



ENGINEERS

HSS ENGINEERS BERHAD

Registration No. 201501003232 (1128564-U)

HSS ENGINEERS BERHAD

**FULLY INTEGRATED PROFESSIONAL SERVICES &
PROJECT MANAGEMENT COMPANY**

Q2 2023 ANALYSTS BRIEFING

17th AUGUST 2023 @ 10.30 A.M.



CERTIFIED TO ISO 37001:2016
CERT. NO.: ABMS 00158



Engineering News-Record
ENGINEERING NEWS-
RECORD (ENR) 2022

“The Engineering DNA of Malaysia”



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**Q2 2023 ANALYSTS BRIEFING****17th AUGUST 2023 @ 10.30 A.M.****1. KEY HIGHLIGHTS****2. OPERATIONAL HIGHLIGHTS****3. FINANCIALS****4. FUTURE PROSPECTS****5. OVERALL GROWTH & FUTURE STRATEGY****6. CONCLUSION**

1. KEY HIGHLIGHTS



DELIVERING ON OUR FINANCIAL AND STRATEGIC OBJECTIVES**ENGINEERS****Malaysia's Engineering DNA**

- Revenue rose to RM 48.9 million for 2Q 2023, an increase of 29% (2Q 2022: RM 37.9 million)
- 1H23 Top Line 27.5% to RM 94.7 million (1H22 :- RM 74.3 Million)
- Net Profit increased 36.3% to RM 5.31 million for 2Q 2023 (2Q 2022: RM 3.89 million)
- Commendable Order Book stands at RM 1.44 billion provides visibility for the 8 years. Excluding MRT3 PMC, projects less than 20 million fees makes up around 75% - 80% of our Order Book.
- Secured a total of RM 55 million worth of new contract wins as of 30th June 2023
- Healthy Tender Book currently at RM 415 million (50% success rate) as of 30th June 2023.
- HEB Group starts off positively 2023 with the following contract wins:-
 - Contract Agreement with Bangladesh Railway for Provision of Consulting Services for the Asian Development Bank Funded Railway Connectivity Improvement Preparatory Facility Project.
 - Project management services for a new build data centre campus and its electrical substation to be located at Sedenak Tech Park (STEP), Johor for YPSB.
 - Owner's Engineer Services For Life Extension Program of Sungai Perak Hydroelectric Station During Project Implementation
 - Infinaxis Data Centre.
 - Jakarta LRT Systems with OC Global.

WE ARE SET TO ACCELERATE OUR GROWTH IN 2023 & 2024

ENGINEERS

Malaysia's Engineering DNA

- HEB become Malaysia's flag bearer as the **sole representative** in **ENR as top 225 International Design Firms**, moving up the ranks from 213 to 207.
- **Expecting Bigger Haul in Q4 2023 & 2024:** Mega infrastructure project rollouts underpinned by the national development agenda outlined in the **12th Malaysia Plan (12MP)** set to gain pace in Q4 2023. (**Rail / Highways / Ports / Flood Mitigation**).
- **Malaysia is poised and is on the cusp of a second take-off:-**
 - **Pledge of multi-billion (FDI) approximately RM 37.5 billion Foreign Investment approved in Q1 2023** (Zhejiang Geely Holding Group Co / Yondr Group / Inseact / AirTrunk / Wilhelmsen)
- **Revenue Diversification (Telco & Data Centre) bearing fruits:-** Two (2) Data Centre Projects secured in 2023 till to date
- **More in – roads overseas via strategic collaborations** (Philippines / Bangladesh / Indonesia/ Cambodia & India).
- **1st WIN for the 4th Vertical** (Recurring Income) – Corporate Green Power Programme (CGPP)
- **Advancing proactively** with our portfolio of seven initiatives within HEB's overarching growth and future strategy.
- More projects roll-outs to come on stream with **Privatisation** playing a pivotal role.

