

61ST ANNUAL GENERAL MEETING

INNOVATING FOR
TOMORROW:

**SUSTAINING
EXCELLENCE BEYOND
BOUNDARIES**



Minority Shareholders Watch Group (MSWG) Q&A

Operational & Financial Matters - Question 1

Despite a 14.2% revenue growth in FY2023 to RM2.88 billion, UEM Edgenta's net profit was 34.1% lower at RM30.1 million, primarily due to inflationary pressures and rising operational costs. The Company was impacted by the **ongoing cost-push inflation** that was influenced by persistent increases in operating costs. Consequently, its **net profit margin slid** to 1.04% from 1.81% previously.

Escalation in costs, particularly in labour, raw materials, and consumables, has exerted **pressure on the profit margin** and overall financial performance. The **ongoing challenges in the labour market**, marked by increased wage demands and compliance with evolving regulations, have led to higher manpower costs (page 40 of AR2023).

Operational & Financial Matters - Question 1(a)

- a) Escalating operating costs remains a key trend that UEM Edgenta observes across key segments and markets in FY2024. Does the Group expect similar **margin compression in FY2024**?

RESPONSE

As global inflationary pressure and rising operational costs is expected to persist, the Group remains **cautiously optimistic** about the outlook for FY2024 with various **mitigating measures** put in place.

While we continue to focus on **optimizing** and **rationalizing resources** at all levels to enhance operational efficiency and operating margin, our **diversification** across portfolio and geographies provide **quality earnings**, driving better returns to our stakeholders.

Operational & Financial Matters - Question 1(b)

- b) The **Healthcare Support segment** recorded declining profitability despite higher revenue due to escalating operating costs (pages 75 and 79 of IAR2023). Key markets such as Malaysia, Singapore and Taiwan continue to face **escalating manpower costs**.

Operational & Financial Matters - Question 1(b)(i)

- b) i) How does the Group enhance the value and delivery of Healthcare Support services to **improve its thin profit margin**? What **areas** could **be further enhanced** to provide more value-added services?

RESPONSE

We are adopting a **multi-pronged approach** in delivering Healthcare Support services:

- 1) Measures to **mitigate cost escalation**
 - Operational cost optimization e.g. inventory management, centralised procurement
 - People cost – organisational review, rationalisation programme, talent re-distribution
- 2) **Continuous improvement** in business processes, productivity and efficiency
- 3) **Integrating technology**, deploying robotics and mechanized equipment, adopting IoT, implementing automated work order management to enhance productivity
- 4) Expand into **adjacent services & sectors** - private healthcare, hospitality, managing agent services

Operational & Financial Matters - Question 1(b)(ii)

- b) ii) The Group constantly automates processes to streamline operations. What is the **current level of automation and mechanisation** throughout the Healthcare Support segment? What are the areas that can and cannot be automated?

RESPONSE

In Singapore:

- **Cleaning robots and sensor technology** (e.g. Smart Toilet) is utilized – recently integrated 6 new cleaning robots
- **Integrated technology systems** and strategic investments in innovative mechanism, alongside the deployment of highly trained staff

(Continued in next slide)

Operational & Financial Matters - Question 1(b)(ii)

RESPONSE

(Continued from previous slide)

In Taiwan:

- **UETrack_{TM} Portering and Environmental Management Mobile App** systems - rolled out to 11 and 24 facilities respectively
- **Smart Toilet devices** are implemented at 2 hospitals - Taipei Veterans General Hospital and Kaohsiung Veterans General Hospital
- **Cleaning robots** are used extensively - 19 robots deployed across 18 facilities

In both Singapore and Taiwan, the Healthcare Support segment has completed **sustainability tool across UETrack_{TM}** stack and launched in Sep 2023.

In Malaysia:

- Enhanced cleaning services performance using **AI and robotics cleaning** in 3 hospitals

Operational & Financial Matters - Question 1(b)(iii)

- b) iii) **Taiwan has a headcount of 7,330** as of FY2023, 1.5 times higher than 2,944 in Singapore and 7% higher than 6,849 (permanent and non-permanent) in Malaysia.

Comparatively, Taiwan reported a revenue of RM520.8 million compared to RM428.5 million in Singapore and RM1.79 billion in Malaysia. Based on revenue per employee (RPE), **Taiwan generated a lower RPE** of RM71,050 compared to Singapore (RM145,550) and Malaysia (RM261,352).

Why did employees from the country record a significantly **lower efficiency** than other countries?

Operational & Financial Matters - Question 1(b)(iii)

RESPONSE to 1(b)(iii)

Healthcare Support segment structure in each operating market is different, in terms of government healthcare budget allocation, industry structure, contracting structure etc.

