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## Malaysia Infrastructure

Reuters SCOG.KL  
Bloomberg SCGB MK

Priced on 19 November 2018  
KLSE Comp @ 1,710.7

12M hi/lo RM2.62/1.37

12M price target RM1.53  
±% potential -5%

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

Market cap US\$497m

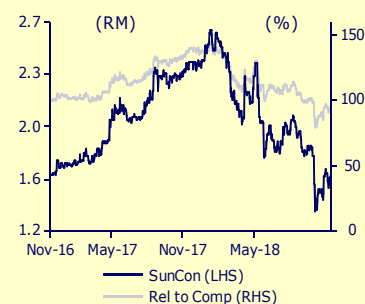
3M ADV US\$0.5m

Foreign s'holding 9.0%

Major shareholders  
Sunway Berhad 54.4%  
Sungei Way Corp Sdn Bhd 10.1%

### Stock performance (%)

	1M	3M	12M
Absolute	5.9	(19.1)	(32.9)
Relative	7.2	(15.7)	(32.5)
Abs (US\$)	5.0	(20.7)	(33.1)



Source: Bloomberg

## Not out of the woods yet

### Healthy internal job flow up to 3Q18; pre-cast segment in the red

Despite rising construction revenue and in-house jobs exhibiting good replenishment YTD, risk-reward for SunCon in our view has yet to turn favourable. The pre-cast concrete business slumped into losses in 3Q18, a negative surprise which may fester. Ongoing negotiations for MRT2 and LRT3 – especially the latter which is its largest project (38% of its order book) – have us leaving our rating at SELL on the potential earnings impact when reviews conclude. Adjusting our margin, we lower our target from RM1.53 to RM1.60.

### In-house jobs formed 91% of total wins YTD

SunCon has secured RM1.35bn in job awards YTD (90% of guidance & 68% of CLSA). The lion's share of this is comprised of at least four in-house jobs contributing RM1.22bn (a 91% share of total); high vs its historical annual average of RM0.6bn (the past three years), which is a positive. More hospital prospects amid its parent Sunway Berhad's (N-R) keener focus and move into Penang property development (Sunway Valley City) lends visibility to internal job flow.

### Pre-cast concrete segment slumped into the red

Steady, albeit low, revenue in the pre-cast concrete segment which remains in a cyclical soft patch (cRM30m a quarter on average from 2Q17), while smaller new orders of RM130m YTD (FY2017: RM160m) indicative of tough environment. Its slip into a pre-tax loss this quarter was a negative surprise, although newer orders, we understand, have been secured at better steel price levels.

### Earnings delivery held back by slow progress on LRT3; slightly lower target

LRT3 has yet to reach 10% progress (and thus may not have hit a profit recording threshold) coupled with the pre-cast segment drag likely led to 9M18 earnings below expectations (69%/61% of consensus/CLSA 2018 estimates). We lower our 18CL earnings to reflect the c40m quarterly LRT3 revenue run-rate post review. We trim our margin to mid-single digits (from low teens) for pre-cast concrete for 19/20CL, and our slight target cut reflects this (previously RM1.60).

### Retain SELL; the LRT3 review may conclude as soon as December

At an 11.6x PE for 19CL, this partially reflects SunCon's internal job flow and a strong net cash per share of 25¢ which bolsters ability to bid for new jobs. Trading at premium to Gamuda and IJM, we think risk-reward is yet to turn positive. The LRT3 cost review, may be completed by 1H December. In our sensitivity analysis of a 10%-30% cost cut, this could impact our 19CL earnings by 1%-4%, which we would reflect when or if such actual cost cuts are finalised.

