

**WE ENGINEER  
SOLUTIONS  
FOR TOMORROW**



**1Q2019**

# **FINANCIAL REVIEW**

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**KELINGTON GROUP BERHAD (0151)**

**JUNE 2019**

# SHAREHOLDER RETURNS

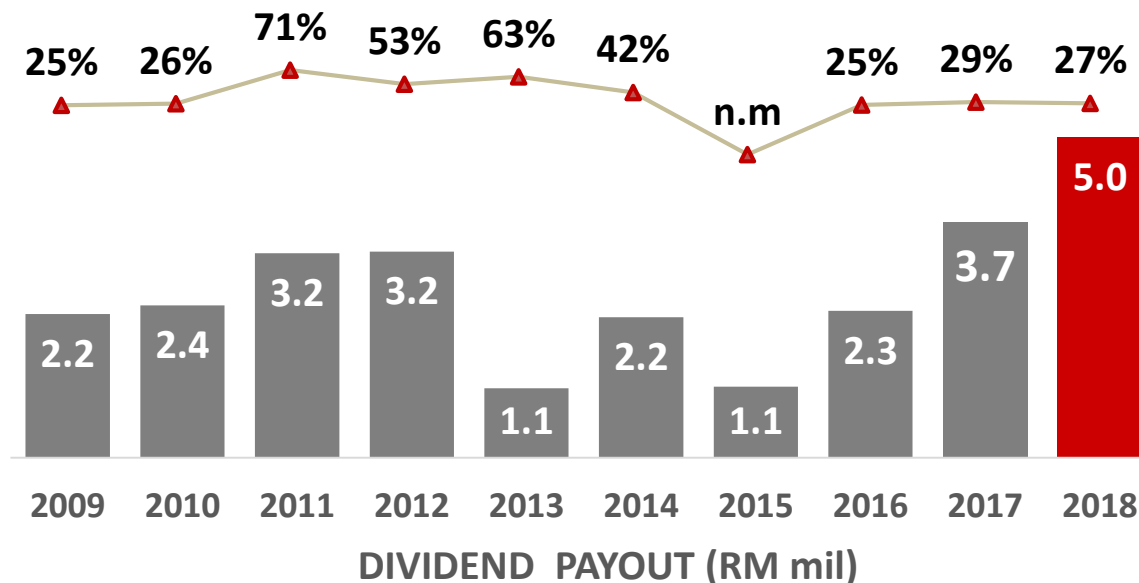
Highest dividend payout in FY2018 since listing

## DIVIDEND POLICY

# 25%

of PATAMI

DIVIDEND PAYOUT RATIO (%)



<p><b>FY2017</b></p>	<p><b>1.5</b><sup>sen</sup> Dividend per share</p>	<p>RM million <b>3.7</b></p>	<p>HIGHEST DIVIDEND PAYOUT</p>	<p><b>29%</b></p>	<p>PAYOUT RATIO</p>
<p><b>FY2018</b></p>	<p><b>1.8</b><sup>sen</sup> Dividend per share</p>	<p>RM million <b>5.0</b><sup>^</sup></p>	<p>YTD DIVIDEND DECLARED</p>	<p><b>27%</b><sup>^</sup></p>	<p>PAYOUT RATIO</p>

<sup>^</sup>estimation as actual dividend (RM in mil) to be paid out is dependent on the share base on book closure

# BUSINESS DIRECTION

## Expanding from Engineering Services into Industrial Gas

### ENGINEERING SERVICES

#### ULTRA HIGH PURITY DELIVERY SYSTEMS

Serve industries that require ultra high purity (UHP) gases and chemicals in specialized applications

#### CLIENTS:-

Semiconductor players,  
Electronic manufacturers,  
Gas plants.

#### PROCESS ENGINEERING

Engineer and construct mechanical and electrical systems that support industrial processes.

#### CLIENTS:-

Oil and gas,  
petrochemicals,  
Industrial plants.

