

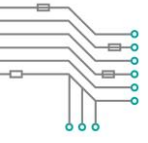
The background of the slide is a light blue circuit board pattern. Various icons are scattered across the board, including a hospital bed, a first aid kit, an ambulance, a stop sign, a traffic light, a smartphone, a car, a robot arm, a heart rate monitor, a padlock, a hard hat, a folder with a plus sign, and a wheelchair.

# 59<sup>TH</sup> ANNUAL GENERAL MEETING

16 June 2022

**GROWTH THROUGH TECH-BASED  
TRANSFORMATION**

# Minority Shareholders Watch Group (MSWG) Q&A



## Question 1(a)

(1 of 3)



A member of UEM Group

**UEM Edgenta recorded a strong rebound in financial performance in FY2021 with a 13% and 226% increase in revenue and net profit attributable to shareholders to RM2.29 billion and RM42 million respectively.**

**However, the bottom line performance of the healthcare support services business (which contributed 62.5% of its total revenue in FY2021) continued to be bogged down by higher operating costs, resulting in a lower net profit margin of 5.4% compared to the 6.8% recorded in the previous year (page 298 & 300, Note 41 – Segment information, Annual Report 2021).**

**(a) As the high cost structure is expected to persist, coupled with the current thin profit margin of about 5%, what is the room for further cost optimisation in the division? Overall, what is the cost savings target to be achieved in FY2022?**



## Question 1(a)

(2 of 3)



A member of UEM Group

### Response:

FY2020 margin was slightly higher due to the one-off grant income from the Singapore government during the peak of the Covid-19 pandemic. However, a lower grant was received in FY2021 which had impacted margins for the year. From an operating cost perspective, the Company managed to control its operational expenses effectively and will continue to pursue cost savings initiatives which includes automation and mechanisation to achieve higher productivity, strategic procurement initiatives and streamlining of group cost structure. We are closely monitoring and managing the general increase in wages including the recent increase in minimum wage in Malaysia and inflationary pressure stemming from the global supply chain disruption that would impact our operating margin and cost savings initiatives.

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## Question 1(a)

(3 of 3)

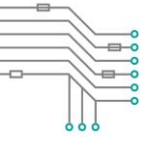


A member of UEM Group

Response:

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Although the high cost structure continues to persist during the pandemic, the Company managed to achieve groupwide cost savings of RM27 million in FY2021. Whilst we are encouraged by the short-term savings, we are on track to meet the 5-year cost savings of RM100 million as outlined in our Edgenta of the Future 2025 strategy through our structural cost optimisation and transformation initiatives to remain competitive and sustainable.



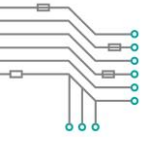
## Question 1(b)

(1 of 3)



A member of UEM Group

- (b) The Group recorded a revenue of RM2.41 billion and a net profit of RM181.8 million back in FY2019. Is it possible for the Company to rebound to a similar level in the near term?**



## Question 1(b)

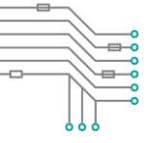
(2 of 3)



A member of UEM Group

### Response:

The business operating landscape has changed drastically post-pandemic. While our concession business provides a strong base for our revenue and profits, parts of the business are faced with challenges in cost escalations and competitive pricing in the market. We are driving efficiencies in our delivery model through tech-based transformation, automation and mechanisation as well as structural cost transformation to enhance business resilience.



## Question 1(b)

(3 of 3)



A member of UEM Group

### Response:

We expect margins to improve in the near term, but we remain vigilant in view of the changing market dynamics driven by the recent increase in minimum wage in Malaysia, global inflationary pressure and supply chain disruption. The Company's Edgenta of the Future 2025 strategy is anchored on building long-term sustainability of the business through expansion of footprint and solutions base, extracting value from core businesses and enhancing product and technology proposition, which will put us in a better position to manage these business risks.



