Gamuda Berhad

Overseas contributions replace highway earnings

Q2'23 INVESTORS' BRIEFING

23 March 2023

KEY HIGHLIGHTS

- **Another strong Q2 drives HY growth –** HY earnings grew a robust 17% y-o-y, as stronger construction and property earnings fill the earnings vacuum left after the highway divestment; group revenues expanded 26% to RM3.7b as lower domestic revenues were easily offset by a tripling in overseas revenues

- **Overseas contributions replace highway earnings –** our anchor Australian project SMW-WTP has achieved 20% completion, and is now a key revenue driver for overseas construction; likewise, a surge in property billings in Vietnam has underpinned strong revenue growth; combined, overseas revenues have tripled to RM1.6b, accounting for 43% of group revenue, whilst overseas net profit now accounts for 38% of group net profit, comfortably replacing all the highway earnings lost after divestment

- **DTI acquisition highly strategic –** the acquisition will pave the way for our immediate entry into the small and mid-sized rail projects, increase our geographical footprint in Australia significantly, enable the group to scale-up with an additional 1000+ strong manpower, and catapults Gamuda to among the top Tier 1 contractors in Australia. DTI also brings new skillsets which will enable the group to bid for large and medium sized jobs independently of external JV partners

- **DTI adds another AUD2b to order book –** upon completion of the acquisition in mid-23, DTI will add another AUD2b to our order book, bringing the total order book to a record RM20.5b

- **MRT3 expected to roll-out in 2HY23 –** the government is targeting a RM5b cost reduction to total project cost, and is likely to achieve these cost savings from project management, land acquisition and construction optimisations; tendering for the main civil works packages have completed, and indications are that MMC-Gamuda has come in the lowest for the tunnelling package

- **Property presales to ramp up in 2HY –** HY presales fell to RM1b (-45%) as Singapore's OLA has left a vacuum after fully selling out last year; however, 2HY presales are expected to improve significantly as large bookings backlog get converted to sales, and indicative strong responses to upcoming launches; maintain full year target of RM4.5b

INCOME STATEMENT (as reported, continuing + discontinued operations, excluding one-off gain on disposal of highways)

GAMUDA

(RMmil)	HY ended 31 Jan ’23 *(incl 3 months of highway contributions)*	HY ended 31 Jan ’22 *(incl 6 months of highway contributions)*	Change (%)
Revenue	**2,797.3**	**2,035.4**	**+37**
Profit from operations (EBIT)	364.7	248.2	+47
Finance Costs	(58.2)	(56.9)	+2
Share of JVs (net of tax)	144.6	166.1	-13
Share of associates (net of tax)	23.7	61.3	-61
Profit before tax	**474.8**	**418.7**	**+13**
Tax	(61.9)	(66.5)	-7
Non-controlling interests	(27.9)	(22.7)	+23
Core net profit attributable to equity holders	**385.0**	**329.5**	**+17**
Fully diluted EPS (sen)	14.6	13.1	
Dividend per share (sen)	**44.0***	**6.0**	
**** including special dividend of 38 sen/share***			
EBIT margins (%)	**13.0**	**12.2**	
PBT margins (%)	**17.0**	**20.6**	

INCOME STATEMENT (pre-FRS, continuing + discontinued operations, excluding one-off gain on disposal of highways)

GAMUDA

(RMmil)	HY ended 31 Jan '23 *(incl 3 months of highway contributions)*	HY ended 31 Jan '22 *(incl 6 months of highway contributions)*	Change (%)
Revenue	**3,701.9**	**2,927.2**	**+26**
Profit from operations (EBIT)	579.6	477.8	+21
Finance Costs	(63.4)	(65.0)	-3
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	23.7	61.3	-61
Profit before tax	**539.9**	**474.1**	**+14**
Tax	(127.1)	(121.9)	+4
Non-controlling interests	(27.9)	(22.7)	+23
Core net profit attributable to equity holders	**385.0**	**329.5**	**+17**
Fully diluted EPS (sen)	14.6	13.1	
Dividend per share (sen)	**44.0***	**6.0**	
** including special dividend of 38 sen/share*			
EBIT margins (%)	**15.7**	**16.3**	
PBT margins (%)	**14.6**	**16.2**	