#### GENERAL CONTRACTING

Full service range of contracting and construction management services

### INDUSTRIAL GASES

Manufacturing and trading of industrial and specialty gases



# 1Q2019 FINANCIAL PERFORMANCE

## Results Highlight

### Favorable project mix drives earnings growth

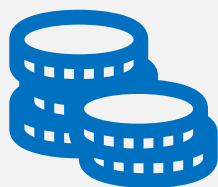
RM mil	1Q2019	1Q2018	YoY Changes	4Q2018	QoQ Changes
Revenue	76.4	86.6	(12%)	109.8	(30%)
Net Profit	4.8	4.2	15%	5.2	(7%)
Adj. Net Profit	4.8	2.7*	77%		

\*Exclude one-off settlement from Biocon and unrealised forex losses & gains

#### Lower revenue was mainly due to :

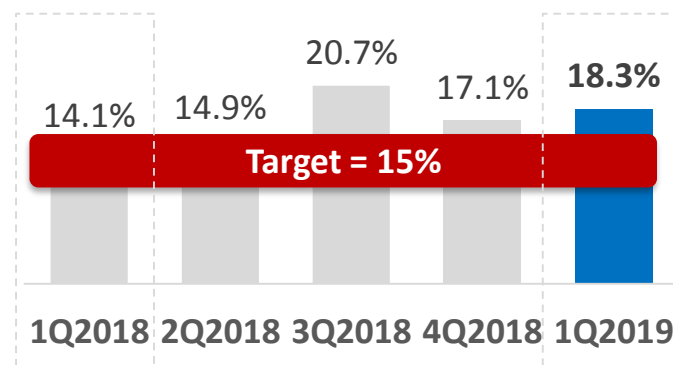
- Lesser contribution from a large UHP project in China, as the project is near completion.

#### Stronger earnings was mainly driven by :

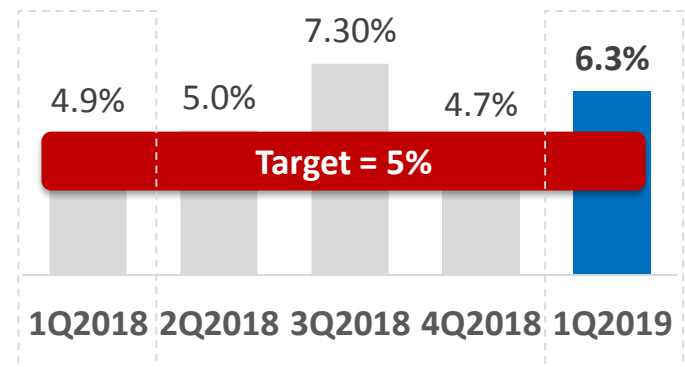


- Higher contribution from UHP division in Singapore
- Lower effective tax rate (1Q2019:27%, 1Q2018:35%)

#### Gross profit margin



#### Net profit margin



# 1Q2019 FINANCIAL PERFORMANCE (CONT'D)

## Adjusted Net Profit

Included in 1Q2018 is a one-off settlement from Biocon (amount owing had been fully impaired previously).

Illustration below shows the adjusted net profit figure excluding Biocon and unrealised forex losses & gains.

INCOME STATEMENT (RM M)	1Q2019	1Q 2018	% CHANGE
Reported Net profit	4.8	4.2	
Less : Biocon		(2.4)	
		1.8	
Forex (Loss)/Gain		(0.9)	
<b>Adjusted Net profit</b>	<b>4.8</b>	<b>2.7</b>	<b>+77%</b>