### Financials

Year to 31 December	16A	17A	18CL	19CL	20CL
Revenue (RMm)	1,789	2,076	2,639	2,758	2,985
Rev forecast change (%)	-	-	(5.3)	0.9	(0.7)
Net profit (RMm)	124	136	155	179	201
NP forecast change (%)	-	-	(12.6)	(6.0)	(6.7)
EPS (sen)	9.6	10.5	12.0	13.9	15.5
CL/consensus (13) (EPS%)	-	-	100	103	112
EPS growth (% YoY)	(2.9)	10.1	13.6	15.9	12.2
PE (x)	16.8	15.3	13.5	11.6	10.4
Dividend yield (%)	3.1	4.3	4.3	4.3	5.6
ROE (%)	26.2	26.0	26.4	27.0	26.8
Net debt/equity (%)	(66.7)	(63.5)	(64.3)	(71.9)	(79.2)

Source: www.cls.com

## Financials at a glance

Year to 31 December	2016A	2017A	2018CL	(% YoY)	2019CL	2020CL
<b>Profit &amp; Loss (RMm)</b>						
Revenue	1,789	2,076	2,639	27.1	2,758	2,985
Cogs (ex-D&A)	(1,601)	(1,874)	(2,385)		(2,468)	(2,663)
<b>Gross Profit (ex-D&amp;A)</b>	<b>188</b>	<b>202</b>	<b>254</b>	<b>25.3</b>	<b>290</b>	<b>322</b>
SG&A and other expenses	-	-	-		-	-
<b>Op Ebitda</b>	<b>188</b>	<b>202</b>	<b>254</b>	<b>25.3</b>	<b>290</b>	<b>322</b>
Depreciation/amortisation	(39)	(37)	(67)		(74)	(81)
<b>Op Ebit</b>	<b>149</b>	<b>165</b>	<b>187</b>	<b>13.1</b>	<b>216</b>	<b>241</b>
Net interest inc/(exp)	4	7	7	(8.6)	8	11
Other non-Op items	0	0	0		-	0
<b>Profit before tax</b>	<b>154</b>	<b>172</b>	<b>193</b>	<b>12.2</b>	<b>224</b>	<b>251</b>
Taxation	(30)	(36)	(39)		(45)	(50)
<b>Profit after tax</b>	<b>124</b>	<b>136</b>	<b>155</b>	<b>13.6</b>	<b>179</b>	<b>201</b>
Minority interest	0	0	0		0	0
<b>Net profit</b>	<b>124</b>	<b>136</b>	<b>155</b>	<b>13.6</b>	<b>179</b>	<b>201</b>
<b>Adjusted profit</b>	<b>124</b>	<b>136</b>	<b>155</b>	<b>13.6</b>	<b>179</b>	<b>201</b>
<b>Cashflow (RMm)</b>						
<b>Operating profit</b>	<b>149</b>	<b>165</b>	<b>187</b>	<b>13.1</b>	<b>216</b>	<b>241</b>
Depreciation/amortisation	39	37	67	79	74	81
Working capital changes	(59)	(112)	(40)		(6)	3
Other items	(55)	(43)	(39)		(45)	(50)
<b>Net operating cashflow</b>	<b>75</b>	<b>47</b>	<b>175</b>	<b>272</b>	<b>239</b>	<b>274</b>
Capital expenditure	(19)	(55)	(45)		(45)	(50)
<b>Free cashflow</b>	<b>56</b>	<b>(8)</b>	<b>130</b>		<b>194</b>	<b>224</b>
M&A/Others	102	103	12	(88.1)	13	16
<b>Net investing cashflow</b>	<b>83</b>	<b>48</b>	<b>(33)</b>		<b>(32)</b>	<b>(34)</b>
Increase in loans	0	(3)	-		-	-
Dividends	(84)	(71)	(91)		(91)	(116)
Net equity raised/other	-	0	0		0	0
<b>Net financing cashflow</b>	<b>(84)</b>	<b>(74)</b>	<b>(91)</b>		<b>(91)</b>	<b>(116)</b>
Incr/(decr) in net cash	74	21	52	145.1	116	124
Exch rate movements	2	1	(6)		(5)	(5)
<b>Balance sheet (RMm)</b>						
Cash & equivalents	466	487	535	9.7	646	764
Accounts receivable	732	1,066	882	(17.3)	922	998
Other current assets	244	176	151	(13.9)	151	151
Fixed assets	138	151	149	(1.2)	120	89
Investments	0	0	0	0	0	0
Intangible assets	6	4	4	0	4	4
Other non-current assets	11	2	2	0	2	2
<b>Total assets</b>	<b>1,597</b>	<b>1,885</b>	<b>1,723</b>	<b>(8.6)</b>	<b>1,845</b>	<b>2,008</b>
Short-term debt	137	135	137	1.4	137	137
Accounts payable	955	1,184	961	(18.9)	994	1,073
Other current liabs	11	5	-		-	-
Long-term debt/CBs	-	-	-		-	-
Provisions/other LT liabs	1	6	6	0	6	6
Shareholder funds	493	554	618	11.6	707	791
Minorities/other equity	1	1	1	12.9	1	2
<b>Total liabs &amp; equity</b>	<b>1,597</b>	<b>1,885</b>	<b>1,723</b>	<b>(8.6)</b>	<b>1,845</b>	<b>2,008</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	(6.7)	16.1	27.1		4.5	8.2
Ebitda margin (%)	10.5	9.7	9.6		10.5	10.8
Ebit margin (%)	8.3	7.9	7.1		7.8	8.1
Net profit growth (%)	(2.9)	10.1	13.6		15.9	12.2
Op cashflow growth (% YoY)	(67.6)	(37.3)	272.0		36.3	15.0
Capex/sales (%)	1.1	2.6	1.7		1.6	1.7
Net debt/equity (%)	(66.7)	(63.5)	(64.3)		(71.9)	(79.2)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	26.2	26.0	26.4		27.0	26.8
ROIC (%)	65.5	69.8	68.5		80.0	102.3

