



A member of **UEM Group**

ANALYST BRIEFING

FY 2018 Half Year Results



Tuesday
4 September 2018



**Scoop Restaurant, 8th Floor, Menara Dion,
27 Jalan Sultan Ismail, 50250 Kuala Lumpur**

Empowered by science, inspired by humans

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Section 1

Introduction to UEM Edgenta

CORE SECTORS

UEM Edgenta's Core Offerings

Asset Consultancy	Asset Management Services		
	Healthcare sector	Infrastructure sector	Real Estate sector
<ul style="list-style-type: none"> Asset Consultancy & Management (Asset Life Cycle) Project Advisory, Planning & Management Engineering Design and Consultancy Research & Development 	<ul style="list-style-type: none"> Integrated Facilities Management Civil, Mechanical and Electrical System Maintenance Integrated Building Management System Building Condition Assessment & Survey 		
	<ul style="list-style-type: none"> Biomedical Engineering Maintenance Services Healthcare Waste Management Services Linen and Laundry Services Cleansing Services Facilities Management Services Housekeeping Services Portering Services Grounds and Landscape Pest Control 	<ul style="list-style-type: none"> Traffic and Safety Management Utilities Relocation Services Environmental, Materials Testing and Monitoring Pavement Condition Assessment Pavement, Slope Stabilisation, Repair and Rehabilitation Geotechnical Instrumental Services 	<ul style="list-style-type: none"> Asset and Inventory Management Township Management Services Estate and Security Management Warranty Management Property Management Service Community Management Service Sustainability Programmes High Performance Green Building Retrofit
Revenue Contribution for 1H FY18			
7% (RM 65.8 mil)	46% (RM 458.2 mil)	38% (RM 381.1 mil)	10% (RM 96.1 mil)
PAT Contribution for 1H FY18			
13% (RM 13.3 mil)	40% (RM 42.1 mil)	36% (RM 37.7 mil)	11% (RM 11.4 mil)

CORE SECTORS (CONT'D)

Leading Total Asset Solutions company with specialised expertise in 3 core sectors



Healthcare



Infrastructure



Real Estate

KEY ENABLERS: TECHNOLOGY & INNOVATION AND OPERATIONAL EXCELLENCE ARE CORE TO UEM EDGENTA'S VALUE PROPOSITION ACROSS ALL ITS SECTORS

- Hospital Support Services ("HSS") under 10 year concession to 32 hospitals in Northern region of Malaysia
- 40%-owned associates, Sedafiat and One Medicare provide HSS under 10 year concession to 26 hospitals in Sabah and 23 hospitals in Sarawak respectively
- Expanded into regional private healthcare services via acquisition of UEMS Pte Ltd
- UEM Edgenta serves over 200 hospitals across Malaysia, Singapore, Taiwan and India
- Nation's leading engineering, project and infrastructure management and maintenance specialists, providing services to major highways and roads, airports, urban transit and other key infrastructure
- Maintain over 2,500 km of expressways and roadways across Malaysia and Indonesia
- Key Roadways/Highways:
 - North-South Expressway
 - New Klang Valley Expressway
 - Penang Bridge
 - East Coast Expressway 2
 - Cikampek-Palimanan (Indonesia)
- Technology-driven township and facilities management services and solutions, with a focus on asset enhancement
- Key Contracts secured:
 - 9 CIMB buildings
 - Various townships across Medini Iskandar
 - Our Tampines Hub – Singapore's first ever integrated community and lifestyle hub, built-up area of 250,000 sq. m.
 - Hengyuan Refining facilities (formerly Shell Refining), Port Dickson
 - 20-year contract to provide asset maintenance and management service for Prime Minister's Office
 - Various iconic Singapore Gov't buildings (e.g. Parliament, Treasury, Ministry of Foreign Affairs, National Design Centre)

TECHNOLOGY, INNOVATION & OPERATIONAL EXCELLENCE

Continuous efforts to increase efficiency and drive margin improvement

Tech & Innovation and Ops Excellence

Transforming Work via:

- Automation & mechanisation, e.g. autonomous scrubbers, delivery robots, UV sterilisation
- QR code tracking
- Drones
- Real-Time Sensors



