

# Gamuda Berhad

***Record FY18;  
Long-Standing Issues Resolved***

**FY2018 INVESTORS' BRIEFING**  
*28 September 2018*

# INCOME STATEMENT SUMMARY

(RMmil)	FYE July 2018	FYE July 2017	Change (%)
<b>Revenue</b>	<b>4,227.1</b>	<b>3,211.4</b>	<b>+32</b>
Profit from operations (EBIT)	696.6	682.3	+2
<i>Core profit from operations (EBIT)</i>	<i>703.9</i>	<i>682.3</i>	<i>+3</i>
Finance Costs	(96.1)	(104.3)	-8
Share of JVs (net of tax)	223.6	39.4	>100
<i>Core share of JVs (net of tax)</i>	<i>223.6</i>	<i>137.8</i>	<i>+62</i>
Share of associates (net of tax)	(94.8)	208.7	n.m
<i>Core share of Associates (net of tax)</i>	<i>205.2</i>	<i>208.7</i>	<i>-2</i>
<b>Profit before tax</b>	<b>729.3</b>	<b>826.0</b>	<b>-12</b>
<i>Core profit before tax</i>	<i>1,036.6</i>	<i>924.5</i>	<i>+12</i>
Tax	(164.9)	(169.8)	-3
<i>Core tax</i>	<i>(167.7)</i>	<i>(169.8)</i>	<i>-1</i>
Minority Interests	(50.5)	(54.1)	-7
<b>Net profit attributable to equity holders</b>	<b>513.9</b>	<b>602.1</b>	<b>-15</b>
<i>Core net profit attributable to equity holders</i>	<i>818.3</i>	<i>700.5</i>	<i>+17</i>
<i>Core fully diluted EPS (sen)</i>	<i>33.1</i>	<i>27.7</i>	
<b>Dividend per share (sen)</b>	<b>12.0</b>	<b>12.0</b>	
<b>Core EBIT margins (%)</b>	<b>16.7</b>	<b>21.2</b>	
<b>Core PBT margins (%)</b>	<b>24.5</b>	<b>28.8</b>	

# INCOME STATEMENT (before FRS 11)

(RMmil)	FYE July 2018	FYE July 2017	Change (%)
<b>Revenue</b>	<b>7,169.0</b>	<b>5,702.5</b>	<b>+26</b>
Profit from operations (EBIT)	997.8	803.0	+24
Finance Costs	(113.1)	(119.3)	-5
Share of JVs (net of tax)	-	-	
Share of associates (net of tax)	(94.8)	208.7	-145
<b>Profit before tax</b>	<b>789.9</b>	<b>892.4</b>	<b>-11</b>
<b><i>Core profit before tax</i></b>	<b><i>1,094.3</i></b>	<b><i>990.9</i></b>	<b><i>+10</i></b>
Tax	(225.5)	(236.2)	-5
Minority Interests	(50.5)	(54.1)	-7
<b>Net profit attributable to equity holders</b>	<b>513.9</b>	<b>602.1</b>	<b>-15</b>
<b><i>Core net profit attributable to equity holders</i></b>	<b><i>818.3</i></b>	<b><i>700.6</i></b>	<b><i>+17</i></b>
<b><i>Core fully diluted EPS (sen)</i></b>	<b><i>33.1</i></b>	<b><i>27.7</i></b>	
<b>Dividend per share (sen)</b>	12.0	12.0	
<b>Core EBIT margins (%)</b>	<b>13.9</b>	<b>14.1</b>	
<b>Core PBT margins (%)</b>	<b>15.3</b>	<b>17.4</b>	

# BALANCE SHEET SUMMARY

(RMmil)	As at 31 July '18	As at 31 July '17
Current Assets	7,335.6	6,434.5
Current Liabilities	3,713.5	2,566.6
Current Ratio	2.0x	2.5x
Total borrowings	5,736.7	5,243.2
Cash and marketable securities	1,622.9	1,042.1
<b>Net cash</b>	<b>(4,113.8)</b>	<b>(4,201.1)</b>
Share capital	3,452.9	3,372.4
Reserves	4,114.9	4,103.6
Non-controlling interests	383.7	369.1
<b>Total Equity</b>	<b>7,951.5</b>	<b>7,845.1</b>
<b>Net gearing (overall)</b>	<b>52%</b>	<b>54%</b>
Net assets per share (RM)	3.07	3.05

