

# **31st Annual General Meeting**

**Review of Group Performance & Prospects**

**Financial Year Ended 31 March 2015**

Dato' Soam Heng Choon  
Group Managing Director & CEO

25 August 2015

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# Business Review

## Group Income Statement

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>5,448.3</b>	<b>6,006.5</b>	(9.3)
<b>Operating profit</b>	<b>1,292.4</b>	<b>1,787.9</b>	(27.7)
Finance cost	(242.7)	(231.2)	
<b>Operating profit after finance cost</b>	<b>1,049.7</b>	<b>1,556.7</b>	
Share of results from JV & associates	(30.3)	(140.4)	
<b>Profit before tax</b>	<b>1,019.4</b>	<b>1,416.3</b>	(28.0)
Taxation	(306.3)	(340.7)	
Profit after tax	713.0	1,075.7	
<b>Profit after tax &amp; MI</b>	<b>480.9</b>	<b>829.6</b>	(42.0)
<b>EPS (basic) sen</b>	<b>32.63</b>	<b>59.06</b>	(44.8)
EPS (fully diluted) sen	32.15	57.76	
<b>DPS sen</b>	<b>15.00</b>	<b>15.00</b>	
Special DPS sen	-	10.00	

# Business Review

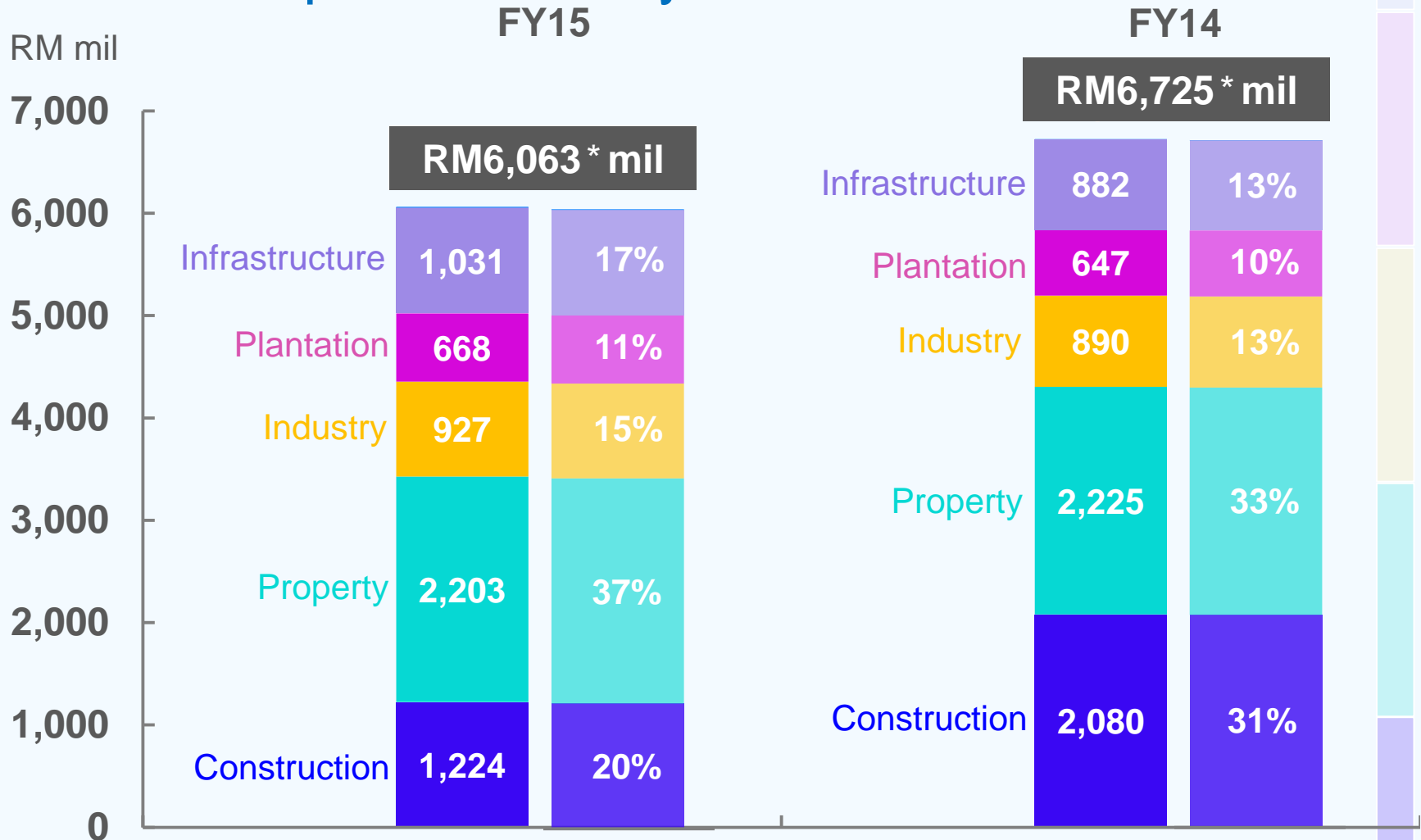
## Group Balance Sheet

RM mil	31-Mar-15	31-Mar-14
Share capital	1,500.0	1,427.5
Shareholders' funds	8,429.6	6,738.8
Total assets	19,730.7	18,398.5
Net assets per share (RM)	5.62	4.72
Total cash	1,911.2	2,007.7
Total borrowings	6,154.8	5,612.4
Net cash / debt*	(4,243.6)	(3,604.7)
Net debt / shareholders' funds (%)	50.3	53.5

	RM mil
* Recourse debt	971.4
Non-recourse debt	<u>3,272.2</u>
Net debt	<u><u>4,243.6</u></u>

# Business Review

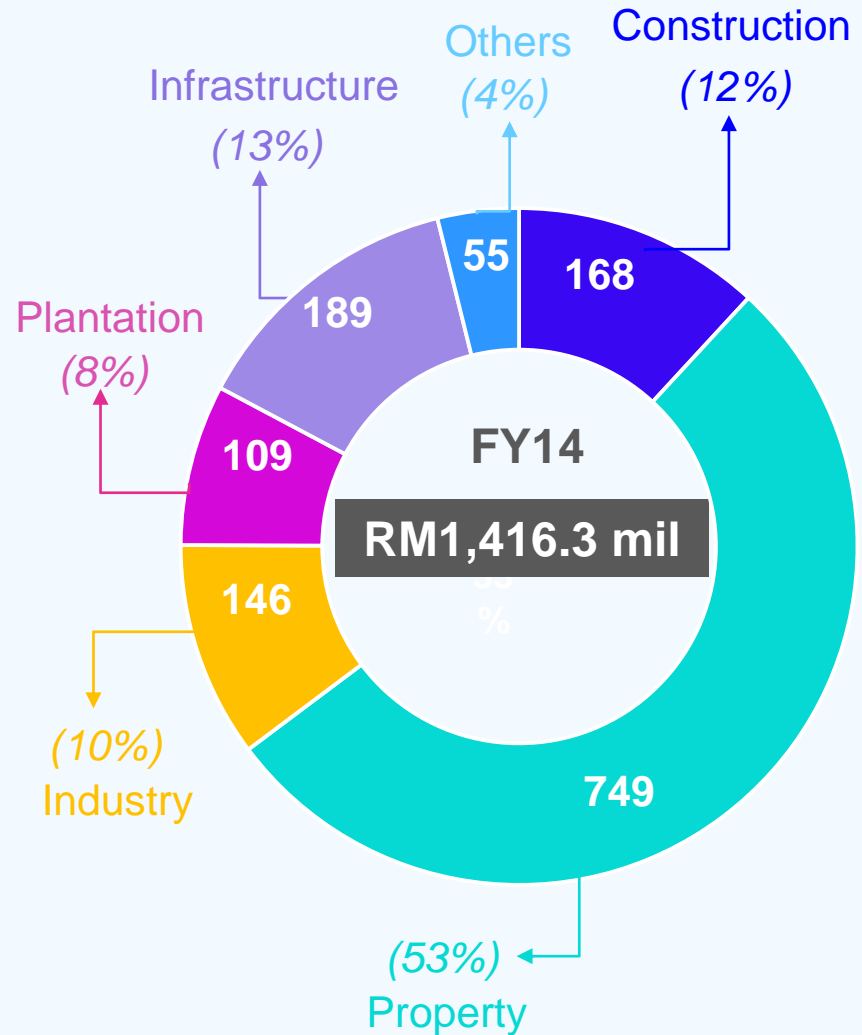
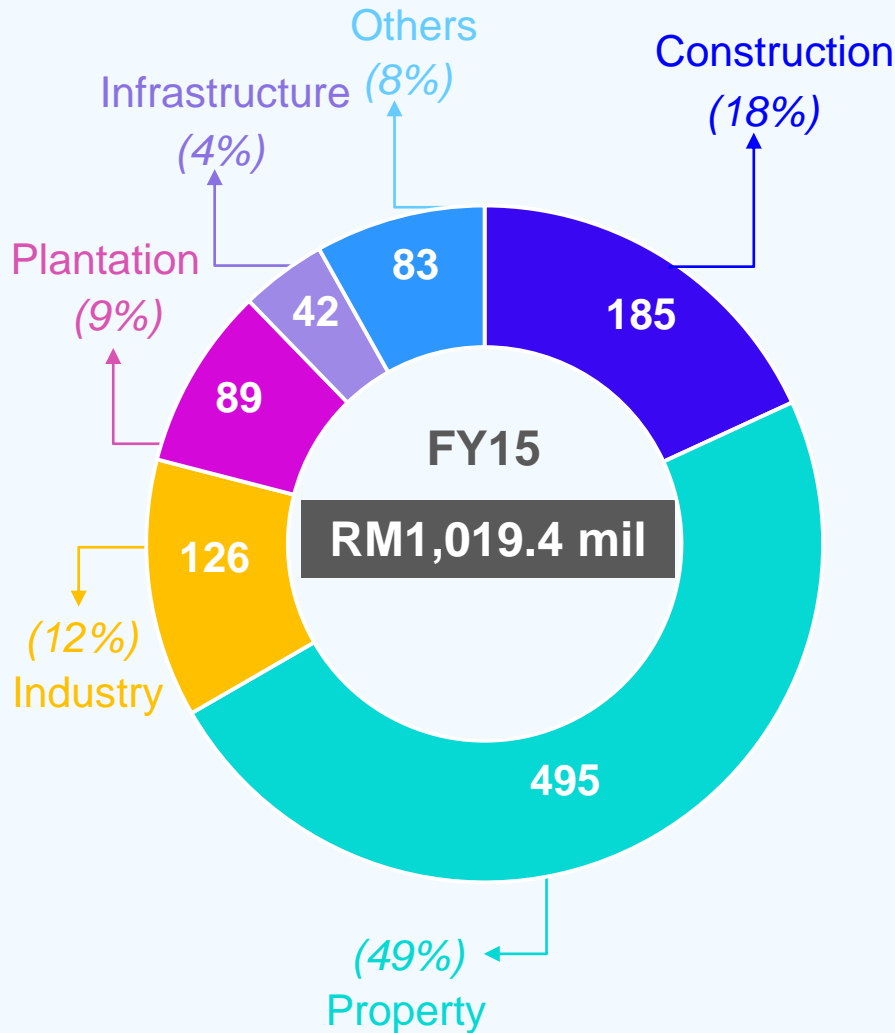
## Annual Group Revenue By Division



