

KUMPULAN **P**OWERNET BERHAD

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# Corporate Presentation 4Q FY2020

24 September 2020

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This presentation may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, changes in operating expenses (including employee wages, benefits and training costs), governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

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# AGENDA

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**1** Investment Merits

**7** Financial Performance

**2** Stock Information

**8** Future Outlook

**3** History & Key Milestones

**9** COVID-19

**4** Board of Directors

**10** Key Takeaways

**5** Key Management Team

**11** News & Coverage

**6** Business Segment

# INVESTMENT MERITS



## Earnings Growth Catalysts

- On growth mode with focus on renewable energy, utilities and infrastructure jobs
- Achieved RM1.2 billion order book for FYE2020
- Aims to achieve RM2 billion order book for FYE2021

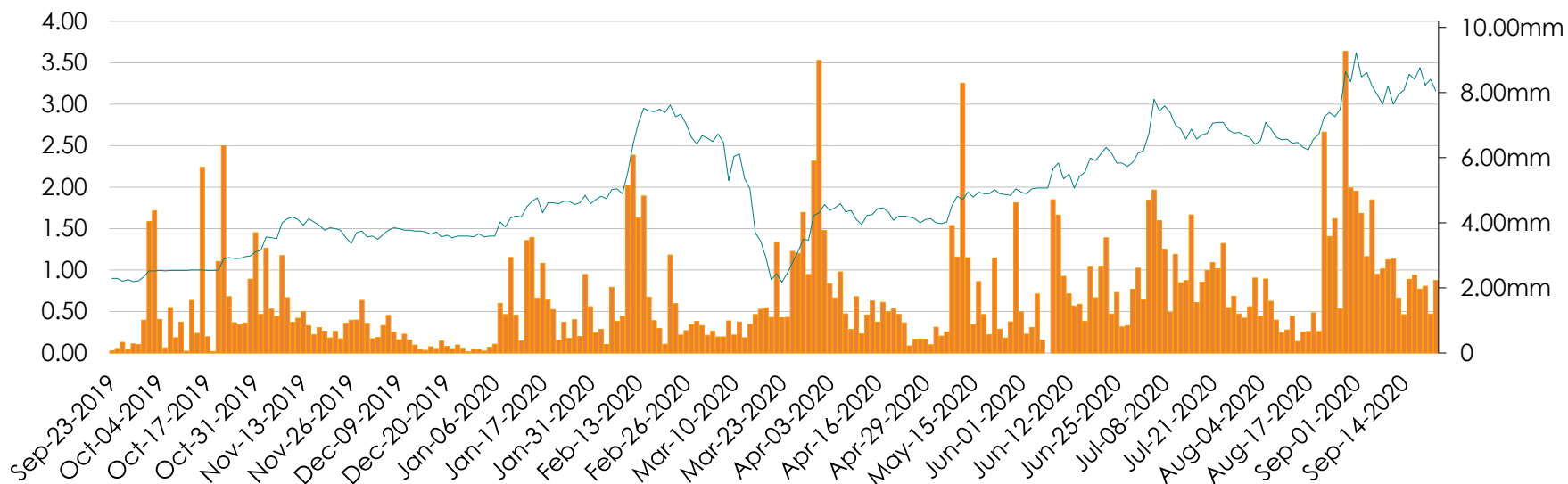
## Established & Experienced Board of Directors and Management

- 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



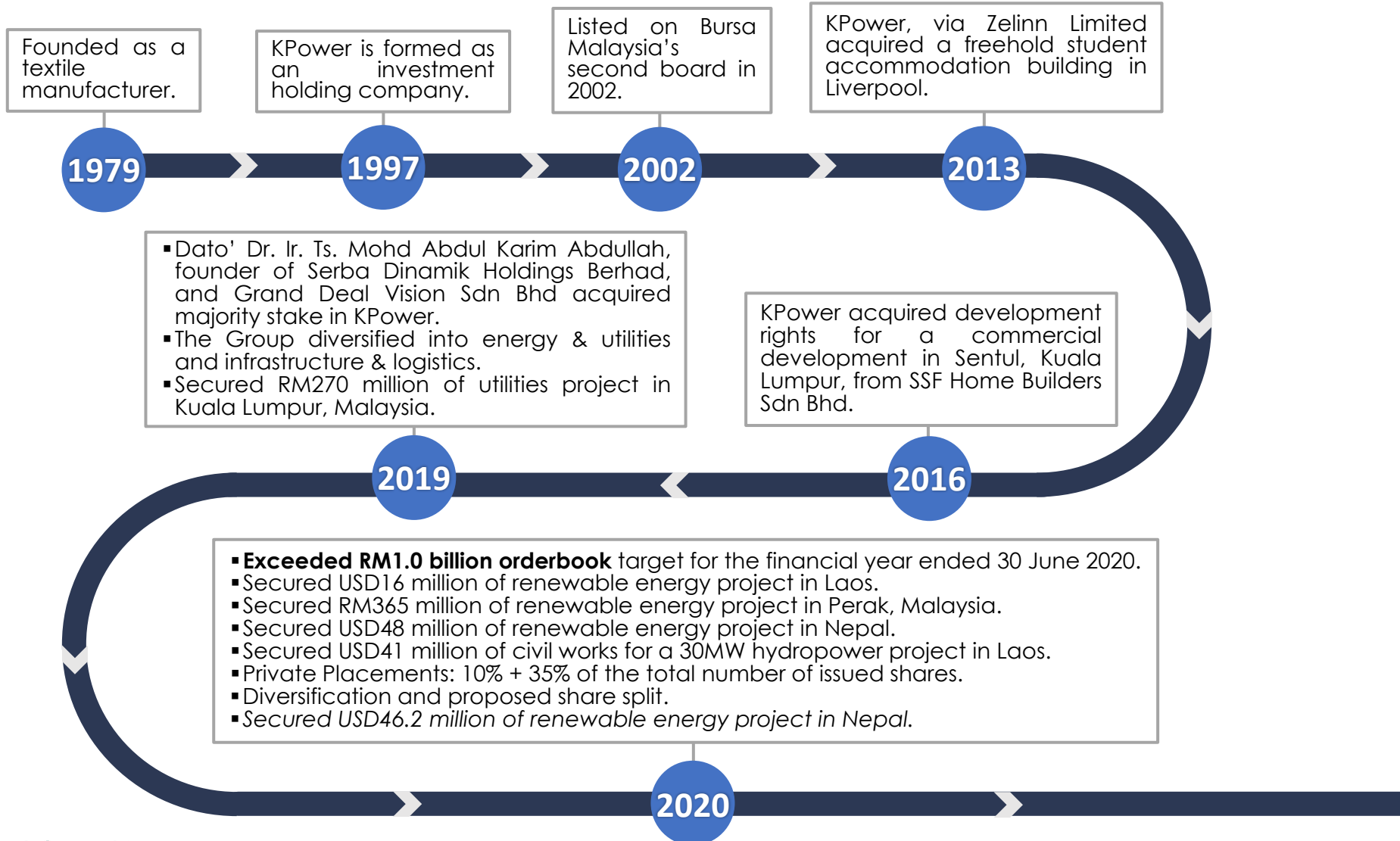
<b>Stock Name / Code</b>	: KPOWER / Code: 7130
<b>Market</b>	: Main Market
<b>Sector</b>	: Consumer Products & Services
<b>Shares Outstanding</b>	: 113.08 million
<b>Market Capital</b>	: RM 373.2 million
<b>52-week high/low</b>	: RM 3.64 / RM 0.85
<b>Share Price</b>	: RM 3.16 (23 September 2020)
<b>Dividend Policy</b>	: At least 20% of PAT

