

## **RESPONSES TO QUESTIONS FROM SHAREHOLDERS IN SHAREHOLDERS' DIALOGUE SESSION HELD ON 17 NOVEMBER 2022**

- 1. Why did the market react negatively to the proposed Rights Issue announcement?**
  - Market reactions are beyond the control of CSE Global's management.
  - CSE Global's focus is to grow future revenue, income, and cashflow streams.
  
- 2. Have the Orchid Funds under Heliconia given any commitments to subscribe to their allocation of the Rights Issue? Are they giving any undertaking to subscribe beyond their allocation?**
  - The Orchid Funds under Heliconia have, pursuant to a letter of intention given to the Company dated 10 October 2022, stated their intention to subscribe or procure the subscription of their respective pro rata entitlement to the Rights Shares under the Rights Issue.
  - Depending on the level of subscription for the Rights Shares, the Company will, if necessary, and upon the approval of the SGX-ST, scale down the subscription and/or excess applications for the Rights Shares by any of the Shareholders (if such Shareholder chooses to subscribe for his pro rata Rights Shares entitlement and/or apply for excess Rights Shares) to avoid placing the relevant Shareholder and parties acting in concert with him (as defined in the Take-over Code) in the position of incurring a mandatory general offer obligation under the Take-over Code, as a result of other Shareholders not taking up, whether partly or in full, their Rights Shares entitlements fully, and/or to avoid the transfer of a controlling interest in the Company, which is prohibited under Rule 803 of the Listing Manual unless the prior approval of Shareholders is obtained.
  
- 3. Will the high interest rate environment affect CSE Global's business in the next few years?**
  - Yes, CSE Global will have to pay a higher interest rate for borrowings.
  
- 4. How do you see the performance of the company in the next few quarters?**
  - The Company recorded higher orders in its infrastructure sector in the first nine (9) months of 2022, driven by a steady stream of projects arising from requirements in digitalisation, communications and enhancements in physical and cyber security globally, and from data centres and water utilities in the Americas region. The infrastructure projects secured in the United States of America ("USA") have execution periods of between one (1) to four (4) years, and thus the Company expects to see steady inflow in terms of contribution, while the execution of these recent contract wins will stretch over 2023 and beyond. There was also a steady pipeline of orders for radio communication network projects from mining customers in Australia, resulting in increased new orders in the Company's mining and minerals sector during this period.
  - The Company envisions this healthy momentum for its infrastructure sector to sustain for the next 12 months, due to the upcoming proposed new acquisitions in the communications segment, coupled with its ongoing efforts and investments in sales, marketing, engineering support and capacity enhancement, which will in turn lead to an increase in orders, revenue, overheads and profits.
  - Meanwhile, customers in the energy sector remained focused on their capital spending discipline that led to fewer large greenfield projects in the first nine (9) months of 2022 and foreseeably in the next 12 months, and the Company expects

this trend to continue to weigh on the financial performance in the Americas region. However, the Company has seen higher business flows in the energy sector and had secured several renewables projects in the first nine (9) months of 2022, which is also expected to continue in the next 12 months.

- On 31 October 2022, the Group announced that new orders in 3Q2022 surged 37.1% year-on-year to S\$164.9 million, compared to S\$120.3 million in 3Q2021. The strong growth in orders was broad based across all industry sectors, and mainly attributable to higher orders secured in USA and Australia. In particular, there is an increase in demand for infrastructure work and projects comprising solar and wind energy within the renewables space. With these new orders, the Group closed 3Q2022 with an order book of S\$412.8 million and to date, the 9M2022 order intake of S\$586.6 million has far exceeded FY2021's.
  - However, the continued supply chain disruptions, which are expected to prolong project execution time frames, and inflationary pressures will have an impact on gross margins. The Group generated much higher numbers of project quotations in 3Q2022 and expects this to continue into the coming quarters. Whilst the increased quote activity will add to short-term costs, the upbeat momentum in the market signals healthy demand for the Group's services and strong potential to grow its orders.
- 5. After this Rights Issue, does CSE Global expect to conduct another one in the next few years?**
- Currently, CSE Global has no future rights issue plans and will continue to remain prudent in capital and cost management.
- 6. Does the fuel prices affect the performance of the company?**
- Yes, CSE Global has to pay higher travelling and freight costs as a result of rising energy prices.
- 7. CSE Global intends to tap on existing banking facilities besides the Right Issue to fund acquisitions. May I know whether the borrowing cost for the banking facilities has been fixed? If so, what is the borrowing rate?**
- Borrowing costs from existing banking facilities is market based, based on prevailing interest rate at the time of drawdown.
- 8. What are the steps that CSE Global will be taking to safeguard against cost overruns in an inflationary environment, and is CSE Global confident to turnaround and achieve profitability in the Americas region soon?**
- CSE Global strives to pass on any inflated costs to customers.
  - CSE Global is confident to turnaround and achieve profitability in the Americas region soon.
- 9. For newer sectors such as renewable energy, wastewater and data centres, does CSE Global require higher gross profit margin? Is there a steep learning curve for existing engineers which may affect gross margins?**
- Prices and gross margins for projects are determined by the markets that CSE Global operates in.
  - There is a learning curve for CSE Global's engineers to be proficient in the new sectors.

