

WE ENGINEER SOLUTIONS



KELINGTON GROUP BERHAD

(501386-P)

STOCK CODE : KGB / 0151

CORPORATE BRIEFING

DECEMBER 2020

BUSINESS UPDATE



3Q2020 Highlights

Strong recovery : China & Malaysia back on track for growth

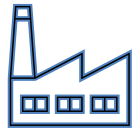
- Operations in China, Malaysia and Taiwan remain on 100% level while Singapore is recovering at ~75%.
- **Growing workforce in China and Malaysia** to cope with rising demand and expedite project delivery timeline.
- **UHP division:** Strong growth in China as semiconductor players continue to ramp up its expansion activities. Recovery in Singapore remains moderate due to the additional SOP.
- **PE division:** Expansion activities resume in Malaysia after the uplift of MCO. Tender activities accelerated in 3Q2020 with majority projects from the industrial segment.
- **Industrial Gases division:** Demand for LCO2 is back on track as economic activities pick up, recorded highest ever quarterly revenue of RM7.2mil in 3Q2020.
- **Orderbook :** Remain robust and clinched RM142mil worth of new projects in 3Q2020. Boosting 9M2020 new orders secured to RM372mil, up 26.5% from RM294mil last year.

BUSINESS UPDATE



Industrial Gases continues upward trajectory

INDUSTRIAL GASES
REVENUE (RM mil)



Manufacturing of Liquid CO2

On track for growth : Demand back to Pre-MCO level to 50% as economic activities resumes.

Export Ready : Received 4 skid tanks.

F&B expansion : Target to obtain the Halal cert by early 2021.



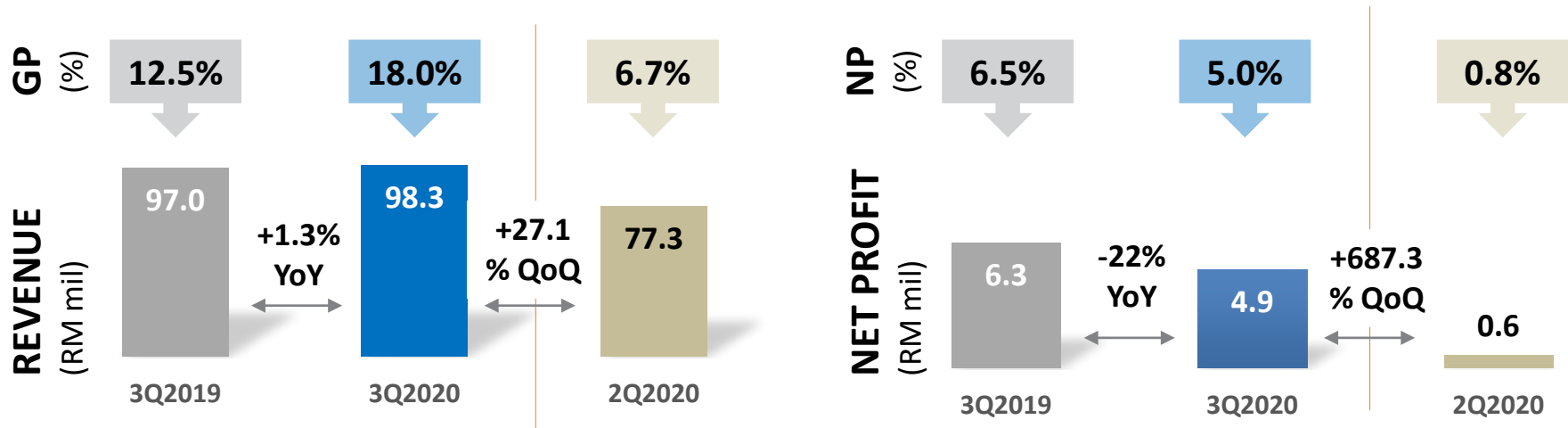
Dry Ice Plant

Current utilisation rate is 25% of total capacity, due to lower demand from aviation industry



FINANCIAL PERFORMANCE

3Q Results Highlight



3Q2020 Highlights

- The commendable recovery was mainly driven by strong growth in Malaysia and China operations, revenue up 52% YoY and 35% YoY respectively.
- However, it was offset by the operations in Singapore whereby recovery is slower due to the lockdown measures.
- GP margin improved to 18.0%, driven by higher contribution from UHP projects.
- PBT was at RM7.2 mil, surpassed 1H2020 PBT of RM6.1 mil and net profit rebounded to RM4.9 mil.
- Included in the PBT was a one-off impairment on trade receivable of RM2.4 mil. Excluding the one-off item, adjusted PBT is at RM9.6 mil.

