

**ADVANCECON**  
**ADVANCECON HOLDINGS BERHAD**  
Co. No. 426965-M  
**2Q18 Investor Update**  
**5 September 2018**

IR ADVISER

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**OPERATIONS REVIEW**

**FINANCIAL HIGHLIGHTS**

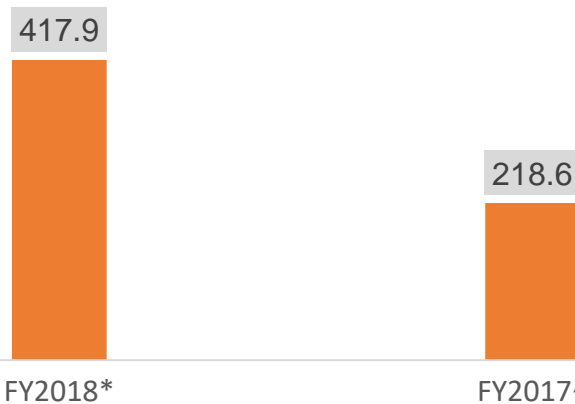
**GROWTH STRATEGIES**

**INVESTMENT MERITS**

# OPERATIONS UPDATE

- ❖ Doubled contract wins eight months into FY2018 as compared to FY2017
- ❖ Repeat customers validate Group's competitive edge in the market

New Contract Wins (RM'mil)



*FY2018 key projects	Value (RM'mil)
WCE – Section 7 (Part 1)	370.1
Eco Ardence – Phase 2	20.5
Bandar Bukit Raja Stage 2	27.3

^FY2017 key projects	Value (RM'mil)
SKVE	75.5
Alam Perdana	45.8
Gamuda Gardens	32.7
Pan Borneo (Sarikei)	30.1

**Repeated orders to continue Phase 2 works from existing customers to bring projects' total worth to RM115.5 million**

- RM20.5 million contract from Eco World to undertake earthworks and ancillary works for Eco Ardence mixed development – Phase 2
  - 9-month duration from July 2018
  - Previous contract for same development:
    - Phase 1: RM51.9 million for earthworks
- RM27.3 million contract from Sime Darby Property to undertake river upgrading works for Bandar Bukit Raja township Stage 2
  - 12-month duration from August 2018
  - Previous contract for same development:
    - Phase 1: RM15.8 million for earthworks, realignment of rivers, and other related works

# CURRENT ORDER BOOK

- ❖ Strong order book of RM908.75 million
- ❖ 18 ongoing projects in Peninsular and East Malaysia provide earnings visibility up to 24 months