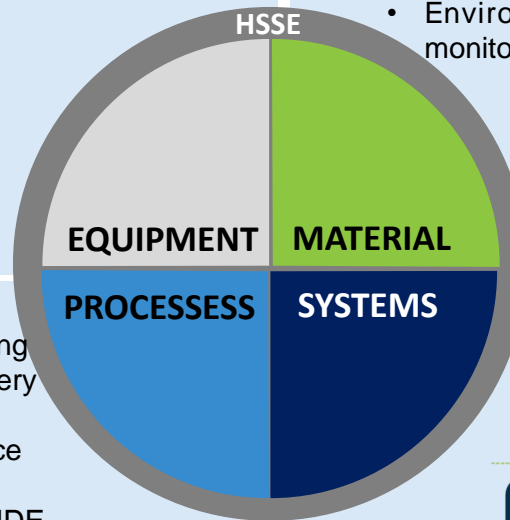
Innovative Materials & Testing:

- Pavement Research Lab to develop new asphalt mixes and innovative techniques & pavement design
- Environmental Material Testing Lab for testing & monitoring services, and pavement condition assessment



Work Process Improvements:

- Performance-Based Contracting – Moving from input-based to outcomes-driven delivery model
- LEAN Programmes (incl. High Performance Work System)
- Innovation Garages under Khazanah's TIDE Programme
- Asset-based P&L accountability



In-house creation of tech platforms:



Sensors



Cloud based



Wireless



Mobile applications



Command & Contact Centre

→ Work order management system for Infra Services



→ Mobile resource optimisation platform for Healthcare Services

→ **Smart Connect**
An integrated facilities management system built on Microsoft's Azure IoT Hub and Machine Learning

These initiatives are expected to drive efficiency and significant cost savings, resulting in margin improvements

Section 2

Key Highlights of 1H FY2018

1H FY2018 KEY HIGHLIGHTS

37.5% increase in PAT y-o-y on the back of 8.8% improvement in revenue and margin improvements

RM1,006.9mil

Revenue
▲ 8.8% yoy

RM121.0 mil

EBITDA
▲ 22.5% yoy

RM65.1 mil

PAT
▲ 37.5% yoy

6.0 sen

Dividend payout for
1H FY2018

7.57 sen

EPS
▲ 15.2%

RM'mil					
	1H FY17	1H FY18		Variance	
Revenue	925.3	1,006.9	▲	81.6	8.8%
EBITDA	98.7	121.0	▲	22.3	22.5%
EBITDA Margin (%)	10.7%	12.0%	▲	1.3%	
PBT	65.4	90.2	▲	24.9	38.0%
PBT Margin (%)	7.1%	9.0%	▲	1.9%	
PAT	47.4	65.1	▲	17.8	37.5%
PAT Margin (%)	5.1%	6.5%	▲	1.4%	
PATANCI	47.1	63.0	▲	15.9	33.7%
PATANCI Margin (%)	5.1%	6.3%	▲	1.2%	
Basic EPS (Sen)	6.57	7.57	▲	1.0	15.2%
PAT (incl. OIC in 1H FY17)	60.8	65.1	▲	4.3	7.1%
PAT Margin (%)	3.7%	6.5%	▲	2.8%	

- Strong results in 1H FY2018:
 - PAT growth of 37.5% y-o-y compared to revenue growth of 8.8% driven by operating margin improvements
 - When comparing against 1H FY2017 results incl. OIC, PAT has improved in 1H FY2018 by 7.1%, with higher margin of 6.5% against 3.7%
- Declared interim dividend of 6 sen for 1H FY2018