9M2020 FINANCIAL PERFORMANCE

Revenue (RM mil)

Gross Profit margin

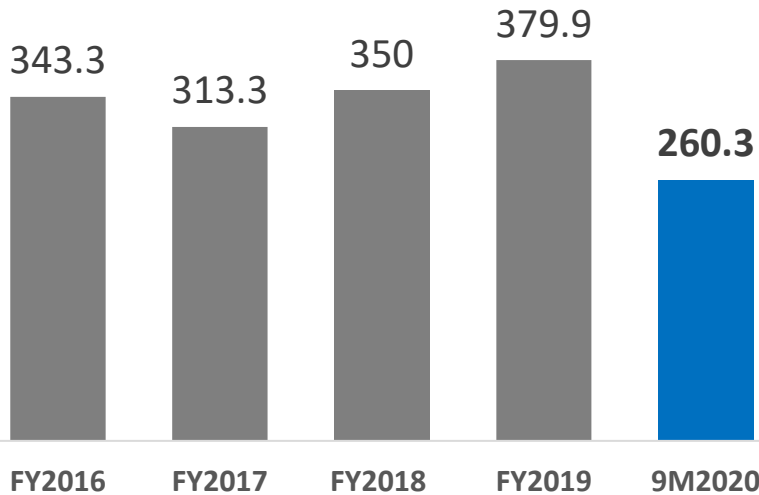
11.4% 16.0% 16.8% 16.7% 13.1%

Net Profit (RM mil)

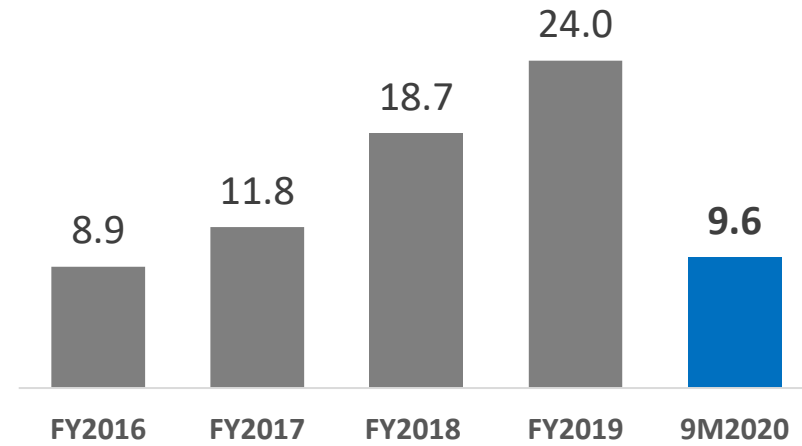
Net Profit margin

2.6% 3.8% 5.3% 6.3% 3.7%

Revenue (RM million)