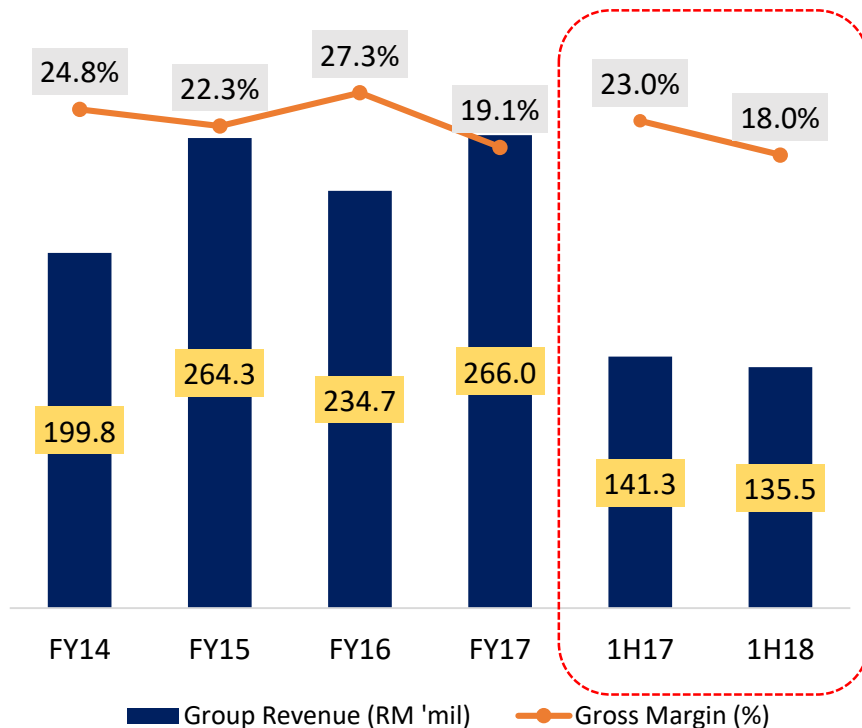
	Ongoing Projects	Estimated Contract Value (RM' mil)	Remaining Contract Value (RM' mil)	2017	2018	2019	2020
1)	West Coast Expressway (Part 1) (Assam Jawa Interchange to Tanjung Karang Interchange)	370.07	370.07		Jun 2018		Dec 2020
2)	West Coast Expressway (Banting Interchange to South Klang Valley Expressway Interchange)	239.81	180.76			Jun 2019	
3)	Pan Borneo Highway (Sungai Awik Bridge to Bintangor Junction)	105.23	74.83			Nov 2019	
4)	South Klang Valley Expressway (KM 28.7)	75.50	45.46	Dec 2017		Dec 2019	
5)	Alam Perdana Development	45.83	35.75		Jan 2018	Jul 2019	
6)	Bandar Bukit Raja Stage 2	27.34	27.34		Aug 2018	Aug 2019	
7)	Eco Ardence mixed development	20.51	20.51		Jul 2018	Apr 2019	
	Others	544.20	154.03	Nov 2013		Sep 2019	
	<b>Total Order Book Value</b>	<b>1,428.49</b>	<b>908.75</b>				

