



ENGINEERS

HSS ENGINEERS BERHAD

Registration No. 201501003232 (1128564-U)

4Q 2021 ANALYSTS BRIEFING

24th February 2022 @ 10.30 a.m.





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1. KEY HIGHLIGHTS

2. FINANCIALS

3. OPERATIONAL HIGHLIGHTS

4. FUTURE PROSPECTS

1. KEY HIGHLIGHTS



KICKSTARTING 2022 WELL, SUPPORTED BY FIRM FOUNDATION

- HEB Group starts off positively 2022 with a RM 25.0 million contract wins, started with Sungai Marang Bridge upgrade.
- This momentum is followed through with two (2) additional appointments in Jan 2022 namely the award on consultancy services by Digital Nasional Berhad (DNB) and construction supervision of the Kubang Pasu WTP upgrade.
- For FY 2021, HEB Group has secured a total of RM 214 million contracts which is an admirable feat in a very uncertain year:- economic uncertainty and the still-unfolding COVID-19 pandemic.
- Revenue at RM 164.69 million for the FY2021 (FY2020 : RM 170.0 million).
- Core PAT of RM 3.04 million after taking impairment for FY 2021 (FY2020 : RM 10.84 million). (*)
- Net gearing at favourable level on decreased term loan.

- **Order book** stood at **RM 516.7 million** as of 31 December 2021. Order Book does not include recent winnings. This provides **earnings visibility for the next two (2) to five (5) years**.
- **Healthy Tender Book :- RM 415 Million (50% Success Rate)**. Expected Tender **Roll-Outs in 1Q2022**.
- Our **Revenue Diversification Strategy** targeting the Digital Tech space covering Telco sector in preparation of **5G Rollout and Data Centres bearing fruits**.
- **Expecting Bigger Haul in 2022:** Mega infrastructure project rollouts to reinvigorate the economy are expected to commence in 2022. **(Rail/Highways/Ports) , Target Contract Wins :- RM 500 Million**
- **Privatisation of Tolled Highway Projects to rise** (having been involved in more than 60% of tolled highway projects).
- **Making more in-roads overseas** via strategic collaborations. **(Philippines/India/UK)**
- Important part of our on-going strategy to provide a **longer- term sight on revenue that is recurring**.

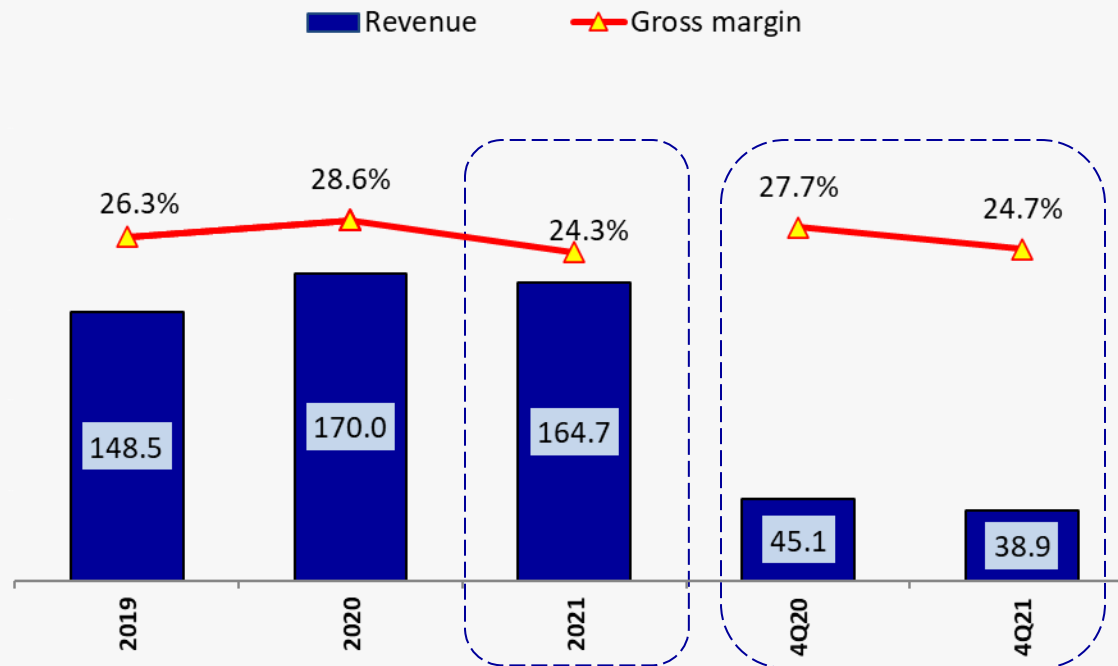
2. FINANCIALS



OUR REVENUE AND GROSS MARGIN

FY2021 revenue in line with project progress especially in Engineering Services segment, anticipating project rollouts to accelerate in FY2022...

