

# Gamuda Berhad

## *KVMRT2 Underground Contract Bagged*

**Q3 2016 INVESTORS' BRIEFING**

*29 June 2016*

# INCOME STATEMENT SUMMARY



(RMmil)	9 months ended Apr '16	9 months ended Apr '15	Change (%)
<b>Revenue</b>	<b>1,507.5</b>	<b>1,776.6</b>	<b>-15</b>
Profit from operations (EBIT)	325.4	467.2	-30
Finance Costs	(89.1)	(80.2)	+11
Share of JVs (net of tax)	172.9	130.5	+32
Share of associates (net of tax)	161.3	150.1	+7
<b>Profit before tax</b>	<b>570.5</b>	<b>667.7</b>	<b>-15</b>
Tax	(62.5)	(97.2)	-36
Minority Interests	(34.0)	(42.0)	-19
<b>Net profit attributable to equity holders</b>	<b>474.0</b>	<b>528.5</b>	<b>-10</b>
Fully diluted EPS (sen)	19.2	22.4	
<b>Dividend per share (sen)</b>	<b>12.0</b>	<b>12.0</b>	
<b>EBIT margins (%)</b>	<b>21.6</b>	<b>26.3</b>	
<b>PBT margins (%)</b>	<b>37.8</b>	<b>37.6</b>	

# INCOME STATEMENT (before FRS 11)



(RMmil)	9 months ended Apr '16	9 months ended Apr '15	Change (%)
<b>Revenue</b>	<b>3,096.9</b>	<b>3,439.8</b>	<b>-10</b>
Profit from operations (EBIT)	552.9	643.7	-14
Finance Costs	(86.2)	(86.9)	-1
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	161.3	150.1	+7
<b>Profit before tax</b>	<b>628.1</b>	<b>706.9</b>	<b>-11</b>
Tax	(120.1)	(136.4)	-12
Minority Interests	(34.0)	(42.0)	-19
<b>Net profit attributable to equity holders</b>	<b>474.0</b>	<b>528.5</b>	<b>-10</b>
Fully diluted EPS (sen)	19.2	22.4	
<b>Dividend per share (sen)</b>	<b>12.0</b>	<b>12.0</b>	
<b>EBIT margins (%)</b>	<b>17.9</b>	<b>18.7</b>	
<b>PBT margins (%)</b>	<b>20.3</b>	<b>20.6</b>	

# BALANCE SHEET SUMMARY



(RMmil)	As at 30 Apr '16	As at 31 July '15
Current Assets	4,947.9	5,234.0
Current Liabilities	1,818.8	2,459.3
Current Ratio	2.7x	2.1x
Total borrowings	4,545.5	4,135.4
Cash and marketable securities	1,281.9	1,437.7
<b>Net cash</b>	<b>(3,263.6)</b>	<b>(2,697.7)</b>
Share capital	2,413.0	2,405.9
Reserves	4,280.1	3,931.3
<b>Equity attributable to equity holders</b>	<b>6,693.1</b>	<b>6,337.2</b>
<b>Net gearing (overall)</b>	<b>49%</b>	<b>43%</b>
Net assets per share (RM)	2.77	2.63

# QUARTERLY SEGMENTAL PROFITS



(RMmil)	Q315	Q415	Q116	Q216	Q3 `16	Q3 `15	+/-
<b>Construction &amp; Eng</b>	63.2	48.3	51.0	47.1	42.2	63.2	-33
<b>Properties</b>	81.8	67.1	66.8	59.0	49.1	81.8	-40
<b>Concessions</b>	78.6	91.3	98.4	105.4	109.1	78.6	+39
<b>Group Pretax Profit</b>	<b>223.6</b>	<b>206.7</b>	<b>216.1</b>	<b>211.5</b>	<b>200.4</b>	<b>223.6</b>	<b>-10</b>
<b>Group Net Profit</b>	<b>160.4</b>	<b>153.7</b>	<b>161.2</b>	<b>160.1</b>	<b>152.7</b>	<b>160.4</b>	<b>-5</b>

## YTD Segmental PBT

## YTD PBT Margins

(RMmil)	9M 16	9M 15	+/-	%	9M 16	9M 15
<b>Construction</b>	140.4	191.8	-27	<b>Construction</b>	7.1	8.6
<b>Properties</b>	174.9	228.3	-23	<b>Properties</b>	22.8	25.7
<b>Concessions</b>	312.8	286.8	+9	<b>Concessions</b>	n.m.	n.m.
<b>Group PBT</b>	<b>628.1</b>	<b>706.9</b>	<b>-11</b>	<b>Group PBT</b>	<b>20.3</b>	<b>20.6</b>

# KEY HIGHLIGHTS



- **Gamuda JV bags KVMRT2 Underground Contract** – contract value of RM15.47bn is country's single largest infrastructure contract ever awarded; Gamuda JV emerged the lowest bidder among 3 contenders, including 2 from China
- **Construction Order Book increases to RM8.2bn** – this excludes the PDP role for KVMRT2 which has also been secured; value of PDP works estimated at RM15bn; physical construction works expected to commence by mid-2016
- **KVMRT1** – 87% completed (UG), and 82% completed (elevated), giving an overall project completion of 85%; progressing on schedule with no significant cost overruns; on track for timely completion with Phase 1 opening scheduled for Dec '16 and entire Line 1 opening in July '17
- **Penang Transport Master Plan (PTMP)** – achieving significant progress on several fronts, especially at the working levels with various State committees; however, securing Federal approvals remains the key risk; Railway Scheme submitted to SPAD, DoE submission expected by year end
- **New construction opportunities emerging** – several large infrastructure projects expected to be rolled-out over the next 2 years; projects particularly suited to Group's core strengths
- **Earnings stabilize** – 9M group PBT and net profit decline 11% and 10% respectively y-o-y, on a 10% slide in revenue; construction, properties decline y-o-y, but buffered by stronger concessions division
- **A new growth cycle likely** – with Line 2 kick-off, and with greater clarity emerging on PTMP; FY17 should mark start of a new multi-year earnings growth cycle

