

# Hyflux Ltd

## FY2012 Results Review

21 February 2013

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# Agenda

- **2012 Full Year Financial Results Review**  
Mr Cho Wee Peng, Group EVP and Chief Financial Officer
- **Outlook**  
Ms Olivia Lum, Executive Chairman and Group CEO

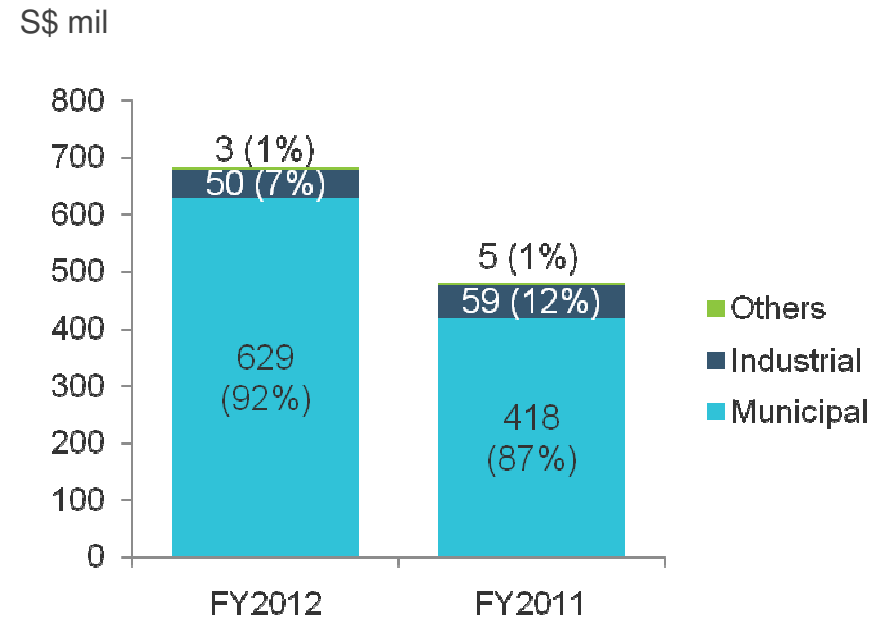
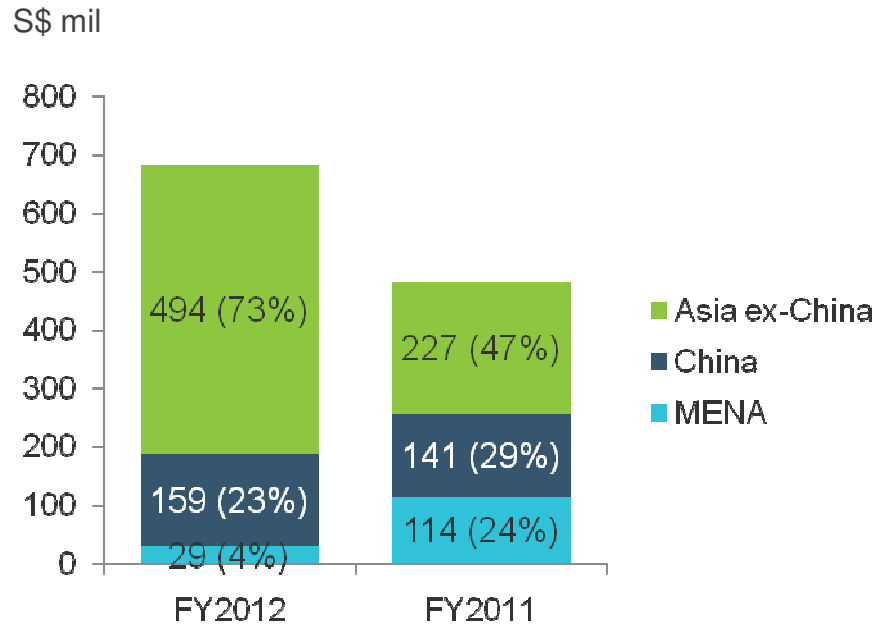
# Executive headlines

- Revenue up 42%, PATMI up 15% y-o-y, driven by contributions from Asia ex-China
- Growing recurring revenue base with a solid order book of S\$2.9 billion
- Tuaspring Desalination Plant to start operating in 2H2013

# PATMI increased 15% over FY2011

| <u>S\$ mil</u> | FY2012 | FY2011 | % Change |
|----------------|--------|--------|----------|
| Total Revenue  | 682.4  | 482.0  | 42       |
| PBT            | 77.0   | 62.0   | 24       |
| PATMI          | 61.0   | 53.0   | 15       |

# Asia ex-China and municipal sector drive revenue growth



- Higher revenue contribution from Asia ex-China was due to project execution and organic expansion.
- Lower MENA contribution was expected as major projects were completed.

