

Analyst Briefing

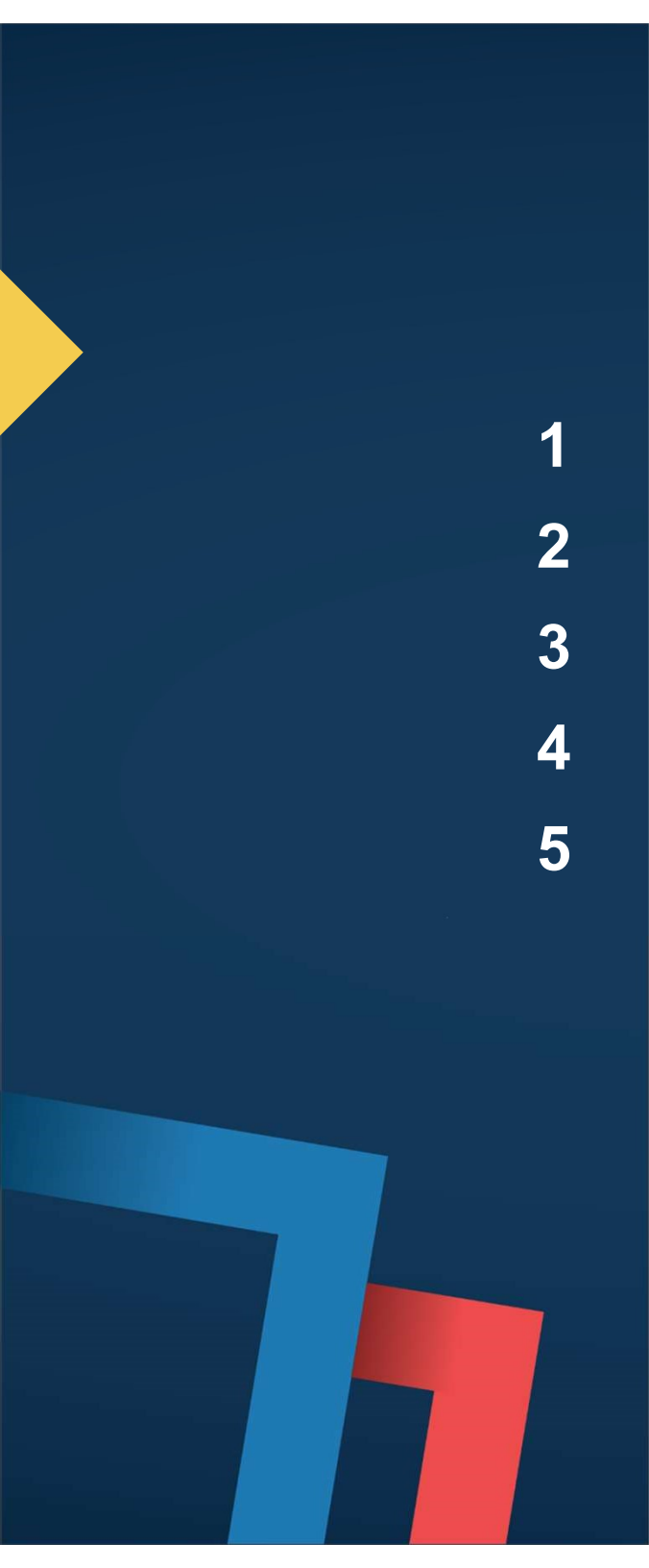
Full Year 2018 Results



Tuesday
5 March 2019



Studio P, Level 3,
Hotel Stripes

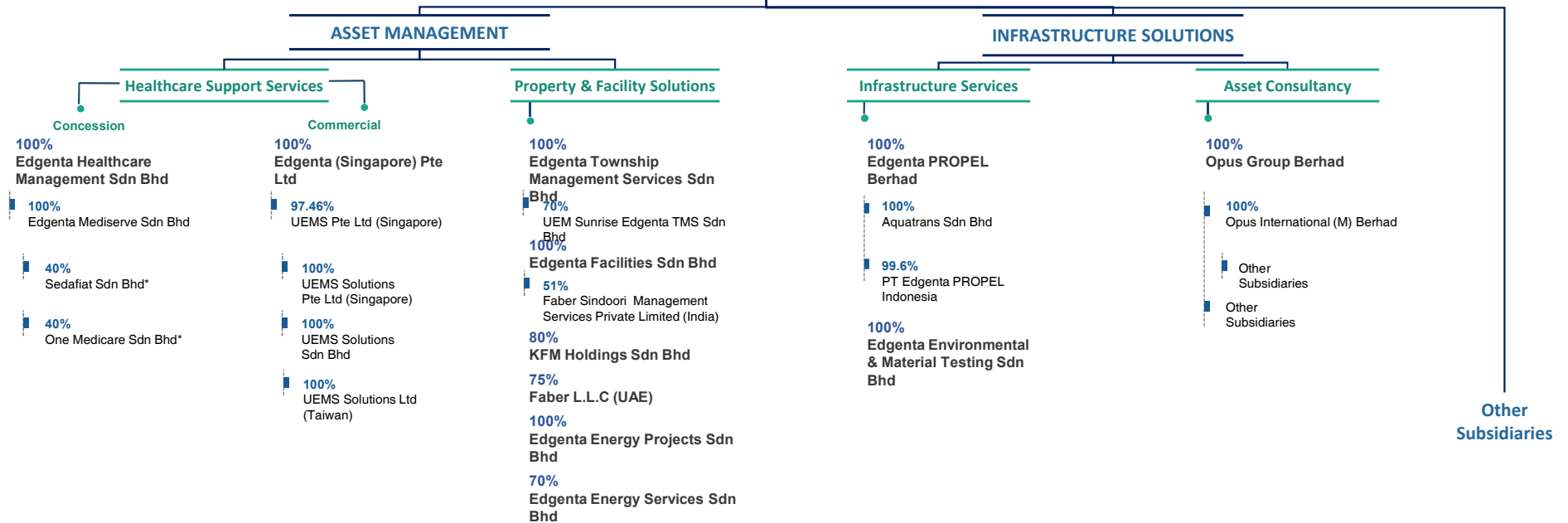
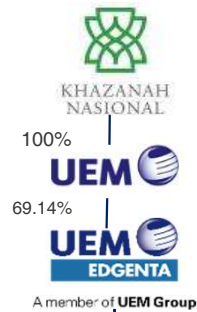
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- 1 Introduction to UEM Edgenta**
 - 2 Key Highlights of FY2018**
 - 3 Business Division Updates & Prospects**
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Section 1

