

KUMPULAN **P**OWERNET BERHAD



Corporate Presentation

14 MAY 2020

RHB SMALL CAP TOP 20 JEWELS 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 Funding & Corporate Exercises

10 COVID-19

11 Key Takeaways

INVESTMENT MERITS



Earnings Growth Catalysts

- On track for **expansion** into renewable energy, utilities, infrastructure jobs
- Achieved RM1.0 billion order book for FYE 30 June 2020

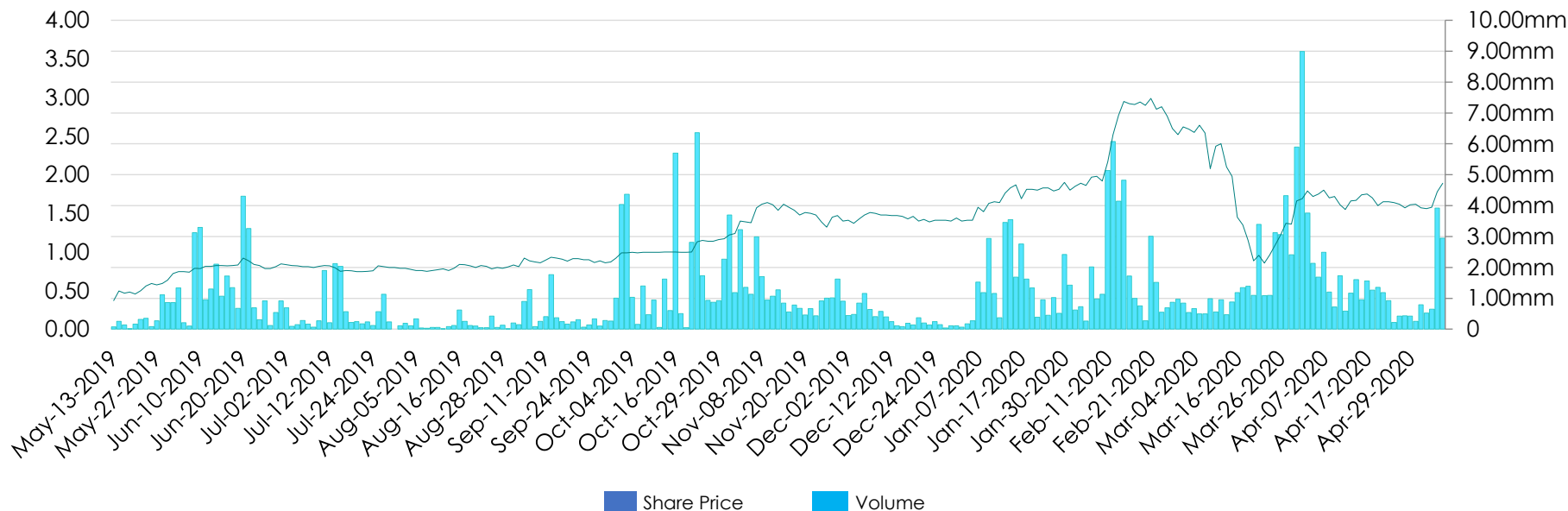
Established & Experienced Board of Directors and Management

- 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



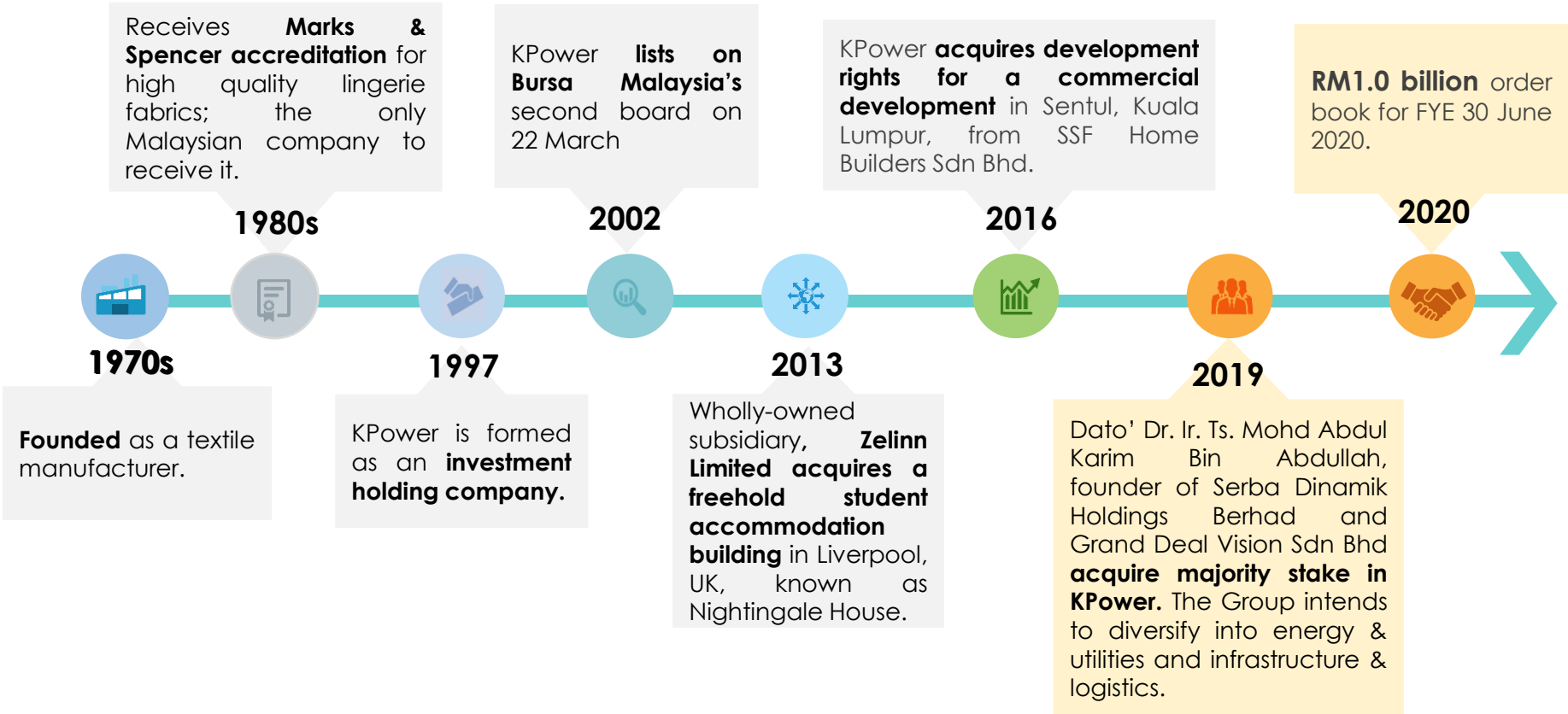
Stock Name / Code	: KPOWER / Code: 7130
Market	: Main Market
Sector	: Consumer Products & Services
Share Capital	: 83.76 million
Market Capital	: RM158.3 million
52-week high/low	: RM 3.11 / RM 0.32
Share Price	: RM 1.86
Dividend Policy	: At least 20% of PAT

