



**WE ENGINEER  
SOLUTIONS  
FOR TOMORROW**



# **1H 2018 FINANCIAL PERFORMANCE**

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**KELINGTON GROUP BERHAD (0151)**

**SEPTEMBER 2018**

# KELINGTON AT A GLANCE

Engineering solutions especially for high technology sector

**2000**

Year Founded

**2009**

Year Listed

**Industry Leader**

in providing  
Ultra High Purity (UHP)  
gas and chemical  
solutions

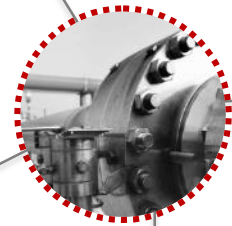
**25% of**

**Net Profit**

Dividend Policy  
Payout

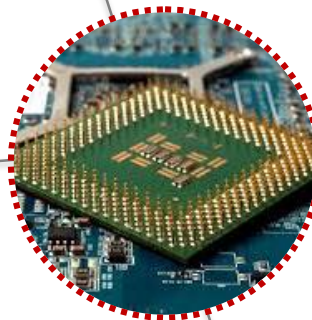
**Integrated  
Engineering**

Solutions Provider  
(mechanical,  
electrical, civil)



**Regional Presence**

with proven track  
record in **Malaysia,**  
**Singapore, China**  
and **Taiwan**



**>300**

Full-Time  
Employees

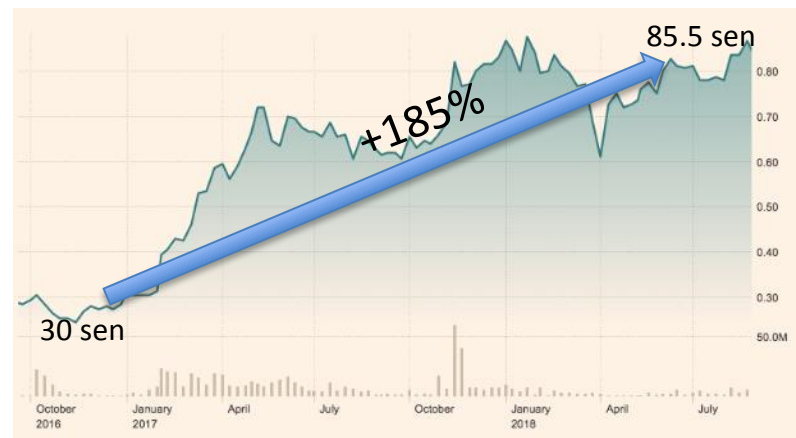
# COMPANY SNAPSHOT

Share price grew 185% in two years, 19% insti. shareholder

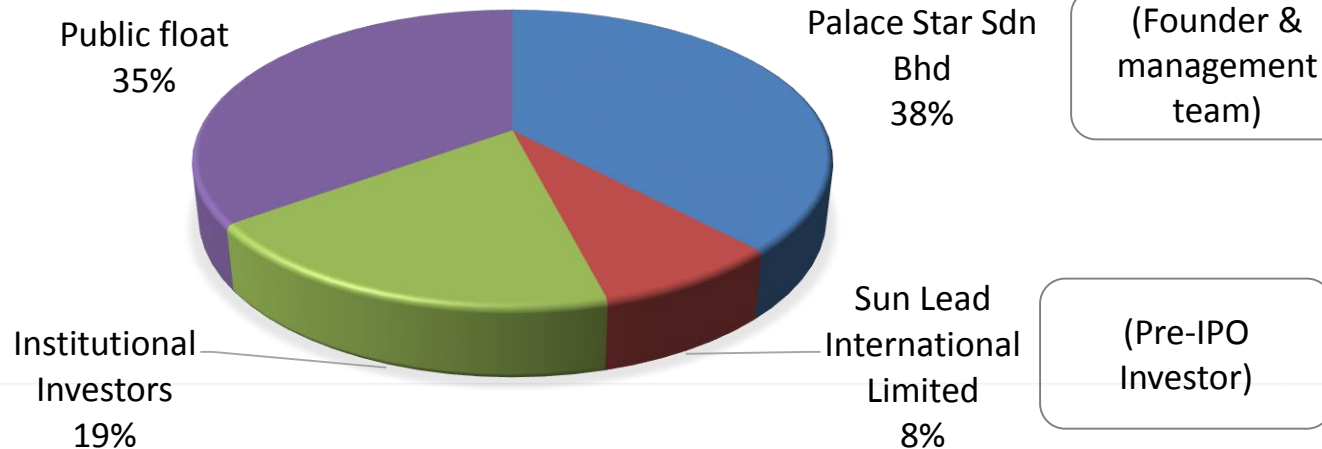
Bursa : KGB, 0151; Bloomberg : KGRB:MK

|  |                               |
|--|-------------------------------|
| Share price (as at 3 Sept 2018)            | 85.5 sen                      |
| Listing                                    | Main Market of Bursa Malaysia |
| Shariah status                             | Shariah-compliant             |
| Market cap.                                | RM 217.2 million              |
| Issued cap.                                | 254.0 million                 |
| FY2018 P/E<br>(annualized from 1H2018 EPS) | 12x                           |
| P/NA<br>(as at 30.6.2018)                  | 2.1x                          |

