

ADVANCECON

ADVANCECON HOLDINGS BERHAD

Co. No. 426965-M

2Q 2017 Investor Update
7 September 2017

IR ADVISER

 **AQUILAS**
Creating Market Value

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OPERATIONS REVIEW

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- ❖ Continues to win significant jobs in 1H17
- ❖ Target to secure jobs worth more than RM250 million in FY2017

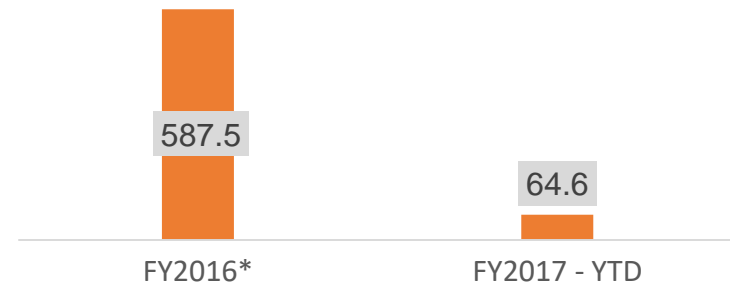
Secured RM52.0 million new contracts in 2Q17

- For **Pan Borneo Highway:**
 - RM30.1 million for site clearance, earthworks and related services in Sarikei; awarded by LM Partners
 - Second package works after RM105.2 million contract for similar works from Sungai Awik Bridge to Bintangor Junction
- For **Zone A & Zone B of Tanjung Dua Belas:**
 - RM15.2 million for hard landscaping works
- For **Bandar Serai Development:**
 - RM6.7 million for construction and upgrading works

Invested RM32.7 million in capital expenditure

- Dump trucks (91 units), excavators (26 units), bulldozers (8 units), compactors (7 units), backpushers (6 units), motor graders (4 units) and crawler drill (1 unit)

New Contract Wins (RM'mil)



* Includes West Coast Expressway (RM239.8 million) & Pan Borneo Highway (RM105.2 million)

CURRENT ORDER BOOK

- ❖ Strong order book of RM532.4 million to sustain group revenue over the next 2 years
- ❖ 15 ongoing projects in Peninsular and East Malaysia

Ongoing Projects	Estimated Contract Value (RM' mil)	Remaining Contract Value (RM' mil)	2017	2018	2019
West Coast Expressway (Banting Interchange to South Klang Valley Expressway Interchange)	239.81	237.16			Jun 2019
Pan Borneo Highway (Sungai Awik Bridge to Bintangor Junction)	105.23	100.72			Nov 2019
Eco Grandeur mixed development at Ijok, Selangor	60.28	45.22		Feb 2018	
Tropicana Aman, Tanjung Dua Belas, Selangor	136.52	37.86	Sep 2017		
Pan Borneo Highway (Sarikei)	30.11	30.11			Aug 2019
Others	305.50	81.29	Apr 2017	Jan 2018	
Total Order Book Value	877.44	532.36			