## SUBSTANTIAL SHAREHOLDERS

Holder	% of Total Shares Outstanding
Mohd Abdul Karim bin Abdullah	32.85
Grand Deal Vision Sdn Bhd	14.94

Source: S&P Capital IQ, as at 23 September 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

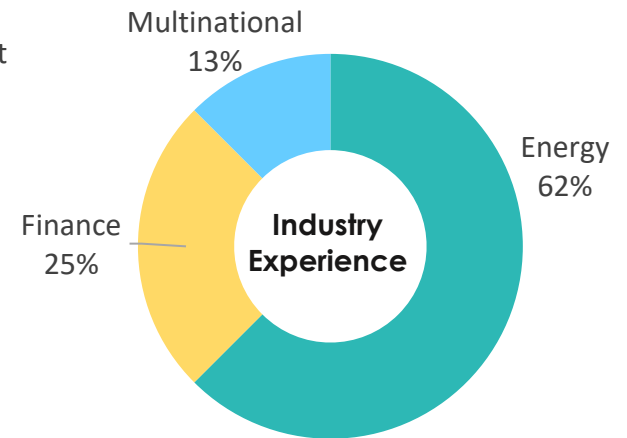
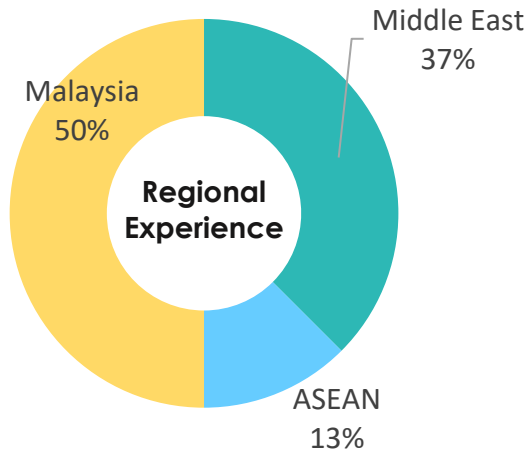
Extensive experience

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.



# THE NEW KPOWER - BUSINESS SEGMENT



The Company successfully repositioned itself by expanding into new sectors to generate sustainable revenue streams, in addition to its existing businesses.

## 1. ENERGY & UTILITIES



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

## 2. PROPERTY



Sustainable property development

## 3. LOGISTICS



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

## 4. HEALTHCARE & TECHNOLOGIES



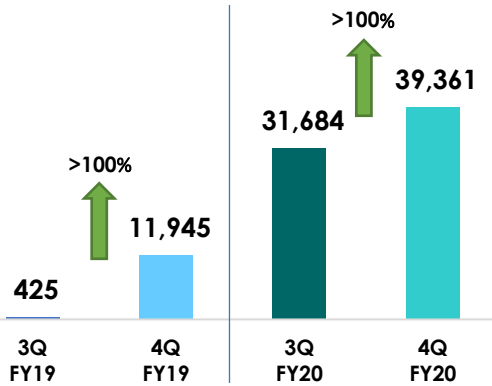
To venture into healthcare and medical products focusing on technology applications and solutions

# FINANCIAL PERFORMANCE

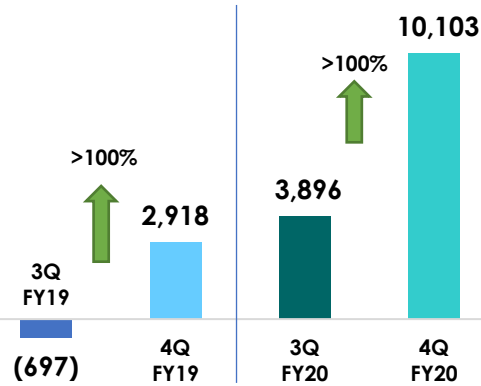
Improved Quarter-on-Quarter Performance



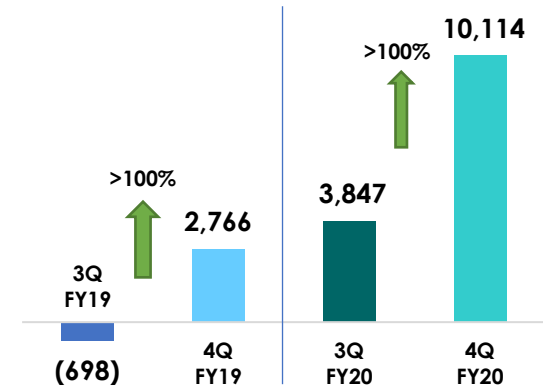
**Revenue**  
(RM'000)