2-years share price performance



Shareholding structure (after private placement exercise of 10% new shares)



# MAIN BUSINESS DIVISIONS

Expanded to target new customer segments over the years

## UHP DELIVERY SYSTEMS

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



## PROCESS ENGINEERING

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



## GENERAL CONTRACTING

- Full-service range of contracting and construction management services.



**NEW**

## INDUSTRIAL GASES

- Manufacturing and trading of industrial and specialty gases.



# NOTABLE PROJECTS IN RECENT YEARS

## Global Foundries

Contract size : RM 65mil

Services : UHP works



CHINA

## United Industrial Gases Co. Ltd

Contract size : ~RM 10mil

Services : Underground gas piping works



TAIWAN

## Infineon Technologies

Contract size : ~RM 40mil

Services : UHP works



MALAYSIA

## Micron Technology

Contract size : ~RM 200mil

Services : UHP works



SINGAPORE

# DELIVERING EXCELLENCE TO INDUSTRY EXPERTS

## Global MNC Clients

### Electronics sector



### Other sectors





# CHINA'S PUSH INTO MEMORY CHIPS MARKET

## China semiconductor boom positive for Kelington

### Global Memory Chip Producers

- Samsung Electronics
- Toshiba
- Western Digital
- SK Hynix
- Micron Technology
- Intel



**ARTIFICIAL  
INTELLIGENCE**  
**INTERNET OF THINGS**

China wants to end reliance on foreign technology.  
China imported \$260 billion worth of integrated circuits in 2017.

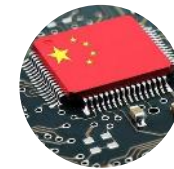
### KEY CHINA PROJECTS

#### 2018

1. Intel Fab 68 phase 2
2. TSMC Nanjing Phase 1
3. Hua Li Fab 2
4. Fujian Jin Hua – DRAM

#### 2019/2020

1. Tsinghua Unigroup (Nanjing) and Yangtze Memory Technology (Wuhan)
2. Samsung Xian Phase 2
3. SK Hynix C3
4. GlobalFoundries Chengdu
5. SMIC Beijing B3 and new Shanghai fab
6. Hefei Chang Xin Memory



**MADE IN CHINA** 中国制造  
**2025**

- Goal is for China to produce 75% of the chips it uses domestically by 2025
- China is expected to increase its YoY fab equipment spending in 2018 (+57%) and 2019 (+60%)  
Source : Semi.org

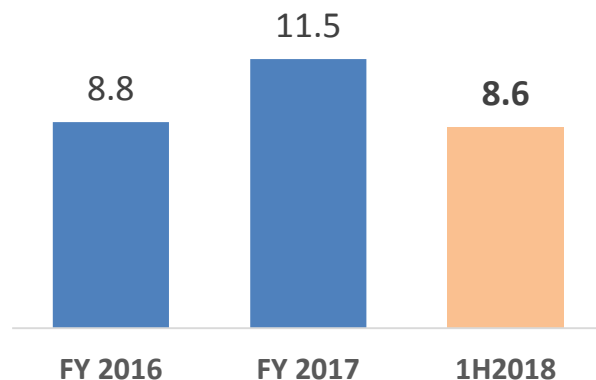
Source : SEMI World Fab Forecast, December 2017

# 1H2018 FINANCIAL PERFORMANCE

## Key highlights

- ✓ On track for another record breaking net profit year in 2018

Net profit (RM million)

