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19 August 2020

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 18 August 2020
KLSE Comp @ 1,577.9

12M hi/lo RM2.10/1.29

12M price target RM2.18
±% potential +22%

Shares in issue 1,292.9m
Free float (est.) 45.6%

Market cap US\$550m

3M ADV US\$0.3m

Foreign s'holding 3.2%

Major shareholders

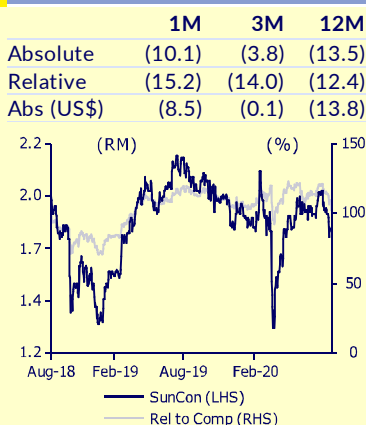
Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

Blended ESG Score (%)*

Overall 73.9
Country average 68.7
GEM sector average 67.9

*Click to visit company page on clsa.com for details

Stock performance (%)



Dawn after darkness

Low 2Q20 earnings inflection point amid two new jobs clinched

With construction activity mainly resuming on 9 June (nearly a month's work in 2Q20), SunCon's revenue unsurprisingly plunged 68% YoY in 2Q20 (but remained in the black). 1HFY20 Patmi formed 25%/21% of CLSA/consensus full-year estimates. We see this as inline as local activity has since recovered pace. Two additional internal job-wins worth a combined RM747m (Figure 2) lifts its YTD wins to RM1.47bn (CLSA: RM2bn for 2020), accentuating the allure of internal job flow for SunCon. We upgrade our rating from Outperform to BUY with an unchanged target price of RM2.18.

Malaysia construction activity recovers and it was not stingy on dividends

SunCon eked out a mild profit of RM2.2m in 2Q20 thanks partly to overhead savings. With c.45% of its c.RM6bn estimated outstanding order-book (inclusive of the just-announced projects) scheduled for completion by 2021, this underpins activity picking up. Operating cash flow for the quarter remained positive despite movement restrictions, and a 1.25 sen per share dividend (87% payout ratio) was a mild positive surprise underlining its balance sheet strength, with net cash of 30 sen per share.

Singapore recovery more gradual than Malaysia as sites reopen

The pre-cast concrete division slipped back into a mild loss in 2Q20 as only 19% of its work sites in Singapore obtained approval to start work (June) and commencement is site-specific. The silver lining is its built-to-order homes pipeline in Singapore remains in high demand, with it recently launching another 7,862 units in August and a total 16,700 expected this year, anchoring its replenishment prospects.

Internal job awards underpin an edge over peers in replenishment

Close to 60% of job-wins YTD have been internal, lifting its total to RM1.47bn (2018 and 2019 at RM1.6bn and RM1.8bn). Prospects that it will reach RM2bn in order-book wins is backed by a tender book of RM8.5bn, a blend of local and overseas projects, including India. Aside from these, internal jobs include its parent's hospitals (at least three in the pipeline) and property development in Penang and Klang Valley. The rapid transit system and potential return on MRT3 are also areas SunCon is keen to explore.

Accumulation opportunity; upgrade to BUY

With expectations 2Q20 is its trough earnings and work is catching up, reinforced by internal job win consistency, we believe SunCon should continue to command a premium to the sector. We make no changes to our earnings our RM2.18 target price, which implies a PE of 15.4x after adjusting for half the benefit to net cash (KLCON Index: 14.5x). Recent weakness is an accumulation opportunity; we upgrade SunCon on price action.