Introduction to UEM Edgenta

OVERVIEW OF UEM EDGENTA

The leading Asset Management and Infrastructure Solutions Company



Note: * indirect interest held by Edgenta Mediserve

CORE SECTORS

Our expertise covers **Healthcare Support Services and Property & Facility Solutions** within our Asset Management offering, and **Infrastructure Services** along with OPUS Consultancy, our **Asset Consultancy** arm within Infrastructure Solutions.

ASSET MANAGEMENT		INFRASTRUCTURE SOLUTIONS	
Healthcare Support	Property & Facility Solutions	Infrastructure Services	Consultancy
<ul style="list-style-type: none">• Integrated Facilities Management• Civil, Mechanical and Electrical System Maintenance<ul style="list-style-type: none">• Integrated Building Management System• Building Condition Assessment & Survey			<ul style="list-style-type: none">• Asset Consultancy & Management (Asset Life Cycle)• Project Advisory, Planning & Management• Engineering Design and Consultancy• Research & Development
<ul style="list-style-type: none">• Biomedical Engineering Maintenance Services• Healthcare Waste Management Services• Linen and Laundry Services• Cleansing Services• Facilities Management Services• Housekeeping Services• Portering Services• Grounds and Landscape• Pest Control	<ul style="list-style-type: none">• Asset and Inventory Management• Township Management Services• Estate and Security Management• Warranty Management• Property Management Service• Community Management Service• Sustainability Programmes• High Performance Green Building Retrofit	<ul style="list-style-type: none">• Traffic and Safety Management• Utilities Relocation Services• Environmental, Materials Testing and Monitoring• Pavement Condition Assessment• Pavement, Slope Stabilisation, Repair and Rehabilitation• Geotechnical Instrumental Services	
Revenue Contribution for FY 2018			
45% (RM 984.6 mil)	9% (RM 189.4 mil)	41% (RM 882.0 mil)	5% (RM 114.1 mil)
PAT Contribution for FY 2018			
45% (RM 86.3 mil)	9% (RM 16.4 mil)	43% (RM 82.1 mil)	4% (RM 7.7 mil)

CORE SECTORS (CONT'D)

Asset Management & Infrastructure Solutions company with specialised expertise in 3 core sectors



HEALTHCARE SUPPORT SERVICES

- UEM Edgenta serves over **300 hospitals across Malaysia, Singapore, Taiwan and India**
- In Malaysia, UEM Edgenta provides Hospital Support Services (“HSS”) under a **10-year National Hospital Support Service Contract (“NHSS”) to 32 Government hospitals in the Northern region of Malaysia**
- 40%-owned associates, Sedafiat and One Medicare also provide HSS to **26 hospitals in Sabah and 23 hospitals in Sarawak** respectively via the NHSS
- Expanded into regional private healthcare services in 2016 via acquisition of UEMS Pte Ltd, a market leader in HSS based out of Singapore, with **more than 20 hospitals in Singapore and more than 50 in Taiwan**



INFRASTRUCTURE SOLUTIONS

- Nation's leading engineering, project and infrastructure management and maintenance specialists, providing services to **major highways and roads, airports, urban transit and other key infrastructure**
- Provides asset management and maintenance services to over **2,500 km of expressways** and **roadways** across Malaysia and Indonesia
- Provided project management consultancy for the Light Rail Transit 2
- **Key national projects:**
 - North-South Expressway
 - East Coast Expressway 2
 - Penang Bridge
 - Cikampek-Palimanan (Indonesia)
 - Kelana Jaya & Ampang Light Rail Transit (Project Consultant)
 - Ipoh-Padang Besar and Rawang-Ipoh Double Tracking (Project Consultant)
 - Pan Borneo Highway Sabah (Lead consultant to the Project Delivery Partner)
 - Pan Borneo Highway Sarawak (Independent Checking Engineer)



