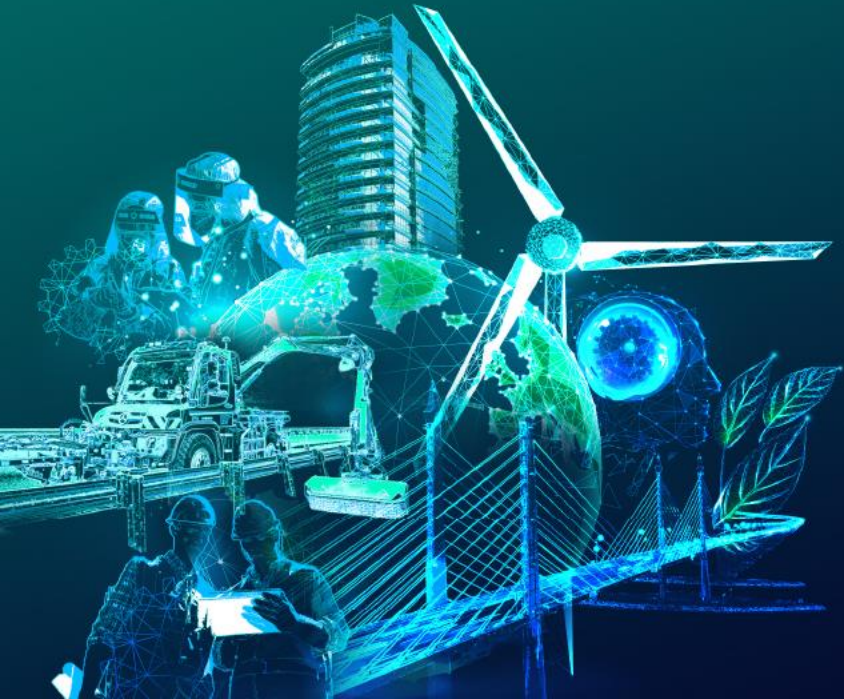


# 60<sup>TH</sup> ANNUAL GENERAL MEETING

15 June 2023

**DRIVING  
TECHNOLOGY,  
ADVANCING  
SUSTAINABILITY**  
CREATING A BETTER TOMORROW



# Minority Shareholders Watch Group (MSWG) Q&A

## Question 1(a)

**UEM Edgenta recorded a 10% growth in revenue to RM2.52 billion in FY2022. During the year, total revenue from international markets grew 4.18% y-o-y to RM955.98 million compared to RM917.62 million in the preceding year.**

**Meanwhile, the domestic market posted revenue of RM1.57 billion, representing a 14% increase from RM1.37 billion in the year before.**

**This suggests that the Malaysian market is growing faster in revenue contribution compared to markets abroad.**

**With the focus on growing the international business, will the slower revenue growth of international markets be a concern for the Company?**

## Question 1(a)

### Response:

The significant domestic revenue growth in FY2022 was largely contributed by the resumption of business activities and reopening of borders as we transitioned to endemic phase, particularly with the increase in infrastructure service works for expressways under PLUS Malaysia Berhad. Infrastructure services will continue to be a key revenue contributor domestically.

*(Continued in next slide)*

## Question 1(a)

### Response:

*(Continued from previous slide)*

On the international front, despite the lower revenue growth in FY2022, the Company secured new contract wins totalling approximately RM840 million, a 53% year-on-year growth in new contract wins as compared to FY2021. In addition, the new contract wins from international businesses represents approximately 62% of the RM1.36 billion total wins in FY2022. Going forward, the Company expects the growth momentum from international businesses to remain strong, driven by ongoing efforts in capturing new opportunities in our core markets through both organic and inorganic growth.

## Question 1(b)

**The Company continues to expand into international markets where demand for quality tech-enabled services is growing while maintaining and servicing its long-term portfolios in Malaysia.**

**How lucrative is the profit margin of the tech-driven international business compared to domestic business?**

## Question 1(b)

### Response:

Profit margin for tech-enabled services varies depending on the nature and scope of services being delivered. Generally, these tech-enabled integrated facilities management services are largely performance/KPI-linked, whereby the use of technology enhances operational efficiencies, optimises resource allocation, enables real-time monitoring and data-driven decision-making, amongst other things. This in turn improves service delivery quality and profit margin.

## Question 2(a)

**UEM Edgenta made a foray into the Kingdom of Saudi Arabia (KSA) in FY2022 by establishing Edgenta Arabia Limited (EAL) and acquiring a 60% stake in MEEM, one of the country's leading facilities management companies.**

**How has MEEM performed financially since its operation in 2017? What is the expected contribution of the KSA market to UEM Edgenta upon consolidation of MEEM's financial performance? What are the existing projects undertaken by MEEM?**

## Question 2(a)

### Response:

Since its inception in 2017, MEEM has provided a full range of facilities management services in Riyadh, Jeddah, and Dammam, primarily for properties owned by MASIC Group and its associates. Between FY2017 to FY2022, MEEM's yearly revenue stood at average SAR25 million. To date, it is managing about 30 assets in KSA including several marquee projects such as Almas Plaza, Avant Tower, Mode Mall Al Faisaliah and Futuro Tower, with a total orderbook of c. SAR100 million over 5 years.