Financials

Year to 31 December	18A	19A	20CL	21CL	22CL
Revenue (RMm)	2,257	1,769	1,805	2,693	2,730
Net profit (RMm)	131	129	74	170	178
EPS (sen)	10.2	10.0	5.8	13.2	13.7
CL/consensus (14) (EPS%)	-	-	90	111	117
EPS growth (% YoY)	(3.5)	(1.5)	(42.5)	128.7	4.4
PE (x)	17.6	17.9	31.1	13.6	13.0
Dividend yield (%)	3.9	3.9	2.2	5.0	5.0
FCF yield (%)	4.5	6.6	2.9	7.7	7.8
PB (x)	3.9	3.7	3.6	3.3	3.0
ROE (%)	22.9	21.3	11.7	25.2	24.2
Net debt/equity (%)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)

Source: www.clsa.com

Financials at a glance

Year to 31 December	2018A	2019A	2020CL	(% YoY)	2021CL	2022CL
Profit & Loss (RMm)						
Revenue	2,257	1,769	1,805	2.1	2,693	2,730
Cogs (ex-D&A)	(2,042)	(1,587)	(1,672)		(2,426)	(2,452)
Gross Profit (ex-D&A)	215	181	133	(26.6)	267	278
SG&A and other expenses	-	-	-		-	-
Op Ebitda	215	181	133	(26.6)	267	278
Depreciation/amortisation	(53)	(40)	(51)		(56)	(61)
Op Ebit	162	141	82	(41.9)	211	217
Net interest inc/(exp)	8	12	8	(33.3)	9	10
Other non-Op items	0	4	4	0	4	4
Profit before tax	170	157	94	(40.1)	224	231
Taxation	(38)	(27)	(19)		(47)	(46)
Profit after tax	132	130	75	(42.1)	177	185
Minority interest	0	(1)	(1)		(7)	(7)
Net profit	131	129	74	(42.5)	170	178
Adjusted profit	131	129	74	(42.5)	170	178
Cashflow (RMm)						
Operating profit	162	141	82	(41.9)	211	217
Depreciation/amortisation	53	40	51	27	56	61
Working capital changes	(11)	28	3	(90.2)	7	(2)
Other items	(45)	(51)	(19)		(47)	(46)
Net operating cashflow	159	158	117	(26.1)	227	230
Capital expenditure	(56)	(5)	(50)		(50)	(50)
Free cashflow	103	154	67	(56.4)	177	180
M&A/Others	(2)	(21)	17		18	20
Net investing cashflow	(58)	(26)	(33)		(32)	(30)
Increase in loans	(21)	162	-		-	-
Dividends	(97)	(91)	(52)		(121)	(121)
Net equity raised/other	-	-	0		0	0
Net financing cashflow	(118)	72	(52)		(121)	(121)
Incr/(decr) in net cash	(16)	204	32	(84.3)	74	78
Exch rate movements	13	6	(5)		1	(11)
Balance sheet (RMm)						
Cash & equivalents	485	693	721	4	796	863
Accounts receivable	885	818	603	(26.2)	900	913
Other current assets	228	199	334	67.7	334	346
Fixed assets	164	139	137	(0.9)	131	120
Investments	45	49	45	(8.5)	45	45
Intangible assets	4	4	4	0	4	4
Other non-current assets	3	4	4	0	4	4
Total assets	1,812	1,905	1,848	(3)	2,214	2,295
Short-term debt	114	233	233	0	233	233
Accounts payable	995	885	673	(23.9)	977	988
Other current liabs	15	2	0		-	-
Long-term debt/CBs	-	53	213	303.9	213	213
Provisions/other LT liabs	97	107	79	(25.8)	78	77
Shareholder funds	591	623	646	3.7	702	766
Minorities/other equity	1	2	3	47.7	10	18
Total liabs & equity	1,812	1,905	1,848	(3)	2,214	2,295
Ratio analysis						
Revenue growth (% YoY)	8.7	(21.6)	2.1		49.2	1.4
Ebitda margin (%)	9.5	10.2	7.4		9.9	10.2
Ebit margin (%)	7.2	8.0	4.5		7.8	7.9
Net profit growth (%)	(3.5)	(1.5)	(42.5)		128.7	4.4
Op cashflow growth (% YoY)	238.7	(0.7)	(26.1)		94.0	1.2
Capex/sales (%)	2.5	0.3	2.8		1.9	1.8
Net debt/equity (%)	(62.7)	(65.0)	(42.3)		(49.1)	(53.2)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	22.9	21.3	11.7		25.2	24.2
ROIC (%)	52.1	42.4	19.1		41.4	43.6