**10. What will the funds from the Rights Issue be used for? What is the ratio used between acquisitions and paying the loaned amount?**

- Approximately 90% of proceeds from the Rights Issue will be used for the announced acquisitions of synergistic businesses in New Zealand and the USA.
- The remaining 10% will be utilised to partially repay some of the loans previously drawn down for certain business acquisitions as part of the Company's ongoing and prudent balance sheet management while further enhancing the financial flexibility of the Group.
- The Company will make periodic announcements via SGXNET on the utilisation of the proceeds from the Rights Issue, as and when the funds from the Rights Issue are materially disbursed, including whether such use is in accordance with the stated use and in accordance with the percentage allocated.
- Pending the deployment of the Net Proceeds from the Rights Issue, such Net Proceeds may be deposited with banks and/or financial institutions and/or invested in short-term money market or debt instruments, corporate financing, or loans or for any other purposes on a short-term basis as the Directors may deem fit.

**11. How is the rights ratio of 5 Rights Shares for every 1 existing Share and Issue Price of S\$0.33 determined? Why does the Rights Issue need to be so dilutive?**

- For the proposed acquisitions, CSE Global has to raise net proceeds amounting to S\$33.4 million. The ratio is then determined based on this funding requirement, and a 20% discount from the last traded price.

**12. How do you protect shareholder interest in terms of share dilution?**

- CSE Global allows existing shareholders to subscribe to their pro-rata shares.

**13. Will the shareholders of the Seller continue to run the Target Group?**

- The shareholders of the Seller will become part of CSE Global's management team. Initially, they will run the target group but their future role in the group will depend on their performance.

**14. What is Logic Wireless's revenue, gross profit and net profit after tax figures for the past three years?**

- As disclosed earlier in the acquisition announcement on 8 November 2022, for the financial year ended 30 June 2022, Logic Wireless recorded net profit before tax of approximately NZD 4.0 million (S\$3.2 million) and EBITDA of NZD 4.5 million (S\$3.6 million).

**15. What is the expected growth outlook for Logic Wireless' existing business on a standalone basis?**

- CSE Global expects Logic Wireless to have growth.

**16. What is the interest rate profile of CSE Global's existing debt (fixed/floating)?**

- All of CSE Global's existing debt are on a floating rate basis and are contractually repriced at intervals of less than six months.

- 17. Is the company profit dependant on oil prices?**
- CSE Global's profit is not dependent on existing oil prices. Our Oil & Gas customers may adjust their spending with the Group, depending on their profitability and their business plans.
- 18. Please provide an update on the outcomes of the most recent completed acquisitions.**
- The acquisitions completed in FY2021 and year-to-date FY2022, have contributed positively to the Group's revenue, income and cashflow.
  - None of these acquisitions is making a loss year-to-date FY2022.
  - Over the years, CSE Global has successfully acquired and integrated more than 25 companies synergistically.
- 19. CSE Global is a global player. How fierce is the competition and how deep are your moats? Is it easily replicable?**
- CSE Global has competitors, whom we compete and collaborate with each other depending on circumstances.
  - Our strength lies within our ability to create and develop solutions at competitive prices based on our deep understanding of customers' requirements and technical knowhow.
  - The best solution at the best price wins.
- 20. Do you foresee difficulties integrating the new acquisitions since they are foreign entities with foreign staff and what steps do you plan to adopt?**
- CSE Global has more than 1,500 employees, of which more than 50% are US citizens, and about 40% are in Australia and New Zealand. We are a global company.
  - In Australia and New Zealand, we currently have 400 to 500 employees. Hence, integrating another 30 to 40 employees for the Logic Wireless acquisition will not be an issue. Similarly, for our acquisition in the US, we do have a big existing presence and thus integration will not be an issue.
  - Management's approach entails 100% localisation, trust and empowerment in local management teams. Both CSE Global and the acquired companies have universal values of trust, integrity, and hard work, which enables us to retain and strengthen the workforce we take over. Everyone is viewed as being part of a global team.
  - Autonomy is given to acquired companies as CSE Global has confidence in the management teams, which is part of the acquisition consideration process.
- 21. The NTA per share drops post-acquisition. Are you buying intangibles such as network, expertise etc? How confident are you of the acquisition?**
- That statement is accurate. We are not buying assets but rather, we are acquiring intrinsic value in the company such as customers and vendor relationships, skilled labour, and market presence.
- 22. Radio communications sound very traditional when we have mobile phones now. I would appreciate your views on this.**
- The radio communication technology continues to improve over the years.
  - Radio communications continues to be used extensively in emergency, safety, and mission-critical private networks where failsafe protocols and privacy are required.

