

Gamuda Berhad

Toll Roads Offer Appears Reasonable

Q3 '19 INVESTORS' BRIEFING

27 June 2019

INCOME STATEMENT



(RMmil)	9 months ending Apr '19	9 months ending Apr '18 (Restated)	Change (%)
Revenue	3,065.7	3,004.9	+2
Profit from operations (EBIT)	545.7	556.0	-2
Finance Costs	(73.4)	(76.7)	-4
Share of JVs (net of tax)	134.3	172.0	-22
Share of associates (net of tax)	78.5	152.7	-49
Profit before tax	685.2	804.0	-15
Tax	(119.6)	(130.7)	-8
Minority Interests	(44.4)	(39.6)	+12
Net profit attributable to equity holders	521.2	633.8	-18
Fully diluted EPS (sen)	21.1	24.8	
Dividend per share (sen)	12.0	12.0	
EBIT margins (%)	17.8	18.5	
PBT margins (%)	22.3	26.8	

INCOME STATEMENT (before FRS 11)



(RMmil)	9 months ending Apr '19	9 months ending Apr '18 (Restated)	Change (%)
Revenue	5,204.0	5,271.8	-1
Profit from operations (EBIT)	740.7	784.6	-6
Finance Costs	(85.9)	(89.4)	-4
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	78.5	152.7	-49
Profit before tax	733.3	847.9	-14
Tax	(167.7)	(174.5)	-4
Minority Interests	(44.4)	(39.6)	+12
Net profit attributable to equity holders	521.2	633.8	-18
Fully diluted EPS (sen)	21.1	24.8	
Dividend per share (sen)	12.0	12.0	
EBIT margins (%)	14.2	14.9	
PBT margins (%)	14.1	16.1	

BALANCE SHEET SUMMARY



(RMmil)	As at 30 Apr '19	As at 31 July '18 (Restated)
Current Assets	8,639.3	7,474.2
Current Liabilities	4,248.1	3,773.2
Current Ratio	2.0x	2.0x
Total borrowings	5,853.5	5,736.7
Cash and marketable securities	2,538.2	1,622.9
Net cash	(3,315.3)	(4,113.8)
Share capital	3,459.7	3,452.9
Reserves	4,553.9	4,139.1
Non-controlling interests	391.5	383.7
Total Equity	8,405.1	7,975.7
Net gearing (overall)	39%	52%
Net assets per share (RM)	3.25	3.08

QUARTERLY SEGMENTAL PROFITS

(RMmil)	Q318	Q418	Q119	Q219	Q3 `19	Q3 `18	%
Construction & Eng	102.0	61.7	98.4	93.2	89.3	102.0	-12
Properties	57.4	111.8	46.6	57.5	86.4	57.4	+51
Concessions	101.3	95.4	94.5	88.7	78.7	101.3	-22
Group Pretax Profit	260.7	268.9	239.5	239.4	254.4	260.7	-2
Group Net Profit	206.1	203.4	173.1	172.0	176.0	206.1	-15

YTD Segmental PBT

YTD PBT Margins

(RMmil)	9M19	9M18	%	%	9M19	9M18
Construction	280.9	331.9	-15	Construction	9.0	10.7
Properties	190.5	168.9	+13	Properties	11.3	9.5
Concessions	261.9	324.6	-19	Concessions	n.m	n.m
Group PBT	733.3	825.4	-11	Group PBT	14.1	15.7

CASH FLOW SUMMARY



(RM mil)	9 months ended Apr '19	9 months ended Apr '18 (Restated)
Net cash used in operating activities	237.1	(0.9)
Net cash used in investing activities	560.7	(93.2)
Net cash generated from financing activities	(69.0)	358.7
Net increase in cash and cash equivalents	728.7	264.7
Effects of exchange rate changes	10.0	(26.0)
Cash and cash equivalents at beginning of the period	977.1	499.5
Cash and cash equivalents at end of the period	1,715.8	738.1

GROUP BORROWINGS AND DEBT SECURITIES



(RM mil)	As at 30 Apr '19	As at 30 Apr '18
Long Term Borrowings		
Medium Term Notes	2,275.0	2,465.0
Term Loans	1,619.6	2,070.3
Revolving Credits	63.3	115.3
	3,957.9	4,650.6
Short Term Borrowings		
Medium Term Notes	390.0	890.0
Commercial Papers	300.0	0.0
Term Loans	272.1	167.5
Revolving Credits	933.6	0.0
	1,895.7	1,057.5
Total Borrowings	5,853.5	5,708.1