Source: www.clsa.com

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evaluator proprietary database at clsa.com

Figure 1

SunCon financials									
FYE 31 Dec (RM m)	2Q20	2Q19	YoY % Chg	1Q20	QoQ % Chg	1H20	1H19	YoY % Chg	Remarks
Revenue	140.2	440.2	(68%)	365.8	(62%)	506.0	880.2	(43%)	Revenue decline due to MCO from 18 March. SunCon received MITI approval to resume work from 9 June 2020
Operating expenses	(141.3)	(407.9)	(65%)	(349.4)	(60%)	(490.7)	(812.6)	(40%)	
Other income	1.2	5.3	(78%)	2.2	(46%)	3.4	8.2	(59%)	
EBITDA	8.6	53.9	(84%)	27.7	(69%)	36.4	102.2	(64%)	
Depreciation	(8.5)	(16.3)	(48%)	(9.0)	(6%)	(17.5)	(26.4)	(34%)	
EBIT	0.1	37.6	(100%)	18.7	(100%)	18.8	75.8	(75%)	
Interest income	4.5	7.2	(37%)	5.2	(14%)	9.8	11.4	(14%)	
Interest expense	(2.3)	(3.6)	(36%)	(2.7)	(15%)	(5.0)	(5.9)	(15%)	
Pre-tax profit	2.3	41.2	(94%)	21.2	(89%)	23.6	81.3	(71%)	2Q20 saw precast division register mild loss of RM3.5 mn
Tax	(0.2)	(8.23)	(97%)	(4.3)	(95%)	(4.5)	(16.7)	(73%)	
Effective tax rate	9.2%	20.0%	n.a.	20.3%	n.a.	19.2%	20.6%	n.a.	2Q20 effective tax rate helped by overprovision of prior year's tax reversal
Minority interest	(0.07)	(0.21)	(68%)	0.56	(112%)	0.49	0.40	23%	
Net profit	2.2	33.2	(93%)	16.4	(87%)	18.5	64.2	(71%)	
EPS (sen)	0.17	2.57	(93%)	1.27	(87%)	1.44	4.97	(71%)	
EBIT margin	0.0%	8.5%		5.1%		3.7%	8.6%		
PBT margin	1.7%	9.4%		5.8%		4.7%	9.2%		

Source: CLSA, SunCon. MCO = movement control order

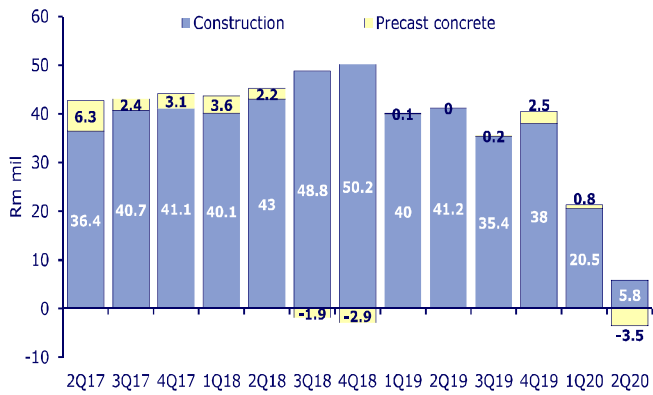
Figure 2

SunCon YTD 2020 job wins	
External	RM mn
Thorapali Agraharam, Jittandahalli Section of NH844	508
Chan Sow Lin KVMRT (Mechanical, Electrical and Plumbing)	54
Others	42
subtotal	604
Internal	
Sunway International School (Bandar Sunway)	121
Commercial mixed development, Bandar Sunway	344*
3 Blocks of service apartment (Belfield)	403*
subtotal	868
Grand total	1,472

Source: CLSA, SunCon *Just announced on 18 August and is in addition to the RM5.4 bn reported outstanding order book as at end-June 2020