The **contract structure in Taiwan is relatively manpower-heavy** where physical headcount is required to fulfill operational requirements. Due to the **geographical spread of clients** in Taiwan, there are **team members to be anchored in each region** to attend to clients' needs. **Mechanisation and robotics are deployed** where possible, especially in large facilities to increase labour productivity.

Operational & Financial Matters - Question 2

UEM Edgenta has secured RM2 billion in tech-enabled contract wins since 2021.

- a) What is the **breakdown of tech-enabled contract wins** since 2021? What is the **expected growth** rate of contracts with technology capabilities moving forward?

RESPONSE

>**90%** of tech-enabled new wins were from **Healthcare Support** segment, driven by the application of *UETrack_{TM}* in our service delivery. It is **expected to grow** due to client demand for service efficiency and quality.

Operational & Financial Matters - Question 2

- b) How is the transition or **transition/conversion from traditional contract to tech-enabled** contract wins? Which **operating segments** witnessed significant **growth** in tech-enabled contract wins?

RESPONSE

Healthcare Support segment was driving the growth in tech-enabled contract wins. The **transition** from traditional to tech-enabled contracts is gaining momentum, anchored on our **existing technology infrastructure and capabilities**.

Operational & Financial Matters - Question 2

- c) Meanwhile, how prevalent is the **application of technological capabilities**, such as UETrack and Asseto, in UEM Edgenta's existing projects? Please elaborate by operating segments.

RESPONSE

Tech has been a key enabler for the Group's service delivery in all operating markets.

- **Infrastructure Services:** RAMS is used to manage over 1,500km of expressway and state road assets
- **PFS: Asseto** is deployed to manage 15 clients' sites including 3 KLCC sites
- **Healthcare Support:** *UETrack_{TM}* is deployed in 27 additional sites in Singapore in 2023

Operational & Financial Matters - Question 3

UEM Edgenta entered into several Memorandums of Business Exploration (MOBEs) with a few strategic partners, namely Tadoom, ZainTech, Disrupt-X, WAS, First Ambulance, Optima, Watad, ITMax, Sumitomo, and Softbank in FY2023 (page 36 of IAR2023).

What are the **intended outcomes to be achieved from these MOBEs**? How can these MOBEs benefit existing businesses and operations?

Operational & Financial Matters - Question 3

RESPONSE

These partnerships aim to **deepen growth capabilities, expand market presence**, and support a **diversified portfolio strategy**.

Smart City Opportunities - Disrupt-X and ZainTech enhance our IoT platform for smart city integration, ITMax focuses on smart traffic management and security, Softbank and Sumitomo drive advancements in smart, sustainable city solutions

Healthcare Services - Alliances with WAS, First Ambulance Services and Optima Technic strengthen UEM Edgenta's healthcare services and solutions

Market Expansion - Disrupt-X, ZainTech, and Tadoom facilitate expansion in the Middle East, with Watad targeting growth in Qatar

Operational & Financial Matters - Question 4

Under the **Zero-Capex Programme**, Opus Consultant (under Asset Consultancy) is deploying a commitment of RM200 million to aid its clients in accelerating their transition to more energy and resource-efficient buildings (page 38 of IAR2023).

Is the commitment made under the programme **part of the Company's capital expenditure in FY2024**? How does this initiative align with UEM Edgenta's cost optimisation initiatives as the Group navigates an elevated costs environment in FY2024? Please explain the **modus operandi of the Zero Capex programme** and the potential **benefits** to be realised.

Operational & Financial Matters - Question 4

RESPONSE

In Opus Sustainability and Energy Efficiency business, we adopt a holistic approach to enrich our clients' asset performance and value through sustainability, technology, and data analytics. We empower **asset owners** to advance their sustainability agendas with **minimal upfront costs, leveraging Opus as a one-stop solutions provider.**

Our zero-capex programme is designed to **avoid direct competition** with other building retrofit solution providers / Energy Service Company (ESCOs) that compete primarily on price. This is the key **unique selling point** that sets us apart from generic consultants and ESCOs in the market.

(Continued in next slide)

Operational & Financial Matters - Question 4

RESPONSE

(Continued from previous slide)

Modus Operandi - Our business model is similar to Energy Performance Contract (EPC) or Green Performance Contract (GPC) in-line with our end-to-end Sustainability Solutioning. Energy upgrades and retrofitting works are funded through energy and maintenance cost reductions. **Income from the cost savings**, or the renewable energy produced, is used **to repay the costs of the project**, including the initial investment. By relying on the performance of the installed generation or efficiency schemes, **EPCs are considered relatively low risk contracts.**

Sustainability Matters – Question 1

Under the Strategic Vendor Management (SVM) Framework, UEM Edgenta has developed a Vendor Development Programme (VDP) to understand and evaluate its suppliers' ESG practices. VDP will integrate sustainability considerations into the procurement practices, which will involve environmental and social assessments of suppliers, adoption of green material sourcing principles and reinforcement of health and safety standards.

