



**ENGINEERS**

**HSS ENGINEERS BERHAD**

Registration No. 201501003232 (1128564-U)

# **3Q21 ANALYSTS BRIEFING**

## **19<sup>th</sup> NOVEMBER 2021 @ 10.30a.m.**





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## 1. KEY HIGHLIGHTS

## 2. FINANCIALS

## 3. OPERATIONAL HIGHLIGHTS

## 4. TENDER BOOK

## 5. FUTURE PROSPECTS

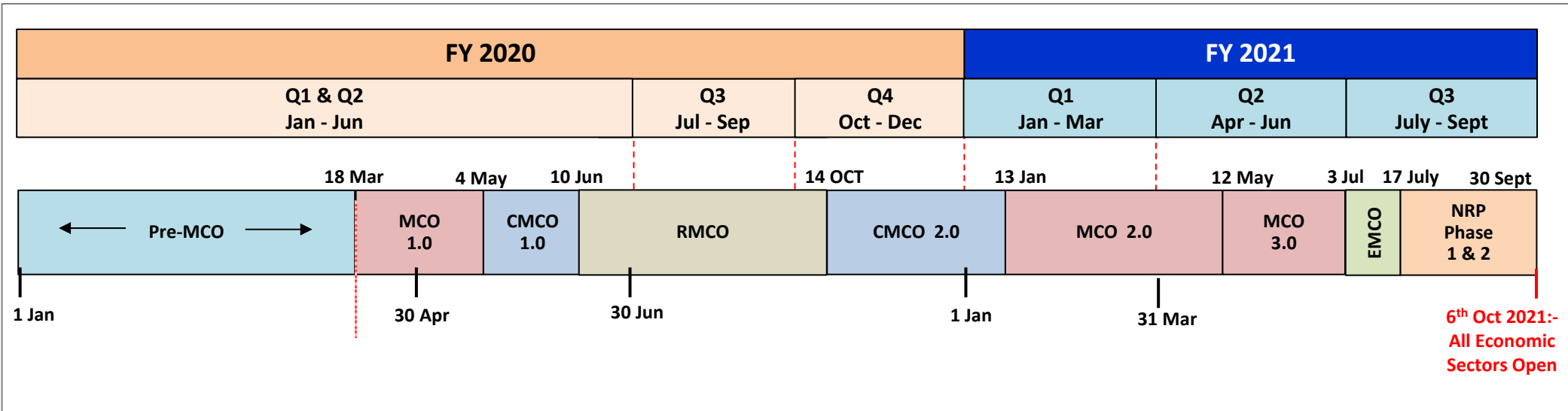
## 6. OVERALL GROWTH & FUTURE STRATEGY

# 1. KEY HIGHLIGHTS









# HEB HAS ADAPTED ITS BUSINESS TO MEET ITS COMMITMENTS

The ongoing various types of movement control orders since March 2020 has its impacts. COVID-19 has tested us. We have proven we are resilient.



## LEGEND

 <b>Pre-MCO</b> - Pre Movement Control Order (17%)	 <b>CMCO</b> - Conditional Movement Control Order (22%)	 <b>EMCO</b> - Enhanced Movement Control Order (7%)
 <b>MCO</b> - Movement Control Order (37%)	 <b>RMCO</b> - Recovery Movement Control Order (24%)	 <b>NRP</b> - National Recovery Phase 1 & 2 (28%)



- **Revenue at RM125.8 million** for the nine (9) months ended 30 September 2021 (9M2021) (9M2020 : RM 124.9 million).
- **Net Profit of RM 3.8 million in 9M2021** (9M2020 : RM 7.7 million). The difference is largely attributed to the **delay in mobilisation of staff for Pan Borneo Highway**.
- Net gearing **at favourable level** on decreased term loan.
- Order book stood at **RM 548.3 million** as of 30 September 2021. This has included Pan Borneo award of **RM 144.9 million**.
- 2021 has started well. We have secured **RM 192.0 million** worth of new orders compared to RM 34 Million in 2020.
- Healthy Tender Book at **RM 423 million**.



# EFFECTS OF COVID-19 PANDEMIC/LOCKDOWN & STRATEGY

- The performance in the said quarter was impacted by the delayed earnings arising from delay in mobilisation of staff for the RM145 million Project Management Consultant contract for the Pan Borneo Sabah project.
- Effective early October, we have fully mobilize to Pan Borneo Sabah Project and earnings from the Pan Borneo Sabah project is expected to be recognized constantly in the coming quarters.
- Vaccination for all our staff in HQ & Project Sites is close to 100%.