- Municipal sales was the key driver with the execution of projects in Asia ex-China.

## Higher raw materials, staff costs in line with revenue growth

| <u>S\$ mil</u>                     | FY2012 | FY2011 | % Change |
|------------------------------------|--------|--------|----------|
| Raw Materials & Consumables        | 413    | 259    | 59       |
| Staff Costs                        | 86     | 60     | 43       |
| Depreciation & Amortisation        | 29     | 37     | (20)     |
| Other Expenses                     | 60     | 50     | 20       |
| Finance Costs                      | 28     | 23     | 26       |
| Total Operating & Finance Expenses | 617    | 429    | 44       |

- Higher expenditure on staff and raw materials and consumables were largely project-related costs.
- Other expenses increased partly due to the rental of machinery and equipment.
- Rise in finance costs was due to higher bank borrowings for project development.

## Lower net margin due to geographical shift in order book profile from MENA to Asia

|              | FY2012 | FY2011 |
|--------------|--------|--------|
| Gross Margin | 40%    | 46%    |
| Net Margin   | 9%     | 12%    |



## Balance sheet reflects continued investment in projects for growth

| <u>S\$ mil</u>          | FY2012 | FY2011 |
|-------------------------|--------|--------|
| Equity                  | 877    | 936    |
| Non-current Assets      | 1,435  | 933    |
| Non-current Liabilities | 1,082  | 741    |
| Current Liabilities     | 392    | 356    |
| Net Current Assets      | 523    | 743    |
| Net Gearing             | 0.67x  | 0.18x  |

- Decrease in shareholders' equity was mainly due to the purchase of treasury shares and forex translation losses against other currencies for overseas investments.
- Non-current assets rose mainly due to higher investing activities in Tuaspring Desalination Plant.
- Non-current liabilities increased due to loans and borrowings for project development.

