

Gamuda Berhad

Turn-Around Year

Q1 2017 INVESTORS' BRIEFING

16 December 2016

INCOME STATEMENT SUMMARY



(RMmil)	Q1 ended Oct '16	Q1 ended Oct '15	Change (%)
Revenue	504.9	512.8	-2
Profit from operations (EBIT)	133.7	109.1	+22
Finance Costs	(26.5)	(30.2)	-12
Share of JVs (net of tax)	43.2	63.5	-32
Share of associates (net of tax)	55.3	50.1	+10
Profit before tax	205.6	192.6	+7
Tax	(30.6)	(19.7)	+56
Minority Interests	(12.9)	(11.6)	+11
Net profit attributable to equity holders	162.1	161.2	+1
Fully diluted EPS (sen)	6.5	6.7	
Dividend per share (sen)	6.0	6.0	
EBIT margins (%)	26.5	21.3	
PBT margins (%)	40.7	37.5	

INCOME STATEMENT (before FRS 11)



(RMmil)	Q1 ended Oct '16	Q1 ended Oct '15	Change (%)
Revenue	1,097.9	1,232.9	-11
Profit from operations (EBIT)	195.2	199.1	-2
Finance Costs	(30.0)	(33.1)	-9
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	55.3	50.1	+10
Profit before tax	220.5	216.1	+2
Tax	(45.4)	(43.3)	+5
Minority Interests	(12.9)	(11.6)	+11
Net profit attributable to equity holders	162.1	161.2	+1
Fully diluted EPS (sen)	6.5	6.7	
Dividend per share (sen)	6.0	6.0	
EBIT margins (%)	17.8	16.2	
PBT margins (%)	20.1	17.5	

BALANCE SHEET SUMMARY



(RMmil)	As at 31 Oct '16	As at 31 July '16
Current Assets	5,419.0	5,146.7
Current Liabilities	1,634.1	2,168.7
Current Ratio	3.3x	2.4x
Total borrowings	5,075.9	4,808.3
Cash and marketable securities	1,544.0	1,472.9
Net cash	(3,531.9)	(3,335.4)
Share capital	2,422.3	2,419.0
Reserves	4,733.6	4,459.2
Non-controlling interests	349.6	336.0
Total Equity	7,505.4	7,214.2
Net gearing (overall)	47%	46%

QUARTERLY SEGMENTAL PROFITS



(RMmil)	Q116	Q216	Q316	Q416	Q1 `17	Q1 `16	+/-
Construction & Eng	51.0	47.1	42.2	78.4	59.3	51.0	+16
Properties	66.8	59.0	49.1	45.7	47.7	66.8	-29
Concessions	98.4	105.4	109.1	99.8	113.4	98.4	+15
Group Pretax Profit	216.1	211.5	200.4	223.9	220.5	216.1	+2
Group Net Profit	161.2	160.1	152.7	152.1	162.1	161.2	+1

YTD Segmental PBT

YTD PBT Margins

(RMmil)	Q117	Q116	+/-	%	Q117	Q116
Construction	59.3	51.0	+16	Construction	8.5	6.0
Properties	47.7	66.8	-29	Properties	17.5	24.1
Concessions	113.4	98.4	+15	Concessions	n.m.	n.m.
Group PBT	220.5	216.1	+2	Group PBT	20.1	17.5

KEY HIGHLIGHTS



- **Q1 indicates earnings decline is bottoming out** – construction, concessions achieve earnings growth, whilst properties continue to slide; group PBT and net profit for Q1 increase 2% and 1% respectively despite a revenue fall of 11% y-o-y
- **Order book running at a record of RM8.9bn** – this will generate a new earnings growth cycle for the group; targeting to expand order book by RM3-4bn through 2017, and probably more through 2018/9
- **KVMRT1** – 94% completed (UG), and 94% completed (elevated), giving an overall project completion of 94%; progressing on schedule with no significant cost overruns; on track for timely completion; Phase 1 service opened to public on 16 Dec, and entire Line 1 scheduled for opening by July '17
- **Strong construction sector prospects** – several large infrastructure projects expected to be rolled-out over the next 2/3 years; projects particularly suited to Group's core strengths; prospects for further significant order book build-up over the next 2-3 years are excellent
- **Penang Transport Master Plan (PTMP)** – achieving significant progress on several fronts; securing Federal approvals still remains the key risk; Railway Scheme submitted to SPAD, DoE submission expected by end Jan '17; approvals expected from 2HY2017 onwards
- **Property presales of RM430m in Q1** – expect to achieve projected RM2.1bn for full year, given 3 major new township launches scheduled for 2017 (Kundang Estates, Gamuda Gardens, Twentyfive.7)
- **Splash disposal expected to be concluded in Q2 next year** – negotiations are at highly advanced stage
- **Stronger quarters ahead** – with KVMRT2 kick-off, record order book, strong overseas property sales, FY17 should mark start of a new multi-year earnings growth cycle

