

ADVANCECON

ADVANCECON HOLDINGS BERHAD

Co. No. 426965-M

3Q 2017 Investor Update
29 November 2017

IR ADVISER

 **AQUILAS**
Creating Market Value

CONTENTS

OPERATIONS REVIEW

FINANCIAL HIGHLIGHTS

INVESTMENT MERITS



OPERATIONS REVIEW

OPERATIONS UPDATE

- ❖ Latest SKVE contract boosts new wins YTD to RM170.8 mil
- ❖ Timely completion and progress of multiple contracts in 3Q17

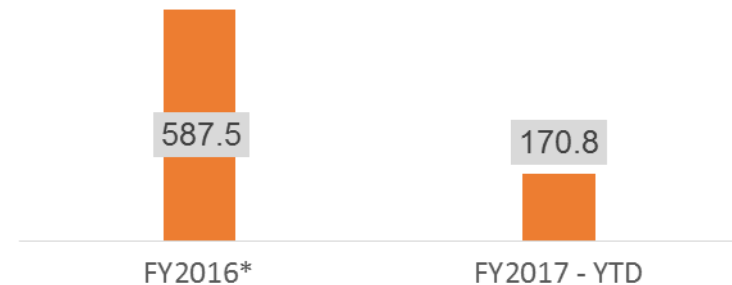
Recently bagged RM75.5 mil SKVE works contract

- **Appointed as main contractor for KM 28.7 of South Klang Valley Expressway (E26: SKVE)**
 - To undertake demolition, site clearance and earthworks, soil treatment/improvement, bridge works & inlet/outlet works, drainage, pavement, road furniture, environmental protection works, traffic management and control, street lightings and Mechanical and Electrical Infrastructure
 - 24-month completion period (Dec 2017-Dec 2019)

Made timely completion & progress of projects

- Completed earthworks for Setia Ecohill 2 and mixed development in Petaling
- Approaching tail-end works for Kota Puteri (Rawang), Phase 1 of mixed development in Mukim Bukit Raja, Bandar Bukit Raja, and Serai Developent (Rawang)

New Contract Wins (RM'mil)



* FY2016 wins include 2 key projects:

- West Coast Expressway RM239.8 mil
- Pan Borneo Highway RM105.2 mil

^ FY2017 YTD key projects:

- SKVE RM75.5 mil
- Gamuda Gardens RM32.7 mil
- Pan Borneo (Sarikei) RM30.1 mil

OPERATIONS UPDATE (CON'T)

- ❖ Expanded machinery fleet and workforce increases capacity for larger workscope
- ❖ Slow progress of infrastructure jobs impair productivity

Increased machinery fleet to increase capacity and efficiency

- Incurred RM45.6 mil CAPEX @ 9m17 (3Q17: RM12.9 mil)
- Added 41 heavy duty dump trucks in 3Q17 alone
- Machinery fleet increased to 436 units (2Q17: 371 units)

Machinery	@ 31-Dec 2016	@ 30-Sep 2017
Dump trucks	140	204
Excavators	69	95
Others	114	137
Total	323	436

Larger workforce of >650 to date to undertake jobs in hand

- Increased from approx. 570 employees @ 30-Jun 2017
- 80% of current workforce comprises locals
- Majority of new hires seconded to infrastructure projects (e.g. Pan Borneo Highway and West Coast Expressway)

Slower-than-expected progress in infrastructure jobs

- Hampered by delays in land acquisition / handover of site

CURRENT ORDER BOOK

- ❖ Order book surpasses RM600 mil mark with latest SKVE win
- ❖ 16 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	222.48			Jun 2019
Pan Borneo Highway (Sungai Awik Bridge to Bintangor Junction)	105.23	92.67			Nov 2019
South Klang Valley Expressway (KM 28.7)	75.50	75.50	Dec 2017		Dec 2019
Eco Grandeur mixed development at Ijok, Selangor	62.82	46.65		Feb 2018	
Gamuda Gardens township at Rawang, Selangor	32.67	32.67	Sep 2017		Jan 2019
Tropicana Aman, Tanjung Dua Belas, Selangor	136.52	36.63	Oct 2017		
Pan Borneo Highway (Sarikei)	30.11	30.11			Aug 2019
Others	322.15	66.65	Sep 2017	Jan 2018	
Total Order Book Value	1,004.81	603.36			