INCOME STATEMENT (pre-FRS, continuing operations only, excluding one-off gain on disposal of highways)

GAMUDA

(RMmil)	HY ended 31 Jan '23 *(no highway contributions)*	HY ended 31 Jan '22 *(no highway contributions)*	Change (%)
Revenue	**3,654.2**	**2,798.5**	**+31**
Profit from operations (EBIT)	538.4	433.9	+24
Finance Costs	(60.3)	(57.4)	+5
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	1.8	3.8	-52
Profit before tax	**479.9**	**380.3**	**+26**
Tax	(124.3)	(107.5)	+16
Non-controlling interests	(16.0)	(12.4)	+29
Core net profit attributable to equity holders	**339.6**	**260.4**	**+30**
Fully diluted EPS (sen)	12.9	10.4	
Dividend per share (sen)	**44.0***	**6.0**	
***including special dividend of 38 sen/share**			
EBIT margins (%)	**14.7**	**15.5**	
PBT margins (%)	**13.1**	**13.6**	

BALANCE SHEET

(RMmil)	As at 31 Jan '23	As at 31 July '22
Current Assets	11,228.5	13,344.0
Current Liabilities	4,784.6	5,890.6
Current Ratio	2.3x	2.3x
Total borrowings	4,783.6	4,780.1
Cash and marketable securities	4,059.2	3,495.1
Net cash (borrowings)	**(724.4)**	**(1,285.0)**
Share capital	3,931.9	3,723.2
Reserves	6,237.6	6,181.8
Non-controlling interests	140.7	349.4
Total Equity	**10,310.2**	**10,254.4**
Net gearing (overall)	**7%**	**13%**
Net assets per share (RM)	3.88	3.88

QUARTERLY SEGMENTAL PROFITS

(continuing + discontinued operations, excluding gain on disposal of highways)

(RMmil)	Q222	Q322	Q422	Q123	Q223	Q222	%
Construction & Eng	161.2	81.8	157.5	139.2	187.2	161.2	+16
Properties	68.7	159.8	188.3	75.3	78.3	68.7	+14
Concessions	24.5	44.9	15.9*	59.9	0.0	24.5	n.m.
Group Pretax Profit	**254.4**	**286.5**	**361.7**	**274.4**	**265.5**	**254.4**	+4
Group Net Profit	**177.1**	**221.5**	**255.2**	**190.4**	**194.6**	**177.1**	+10

** After RM26m write-off for sale of SMART*

YTD Segmental PBT

(RMmil)	HY23	HY22	%
Construction	326.4	286.4	+14
Properties	153.6	97.6	+57
Concessions	59.9	90.0	-33
Group PBT	**539.9**	**474.1**	+14

YTD PBT Margins

%	HY23	HY22
Construction	13.3	15.4
Properties	12.8	10.5
Concessions	n.a.	n.m.
Group PBT	14.6	16.2

SEGMENTAL ANALYSIS (by segment & geography)

GAMUDA

(RMm)	HY ended 31 Jan '23	HY ended 31 Jan '22	Change (%)
Revenue (by segment)			
Construction	2,451.4	1,860.7	+32
Properties	1,202.8	932.6	+29
Concession	47.7	133.9	-64
Total Revenue	**3,701.9**	**2,927.2**	**+26**
Net Profit (by segment)			
Construction	227.2	187.2	+21
Properties	112.4	73.2	+53
Concession	45.4	69.0	-34
Total Core Net Profit	**385.0**	**329.5**	**+17**
Revenue (by geography)			
Malaysia	2,116.6 ***(57%)***	2,467.7 ***(84%)***	-14
Overseas	1,585.4 ***(43%)***	459.5 ***(16%)***	+245
Total Revenue	**3,701.9** ***(100%)***	**2,927.2** ***(100%)***	**+26**
Core Net Profit (by geography)			
Malaysia	239.0 ***(62%)***	270.2 ***(82%)***	-12
Overseas	146.0 ***(38%)***	59.3 ***(18%)***	+146
Total Net Profit	**385.0** ***(100%)***	**329.5** ***(100%)***	**+17**