\*Includes share of operating revenue of associates and joint ventures

# Business Review

## Annual Group PBT By Division



# Business Review

## Construction

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>1,224.3</b>	<b>2,080.1</b>	(41)
<b>Profit/(loss) before tax</b>	<b>184.8</b>	<b>168.2</b>	10
<b>PBT %</b>	<b>15.1</b>	<b>8.1</b>	

## Results Review

- Revenue for the year declined as compared to the previous year mainly due to new projects secured this year having yet to contribute significantly as well as higher intercompany elimination due to more in house jobs
- Increase in PBT and PBT margins were due to finalisation of accounts of some projects

# Business Review

## Construction

### Outlook

- Outstanding local order book, including newly secured RM1.9bn external building works, RM2.8bn WCE and RM1.2bn NDWT is at historical high
- Outlook for order book replenishment is positive
  - Malaysian government's emphasis on infrastructure spending with the unveiling of 11MP
  - Significant in-house jobs
- Building material costs environment is favorable



# Construction

## Project Highlights

Batu Kawan Expressway, Penang



# Construction

## Project Highlights

Noise Barrier installed on the MRT viaduct at Sekolah Sri Cheras, Jalan Cheras



MRT Taman Mutiara Station



# Construction

## Project Highlights



Platinum Park Phase 3, Kuala Lumpur

# Business Review

## Property

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>2,203.4</b>	<b>2,225.0</b>	(1)
<b>Profit/(loss) before tax</b>	<b>494.7</b>	<b>748.7</b>	(34)
<b>PBT %</b>	<b>22.5</b>	<b>33.6</b>	

