



**ENGINEERS**

**HSS ENGINEERS BERHAD**

Registration No. 201501003232 (1128564-U)

# **VIRTUAL INVESTOR BRIEFING 2Q20**

**14 August 2020**

IR Adviser



AUGUST 2020

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Registration No. 201501003232 (1128564-U)

**1. FINANCIALS**

- REVENUE & GROSS MARGIN
- REVENUE AND GROSS PROFIT SEGMENTATION
- PBT / PATMI / NET MARGIN
- BALANCE SHEET
- MAJOR PROJECTS (ONGOING)
- COMBINED ORDERBOOK
- TENDER BOOK
- KEY PROJECTS TENDERED
- FUTURE PROSPECTS

**2. OVERALL GROWTH & FUTURE STRATEGY**

- GROWTH & DIVERSIFICATION OF REVENUE (VERTICAL 1&2)
- RECURRING INCOME

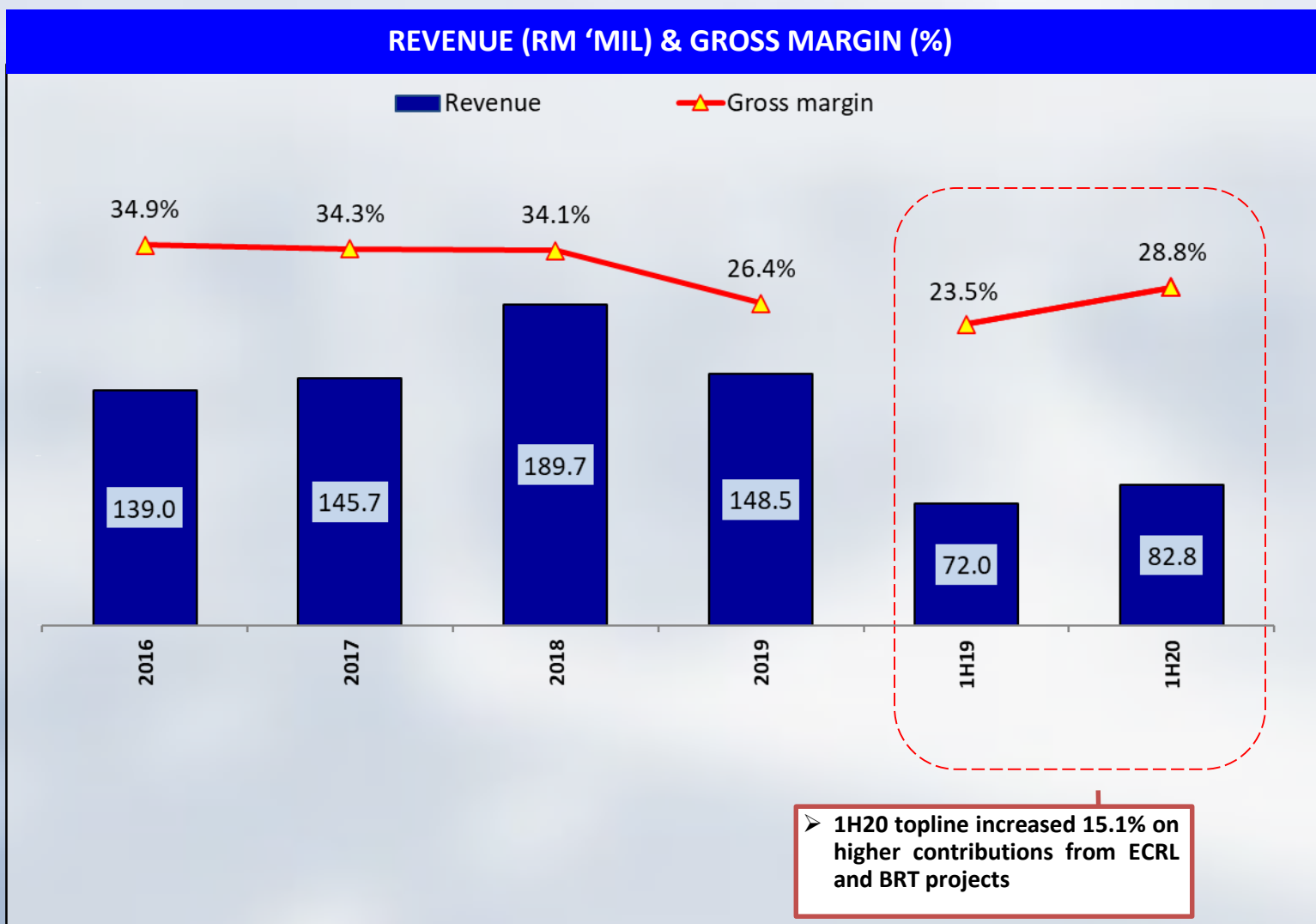




# FINANCIALS

## REVENUE & GROSS MARGIN

*Revenue rises to RM82.8 million on higher ECRL and BRT contributions...  
on track to exceed 2019 performance*



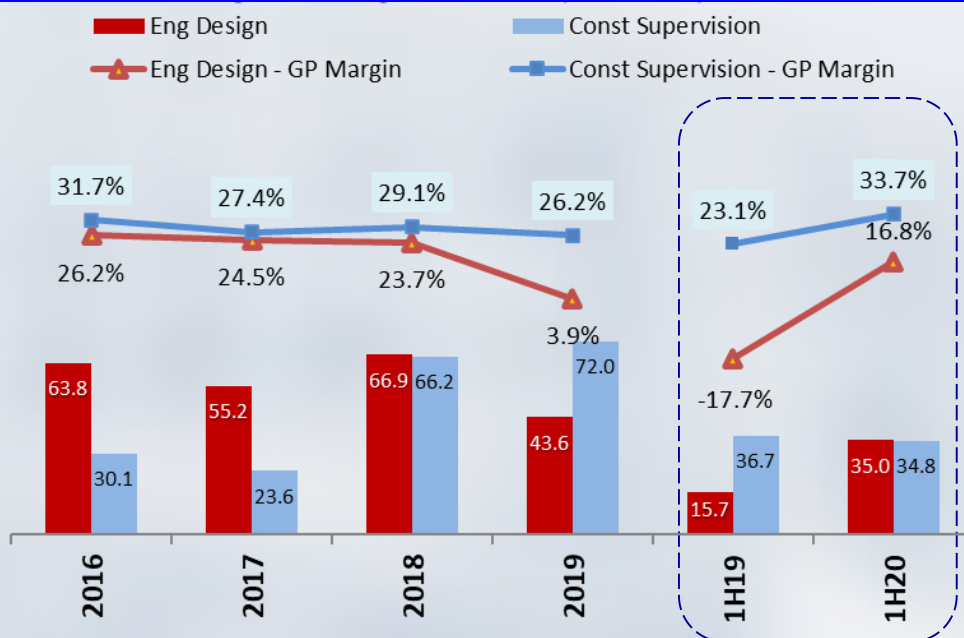
## REVENUE AND GROSS PROFIT SEGMENTATION

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Malaysia's Engineering DNA

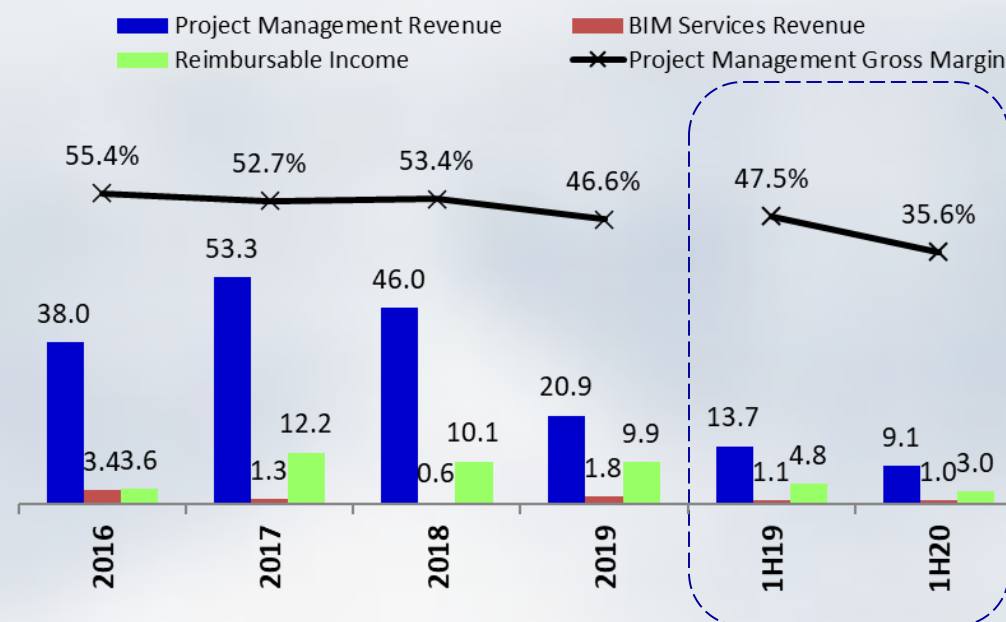
*Engineering services remains highest revenue generator...  
PMC contribution in line with KVMRT2 scope reduction*