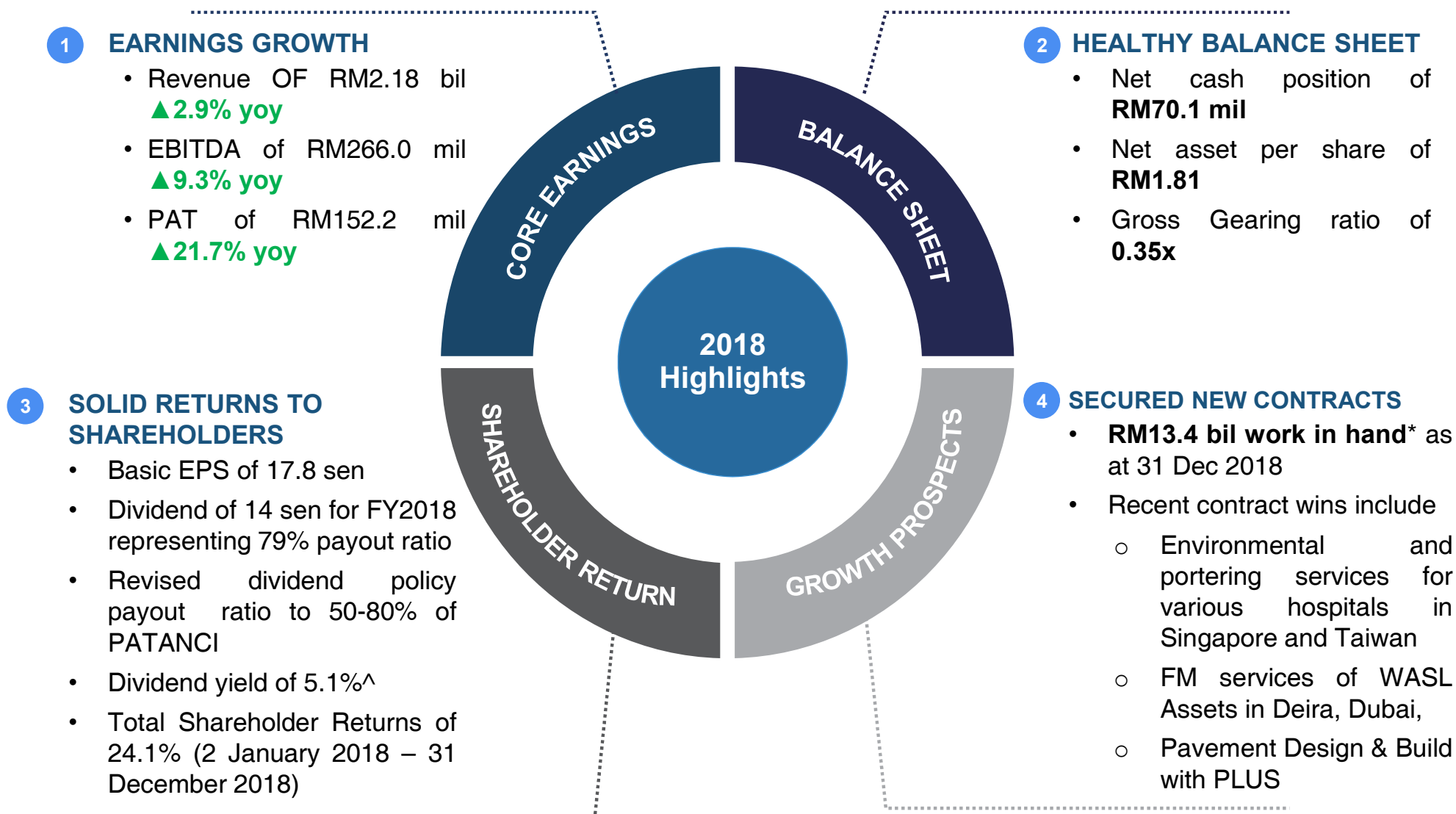
PROPERTY & FACILITY SOLUTIONS

- **Technology-driven township and facilities management** services and solutions, with a focus on **asset enhancement and energy solutions**
- **Key Contracts secured:**
 - 9 CIMB buildings in the Klang Valley
 - 20-year contract to provide asset maintenance and management services to the Prime Minister's Office
 - Tampines Hub, Singapore's first ever integrated community and lifestyle hub spanning 250,000 sq. m.
 - Hengyuan Refining facilities, Port Dickson
 - Various iconic Singapore government buildings (e.g. Parliament, Treasury, Ministry of Foreign Affairs, National Design Centre)
 - Energy efficiency initiatives at 5 Government hospitals and 2 Proton facilities (Proton Centre of Excellence and Tanjung Malim manufacturing plant)
 - WASL district properties in Deira, Dubai

Section 2

Key Highlights of FY2018

FY2018 HIGHLIGHTS



^ Based on share price of RM2.72 as at 31 December 2018

* Work in hand: Secured order book and work based on scheduled rates

FY2018 KEY HIGHLIGHTS

21.7% increase in PAT y-o-y on the back of 2.9% improvement in revenue and group-wide efficiencies

RM2,182.6 mil

Revenue
▲ 2.9% yoy

RM266.0 mil

EBITDA
▲ 9.3% yoy

RM152.2 mil

PAT
▲ 21.7% yoy

14 sen

Dividend payout
for FY2018

17.8 sen

EPS
▲ 18.9%

	RM'mil				
	FY17	FY18		Variance	
Revenue	2,120.8	2,182.6	▲	61.8	2.9%
EBITDA	243.5	266.0	▲	22.5	9.3%
<i>EBITDA Margin (%)</i>	<i>11.5%</i>	<i>12.2%</i>	▲	<i>0.7%</i>	
PBT	172.9	198.2	▲	25.3	14.6%
<i>PBT Margin (%)</i>	<i>8.2%</i>	<i>9.1%</i>	▲	<i>0.9%</i>	
PAT	125.1	152.2	▲	27.1	21.7%
<i>PAT Margin (%)</i>	<i>5.9%</i>	<i>7.0%</i>	▲	<i>1.1%</i>	
PATANCI	124.6	148.2	▲	23.4	18.8%
<i>PATANCI Margin (%)</i>	<i>5.9%</i>	<i>6.8%</i>	▲	<i>0.9%</i>	
Basic EPS (Sen)	15.0	17.8	▲	2.8	18.9%

