

# Gamuda Berhad

*Covid Crushes Q3 performance*

**Q3 '20 INVESTORS' BRIEFING**

*24 June 2020*

# KEY HIGHLIGHTS



- **Covid-19 lockdown hits all divisions badly** – the lockdown, which spanned half of Q3, saw virtually all activities across the Group completely ceasing; this resulted in Q3 group revenues falling almost 50%, pretax profits falling up to 65% from normalized pre-Covid levels
- **Awaiting new economic policies and direction** – possibility of increased pump priming to cushion impending economic downturn and stabilize economy; shovel-ready projects could be fast-tracked to generate maximum economic benefits in the shortest possible time
- **KVMRT3, PSR projects are shovel-ready** – if approved, these projects can be rolled out by 1HY21; the Penang South Reclamation (PSR) project is awaiting State's nod to proceed; the Penang LRT project may face financing issues depending on whether the new Federal government will continue to guarantee the State bonds
- **No second interim dividend** – in view of the effects of the Covid-19 pandemic, and the uncertain business prospects

# COVID-19 – Impact and Challenges

- **Domestic activities almost totally halted groupwide** – a near 8-week nationwide lockdown saw almost all construction and properties activities ceasing completely, and traffic volumes on toll roads dry up; only critical construction works were allowed to continue, namely the Underground Tunneling works and some critical long-span launching works above ground for MRT2; the lockdown spanned the second half of the Q3 period, and into early Q4
- **Lockdown period used to prepare for the new norm** – Covid testing of all workers, reconfiguring CLQs, restructuring project teams to mitigate risks, reinforcing safety protocols – these were planned and executed, to minimize the downtime post lockdown
- **Work from home (WFH) instituted for office staff** – all departments have instituted WFH programmes, reducing office headcount by up to 50%; health declarations and screenings are carried out daily, with full contact tracing procedures in place
- **New norm will see efficiency, productivity fall** – social distancing and other precautions will result in significantly slower work progress and reduced efficiency, and this will be reflected in construction and properties billings in the months ahead
- **Very weak 2HY in store** – with 2 months ‘lost time’, additional costs to comply with new SOPs, disruptions to the supply chains, adjustments to work procedures, and slow ramping up will translate to a dismal 2HY performance; Q3, however, will bear the brunt of it

# INCOME STATEMENT



(RMmil)	9 months ended 30 April '20	9 months ended 30 April '19	Change (%)
<b>Revenue</b>	<b>2,736.4</b>	<b>3,065.7</b>	<b>-11</b>
Profit from operations (EBIT)	330.6	545.7	-39
Finance Costs	(76.3)	(73.4)	+4
Share of JVs (net of tax)	157.0	134.3	+17
Share of associates (net of tax)	91.4	78.5	+16
<b>Profit before tax</b>	<b>502.8</b>	<b>685.2</b>	<b>-27</b>
Tax	(83.9)	(119.6)	-30
Minority Interests	(29.9)	(44.4)	-33
<b>Net profit attributable to equity holders</b>	<b>389.0</b>	<b>521.2</b>	<b>-25</b>
Fully diluted EPS (sen)	15.6	21.1	
<b>Dividend per share (sen)</b>	<b>6.0</b>	<b>12.0</b>	
<b>EBIT margins (%)</b>	<b>12.1</b>	<b>17.8</b>	
<b>PBT margins (%)</b>	<b>18.4</b>	<b>22.3</b>	

