

KUMPULAN **P**OWERNET BERHAD



QUARTERLY INVESTOR BRIEFING FINANCIAL RESULTS : 3Q FY2020

28 JULY 2020

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AGENDA



1 Investment Merits

2 Stock Information

3 History & Key Milestones

4 Board of Directors

5 Key Management Team

6 Business Segment

7 Financial Performance

8 Future Outlook

9 COVID-19

10 Key Takeaways

INVESTMENT MERITS



Earnings Growth Catalysts

- On growth mode with focus on renewable energy, utilities and infrastructure jobs
- Achieved RM1.2 billion order book for FYE 30 June 2020

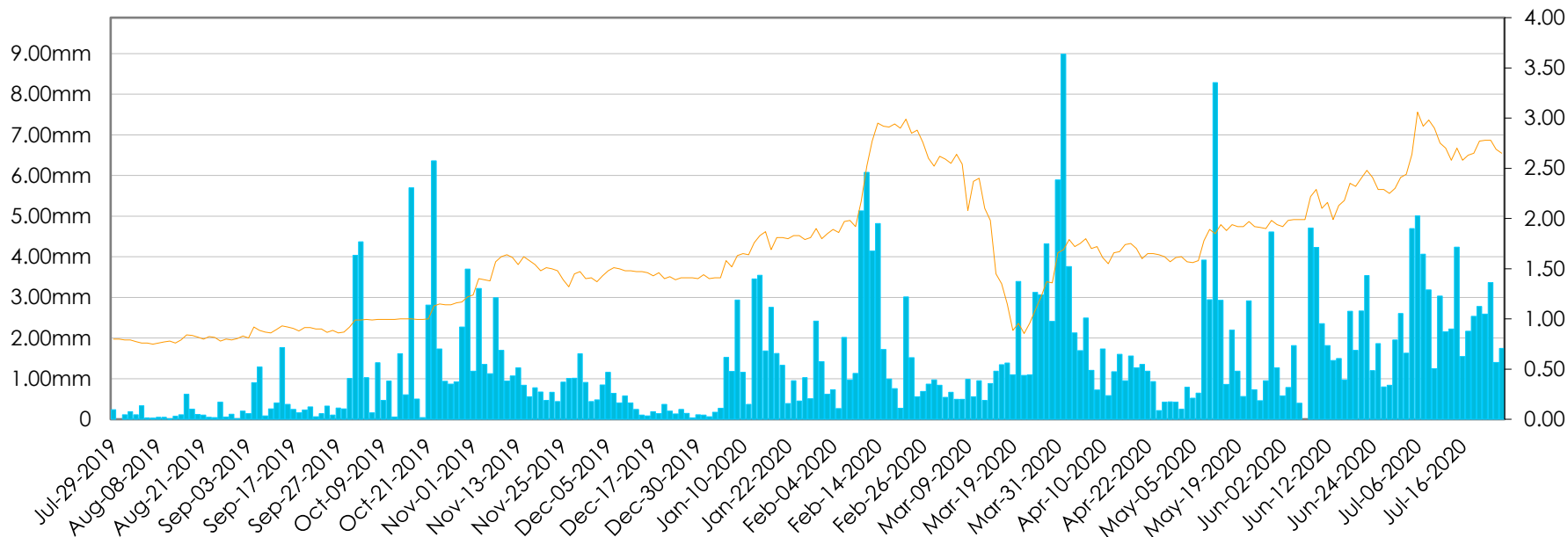
Established & Experienced Board of Directors and Management

- Directors and management with experience across diverse areas under energy, utilities and construction industries
- Ability in replicating execution capabilities for KPower's growth

STOCK INFORMATION



1-YEAR SHARE PRICE AND VOLUME MOVEMENT



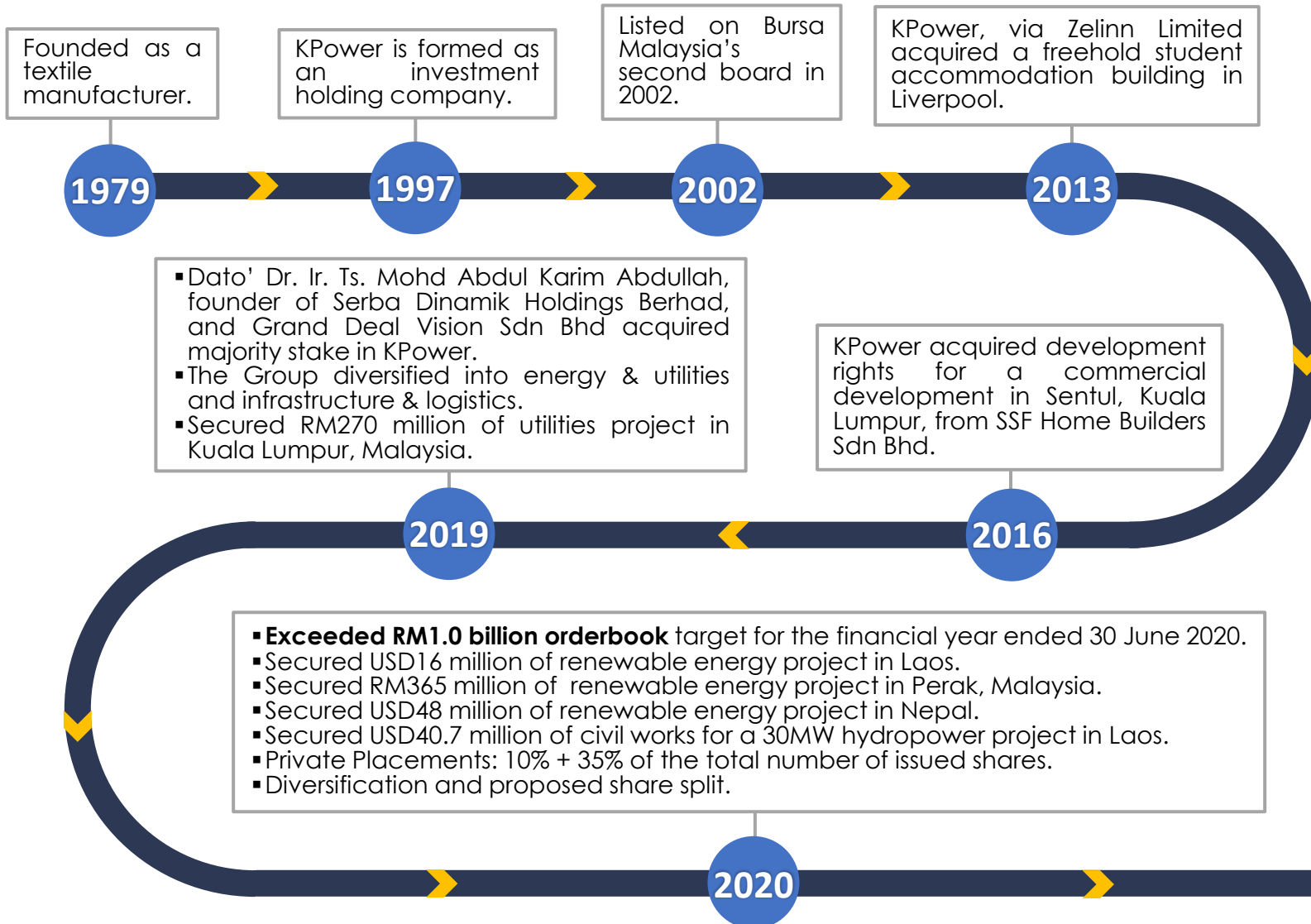
Stock Name / Code	: KPOWER / Code: 7130
Market	: Main Market
Sector	: Consumer Products & Services
Shares Outstanding	: 113.08 million
Market Capital	: RM 299.7 million
52-week high/low	: RM 3.11 / RM 0.75
Share Price	: RM 2.65 (27 July 2020)
Dividend Policy	: At least 20% of PAT