2. OPERATIONAL HIGHLIGHTS



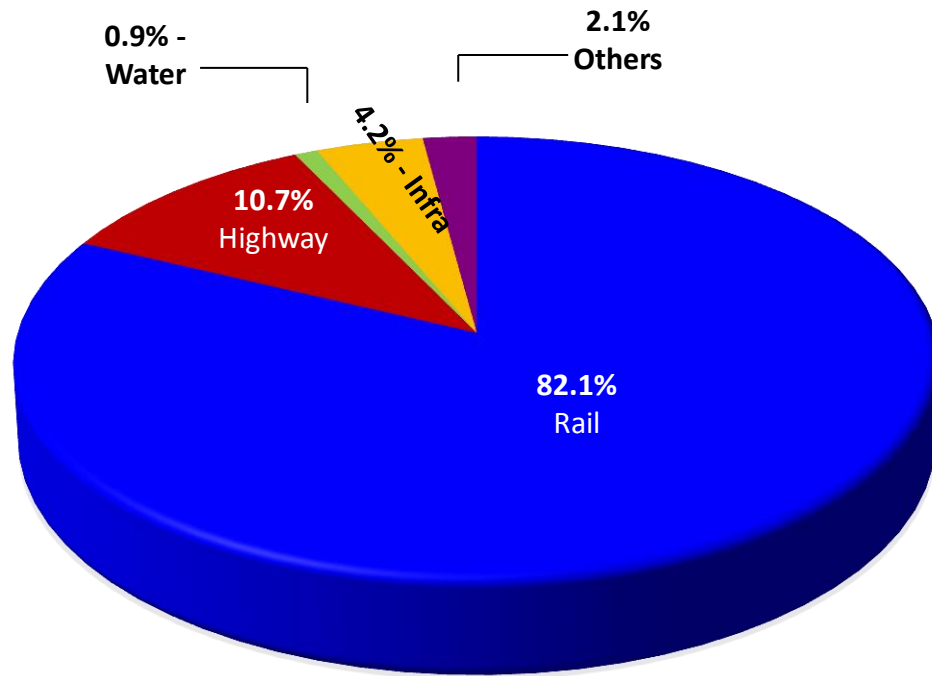
COMBINED ORDER BOOK AS OF 30th JUNE 2023

