



# HAP SENG CONSOLIDATED BERHAD (26877-W)



## 3<sup>rd</sup> Quarter Ended 30 September 2017 Results

24 November 2017

# Scope



1 Group financials

2 Operations review

## SECTION 1

### ● Group financials







# Consolidated income statement summary

□ The Group's YTD revenue was 5% above last year despite a marginally lower revenue for the current quarter. The YTD revenue benefitted from higher YTD revenue achieved by Plantation, Credit Financing and Building Materials Divisions.

□ The Group's operating profit for the current quarter and YTD were both higher than the corresponding period last with higher YTD operating profits from most Divisions.

□ The lower EPS for the YTD was mainly due to the enlarged share capital arising from warrants exercised and treasury shares resold last year.

(RM' Million)	3Q17	3Q16	Change	YTD 2017	YTD 2016	Change
Revenue	1,398.1	1,414.5	(1%)	3,880.4	3,682.9	5%
Gross profit <sup>1</sup>	405.3	414.9	(2%)	1,084.7	941.4	15%
EBITDA	328.8	318.8	3%	898.7	770.7	17%
Operating profit <sup>2</sup>	291.6	287.9	1%	794.9	685.5	16%
Finance expenses	(36.6)	(31.3)	17%	(111.8)	(97.3)	15%
Profit before tax	259.1	258.5	-	1,185.5	1,104.2	7%
Taxation	(65.9)	(67.1)	(2%)	(172.4)	(142.1)	21%
Profit after tax	193.2	191.4	1%	1,013.1	962.1	5%
Attributable to MI	17.6	24.8	(29%)	53.4	48.7	10%
Attributable to shareholders	175.6	166.6	5%	959.7	913.4	5%
EPS (sen)	7.05	6.73	5%	38.55	39.36	(2%)

Note:

1. Includes share of Inverfin's PBIT

2. Includes Interest Income, Share of Inverfin's PBIT by Property Division and share of associate and JV's PAT by Hafary



# Group segment results

(RM' Million)	REVENUE			OPERATING PROFIT			REVENUE			OPERATING PROFIT		
	3Q17	3Q16	Change	3Q17	3Q16	Change	YTD 2017	YTD 2016	Change	YTD 2017	YTD 2016	Change
Plantation	113.6	160.2	(29%)	35.1	57.6	(39%)	391.2	374.9	4%	121.7	109.9	11%
Property <sup>1</sup>	297.3	482.2	(38%)	190.2	178.6	6%	728.6	852.9	(15%)	439.6	348.5	26%
Credit Financing	51.6	43.7	18%	43.3	33.9	28%	139.4	132.5	5%	118.5	108.0	10%
Automotive	279.8	305.4	(8%)	5.2	7.1	(26%)	821.6	832.7	(1%)	19.0	21.0	(9%)
Fertilizers Trading	287.2	232.6	24%	10.3	6.5	59%	777.6	805.2	(3%)	28.7	24.2	19%
Building Materials <sup>2</sup>	407.9	377.4	8%	22.9	21.6	6%	1,122.5	925.7	21%	102.4	133.5	(23%)
Subtotal	1,437.4	1,601.5	(10%)	307.0	305.3	1%	3,980.9	3,923.9	1%	829.9	745.1	11%
Consolidation adjustments & others	(39.3)	(187.0)		(15.4)	(17.4)		(100.5)	(241.0)		(35.0)	(59.6)	
Group	1,398.1	1,414.5	(1%)	291.6	287.9	1%	3,880.4	3,682.9	5%	794.9	685.5	16%

Note:

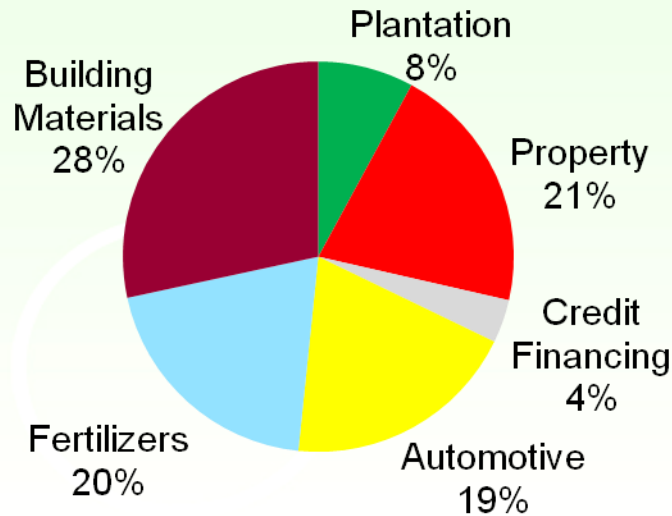
1. Includes share of Inverfin's PBIT from Menara Citibank
2. Includes share of associate and JV's results by Hafary