SUBSTANTIAL SHAREHOLDERS

Holder	Common stock equivalent held	% of Total Shares Outstanding	Market Value (MYR in mm)
Mohd Abdul Karim bin Abdullah	37,773,278	33.40	101.6
Grand Deal Vision Sdn Bhd	16,900,000	14.95	45.5

Source: S&P Capital IQ, as at 27 July 2020

HISTORY & KEY MILESTONES



BOARD OF DIRECTORS



Dato' Dr. Ir. Ts. Mohd Abdul Karim Abdullah
Non-Independent Non-Executive Chairman

Founder of oil-and-gas engineering company Serba Dinamik Holdings Berhad since 1993. Presence in Southeast Asia, Central and South Asia, the Middle East, United States of America, Europe and most recently Africa.



Mustakim Mat Nun
Deputy Chairman / Group Managing Director

Over 23 years experience in Power, Water, Finance and Private Equity. Served in various locations in the middle east, ASEAN and domestic market.



Sarah Azreen Abdul Samat
Non-Independent Non-Executive Director

Over 19 years of experience in corporate finance transactions involving equity issuance, mergers and acquisitions, corporate restructuring and corporate valuation.



Dato' Arivalagan A/L Arujunan
Non-Independent Non-Executive Director



Kok Pauline
Independent Non-Executive Director



Tan Yee Hou
Independent Non-Executive Director

KEY MANAGEMENT TEAM



KPower is led by a team of dynamic professionals with a wealth of experience in **project management and implementation, construction and investment activities especially in utility and renewable energy sectors.**



Mustakim Mat Nun

Group Managing Director

Over 23 years' experience in finance, power & water industries

Amirul Afif Abd Aziz

Group Chief Financial Officer

Over 20 years' experience in finance, power & water industries in Malaysia and Middle East



Muhammad Syukri Sulaiman

SVP, Head of Corporate Finance and Investor Relations

Over 15 years' experience in finance, power & infrastructure industries

Zainal Azwadi Zainal Abidin

SVP, Supply Chain Management and Acting Head of Risk & Compliance

Over 20 years' experience in oil & gas, finance & power industries



Khairulaklam Omar

SVP, Head of Project Development

20 years' engineering experience in power & water covering Southeast Asia with multinational companies

Kamalulariffin Ahmad

VP, Head of Project Implementation

20 years' experience in construction, water & energy project management



Puteri Nur Qistina Abd. Rahman

Acting Head of Finance

10 years of experience in audit with several Big Four accounting firms

Lilik Harianti Saijan

Head of Corporate Resources & Administration

20 years' experience in multinational & government-linked companies across various sectors



LEVERAGING ON HUMAN CAPITAL



The Board of Directors of KPower and key management team with **combined experience of over 200 years** will further enhance KPower's **strength to evolve for future growth.**

BOARD OF DIRECTORS

Diverse background

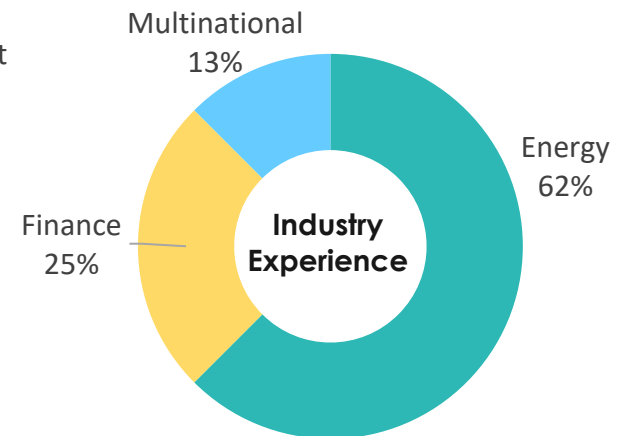
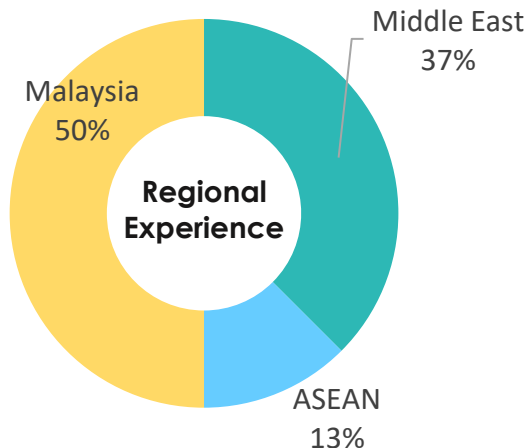
Extensive experience

Dynamic

Vast industry network

KEY MANAGEMENT

By leveraging on the management's vast experience and industry network, KPower is well positioned to land more major projects in the future.



