



**ENGINEERS**

**HSS ENGINEERS BERHAD**

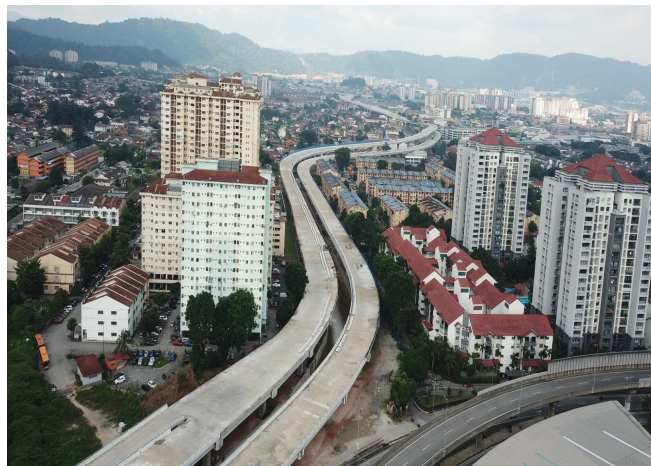
Registration No. 201501003232 (1128564-U)

# **Q1 2021 INVESTOR BRIEFING**

**28<sup>th</sup> May 2021 @ 10.30 a.m.**

**“TOGETHER WE THRIVE”**

IR Adviser



**28 MAY 2021**


**ENGINEERS**

## HSS ENGINEERS BERHAD

Registration No. 201501003232 (1128564-U)



### 1. KEY HIGHLIGHTS

- COVID-19
- KEY HIGHLIGHTS

### 2. FINANCIALS

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- PBT / PATMI / NET MARGIN
- REVENUE AND GROSS PROFIT SEGMENTATION
- BALANCE SHEET

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- COMBINED ORDERBOOK
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- DIGITAL & TECHNOLOGY- DATA CENTER
- TELECOMMUNICATION INDUSTRY- 5G ROLL OUT

### 6. CONCLUSION

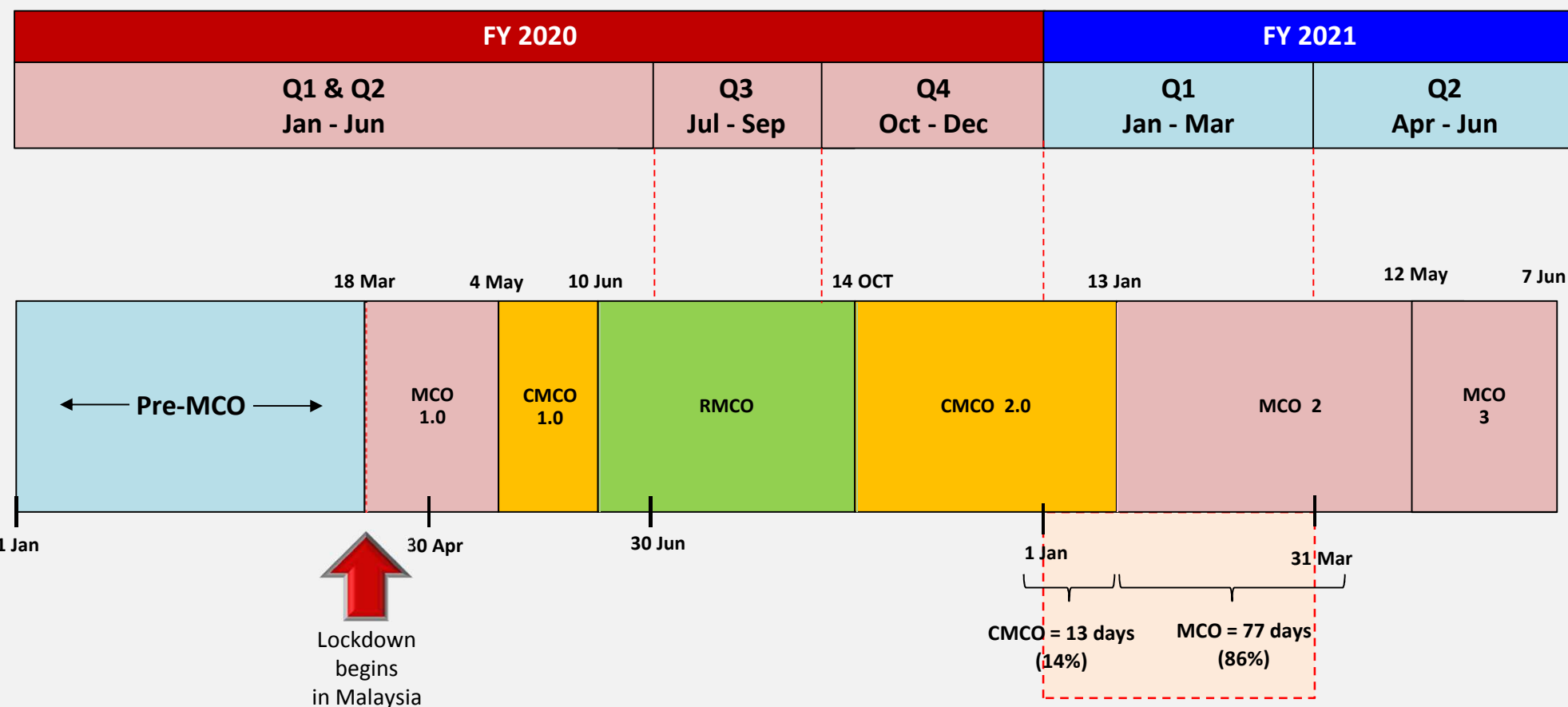
- POST PANDEMIC STRATEGY MATRIX

# 1. KEY HIGHLIGHTS



# KEY HIGHLIGHTS COVID-19 PANDEMIC

80% of Q2 2020 under MCO & CMCO while MCO returns mid of Q1 2021



*MCO 2.0 reimposed in Klang Valley and some other parts of Malaysia with effect from 13 January 2021 till 4 March 2021. From May 12 to June 7 2021, MCO 3.0 was reimposed nationwide.*



**FIRST QUARTER (Q1) ENDED 31<sup>st</sup> MARCH 2021**

- REVENUE **RISES BY 4.4 % TO RM 43.9 MILLION**
- STABLE **NET PROFIT OF RM 2.0 MILLION**
- NET GEARING **MAINTAIN AT FAVOURABLE LEVEL** ON DECREASED BORROWINGS

- Order book as at 31 March 2021 stood at **RM 429.07 million** which does not include Pan Borneo award of **RM 144.9 million**.