EARNINGS VISIBILITY FOR NEXT 5-8 YEARS

Combined Orderbook of Enlarged Group

RM 1.41 Billion

As at 30th June 2023

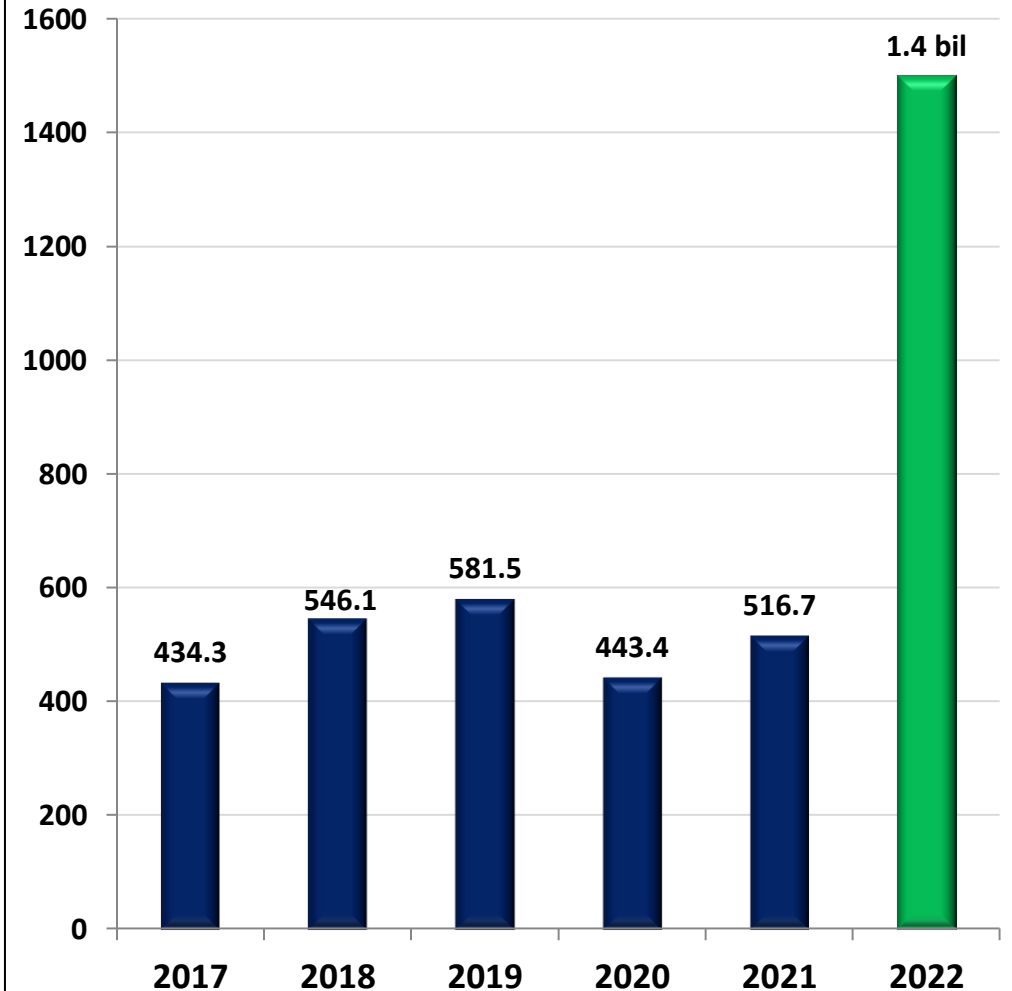


■ Rail ■ Highway ■ Water ■ Infra ■ Others

- **New Orders Secured till to date 2023: > 50 million**

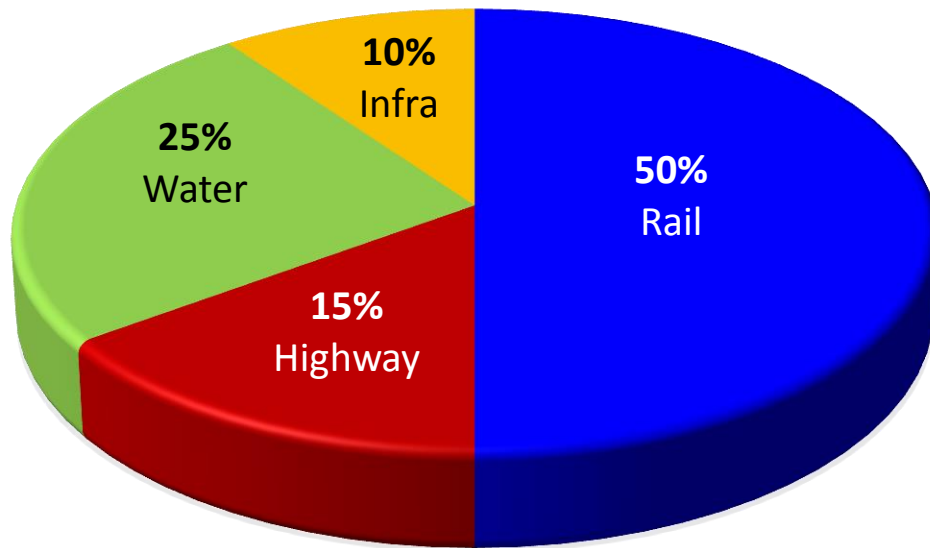
Remaining Order Book

RM (mil)



Tender book value is RM 415 million

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



■ Rail
 ■ Highway
 ■ Water
 ■ Infra

Vertical	Core Services		Amount (RM 'mil)	(%)
1	Engineering Services			
	• Engineering Design		174	41.90
	• Construction Supervision		78	18.80
2	Project Management		155	37.30
3	BIM Services	Contractors	4	1.00
		Direct Client	4	1.00
	Total		415	100.00

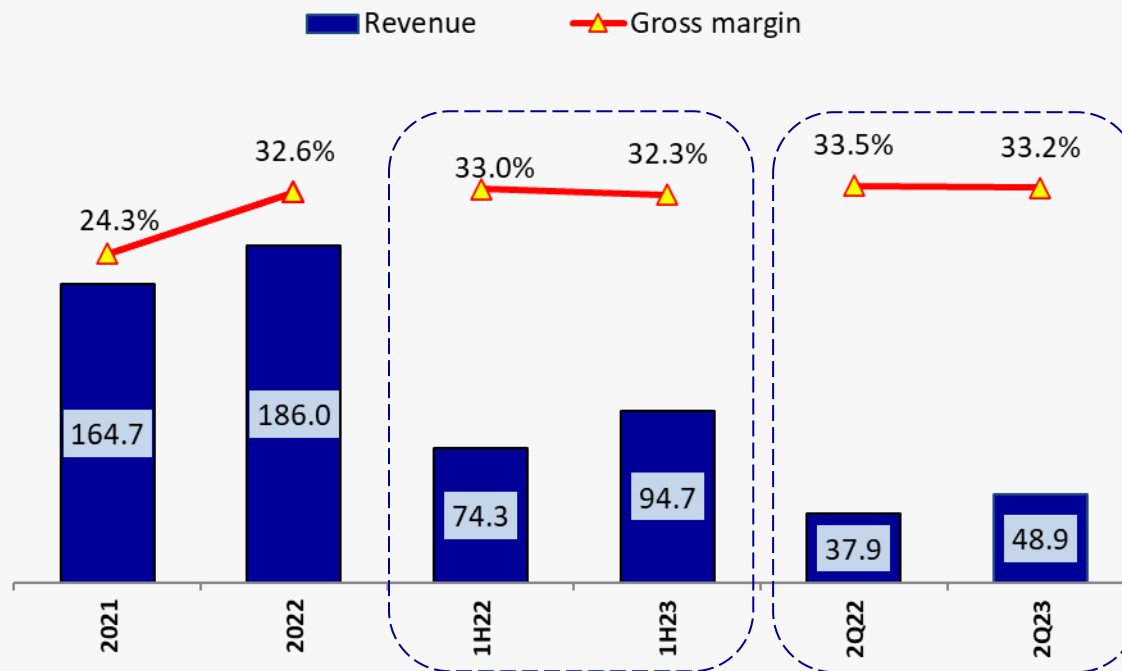
“Expected Tender Roll-Outs in 4Q2023”

3. FINANCIALS



2Q23 revenue improved on Project Management Consultancy and Engineering Services' works progress