BUSINESS SEGMENT – NEW FOCUS



**ENERGY, UTILITIES,
INFRASTRUCTURE &
LOGISTICS**

1

PRIMARY FOCUS

KPower primarily focuses on provision of project management and construction related activities in renewable energy & utilities, infrastructure & logistics

2


PROJECTS SECURED

As at 30 June 2020, KPower has successfully secured contracts worth approximately **RM1.2 billion**


BUSINESS SEGMENT – NEW FOCUS (CONT'D)



1. ENERGY


 Green and renewable energy related to hydropower, solar, waste to energy and biomass

3. INFRASTRUCTURE


 Sustainable and green infrastructure development

**PRIMARY
FOCUS**

2. UTILITIES

 Infrastructure projects related to water and sewage related activities

4. LOGISTICS

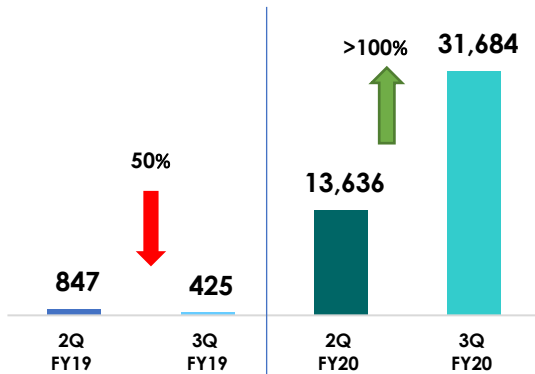
 To provide logistic solutions to complement various activities within the network of shareholders

FINANCIAL PERFORMANCE

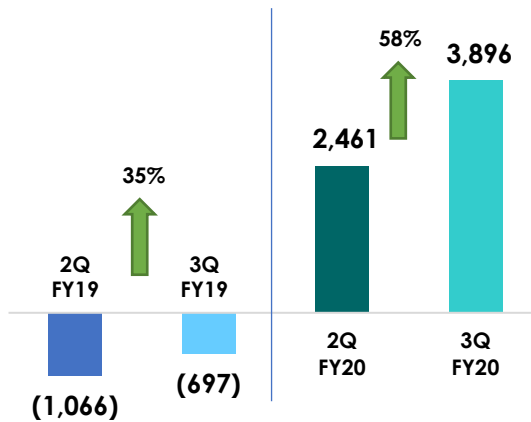
Improved Quarter-on-Quarter Performance



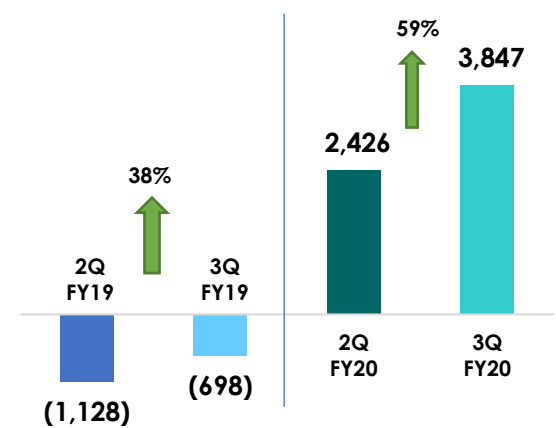
Revenue
(RM'000)



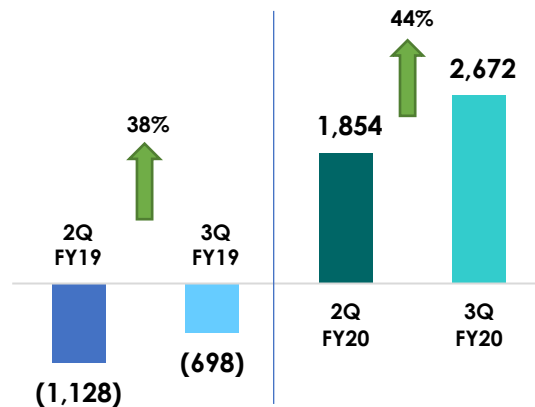
Operating profit/(loss)
(RM'000)



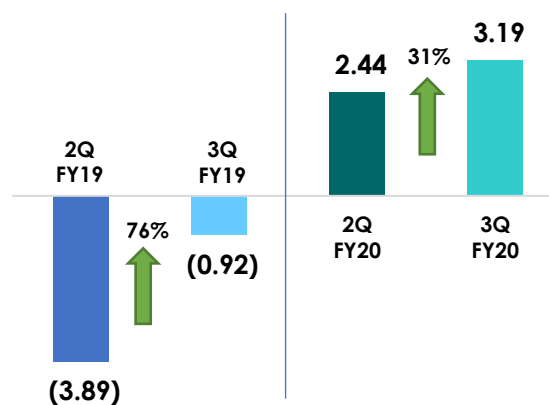
Profit/(loss) before tax
(RM'000)



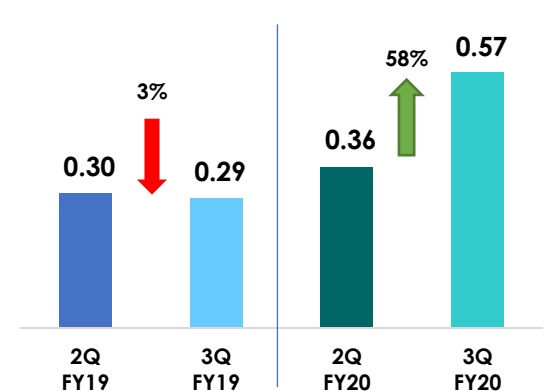
Profit/(loss) after tax
(RM'000)