*(Continued in next slide)*

## Question 2(a)

Response:

*(Continued from previous slide)*

Contribution from MEEM is not expected to be significant immediately upon consolidation. In the medium to long term, by leveraging on the track record and resources in MEEM, we are able to tap into the sizeable KSA market and grow MEEM into a Tier-1 Integrated Facilities Management (“IFM”) company in the Middle East region.

## Question 2(b)

**EAL paid RM13 million to subscribe to the 60% new shares of MEEM. What is the valuation metrics for the stake?**

## Question 2(b)

### Response:

Valuation metrics used for the acquisition are primarily based on discounted cashflow on the back of contracts in hand and future opportunities in the market. These are compared against other M&A valuation metrics, including trading multiples and precedent transactions of similar nature businesses in the region.

## Question 2(c)

**The expansion has opened UEM Edgenta opportunities to tender for mega infrastructure and healthcare projects under the ambitious Saudi Vision 30 strategy.**

**What is the market potential for facilities management in KSA by value?  
What is the expertise of MASIC - the 40% partner of MEEM, in terms of helping UEM Edgenta to make its way into the KSA market?**

## Question 2(c)

### Response:

KSA has been identified as a high growth region with a plethora of opportunities within the IFM market. The IFM market is expected to grow from USD22.4bn in 2020 to USD35bn by 2028. This is driven primarily by investments made through Public Investment Fund (PIF) for several giga projects including Neom, Red Sea Development, Qiddiya, Diriyah, and Mukaab Riyadh amongst others. These projects are collectively worth approximately USD800 billion in investment value. In addition, there is increasing participation from the private sector through new Public-Private Partnership (PPP) for new infrastructure and healthcare projects in KSA.

*(Continued in next slide)*

## Question 2(c)

Response:

*(Continued from previous slide)*

MASIC is a leading investment company in KSA with investments spanning across financial services, real estate, public and private equity. MASIC Group's strong track record in executing investments in government projects, commercial real estate development, energy, and PPP projects will accelerate Edgenta's market entry strategy through co-investment and collaboration opportunities in the KSA market.

## Question 3(a)

**UEM Edgenta is committed to investing in its digital capabilities through Edgenta NXT, a digital ecosystem platform incorporated in July 2021. Current products under Edgenta NXT are *Asseto*, *Asseto for Health* and *QuickMed*.**

**How much has the Group invested in Edgenta NXT thus far? What is the projected capex for Edgenta NXT in the next two to three years?**

## Question 3(a)

### Response:

Asseto is an interoperable asset and facility management Software-as-a-Service (“SaaS”) platform with configurable modules to be deployed by different asset owners. From inception to 31 December 2022, total investment made in EdgentaNEXT is approximately RM9.2 million, largely for the development of Asseto, which is now being commercialised. Total projected capex for the next 3 years is RM20 million, to strengthen the core technology infrastructure and enhance the modules on the Asseto platform. By working with multiple strategic partners, we will be able to deploy capital and resources efficiently in creating a holistic SaaS ecosystem.

## Question 3(b)

**In 2022, Asseto was selected by KLCC Urusharta to manage Towers 1, 2 and 3 of the Petronas Twin Towers. On top of that, the solution was integrated into processes at 11 different sites under the Property & Facility Solutions division (page 27 of IAR2022).**

**What was the contribution of Asseto to the topline and bottomline of Property & Facility Solutions?**

## Question 3(b)

### Response:

The initial commercialisation of Asseto focuses on the integration of the technology into existing contracts being performed by the Property & Facility Solutions (“PFS”) division. Such tech-enabled services enhance our service delivery, optimise costs and improve efficiency.

During the initial commercialisation phase in FY2022, Asseto’s financial contribution was minimal. We are confident that we are able to scale and grow Asseto as a SaaS platform through a subscription/licensing framework as part of the asset management ecosystem.

## Question 3(c)

**QuickMed is incorporated as a COVID-19 screening booking platform with Home Quarantine Management System that enables effective management of COVID-19 testing, quarantine and tracking at the national level.**

**How was the use of Quickmed devised to adapt to the changing environment in a post-pandemic era?**

**Will QuickMed be fully integrated into Asseto for Health eventually since some of QuickMed features were already incorporated into Asseto for Health?**

## Question 3(c)

### Response:

Quickmed is a cloud-based digital healthcare solution with several features and functionalities including clinic management system, telehealth booking platform and home quarantine management system. As we transitioned into the endemic phase, we have re-evaluated our positioning and re-harvested elements of Quickmed's functionalities towards enhancing our core business in Hospital Support Services.