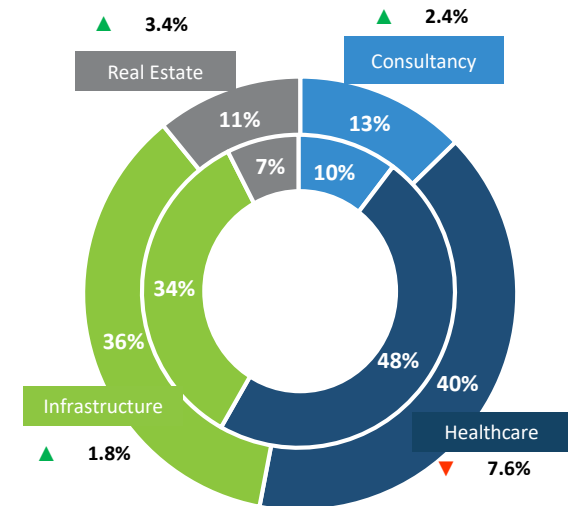
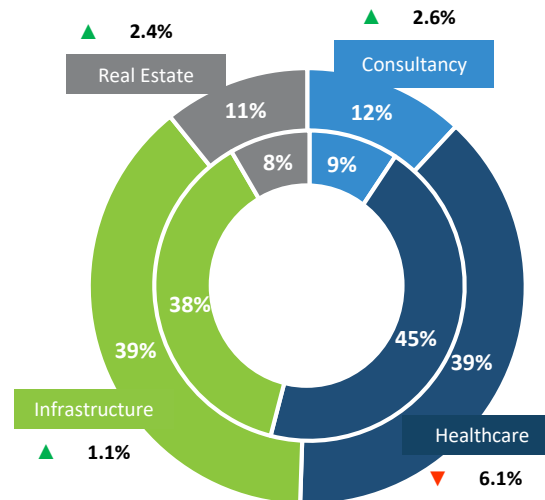
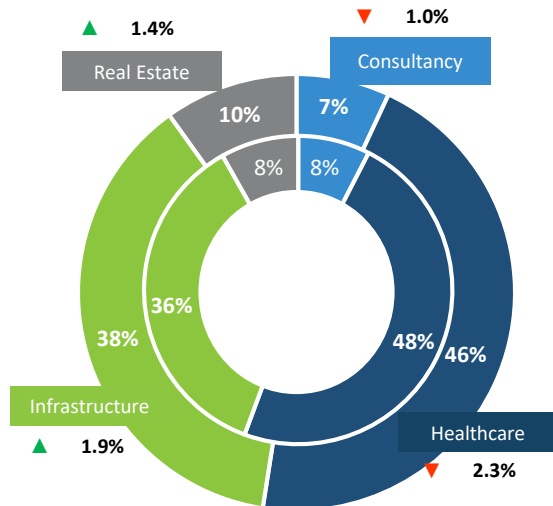
1H FY2018 VS 1H FY2017 CONTRIBUTION BY SEGMENT

Healthcare and Infrastructure Sectors (incl. Consultancy) continue to be the key revenue and PAT drivers at ~90% contribution

Revenue (RM'mill)			
1H FY17	1H FY18	Variance	
925.3	1,006.9	▲	8.8%

EBITDA (RM'mill)			
1H FY17	1H FY18	Variance	
98.7	121.0	▲	22.5%

PAT (RM'mill)			
1H FY17	1H FY18	Variance	
47.4	65.1	▲	37.5%



*Chart excludes Solutions, Property Development and others/elimination



OVERVIEW OF BUSINESS SEGMENT PERFORMANCE

External Revenue (RM mil)	1H FY2017	1H FY2018	Variance	
Consultancy (OIM)	69.9	65.8 ▢	(4.1)	-5.9%
Services:				
Healthcare Services	444.9	458.2 ▲	13.3	3.0%
Infra Services	334.7	381.1 ▲	46.4	13.9%
Real Estate Services	75.5	96.1 ▲	20.6	27.3%
Total Services	855.2	935.4 ▲	80.2	9.4%
Property Development	0.2	5.8 ▢	5.6	>100%
Total	925.3	1,006.9 ▲	81.6	8.8%

EBITDA (RM mil)	1H FY2017		1H FY2018		Variance	
	Amount	Margin	Amount	Margin		
Consultancy (OIM)	11.3	14.8%	16.8	25.6% ▲	5.5	48.5%
Services:						
Healthcare Services	54.4	12.2%	54.6	11.9% ▲	0.3	0.5%
Infra Services	45.7	13.1%	54.7	13.9% ▲	9.0	19.8%
Real Estate Services	10.2	12.7%	15.3	15.0% ▲	5.1	50.0%
Total Services	110.2	12.6%	124.7	13.1% ▲	14.4	13.1%
Property Development	(4.2)	n.m.	(2.7)	n.m. ▲	1.5	35.2%
Other / Elimination	(18.6)	n.m.	(17.8)	n.m. ▢	0.8	4.5%
Total	98.7	10.7%	121.0	12.0% ▲	22.3	22.5%

