

# MALAKOFF

A Member of  MMC Group

## ANALYST BRIEFING

Quarter 1 2018  
Results Announcement



energy & utilities

Malakoff Corporation Berhad

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## Highlights of Q1 2018 Results

	Q1 2018 RM m	Q1 2017 RM m	QoQ Change
			Q1 2018 vs Q1 2017
Revenue	1,604.2	1,781.0	-9.9%
Results from operating activities	270.2	362.8	-25.5%
PBT	97.0	174.7	-77.7%
PATMI	52.9	98.8	-46.5%
EBITDA	566.7	751.9	-24.6%
Basic EPS	1.06	1.98	-46.5%
Diluted EPS	1.06	1.98	-46.5%

## REVIEW OF OPERATIONS

# Local Assets Q1 2018 Performance Review

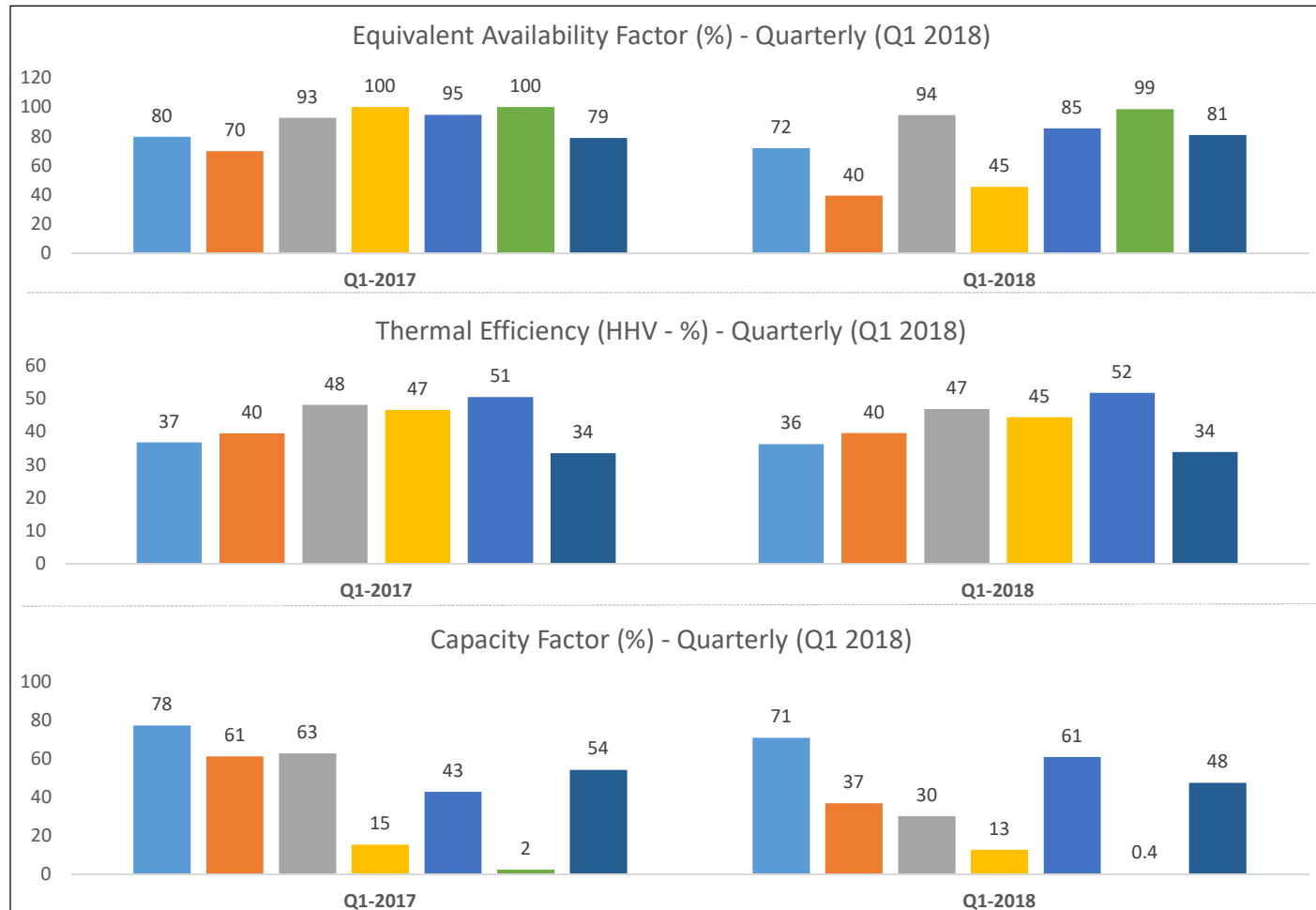
## COAL FIRED POWER PLANTS (THERMAL)

- Tanjung Bin Power Plant (TBP) continues to demonstrate higher reliability and availability after completion of the improvement work done in previous years.
- Tanjung Bin Energy Power Plant (TBE) availability and production during the period had been affected by rectification works on the boiler and electrical system. However, the impact on the forced outage rate and the reduction in the capacity payment had been mitigated partly by rescheduling of some of the planned outages. The rectification works completed and TBE returned to commercial operation on 22 February 2018. The boiler has since been in stable operation.

