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OVERVIEW

In the midst of global supply chain disruptions, inflationary pressures and legislative changes, UEM Edgenta has demonstrated resilience in a challenging economic environment. The Group achieved notable revenue growth of 14.2%, reaching RM2.9 billion, driven by successful contract renewals and fulfilment of work orders from healthy contract wins across our operations in Malaysia, Singapore, Taiwan and the United Arab Emirates ("UAE"). Furthermore, the completion of the MEEM for Facilities Management Company ("MEEM") acquisition allowed us to realise our first-year revenue from the Kingdom of Saudi Arabia ("KSA").

Nevertheless, we encountered persistent escalations in costs, particularly in labour, raw materials, and consumables, which have exerted pressure on our margin and overall financial performance. The on-going challenges in the labour market, marked by increased wage demands and compliance with evolving labour regulations, have led to higher manpower costs. Similarly, volatility in commodity prices, supply chain disruptions and fluctuations in currency exchange rates have contributed to rising costs across various operational facets.

Our financial performance has also been affected by the initial costs associated with operationalising in new markets and investing in the development of tech-enabled products. While these initiatives are currently in their early stages and are not yet making a significant contribution to our bottom line, we anticipate their contribution to grow in the future.

These challenges, coupled with the broader macroeconomic landscape and intense industry competition, have necessitated a strategic focus on our cost and margin management. In response, we have initiated a comprehensive set of strategic cost optimisation and operational efficiency measures. These targeted initiatives are designed to mitigate the impacts of escalating costs and intensifying competition, reinforcing our operational resilience and financial health.

As we steadfastly progress towards the realisation of our EoTF2025 plan, our commitment to value extraction through cost optimisation and operational efficiency remains pivotal in our journey to scale and enhance the profitability of our business.

ADAPTING WITH RESILIENCE, NAVIGATING CHALLENGES

GROUP FINANCIAL PERFORMANCE

In the year under review, the Group delivered revenue growth of 14.2% Y-o-Y, an increase from RM2.5 billion in 2022 to RM2.9 billion, driven by realised work orders from new project wins and renewed contracts. However, Profit After Tax and Zakat ("PAT") was 34.1% lower at RM30.1 million despite higher revenue, primarily due to inflationary pressures and rising operational costs.

Total Assets	Net Assets per Share	Gross Gearing Ratio	Earning per Share	Dividend per Share
RM2.95 billion	RM1.95	0.30x	3.7 sen	2.0 sen
▲ 3.0%	▲ 2.6%	▲ 0.01x	▼ -1.8 sen	▼ -2.0 sen

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FINANCIAL PERFORMANCE BY SEGMENT

The **Healthcare Support** division witnessed an increase in revenue of RM40.2 million (2.7% Y-o-Y) to RM1,529.2 million, contributed mainly by new and renewed projects in Singapore and Taiwan, coupled with the strengthening of the Singapore Dollar against the Malaysian Ringgit. However, this division's growth faced challenges from increased operating costs, including minimum wage hikes, one-off machinery repair expenses and higher manpower costs across Malaysia, Singapore and Taiwan. Furthermore, the discontinuation of COVID-19 related business, such as Field Hybrid ICUs and RFID e-Bracelets, led to a decrease of RM25.8 million (-29.2% Y-o-Y) in Normalised Profit Before Tax and Zakat ("Normalised PBT") to RM62.8 million.

The **Infrastructure Services** division of UEM Edgenta saw significant revenue growth, with revenue increasing by RM226.7 million (29.4% Y-o-Y) to RM998.2 million. This surge was primarily fuelled by increased work volumes for our core client, PLUS Malaysia Berhad and new contracts for state and rural roads in Selangor, Johor and Sarawak. Accordingly, normalised PBT also rose by RM2.7 million (4.2% Y-o-Y) to RM68.0 million. However, this positive performance was partially offset by rising costs for materials and sub-contractors.

The **Property & Facility Solutions** division experienced a growth in revenue by RM71.4 million (43.0% Y-o-Y) to RM237.3 million, attributed to the successful renewal and new contracts beyond existing clients in the UAE, along with additional variation order works in Malaysia. However, despite the revenue increase, there was a decrease in PBT by RM1.3 million (-17.8% Y-o-Y) to RM6.4 million. This decline can be primarily attributed to increased costs associated with clearing backlog work orders, higher operating costs and the impact of escalating labour and subcontractor costs.

In contrast, the **Asset Consultancy** division faced a decline in revenue of RM10.4 million (-10.4% Y-o-Y) to RM89.4 million primarily due to reduced project contributions, particularly in Sarawak. Despite this revenue dip, the division achieved a notable 29.2% Y-o-Y increase in normalised PBT to RM2.3 million. This growth was propelled by effective cost optimisation measures and cost savings initiatives.