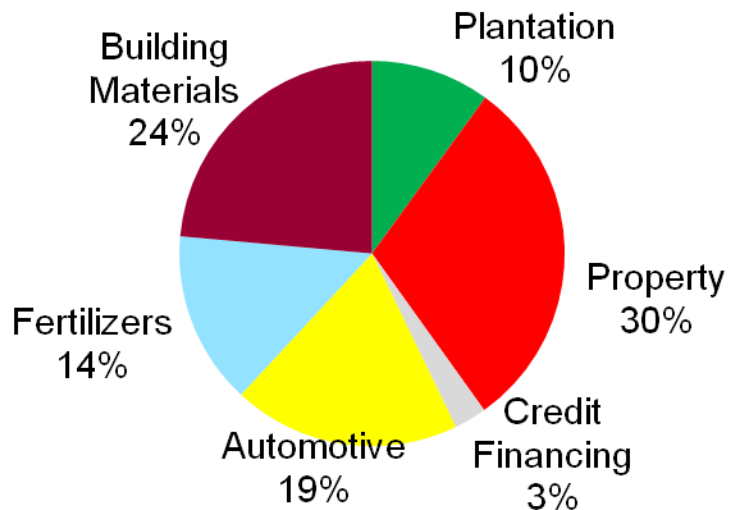
# Group segment results – 3<sup>rd</sup> Quarter