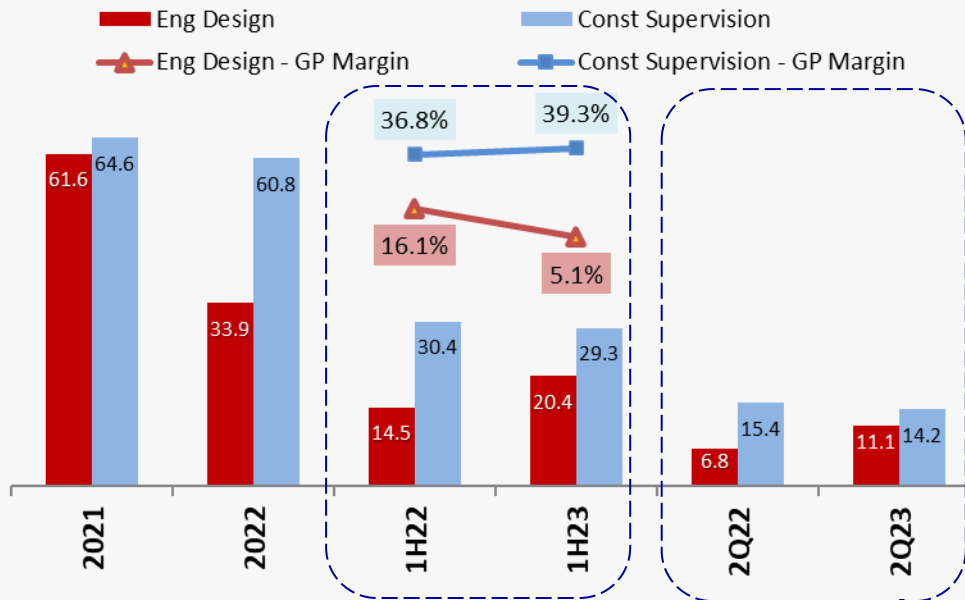
REVENUE (RM 'MIL) & GROSS MARGIN (%)



- 2Q23 revenue +29.0% to RM48.9 million
 - 2Q23 gross margin maintained
- 1H23 topline +27.5% to RM94.7 million
 - Steady project progress expected to continue

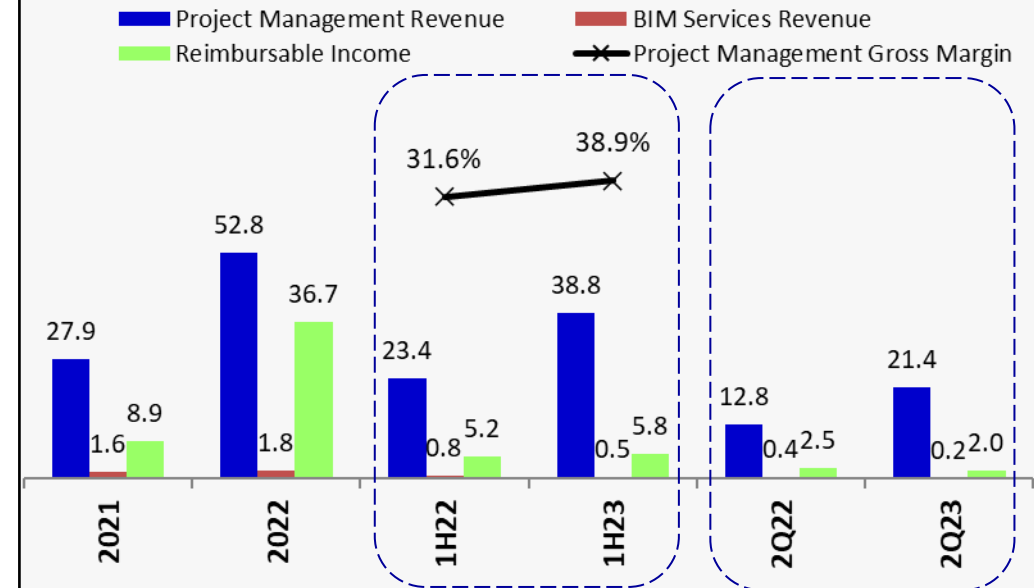
Engineering services in line with project progress...
PMC gearing up in momentum

Engineering Services (RM'mil)



- **1H23 Engineering Design revenue increased** in line with project progress of Iskandar BRT project
- **Construction Supervision largely retained** on project progress of on-going projects