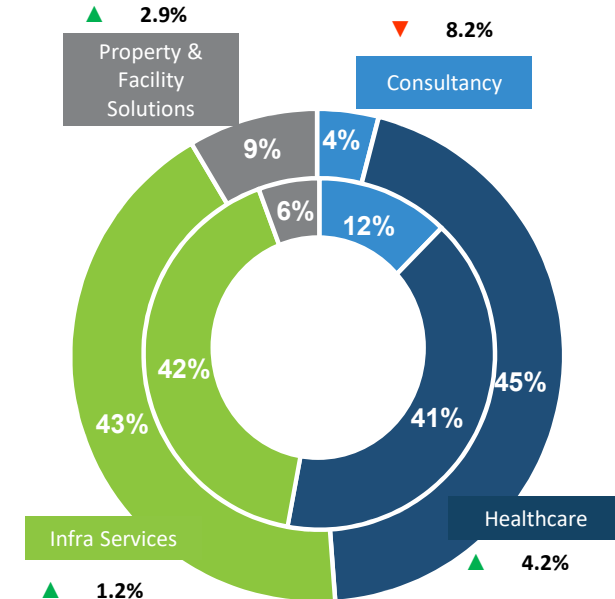
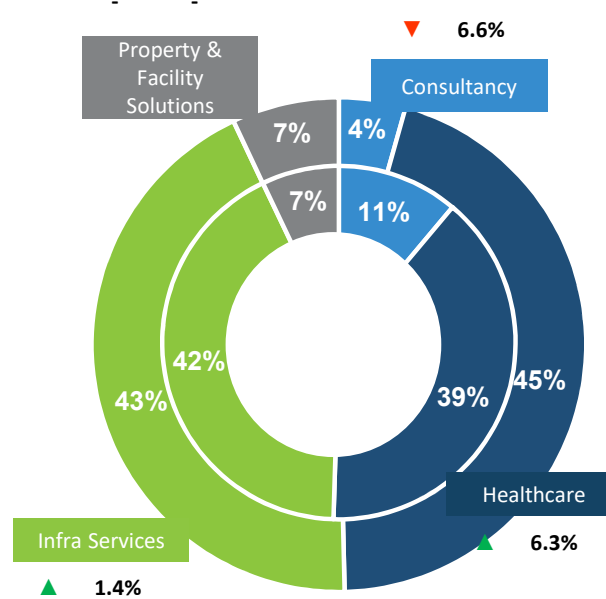
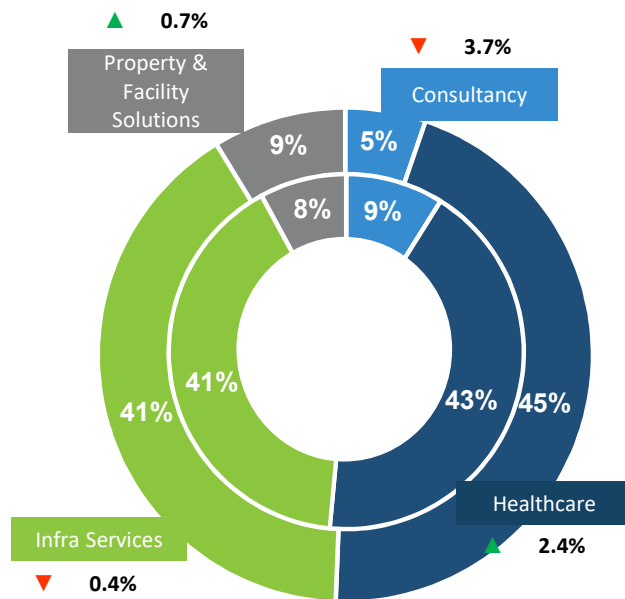
- **Strong results in FY2018:**
 - **Surge of PAT of 21.7% growth y-o-y compared to 2.9% growth in revenue**
 - **PAT margin grew from 5.9% to 7.0% on the back of group-wide efficiencies and lower financing costs**
- **Declared interim dividend of 14 sen for FY2018 representing a yield of 5.1%, based on share price as at 31 December 2018**

FY2018 VS FY2017 CONTRIBUTION BY SEGMENT

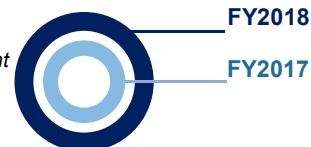
Revenue (RM'mill)			
FY17	FY18	Variance	
2,120.8	2,182.6	▲	2.9%

EBITDA (RM'mill)			
FY17	FY18	Variance	
243.5	266.0	▲	9.3%

PAT (RM'mill)			
FY17	FY18	Variance	
125.1	152.2	▲	21.7%



*Chart excludes Property Development and others/elimination



OVERVIEW OF BUSINESS SEGMENT PERFORMANCE

External revenue (RM mil)	FY 2017		FY 2018		Variance	
	Amount		Amount		Amount	%
Healthcare Services	912.3		984.6	▲	72.2	7.9%
Property & Facility Solutions ("PFS")	159.1		189.4	▲	30.3	19.1%
Infra Services	862.3		882.0	▲	19.7	2.3%
Consultancy	180.9		114.1	▼	(66.8)	-36.9%
Property Development	6.1		12.5	▲	6.4	104.2%
Total	2,120.8		2,182.6	▲	61.8	2.9%

EBITDA (RM mil)	FY 2017		FY 2018		Variance	
	Amount	Margin	Amount	Margin	Amount	%
Healthcare Services	107.8	11.8%	121.1	12.2%	▲ 13.3	12.3%
PFS	19.1	11.0%	18.8	9.2%	▼ (0.4)	-1.9%
Infra Services	117.3	13.0%	116.0	12.7%	▼ (1.3)	-1.1%
Consultancy	33.2	17.5%	11.7	10.0%	▼ (21.5)	-64.8%
Property Development	(3.4)	-55.9%	(2.9)	-23.4%	▲ 0.5	-14.7%
Others/Elimination	(30.5)	nm	1.4	nm	▲ 32.0	-104.7%
Total	243.5	11.5%	266.0	12.2%	▲ 22.5	9.3%

PAT (RM mil)	FY 2017		FY 2018		Variance	
	Amount	%	Amount	%	Amount	%
Healthcare Services	80.7	8.8%	86.3	8.7%	▲ 5.5	6.8%
PFS	11.1	6.4%	16.4	8.1%	▲ 5.2	47.1%
Infra Services	82.5	9.2%	82.1	9.0%	▼ (0.3)	-0.4%
Consultancy	24.3	12.8%	7.7	6.6%	▼ (16.6)	-68.3%
Property Development	(3.9)	-63.9%	(2.4)	-19.5%	▲ 1.5	-37.8%
Others/Elimination	(69.6)	nm	(37.9)	nm	▲ 31.7	-45.6%
Total	125.1	5.9%	152.2	7.0%	▲ 27.0	21.7%