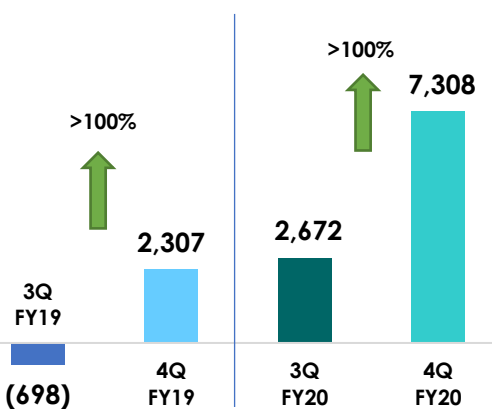
**Operating profit/(loss)**  
(RM'000)



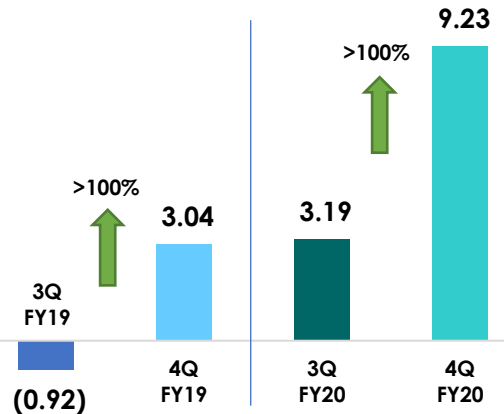
**Profit/(loss) before tax**  
(RM'000)



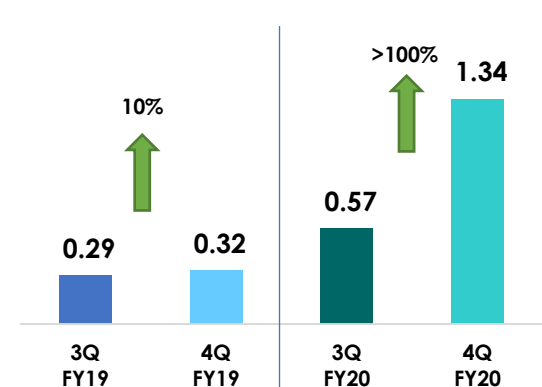
**Profit/(loss) after tax**  
(RM'000)



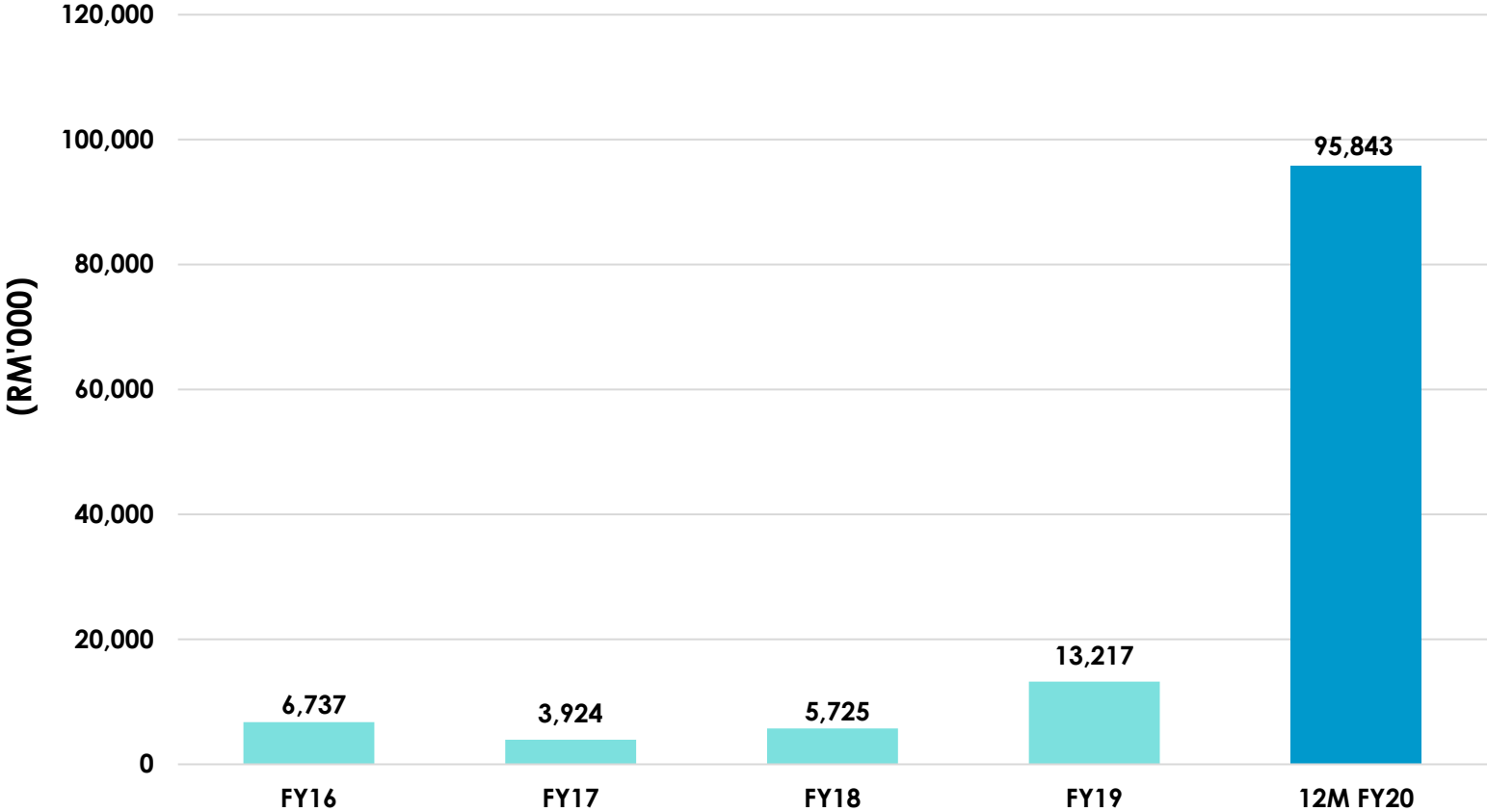
**Basic earnings/(loss)**  
per share (sen)