- A promising start to order book. Secured about **RM 156 million worth of new orders**

- Healthy Tender Book ; **RM 280 million**



## KEY MESSAGES OPERATIONAL

- **Bigger Haul:** Anticipated acceleration of mega infrastructure project rollouts to reinvigorate the economy
- **Making more in – roads overseas via strategic collaborations**
- **Privatisation of Tolled Highway Projects to rise (Having been involved in more than 60% of tolled highway projects)**
- **Embarking on revenue diversification strategy by exploring opportunities in the Digital & Technology space through Data Centres and Telecommunication sector to support the Nation's 5G Rollout**



## 2. FINANCIALS

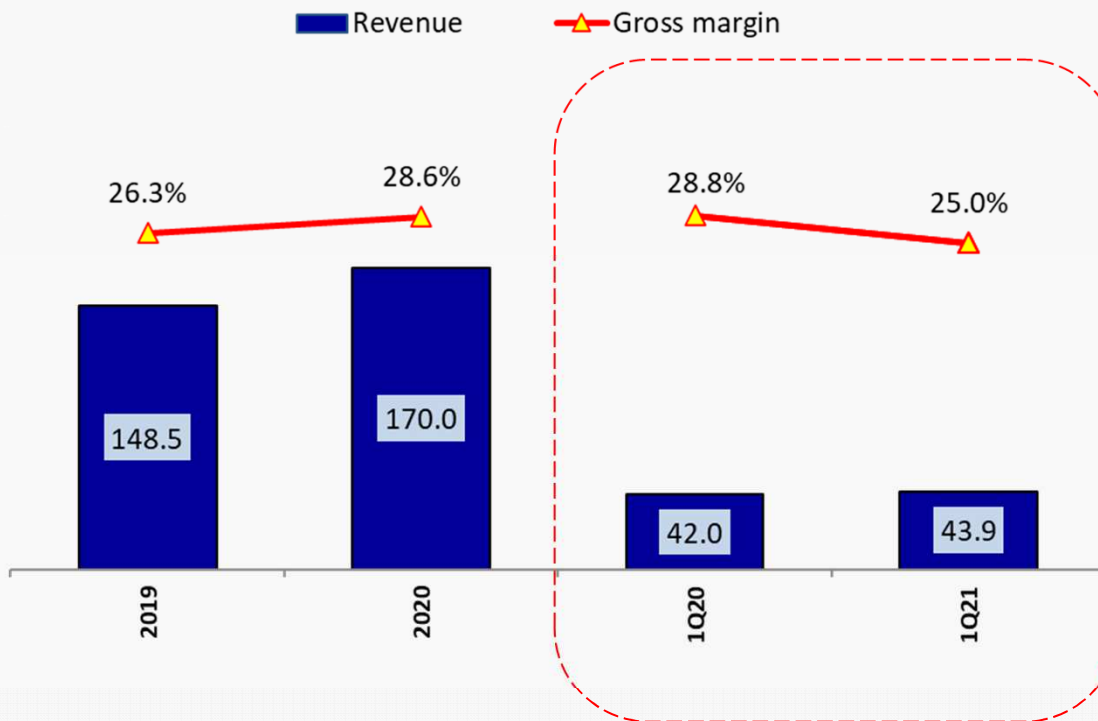


# FINANCIALS

## REVENUE & GROSS MARGIN

*1Q21 revenue rises 4.4% to RM43.9 million on higher recognition from ECRL and BRT; anticipating project rollouts to accelerate in the second half of 2021...*

REVENUE (RM 'MIL) & GROSS MARGIN (%)



➤ 1Q21 topline rose 4.4% on:

- Higher contributions from ECRL and Iskandar BRT works for engineering design, and
- Project progress for construction supervision and project management consultancy services.

