



Sunway Construction Group Berhad

Q2 2017 Results Review Pack

24 Aug 2017



SUNWAY[®]
CONSTRUCTION

Construction segment records steady progress and better margins

- **Margin improvement.** Construction margin improved to 9.4% from 8.1% from the immediate preceding quarter whilst precast margin is within the expected margin of 20.9%.
- **Order Book.** SunCon has high visibility of future earnings from outstanding order book of RM4.3 billion having secured RM 1.0 billion of new orders as of June 2017.
- **Bright Prospect.** Good prospect from order book and future flow of big ticket projects riding on infrastructure boom and potential influx of internal projects from our parent company.
- **Shariah Compliance.** SunCon has been reinstated back to Securities Commission's Shariah-compliant Securities list on the 25 May 2017.
- **Dividend.** Proposed interim dividend of 3.0 cents/share which is the highest interim dividend proposed since listing.
- **Awards.**
 - (i) **24 Aug 2017 : MSOSH Occupational Safety and Health Awards 2016** - SunCon won 1 MSOSH Gold Award Class I, 4 MSOSH Gold Award Class II and 1 MSOSH Silver Award under the Construction and Engineering Sector
 - (ii) **8 Aug 2017 : MICG's Transparency in Corporate Reporting** - SunCon emerged top 4 behind 3 Petronas' subsidiaries

Overview of Key Performance Highlights



RM mil	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	Q2 FY 2017	Q1 FY 2017	Q2 17 YTD	Q2 FY 2016	Q1 FY 2016	Q2 16 YTD	Q4 FY 2016	Q3 FY 2016	YTD 2016	YTD 2015
	April-Jun 17	Jan-Mar 17	Jan-Jun 17	April-Jun 16	Jan-Mar 16	Jan-Jun 16	Oct-Dec 16	Jul-Sept 16	Jan-Dec 16	Jan-Dec 15
Revenue	417.3	419.5	836.8	430.2	424.4	854.6	553.1	381.1	1,788.8	1,916.8
PBT	42.7	44.2	86.9	38.1	37.5	75.6	37.6	40.4	153.7	140.7
PBT Margin	10.2%	10.5%	10.4%	8.9%	8.8%	8.8%	6.8%	10.6%	8.6%	7.3%
PATMI	36.7	34.7	71.4	31.2	29.1	60.3	32.1	31.1	123.5	127.2
PATMI Margin	8.8%	8.3%	8.5%	7.3%	6.9%	7.1%	5.8%	8.2%	6.9%	6.6%
EPS (sen)	2.84	2.68	5.52	2.42	2.25	4.67	2.48	2.41	9.56	9.84

RM mil	Q2 FY 2017		Q1 FY 2017		YTD 2017		Q2 FY 2016		Q1 FY 2016		YTD Q2 2016		Audited 2016		Audited 2015		
	Unaudited	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI		
Profit as Announced		42.7	36.7	44.2	34.7	86.9	71.4	38.1	31.2	37.5	29.1	75.6	60.3	153.7	123.5	140.8	127.8
<i>Special Items:</i>																	
Assets Write (back)/off		-	-	0.1	0.1	0.1	0.1	0.0	0.0	0.0	-	0.0	0.0	0.6	0.6	0.2	0.2
Disposal (gain)/loss		(0.2)	(0.2)	0.1	0.1	(0.2)	(0.2)	(0.5)	(0.5)	(0.0)	(0.0)	(0.6)	(0.6)	(0.6)	(0.6)	(1.3)	(1.3)
Impairment (reversal)/prov		(2.7)	(2.7)	-	-	(2.7)	(2.7)	(5.8)	(6.1)	(8.3)	(7.9)	(14.0)	(14.0)	(17.8)	(17.2)	(12.3)	(12.3)
Foreign exchange (gain)/loss		(0.1)	(0.1)	(0.7)	(0.7)	(0.8)	(0.8)	0.7	0.6	(0.2)	(0.2)	0.4	0.4	0.0	0.0	2.9	2.9
FV (gain)/loss-ESOS options		-	-	-	-	-	-	0.6	0.6	0.5	0.5	1.1	1.1	1.0	1.0	4.9	4.9
Fair value (gain)/loss		-	-	-	-	-	-	0.5	0.5	1.2	1.2	1.6	1.7	(5.9)	(5.9)	(1.1)	(1.1)
Arbitration (gain)/loss		(2.9)	(2.9)	(3.2)	(3.2)	(6.1)	(6.1)	-	-	-	-	-	-	-	-	-	-
Profit (Net of Special Items)		36.8	30.8	40.5	31.0	77.3	61.7	33.6	26.3	30.7	22.6	64.3	48.9	131.0	101.4	135.3	122.3