Sustainability Matters – Question 1(a)

a) How many suppliers would be involved in such assessments?

RESPONSE

VDP forms an integral part of our SVM Framework. Through the VDP, we provide extensive assistance, including training programmes covering health and safety regulations, ethical sourcing principles, and procurement practices. VDP will be extended to cover ESG assessment of vendors in the future.

We had **initially assessed more than 200** vendors on their ESG practices **in 2022**. By the end of **Quarter 2 of 2024**, we are **targeting to roll out an enhanced assessment for a total of 106 suppliers** which includes 16 VDP vendors, focusing on vendors that have been categorized as strategic and critical under the SVM Framework.

Sustainability Matters – Question 1(b)

- b) What is the current supplier maturity level regarding the integration of ESG considerations in their businesses and operations?

RESPONSE

Based on preliminary general survey conducted in 2022 to gauge the maturity level, out of 255 respondents from 675 sampling, **47%** showed **moderate awareness**; **22%** was regarded as having **good knowledge** of ESG practices; **5%** indicated having **advanced knowledge** of ESG practices. The remaining **26%** are still at the **minimum understanding** level. The objective of this preliminary survey is to **gauge and understand the ESG awareness and practices of vendors** prior to developing the SVM Framework.

Based on this enhanced survey, we **will develop a supplier engagement plan** to provide the necessary support for our suppliers in understanding sustainability principles and practising them in their businesses.

Sustainability Matters – Question 1(c)

- c) What are the **transition measures to assist vendors** in adapting to UEM Edgenta's enhanced SVM requirement? What is the suggested **timeframe** for them to make such a transition? What **actions** will be **taken against vendors who cannot keep up** with the enhanced framework requirement?

RESPONSE

Based on the roadmap developed in the ESG Framework, we have identified the foundation for progress, i.e. conduct **supply chain ESG risk assessments**, develop a **supplier engagement plan** and **enhance vendor capabilities** through ESG capacity building programmes. The timeline for the program is within **12 – 18 months**.

Sustainability Matters – Question 1(d)

d) How much is the economic value UEM Edgenta distributed to suppliers in FY2023?

RESPONSE

In 2023, we empowered approximately **1,900 local suppliers**, with **47%** of procurement **spending** contracted with **local Bumiputera** suppliers, showcasing our commitment. Furthermore, over **98% of 2023's procurement budget** is used for **local suppliers**.

Supporting the Bumiputera Supplier Development Programme since 2014, we prioritize capable and credible Bumiputera suppliers, providing training programs and engaging with specialist providers without compromising governance standards.

(Continued in next slide)

Sustainability Matters – Question 1

RESPONSE

d) *(Continued from previous slide)*

We also remain dedicated to advancing our **contractor development initiative**, Projek Perintis, to help our partners **achieve a 5-star HSSE rating**. This includes training sessions and assessments to ensure subcontractors comply with our health and safety standards. In collaboration with HSBC Amanah Malaysia Berhad (HSBC Amanah), we have established a **Shariah-compliant Supplier Financing Programme** (SFP) to provide financing support to our suppliers in managing their cashflows effectively.

Sustainability Matters – Question 2

Throughout FY2023, UEM Edgenta generated significantly **higher waste from operations and waste it managed for clients**, as shown in the table below:

| | 2022 | 2023 |
|--|-----------|-----------|
| Waste generated from operations | | |
| Waste generated (Metric tonnes) | 567.45 | 1,498.97 |
| Hazardous waste generated (tonnes) | 512.41 | 724.54 |
| Waste diverted from disposal (million cubic metres per year) | 10.60 | 604.93 |
| Waste directed to disposal (million cubic metres per year) | 556.85 | 894.04 |
| Disclosure of three years of waste recycled (tonnes) | 0.05 | 0.63 |
| Waste managed for clients | | |
| Total Waste Managed by Edgenta for clients (tonnes) | 16,435.95 | 67,114.11 |
| Directed to Disposal (tonnes) | 15,652.64 | 20,398.30 |
| Hazardous (tonnes) | 12,921.31 | 5,508.83 |
| Non Hazardous (tonnes) | 2,730.93 | 15,010.75 |
| Diverted to Disposal | 4,582.45 | 46,715.22 |

Source: page 140 of IAR 2023

Sustainability Matters – Question 2(a)

- a) Why did UEM Edgenta generate significantly **higher waste from operations** without significant changes in businesses and operations?

RESPONSE

As part of our Environmental Management Material Matter, Edgenta has started building its waste inventory both from operations and those managed for our clients. In 2023, we enhanced our data collection process and **managed to acquire waste data from additional sites** that we are operating in. The increase from 567.45 to 1,498.97 metric tonnes is **largely due to milling waste from our Pavement Research Centre** that we have started tracking and preparing for RAP plant operationalisation. We also achieved **better efficiency in our incinerator, allowing incremental volume of clinical waste handled**. The bottom ash produced contributed to the increase in waste directed to disposal.