* Data presented as at 24 Nov 2017



FINANCIAL HIGHLIGHTS

QUARTERLY ANALYSIS

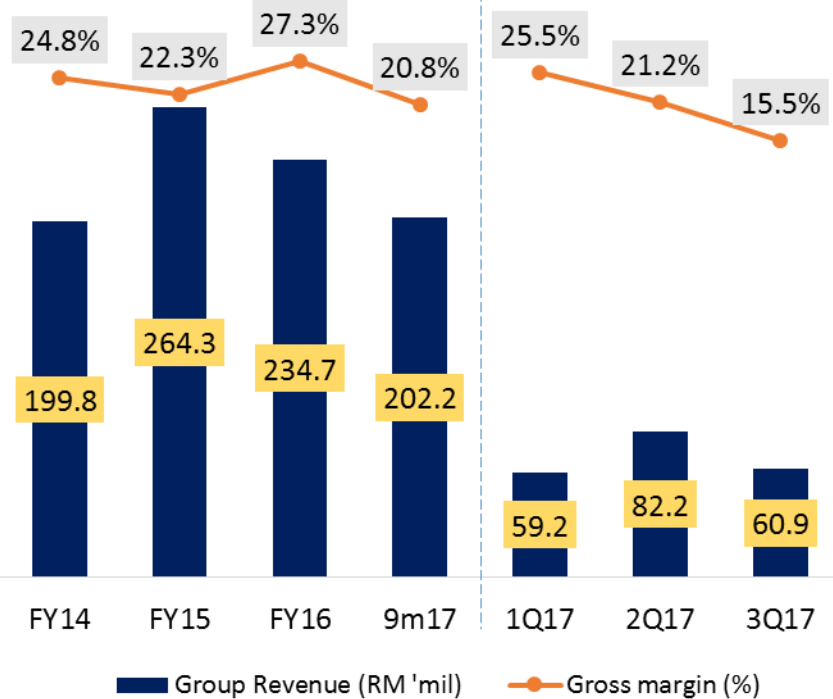
- ❖ Slower billings for 3Q17 exacerbated by higher OPEX from ongoing job requirements
- ❖ Margins affected as operations expanded faster than revenue can be recognised

Comments	1Q17	2Q17	3Q17	RM'mil	9M17
Reduced billings in 3Q17 due to slow progress for infrastructure projects; also completed and tail-end works for property-related projects	59.2	82.2	60.9	Revenue	202.2
3Q17 impacted by lower revenue and increased OPEX (higher depreciation from larger fleet, higher salaries from expanded workforce, and higher diesel prices)	15.1	17.4	9.4	Gross Profit	42.0
	14.8	16.4	10.9	EBITDA	42.1
	9.2	10.3	4.7	PBT	24.2
	6.9	7.5	3.3	PATMI	17.7
	2.20	2.40	0.39	Basic EPS (sen)	4.99
3Q17 margins reduced as expenses increased faster than revenue recognition	25.5%	28.6%	15.5%	Gross Margin	20.8%
	24.9%	27.0%	17.8%	EBITDA margin	20.8%
	15.6%	16.9%	7.7%	PBT margin	12.0%
	11.6%	12.3%	5.4%	Net margin	8.7%