Note: Data presented as at 30 June 2018

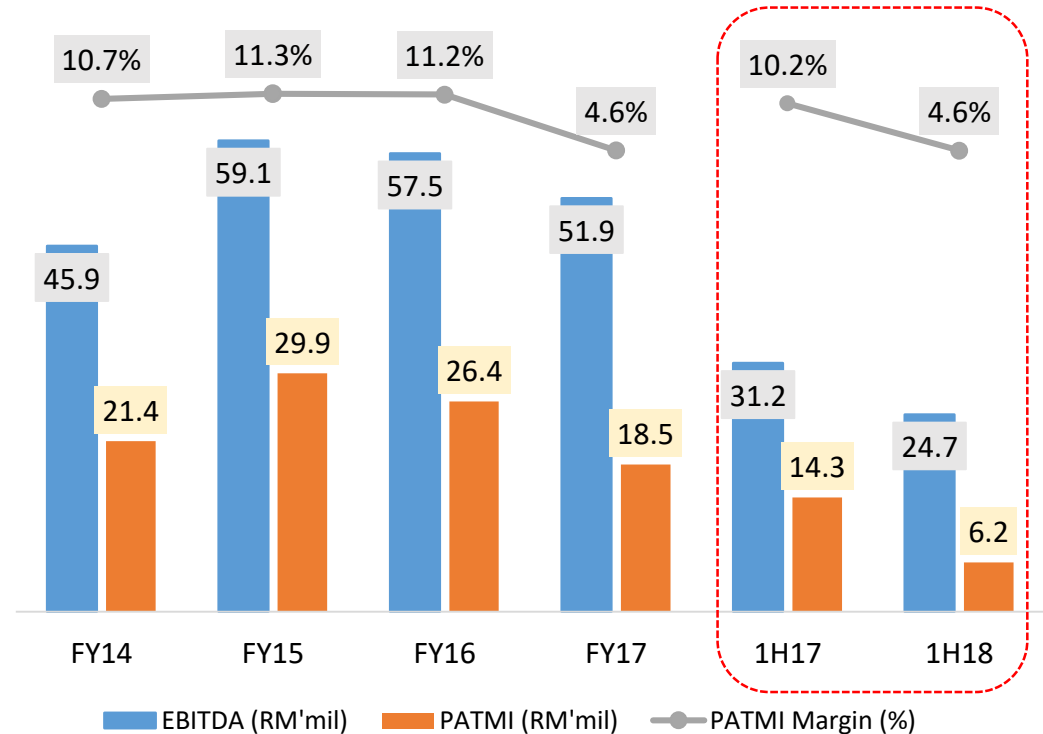
# FINANCIAL PERFORMANCE

- ❖ Decrease in topline on lower progress billings
- ❖ Bottom line affected by higher operating costs as a result of increased machinery related costs, expanded workforce and delay in site possession for key projects

Group Revenue & Gross Margins



EBITDA, PATMI and PATMI Margins

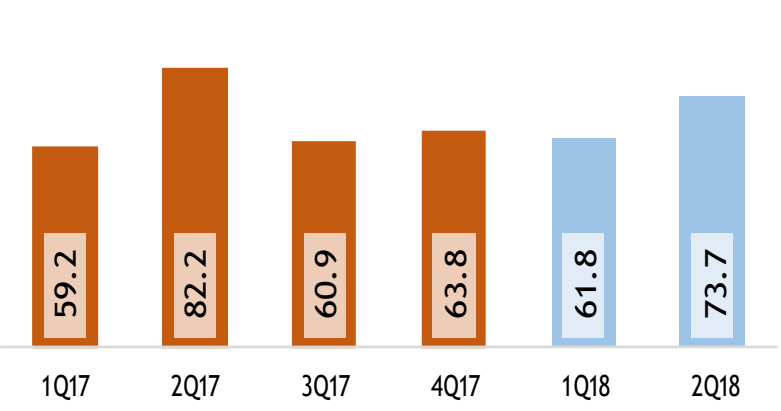


Financial Year Ended 31 December

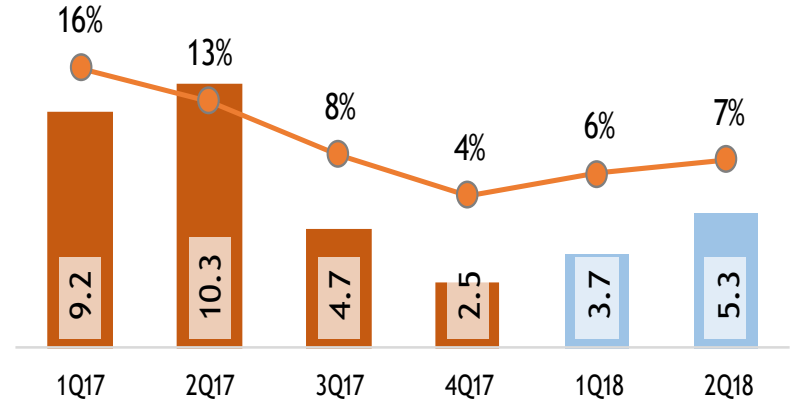
# FINANCIAL TRENDS

❖ Showing promising signs of uptrend in top and bottomlines

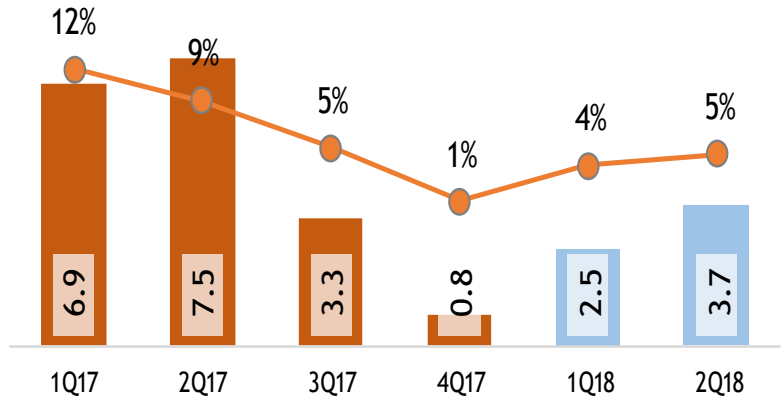
Quarterly Revenue (RM' mil)