# WE ARE SET TO MAINTAIN OUR GROWTH IN 4Q2021 & 2022

- **Expecting Bigger Haul in 4Q 2021 & 2022:** Mega infrastructure project rollouts to reinvigorate the economy are expected to start in 4Q 2021 which to roll over to 2022. *(MRT 3 in 3Q2022)*
- **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)
- Our **Revenue Diversification Strategy** targeting the Digital Tech space covering Telco sector in preparation of 5G Rollout and Data Centres.



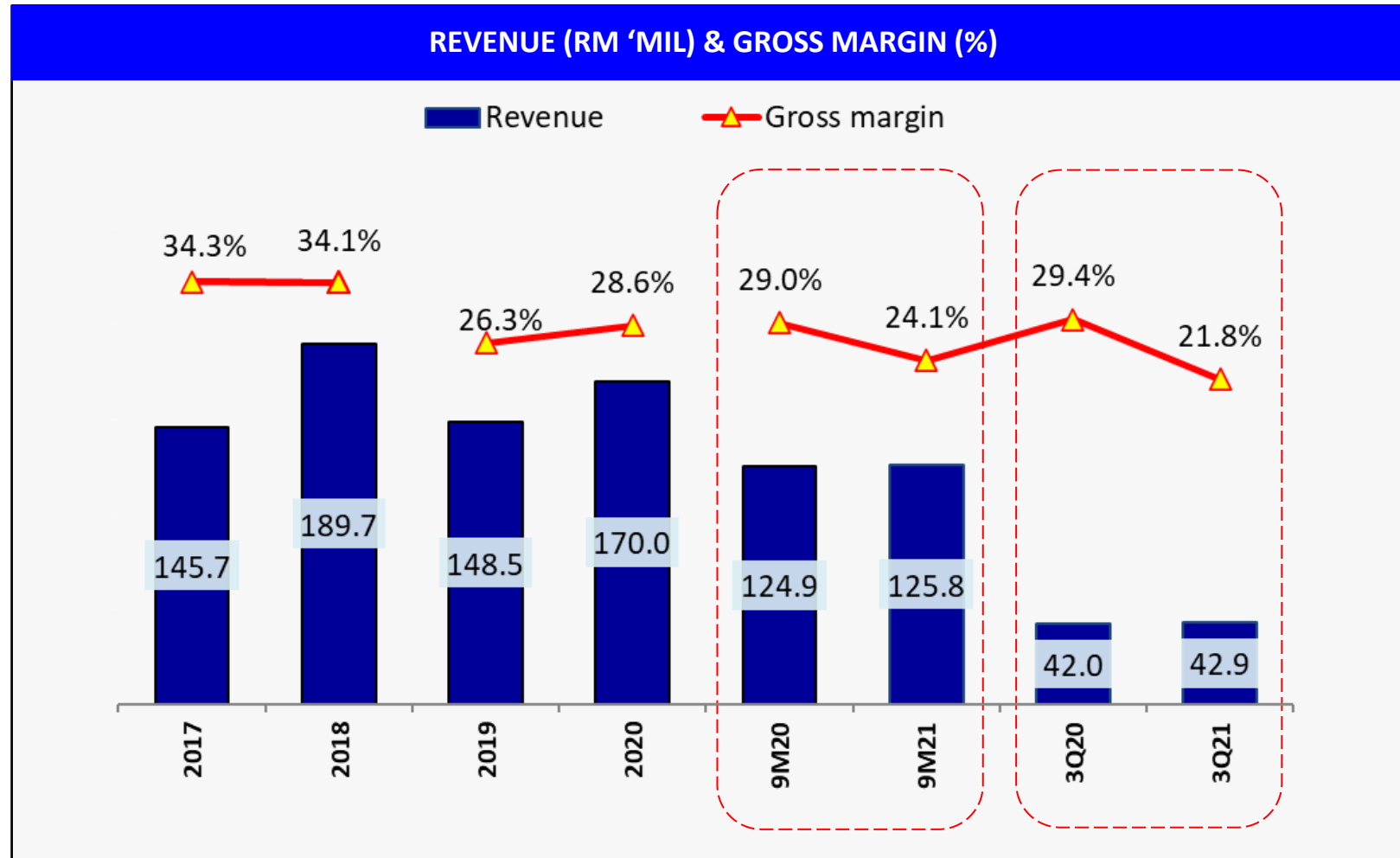