*Data presented as at 25 August 2017

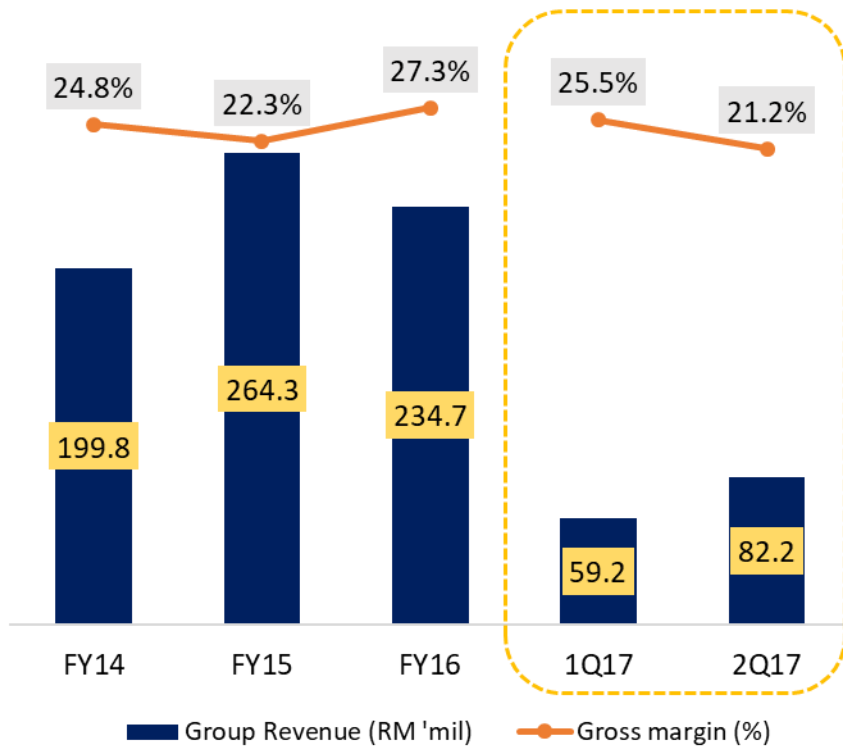


FINANCIAL HIGHLIGHTS

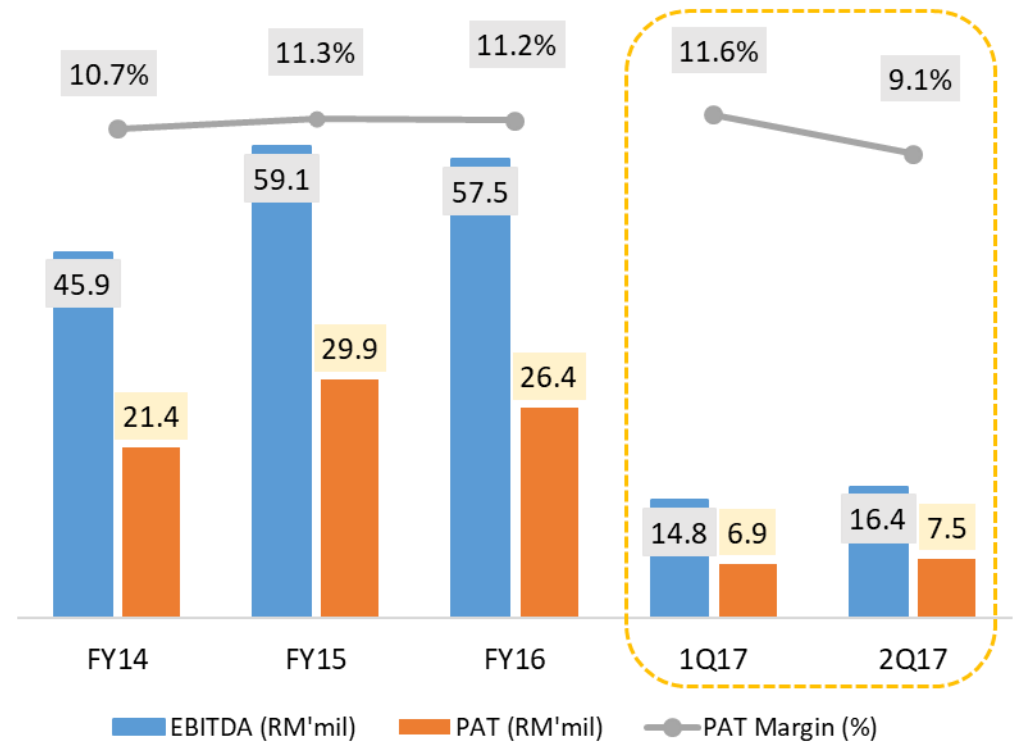
FINANCIAL PERFORMANCE

❖ 1H17 placing the Group on a higher growth plane

Group Revenue & Gross Margins



EBITDA, PAT and PAT Margins



Financial Year Ended 31 December

QUARTERLY ANALYSIS

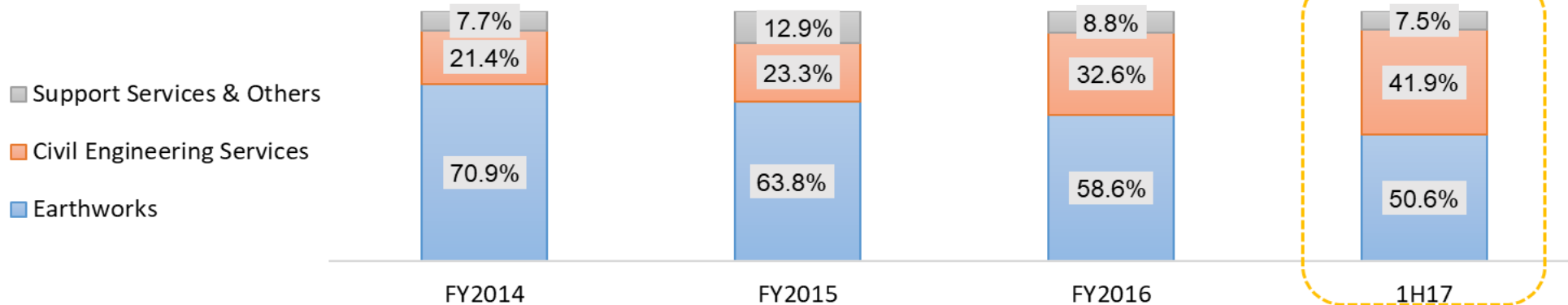
- ❖ Good progress in ongoing projects bump up 2Q17 performance
- ❖ Maintaining double-digit margins in 1H17

Comments	1Q17	2Q17	Change	RM'mil	1H17
Strong growth from good progress in ongoing projects, especially the larger-ticket West Coast Expressway and Pan Borneo	59.2	82.2	38.9%	Revenue	141.3
Maintaining healthy expansion despite higher OPEX	15.1	17.4	15.4%	Gross Profit	32.6
	14.8	16.4	11.4%	EBITDA	31.2
	9.2	10.3	11.9%	PBT	19.5
	6.9	7.5	9.4%	PATMI	14.3
	2.20	2.40	9.1%	Basic EPS (sen)	4.60
