

ADVANCECON

ADVANCECON HOLDINGS BERHAD

Co. No. 426965-M

**4Q17 Investor Update
6 March 2018**

IR ADVISER

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OPERATIONS REVIEW

OPERATIONS UPDATE

- ❖ Latest contract acquisition boosts new wins to RM216.6 mil
- ❖ Increased expenses for Group in 4Q17

Secured first contract from Worldwide Holdings Berhad for Alam Perdana township in 4Q17

- **Appointed as main contractor for earthworks and ancillary works**
 - RM45.8 million contract to undertake preliminaries, site clearance and earthworks at Phase 1 and 2, ground treatment works, detention pond and drainage diversion as well as arch culvert

Site handover issue for key infrastructure projects

- West Coast Expressway (WCE) and Pan Borneo Highway (PBH) still plagued by delays in land acquisition and site handover, similar to 3Q17

Incurred higher operating costs

- Due to higher volume weighted average diesel costs and staff costs
- Noted higher finance costs for hire-purchase of machinery
- Larger wage bill for expanded workforce of more than 650

New Contract Wins (RM'mil)



FY2016*

FY2017^

* FY2016 wins include 2 key projects:

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

^ FY2017 key projects:

- SKVE RM75.5 mil
- Alam Perdana RM45.8 mil
- Gamuda Gardens RM32.7 mil
- Pan Borneo (Sarikei) RM30.1 mil

CURRENT ORDER BOOK

- ❖ Order book surpasses RM600 mil mark
- ❖ 19 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	208.92			Jun 2019
Pan Borneo Highway (Sungai Awik Bridge to Bintangor Junction)	105.23	86.74			Nov 2019
South Klang Valley Expressway (KM 28.7)	75.50	73.23	Dec 2017		Dec 2019
Alam Perdana Development	45.83	45.83		Jan 2018	Jul 2019
Tropicana Aman, Tanjung Dua Belas, Selangor	136.52	34.18		Oct 2018	
Gamuda Gardens township at Rawang, Selangor	32.67	30.42	Sep 2017		Jan 2019
Pan Borneo Highway (Sarikei)	30.11	30.11			Aug 2019
Others	334.85	93.77	Sep 2017		Jul 2019
Total Order Book Value	1,000.52	603.20			