SUBSTANTIAL SHAREHOLDERS

Holder	Common stock equivalent held	% of Total Shares Outstanding	Market Value (MYR in mm)
Mohd Abdul Karim bin Abdullah	29,055,078	34.69	54.8
Grand Deal Vision Sdn Bhd	11,500,000	13.73	21.7

Source: S&P Capital IQ, as at 13 May 2020

HISTORY & KEY MILESTONES



BOARD OF DIRECTORS



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

Billionaire and founder of oil-and-gas engineering company Serba Dinamik 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 20 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 utilities and renewable energy.**



Mustakim Mat Nun

Group Managing Director

Over 20 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 and power industries



Khairulaklam Omar

SVP, Head of Project Development

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

Kamalulariffin Ahmad

VP, Head of Project Implementation

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



Puteri Nur Qistina Abd. Rahman

Head of Finance

10 years of experience in audit with Ernst & Young and Deloitte

Lilik Harianti Saijan

Head of Corporate Resources & Administration

20 years' experience in multinational and 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

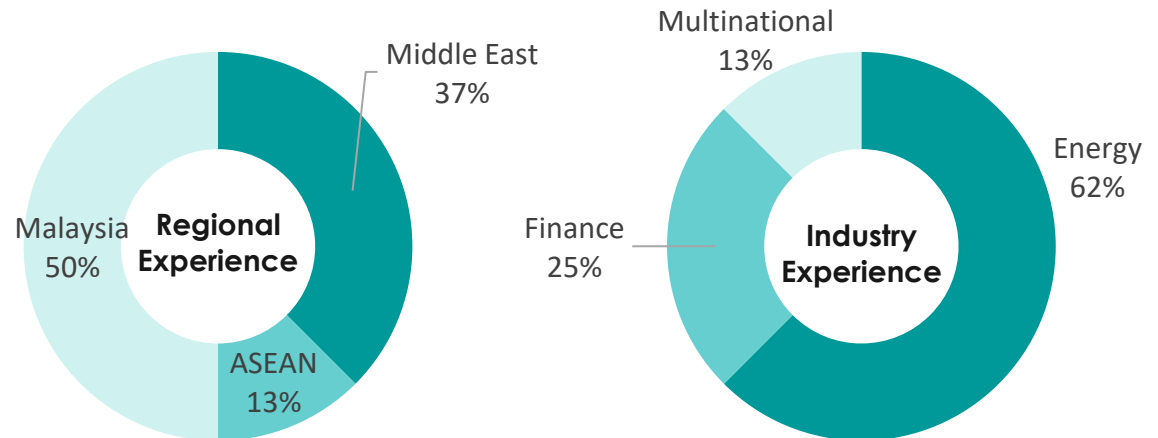
Extensive experience

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 energy & utilities, infrastructure & logistics

2


PROJECTS SECURED

As at 13 May 2020, KPower has successfully secured contracts worth approximately **RM1.002 billion**

BUSINESS SEGMENT – NEW FOCUS (CONT'D)