## GAS POWER PLANTS (GAS)

- Gas fired power plants maintain a generally high Equivalent Availability Factor recorded during the year but lower Capacity Factor due to reduced demand from the Grid System Operator (GSO).

## Performance of Local Assets – Q1 2018

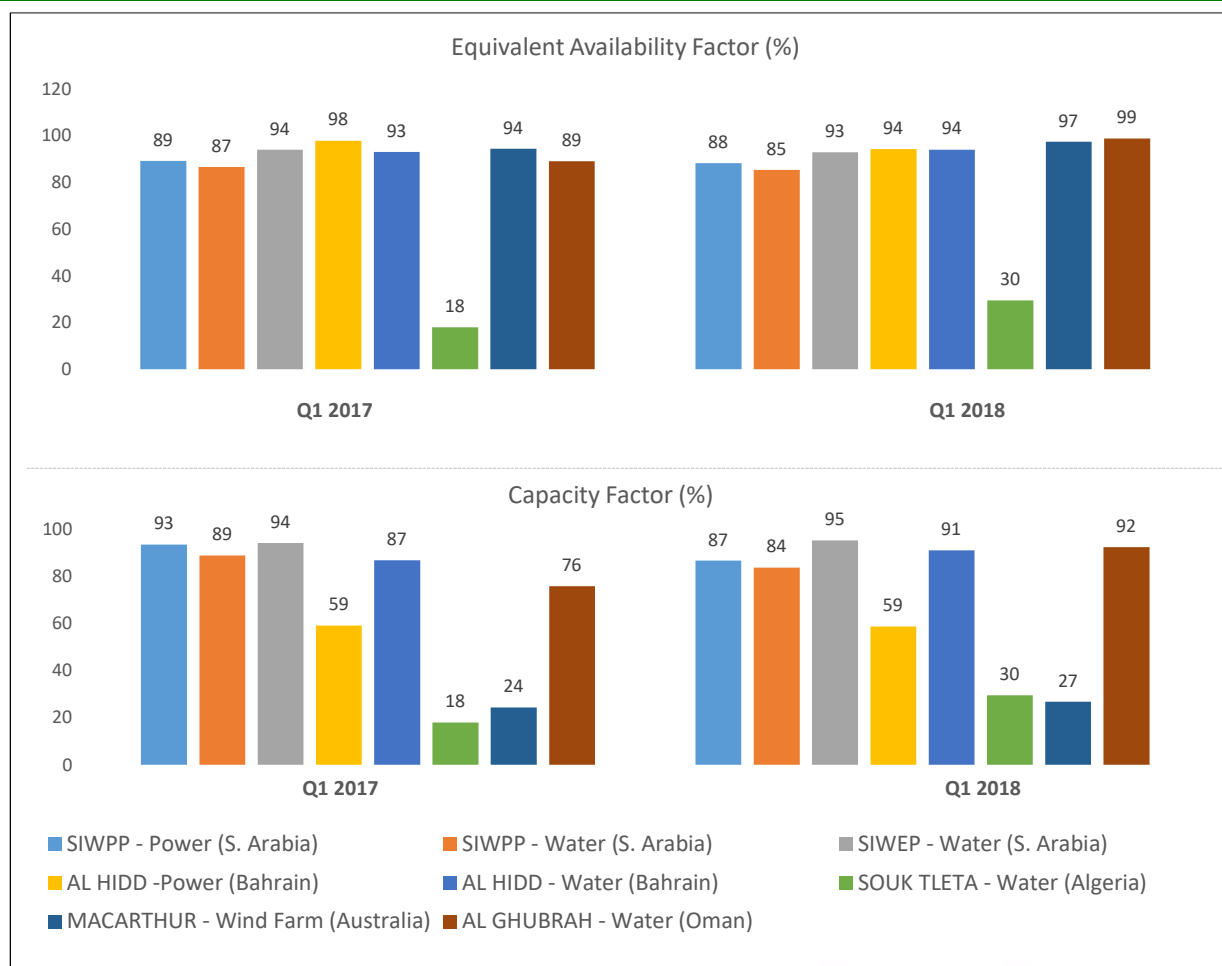


## Electricity Generated and Sold

Plant	YTD Q1 2017		YTD Q1 2018	
	Power generated (GWh)	Electricity Sold (GWh)	Power generated (GWh)	Electricity Sold (GWh)
Tanjung Bin Energy (TBE)	1,388.73	1,324.12	835.36	799.29
Tanjung Bin Power (TBP)	3,698.81	3,516.13	3,405.27	3,223.47
Segari Energy (SEV)	1,780.42	1,768.56	866.85	849.95
GB3	220.23	213.06	183.13	176.19
Prai Power Plant (PPP)	326.78	320.01	464.67	459.13
Port Dickson Power (PDP)	23.40	23.40	7.48	7.48
Kapar Energy (KEV)	2,855.10	2,657.26	2,507.77	2,330.32
Total (Excluding KEV)	7,438.37	7,165.28	5,762.76	5,515.52
Total (Including KEV)	10,293.47	9,822.54	8,270.53	7,845.83



## Performance of International Assets – Q1 2018



### SIWPP

- ✓ Slight drop in output capacity for both Power and Water Plants in Q1 2018 due to scheduled outages.

### SIWEP

- ✓ Sustainable performance in both Q1 2017 and Q1 2018.

### AL HIDD

- ✓ Slightly lower availability in Power generation for Q1 2018 resulted from scheduled outage whilst Water system availability is quite consistent for Q1 2017 and Q1 2018.

### SOUK TLETA

- ✓ The plant is currently undergoing rehabilitation.