* Data presented as at 21 Feb 2018

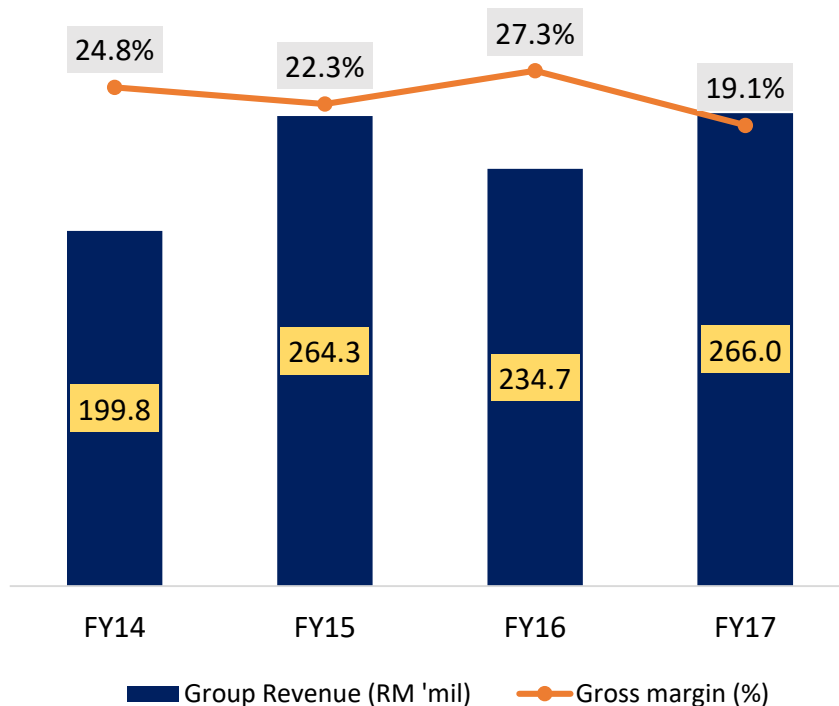


FINANCIAL HIGHLIGHTS

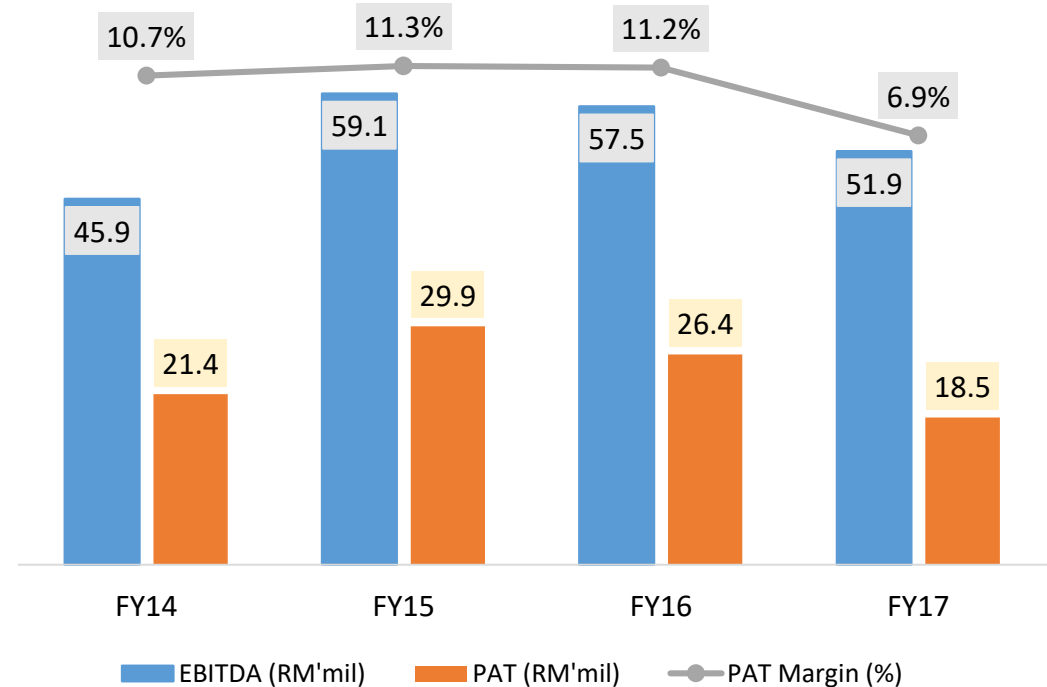
FINANCIAL PERFORMANCE

- ❖ Improved topline on higher revenue recognition from construction services
- ❖ Bottom line affected by higher operating costs from larger workforce and higher interest from machinery fleet

Group Revenue & Gross Margins



EBITDA, PAT and PAT Margins



Financial Year Ended 31 December

QUARTERLY ANALYSIS

- ❖ Higher FY2017 revenue but lower net profits due to higher operating expenses
- ❖ Margins affected by larger cost base but expected to even out when project works commence