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

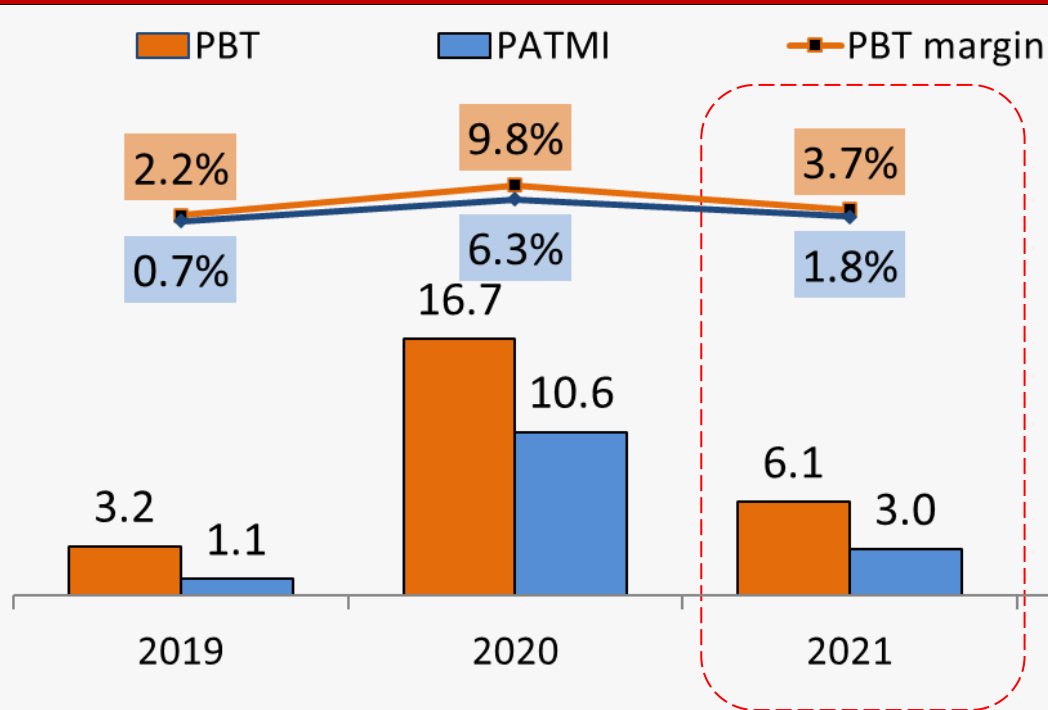


- FY2021 topline dipped marginally as a result of:
 - Project progress in Engineering Services segment
 - Mitigated by Project Management new revenue contribution from Pan Borneo Highway Sabah, despite slower-than-expected staff mobilization
- Gross margin generally maintained >20% on project mix
- Delay in Implementation of projects as a result of Covid 19

FY 2021 REMAIN PROFITABLE :-ECONOMIC UNCERTAINTY & COVID 19

*FY2021 remained profitable in tough environment...
anticipating uplift in FY2022 from projects in hand and new undertakings*