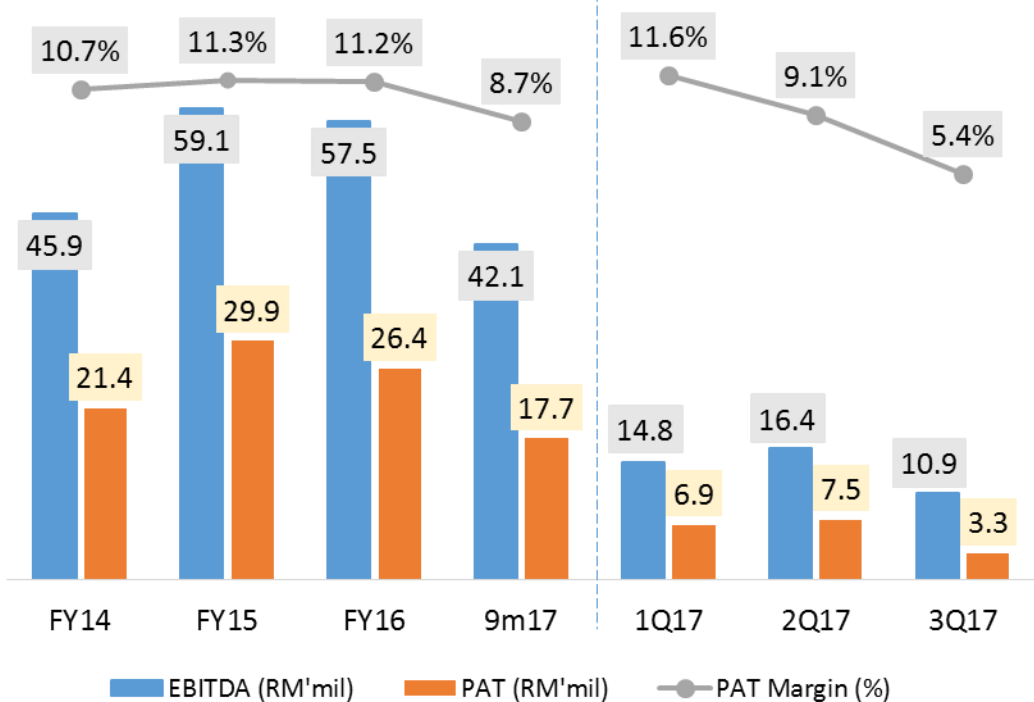
FINANCIAL PERFORMANCE

- ❖ 3Q17 topline impacted by completed projects and infra project delays
- ❖ Also affected by higher fixed costs (expanded wages & machinery) and rising fuel cost