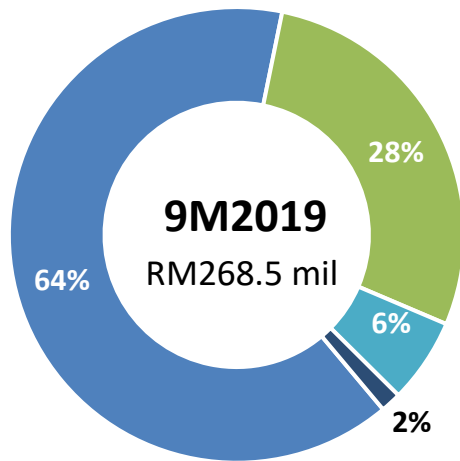
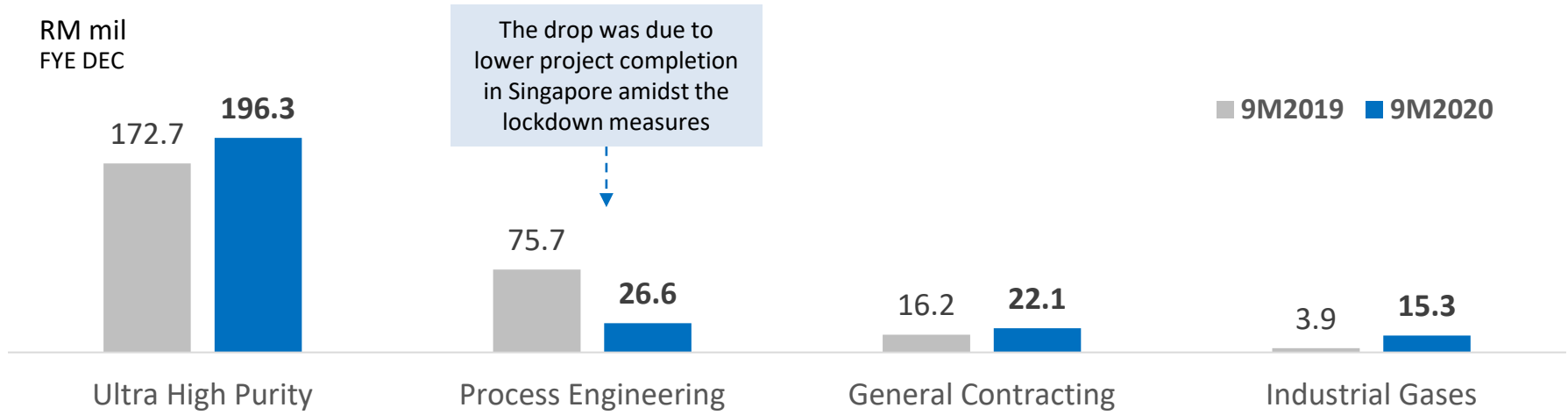
Net profit (RM million)