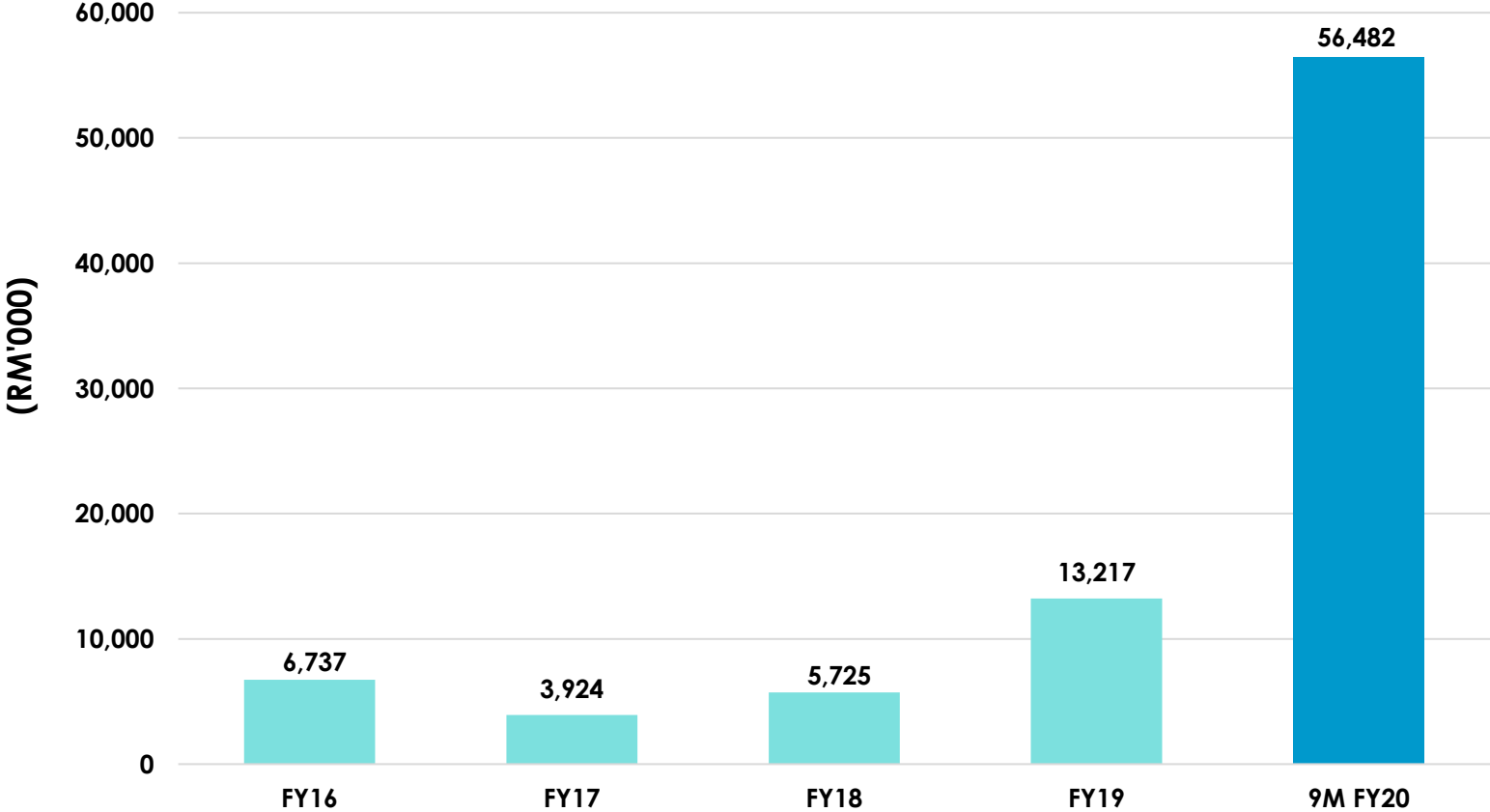
Basic earnings/(loss)
per share (sen)



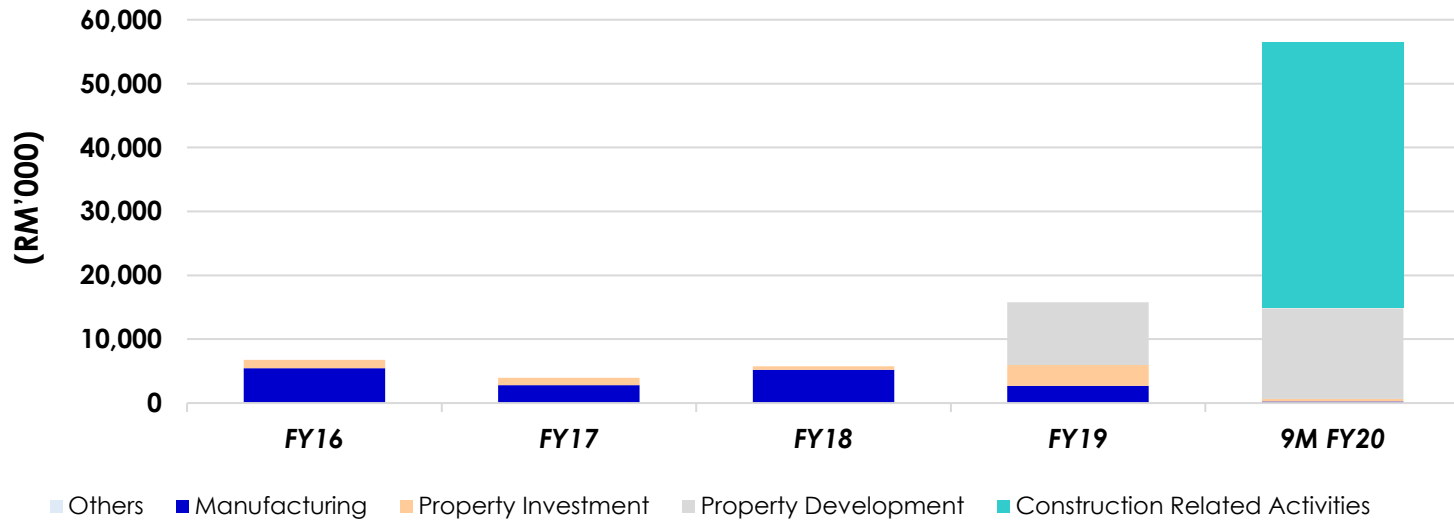
Net Asset per share
(RM)