# Cash position

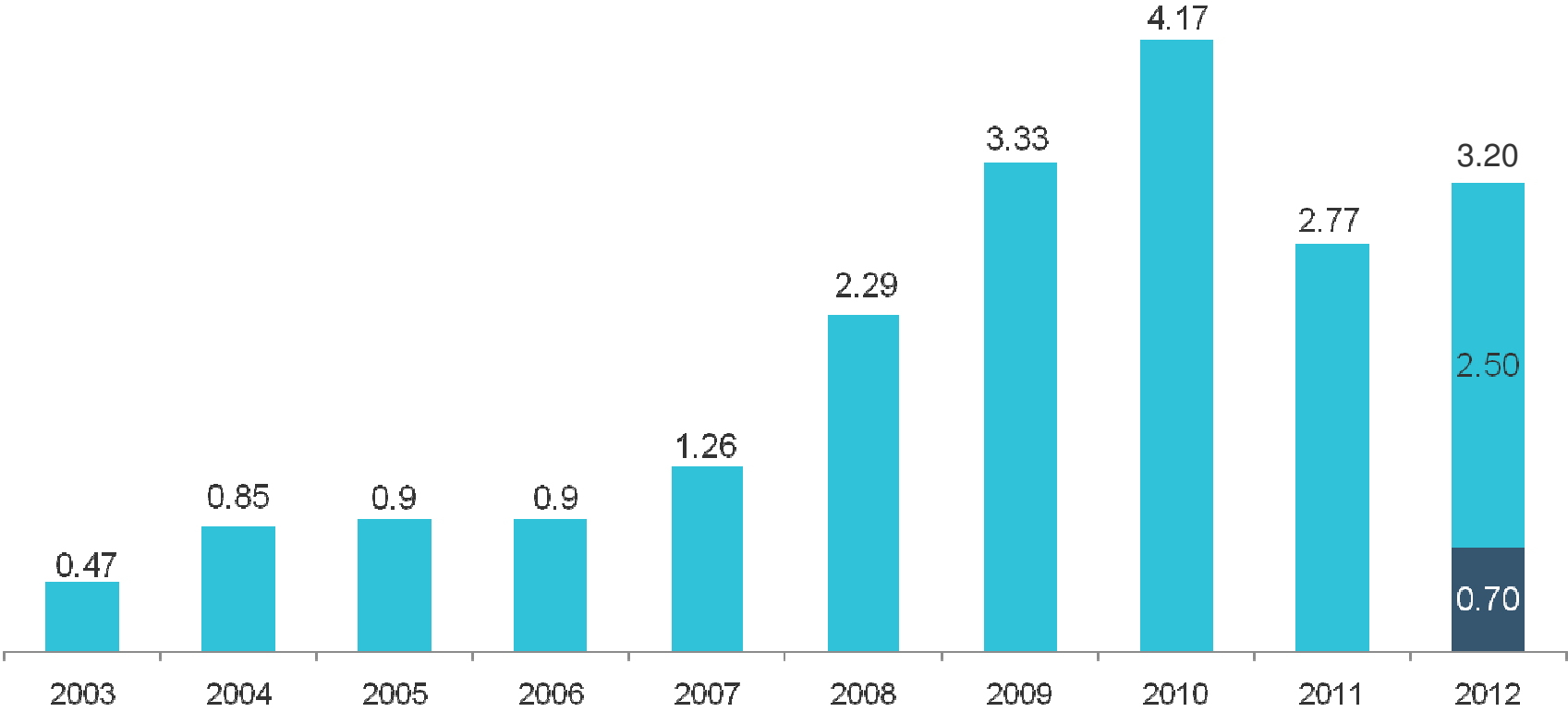
| <u>S\$ mil</u>                       | FY2012 | FY2011 |
|--------------------------------------|--------|--------|
| CF Operating before SCA*             | 271    | 166    |
| CF Operating after SCA* and tax paid | (244)  | (56)   |
| CF Investing                         | (34)   | (59)   |
| CF Financing                         | 142    | 535    |
| Net Cash Changes                     | (136)  | 419    |
| Cash & Cash Equivalents              | 541    | 662    |

\*SCA: Service concession arrangement

- Cash used in operating activities (after SCA) was for the development of projects.
- Cash generated from financing activities was mainly from borrowings to fund the Group's projects.

# Final dividend of 2.50 Singapore cents per ordinary share recommended

Dividend per ordinary share\* (Singapore cents)



\*Dividends have been restated to reflect 1-for-2 bonus share issue

# Project Updates

# Organic expansion to raise capacity of Galaxy NewSpring plants is more than 50% complete

\$88 mil organic expansion will increase capacity by 100,000 m<sup>3</sup>/day

| Plant          | Nature                  | Current Capacity (m <sup>3</sup> /day) | Expansion (m <sup>3</sup> /day) | Status      |
|----------------|-------------------------|--|---------------------------------|-------------|
| Changshu WWTP  | Expansion & Enhancement | 30,000                                 | 10,000                          | Completed   |
| Tiantai WWTP   | Expansion & Enhancement | 20,000                                 | 20,000                          | Completed   |
| Yangzhou WWTP  | Expansion & Enhancement | 20,000                                 | 20,000                          | Completed   |
| Wuxi WWTP      | Enhancement             | 20,000                                 | -                               | In progress |
| Mingguang WWTP | Expansion & Enhancement | 30,000                                 | 20,000                          | In progress |
| Langfang WWTP  | Enhancement             | 80,000                                 | -                               | Completed   |
|                | Expansion               |  | 30,000                          | In progress |

# Tuaspring Desalination Plant, Singapore

Singapore's largest desalination plant (Designed capacity: 318,500 m<sup>3</sup>/day)



*UF building housing Hyflux's Kristal<sup>®</sup> membranes at Tuaspring Desalination Plant*

- Scheduled to start operating in 2H2013 for a period of 25 years
- Hyflux is already working on non-recourse project financing

# DahejSpring Desalination Plant, India

Asia's largest SWRO desalination plant (Designed capacity: 336,000 m<sup>3</sup>/day)



- Water purchase agreement signed in January 2013
- Hitachi-Hyflux consortium working on financial close this year