# 1Q2019 Y-O-Y & Q-O-Q COMPARISON

INCOME STATEMENT (FYE DEC, RM mil)	1Q2019	1Q2018	Y-o-Y changes	4Q2018	Q-o-Q Changes
Revenue	76.4	86.5	-12%	109.8	-30%
Cost of sales	(62.4)	(74.4)		(91.0)	
<b>Gross profit</b>	<b>14.0</b>	<b>12.2</b>	15%	<b>18.7</b>	-25%
<i>Gross profit margin</i>	<i>18.3%</i>	<i>14.1%</i>		<i>17.1%</i>	
Other income	0.5	0.6		0.3	
Administrative expenses	(5.5)	(4.4)		(9.1)	
Selling and distribution exp.	(0.3)	(0.3)		(0.4)	
Other expenses	(1.8)	(1.3)		(2.4)	
<b>Operating profit</b>	<b>6.8</b>	<b>6.7</b>	2%	<b>7.2</b>	-5%
Finance costs	(0.3)	(0.3)		(0.3)	
<b>Profit before tax</b>	<b>6.5</b>	<b>6.4</b>	1%	<b>6.9</b>	-6%
Tax	(1.7)	(2.2)		(1.9)	
<b>Profit after tax</b>	<b>4.8</b>	<b>4.2</b>	14%	<b>5.0</b>	-5%
<i>Effective tax rate</i>	<i>26.5%</i>	<i>34.8%</i>		<i>27.5%</i>	
<i>PBT margin</i>	<i>8.5%</i>	<i>7.4%</i>		<i>6.3%</i>	
<i>PAT margin</i>	<i>6.3%</i>	<i>4.8%</i>		<i>4.6%</i>	

1

## YoY :

Lower revenue was mainly due to lesser revenue contribution from a large UHP project in China.

2

## QoQ :

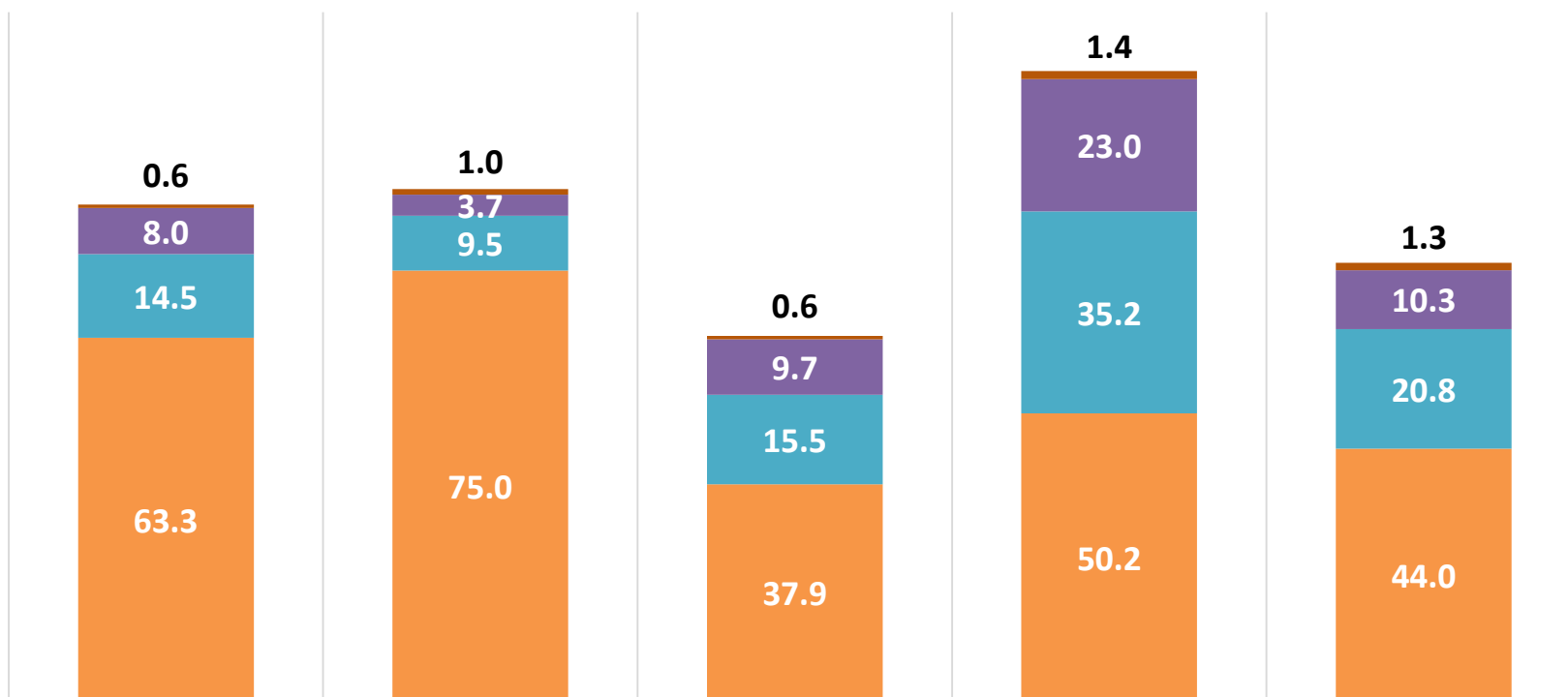
The 1<sup>st</sup> quarter of the year is traditionally weaker due to festive season.