### Engineering Services (RM'mil)



- **1H20 Engineering Design revenue rose** due to newly secured projects which includes ECRL scheme and preliminary design, and Iskandar BRT project
- **Construction Supervision declined marginally** in tandem with project progress

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



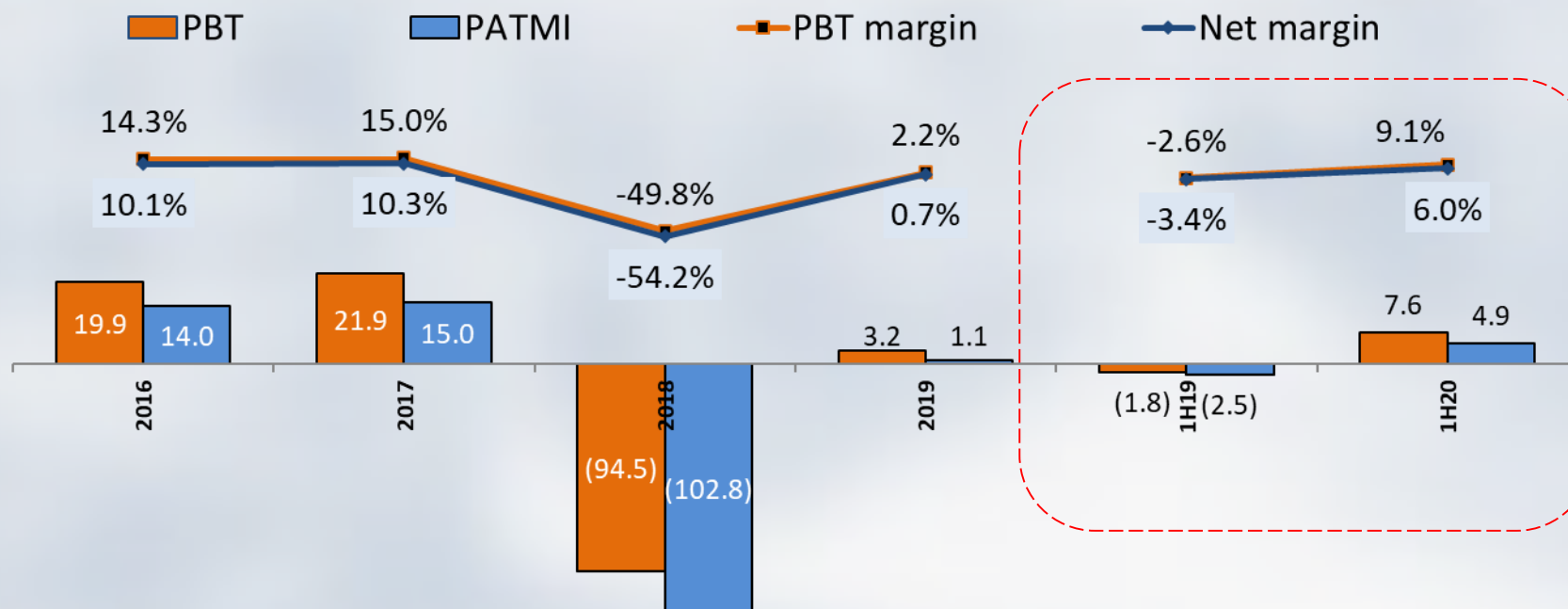
- **1H20 PMC revenue declined** along project progress and revised scope and reduced contract value of KVMRT2; project staff for KVMRT2 demobilised accordingly to minimise impact on margins
- **BIM revenue rose** on new project wins