### MACARTHUR

- ✓ Better performance recorded in Q1 2018 as compared to Q1 2017 due to the wind factor.

### AL GHUBRAH

- ✓ Q1 2018 recorded better performance as compared to Q1 2017.

## Q1 2018 FINANCIALS

## Financial Results – Income Statement

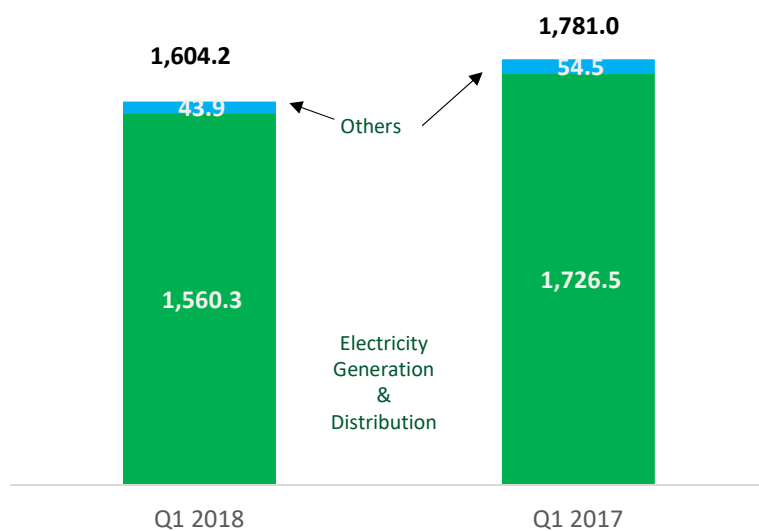
RM m	Q1 2018	Q1 2017
Revenue	1,604.2	1,781.0
Cost of sales	(1,255.2)	(1,310.5)
Gross profit	349.0	470.5
Other income	17.7	7.6
Administrative expenses	(53.9)	(69.5)
Operating expenses	(42.6)	(45.8)
Results from operations	270.2	362.8
Finance income	59.6	50.7
Finance costs	(248.4)	(271.6)
Share of profit of associates and JV, net of tax	15.6	32.7
Profit before taxation	97.0	174.7
Income tax expenses	(29.7)	(59.3)
Profit for the period	67.4	115.4
Profit attributable to:		
Owners of the Company	52.9	98.8
Non-controlling interests	14.5	16.6
Basic EPS for profit attributable to the owners (sen)	1.06	1.98
EBITDA	566.7	751.9

## Revenue Breakdown

	Q1 2018 RM m	Q1 2017 RM m
Electricity generation and distribution		
<i>Energy payment</i>	971.3	959.2
<i>Capacity payment</i>	506.4	683.3
<i>Daily Utilisation Payment</i>	48.7	51.4
<i>Electricity and chilled water distribution</i>	33.9	32.6
Finance lease income	41.0	46.7
Project management fees	0.4	0.4
Rental income from estate	0.7	1.2
Operation and maintenance fees	1.8	6.2
	1,604.2	1,781.0
Electricity generation and distribution	1,560.3	1,726.5
Others	43.9	54.5
	1,604.2	1,781.0