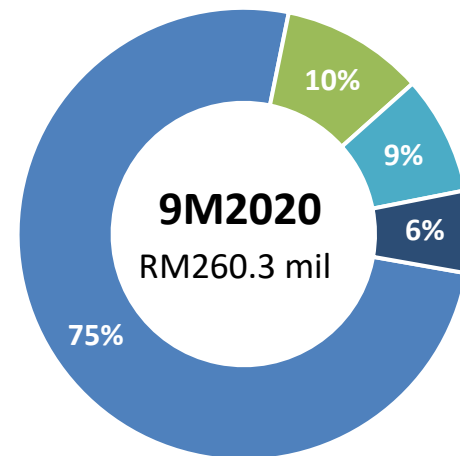
REVENUE BREAKDOWN BY BUSINESS SEGMENTS



UHP division remains the key revenue contributor



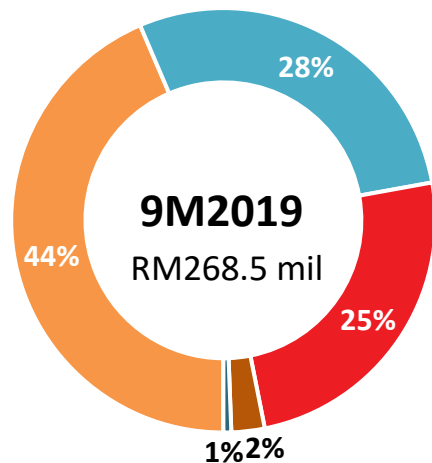
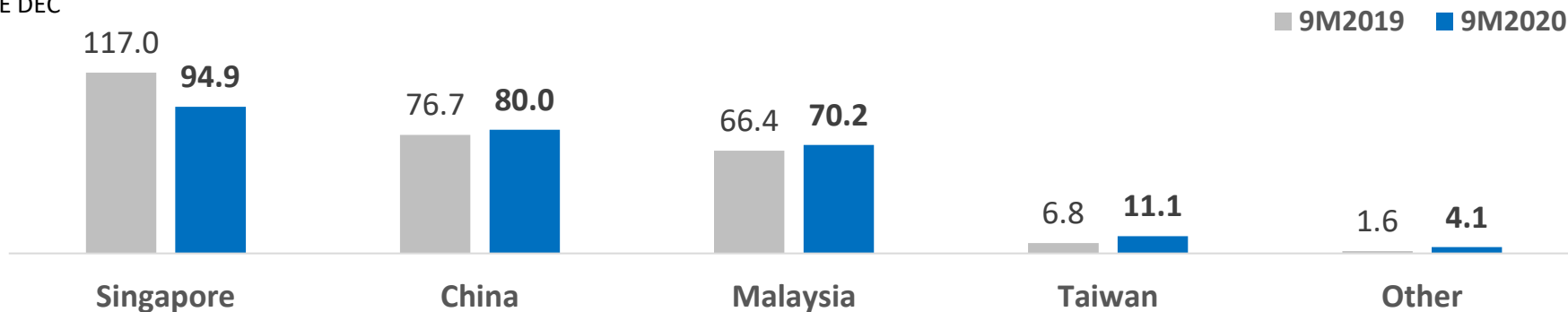
- Ultra High Purity
- Process Engineering
- General Contracting
- Industrial Gases