## Revenue

3Q17

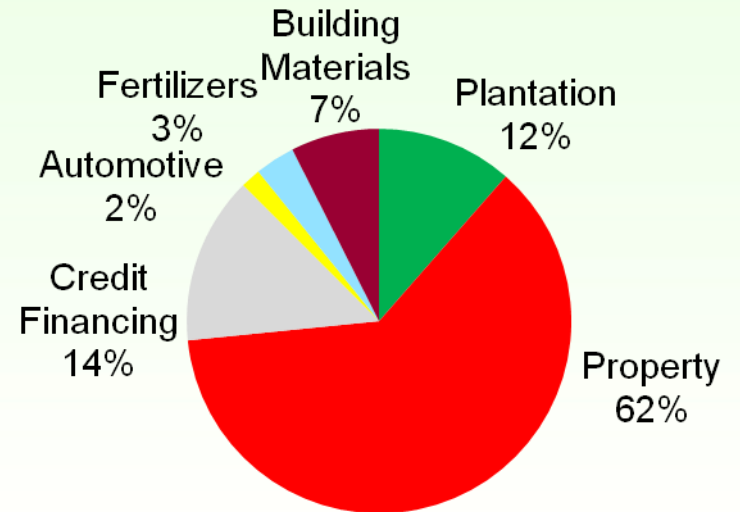


3Q16

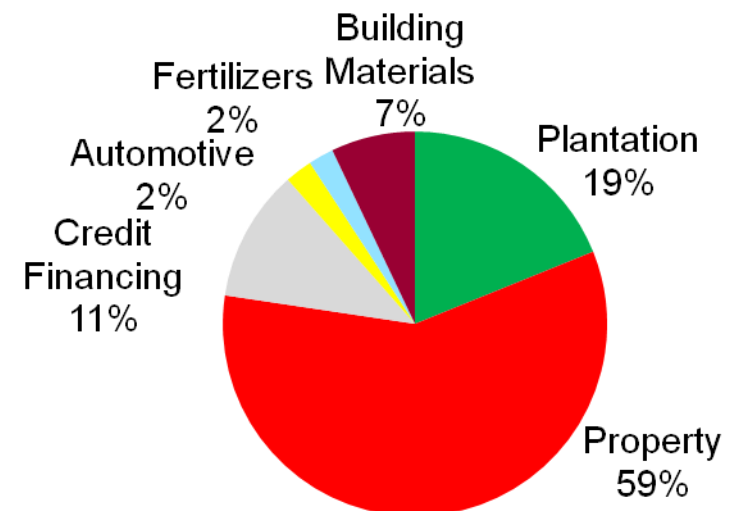


## Operating Profit

3Q17



3Q16

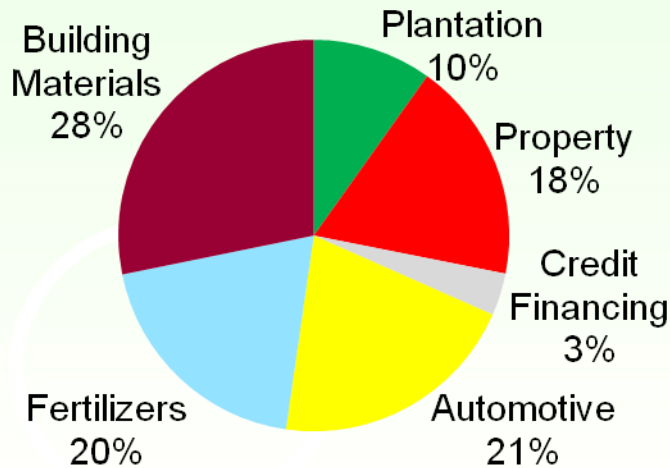




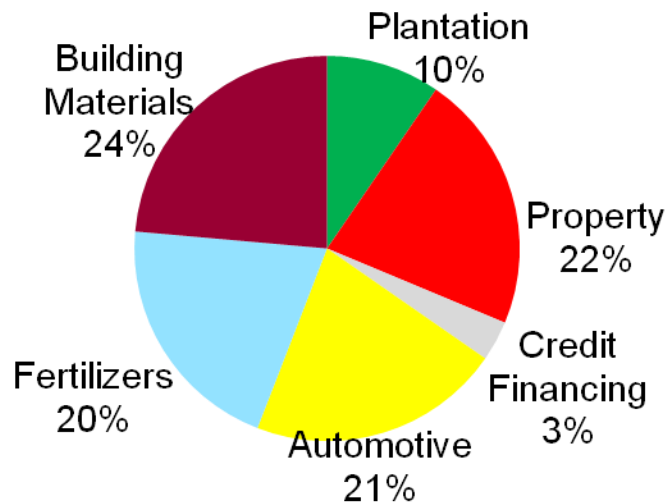
# Group segment results – YTD September

## Revenue

YTD September 2017

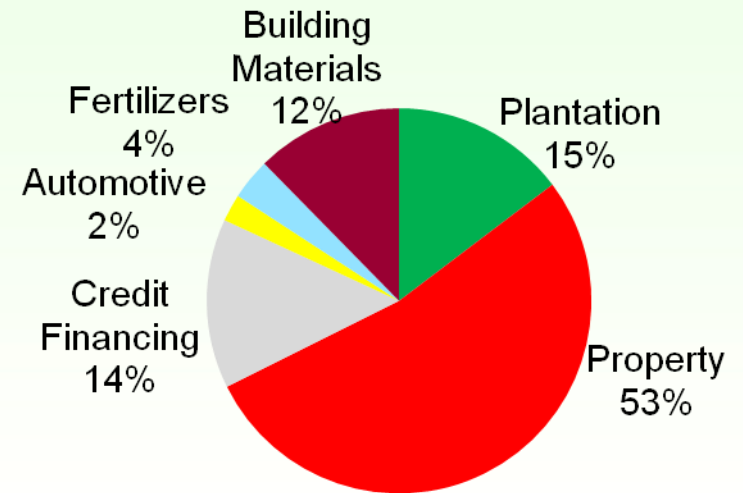


YTD September 2016

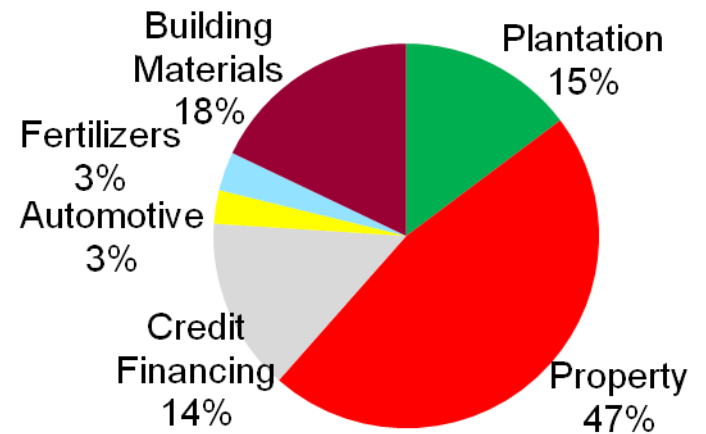


## Operating Profit

YTD September 2017



YTD September 2016



## SECTION 2

### ● Operations review







# Plantation

## YTD revenue and profit supported by higher selling prices

- The Division's revenue and operating profit for the current quarter were affected mainly by lower CPO and PK sales volume due to lower production volume and timing of deliveries.
- However, the YTD revenue and operating profit were higher than last year by 4% and 11% respectively due to higher price realization of both CPO and PK.
- The average price realization and sales volume of CPO and PK were as follows:

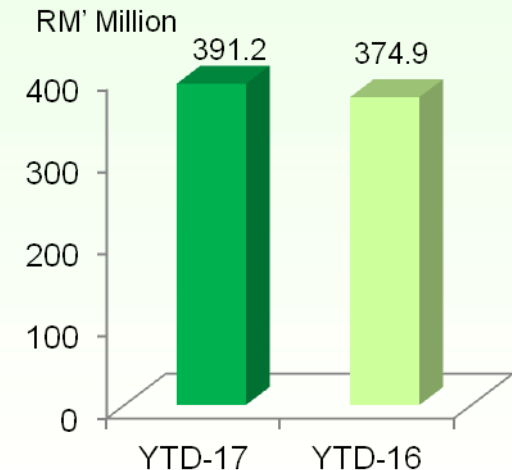
	3Q17	3Q16	YTD-17	YTD-16
Price				
• CPO	2,765	2,644	2,980	2,565
• PK	2,327	2,669	2,544	2,411
Sales Volume				
• CPO	33,376	49,127	108,660	119,096
• PK	8,331	10,339	24,207	25,840

- Unit production costs of CPO for 3Q17 was at RM1,247/mt (3Q16: RM1,077/mt) and RM1,370/mt for the current YTD (YTD 2016: RM1,256/mt).
- The YTD unit production costs were affected by :
  - Lower CPO production volume due to lower FFB yield at 14.42mt/ha (YTD 2016: 14.88mt/ha) and lower OER at 20.7% (YTD 2016: 21.5%) due to lingering effects of El Nino.
  - Higher employment costs.

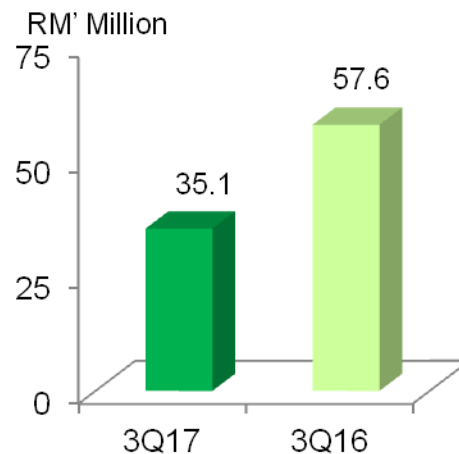
### 3Q Revenue



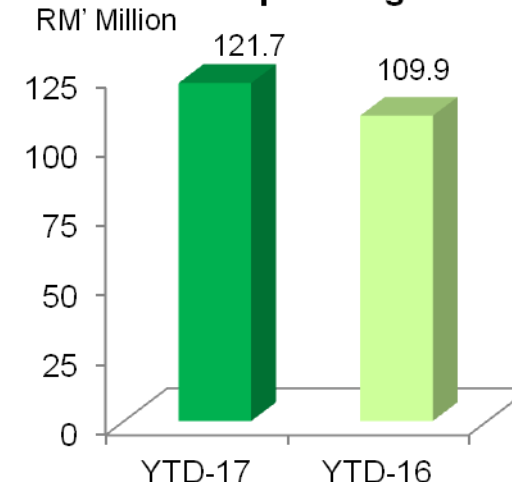
### YTD Revenue



### 3Q Operating Profit



### YTD Operating Profit



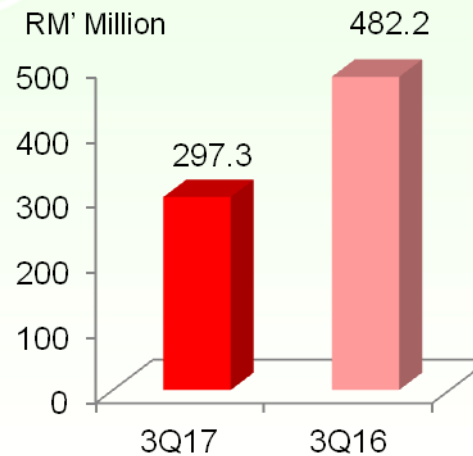


# Property

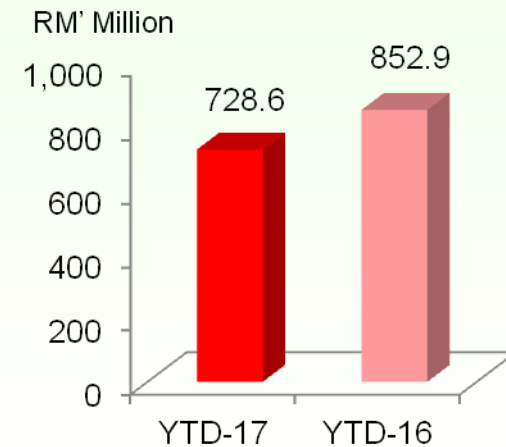
## Lower 3Q17 results due to timing of projects

- ❑ The Division's revenue for the current quarter and YTD were lower than last year mainly due to lower projects revenue.
- ❑ Project revenue for the current quarter and YTD were partly affected by the timing of projects:
  - Last year, projects revenue benefitted from higher sales of projects stock and higher contribution from Nadi Bangsar project which were at the advanced stage of development with almost fully sold units.
  - This year, the Aria and Akasa Cheras South projects in the Klang Valley and Kingfisher Putatan and Kingfisher Inanam Condominiums in Kota Kinabalu are still in early stage of construction, with encouraging take up rate.
- ❑ Investment properties ("IP") recorded higher revenue with higher occupancy rates at Menara Hap Seng 2 and plaza Shell Kota Kinabalu. Operating profit from IP were at about the same level as last year due to higher operating expenses.
- ❑ Operating profit for the current quarter and YTD benefitted from higher contribution from the sales of non-strategic properties.
- ❑ Menara Hap Seng 3 ground breaking was held on 31 October 2017.