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

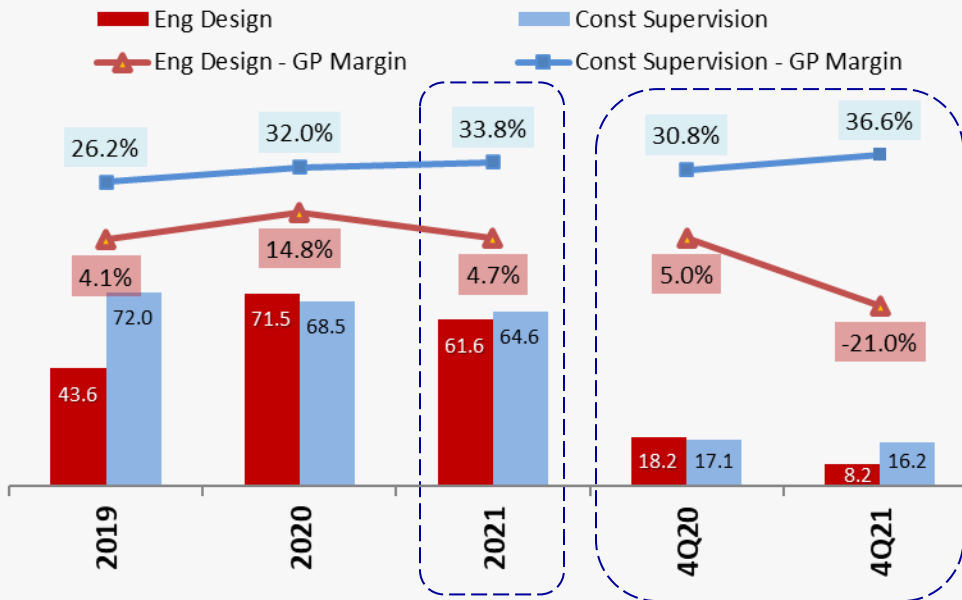


- Net Profit reduced to impairments of financial assets (MEX Holdings)
- An impairment at PAT Level of RM 2.30 Million

REVENUE AND GROSS PROFIT SEGMENTATION

FY2021 and 4Q21 Engineering Services revenue in line with project progress while PMC revenue back on uptrend

Engineering Services (RM'mil)



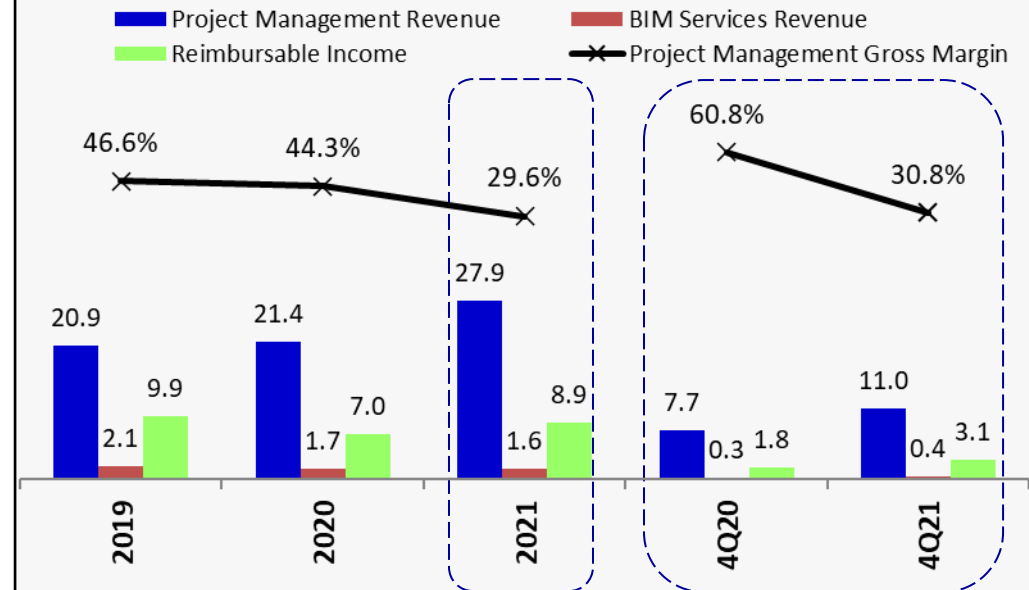
Engineering Design

- **FY2021 and 4Q21 revenue** in line with project progress
- **4Q21 margin** impacted by delay in project progress as a result of Covid 19

Construction Supervision

- **FY2021 and 4Q21 revenue** kept pace, with increasing margin

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



PMC

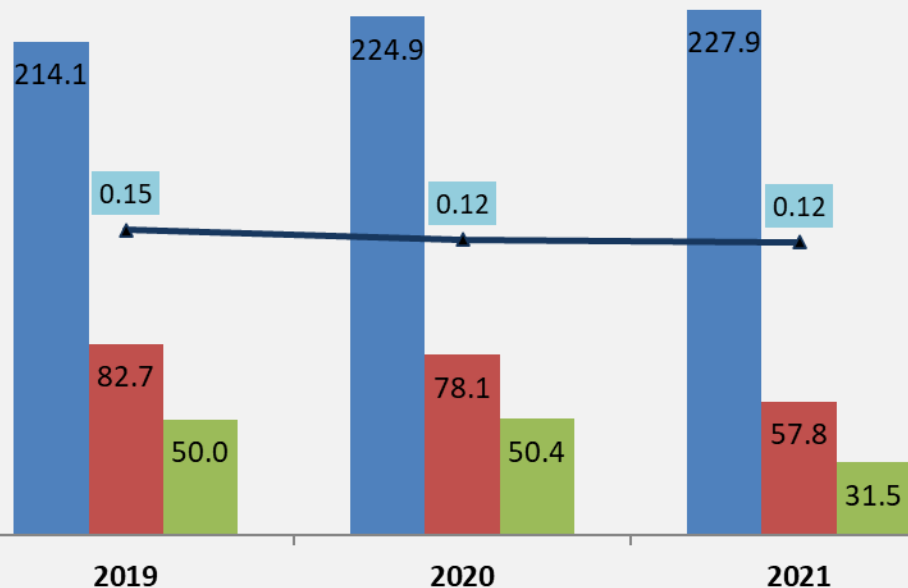
- **FY2021 and 4Q21 revenue** back on uptrend with Pan Borneo Highway Sabah; staff reached 100% in October 2021
- **Margins** expected to improve from FY 2021 level.
- **BIM**
- **Steady contributions steady** from domestic & overseas projects