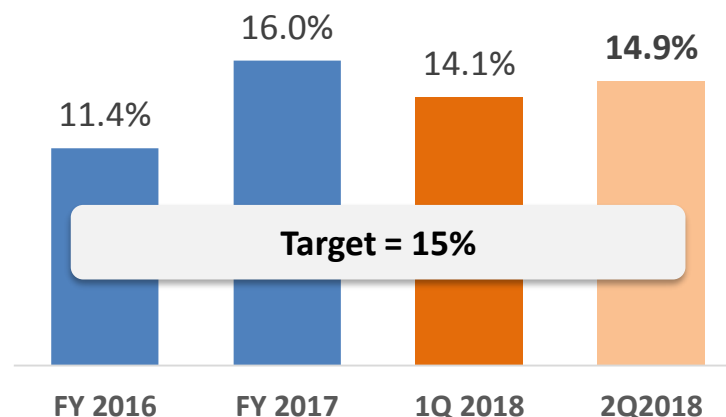


- ✓ Strong double-digit growth

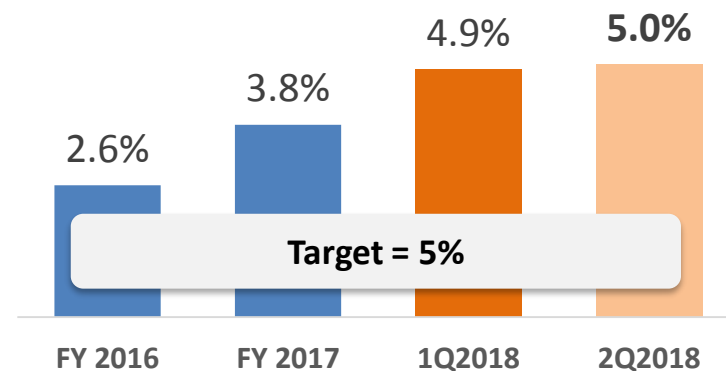
| RM mil     | 1H 2018 | 1H 2017 | % change |
|------------|---------|---------|----------|
| Revenue    | 175.8   | 126.1   | ▲ 39%    |
| Net Profit | 8.6     | 4.4     | ▲ 95%    |

- ✓ Favorable project mix and cost control led to good profit margins

Gross profit margin



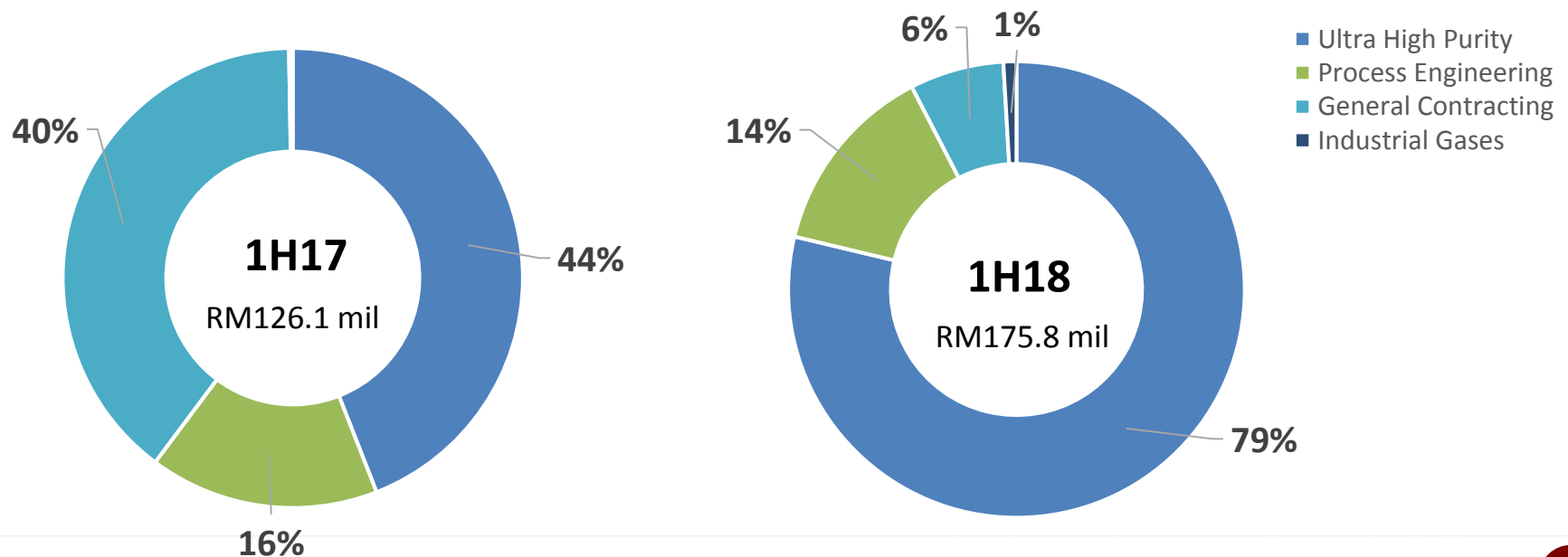
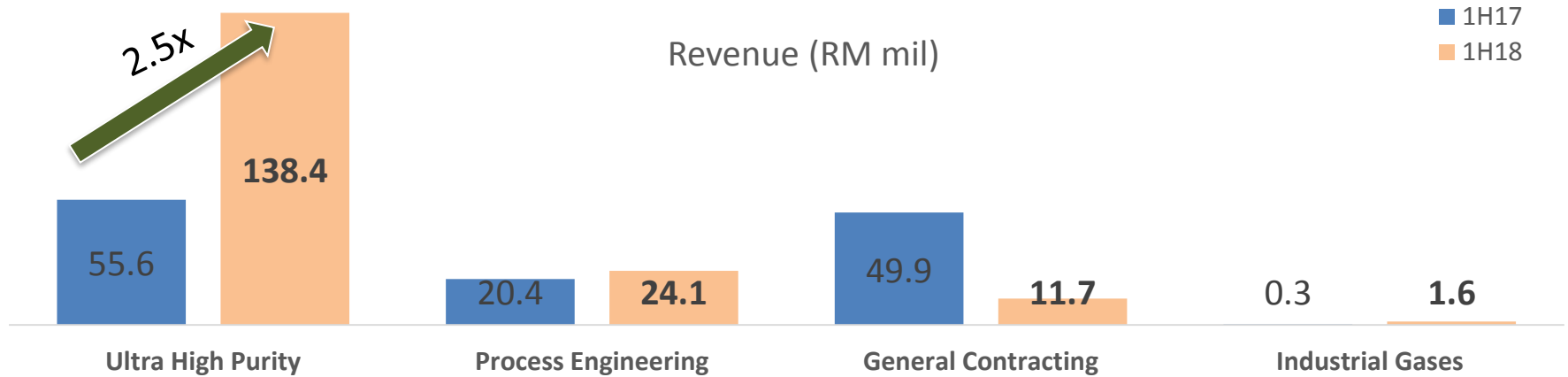
Net profit margin