## 2. FINANCIALS





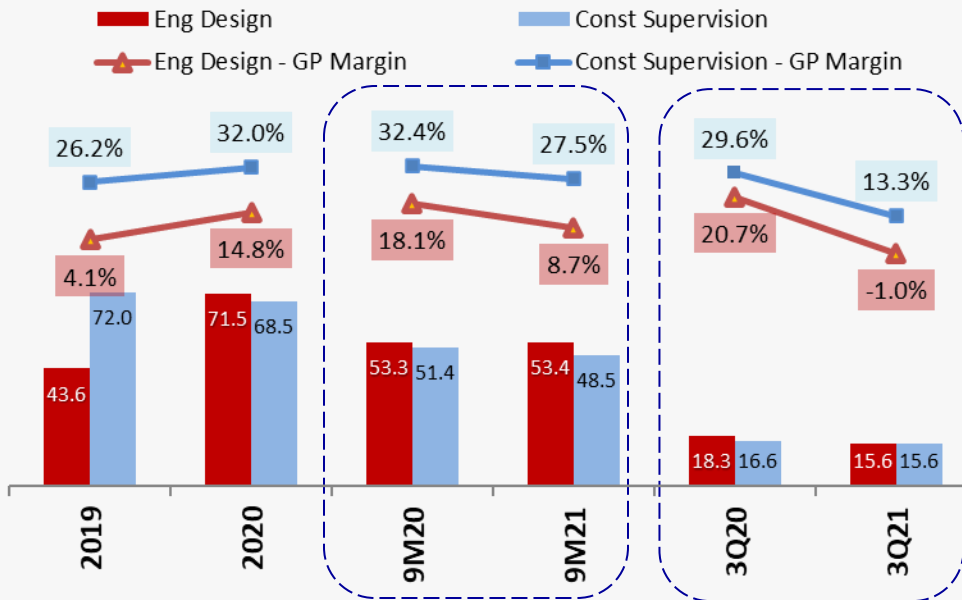
*9M21 revenue largely maintained on recognition from continuing jobs such as ECRL, Suke. MRT 2 & BRT. Earnings from the Pan Borneo Sabah project is expected to be recognized constantly in the coming quarters. Also anticipating project rollouts to accelerate in the last quarter of 2021 and FY2022.....*



# REVENUE AND GROSS PROFIT SEGMENTATION

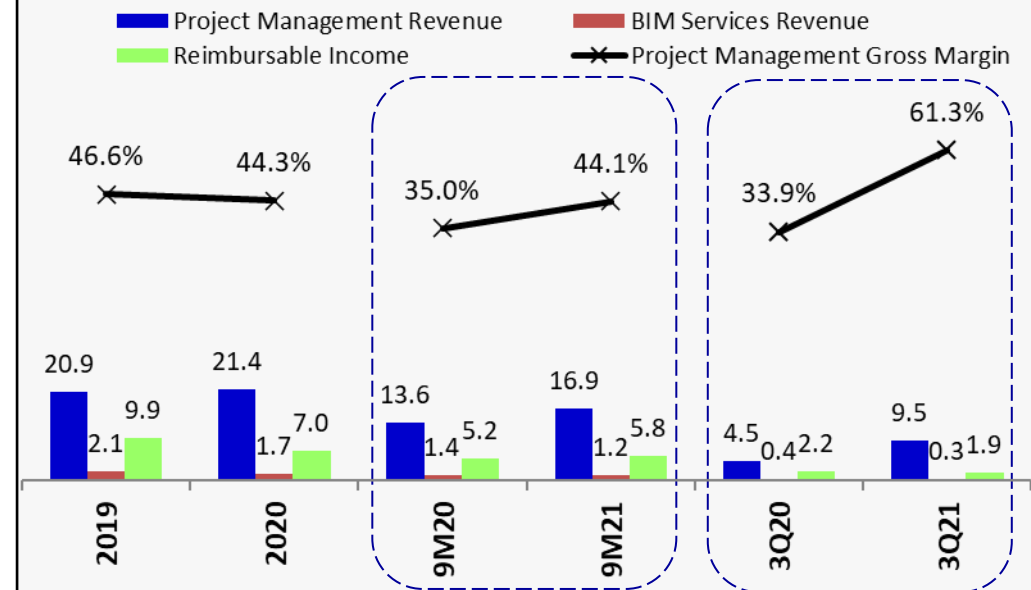
**3Q21 Engineering Services sustained while  
3Q21 PMC revenue doubled**