Retaining double-digit margins; though marginally reduced from higher administrative and operating costs	25.5%	21.2%	(4.3 pt)	Gross Margin	23.0%
	24.9%	20.0%	(4.9 pt)	EBITDA margin	22.1%
	15.6%	12.5%	(3.1 pt)	PBT margin	13.8%
	11.6%	9.1%	(2.5 pt)	Net margin	10.2%

REVENUE SEGMENTATION: BUSINESS SEGMENTS

- ❖ Earthworks the mainstay of Group earnings
- ❖ Civil engineering will contribute in increasing measure

Revenue Segmentation (%)

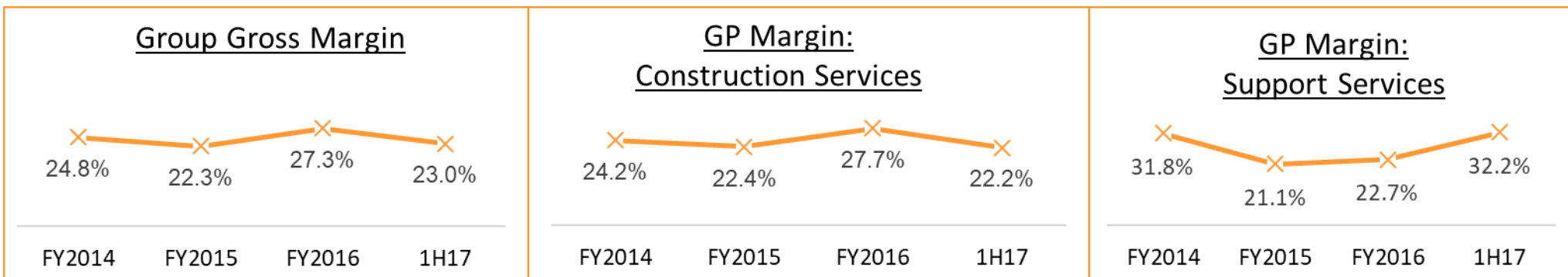


Revenue by End User Industries	FY14		FY15		FY16		1H17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction Services	184.34	92.30	230.34	87.10	213.97	91.20	130.74	92.50
- Earthworks	141.61	70.90	168.62	63.80	137.42	58.60	71.56	50.63
- Civil engineering services	42.73	21.40	61.72	23.30	76.55	32.60	59.18	41.87
Support services	15.47	7.70	33.97	12.90	20.67	8.80	10.45	7.39
Property Investment	-	-	-	-	0.03	-*1	0.15	0.11
Total Revenue	199.81	100.00	264.31	100.00	234.67	100.00	141.34	100.00%