# INCOME STATEMENT (before FRS 11)



(RMmil)	9 months ended 30 April '20	9 months ended 30 April '19	Change (%)
<b>Revenue</b>	<b>5,015.3</b>	<b>5,203.6</b>	<b>-4</b>
Profit from operations (EBIT)	562.0	740.7	-24
Finance Costs	(92.8)	(85.9)	+8
Share of JVs (net of tax)	-	-	-
Share of associates (net of tax)	91.4	78.5	+16
<b>Profit before tax</b>	<b>560.6</b>	<b>733.3</b>	<b>-24</b>
Tax	(141.7)	(167.7)	-16
Minority Interests	(29.9)	(44.4)	-33
<b>Net profit attributable to equity holders</b>	<b>389.0</b>	<b>521.2</b>	<b>-25</b>
Fully diluted EPS (sen)	15.6	21.1	
<b>Dividend per share (sen)</b>	<b>6.0</b>	<b>12.0</b>	
<b>EBIT margins (%)</b>	<b>11.2</b>	<b>14.2</b>	
<b>PBT margins (%)</b>	<b>11.2</b>	<b>14.1</b>	

# BALANCE SHEET SUMMARY



(RMmil)	As at 30 Apr '20	As at 31 July '19
Current Assets	8,737.9	8,087.3
Current Liabilities	5,823.3	5,098.7
Current Ratio	1.5x	1.6x
Total borrowings	5,721.7	5,143.7
Cash and marketable securities	2,545.0	1,848.9
<b>Net cash</b>	<b>(3,176.7)</b>	<b>(3,294.8)</b>
Share capital	3,620.9	3,469.7
Reserves	4,964.8	4,601.6
Non-controlling interests	404.9	399.3
<b>Total Equity</b>	<b>8,990.6</b>	<b>8,470.6</b>
<b>Net gearing (overall)</b>	<b>35%</b>	<b>39%</b>
Net assets per share (RM)	3.42	3.26

# QUARTERLY SEGMENTAL PROFITS



(RMmil)	Q319	Q419	Q120	Q220	Q3 `20	Q3 `19	%
<b>Construction &amp; Eng</b>	89.3	48.0	85.5	109.3	32.1	89.3	-64
<b>Properties</b>	86.4	150.6	63.9	51.0	19.6	86.4	-77
<b>Concessions</b>	78.7	41.7	81.7	83.3	34.1	78.7	-57
<b>Group Pretax Profit</b>	<b>254.4</b>	<b>240.4</b>	<b>231.1</b>	<b>243.6</b>	<b>85.8</b>	<b>254.4</b>	-66
<b>Group Net Profit</b>	<b>176.0</b>	<b>185.0</b>	<b>173.6</b>	<b>175.2</b>	<b>40.2</b>	<b>176.0</b>	-77

## YTD Segmental PBT

## YTD PBT Margins

(RMmil)	9M '20	9M '19	%	%	9M '20	9M '19
<b>Construction</b>	226.9	280.9	-19	<b>Construction</b>	6.7	9.0
<b>Properties</b>	134.5	190.5	-29	<b>Properties</b>	10.3	11.3
<b>Concessions</b>	199.2	261.9	-24	<b>Concessions</b>	n.m	n.m
<b>Group PBT</b>	<b>560.6</b>	<b>733.3</b>	-24	<b>Group PBT</b>	11.2	14.1

# CASH FLOW SUMMARY



(RM mil)	9 months ended Apr '20	9 months ended Apr '19
Net cash generated from operating activities	184.3	326.8
Net cash (used in)/generated from investing activities	(306.0)	471.0
Net cash generated from/(used in) financing activities	541.8	(69.0)
<b>Net increase in cash and cash equivalents</b>	<b>420.2</b>	<b>728.7</b>
Effects of exchange rate changes	35.0	10.0
Cash and cash equivalents at beginning of the period	1,081.1	977.1
<b>Cash and cash equivalents at end of the period</b>	<b>1,536.3</b>	<b>1,715.8</b>

# GROUP BORROWINGS AND DEBT SECURITIES



(RM mil)	As at 30 Apr '20	As at 30 Apr '19
<b>Long Term Borrowings</b>		
Medium Term Notes	1,885.0	2,275.0
Term Loans	826.8	1,619.6
Revolving Credits	49.9	63.3
	<b>2,761.7</b>	<b>3,957.9</b>
<b>Short Term Borrowings</b>		
Medium Term Notes	590.0	390.0
Commercial Papers	600.0	300.0
Term Loans	795.6	272.1
Revolving Credits	974.4	933.6
	<b>2,960.1</b>	<b>1,895.7</b>
<b>Total Borrowings</b>	<b>5,721.7</b>	<b>5,853.5</b>