# REVENUE BREAKDOWN BY BUSINESS SEGMENTS

**UHP division was the largest revenue contributor**

■ Ultra High Purity   
 ■ Process Engineering   
 ■ General Contracting   
 ■ Industrial Gases

RM86.5 mil     
 RM89.2 mil     
 RM63.7 mil     
 RM109.8 mil     
 RM76.4 mil



1Q 2018

2Q 2018

3Q 2018

4Q 2018

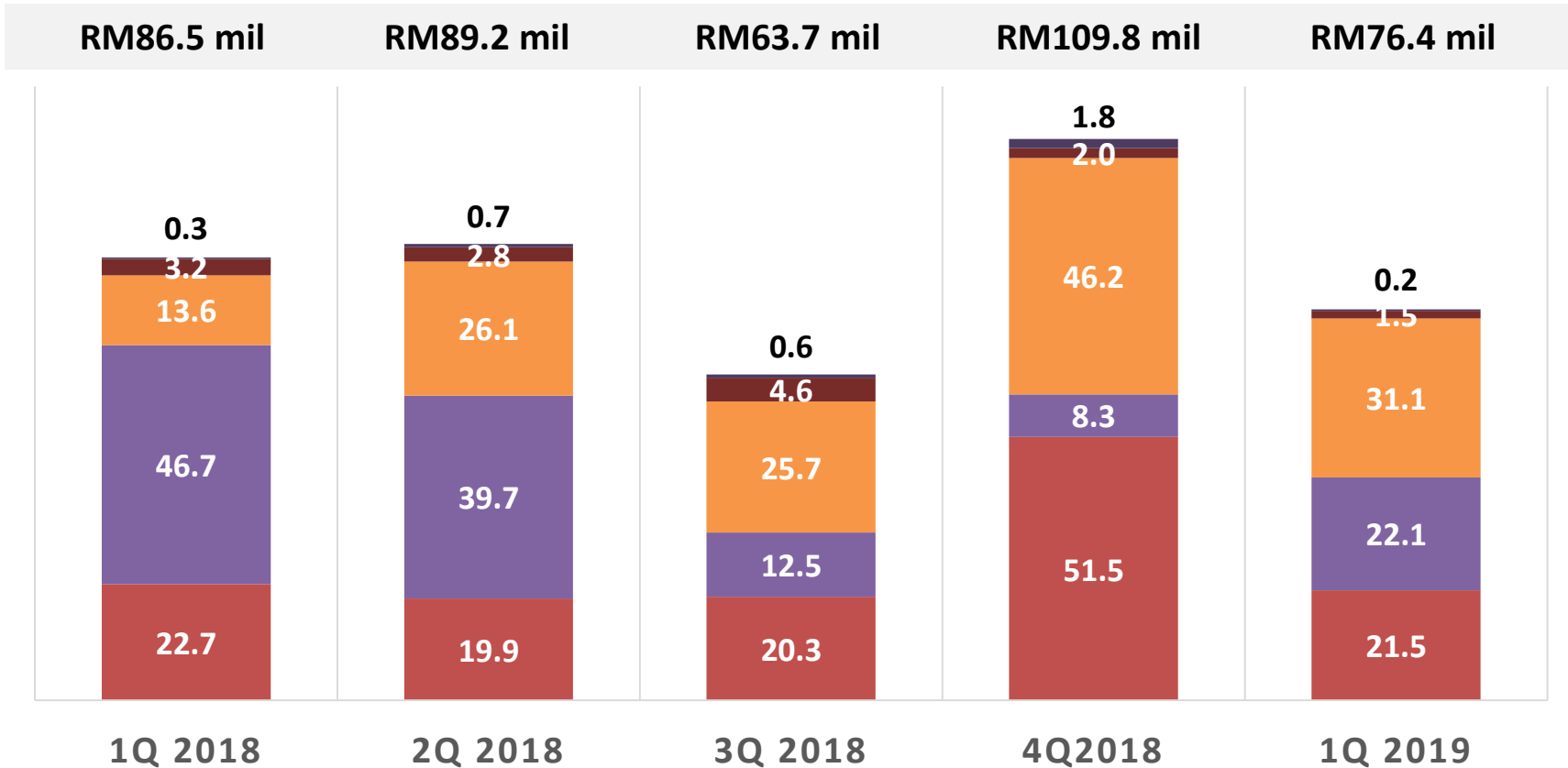
1Q 2019

	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
<b>UHP</b>	73%	84%	59%	46%	58%
<b>PE</b>	17%	11%	24%	32%	27%
<b>GC</b>	9%	4%	15%	21%	13%
<b>IG</b>	1%	1%	1%	1%	2%

# REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS

## Revenue led by Singapore and China

■ Malaysia ■ China ■ Singapore ■ Taiwan ■ Others



	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