Figure 3

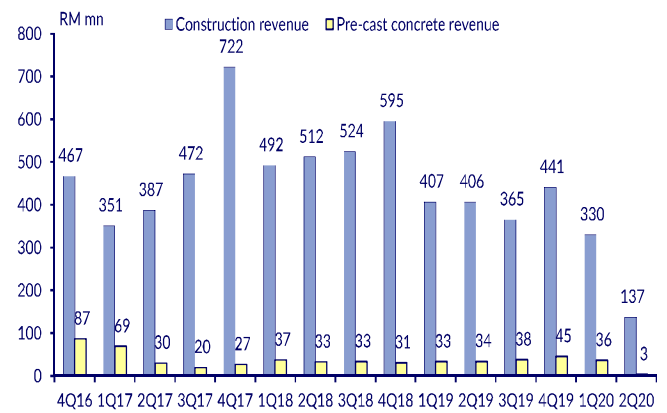
SunCon: pre-tax profit by segment



Source: CLSA, SunCon

Figure 4

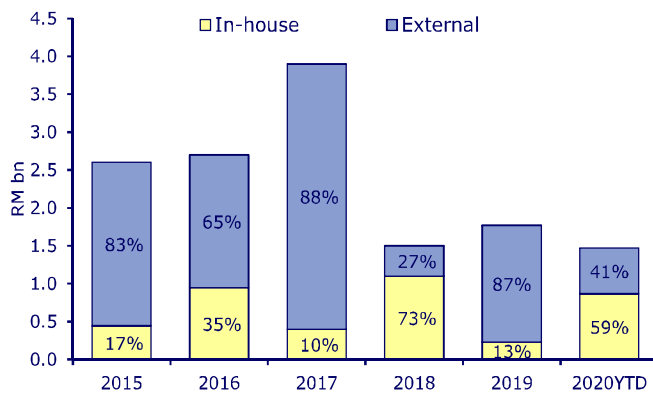
SunCon: revenue breakdown by segment



Source: CLSA, SunCon

Figure 5

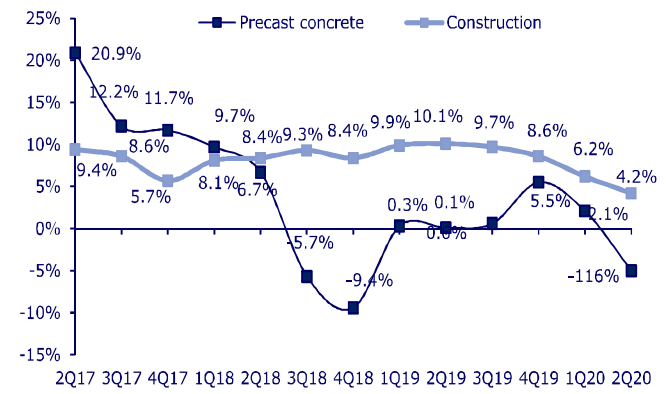
SunCon's order book replenishment history (YTD)



Source: CLSA, SunCon

Figure 6

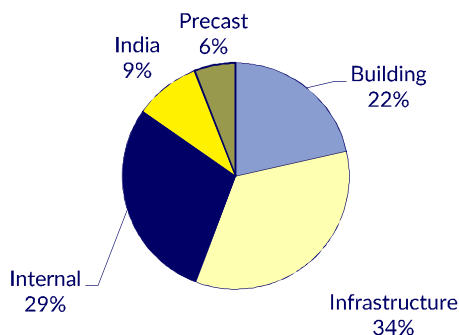
SunCon: pre-tax profit margin by segment



Source: CLSA, SunCon

Figure 7

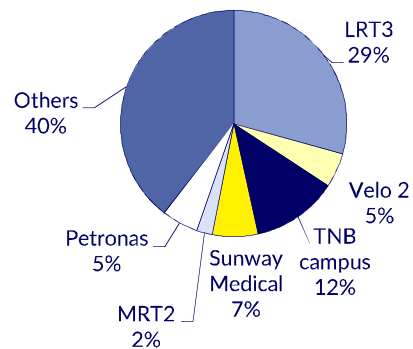
Order book: outstanding by type (RM5.4bn as of end-June)



