

ADVANCECON
ADVANCECON HOLDINGS BERHAD
Co. No. 426965-M
4Q18 Investor Update
March 2019

IR ADVISER

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OPERATIONS REVIEW

FINANCIAL HIGHLIGHTS

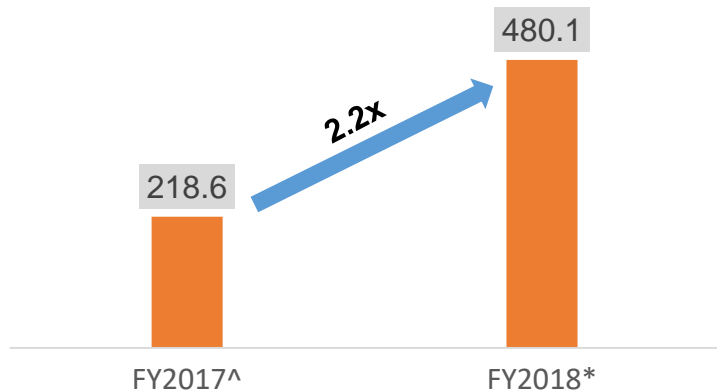
GROWTH STRATEGIES

INVESTMENT MERITS

OPERATIONS UPDATE

- ❖ FY2018 new wins increased by more than twofold from FY2017
- ❖ Repeat orders from existing clients indicative of confidence

New Contract Wins (RM'mil)



Secured RM177.7 million worth of repeated orders from existing clients for Phase 2

	Phase 1	Phase 2
<u>Eco World</u> Project: Eco Ardence mixed development	Scope: Earthworks Contract Value: RM51.9 million	Scope: Earthworks and ancillary works Contract Value: RM20.5 million
<u>Sime Darby Property</u> Project: Bandar Bukit Raja township	Scope: Earthworks, realignment of rivers, and other related works Contract Value: RM15.8 million	Scope: River upgrading works for township Stage 2 Contract Value: RM27.3 million
Project: Serenia City	Scope: Earthworks and appurtenance works for Package 2E Contract Value: RM43.4 million	Scope: Construction and completion of Package 2D, service reservoir and appurtenance works for Serenia City – Phase 2 Contract Value: RM18.8 million

*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
Serenia City - Phase 2 (Package 2E)	43.4
Serenia City - Phase 2 (Package 2D)	18.8

[^]FY2017 key projects

Value (RM'mil)

SKVE	75.5
Alam Perdana	45.8
Gamuda Gardens	32.7
Pan Borneo (Sarikei)	30.1

CURRENT ORDER BOOK

- ❖ Strong order book of RM845.4 million
- ❖ 14 ongoing projects in Peninsular and East Malaysia provide earnings visibility for at least 24 months