Y-O-Y business segments commentary:

- **Healthcare Services** recorded higher revenue due to new contracts secured in Taiwan and Singapore. EBITDA and PAT increased on the back of these contracts, as well as increased profitability in the concession business, offset by lower share of results from associates during the year
- **Property & Facility Solutions** recorded higher revenue, and PAT due to new contracts secured for facilities management, township management and energy performance contracting services
- **Infra Services** recorded an increase in revenue due to higher pavement and civil works done for expressways while EBITDA and PAT was comparable to previous year due to costs incurred for the commencement of the Pavement Research Centre
- **Consultancy** recorded lower revenue, EBITDA and PAT due to lower consultancy works done in the current period after the completion of LRT extension project in prior year and delay in materialisation of consultancy works mainly in Pan Borneo Sabah and Sarawak

FINANCIAL POSITION

RM1.81

Net Assets per share
▼ 5.1%

0.35x

Gross Gearing ratio

9.6%

ROE
▲ from 8.4% as at 31 Dec 17

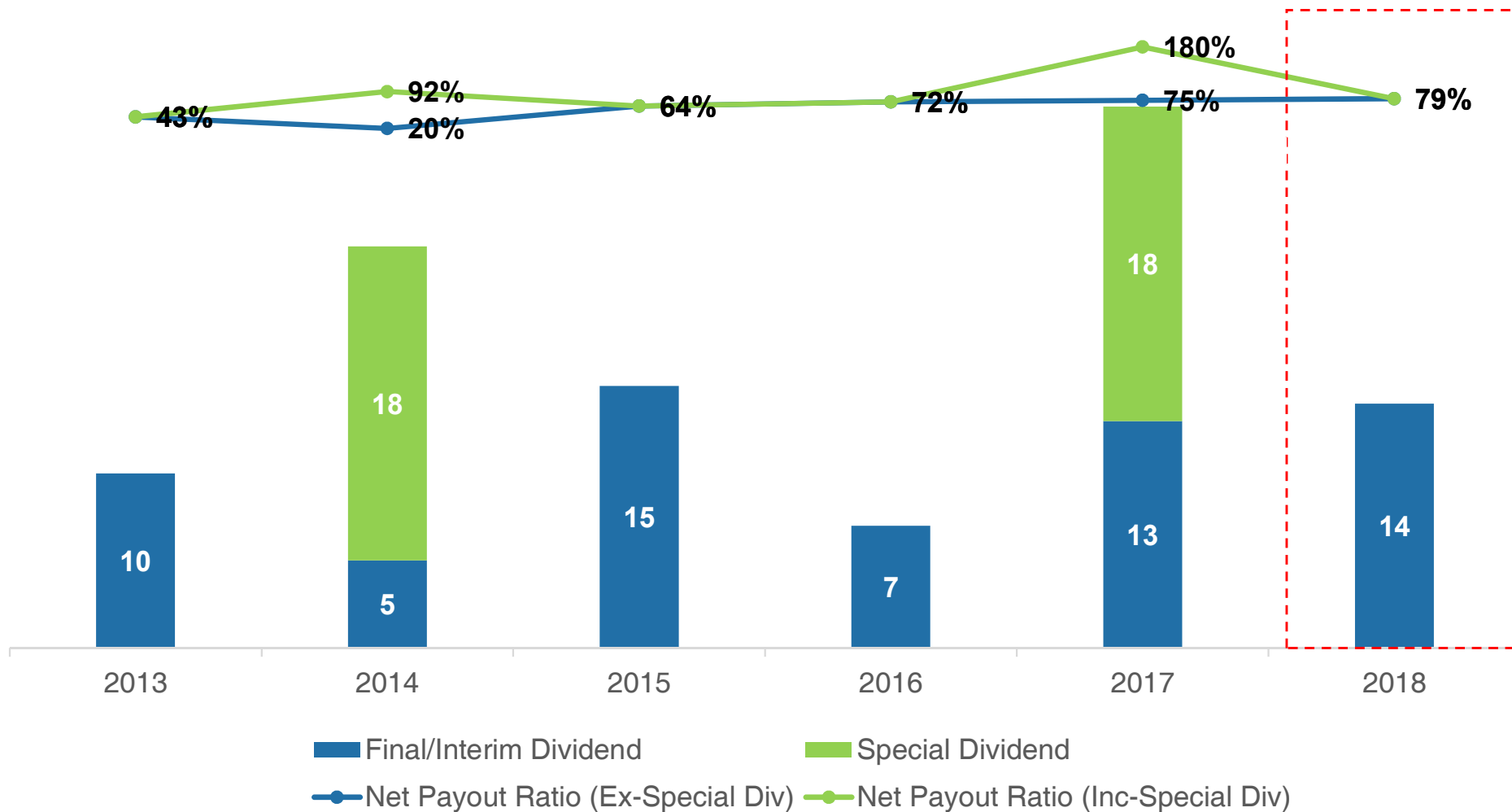
14 sen

FY2018 dividend
payout

Figures in RM mil unless otherwise stated	31 Dec 2017	31 Dec 2018	Variance
Balance Sheet			
Total Assets	3,006.0	2,884.7 ▼	(121.3) -4.0%
Property, Plant and Equipment	193.4	198.7 ▲	5.2 2.7%
Inventories	734.4	719.7 ▼	(14.7) -2.0%
Trade and other receivables	1,136.3	1,127.9 ▼	(8.4) -0.7%
Short Term Investment	183.4	107.2 ▼	(76.2) -41.6%
Cash & Bank Balance	520.1	495.4 ▼	(24.7) -4.7%
Total Liabilities	1,404.1	1,364.9 ▼	(39.3) -2.8%
Borrowings	559.8	532.5 ▼	(27.3) -4.9%
Trade and other payables	771.5	755.1 ▼	(16.4) -2.1%
Total Equity	1,601.8	1,519.8 ▼	(82.0) -5.1%
Shareholders Fund	1,583.4	1,502.1 ▼	(81.2) -5.1%
Non - Controlling Interest	18.5	17.7 ▼	(0.8) -4.5%
Net assets per share (RM)	1.90	1.81 ▼	(0.1) -5.1%
Gross Gearing Ratio	0.35	0.35	0.0 0.3%
Net Gearing Ratio	Net Cash RM 143.7m	Net Cash RM 70.1m	
Return on Equity	8.4%	9.6%	
(PATANCI/ Average (Opening + Closing Shareholders' Fund)	from continued operations		

