

ADVANCECON HOLDINGS BERHAD (426965-M)

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BUSINESS OVERVIEW

Advancecon Holdings Berhad (Advancecon), established in Malaysia in April 1990, is a leading player in earthworks and civil engineering services in Malaysia. The Group provides a comprehensive range of earthworks solutions, (i.e. site clearance, rock blasting, and erosion and sediment control plan) and civil engineering services (earth road works, drainage works and bridge construction, water supply works, and sewerage works). Advancecon undertakes earthworks and civil engineering services for numerous infrastructure and property development projects. The Group is ISO 9001:2008 accredited for quality management, and holds a Grade 7 license that enables participation in tenders for projects with unlimited value. Major customers include reputable property developers.



PROJECT PORTFOLIO (SELECTED)

Completed Projects

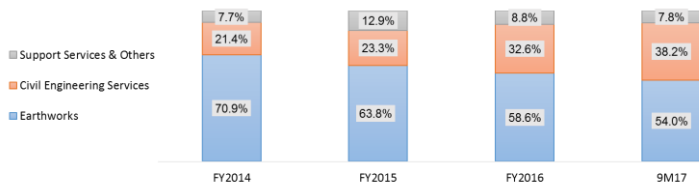
- Trumpet Interchange & EcoHill Link connected to LEKAS Highway
- Site clearance, earthworks & infrastructure works for Setia Ecohill
- Site clearance, earthworks, detention pond & ancillary works for Bandar Setia Alam
- Earthworks, piling works, main drain & detention pond for Nilai Impian 2
- Site clearance, earthworks, detention pond & ancillary works for Setia Eco Gardens
- Earthworks for Hillpark Shah Alam
- Earthworks, drainage & ancillary works for Cyberjaya Flagship Zone
- Site clearance, earthworks, detention pond & ancillary works for Eco Business Park

ONGOING PROJECTS

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

Revenue Segmentation (%)



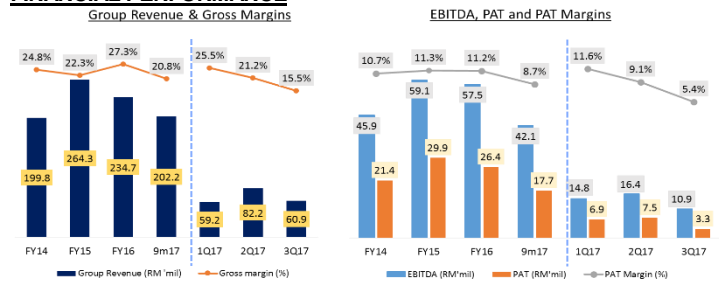
COMPETITIVE ADVANTAGES & KEY STRENGTHS

<p>Experienced key management team</p> <ul style="list-style-type: none"> • Extensive experience in the construction industry • Strong engineering team helmed by key management with >15 years experience individually across specialized skillsets 	<p>Proven track record</p> <ul style="list-style-type: none"> • 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 	<p>Maintaining quality standards</p> <ul style="list-style-type: none"> • Strive to render superior service quality and ensure customer satisfaction • Proven by accreditation of Quality Management System in compliance with ISO 9001:2008 	<p>Sizeable fleet of machinery</p> <ul style="list-style-type: none"> • Own, operate and constantly upgrade machinery fleet undertake projects of various sizes • High utilization rate of 85-90% indicates well-maintained fleet and efficiency
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FINANCIAL PERFORMANCE



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%

OPERATIONS UPDATE

➤ Recently secured RM75.5 mil South Klang Valley Expressway (SKVE) works contract

- To undertake site clearance and earthworks, soil treatment, drainage works and general infrastructure works
- 24-month completion period

➤ 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)

➤ 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)

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

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

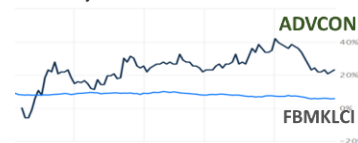
➤ Slower-than-expected progress in infrastructure jobs

- Hampered by delays in land acquisition / handover of site

INVESTMENT MERITS & VALUATION

- **Strong track record** in earthworks and civil engineering services
- **Robust current order book of RM603.4 million** to be recognized till FY2019
- **Tender book over RM1.7 billion**, proxy to infrastructure job flow and township developments
- **Minimum 20% dividend policy**, also Syariah-compliant

Share Price Performance 10 July 2017 - 24 November 2017



Share Price: RM1.03 @ 24 November 2017	402.1 million shares
Market Cap	RM414.1 mil
Annualised PE	11.7
FY17 Dividend Yield	1.0%

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