PAT (RM mil)	1H FY2017		1H FY2018		Variance	
	Amount	Margin	Amount	Margin		
Consultancy (OIM)	9.3	12.1%	13.3	20.2% ▢	4.0	43.2%
Services:						
Healthcare Services	43.0	9.7%	42.1	9.2% ▼	(0.9)	-2.0%
Infra Services	30.8	8.8%	37.7	9.6% ▲	6.9	22.5%
Real Estate Services	6.7	8.4%	11.4	11.2% ▲	4.7	70.1%
Total Services	80.5	9.2%	91.2	9.6% ▲	10.8	13.4%
Property Development	(3.6)	n.m.	(2.7)	n.m. ▢	0.9	25.1%
Other / Elimination	(38.8)	n.m.	(36.7)	n.m. ▲	2.1	5.4%
Total	47.4	5.1%	65.1	6.5% ▲	17.8	37.5%

Y-O-Y business segments commentary:

- **Consultancy** recorded slightly lower revenue due to volume of work for rail extension project and design consultancy works in the previous year, offset by work on existing projects in East Malaysia. However, this segment recorded higher YoY EBITDA and PAT mainly due to higher margins in the current on-going jobs
- **Healthcare Services** recorded slightly higher revenues and EBITDA maintained at similar levels Y-O-Y. PAT reduced slightly in 1H FY2018 due to reversal of overprovision of tax in 1H FY2017
- **Infra Services** recorded an increase in revenue and PAT due to higher pavement and civil works done for expressways, with margin improvement recorded
- **Real Estate Services** recorded higher revenue, EBITDA and PAT mainly via contribution from new contracts secured for facilities management, township management and energy performance contracting services

FINANCIAL POSITION

RM1.74

Net Assets per share

▼ 8.5%

0.37x

Gross Gearing ratio

10.1%

(Trailing 4 quarters ROE)