➤ Gross margin decreased on project mix

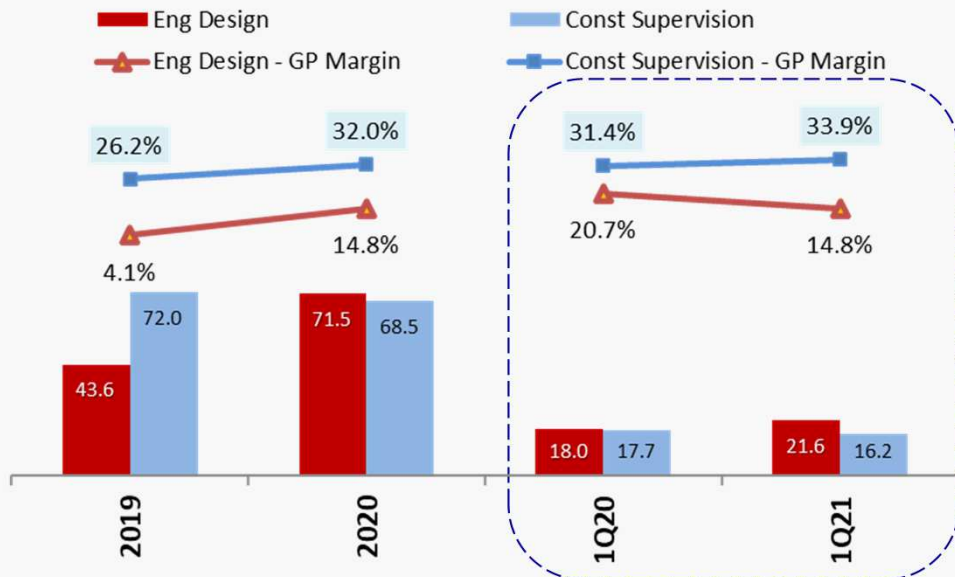


# FINANCIALS

## REVENUE AND GROSS PROFIT SEGMENTATION

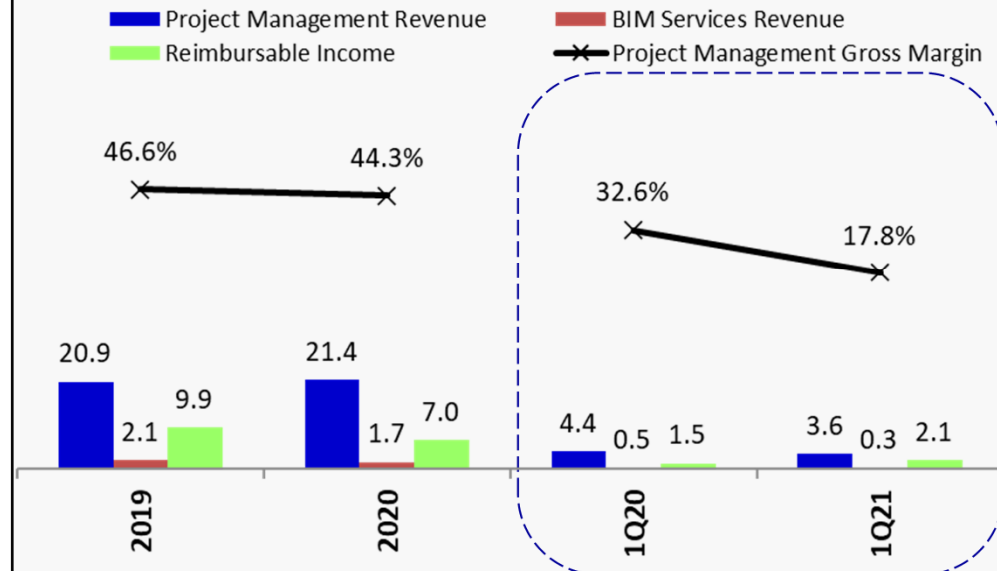
*Engineering services improves on progress billings from major ongoing projects; PMC reduced on project progress, but yet to include Pan Borneo Highway Sabah...*

### Engineering Services (RM'mil)



- **1Q21 Engineering Design revenue rose** due to increasing activities from on-going project such as ECRL scheme and prelim design and Iskandar BRT detailed design works
- **Construction Supervision declined marginally** in tandem with project progress of on-going projects

### Project Management, BIM Services & Reimbursable Income (RM'mil)

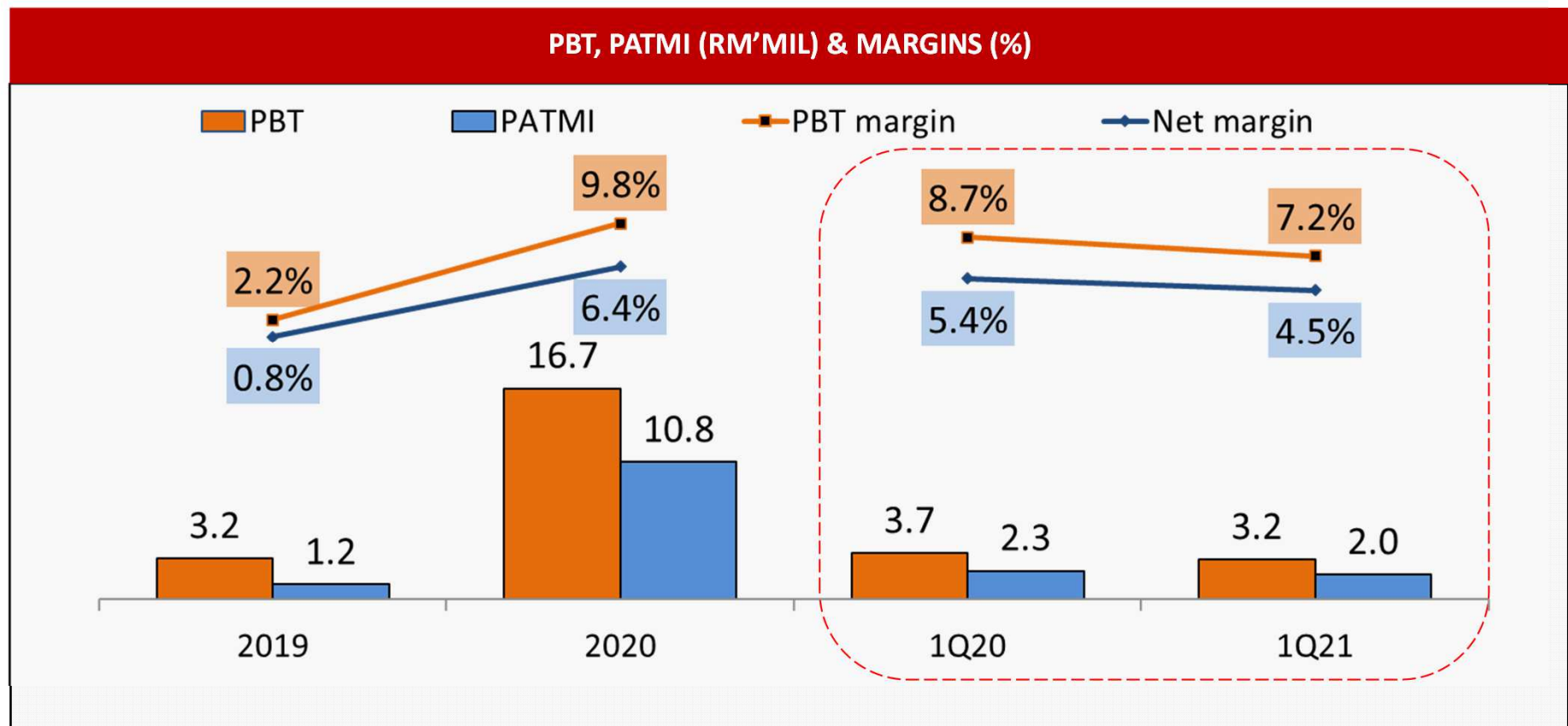


- **1Q21 PMC revenue decreased** in line with existing projects including Project Delivery Management Office for all development projects in Northern Corridor Implementation Authority (NCIA)
  - This has yet to take into account billings from Pan Borneo Highway Sabah which commenced in April 2021
- **BIM revenue lower** from lesser project wins

# FINANCIALS

## PBT / PATMI / NET MARGIN

*Group operation and profitability reduced marginally on lower gross margin...  
revival of local construction and infrastructure projects is anticipated*