Msia	26%	22%	32%	47%	28%
China	54%	44%	20%	8%	29%
Spore	16%	29%	40%	42%	41%
Taiwan	4%	3%	7%	2%	2%
Others	0%	2%	1%	1%	0%



# HEALTHY BALANCE SHEET

Net cash position, ample room to fund expansion plans

(RM Mil)	31.12.2018 (AUDITED)	31.03.2019 (UNAUDITED)
TOTAL BORROWINGS	17.0	12.0
<i>SHORT-TERM</i>	<i>15.5</i>	<i>8.0</i>
<i>LONG-TERM</i>	<i>1.5</i>	<i>4.0</i>
TOTAL CASH	67.0	88.5
NET CASH	50.0	76.5
NA/SHARE (RM)	0.44	0.46
GEARING	0.1x	0.1x
NET GEARING	Net cash	Net cash
<b>NET CASH PER SHARE</b>	<b>19 sen</b>	<b>26 sen</b>

In 2018 and YTD 2019, we raised a total of RM36.5 million from:-

**Private placement**

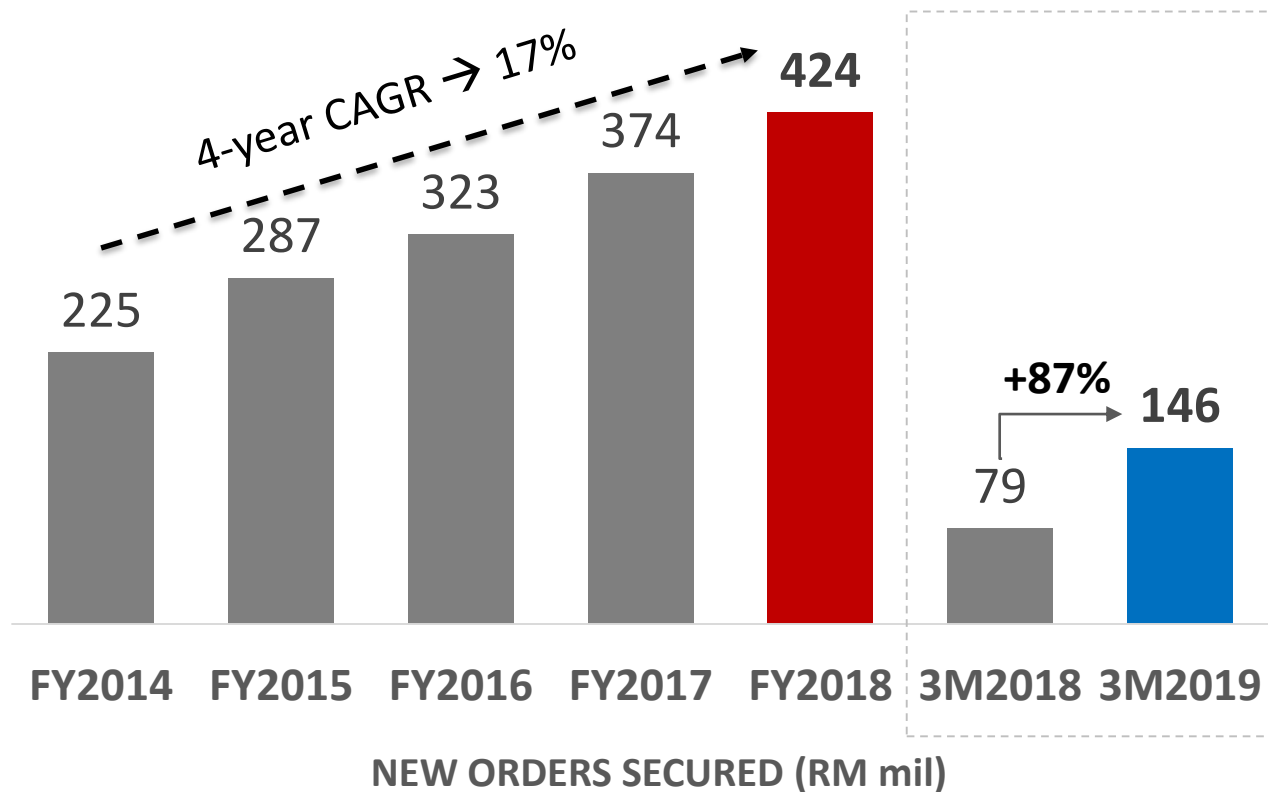
Completed issuance of 10% new shares and raised RM17.8 million