▲ from 9.8% as at 31 Dec 17

6 sen

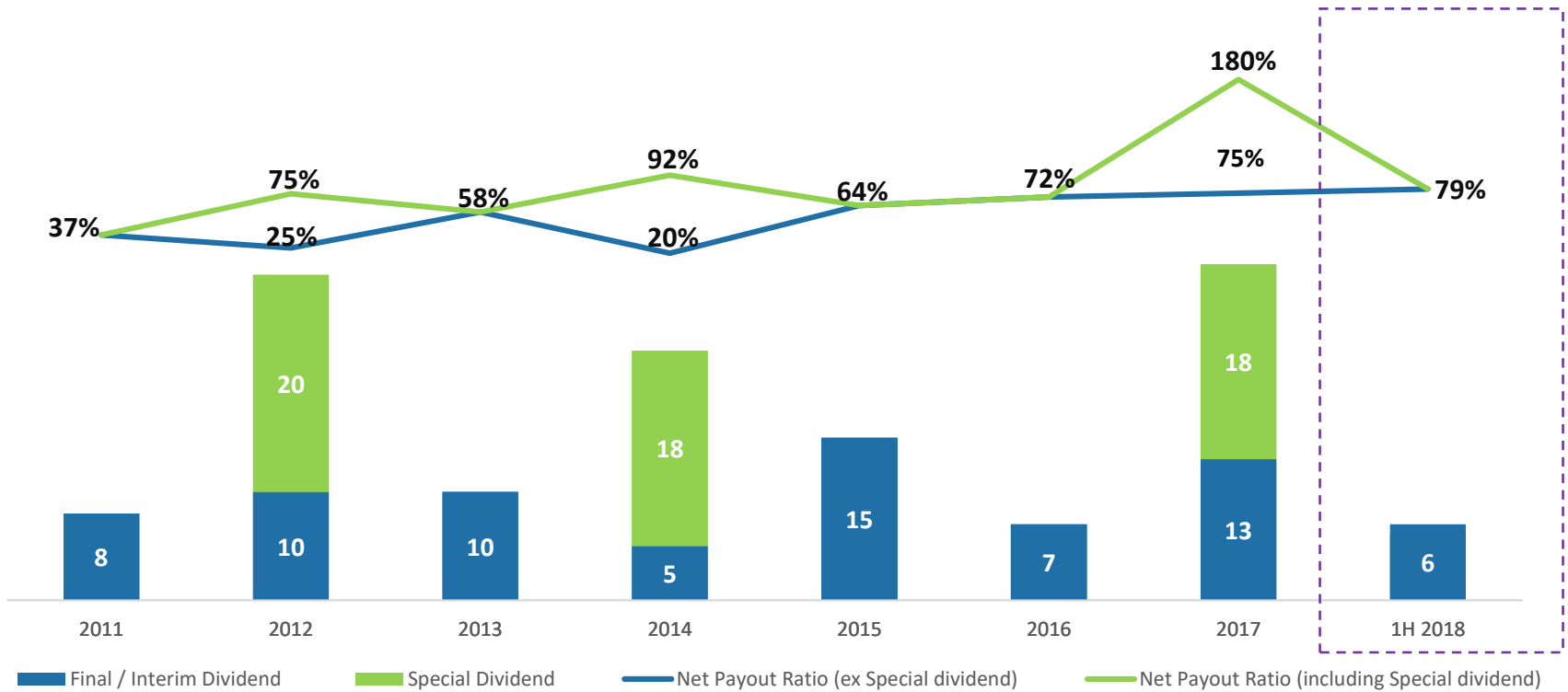
Dividend payout for 1H

FY2018

Figures in RM mil unless otherwise stated	31 Dec 2017	30 June 2018	Variance	
Balance Sheet				
Total Assets	3,006.0	2,771.6 ▼	(234.4)	-7.8%
Property, Plant and Equipment	193.4	183.6 ▼	(9.8)	-5.1%
Inventories	168.7	172.1 ▲	3.4	2.0%
Trade and other receivables	1,136.3	1,091.8 ▼	(44.5)	-3.9%
Short Term Investment	183.4	19.0 ▼	(164.4)	-89.6%
Cash & Bank Balance	520.1	515.4 ▼	(4.7)	-0.9%
Total Liabilities	1,404.1	1,303.7 ▼	(100.4)	-7.2%
Borrowings	559.8	537.5 ▼	(22.3)	-4.0%
Trade and other payables	771.6	692.6 ▼	(79.0)	-10.2%
Total Equity	1,601.8	1,467.9 ▼	(133.9)	-8.4%
Shareholders Fund	1,583.4	1,448.3 ▼	(135.1)	-8.5%
Non - Controlling Interest	18.5	19.5 ▲	1.0	5.5%
Net assets per share (RM)	1.90	1.74 ▼	(0.16)	-8.5%
Gross Gearing Ratio	0.35	0.37 ▲	0.02	5.0%
Net Gearing Ratio	Net Cash	Negligible		
Return on Equity	9.8%	10.1%		
(PATANCI/ Average (Opening + Closing Shareholders' Fund)		(Trailing 4 quarters PATANCI)		

DIVIDEND

Interim Dividend payout of 6 sen (representing 79% dividend payout ratio as at 1H FY2018)



Dividend policy pay-out ratio is between 50% and 80% of PATANCI

Section 3

Key Business Division Updates & Prospects For 2nd Half of 2018

CONSULTANCY

Focused on delivering existing projects in hand

1H FY2018 PERFORMANCE (vs. 1H FY2017)

- Slightly lower revenue by 5.9%, due to work done for rail extension project and design consultancy works in previous year, offset by work on existing projects in East Malaysia
- However, this segment recorded PAT margin improvements from 12.1% to 20.2%

Revenue

RM65.8 mil

▼ **5.9% y-o-y**
(RM65.9 mil)

PAT

RM13.3 mil

▲ **43.2% y-o-y**
(RM9.3 mil)