# REVENUE BREAKDOWN BY BUSINESS SEGMENTS

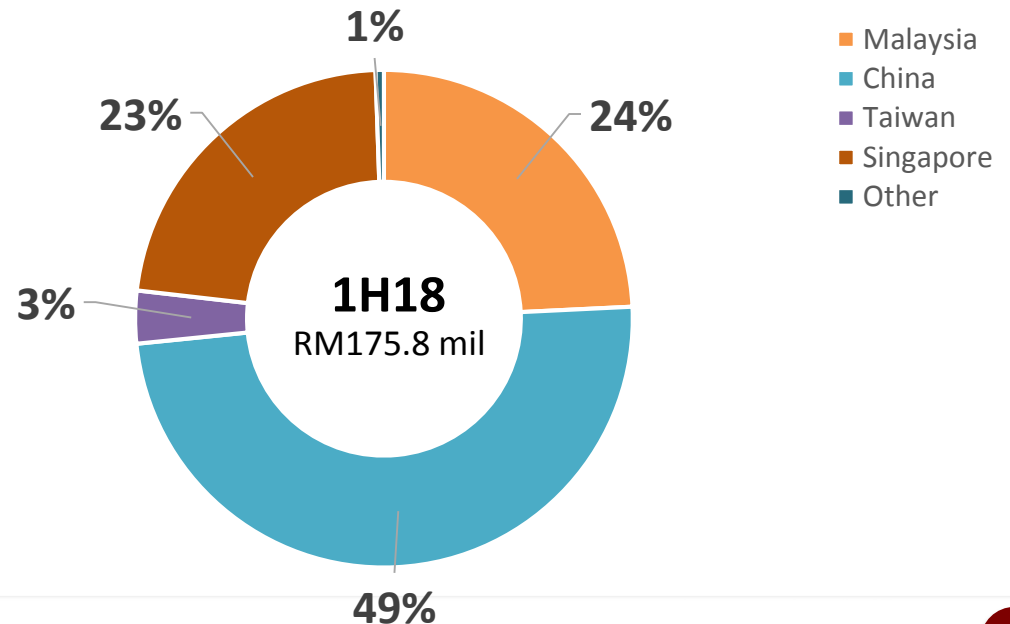
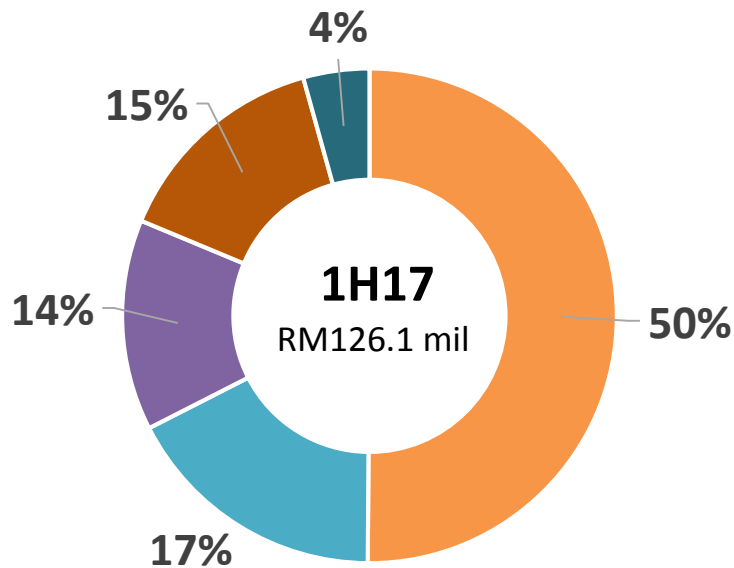
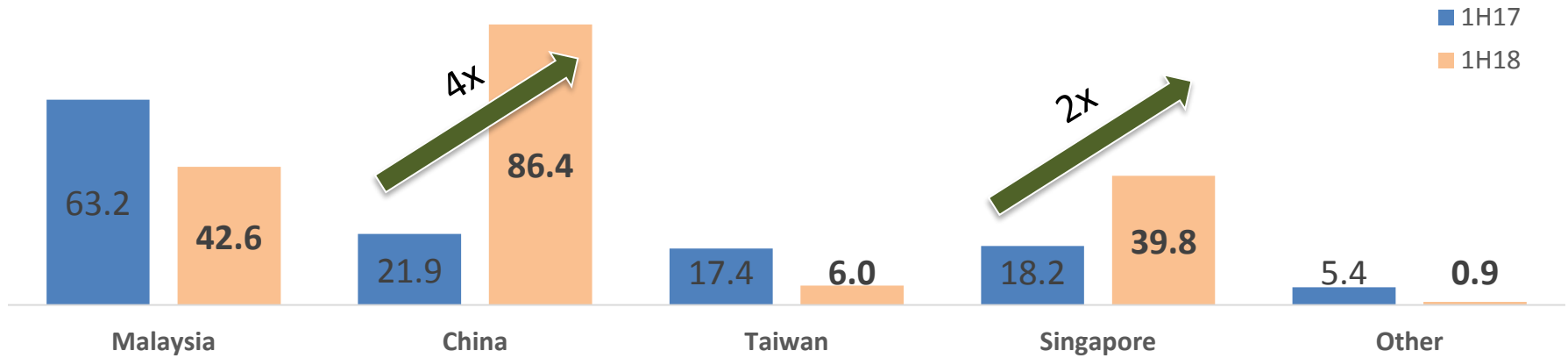
Larger contribution from Ultra High Purity division