**Warrant conversion (Exp. Jun 2019)**

Total amount raised from conversion of warrants: RM18.7 million  
(RM6.7 mil- FY2018 , RM12.0 mil- 1Q2019)

# STRONG ORDERBOOK REPLENISHMENT

Healthy year-on-year growth



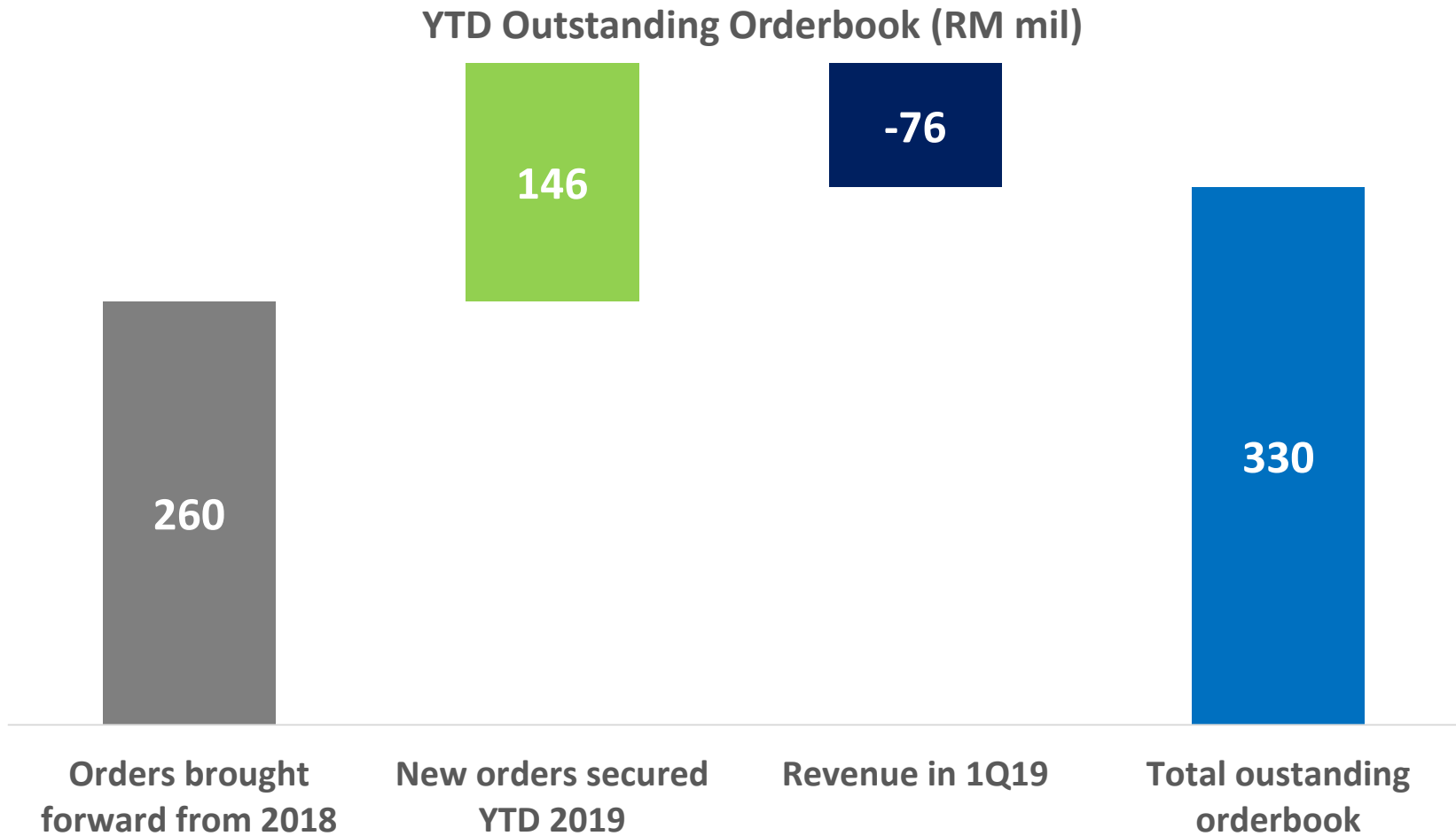
**Growing  
orderbook**

**RM 330\***  
million  
outstanding orderbook

**RM 1.2**  
billion  
tenderbook

\*As at March 2019

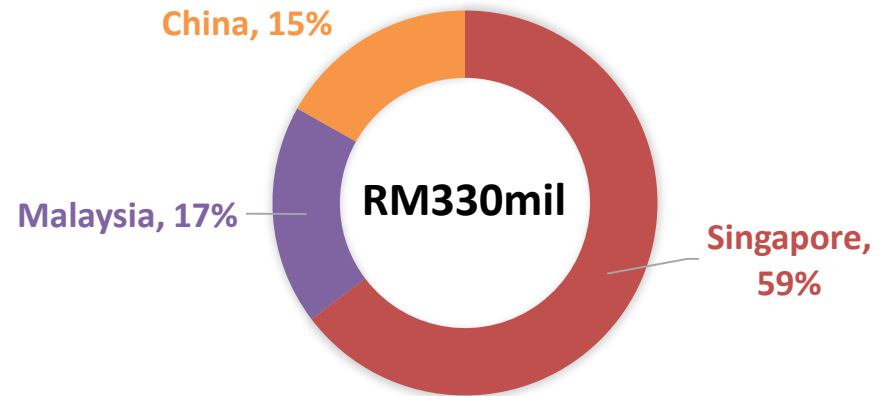
# YTD OUTSTANDING ORDERBOOK



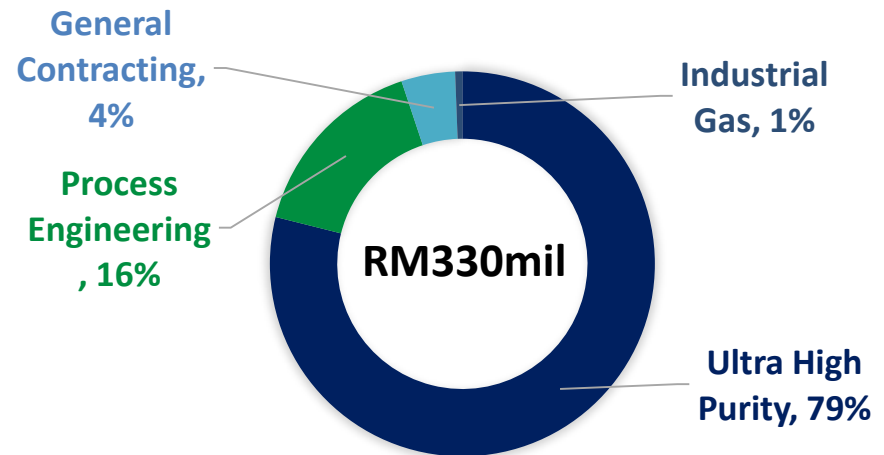
# OUTSTANDING ORDERBOOK BREAKDOWN

Largely boosted by Singapore and China UHP projects

ORDERBOOK BY GEOGRAPHICAL SEGMENT



ORDERBOOK BY BUSINESS SEGMENT



# SUMMARY

## ENGINEERING SERVICES

On track to deliver another record high FY2019 financial performance, supported by outstanding orderbook in hand (RM330 million).

Tendering for projects worth approximately RM 1.2 billion.

## INDUSTRIAL GAS

Strong balance sheet with ample cash balance (net cash balance of RM77 million as at 31.03.2019) to support new Industrial Gas business.