Sustainability Matters – Question 2(b)

- b) Similarly, **why did your clients generate much more waste** in FY2023? Is the waste managed for clients, which is independent of the Company, being part of the sustainability metrics measured against the Board and Management?

RESPONSE

The increase in client waste was also due to **better tracking** of waste handled particularly at rest areas along highways we manage. This is also **part of our inventory building process to increase data collection points**. We also started tracking milling waste from sites from our pavement work.

Currently, **waste is not part of any sustainability metrics measured against Board and Management.**

61ST ANNUAL GENERAL MEETING

INNOVATING FOR
TOMORROW:

**SUSTAINING
EXCELLENCE BEYOND
BOUNDARIES**



Questions from Shareholders

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q1 There was a significant **spike in the ED's remuneration** from RM1.54m to RM2.14m (almost 39%) despite significant lower profitability, all-time low share price and lower dividend to the shareholders of 2 cents. The management team is compensated generously between RM0.75m to RM1.25m despite its financials haven't even near the baseline that it achieved pre-Covid. As a comparison, the previous CEO of TMC Life was receiving RM1.1m compensation which is close to each of the mgmt team. It literally means we have many CEOs.

Despite all the innovations in the solutions, new product offerings but the Group still wobbling with its **cost structure**. The shareholders haven't seen any light at the end of tunnel despite all the initiatives by the Group. We have wait for many years but none is fruitful. I believe the innovation should not be on just product offerings to the customers but also how to reduce and optimise operating costs. This is a real and sustainable innovation. Please elaborate on this.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q1 RESPONSE

Financial Performance and Cost Structure

The **global economy** and businesses face **challenges** from intensive competitive landscape, supply chain disruptions and inflation, that are **impacting costs** and margins.

On the heels of RM81.8m cost savings achieved through mechanization, automation and optimized procurement spend, we have committed an **additional 5-year cost optimization target of RM150m, prioritizing savings** in cost of sales and operating cost, **optimizing our operating model** and **portfolio diversification** strategy. Initiatives such as streamlining business and operating structure, rationalizing resources are being executed to enhance operational efficiency and ensure long-term performance. Early positive outcome was demonstrated in the **strong rebound of >100% quarter-on-quarter improvement in the Q1 FY2024 profitability.**

Our focus on **product innovation, portfolio diversification, and operational efficiency** aims to drive sustainable growth and value for all stakeholders.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q1 RESPONSE

(Continued from previous slide)

Remuneration

The Board, through the Nomination and Remuneration Committee (**NRC**), is committed to establishing and periodically reviewing the **remuneration framework and policies**, and **performance** of Directors, Managing Director/Chief Executive Officer and Senior Management at UEM Edgenta Berhad, supported by the **Senior Management Remuneration Framework benchmarked against market** rates, in ensuring fair and competitive remuneration aligned with the demands of the roles, required competencies and Company performance. As part of the 5-year cost optimization strategy, **talent and resourcing optimization** is one of the execution pillars to **ensure** that **optimal productivity** is achieved across all levels of the organisation.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q2 As for its financials, the Group has a very **weak & erratic free cash flow** - RM1.9m (2021), RM80m (2022) and -RM96.1m (2023) and the dividend payments are not well-covered by its cash flow. Its net margins are quite pathetic with only 0.71%, 1.89%, 1.81% and 1.05% from FYE20-23. Its ROE and ROA are just at 1.93% & 1.06% which mean that it **hasn't delivered a satisfied return** to the shareholders & facing an issue to optimise its assets. Most of the GLCs not only their corporate results are back to the pre-Covid but some achieved record earnings.

As for the **Edgenta of the Future 2025** vision, it is already 3 years and already **at tail-end** but yet the Group is nothing near the baseline. We do not want this vision to be extended like our nation Vision 2020 - it defeats the whole purpose. Back to the basic, **innovate** the operations, **cut and optimise costs** for the Edgenta sustainability. **Spend less** on the **Capex** & start to create value for the shareholders. We need a strong commitment on this.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q2 RESPONSE

We are **committed to improving our financial metrics.**

The **execution of 'Edgenta of the Future 2025 strategies** has helped the company to navigate through market challenges through quality contract wins that resulted in **record new wins of RM2bn** since Covid-19 whilst **bolstering some of the margin impact through technology and sustainability** solutions. This strong growth momentum continues in 2024, where the Company secured **RM1.7bn new wins in 4 months**. In the absence of one-off costs incurred in FY2023, complemented by supply chain management efficiency and earnings accretion from the new subsidiaries, **Q1 FY2024 saw a strong RM10.2m PAT, setting the trajectory towards sustainable profitability.**

To **further enhance operational efficiency and cost management**, we leverage advanced technologies and process improvements, streamline operations, and ensure disciplined capital expenditure, while prioritizing projects with high value creation potential.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q3 2 years ago, the **management target** is to **recover to pre-pandemic level in the next 2-3 years** and optimise its cost structure while growing our topline by diversifying beyond PLUS contracts. However, we have **yet to see any progress**. Pls clarify on this.