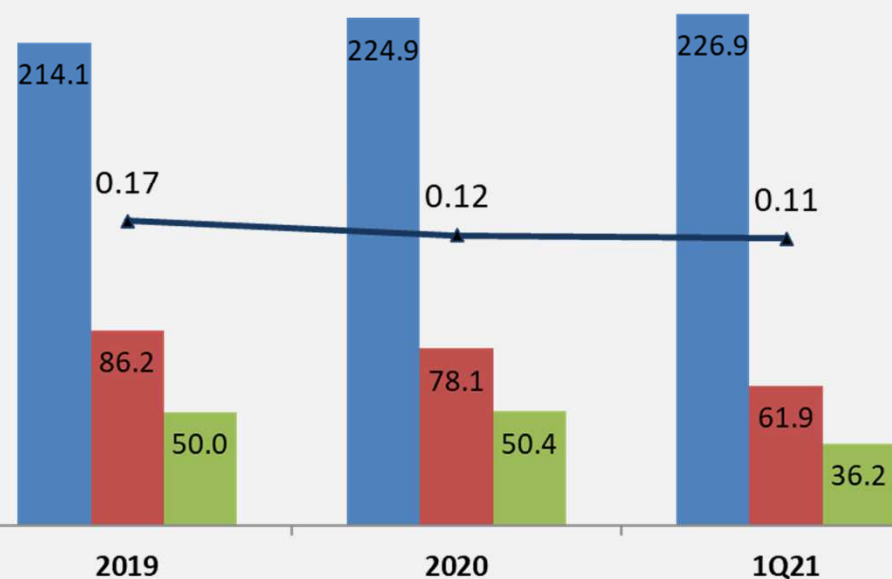
# FINANCIALS

## BALANCE SHEET

*Net gearing maintain at favourable level on decreased borrowings...  
to be further reduced on improved cash flow*

Balance Sheet Analysis

Shareholders' Equity  
Cash, Bank Balances & Bank Deposits  
Total Borrowings  
Net Gearing (times)



Balance Sheet (RM'mil)	FY2020 Audited	1Q21 (Unaudited)	Remarks
Non-Current Assets	182.1	180.3	Lower on decreased in Intangible assets
Current Assets	182.4	172.0	Decreased on lower Short-term deposits with licensed banks
Current Liabilities	79.1	68.3	Reduced in contract liabilities
Non-Current Liabilities	60.6	57.0	Lower from reduced long-term loan
Shareholders' Equity	224.9	226.9	Higher on reduction in accumulated losses
Net Gearing Ratio	0.12	0.11	Decreased on lower borrowings

### **3. OPERATIONAL HIGHLIGHTS**





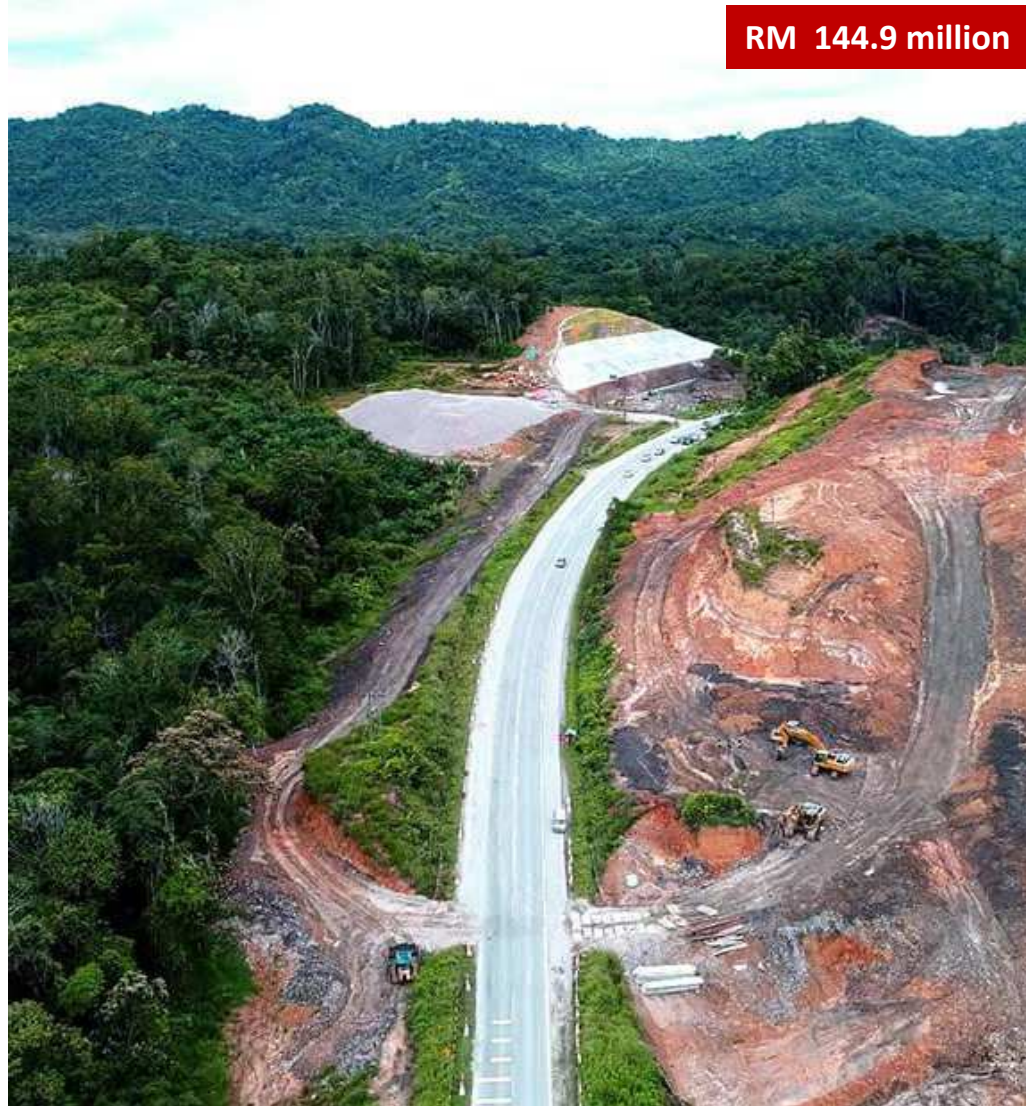
# OPERATIONAL HIGHLIGHTS

## KEY CONTRACT WINS 2021: PAN BORNEO HIGHWAY

- Project Management Consultant (PMC) for Phase 1 of Pan Borneo Highway Sabah; (Including administration and supervision management)
- 63-month works, commencing on 1<sup>st</sup> April 2021,
- The opportunity to work on this project is a testament to our integrated offerings and local knowledge, as well as our track record of delivering large-scale infrastructure projects in Malaysia



RM 144.9 million





# OPERATIONAL HIGHLIGHTS

## KEY CONTRACT WINS 1Q 2021



RM 3.04 million

OWNER ENGINEERING SERVICES FOR  
SUNGAI RASA



RM 1.01 million

UPGRADING OF JENIANG BARU WATER  
TREATMENT PLANT



RM 5.7 million

SELANGOR RAW WATER SECURITY  
(FEASIBILITY STUDY)