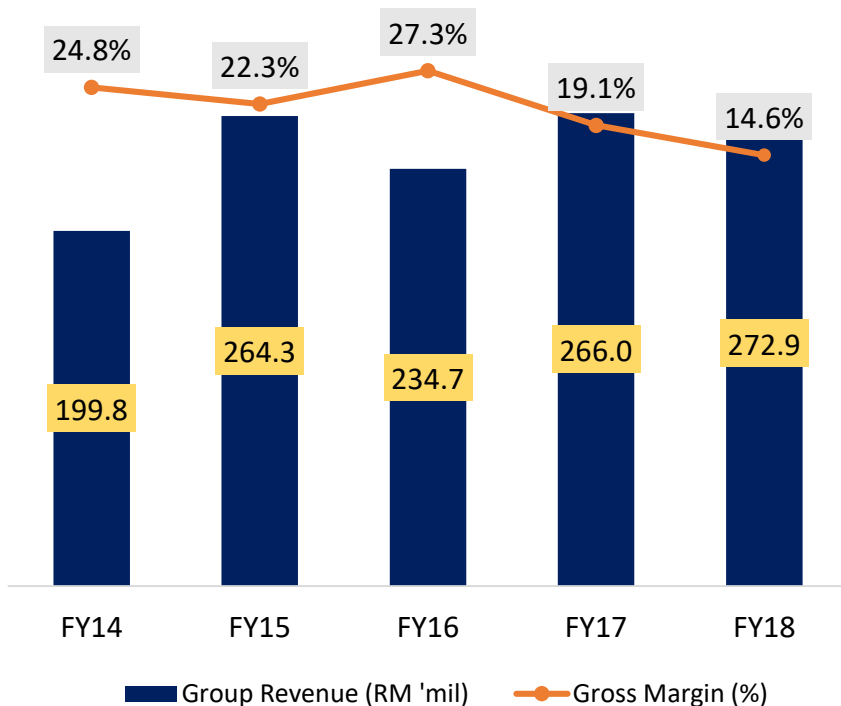
	Ongoing Projects	Estimated Contract Value (RM' mil)	Remaining Contract Value (RM' mil)	2018	2019	2020
1)	West Coast Expressway (Part 1) (Assam Jawa Interchange to Tanjung Karang Interchange)	370.07	359.29	Jun 2018		Dec 2020
2)	West Coast Expressway (Banting Interchange to South Klang Valley Expressway Interchange)	239.81	162.26		Jun 2019	
3)	Eco Majestic mixed development Phase 1, 2 and 3	121.30	17.54		Dec 2019	
4)	Pan Borneo Highway (Sungai Awik Bridge to Bintangor Junction)	105.23	62.94		Nov 2019	
5)	South Klang Valley Expressway (KM 28.7)	75.50	33.38		Dec 2019	
6)	Paragon Pinnacle mixed development	73.87	15.42		Mar 2019	
7)	Setia Ecohill 2 mixed development	56.34	23.71		Mar 2019	
8)	Alam Perdana Development	45.83	22.50	Jan 2018	Jul 2019	
9)	Serenia City Development Phase 2 (Package 2E)	43.37	43.37	Nov 2018		Feb 2020
10)	Serenia City Development Phase 2 (Package 2D)	18.81	18.81	Dec 2018	Dec 2019	
	Others	247.94	86.16		Sep 2019	
	Total Order Book Value	1398.07	845.38			