Group Revenue & Gross Margins



EBITDA, PAT and PAT Margins

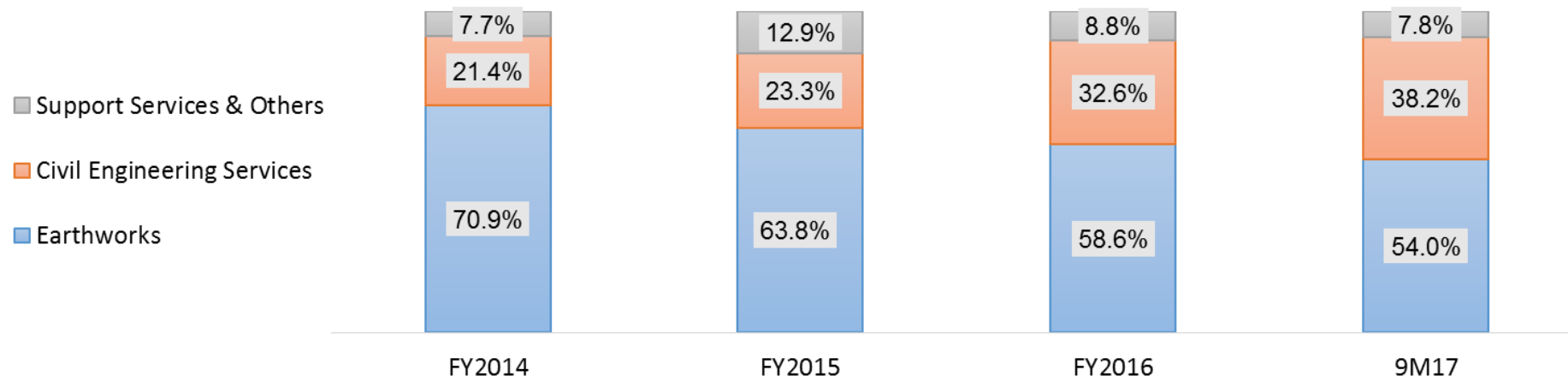


Financial Year Ended 31 December

REVENUE SEGMENTATION: BUSINESS SEGMENTS

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

Revenue Segmentation (%)



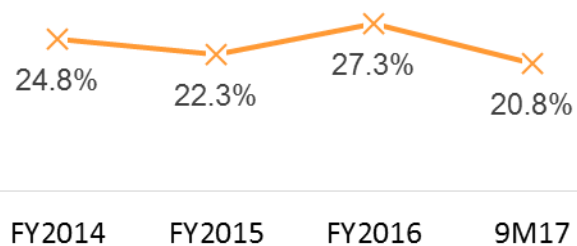
Revenue by End User Industries	FY14		FY15		FY16		9M17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction Services	184.34	92.30%	230.34	87.10	213.97	91.20%	186.47	92.20%
- Earthworks	141.61	70.90%	168.62	63.80%	137.42	58.60%	109.13	53.96%
- Civil engineering services	42.73	21.40%	61.72	23.30%	76.55	32.60%	77.34	38.24%
Support services	15.47	7.70%	33.97	12.90%	20.67	8.80%	15.55	7.7%
Property Investment	-	-	-	-	0.03	*1	0.21	0.1%
Total Revenue	199.81	100.00%	264.31	100.00%	234.7	100.00%	202.24	100.00%

*1 : Negligible

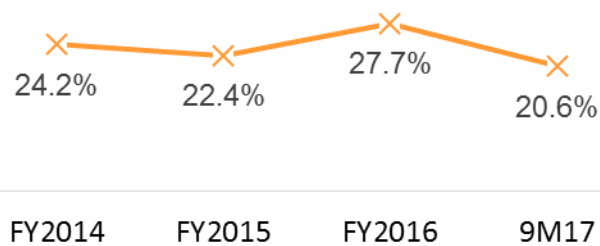
GROSS PROFIT SEGMENTATION: BUSINESS SEGMENTS

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

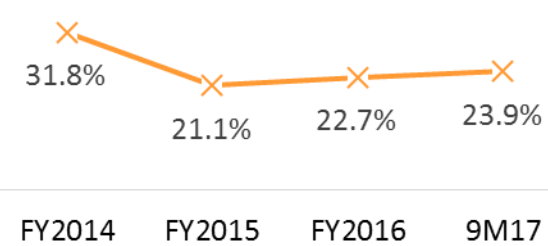
Group Gross Margin



GP Margin: Construction Services



GP Margin: Support Services



Gross Profit by End-User

	FY14		FY15		FY16		9M17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction services	44.55	90.00	51.69	87.80	59.35	92.60	38.48	91.66
- Earthworks	34.94	70.60	38.62	65.60	37.69	58.80	21.69	56.36
- Civil engineering services	9.61	19.40	13.06	22.20	21.66	33.80	16.79	43.64
Support services	4.93	10.00	7.18	12.20	4.68	7.30	3.72	8.85
Property Investment	-	-	-	-	0.03	0.10	0.21	0.51
Total Gross Profit	49.47	100.00	58.87	100.00	64.06	100.00	41.98	100.00