Quarterly PBT (RM' mil) & PBT Margins (%)



Quarterly PATMI (RM' mil) & PATMI Margins (%)



# QUARTERLY ANALYSIS

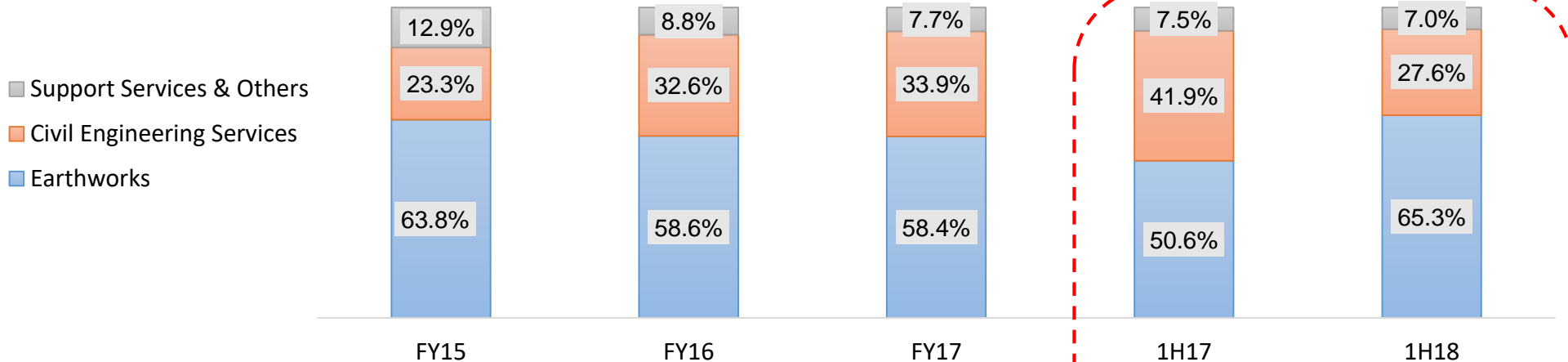
- ❖ 2Q18 topline affected by slower revenue recognition, but showing steady improvement
- ❖ Impact of larger cost base to even out in line with project progress

Comments	2Q18	2Q17	Change	RM'mil	1H18	1H17	Change	Comments
Revenue declined on lower progress billings	73.7	82.2	(10.3%)	<b>Revenue</b>	135.5	141.3	(4.1%)	Weaker revenue due to slower than expected revenue recognition from infrastructure projects
PBT impacted by higher operating expenses and finance costs	13.5	17.4	(22.7%)	<b>Gross Profit</b>	24.3	32.6	(25.2%)	Bottomline dipped in tandem with the smaller revenue base
	13.4	16.4	(18.4%)	<b>EBITDA</b>	24.7	31.2	(20.7%)	
	5.3	10.3	(48.8%)	<b>PBT</b>	9.0	19.5	(54.1%)	
3.7	7.5	(51.1%)	<b>PATMI</b>	6.2	14.3	(56.8%)		
Affected by higher provision for deferred tax	0.91	2.40	(62.1%)	<b>Basic EPS (sen)</b>	1.54	4.60	(66.5%)	
Margins moderated on expenses increasing faster than revenue recognition	18.3%	21.2%	(2.9pt)	<b>Gross Margin</b>	18.0%	23.0%	(5.1pt)	Margins affected by higher depreciation, staff costs, costs of materials and diesel
	18.2%	20.0%	(1.9 pt)	<b>EBITDA margin</b>	18.3%	22.1%	(3.9 pt)	
	7.2%	12.5%	(5.4pt)	<b>PBT margin</b>	6.6%	13.8%	(7.2pt)	
	5.0%	9.1%	(4.2 pt)	<b>Net margin</b>	4.6%	10.2%	(5.6 pt)	