# Outlook

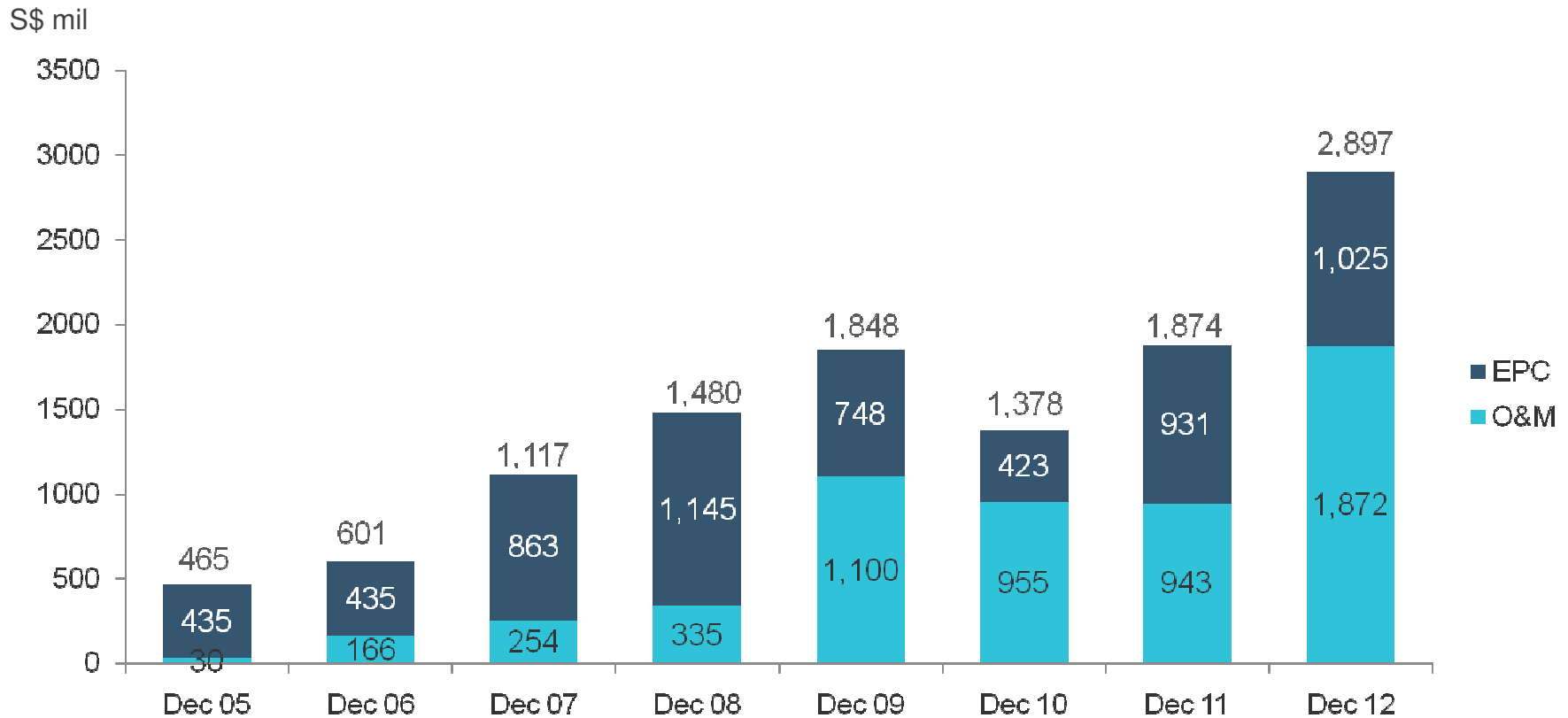


# Building a stable business

## Growing recurring revenue stream

- Over the years, Hyflux has been developing and growing predictable and recurring revenues.
- Today, we are seeing rising recurring income streams from O&M services and asset returns, membrane sales and other services.
- Our O&M revenue is expected to grow substantially in FY2013 compared to FY2012 when Tuaspring Desalination Plant starts operations in 2H2013.
- By FY2016, our O&M revenue will capture the full impact of our current portfolio.