RM 1.6 million

PEMBANGUNAN PEJABAT LHDNM  
PULAU PINANG

# OPERATIONAL HIGHLIGHTS

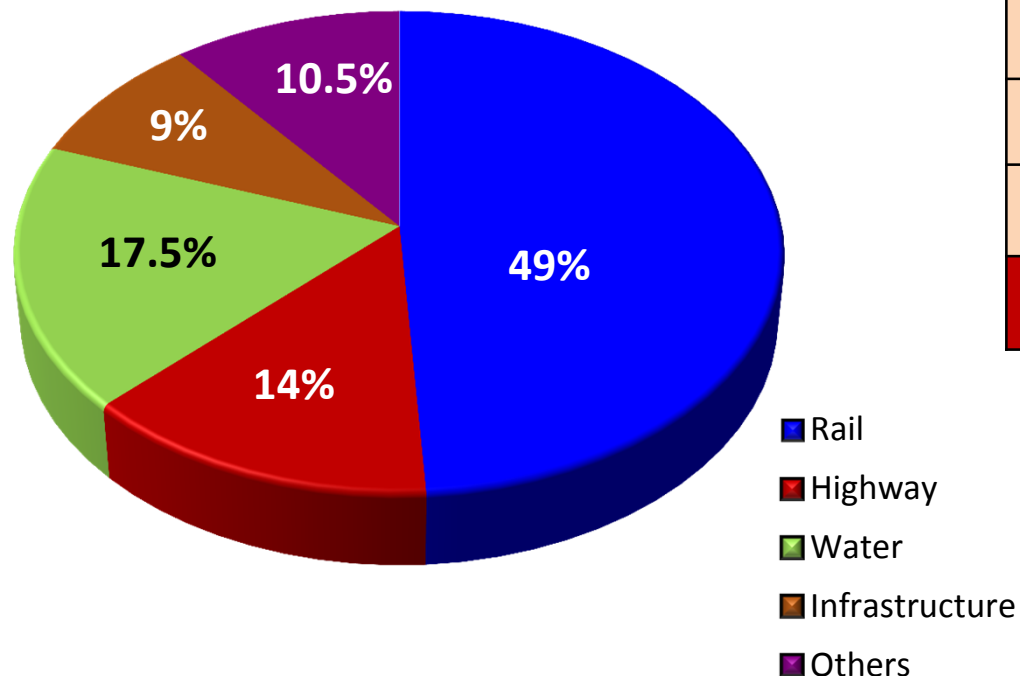
## COMBINED ORDERBOOK

*Urban transportation projects maintaining prominence for combined entity...*

### Combined Orderbook of Enlarged Group

**RM 429.1 million** \* **Not included Pan Borneo**

As at 31 March 2021



Vertical	Core Services	Amount (RM 'mil)	(%)
1	Engineering Services		
	• Design	152.1	35.4%
	• Supervision	229.5	53.5%
2	Project Management	42.1	9.8%
3	BIM Services	5.4	1.3%
Total		429.1	100%

\* **Not included Pan Borneo**

- \* • **Pan Borneo awarded of RM 144.9 million**
- **Work has commenced effective 1<sup>st</sup> April 2021**

# OPERATIONAL HIGHLIGHTS MAJOR PROJECTS (ONGOING)

ENGINEERS

Malaysia's Engineering DNA

	<b>Mass Rapid Transit Line 2</b> Project Management	RM 174.7 m		<b>East Klang Valley Expressway</b> Engineering Design	RM 4.1 m		<b>Kwasa Damansara Township Development</b> Project Management	RM 17.3 m
	<b>East Coast Rail Link</b> Feasibility Study, Scheme & Prelim Design & Construction Supervision	RM 143.8 m		<b>Ship-To-Ship Hub at Johor</b> Conceptual Master planning	RM 11.8 m		<b>NCIA DMO for all Development Projects</b>	RM 16.6 m
	<b>BRT Johor</b> Engineering Design & Construction Supervision	RM 71.3 m		<b>Water Distribution System Upgrade, Iskandar Malaysia</b> Eng. Design & Const. Supervision	RM 5.1 m		<b>Proposed bridge crossing, Sg. Pulai</b> Eng Design & Const. Supervision	RM 11.7 m
	<b>Mass Rapid Transit Line 2</b> Engineering Design & Const. Supervision	RM 201.1 m		<b>Upgrade of Lubuk Buntar Lama, Kedah Water Treatment Plant</b> Engineering Design	RM 3.2 m	<i>The figures represent the total contract value</i>		
	<b>Pan Borneo Highway, Sabah (Ph 1)</b> Project Management	RM 144.9 m		<b>Langat 2 Water Supply Scheme</b> Engineering Design & Const. Supervision	RM 91.3 m			
	<b>West Coast Expressway</b> Engineering Design & Construction Supervision	RM 81.5 m		<b>Upgrade of Pelubang Water Treatment Plant</b> Eng. Design & Const. Supervision	RM 17.7 m	<b>Legend:</b>  Railway Highway Water Infrastructure Others		
	<b>Sungai Besi – Ulu Kelang Expressway</b> Engineering Design & Construction Supervision	RM 50.9 m		<b>Langat Centralized Sewage Treatment Plant</b> Eng. Design & Const. Supervision	RM 14.2 m			
	<b>Maju Expressway Extension to KLIA</b> Engineering Design & Construction Supervision	RM 17.8 m		<b>Sewerage Network in Batu, Jinjang and Kepong – Package D43</b> Eng. Design & Const. Supervision	RM 12.6 m			
	<b>Pan Borneo Highway</b> Engineering Design & Construction Supervision	RM 11.9 m		<b>Raw Water Supply to Layang-Layang</b> Eng. Design & Const. Supervision	RM 5.5 m			
	<b>Central Spine Road – Package 3</b> Engineering Design & Const. Supervision	RM 49.2 m		<b>Submarine Pipeline from Butterworth to Pulau Pinang</b> Eng. Design & Const. Supervision	RM 4.0 m			