## QUARTERLY SEGMENTAL PROFITS (before FRS 11)

(RMmil)	Q417	Q118	Q2 `18	Q3 `18	Q4 `18	Q4 `17	+/-
<b>Construction &amp; Eng</b>	78.6	105.7	122.7	103.5	61.7	78.6	-22
<b>Properties</b>	96.4	49.9	58.5	60.5	111.8	96.4	+16
<b>Concessions</b>	119.5*	114.0	109.3	101.3	95.4**	119.5*	-20
<b>Group Pretax Profit</b>	<b>294.5*</b>	<b>269.5</b>	<b>290.5</b>	<b>265.4</b>	<b>268.9**</b>	<b>294.5*</b>	<b>-9</b>
<b>Group Net Profit</b>	<b>201.3*</b>	<b>203.1</b>	<b>211.2</b>	<b>200.7</b>	<b>203.4**</b>	<b>201.3*</b>	<b>+1</b>

\* *normalised earnings, before one-off impairment of RM98.5m for SMART assets*

\*\* *normalized earnings, before one-off impairment and loss at disposal of RM304.4 for water assets*

### YTD Segmental PBT

### YTD PBT Margins

(RMmil)	FY18	FY17	+/-	%	FY18	FY17
<b>Construction</b>	393.6	311.2	+26	<b>Construction</b>	9.7	9.3
<b>Properties</b>	280.7	240.2	+17	<b>Properties</b>	10.8	12.9
<b>Concessions</b>	420.0**	439.5*	-4	<b>Concessions</b>	n.m.	n.m.
<b>Group PBT</b>	<b>1,094.3</b>	<b>990.9*</b>	<b>+10</b>	<b>Group PBT</b>	<b>15.3**</b>	<b>17.4*</b>

# CASH FLOW SUMMARY

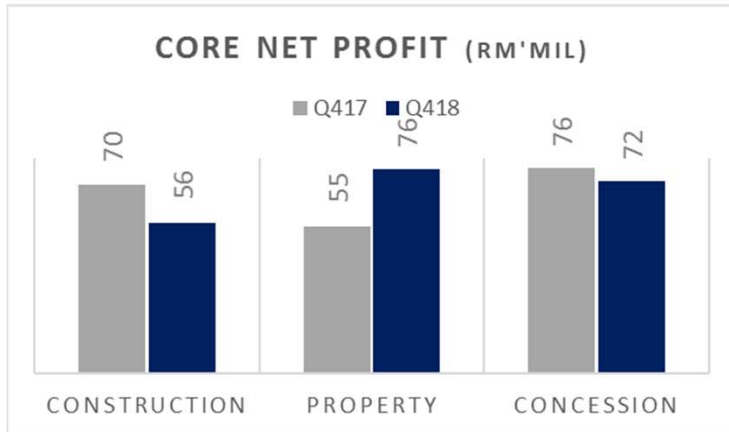
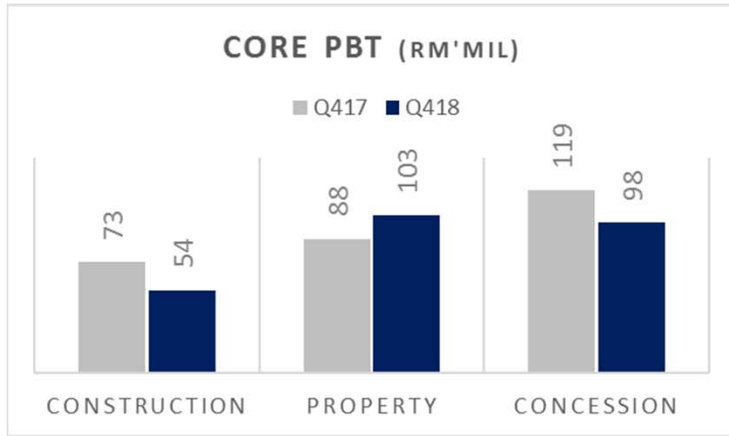
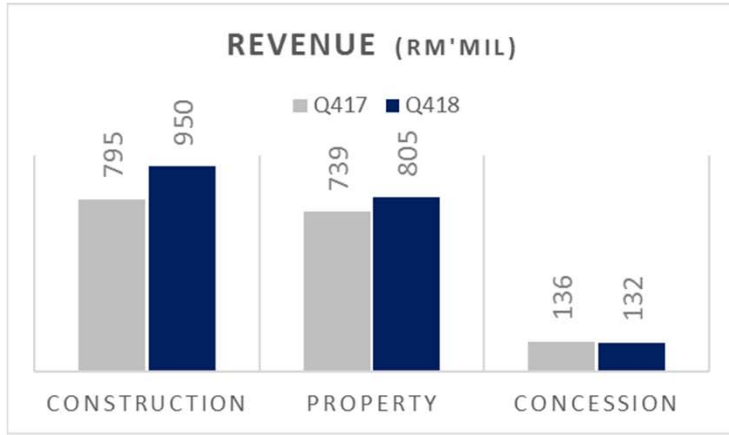
(RM mil)	FYE July 2018	FYE July 2017
Net cash (used) in operating activities	518.9	(509.3)
Net cash (used)/generated from investing activities	(275.5)	(17.1)
Net cash generated from financing activities	252.2	271.6
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>495.6</b>	<b>(254.8)</b>
Effects of exchange rate changes	(18.0)	(1.8)
Cash and cash equivalent at beginning of the period	499.5	756.1
<b>Cash and cash equivalent at end of the period</b>	<b>977.1</b>	<b>499.5</b>