KEY CORPORATE UPDATES



- **KVMRT2** – 85% of total project awarded to date; 25 works packages valued at over RM27bn awarded to date, comprising 1 Underground, 6 Viaduct and 7 Systems packages, 2 supply packages, 1 depot package; Gamuda JV bags the coveted Underground Contract worth RM15.47bn; remaining sizeable works packages to be awarded over the next 6 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 RM32bn
- **KVMRT3** – alignment studies are nearing completion; planned as a circle line to provide seamless connections between the several radial public transport train lines; running largely underground; project rollout targeted for late 2018
- **Penang Transport Master Plan (PTMP)** – environmental and social impact studies nearing completion; submissions to DoE expected by Jan '17; Railway Scheme submitted to SPAD; validity of LoA for PDP agreement extended to February 2017
- **KVMRT1** - cumulative progress on underground works at 94% (+2%) and PDP scope 94% (+4%) respectively at end Q1 FY17; on track to meeting cost and time KPIs; Phase 1 (Northern section) opened for service on 16 Dec, whilst the entire Line 1 is scheduled for operations by July '17
- **KVMRT2** – cumulative progress at <2%, ongoing works focused on site clearing, site establishment, utilities relocations, soil investigations; UG works will require 16 tunnel drives, using 12 TBMs; first tunnel drive expected to start in Nov 2017
- **Property presales** – modest Q1 with RM430m achieved; RM1.9bn unbilled sales at end Q1; maintaining RM2.1bn presales for full year; stronger presales in coming quarters with planned launches of 3 major new townships in 1HY2017
- **Splash disposal** - final independent valuation being undertaken, disposal expected to be concluded by Q2 2017

CONSTRUCTION ORDER BOOK

- Current unbilled order book about **RM8.9 billion** (Oct 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	Preliminary works have commenced
Pan Borneo Sarawak (65% share)	1.0	0	Early 2021	Site preparation, preliminary works have commenced
<u>Nearing Completion</u>				
KVMRT Line 1 (SBK Line) Underground (50% share)	0.2	94	Mid-2017	Phase 1 opened for service. Full line to be operational by July '17

CONSTRUCTION OUTLOOK



- Earnings rebound in Q1; PBT improved 16% to RM59m despite a 18% fall in revenue to RM696m; consequently, margins improved to 8.5% compared to 6.0% in the previous corresponding quarter
- Unbilled order book stands at a record RM8.9bn following 2 major contract wins totalling RM8.7bn this year – KVMRT2 Underground and Pan Borneo Sarawak Highway projects
- KVMRT1 – stations works move into final Architectural and Building Services fit-out stages; testing and commissioning works also in full swing; Phase 1 line service opened on 16 Dec, and full service opening scheduled by July 2017
- KVMRT2 – 25 Works Packages worth over RM27bn awarded to date; for civil works, remaining 4 Viaduct packages expected to be awarded over next 6 months; site clearing, site establishments, utilities relocations, TBM refurbishments ongoing
- Penang Transport Master Plan (PTMP) – PDP agreement deadline extended to Feb 2017; Railway Scheme submitted to SPAD for approval; DoE submission expected by Jan '17;
- Other projects – several large infrastructure projects expected to be implemented over next 2 years; among these are LRT3, Pan-Borneo Sabah, KVMRT3, HSR, ECRL, etc; these will provide opportunities to further build up order book

PROPERTIES OUTLOOK



- Property earnings continued to weaken in Q1; Q1 revenue slipped 2% to RM272m, but PBT fell 29% to RM48m; PBT margin fell to 17.5% from 24.1% previously
- Group presales totalled RM430m in Q1, with unbilled sales at RM1.9bn; stronger presales in the coming quarters expected with the planned launches of 3 new major townships in 2017; full year projections of RM2.1bn maintained
- Domestic presales expected to improve in FY17, following 3 new launches - Kundang Estates (Dec '16) and Gamuda Gardens (Mar '17); expect strong response as both projects have good MRT accessibility; Twentyfive.7 to be launched in mid-2017
- Both projects in Vietnam continue to perform satisfactorily, contributing almost 40% of total presales

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 at an advanced stage

FRS – 11 JOINT ARRANGEMENTS

- 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