Commenced small-scale on-site Industrial Gas supply and trading activities.

Commercial production of liquid CO2 to commence in 4Q2019.

Target for Industrial Gas division to contribute 30% of Group revenue within 3-5 years time.

**THANK YOU**

# APPENDIX

# UPDATES ON THE SEMICONDUCTOR INDUSTRY

China remained as one of the top 3 world's biggest semiconductor equipment spender in 1Q2019 with USD2.36 billion in billings, a slight reduction of 11% YoY.

<b>COUNTRIES</b> (USD BIL)	<b>1Q2019</b>	<b>4Q2018</b>	<b>1Q2018</b>	<b>1Q19/4Q18</b> (QOQ)	<b>1Q19/1Q18</b> (YOY)
Taiwan	3.81	2.81	2.27	36%	68%
Korea	2.89	3.13	6.26	-8%	-54%
<b>China</b>	<b>2.36</b>	<b>2.69</b>	<b>2.64</b>	<b>-13%</b>	<b>-11%</b>
North America	1.67	1.94	1.14	-14%	47%
Japan	1.55	2.65	2.13	-41%	-27%
Europe	0.84	0.91	1.28	-8%	-34%
Rest of World	0.67	0.82	1.27	-18%	-47%
<b>Total</b>	<b>13.79</b>	<b>14.96</b>	<b>16.99</b>	<b>-8%</b>	<b>-19%</b>

Source: SEMI ([www.semi.org](http://www.semi.org))