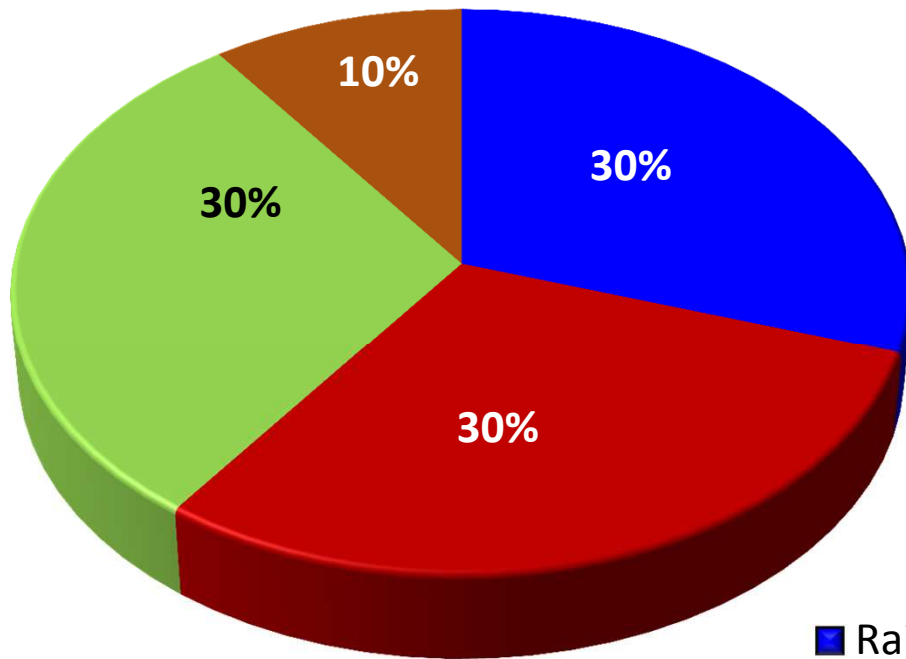
## 4. FUTURE PROSPECTS



# FUTURE PROSPECTS TENDER BOOK

**Tender book value is RM 280 million**

- 50% Success Rate based on track record for Engineering Services, Supervision & Project Management
- 20% Success Rate based for Building Information Modeling (BIM)



- Rail
- Highway
- Water
- Infrastructure

Vertical	Core Services		Amount (RM) Million	(%)
1	Engineering Services <ul style="list-style-type: none"><li>Engineering Design</li><li>Construction Supervision</li></ul>		160 35	57% 12.5%
	2Project Management		75	27%
3	BIM Services	Contractors	5	1.75%
		Direct Client	5	1.75%
	Total		280	100%

# FUTURE PROSPECTS KEY PROJECTS TENDERED



Proposed PMO Services for AI Park, Technology Park Malaysia



The Appointment of Detailed Design Consultant for the Development of Kuching Urban Transportation (KUTS) Kuching, Sarawak



Supervising Consultant Services for Rapid Transit System Link (RTS link) Project Johor Bahru - Singapore



Chennai Metro Phase 3



Marang Bridge



Muda River Water Scheme phase 4A, Package 12A – 114 MLD and associated works, Sg. Dua WTP, SPU



# FUTURE PROSPECTS

## KEY PROJECTS TENDERED (Cont'd)



**Pembinaan Baraj Baru di Rantau Panjang  
Sungai Muda, Seberang Perai, Pulau Pinang**



**Provision of Owner's Engineers for Ramunia  
Project Scheduled Waste to Energy (SWTE)**



**Rancangan Tebatan Banjir Sungai Kuyuh**



**Owner Engineer Services for 5.1 MW Selangor  
Small Hydro**



**Kajian Permintaan Air, Sumber Air, Bekalan Air  
Terawat dan Sistem Bekalan Air di Negeri  
Kedah**



**Feasibility Study for Integrated Water  
Resources and Flood Mitigation in Kota  
Belud, Sabah**



# FUTURE PROSPECTS

## PUBLIC TRANSPORTATION SECTOR



## ROADS & HIGHWAY SECTOR



## PORT SECTOR



## WATER SECTOR



# FUTURE PROSPECTS

## PUBLIC TRANSPORTATION SECTOR PROSPECTS

*Implementation of major infrastructure projects and award of new contracts to be accelerated in 2H-2021 to pump prime the economy as the Covid-19 pandemic eases with the roll out of the vaccine.*

- **MASS RAPID TRANSIT (MRT) 3**
- **JOHOR BAHRU – SINGAPORE RTS**
- **SARAWAK METRO**
- **BAYAN LEPAS LRT  
(Penang Transportation Master Plan)**





# FUTURE PROSPECTS

## ROADS & HIGHWAYS SECTOR PROSPECTS

- **PJD LINK HIGHWAY (34.3 Km Fully Elevated Expressway)**  
*Connecting PLUS' NKVE DAMANSARA TOLL PLAZA to BUKIT JALIL HIGHWAY*
- **VARIOUS PRIVATIZATION PROPOSALS (URBAN HIGHWAYS)**  
*As a driver of infrastructure projects to reduce the financial strain on the government's national coffers.*



# FUTURE PROSPECTS PORT SECTOR PROSPECTS

## WESTPORT PHASE 2

- Received Approval in Principal from the Government of Malaysia to undertake the study to develop Westports Expansion (Phase 2) on 23rd August 2017.
- The project will expand a further eight (8) Container Terminals, hence increasing the current port handling capacity from 15 mil TEU's to 28 mil TEU's and maintain Port Klang as a competitive hub in the region.
- Technical Studies completed.





# FUTURE PROSPECTS WATER SECTOR PROSPECTS

- Sungai Perak Raw Water Transfer Scheme (SPRWTS)

- Upgrading of Water Resource and Supply for Johor (Iskandar and PIPC)

- Langkawi Water Supply

- Sarawak Water Grid Study



## **5. DIVERSIFICATION OF REVENUE**


### **DIGITAL /TECHNOLOGY/TELECOMMUNICATION**



# DIVERSIFICATION OF REVENUE DIGITAL & TECHNOLOGY- DATA CENTER

**"SOUTH EAST ASIA IS PRIMED FOR GREATER GROWTH"**

- 4<sup>th</sup> largest Internet Market in the World and a growing e-commerce sector

	VISION	To be a regional leader in the digital economy and achieve inclusive, balanced, responsible and sustainable socioeconomic development					
	OBJECTIVES	Encourage industry players to become creators, users and adopters of innovative business models under the digital economy		Harness human capital that is able to thrive in the digital economy		Nurture an integrated ecosystem that allows society to adopt digital economy	
	6 THRUSTS	1. Drive digital transformation in the public sector	2. Boost economic competitiveness through digitalisation	3. Build enabling digital infrastructure	4. Build agile and competent digital talent	5. Create inclusive digital society	6. Build trusted, secure and ethical digital environment



4<sup>th</sup> largest internet market in the world with 360 million users



eCommerce revenues to surpass US\$25 billion by 2020



14 unicorns in Southeast Asia worth US\$57 billion



Southeast Asia's data centre market to reach US\$3.5 billion by 2024, growing at 12.9%<sup>10</sup> per annum