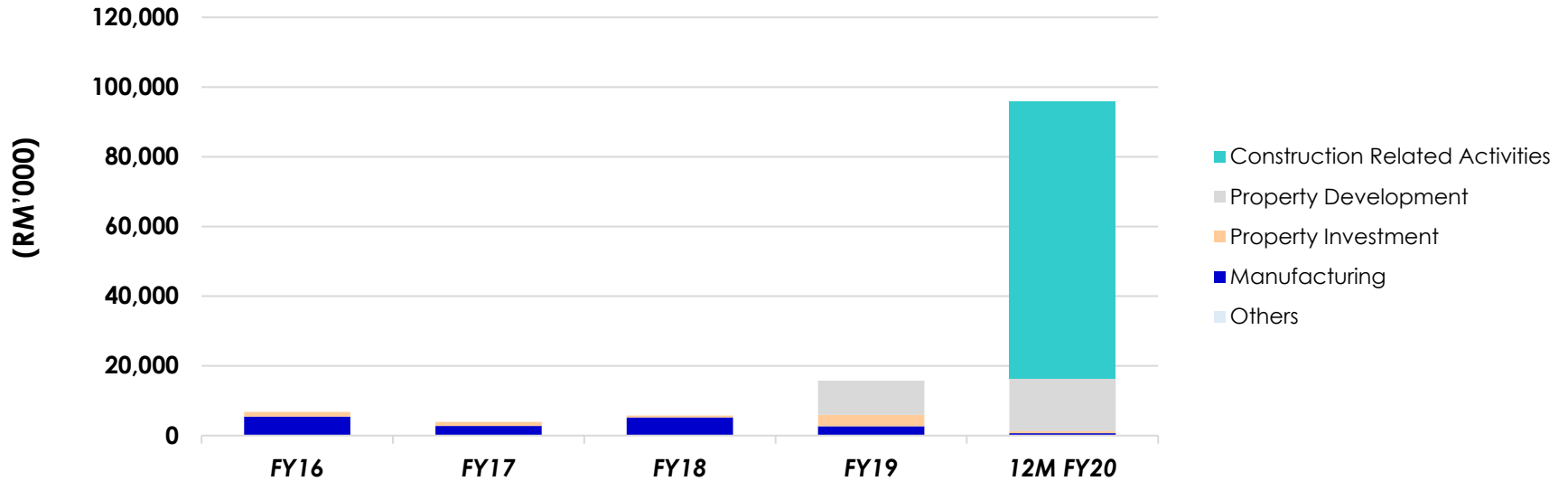
**Net Asset per share**  
(RM)