# GROUP BORROWINGS AND DEBT SECURITIES

(RM mil)	FYE 2018	FYE 2017
<b>Long Term Borrowings</b>		
Medium Term Notes	2,465.0	2,455.0
Term Loans	1,733.2	2,086.5
Revolving Credits	111.5	73.1
	<b>4,309.7</b>	<b>4,614.6</b>
<b>Short Term Borrowings</b>		
Medium Term Notes	890.0	490.0
Commercial Papers	100.0	0.0
Term Loans	250.9	0.0
Revolving Credits	186.1	138.7
	<b>1,427.0</b>	<b>628.7</b>
<b>Total Borrowings</b>	<b>5,736.7</b>	<b>5,243.3</b>

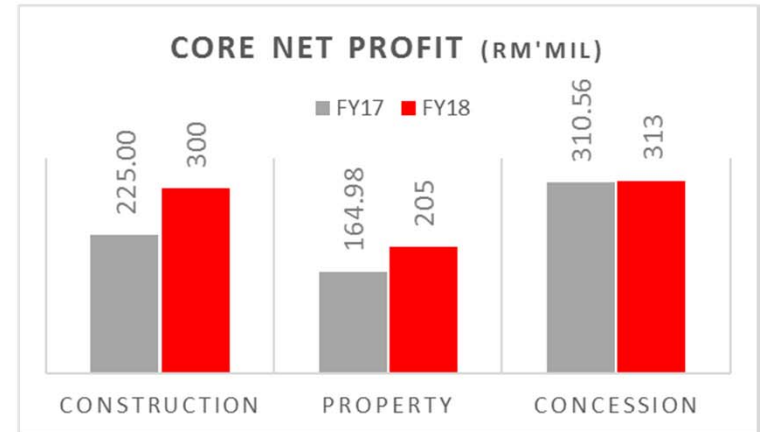
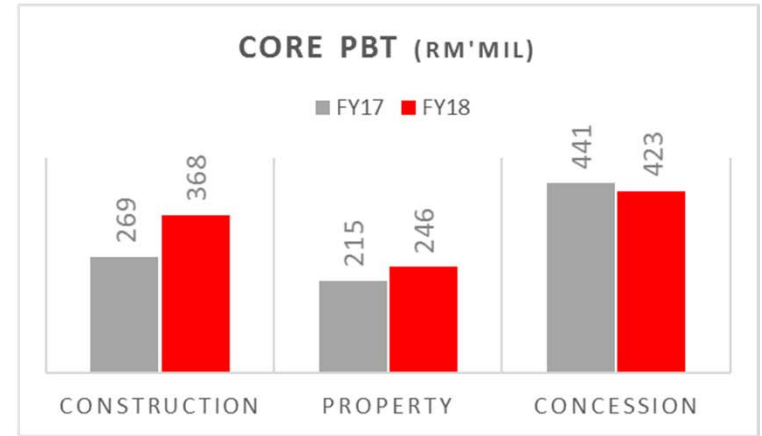
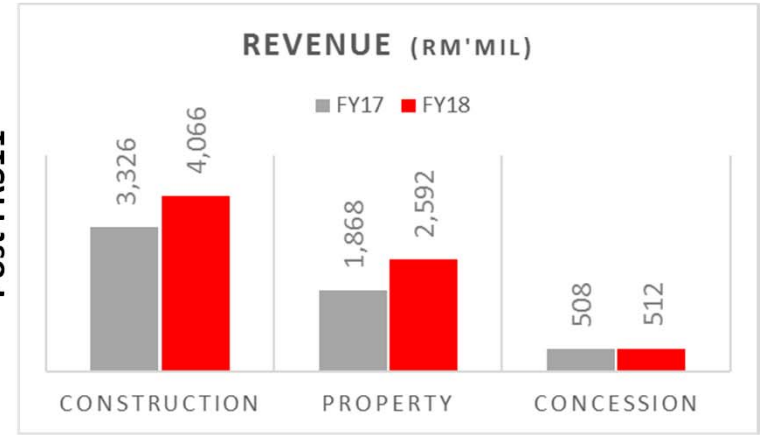
# INDIVIDUAL QUARTERS