# FINANCIALS

## PBT / PATMI / NET MARGIN

*Operations and profitability back on track post-MCO...*  
*Anticipates revival of local construction and infrastructure projects*

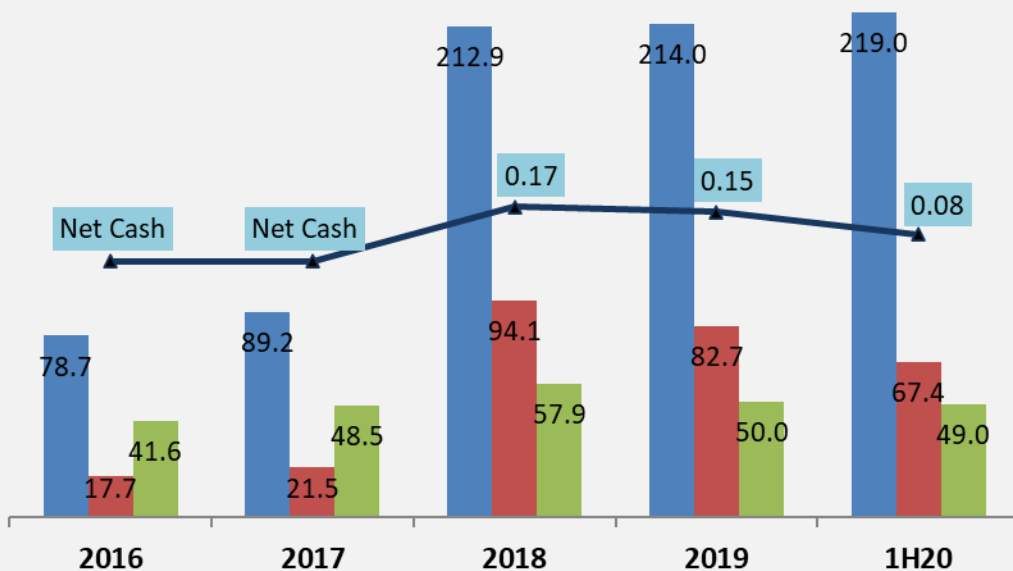
PBT, PATMI (RM'MIL) & MARGINS (%)



*Net gearing improves on decreased borrowings...  
to be further reduced on improved cash flow*

### Balance Sheet Analysis

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



| Balance Sheet (RM'mil)  | FY2019 (Audited) | 1H20 (Unaudited) | Remarks                                     |
|-------------------------|------------------|------------------|---|
| Non-Current Assets      | 181.8            | 178.6            | Lower on reduced Right-of-use assets        |
| Current Assets          | 164.1            | 164.8            | Maintained at similar level                 |
| Current Liabilities     | 67.1             | 67.2             | Maintained at similar level                 |
| Non-Current Liabilities | 64.7             | 57.2             | Lower due to reduced long-term loan         |
| Shareholders' Equity    | 214.1            | 219.0            | Higher due to reduced in accumulated losses |
| Net Gearing Ratio       | 0.15             | 0.08             | Lower on reduced borrowings                 |