RESPONSE

We have addressed the concern on cost optimization and recovery to pre-pandemic level in our reply to your Q1.

In line with our **diversification efforts**, we have **achieved significant milestones** across all our businesses.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q3 RESPONSE

(Continued from previous slide)

In **Singapore**, our healthcare division has successfully **diversified** into **hospitality** sector (such as Shangri-La Singapore and Parkroyal on Pickering), securing nine new contracts in 2023. In **Taiwan**, we have expanded into **Integrated Facilities Management / Facility Engineering Services (IFM/FES)**, broadening our service offerings. The diversification has given both Singapore and Taiwan a total contract value of **>RM200m from non-healthcare segment**.

In **Infrastructure Services**, we have grown **beyond PLUS contracts of ~RM800m over the past few years**, including extended our involvement with the **Selangor State Road (Zone 2)** concession, and secured state and rural road maintenance **contracts in new states**. We have also **repositioned Opus Consultants** as an end-to-end energy efficiency provider, diversifying our revenue streams.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q3 RESPONSE

(Continued from previous slide)

With the strategic acquisitions of **MEEM** in Saudi Arabia and the **KAIZEN** Group in the UAE, we now have a **coherent go-to-market strategy** with an **enhanced commercial presence** to bid for larger projects in the MENA region.

We will continue to explore new sectors, products, geographies, and services to drive future growth.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

- Q4 **UEMS Solutions** Pte Ltd has secured **contracts** for the provision of hospital support services to various hospitals in Singapore for an estimated total value of RM934.57mil to RM963.49mil. While it is a **sizeable contract**, but the investors are not convinced whether these contracts have a **reasonable margin to cover its high costs**. That was why the share price didn't spike after the news was released. Please provide the estimated margin for these contracts

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q4 RESPONSE

These contracts for hospital support services in Singapore, **underscore** our **strong track record, high-quality service**, and **market competitiveness**. This achievement **reaffirms our position** as the leading healthcare support service provider for both public and private hospitals in Singapore.

Amidst a competitive landscape and inflationary pressures, we have been **focusing on optimizing non-manpower expenses** through bulk purchasing, supplier negotiations, and efficient inventory management. We maintain **open communication with clients** to understand their needs and explore **mutually beneficial solutions, enhancing efficiency through automation and robotics**.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q4 RESPONSE (cont.)

(Continued from previous slide)

Please refer to Note 42 of the Financial Statements for the historical margin of our overall Healthcare Support Division. Our goal is to deliver sustainable profits, ensuring all contracts maximize returns. Whilst **margin improvement is expected to be gradual** due to ongoing cost challenges, we are **dedicated to growing our topline and optimizing costs** to achieve sustainable profits for our shareholders.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q5 Despite Edgenta's **revenue grew** by 14.1% to RM2.88b compared to the RM2.52b recorded in FY22 but **net profit shrunk** to RM30.84m (1.1% net margin). This is due to **increase in material costs** including from vendors and subcontractors along with the effects of minimum wage increases across some of its markets, leading to **margin compression**. But these costs envisage to increase/elevate every year due to human interventions for the services rendered, esp. the frontliners.

Instead of grabbing more low margin contracts, it needs to **find ways to value add** in its product offerings to increase its margins. Else, it is an issue that it is going to face every year and it'll exacerbate into a bigger one.

Another things are on **corporate costs** whereby the Group is hiring too many high-paying staff with RM300k to above RM1m salaries per annum. We are **hiring too many C-suite salaried staff**. That is something that the Group needs to manage in a dynamic and every changing landscape.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q5 RESPONSE

We have addressed the concern on margins, and cost increase in our responses to your Q1 and Q2.

On the matter of C-Suites, the current **leadership lineup** is **aligned with common market practice** for most companies of similar size and nature, and so are their remuneration packages which have been benchmarked against market data.

Each C-Suite has a distinct portfolio of their own, and in some cases also **take on additional responsibilities** to minimise the need of hiring too many people at the leadership levels. Steps have also been taken in the past to **progress leaders** and talents **to different roles** which are aimed at allowing **professional growth** while **keeping cost** increase to the **minimum**. **Talent and resourcing optimization, including senior levels**, is ongoing to ensure optimal productivity.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q5 RESPONSE (cont.)

(Continued from previous slide)

These actions are undertaken within the governances outlined under the purview of the Board Nomination and Remuneration Committee (NRC).