Note: Data presented as at 31 December 2018

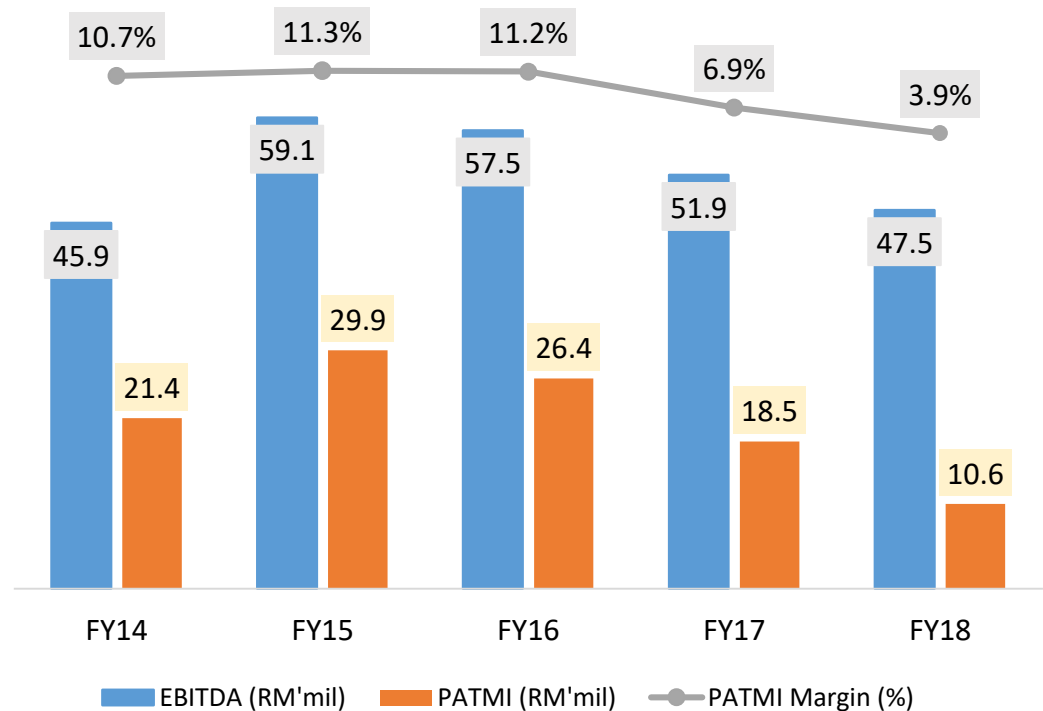
FINANCIAL PERFORMANCE

- ❖ Increase in topline on higher progress billings
- ❖ Bottom line affected by OPEX (particularly diesel, staff, depreciation and finance costs)

Group Revenue & Gross Margin



EBITDA, PATMI and PATMI Margin

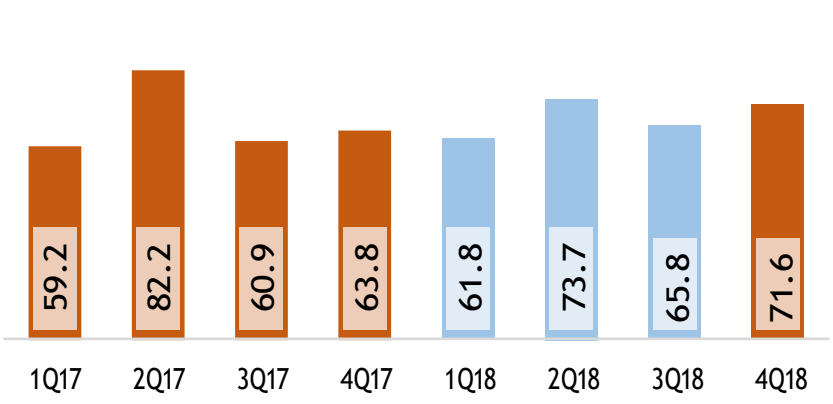


Financial Year Ended 31 December

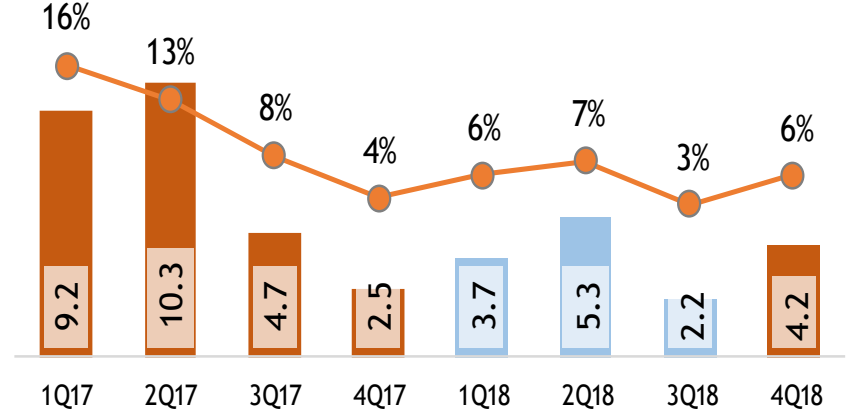
FINANCIAL TRENDS

❖ 4Q18 revenue getting back on track as Group maintains steady pace across its 14 ongoing projects

