



Media release

For immediate release

IJM to emerge as 44.8% shareholder of PESTECH International Berhad

Move to broaden the Group's capabilities and deepen construction skillsets

Key highlights:

- **IJM to subscribe to a 44.8% equity stake in PESTECH, an integrated electrical power technology solutions provider, through a restricted issue scheme for RM124 million**
- **This transaction marks IJM's strategic entry into the rapidly growing energy transmission sector, characterised by an increasing demand for power and improved access to electricity within the region**
- **The integration of PESTECH's capabilities in railway signalling and electrification complements IJM's diversified value chain portfolio, creating synergies**
- **IJM's investment is expected to strengthen PESTECH's financial position and facilitate their business recovery**

PETALING JAYA, 24 July 2023 – Leading construction group, IJM Corporation Berhad ("IJM" or "the Group"), has today announced its subscription to a restricted issue of a 44.8% stake in PESTECH International Berhad ("PESTECH") for RM124 million. This investment aligns with the Group's growth strategy to expand its business into an adjacent vertical since its divestment of IJM Plantations Berhad in September 2021 – complementing its construction capabilities, diversifying its value chain portfolio and gaining exposure to a robust and growing sector in the region.

Rationale of IJM's investment in PESTECH: Driving synergy, growth and market expansion

The investment in PESTECH presents a synergistic opportunity for IJM to acquire a strategic stake in a listed company with core businesses in high voltage electrical transmission as well as rail electrification and signalling.

As a strategic partner, IJM's diversified businesses, robust balance sheet and corporate governance credentials will accelerate PESTECH's growth potential, expanding its market reach and access to new opportunities.

"This strategic investment in PESTECH brings synergistic opportunities for both IJM and PESTECH in the growing energy transmission and rail electrification sectors," said **Mr. Lee Chun Fai, CEO & Managing Director of IJM**. "By including PESTECH's capabilities into our diversified portfolio, we will create synergies and deliver comprehensive solutions to customers across various sectors. Together, we are well-positioned to strengthen our position in the industry, diversify revenue streams and drive sustainable growth."

“We are looking forward to join forces with IJM for this next growth chapter. PESTECH's track record, technical expertise, engineering capabilities and industry knowledge will enhance our abilities to deliver transformative projects. IJM's strategic investment will bolster our financial position and solidify a collaborative partnership with an industry leader. Together, PESTECH and IJM will unlock new opportunities for pursuing larger power infrastructure and rail projects regionally, leveraging our combined strengths,” said **Mr. Paul Lim Pay Chuan, Managing Director & Group CEO of PESTECH.**

Gaining exposure to a growing energy transmission sector and expanding regional presence

PESTECH's leadership position and promising regional business prospects in energy transmission presents an attractive opportunity for IJM. The rapid growth in electricity demand and the integration of the Southeast Asia power grid system provides a large addressable regional market projected at US\$1.2 trillion until 2040.

PESTECH's business model involves generating recurring cashflow through deferred payment projects with high-quality clients, including major utility companies. Its outstanding order book of RM1.56 billion (as of 31 March 2023) and receivables of RM1.82 billion, largely consisting of long-term deferred payment contracts are expected to contribute positively to the Group.

The partnership between IJM and PESTECH creates opportunities for both companies to meet the rising demand for electrification in the region. It opens the possibility of PESTECH gaining access to more engineering, procurement, construction and commissioning (EPCC) contracts, while IJM could benefit from recurring cashflow streams.

The investment also offers IJM access to PESTECH's transmission line projects in Cambodia, where PESTECH has already established a foothold, and other developing countries in the region. This further supports IJM's regional expansion strategy for growth in emerging markets.

Leveraging synergies in rail projects

For the rail sector, the combined capabilities of IJM and PESTECH as civil and systems contractors enable the offering of more comprehensive and turnkey solutions for local and international rail project bids. This enhances the competitiveness of both IJM and PESTECH, allowing them to gain access to larger projects. IJM has a proven track record in the construction of various railway developments in Malaysia, including the MRT, LRT, KTM and monorail projects, while PESTECH's rail electrification and systems portfolio includes MRT 2, Rapid Transit System (RTS) Link between Malaysia and Singapore and the Klang Valley Double Track (KVDT) projects.

As per regulatory requirements, IJM would be obligated to make a mandatory take-over offer for the remaining PESTECH shares and warrants. However, IJM does not intend to proceed with this obligation and will seek an exemption from the Securities Commission after PESTECH obtains its shareholders' approval.

The completion of the transaction is expected in Q4 2023, subject to the satisfaction of the condition precedence of the proposed transaction and regulatory approvals.

About PESTECH and their capabilities

PESTECH, a leading integrated electrical power technology company established in 1991, specialises in the EPCC of high voltage and extra high voltage systems. PESTECH's advanced technologies ensure reliable power transmission and distribution for energy utility companies and high-energy industrial customers. The company possesses the expertise to perform power switching and power cut-off in compliance with the Energy Commission and Tenaga Nasional Berhad requirements.

In addition to its expertise in power transmission and distribution, PESTECH has also built a presence in the rail systems sector, backed by a skilled engineering team possessing the necessary technical expertise. They possess capabilities to conduct power system studies, calculations, simulations and demonstrations for rail electrification projects.

Additionally, PESTECH's sustainable energy portfolio includes a 20-megawatt large-scale solar photovoltaic (PV) plant in Cambodia, operated under a 20-year concession. This green asset not only generates decent and recurring earnings to PESTECH but also contributes to reducing their carbon footprint.

PESTECH operates in Malaysia, Cambodia, Philippines, Thailand, Papua New Guinea and the West African region. In the year ended 30 June 2022, PESTECH reported total revenue of RM 715.09 million, with earnings before interest and taxes (EBIT) of RM 47.2 million.

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About IJM Corporation Berhad

IJM Corporation Berhad ("IJM"), formed in 1983, today ranks as one of Malaysia's leading conglomerates with an international footprint forged by its four core businesses: construction, property development, industry (quarrying and the manufacture of building materials) and infrastructure concessions. IJM holds leading positions across all its business divisions. Its growth is the direct result of strong leadership, dedicated employees, financial prudence and commitment to good governance and quality.

The Group presently has a market capitalisation of around RM5.7 billion and as of March 2023, the Group employed around 3,000 employees and had total assets of RM20.7 billion.

For more information, visit www.ijm.com

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