*(Continued in next slide)*

## Question 3(c)

### Response:

*(Continued from previous slide)*

Some components of Quickmed's clinical capabilities have been integrated into Asseto for Health to produce a comprehensive, usage-based, interoperable platform that meets the daily needs of hospitals and other healthcare providers. Further development work is being conducted on specialized modules for the healthcare industry including biomedical engineering maintenance service, soft services, fleet management, smart cleaning and waste management. In addition, we have leveraged on the use of IoTs on movable objects to enable tracking of linen, equipment, beds, and ambulances.

## Question 4

**The Employment (Amendment) Act was passed in Parliament and came into force on 1 January 2023. Under the Amendment Act, employees who earn up to RM4,000 are now entitled to overtime.**

**Given that most of UEM Edgenta's workforce is non-executive (86% of the total workforce for FY2022), what is the estimated full-year impact (by percentage) of the Amendment Act to UEM Edgenta's employee benefits expense?**

**Please explain the mitigation measures to contain labour costs.**

## Question 4

### Response:

In FY2022, the overtime cost in relation to Malaysian operations is less than 1.5% of total Group's staff cost.

As there were no historical records of OT claims information for the RM2,500 to RM4,000 salary range previously, we are currently assessing the extent of the effects of the Amendment Act. Notwithstanding this, the impact will be mitigated by the measures detailed below:

*(Continued in next slide)*

## Question 4

### Response:

*(Continued from previous slide)*

- i. Enhancing the management of overtime application to ensure efficient manhour utilisation (pre-approval for overtime if it is not scheduled/ planned);
- ii. Enhancing the planning of work / shift scheduling processes to optimise available manpower resources; and
- iii. Ongoing operational process enhancements to optimise manpower/ labour cost.

## Question 5

**On 9 November 2022, UEM Edgenta announced that its wholly-owned subsidiary, Edgenta Facilities Sdn Bhd (EFSB), disposed of its 51% stake in Faber Sindoori Management Services Pte Ltd (FSPL) to Apollo Sindoori Holdings Limited (ASHL) for about RM39 million. The company recognised a loss on disposal of FSPL amounted to RM251,000.**

**How much had UEM Edgenta invested in FSPL for the Indian venture over the years? What was the total return made from this venture? Will there be further asset divestment moving forward?**

## Question 5

### Response:

The total cost of investment in FSPL was RM6.1 million, garnering more than 5x return at the date of disposal. The small loss of RM251k was due to exchange rate effects in relation to the divestment. In line with our portfolio repositioning strategy, we continue to streamline our portfolio, ensuring optimal capital reallocation towards high growth potential to realise the Edgenta of the Future 2025 vision.

## Question 6

**In FY2022, UEM Edgenta wrote off inventories worth RM12.76 million from its book (page 305 of IAR2022).**

**These inventories were acquired during the financial year and written off in the same year. They were related to the COVID-19 business under the healthcare support segment (page 338 of IAR2022).**

**What were the inventories purchased? Why did the Company write off these inventories within a short period since the COVID-19 pandemic situation only evolved marginally throughout 2022?**

## Question 6

### Response:

The inventories in question consist of RT-PCR COVID-19 test kits that were acquired for the Mobile On-Site Testing Facility initiative.

Following the successful implementation of the vaccination program and public health control measures, the Government has revised its COVID-19 SOPs and guidelines. As a result of these changes, particularly the relaxation of COVID-19 testing requirements for fully-vaccinated individuals and inbound travellers starting from 1 May 2022, the demand for the RT-PCR test kits significantly declined.

*(Continued in next slide)*

## Question 6

Response:

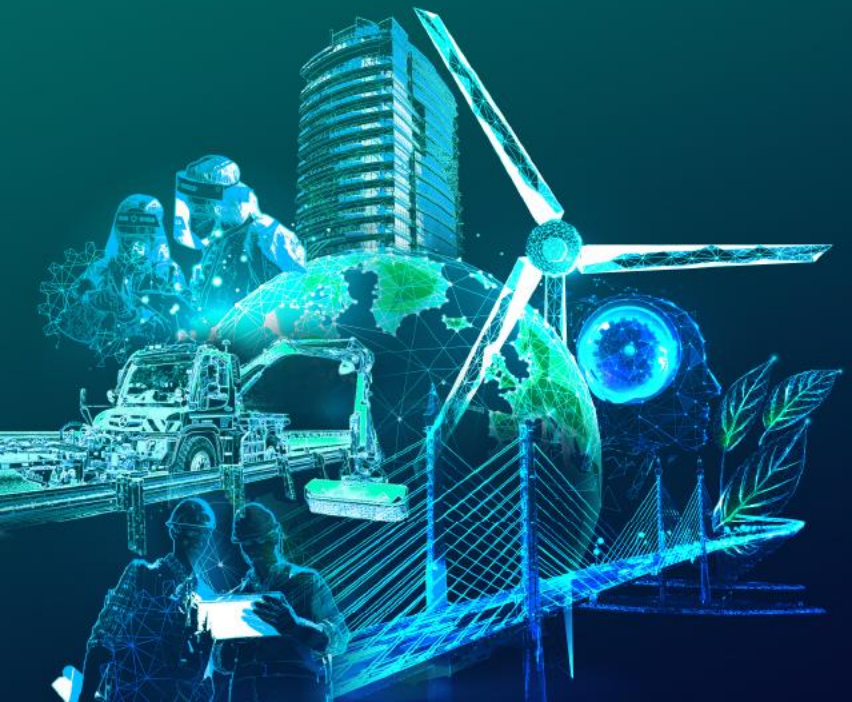
*(Continued from previous slide)*

After undertaking various sales and marketing efforts, the Management assessed and concluded that the likelihood of recovering any realisable value from these test kits is highly improbable. Consequently, the remaining balance of the test kits, amounting to RM12.76 million, was written off in accordance with MFRS 102: Inventories. Under MFRS 102, inventories are required to be measured at the lower of cost and net realizable value (NRV). Complying with MFRS 102 ensures that the Company provides more reliable and relevant information about our inventories, allowing users of financial statements to make informed decisions based on the economic substance of the inventory.

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# Questions from Shareholders

# 1. TEO CHER MING (Total: 3Qs)

(1 of 7)



A member of UEM Group

**a) In the Annual Report, Asseto is mentioned as digitalisation efforts. With Asseto, how much efficiency/cost savings does the company expect from Healthcare Support Services & PFS?**

# 1. TEO CHER MING (Total: 3Qs)

(2 of 7)



A member of UEM Group

## Response:

The initial commercialisation of Asseto focuses on the integration of the technology into existing contracts being performed by the Property & Facility Solutions (“PFS”) division. Such tech-enabled services enhance our service delivery, optimise costs and improve efficiency. Asseto will be scaled as a SaaS platform through a subscription/licensing framework as part of the asset management ecosystem.

# 1. TEO CHER MING (Total: 3Qs)

(3 of 7)



A member of UEM Group

**b) Referring to Q1FY2023 vs Q1FY2022, results for Healthcare Support Services profit were reduced by half. Can management explain what costs have increased aside from labour cost and the %? And do management expect these to trend downwards in upcoming quarters?**

# 1. TEO CHER MING (Total: 3Qs)

(4 of 7)



A member of UEM Group

## Response:

The overall revenue for Healthcare Support Services was lower for Q1FY23 due to loss of revenue from Covid-19 related business post-MCO, as compared to Q1FY22. As a result, profit before tax was also lower, exacerbated by higher operating cost amid inflationary pressure and minimum wage impact. However, our business diversification strategy helped as the reduction in revenue was mitigated by higher revenue from Singapore & Taiwan at the back of stronger SGD.

As part of our policy, we do not provide projection of our financial performance. But, be rest assured that various cost management strategies are and will be put in place to mitigate inflationary pressure and impact of minimum wage.

# 1. TEO CHER MING (Total: 3Qs)

(5 of 7)



A member of UEM Group

**c) Edgenta share price is depressing. During the company engagement with analysts, did the analysts highlight any concerns that the investing circle had and preventing the company to get a fair market value in the stock market?**

# 1. TEO CHER MING (Total: 3Qs)

(6 of 7)



A member of UEM Group

## Response:

Firstly, it is important to note that share prices are influenced by various factors, including supply and demand dynamics, market sentiment, and external forces beyond our control. These factors can sometimes lead to fluctuations in share prices that may not necessarily reflect the true value or potential of the company.

From a valuation perspective, analysts have provided their assessments of our company's future prospects. These evaluations typically take into account factors such as financial performance, industry trends, competitive landscape, and growth opportunities. It is essential to consider these long-term assessments rather than focusing solely on short-term market fluctuations.

*(Continued in next slide)*

# 1. TEO CHER MING (Total: 3Qs)

(7 of 7)



A member of UEM Group

Response:

*(Continued from previous slide)*

As a company, our primary focus remains on improving our performance and driving sustainable growth. We are committed to implementing strategic initiatives that enhance our operational efficiency, expand our market presence, and deliver long-term value to our shareholders. By focusing on these fundamentals, we aim to create a strong foundation for the company's success.

**THANK YOU**