The primary **responsibilities of the NRC** include assisting the Board in the **nomination** of Directors and Senior Management, which include C-suite positions. The NRC also **recommends remuneration packages and evaluates the performance** of the Managing Director/Chief Executive Officer and Senior Management.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q6 We see many good news but more of like fairytales. RM2.8 billion allocated for federal road maintenance. Increased of budget allocations for healthcare. Increasing traffics in all the PLUS highways etc. The news without numbers is as good as a fairytale.

Can I **suggest** the Group **to track its GP and operating margins, operating income vs operating cash flow and its free cash flow**. Also to **put some targets** on GP and operating margins, free cash flow. Also, the ratios for its staff costs?

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q6 RESPONSE

The Group monitors the performance of all the Business Divisions through their financial and operational **KPIs** that are **aligned with the Board-approved Group Annual Operating Plan** ("AOP"). Measurements and **tracking** are conducted on a **regular basis** by the management. Reports and analysis on variances against the Group AOP are prepared and monitored, taking into consideration current and future macro / microeconomic situations and business landscapes. Any interim gaps are addressed with immediate and medium-term closure plans to ensure **discipline in tracking targets and timely intervention**, if required.

Quarterly and year-to-date Group results and **performance** are **submitted and presented to the Board on a quarterly basis**.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

- Q7 The recent **Q1 2024** provides a weaker guidance of the financial and prospects of the Group despite an increase of revenue. The Group continued to be hampered by **high operating costs**, especially **high corporate costs**. It is a Group with many highly paid C-Suites that even higher than some of the CEOs of PLCs. There is no skin in the game. By hook or crook those operating & corporate costs need to be cut. We as the shareholders already suffered from austerity for many years with erratic and low dividends, lowest ever share price, negative free cash flows & weaken financials. The **low margins of the business segments are no longer sustainable** especially with its high costs. Scrap those expensive digitalisation initiatives. The EoTF25 is now just a hope. The Group needs to **expedite on this recovery plan**. Please elaborate on the recovery plans for the next 3 years

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q7 RESPONSE

We are **committed to improving our financial metrics.**

In addition to the answers provided to address your concern on cost optimization and recovery to pre-pandemic level in your Q1 and Q2, we would like to add that Q1 FY2024 saw a strong rebound of >100% quarter-on-quarter improvement in profitability, setting a good base for growth trajectory. As shared in the Presentation by MD/CEO, our Strategy Refresh entails a two-pronged approach: **Strengthening the Core** to enhance the competitiveness of our operating and cost model and **Reorienting for Growth** to capture growth opportunities in Middle East with the integration of our well-positioned local machinery in the region. To **enhance operational efficiency and cost management**, we are **streamlining operations and processes**, and ensuring **disciplined capital expenditure spend**, while prioritizing **projects with high value creation potential.**

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q8 The story without numbers is fairytale, the numbers without story is excel sheet. The case of Edgenta is the former. I have tracked the Group developments since 2020 but however by all metrics revenue & PAT growth, ROE, ROA, free cash flow were **disappointing**. It keeps showing negative free cash flow. The **lackluster performance** especially the financials is in tandem with the decline in share price. As a shareholder, I'm not sure how the Group can recover back to its glory years before the pandemic. Check the corporate results & we can see many PLCs not only recovered strongly but achieved record results. We do not need to have expensive team to get work done just **back to the basic & trim all the unnecessary costs**. Secure more **contracts with higher margins** & provide more **value added services** with higher margins. The team needs to work extra miles since now the financials are back to what it was during the pandemic. Please relook into this expeditiously

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q8 RESPONSE

We are **committed to improving our financial metrics.**

We have addressed the concern on cost optimization and recovery to pre-pandemic level in our reply to your Q1, Q2 and Q7.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q9 Please **improve** the **financial management**. Free cashflow were negative of RM103.9m and approx RM110m in FYE2023 & Q1 2024. The Gross margin has halved from 19.3% to 11.8% from FYE2019 to 2023 with the operating costs keep escalating. It is not sustainable unless the company can achieve a growth rate of at least 50% in revenue.

RESPONSE

In **FY2023**, cashflow was deployed to fund **growth initiatives**, namely **RAP plant** and initial upfront investment for Replacement Through Maintenance (**RTM**) and to bridge the **timing of operational cashflows**, namely certain subcontractor overflow payments from Q4 FY2022 and working capital. The **cashflow in Q1 FY2024**, was mainly driven by the **seasonality trend** of the business which is **consistent Y-o-Y**. Cashflow was further reduced by the payment made for the **acquisition of Kaizen Group** during the quarter, which is non-recurring.