## Question 2(a)

(1 of 3)



A member of UEM Group

**UEM Edgenta generally grants a credit term of 30 days to 90 days to clients. As of 31 December 2021, trade receivables which were past due from the credit terms but not impaired amounted to RM340.9 million (FY2020: RM200.1 million) (page 251, Note 20 (a) – Trade receivables, AR2021).**

- (a) What are the profiles of the major customers with long outstanding trade receivables? Please include details such as country, the amount due, overdue period etc.**



## Question 2(a)

(2 of 3)

Response: Ageing analysis by country for FY2021

	<b>Total</b>	<b>Malaysia</b>	<b>Singapore</b>	<b>Taiwan</b>	<b>Others</b>
	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>	<b>RM'mil</b>
<b>Neither past due nor impaired</b>	99.9	77.9	-	-	22.0
<b>1 to 30 days past due</b>	202.7	77.7	60.6	63.6	0.8
<b>31 to 60 days past due</b>	31.1	13.5	4.1	13.5	-
<b>61 to 90 days past due</b>	14.3	10.8	0.9	2.6	-
<b>91 to 120 days past due</b>	6.8	5.7	0.1	0.8	0.2
<b>More than 121 days past due</b>	85.9	84.1	0.2	1.6	-

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## Question 2(a)

(3 of 3)

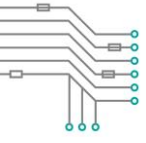


A member of UEM Group

Response:

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Amounts in 1 to 30 days past due bracket for Singapore and Taiwan totalling RM124.2 million, mostly due to timing differences, where the invoices that made up these amounts were past due by a few days after the credit term has lapsed. A substantial amount of these outstanding receivables was subsequently collected in Q1 FY22. Receivables outstanding for 31 days and above were consistent with historical trend. Receivables from the Malaysian operations are mainly due to works performed for the local healthcare and infrastructure projects with low collection risk.



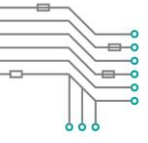
## Question 2(b)

(1 of 2)



A member of UEM Group

- (b) Does the Group expect to make further provision on expected credit losses of these past due trade receivables?**



## Question 2(b)

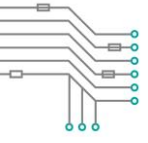
(2 of 2)



A member of UEM Group

### Response:

The Group does not expect to make further provision on expected credit losses for its past due trade receivables. The Group is actively following through on the collection of its Trade Receivables. For 1Q 2022, the Group has recorded RM575.3 million cash receipts from its customers.



## Question 2(c)

(1 of 2)



A member of UEM Group

- (c) As the information in AR2021 was based on the period ended 31 December 2021, what is the latest long outstanding trade receivables in amount and as a percentage of outstanding trade receivables?**



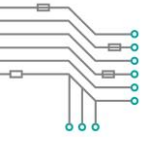
## Question 2(c)

(2 of 2)

Response:

	<b>Amount as at 31 March 2022</b> <b>(RM 'mil)</b>
<b>Total trade receivables</b>	445.5
<b>Trade receivables more than 120 days past due but not impaired</b>	64.1
<b>Percentage of outstanding trade receivables more than 120 days past due but not impaired against total trade receivables</b>	14%

Based on the receivables analysis as at 31 March 2022 above, there was an improvement in collection where receivables more than 120 days have narrowed to 14% of total receivables vis-a-vis 19% as at 31 December 2021.



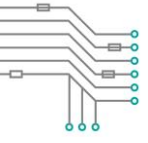
## Question 3

(1 of 3)



A member of UEM Group

**The size of UEM Edgenta's order book was declining over the years from RM13.2 billion (as of the end of FY2019) to RM12.2 billion (as of the end of FY2020) and further to RM10.8 billion as of the end of FY2021. Is the depleting order book a concern for the Board and Management, notwithstanding more than RM1 billion of new orders had been secured in FY2021?**



## Question 3

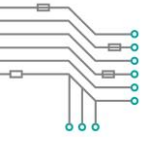
(2 of 3)



A member of UEM Group

### Response:

During the 2-year pandemic period, the amount of project tenders in the market were limited as compared to the pre-Covid environment. This was mainly due to the disruptions arising from the movement control order and cashflow constraints faced by our clients. Despite these challenges, new contract wins of approximately RM2.4 billion secured by UEM Edgenta in FY2020 and FY2021 is commendable.