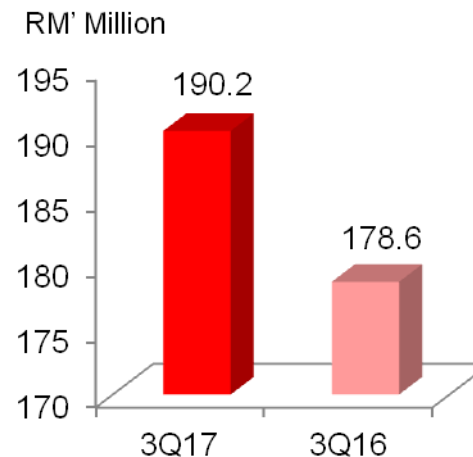
### 3Q Revenue



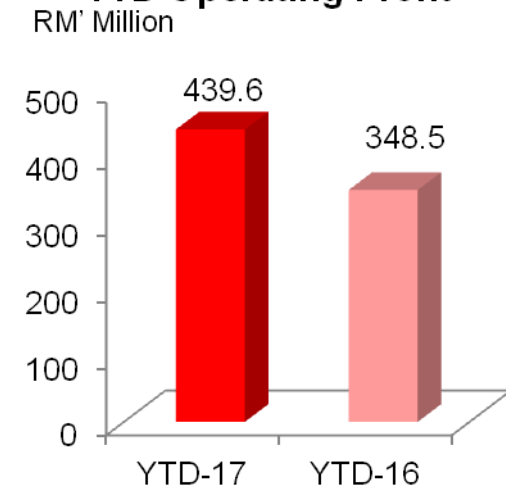
### YTD Revenue



### 3Q Operating Profit



### YTD Operating Profit



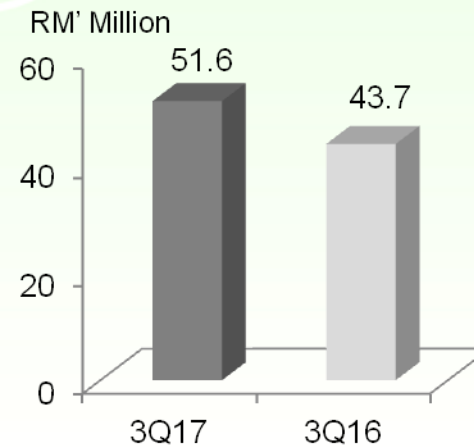


# Credit financing

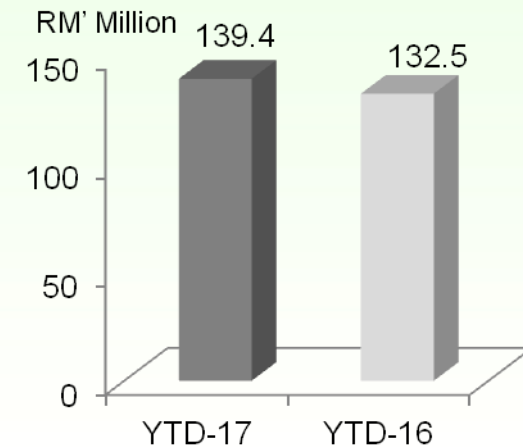
## Loan base expanded by 23% to RM2.64 billion

- ❑ The Division recorded higher revenue and operating profit for the current quarter and YTD due to higher loan base.
- ❑ The Division's operating profit for the current quarter and YTD also benefitted from favourable movement in individual impairment.
- ❑ Total loan base as at 30 September 2017 expanded by 23% to RM2.64 billion (September 2016: RM2.15 billion).
- ❑ NPL ratio as at end September 2017 improved to 1.77% as compared to 2.15% in the corresponding period last year.
- ❑ West Malaysia accounted for 78% of the total loans and East Malaysia accounted for 19%. Australia operations which commenced in 2Q17 contributed 3% of the total loan base.