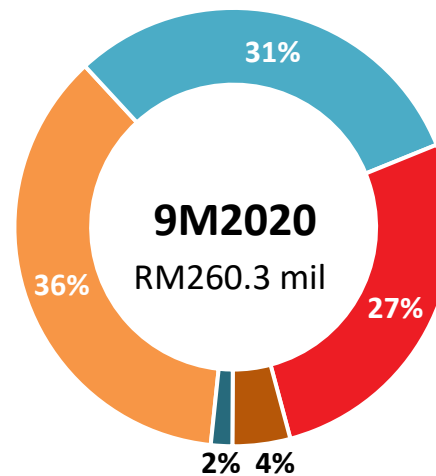
REVENUE BREAKDOWN BY COUNTRY



RM mil
FYE DEC



- Singapore
- China
- Malaysia
- Taiwan
- Other



HEALTHY BALANCE SHEET

Remained in strong net cash position

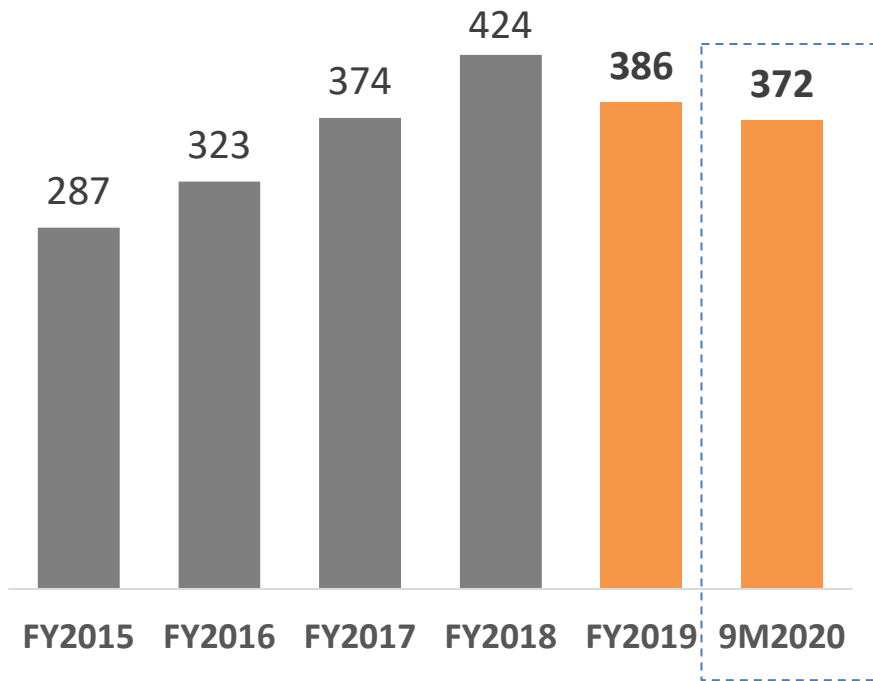


(RM Mil)	31.12.2018 (AUDITED)	31.12.2019 (AUDITED)	30.9.2020 (UNAUDITED)
TOTAL BORROWINGS	17.1	38.7	50.1
<i>SHORT-TERM</i>	<i>15.6</i>	<i>12.8</i>	<i>18.0</i>
<i>LONG-TERM</i>	<i>1.5</i>	<i>25.9</i>	<i>32.1</i>
TOTAL CASH	67.1	85.1	89.1
NET CASH	50.0	46.4	39.1
NA/SHARE (RM)	0.43	0.5	0.5
GEARING	0.1x	0.3x	0.3x
NET GEARING	Net cash	Net cash	Net cash
NET CASH PER SHARE	19 sen	15 sen	12 sen

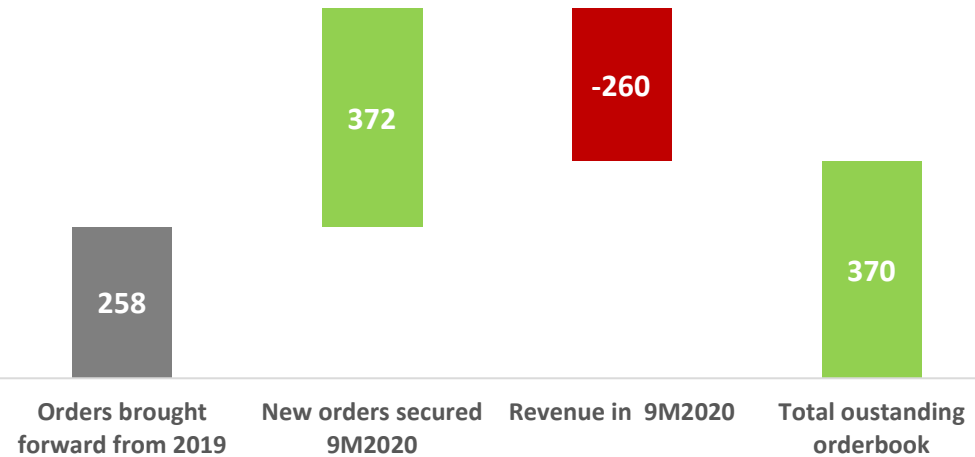
Borrowings increased mainly due to the drawdown of term loan for the liquid carbon dioxide plant and dry ice plant. Majority of the borrowings are used for project financing purposes and capital expenditure for new industrial gas business division.

ORDERBOOK REPLENISHMENT

New Orders Secured (RM mil)



YTD outstanding orderbook^(RM mil)



**Growing
orderbook**

RM 370*
million
outstanding orderbook

RM 0.9
billion
tenderbook

*as at 30 September 2020

OUTSTANDING ORDERBOOK OF RM370 MILLION



Majority from UHP & PE projects which typically carry higher margins

NO	CLIENT	COUNTRY	SEGMENT	OUTSTANDING O'BOOK (RM'MIL)
1	SM?C/SM?C	China	UHP	120
2	?xyte (M???on)	Singapore	UHP	81
3	In???neon Melaka	Malaysia	UHP	10
4	Yi Xing ZhongHuan	China	UHP	8
5	Chengdu Construction	China	UHP	6
6	M???on	Malaysia	UHP	6
7	RF 360 (Qualcom)	Singapore	UHP	5
8	L???de	Singapore	UHP	4
9	H???le?t-P???ard	Malaysia	UHP	3
10	Others - UHP		UHP	19
11	S???h?mer	Malaysia	PE	23
12	S???lthaven	Malaysia	PE	10
13	S???gate	Malaysia	PE	3
14	Others - Process		PE	18
15	Global MNC	Malaysia	GC	35
16	K???logg warehouse	Malaysia	GC	6
17	R???ls R?yce	Singapore	GC	3
18	Ons?mi	Malaysia	GC	3
19	Si?g W?h	Singapore	GC	2
20	Solar jobs	Taiwan	GC	2
21	Others - Gen Con		GC	3
TOTAL				370