Balance Sheet and Gearing

RM'mil	Quarter ended 30/06/2017 (Unaudited)	Financial Year Ended 31/12/2016 (Audited)	Financial Year Ended 31/12/2015 (Audited)
Non-current Assets	144	155	180
Current Assets	1,360	1,442	1,217
Total Assets	1,504	1,597	1,397
Current Liabilities	958	1,103	942
Non-current Liabilities	3	1	4
Total Liabilities	961	1,104	946
Shareholders' Funds	542	493	451
Non-Controlling Interests	1	1	1
Total Equity	543	494	452
Total Equity & Liabilities	1,504	1,597	1,397
Total Bank Borrowings	100	137	137
Cash & Placement Funds	465	466	469
Net Gearing Ratio	Net Cash	Net Cash	Net Cash
Share Capital	259	259	259
Net Assets Per Share	0.42	0.38	0.35

Construction Segmental Review

<u>Construction</u>	<u>Q2 17</u>	<u>Q2 16</u>	<u>Q1 17</u>	<u>YTD Q2 17</u>	<u>YTD Q2 16</u>
Revenue (RM'mil)	387.2	360.5	350.7	737.9	734.3
PBT (RM'mil)	36.4	21.2	28.4	64.8	47.2
PBT Margin	9.4%	5.9%	8.1%	8.8%	6.4%

- **Turnover.** The higher revenue in the current quarter by 7.4% from the immediate preceding quarter was due to higher progress work from external building jobs.
- **PBT.** Construction's profit margin improved from 8.1% to 9.4% in the immediate preceding quarter due to better margins for existing on-going jobs and arbitration gain from India. The segment reported other operating income of RM 5.0 million for the current quarter, compared to RM2.6 million in the immediate preceding quarter mainly due to reversal of doubtful debt from a recovered debt this quarter.
- **Risk.** The price of steel bar for the current quarter has been hovering around RM2,000 per metric tonne and subsequent to current quarter, prices have been increasing beyond RM2,200 per metric tonne. The registration deadline for illegal foreign workers with the Immigration Department of Malaysia has ended on 30 June 2017. SunCon has been a strong advocate to the employment of legal foreign workers and has been working closely with our subcontractors to ensure full compliance in the employment of foreign workers.
- **Cashflow.** The Group's operating cash flow for the current 6 months period was at RM30.9 million compared to negative RM18.1 million for the corresponding preceding period as we managed to collect some undue receipt prior to the festive celebration. The corresponding period's negative operating cash flow was also attributed to a lump sum financing scheme for a project that has completed end of December 2016.
- **Prospect.** The Group's outstanding order book amounts to RM4.3 billion with RM1.0 billion new orders secured as at end of June 2017. The tender book value is now more than RM14 billion with majority of jobs tendered under the civil/infrastructure division. With a healthy outstanding order book and relatively smooth progress of our current projects, barring unforeseen circumstances, SunCon expects to perform satisfactorily this year.

Precast Concrete Segmental Review

<u>Precast Concrete</u>	<u>Q2 17</u>	<u>Q2 16</u>	<u>Q1 17</u>	<u>YTD Q2 17</u>	<u>YTD Q2 16</u>
Revenue (RM'mil)	30.1	69.8	68.8	98.9	120.3
PBT (RM'mil)	6.3	16.9	15.8	22.1	28.4
PBT Margin	20.9%	24.2%	23.0%	22.3%	23.6%

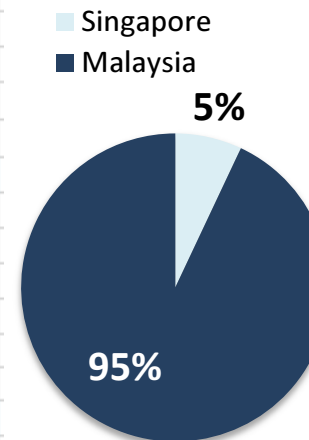
- **Turnover.** The revenue for the current quarter decreased by 56.2% compared to immediate preceding quarter as a result of slower progress by main contractor. New jobs secured will only contribute in the next financial year.
- **PBT.** The profit margin for the current quarter remained relatively the same as there was a one-off reduction in operational cost due to the closure of Tampines plant despite lower turnover.
- **Prospect.** The outstanding order stands at RM 251.2million and this translates to approximately one year of turnover as the nature of precast contracts are of shorter contract duration. As per Housing and Development Board (HDB), 12,755 units of flats have been launched up to August 2017 (2016 launches amounted to 17,891 units). Despite the healthy flow of HDB unit launches reported, precast revenue has seen a drop in current quarter, due to slower progress by main contractor. Consequently, revenue for financial year ending 2017 might be affected as progress at site are delayed and translation of launches to physical construction will take time.
- **Capacity building.** The expansion of our Iskandar Plant from 5 lines to 9 lines has been completed. The overall plant capacity for both our Senai and Iskandar Plant is now increased to 156,600m³ per annum from 128,000m³ per annum.

