



Gagasan Nadi Cergas to exponentially increase recurring income base over the next 2 years

- ***To expand recurring income through earnings-accretive proposed KPS acquisition and inclusion of operating DCS under the Datum Jelatek development***

Selangor, Malaysia, 26 November 2019 - Construction group and concessionaire Gagasan Nadi Cergas Berhad (Gagasan Nadi Cergas, the Group, 佳搏有限公司, Bloomberg: 0206:MK, Reuters: GAGA.KL) is set to exponentially increase its recurring income base over the two next years, from the net profit base of RM17.6 million in the financial year ended 31 December 2018 (FY2018).

The rapid expansion of the recurring income segment, which is made up of concession and facility management as well as utility services, will be driven by the addition of proposed acquisition of Konsortium PAE Sepakat Sdn Bhd (KPS). KPS's future cash flow streams are from seven concession agreements as well as facilities management services to seven polytechnics hostels across Peninsular Malaysia till 2036.

Gagasan Nadi Cergas will also add another recurring income contract through the 30-year contract to build, own, operate and transfer a district cooling system (DCS) and the supply of chilled water to the shopping mall at the Datum Jelatek development, which is expected to commence by next year. Under the contract, Gagasan Nadi Cergas is responsible for the day-to-day operation and maintenance of the DCS including the Thermal Energy Storage (TES) tank.

Gagasan Nadi Cergas currently operates a DCS consisting of a TES tank with a storage capacity of 17,000 RTh and related facilities for the German-Malaysian Institute, Bangi till 2028 under a 20-year contract.

Haji Wan Azman bin Wan Kamal, Group Managing Director, Gagasan Nadi Cergas Berhad said:

“The impending contribution from proposed KPS acquisition and expected commencement of the 30-year DCS Datum Jelatek contract places us in favorable position in not only delivering sustainable long-term profitability, but also reinforce our value as a one of the nation's leading integrated construction and concession groups for commercial infrastructure.

Going forward, we remain steadfastly focused in complementing our construction segment by growing our recurring income streams of concessions and utilities.”



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Gagasan Nadi had, on 29 October 2019, proposed to acquire 100% equity interest in KPS, a polytechnic hostel asset concessionaire, for an all-cash purchase consideration of RM158.0 million.

The proposed acquisition of KPS would be completed through two parts, firstly through RM6.0 million payment to the vendors during the signing of a conditional share sale agreement (SSA) date, followed by the remaining RM152.0 million to be paid within 30 days from the date when the SSA becomes unconditional.

To partially fund the acquisition the Group will raise RM92.0 million out of RM200 million under the Islamic medium-term notes (IMTNs) as well as issuance of RM60.0 million convertible sukuk (CS).

The proposed SSA is subject to shareholders approval at the upcoming Extraordinary General Meeting on the proposed acquisition, issuance of IMTNs and CS, amongst others, which is expected to conclude in the first quarter of 2020.

Nine months ended 30 September 2019 (9M19)

For 9M19, the Group recorded revenue of RM215.4 million and RM20.9 million in net profit. While group revenue was 2.1% higher than RM210.9 million a year ago, however, its net profit declined by 25.3% compared to RM28.0 million previously on project mix and progress of its construction arm.

The Group's unbilled construction order book stands at approximately RM577.4 million as of 30 September 2019, which provides earnings visibility until financial year ending 31 December 2021. The Group's order book includes constructing the Cardiology Centre for Hospital Serdang, Maktab Rendah Sains Mara (MRSM) in Bagan Datuk, Rumah Selangorku in Putra Heights and Bukit Raja, 1Malaysia People's Housing in Pasir Mas, and public residential development from Putrajaya Homes.

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About Gagasan Nadi Cergas Berhad (www.nadicergas.com)

Gagasan Nadi Cergas is primarily involved in four business segments, namely building construction, provision of facilities management services, operations of district cooling system for the supply of chilled water and electricity distribution, and property development.

Among notable projects completed by the Group include German-Malaysian Institute, the Malaysia Institute of Aviation Technology, 4th Military Camp for the General Operations Force, and seven student hostels in polytechnic campuses across six peninsular states. Gagasan Nadi Cergas has also participated in undertaking housing initiative programmes such as Rumah Selangorku, Federal Land Development Authority (FELDA) housing, 1Malaysia People's Housing (PR1MA) and Housing for Civil Servants (PPAM).

Gagasan Nadi Cergas currently holds two 20-year student hostel concession projects, namely International Islamic University Malaysia (IIUM) in Kuantan, Pahang and Universiti Teknikal Malaysia Melaka (UTeM) in Durian Tunggal, Melaka until 2034 and 2037 respectively.

Gagasan Nadi Cergas also operates a district cooling system for the supply of chilled water for the German-Malaysian Institute in Selangor until 2028.

In property development, the Group is currently undertaking the mixed development of the ASEAN Football Federation (AFF) headquarters and serviced apartments in Putrajaya.

The Group is registered with Pusat Khidmat Kontraktor (PKK) and Construction Industry Development Board (CIDB) as a Grade G7 contractor, which allows the Gagasan Nadi Cergas to tender for projects with unlimited value as well as Bumiputera allocated projects.

Issued for and on behalf of GAGASAN NADI CERGAS BERHAD by Aquilas Advisory (Malaysia). For media enquiries, please contact:

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