## Results Review

- Revenue for the year decreased marginally in line with sales and work progress on ongoing projects
- PBT for the year was lower mainly due to one-off recognitions in the previous year consisting of a gain of RM80.5m on disposal of land in Kemaman and a remeasurement gain of RM222.7m on previously held stake in Bandar Rimbayu

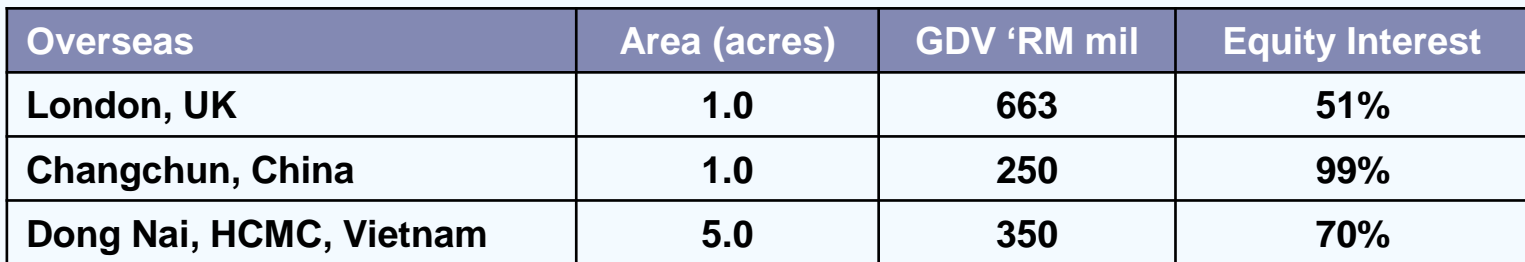
# Business Review

## Property

### Outlook

- The property market is facing some headwinds as a result of more stringent end-financing criteria imposed by banks as well as weaker consumer sentiment resulting from newly introduced GST and a weaker RM
- Short term earnings underpinned by healthy level of unbilled sales
- Large scale projects such as The Light Phase II, Bandar Rimbayu, Pantai Sentral Park, Seremban 2 and Seban Cove to drive sales in the medium term

# Land Bank Profile



# Property

## Project Highlights

Double Storey Link Home at Bandar Rimbayu, Selangor





# Property

## Project Highlights



The Light Waterfront, Penang – Phase 1



# Property

## Project Highlights

Maritime Square Office Blocks of Duplex Suite, Penang



# Property

## Project Highlights

Entrance View at Nusa Duta, Johor



# Business Review

## Industry

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>926.8</b>	<b>890.3</b>	4
<b>Profit/(loss) before tax</b>	<b>125.6</b>	<b>146.2</b>	(14)
<b>PBT %</b>	<b>13.6</b>	<b>16.4</b>	

## Results Review

- Topline performance for the period increased marginally whereas PBT and PBT margins were lower due to product mix consisting of more smaller diameter piles which earn lower margins