UHP
RM262m
(70%)

PE
RM54m
(15%)

GC
RM54m
(15%)

*as at 30 September 2020

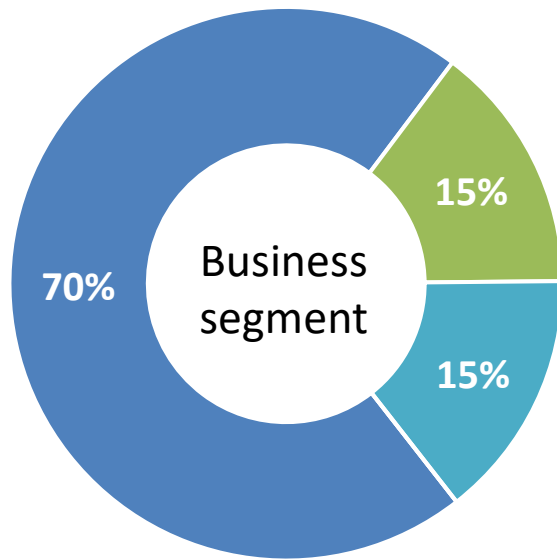
UHP – Ultra High Purity

PE – Process Engineering

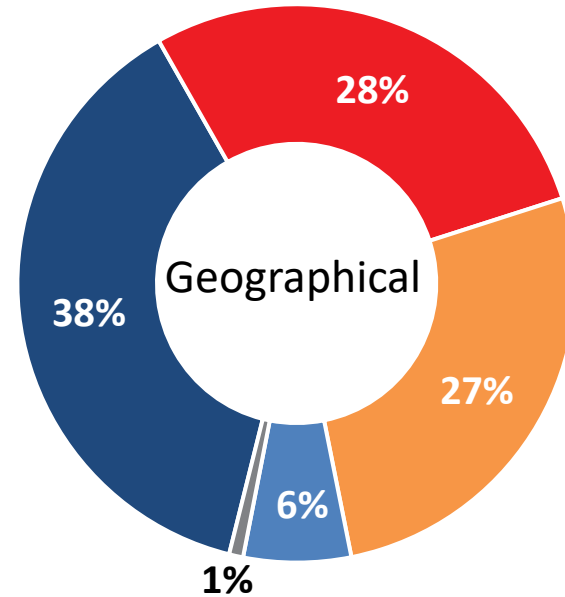
GC – General Contracting

IG – Industrial Gases

OUTSTANDING ORDERBOOK OF RM370 MILLION



■ UHP ■ PE ■ GC



■ China ■ Malaysia ■ Singapore ■ Others ■ Taiwan

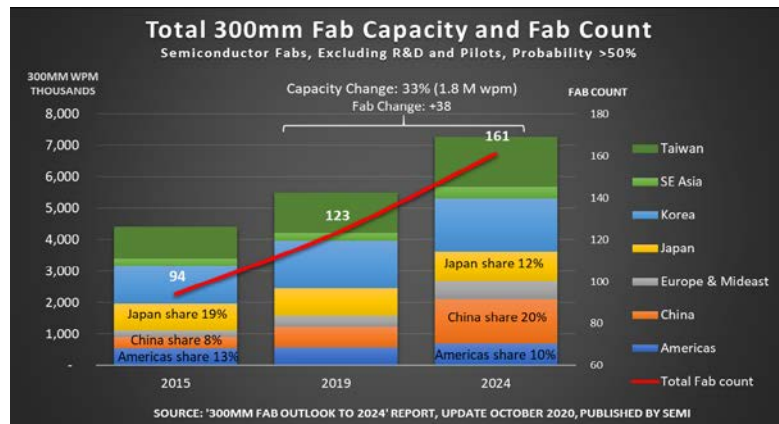
CHINA TURBOCHARGES ITS CHIP DEVELOPMENT

CAPEX spending expected to continue as China aim for self-sufficiency



<https://www.wsj.com/articles/tech-war-with-u-s-turbocharges-chinas-chip-development-resolve-11605541132>

“Chinese semiconductor companies have raised the equivalent of nearly USD38 bn so far this year (2020) through public offerings, private placements and asset sales, more than double last year’s total...”