1. ENERGY


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

**PRIMARY
FOCUS**


3. INFRASTRUCTURE

 Sustainable and green infrastructure development

2. UTILITIES

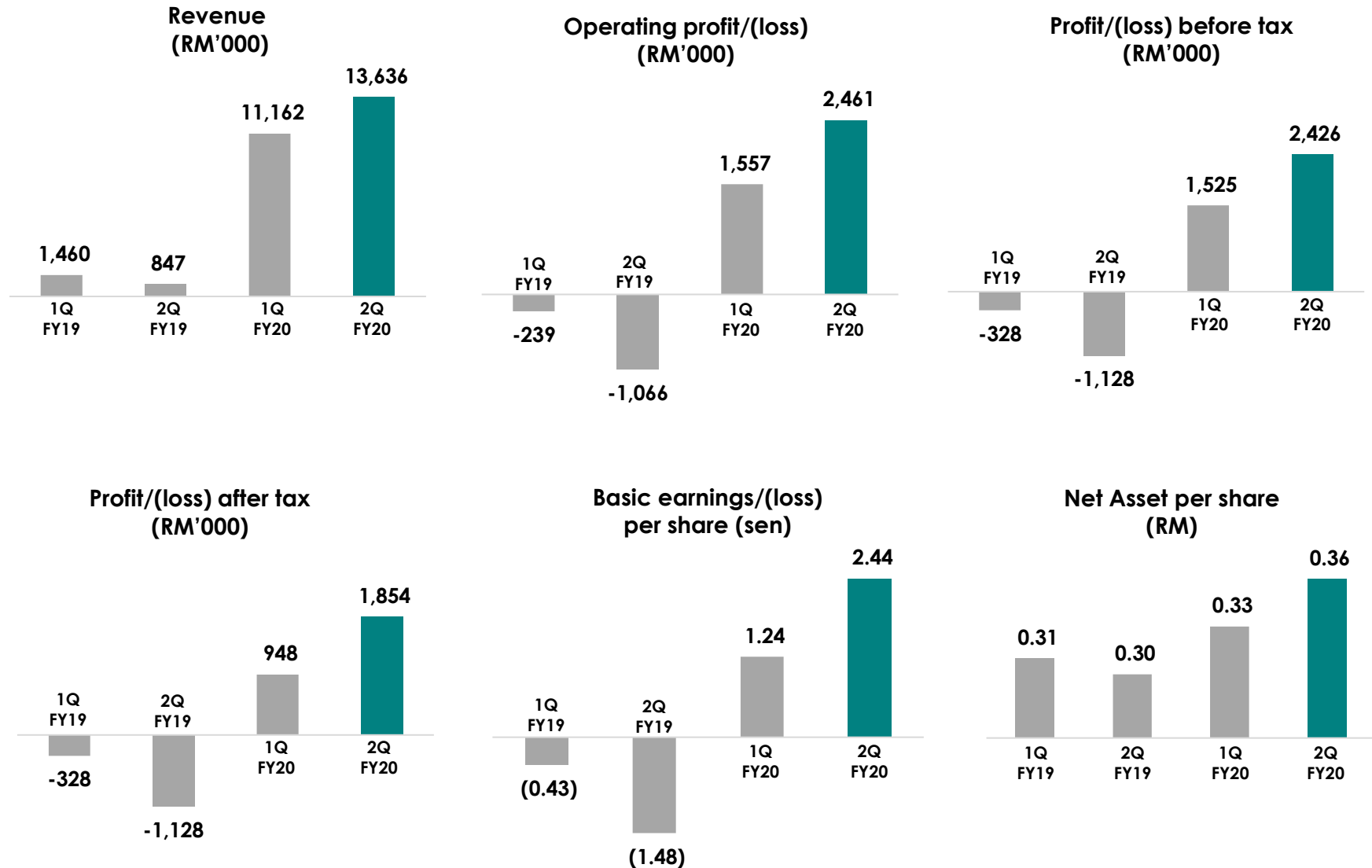
 Infrastructure projects related to water and sewage related activities