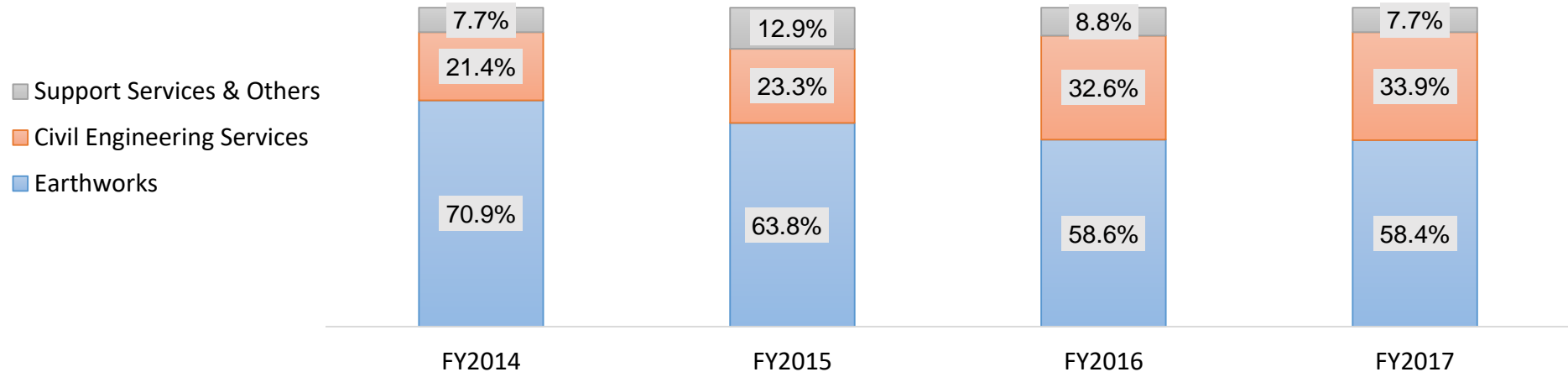
Comments	1Q17	2Q17	3Q17	4Q17	RM'mil	FY17	FY16	Change	Comments
4Q17 revenue improved vs 3Q17 on higher progress billings	59.2	82.2	60.9	63.8	Revenue	266.0	234.7	13.4%	FY2017 topline increased on completion of fast tracked project
4Q17 impacted by higher operating expenses in the form of higher volume weighted average diesel costs and staff costs due to enlarged machinery fleet and workforce.	15.1	17.4	9.4	8.9	Gross Profit	50.9	64.1	(20.5%)	Impacted by higher operating expenses during second half of FY2017, depreciation charges, and higher staff costs on enlarged machinery fleet and workforce
	14.8	16.4	10.9	9.8	EBITDA	51.9	57.5	(9.8%)	
	9.2	10.3	4.7	2.5	PBT	26.7	37.1	(28.1%)	
Affected by higher tax provision resulting from higher capital expenditure incurred	6.9	7.5	3.3	0.8	PATMI	18.5	26.4	(30.2%)	Similar to 4Q17
	2.20	2.40	0.39	0.20	Basic EPS (sen)	4.59	6.58	(30.2%)	
Margins moderated on expenses inceasing faster than revenue recognition	25.5%	21.2%	15.5%	14.0%	Gross Margin	19.1%	27.3%	(8.2pt)	Margins moderated on expenses inceasing faster than revenue recognition
	24.9%	25.8%	17.0%	15.4%	EBITDA margin	19.5%	24.5%	(5.1 pt)	
	15.6%	16.2%	7.3%	4.0%	PBT margin	10.0%	15.8%	(5.8pt)	
	11.6%	11.8%	5.2%	1.3%	Net margin	6.9%	11.3%	(4.4 pt)	

Financial Year Ended 31 December

REVENUE SEGMENTATION: BUSINESS SEGMENTS

- ❖ Earthworks the mainstay of Group earnings
- ❖ Solid growth for civil engineering services segment.

Revenue Segmentation (%)



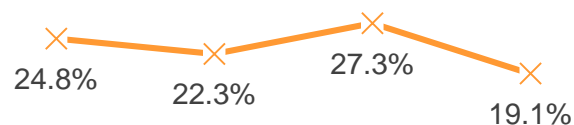
Revenue by End User Industries	FY14		FY15		FY16		FY17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction Services	184.3	92.3%	230.3	87.1	214.0	91.2%	245.4	92.3%
- Earthworks	141.6	70.9%	168.6	63.8%	137.4	58.6%	155.4	58.4%
- Civil engineering services	42.7	21.4%	61.7	23.3%	76.6	32.6%	90.1	33.9%
Support services	15.5	7.7%	34.0	12.9%	20.7	8.8%	20.3	7.6%
Property Investment	-	-	-	-	0.03	- ^{*1}	0.3	0.1%
Total Revenue	199.8	100.0%	264.3	100.0%	234.7	100.0%	266.0	100.0%