<https://www.semi.org/en/news-media-press/semi-press-releases/300mm-fab-outlook>

“...the industry will add at least 38 new 300mm volume fabs from 2019 to 2024. Taiwan will add 11 volume fabs and China eight to account for half of the total”

“China will rapidly increase its global share of 300mm capacity, from 8% in 2015 to 20% in 2024...”

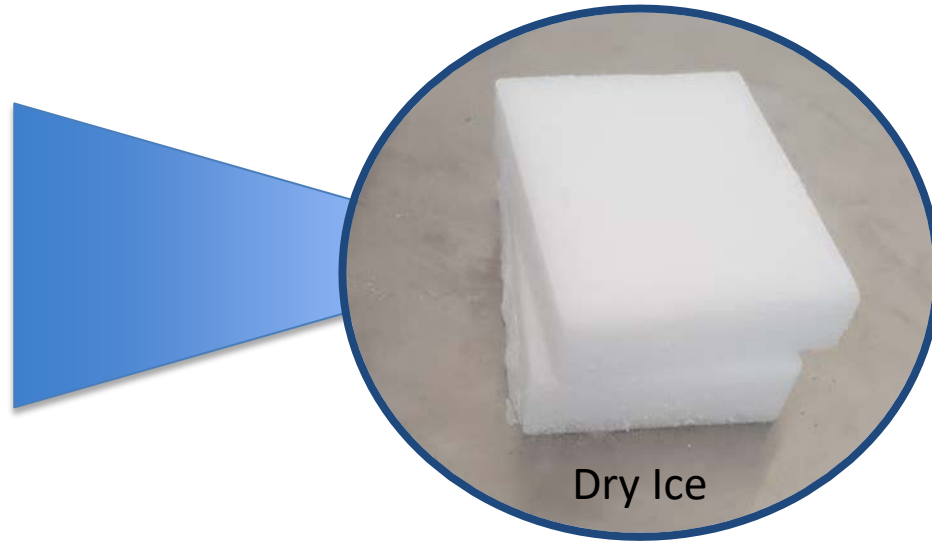
OUTLOOK AHEAD

<p>UHP</p>	<p>→</p>	<ul style="list-style-type: none"> • China: Leverage on industry leaders' (ie. S?IC) resumption on expansion plans • Singapore : Market remains robust however project rollout might be slower due to the lockdown and SOPs
<p>PE</p>	<p>→</p>	<ul style="list-style-type: none"> • Malaysia : Seeing increase in tender invitations from MNC companies who are expanding here. (ie : K??logg Malaysia)
<p>GC</p>	<p>→</p>	<ul style="list-style-type: none"> • Malaysia : Busy executing current orderbooks at hand (ie. recurring contract by semiconductor manufacturer in Penang, etc)
<p>LCO2</p>	<p>→</p>	<ul style="list-style-type: none"> • Malaysia : To expand our market reach to the F&B sectors. • Overseas : Expect higher export activities (potential market: Taiwan) with delivery of new skid tanks.
<p>Dry Ice</p>	<p>→</p>	<ul style="list-style-type: none"> • Malaysia : : Exploring opportunities to supply dry ice to major pharmaceutical companies for vaccine storage.

THANK YOU

APPENDIX

DRY ICE PLANT IN BUKIT JELUTONG, SHAH ALAM



5-YEAR DIVIDEND TRACK RECORD



→ Dividend payout now 2x a year

→ Policy to distribute 25% of net profit

Financial Year	Dividend	Dividend declared (sen)
FY2020	First Interim	0.5
FY2019	Second interim	1.0
	First interim	1.0
FY2018	Second interim	0.8
	First interim	1.0
FY2017	Final dividend	1.5
FY2016	Final dividend	1.0
FY2015	Final dividend	0.5