BALANCE SHEET SHOWS A PRUDENT FINANCIAL MANAGEMENT

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	FY2021 (Unaudited)	Remarks
Non-Current Assets	182.1	179.1	Lower on decrease in intangible assets
Current Assets	182.5	188.8	Higher on increase in contract assets
Current Liabilities	79.1	96.3	Higher on increase in trade payables
Non-Current Liabilities	60.6	43.7	Lower from reduced long-term loan
Shareholders' Equity	224.9	227.9	Improvement on FY 2021 PAT.
Net Gearing Ratio	0.12	0.12	Maintained

HEB GROUP'S PAT/(LAT) for FY 2021						
	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021 A	FY 2020 A
	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil	RM'mil
PAT / (LAT)	1.98	1.57	0.23	(0.74)	3.04	10.84

PAT for FY 2021	RM3.04M
(i) Reduction in PAT due to MAJU Impairment proposed by auditor	RM6.34M
(ii) Reduction in PAT due to delay in full mobilization of Pan Borneo staff	
Hypothetical restated FY 2021 PAT if (i) and (ii) had not occurred	RM9.38M

*During the lockdown periods in FY 2021, we were not able to charge Clients the full charge rate. This has affected the GP margin and corresponding the bottom line as well.

MEX 1 CAPITAL BERHAD

RM1.126 billion Islamic MTN

Completion of restructuring exercise for MEX 1 Capital Berhad via the issuance of Islamic Medium Term Notes of up to RM1.126 billion in nominal value based on the Shariah principle of *Musharakah* rated A2 by RAM Ratings

Financial Adviser – NewParadigm Capital Markets Sdn Bhd

Principal Adviser, Lead Arranger and Lead Manager – Alliance Investment Bank Berhad