Order Book of RM4.3 bil

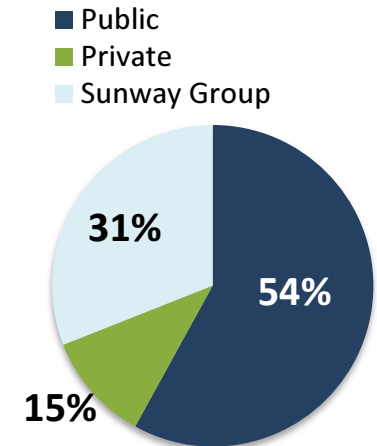
As at June 2017 (RM mil)	Completion	Contract Sum	O/S Orderbook
Infrastructure/Piling			
MRT V201 + S201 (Sg Buloh - Persiaran Dagang)	2Q 2021	1,213	974
MRT V201 - Advance Works	4Q 2017	53	32
SUKE + DASH (Bore Piling)	2Q 2018	34	30
BBCC (Bore Piling)	1Q 2018	34	34
Mega Capital	4Q 2017	9	9
Building			
Putrajaya Parcel F	3Q 2018	1,610	1,064
KLCC (NEC + Package 2 & 2a)	4Q 2018	646	170
HUKM (MEP works)	2Q 2018	66	63
International School of Kuala Lumpur	2Q 2018	268	202
Gas District Cooling (Plant 1)	3Q 2018	152	148
Others	Various	196	4
Internal			
Sunway Velocity Hotel + Office	1Q 2017	101	19
Sunway Velocity Medical Centre	4Q 2018	185	143
Sunway Medical Centre 4 (2 towers)	4Q 2018	428	394
Sunway Iskandar - Citrine Svc Apt	1Q 2017	213	13
Sunway Geo Retail Shops & Flexi Suites Phase 2	1Q 2018	244	62
Sunway Iskandar - Emerald Residences	1Q 2018	175	89
Sunway Iskandar - 88 units shoplots	2Q 2018	57	36
Sunway Iskandar - Retail Complex/Big Box	4Q 2017	100	79
Sunway Serene - Serviced Residences	4Q 2020	449	449
Others	Various	50	12
Singapore			
Precast	Various	757	251
Grand Total		7,039	4,278

Order Book Segmentation (YTD 2017)

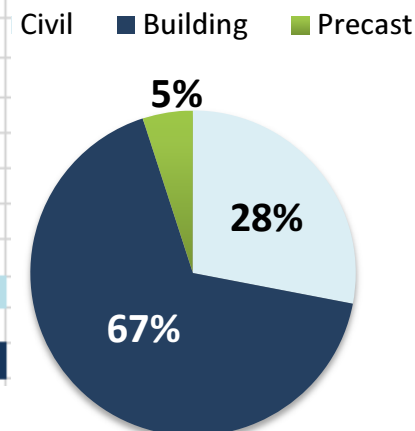
By Country



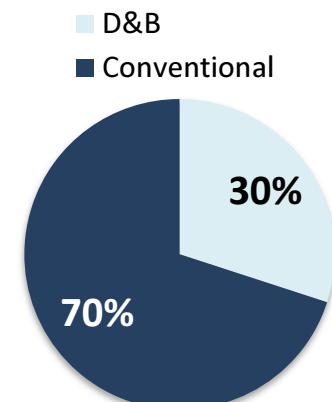
By Customer



By Business Division



Design & Build vs Conventional



Red : Secured in 2017

Healthy Order Book with a Diversified Portfolio of Projects

New Order Book 2017 Secured YTD RM1 bil



Projects (2017 new awards up to June 2017)	Client	Duration	Contract Sum (RM'mil)
Kelana Jaya Condo	Sunway Property	4Q 2020	449
CP3 walkway	Sunway South Quay	3Q 2017	4
Precast	Various		97
GDC Plant 1	Putrajaya Holdings	3Q 2018	152
SUKE and DASH	Cergas Murni & Latimer	2Q/1Q 2018	34
MRT S201: 3 Elevated Stations *	Mass Rapid Transit Corp	4Q 2020	212
BBCC (piling work)	Ikhmas & IJM	2Q 2018	34
Mega Capital (Piling work) - Jln Imbi	IJM CONSTRUCTION SDN BHD	4Q 2017	9
Grand Total			991
<i>In House</i>		46%	453
<i>External</i>		54%	538
* Contract sum is part of MRT V201 package - RM 1.213Bil			

New order 2016 : 2.7B, 2015 : 2.6b, 2014 : 0.8b, 2013 : 2.9b, 2012 : 1.9b

Parcel F – Progress @ June 2017

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ISKL – Progress @ June 2017

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Thank You

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Next quarter announcement on 20 Nov 2017

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