TOTAL REVENUE



SEGMENTAL BREAKDOWN

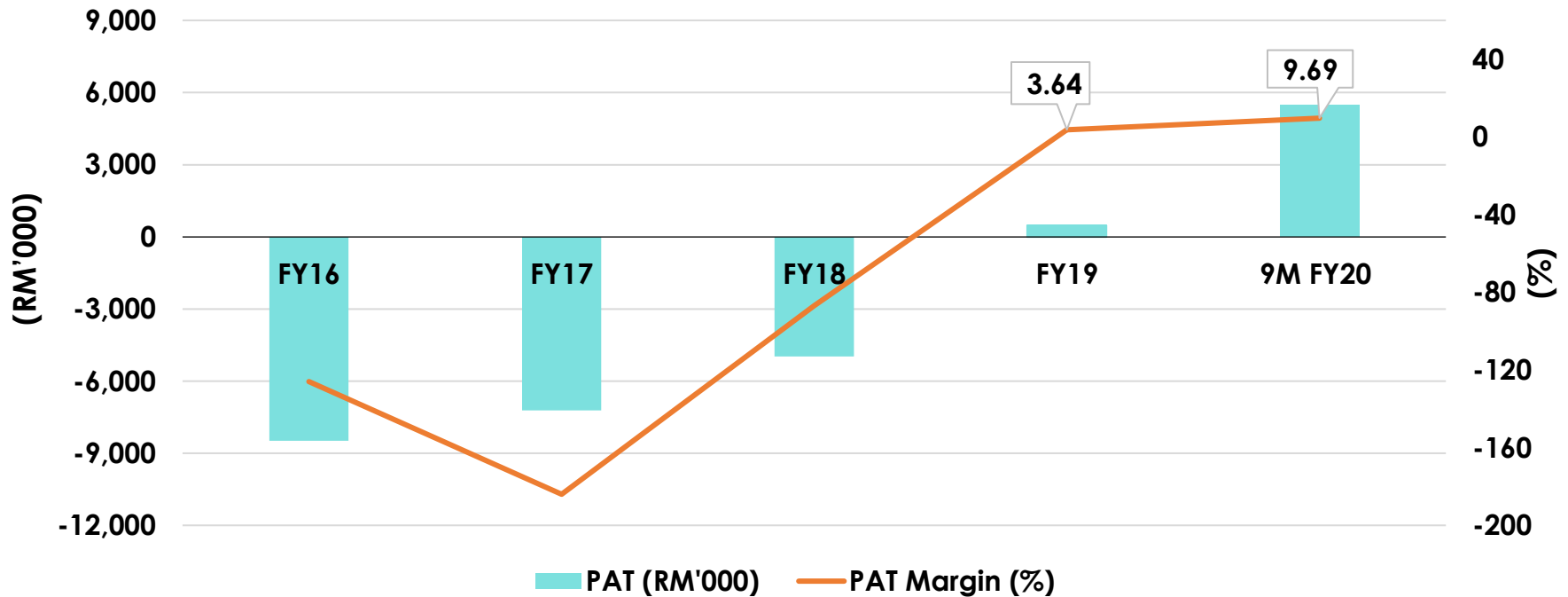


Segments	FY				9M FY20	
	2016	2017	2018	2019	9 months	% Contribution 9 months
	RM'000				RM'000	
Construction Related Activities	-	-	-	-	41,649	73.7
Property Development	-	-	-	9,802	14,192	25.1
Property Investment	1,321	1,156	519	3,275	417	0.7
Manufacturing	5,435	2,768	5,209	2,669	224	0.4
Others	8	-	-	-	-	-

PROFITABILITY



PROFIT AFTER TAX (“PAT”) AND PAT MARGIN

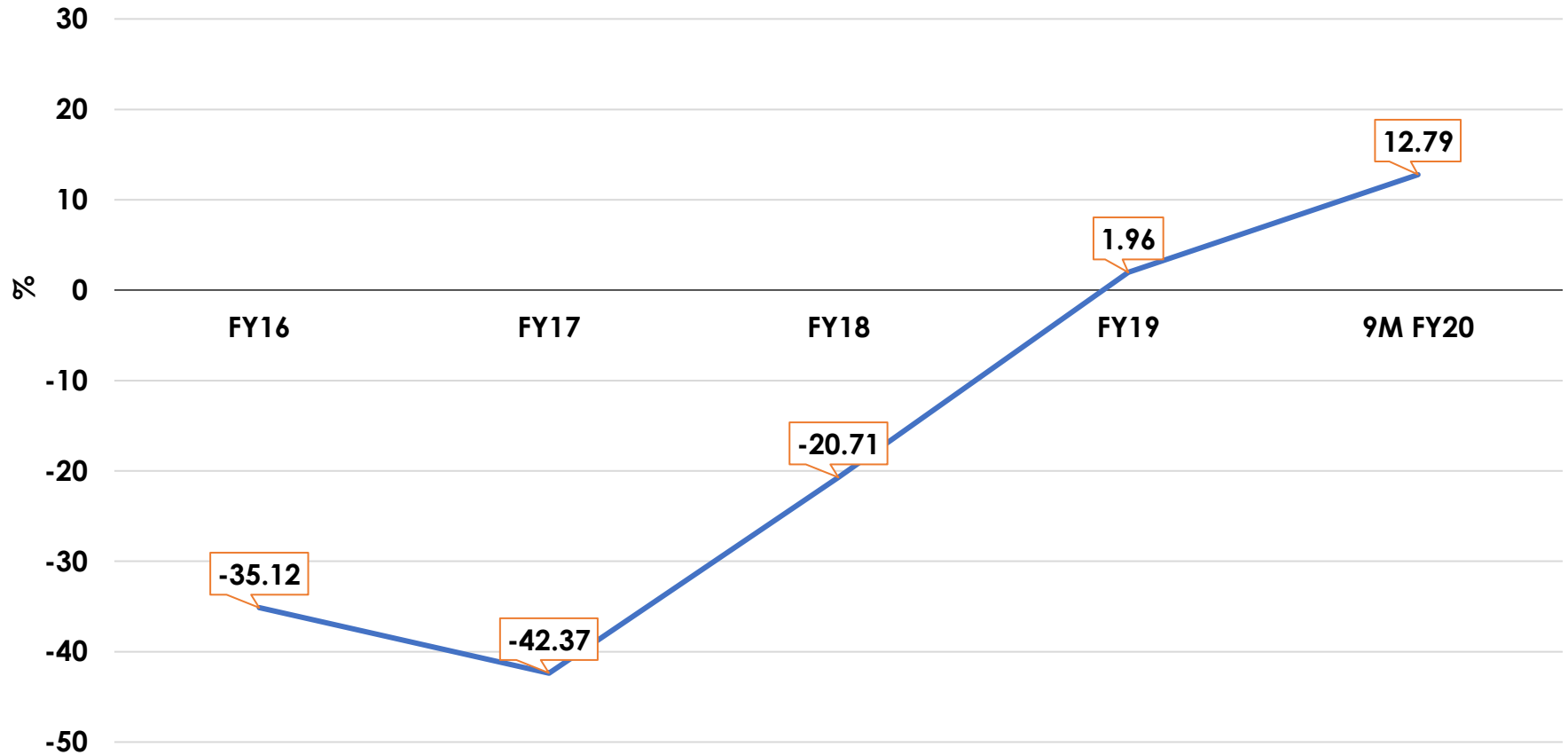


	FY16	FY17	FY18	FY19	9M FY20
PAT	(8,481)	(7,218)	(4,977)	481	5,474
PAT Margin (%)	(125.89)	(183.94)	(86.94)	3.64	9.69