Source: www.clsa.com

PPA1M, Putrajaya and MRT2 progress anchored higher construction revenue; LRT3 should be close to profit recognition threshold

Despite slow work progress on LRT3 stations due to redesign, monthly construction revenue uptick may be attributed to the acceleration in the work done in PPA1M affordable housing project, Putrajaya Parcel F and MRT2, we estimate gleaming from the change in QoQ outstanding order book. Based on past track record, construction revenue tends to pencil in a stronger 4<sup>th</sup> quarter QoQ. For the LRT3, the construction progress (as calculated by originally awarded sum minus outstanding order book) shows only 7% progress so far, which is below typical profit booking levels, for which should be registered in upcoming quarters.

Figure 1

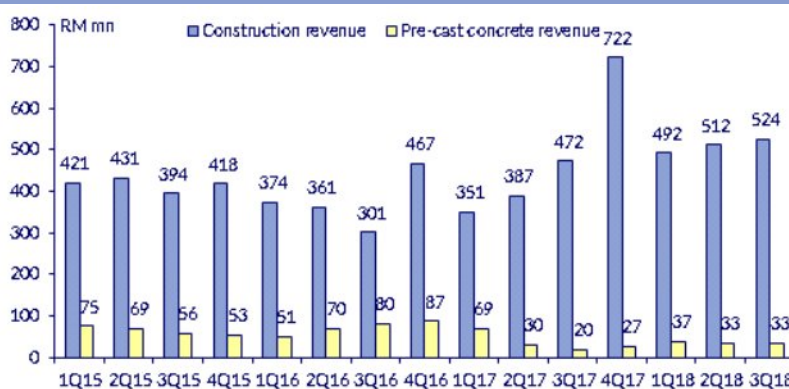
**Proxy to revenue contribution (change in outstanding order book on key projects, non-exhaustive)**

RM billi	Original award	1Q18	2Q18	3Q18
Putrajaya parcel F	1,610	148	138	134
MRT2	1,213	58	226	60
LRT3	2,178	42	41	46
PPA1M Kota Bharu	582	28	92	212

Source: CLSA, SunCon. Note: Based on QoQ changes in outstanding order book as revealed in SunCon's quarterly presentation slides

Figure 2

**SunCon: breakdown of revenue - construction revenue tend to be stronger QoQ in 4Q**



Source: CLSA

Construction revenue tends to be stronger in 4Q, and has been on the rise, while that for pre-cast concrete broadly stable