-*1 : Negligible

GROSS PROFIT SEGMENTATION: BUSINESS SEGMENTS

❖ Healthy double-digit gross margins reflecting Group's specialist services



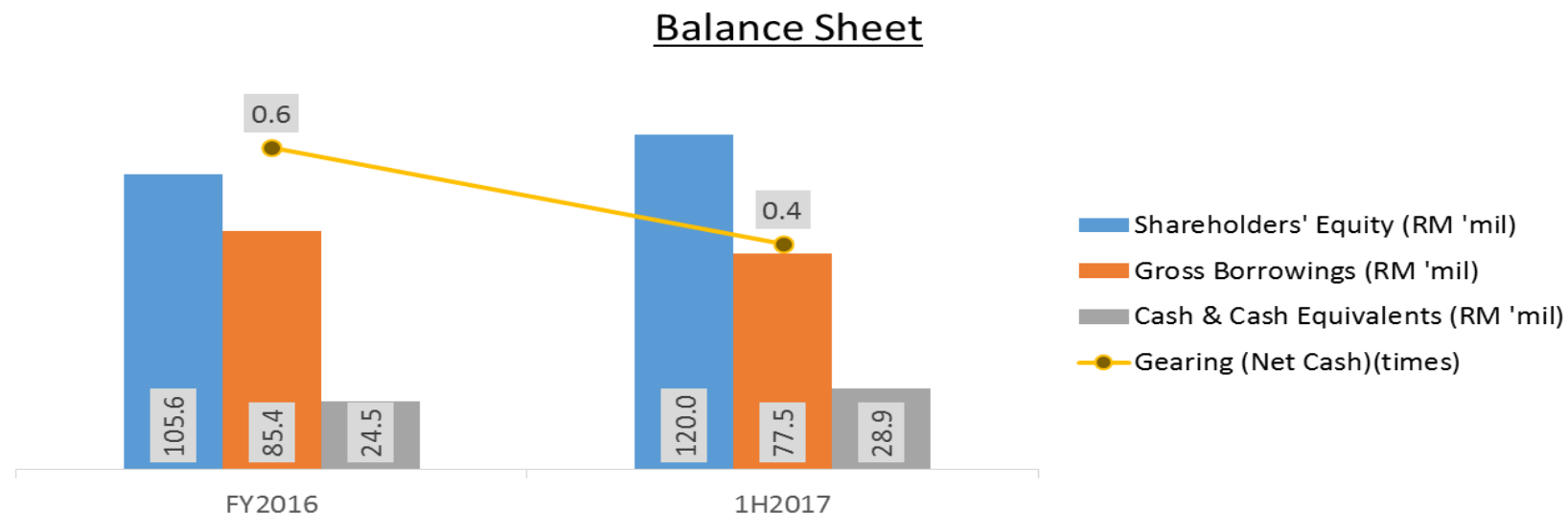
Gross Profit by End-User	FY14		FY15		FY16		1H17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction services	44.55	90.00	51.69	87.80	59.35	92.60	29.04	89.22
- Earthworks	34.94	70.60	38.62	65.60	37.69	58.80	15.90	48.85
- Civil engineering services	9.61	19.40	13.06	22.20	21.66	33.80	13.14	40.37
Support services	4.93	10.00	7.18	12.20	4.68	7.30	3.36	10.32
- Sale of construction materials	4.81	9.80	5.47	9.30	2.22	3.50	3.01	9.25
- Hiring of machinery	0.00	_*1	0.03	0.10	0.03	_*1	0.00	_*1
- Ad hoc general construction services/ daywork	0.11	0.20	1.69	2.80	2.43	3.80	0.35	1.07
Property Investment	-	-	-	-	0.03	0.10	0.15	0.46
Total Gross Profit	49.47	100.00	58.87	100.00	64.06	100.00	32.55	100.00

