

Tutorial 10 (Week 12) : Understanding FS – Equity

- (a) Did SBS Transit issue any new ordinary shares in 2024? If yes, how much? Suppose SBS Transit plans to issue new shares in 2025 to raise \$100 million, as an existing shareholder, how would this affect your ownership and evaluation of your investment?

Yes, SBS Transit issued 239,000 new ordinary shares in 2024 worth \$653,000. The new share issuance is for share awards to its employees under the SBS ESS (Refer to Note 17 and 18).

If SBS Transit were to issue new shares in 2025 to raise \$100 million, as an existing shareholder, my ownership interest would be diluted unless I purchase additional shares to maintain my current ownership percentage. However, the new issuance could still be beneficial if the company utilizes the raised capital effectively to expand and generate future growth, as this would enhance the long-term value of the company and, consequently, the value of my investment.

- (b) Did SBS Transit repurchase any of its shares in 2024? Suppose SBS Transit were to introduce a share buyback programme in 2025, how would this affect the company's financials? For example, on earnings per share (EPS), return on equity (ROE), and potentially its share price?

No, SBS Transit did not repurchase shares in 2024.

If SBS Transit were to undertake a share repurchase in 2025, it would impact both its cash position and equity structure. Repurchasing shares requires a cash outflow, reducing cash reserves, and the repurchased shares would be recorded as treasury shares, a contra-equity account, thereby decreasing total equity.

A share buyback generally has a positive effect on earnings per share (EPS), as net profit is distributed over a smaller number of outstanding shares, and it can also improve return on equity (ROE) due to the reduction in equity. It often sends a positive signal to the market, reflecting management's confidence in the company's prospects. However, share buybacks also involve significant cash expenditure, which could reduce funds available for future investments and growth opportunities.

- (c) Calculate SBS Transit's price-earnings (PE) ratios and market capitalization (market cap) as at the end of financial years 2024 and 2023. Note: You will need to search for and

extract the market price of SBS Transit as of the last day of trading for the respective years.
(Round your answers to 2 decimal places)

	2024	2023
EPS	0.2252	0.2215
Market Price at Year End (closing price)	2.43	2.67
PE Ratio	10.79	12.05
Outstanding Shares	312,205,000	311,966,000
Market Cap at Year End	758,658,150	832,949,220

(d) Refer to the Statement of Changes in Equity (SCE), how much dividends did SBS Transit declare in 2024? How much of the declared amount are for dividends with respect to the financial year 2024 and 2023 respectively? How would you verify that SBS Transit had paid the full dividends in cash?

SBS Transit declared \$34,829,000 in dividends in 2024. Of this amount, \$17,408,000 is related to dividends for the financial year 2023 and \$17,421,000 is related to for dividends for the financial year 2024 (refer to Note 30).

30. DIVIDENDS

(a) During the financial year, the Company paid dividends as follows:

	2024 \$'000	2023 \$'000
Tax-exempt one-tier final dividend in respect of the previous financial year: 5.58 cents (2023: 5.45 cents) per ordinary share	17,408	16,997
Tax-exempt one-tier interim dividend in respect of the current financial year: 5.58 cents (2023: 5.58 cents) per ordinary share	17,421	17,407
	34,829	34,404

The Statement of Cash Flows confirms that SBS Transit paid the full \$34,829,000 in cash, as reflected under financing activities.

(e) What is the total amount of dividends that SBS Transit intends to distribute to its shareholders with respect to the financial year 2024? How does this compare to prior years and does the dividend policy appear consistent with company's long-term strategy and mission?

From Note 30, SBS Transit has indicated its intention to declare additional dividends of \$45,863,000 relating to the financial year 2024 at the forthcoming Annual General Meeting in 2025. The company also plans to declare a special dividend of \$26,256,000.

- (b) Subsequent to the end of the financial year, the Directors of the Company recommended that:
- (i) a tax-exempt one-tier final dividend of 14.69 cents per ordinary share totalling \$45,863,000 (2023: \$17,408,000) be paid for the financial year ended 31 December 2024; and
 - (ii) A tax-exempt one-tier special dividend of 8.41 cents per ordinary share totalling \$26,256,000 (2023: Nil) be paid for the financial year ended 31 December 2024.

The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability for the current financial year.

If these proposed dividends are approved, the total dividends relating to FY2024 would amount to \$89,540,000. This represents a significant increase compared to previous years. However, the special dividend is most likely a non-recurring event and given SBS Transit's strong financial performance in 2024 and its robust financial position, the proposed dividend policy appears consistent with its mission to reward shareholders while still supporting the company's long-term strategic objectives.

- (f) Calculate and compare the dividend payout ratio for financial years 2024 and 2023. Use the total dividend amounts that is in respect to each financial year. (Round your answers to 2 decimal places)

	2024	2023
Dividends	89,540	34,815
Net Income	70,301	69,076
Dividend Payout Ratio	1.27	0.50
Dividends (excluding special dividends)	63,284	34,815
Net Income	70,301	69,076
Dividend Payout Ratio	0.90	0.50

~ End of Tutorial 10 ~