Figure 3

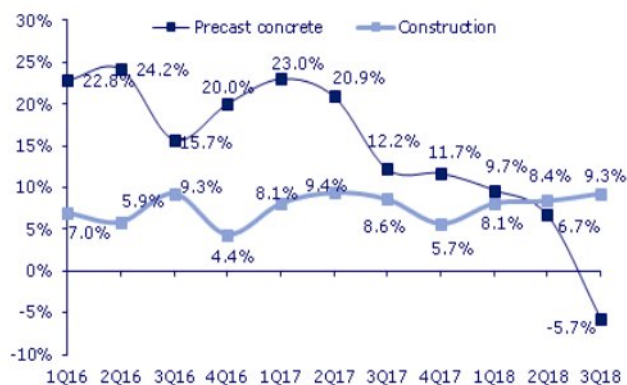
**Pre-tax profit by segment - construction pre-tax profit jumped c20% YoY in 3Q18**



Source: CLSA

Figure 4

**Pre-tax profit margin by segment - has slumped to single digits in 2018 and to a loss position in 3Q18**



Source: CLSA

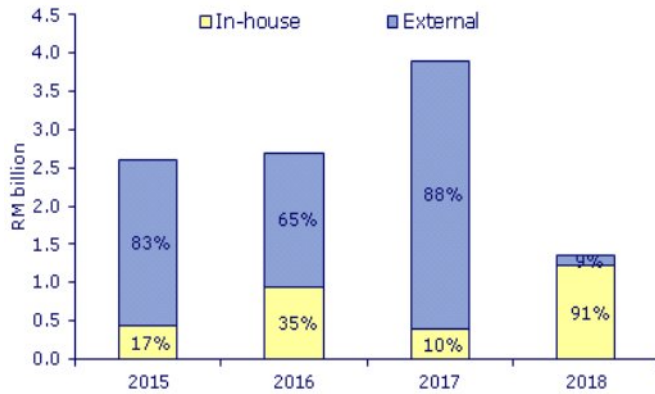
91% of work replenishment this year came from internal sources

The lion's share of job flows this year stemmed from in-house projects, for which summed up to RM1.22 bn. This is higher than the average annual in-house

replenishment of some RM0.6 bn per year (last 3 financial years), partly driven by its parent's keener focus on commercial property, including hospitals.

Figure 5

**SunCon's order book (external and internal) - 91% internal YTD18**



Source: CLSA, SunCon. Note: Internal ie from Sunway Berhad Group

Figure 6

**SunCon's job replenishment and outstanding order book**



Source: CLSA, SunCon

**In-house prospects potentially from Penang in the near term**

Looking north to Penang, Sunway Valley City (RM2.3 bn GDV) could be a new source of construction job flows next year, given its parent's focus onto this property development. Strategic property investment components in this 24 acre project, such as shopping mall, are where SunCon stands a good chance of bagging jobs. On the external prospects, this would also count on some building jobs; SunCon has also trained its sights on potential job opportunities in India, likely to be in rail-related work for future pipeline.

**Slipped into losses for pre-cast segment**

A turnaround remains still elusive for its pre-cast segment, given the slip into red this quarter with a -6% pre-tax margin, after its margin slipped into single digit since 1Q18. YTD basis margin of 4% remains soft and is likely to persist in the near term given the fulfilment of orders secured during more competitive environment compounded by higher steel prices (steel bar prices have since declined 10% compared to RM2,700 per tonne in Dec 2017). On balance, the visibility of this business is still healthy, given that together with the RM130 mn pre-cast concrete orders obtained this quarter, total outstanding order book of RM226 mn provides visibility of more than 20 months of revenue.

**LRT3 cost review outcome may be known by Dec; MRT2 is close to 60% progress**

The cost cuts for LRT3 pending finalisation in December, we understand, which have not been revealed, are in an advanced stage of discussion. In our sensitivity analysis, a 10% to 30% cut (or RM0.2bn to RM0.6 bn) for this RM2.2 bn job given the redesign on the 6 stations would lead to 1-4% earnings cut for 19CL. Meanwhile, discussions on the MRT2 job review are ongoing although the project entrusted to SunCon is 57% completed, based on presentation slide information.

