

Gamuda Berhad

KVMRT2 Contract Awards Imminent

Q2 2016 INVESTORS' BRIEFING

24 March 2016

INCOME STATEMENT SUMMARY



(RMmil)	HYE Jan '16	HYE Jan '15	Change (%)
Revenue	1,040.2	1,222.9	-15
Profit from operations (EBIT)	218.7	319.9	-32
Finance Costs	(59.4)	(55.7)	+7
Share of JVs (net of tax)	122.0	88.8	+37
Share of associates (net of tax)	103.4	105.6	-2
Profit before tax	384.7	458.6	-16
Tax	(41.9)	(65.4)	-36
Minority Interests	(21.5)	(25.2)	-15
Net profit attributable to equity holders	321.3	368.0	-13
Fully diluted EPS (sen)	13.4	15.6	
Dividend per share (sen)	6.0	6.0	
EBIT margins (%)	21.0	26.2	
PBT margins (%)	37.0	37.5	

INCOME STATEMENT (before FRS 11)



(RMmil)	HYE Jan '16	HYE Jan '15	Change (%)
Revenue	2,182.1	2,349.0	-7
Profit from operations (EBIT)	388.9	438.0	-11
Finance Costs	(64.7)	(60.3)	+7
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	103.4	105.6	-2
Profit before tax	427.7	483.4	-12
Tax	(84.8)	(90.1)	-6
Minority Interests	(21.5)	(25.2)	-15
Net profit attributable to equity holders	321.3	368.0	-13
Fully diluted EPS (sen)	13.4	15.6	
Dividend per share (sen)	6.0	6.0	
EBIT margins (%)	17.8	18.6	
PBT margins (%)	19.6	20.6	

BALANCE SHEET SUMMARY



(RMmil)	As at 31 Jan '16	As at 31 Oct '15
Current Assets	4,848.1	5,455.7
Current Liabilities	1,877.5	2,261.7
Current Ratio	2.6x	2.4x
Total borrowings	4,456.6	4,455.7
Cash and marketable securities	938.7	1,421.4
Net cash	(3,517.9)	(3,034.3)
Share capital	2,405.9	2,405.9
Reserves	4,234.4	4,243.2
Equity attributable to equity holders	6,640.3	6,649.1
Net gearing (overall)	53%	46%
Net assets per share (RM)	2.76	2.76

QUARTERLY SEGMENTAL PROFITS



(RMmil)	Q215	Q315	Q415	Q116	Q2 `16	Q2 `15	+/-
Construction & Eng	75.0	63.2	48.3	51.0	47.1	75.0	-37
Properties	64.8	81.8	67.1	66.8	59.0	64.8	-9
Concessions	97.2	78.6	91.3	98.4	105.4	97.2	+8
Group Pretax Profit	237.0	223.6	206.7	216.1	211.5	237.0	-11
Group Net Profit	182.2	160.4	153.7	161.2	160.1	182.2	-12

YTD Segmental PBT

YTD PBT Margins

(RMmil)	HY 16	HY 15	+/-	%	HY 16	HY 15
Construction	98.1	128.9	-24	Construction	6.9	8.3
Properties	125.8	146.5	-14	Properties	23.4	24.9
Concessions	203.7	207.9	-2	Concessions	n.m.	n.m.
Group PBT	427.7	483.4	-12	Group PBT	19.6	20.6

KEY HIGHLIGHTS



- **Earnings stabilize** – HY group PBT and net profit decline 12% and 13% respectively y-o-y; construction, properties decline y-o-y, but buffered by stronger concessions division; importantly, sequential quarterly PBT and net earnings are flattish
- **KVMRT2 awards imminent** – several key civil packages, including the Underground package, likely to be awarded soon, marking the start of Line 2
- **KVMRT1** – 85% completed (UG), and 76% completed (elevated), giving an overall project completion of 78%; progressing on schedule; on track for timely completion with no significant cost overruns
- **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
- **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
- **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** – initial awards of major civil packages expected soon, marking the official roll-out of Line 2; underground package expected to be in first batch of awards; most of the other civil packages to be awarded over the next 12-15 months; total of 10V (Viaduct) and 1 Underground package (UG) up for grabs
- **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 RM28-30bn
- **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 and SPAD being prepared and finalized; 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 85% (+5%) and PDP scope 76% (+6%) respectively at end Q2 FY16; on track to meeting cost and time KPIs
- **PDP progress** – civil works fully completed; foundations (100%), pier construction (100%); elevated guideways (100%); SBG production (100%), track-laying (94%), system works (82%), 28 electric trains delivered and undergoing testing
- **Property presales** – RM115m achieved in Q2 FY16 (-60% y-o-y); RM1.0bn unbilled sales at end Q2; HY presales at RM385m (-28% y-o-y); shortfalls primarily from domestic market which remains sluggish; expecting a stronger 2HY but still likely to revise down full year presales projections

CONSTRUCTION ORDER BOOK

- Current unbilled order book about **RM0.6 billion** (end Q2 FY16)

Major Projects	Balance works (RMbn)	Completion Status		Comments
		% now	completion date	
<u>Ongoing</u> KVMRT Line 1 (SBK Line) Underground (50% share)	0.6	85	Mid-2017	Tunnelling works fully completed, stations construction progress ranges between 75-90%

CONSTRUCTION OUTLOOK



- Weaker HY performance as KVMRT1 civil works start to taper off; revenue dropped 8% to RM1.4bn whilst PBT fell 24% to RM98m y-o-y; end Q2 unbilled order book stands at RM0.6bn (excluding PDP works)
- PBT margin improved to 8.2% in Q2 compared to 6.0% in Q1; for HY, margins came in at 6.9% compared to 8.3% in the previous year
- KVMRT1 – tunnelling works fully completed; stations progress ranges between 75% to 90%; tracks, systems, electrification, signalling, train testing works are all progressing rapidly and on schedule
- KVMRT2 – project roll-out imminent; several civil works tenders have closed and have been evaluated; major awards (including Underground package) expected soon; PDP agreement signed; full project completion in 2022
- Penang Transport Master Plan (PTMP) – SRS consortium (60%-led by Gamuda) awarded the PDP role; PDP agreement signing deadline likely to be extended; intensive detailed negotiations on various project aspects ongoing
- 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



- Q2 performance weakens further; for HY, revenue slipped 9% to RM539m whilst PBT slipped 14% to RM126m; PBT margin also slipped to 23.4%
- Group achieved new presales of RM115m for Q2 (-60% y-o-y), whilst HY presales totalled RM385m (-28%); overseas projects account for almost 60% of presales; unbilled sales stands at RM1.0bn
- Domestic market remains sluggish whilst overseas projects help cushion domestic weakness; domestically, focus remains on planning and securing approvals for new township projects which will be launched from late 2016 onwards (Kundang Estates, Bandar Serai)
- Vietnam projects achieving mixed results; whilst Celadon City is meeting expectations, Gamuda City is beginning to slow down
- Expect full year presales projections to be revised down in light of persistent market weakness

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 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