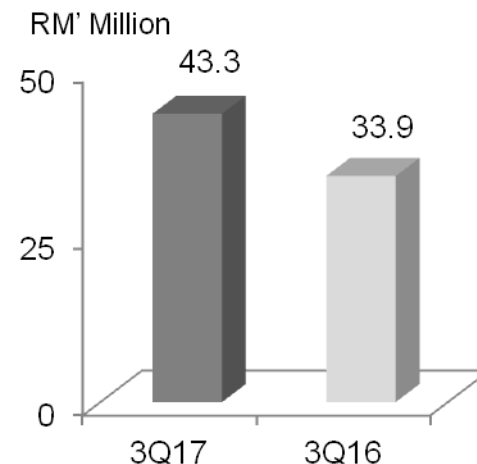
### 3Q Revenue



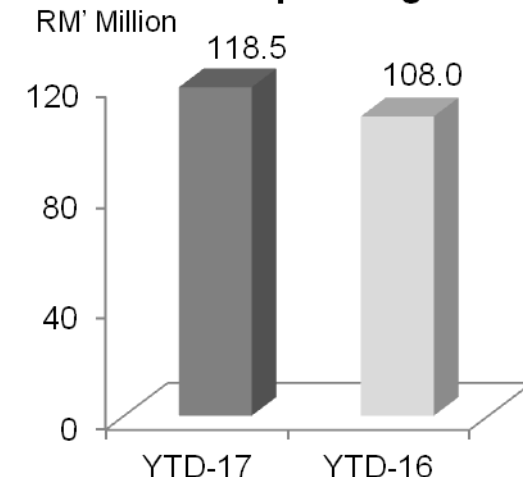
### YTD Revenue



### 3Q Operating Profit



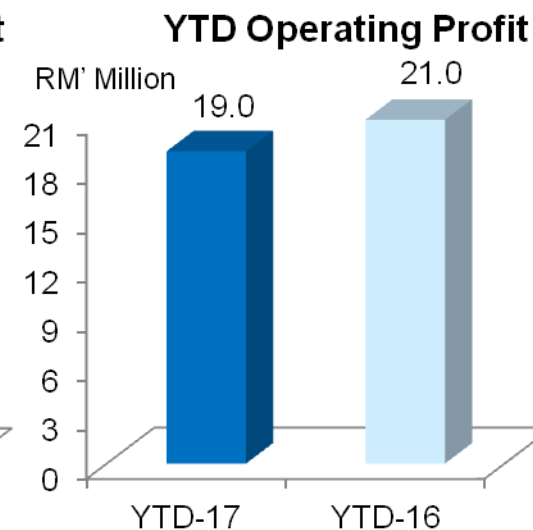
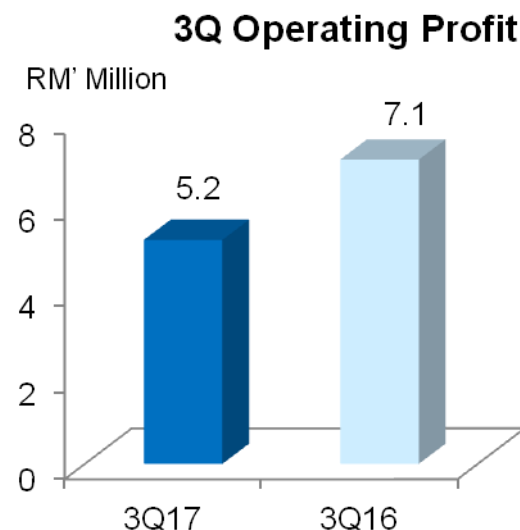
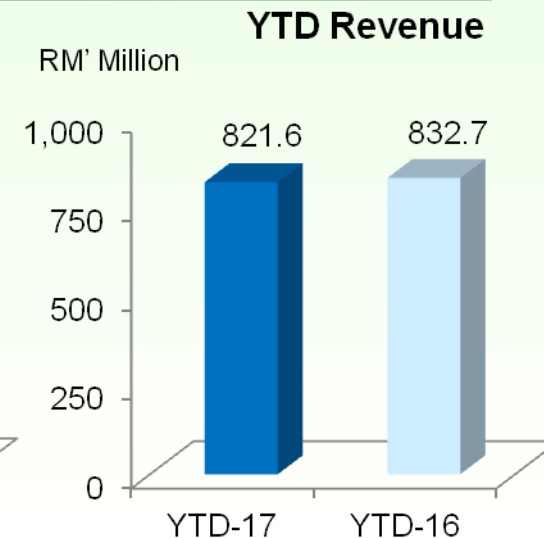
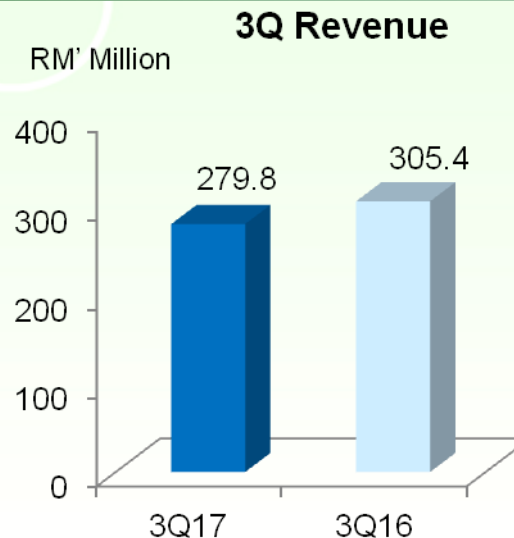
### YTD Operating Profit