# REVENUE SEGMENTATION: BUSINESS SEGMENTS

❖ Earthworks the main contributor of Group's revenue base

Revenue Segmentation (%)



Revenue by End User Industries	FY15		FY16		FY17		1H17		1H18	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction Services	230.3	87.1	214.0	91.2%	245.4	92.3%	130.7	92.5%	126.0	93.0%
- Earthworks	168.6	63.8%	137.4	58.6%	155.4	58.4%	71.6	50.6%	88.5	65.3%
- Civil engineering services	61.7	23.3%	76.6	32.6%	90.1	33.9%	59.2	41.9%	37.5	27.6%
Support services	34.0	12.9%	20.7	8.8%	20.3	7.6%	10.5	7.4%	9.4	7.0%
Property Investment	-	-	-*1	-*1	0.3	0.1%	0.2	0.1%	0.1	0.1%
<b>Total Revenue</b>	<b>264.3</b>	<b>100.0%</b>	<b>234.7</b>	<b>100.0%</b>	<b>266.0</b>	<b>100.0%</b>	<b>141.3</b>	<b>100.0%</b>	<b>135.5</b>	<b>100.0%</b>

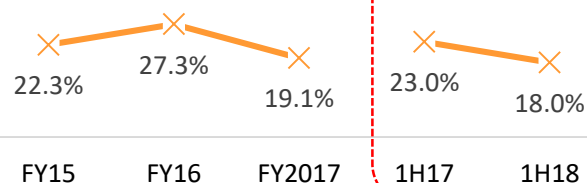
-\*1 : Negligible



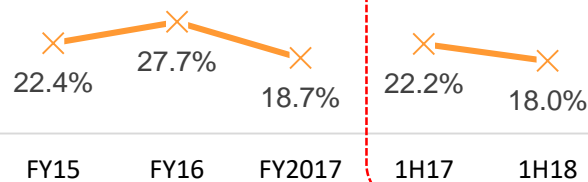
# GROSS PROFIT SEGMENTATION: BUSINESS SEGMENTS

- ❖ Margins moderated due to increased machinery related costs, expanded workforce and delay in site possession of key projects