4. LOGISTICS

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

FINANCIAL PERFORMANCE - 2Q FY2020

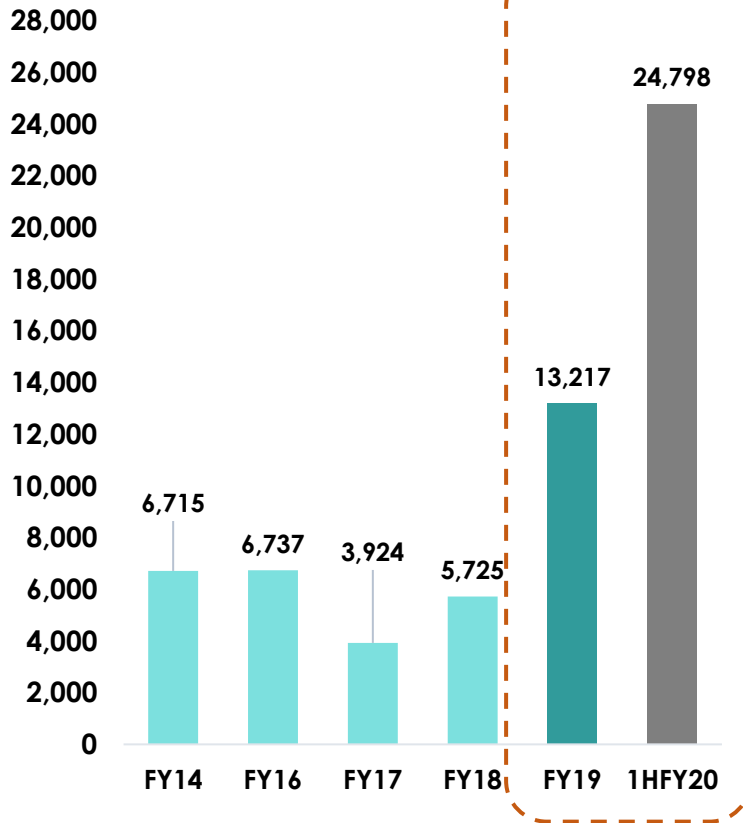
Improved Quarter-on-Quarter Performance



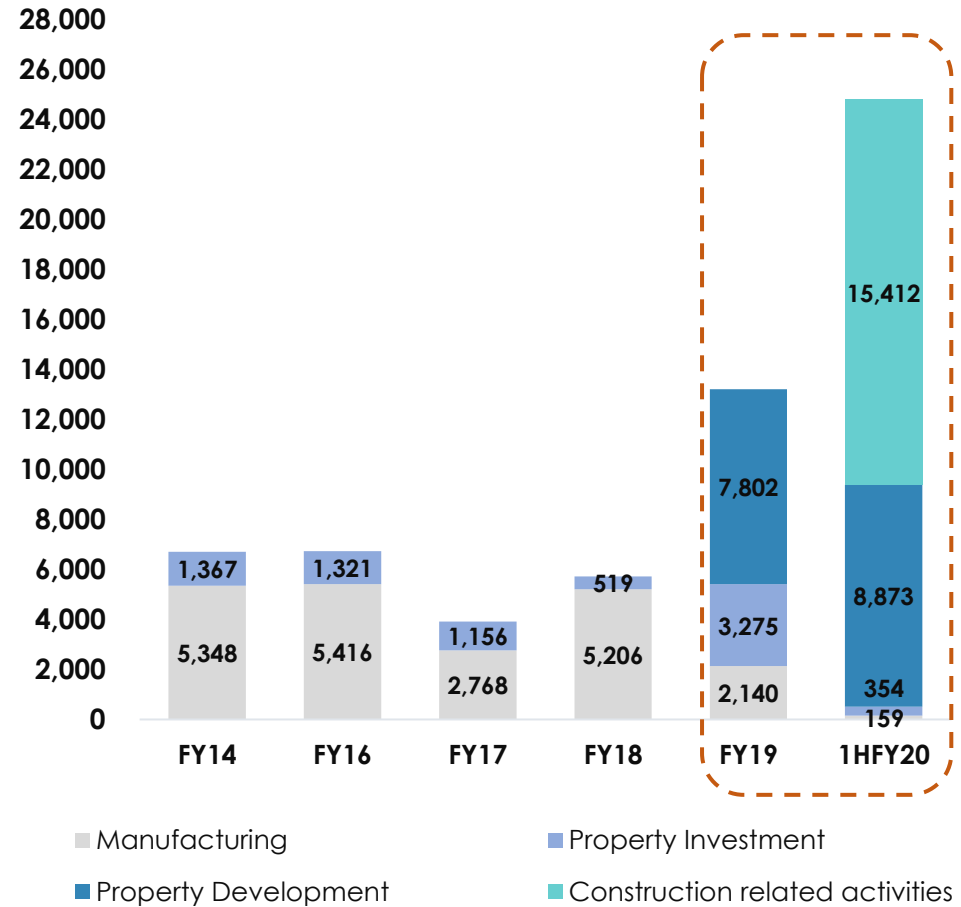
TOTAL REVENUE AND BREAKDOWN



**Total Revenue
(RM'000)**



**Revenue Breakdown
(RM'000)**

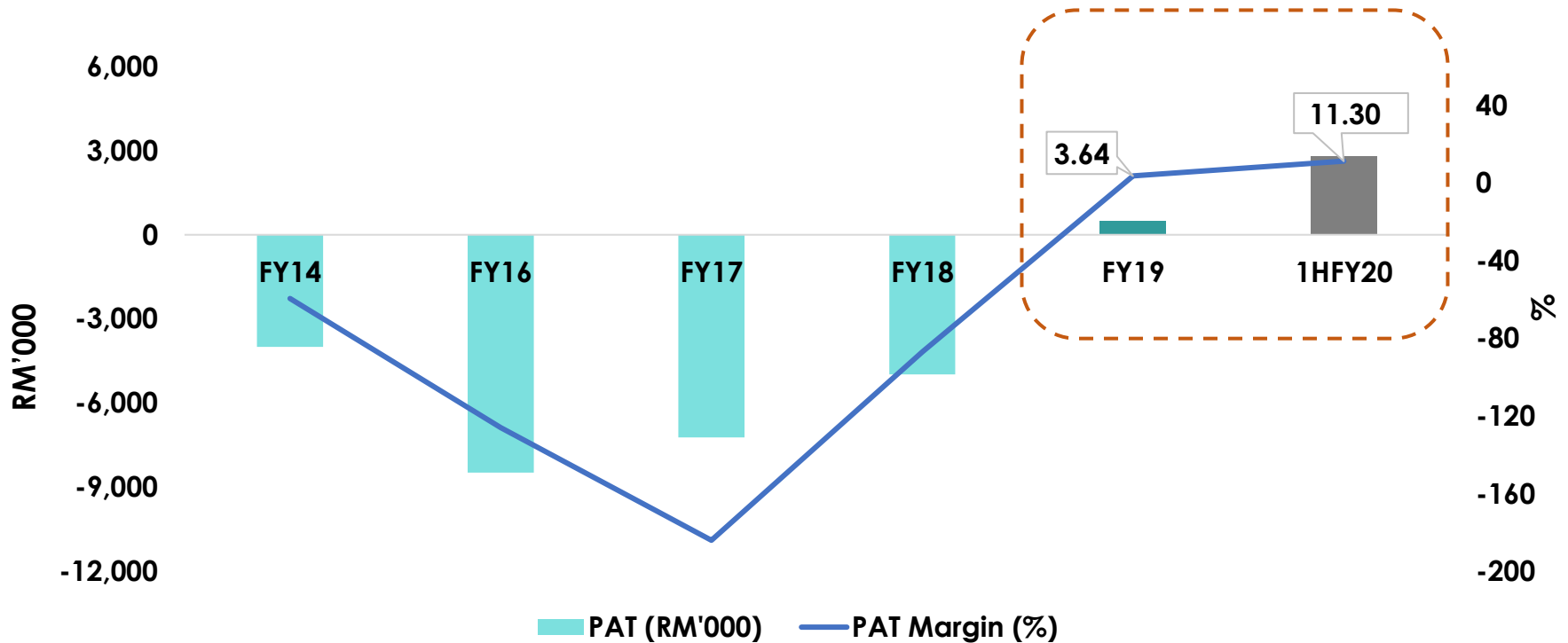


Note: Financial year end changed from 31 Dec to 20 June in 2015

PROFITABILITY (CONT'D)