## Question 3

(3 of 3)



A member of UEM Group

### Response:

We are seeing a gradual return of work orders that were previously delayed by existing clients, as well as new projects secured from new clients due to the reopening of the economic and social sectors. With the borders reopening and our enhanced products and services through technology-enabled platforms, we believe that we will remain competitive and continue to maintain a healthy orderbook on the back of the economic recovery. As of 1Q2022, we have managed to secure approximately RM530 million worth of new contracts, achieving 40% of our FY2022 target order book of RM1.2 billion.



## Question 4

(1 of 4)



A member of UEM Group

**The Edgenta of the Future 2025 (EoTF25) transformation strategy targets to gear up the revenue contribution from international business to 70% by the end of 2025 (page 77 of AR2021). However, the revenue contribution from the international business made up just 40% of UEM Edgenta's overall revenue in FY2021. This target seems to be a tall order for the Company. What are catalysts that would propel UEM Edgenta to attain this ambitious target? Which is the division/region/market that offered the greatest potential to UEM Edgenta?**



## Question 4

(2 of 4)



A member of UEM Group

### Response:

Building a global Edgenta franchise is key in realising our Edgenta of the Future 2025 vision. We have an entrenched position in the five regional markets that we are currently operating in (Singapore, Taiwan, Indonesia, Dubai and India) through capacity building and value accretive M&As over time. Leveraging on our strong track record in offering quality services and our established local networks, we are deepening our presence through providing Integrated Facilities Management (“IFM”) services embedded with technology and sustainability enhancements. This strategy has demonstrated success in the strong contract wins secured from the international businesses (54% of total FY2021 new wins) in new adjacent sectors and new customer base, in addition to being a significant contributor to the financial performance of the Group.

*(Continued in next slide)*



## Question 4

(3 of 4)



A member of UEM Group

Response:

*(Continued from previous slide)*

In terms of expansion into new markets, the Company has identified the Kingdom of Saudi Arabia (“KSA”) and the United Arab Emirates (“UAE”) as high growth markets that offer long term opportunities for our healthcare, sustainability and digital solutions. The Facilities Management Market (“FM”) in KSA is expected to grow at a CAGR of 10.6% to USD65.5 billion aligned with Saudi Vision 2030, whilst the UAE FM market was valued at USD14.4 billion in 2020 and is expected to demonstrate a CAGR of 10.8% until 2030. Our partnerships with leading technology providers, such as ByteBlanket and DisruptX, will further accelerate the deployment of digital solutions for smart cities which is part of the rapid transformation that is being rolled-out in these markets.



## Question 4

(4 of 4)



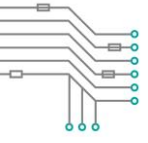
A member of UEM Group

Response:

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For the Singapore and Taiwan market, we are exploring opportunities to extend our capabilities to provide Smart Integrated Facilities Management (“Smart IFM”) services through value accretive M&As.

With our strong technological foundations and new platforms that are scalable, we are well-positioned to leverage on the growth opportunities in the international markets.



## Question 5(a)

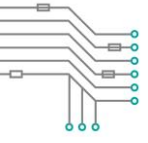
(1 of 2)



A member of UEM Group

**The Company had incurred RM12.6 million of one-off staff rationalisation cost in FY2021 for the infrastructure services and asset consultancy divisions (page 299, Note 41 – Segment information, AR2021).**

**(a) What was the staff rationalisation exercise about?**



## Question 5(a)

(2 of 2)



A member of UEM Group

### Response:

As UEM Edgenta strives to move towards its next transformation journey, the organisation needs to realign its manpower composition, upskill its workforce and focus on talent for future. Therefore, the rationalisation exercise for the infrastructure and asset consultancy divisions is part of our continuous effort to drive efficiency and streamline our business to meet current and future organisation needs. The rationalisation exercise was done voluntarily for most of the businesses whilst ensuring employees were transitioned smoothly.