Post FRS11



# CUMMULATIVE QUARTERS

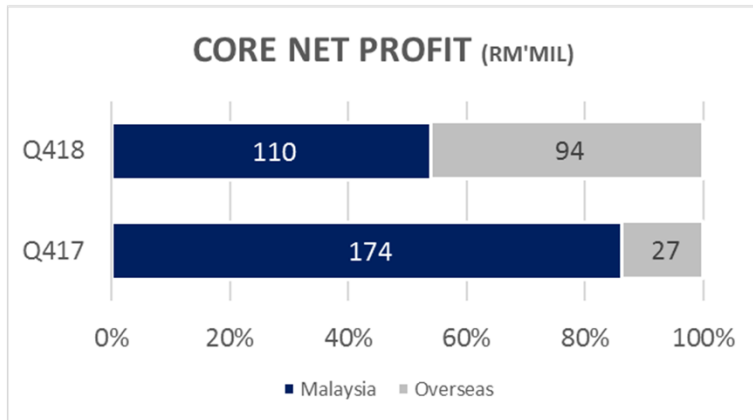
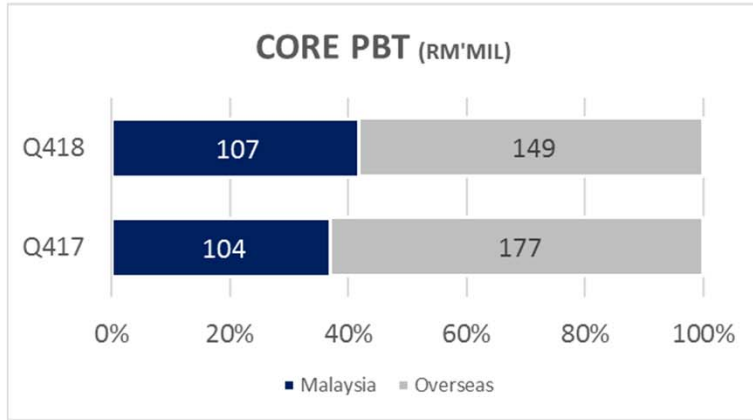
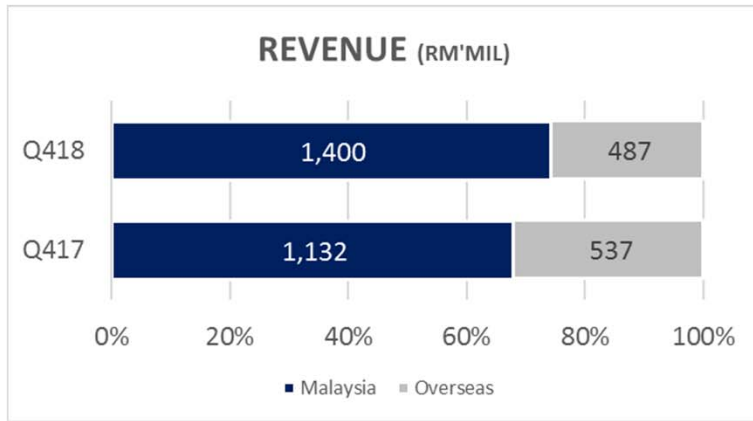