# Business Review

## Industry

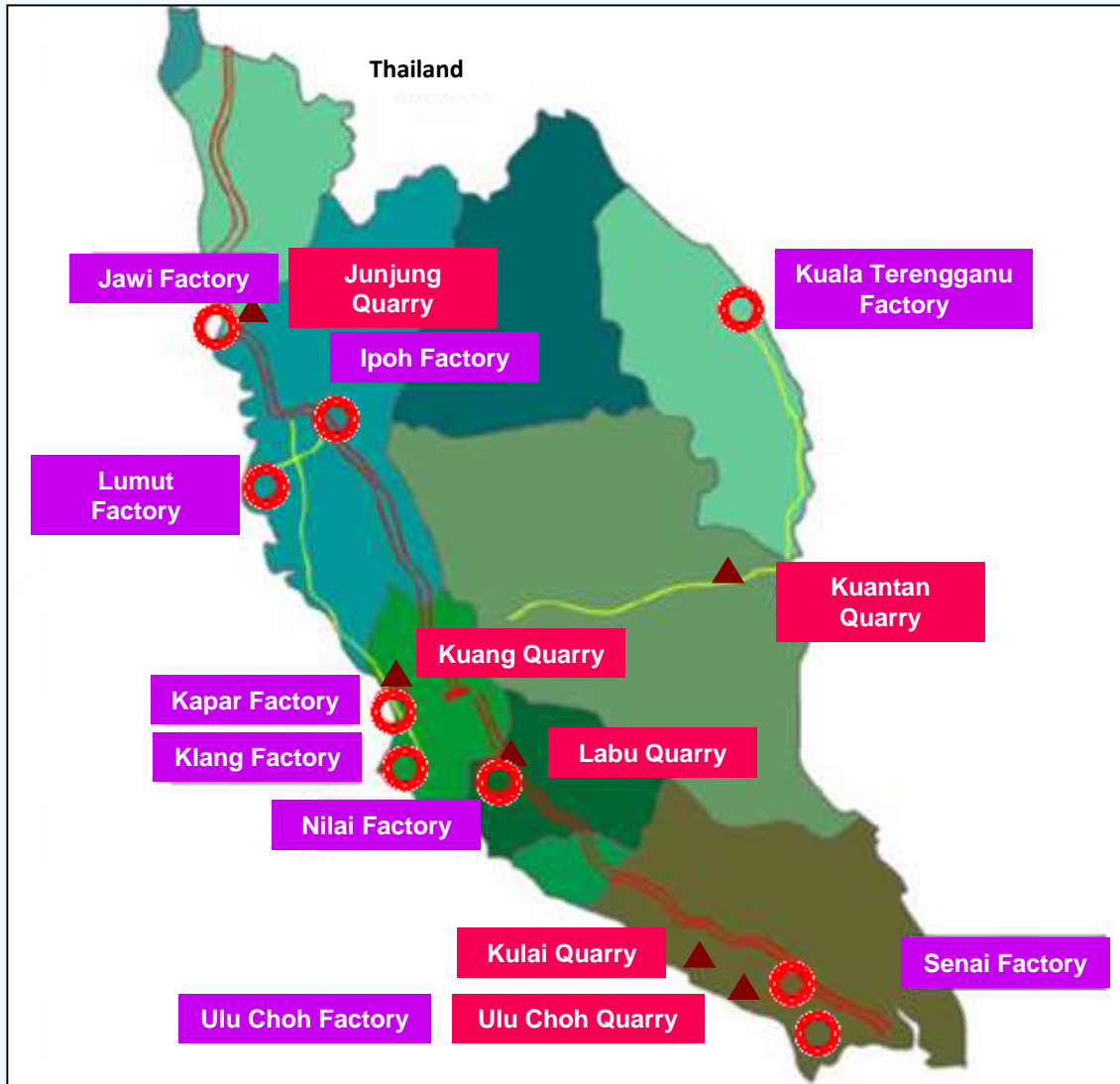
### Outlook

- Healthy order book, especially in piles market
- Performance expected to pick up from increasing infrastructure spending in Malaysia



# Industry

## ICP Group Pile Factories & Quarries



# Industry

## Project Highlights

Quarry at Kuang, Selangor





# Industry

## Project Highlights

**Ready Mixed Concrete Plant, Penang**



**Concrete feeding process of ICP Piles using concrete pumping technology**

# Business Review

## Plantation

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>667.7</b>	<b>647.0</b>	3.0
<b>Profit before tax</b>	<b>89.4</b>	<b>109.1</b>	(18.0)
<b>PBT %</b>	<b>13.4</b>	<b>16.9</b>	
<b>Average CPO price per tonne (RM)</b>	<b>2,289.0</b>	<b>2,385.0</b>	
<b>FFB Yield Per Hectare (tonne)</b>	<b>25.6</b>	<b>25.0</b>	
<b>OER %</b>	<b>20.9</b>	<b>20.8</b>	

## Results Review

- Topline for the year increased due to higher sales volume from Indonesian operations as a result of increased crop production from a larger area attaining maturity
- PBT decreased primarily due to higher unrealised forex losses from USD denominated borrowings



# Business Review

## Plantation

### Outlook

- CPO price outlook is challenging in line with falling prices of other commodities
- Overall FFB production in Malaysia is expected to be sustained while in Indonesia, FFB production is expected to increase with more areas coming into maturity
- Expansion of land bank in Indonesia progressing well. As at end-March, more than 33,000 ha planted