## Question 5(b)

(1 of 2)



A member of UEM Group

- (b) Wages and salaries increased by 12% (or RM80.18 million) to RM753.68 million from RM673.5 million previously (page 224, Note 8 – Employee benefits expense, AR2021). The wages and salaries in FY2019 were RM660.82 million (page 187, Annual Report 2019). Please explain the reasons for the significant increase in wages and salaries.**



## Question 5(b)

(2 of 2)

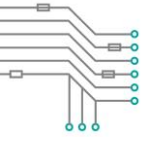


A member of UEM Group

### Response:

The significant increase in wages and salaries was mostly related to the commencement of new projects in Singapore and Taiwan. This is in tandem with the revenue growth for the Healthcare segment in those markets. In addition, there was a one-off grant income from the Singapore government in FY2020 which was netted-off against the wages and salaries for that year. In FY2021, the grant amount was much lower.

FY2020 cost was also relatively low as hiring of key resources groupwide were deferred during the initial stage of the pandemic. These positions were subsequently filled up in the second half of FY2020 and thus, FY2021 reflected the full year cost.



## Question 5(c)

(1 of 2)



A member of UEM Group

- (c) In FY2021, UEM Edgenta had recorded an unusual high number of resignations and recruitment of non-executive staff (page 93 of AR2021). A total of 8,095 non-executive staff resigned while 10,107 non-executive staff were hired. As of FY2021, the Company employed about 22,000 employees. Why were there massive resignation and recruitment activities?**



## Question 5(c)

(2 of 2)



A member of UEM Group

### Response:

Whilst the attrition rate in this job category is in line with industry norms and historical trend, the common reasons for the resignations during the year, which is an isolated scenario, were due to border closure between Malaysia and Singapore resulting in higher attrition rate in Singapore and the general sentiment of staff shying away from healthcare-related jobs during the pandemic period, impacting our India, Singapore and Taiwan businesses which accounts for more than 90% of the attrition. Regardless, the Company's total staff force has been stable, hovering around 22,000 employees for both FY2020 and FY2021.



## Question 6

(1 of 3)



A member of UEM Group

**UEM Edgenta has launched the Edgenta NXT, a digital ecosystem platform in FY2021. This represents UEM Edgenta's strategic transition towards a technology-driven business model. Some offerings under the initiatives are QuickMed and Asseto. What is the expectation upon Edgenta NXT in terms of business and financial performance? Has Edgenta NXT started to contribute financially to the Company?**



## Question 6

(2 of 3)



A member of UEM Group

Response:

Edgenta NXT is operating on several models, namely:

- i. **As an enabler to existing business portfolio** – solutions developed by Edgenta NXT help provide capabilities that enhances our existing business offerings. In FY2021, our Healthcare Support Services were able to secure new contracts worth approximately RM70 million for digital healthcare and pandemic management solutions anchored by Quickmed.

*(Continued in next slide)*



## Question 6

(3 of 3)



A member of UEM Group

Response:

*(Continued from previous slide)*

- ii. **New revenue streams from Software as a Service (“SaaS”) and Platform as a Service (“Paas”) business model** – deployment of UEM Edgenta’s proprietary facility management platform, Asseto, will provide clients with capabilities to enhance their overall asset management whilst providing the foundation smart city solutions.
- iii. **Partnerships with leading technology companies** – to jointly develop innovative solutions that allow our partners to discover new revenue streams via micro-services that are being deployed through Edgenta NXT platforms.

Essentially, our technology strategy will enable us to operate under a leaner cost structure which in turn reinforces our competitiveness to drive topline growth with the aim of creating sustainable shareholder value.