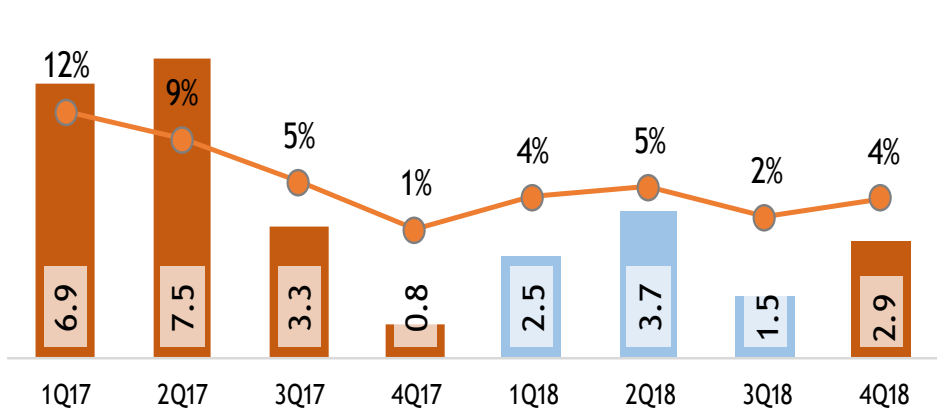
Quarterly Revenue (RM' mil)



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



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



QUARTERLY ANALYSIS

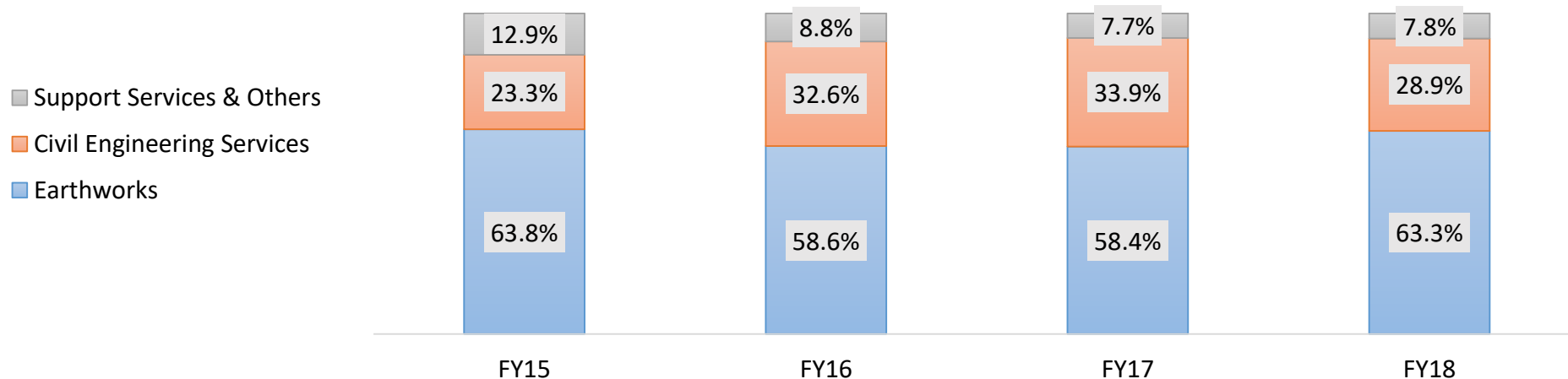
- ❖ 4Q18 topline increased on higher progress billings
- ❖ Impact of larger cost base to even out in line with project progress

Comments	4Q18	4Q17	Change	RM'mil	FY18	FY17	Change	Comments
Revenue resumes healthy double-digit growth	71.6	63.8	12.3%	Revenue	272.9	266.0	2.6%	Revenue maintained on enlarged orderbook
Gross Profits affected by higher subcontractors' fee. Bottom line increased on gain from disposal of leasehold land. PAT for construction would have been RM 1.73m excluding accounting adjustment for ESOS and deemed disposal to bring the total PAT to RM 4.13m.	7.5	8.9	(16.7%)	Gross Profit	39.9	50.9	(21.6%)	Bottomline impacted by higher OPEX (particularly diesel, staff, depreciation and finance costs)
	12.3	9.9	25.3%	EBITDA	47.5	51.9	(8.5%)	
	4.2	2.5	66.4%	PBT	15.4	26.7	(42.3%)	
	2.9	0.8	259.2%	PATMI	10.6	18.5	(42.5%)	
	0.72	0.22	227.3%	Basic EPS (sen)	2.64	5.18	(49.0%)	
Gross margin moderated on expenses increasing faster than revenue recognition. Net margin would have been 5.8% excluding accounting adjustments for ESOS and deemed disposal.	10.4%	14.0%	(3.6pt)	Gross Margin	14.6%	19.1%	(4.5pt)	In line with above
	17.2%	15.5%	1.8 pt	EBITDA margin	17.4%	19.5%	(2.2 pt)	
	5.9%	4.0%	1.9pt	PBT margin	5.7%	10.1%	(4.4pt)	
	4.0%	1.3%	2.8 pt	Net margin	3.9%	6.9%	(3.0 pt)	