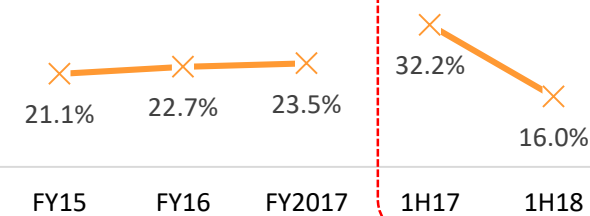
## Group Gross Margin



## GP Margin: Construction Services



## GP Margin: Support Services

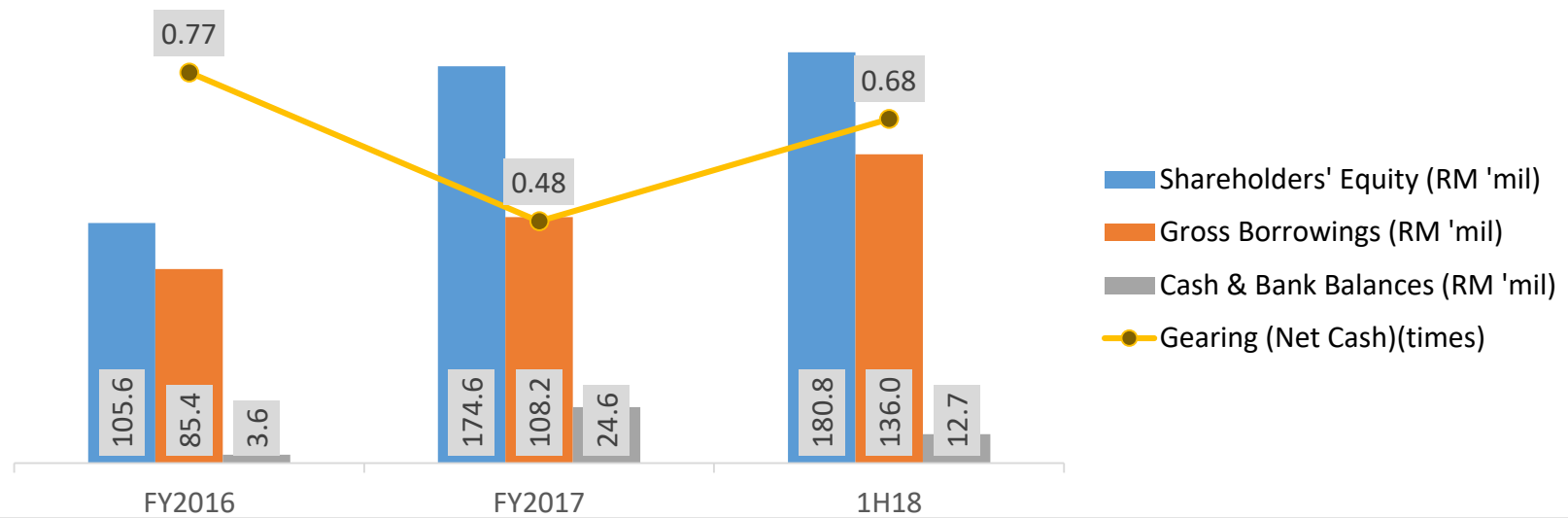


Gross Profit by End-User	FY15		FY16		FY17		1H17		1H18	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction services	51.7	87.8	59.4	92.6	45.9	90.1	29.0	89.2	22.7	93.3
- Earthworks	38.6	65.6	37.7	58.8	28.6	56.1	15.9	48.9	16.3	67.0
- Civil engineering services	13.1	22.2	21.7	33.8	17.3	34.0	13.1	40.4	6.4	26.3
Support services	7.2	12.2	4.7	7.3	4.8	9.4	3.4	10.3	1.5	6.2
Property Investment	-	-	- <sup>*1</sup>	0.1	0.3	0.6	0.2	0.5	0.1	0.5
<b>Total Gross Profit</b>	<b>58.9</b>	<b>100.0</b>	<b>64.1</b>	<b>100.0</b>	<b>50.9</b>	<b>100.0</b>	<b>32.6</b>	<b>100.0</b>	<b>24.3</b>	<b>100.0</b>

# BALANCE SHEET HIGHLIGHTS

- ❖ Higher borrowings to fund machinery acquisition
- ❖ Gearing still within comfortable level

Balance Sheet



	FY2014	FY2015	FY2016	FY2017	1H18
	RM 'mil	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Property, Plant and Equipment	104.3	132.7	105.1	151.4	167.6
Current Assets	112.9	134.5	159.7	182.5	212.5
Current Liabilities	116.6	134.4	142.8	122.7	152.6
Non-Current Liabilities	36.8	39.2	47.4	71.4	82.4
Shareholders' Equity	63.7	93.7	105.6	174.6	180.8

# GROWTH STRATEGIES

- ❖ Enhancing revenue generation
- ❖ Eyeing contracts exceeding RM50 million

## Focus on earthworks projects

- Targeting residential earthworks projects with shorter tenure and faster revenue recognition to cushion impact of slower revenue recognition for highway project (secured RM47.8 million worth of earthworks contracts post GE-14)

## Upgrading internal capabilities

- To construct a new workshop in Kota Puteri equipped with training facilities, store, and a service yard