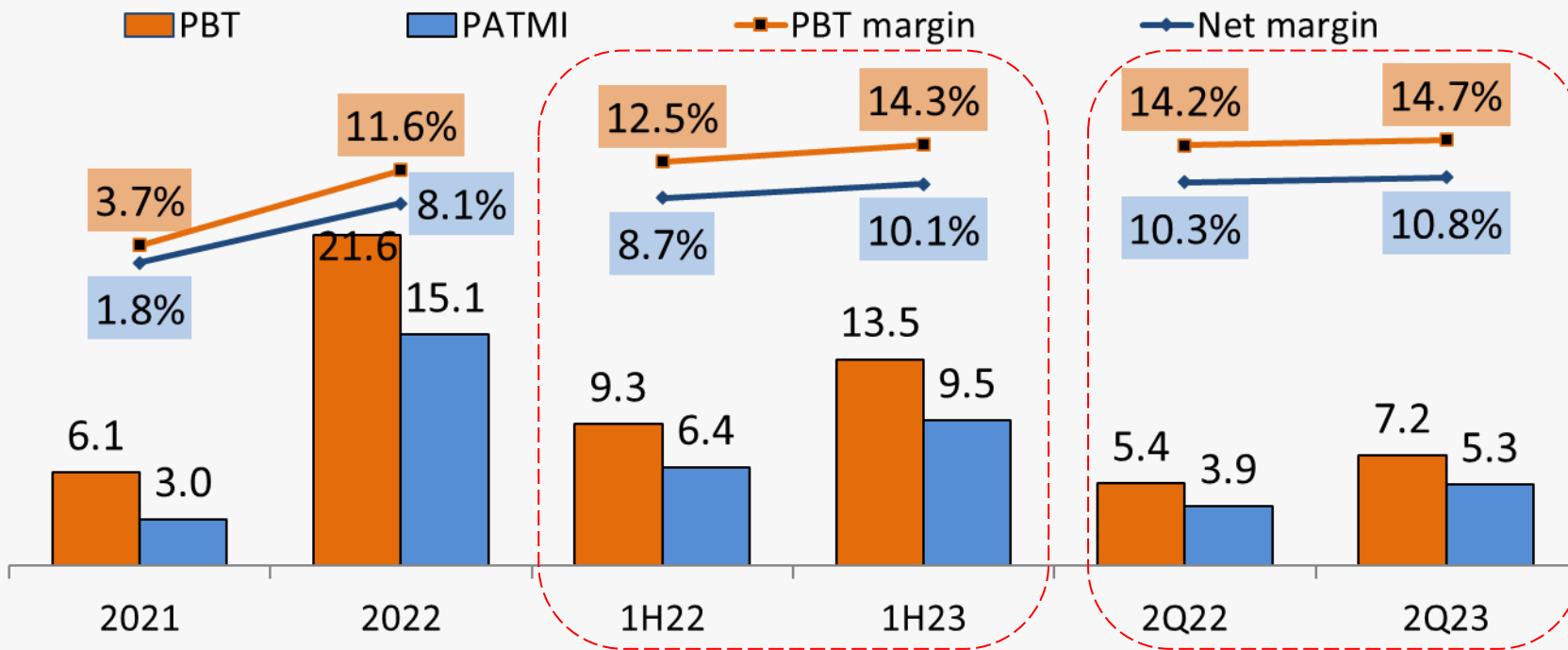
Project Management, BIM Services & Reimbursable Income (RM'mil)



- **1H23 PMC revenue reported healthy uptrend** in line with progress for PMC works for MRT3 and Pan Borneo Highway Sabah
- No significant fluctuation in **BIM revenue**

*1H23 profitability on the right track
with PMC projects propelling us forward*

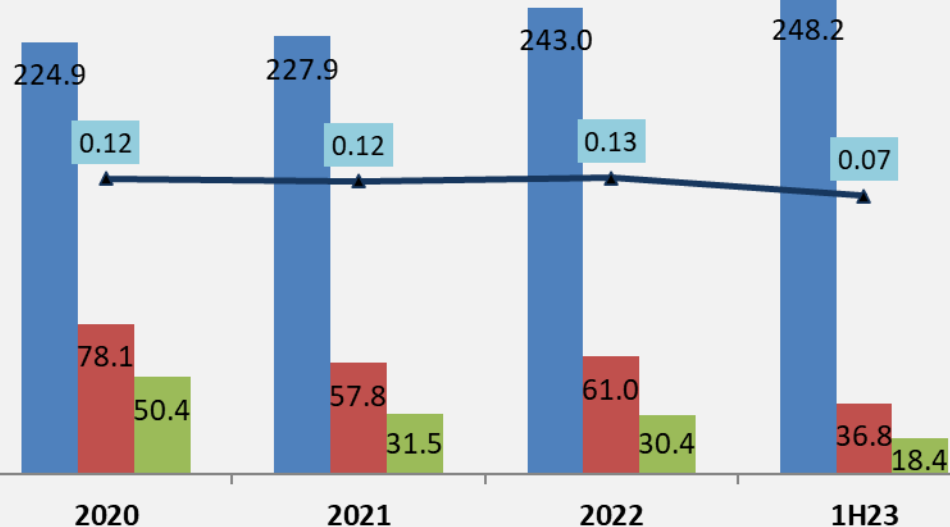
PBT, PATMI (RM'MIL) & MARGINS (%)



Optimal net gearing with reduced borrowings...

Balance Sheet Analysis

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



Balance Sheet (RM'mil)	FY2022 (Audited)	1H23 (Unaudited)	Remarks
Non-Current Assets	175.9	174.2	Lower on decrease in right-of-use assets and intangible assets
Current Assets	227.8	210.5	Lower on decrease in cash and cash equivalents
Current Liabilities	146.2	129.6	Lower on decrease in loans and borrowings
Non-Current Liabilities	14.5	6.9	Lower from reduced long-term loan
Shareholders' Equity	243.0	248.2	Improved on reduced accumulated losses
Net Gearing Ratio	0.13	0.07	Reduced significantly on lower borrowings

4. FUTURE PROSPECTS-

All Systems Go!