### ENGINEERS

Malaysia's Engineering DNA

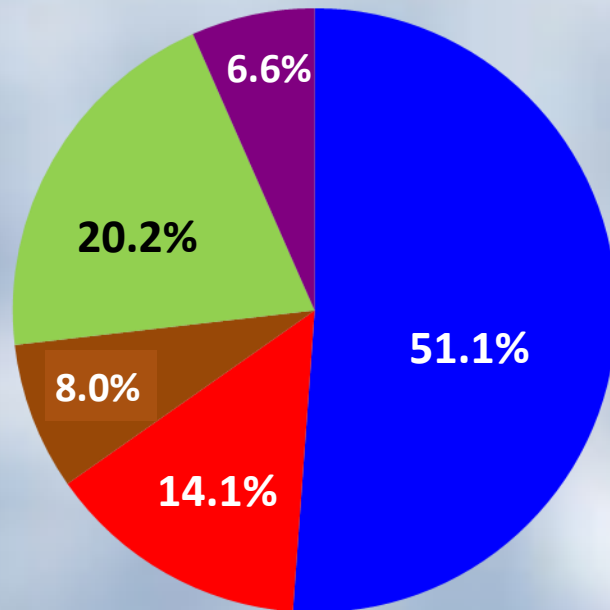
|  |   |               |  |   |              |   |   |              |
|--|---|---------------|--|---|--------------|---|---|--------------|
|  | <b>Mass Rapid Transit Line 2</b><br>Project Management  | RM<br>174.7 m |  | <b>Ship-To-Ship Hub at Johor</b><br>Conceptual Master planning  | RM<br>11.8 m |   | <b>Proposed bridge crossing, Sg. Pulai</b><br>Eng Design & Const. Supervision | RM<br>11.7 m |
|  | <b>East Coast Rail Link</b><br>Feasibility Study, Scheme & Prelim Design & Construction Supervision | RM<br>143.8 m |  | <b>Water Distribution System Upgrade, Iskandar Malaysia</b><br>Eng. Design & Const. Supervision       | RM<br>5.1 m  |   | <b>NCIA DMO for all Development Projects</b>                                  | RM<br>16.6 m |
|  | <b>BRT Johor</b><br>Engineering Design & Construction Supervision                                   | RM<br>71.3 m  |  | <b>Upgrade of Lubuk Buntar Lama, Kedah Water Treatment Plant</b><br>Engineering Design                | RM<br>3.2 m  | <p><i>The figures represent the total contract value</i></p>  |   |              |
|  | <b>Mass Rapid Transit Line 2</b><br>Engineering Design & Const. Supervision                         | RM<br>201.1 m |  | <b>Langat 2 Water Supply Scheme</b><br>Engineering Design & Const. Supervision                        | RM<br>91.3 m |   |   |              |
|  | <b>West Coast Expressway</b><br>Engineering Design & Construction Supervision                       | RM<br>81.5 m  |  | <b>Upgrade of Pelubang Water Treatment Plant</b><br>Eng. Design & Const. Supervision                  | RM<br>17.7 m |   |   |              |
|  | <b>Sungai Besi – Ulu Kelang Expressway</b><br>Engineering Design & Construction Supervision         | RM<br>50.9 m  |  | <b>Langat Centralized Sewage Treatment Plant</b><br>Eng. Design & Const. Supervision                  | RM<br>14.2 m |   |   |              |
|  | <b>Maju Expressway Extension to KLIA</b><br>Engineering Design & Construction Supervision           | RM<br>17.8 m  |  | <b>Sewerage Network in Batu, Jinjang and Kepong – Package D43</b><br>Eng. Design & Const. Supervision | RM<br>12.6 m |   |   |              |
|  | <b>Pan Borneo Highway</b><br>Engineering Design & Construction Supervision                          | RM<br>11.9 m  |  | <b>Raw Water Supply to Layang-Layang</b><br>Eng. Design & Const. Supervision                          | RM<br>5.5 m  | <p><b>Legend:</b></p> <ul style="list-style-type: none"> <li>Railway</li> <li>Highway</li> <li>Water</li> <li>Infrastructure</li> <li>Others</li> </ul> |   |              |
|  | <b>Central Spine Road – Package 3</b><br>Engineering Design & Const. Supervision                    | RM<br>49.2 m  |  | <b>Submarine Pipeline from Butterworth to Pulau Pinang</b><br>Eng. Design & Const. Supervision        | RM<br>4.0 m  |   |   |              |
|  | <b>East Klang Valley Expressway</b><br>Engineering Design   | RM<br>4.1 m   |  | <b>Kwasa Damansara Township Development</b><br>Project Management                                     | RM<br>17.3 m |   |   |              |



