of our newer projects, including those in the renewables space as well.

CMY: Okay Siew Khee has this question asking Management **how are you going to pay for the S\$500 million in cash?**

WWS: Thank you Siew Khee. I would like to reiterate that the S\$500 million will not come from the Rights Issue.

CMY: Okay I think Paul Chew has a good question here. **For a simple understanding of the competitive dynamics in the typical tender for rigs or renewables – how many yards actually tender?**

WWS: Thanks Paul. In the recent few years, for the advanced drilling rigs competition, it is generally between Korean yards and Singapore. So typically for drillships and advanced drilling rigs, SCM participates and competes with the Korean shipyards. So probably there will be four players in each tender.

CMY: Thank you, Mr Wong. Still on the yard question, Zhiwei of Macquarie asked **if the deal happens, you take on Keppel's yard assets and need to reduce yard capacity, who bears the cost of returning the vacant yard land to JTC?**

WWS: Thank you for the question. At this moment we have not entered into the discussion yet. I will not be able to provide any details to answer this.

CMY: Thank you, thank you Mr. Wong. And Cheryl of UBS has this question: **To the best of your understanding, if Temasek takes on its share of unsubscribed rights, and the Creeper Rule triggers, will it be possible for Temasek to apply for and obtain a waiver for an MGO?**

WG: Cheryl thanks for the question. This is the action of our shareholders so we are not in a position to comment.

CMY: And on that same note Horng Han (of CLSA) just came in with the same question on MGO: **If I am not mistaken, major shareholders can ask for waiver. Is this the case now, where waiver has been asked or the Rights Issue could simply proceed to MGO?**

CMY: I think we have covered that. Looks like we have covered most of the questions. Perhaps William, you would like to revisit the Rights Issue to share with the analysts again?

WG: I think Mun Yuen our analysts are very well informed. I would rather that we allow them to consider further questions for us. You can put the slide on the Rights Issue so that they can reflect on any possible questions.

CMY: Yes, will do, thank you.

CMY: Okay Siew Khee has just come in with a new question: **How do you decide on the S500 million, and why does it look like it is skewed towards Keppel?**

WWS: Thank you Siew Khee. As what we have mentioned, we have just signed the non-binding MOU to explore the possibility of a combi of SCM as well as KOM. So, there is no further information from our side here other than we look forward to commence the discussion and also the due diligence to be carried out.

CMY: Thank you Mr Wong. Well, if there are no further questions, we would really like to say a big thank you to all of you for participating in this meeting this morning. Thank you.

WWS & WG: Thank you, thank you everyone.

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