REVENUE SEGMENTATION: BUSINESS SEGMENTS

❖ Earthworks the main contributor of Group's revenue base

Revenue Segmentation (%)

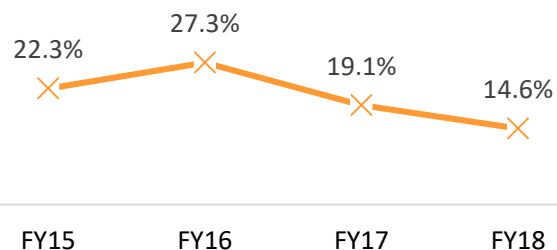


Revenue by End User Industries	FY15	FY16	FY17	FY18
	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Construction Services	230.3	214.0	245.4	251.1
- Earthworks	168.6	137.4	155.4	172.6
- Civil engineering services	61.7	76.6	90.1	78.5
Support services	34.0	20.7	20.3	21.4
Property Investment	-	_*1	0.3	0.3
Total Revenue	264.3	234.7	266.0	272.9

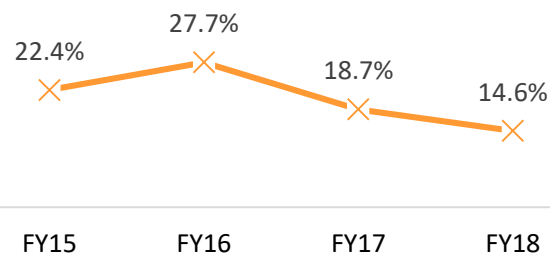
GROSS PROFIT SEGMENTATION: BUSINESS SEGMENTS