## Monetize investment properties

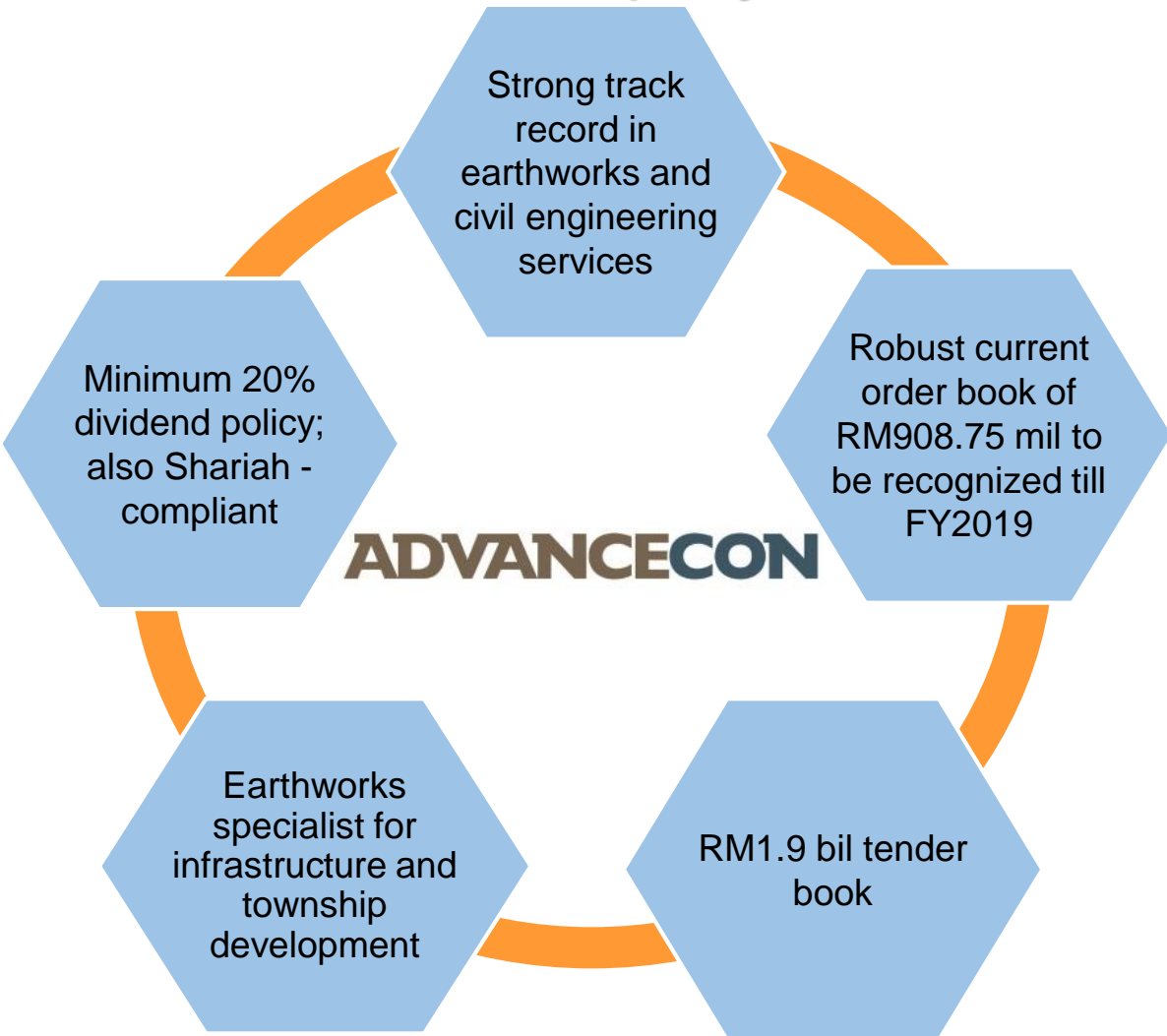
- To liquidate investment properties currently held to minimize opportunity costs associated to holding such properties