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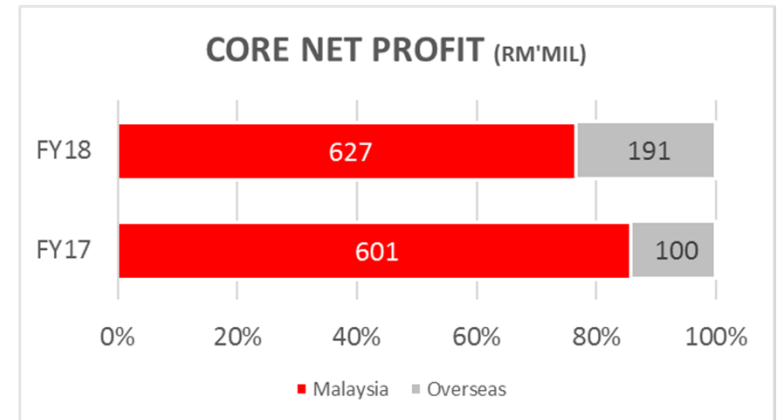
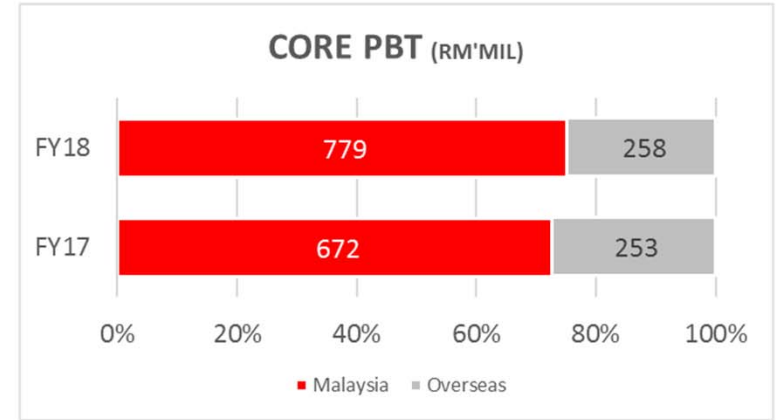
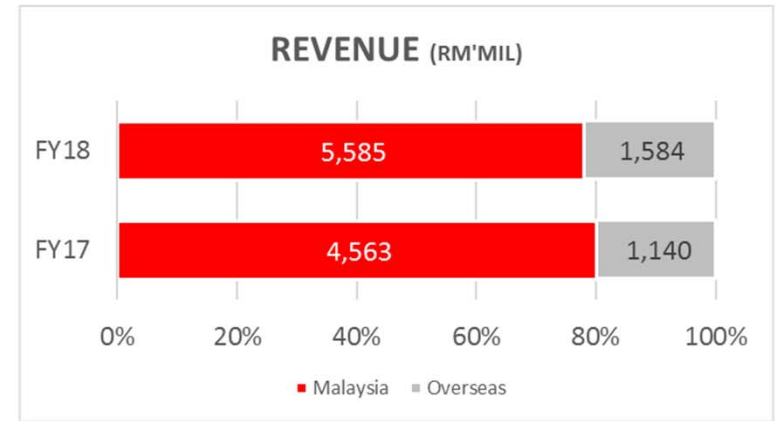
# INDIVIDUAL QUARTERS