-^{*1} : Negligible

GROSS PROFIT SEGMENTATION: BUSINESS SEGMENTS

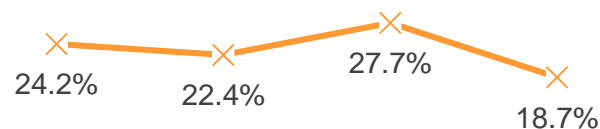
❖ Healthy double-digit gross margins reflecting Group's specialist services

Group Gross Margin



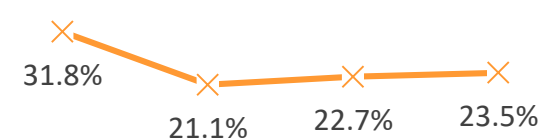
FY2014 FY2015 FY2016 FY2017

GP Margin:
Construction Services



FY2014 FY2015 FY2016 FY2017

GP Margin:
Support Services



FY2014 FY2015 FY2016 FY2017

Gross Profit by End-User	FY14		FY15		FY16		FY17	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction services	44.6	90.0	51.7	87.8	59.4	92.6	45.9	90.1
- Earthworks	34.9	70.6	38.6	65.6	37.7	58.8	28.6	56.1
- Civil engineering services	9.6	19.4	13.1	22.2	21.7	33.8	17.3	34.0
Support services	4.9	10.0	7.2	12.2	4.7	7.3	4.8	9.4
Property Investment	-	-	-	-	*1	0.1	0.3	0.6
Total Gross Profit	49.5	100.0	58.9	100.0	64.1	100.0	50.9	100.0

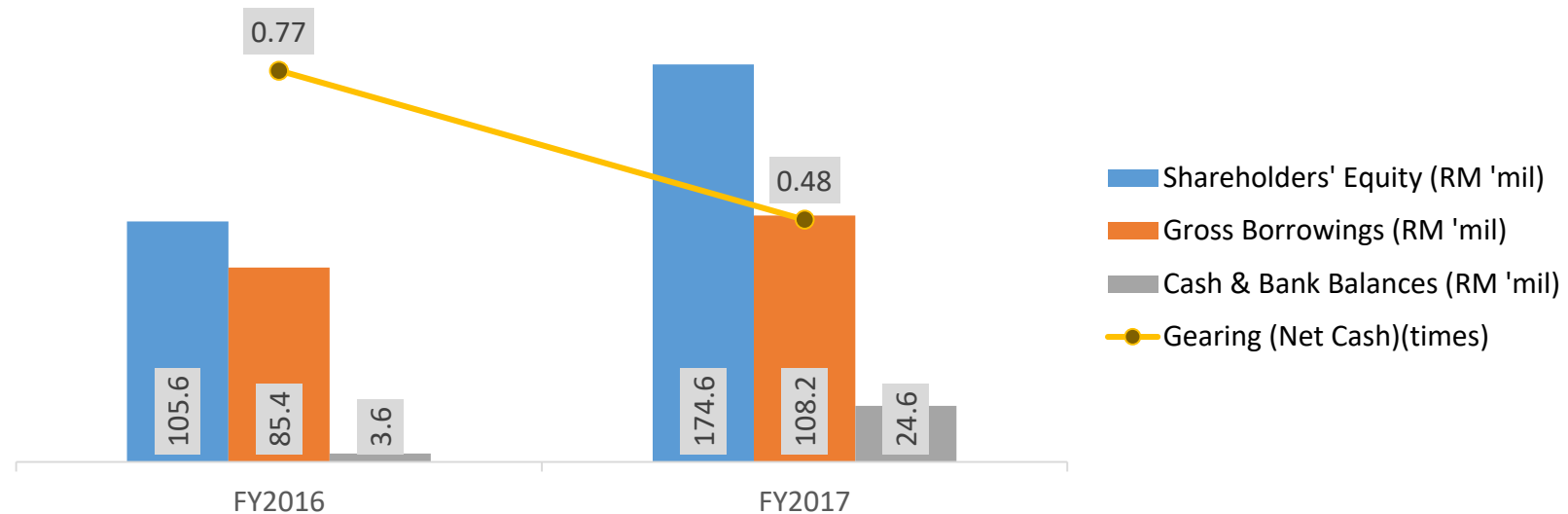
Financial Year Ended 31 December

*1 : Negligible

BALANCE SHEET HIGHLIGHTS

- ❖ IPO proceeds reduces net gearing to 0.48x
- ❖ Group able take on more borrowings to fund expansion