Figure 7

**Suncon: Financials**

FYE 31 Dec (RM m)	3Q18	3Q17	YoY % Chg	2Q18	QoQ % Chg	9M18	9M17	YoY % Chg
Revenue	557.3	544.3	2%	544.3	2%	1,630.8	1,328.1	23%
Operating expenses	(515.9)	(507.1)	2%	(507.1)	2%	1,514.1	1,216.2	24%
Other income	3.4	4.9	(31%)	4.9	(31%)	12.8	11.6	10%
EBITDA	54.9	51.2	7%	52.3	5%	159.6	151.5	5%
Depreciation	(10.1)	(9.7)	5%	(10.2)	(1%)	(30.1)	(28.0)	8%
EBIT	44.8	41.5	8%	42.0	7%	129.5	123.6	5%
Interest income	3.9	2.6	48%	4.9	(20%)	12.5	8.1	54%
Interest expense	(1.7)	(2.0)	(12%)	(1.7)	2%	(6.3)	(4.3)	45%
Pre-tax profit	46.9	42.2	11%	45.2	4%	135.8	127.4	7%
Tax	(10.4)	(8.6)	21%	(9.3)	12%	(27.6)	(24.2)	14%
Effective tax rate	22%	20%	n.m.	21%	n.m.	20%	19%	n.m.
PATMI	36.4	33.7	8%	35.9	2%	108.1	103.4	5%

Source: CLSA, SunCon

While not expensive compared to historical norms, risk could be to downside due to the cost review

Figure 8

**SunCon: Forward PE chart**



Source: CLSA, SunCon

**Valuation details**

We value SunCon using the price-earnings multiple approach. Its target price is derived from 11x 19CL earnings; this considers a downcycle valuation PE given the uncertainty on the construction sector post the elections, which saw project cancellations and a general loss in catalyst. We further note that in our valuations, we have not incorporated benefit from its consistent net cash position.

**Investment risks**

The investment risks for SunCon mainly stem from construction risk. Specific risk to our estimates would be lower-than-expected margins (below 5-8%) or amount of projects secured falls below our expectation, either due to inability to secure projects or caused by 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 erosion of its margins and the inability to retain customers due to the shift in its plant location (from Singapore to Malaysia) causing a slowdown in orders. SunCon is also susceptible to risk facing the construction industry in general, which includes the risk of disputes and ensuing lengthy negotiations which is not uncommon, not to mention the fluctuations in raw materials and availability of labour.



## Detailed financials

### Profit & Loss (RMm)

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Revenue	1,881	1,917	1,789	2,076	2,639	2,758	2,985
Cogs (ex-D&A)	(1,719)	(1,739)	(1,601)	(1,874)	(2,385)	(2,468)	(2,663)
Gross Profit (ex-D&A)	162	178	188	202	254	290	322
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	162	178	188	202	254	290	322
Depreciation/amortisation	(45)	(42)	(39)	(37)	(67)	(74)	(81)
Op Ebit	117	136	149	165	187	216	241
Interest income	4	8	10	13	12	13	16
Interest expense	(3)	(4)	(6)	(6)	(5)	(5)	(5)
Net interest inc/(exp)	1	5	4	7	7	8	11
Associates/investments	-	-	-	-	-	-	-
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	118	141	154	172	193	224	251
Taxation	(26)	(13)	(30)	(36)	(39)	(45)	(50)
Profit after tax	91	128	124	136	155	179	201
Preference dividends	-	-	-	-	-	-	-
Profit for period	91	128	124	136	155	179	201
Minority interest	0	(1)	0	0	0	0	0
Net profit	91	127	124	136	155	179	201
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	91	127	124	136	155	179	201
Dividends	-	-	-	-	-	-	-
Retained profit	91	127	124	136	155	179	201
Adjusted profit	41	127	124	136	155	179	201
EPS (sen)	7.1	9.8	9.6	10.5	12.0	13.9	15.5
Adj EPS [pre excep] (sen)	3.2	9.8	9.6	10.5	12.0	13.9	15.5
Core EPS (sen)	3.2	9.8	9.6	10.5	12.0	13.9	15.5
DPS (sen)	5.0	4.0	5.0	7.0	7.0	7.0	9.0