## Double digits growth in volume and aftersales throughput

- ❑ The Division's revenue for the current quarter was lower than last year mainly due to passenger vehicles sales mix variance.
- ❑ Vehicles sales volume and after sales throughput recorded double digit growth in current quarter and YTD as compared to last year period.
- ❑ Variance in the YTD revenue was mainly due to inclusion of commercial vehicles in last year's YTD results.
- ❑ Operating profit for the current quarter and YTD included initial start up costs for its network expansion.
- ❑ New autohaus in 2017:
  - April 2017 - the 8<sup>th</sup> autohaus (5<sup>th</sup> in Klang Valley) was officially opened at Bukit Tinggi Klang.
  - August 2017 - the 9<sup>th</sup> autohaus was opened in Iskandar Johor.
  - Renovation is currently in progress for new autohaus in Puchong South, expected to be opened in early January 2018.
- ❑ Market share for MBM passenger cars increased to 36.9% as of September 2017 (September 2016: 33.5%).

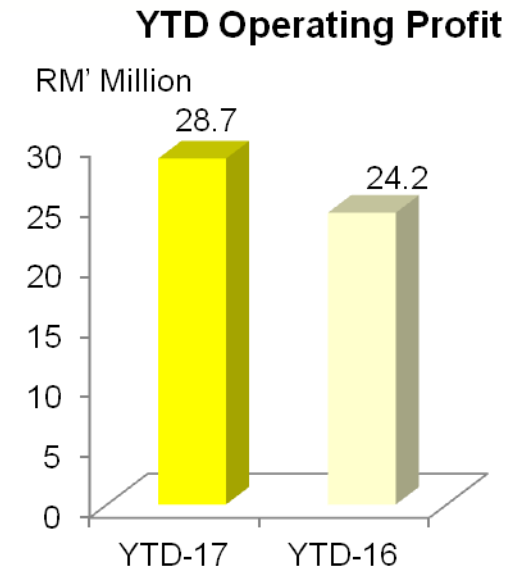
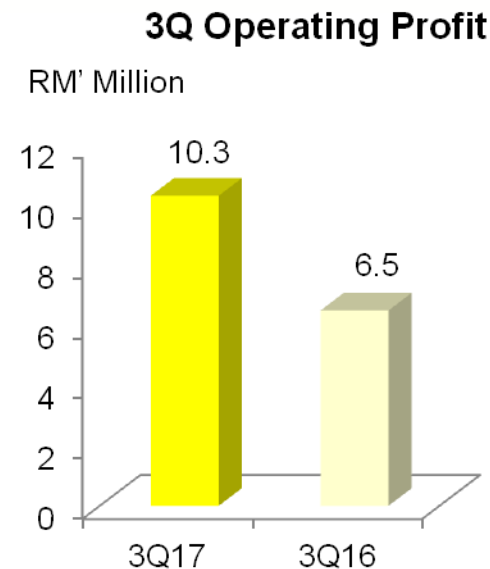
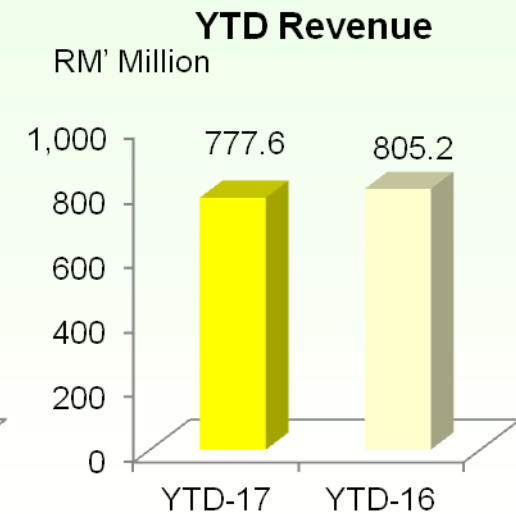
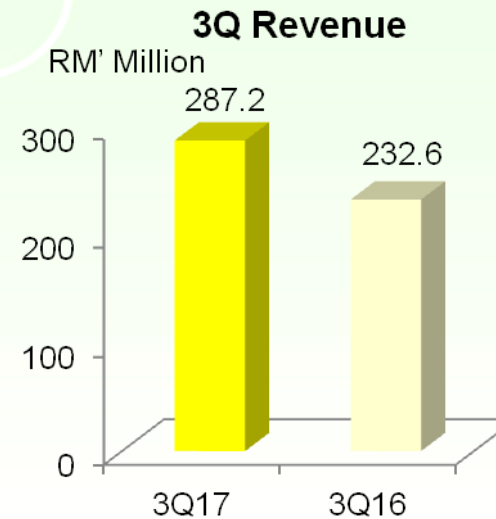