# TOTAL REVENUE



# SEGMENTAL BREAKDOWN

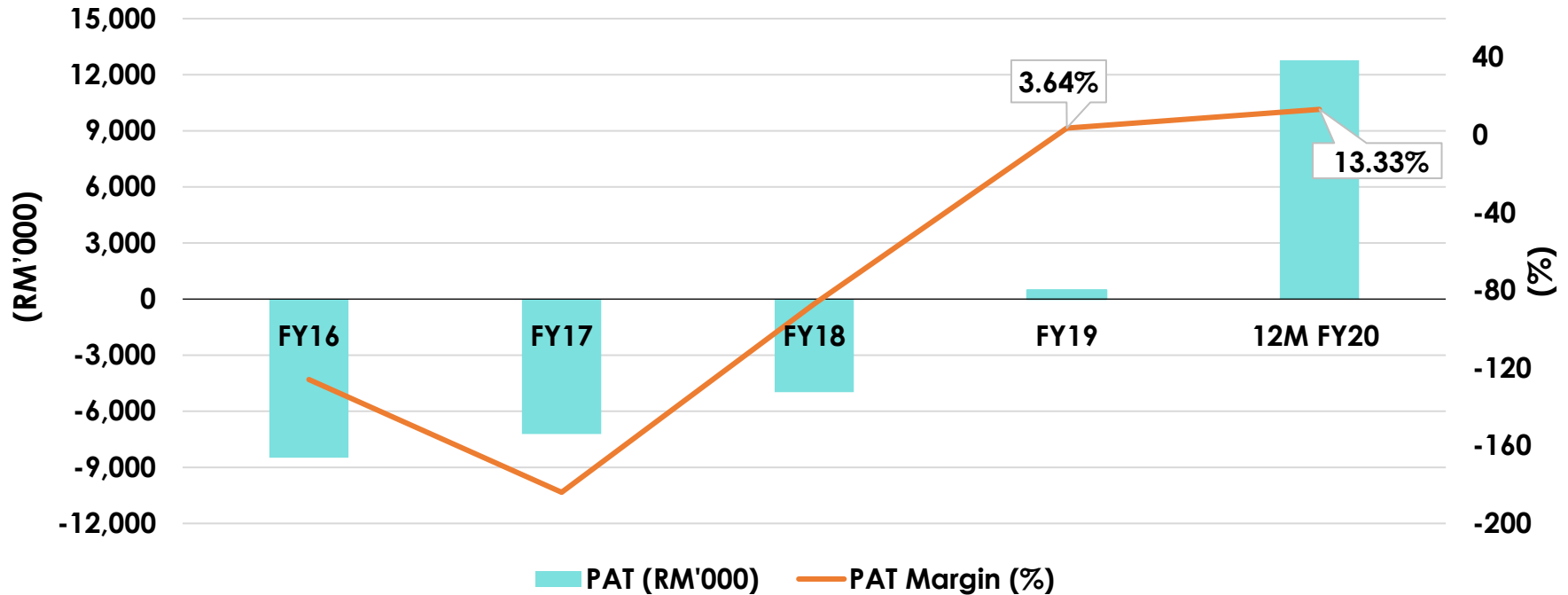


Segments	FY (RM'000)				12M FY20	
	2016	2017	2018	2019	RM'000	% Contribution
Construction Related Activities	-	-	-	-	79,572	83.0
Property Development	-	-	-	9,802	15,010	15.7
Property Investment	1,321	1,156	519	3,275	606	0.6
Manufacturing	5,435	2,768	5,209	2,669	655	0.7
Others	8	-	-	-	-	-

# PROFITABILITY



## PROFIT AFTER TAX ("PAT") AND PAT MARGIN

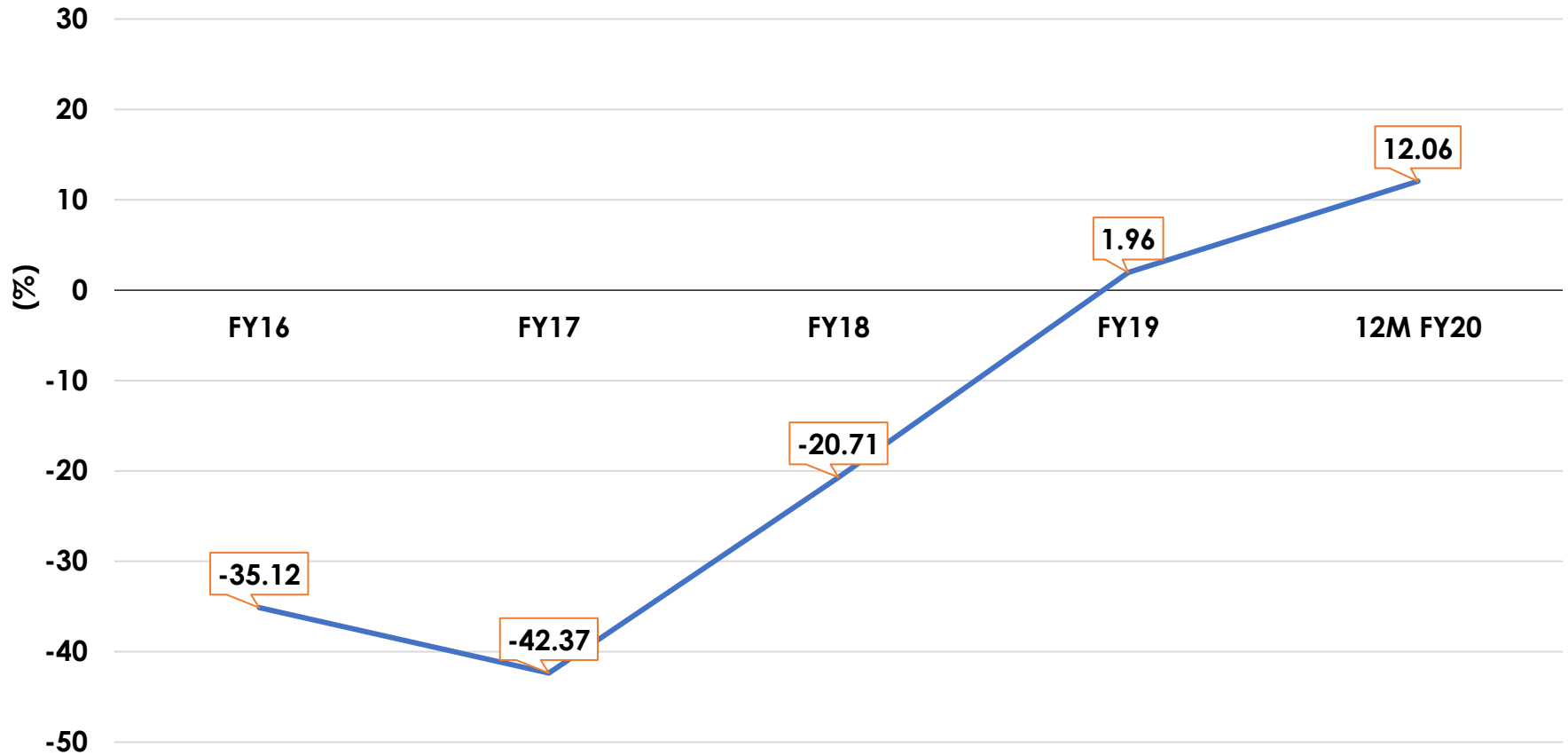


	FY16	FY17	FY18	FY19	12M FY20
<b>PAT</b>	(8,481)	(7,218)	(4,977)	481	12,776
<b>PAT Margin (%)</b>	(125.89)	(183.94)	(86.94)	3.64	13.33

# PROFITABILITY (CONT'D)



## RETURN ON EQUITY ("ROE")



# 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



**Small Hydropower Plants Growth in Malaysia by 2024**

**225MW**

(from 59.3MW in 2018)

Representing CAGR of **24%**

Sources: International Energy Agency; Asian Development Bank; Protégé Associates Sdn Bhd