# DIVERSIFICATION OF REVENUE DIGITAL & TECHNOLOGY- DATA CENTER

- The data centre market in Southeast Asia is poised to grow at 14 % compounded annual growth rate (CAGR) (USD 3.5 Billion) in the next decade.
- Singapore, currently being the data centre hub for Southeast Asia, is only expected to achieve a growth rate by 6% CAGR due to the imposition of moratorium on new data centres by the Singapore government due to power and land shortage.
- With this moratorium, there will be a spillover effect which will benefit neighboring countries such as Malaysia and Indonesia.
- In Malaysia, the data center sector is expected to experience revenue growth of more than US \$800 million by 2030. Growing At a CAGR Of Over 8% .
- VADS Berhad, Keppel Data Centres, Alpha Data Centre Fund, Katalyst Data Management, Regal Orion/ Bridge Data Centre/Microsoft
- HEB has embarked on a collaborative/partnering approach with global leading Data Centre's specialists to pursue engineering and project management opportunities in this arena in Malaysia as well as in the South East Asia region.



# **DIVERSIFICATION OF REVENUE**

## **TELECOMMUNICATION INDUSTRY- 5G ROLL OUT**

Digital Nasional Bhd (DNB), a special purpose vehicle under the Government, has been mandated to undertake the national 5G network rollout.

Embarking on an accelerated implementation and rollout of 5G Network. DNB is not redefining the existing telco ecosystem and seeks to leverage existing infrastructures



The Government through DNB will be investing RM 15 billion over a period of 10 years to roll out the 5G network nationwide.

# DIVERSIFICATION OF REVENUE

## TELECOMMUNICATION INDUSTRY- 5G ROLL OUT

### Three Deployment phases to achieve Coverage and capacity Goals

	Phase 1 (2021 - 2022)	Phase 2 (2023 - 2024)	Phase 3 (2025 - 2030)
Location	<ul style="list-style-type: none"> <li>General coverage for only high population density areas</li> </ul>	<ul style="list-style-type: none"> <li>Coverage to include industrial and commercial areas</li> </ul>	<ul style="list-style-type: none"> <li>Expand geographic coverage nationwide to sub-urban and rural areas</li> </ul>
Customer Segment	<ul style="list-style-type: none"> <li>Mainly for retail customers for consumer applications</li> </ul>	<ul style="list-style-type: none"> <li>Focus on commercial customers for industrial and business applications</li> </ul>	<ul style="list-style-type: none"> <li>Target retail and commercial customers</li> </ul>
RAN Infra	<ul style="list-style-type: none"> <li>Macro network coverage and layer upgrades</li> <li>Increased fiberisation (limited)</li> </ul>	<ul style="list-style-type: none"> <li>Small cell in/ outdoor densification</li> <li>Increased fiberisation (targeted)</li> </ul>	<ul style="list-style-type: none"> <li>Macro network densification and layer upgrades</li> <li>Increased fiberisation (nationwide)</li> </ul>

- Phase 1a (by Dec 2021)

- Kuala Lumpur, Putrajaya and Cyberjaya (5% population coverage) 2.

- Phase 1b (by end 2022)

- Kuala Lumpur, Putrajaya, Cyberjaya, urban Selangor, Georgetown, Johor Bahru, Kuching and Kota Kinabalu (36% population coverage)

- Phase 2 (by 2025)

- Cities, industrial and commercial areas (>80% population coverage)

- Phase 3 (by 2030)

- Nationwide (>90% population coverage)

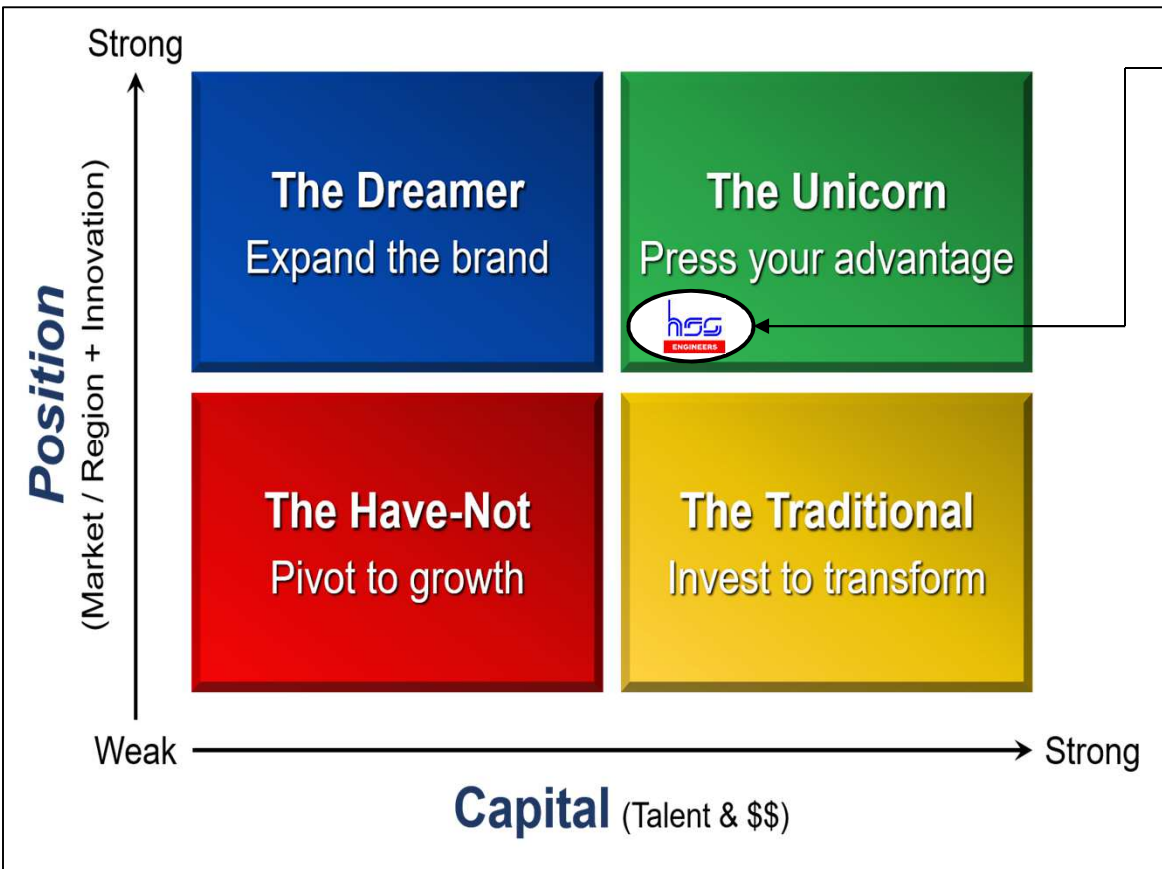


## 6. CONCLUSION



# CONCLUSION

## POST PANDEMIC STRATEGY MATRIX



### The Unicorn – HSS Engineers Berhad

1. “Innovation” Building
2. “Sticky” Relationships with Clients and Employees
3. Diversification of Revenue
  - Sector (Digital - [Data Centre] / Telecommunications)
  - Geographically through strategic acquisition (Philippines / Indonesia & India)
4. Recurring Income (Long Visibility)
5. Technology Investments: Digital, AI, VR/AR, Data Management