### Profit & loss ratios

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	-	1.9	(6.7)	16.1	27.1	4.5	8.2
Ebitda growth (% YoY)	-	10.2	5.7	7.5	25.3	14.3	11.0
Ebit growth (% YoY)	-	16.4	9.5	10.5	13.1	15.8	11.3
Net profit growth (%)	-	39.4	(2.9)	10.1	13.6	15.9	12.2
EPS growth (% YoY)	nm	39.4	(2.9)	10.1	13.6	15.9	12.2
Adj EPS growth (% YoY)	nm	211.0	(2.9)	10.1	13.6	15.9	12.2
DPS growth (% YoY)	-	(20.0)	25.0	40.0	0.0	0.0	28.6
Core EPS growth (% YoY)	nm	211.0	(2.9)	10.1	13.6	15.9	12.2
<b>Margins (%)</b>							
Ebitda margin (%)	8.6	9.3	10.5	9.7	9.6	10.5	10.8
Ebit margin (%)	6.2	7.1	8.3	7.9	7.1	7.8	8.1
Net profit margin (%)	4.9	6.6	6.9	6.5	5.9	6.5	6.7
Core profit margin	2.2	6.6	6.9	6.5	5.9	6.5	6.7
Op cashflow margin	15.3	12.1	4.2	2.3	6.6	8.7	9.2
<b>Returns (%)</b>							
ROE (%)	24.0	30.6	26.2	26.0	26.4	27.0	26.8
ROA (%)	6.9	9.1	8.0	7.5	8.3	9.7	10.0
ROIC (%)	41.8	59.1	65.5	69.8	68.5	80.0	102.3
ROCE (%)	49.4	62.7	82.3	90.0	88.2	102.9	132.3
<b>Other key ratios (%)</b>							
Effective tax rate (%)	22.5	9.2	19.5	21.0	20.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	42.7	0.0	0.0	0.0	0.0	0.0	-
Dividend payout (%)	70.8	40.6	52.3	66.5	58.5	50.5	57.9

Source: www.clsa.com

## Balance sheet (RMm)

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Cash & equivalents	278	390	466	487	535	646	764
Accounts receivable	692	579	732	1,066	882	922	998
Inventories	20	17	24	24	0	0	0
Other current assets	120	230	220	151	151	151	151
<b>Current assets</b>	<b>1,110</b>	<b>1,217</b>	<b>1,442</b>	<b>1,729</b>	<b>1,568</b>	<b>1,719</b>	<b>1,913</b>
Fixed assets	176	162	138	151	149	120	89
Investments	24	0	0	0	0	0	0
Goodwill	4	4	4	4	4	4	4
Other intangible assets	3	1	2	0	0	0	0
Other non-current assets	7	14	11	2	2	2	2
<b>Total assets</b>	<b>1,324</b>	<b>1,397</b>	<b>1,597</b>	<b>1,885</b>	<b>1,723</b>	<b>1,845</b>	<b>2,008</b>
Short term loans/OD	135	137	137	135	137	137	137
Accounts payable	791	796	955	1,184	961	994	1,073
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	13	9	11	5	0	0	0
Other current liabs	0	-	0	0	-	-	0
<b>Current liabilities</b>	<b>940</b>	<b>942</b>	<b>1,103</b>	<b>1,324</b>	<b>1,097</b>	<b>1,130</b>	<b>1,209</b>
Long-term debt/leases/other	0	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	4	4	1	6	6	6	6
<b>Total liabilities</b>	<b>944</b>	<b>946</b>	<b>1,104</b>	<b>1,331</b>	<b>1,104</b>	<b>1,137</b>	<b>1,216</b>
Share capital	232	259	259	259	259	259	259
Retained earnings	160	218	257	324	388	477	561
Reserves/others	(13)	(25)	(23)	(29)	(29)	(29)	(29)
<b>Shareholder funds</b>	<b>380</b>	<b>451</b>	<b>493</b>	<b>554</b>	<b>618</b>	<b>707</b>	<b>791</b>
Minorities/other equity	0	1	1	1	1	1	2
<b>Total equity</b>	<b>380</b>	<b>452</b>	<b>494</b>	<b>555</b>	<b>619</b>	<b>708</b>	<b>793</b>
<b>Total liabs &amp; equity</b>	<b>1,324</b>	<b>1,397</b>	<b>1,597</b>	<b>1,885</b>	<b>1,723</b>	<b>1,845</b>	<b>2,008</b>
Total debt	135	137	137	135	137	137	137
Net debt	(143)	(254)	(329)	(353)	(398)	(509)	(628)
Adjusted EV	1,913	1,827	1,752	1,729	1,684	1,573	1,455
BVPS (sen)	29.4	34.9	38.2	42.8	47.8	54.7	61.2