### 23. How do I get my Rights and take up Excess Rights if available?

- Further details on the application procedures will be set out in the Offer Information Statement to be released in due course to all shareholders residing in Singapore.
- You may trade your Rights on the SGX-ST during the Rights trading period prescribed by the SGX-ST. Indicatively, the Rights trading period is expected to be from 29 November 2022 to 7 December 2022 (both dates inclusive).
- The Closing Date for Rights Issue acceptances, renunciation and payment is 13 December 2022.
- The timeline of the Rights Issue can be found below.
- For more information, please contact Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at [srs.teamd@boardroomlimited.com](mailto:srs.teamd@boardroomlimited.com)

Date	Event
1 Nov 2022	Receipt of Approval in Principle (AIP) from SGX
2 Nov 2022	Announcement on AIP
22 Nov 2022	Last day for share to trade cum-rights to the Rights Issue
23 Nov 2022	Shares trade ex-rights to the Rights Issue
24 Nov 2022	- Lodgment of OIS with MAS - Book Closure Date (BCD) for Rights Issue
29 Nov 2022	Commence trading of nil-paid rights entitlement
7 Dec 2022	Last day for trading of nil-paid rights entitlement
13 Dec 2022	Closing date for Rights Issue acceptances, renunciation and payment
21 Dec 2022	Listing and quotation of Rights Shares

### 24. Given the current interest rate environment, what do you expect your EPS to be if interest rate increases? How do you calculate the gearing ratios? Will there be additional borrowing after rights issue?

- When we calculated the pre- and post-acquisition EPS, we factored in profits to be generated by the acquisition Logic Wireless and that the acquisition will be 100% funded by proceeds from the Rights Issue. As such, there is no funding and interest cost.
- Net gearing stood at 39% as at 30 June 2022. Assuming 100% of the Rights Issue is take up, acquisitions are completed and increase in working capital loans for order execution, the net gearing will become 50% post-acquisition.
- Additional borrowing after the rights issue will be for working capital in relation to project execution to support higher future revenue.
- We do not want to be an over geared company, hence the Rights Issue. Historically, CSE Global has been comfortable with a 40% to 60% net gearing ratio.

- 25. The usual way is to announce acquisition first and mention that it will be funded via a Rights Issue. Why not announce both acquisitions first instead of having shareholders be kept in the dark?**
- CSE Global worked on the Rights Issue and proposed acquisitions simultaneously.
  - The Rights Issue has a specific timeline based on regulatory requirements to be adhered to.
  - CSE Global also needed time to get the required regulatory approvals on Logic Wireless' end.
  - As such, the Rights Issue was first announced, followed by the announcement of the acquisition of Logic Wireless.
  - To note, CSE Global did not intentionally rush to complete the Rights Issue to have the opportunity to share more details about the acquisition with shareholders before completing the Rights Issue.
- 26. What is the dividend policy that shareholders can look forward to?**
- Since 2013, CSE Global has been consistently paying out a 2.75 Singapore cents dividend yearly.
  - CSE Global's dividend policy is centred on two principles – amount of profit and sufficiency of cashflow to support dividend and business activity
  - At this point in time, CSE Global believes the dividend is sustainable.
- 27. It seems like earnings growth is not matching revenue growth. Is this the right time to make acquisitions and raise capital instead of reviewing CSE Global's existing portfolio?**
- CSE Global is facing supply chain issues in 2022 but expects normalcy in 2023.
  - CSE Global continues to invest in business development and new acquisitions to enhance future revenue, income and cashflow streams.
- 28. Based on my calculations, the NTA presented seem to include only the effect of the Logic Wireless acquisition, which it should also take into consideration the effects of proceeds from the Rights Issue. Is that not the case?**
- We take note and will amend the announcement.
- 29. I am a CSE Global shareholder but am currently residing overseas, can I still participate in the Rights Issue?**
- For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, no Rights will be made to Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) market days prior thereto, provided the Share Registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents.
  - Shareholders with registered addresses outside Singapore who wish to participate in the Rights Issue should provide the share registrar or CDP, as the case may be, with addresses in Singapore for the service of notices and documents, at least three (3) market days prior to the record date.
- 30. How much growth potential do you see in the new businesses?**
- CSE Global has successfully expanded its radio business in various parts of Australia and sees potential for further geographical expansion.
- 31. Why not continue to build on the data centre and water businesses instead?**
- Building and growing businesses will require working capital.
  - Acquisitions can be more cost effective and speedier under certain circumstances.