# Plantation

## Plantation Operations in Malaysia

Sg. Sabang Jetty Bulking Facility, Sabah



# Plantation

## Plantation Operations in Indonesia



Palm Oil Mill in East Kalimantan, Indonesia

# Plantation

## Plantation Operations in Indonesia



Biomass Plant in East Kalimantan, Indonesia

# Business Review

## Infrastructure

RM mil	FY2015	FY2014	%Δ
<b>Revenue</b>	<b>1,031.4</b>	<b>881.6</b>	17
<b>Profit/(loss) before tax</b>	<b>42.3</b>	<b>189.1</b>	(78)

## Results Review

- Revenue increased mainly due to increased port cargo throughput, continued traffic growth at highway operations and consolidation of Swarna Tollway since November 2013
- PBT for the year decreased largely due to one-off recognitions in the previous year. Commencement of full operations at BEE has also resulted in higher financing and amortisation costs of RM48.9m



# Infrastructure

## Project Highlights



Lekas Highway

# Infrastructure

## Project Highlights



Kuantan Port



# Infrastructure

## Project Highlights





# Corporate Responsibility

## IJM CR Pillars

***marketplace***

**community**

***environment***

**workplace**

# Corporate Responsibility

## Marketplace



Tan Sri Abdul Halim receiving the Chairman of the Year award - Malaysia-ASEAN Corporate Governance Index 2014



Dato' Soam Heng Choon receiving the award for Best Master Plan – FIABCI Malaysia Property Awards 2014



Engagement with plantation fraternity members of MEOA



Media being briefed on the implementation of toll collection at the BEE

# Corporate Responsibility

## Environment



Forest Preservation Campaign at Kota Damansara



Lake Rehabilitation at Taman Wawasan Recreational Park in Puchong



IJM's fourth Give Day Out



Smoke Free Zone in S2 City Park & S2 Heights Hill Park



# Corporate Responsibility

## Community



IJM Land Run 2014



Shimano Highway Challenge 2014 @ Lekas Highway



Caring for Various Homes



Flood Relief Efforts



Home Rehabilitation Programme



# Corporate Responsibility

## Workplace



NASAM Walk for Health 2014



Core Values were introduced during Orientation Programme



IJM Games 2014



# Concluding Remarks

## Key Group Strategies

### Short Term

#### 1) Continue domestic growth agenda

- execution of existing order book & land bank to underpin earnings
- focus on Malaysian Government projects modelled on PFI to build up order book and recurrent income

#### 2) Ride opportunistic sector/market positives eg. Malaysian construction sector with implementation of 11MP

#### 3) Selective participation in overseas project tenders

#### 4) More vigilant on cost control in operations

# Concluding Remarks

## Key Group Strategies

### Long Term

#### 1) Continued Focus On Core Competencies

- proven track record in execution

#### 2) Strengthen Regional Presence

- significant growth opportunities in Asia
- continue to expand our addressable market via exports & direct investments

#### 3) Grow Recurrent Income Base

- develop our concession-based portfolio
- building investment property assets

#### 4) Value Realisation

- unlock value of our assets

# Concluding Remarks

- Malaysian market outlook is mixed
  - short term - challenging
  - long term - expanding capacity
- Selective participation in overseas construction tenders
- Diversity in earnings base to provide sustainable growth in shareholder value over the long term

	Construction	Property	Industry	Plantation	Infrastructure
Malaysia					
India					
Middle East					
China					
Pakistan					
Vietnam					
Argentina					
Indonesia					
Singapore					
United Kingdom					

- Overall business environment is expected to be challenging. However, the Group remains vigilant and ready to exploit any opportunities





# Thank You



# Questions & Answers



**MINORITY SHAREHOLDER WATCHDOG GROUP**

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

(Incorporated in Malaysia • Company No.524989-M)

# Questions & Answers

## Strategy & Financial

### Question 1

Gautami Power contributed a lower turnover of RM1.84 million in FY2015 compared to RM9.35 million in FY2014 and registered a loss of RM23.40 million compared to RM21.09 million in FY2014. As stated in the CEO's review of operations, it is expected to contribute regular income once the gas supply is stabilised.

- a. What is the reason for the shortage of supply of gas?
- b. Is there sufficient mechanism in place to ensure there are no future gas shortages that could disrupt the plant's performance?

# Questions & Answers

## Strategy & Financial

### Reply 1

- a. The shortage of gas supply to power plants in India has been a persistent industry-wide challenge for many years due to the lack of locally sourced natural gas, which resulted from imposed price controls, while demand for gas has been growing rapidly.
- b. The Indian government recognises the problems faced by the power sector and is considering measures to free up gas supply for the power generation sector such as giving the power sector equal priority with gas buyers in the fertiliser sector. We are hopeful that this issue will be resolved given the lower oil prices currently.