Implementation of major infrastructure projects and award of contracts will be accelerated in 4Q 2023 to pump-prime the economy



ALL SYSTEMS GO:- IMPLEMENTATION OF MAJOR INFRA PROJECTS

FUTURE PROSPECTS	
ROADS & HIGHWAY SECTOR	<ul style="list-style-type: none"> • Pan Borneo Highway Sabah- Phase 1B
	<ul style="list-style-type: none"> • Various Other Privatisation Proposals (Urban Highways)
RAILWAY AND AIRPORT SECTOR	<ul style="list-style-type: none"> • Johor LRT
	<ul style="list-style-type: none"> • Penang LRT
PORT SECTOR	<ul style="list-style-type: none"> • Westport Phase 2
WATER SECTOR	<ul style="list-style-type: none"> • Dam Safety Review of Hydroelectric Dams
	<ul style="list-style-type: none"> • Integrated River Basin Management Plan (IRBM)
	<ul style="list-style-type: none"> • Pelan Induk Saliran Mesra Alam
	<ul style="list-style-type: none"> • Off-River Storages
	<ul style="list-style-type: none"> • Submarine Pipelines
FLOOD MITIGATION SECTOR	<ul style="list-style-type: none"> • Over RM 12.0 billion allocation for Flood Mitigation projects • More than RM300 billion will be needed for long-term solutions to the country's flood problems over the next 50 years

5. OVERALL GROWTH & FUTURE STRATEGY



V1



Engineering Services

- Engineering Design
- Construction Supervision

V2



Project Management

V3



Building Information Modeling ("BIM")

V4



Recurring & Long Term Income Based Contracts

A New Service Development (Digital Transformation) – BIM GLOBAL VENTURES (BGV)

B New Service development

- Digital Tech (Data Centre & Telco services) - Locally & Regionally

C Expansion to Sarawak (New -Setup) – Set up is ready

D Strategic Partnership

- Initiatives with Japanese consultants & Government authorities to participate in JICA & Non-JICA projects globally

E Expansion into ASEAN region (Indonesia, Philippines & India) through smart partnership & acquisition

F Expansion to United Kingdom (JV with Local UK Company)

G

Strategic Partnership

- Initiatives with Shizen Energy

A) NEW SERVICE DEVELOPMENT (DIGITAL TRANSFORMATION) - BGV

- **Three (3) Key Areas we have embarked (commencing Q4 2022 till Q1 2024)**
 - 1) **CONSTRUCTION MANAGEMENT INTEGRATED SYSTEM (CMIS) – “SITE BUDDY”**
 - We have collaborated with technology providers to develop the following modules for Site Diary/Quality Model & ENVIRONMENT SAFETY & HEALTH
 - *It is currently the under pilot testing for 3 projects*
 - Already embarked on **collaboration with JKR (Pilot & Integration with I-supervision)**
 - Ready To Launch officially in Q4 2023.
 - 2) **EXPANSION OF BIM SERVICES TO PHILLIPINES – (Q1 2024 to commence)**
 - Embarking on a **Joint Venture Partnership with Engineering and Development Corporation of the Philippines (EDCOP)**– Philippines to **expand our BIM Services** in the Philippines
 - 3) **DRONE SERVICES (HSS DRONE SOLUTIONS) :- (Q4 2023)**
 - Joint Venture Partnership to drive “ **Drone Driven Digital Construction Solutions**”
 - **Target within August /Sept 2023**