Source: CLSA, SunCon

Figure 8

Order book: outstanding by projects (RM5.4bn as of end-June)



Source: CLSA, SunCon

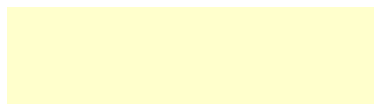


Figure 9

SunCon: valuation

PE method of valuation	Remarks	Value (RM mil)
Earnings (21CL)	15.4x, i.e. PE multiple at 1 sd above 3-year sector mean of 13x	170.0
Multiple applied		15.4
Total		2,618
Number of shares (unit million)		1,293
Value per share (RM)		2.03
Net cash per share (RM)	50% benefit to net cash	0.15
Target price (RM)		2.18

Source: CLSA

Figure 10

Peer comp

	Price (RM)	Mkt cap (US\$m)	ADT (US\$m)	PE		ROE		Yield	
				CY20	CY21	CY20	CY21	CY20	CY21
				(x)	(x)	(%)	(%)	(%)	(%)
KLCI-listed peers									
IJM MK	1.33	1,153	2.07	13.2	10.0	4.3	5.2	3.2	4.0
GAM MK	3.38	2,028	3.51	12.8	10.8	8.0	9.0	3.1	4.4
SCGB MK Equity	1.79	554	0.29	31.1	13.6	11.7	25.2	2.2	5.0
AQRS MK Equity	0.72	85	0.22	9.0	5.3	8.8	13.7	2.6	5.6
HSL MK Equity	0.91	119	0.04	14.6	9.0	3.9	6.5	1.5	2.3
KICB MK Equity	0.77	62	0.12	9.7	6.2	3.7	5.6	2.5	3.6
MUHI MK Equity	0.81	93	0.77	5.3	4.3	5.8	7.9	5.3	6.2
GKEN MK Equity	0.79	99	0.51	12.5	9.4	6.6	8.3	3.1	4.0
TRC MK Equity	0.31	34	0.09	9.2	7.8	3.7	4.3	3.3	3.9
WCTHG MK Equity	0.42	140	0.88	18.0	8.6	1.1	2.3	1.9	2.4
GADG MK Equity	0.41	71	1.37	6.9	6.1	6.4	7.4	2.3	2.8
Weighted average				15.0	10.4	7.0	9.7	2.9	4.3

Source: CLSA

Valuation details

We value SunCon using the price-earnings multiple approach. Its target price is derived from 15.4x 21CL earnings, which is at one standard deviation above 10-year mean PE for the KLCON index. We accord an above-sector average PE given its flow of internal jobs and strong balance sheet.

Investment risks

The investment risks for SunCon mainly stem from construction risk. Specific risks to our estimates would be lower-than-expected margins (below 5-8%) or the amount of projects secured falls below our expectation, either due to an inability to secure projects or caused by a delay on project roll-out. The increase in steel prices beyond anticipated will also creep into margins as SunCon hedges steel needs for a future six-month period. On the pre-cast segment, risks to our earnings will be the timing of a margin recovery currently in doldrums due to competition. Prolonged Covid-19 could also slacken operating efficiency.

