

Damansara Realty to grow PMC business

- While the company's performance will continue to be driven by its steady IFM business in 2018, it will focus on growing its PMC division
- It has the necessary talent and resources to extend its PMC services to other industries



by Lim Guan Yai

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DAMANSARA Realty Bhd (DBhd) saw a fruitful year when it returned to the black in the financial year ended Dec 31, 2017 after three consecutive years of losses.

The improved earnings are mainly due to its strategic restructuring plan implemented in September 2016, involving the restructuring and integration of non-property operations as well as streamlining and accelerating its property portfolio.

While things are turning positive for the integrated facilities management (IFM), project management consultancy (PMC) and property groups, investors remain cautious judging from the share price performance which was relatively stagnant following the announcement on Feb 13. In fact, the counter has been on the decline, from 53 sen on Feb 13 to close at 47.5 sen on May 8.

An industry observer reckons investors are likely to be adopting a wait and see attitude as they would want to ensure the company performance is sustainable.

According to its group chief executive officer Brian Iskandar Zulkarni, while the company's performance will continue to be driven by its steady IFM business in 2018, the PMC division will be its growth catalyst.

"Our next objective is to grow our PMC division to extend its services beyond its specialty focus in the hospital planning and healthcare segment.

"The PMC division requires a high level of skill, extensive knowledge and experience. This dominant position in such a challenging field means we have the necessary talent and resources to extend our PMC services to other industries," he tells *FocusM*.

DBhd chalked a net profit of RM17.02 mil in FY17 versus a net loss of RM27.88 mil in the previous year on the back of higher revenue of RM249.48 mil from RM183.2 mil.

IFM was its biggest revenue contributor with RM221.6 mil revenue, or 88.82% of the group's total revenue. Its property management and PMC contributed RM20.07 mil and RM11.24 mil revenue respectively.

DBhd started off as a property company in the 1960s, before the IFM division became its core business.

Meanwhile, the PMC division is spearheaded by subsidiary Healthcare Technical Services Sdn Bhd (HTS) which specialises in hospital planning and design.

For now, the exposure of the PMC division is still very much limited to hospital development. It counts KPJ Healthcare Bhd as its key client.

HTS also undertakes projects for third parties like Nadayu Properties and Universiti Teknologi Mara (UiTM) to help

Damansara Realty Bhd

PROPERTIES

KEY BOARD MEMBERS AND MANAGEMENT

Datuk Ahmad Zahri Jamil (chairman)
Datuk Daing A Malek Daing A Rahaman (Executive Vice Chairman)
Brian Iskandar Zulkarni (Group CEO)

MAJOR SHAREHOLDERS

Seaview Holdings Sdn Bhd

49.57%

Sindora Bhd

9.45%

Kulim (Malaysia) Bhd

4.36%

MARKET CAP (May 8)

RM151.22m

Share price (May 8)

47.5 Sen

52-week high (May 15, 2017)

74.5 Sen

52-week low (April 5, 2018)

42 Sen

FINANCIAL RESULTS

(FY17 ended Dec 31, 2017)

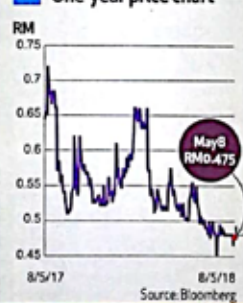
Revenue

RM249.74m

Net Profit

RM17.01m

One-year price chart



construct and set up hospitals.

The unit has expanded its footprint to Poland, Saudi Arabia, Bangladesh, Indonesia and Laos, with the latest venture being in Papua New Guinea where it is advising and managing a 250-bed public hospital in the capital Port Moresby for the Health Department.

The diversity in its clientele is testament to HTS' reputation in the medical industry. Brian Iskandar plans to leverage on this dominance in the healthcare sector to expand into other areas to diversify its income stream.

"We are looking at new opportunities in providing comprehensive consultancy services, for example via the build-equip-transfer model," he explains.

On top of hospital projects, the PMC division is already oper-



Brian Iskandar aims to grow all three core businesses

ating as a project management consultant to DBhd's existing property development projects.

"This will be extended in stages to other sectors to secure different income streams from other consultancy activities. This diversification of income stream is important to chart the phase of growth for the company," he adds.

Brian Iskandar is looking to replicate the recurring income business model of the IFM division, which drove DBhd's revenue growth in 2017, in PMC as well.

Revenue from PMC grew 11.84% year-on-year to RM11.24 mil in FY17 from RM10.05 mil in the previous year. PMC's earnings before interest, tax, depreciation and amortisation (EBITDA) stood at RM1.06 mil, translating into an EBITDA margin of 9.43%.

EBITDA of the division in FY16 was higher at RM2.2 mil due to the completion of a high margin construction consultancy contract.

Another likely boost for DBhd is its tender bid for the 4km Johor Bahru-Singapore Rapid Transit System (RTS) railway project, partnering China State Construction Engineering (M) Sdn Bhd. RTS, which is slated to be completed by the end of 2024, will connect Bukit Chagar station in Johor Bahru and Woodlands in Singapore.

Strong performance

Apart from this, rapid economic growth and urbanisation have resulted in a surge in properties and facilities ownership. That has spurred an outsourcing trend that would eventually benefit facilities managers like DBhd. In addition, asset owners are now more receptive towards engaging IFM service providers, given the increasing awareness for proper operation and maintenance to preserve and maintain asset value.

"The idea behind outsourcing is that businesses should focus on their core competencies. It frees up staff to focus on bringing in revenue and profit. It also brings in specialists who can perform the job faster and better at lower cost," says Brian Iskandar.

The IFM division performs like a one-stop centre providing facilities management services ranging from planning and development, maintenance and operations, to car park solutions and management of assets to clients in

hospitality, healthcare, transport, logistics and education industries.

Besides, with an IFM provider the asset owner has only one party to deal with, translating into a streamlined and cost effective operation.

Having said that, the IFM industry is broad and scattered. It is difficult for DBhd to gauge its market share as there is no accepted industry estimate or benchmark available for local market.

"What I can tell you is that we expect IFM to contribute more than 50% in profit annually to DBhd," he says, adding that the company has secured more than RM146 mil new contracts in FY17.

Brian Iskandar is also aiming for continuous and balanced contribution in terms of EBITDA and net profit from the three core businesses.

As of FY17, property development was the main profit generator for DBhd. The RM20.07 mil sales it achieved translated to EBITDA of RM14.18 mil, or equivalent to an EBITDA margin of 70.65%.

Brian Iskandar says he will focus on accelerating property projects that can improve DBhd's overall margin, cashflow and bottomline performance.

Central Park

One of the key projects is the Central Park project in Johor. This is a joint venture with China's Country Garden Holdings Company Ltd with an estimated gross development value of RM3.5 bil over the next five years. Property units are targeted for the local market with prices starting from RM200,000.

IFM came second in terms of profit contribution in FY17, with an EBITDA of RM18.35 mil. The activities are carried via three key subsidiaries - TMR Urusharta (M) Sdn Bhd, HC Duraclean Sdn Bhd and Metro Parking (M) Sdn Bhd.

TMR and HC Duraclean collectively manage over 10 million sq ft of property and assets for clients throughout Malaysia.

Meanwhile Metro Parking is managing more than 60,000 parking bays in Malaysia, Singapore and the Philippines. The subsidiary is the top parking management operator in the Philippines with more than 50% market share via 30 parking concessions. **FocusM**