CONSTRUCTION MANAGEMENT INTEGRATED SOLUTION



SiteBuddy

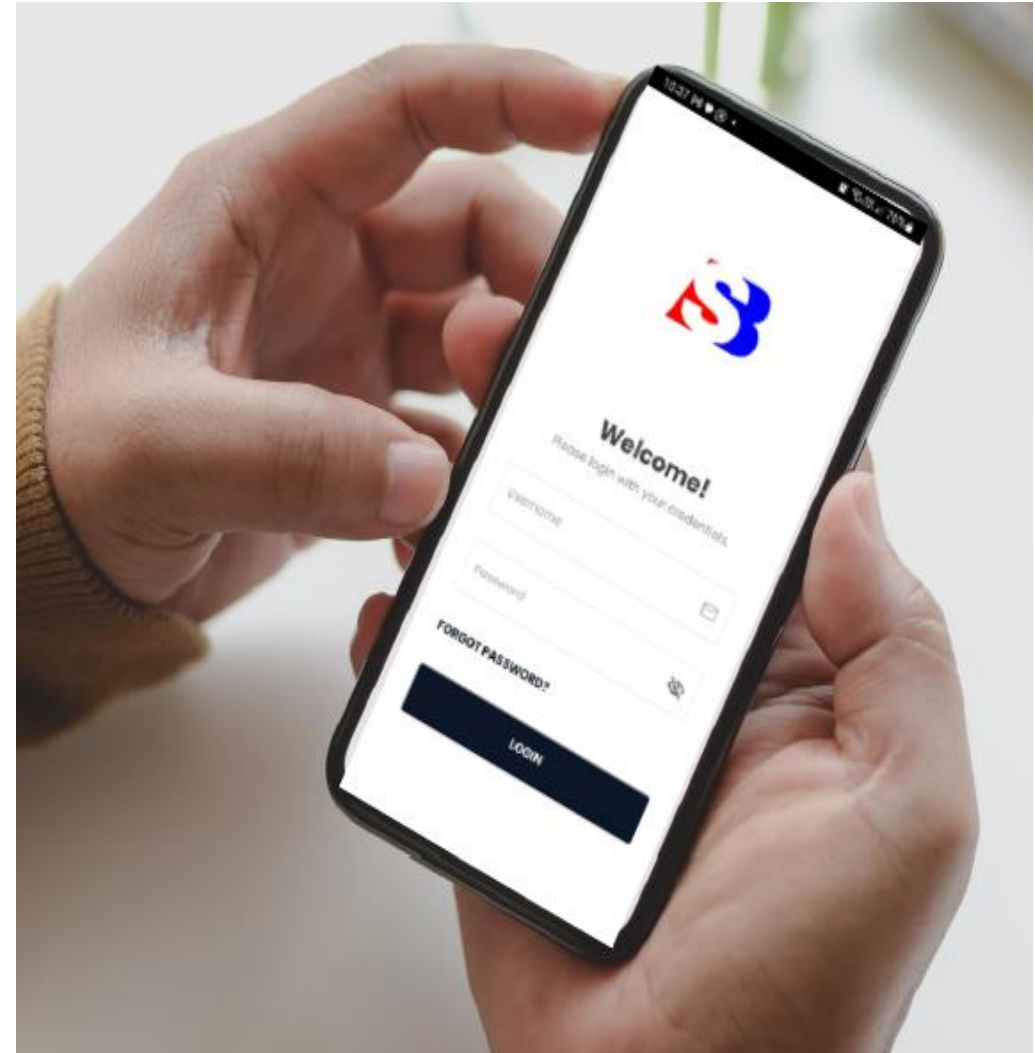
- The objective of the software application is to provide a comprehensive solution that addresses the challenges faced by the local construction industry in Malaysia regarding site diary submission, quality management, and environment safety and health.

THE MODULES



APP FEATURES

-  NOTIFICATION FEATURES
-  HARDCOPY VERSION READY
-  CUSTOMIZATION FEATURES
-  DYNAMIC LIBRARY/FORMS
-  DASHBOARD AND REPORTING
-  DIGITAL SIGNATURE



- Revenue Diversification has started bearing fruits (Telco, Data Centre)
- On 16th January 2023, the Group secured its **first project management consultancy services** contract for the upcoming **Yellowwood data centre and its electrical substation at Sedenak Tech Park, Johor Darul Takzim.**
- The Group secured its **second Data Centre Project (INFINAXIS)** in Cyberjaya recently (May 2023).
- **HSS secured further work from Digital Nasional Berhad (DNB) (Phase 2A)** – Similar scope as earlier
- **Upcoming Data Centers :-**
 - *K2 – Submitted Bid on 3rd August (HSSI Shortlisted)*
 - *ST Telemedia – prequalification submitted (HSSI Shortlisted)*
 - *Princeton Digital*
 - *Singtel*
 - *Digital Halo*
- **Upcoming Telco:-**
 - *Enterprise Solution 5G*
 - *Audit Works for CME Works - DNB*
- ***We have embarked on pursuing opportunities in the Hospital Information System (HIS) / Electronic Medical Record (EMR)***



"HSS Alliance (Sarawak) Sdn Bhd "

- By 2030, Sarawak will be a thriving society driven by data and innovation where everyone enjoys economic prosperity, social inclusivity and sustainable environment and has stable outlook rating with a current GDP of RM 127,116 million.
- Sarawak is poised to be a developed and industrialised State by 2030.
- Sarawak intends to capitalise on the relocation of Indonesia's capital to Kalimantan with foreign investment especially into the logistic sector / SME's.
- Stable Economy with RM 32 billion in reserves.

POTENTIAL PROJECTS THAT WE ARE CURRENTLY WORKING ON:-

- Bintulu Bitumen Plant
- Miri City Council – Solid Waste Management
- Sarawak Rural Road Connectivity
- Upgrading of Miri Roads
- Trans-Borneo Railway, Sarawak

"JAPAN INVESTING US\$367 BILLION IN INFRASTRUCTURE OVERSEAS"