## Balance sheet ratios

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Key ratios</b>							
Current ratio (x)	1.2	1.3	1.3	1.3	1.4	1.5	1.6
Growth in total assets (% YoY)	-	5.5	14.3	18.0	(8.6)	7.1	8.9
Growth in capital employed (% YoY)	-	(16.4)	(16.9)	22.9	9.3	(10.0)	(17.1)
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	0.5	0.6	1.8	2.9	0.8	0.6	0.5
Gross debt to Ebitda (x)	0.8	0.8	0.7	0.7	0.5	0.5	0.4
Net debt/Ebitda (x)	-	-	-	-	-	-	-
<b>Gearing</b>							
Net debt/equity (%)	(37.7)	(56.2)	(66.7)	(63.5)	(64.3)	(71.9)	(79.2)
Gross debt/equity (%)	35.6	30.3	27.6	24.3	22.1	19.3	17.2
Interest cover (x)	36.3	41.2	26.4	29.3	36.6	42.0	47.0
Debt Cover (x)	2.1	1.7	0.6	0.3	1.3	1.7	2.0
<b>Working capital analysis</b>							
Inventory days	4.3	3.9	4.7	4.7	1.9	0.0	0.0
Debtor days	134.3	121.0	133.8	158.0	134.7	119.4	117.4
Creditor days	168.0	166.6	199.6	208.3	164.1	144.5	141.6
Working capital/Sales (%)	1.5	1.1	0.6	2.5	2.8	2.9	2.6
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	793.6	967.9	1,087.3	1,026.5	1,193.9	1,386.4	1,809.8
EV/Capital employed (%)	807.1	922.6	1,064.7	855.0	761.9	790.9	882.0
Working capital/Capital employed (%)	11.5	11.1	6.1	25.8	32.9	39.8	46.4
Fixed capital/Capital employed (%)	74.2	81.7	84.1	74.6	67.5	60.6	54.1
<b>Other ratios (%)</b>							
EV/OCF (x)	6.7	7.9	23.3	36.7	9.6	6.6	5.3
EV/FCF (x)	7.9	9.5	31.2	(227.0)	12.9	8.1	6.5
EV/Sales (x)	1.0	1.0	1.0	0.8	0.6	0.6	0.5
Capex/depreciation (%)	102.4	92.3	48.7	146.1	67.1	61.0	61.5

Source: www.clsa.com



## Cashflow (RMm)

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Operating profit</b>	117	136	149	165	187	216	241
Operating adjustments	9	(3)	(22)	0	0	0	0
Depreciation/amortisation	45	42	39	37	67	74	81
Working capital changes	49	65	(59)	(112)	(40)	(6)	3
Interest paid / other financial expenses	(3)	(4)	(6)	(6)	0	0	0
Tax paid	(29)	(30)	(26)	(37)	(39)	(45)	(50)
Other non-cash operating items	99	25	0	0	0	0	0
<b>Net operating cashflow</b>	287	232	75	47	175	239	274
Capital expenditure	(46)	(39)	(19)	(55)	(45)	(45)	(50)
<b>Free cashflow</b>	242	193	56	(8)	130	194	224
Acq/inv/disposals	267	40	13	89	-	-	-
Int, invt & associate div	46	(57)	89	13	12	13	16
<b>Net investing cashflow</b>	267	(56)	83	48	(33)	(32)	(34)
Increase in loans	11	2	0	(3)	-	-	-
Dividends	(429)	(70)	(84)	(71)	(91)	(91)	(116)
Net equity raised/(buybacks)	-	-	-	-	-	-	-
<b>Net financing cashflow</b>	(418)	(68)	(84)	(74)	(91)	(91)	(116)
Incr/(decr) in net cash	136	107	74	21	52	116	124
Exch rate movements	0	5	2	1	(6)	(5)	(5)
<b>Opening cash</b>	143	278	390	465	488	535	646
<b>Closing cash</b>	278	390	465	487	534	646	765
OCF PS (sen)	22.2	17.9	5.8	3.6	13.6	18.5	21.2
FCF PS (sen)	18.7	14.9	4.3	(0.6)	10.1	15.0	17.4