# SECTOR OUTLOOK

## OPPORTUNITIES IN THE ENERGY SECTOR



### Main concerns of ASEAN countries

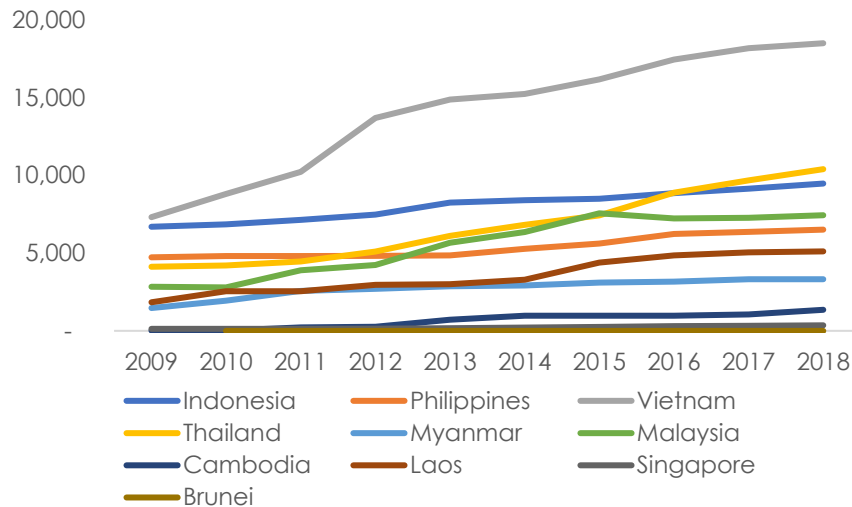
#### Energy security

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

#### The need to develop energy infrastructure

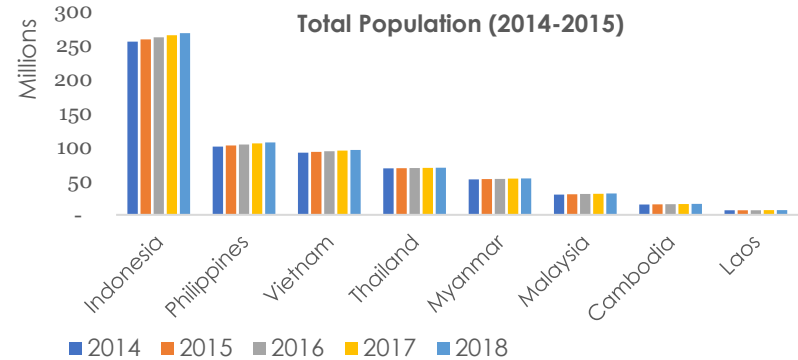
Low electrification rate among the countries especially the rural areas

RE Installed Capacity (MW) in Southeast Asia

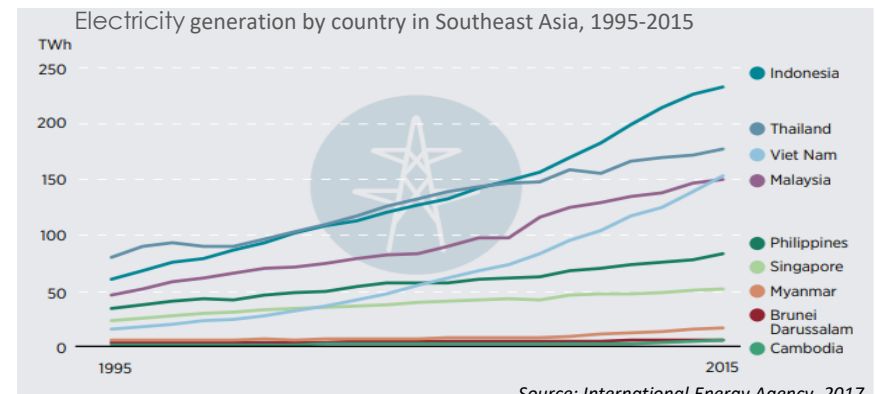


Source: Renewable Energy Statistics 2019, International Renewable Energy Agency (IRENA)

### Rapid Economic & Demographic Growth



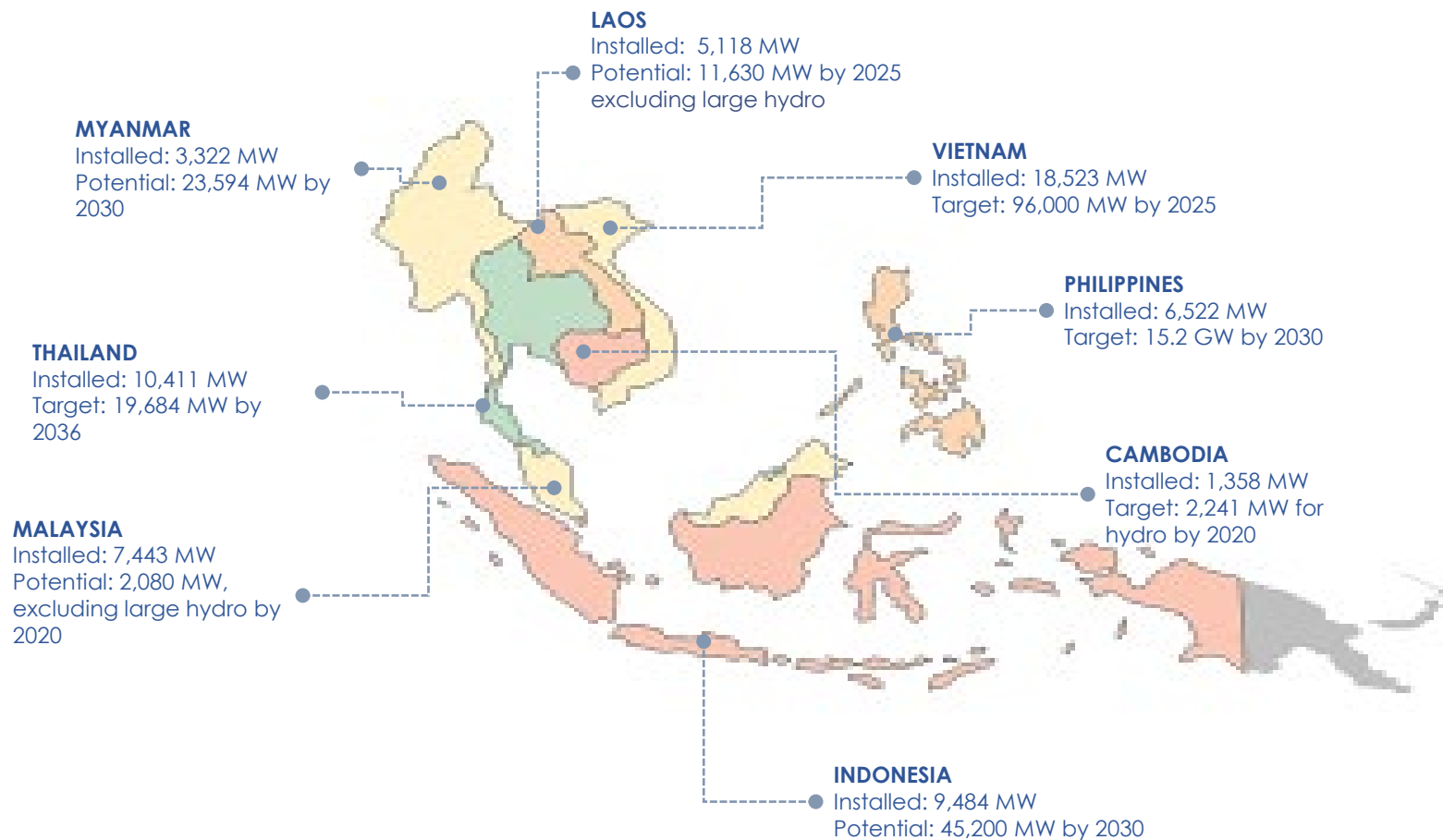
Electricity generation in the region has tripled between 1995 and 2015, reaching over 872 terawatt hours (TWh). During this period, electricity generation grew at an average rate of 7% per year, led by increases in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam



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 5<sup>th</sup> ASEAN Energy Outlook 2015-2040, ASEAN Centre for Energy

# SECTOR OUTLOOK

## OPPORTUNITIES IN THE UTILITIES INDUSTRY – Water Related Activities



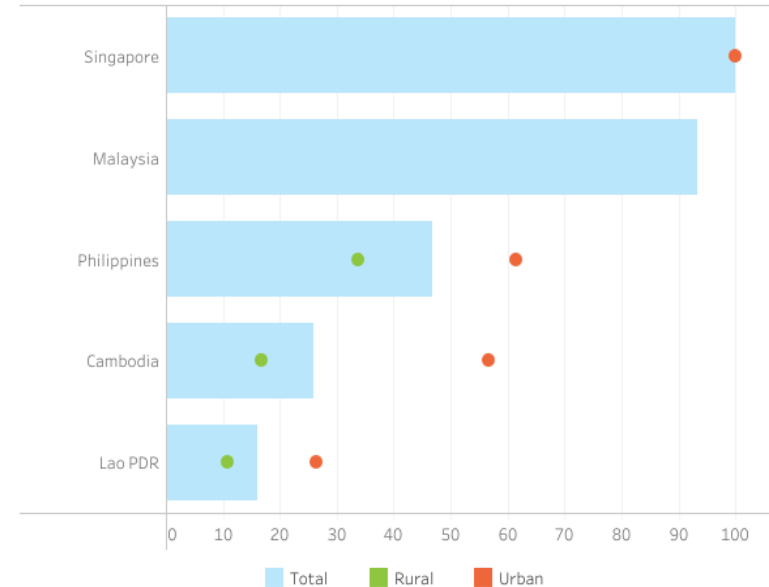
### Growth Opportunities

Propelled by a rapid population growth & urbanization

Inadequate infrastructure

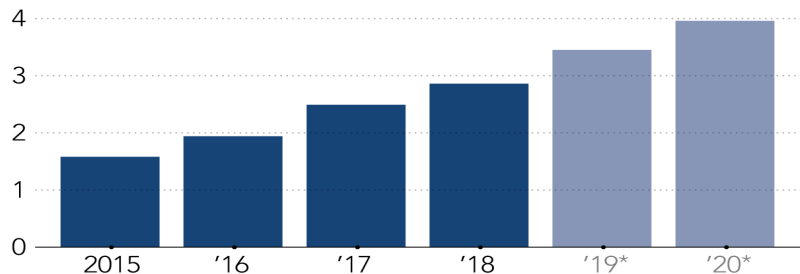
- In Southeast Asia, the water and wastewater services industry is still nascent with a highly fragmented market.
- Although Singapore and Malaysia are currently the markets with the most activity, developing markets such as Indonesia, Vietnam, and the Philippines are expected to offer strong growth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

Sources:

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)



## MISCELLANEOUS

**Contract Value** : Approximately RM40 million



## NEPAL MINI HYDROPOWER PLANT

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

## NEPAL MINI HYDROPOWER PLANT

**Contract Value** : USD46.2 million  
(equivalent to approximately RM193 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



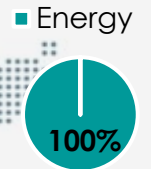
## TOTAL BID WON

RM1.37 Billion

Malaysia	RM688 Mil
Nepal	RM401 Mil
Laos	RM241 Mil
Indonesia	RM40 Mil

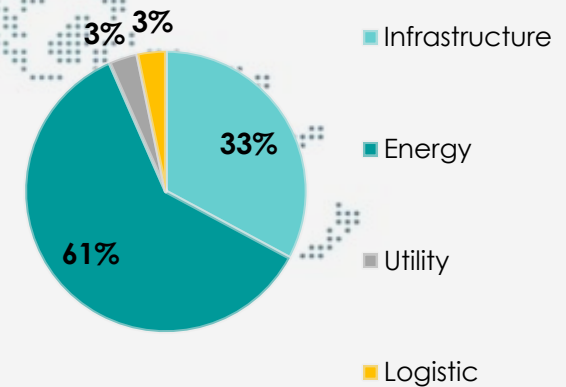
- Utilities : RM270 Mil
- Energy : RM1.01 Bil
- Infrastructure : RM52 Mil
- Property Development : RM42 Mil

**Laos**  
RM44 Million



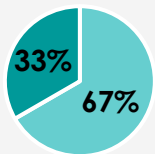
**TOTAL BID = RM3.18 Billion**

**Malaysia**  
RM609 Million



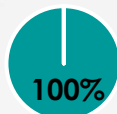
**Middle East**  
RM1.2 Billion

■ Infrastructure ■ Energy



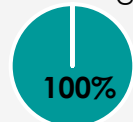
**Nepal**  
RM602 Million

■ 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 fell 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.
- Depressed demand worldwide.