PROFIT AFTER TAX ("PAT") AND PAT MARGIN

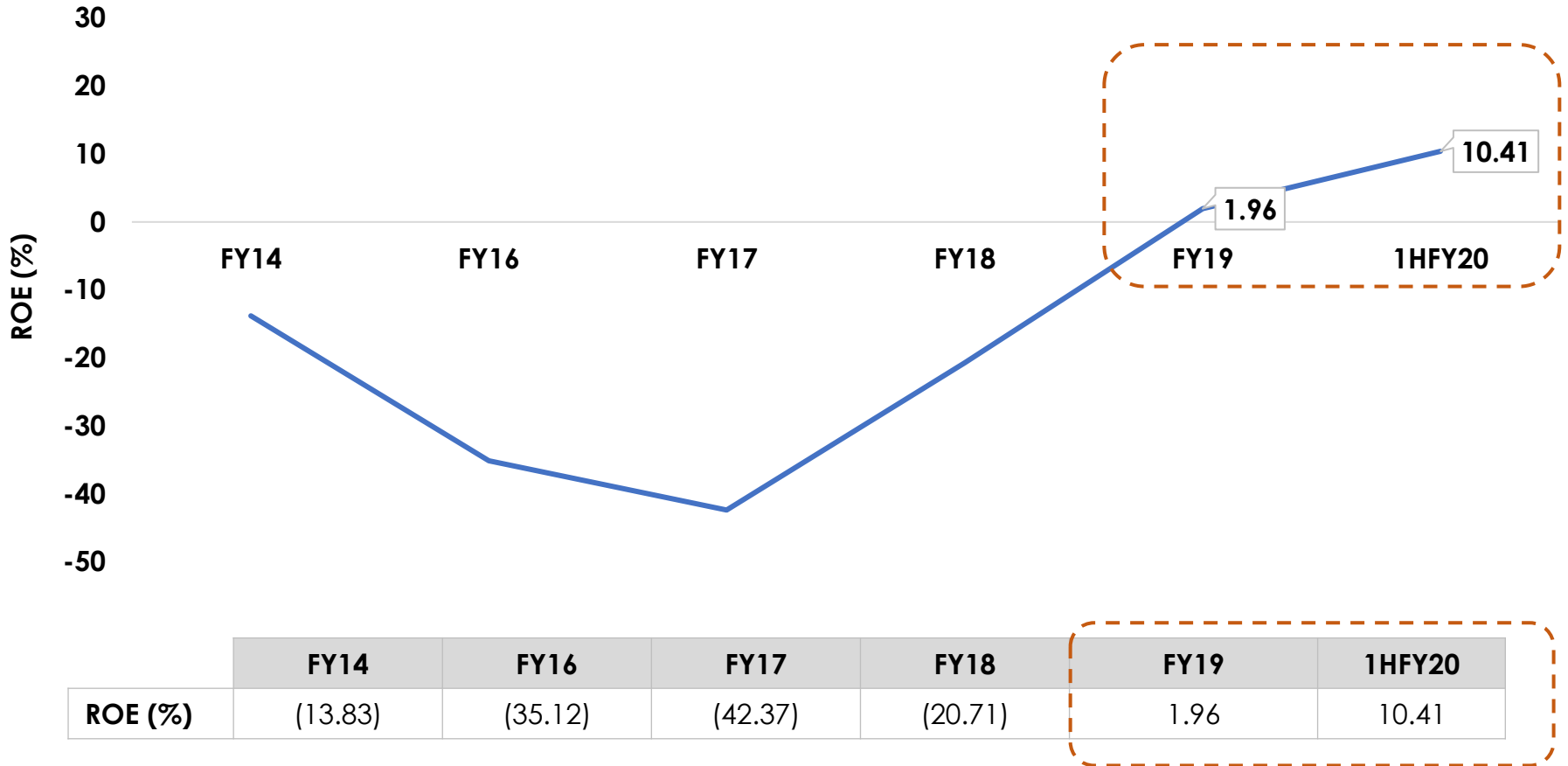


	FY14	FY16	FY17	FY18	FY19	1HFY20
PAT	(3,994)	(8,481)	(7,218)	(4,977)	481	2,802
PAT Margin (%)	(59.48)	(125.89)	(183.94)	(86.94)	3.64	11.30

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



Global Energy Demand Growth, 2018

+2.3%

Fastest in last decade – driven by robust global economy & stronger needs in some regions

Renewables – accounting for almost 1/4 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



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



- Electricity demand in Southeast Asia has substantially increased since the beginning of the century and it is projected to double by 2040.
- Approximately 107 million people in Southeast Asia do not have access to electricity.