# Revenue Mix

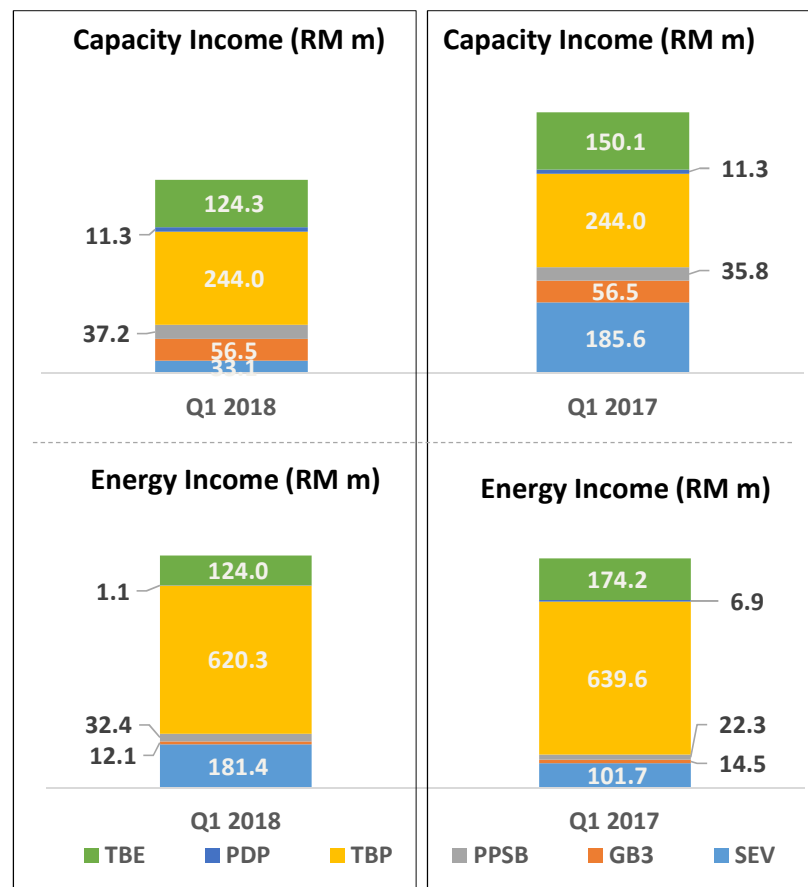
Total revenue (RM m)



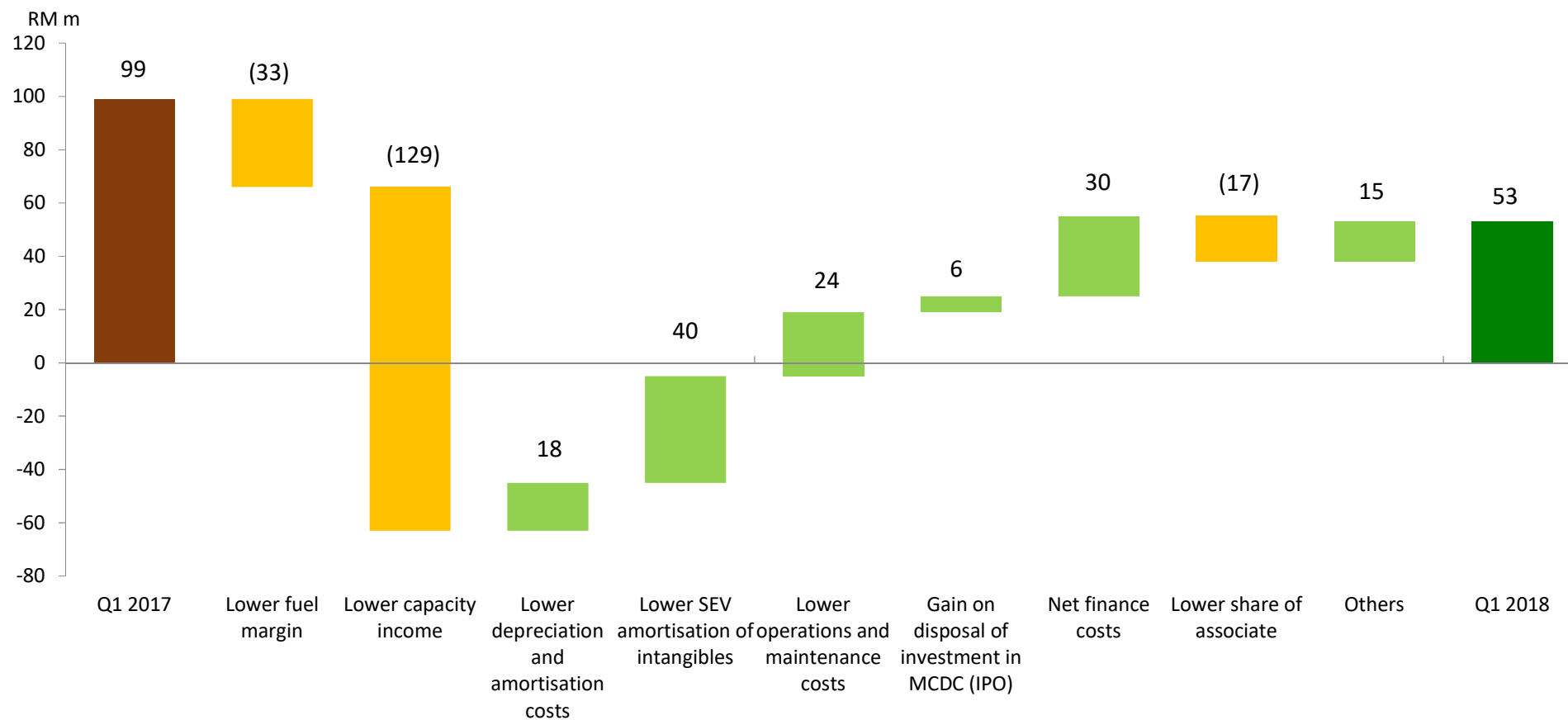
Power Generation & Distribution = Capacity income + Energy Income + Daily Utilisation Payment + MUSB