PROFITABILITY (CONT'D)



RETURN ON EQUITY ("ROE")



FUTURE OUTLOOK



LEGACY BUSINESS SEGMENT – BUSINESS PLAN



**Powernet Industries Sdn Bhd
(Manufacturing)**

**To maintain current business and currently
undergoing rationalising exercise**



**Powernet Properties Sdn Bhd
(Property Development)**

**Completing current development and
currently exploring opportunities**



**Zelinn Limited
(Property Investment)**

**Mark for disposal and in the process of
identifying potential buyer**

FUTURE OUTLOOK

Industry



OUTLOOK OF CURRENT BUSINESS



World Energy Consumption, 2018-2050

≈50%

Most of this growth comes from regions where strong economic growth is driving demand, particularly in Asia

Renewables – accounting for almost ¼ of global demand growth
+4.0%



Global Renewable Energy Investment Trends, 2008-2018

60.3%

CAGR for total new investments (2008: USD 177.2B – 2018: USD 288.9B)



Malaysia's Energy Mix Target by 2025

20%

From renewable energy (2% in 2019)

RM 33B investments to be supported by government, public-private partnerships & private financing





Latest government stimulus via 1000 MW LSS4



Asia Estimated Infrastructure Investment Needs, 2016-2030

USD 22,551B

including maintenance & rehabilitation costs (without climate change mitigation & adaptation costs)

-  Power USD 11,689B
-  Transport USD 7,796B
-  Telecommunications USD 2,279B
-  Water & sanitation USD 787B

Sources: International Energy Agency; Asian Development Bank

SECTOR OUTLOOK

OPPORTUNITIES IN THE ENERGY SECTOR



Main concerns of ASEAN countries

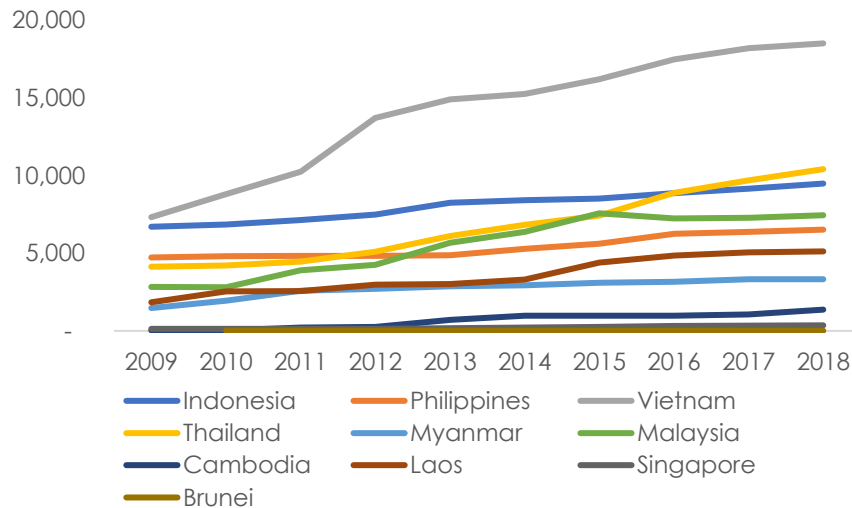
Energy security

Struggling to meet the escalating energy demand of the growing populations and economies

The need to develop energy infrastructure

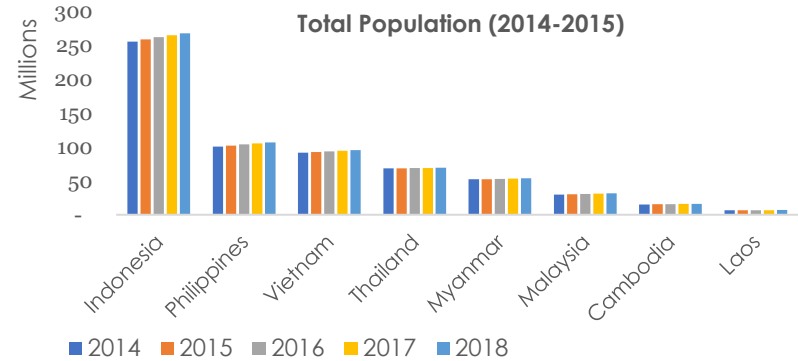
Low electrification rate among the countries especially the rural areas

RE Installed Capacity (MW) in Southeast Asia

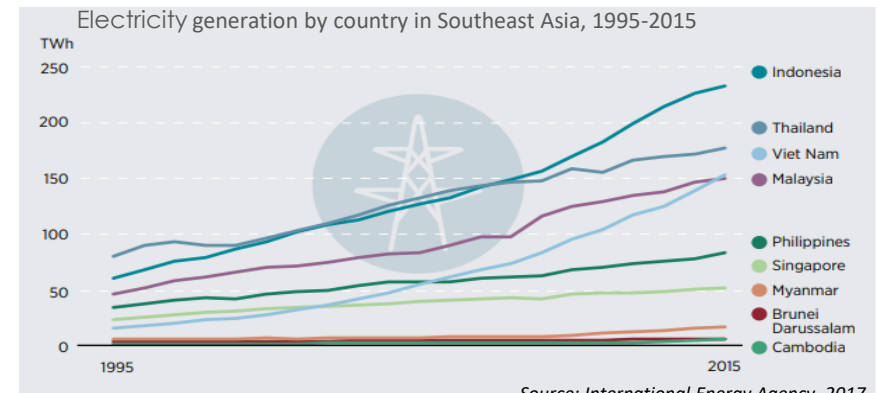


Source: Renewable Energy Statistics 2019, International Renewable Energy Agency (IRENA)