Main concerns of ASEAN countries

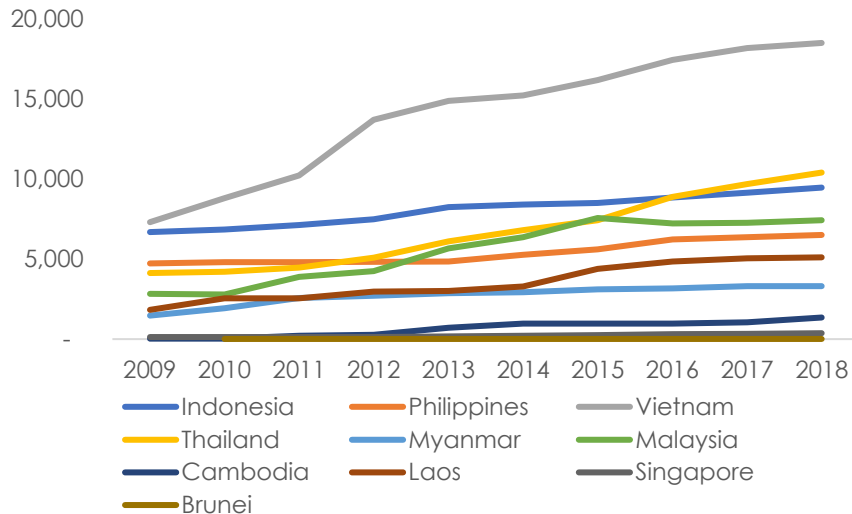
Energy security

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

The need to develop energy infrastructure

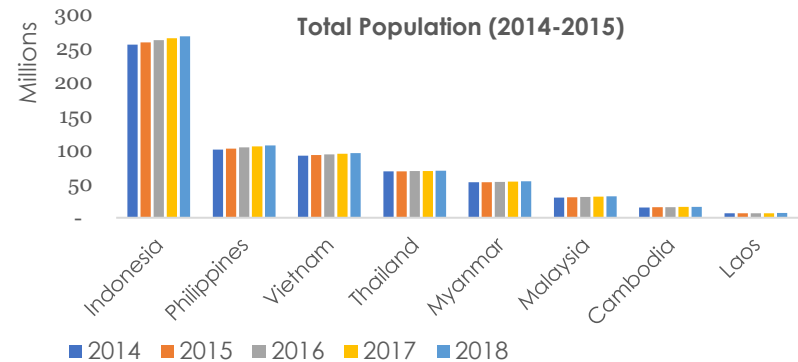
Low electrification rate among the countries especially the rural areas

RE Installed Capacity (MW) in Southeast Asia

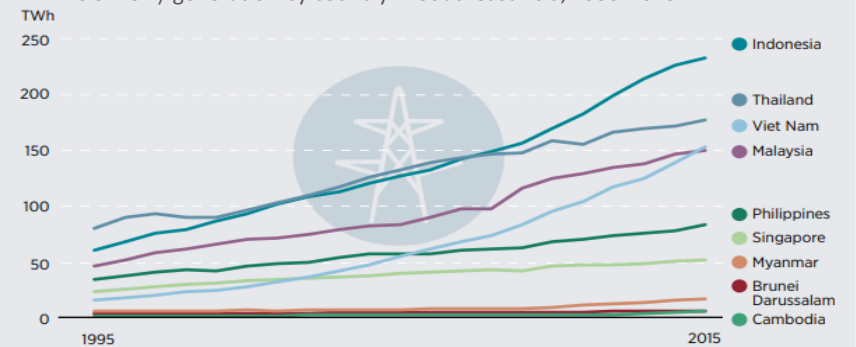


Source: Renewable Energy Statistics 2019, International Renewable Energy Agency (IRENA)