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Revenue	1,789	2,076	2,257	1,769	1,805	2,693	2,730
Cogs (ex-D&A)	(1,601)	(1,874)	(2,042)	(1,587)	(1,672)	(2,426)	(2,452)
Gross Profit (ex-D&A)	188	202	215	181	133	267	278
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	188	202	215	181	133	267	278
Depreciation/amortisation	(39)	(37)	(53)	(40)	(51)	(56)	(61)
Op Ebit	149	165	162	141	82	211	217
Interest income	10	13	16	25	17	18	20
Interest expense	(6)	(6)	(8)	(13)	(9)	(9)	(9)
Net interest inc/(exp)	4	7	8	12	8	9	10
Associates/investments	-	-	-	4	4	4	4
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	154	172	170	157	94	224	231
Taxation	(30)	(36)	(38)	(27)	(19)	(47)	(46)
Profit after tax	124	136	132	130	75	177	185
Preference dividends	-	-	-	-	-	-	-
Profit for period	124	136	132	130	75	177	185
Minority interest	0	0	0	(1)	(1)	(7)	(7)
Net profit	124	136	131	129	74	170	178
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	124	136	131	129	74	170	178
Dividends	(65)	(90)	(90)	(90)	(52)	(116)	(116)
Retained profit	59	46	41	39	23	54	61
Adjusted profit	124	136	131	129	74	170	178
EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Adj EPS [pre excep] (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Core EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
DPS (sen)	5.0	7.0	7.0	7.0	4.0	9.0	9.0

Profit & loss ratios

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Growth (%)							
Revenue growth (% YoY)	(6.7)	16.1	8.7	(21.6)	2.1	49.2	1.4
Ebitda growth (% YoY)	5.7	7.5	6.0	(15.5)	(26.6)	100.9	3.9
Ebit growth (% YoY)	9.5	10.5	(1.9)	(12.9)	(41.9)	158.0	2.5
Net profit growth (%)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Adj EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
DPS growth (% YoY)	25.0	40.0	0.0	0.0	(42.9)	125.0	0.0
Core EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Margins (%)							
Ebitda margin (%)	10.5	9.7	9.5	10.2	7.4	9.9	10.2
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Net profit margin (%)	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Core profit margin	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Op cashflow margin	4.2	2.3	7.1	9.0	6.5	8.4	8.4
Returns (%)							
ROE (%)	26.2	26.0	22.9	21.3	11.7	25.2	24.2
ROA (%)	8.0	7.5	6.8	6.3	3.5	8.2	7.7
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
ROCE (%)	82.3	90.0	76.4	64.1	27.6	57.3	59.4
Other key ratios (%)							
Effective tax rate (%)	19.5	21.0	22.4	17.2	20.0	21.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	0.0	-	-	-
Dividend payout (%)	52.3	66.5	68.9	70.0	69.5	68.4	65.5

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Cash & equivalents	466	487	485	693	721	796	863
Accounts receivable	732	1,066	885	818	603	900	913
Inventories	24	24	30	25	0	0	0
Other current assets	220	151	198	174	334	334	346
Current assets	1,442	1,729	1,597	1,710	1,658	2,030	2,122
Fixed assets	138	151	164	139	137	131	120
Investments	0	0	45	49	45	45	45
Goodwill	4	4	4	4	4	4	4
Other intangible assets	2	0	0	0	0	0	0
Other non-current assets	11	2	3	4	4	4	4
Total assets	1,597	1,885	1,812	1,905	1,848	2,214	2,295
Short term loans/OD	137	135	114	233	233	233	233
Accounts payable	955	1,184	995	885	673	977	988
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	11	5	14	1	0	0	0
Other current liabs	0	0	0	0	0	-	-
Current liabilities	1,103	1,324	1,123	1,120	907	1,210	1,221
Long-term debt/leases/other	-	-	-	53	213	213	213
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1	6	97	107	79	78	77
Total liabilities	1,104	1,331	1,220	1,280	1,199	1,501	1,511
Share capital	259	259	259	259	259	259	259
Retained earnings	257	324	361	399	422	478	542
Reserves/others	(23)	(29)	(28)	(35)	(35)	(35)	(35)
Shareholder funds	493	554	591	623	646	702	766
Minorities/other equity	1	1	1	2	3	10	18
Total equity	494	555	593	625	649	712	784
Total liabs & equity	1,597	1,885	1,812	1,905	1,848	2,214	2,295
Total debt	137	135	114	286	446	446	446
Net debt	(329)	(353)	(371)	(407)	(275)	(350)	(417)
Adjusted EV	1,984	1,962	1,899	1,861	1,998	1,930	1,870
BVPS (sen)	38.2	42.8	45.7	48.2	50.0	54.3	59.2