## Engineering Services (RM'mil)



- **3Q21 and 9M21 Engineering Design revenue largely sustained** from on-going projects such as Phase 1 Langat 2 WTP and water reticulation system, Sungai Rasau in Selangor, Section A and C of ECRL and others
- **Construction Supervision** in tandem with project progress of on-going projects

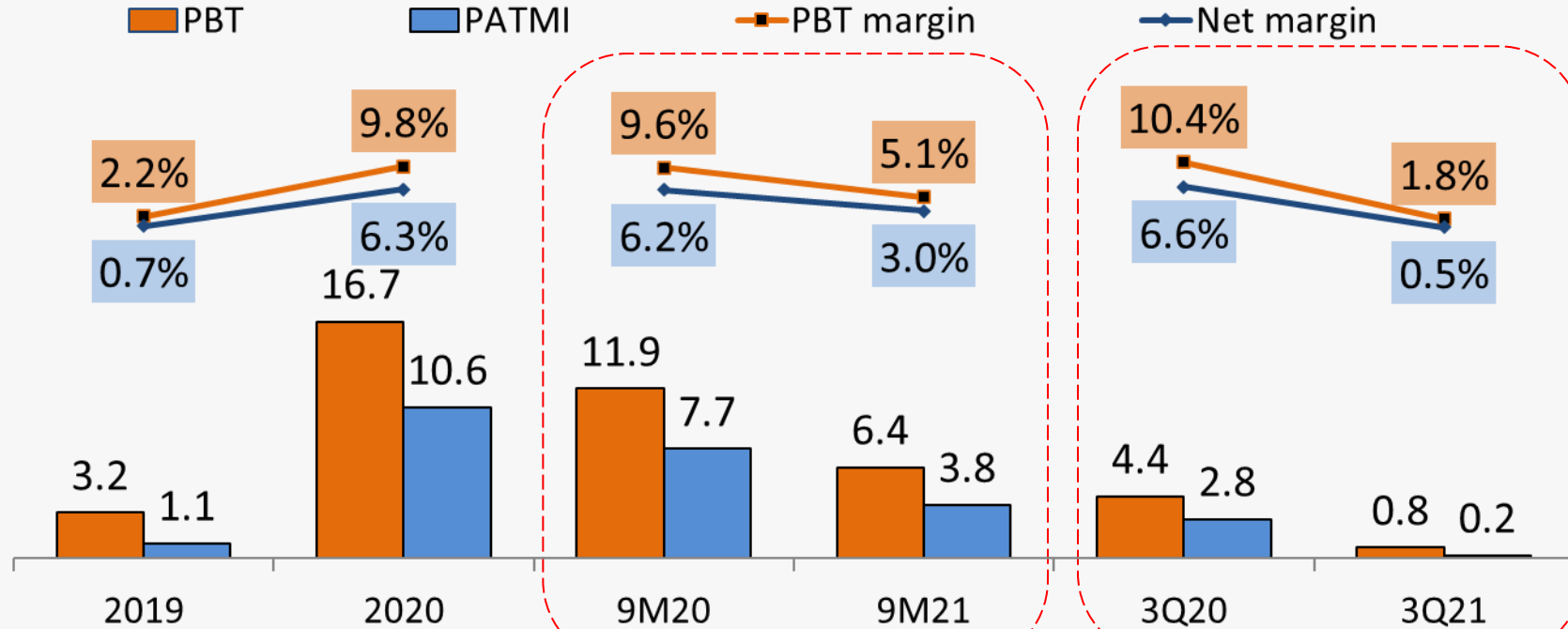
## Project Management, BIM Services & Reimbursable Income (RM'mil)



- **9M21 PMC revenue increased 23.6%** on similar factors
- No significant fluctuation in **BIM revenue**

*3Q21 remained profitable in tough environment...  
anticipating revival of local construction and infrastructure projects in 4Q21 and 2022*