Rapid Economic & Demographic Growth



Electricity generation by country in Southeast Asia, 1995-2015

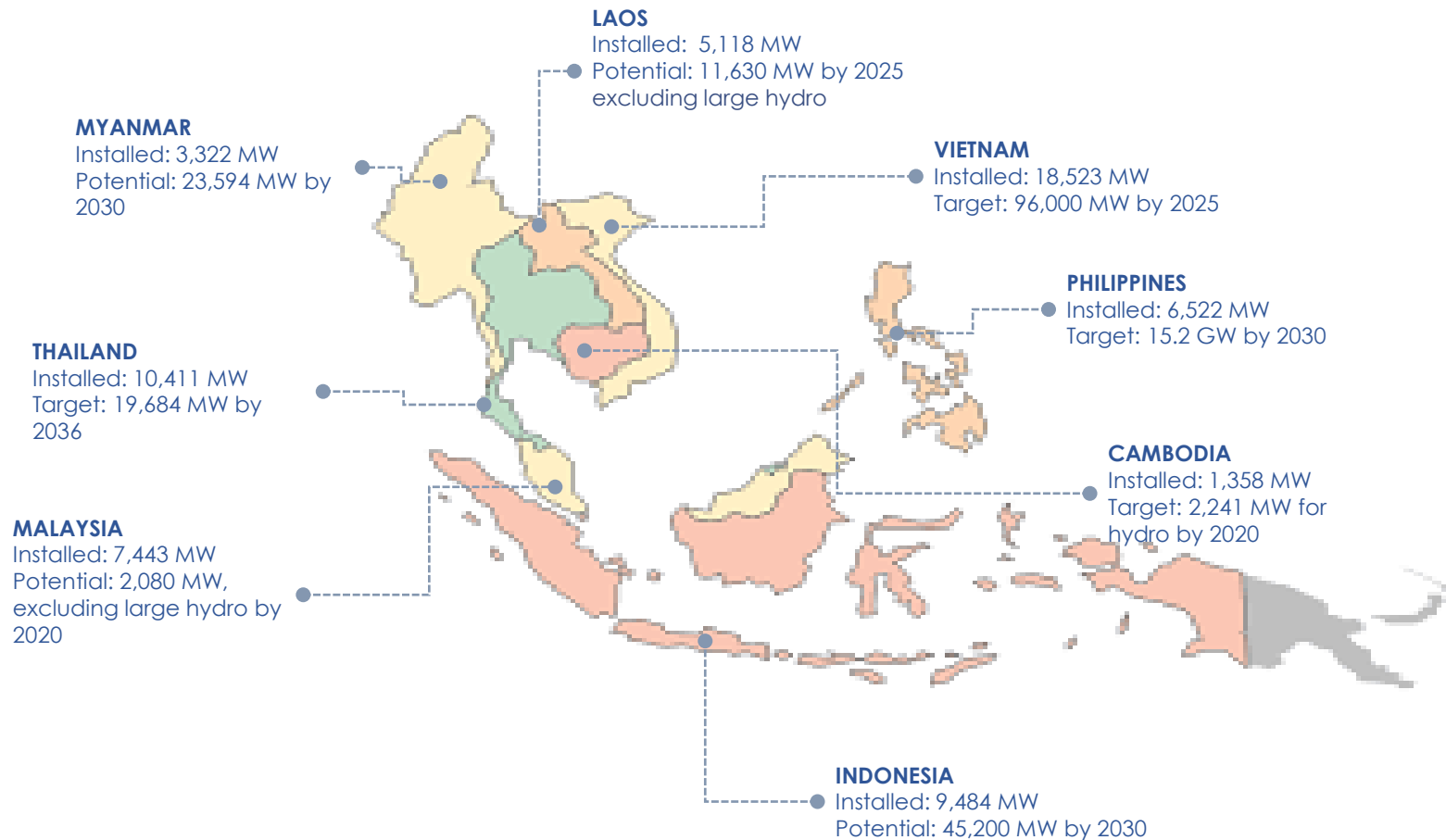


Source: International Energy Agency, 2017

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

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



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.

CAGR
5.82%
between 2017
and 2022

~300 million
have no access
to safe drinking
water

~1.5 billion
people lack
basic sanitation

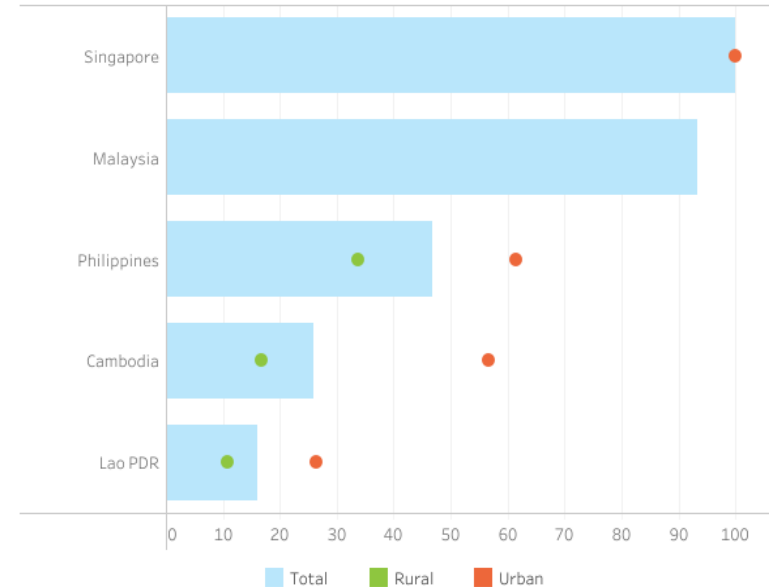
GROWTH OPPORTUNITIES

Propelled by a rapid
population growth &
urbanization

Inadequate
infrastructure

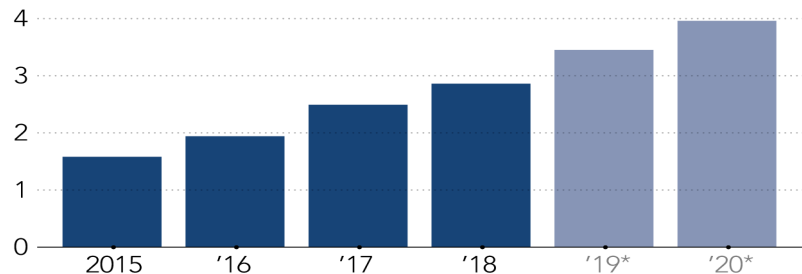
- In Southeast Asia, the water and wastewater services industry is still nascent with a highly fragmented market.
- Although Singapore and Malaysia are currently the markets with the most activity, developing markets such as Indonesia, Vietnam, and the Philippines are expected to offer strong growth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

Driven by the region's robust growth, Southeast Asia's sewage-related spending will increase to \$3.9 billion in 2020, up 150% from 2015, according to Global Water Intelligence, a U.K. market research company. This will far outpace the 30% growth for the world as a whole over the same period.

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



NEPAL MINI HYDROPOWER PLANT

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

Services : To undertake amongst others, the design, supply, construction, commissioning and completion of a 22.9 MW mini hydropower plant in Solukhumbu, Federal Democratic Republic of Nepal



NAM SAMOY HYDROPOWER PLANT

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

Services : To undertake amongst others, the design, supply, construction, commissioning and completion of an eight (8) MW small hydropower plant at Nam Samoy, Kasi District in Vientiane Province of the LAO PDR



SEWERAGE TREATMENT PLANT

Total Contract Value : RM270 million

Services : To undertake amongst others, the construction and completion of sewerage treatment facilities and upgrading works as well as the construction of a GBI certified building of twelve (12) floors, all in Wilayah Persekutuan Kuala Lumpur and other construction related jobs

MINI HYDROPOWER PLANTS

Total Contract Value : RM365 million

Services : To undertake amongst others, the preliminary study, design, supply, construction, commissioning and completion of five (5) mini hydropower plants with total capacity of 32.47 MW, all in Perak Darul Ridzuan