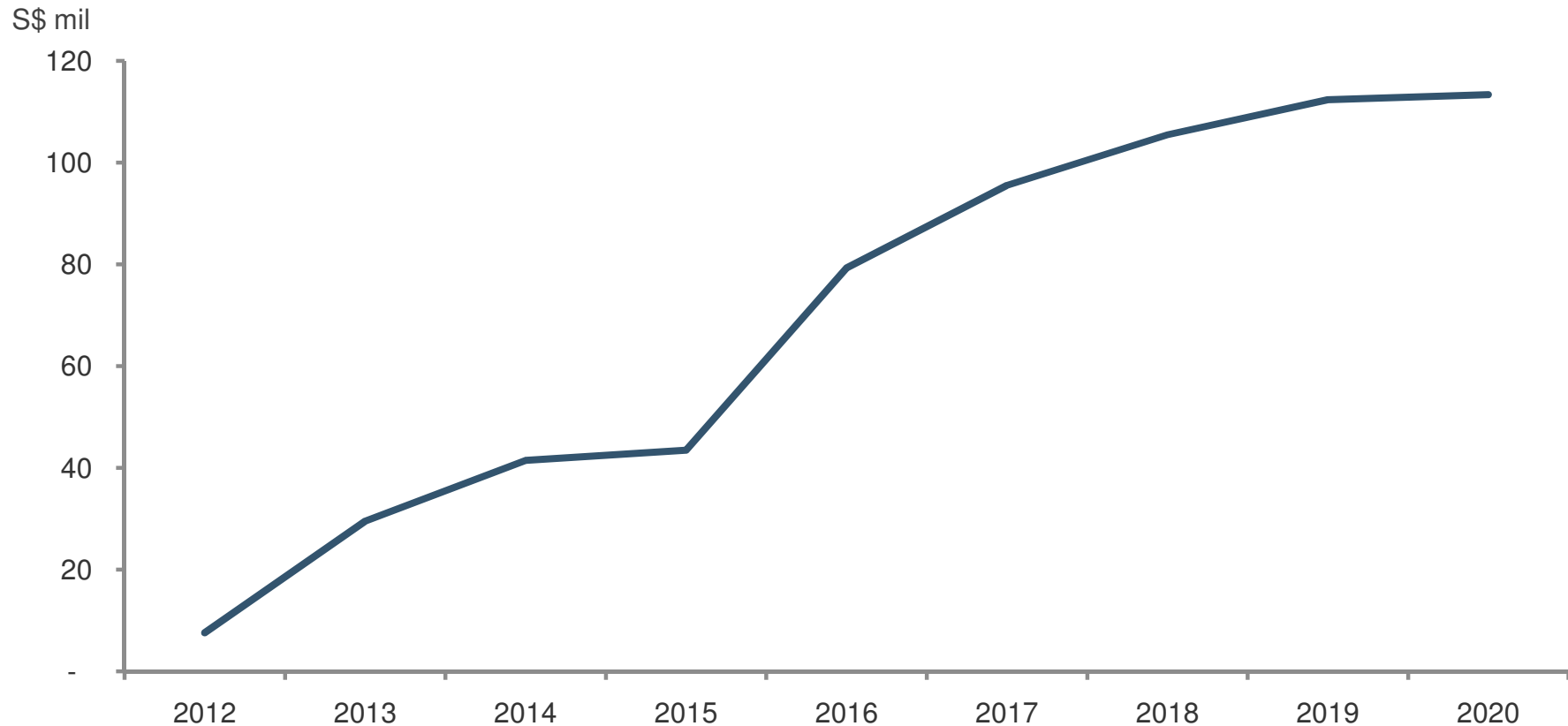
# Growth in O&M order book provides a steady, recurring revenue stream



Note:

1. O&M order book is a summation of future revenues of our portfolio of plants over 20 – 30 year concession periods.
2. Dec-12 EPC order book includes Dahej desalination project; WPA was signed in January 2013.
3. Dec-12 O&M order book includes Tuaspring and Magtaa projects.