Financial Year Ended 31 December

_*1 : Negligible

BALANCE SHEET HIGHLIGHTS

- ❖ Strong balance sheet with healthy net gearing
- ❖ IPO proceeds yet to be received as at 30 June 2017



	FY2014	FY2015	FY2016	1H17
	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Property, Plant and Equipment	104.3	132.7	105.1	127.1
Current Assets	112.9	134.5	159.7	149.0
Current Liabilities	116.6	134.4	142.8	137.8
Non-Current Liabilities	36.8	39.2	47.4	47.4
Shareholders' Equity	63.7	93.7	105.6	120.0

Financial Year Ended 31 December

DIVIDENDS

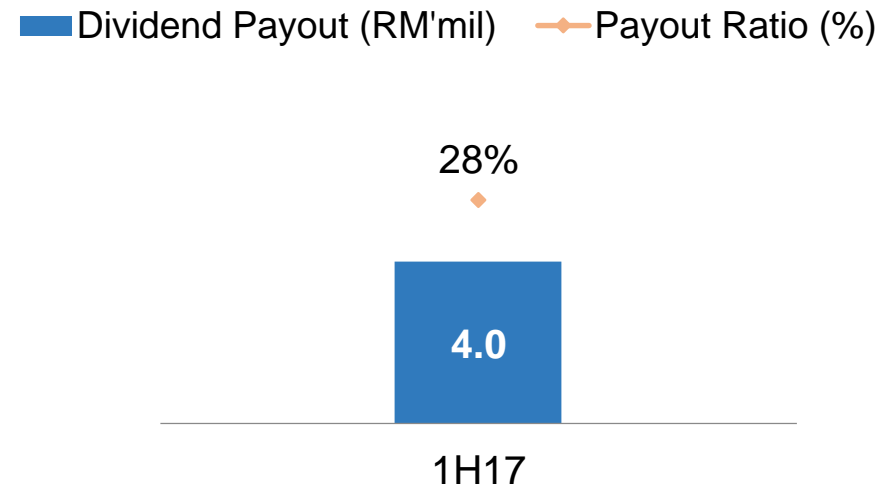
- ❖ 20% minimum dividend policy
- ❖ Committed to shareholders' returns

Advancecon has a dividend policy to distribute minimum 20% of net profit to shareholders

Dividend Payment

	Dividend per share (sen)	Dividend Payout (RM 'm)
	FY2017	FY2017
1 st Interim (single tier)	1.00	4.02
Ex-date	14-Sep-17	
Entitlement Date	18-Sep-17	
Payment Date	16-Oct-17	

Dividend Payout



A hand holding a glowing lightbulb in front of a chalkboard with the word 'GROWTH' written on it. The lightbulb is glowing and positioned in the center of the word 'GROWTH', which is written in white chalk on a green chalkboard. The hand is holding the base of the lightbulb.

GROWTH

GROWTH STRATEGIES

GROWTH STRATEGIES

- ❖ Enhancing our capabilities to target larger-scale projects
- ❖ Eyeing contracts exceeding RM50 million

Expanding within earthworks and civil engineering services market

- Targeting larger-scale contracts above RM50 million
- Eyeing residential and commercial property development projects as well as public infrastructure projects (construction of roads and highways).

Upgrading internal capabilities

- Purchasing new machinery (larger capacity excavators and tipper trucks) to enhance Group's capabilities
- Setting up in-house workshop to optimize utilisation of machinery fleet by reducing downtime, ensuring maximum effectiveness, prolonging useful life

Implementing ISO 14001 - Compliant Environmental Management System

- Stand to benefit from potential reduction in operational cost and increased productivity through efficient resource waste management
- Target to obtain ISO14001:2015 certification by 2018