# REVENUE BREAKDOWN BY GEOGRAPHICAL MARKETS

Revenue growth led by China and Singapore

Revenue (RM mil)



# HEALTHY BALANCE SHEET

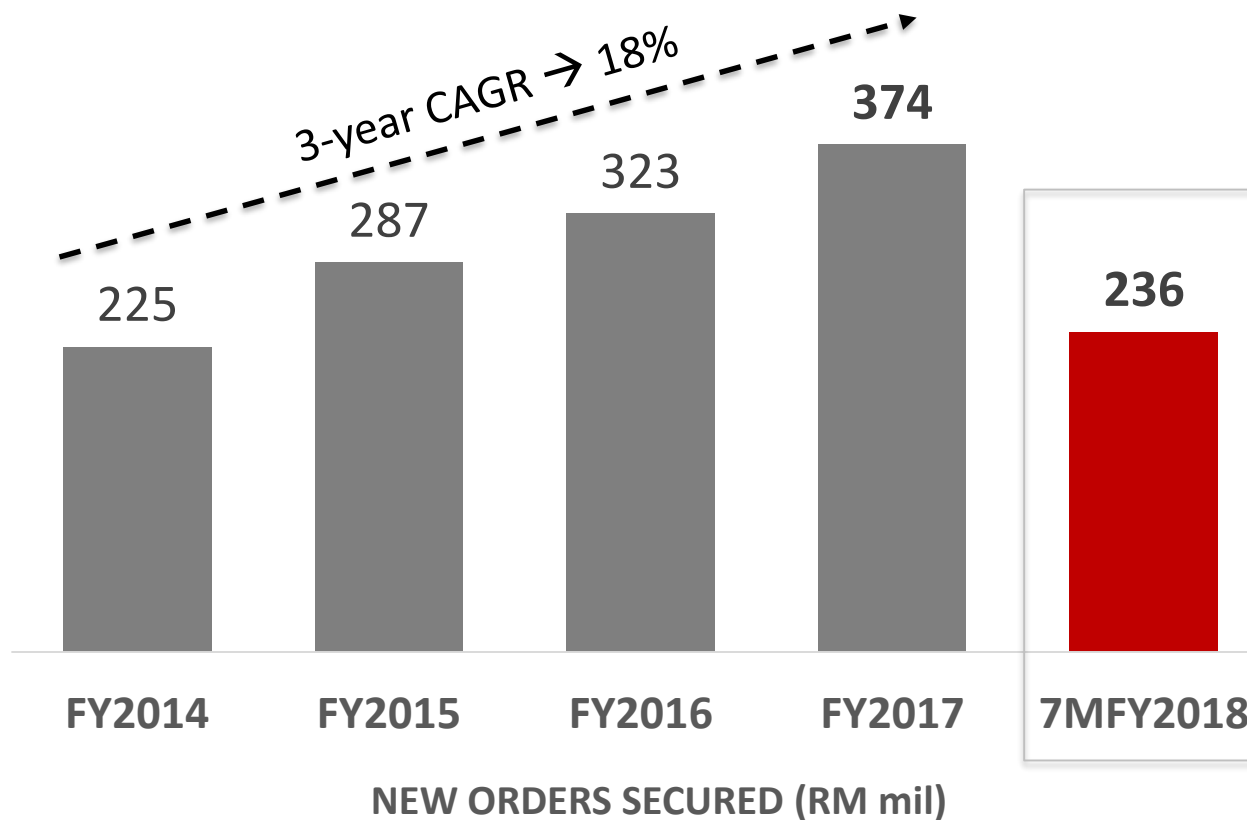
**Reduced borrowings, strong net cash position to fund expansion plans**