Balance sheet ratios

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Key ratios							
Current ratio (x)	1.3	1.3	1.4	1.5	1.8	1.7	1.7
Growth in total assets (% YoY)	14.3	18.0	(3.9)	5.1	(3.0)	19.8	3.7
Growth in capital employed (% YoY)	(16.9)	22.9	9.4	(1.2)	71.4	(3.2)	1.1
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	1.8	2.9	0.7	1.8	3.8	2.0	1.9
Gross debt to Ebitda (x)	0.7	0.7	0.5	1.6	3.4	1.7	1.6
Net debt/Ebitda (x)	-	-	-	-	-	-	-
Gearing							
Net debt/equity (%)	(66.7)	(63.5)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)
Gross debt/equity (%)	27.6	24.3	19.2	45.8	68.7	62.6	56.9
Interest cover (x)	26.4	29.3	21.4	12.6	10.6	24.6	25.3
Debt Cover (x)	0.6	0.3	1.4	0.6	0.3	0.5	0.5
Working capital analysis							
Inventory days	4.7	4.7	4.9	6.3	2.7	0.0	0.0
Debtor days	133.8	158.0	157.7	175.7	143.7	101.9	121.2
Creditor days	199.6	208.3	194.7	216.1	170.1	124.2	146.2
Working capital/Sales (%)	0.6	2.5	4.6	7.4	14.6	9.6	9.9
Capital employed analysis							
Sales/Capital employed (%)	1,087.3	1,026.5	1,019.8	809.4	482.0	742.6	745.0
EV/Capital employed (%)	1,206.0	970.0	858.1	851.4	533.4	532.1	510.2
Working capital/Capital employed (%)	6.1	25.8	46.5	59.7	70.5	71.0	74.0
Fixed capital/Capital employed (%)	84.1	74.6	74.0	63.5	36.7	36.2	32.7
Other ratios (%)							
EV/OCF (x)	26.4	41.7	11.9	11.7	17.1	8.5	8.1
EV/FCF (x)	35.4	(257.5)	18.4	12.1	29.8	10.9	10.4
EV/Sales (x)	1.1	0.9	0.8	1.1	1.1	0.7	0.7
Capex/depreciation (%)	48.7	146.1	106.6	11.7	97.5	88.9	81.6

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Operating profit	149	165	162	141	82	211	217
Operating adjustments	(22)	0	0	0	0	0	0
Depreciation/amortisation	39	37	53	40	51	56	61
Working capital changes	(59)	(112)	(11)	28	3	7	(2)
Interest paid / other financial expenses	(6)	(6)	(8)	(13)	0	0	0
Tax paid	(26)	(37)	(37)	(38)	(19)	(47)	(46)
Other non-cash operating items	0	0	1	1	0	0	0
Net operating cashflow	75	47	159	158	117	227	230
Capital expenditure	(19)	(55)	(56)	(5)	(50)	(50)	(50)
Free cashflow	56	(8)	103	154	67	177	180
Acq/inv/disposals	13	89	26	(47)	-	-	-
Int, invt & associate div	89	13	(28)	25	17	18	20
Net investing cashflow	83	48	(58)	(26)	(33)	(32)	(30)
Increase in loans	0	(3)	(21)	162	-	-	-
Dividends	(84)	(71)	(97)	(91)	(52)	(121)	(121)
Net equity raised/others	-	0	-	-	0	0	0
Net financing cashflow	(84)	(74)	(118)	72	(52)	(121)	(121)
Incr/(decr) in net cash	74	21	(16)	204	32	74	78
Exch rate movements	2	1	13	6	(5)	1	(11)
Opening cash	390	465	487	484	693	721	796
Closing cash	465	487	484	693	721	796	863
OCF PS (sen)	5.8	3.6	12.3	12.3	9.1	17.6	17.8
FCF PS (sen)	4.3	(0.6)	8.0	11.9	5.2	13.7	13.9