DIVIDEND

Total dividend payout of 14 sen in FY2018 (representing 79% dividend payout ratio)



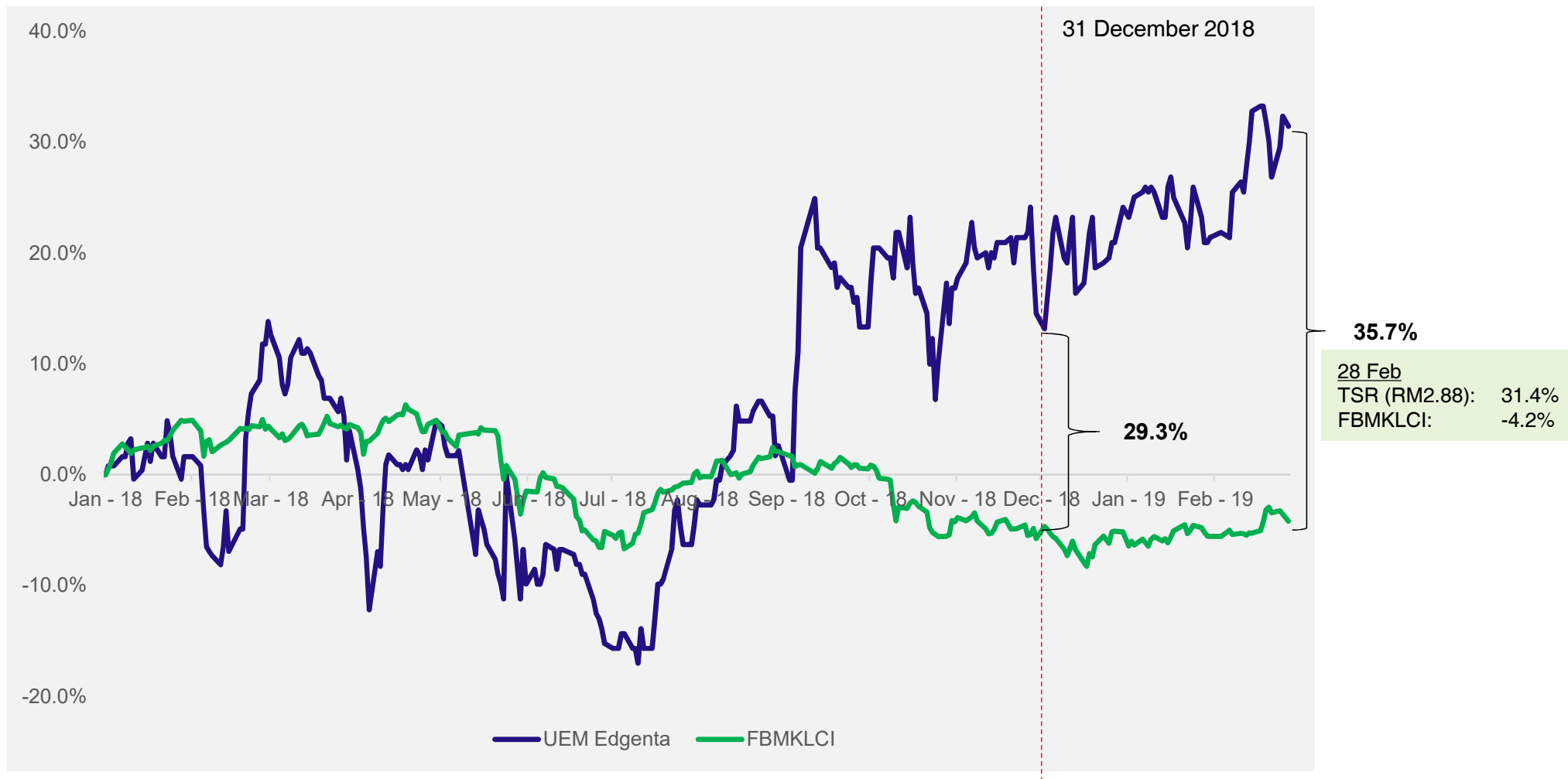
Dividend policy pay-out ratio is **between 50% and 80% of PATANCI**

TOTAL SHAREHOLDER RETURN (TSR)

UEM Edgenta's TSR exceeded the KLCI index by 29.3% from 2 Jan 2018 to 31 Dec 2018

Total Shareholder Returns (2 January 2018 – 31 December 2018)

UEMED TSR (*Adjusted Close price of RM2.19 – RM2.72)	▲	24.1%
FBM KLCI (1,782.7 – 1,690.6)	▼	-5.2%



*Dividend factor adjustments

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Section 3

Business Division Updates & Prospects

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ASSET MANAGEMENT - HEALTHCARE SERVICES

Focused on protecting market share, expand value chain offerings, cross-selling and utilisation of technology and mechanisation

FY2018 PERFORMANCE (vs. FY2017)

- **Revenue increased** by 7.9% on an overall basis (both Concession and Commercial) due to new contracts secured in Taiwan and Singapore.
- **PAT increased** on an overall basis by 6.8% due to higher revenue and increased profitability in the concession business, offset by lower share of results from associates during the year.