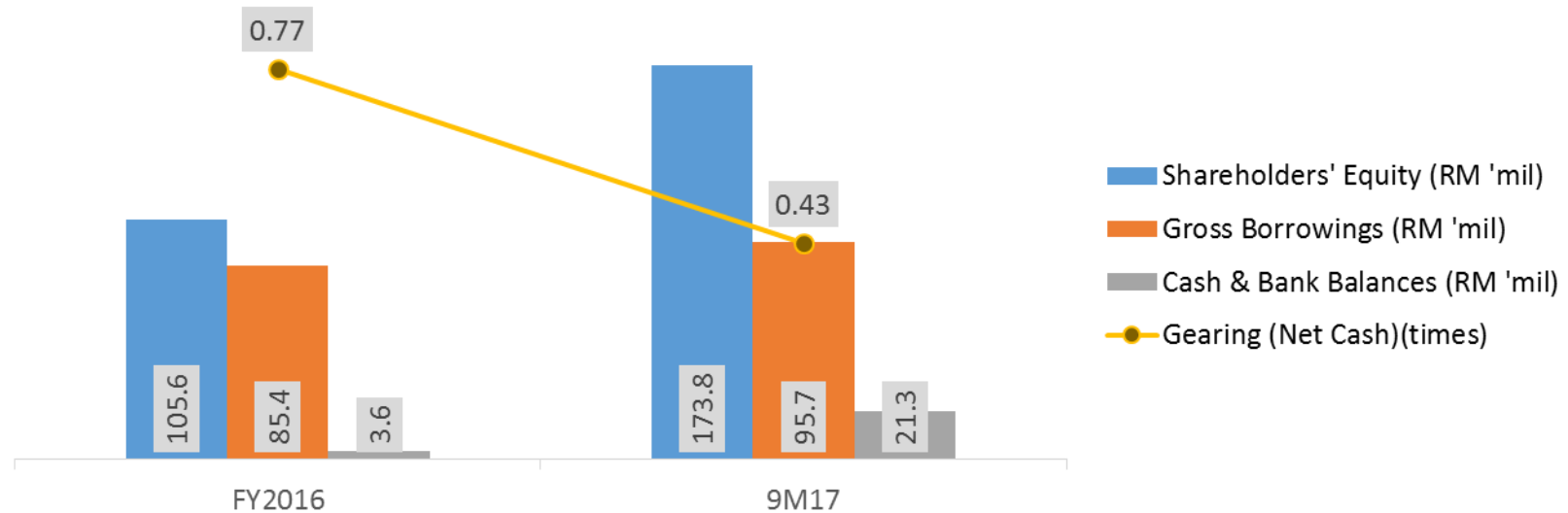
Financial Year Ended 31 December

-*1 : Negligible

BALANCE SHEET HIGHLIGHTS

- ❖ IPO proceeds reduces net gearing to below 0.5x
- ❖ Group able take on more borrowings to fund expansion

Balance Sheet



	FY2014	FY2015	FY2016	9M17
	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Property, Plant and Equipment	104.3	132.7	105.1	132.2
Current Assets	112.9	134.5	159.7	173.2
Current Liabilities	116.6	134.4	142.8	94.4
Non-Current Liabilities	36.8	39.2	47.4	71.2
Shareholders' Equity	63.7	93.7	105.6	173.8