OUTLOOK & PROSPECTS FOR 2nd HALF OF 2018

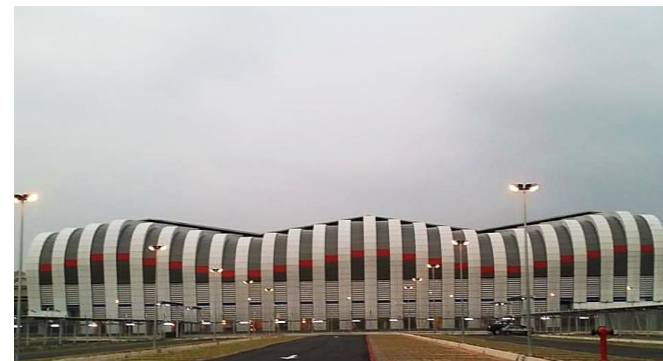
- UEM Edgenta's Consultancy Division remains focused on delivering its existing projects and work in hand, such as work supporting the delivery of Pan Borneo Highway Sabah (over 6 years), Independent Checking Engineer for Pan Borneo Highway Sarawak (over 6 years) as well as network maintenance management for the North South Expressway (over 5 years)
- Moving forward, the Company is also on the lookout for other opportunities in road and rail



Pan Borneo Highway



Performing site assessments



Putra Heights Station
Project Consultant for LRT extension

HEALTHCARE SERVICES

Room for growth in Healthcare as it expands its offerings and grows its client base overseas

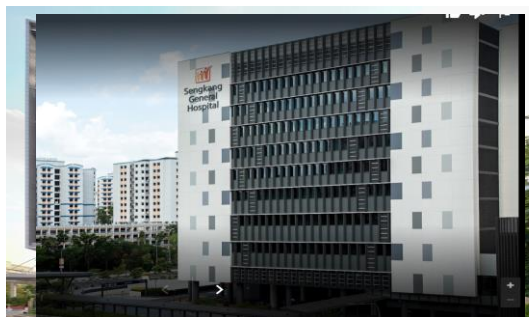
1H FY2018 PERFORMANCE (vs. 1H FY2017)

- Revenue increased slightly by 3% on an overall basis (both Concession and Commercial)
- PAT reduced slightly on an overall basis in 1H FY2018 due to reversal of overprovision of tax in 1H FY2017 for the Concession business

Concession		Commercial	
Revenue	PAT	Revenue	PAT
RM216.8 mil	RM19.5 mil	RM241.4 mil	RM22.6mil
▼ 5.3% y-o-y (RM228.9 mil)	▼ 19.2 y-o-y (RM24.1 mil)	▲ 11.7% y-o-y (RM216.1 mil)	▲ 20.1% y-o-y (RM18.8 mil)

OUTLOOK & PROSPECTS FOR 2ND HALF OF 2018

- Moving forward, the revenue growth for Healthcare segment will be achieved through:
 - Securing more projects from both government and private hospitals. In particular, UEMS continues to deliver strong record of renewal and retention rate of more than 80%, and has secured new/renewal of contracts such as the Sengkang General Hospital in Singapore as well as Tri-Service General Hospital and Far Eastern Memorial Hospital in Taiwan
 - Additional work scope / services via cross-selling between our commercial and concession businesses
- We will also focus on improvement in operational efficiency via sharing of best practices and technology between our concession and commercial businesses



Health attendant services to Sengkang General Hospital



Hospital Sultanah Bahiyah, Alor Setar - certified as 1-star EMGS



Mechanisation of cleaning processes via an autonomous scrubber

INFRA SERVICES

Performance Based Contracting commencing in 2nd half of 2018 will improve operational efficiency and profit margins

1H FY2018 PERFORMANCE (vs. 1H FY2017)

- In 1H FY18, this segment saw an organic increase in revenue and PAT, on the back of higher civil and pavement works for expressways
- Margin improvement on the back of higher margin projects and operational efficiency

Revenue
RM381.1 mil
▲ 13.9% y-o-y
(RM334.7 mil)

PAT
RM37.3 mil
▲ 22.5% y-o-y
(RM30.8 mil)

OUTLOOK & PROSPECTS FOR 2ND HALF OF 2018

- UEM Edgenta's Infra Services Division is implementing “**Performance Based Contracting**” (“PBC”) with the first phase to commence in the 2nd half of 2018. PBC will transform UEM Edgenta's delivery model for expressway maintenance from an input / resource-based model to outcome/performance based.
- On top of cost efficiency and enhanced service delivery, Performance Based Contracting will also put UEM Edgenta on a stronger platform to secure new projects for future growth