Other revenue = Finance Lease Income + Rental Income + Project Management Fees + Operations & Maintenance Fees

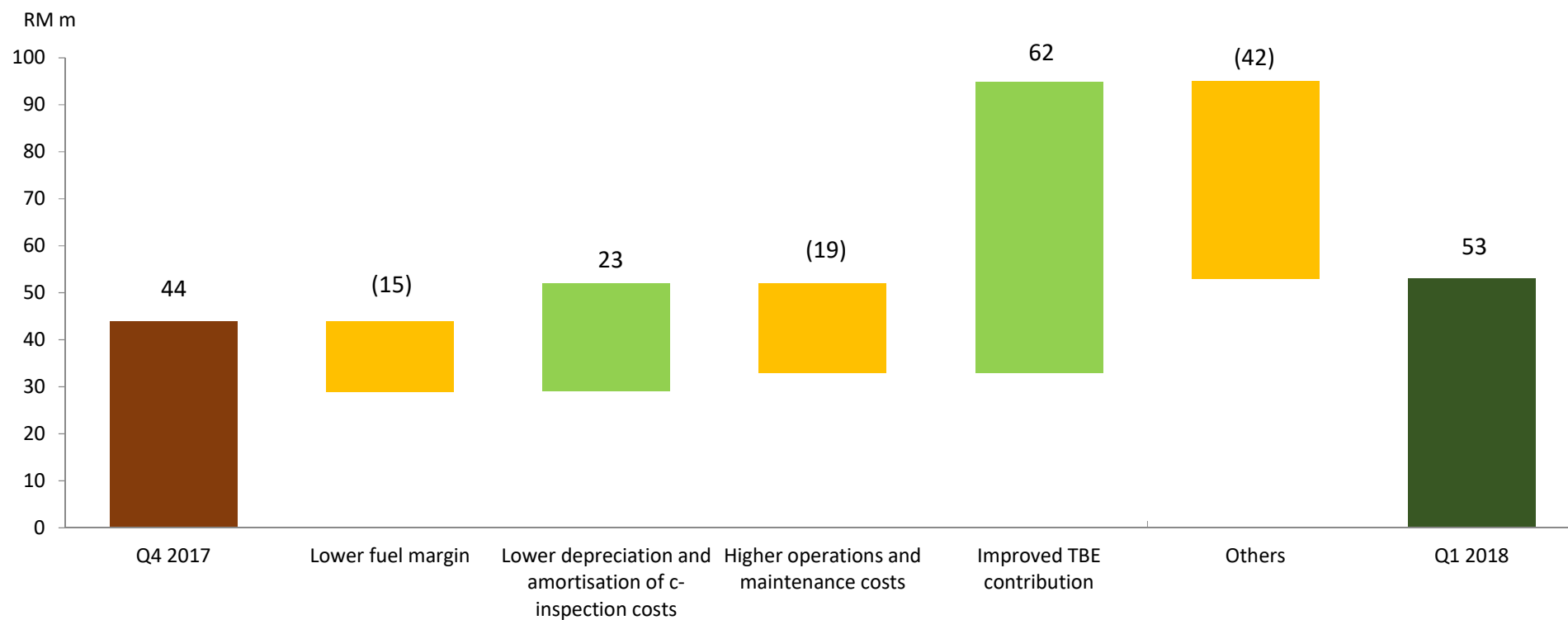
Electricity generation revenue includes:



## Group PATMI – Q1 2018 vs Q1 2017



## Group PATMI – Q1 2018 vs Q4 2017



## Consolidated Statement of Financial Position as at 31 Mar 2018

TOTAL ASSETS		RM m	TOTAL LIABILITIES & EQUITY		RM m
<u>Assets</u>			<u>Liabilities</u>		
Cash and cash equivalents		1,292.5	Loan and borrowings		15,513.0
Other investments		3,682.8	Other liabilities		6,791.6
Current assets		2,853.6	Total liabilities		22,304.6
Investment in associates		1,589.8			
			<u>Equity</u>		
Financial lease receivables		2,077.1	Share capital		5,693.0
Property, plant & equipment		13,844.1	Treasury shares		(49.8)
Other assets		3,994.7	Reserves		229.6
			Retained profits		117.2
			Equity attributable to owners of the Company		5,990.0
			Perpetual sukuk		800.0
			Non-controlling interests		240.0
			Total Equity		7,030.0
<b>Total Assets</b>		<b>29,334.6</b>	<b>Total Liabilities and Equity</b>		<b>29,334.6</b>

Total cash as at  
end 31 Mar 2018  
is RM4,975.3m



## Consolidated Statement of Cashflows as at 31 Mar 2018

RM m	Q1 2018	Q1 2017
Profit before tax	97.0	174.7
Adjustments for:		
Non cash item	283.5	360.0
Finance costs	248.4	271.6
Finance income	(59.6)	(50.7)
Share of profit of equity-accounted associates & JVs, net of tax	(15.6)	(32.7)
	553.7	722.9
Net change in current assets	400.9	329.1
Net change in current liabilities	(525.6)	181.6
Net change in non-current liabilities	80.9	59.5
Cash generated from operations	509.9	1,293.1
Income taxes paid	(88.9)	(88.9)
<b>Net cash from operating activities</b>	<b>421.0</b>	<b>1,204.2</b>
Net cash (used in)/generated from investing activities	(1,100.9)	38.6
Net cash used in financing activities	(383.1)	(888.1)
Net (decrease)/increase in cash and cash equivalents	(1,063.0)	354.7
Cash at beginning of the period	2,355.5	3,006.8
<b>Cash at end of the period</b>	<b>1,292.5</b>	<b>3,361.5</b>
<b>Other investments*</b>	<b>3,682.8</b>	<b>1,396.5</b>
	<b>4,975.3</b>	<b>4,758.0</b>

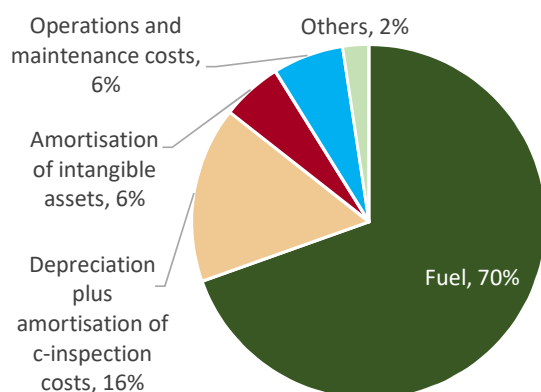
\*Other investments =  
deposits of more than 3  
months maturity

## Share of Profit of Associates and JVs

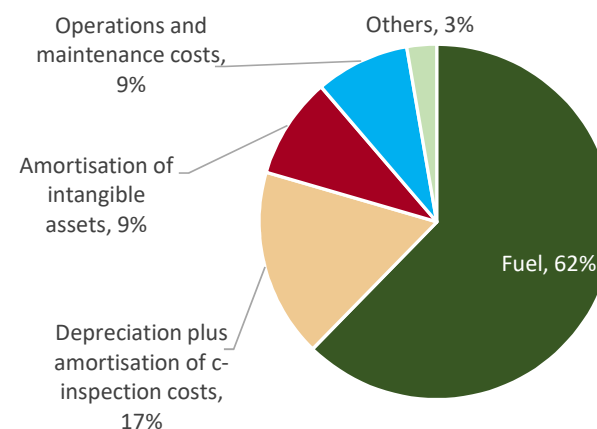
	Q1 2018 RM m	Q1 2017 RM m
Kapar Energy Ventures (Malaysia) <i>(MCB effective equity 40%)</i>	2.4	(1.3)
Lekir Bulk Terminal(Malaysia) <i>(MCB effective equity 20%)</i>	1.7	0.8
Muscat City Desalination Company /Muscat City Desalination Operations and Maintenance Company(Oman) <i>(MCB effective equity 32.5% MCDC and 31.5% MCDCOMCO )</i>	2.2	1.2
Shuaibah Water & Electricity Company / Shuaibah Expansion Project Company (Saudi Arabia) <i>(MCB effective equity 12% SAMAWEC and 11.9% SEPCO)</i>	(2.8)	13.9
Hidd Power Co (Bahrain) <i>(MCB effective equity 40%)</i>	12.1	18.1
<b>TOTAL</b>	<b>15.6</b>	<b>32.7</b>