Financial Year Ended 31 December

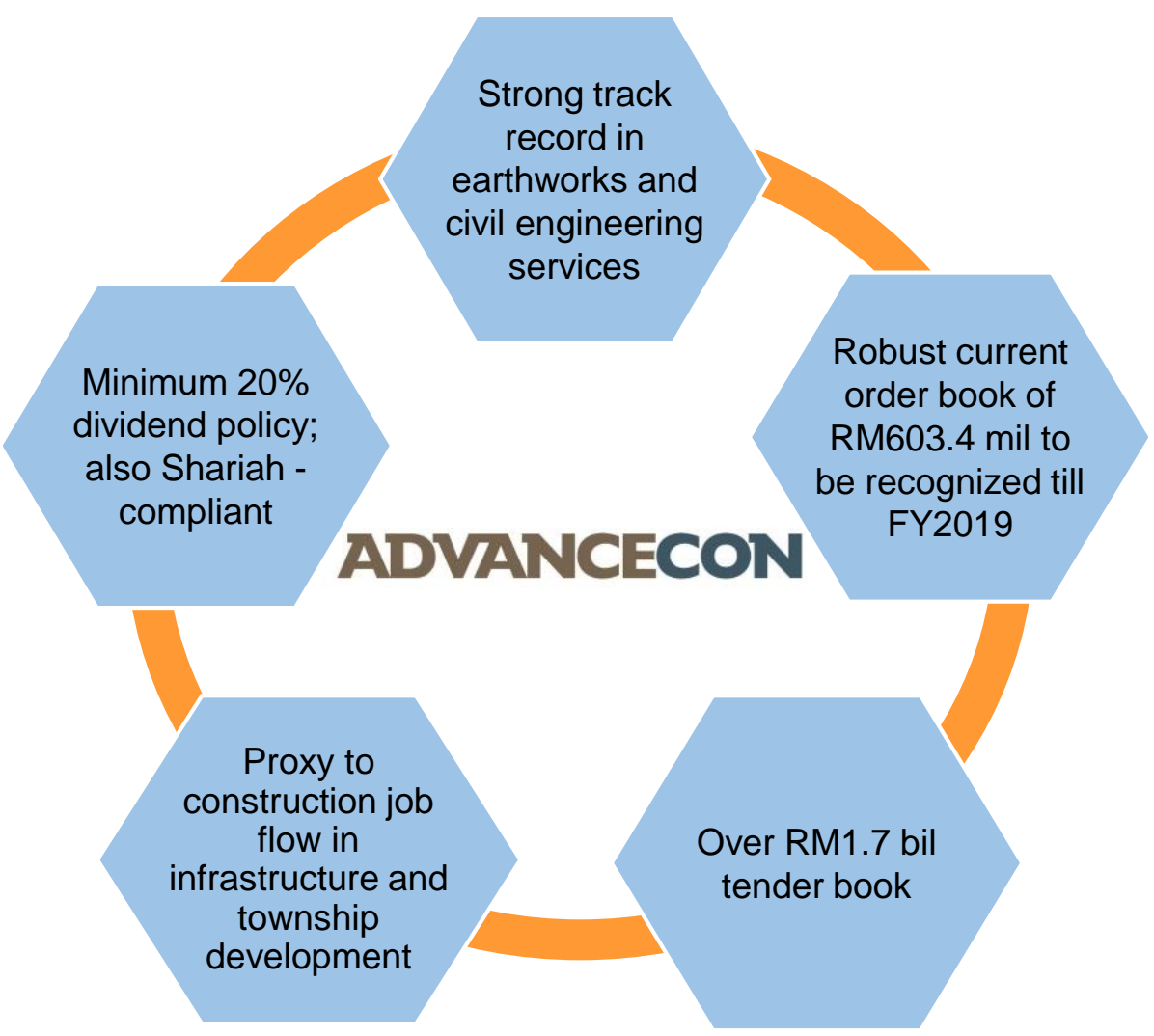


investment

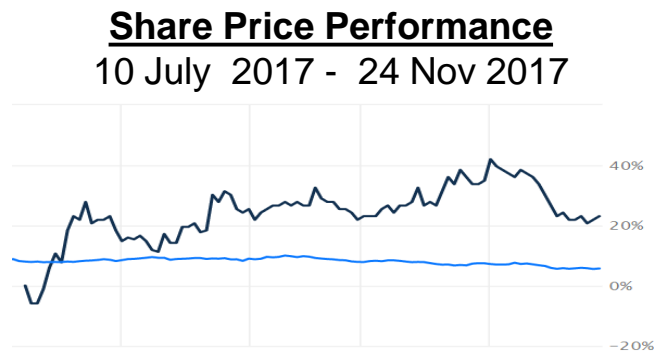
INVESTMENT MERITS

INVESTMENT MERITS

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



Valuations @ 24-Nov 2017	
Share Price (RM)	1.03
Market Cap (RM 'mil)	414.1
Annualised PE	11.7
Historical PE	15.7
FY17 Dividend Yield	1.0%