# 5-YEAR FINANCIAL TRACK RECORD

FYE 31 December (RM mil)	2014	2015	2016	2017	2018
Revenue	189.1	206.4	343.3	313.3	349.2
Gross profit	19.0	20.2	39.2	50.0	57.4
PBT	5.2	(2.1)	10.1	17.2	24.5
PATNCI	5.2	(2.5)	8.9	11.8	18.5
Impairment losses	-	8.5	10.9	3.8	2.0
Gross profit margin	10.1%	9.8%	11.4%	16.0%	16.4%
PBT margin	2.7%	n.m.	2.9%	5.5%	7.0%
PATNCI margin	2.7%	n.m.	2.6%	3.8%	5.3%
Eff. Tax rate	0.6%	n.m.	11.3%	32.7%	25.7%
Adjusted PATNCI margin	2.7%	2.9%	5.8%	5.0%	5.9%
EPS (sen)	2.3	(1.1)	4.0	5.2	7.5
No. of ordinary shares (mil)	217.0	220.1	222.4	227.9	282.0*

- 1 Stronger revenue due to larger UHP projects completed in FY2018.
- 2 Highest ever net profit, mainly attributable to better project mix and lower effective tax rate (FY2018: 25.7% vs FY2017: 32.7%)
- 3 Lesser impairment losses incurred during the period
- 4 Adjusted PATNCI margin excluding the impairment losses
- 5 Increase in NOSH is due to the exercise of warrants and private placement

\*As at 22 Feb 2019