Balance Sheet



	FY2014	FY2015	FY2016	FY2017
	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Property, Plant and Equipment	104.3	132.7	105.1	151.4
Current Assets	112.9	134.5	159.7	182.5
Current Liabilities	116.6	134.4	142.8	122.7
Non-Current Liabilities	36.8	39.2	47.4	71.4
Shareholders' Equity	63.7	93.7	105.6	174.6

Financial Year Ended 31 December

A hand holding a glowing lightbulb in front of a chalkboard with the word 'GROWTH' written on it. The lightbulb is positioned in the center, replacing the letter 'O' in the word 'GROWTH'. The chalkboard is green and has the word 'GROWTH' written in white chalk. The lightbulb is glowing with a warm yellow light.

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

- Enhancing project execution prowess with creation of high-performance teams assigned to specific business segments; each team equipped with all-round skill sets
- Purchased two pieces of land amounting to RM13.7 million to set up in-house workshop to maximize utilization of machinery fleet by reducing down time etc
- Monitoring capital expenditure and manpower requirements to optimize project deliverables

Implementing ISO 14001 – Compliant Environmental Management System

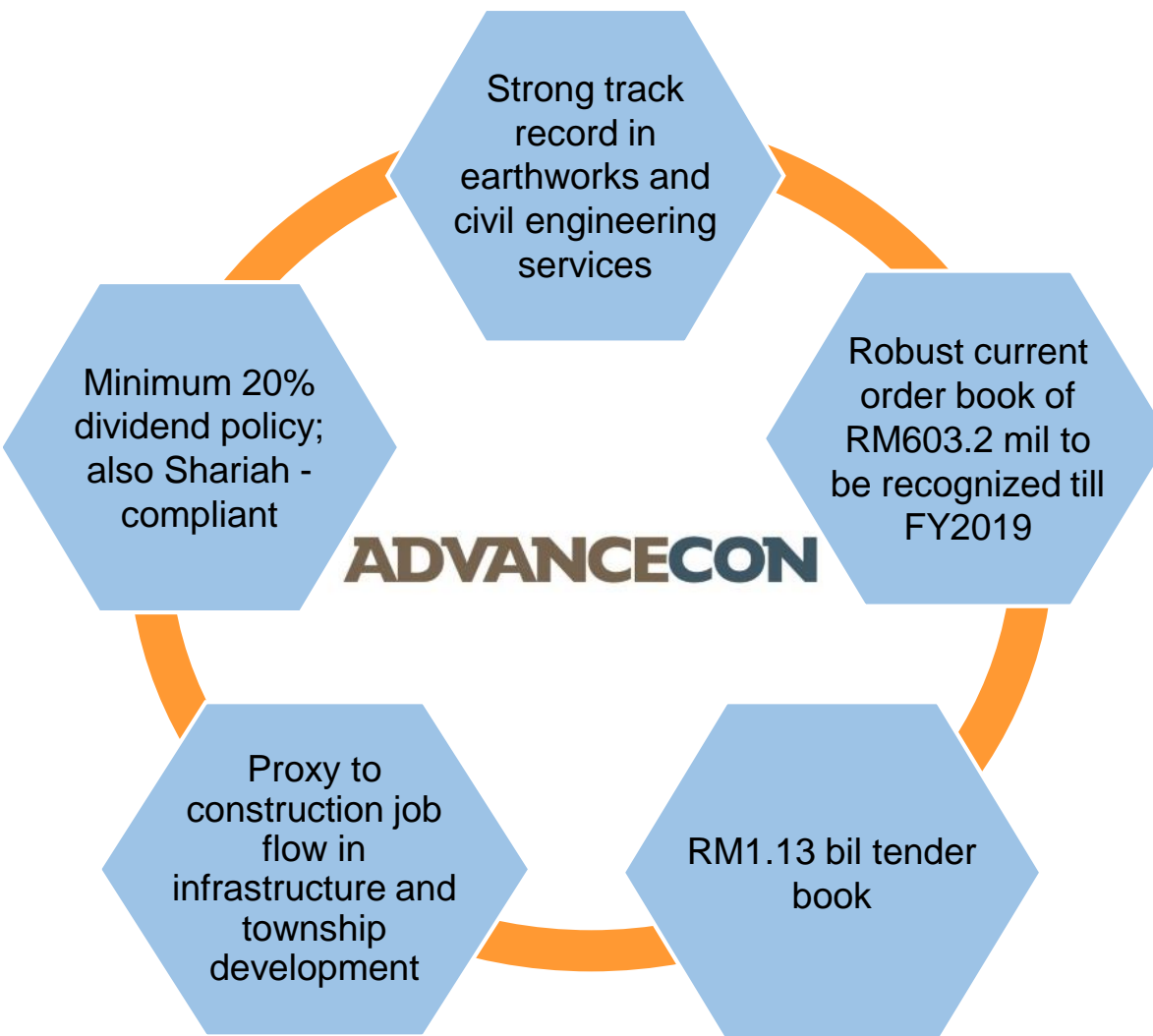
- Will benefit from potential reduction in operational cost and increased productivity through efficient resource management
- Target to obtain ISO14001:2015 certification by 2018