Concession		Commercial	
Revenue	PAT	Revenue	PAT
RM463.5 mil	RM41.9 mil	RM521.1 mil	RM44.4mil
▼ 0.7% y-o-y (RM467.0 mil)	▲ 9.7% y-o-y (RM38.2 mil)	▲ 17.0% y-o-y (RM445.3 mil)	▲ 4.3% y-o-y (RM42.6 mil)

OUTLOOK & PROSPECTS FOR 2019

- In the healthcare commercial business, UEMEd is confident on securing more business in Singapore, as the Ministry of Health in Singapore is re-structuring the public healthcare sector into 3 integrated clusters. In Taiwan, UEMEd is looking to upsell more services to its existing customers.
- In Malaysia, UEMEd is looking into cross-selling and sharing of best practices between its concession and commercial businesses. The Malaysian Government's 7.8% year-on-year increase in the budget allocation for public healthcare spending to RM28.7 billion in 2019 will augur well for UEMEd as it looks to partner with the Malaysian Government on more initiatives.
- UEMEd is looking forward to servicing the new, state-of-the-art Women and Children Hospital in Kuala Lumpur which received its first patient on 25 February 2019.



Langkawi Hospital, 1st in Malaysia to be recognised as a Green Hospital under the "Existing Building" category



Environmental & Portering Services for Tri-Services General Hospital, one of the largest military hospital in Taiwan



Mechanisation of cleaning processes via an autonomous scrubber

ASSET MANAGEMENT - PROPERTY & FACILITY SOLUTIONS

Focused on customers' asset enhancement via technology applications and platforms

FY2018 PERFORMANCE (vs. FY2017)

- Property & Facility Solutions saw significant **improvement in revenue and PAT** compared to other business segments, at **19.1% and 47.1% respectively**
- This is mainly via **contribution from new contracts secured** for facilities management, township management and energy performance contracting services, such as the CIMB buildings, TRX, Medini Iskandar and Marina View Residences, German-Malaysia Institute

Revenue	PAT
RM189.4 mil	RM16.3 mil
▲ 19.1% (RM159.1 mil)	▲ 47.1% (RM11.1 mil)

OUTLOOK & PROSPECTS FOR 2019

- In 2019, the Company is focused on maintaining the growth trajectory as it differentiates its service offerings, with a focus on customers' asset enhancement via technology applications and platforms which also improve UEMed's own efficiency and profitability.



High Performance Green Building for the Prime Minister's Office



We perform facilities management for 9 CIMB Buildings



Won Best Energy Efficiency Retrofitted Building and Lowest Building Energy Index at the National Energy Award 2018

INFRASTRUCTURE SOLUTIONS - INFRA SERVICES

Investment in Pavement Research Centre to service the entire lifecycle value chain and the ongoing roll-out of Performance-Based Contracting

FY2018 PERFORMANCE (vs. FY2017)

- **Increase in revenue** by 2.3% with civil and pavement works performed for expressways; moderate growth as key infrastructure projects did not materialise.
- **PAT was comparable to previous year**; costs incurred for the commencement of the Pavement Research Centre in FY2018.

Revenue
RM882.0 mil

▲ **2.3% y-o-y**
(RM862.3 mil)

PAT

RM82.1 mil

▼ **0.4% y-o-y**
(RM82.5 mil)

OUTLOOK & PROSPECTS FOR 2019

- UEMEd will continue with the roll-out of operational excellence initiatives, including “LEAN” programmes for process improvements.
- UEMEd’s investment for the commencement of the Pavement Research Centre (“PRC”) is an investment which is part of the Company’s strategy to develop new and better products to be used in road pavement.
- The ongoing roll-out of Performance-Based Contracting (“PBC”) which will continue into 2019, sets in motion UEMEd’s revamped service delivery model to drive efficiency and innovation.
- UEMEd plans to further invest in technology and innovation in the Infra Services division. In the past 3 years, a total of up to RM100 mil in CAPEX has been incurred in the Infra Services division.



Traffic Management Services



We have invested in a 'Hydraulic Arm Grassmower' to improve safety and productivity



Pavement Research Centre

INFRASTRUCTURE SOLUTIONS - CONSULTANCY

Focused on delivering work in hand

FY2018 PERFORMANCE (vs. FY2017)

- **Lower revenue and PAT** due to lower consultancy works done in the current period as compared to FY2017, during which the LRT extension project was completed, as well as delay in materialisation of consultancy works from Pan Borneo Sabah and Sarawak. In FY2018, there were several key infrastructure projects targeted did not materialise.

Revenue	PAT
RM114.1 mil	RM7.7 mil
▼ 36.9% y-o-y (RM180.9 mil)	▼ 68.3% y-o-y (RM24.3 mil)

OUTLOOK & PROSPECTS FOR 2019

- The Consultancy Division will continue to focus on delivering its existing projects in hand.
- Notwithstanding the challenging environment, UEMEd is optimistic of the long-term prospects of the infrastructure sector, on the back of the Government's commitment towards implementing the Pan Borneo Highway, Klang Valley Double Track and Sarawak Coastal Road Network projects, as well as significant funding set aside in the federal and state government budgets of Sabah and Sarawak for development and infrastructure projects such as roads, bridges, railways and public transportation.
- UEMEd is exploring opportunities to provide project management services for new highways and roads.