Rapid Economic & Demographic Growth



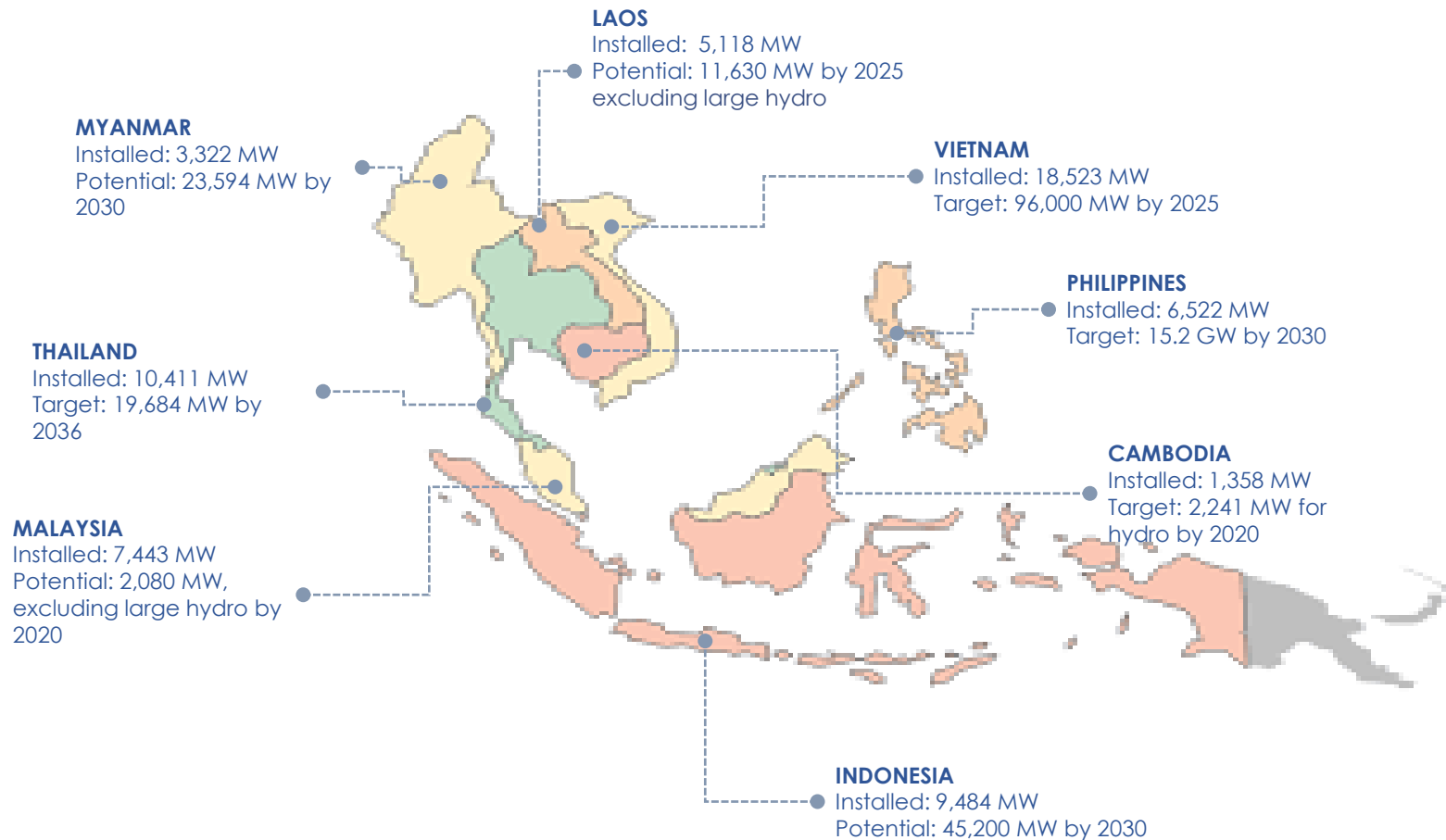
Electricity generation in the region has tripled between 1995 and 2015, reaching over 872 terawatt hours (TWh). During this period, electricity generation grew at an average rate of 7% per year, led by increases in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam



Source: International Energy Agency, 2017

SECTOR OUTLOOK

OPPORTUNITIES IN ENERGY SECTOR



Sources:

- 1) Renewable Energy to Replace Coal Power in Southeast Asia, – Renewable Energy Institute, October 2019
- 2) Renewable Energy Market Analysis, Southeast Asia, International Renewable Energy Agency
- 3) The 5th ASEAN Energy Outlook 2015-2040, ASEAN Centre for Energy

SECTOR OUTLOOK

OPPORTUNITIES IN THE UTILITIES INDUSTRY – Water Related Activities



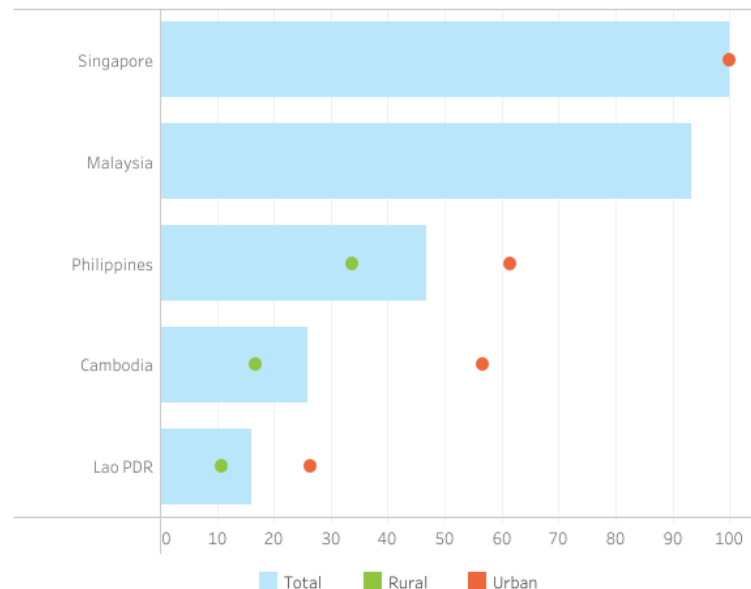
Growth Opportunities

Propelled by a rapid population growth & urbanization

Inadequate infrastructure

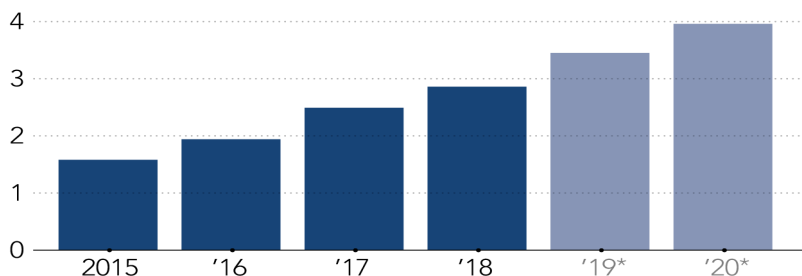
- In Southeast Asia, the water and wastewater services industry is still nascent with a highly fragmented market.
- Although Singapore and Malaysia are currently the markets with the most activity, developing markets such as Indonesia, Vietnam, and the Philippines are expected to offer strong growth opportunities in the coming years.