*Water sector projects now more prominent for combined entity...*

### Combined Orderbook of Enlarged Group

**RM525 million**  
as at 30 Jun 2020

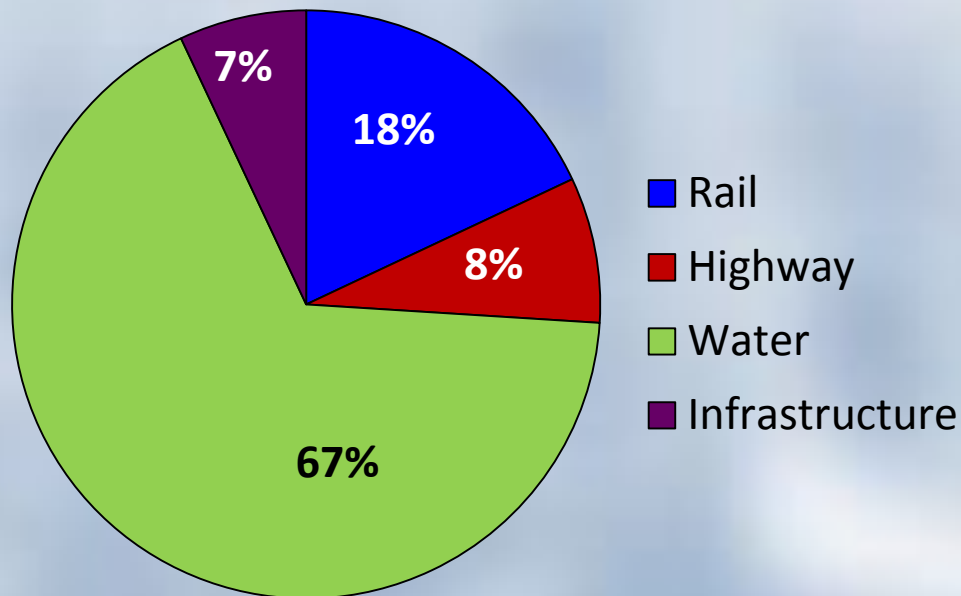


■ Railway  
■ Infrastructure  
■ Others  
■ Highway  
■ Water

| Vertical | Core Services   | Amount (RM) Million | (%)            |
|----------|---|---------------------|----------------|
| 1        | Engineering Services  |                     |                |
|          | <ul style="list-style-type: none"> <li>Design</li> <li>Supervision</li> </ul> | 175.3<br>292.2      | 33.4%<br>55.7% |
| 2        | Project Management  | 52.2                | 9.9%           |
| 3        | BIM Services  | 5.1                 | 1.0%           |
|          | <b>Total</b>  | <b>525</b>          | <b>100%</b>    |

### Tender book value is RM 193 million

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



| Vertical | Core Services  |               | Amount (RM) Million | (%)   |
|----------|--|---------------|---------------------|-------|
| 1        | Engineering Services <ul style="list-style-type: none"><li>Engineering Design</li><li>Construction Supervision</li></ul> |               | 120                 | 62.2% |
|          |  |               | 40                  | 20.7% |
| 2        | Project Management   |               | 20                  | 10.4% |
| 3        | BIM Services   | Contractors   | 8                   | 4.1%  |
|          |  | Direct Client | 5                   | 2.6%  |
|          | Total  |               | 193                 | 100%  |



- North South Commuter Railway Extension (NSCR-EX) Project, Philippines



- Penyediaan Pelan Pengurusan Pantai Bersepadu (ISMP) Negeri Kelantan



- Perkhidmatan Perunding Bagi Rekabentuk Terperinci Rancangan Tebatan Banjir Teluk Intan Zon A, Fasa 2, Perak



- Perkhidmatan Perunding Bagi Rekabentuk Terperinci Rancangan Tebatan Banjir Sg. Kinta Fasa 2, Perak



- Proposed PMO Services for AI Park, Technology Park Malaysia



- The detailed design and supervision works for Palekbang Bridge, Kota Bharu, Kelantan for ECERDC



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



- Project Off-River Storage, Negeri Sembilan



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



- Perkhidmatan Perunding untuk Project membina dan menyiapkan Loji Rawatan Air Semambu Fasa 3 berkapasiti 145 JLH di Kuantan, Pahang



## PUBLIC TRANSPORTATION SECTOR



## PORT SECTOR



## WATER SECTOR





## PUBLIC TRANSPORTATION SECTOR PROSPECTS

- MRT 3

- Johor Bahru – Singapore RTS

- HSR (KL - Singapore)

- KTMB North & South Freight Line

- Penang LRT



### WESTPORT PHASE 2

- Received Approval in Principle 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.
- Large economic benefits to the nation.





- Sungai Perak Raw Water Transfer Scheme (SPRWTS)
- Upgrading of Water Resource and Supply for Johor (Iskandar and PIPC)
- Langkawi Water Supply
- Development of Rasau Water Supply Scheme
- State-wide NRW
- Off River Storage (ORS)
- Sarawak Grid Study





# **OVERALL GROWTH & FUTURE STRATEGY**





## MAINTAIN NO.1 POSITION IN MALAYSIA & GROW IN STEADY STEPS GEOGRAPHICALLY

### A. Locally

- Government's Economic Agenda?
- Continue to pursue Opportunities (Tender & Prospective Projects)
- Sector Diversification?
- Specialist areas (M&A / Strategic Partnerships)
- Multi disciplinary (Architectural/QSD/Planning)? (M&A / Strategic Partnerships?)