## Lower Cost of Sales in Q1 2018 – Lower Depreciation, Amortisation and O&M Costs

**Q1 2018**



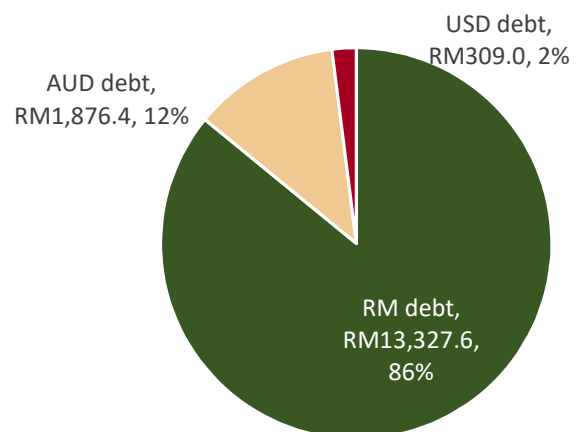
**Q1 2017**



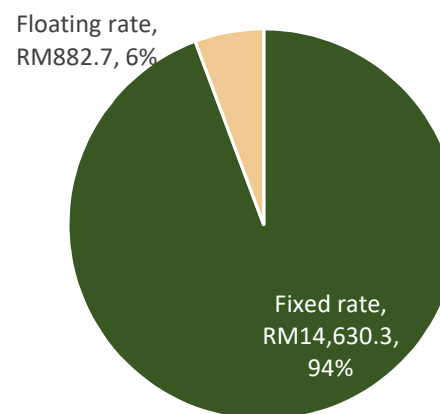
RM'm	Q1 2018	Q1 2017
Fuel	873.1	816.7
Depreciation and amortisation of C-inspection costs	201.5	225.2
Amortisation of intangible assets	69.3	120.9
Operations and maintenance costs	81.3	112.0
Others	30.0	35.7
<b>TOTAL</b>	<b>1,255.2</b>	<b>1,310.5</b>