HEALTHCARE SUPPORT

Revenue	Normalised PBT
RM1,529.2 million	**RM62.8 million**
(2022: RM1,489.0 million)	(2022: RM88.6 million)

INFRASTRUCTURE SERVICES

Revenue	Normalised PBT
RM998.2 million	**RM68.0 million**
(2022: RM771.5 million)	(2022: RM65.3 million)

PROPERTY & FACILITY SOLUTIONS

Revenue	Normalised PBT
RM237.3 million	**RM6.4 million**
(2022: RM165.9 million)	(2022: RM7.7 million)

ASSET CONSULTANCY

Revenue	Normalised PBT
RM89.4 million	**RM2.3 million**
(2022: RM99.8 million)	(2022: RM1.8 million)

* *Normalised PBT excluding:*
2022: Staff rationalisation costs (RM12.2 million) and inventories written-off (RM12.8 million)

Healthcare Support and Infrastructure Services segments continue to be the primary contributors to the Group's revenue and profit. Both divisions recorded growth in revenue, but profitability was adversely affected by the escalating operating costs.

ENHANCING OUR OPERATIONAL RESILIENCE THROUGH COST OPTIMISATION

In the pursuit of financial excellence and operational resilience, the past fiscal years witnessed our organisation taking significant strides towards cost optimisation, underlining our commitment to sustainable growth amidst prevailing market challenges. The collective efforts across the Group yielded impressive results, with an additional RM29.9 million in savings for 2023 alone. This brings our total savings over the past three years to RM81.8 million (2021 to 2023), showcasing our commitment to efficiency and cost optimisation. This achievement marks an 82% progression towards our EoTF2025 goal of RM100 million in cost savings over five years, a testament to our strategic and diligent approach to financial stewardship.

STRATEGIC COST OPTIMISATION INITIATIVES

Our cost optimisation journey has continued at an unrelenting pace, underpinned by several key initiatives:

- **Procurement Excellence:** Our procurement initiatives stand as a cornerstone of our cost-saving strategies. Under the "Spend Refresh" programme, we have developed comprehensive spend reports and analysis, offering profound insights and identifying significant improvement opportunities in procurement spend. A notable example includes consolidating the purchasing of paper products across all business units, leveraging our collective demand to enhance purchasing power and achieve substantial cost reductions. Furthermore, the continuation of our Supplier Financing Programme in collaboration with HSBC Amanah Malaysia Berhad, alongside the Strategic Vendors Management Programme, which commemorated during our inaugural Vendor's Day on 5 October 2023, has been pivotal in nurturing long-term vendor relationships, ensuring service excellence, enhancing delivery schedules and achieving cost efficiencies through rate reductions and sourcing efficiencies.

- **Innovative Treasury Management:** The establishment of the Treasury Management Centre ("TMC") signifies a major leap towards optimising our financial resources. Serving as an in-house bank, the TMC facilitates the consolidation of surplus funds to provide working capital support to subsidiaries that require it, thereby enhancing cash management efficiency across the Group and minimising external financing costs. The phased implementation of the Treasury Management System ("TMS"), with Phase 1 successfully going live on 8 November 2023 and Phase 2 scheduled for roll out in the second quarter of 2024, is poised to further automate and refine treasury operations. The completion of this initiative in 2024 is expected to streamline processes, facilitating the adoption of Treasury Pooling and establishing an in-house bank at UEM Edgenta.

- **Organisational and Operational Efficiency:** A key focus has been on refining our organisational structure to ensure it meets our current needs. This involves streamlining work processes and right-sizing manpower to align with our strategic objectives and operational requirements, resulting in costs reductions without compromising efficiency or service quality. In addition to ongoing efforts to identify cost efficiency opportunities across our operations through our LEAN programme, we have maintained our initiatives in digitalisation, mechanisation, and automation. These efforts have led to more efficient processes and enabled us to achieve greater cost savings. Through the adoption of digital tools and automation, we continued to optimise our operational processes, enhanced resource allocation and improved service delivery.

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FINANCIAL POSITION

KEY INFORMATION OF FINANCIAL POSITION	2023 RM million	2022 RM million	Variance RM million	Variance %
Total Assets	**2,954.3**	2,868.7	85.6	3.0%
Property, plant and equipment	**151.8**	146.4	5.4	3.7%
Right-of-use assets	**35.6**	44.2	-8.6	-19.5%
Intangible assets	**710.4**	700.9	9.5	1.4%
Investment in associates	**71.8**	72.3	-0.5	-0.7%
Trade and other receivables	**713.8**	599.0	114.8	19.2%
Contract-related assets	**474.0**	433.1	40.9	9.4%
Short-term investments	**26.6**	97.2	-70.6	-72.6%
Cash, bank balances and deposits	**615.8**	609.5	6.3	1.0%
Total Liabilities	**1,330.1**	1,284.6	45.5	3.5%
Borrowings	**489.9**	458.8	31.1	6.8%
Trade and other payables	**695.7**	676.2	19.5	2.9%
Lease liabilities	**33.0**	41.0	-8.0	-19.5%
Contract liabilities	**31.9**	30.8	1.1	3.6%
Total Equity	**1,624.3**	1,584.0	40.3	2.5%
Shareholders' fund	**1,619.3**	1,580.9	38.4	2.4%
Non-controlling interests	**5.0**	3.1	1.9	61.3%

Our financial position continued to remain robust in 2023. At the end of the year, the Group's total assets grew by 3.0%, increasing from RM2.87 billion as at 31 December 2022 ("FY2022") to RM2.95 billion as at 31 December 2023 ("FY2023"). Similarly, net assets per share also increased from RM1.90 per share to RM1.95 per share when comparing FY2022 to FY2023. These increments in both total assets and net assets align with the growth in revenue, as well as higher valuation of international investments, particularly from Singapore and Taiwan, due to the strengthening of the Singapore Dollar against the Malaysian Ringgit.