## Cashflow ratio analysis

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	-	(19.4)	(67.6)	(37.3)	272.0	36.3	15.0
FCF growth (% YoY)	-	(20.2)	(70.9)	(113.6)	-	48.8	15.9
Capex growth (%)	-	(15.4)	(50.8)	187.6	(17.7)	0.0	11.1
<b>Other key ratios (%)</b>							
Capex/sales (%)	2.4	2.0	1.1	2.6	1.7	1.6	1.7
Capex/op cashflow (%)	15.9	16.7	25.3	116.2	25.7	18.9	18.2
Operating cashflow payout ratio (%)	22.5	22.3	86.0	192.2	51.7	37.9	42.4
Cashflow payout ratio (%)	-	-	-	-	-	-	-
Free cashflow payout ratio (%)	-	-	-	-	-	-	-

## DuPont analysis

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit margin (%)	6.2	7.1	8.3	7.9	7.1	7.8	8.1
Asset turnover (x)	1.4	1.4	1.2	1.2	1.5	1.5	1.5
Interest burden (x)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax burden (x)	0.8	0.9	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	6.9	9.1	8.0	7.5	8.3	9.7	10.0
Leverage (x)	3.5	3.3	3.2	3.3	3.1	2.7	2.6
ROE (%)	24.0	30.7	26.2	26.0	26.3	27.0	26.8

## EVA® analysis

Year to 31 December	2014A	2015A	2016A	2017A	2018CL	2019CL	2020CL
Ebit adj for tax	91	124	120	130	149	173	193
Average invested capital	217	209	183	187	218	216	188
ROIC (%)	41.8	59.1	65.5	69.8	68.5	80.0	102.3
Cost of equity (%)	11.2	11.2	11.2	11.2	11.2	11.2	11.2
Cost of debt (adj for tax)	3.9	4.5	4.0	3.9	4.0	4.0	4.0
Weighted average cost of capital (%)	11.2	11.2	11.2	11.2	11.2	11.2	11.2
EVA/IC (%)	30.6	47.9	54.3	58.6	57.3	68.8	91.1
EVA (RMm)	66	100	100	109	125	149	171

Source: www.clsa.com



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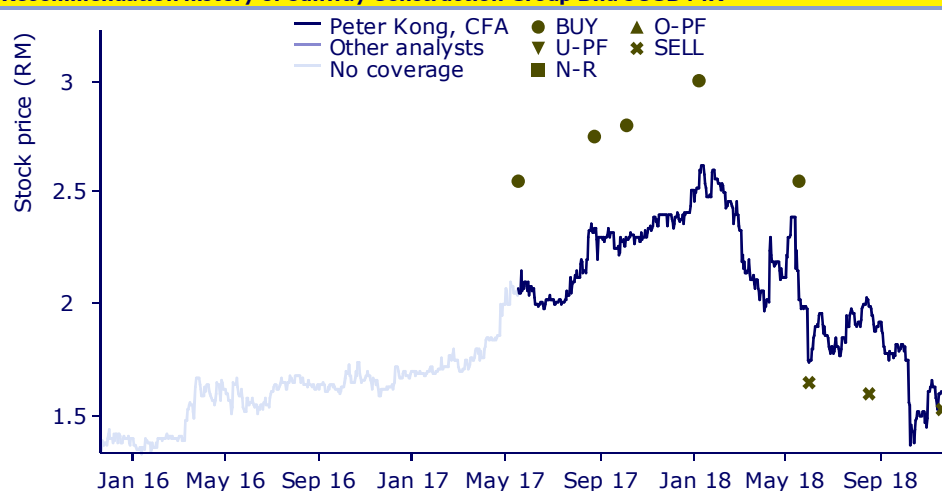
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Date	Rec	Target	Date	Rec	Target
LATEST	SELL	1.53	08 Jan 2018	BUY	3.00
17 Aug 2018	SELL	1.60	06 Oct 2017	BUY	2.80
31 May 2018	SELL	1.65	25 Aug 2017	BUY	2.75
18 May 2018	BUY	2.55	18 May 2017	BUY	2.55

Source: CLSA

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