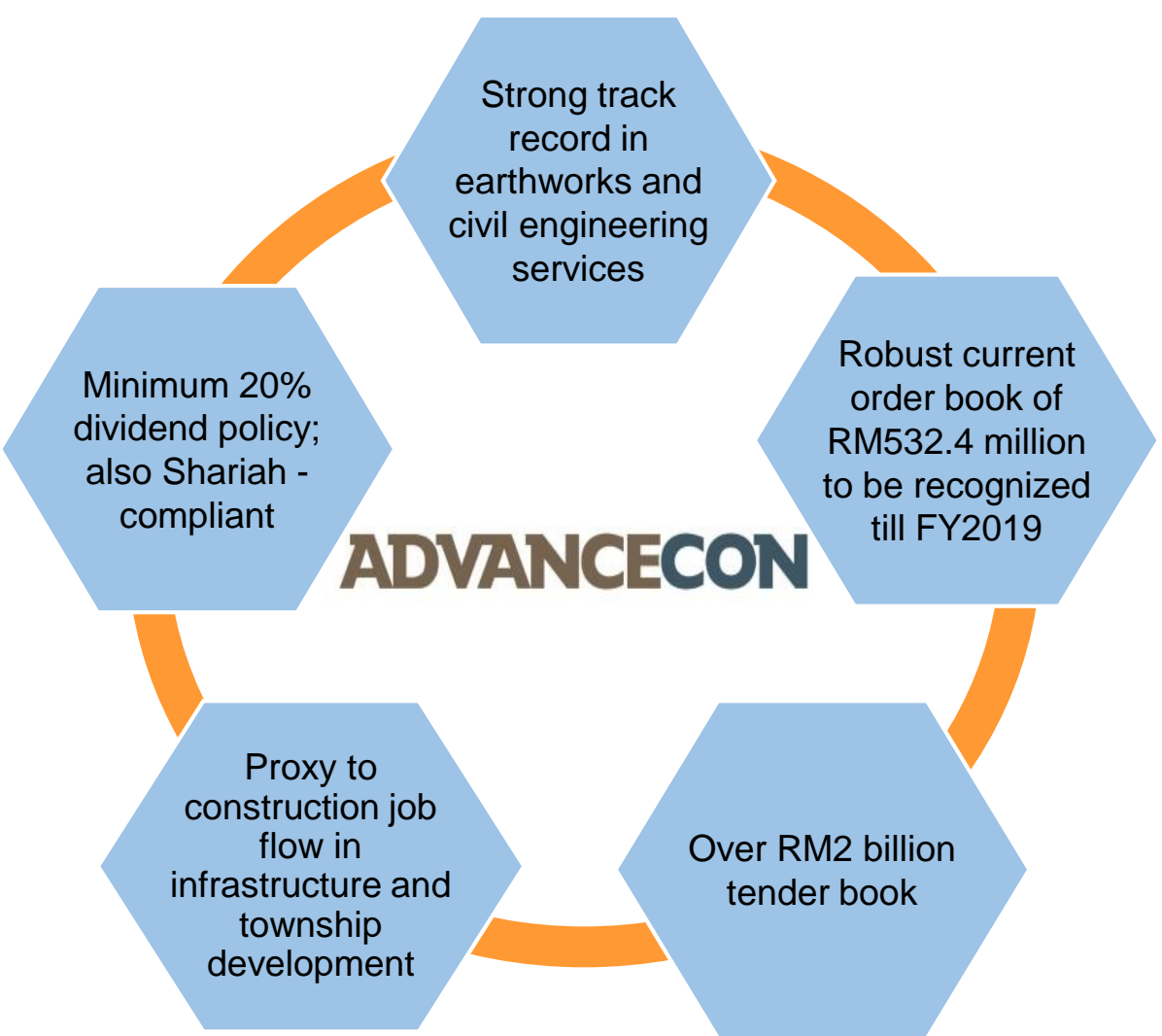


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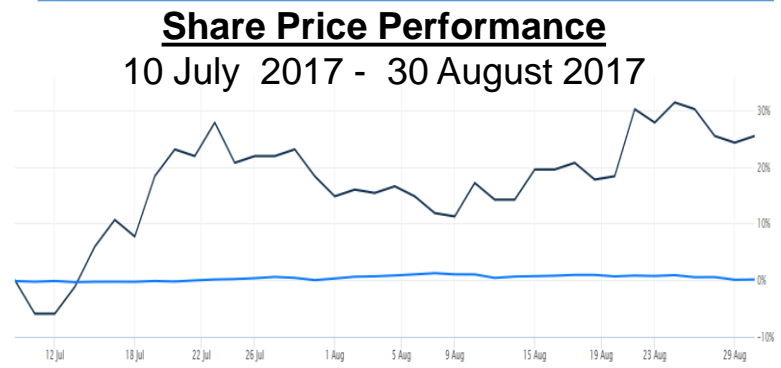
INVESTMENT MERITS