### B. Geographically (Philippines / Indonesia & India)

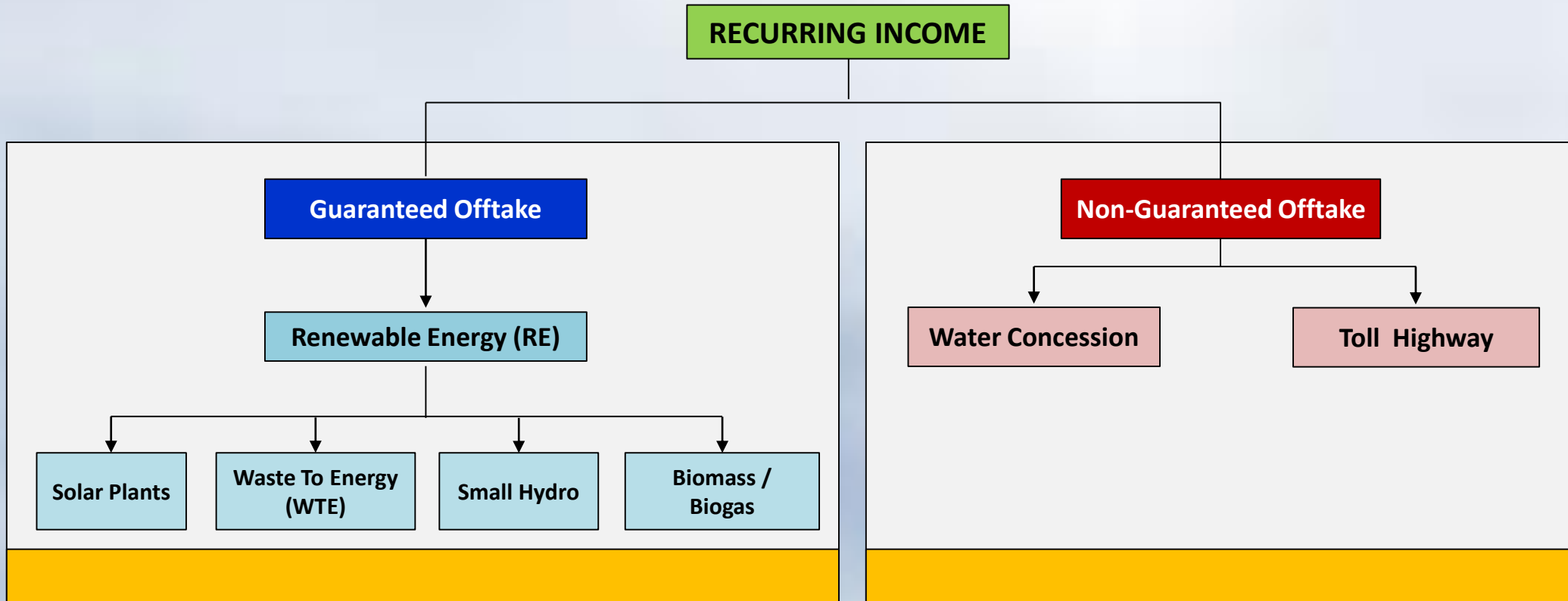
- Tendency towards Nationalism ?
- Still in the horizon? Assumption of high growth countries - still valid?
- Realistic Mid / Long Term opportunities available due to current global scenario?
- Mode of Entry? (Own Bid / Strategic Partnership / Partial Acquisition)



# **RECURRING INCOME**



# RECURRING INCOME



1. Submitted a Rooftop Solar Net Energy Metering (NEM) Tender for a Hypermarket
2. Participating in the LSS@MEnTARI (LSS 3b) (1GW)
3. Other Opportunities :-
  - Waste to Energy Plants (WTE)
  - Small Hydro Projects
  - Biomass / Biogas? Feed stock issues
  - Ongoing concession with steady revenue streams (with / without guaranteed offtake)





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# **THANK YOU**

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