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

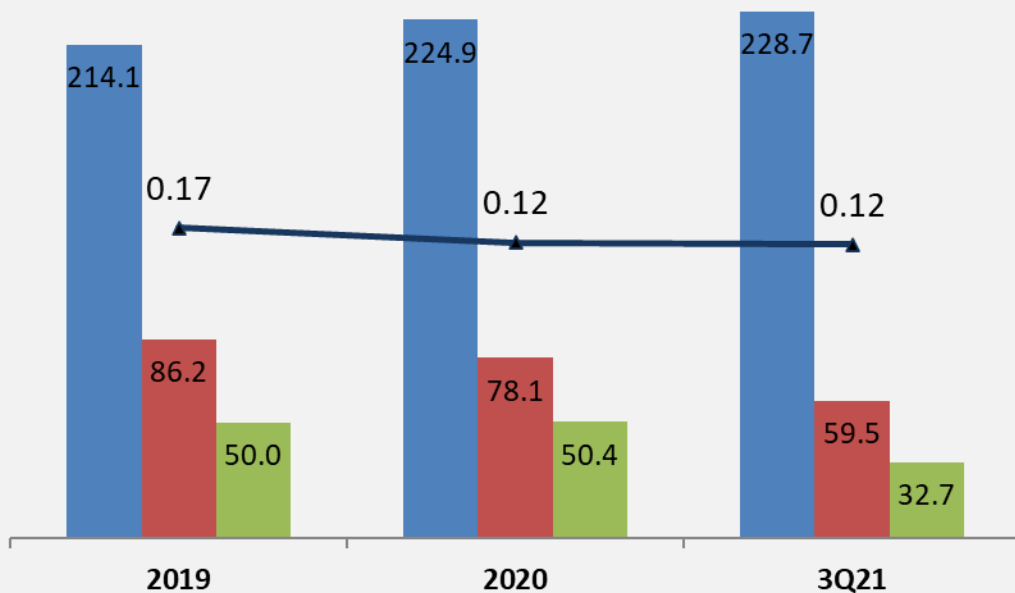




*Maintained low net gearing to ensure the Group's financial flexibilities for future endeavours*

**Balance Sheet Analysis**

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



Balance Sheet (RM'mil)	FY2020 Audited	3Q21 (Unaudited)	Remarks
Non-Current Assets	182.1	179.0	Lower on decrease in intangible assets
Current Assets	182.5	192.4	Higher on increase in contract assets
Current Liabilities	79.1	94.0	Higher on increase in trade receivables
Non-Current Liabilities	60.6	48.7	Lower from reduced long-term loan
Shareholders' Equity	224.9	228.7	Improved on reduced accumulated losses
Net Gearing Ratio	0.12	0.12	Maintained