CASH FLOW SUMMARY

GAMUDA

(RM mil)	HY ended 31 Jan '23	HY ended 31 Jan '22
Net cash (used in)/ generated from operating activities	31.3	(186.1)
Net cash (used in)/generated from investing activities	1,868.3	164.2
Net cash generated from/(used in) financing activities	(1,401.5)	178.8
Net (decrease) increase in cash and cash equivalents	**498.1**	**157.0**
Effects of exchange rate changes	(85.9)	(16.4)
Cash and cash equivalents at beginning of the period	1,908.4	1,310.3
Cash and cash equivalents at end of the period	**2,320.6**	**1,450.9**

GROUP BORROWINGS AND DEBT SECURITIES

GAMUDA

(RM mil)	As at 31 Jan '23	As at 31 July '22
Long Term Borrowings		
Medium Term Notes	1,850.0	1,950.0
Term Loans	1,612.7	1,277.6
Revolving Credits	0.0	3.1
	3,462.7	**3,230.7**
Short Term Borrowings		
Medium Term Notes	500.0	900.0
Commercial Papers	250.0	100.0
Term Loans	50.0	136.3
Revolving Credits	520.8	413.1
	1,320.8	**1,549.4**
Total Borrowings *(excluding discontinued operations)*	**4,783.6**	**4,780.1**

KEY UPDATES – Construction

GAMUDA

- **Another strong quarter –** the division maintained its strong performance in Q2, supported by improving contributions from overseas projects; for HY, PBT came in at RM326m, up a robust 14% from RM286m in the previous HY, as revenue surged 32% to RM2.5b; PBT margin slipped to 13.3% from 15.4% previously, as overseas projects became more prominent

- **Order book stands at a record RM20.5b –** this includes a A$2b (RM6.0b) contribution from DTI (acquisition completes in mid '23), and our third Australian win (M1 Motorway, RM1.2b); our overseas order book now accounts for 88% of total order book, with 71% coming from Australia, including DTI; current order book will last 3 to 4 years, and provide earnings visibility up to FY26/27; the division continues to aggressively pursue targeted projects in all key markets

- **MRT3 expected to roll-out by year end –** as per Budget, the government targets to reduce the overall project cost from RM50b to RM45b; we believe these cost savings will come mainly from the project management, land acquisition and construction optimisations, and will be relatively easy to achieve

- **Tendering for civil packages completed –** reliable news sources reveal that MMC-Gamuda has come in the lowest bidder for the main Underground package at RM13.3b, followed by the IJM group at RM13.8b; this positions the Group as the frontrunner to win the Underground and Tunnelling package

- **PSI EIA approval pending –** the Minister in-charge of granting approval has indicated that there still needs to be further evaluation of the EIA before approval can be granted; however, recent EIA approval meetings have been positive and approval may still come within the next quarter

- **MRT2 completed and fully operational –** Phase 2 of the Line (including the Underground section) was opened to the public earlier this month

CONSTRUCTION ORDER BOOK (Malaysia)

GAMUDA

- Total group unbilled order book about **RM20.5 billion** (Jan 2023)