INVESTMENT MERITS

- ❖ Strong performance since listing
- ❖ Prospects underpinned by construction sector's upward trajectory



Valuations @ 29-August 2017	
Share Price (RM)	1.05
Market Cap (RM 'mil)	422.2
Annualised PE	14.7
Annualised PE (net of cash)	13.7
Historical PE	16.0
FY17 Dividend Yield	1.0%



10 Jul - 30 Aug 2017	
ADVCON	+25.4%
FBMKLCI	+0.9%
Outperformance	+24.5%

**BLOOMBERG : ADVC:MK
REUTERS: ADVN:KL
BURSA MALAYSIA: ADVCON**



Thank You

INVESTOR ENQUIRIES

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TERENCE LOO

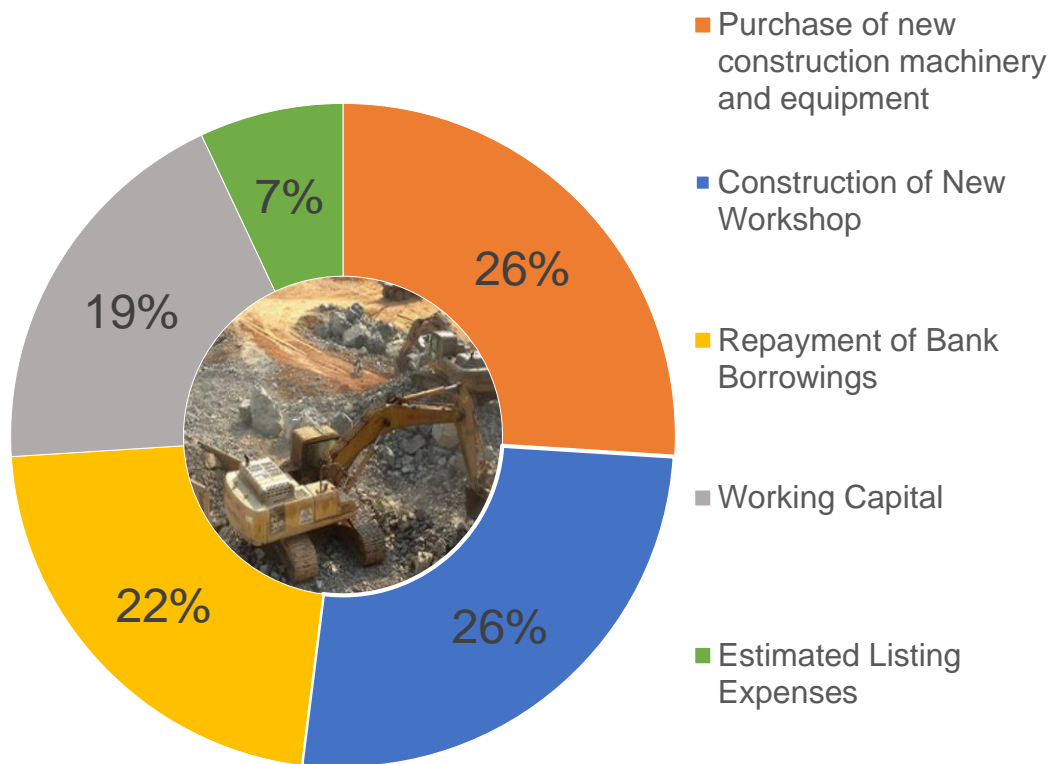
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APPENDIX

UTILIZATION OF PROCEEDS

RM30.4 mil from proceeds and internally generated funds earmarked for CAPEX for future expansion



	Amount (RM 'mil)	Timeframe (months)
Purchase of new construction machinery and equipment	15.1	12
Construction of New Workshop	14.6	24
Repayment of bank borrowings	12.5	6
Working Capital	10.7	24
Estimated Listing Expenses	3.8	Upon Listing
Total	56.7	