## Group Debt & Gearing

**Debt Profile by Currency (RM m)**

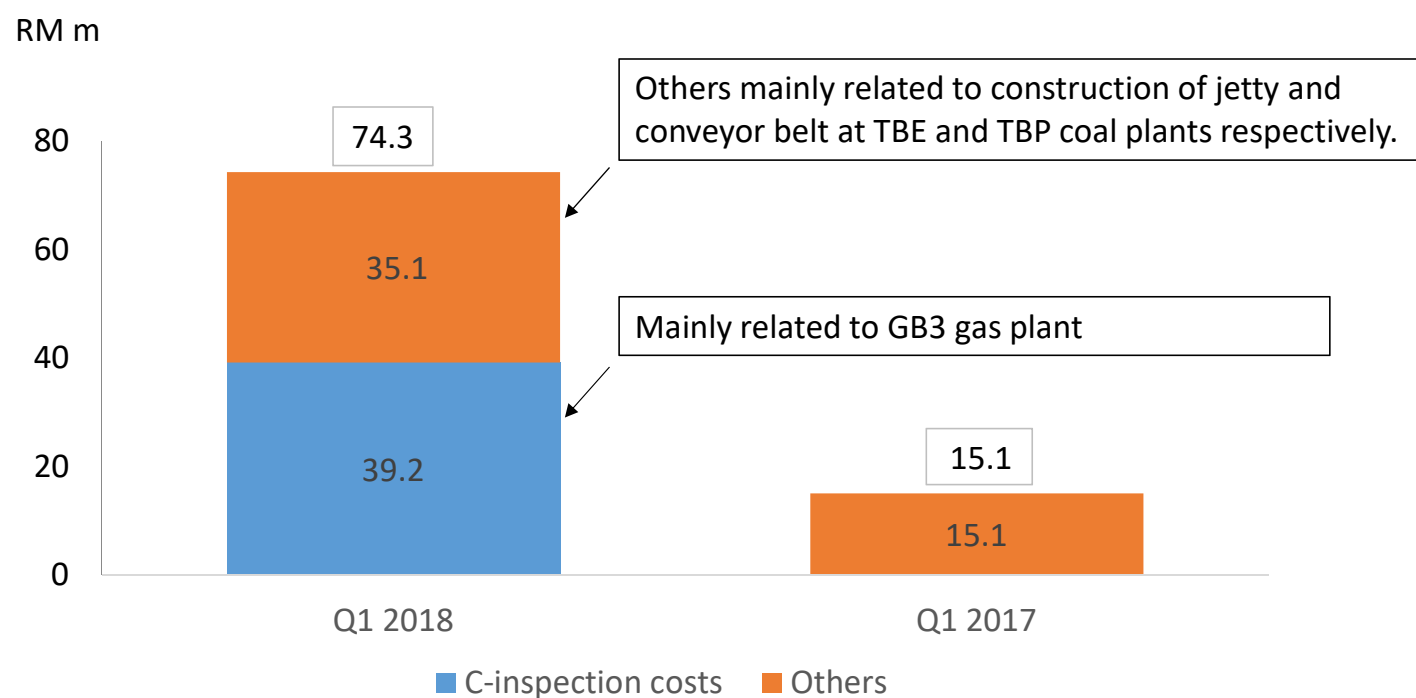


**Debt Profile by Fixed/Floating Rate (RM m)**



	Q1 2018	Q1 2017
Gearing Ratio	2.2x	2.3x
Net Gearing Ratio	1.5x	1.6x

## Capital Expenditure



# Growth Update

Project	Country	Description
Renewable Projects	Malaysia	<p>On going proposals to develop renewable energy projects in Malaysia.</p> <ul style="list-style-type: none"> <li>• Solar PV: <ul style="list-style-type: none"> <li>• under MOU with Touch Meccanica</li> <li>• exploring other sites with potential for LSS Projects to participate in future EC tenders.</li> </ul> </li> <li>• Small Hydro: <ul style="list-style-type: none"> <li>• Under MOU with Touch Meccanica</li> <li>• exploring hydro potential in various locations in Peninsular Malaysia.</li> </ul> </li> <li>• Secured the O&amp;M Agreement for a 29MW Large Scale Solar with ZEC Solar Sdn Bhd for 21 years</li> </ul>
Desalination Plants	MENA	<p>Participating in international competitive tender to develop new desalination plants in the MENA region:</p> <ul style="list-style-type: none"> <li>• Ghubrah 3 IWP in Oman (to synergize from existing ownership of Ghubrah IWP)</li> <li>• Exploring participation in competitive bid for IWP in UAE and Saudi Arabia</li> </ul>

- M&A Deals:
  - Exploring various M&A opportunities focusing on high growth countries / regions. Most opportunities are preliminary and at the Non-Disclosure Agreement stage.
  - Evaluating acquisition opportunities of power assets in South East Asia in various stages of development
- Renewable Energy:
  - Actively pursuing international RE market for investment opportunities in both greenfield as well as brownfield assets
  - Evaluating acquisition opportunities in overseas
- Conventional Power & Desalination:
  - Keen to invest opportunities in conventional greenfield & brownfield assets especially in the MENA Region & South East Asia

## Update on Collaboration with Touch Meccanica

	Description
<b>Background</b>	<ul style="list-style-type: none"> <li>MCB and TMSB had signed an MOU on 8 January 2018 to collaborate on exploring technical and commercial viability and to jointly develop several energy projects in the state of Pahang Darul Makmur.</li> <li>MCB and TMSB shall in good faith collaborate and work together in order to secure, implement and complete the Projects as described below: <ul style="list-style-type: none"> <li><b>a) <u>Small Hydro Power Projects</u></b> along Sungai Pahang, with capacities ranging from 10MW to 30MW (Hydro Projects) with a total of 107.5MW; and</li> <li><b>b) <u>Large Scale Solar Photovoltaic Plant (LSSPV)</u></b> with a capacity of up to 50MWac to be developed near Gambang in Kuantan (LSSPV Project)</li> </ul> </li> <li>Under the MOU, a period of <b>6 months (with option to extend for another 6 months)</b> is provided for MCB to conduct feasibility studies, prior to forming a definitive partnership arrangement with TMSB for these projects.</li> <li>Upon completion of the feasibility studies, MCB intends to form a JV partnership with TMSB.</li> </ul>
<b>Status Update</b>	<ul style="list-style-type: none"> <li>MCB has completed due diligence and pre-feasibility study for 3 small hydro sites.</li> <li>For the proposed integrated solar farm project, we are currently undertaking detailed study comprising topography, soil study and related studies on the site.</li> <li>All studies are to complete by end of May 2018.</li> <li>The outcome of these studies will form the basis of the joint venture agreement to develop the projects.</li> </ul>

**THANK YOU**