| (RM M)             | 31.12.2017<br>(AUDITED) | 30.06.2018<br>(UNAUDITED) |
|--------------------|-------------------------|---------------------------|
| TOTAL BORROWINGS   | 30.3                    | 20.3                      |
| TOTAL CASH         | 62.2                    | 60.3                      |
| NET CASH           | 31.9                    | 40.0                      |
| NA/SHARE (RM)      | 0.34                    | 0.41                      |
| GEARING            | 0.4x                    | 0.2x                      |
| NET GEARING        | Net cash                | Net cash                  |
| NET CASH PER SHARE | 14 sen                  | 20 sen                    |

Completed a private placement exercise on 14 Aug 2018 and successfully raised RM17.8 million, of which RM12.2mil was recognized as at June 2018, to part finance acquisition of liquid CO2 plant.

# STRONG ORDERBOOK REPLENISHMENT

Healthy year-on-year growth



**Growing  
orderbook**

**RM 252\***  
million  
outstanding orderbook

**RM 1**  
billion  
tenderbook

# OUTSTANDING ORDERBOOK OF RM252 MILLION

Majority from UHP & PE projects which typically carry higher margins

| NO           | CLIENT                            | COUNTRY   | SEGMENT | OUTSTANDING O'BOOK (RM'mil) |
|--------------|-----------------------------------|-----------|---------|-----------------------------|
| 1            | SMNC                              | China     | UHP     | 20                          |
| 2            | Chengdu Construction              | China     | UHP     | 18                          |
| 3            | IFKM GR                           | Malaysia  | UHP     | 16                          |
| 4            | M+W Singapore (Micron)            | Singapore | UHP     | 14                          |
| 5            | AMS LLS                           | Singapore | UHP     | 10                          |
| 6            | Infineon                          | Malaysia  | UHP     | 6                           |
| 7            | Hewlett-Packard                   | Malaysia  | UHP     | 5                           |
| 8            | Wyeth                             | Singapore | UHP     | 4                           |
| 9            | Zhen Zhou He Jing                 | China     | UHP     | 3                           |
| 10           | Contracts from Global MNC semicon | China     | UHP     | 3                           |
| 11           | Silterra                          | Malaysia  | UHP     | 2                           |
| 12           | Western Digital                   | Malaysia  | UHP     | 2                           |
| 17           | Others - UHP                      |           | UHP     | 5                           |
| 18           | JCT                               | Malaysia  | PE      | 31                          |
| 19           | Stolthaven                        | Malaysia  | PE      | 30                          |
| 20           | IME                               | Singapore | PE      | 19                          |
| 21           | UIGC                              | Taiwan    | PE      | 8                           |
| 22           | Givaudan                          | Singapore | PE      | 2                           |
| 26           | Others - Process                  |           | PE      | 8                           |
| 27           | NUS WSB Project                   | Singapore | GC      | 21                          |
| 28           | Micron                            | Singapore | GC      | 16                          |
| 30           | PT Musim Mas                      | Indonesia | GC      | 3                           |
| 31           | Rolls Royce                       | Singapore | GC      | 2                           |
| 29           | Others - Gen Con                  |           | GC      | 4                           |
| 32           | Industrial Gases                  | Malaysia  | IG      | 1                           |
| <b>TOTAL</b> |                                   |           |         | <b>252</b>                  |

**UHP**  
**RM108m**  
**(43%)**

**PE**  
**RM98m**  
**(39%)**

**GC**  
**RM46m**  
**(18%)**

# UPDATE ON INDUSTRIAL GASES BUSINESS

To grow recurring revenue stream

## HIGH PROFIT MARGIN BUSINESS

Industrial Gas peers' average gross profit margins are at ~ 30%-40%



**On-Site Gas Supply**

- Completed an on-site gas generator and started our first supply contract in Feb 2018.
- The contract will contribute ~RM20 mil revenue for a period of 10 years to the Group.



**Manufacturing of Liquid CO2**

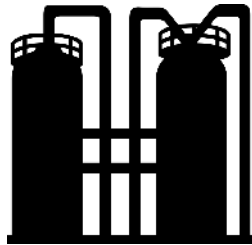
- To be 2<sup>nd</sup> largest supplier in Malaysia
- Signed a 15-year supply agreement with Petronas to purchase waste CO2.
- To build a Liquid CO2 plant in Kerteh, Terengganu and starts operation in 3Q2019.
- Est. capex of RM50-60 million to purchase plant and related assets for operations.