Post FRS11



# CUMMULATIVE QUARTERS

Post FRS11



# KEY HIGHLIGHTS



- **Record core FY18 performance** – excluding impairments, core net earnings surged 17% to a record RM814m, whilst core PBT topped the RM1b mark for the first time, growing 10% to a record RM1.1b
- **Long-standing water deadlock satisfactorily resolved** – SPLASH disposal concluded, water O&M retained; 10-year deadlock concluded post GE14; total one-off, non cash flow impairments of RM304.4m (SPLASH RM300m, Gamuda Water, RM4.4m) booked into FY18
- **RM1.54b total cash proceeds from SPLASH disposal, O&M receivables** – SPLASH disposed for RM2.55b cash (priced at 28% discount to book); State to pay 90% of Gamuda Water’s receivables; O&M operations to continue for several more years at renegotiated rates; proceeds to be used to pare down borrowings
- **Revival of infra projects in 2020?** – premised on HSR deferment deadline, mid-term mark for PH government, and the need to generate economic growth prior to GE15 in 2022/23
- **Highlights of new landscape** – competitive bidding; smaller, affordable projects more likely; projects beneficial to M40, B40; minimize foreign contractors; future of PDP model unclear; Budget 2019 may provide some clarity on policy direction
- **Strong properties performance** – RM3.6b presales (+51%) beats target, RM4.0b (+11%) target for FY19 maintained; property earnings set to drive group earnings over next 2 years, stable margins seen
- **Construction, properties to drive FY19 earnings** – KVMRT2 will achieve peak billings, whilst strong, locked-in property presales will drive earnings; however, water earnings will decline post SPLASH disposal

# KEY UPDATES – Construction



- **Record construction performance** – division posted a record revenue of RM4.1b (+22%), and record PBT of RM394m (+26%); growth was driven by both ongoing projects gaining greater momentum; FY18 PBT margin improved to 9.7% from 9.3% in FY17
- **KVMRT2 cost review** – likely to see original RM32b project size and scope scaled down, with possibility of PDP structure converted to fixed price turnkey project; final decision expected soon; meanwhile, construction is progressing as per planned schedules
- **KVMRT2** – overall PDP and UG progress at 28% and 37% respectively at end August 2018; RM31b representing 98% of overall work packages have been awarded; tunneling works are progressing well, whilst rail systems design and procurement is ongoing, as is the manufacture of train sets
- **Pan Borneo Sarawak** – progress on track at 29%, with completion on track for early 2021
- **Penang Transport Master Plan (PTMP)** – making good progress despite protests from some groups; LRT project approved in-principle by Federal, subject to some changes; PIL1 public display completed; further studies requested by DoE for land reclamation approval completed, awaiting DoE's final approval; targeting to obtain all approvals by end 2018; validity of LoA for PDP appointment extended to Aug 2019

# CONSTRUCTION ORDER BOOK



- Current unbilled order book about **RM6.0 billion** (July 2018)

Major Projects	Balance works (RMbn)	Completion Status		Comments
		% now	completion date	
<u>Ongoing</u>				
KVMRT Line 2 (SSP Line) Underground (50% share)	5.5	30	Mid-2022	Works in full swing; tunnel drives have commenced
Pan Borneo Sarawak (65% share)	0.5	28	Early 2021	Work momentum steadily building up