## Eyeing M&A opportunities

- Aiming for M&A opportunities in similar industry that offers recurring income capabilities

# INVESTMENT MERITS

- ❖ Leading earthworks specialist with strong track record and sizeable fleet of machinery
- ❖ Minimum 20% dividend policy



Valuations @ 23 August 2018	
Share Price (RM)	0.47
Market Cap (RM 'mil)	189.0
Annualised PE	18.7
Historical PE	13.4
FY17 Dividend Yield	2.1%



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



**Thank You**

**INVESTOR ENQUIRIES**

**TEH HENG WEE**

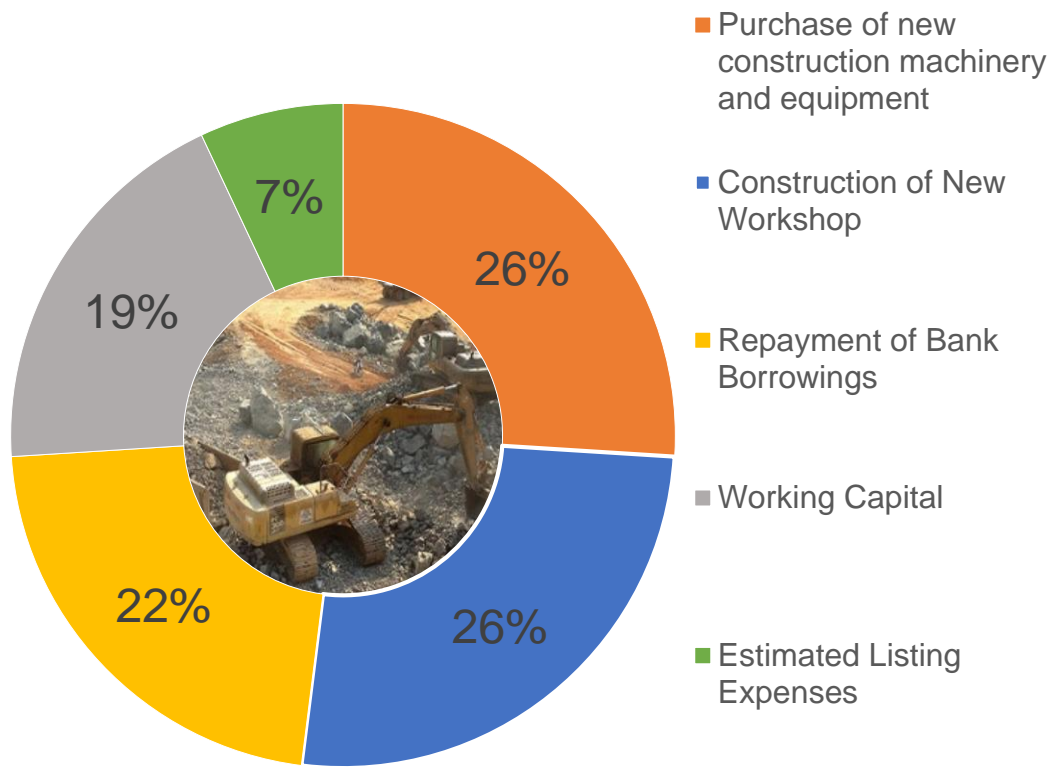
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# UTILIZATION OF PROCEEDS

❖ RM39.9 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	12.5
Working Capital	10.7	10.7
Estimated Listing Expenses	3.8	3.8
<b>Total</b>	<b>56.7</b>	<b>39.9</b>

# 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



## 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



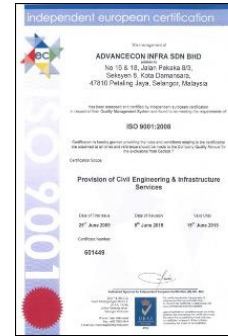
## Experienced key management team

- 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 <sup>st</sup> Interim (single tier)	1.00	4.02

## Dividend Payout

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