### Property Development

- Was closed during entire MCO & construction commenced in June.
- Completion date is expected to be in FYE2021.

### Construction Related

- For FYE2020, most of the announced jobs are in design & planning stage thus, had minimal impact.
- For FYE2021, we have coordinated and managed the projects to ensure work will proceed as planned.

### **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 related activities.

# KEY TAKEAWAYS



## Improvement in financial performance from new business

- ✓ Recorded significant increase in revenue by 625% yoy during FY2020.
- ✓ Profitability grew by 2,556% in the same period.
- ✓ Driven by construction related activities mainly arise from preliminary works on the construction projects.

## On track to expand and strengthen regional presence

- ✓ Secured RM688 million of utilities, energy, and property project in Malaysia.
- ✓ Secured USD57 million of energy project in Laos.
- ✓ Secured USD94.2 million of energy project in Nepal.

## Steadily progressing the growing path

- ✓ Achieved RM1.2 billion order book of works in FYE2020 which provides the earnings visibility for next 3-4 years.
- ✓ RM2.0 billion order book target in FYE2021.
- ✓ Exploring potential mergers and acquisitions to enhance business prospects.
- ✓ Major shareholders are committed to support the capital requirements of the Group.

# NEWS & COVERAGE



**RHB** Malaysia Initiating Coverage

Energy & Utilities | EPCO Services

**Buy**

**Kumpulan PERNET (KPB MK)**

This is Just The Beginning

Target Price (RM): MYR4.00

Price: MYR3.40

Market Cap: MYR1.0B

Analyst: Sean Lim

Analyst Contact: +603 5200 8867

www.rhbmgroup.com

23 June 2020

Initial coverage with a BUY of TP MYR4.00. KPB is well positioned to benefit from the recovery in the power sector. The new initiatives in energy and utilities should provide a strong catalyst for the company's growth. We expect the company to continue delivering strong earnings growth, backed by its expanding orderbook.

• **Revenue** BUY, new TP of MYR3.77 from MYR3.60, 22% upside with expectations on higher-than-expected project billings, despite the delay in earnings growth. We expect the company to continue delivering strong earnings growth, backed by its expanding orderbook.

• **Orderbook** BUY, new TP of MYR3.77 from MYR3.60, 22% upside with expectations on higher-than-expected project billings, despite the delay in earnings growth. We expect the company to continue delivering strong earnings growth, backed by its expanding orderbook.

• **Delay in property development**, its only commercial project in South East Asia, which has a GUV of MYR4.1m, is 90% completed as of mid-August. Construction activities were suspended during the MCO period. We understand that the progress has been rather slow, even when construction activities have resumed, and the expected completion date has been pushed back further to early 2021. The unbilled sales of MYR2.2m will be recognized largely in 1H21.

• **We increase FY20 earnings by 7.9%** after improving high project mix (to 10% FY20) - assuming FY20 - on an up of a 17%.

**RHB** Small Cap Asian Research

24 August 2020

**Kumpulan PERNET (KPB MK)**

A Positive Surprise; Keep BUY

Target Price (RM): MYR4.00

Price: MYR3.40

Market Cap: MYR1.0B

Analyst: Sean Lim

Analyst Contact: +603 5200 8867

www.rhbmgroup.com

24 August 2020

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**FOCUS**

MALAYSIA

Business & Beyond

(https://focusmalaysia.my)

**Kumpulan PERNET posts higher 4Q profit**

By FocusMalaysia (https://focusmalaysia.my/category/management) | 7 min ago (https://focusmalaysia.my/2020/08/21/)

In Business (https://focusmalaysia.my/category/business/) | Management (https://focusmalaysia.my/category/management/)

**KPower targets RM5 bil market value in five years**

22 CORPORATE

Shareholders will be looking at the company's ability to raise the required capital, it said, referring to the hydro power energy generating facilities in Laos.

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**THE EDGE MARKETS**

MAKES BETTER DECISIONS

Home Corporate Sections The Edge TV Others BSE Weekly Ranking

MARKETING NOW Covid-19 outbreak Economic Recovery Plan The Edge Covid-19 Rank

**Kumpulan PERNET's 4Q profit surges on contribution from new construction-related segment**

Share by Sean Lim | 18 August 2020 10:40 AM +08

**POWERNET** Corporate NEWS

KUALA LUMPUR (Aug 21) - Kumpulan PERNET Bhd reported a 210% year-on-year jump in its fourth-quarter (4Q) net profit today, boosted by contribution from its new construction-related activities segment.

"With RM1.2bil projects secured, the company is confident in its ability to raise the required capital," it said, referring to the hydro power energy generating facilities in Laos.

KUALA LUMPUR: Kumpulan PERNET Bhd's net profit jumped 216% to RM7.31mil in the fourth quarter ended June 30 from RM2.31mil a year ago, boosted by strong revenue from its new construction-related division.

8/21/2020 K. PERNET 4Q net profit jumps to RM7.3m | The Star

**K. PERNET 4Q net profit jumps to RM7.3m**

CORPORATE NEWS

Friday, 21 August 2020 1:30 PM MYT

By Joseph Chin

**POWERNET** Corporate NEWS

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**NEW STRAITSTIMES**

KPower net profit for Q4 jumped 216pc

By NST Business - August 21, 2020 @ 5:41pm

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# THANK YOU