(Continued in next slide)

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q9 RESPONSE

(Continued from previous slide)

We recorded a **healthy cash & bank balances of RM540.6m as at Q1 FY2024**. With our **net cash position**, the company **maintains sufficient liquidity** to meet working capital purposes as well as remain **committed to improving our financial metrics**.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

- Q10 Focus of the Group should be profitability to recover to pre-pandemic levels (c.6-7%). It is also the baseline by its other smaller peers like AWC. however, the margins of the Group were erratic with last 2 quarters of 0.29% & 1.45% in Q4 2023 & Q1 2024. It is also pathetic as we already at tail end of the Edgenta 2025 transformation plan. Share price is also at the lowest price ever since the new management entry in the Group. Substantial remuneration packages but at the expense of the earnings destruction to the shareholders. The packages should be based on merits. With potential cost pressures arising from the rationalisation of the Government's diesel subsidy programme, the cost pass-throughs appear challenging, given that the bulk of the order book is concession. What is the **expected impact** of this **diesel rationalisation programme** to the Group & what are the steps taken on its **cost cutting measures**? The costs increase significantly then the growth of the revenue

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q10 RESPONSE

We anticipate that the **impact of the diesel rationalisation program will not be significant**, given that the Group is **not a heavy user of diesel**.

We have addressed the cost optimization measures in our reply to your Q1, Q2 and Q7.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q11 Can the Group provide **breakdown of the detailed operating and corporate costs Y-o-Y since FYE2020 to 23**. Is it better by each line item. In the earlier years, it has a better cost management. Now it seems unable to contain its operating costs to such extent that the businesses no longer resilient to withstand any external headwinds i.e. rationalisation of diesel subsidies ?

RESPONSE

Key Profit & Loss and costs items are disclosed in the Annual Report, specifically in the *Note 7 Profit Before Tax and Zakat* of the Audited Financial Statements (IAR 2023, page 301). Similar detailed disclosure can be found in the Audited Financial Statements within the Annual Report of each financial years.

We are **committed to improving our financial metrics**.

We have addressed the concern on cost optimization and recovery to pre-pandemic level in our reply to your Q1, Q2 and Q7.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q12 It is indirectly **80%-owned by MOF via GLC and statutory bodies**. What are the KPIs provided by these bodies? Have they addressed their concerns about the underperformance of the Group & the **decision to withdraw their investment** if the performance is prolonged? Pls clarify on this

RESPONSE

As a publicly listed company, we are accountable for **safeguarding the interests of all our shareholders**, not just the majority stakeholders. Shareholders' investment mandate and decisions remain the prerogative of our shareholders. Rest assured, our management is dedicated to **maximizing value for all stakeholders**.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q13 What happened to **Edgenta NXT**? For many years we have yet to hear any news or developments relating to this business

RESPONSE

Since its inception, Edgenta NXT has been working closely with all business units in **delivering tech-enabled services**. Edgenta NXT has launched **Asseto**, which has since been **successfully rolled out in 15 clients' sites**, including CIMB and KLCC in 2023.

It is crucial that Edgenta NXT continues to improve the platform to adapt to market needs and trends, while building its track record and use cases. As a master integrator, its financial contribution to the Group is expected to increase as **additional layers of services are added to its platform** in tandem with **growing subscriptions and licensing** of proprietary software such as Asseto and **IoT implementation**.

SHAREHOLDER (1): TEOH KENSEN (14 Qs)

Q14 The **management team is compensated** generously between RM0.75m to RM1.25m per person despite its financials haven't even near the baseline that it achieved pre-Covid. we have many CEOs & yet we are just earning about 1.4 net margin every year which is far cry from C. 6-7% pre-Covid. Its operating income is stagnant despite higher revenue. Its operating cash flow is negative. Pls clarify on this

RESPONSE

We have provided explanation on the remuneration in our reply to your Q1.

SHAREHOLDER (2): NG SIAW CHEEN

May I know what has been blocking the operations to **achieve bigger sales margin** for the past 6 months? What had you and the operations react on these?

RESPONSE

As with all businesses, our operations have **encountered notable cost challenges**, that affected the margins. Ongoing labor market dynamics, characterized by rising wage demands and evolving regulatory landscapes, have led to higher manpower costs. **Operating in people-centric industry**, it is important for us to ensure that our **workforce is remunerated in accordance** with labor **regulations**, including minimum wage requirements in Malaysia and Taiwan, as well as Progressive Wage Model in Singapore. Volatility in commodity prices, disruptions in the supply chain, and fluctuation in currency exchange rates have collectively contributed to the **escalating costs in raw materials and consumables**. In addition to the rising direct costs, we are also impacted by the **cascading effect of increased costs from our vendors and subcontractors**.

(Continued in next slide)

SHAREHOLDER (2): NG SIAW CHEEN

RESPONSE

(Continued from previous slide)

To address these challenges, we **are intensifying our optimization and rationalization of costs** across all levels and **streamlining** our operating model as explained in our responses to Q1 from Shareholder (1): Teoh Kensen.