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

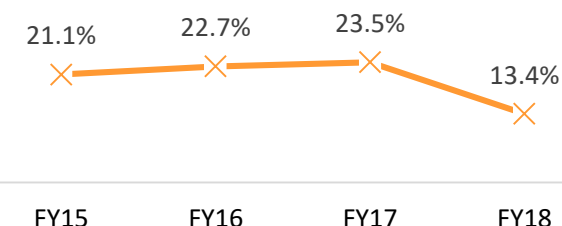
Group Gross Margin



GP Margin: Construction Services



GP Margin: Support Services

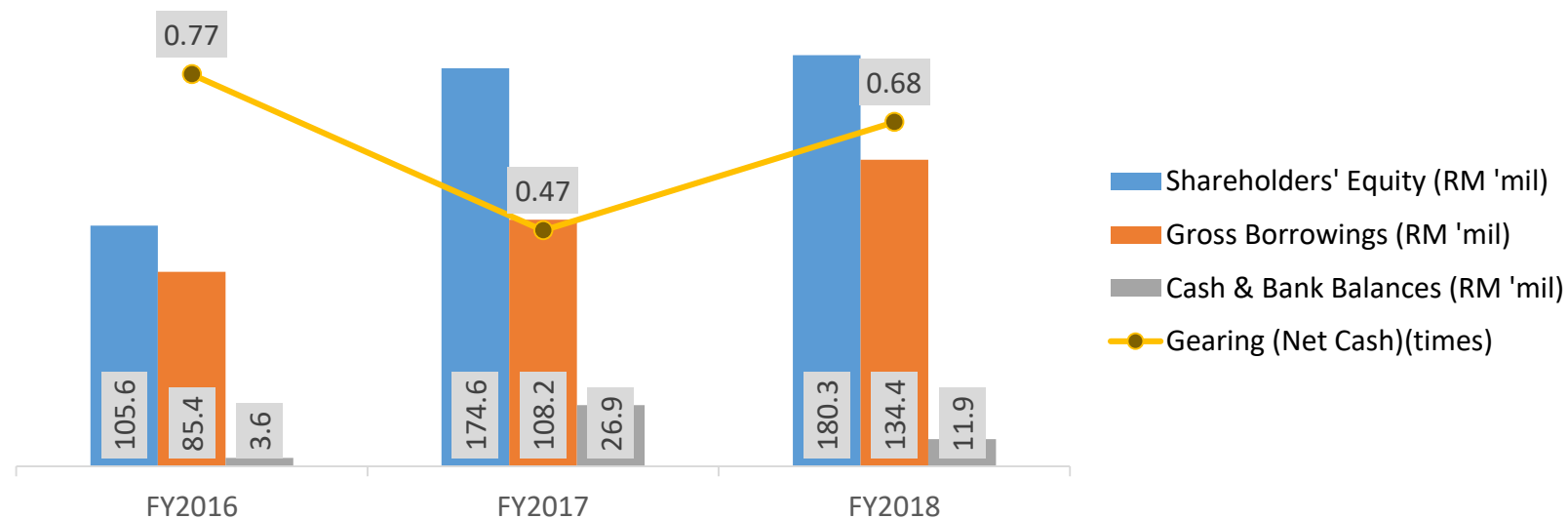


Gross Profit by End-User	FY15		FY16		FY17		FY18	
	RM 'mil	%	RM 'mil	%	RM 'mil	%	RM 'mil	%
Construction services	51.7	87.8	59.4	92.6	45.9	90.1	36.7	92.0
- Earthworks	38.6	65.6	37.7	58.8	28.6	56.1	25.7	70.0
- Civil engineering services	13.1	22.2	21.7	33.8	17.3	34.0	11.0	30.0
Support services	7.2	12.2	4.7	7.3	4.8	9.4	2.9	7.3
Property Investment	-	-	- ^{*1}	0.1	0.3	0.6	0.3	0.8
Total Gross Profit	58.9	100.0	64.1	100.0	50.9	100.0	39.9	100.0

BALANCE SHEET HIGHLIGHTS

❖ Higher borrowings due to drawdown of loans to fund machinery acquisition and trade facilities meant for working capital

Balance Sheet



	FY2014	FY2015	FY2016	FY2017	FY2018
	RM 'mil	RM 'mil	RM 'mil	RM 'mil	RM 'mil
Property, Plant and Equipment	104.3	132.7	105.1	151.4	151.2
Current Assets	112.9	134.5	159.7	182.5	216.3
Current Liabilities	116.6	134.4	142.8	122.7	145.7
Non-Current Liabilities	36.8	39.2	47.4	71.4	83.7
Shareholders' Equity	63.7	93.7	105.6	174.6	180.3

Financial Year Ended 31 December

DIVIDENDS

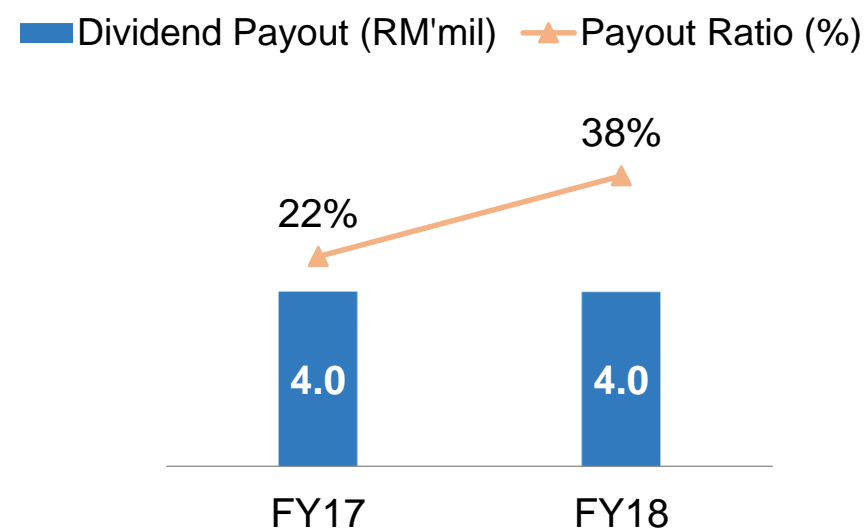
- ❖ 20% minimum dividend policy
- ❖ Committed to shareholders' returns