INVESTMENT MERITS

INVESTMENT MERITS

- ❖ Prospects underpinned by construction sector's upward trajectory
- ❖ Achieved minimum 20% dividend policy in FY2017



Valuations @2 Jan 2018

Share Price (RM)	0.67
Market Cap (RM 'mil)	269.4
Annualised PE	7.3
Historical PE	10.2
FY17 Dividend Yield	1.5%

Share Price Performance

10 Jul 2017 - 2 Mar 2018



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



Thank You

INVESTOR ENQUIRIES

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TERENCE LOO

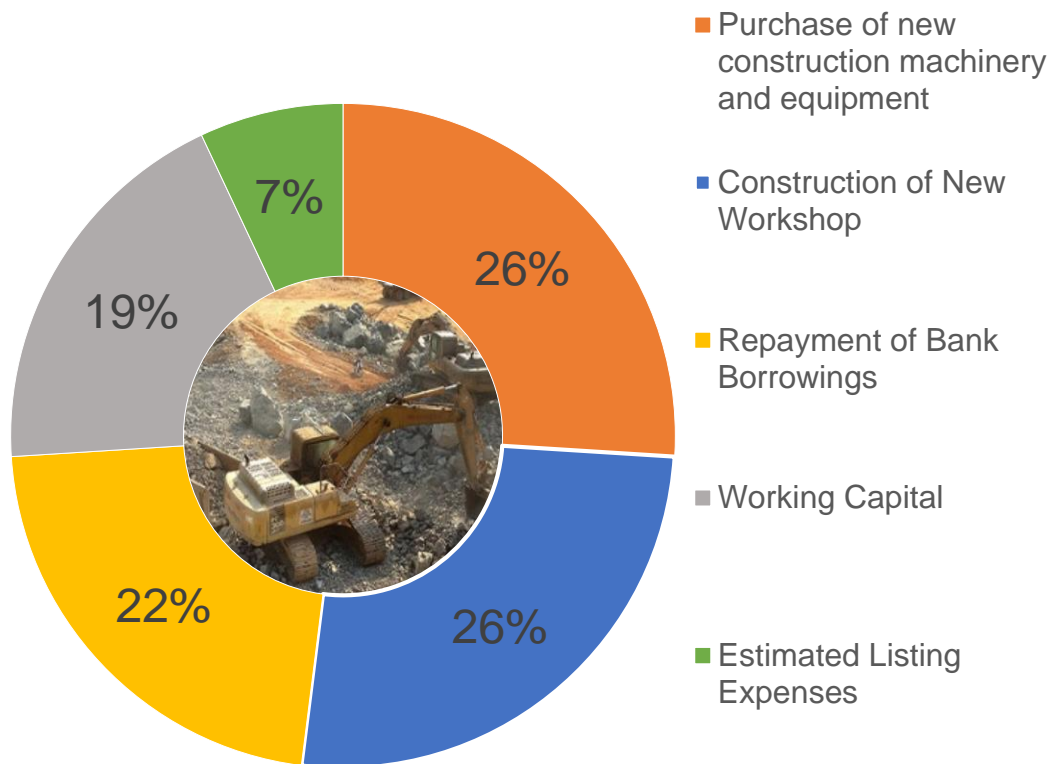
**terence@aquilas.com.my
Tel: 012-6295 618**