COMPETITIVE ADVANTAGES

Experienced management, extensive fleet and high quality standards have paved the way for Advancecon to build a proven track record in the earthworks and civil engineering sector



Experienced key management team

- Extensive experience in the construction industry
- Strong engineering team helmed by key management with >15 years experience individually across specialized skillsets



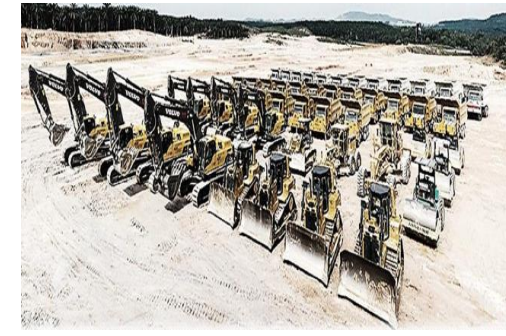
Proven track record

- Reputable brand in earthworks and civil engineering services market for approx. 27 years
- Track record has earned the Group recurring customers and new customers through referrals



Maintaining quality standards

- Strive to render superior service quality and ensure customer satisfaction
- Proven by accreditation of Quality Management System in compliance with ISO 9001:2008



Sizeable fleet of machinery

- Own, operate and constantly upgrade machinery fleet undertake projects of various sizes
- High utilization rate of 85-90% indicates well-maintained fleet and efficiency

BUSINESS ACTIVITY: EARTHWORKS SERVICES

Site Visit and Preparation

- Conduct original ground survey for the project site.
- Ensure the site boundaries and the original ground level condition of the project site are in accordance to the construction drawings provided.
- Soil report will be carried out to determine whether the physical properties of the soil are conducive for construction activities.
- Once the project site is deemed satisfactory, fences are erected surrounding the perimeter of the project site to prepare for site clearance.



Site Clearance

- Project site cleared of any obstacles in preparations for earthworks to begin.
- Includes removal of trees, bushes, stumps, roots, and any obstructions that may interfere with the construction work of project site.



BUSINESS ACTIVITY: EARTHWORKS SERVICES

Excavation and Fill

- Amount of soil obtained from “cutting” the land placed in areas that require filling.
- Bulldozers and back pushers used to spread and level the terrain



Erosion and sediment control plan (“ESCP”)

Erosion Control

- Berm drain constructed to direct sediment-laden water to sediment basin.
- Vegetative ground cover to prevent soil erosion.

Sediment Control

- Silt fence and sediment basin constructed to prevent water pollution to the vicinity.



Rock Blasting

- Used when hard materials that may interfere with ongoing works are present.
- Noise levels are regulated along with amount of explosives used.



Compaction and Finishing of Surfaces

- Proper compaction of platform or embankment is of vital importance to the structural quality of the final surfaces.
- During compaction, fill material is thoroughly compacted.
- Compaction on each layer is repeated until the required density level is achieved for the onward construction of building structures or roadways.



BUSINESS ACTIVITY: CIVIL ENGINEERING SERVICES

Road Works

- Road pavement activity carried out.
- Asphalt layer is compacted evenly after placed.
- Excavation on the shoulders of the road embankment is carried out upon completion of embankments of road works.



Drainage Works

- Trench excavation carried out by using hydraulic excavators.
- Main drains are then constructed either by using a cast in-situ drain or precast concrete drain.
- Subcontractors are engaged for the installation of drainage structures



BUSINESS ACTIVITY: CIVIL ENGINEERING SERVICES

Bridge Construction

- Subcontractors are engaged to construct the bridge structure



Water Supply Works

- Subcontractors are engaged to construct the water reticulation systems and reservoirs.



Sewerage Works

- Subcontractors are engaged to construct the sewerage system



BUSINESS ACTIVITY: CIVIL ENGINEERING SERVICES

Sale of Construction Materials

- Mainly catered to subcontractors working at Group's sites.
- Direct supply reduces delay and uncertainty.



Hiring of Machinery

- Rental of machinery for internal use as well as to cater to subcontractors/customers.



Ad hoc general construction services

- Instructed construction services for which Group is paid on daily basis or per hourly basis