# KEY UPDATES – Properties

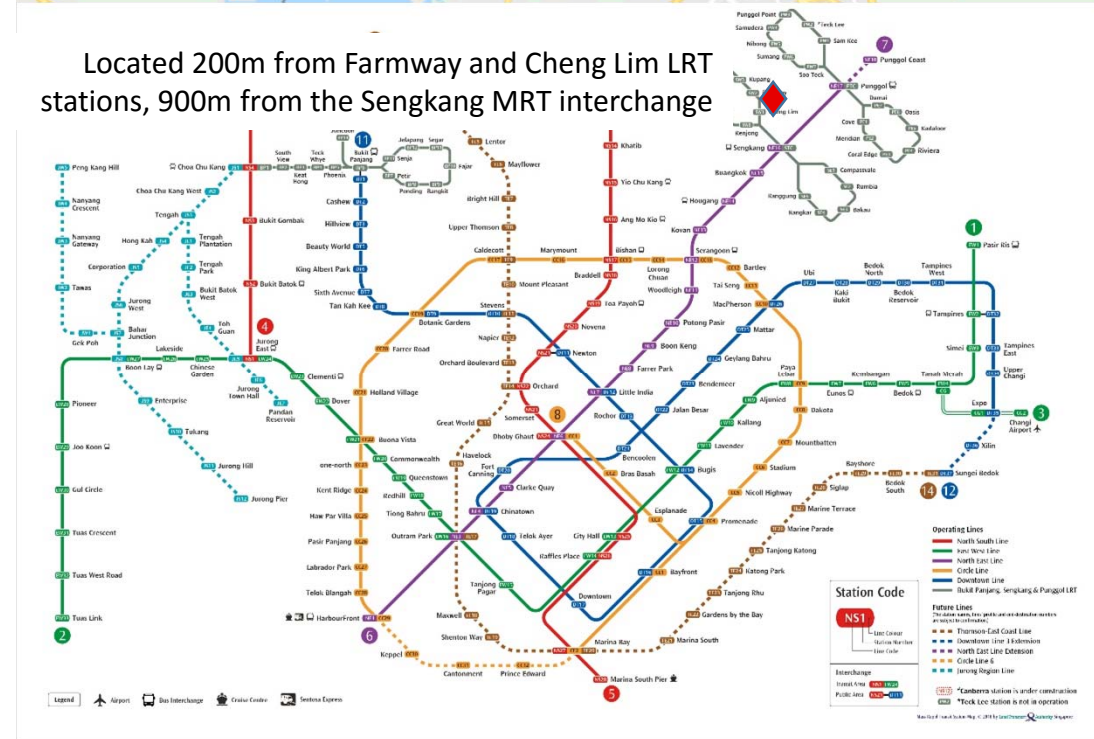


- **FY18 presales beat target** – FY18 presales totalled RM3.6b (+51%), driven by strong performances from Vietnam and Singapore projects; overall, overseas projects accounted for 67% of presales with 33% accounted by local projects
- **Strong FY18 performance** – earnings were significantly stronger in Q4, underpinned by some overseas projects; for FY18, the division achieved a PBT of RM281m (+17%), on a 37% surge in revenue to RM2.6b; PBT margin bottomed out at 10.8% compared to 12.9% in FY17, whilst margin rebounded to 13.7% in Q4 from 9.0% in Q3;
- **Properties a new earnings driver** – after several consecutive years of decline, property earnings will grow in the coming years given that margins have bottomed out; unbilled sales stand at RM2.3b at end FY18
- **Targeting RM4b presales for FY19** – Gamuda Cove, Gamuda Gardens, Twentyfive.7 are expected to drive local presales; Gamuda Cove to be officially launched by end 2018, with strong levels of interest achieved to date; overseas projects expected to sustain strong presales
- **New Singapore residential project secured** – Anchorvale Crescent, a RM2b GDV Executive Condominium project undertaken in a 50:50 JV with Evia Real Estate, will be launched in 2020

# Anchorvale Crescent (Sengkang, Singapore)



Located 200m from Farmway and Cheng Lim LRT stations, 900m from the Sengkang MRT interchange





# Anchorvale Crescent (Sengkang, Singapore)

- Joint Venture between:
  - Gamuda (50%)
  - Evia Real Estate (50%); note that Evia was also our JV partner for the highly successful GEM Residences project
- Land size: 17,137 sqm (4.23 acres). Leasehold.
- Bid price of SGD318.9m, i.e. SGD576.24 psf GFA (0.003% higher than the next highest bid).
- Executive Condominiums, with average targetted selling price of SGD1100-1200 psf.
- Expected launch date in mid-2020.
- Total projected GDV of SGD650m (RM2b) over 3 years with 8-10% PBT margin.

# KEY UPDATES – Concessions



- **SPLASH disposal concluded for RM2.55b cash** – this represents a 28% haircut to SPLASH’s book value; the Selangor State will acquire SPLASH and will conclude the State’s water restructuring exercise
- **State to pay 90% of Gamuda Water receivables** – proceeds will amount to about RM650m, of which Gamuda’s 80% share will total about RM0.52b; together with SPLASH’s proceeds of RM1.02b, Gamuda will receive about RM1.54b cash from the resolution of the water issues
- **SPLASH acquisition to be jointly funded by Federal and State** – Federal will pay RM1.9b (75%) upfront; State will pay RM0.65b over nine years, plus interest of 5.25% p.a. on outstanding balances
- **Gamuda to receive RM1.02b cash for its 40% share** – this will comprise RM0.76b cash upfront, and the remaining RM0.26b cash in nine instalments over nine years, plus 5.25% interest on outstanding balances; proceeds will be used to pare down borrowings, and reduce net gearing from 53% to 41%
- **Loss of significant recurring earnings** – disposal will reduce future concession earnings by RM100m net profit a year, and result in a one-off, non cash-flow impairment of about RM300m in the P&L
- **Water O&M operations to continue** – following disposal of SPLASH, the State will engage Gamuda Water (GW) to continue as its O&M operator, at renegotiated rates; GW expected to generate about RM40m-50m pretax earnings a year on an ongoing basis