A close-up photograph of a person's hand, wearing a white shirt cuff and a dark suit sleeve, carefully placing a light-colored wooden block onto a tall, slightly wobbly stack of similar blocks. The background is blurred, showing another person in a suit and tie. The overall tone is professional and focused.

APPENDIX

UTILIZATION OF PROCEEDS

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



	Amount (RM 'mil)	Utilized (RM 'mil)
Purchase of new construction machinery and equipment	15.1	13.0
Construction of New Workshop	14.6	0.0
Repayment of bank borrowings	12.5	3.5
Working Capital	10.7	10.5
Estimated Listing Expenses	3.8	3.8
Total	56.7	30.8



CORPORATE PROFILE

BACKGROUND

- ❖ An established specialist providing integrated earthworks and civil engineering services... supporting major property development and infrastructure projects nationwide

Leading specialist in earthworks and civil engineering services in Malaysia

- ❖ Established in 1990, Advancecon provides integrated services from site clearance, rock blasting, and excavation to roadworks, drainage works, bridge construction, etc.
- ❖ Advancecon is a Grade “7” contractor registered with CIDB under SPKK.
 - Able to tender for Malaysian Government projects with unlimited value with registered categories under Category B (Building) and CE (Civil Engineering).

Supports reputable property developers in nationwide projects

ECOWORLD
CREATING TOMORROW & BEYOND

MRCB



PKNS

Setia



TROPICANA
CORPORATION BERHAD
丽阳机构

Undertaken more than RM500 million projects nationwide in last three years

- ❖ Notable completed projects include works for Setia EcoHill, Desa ParkCity, Nilai Impian 2, Cyberjaya Flagship Zone, and trumpet interchange and Ecohill Link for Lebuhraya Kajang Seremban (LEKAS) highway



Clearing of project site



Hydraulic excavators loading soil



Rock blasting

MAJOR PROJECT UNDERTAKINGS

❖ Supporting earthworks and civil engineering for various iconic townships...

Setia

Bandar Setia Alam,
Bukit Raja
4,000 acres

ECOWORLD
CREATING TOMORROW & BEYOND

Eco Grandeur,
Ijok
1,400 acres

Setia

Setia Ecohill 1 & 2,
Semenyih
1,285 acres

ECOWORLD
CREATING TOMORROW & BEYOND

Eco Majestic,
Beranang
1,090 acres

TROPICANA
CORPORATION BERHAD
丽阳机构

Tropicana Aman,
Tanjung Dua Belas
1,060 acres

PKNS

Bandar Sultan Suleiman,
Kapar
563 acres

MKH

Hillpark,
Bandar Puncak Alam
530 acres

PARAMOUNT
CORPORATION BERHAD

Bandar Amanjaya,
Sungai Petani
471 acres



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



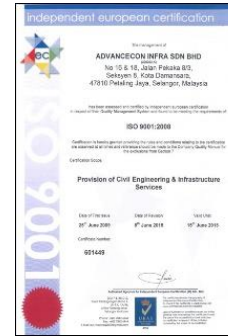
Experienced key management team

- 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



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

Dividend Payout

■ Dividend Payout (RM'mil) — Payout Ratio (%)