KEY HIGHLIGHTS



- **Disposal of toll highways likely** – MoF’s offer of RM2.36b for stakes in 4 toll highways appears reasonable, when viewed in context of policy, regulatory and traffic risks; offer price derived on a ‘willing buyer, willing seller’ basis, using DCF methodology, favourable discount rates and is consistent with market norms
- **Concessions earnings vacuum** – with disposal of toll highways and Splash, the concession division will be left with just Gamuda Water; efforts are ongoing to rebuild this ‘recurring income’ earnings base; expect earnings decline in FY20, followed by recovery in FY21, FY22
- **Construction outlook brightens up** – ECRL, Bandar Malaysia projects revived; several other infra projects being reconsidered/reevaluated (PTMP, KVMRT3, HSR, etc); selective project rollouts likely from next year onwards, possibly led by PTMP and MRT3
- **Q3 earnings largely stable** – construction was steady, properties improved and concessions stayed flat, after adjusting for Splash; ytd net profit declined 18% on flat revenues
- **PTMP gearing up for rollout** – with all approvals ‘in place’, and positive indications of financial support for the project from the Federal government, we envisage the initial contract awards of various components to commence from mid-2020 onwards

KEY UPDATES – Construction



- **Q3 performance remained steady** – billings progressed at a healthy rate of RM1b/quarter, with pretax earnings stable at around the RM90m/quarter level; margins remained stable at 9.1%; unbilled order book stands at RM10.0b as at end Q3, sufficient to last till early 2022
- **Construction outlook likely to improve** – following the revival of ECRL and Bandar Malaysia projects, other catalytic projects being reassessed/reevaluated include KVDT, RTS, Pan Borneo Sabah, KVMRT3, PTMP and some privately financed infra projects; the PTMP and KVMRT3 projects are of particular interest to the Group
- **PTMP set to commence next year** – positive indications from the Federal government suggest that some key funding issues could soon be resolved; PDP agreement likely to be signed in Q3, but PDP work is already progressing at full steam; a likely scenario is that reclamation works for Island A will start in 2HY20, with key infra components (LRT, PIL) following between 3-6 months thereafter
- **Building up sustainable overseas markets** – with structurally lower domestic margins, a strategic decision has been taken to build up presence in key overseas markets to augment the pipeline of new infra projects; four target markets have been identified for now – Australia, Singapore, Taiwan and Vietnam; tailor-made strategies will be adopted for each market in order to tap the opportunities available, and leveraging on our talent pool, engineering expertise and balance sheet strength

CONSTRUCTION ORDER BOOK

- Current unbilled order book about **RM10.0 billion** (Apr 2019)

Major Projects	Balance works (RMbn)	Completion Status		Comments
		% now	completion date	
<u>Ongoing</u>				
KVMRT Line 2 (50% share)	8.5	45	Mid-2022	Restructured into a single turnkey contract
Pan Borneo Sarawak (65% share)	0.4	44	Early 2021	Work momentum steadily building up
Marine Bridge, Taiwan (70% share)	0.4	0	2022	Newly secured
Other projects	0.7	18	various	Building works

KEY UPDATES – Properties



- **Q3 earnings expanded, delivering strong ytd growth** – Q3 earnings came in at RM86m, up 50% over the corresponding period last year, and over Q2 this year; ytd, the division achieved 13% growth to RM191m; ytd pretax margins improved to 11.3% from 9.5% previously; margin strength was contributed mainly by the Vietnamese projects, and selected matured domestic townships
- **9 month presales topped RM2bn** – Q3 presales topped RM0.7b (unch yoy), bring ytd presales to RM2.0b (-23% yoy); FY19 presales now likely to range between RM3.5b to RM3.8b; lower presales largely due to the completion of GEMS residences last year; excluding GEMS, active ongoing projects are achieving underlying presales growth of between 30-35% yoy; unbilled sales stand at RM2.2b
- **Vietnam projects continue to shine** – ytd sales totalled RM1.2b, and appear on track to exceed FY target of RM1.5b; as before, overseas projects continue to dominate presales; selling prices in Vietnam are trending up, and margin strength is likely to continue; Celadon City continues to exceed sales targets; on the lookout for a new project to sustain Vietnam sales in the medium term
- **Focused on Gamuda Cove, Gardens, twentyfive.7** – initial hiccups and delays have resulted in slower-than-expected take-up rates, but teething issues are being resolved; expect stronger presales contributions from FY20 onwards

KEY UPDATES – Concessions



- **MoF offers to buy all 4 toll highways** – the all-cash offer places a total Enterprise Value of RM6.2b, and Equity Value of RM4.5b for all 4 highways (projected at end Dec '19, the targeted completion date); the Group's share of equity value works out to RM2.36b; the offer remains valid till 12 July and is inter-conditional on all 4 highways being accepted;
- **Fears of expropriation or 'forced sale' unfounded** – negotiations were done professionally, on a 'willing-buyer, willing-seller' basis, and adhered to market norms and practices (DCF valuation methodology, fair discount rates, benchmark pricing, etc)
- **Shareholders approvals required for both Litrak and Gamuda** – Litrak requires minimum 75% approval, whilst Gamuda requires >50%; shareholder EGMs will likely be held in Nov/Dec, in time for the completion date of end Dec
- **Earnings profile will change significantly post disposal** – future concession earnings will be monetized upfront and result in a cash warchest; management will seek to acquire/invest in new 'recurring income' businesses; group earnings will likely decline in FY20, and recover starting FY21
- **SPLASH disposal completed, new OMA signed** – payments due for Splash received in full, resulting in lower net gearing; new O&M agreement signed to lock-in Gamuda Water's role as O&M operator for the next 9 years

Thank You