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

Dividend Payment

	Dividend per share (sen)	Dividend Payout (RM 'm)
	FY2018	FY2018
1 st Interim (single tier)	1.00	4.00

Dividend Payout



GROWTH STRATEGIES

- ❖ Eyeing ample opportunities in Sarawak to enhance revenue
- ❖ To continue ongoing efficiency-improvement measures

Looking to reinforce presence in Sarawak

- Significant opportunities for earthworks and roadworks in Sarawak; RM11 billion allocated by state government for construction of road-related and utility infrastructure in Sarawak within next two years
 - To bid for more than RM2 billion jobs in Sarawak in FY2019 (in addition to RM750 million worth of contracts submitted in December 2018)¹

Upgrading internal capabilities

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

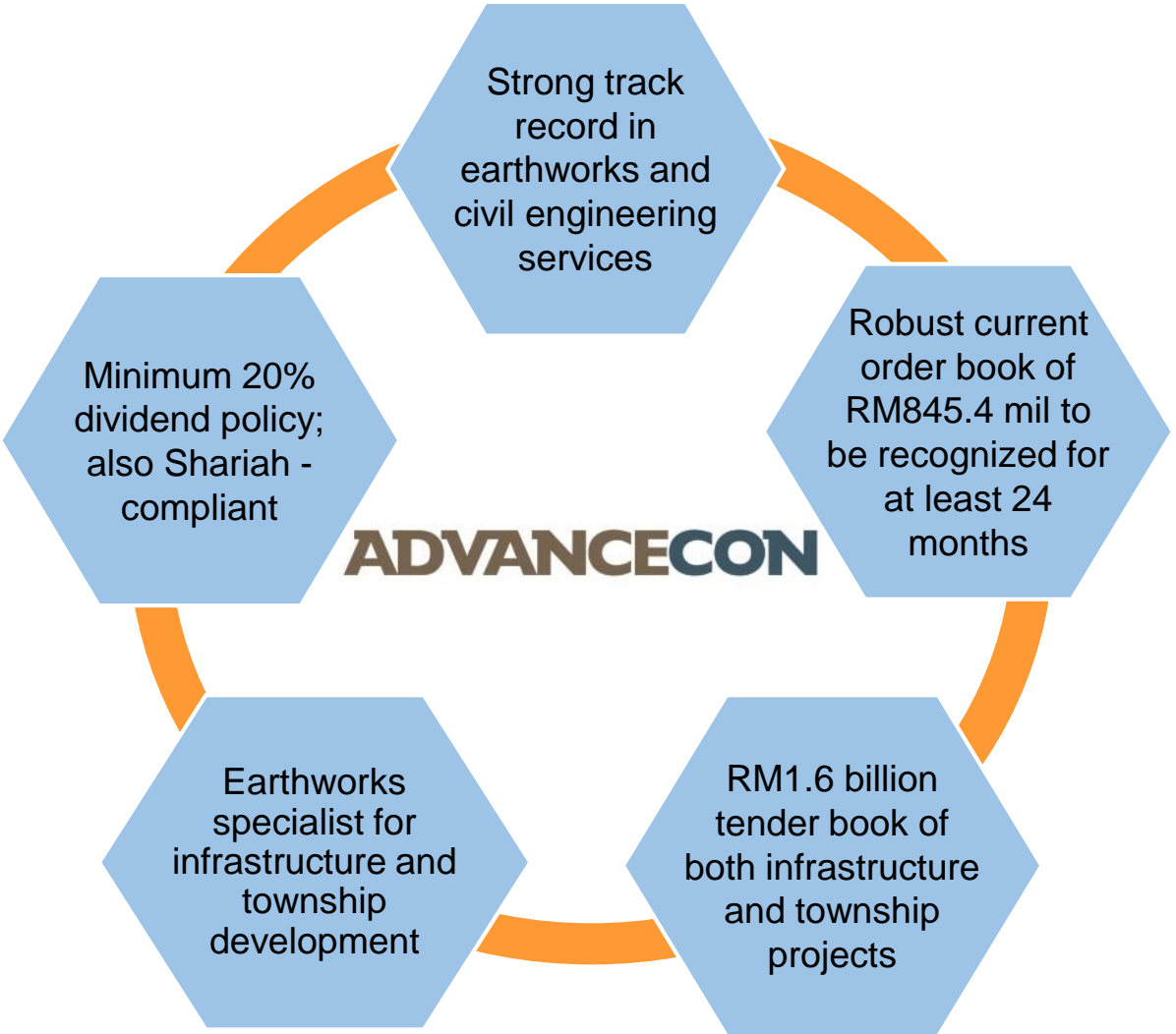
Monetizing investment properties

- To further monetize investment properties to minimize holding costs associated to property holdings

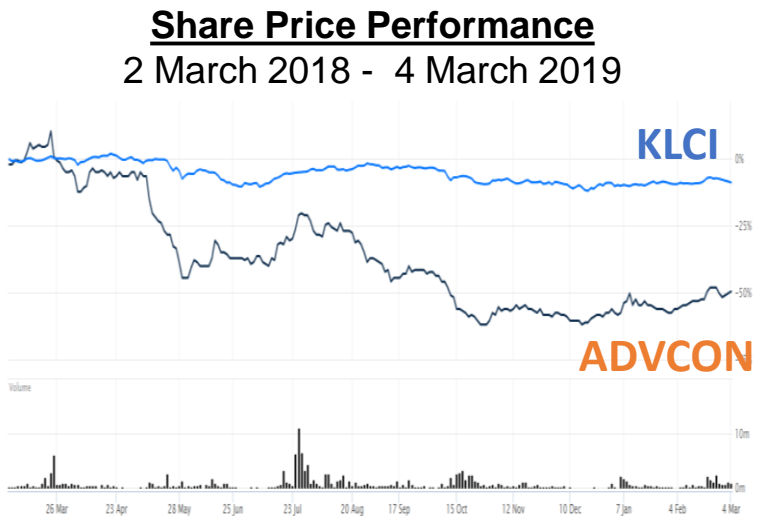
¹Source: <https://www.theedgemarkets.com/article/advancecon-plans-big-strides-sarawak>

INVESTMENT MERITS

- ❖ Leading earthworks specialist with strong track record, proxy to East and Peninsular Malaysia's development
- ❖ Minimum 20% dividend policy



Valuations @ 4 March 2019	
Share Price (RM)	0.345
Market Cap (RM 'mil)	138.7
Trailing PE (x)	13.1
FY18 Dividend Yield	2.9%



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



Thank You

INVESTOR ENQUIRIES

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APPENDIX

UTILIZATION OF PROCEEDS

❖ Balance of RM16.2 million IPO proceeds earmarked for CAPEX for future expansion...

	Amount (RM'mil)	Revised Amount (RM'mil)	Utilised (RM'mil)	Balance (RM'mil)
Purchase of new construction machinery and equipment	15.1	15.1	13.0	2.1
Construction of New Workshop	14.6	14.1	0.0	14.1
Repayment of bank borrowings*	12.5	12.5	12.5	-
Working Capital	10.7	11.3	11.3	-
Estimated Listing Expenses	3.8	3.8	3.8	-
Total	56.7	56.7	40.5	16.2

*: Reallocated to day-to-day working capital expenses for payment to suppliers

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