Legal Adviser – Messrs. Adnan, Sundra and Low

Monday, February 14, 2022

MALAYSIA CORPORATE

Select Language | ▼

MEX 1 Capital completes restructuring exercise via RM1.13b Islamic MTN

Shazni Ong / theedgemarkets.com
February 13, 2022 11:37 am +08

3. OPERATIONAL HIGHLIGHTS



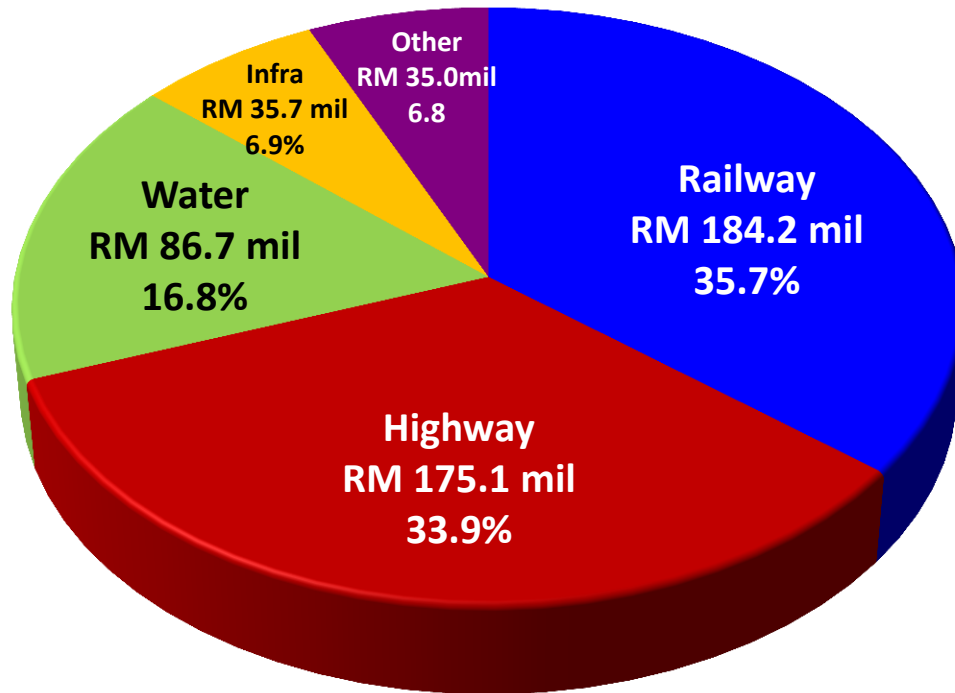
ORDER BOOK

EARNINGS VISIBILITY FOR NEXT 3-5 YEARS

Combined Orderbook of Enlarged Group

RM 516.7 million

As at 31 Dec 2021



■ Rail
 ■ Highway
 ■ Water
 ■ Infrastructure
 ■ Others

Vertical	Core Services	Amount (RM 'mil)	(%)
1	Engineering Services		
	• Design	129.9	25.1%
	• Supervision	212.8	41.2%
2	Project Management	168.9	32.7%
3	BIM Services	5.0	1.0%
	Total	516.7	100%

- **New wins for FY2022 YTD: RM 25 million**
- **Target Contract Wins 2022 :- RM 500 Million**

4. FUTURE PROSPECTS

Implementation of major infrastructure projects and award of contracts will be accelerated in 2022 to pump-prime the economy as Covid-19 pandemic eases



Pan Borneo Highway Sabah

- HSS is currently the PMC for Pan Borneo Phase 1 – 17 packages
- GOM intends to urgently move forward with the balance packages

PJD Link Highway (34.3 km Fully Elevated Expressway)

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

KL – Karak Widening (ANIH)

- Widening of the KL-Karak Highway from Toll Plaza Gombak to Toll Plaza Bentong in both directions.
(From **2 & 3 lane – 2 way** to **3 & 4 lane – 2 way**)

KL Northern Dispersal Expressway (KL NODE)

- KL NODE forms part of Kuala Lumpur Outer Ring Road (KLORR) in the North and East sides of the Klang Valley. It is divided into two links - Eastern Link and Southern Link, both connecting from Federal Road 1 at Rawang to KL city and EKVE respectively.

Various Other Privatisation Proposals (Urban Highways)

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

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

Johor LRT

- Approx. 10km in length RTS CIQ, JB Sentral to Taman Tasek via Coronation Square with 7 stations and a depot/transport hub

Bayan Lepas LRT

- The Bayan Lepas project is expected to start in the fourth quarter 2022
- We are the incumbent Preliminary Design Consultant for Bayan Lepas LRT

Other Opportunities (Rail)

- ECRL (Additional)
- Pasir Gudang KTMB Line
- KVDT 2
- Seremban Bypass

Other Opportunities (Airport)

- Subang Airport Regeneration
- Kuching Airport

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 1st Quarter 2022



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.

- ***Focusing on comprehensive long-term solutions to the flood problem to reduce risks and the number of affected locations in future.***
 - *Flood mitigation projects,*
 - *Deepening rivers and other waterways*
 - *Building tunnels such as Kuala Lumpur's SMART Tunnel for flood management in high-risk urban areas such as Shah Alam.*
- ***Over RM9b allocation (part of 12 MP)***
- ***More than RM300 billion will be needed for long-term solutions to the country's flood problems over the next 50 years***

OVERALL GROWTH & FUTURE STRATEGY TELCOMMUNICATION SECTOR-BEARING FRUITS

- We have commenced works on three (3) mandates by DNB encompassing **Site Management, Commercial Contract Management and Rfx Negotiation.**
- We have also submitted **a PMC proposal for Phase 1 Jendela Roll Out (221 sites) for Peninsula Sites.**
- We have also **embarked on a collaborative approach** with **leading NFP/Telco specialists** to pursue engineering and project management opportunities in this arena in Malaysia, as well as in the SEA region.



- 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.
- Recently, HSS was **appointed as Contractor's Consultant (Design Review) for the 132KV Landing Station for Bridge Data Center in KIDEX. (Entry to Data Centre market)**
- HEB has been **shortlisted for two (2) PMC bids in the country.**
 - Proposed Data Centre Development (Bridge Data Centers) at KIDEX
 - Proposed Data Centre Development (GDS Holdings) at Nusajaya, Johor, Malaysia
(shortlisted in the final stage)



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THANK YOU

IR Adviser



24 FEBRUARY 2022