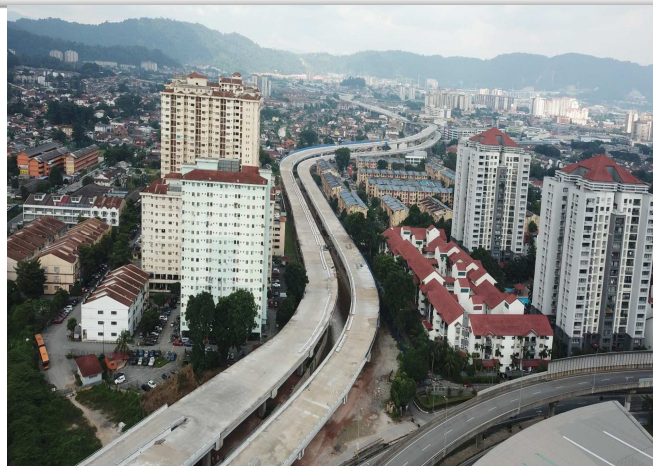
**ENGINEERS**

# **HSS ENGINEERS BERHAD**

Registration No. 201501003232 (1128564-U)

# **THANK YOU**

IR Adviser



*May 2021*



## 2. BACKGROUND



# COMPANY BACKGROUND

*Leading engineering consultancy with deep expertise in infrastructure & water resources works...  
pioneer for BIM in Malaysia*



- Country's first and only engineering and project management service provider listed on the Main Market of Bursa Malaysia.



- Played an integral role in the success of many major iconic infrastructure projects in Malaysia & abroad for more than 30 years



- Certified with ISO 9001: 2015, ISO 14001 : 2015, ISO 45001: 2018 & ISO 37001: 2016



- Staff strength more than 1,000 personnel with more than 50% Professionals (> 64% Bumiputera)



- Helmed by highly-experienced and technically competent management



- Provides full suite of engineering services



- Technical Know How & Readily available experienced resources (24\*7)

# CORE SERVICES



Long-term objective

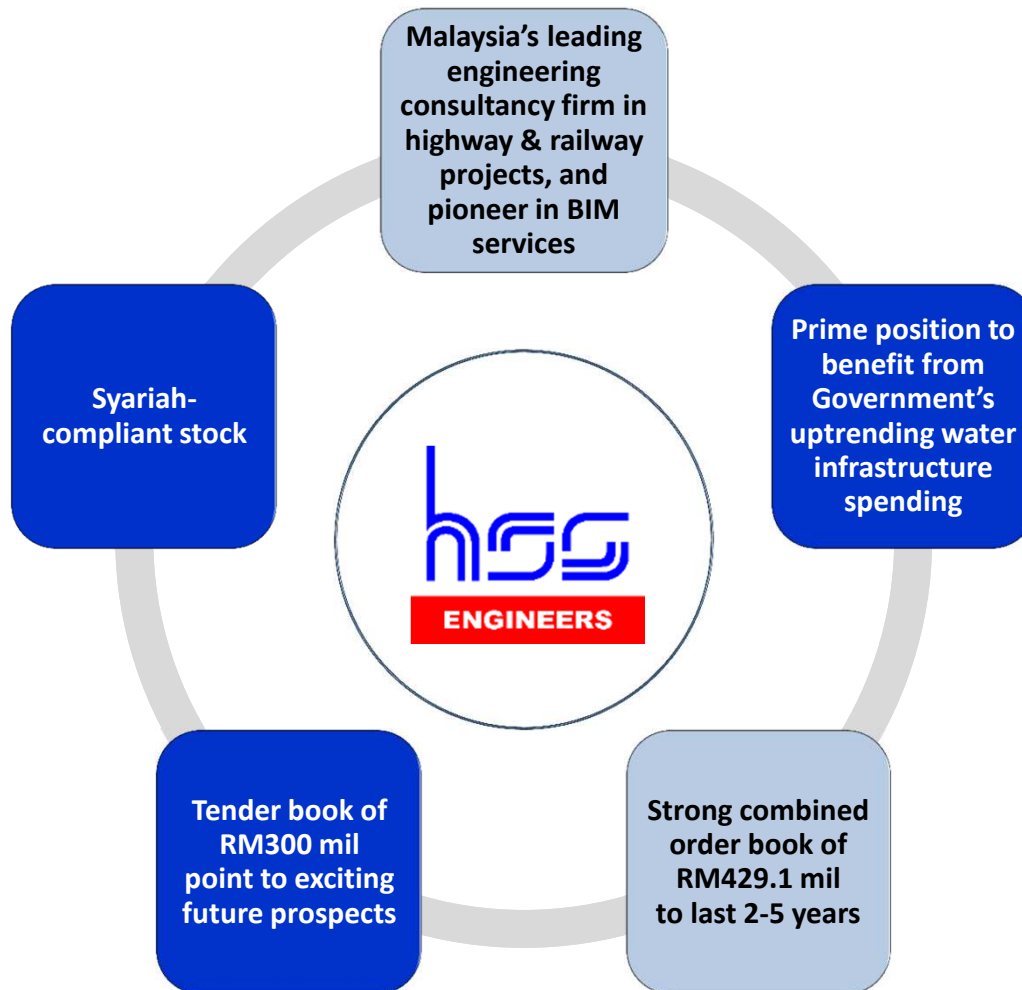


## 6. INVESTMENT MERITS



# INVESTMENT MERITS

*HSS Engineers at the heart of Malaysia's rapid infrastructure expansion...  
outperformance above index indicates Group's positive positioning*



## Valuations @ 4 May 2021

Share Price

RM0.610

Market Cap ('mil)<sup>#</sup>

RM 317.4

## Share Price Performance (1-YR)