# Fertilizers Trading

## 3Q17 results supported by higher sales volume and higher average selling prices

- ❑ The Division's YTD revenue for the Malaysian and Indonesian operations were dampened by competitive pricing which adversely affected sales volume and selling prices.
- ❑ However all operations, namely the Malaysian, Indonesian and China operations recorded improved revenue and operating profits for the current quarter. Total sales volume and average selling prices for the current quarter were higher by 18% and 6% respectively.
- ❑ The Division's YTD operating profit benefitted from higher average gross profit margin from its Malaysian operations.





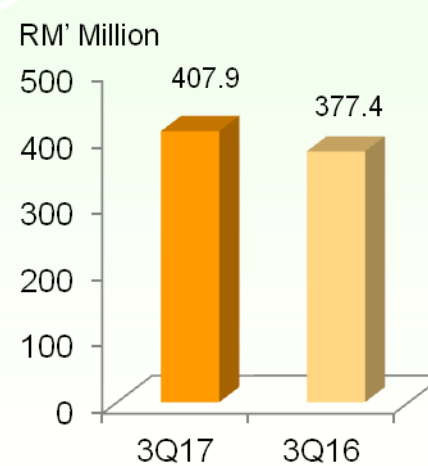


# Building Materials

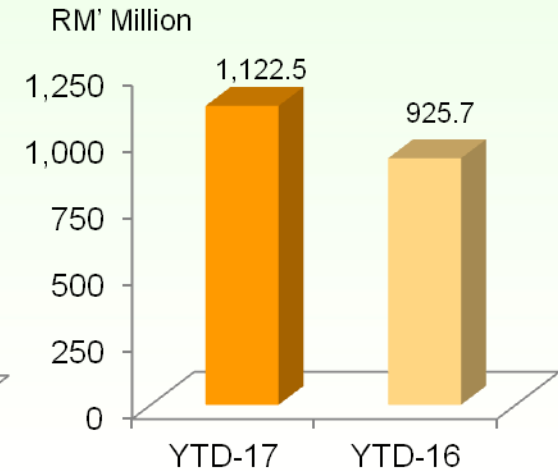
## 3Q17 revenue higher for all segments

- ❑ The Division recorded higher revenue for the current quarter with higher revenue from all segments, namely the building materials Trading, quarry, asphalts and bricks businesses, Malaysian Mosaics Sdn Bhd (“MMSB”) and Hafary.
- ❑ Consequently, higher operating profit was achieved for the current quarter.
- ❑ The Division’s YTD revenue was also higher than last year with higher revenue from Trading, Hafary and MMSB.
- ❑ However, the overall YTD operating profit was lower than last year due to:
  - Compressed margin arising from competitive pricing particularly in the Malaysian operations.
  - Lower gain on disposal of certain properties of RM57.9 million (YTD 2016: RM91.2 million).

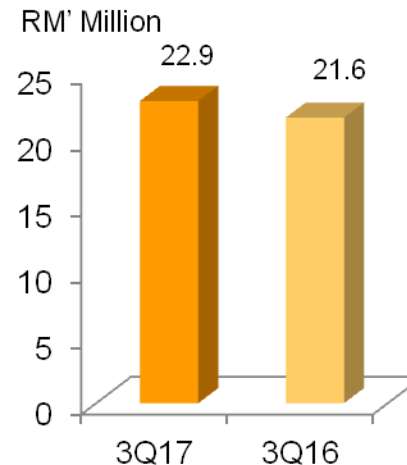
### 3Q Revenue



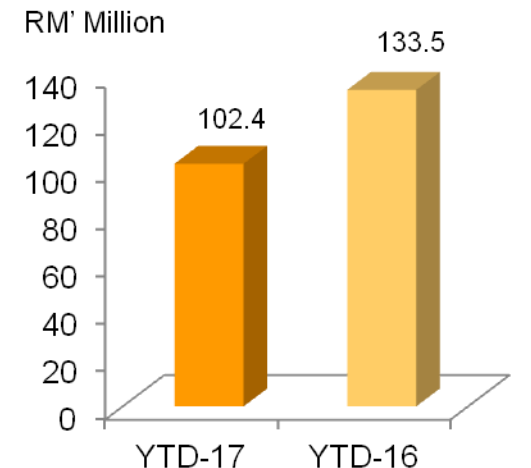
### YTD Revenue



### 3Q Operating Profit



### YTD Operating Profit



# Thank You



**HAP SENG CONSOLIDATED BERHAD**