# Questions & Answers

## Strategy & Financial

### Question 2

The CEO's review of operations in the Construction Division highlighted that the implementation of GST had adversely affected the demand for commercial properties in the near future and the risks associated with foreign exchange rate fluctuations will remain a concern for business.

- a. What are the measures taken by the Board to mitigate these impacts?
- b. What would be the expected financial impact on the sales (in percentages) for the Groups property division for FY2016?

# Questions & Answers

## Strategy & Financial

### Reply 2

- a. As individual property buyers adjust to the new GST regime, which may affect short term demand for commercial properties, the Construction Division is pursuing civil infrastructure projects to replenish its order book. This notwithstanding, IJM Construction is highly sought after by private sector developers for its established execution track record and will continue to tender for building construction projects undertaken by reputable developers.

At present, the proportion of mechanical, electrical and building material costs subject to foreign currency fluctuation is relatively small. Nonetheless, IJM Construction is constantly evaluating the cost of the import components of its ongoing projects. At present, however, such components for projects under construction have been mostly procured.

- b. Following weaker consumer sentiment on the back of the recently implemented GST and depreciating Ringgit, and coupled with continued stringent mortgage approvals by banks, the Group expects the property market in FY2016 to be more challenging.

# Questions & Answers

## Strategy & Financial

### Question 3

When would be the expected completion date for the 233 km West Coast Expressway project connecting Banting to Taiping and what would be the expected return to IJM for this project?

# Questions & Answers

## Strategy & Financial

### **Reply 3**

Construction on the West Coast Expressway (WCE) is expected to be completed in 2019. We expect the project to contribute positively during the construction period.



# Questions & Answers

## Strategy & Financial

### Question 4

The Group's outstanding order book stood at around RM7 billion in FY2015. What would be the Group's targeted order book for the next two financial years?

# Questions & Answers

## Strategy & Financial

### Reply 4

The prospects for order book replenishment is encouraging due to the Malaysian Government's continued emphasis on infrastructure development under the 11th Malaysia Plan such as MRT2, LRT3, Pan Borneo Highway and other various rail and highway projects. Additionally, the Construction Division is well positioned to pursue building projects by private developers and IJM Land.

# Questions & Answers

## Strategy & Financial

### Question 5

We noted that the Property Division posted a revenue of RM2,203.42 million in FY2015, a marginal decrease compared to RM2,224.96 million in FY2014. Profit before tax for the financial year was RM494.66 million, a decrease of 34% from the prior year of RM748.66 million.

In view of the current challenging business environment, what is the Board's view on the performance of the Property Division for FY2016?

# Questions & Answers

## Strategy & Financial

### Reply 5

Given the more challenging market environment, the financial performance of the Property Division is expected to be weaker in FY2016.



# Questions & Answers

## Strategy & Financial

### Question 6

It was recently reported that Norges Bank Investment Management has excluded IJM Corporation Berhad from its investments due to risks of severe environmental damage in connection with the Company's conversion of tropical forest into oil palm plantations.

- a. Could the Board comment on this issue?
- b. Has the plantation operation attained full RSPO certification?

# Questions & Answers

## Strategy & Financial

### Reply 6

- a. The Board respects the fund's decision to divest from IJM but disagrees with its assessment on the environmental practices adopted by the Group's Plantation Division.

The Group's entire palm oil operations in Malaysia have been fully certified under MPOB Code of Practices. In FY2015, the Desa Talisai Palm Oil Mill successfully achieved both the International Sustainability Carbon Certification (ISCC) and the Malaysian Sustainable Palm Oil (MSPO) certifications.

The Group's operations in Indonesia have also begun with the ISPO certification scheme, which is mandatory, and is currently undergoing the audit for all its operating units.

IJM Plantations Berhad ("IJMP") undertakes extensive efforts in its socio-environmental and conservation endeavours. More details can be found on the Annual Report of IJMP.

# Questions & Answers

## Strategy & Financial

### Reply 6

- b. IJMP has adopted a phased approach in its journey towards achieving certification for sustainability, appreciating that there must be adequate and effective capacity building on the subject matter. As such, IJMP has embarked on a roadmap towards attaining RSPO certification along with numerous other local and global certification schemes.