10 Jul – 24 Nov 2017	
ADVCON	+21.9%
FBMKLCI	-2.4%
Outperformance	+24.3%

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



Thank You

INVESTOR ENQUIRIES

TEH HENG WEE

**hw_teh@advancecon.com.my
investors@advancecon.com.my
Tel: 603-6157 9563**

TERENCE LOO

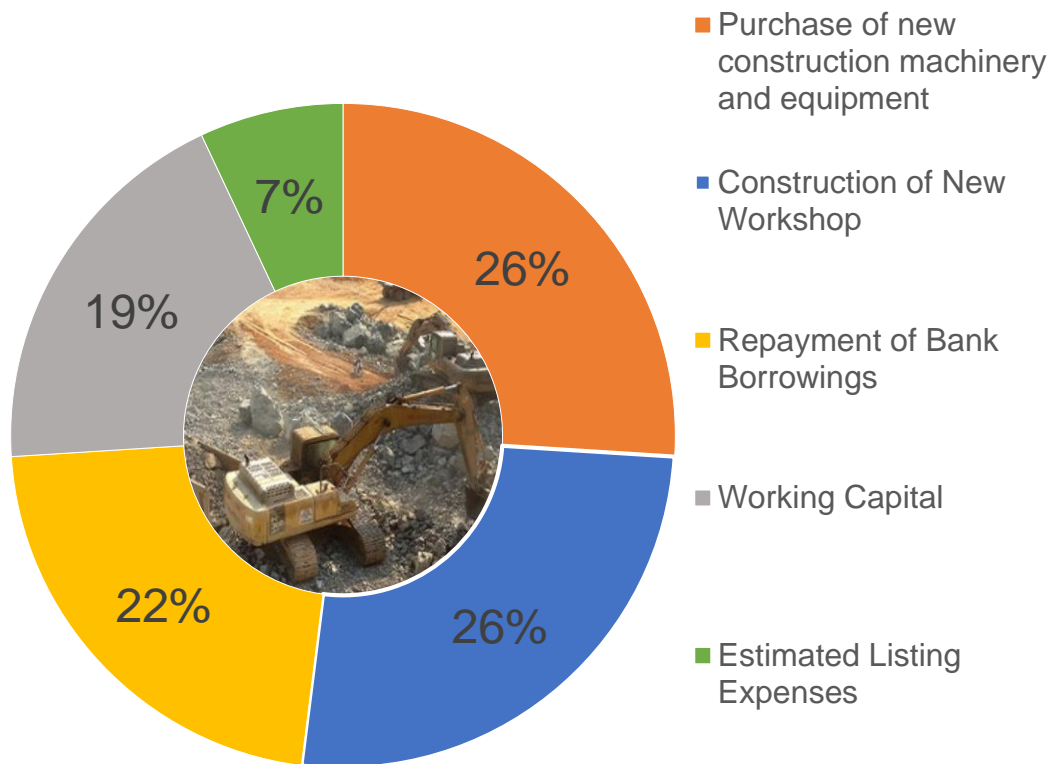
**terence@aquilas.com.my
Tel: 012-6295 618**



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



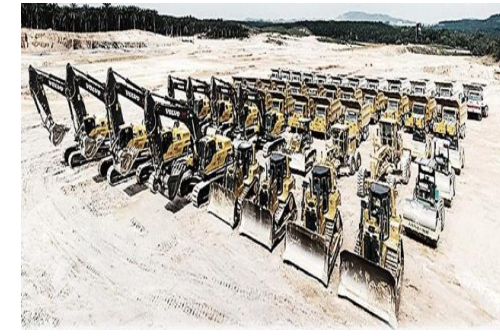
Proven track record

- 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