# 3. OPERATIONAL HIGHLIGHTS

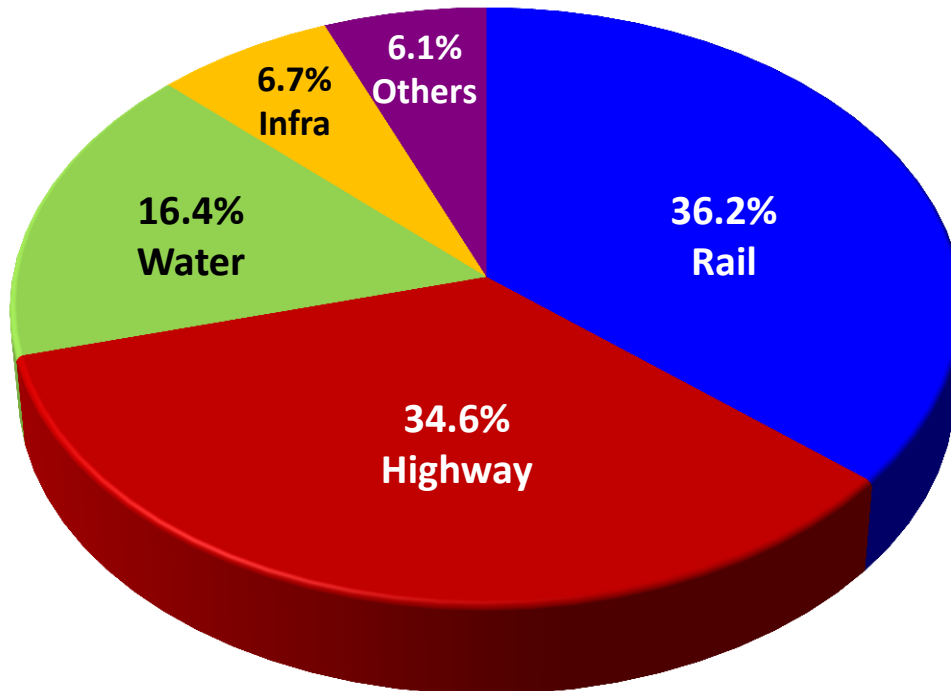


*Urban transportation projects maintaining prominence for combined entity...*

### Combined Orderbook of Enlarged Group

**RM 548.3 million**

As at 30 Sept 2021



■ Rail 
 ■ Highway 
 ■ Water 
 ■ Infrastructure 
 ■ Others

Vertical	Core Services	Amount (RM 'mil)	(%)
1	Engineering Services		
	<ul style="list-style-type: none"> <li>Design</li> <li>Supervision</li> </ul>	138.4 228.5	25.2% 41.7%
2	Project Management	177.0	32.3%
3	BIM Services	4.4	0.8%
	Total	548.3	100%

- New orders secured till 3Q2021 : **RM 192 million***

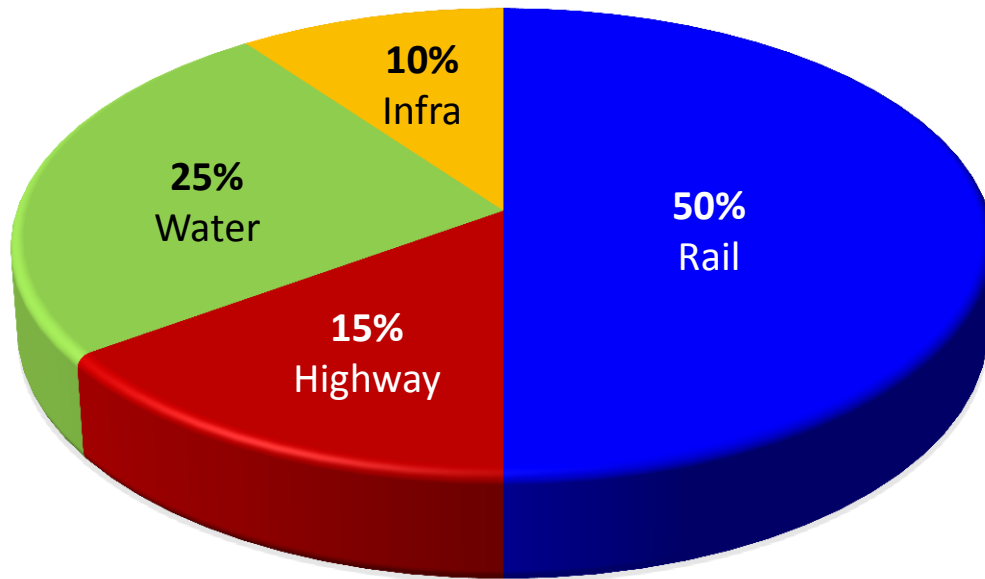


# 4. TENDER BOOK



### Tender book value is RM 423 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		181	42.78
	• Construction Supervision		70	16.55
2	Project Management		162	38.40
3	BIM Services	Contractors	5	1.18
		Direct Client	5	1.18
	Total		423	100.00

- *Tender Book Amount does not include any prospective projects such as MRT 3, PJ De Link, etc*





**Detailed Design Consultant for the Development of Kuching Urban Transportation (KUTS) Kuching, Sarawak (Line 2)**



**ICE for Engineering, Procurement, Construction and Commissioning ("EPCC") of 5.25 mw small hydro power plant project at Sg. Kampar, Perak**



**Detailed Design And Supervision For Tok Bali Industrial Park At Mukim Gong Kulim, Daerah Semerak, Jajahan Pasir Puteh, Kelantan Darul Naim**



**Owner's Engineer Consultancy Services for the Development of Waste-to-Energy (WTE) facility at ISWMC, Jeram**





**Lead Consultant for the preparation, submission and approval for the amendment to the master layout plan Lapangan Terbang Sultan Abdul Aziz**