Proportion of the Population Using Safely Managed Drinking Water Services, 2017 (%)



Investment in Sea

Rising sewage treatment investment in Southeast Asia (in billions of dollars)



*Projection

Source: Global Water Intelligence

The Asia Pacific (Asia) total water and wastewater services industry market is considered to be at the growth stage, with varied development stage across countries in the region.

~300 million
have no access
to safe drinking
water

~1.5 billion
people lack
basic sanitation

Source:

1. Asian Development Bank
2. Water Situation and Opportunities in Asia, Asiawater.org
3. Growth Opportunities in APAC Water & Wastewater Services Market, Frost & Sullivan

FUTURE OUTLOOK *Group*



CURRENT ORDER BOOK



NAM SAMOY HYDROPOWER PLANT

Contract Value : USD16 million
(equivalent to approximately RM66 million)

NAM TAEP HYDROPOWER PLANT

Contract Value : USD41 million
(equivalent to approximately RM175 million)



NEPAL MINI HYDROPOWER PLANT

Contract Value : USD48 million
(equivalent to approximately RM208 million)



MISCELLANEOUS

Contract Value : Approximately RM40 million



SEWERAGE TREATMENT PLANT

Contract Value : RM270 million

MINI HYDROPOWER PLANTS

Contract Value : RM365 million

PROPERTY DEVELOPMENT & OTHER JOBS

Contract Value : RM53 million

CURRENT TENDER ACTIVITIES



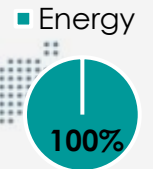
TOTAL BID WON

RM1.2 Billion

Malaysia	RM688 Mil
Nepal	RM208 Mil
Laos	RM241 Mil
Indonesia	RM40 Mil

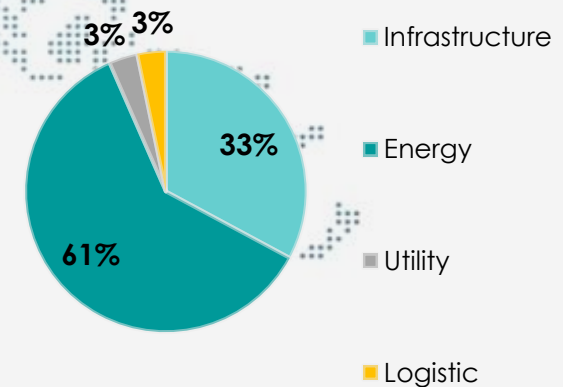
- Utilities : RM270 Mil
- Energy : RM814 Mil
- Infrastructure : RM52 Mil
- Property Development : RM42 Mil

Laos
RM44 Million



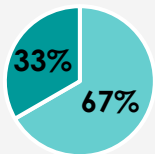
TOTAL BID = RM3.07 Billion

Malaysia
RM609 Million



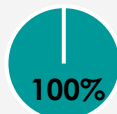
Middle East
RM1.2 Billion

■ Infrastructure ■ Energy



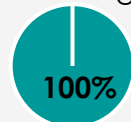
Nepal
RM495 Million

■ Energy



Indonesia
RM724 Million

■ Energy



COVID-19: IMPACT ON BUSINESS



GLOBAL ECONOMIC LOCKDOWN

- As a result of the pandemic, the global economy is projected to contract sharply by -4.9% in 2020, much worse than during the 2008–2009 financial crisis.
- For Malaysia specifically, the real GDP is predicted to fall to -3.8% in 2020 as compared to 4.3% in the previous year.

Source: International Monetary Fund, World Economic Outlook, June 2020

WORLD HARDEST-HIT SECTORS

- Sectors identified as having hardest-hit of crisis on economic output are accommodation and food services, manufacturing, wholesale and retail trade, and real estate and business activities.
- Meanwhile, construction and financial sectors fall under medium impact.

Source: International Labour Organization, COVID-19 and the world of work, April 2020

MALAYSIA MOVEMENT CONTROL ORDER (MCO)

- The MCO, initially restricted non-essential businesses to operate since 18 March 2020.
- Certain sectors were closed for first few MCO and only allowed to operate with approval from MITI's with strict conditions.
- Construction related activities generally were stopped during the MCO.
- Conditional and Recovery MCO gradually allow business in all segments to resume operation.

COVID-19: KPOWER'S IMPACT & COUNTERACTIONS



Focus during Covid-19 period

Safety & the well being of our employees & stakeholders with minimal impact on business activities

Manufacturing

Was closed for first 2 MCOs & later obtained MITI's approval to continue operation.

Property Development

- Was closed during entire MCO & construction commenced in June.
- Revised completion date is in October 2020.

Construction Related

Most of the announced job is in design & planning stage thus minimal impact.

Future Work

- Physical work will be on site and will be monitored accordingly.
- Might be a slight impact on cost during physical work on site due to alignment in work and manpower but it will be marginal.
- We are still confident in achieving 18-20% of gross margin and 8-10% net profit margin.

Manpower & Work

- Work shift rotation

Conclusion

- Manufacturing and property development sectors were affected.
- Overall performance for FYE 2020 is still on track, supported by construction segment.

KEY TAKEAWAYS



Improvement in financial performance from new business

- ✓ Recorded significant increase in revenue by 4,340% during 9M FY2020
- ✓ Profitability grew by 400% in the same period
- ✓ Driven by new business segment, construction related activities for utilities and energy projects in Malaysia as well as Laos

On track to expand and strengthen regional presence

- ✓ Secured RM270 million of utilities project in Kuala Lumpur
- ✓ Secured RM365 million of energy project in Perak
- ✓ Secured USD57 million of energy project in Laos
- ✓ Secured USD48 million of energy project in Nepal

Steadily progressing the growing path

- ✓ Achieved RM1.2 billion order book of works which provides the earnings visibility for next 3-4 years
- ✓ Exploring potential mergers and acquisitions to enhance business prospects
- ✓ Major shareholders are committed to support the capital requirements of the Group

THANK YOU