PROPERTY DEVELOPMENTS & OTHER JOBS

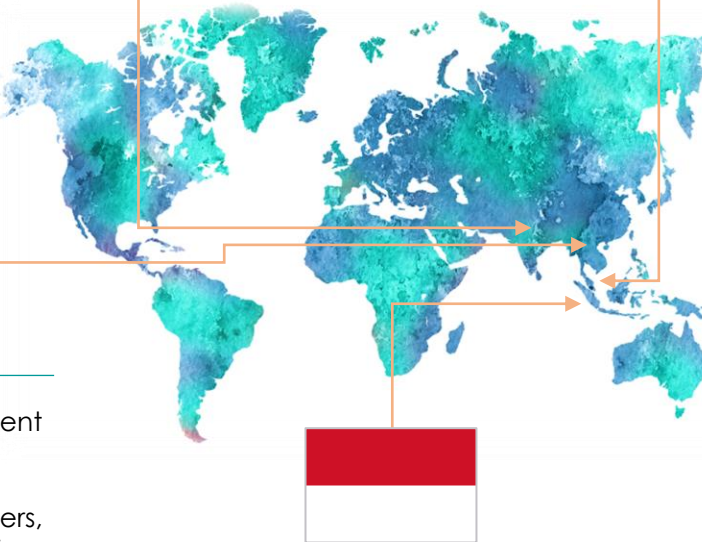
Total Contract Value : RM53 million

Services : Various jobs, Project management etc

MISCELLANEOUS

Total Contract Value: Approximately RM40 million

Services : Construction related jobs



CURRENT TENDER ACTIVITIES



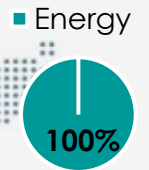
TOTAL BID WON
RM1.002 Billion

Bill To date : RM66.5 Mil*
*as at 31st March 2020

Malaysia	RM688 Mil
Nepal	RM208 Mil
Laos	RM66 Mil
Indonesia	RM40 Mil

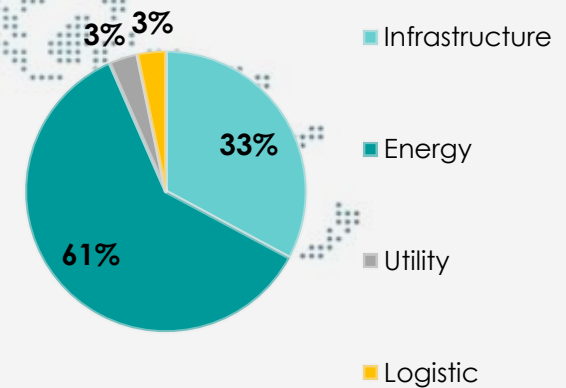
- Utilities : RM270 Mil
- Energy : RM638 Mil
- Infrastructure : RM52 Mil
- Property Development : RM42 Mil

Laos
RM220 Million



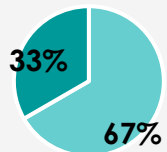
TOTAL BID = RM2.99 Billion

Malaysia
RM609 Million



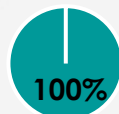
Middle East
RM1.2 Billion

■ Infrastructure ■ Energy



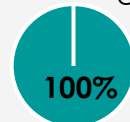
Nepal
RM495 Million

■ Energy



Indonesia
RM472 Million

■ Energy



FUNDING & CORPORATE EXERCISES



COMPLETED EXERCISE

- Recently completed Private Placement exercise on 21 February 2020.
- Successfully raised a total of RM13,326,239.50 from this exercise to address the immediate financial condition and requirements of KPower.

FUTURE PLAN

- Notwithstanding the recent Private Placement exercise, we are also looking at the best possible options to further increase our capital base in the future in order to achieve our business plan. Currently we are evaluating various options that are available to us.
- We are also exploring various mergers and acquisitions exercises to expand and grow the Group.
- The major shareholders have given their assurance that they will support the capital requirements of the Group going forward.

COVID-19: IMPACT ON BUSINESS



GLOBAL ECONOMIC LOCKDOWN

- As a result of the pandemic, the global economy is projected to contract sharply by -3% in 2020, much worse than during the 2008–2009 financial crisis.
- For Malaysia specifically, the real GDP is predicted to fall to -1.7% in 2020 as compared to 4.3% in the previous year.

Source: International Monetary Fund, World Economic Outlook, April 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 was closed for first few MCO and only allowed to operate with approval from MITI's with strict conditions.
- Construction related activities generally was stopped during the MCO.
- Recent relaxation to the latest Conditional MCO allow business in all segments to operate.

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 & will start construction 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



Major revenue and contributions from new businesses

- ✓ Laos mini hydro project and the sewerage water treatment plant package have started to significantly contribute to the financial performance of the Group.
- ✓ Current order book is expected to contribute positively to FYE 2020 and significantly more in the future.

Improvement in financial performance

- ✓ KPower has recorded a significant increase in revenue by RM22.5 million during 1H FY2020.
- ✓ Profitability has increased by RM4.24 million, representing 294.6% during 1H FY2020.
- ✓ Expect improvement to be significant as 2020's RM1 billion order book starts to materialise.

On track to expand and strengthen regional presence

- ✓ **RM1 billion order book across regions**
- ✓ Secured RM270 million of utilities project in Kuala Lumpur.
- ✓ Secured RM365 million of energy project in Perak.
- ✓ Secured USD16 million of energy project in Laos.
- ✓ Secured USD48 million of energy project in Nepal.

THANK YOU