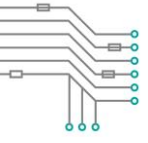
A background graphic consisting of a network of light blue lines and nodes, resembling a circuit board or data network. Various icons are scattered throughout, including a hospital bed, a first aid kit, an ambulance, a stop sign, a traffic light, a car, a robotic arm, a hard hat, a wheelchair, and a folder with a plus sign.

# 59<sup>TH</sup> ANNUAL GENERAL MEETING

16 June 2022

**GROWTH THROUGH TECH-BASED  
TRANSFORMATION**

# Questions from Shareholders



# 1. MR TEY CHIN FUI

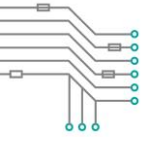
(1 of 3)



A member of UEM Group

## Question 1

**Malaysia to increase Minimum Wage from May 1, 2022, whether the group still can maintain its profit margin?**



# 1. MR TEY CHIN FUI

(2 of 3)



A member of UEM Group

## Response:

We regard our employees' wellbeing with utmost priority, and it is reflected in our approach of ensuring a sustainable ecosystem, as part and parcel of our delivery model. In relation to the increase in minimum wage, there are multiple factors to be considered including the number of employees affected, revisiting terms of clients and subcontractors' contracts, as well as opportunities to optimise our delivery model and our efficiency in deploying people. We are working closely with all stakeholders to develop action plans to support this decision from the government. Notwithstanding that, there will be an impact on profit margin in the shorter term.

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# 1. MR TEY CHIN FUI

(3 of 3)

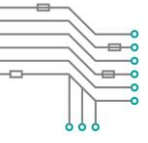


A member of UEM Group

Response:

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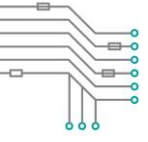
From our experience in other markets, there are multiple approaches to mitigate the impact on profit margin such as through cost-sharing mechanism with clients, restructuring of the range of services provided to clients and optimising operations with automated workflow. This will be our focus to ensure long term sustainability of the business.



## 2. MR TEO CHER MING (Total: 4Qs)

### Question 2(a)

**Impact of cukai makmur and minimum wage. Any numbers to be shared?**

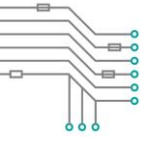


## 2. MR TEO CHER MING (Total: 4Qs)

### Response:

There is no impact of cukai makmur.

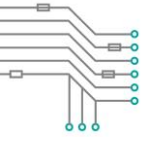
The impact of minimum wage is very recent, as of May 2022. While we have taken proactive steps as per the mandate from the government, the overall impact is being assessed based on the overall number of employees hired directly as well as our subcontractors as part and parcel of delivering our services. The quantum of that impact will depend on the ability of the cost to be reflected in the contracts we have. As this is a developing matter, the quantitative impact will be communicated in due course.



## 2. MR TEO CHER MING (Total: 4Qs)

### Question 2(b)

**Comparing Q1 and 31 Dec trade and other receivable seems to be on upward trend from RM586 million to RM723 million. Could the company clarify to date has these receivables been collected and could the co provide more info these receivables are pertaining which client/sector**



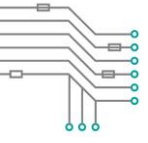
## 2. MR TEO CHER MING (Total: 4Qs)

### Response:

There are a few contributing factors:

- Seasonality factor where collection is typically slow in the beginning of the year. Based on historical trend, collection improves from second quarter onwards.
- Some of the healthcare projects, namely Covid-related solutions and Replacement Through Maintenance services have longer billing cycle business model.

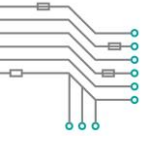
Based on the aging schedule for Q1FY22, there was an improvement in collection days where receivables more than 120 days have narrowed to 14% of total receivables vis-a-vis 19% as at 31 December 2021.