Our efforts to enhance our collection process have yielded positive outcomes, as evidenced by a RM269.1 million (10.0% Y-o-Y) increase in collection from customers, totalling to RM2.96 billion in 2023. However, our net cash position declined from RM247.9 million in FY2022 to RM152.6 million in FY2023, primarily attributed to higher working capital requirements and the need to support investment for growth. Looking ahead, strategic initiatives like the Treasury Management Centre are set to enhance cash management, indicating a forward-looking approach to financial stewardship and growth.

Our cash and bank balances, inclusive of fixed deposits and funds in money market unit trusts, remained healthy at RM642.4 million at the end of the financial year, compared to RM706.7 million in 2022. We also maintained a low gearing ratio of 0.30x in FY2023 (FY2022: 0.29x), demonstrating our effective debt management capabilities. The combination of our strong financial position, solid financial foundation and low gearing ratio provides us with ample flexibility to navigate short-term volatility and allows us to maintain the capacity to leverage for future strategic growth and development.

Notwithstanding the operational cost challenges that affected our bottom line, we were able to maintain our dividend distribution trend post-COVID by issuing a dividend of 2 sen per share, reflecting our strong commitment to delivering value to our shareholders. The dividend payout adheres to our dividend payout policy of 50%-80% of PATANCI, aimed at providing sustainable long-term returns to our shareholders.

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OUTLOOK

In the upcoming financial year, Malaysia's economy is poised for continued resilience, buoyed by robust domestic demand, which is expected to mitigate the challenges posed by moderate global growth, ensuring a stable economic landscape. There are also new opportunities, especially with the implementation of the National Energy Transition Roadmap ("NETR") and the New Industrial Master Plan 2030 ("NIMP 2030"). These initiatives are set to drive significant developments across various sectors, promising an optimistic outlook for the nation.

UEM Edgenta, a key player in this evolving economic landscape, is steadfast in our commitment to executing our long-term strategy, encapsulated within the EoTF2025 framework and our Net Zero Targets. This strategy emphasises a focus on technology and sustainability solutions, aiming to meet the evolving demands of customers for integrated services.

Cost optimisation and operational efficiency remain at the forefront of UEM Edgenta's operational strategy. This includes the development and execution of a cost reduction roadmap, emphasising resource efficiency and cost-conscious spending. The introduction of Zero-Based Budgeting ("ZBB") for selected cost elements ensures that only essential spending is approved, supported by stringent budgetary controls and monitoring mechanisms to curb unnecessary and unbudgeted expenditure. Operational efficiency will be further enhanced through streamlining the operating structure, identifying and eliminating redundant processes, automating routine tasks, and implementing measures to streamline financial operations.

Each division within UEM Edgenta is pursuing targeted strategies to maximise its impact and contribution to the Group's overall goals. The Healthcare Support division continues to strengthen its relationships with the Ministry of Health in Malaysia and expand its private healthcare clientele, while also continuing to pursue diversification beyond healthcare support services strategy in Singapore and Taiwan. The Infrastructure Services division aims to maintain market dominance and focus on delivering exceptional services, with a keen eye on sustainable pavement products to support environmental, social and governance ("ESG") agendas. The Property & Facility Solutions division champions technology and sustainability, integrating Smart City Solutions to enhance the in-house tech ecosystem, and continuing in operational efficiency initiatives to ensure a comprehensive approach that meet evolving clients and market needs. The Asset Consultancy division is pivoting towards end-to-end Energy and Sustainable Solutions ("EES"), leveraging on our commitment of RM200 million Sustainable Zero-Capex Programme to assist our clients in becoming more resource-efficient. In the growth market of the Middle East, we have further solidified our presence through strategic acquisitions in the KSA and the UAE. Through the integration and consolidation of the Group's existing operation in the markets, we will leverage our technology and sustainability capabilities as well as strategic partnership to deliver IFM services and smart cities solution.

In conclusion, UEM Edgenta's transformative journey and strategies firmly aligned with national development plans, emphasising sustainability and technological innovation. The core of our strategic vision is anchored in our unwavering commitment to excellence and innovation, which drives our ongoing efforts to advances, fostering sustainable growth and delivering long-term value for our esteemed shareholders. Concurrently, we are steadfast in our mission to make substantial contributions to Malaysia's economic resilience, thus securing our own sustained success in the long run.