Performing site assessments



Network Maintenance Management for the North South Expressway

Section 4

FY2019 Outlook

GROWTH PILLARS

Our growth pillars of revenue growth and margin expansion



GROWTH



1 Revenue Growth

Stable revenue base	Organic revenue growth
<ol style="list-style-type: none">1. Concession contract2. Long term maintenance agreement3. Strong track record of contract renewals	<ol style="list-style-type: none">1. Healthy pipeline of projects2. Exploring regional expansion3. Cross-selling between divisions



2 Margin Expansion

Changing the delivery model	Tech, Innovation & Ops. Excellence
<ol style="list-style-type: none">1. The ongoing roll-out of performance based contract in 2019 (outcome-driven delivery model)	<ol style="list-style-type: none">1. Automation & mechanisation2. Innovation & process improvements via LEAN programmes and innovation garages3. Innovative materials & testing4. Platforms and systems5. New contracting strategy

Opportunistic M&As

1 REVENUE GROWTH – Stable Revenue Base

Our Work In Hand remains healthy at RM13.4bil

As at 31 December 2018

Divisions	Estimated Work-in-hand	
	RM'mil	%
Healthcare		
Healthcare Concession	3,067.5	22.9
Healthcare Commercial	682.1	5.1
Total	3,749.6	28.0
Property & Facility Solutions	463.2	3.5
Infrastructure Services	8,715.1	65.0
Consultancy	484.6	3.6
Total	13,412.5	100.0

Work in hand: Secured order book and work based on scheduled rates

1 REVENUE GROWTH – Organic Revenue Growth

Examples of our recent project wins



Upgrading of Sewerage Treatment Plant and ancillary facilities along the North South Expressway worth RM6.9 mil



IFM contract with CVSKL worth RM3.6 mil



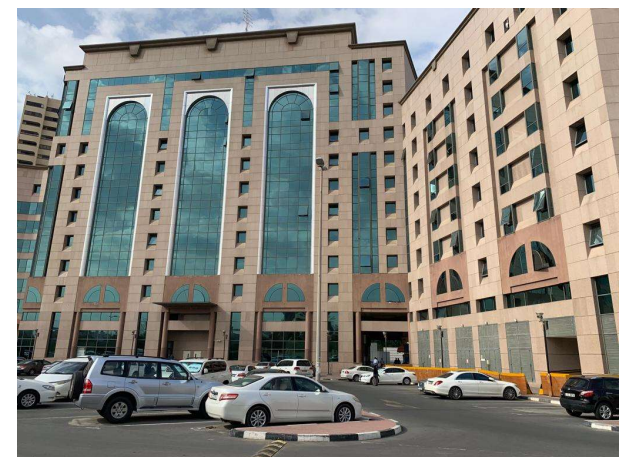
Clinic Support Services for MoH Penang State clinics worth RM21.1 mil



Environmental & Portering Services for hospitals in Singapore and Taiwan worth up to RM344.9 mil secured in FY2018



Energy Performance Contracting for PROTON facilities worth RM21.0 mil



Facility Mgmt services of WASL Assets in Deira, Middle East worth RM119.6 mil

2 MARGIN EXPANSION - Technology, innovation & operational excellence

Continuous effort to increase efficiency and drive margin improvement

Tech & Innovation and Ops Excellence

Transforming Work via:

- Automation & mechanisation, e.g. autonomous scrubbers, delivery robots, UV sterilisation
- QR code tracking
- Drones
- Real-Time Sensors



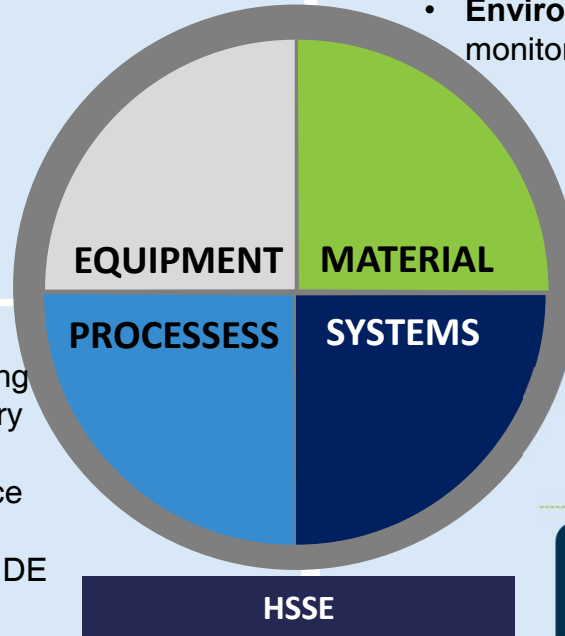
Innovative Materials & Testing:

- Pavement Research Lab** to develop new asphalt mixes and innovative techniques & pavement design
- Environmental Material Testing Lab** for testing & monitoring services, and pavement condition assessment



Work Process Improvements:

- Performance-Based Contracting** – Moving from input-based to outcome-driven delivery model
- LEAN** Programmes (incl. High Performance Work System)
- Innovation Garages** under Khazanah's TIDE Programme
- Asset-based P&L** accountability



In-house creation of tech platforms:



Work order management system for Infra Services



Mobile resource optimisation platform for Healthcare Services

Smart Connect

An integrated facilities management system built on Microsoft's Azure IoT Hub and Machine Learning

These initiatives are expected to drive efficiency and significant cost savings, resulting in margin improvements

Section 5

Investment Rationale

INVESTMENT RATIONALE

Solid returns to shareholders via consistent and sustainable dividends on the back of strong financials; resilient and defensive with growth & attractive value



A member of UEM Group

1 CONSISTENT AND SUSTAINABLE DIVIDENDS:

- **Consistent Dividends:** Pay-out ratio consistently above 50% for the past 5 years
- **Dividend Policy:** FY2018 dividend pay-out ratio at 79% of PATANCI, which is in line with dividend policy pay-out of between 50-80% of PATANCI
- **Dividend Yield:** Dividend payout in FY2018 of 14 sen represents an attractive yield of 5.1% (Share price of RM2.72 as at 31 December 2018)

2 RESILIENT AND DEFENSIVE STOCK:

- **Defensive Sectors:** Resilient sectors mainly Healthcare and Infrastructure comprising up to 90% of our revenue and profit
- **Work In Hand:** Remains healthy at RM13.4bil

3 GROWTH & ATTRACTIVE VALUE:

- Y-o-Y PAT and PBT growth of 21.7% and 14.6% respectively
- PAT margin grew from 5.9% to 7.0% on the back of group-wide efficiencies and lower financing costs, with operational excellence initiatives starting to bear fruit
- Continued organic revenue growth as well as margin expansion with continuous effort to increase efficiency and drive margin improvement



A member of **UEM Group**



THANK YOU