SHAREHOLDER (3): KHAW CHOKE HAN

Dividend payout and estimated dividend/yield

RESPONSE

The Company remains **committed** to maintaining the dividend payout ratio of **50%- 80% of PATANCI** (Profit After Tax and Non-controlling Interests), **balanced** with the need to allocate **resources** strategically in achieving sustainable growth and maximizing long-term value for all stakeholders.

Given the dynamic nature of the business environment and the evolving needs of the Company, **dividend** decisions are **carefully considered**, taking into account of **various factors**, including profitability, cash flow requirements, capital allocation priorities, and the pursuit of growth opportunities.

Shareholders can be assured that the Company's decisions regarding dividends will be made in a **responsible manner**, in accordance with the established dividend policy, on the back of ensuring the **best interests** of the Company and all stakeholders.

SHAREHOLDER (4): LEE CHENG WOI

Is UEM Edgenta interested in **participating in sponsorship programmes** within the education sector? For instance, would you be open to occasionally financing sponsorships upon application from schools to increase exposure to ESG? If yes, which department or email address should the public **contact** for these CSR programmes?

RESPONSE

There are three pillars under CSR: **Education, Community Enrichment, Well-being, and Environment**. We have a lineup of education programs every year. For any new initiatives, you can **contact** the Corporate Responsibility unit under the **Corporate Communications Department**: communications@edgenta.com

The public can contact us via the above email address, and the **team will evaluate** the request based on policy, budget, mutual benefits of both parties, and whether the request is related to and supports our businesses.

SHAREHOLDER (5): WAN MOHD RUSHDI BIN W.A.LAH

How will company **sustain profit** during economic and political instability nowadays? What is future or **next development** business operation? Can company **sustain** giving **dividend** to all shareholder for next year and what is dividend policy?

RESPONSE

Margin compression and cost escalation have been discussed extensively in the presentation by MD/CEO, response to Q2 from Shareholder (1): Teoh Kensen.

The Company remains **committed** to maintaining the **dividend payout ratio of 50%- 80% of PATANCI**, **balanced** with the need to allocate resources strategically in achieving sustainable growth and **maximizing long-term value** for all stakeholders.

SHAREHOLDER (6): TAN HOCK BENG

Any idea Company returning back to **physical AGM** now that the COVID 19 is more or less dormant in Malaysia except Singapore.

RESPONSE

We will revisit the mode of AGM in 2025, taking into consideration of the **industry practice** and **cost factor**.

SHAREHOLDER (7): TEO CHER MING

Q1 With the news of **diesel subsidy rationalisation**, how much of an **impact** will it create to the company. Any numbers to be shared and are there any **cost escalation clause** in the company infrastructure/medical services contract should there be increase in cost due to change in government policy/regulations

RESPONSE

We anticipate that the **impact of the diesel rationalisation program will not be significant**, given that the Group is **not a heavy user of diesel**.

There are **contracts with price adjustments** built-in in the contracts, but these adjustments are determined on a **case-by-case basis, requiring negotiation and approval from the clients**. However, there are also **contracts with fixed fee elements**, of which cost inflation **cannot be passed through** to clients.

SHAREHOLDER (7): TEO CHER MING

Q2 Referring to page 42 AR it mentioned about **discontinuation of Covid 19 related business**. Would this result in **acceleration of depreciation** due to changes in useful life/impairment of assets or these are mainly consumables. Are there any other business use for the **RFID e bracelets and field hybrid ICU** moving forward?

RESPONSE

The last batch of revenue and costs associated to RFID e-bracelets and Field Hybrid ICU have been recognised in FY2022, where the Group also recorded a one-off impairment or write-off of inventories for unsold RT-PCR test kits.

Subsequently, we **do not foresee any further financial impact** on Covid-19 related business, as we **no longer hold any inventories or fixed assets** related to this business.

The **hybrid ICUs remain a viable option** should there be **future demand from MOH** for them. The Healthcare business will continue to grow and expand into Integrated Facility Management, hospital operational efficiency systems, and sustainability services, thereby broadening its revenue streams and enhancing its operational capabilities.

VARIOUS SHAREHOLDERS

GOH WEE PANG , LUM PECK WAN, GOH LYE PENG, WAN MOHD RUSHDI BIN W.A.LAH, LOO YEO MING, LINDA TEH, LOO YEO MING, TEOH KENSEN

Door gift

RESPONSE

We wish to inform that there will **be no distribution of door gifts or vouchers** for the 61st Annual General Meeting (“AGM”), as disclosed in the Administrative Notes issued on 30 April 2024.

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 17 May 2024, we have paid 2 sen interim dividend and we remain committed to our dividend payout policy of 50%-80% of PATANCI.

THANK YOU