Remaining Projects	Balance works (RMb)	Completion Status		Comments
		% now	Award/ Completion year	
MALAYSIA (TOTAL RM2.4b/12%)				
1) KVMRT Line 2 (50% share)	0.0	100	2016/2022	Line opened and fully operational
2) Pan Borneo Sarawak (65% share)	0.0	99	2020/2022	Demobilizing
3) Second trunk road Sarawak	0.1	42	2020/2024	Steady progress
4) Residential building works	0.1	77	various	Steady progress
5) Other civil works	0.2	64	various	Steady progress
6) Rasau WTP – Phase 1	2.0	1	2022/25	Major domestic win
Total Malaysia	**2.4**			

CONSTRUCTION ORDER BOOK (Overseas Australia)

GAMUDA

Remaining Projects	Bal works (RMb)	Completion Status		Comments
		% now	Award/ Completion year	
OVERSEAS AUSTRALIA (TOTAL RM14.6b/71%)				
Australia				
1) SMW-WTP (100% share)	5.5	15	2022/2026	Significant breakthrough project
2) Coffs Harbour Bypass (50% share)	1.9	5	2022/2027	Second Australia win
3) M1 Motorway (40% share)	1.2	0	2023/2028	Third Australian win
4) DTI projects*	6.0*	various	various	Completing acquisition in Q3
Total Australia	**14.6**			
***** *upon completion of acquisition*				

CONSTRUCTION ORDER BOOK (Overseas Others)

GAMUDA

Remaining Projects	Bal works (RMb)	Completion Status		Comments
		% now	Award/ Completion year	
OVERSEAS OTHERS (TOTAL RM3.5b/17%)				
Taiwan				
1) Marine bridge (70% share)	0.1	75	2019/2023	1st Taiwan win; on schedule
2) Seawall reclamation (70% share)	0.3	50	2020/2025	2nd Taiwan win; on schedule
3) Transmission line (50% share)	0.2	0	2021/2025	3rd Taiwan win; initial works
4) Marine bridge ext (70% share)	0.2	12	2022/2024	4th Taiwan win; mobilizing
5) Tao Yuan underground (60% share)	1.3	0	2022/2030	5th Taiwan win; mobilizing
Total Taiwan	**2.1**			
Singapore				
1) Bus depot (100% share)	0.6	30	2019/2023	Taken over JV partner's share
2) Defu station, tunnels (60% share)	0.8	3	2022/2030	1st tunnel project in Singapore
Total Singapore	**1.4**			

KEY UPDATES – Properties

GAMUDA

- **Strong revenue growth from record presales –** HY revenue grew 29% to RM1.2b, whilst PBT surged 57% to RM154m from RM98m previously; PBT margin improved to 12.8% from 10.5% before; Celadon City continues to be the main earnings driver for the group given its matured development
- **Presales expected to ramp up in 2HY –** Q2 presales improved slightly over Q1 to RM560m in Q2, bringing HY presales to RM1.0b (-47%); domestically, buyers adopted a 'wait-and-see' attitude after a hung GE15, whilst overseas, new projects such as Artisan Park and Elysian are rapidly building up sales momentum; 2HY presales expected to surge given large bookings-in-hand, and indicative strong responses to upcoming new launches
- **Domestic presales supported overall presales –** in the HY, domestic presales accounted for 70% of total presales; Gamuda Cove, Gamuda Gardens, Jade Hills and twentyfive.7 combined accounted for 80% of domestic presales; unbilled sales total RM5.4b
- **QTP presales picking up significantly –** overseas presales are now dominated by QTPs which were acquired 1-2 years ago – these include West Hampstead Central (London), Artisan Park (Binh Duong) and The Canopy on Normanby (Melbourne); these 3 recently-launched developments now account for 80% of overseas presales
- **More QTPs to be added to portfolio –** the group targets to add 3 or 4 new QTPs every year in order to improve ROEs, diversify markets and improve capital utilization efficiency
- **New theme and activity parks will add significant value –** Splashmania's opening has increased the township's footfall by >3x, and boosted take-up rates; likewise, the Big Bucket Splash water park has doubled the footfall and improved the commercial value in GG; the upcoming Luge Activity Park will further underpin sales growth

Thank You