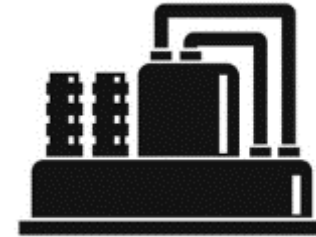
# LCO2 BUSINESS - KEY COMPETITIVE ADVANTAGES :



**Provide high quality liquid CO<sub>2</sub>** that meet the stringent standards of the regional F&B industry.



**Provide large storage capacities** which ensure uninterrupted supply.



**Latest state-of-the-art plant** that will be more efficient, with lower downtime (higher reliability).



**Operate a fleet of newer and larger tankers** that will provide savings in delivery cost.

# EXAMPLES OF USAGES OF CO2



Food Freezing



Manufacture carbonated drinks



Manufacture dry ice  
(used in aviation industry)



Welding for  
construction and  
automotive industries



CO2 Blast Cleaning



Enhance Oil Recovery  
(EOR) to increase yields  
in oil wells

# PEER COMPARISON

UHP

INDUSTRIAL GASES

| COMPANY NAME                  | KELINGTON (MY) | PNC PROCESS SYSTEMS (CHN) <sup>1</sup> | SIG GAS (MY) | SAMATOR-ANEKA GAS (IDN) <sup>5</sup> | TAIYO NIPPON SAN SO (JPN) <sup>2</sup> | AIR PRODUCTS (US) <sup>3</sup> | LINDE GROUP (EU) <sup>4</sup> | PRAXAIR (US) <sup>3</sup> |
|-------------------------------|----------------|--|--------------|--------------------------------------|--|--------------------------------|-------------------------------|---------------------------|
| Listing board                 | KLSE           | SSE                                    | KLSE         | JSE                                  | TSE                                    | NYSE                           | XETRA                         | NYSE                      |
| Market Capitalization (RM m)* | 221            | 3,119                                  | 150          | 478                                  | 25,856                                 | 151,366                        | 155,884                       | 187,326                   |
| PER (TTM)*                    | 15.7x          | 109.5x                                 | 33.0x        | 19.0x                                | 13.7x                                  | 21.9x                          | 23.7x                         | 25.7x                     |
| FY GP margin (TTM)*           | 17%            | 38%                                    | 27%          | 46%                                  | 36%                                    | 30%                            | 35%                           | 44%                       |
| FY PBT Margin (TTM)*          | 6%             | 13%                                    | 5%           | 7%                                   | 9%                                     | 22%                            | 11%                           | 20%                       |
| FY Net Profit Margin (TTM)*   | 4%             | 11%                                    | 6%           | 5%                                   | 8%                                     | 20%                            | 9%                            | 15%                       |

\*Source : Reuters as at 29 Aug 2018

1. 1 CNY = RM 0.604 2. 1 JPY = RM 0.037 3. 1 USD = RM 4.126 4. 1 EUR = RM 4.825 5. 1 IDR = RM 0.00028

# POSITIVE OUTLOOK AHEAD

Stronger financial performance in FY2018 & FY2019



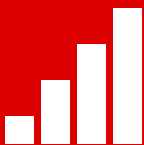
**Completing higher margins projects from UHP and PE division.**



**Securing more UHP projects from China.**



**Revenue commencement from new industrial gas business.**



**Healthy orderbook replenishment.**

**THANK YOU**

A series of horizontal arrows on the left side of the slide, alternating in color between red and dark grey. The arrows point to the right and vary in length.

# **ADDITIONAL SLIDES FOR REFERENCE**



# 2Q2018 Y-O-Y & Q-O-Q COMPARISON

| INCOME STATEMENT<br>(RM m)    | 2Q2017 | 2Q2018 | Y-o-Y%<br>changes | 1Q2018 | Q-o-Q %<br>changes |
|-------------------------------|--------|--------|-------------------|--------|--------------------|
| Revenue                       | 69.6   | 89.2   | 28%               | 86.6   | 3%                 |
| Cost of sales                 | (60.7) | (75.9) |                   | (74.4) |                    |
| <b>Gross profit</b>           | 8.9    | 13.3   | 49%               | 12.2   |                    |
| <i>Gross profit margin</i>    | 13%    | 15%    |                   | 14%    |                    |
| Other income                  | 0.2    | 0.2    |                   | 0.6    |                    |
| Administrative expenses       | (4.9)  | (6.5)  |                   | (4.4)  |                    |
| Selling and distribution exp. | (0.3)  | (0.3)  |                   | (0.3)  |                    |
| Other expenses                | (1.2)  | (1.2)  |                   | (1.2)  |                    |
| <b>Operating profit</b>       | 2.8    | 5.5    | 95%               | 6.7    | -18%               |
| Finance costs                 | (0.2)  | (0.3)  |                   | (0.3)  |                    |
| <b>Profit before tax</b>      | 2.7    | 5.2    | 97%               | 6.4    | -18%               |
| Tax                           | (0.3)  | (0.9)  |                   | (2.2)  |                    |
| <b>Profit after tax</b>       | 2.3    | 4.3    | 87%               | 4.2    | 3%                 |
| <i>Effective tax rate</i>     | 13%    | 17%    |                   | 34%    |                    |
| <i>PBT margin</i>             | 4%     | 6%     |                   | 7%     |                    |
| <i>PAT margin</i>             | 3%     | 5%     |                   | 5%     |                    |