Cashflow ratio analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Growth (%)							
Op cashflow growth (% YoY)	(67.6)	(37.3)	238.7	(0.7)	(26.1)	94.0	1.2
FCF growth (% YoY)	(70.9)	(113.6)	-	48.8	(56.4)	164.2	1.6
Capex growth (%)	(50.8)	187.6	2.7	(91.6)	956.4	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	1.1	2.6	2.5	0.3	2.8	1.9	1.8
Capex/op cashflow (%)	25.3	116.2	35.2	3.0	42.7	22.0	21.7
Operating cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Free cashflow payout ratio (%)	115.1	-	87.6	58.9	77.1	65.7	64.6

DuPont analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Asset turnover (x)	1.2	1.2	1.2	1.0	1.0	1.3	1.2
Interest burden (x)	1.0	1.0	1.0	1.1	1.2	1.1	1.1
Tax burden (x)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	8.0	7.5	6.8	6.3	3.5	8.2	7.7
Leverage (x)	3.2	3.3	3.2	3.1	2.9	3.0	3.0
ROE (%)	26.2	26.0	22.9	21.4	11.8	26.0	24.7

EVA® analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit adj for tax	120	130	126	117	66	167	173
Average invested capital	183	187	241	275	343	403	398
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	4.0	3.9	3.9	4.1	4.0	4.0	4.0
Weighted average cost of capital (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
EVA/IC (%)	54.6	58.9	41.2	31.5	8.2	30.5	32.7
EVA (RMm)	100	110	99	87	28	123	130

Source: www.clsa.com



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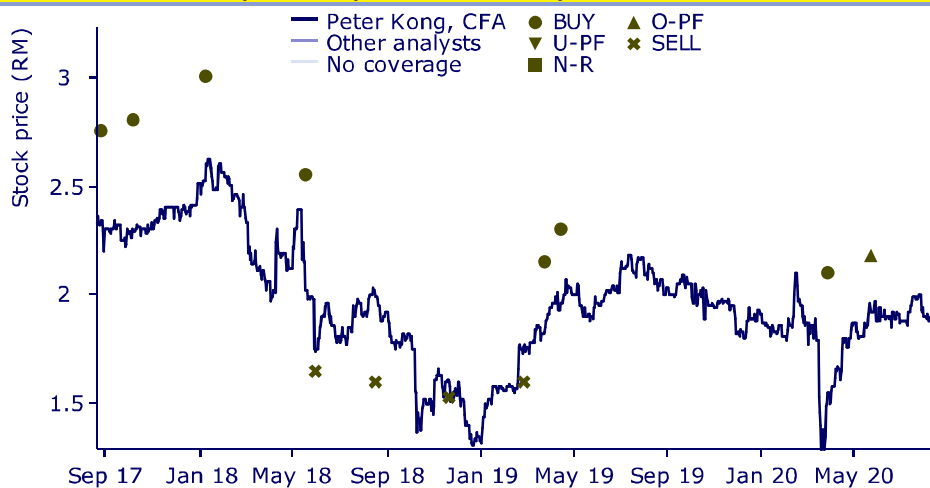
- SunCon (SCGB MK - RM1.79 - BUY)
- AQRS (AQRS MK - RM0.72 - O-PF)
- Bandar Sunway (N-R)
- Gamuda (GAM MK - RM3.38 - O-PF)
- George Kent (N-R)
- Hock Seng Lee (N-R)
- IJM (IJM MK - RM1.33 - U-PF)
- Muhibbah (N-R)
- Petronas Chemicals (PCHEM MK - RM6.15 - SELL)
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Date	Rec	Target	Date	Rec	Target
LATEST	BUY	2.18	17 Aug 2018	SELL	1.60
22 May 2020	O-PF	2.18	31 May 2018	SELL	1.65
27 Mar 2020	BUY	2.10	18 May 2018	BUY	2.55
15 Apr 2019	BUY	2.30	08 Jan 2018	BUY	3.00
25 Mar 2019	BUY	2.15	06 Oct 2017	BUY	2.80
26 Feb 2019	SELL	1.60	25 Aug 2017	BUY	2.75
21 Nov 2018	SELL	1.53			

Source: CLSA

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