# KEY UPDATES – Construction

- **Construction sector prospects likely to improve** – amidst an impending sharp economic downturn, the urgency to embark on pump priming is clear; among shovel ready projects is the KVMRT3, the third and final circle line under the KVMRT masterplan; discussions with the government are ongoing
- **PTMP PDP agreement signing soon** – the recent change in the Federal government makes Penang an opposition State again; this could delay some components within the PTMP, but the PSR component (Penang South Reclamation) is likely to go ahead pending the State’s final decision; meanwhile, the PDP agreement is now expected to be signed in Q3 this year
- **Australia efforts intensify** – besides the Sydney M6 motorway project for which our JV has been invited to tender, the Australian team is working towards several other potential projects for which tenders are likely to be called later this year, and into 2021
- **Order book stands at RM7.5b** – MRT2 continues to account for the bulk of order book (~70%), and overseas projects about 17%; order book is sufficient to last around 2-2.5 years
- **Extremely weak Q3** – with only tunneling works allowed during the lockdown, additional costs to comply with new SOPs, and slower progress post lockdown, the division saw Q3 revenues and earnings fall to RM0.7b (-28% y-o-y), and RM32m (-64% y-o-y) respectively

# CONSTRUCTION ORDER BOOK



- Current unbilled order book about **RM7.5 billion** (April 2020)

Major Projects	Balance works (RMb)	Completion Status		Comments
		% now	completion year	
1) KVMRT Line 2 (50% share)	5.2	66	2022	Tunnelling works nearing completion
2) Pan Borneo Sarawak (65% share)	0.3	60	2021	Work momentum steadily building up
3) Marine bridge, Taiwan (70% share)	0.3	6	2022	Newly secured
4) Bus depot, Singapore (45% share)	0.3	0	2023	Mobilization ongoing
5) Seawall project, Taiwan (70% share)	0.7	0	2025	Second Taiwan win within a year
6) Other local projects	0.7	various	various	Building works

# KEY UPDATES – Properties

- **Q3 achieved only RM250m presales** – primarily due to the lockdown which saw all property activities stopped for more than half of the Q3 period; ytd, presales total RM1.2b (-40% y-o-y); unbilled sales stand at RM3b (current)
- **OLA sees 35% initial take up rate** – launched just before Singapore implemented its circuit breaker, this RM2b GDV executive condo project sold RM670m in under a week; we expect the strong sales to resume once the circuit breaker is relaxed
- **Q3 performance badly impacted by lockdown** – like elsewhere within the group, property revenues in Q3 fell drastically to RM198m (-68% y-o-y), whilst PBT shrunk to RM20m (-77% y-o-y); ytd, PBT fell 29% to RM135m, on revenues of RM1.3b, whilst PBT margins fell from 11.3% to 10.3%
- **FY20 presales target revised down to RM2b** – Q4 presales is expected to be stronger than normal given the RM1.2b bookings in hand; with overseas markets continuing to outperform the domestic market, the overseas:local breakdown is likely to remain at around 70:30

# KEY UPDATES – Concessions

- **Q3 performance seriously impacted by lockdown** – daily traffic volumes on all our highways fell by between 80-90% during the first month of the lockdown; however, current volumes have recovered to near pre-Covid levels, and are down about 10% from normalized levels
- **Q3 earnings fell 57% to RM34m y-o-y** – on a ytd basis, concession PBT declined to RM199m (-24% y-o-y)
- **Toll highways disposal in limbo** – the unexpected change in the Federal government has cast uncertainty over whether the disposal will be concluded; we continue to await a decision from the MoF

# Thank You