## 2. MR TEO CHER MING (Total: 4Qs)

### Question 2(c)

**For the joint venture with Asma for ME market. How much bid has the company put thru this joint venture and how big is the addressable market?**

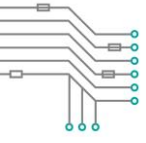


## 2. MR TEO CHER MING (Total: 4Qs)

### Response:

In expanding our international footprint, the Group signed a Memorandum of Business Exploration (“MoBE”) with Asma Advanced Solutions LLC on 29 April 2021. This partnership leverages on the growth of the healthcare support services and integrated facilities management services in the region.

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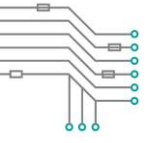


## 2. MR TEO CHER MING (Total: 4Qs)

Response:

*(Continued from previous slide)*

Notwithstanding that, the Group continues to explore a broader partnership strategy with various clients and operators to further expand its reach in the market. In addition, we are in the midst of incorporating our 100% wholly-owned entity in the Kingdom of Saudi Arabia which will enable us to deploy our capabilities and track record in the market. Through our own and joint efforts with our partner ecosystems, we have participated in various proposals and tender submissions amounting to approximately SAR150 million. This consists of opportunities in new healthcare PPP projects, energy & sustainability services, and technology deployment from our suite of digital solutions.



## 2. MR TEO CHER MING (Total: 4Qs)

### Question 2(d)

**In the MD/CEO statement it's mentioned "The result of doing the right thing has inevitably led to some interesting spinoff business opportunities that I believe will balance the interests of our shareholders against our broader obligations to help the nation". I believe the company is referring to Quickmed? And is Quickmed actively in use outside of the nation covid 19 fight?**



## 2. MR TEO CHER MING (Total: 4Qs)

### Response:

The pandemic has accelerated digital healthcare trend globally, which we are leveraging through QuickMed Clinic Management System, being the backbone of the operation for our Covid-19 CAC centers and digital trackers for home quarantine management solutions. We are currently in the midst of enhancing our QuickMed solution to focus on improving accessibility and improved quality of care to Malaysians.

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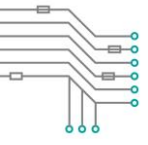


## 2. MR TEO CHER MING (Total: 4Qs)

Response:

*(Continued from previous slide)*

Our goal is to elevate the capabilities of the primary care network and to digitally enable improved interaction between healthcare professionals and patients by alleviating waiting times within the public healthcare ecosystem through private and public partnerships/collaborations and exploring ways to empower our elder/silver generation to have better access to services through a digital platform enabling discovery of nurse care, wound care, geriatric care and other specialties. As a leading healthcare support services provider, we are committed to developing integrated healthcare solutions by broadening our scope beyond support services to enable our clients to better access and communicate with their patients through digital means, building towards a sustainable public healthcare infrastructure.

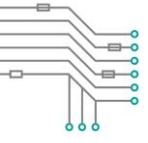


**3. MR STEPHEN LYE TUCK MENG (1 of 3)**

**4. MR LOO YEO MING**

**Question**

**Please reconsider door gift, e-vouchers, food vouchers or e-wallet.**



# 3. MR STEPHEN LYE TUCK MENG (2 of 3)

## 4. MR LOO YEO MING



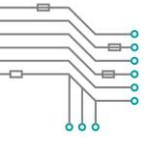
A member of UEM Group

### Response:

UEM Edgenta has issued the Administrative Notes on 29 April 2022.

We wish to inform that there will be no distribution of door gifts or vouchers for the 59th Annual General Meeting (“AGM”).

*(Continued on next slide)*



# 3. MR STEPHEN LYE TUCK MENG (3 of 3)

## 4. MR LOO YEO MING

### Response:

*(Continued from previous slide)*

Since 2018, the Company has discontinued the distribution of door gifts at AGM.

We believe that our shareholders should be rewarded meaningfully and equally, and it is the Company's priority to channel all available funds to be able to declare and reward shareholders in terms of dividends. On 19 May 2022, we have paid 3 sen interim dividend and we remain committed to our dividend payout policy of 50%-80% of PATANCI.

*Thank you*