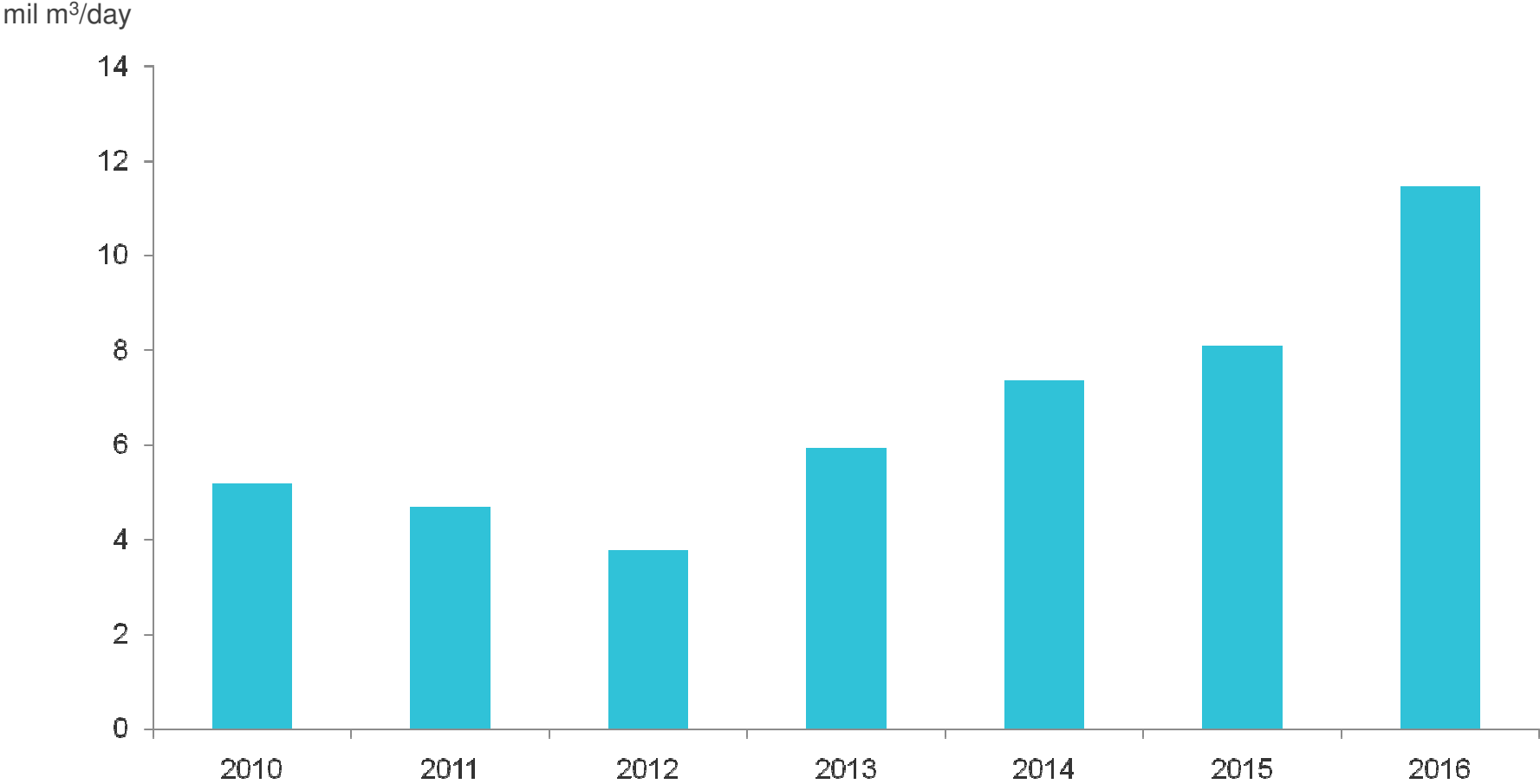
# Recurring gross operating income



Note:

1. Estimates based only on existing portfolio and does not include any potential projects.
2. Includes O&M and asset returns from existing plants in China & Singapore, Tuaspring, Magtaa, Dahej, and membrane sales and other services.
3. Actual results may vary due to external factors.

# Global demand for water infrastructure projects remains strong



Source: GWI Desaldata Desalination Market Update Nov 2012

# Hyflux has the solutions and expertise to address global water needs

- Insatiable thirst for water in the world will drive long-term demand for sustainable sources of water through desalination and water recycling.
- Increasingly, countries are looking at private funding for public sector water infrastructure projects, hence generating more PPP / BOT opportunities.
- Hyflux is well-positioned to expand our BOT and EPC portfolio while growing that of our O&M further.



**WATER  
SOLUTIONS  
THAT  
IMPACT LIVES**