Traffic Management Services



Pavement resurfacing



Cikopo-Palimanan Highway

REAL ESTATE SERVICES

Focus on asset enhancement solutions for clients, as part of growth strategy

1H FY2018 PERFORMANCE (vs. 1H FY2017)

- Real Estate Services Division's revenue saw the highest improvement in revenue and PAT compared to other business segments, at 27.2% and 70.1% respectively
- This is mainly via contribution from new contracts secured for facilities management, township management and energy performance contracting services, such as the CIMB buildings, TRX, Medini Iskandar and Marina View Residences, German-Malaysia Institute

Revenue
RM96.1 mil

▲ 27.2%
(RM75.5 mil)

PAT
RM11.4 mil

▲ 70.1%
(RM6.7 mil)

OUTLOOK & PROSPECTS FOR 2ND HALF OF 2018

- Focused on delivering technology-driven solutions and consultancy to our existing customers in facilities management and penetrate into new customer segments such as large scale estate and municipalities, with a focus on asset enhancement, e.g. retrofitting and energy performance contracting
- Urbanisation as well as increasing emphasis on environmental issues such as energy savings and reducing carbon emissions on both the nation and global fronts presents an opportunity for UEM **Edgenta's** Real Estate Services



Re-certified GBI Platinum Rating for Prime Minister's Office



Performing checks on HVAC (Heating Ventilation and Air Conditioning) systems



Installed sensors to track energy readings

Section 4

Status of Work in Hand

WORK IN HAND

RM13.5bil of work in hand estimated as at 30 June 2018 with Healthcare and Infrastructure sectors (incl. Consultancy) contributing 29% and 67% of secured Work in Hand respectively

As at 30 June 2018

Divisions	Estimated Work-in-hand	
	RM'mil	%
Consultancy	528.9	4
Services:		
Healthcare Concession	3,318.0	25
Healthcare Commercial	654.4	4
Healthcare	3,972.4	29
Infrastructure	8,541.3	63
Real Estate	493.1	4
Total	13,535.7	100

Work in hand: Secured order book and work based on scheduled rates

RECENT PROJECTS

Awarded SGD39.3 mil (RM117.5 mil) Healthcare portering and housekeeping contracts in Singapore & Taiwan, and RM47.2 mil worth of contracts in the Real Estate Sector



Pavement Design and Build under Performance-Based Contracting in Infra Services Division



Tri-Service General Hospital

Portering and housekeeping services worth SGD39.3 mil (RM117.5 mil) for hospitals in Singapore and Taiwan



Afiniti Medini – Total Facilities Management worth RM7.6 million



Hospital Putrajaya – Energy Performance Contracting worth RM8.3 million



Hengyuan Refining (formerly Shell Refining) – Total Facilities Management worth RM5.9 million



Marina Bay Sands Façade Cleaning worth RM2.9 million

Section 5

Investment Rationale

INVESTMENT RATIONALE

Solid returns to shareholders via consistent and sustainable dividends on the back of strong financials; resilient and defensive with growth & attractive value



A member of **UEM Group**

1 CONSISTENT AND SUSTAINABLE DIVIDENDS:

- Consistent Dividends: Payout ratio consistently above 50% for the past 5 years
- Dividend Policy: Enhanced dividend policy from 70% to between 50-80% of PATANCI announced earlier in the year, as a testament to UEM Edgenta's commitment to rewarding shareholders
- Dividend Yield: Dividend payout in FY17 (excluding special dividend) of 13 sen represents an attractive yield of 5-6% at current share price levels

2 RESILIENT AND DEFENSIVE STOCK:

- Defensive Sectors: Resilient sectors mainly Healthcare and Infrastructure comprising ~90% of our revenue and profit, with positive growth prospects
- Work In Hand: RM13.5 bil in work in hand

3 GROWTH & ATTRACTIVE VALUE:

- To-date, 1H FY2018 PAT growth higher at 37.5% y-o-y compared to revenue growth of 8.8% driven by operating margin improvements
- FY2018 PAT expectation to maintain levels per FY2017
- Continued organic revenue growth as well as margin expansion from deployment of technology & innovation and operational excellence initiatives



THANK YOU