1

Improved gross profit margins attributed to better project mix.

2

Higher administrative expenses:

- China Office Renovation
- Overheads of new gas division
- Private placement exercise

3

Lower q-o-q PBT:

- Included in 1Q2018 is the recognition of a one-off settlement claim from Biocon.
- Excluding the one-off gain (RM1.8m), PAT would have registered an increase of 139% q-o-q in 2Q2018.

# 1H2018 VS 1H2017 Y-O-Y COMPARISON

| INCOME STATEMENT<br>(RM m)    | 1H2017  | 1H2018  | Y-o-Y% changes |
|-------------------------------|---------|---------|----------------|
| Revenue                       | 126.1   | 175.8   | 39%            |
| Cost of sales                 | (111.5) | (150.3) |                |
| <b>Gross profit</b>           | 14.6    | 25.5    | 75%            |
| <i>Gross profit margin</i>    | 12%     | 1 15%   |                |
| Other income                  | 0.3     | 0.8     |                |
| Administrative expenses       | (8.0)   | (11.0)  |                |
| Selling and distribution exp. | (0.6)   | (0.6)   |                |
| Other expenses                | (0.9)   | (2.5)   |                |
| <b>Operating profit</b>       | 5.4     | 12.3    | 127%           |
| Finance costs                 | (0.3)   | (0.6)   |                |
| <b>Profit before tax</b>      | 5.1     | 11.7    | 131%           |
| Tax                           | (0.7)   | (3.1)   |                |
| <b>Profit after tax</b>       | 4.4     | 8.5     | 96%            |
| <i>Effective tax rate</i>     | 14%     | 2 27%   |                |
| <i>PBT margin</i>             | 4%      | 7%      |                |
| <i>PAT margin</i>             | 3%      | 5%      |                |

1

Improved gross profit margins attributed to better project mix.

2

Increase in tax:

- Expiry of Pioneer Status in May 2017
- Expenses not tax deductible

# FINANCIAL TRACK RECORD AND EXPLANATION

| FYE 31 December<br>(RM mil)     | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  |
|---------------------------------|-------|-------|-------|-------|-------|-------|
| Revenue                         | 116.2 | 117.4 | 189.1 | 206.4 | 343.3 | 313.3 |
| Gross profit                    | 20.7  | 16.1  | 19.0  | 20.2  | 39.2  | 50.0  |
| PBT                             | 7.2   | 1.6   | 5.2   | (2.1) | 10.1  | 17.2  |
| PATNCI                          | 6.1   | 1.7   | 5.2   | (2.5) | 8.9   | 11.8  |
| Impairment losses               |       |       |       | 8.5   | 10.9  | 3.8   |
| Gross profit margin             | 17.8% | 13.7% | 10.1% | 9.8%  | 11.4% | 16.0% |
| PBT margin                      | 6.2%  | 1.4%  | 2.7%  | n.m.  | 2.9%  | 5.5%  |
| PATNCI margin                   | 5.2%  | 1.4%  | 2.7%  | n.m.  | 2.6%  | 3.8%  |
| Eff. Tax rate                   | 15.9% | 2.3%  | 0.6%  | n.m.  | 11.3% | 32.7% |
| Adjusted PATNCI margin          | 5.2%  | 1.4%  | 2.7%  | 2.9%  | 5.8%  | 5.0%  |
| EPS (sen)                       | 3.8   | 1.0   | 2.3   | (1.1) | 4.0   | 5.2   |
| No. of ordinary shares<br>(mil) | 160.7 | 160.7 | 217.0 | 220.1 | 222.4 | 227.9 |

- 1 Softer performance due to the shift of focus to higher margins projects
- 2 Improved gross profit margins attributed to better project mix and cost efficiency
- 3 Highest ever net profit, attributed to the Group's effort to improve bottom-line growth
- 4 Lesser impairment losses incurred during the period
- 5 Higher tax rate due to the expiration of the Pioneer Status of Kelington Technologies Sdn Bhd and adjustments to prior years taxation
- 6 Adjusted PATAMI margin excluding the impairment losses