**Consultancy Services for Availability, Maintainability and Safety Audit for Kelana Jaya Line**



**Construction Management for OSRAM MALAYSIA FRONTEND TOPAZ**



**Construction Management for SDSM , Batu Kawan**





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



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



**Research on Water Needs, Water Sources, Treated Water Supply and Water Supply System in Kedah**



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





Bridge over Sg Marang



Kajian Sumber Air Kelantan



Pelan Induk Pembetulan for SPAN



Study on Updating of Condition of Flooding and Flood Damage Assessment in Malaysia



# KEY PROJECTS TENDERED- REVENUE DIVERSIFICATION (DIGITAL & TECH)

**ENGINEERS**
**Malaysia's Engineering DNA**


**Project Management Consultancy Services for Proposed Data Centre Development (GDS Holdings) at Nusajaya, Johor, Malaysia**



**Project Management Consultancy Services for Proposed Data Centre Development (Bridge Data Centers) at Nusajaya, Johor, Malaysia**



**Site Management Partner/Commercial Contract Management -5G Roll Out**



**PMC for Design and Deployment of Free Zone Operation System, Enterprise Management System, Gate Operation System, Dashboard System and System Integration at Port Klang Free Zone Sdn. Bhd**



# 5. FUTURE PROSPECTS



*Implementation of major infrastructure projects and award of contracts will accelerate in 4Q-2021 and 2022 to pump-prime the economy as Covid-19 pandemic eases*

## Mass Rapid Transit (MRT) 3

- The MRT3 project is expected to start in the fourth quarter 2022
- We are the incumbent Independent Consulting Engineer (ICE) for the MRT Line 1 and 2 projects

## Sarawak Metro

- The tender for the detailed engineering design for Line 2 – Serian Line (23 km), ended in September to which we have submitted a bid
- Being the lead consultant for the feasibility study (2017-2018) may give us the advantage over the other bidders





## PJD Link Highway (34.3 km Fully Elevated Expressway)

- Connecting PLUS' NKVE Damansara Toll Plaza to Bukit Jalil Highway

## Various Privatisation Proposals (Urban Highways)

- As a driver of infrastructure projects to reduce the financial strain on the government's national coffers



## WESTPORT PHASE 2

- HEB has concluded the detailed design for the land reclamation from CT 10 to CT 13
- Westport 2 will enhance Malaysia's current global position. It will make Port Klang a "Competitive Transshipment Hub" with Singapore in South East Asia
- The project will expand a further eight Container Terminals, hence increasing the current port handling capacity from 15 million TEU's to 28 million TEU's
- Westport is expected to sign the CA in December 2021





The 12 MP and Shared Prosperity vision continue to drive the water agenda in the country. The game changer in the 12 MP involves accelerating the adoption of Integrated Water Resources Management (IWRM) in managing water resources in the country.



### Sewerage Master Plan for SPAN

- A proposed blue print for sewerage catchment management to adopt IWRM approach for over 100 river basins in Malaysia. Three major centralised sewage treatment plants (STP) will be proposed for implementation in next five years. Conceptual design for other major centralised STPs will be proposed for long term development in other basins.

### Groundwater Study in Kelantan

- Submitted an offer to carry out feasibility study for constructing groundwater reservoir and other water resources development options in the state of Kelantan.

### Muar Melaka Phase 3 Study

- Submitted offer to carry out feasibility study for the Muar Melaka Raw Water Transfer Phase 3. We were the Design Consultant for the Phase 1 and Phase 2 projects.

### Dam Safety Review of Hydroelectric Dams

- Many large hydroelectric schemes developed as early as in 1920s have been in operation for over 100 years and subject to deterioration of its structures and mechanical/electrical installations and equipment.
- This Safety Review study will examine the present safety status of twelve existing hydropower schemes in Malaysia and propose appropriate rehabilitation, strengthening and replacement measures to allow continued operation of these schemes.