1. Strategic Relationship with the three (3) Main Japanese Investment Agencies For Infrastructure Projects In Asean Region :- *Japan Bank for International Corporation (JBIC)/ Japan International Agency Corporation (JICA) & Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN)*
2. Strategic Preferred Partner with Five (5) Japanese Consultants for Infrastructure Projects in Asean, MENA and India Region.
 - *Oriental Consultants Global Co., Ltd. - (MOU Concluded on 19th July 2022)*
 - *Yachiyo Engineering Co., Ltd. - (MOU concluded on 15th September 2022)*
 - *Index Strategy, Inc. - (MOU concluded on 18th June 2023)*
 - *CTI Engineering International Co., Ltd., - (MOU concluded on 6th July 2023)*
3. On 14th February 2023, HEB Group signed a contract agreement **with Bangladesh Railway to provide consulting and technical services for the Asian Development Bank (ADB)-funded Railway Connectivity Improvement Preparatory Facility Project in Dhaka**. This marks our **first inroads into Bangladesh with JV partners Oriental Consultants Global Co., Ltd., Japan ("OCG") and EGIS Rail S.A., France ("EGIS")** and places us on the global map in terms of engineering consultancy expertise alongside other experts.
4. In May 2023, HSS has been awarded **PMC for the Jakarta LRT Systems** in collaboration with OC Global ("OCG")
5. Opportunities:-

<ul style="list-style-type: none"> ➤ <i>Dhaka Metro Line 1</i> ➤ <i>Detailed design, bid Assistance & Construction Supervision for Construction of Dual Gouge Double Line between Joydebpur-Ishwardi Section</i> 	<ul style="list-style-type: none"> ➤ <i>Delhi Metro Phase-4</i> ➤ <i>Pollution Abatement of River Nag at Nagpur under National River Conservation Plan (NRCP) – India</i> ➤ <i>Patna Metro</i>
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OVERALL GROWTH & FUTURE STRATEGY

E) EXPANSION INTO ASEAN REGION

MAINTAIN NUMBER 1 POSITION IN MALAYSIA & GROW IN STEADY STEP GEOGRAPHICALLY IN ASEAN (PHILIPPINES / INDONESIA / CAMBODIA) AND SOUTH ASIA (INDIA / BANGLADESH)

- **Two (2) Prong Approach**

- JICA Projects :- Participate with Japanese Consultants
- Other Projects :- Collaborate especially ABD projects with Local / Japanese and Other International Consultants (Short Term)



- **Long Term :- Local Set-Up / Partial Acquisition**



F) EXPANSION TO UNITED KINGDOM (NEW JV SET UP WITH VENUS GROUP)

- Venus Group UK has invited HSS to form a joint venture company incorporated in England & Wales to provide professional services to construction projects in Europe, with two (2) immediate projects to start with.
- Outsourcing of preliminary and detailed engineering design/calculations to HSS Integrated Sdn Bhd and team in Malaysia to enhance International Revenue for the group.
- To use this JV as a platform to tap to the European & USA Market



"JVA SIGNED ON 30TH JUNE 2022 & CURRENTLY ON PRE-PLANNING STAGE FOR ILFORD PROJECT (RESIDENTIAL PROJECT)"

OVERALL GROWTH & FUTURE STRATEGY

G) STRATEGIC SMART PARTNERSHIP (VERTICAL 4)

"1st WIN FOR THE 4th VERTICAL"

- Important part of our on-going strategy to provide a longer- term sight on revenue that is recurring
- *MOU concluded with **Shizen International Inc.** (21 September 2022) to collaborate on a 'preferred partner' basis in the development of solar projects up to a capacity of 250MW in the ASEAN region.*
 - **Partner for Corporate Green Power Programme as 10% stakeholder – 29.99 MWP (Land Located in Gurun. Kedah)**
 - *Syarikat Air Melaka (SAMB) 150MW Floating Project in Durian Tunggal Reservoir, Melaka – FS Stage... Pilot Project 1.5MW – 2.00MW*
 - *Tanjung Tualang Floating Solar Project (up to 35MW)*
- *A new strategy including cross border trade to expand renewable energy use in the country & boost the domestic renewable energy industry. Efforts to increase renewable energy capacity in Malaysia's electricity supply system are expected to require investments of some MYR 637 billion till 2050. This will lead to various opportunities to HEB Group. **(New Energy Transition Roadmap – July 27th 2023)***

6. CONCLUSION



CONCLUSION

REMAIN UPBEAT FOR 2023 OUTLOOK

- HEB Group **secured of more than RM 55 Million of contracts** as of 30th June 2023. Target Contract Wins:- RM 300 million
- **Order book at a commendable high at RM 1.4 billion.** Tender book at RM 415 million (with 50% success rate).
- Roll out of high-impact infrastructure projects as well as award of **contracts to gain traction from Q4 2023 onwards fueled by national development agenda as outlined in 12MP.**
- **Diversification strategy bearing fruit** – secured our second PMC contract for Data Centre and overseas award in Bangladesh & Jakarta LRT.
- **1st WIN for the 4th Vertical** (Recurring Income) – Corporate Green Power Programme (CGPP)
- **Advancing proactively** with our **portfolio of seven initiatives within HEB's overarching growth and future strategy**
- **Foresee outlook in 2023 to be buoyant**





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THANK YOU

IR Adviser



AUGUST 2023