# KEY CORPORATE UPDATES



- **KVMRT2** – total of 18 works packages valued at over RM23bn awarded to date, comprising 1 Underground, 4 Viaduct and 4 Systems packages; Gamuda JV bags the coveted Underground Contract worth RM15.47bn; remaining 6 civil works packages expected to be awarded over the next 6 to 9 months
- **KVMRT2** - SSP (Sg Buloh-Serdang-Putrajaya) line to be 52km long (13.5km underground) with 37 stations (11 underground); 15 stations will have Park and Ride facilities; UG scope of works about 40% more than Line 1 (both in length and number of stations); estimated total project cost of around RM30bn
- **KVMRT2** – targeted full line completion in 2022; serves a catchment of 2m population; ridership projected at 533,000 per day; end-to-end journey time of 85 min
- **Penang Transport Master Plan (PTMP)** – environmental and social impact studies being conducted; submissions to DoE expected by year end; Railway Scheme submitted to SPAD; intensive discussions and negotiations with State ongoing; indication of strong support from public, NGOs and the business communities
- **KVMRT1** - cumulative financial progress on underground works at 87% (+2%) and PDP scope 82% (+6%) respectively at end Q3 FY16; on track to meeting cost and time KPIs; Phase 1 (Northern section) is scheduled for operations by Dec '16, whilst the entire Line 1 is scheduled for operations by July '17
- **PDP progress** – civil works fully completed; foundations (100%), pier construction (100%); elevated guideways (100%); SBG production (100%), trackworks (94%), systems works (86%), 35 electric trains delivered and undergoing testing
- **Property presales** – RM190m achieved in Q3 FY16 (-32% y-o-y); RM1.0bn unbilled sales at end Q3; 9M presales at RM575m (-29% y-o-y); shortfalls primarily from domestic market which remains sluggish; Q4 presales will be boosted by launching of GEM Residences in Singapore, where take-up rates have been very encouraging
- **Accolade suit not a major issue** – land acquisition disputes are under jurisdiction of MRT Corp, not the PDP

# CONSTRUCTION ORDER BOOK

- Current unbilled order book about **RM8.2 billion** (April 2016)

Major Projects	Balance works (RMbn)	Completion Status		Comments
		% now	completion date	
<u>Recently Secured</u>				
KVMRT Line 2 (SSP Line) Underground (50% share)	7.7	0	Mid-2022	Works to commence by mid-2016
<u>Nearing Completion</u>				
KVMRT Line 1 (SBK Line) Underground (50% share)	0.5	87	Mid-2017	Testing and commissioning in progress, Phase 1 opening scheduled for year end



# CONSTRUCTION OUTLOOK



- Weaker 9M performance as KVMRT1 civil works continue to taper off; revenue dropped 10% to RM3.1bn whilst PBT fell 11% to RM628m y-o-y; end Q3 unbilled order book stands at RM8.2bn following successful bid for the Underground Works for KVMRT2
- PBT margin fell to 7.1% for 9M compared to 8.6% previously; Q3 margin came in at 7.5%
- KVMRT1 – tunnelling works fully completed; stations progress ranges between 80% to 95%; testing and commissioning works in full swing; on schedule for Phase 1 opening by year end
- KVMRT2 – 18 Works Packages worth over RM23bn awarded to date; for civil works, remaining 6 Viaduct packages expected to be awarded over next 6-9 months
- Penang Transport Master Plan (PTMP) – PDP agreement deadline likely extended for few months; Railway Scheme submitted to SPAD for approval; land reclamation submissions will be made by year end
- Other projects – several large infrastructure projects expected to be implemented over next 2 years; these will provide opportunities to further build up order book

# PROPERTIES OUTLOOK



- 9M performance weakens further; 9M revenue slipped 14% to RM768m whilst PBT fell 23% to RM175m; PBT margin also slipped to 22.8% from 25.7% previously
- Group achieved new presales of RM190m for Q3 (-32% y-o-y), whilst 9M presales totalled RM575m (-29%); unbilled sales stands at RM1.0bn
- Domestic market remains slow whilst overseas projects help cushion domestic weakness; launch of GEM Residences in Singapore expected to boost Q4 and FY17 presales; strong take-up rates seen so far
- New launches targeted for FY17 include Gamuda Gardens and Kundang Estates
- Vietnam projects achieving mixed results; whilst Celadon City is meeting expectations, Gamuda City is beginning to slow down
- Group presales projections raised for FY16 and FY17 following encouraging take up rates for GEM Residences, and new launches for next year

# CONCESSIONS OUTLOOK

- Traffic volumes on highways are gradually recovering following steep toll hikes late last year; generally, traffic volumes have recovered about half of their initial falls
- Splash disposal negotiations between Federal and State are still ongoing

- FRS 11 adopted since Q114 statements
- Joint ventures (incorporated) now treated using equity method (share of JVs), reported net of tax
- Joint ventures (unincorporated) treated as previously, using proportionate consolidation, reported gross of tax
- Share of associates reported as previously, net of tax
- Key impacts
  - substantial group revenue is 'lost' as significant amount of activities are carried out by incorporated JVs
  - group and divisional margins are distorted by the mixing up of pretax and net profits above the 'Group PBT' line
  - no impact on net profit, but generally understates PBT
  - performance analyses' becomes more difficult and tricky

# Thank You