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

- Johor Government is seeking new raw water sources, particularly for future consumption in the southern region including Iskandar Malaysia
- We are currently involved in a feasibility study to help the State to assess measures to enhance yield from the existing raw water resources

### **Langkawi Water Supply**

- The Island of Langkawi has been under significant water stress for some time now and need to be augmented on urgently
- We have submitted a bid to undertake a state-wide Water Masterplan study for Kedah, including Pulau Langkawi

### **Sarawak Water Grid Study**

- A total of RM18 billion has been put up in the 12th Malaysia Plan for the implementation of water supply projects in the state
- One key point that separates us from the rest of the field is our background in having worked on the Sarawak Water Grid Study

# OPPORTUNITIES FOR HEB FOR THE 12<sup>TH</sup> MALAYSIA PLAN (2021-2025)

**ENGINEERS**
**Malaysia's Engineering DNA**

**“The 12th Malaysia Plan (12MP) will be aligned with shared prosperity initiatives based on three dimensions, namely Economic Empowerment, Environmental Sustainability and Social Re- engineering”**

- **Aviation**

- **Aerospace hub**

- **Healthcare**

- **Hospitals**

- **Power**

- **31% target – RE Sector (Solar & WTE)**
- **Electrification of rural areas**

- **Property**

- **Affordable Housing**

- **Telecommunication**

- **Jendela (Jalinan Digital Negara) & 5G Roll Out**

- **Transportation**

- **New Mechanism under highway development plan 2030**

- **Water**

- **Water Sector Transformation 2040**

- **Integrated Connectivity**

- **Enhancing efficiency of transport & logistics**

- **Sabah & Sarawak**

- **Accelerating Infrastructure Development in Sabah & Sarawak**

## 6. OVERALL GROWTH & FUTURE STRATEGY





- **Diversification of Revenue**

- In Engineering Design & Construction Supervision Services (Vertical 1)
- In Project Management Services (Vertical 2)

- **Recurring Income**

- Long Term Sight on revenue that is recurring (Vertical 4)



- **Regional Expansion**

- *Increased Market Penetration in Philippines, India and Indonesia*

- **Telecommunication – New Services Development**

- *Focus on 5G Roll Out in Malaysia*

- **Digital Technology – New Services Development**

- *Focus on Data Centre in Malaysia and South East Asia Region*

*Maintain number 1 position in Malaysia &  
Grow in steady step geographically*

### Geographically : (Philippines, India & Indonesia)

- ***Strategic collaborations with leading Japanese consultants to participate in JICA funded projects***
  - ❖ ***Work with Nippon Koei on supervision services for Chennai Metro Ph 3 in India***
  - ❖ ***In Philippines, we commenced supervision services for North-South Commuter Railway Ext project through Oriental Consultants Global***
- ***Evaluate commitment of these countries to their high growth infrastructure development plan and realistic mid- to long- term opportunities available***
- ***Mode of Entry (Own Bid / Strategic Partnership / Partial Acquisition)***



# OVERALL GROWTH & FUTURE STRATEGY

## 5G ROLL OUT - TELCOMMUNICATION



- We have recently **set up a telecommunication division** within the Group to actively pursue opportunities in the telco sector.
- To this, we have submitted several bids which encompasses **Site Management and Commercial Contract Management** to DNB.



# OVERALL GROWTH & FUTURE STRATEGY

## DATA CENTRES - DIGITAL TECHNOLOGY

- The data centre market in SEA is poised to grow at 14% CAGR (USD 3.5 Billion) in the next decade
- Singapore, current data centre hub for SEA, will likely grow by 6% CAGR due to the moratorium on new data centres by the Singapore government facing power and land shortage
- So, there will be a spillover effect that will benefit neighboring countries like Malaysia and Indonesia
- In Malaysia, the data center market is expected to grow over US \$800 million by 2030, at a CAGR of over 8%
- **We have embarked on a collaborative approach with leading data centre specialists to pursue engineering and project management opportunities in this arena in Malaysia, as well as in the SEA region.**
- **HEB has been shortlisted for two (2) PMC bids in the country.**



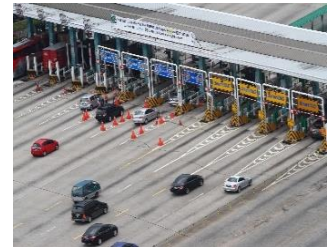
# OVERALL GROWTH & FUTURE STRATEGY

## RECURRING INCOME

- Important part of our on-going strategy to provide a longer- term sight on revenue that is recurring

- Long-Term Sight on Revenue Focusing on:

1. Sustainable Renewable Energy  
(Solar / WTE / Hydro / Biomass, Rooftop Solar)
2. Water Concessions
3. Tolled Highways







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**THANK YOU**

IR Adviser



**NOVEMBER 2021**