SunCon

RM2.40 - BUY

Company update

Peter Kong, CFA
peter.kong@clsa.com
+60 3 2056 7877

21 November 2017

Malaysia
Infrastructure

Reuters	SCOG.KL
Bloomberg	SCGB MK

Priced on 17 November 2017
KLSE Comp @ 1,721.7

12M hi/lo	RM2.40/1.59
12M price target	RM2.80
±% potential	+17%
Shares in issue	1,292.9m
Free float (est.)	45.6%
Market cap	US$743m

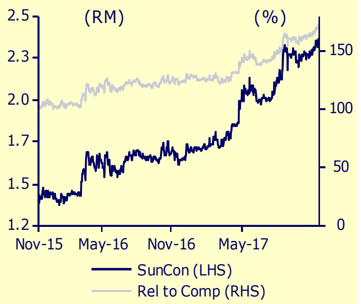
3M average daily volume
RM4.0m (US$1.0m)

Foreign s'holding 9.0%

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

Stock performance (%)

	1M	3M	12M
Absolute	4.3	3.0	50.9
Relative	6.0	6.3	42.4
Abs (US$)	5.5	5.8	59.6



Source: Bloomberg

www.clsa.com

It's day in the sun

Slow earnings traction in 3Q17 but visibility outshines

SunCon's 3Q17 earnings (core basis: +10% YoY and +17% QoQ) took 9M17 PATMI to 69%/71% of full-year CLSA/consensus estimates. Revenue recognition this quarter was again dragged down by slowing deliveries to property developers in the pre-cast business although this is more a matter of timing; YTD orders secured for this segment had jumped YoY. Overall, given RM2.9bn of RM4bn of contract hauls were only secured since September this year, some catch-up can be counted on in 4Q17. With a record order book, net cash position, and anchored by RM15bn of tender book, SunCon's prospects stay bright. We stay BUYers.

Second quarter of slowing revenues in pre-cast segment; timing issue

As in 2Q17, slow delivery of pre-cast products impinged on revenue (and also margins this quarter) and poses some downside risk to our forecasts. Orders YTD of RM163m are 42% higher than the RM115m in 2016, and revenue recognition should pick up in 2018. Suncon's Iskandar plant has been awarded a five-year pioneer status, which should nudge up post-tax margins from 2018 by about 2ppt from about 17% at present.

Record order book; tender book of RM15bn

SunCon's outstanding order book of a record RM6.8bn provides visibility of 2.9 times revenue for 2017 while YTD wins of RM4bn lead its peers'. Even so, we are reassured of its prospects with RM15bn in tender book, mainly from the infrastructure space. SunCon is interested in the East Coast Rail Link, Mass Rapid Transit Line 3, and High Speed Rail, among others.

Strong balance sheet for execution

With RM328m in net cash, and gross gearing that has improved further to 0.26 times (0.28 times in 2016), SunCon's balance sheet remains healthy to execute its upcoming projects, with project duration stretching to 4 years, and to make investments into the pre-cast business (committed RM58m). We note SunCon is relatively insulated from steel bar costs that have risen some 20% from June as steel forms only 3% of the total cost.

Maintain BUY

We reiterate BUY, with unchanged earnings/TP. SunCon's PE multiple would compress to 14.3x if based on 18CL. This is less demanding than its big-cap construction peers' multiples but above the industry average which is justified by its strong ROEs, proxy to infrastructure and strong revenue visibility.

Financials

Year to 31 December	15A	16A	17CL	18CL	19CL
Revenue (RMm)	1,917	1,789	2,380	3,304	3,488
Net profit (RMm)	127	124	154	216	229
EPS (sen)	9.8	9.6	11.9	16.7	17.7
CL/consensus (12) (EPS%)	-	-	105	115	112
EPS growth (% YoY)	39.4	(2.9)	24.6	40.4	6.1
PE (x)	24.4	25.1	20.1	14.3	13.5
Dividend yield (%)	1.7	2.1	3.1	3.5	3.8
FCF yield (%)	6.2	1.8	3.9	7.2	5.5
PB (x)	6.9	6.3	5.6	4.7	4.0
ROE (%)	30.6	26.2	29.5	35.8	32.2
Net debt/equity (%)	(56.2)	(66.7)	(65.0)	(72.9)	(70.4)

Source: CLSA

Figure 1

SunCon's financials

FYE 31 Dec (RM m)	3Q17	3Q16	YoY % Chg	3Q17	2Q17	QoQ % Chg	Remarks
Revenue	491.4	381.1	29%	491.4	417.2	18%	In 3Q17, RM472m or 96% of revenues stemmed from construction
Operating expenses	(453.0)	(348.8)	30%	(453.0)	(380.5)	19%	
Other income	4.0	7.3	(45%)	4.0	5.0	(20%)	
Ebitda	**52.1**	**49.5**	**5%**	**52.1**	**50.9**	**2%**	
Depreciation	(9.7)	(9.9)	(3%)	(9.7)	(9.1)	6%	
Ebit	**42.4**	**39.6**	**7%**	**42.4**	**41.7**	**2%**	
Interest income	2.6	3.3	(20%)	2.6	2.3	13%	
Interest expense	(2.0)	(2.4)	(19%)	(2.0)	(1.3)	55%	
Pre-tax profit	**43.1**	**40.4**	**7%**	**43.1**	**42.8**	**1%**	QoQ, 1% contraction in absence of arbitration gain (RM2.9m in 2Q17) and reversal of provisions in 2Q17 (RM2.7m) compounded by impairments losses in 3Q17 on long-dated receivables of RM2.1m
Tax	(8.6)	(9.1)	(6%)	(8.6)	(6.1)	42%	
Effective tax rate	*20.0%*	*22.6%*		*20.0%*	*14.2%*		
Minority interest	(0.1)	0.1		(0.1)	(0.1)		
Net profit	**34.6**	**31.1**	**11%**	**34.6**	**36.8**	**(6%)**	On a core profit basis, the net profit for 2Q17 represented a gain of 10.3% YoY and 17% QoQ
EPS (sen)	2.61	2.41	8%	2.61	2.84	(8%)	
Ebit margin	8.6%	10.4%		8.6%	10.0%		
PBT margin	8.8%	10.6%		8.8%	10.3%		Margin for pre-cast concrete division slumped to 12% (historically 15-20%) due to low utilisation

FYE 31 Dec (RM m)	YTD3Q17	YTD3Q16	YoY % Chg	Remarks
Revenue	1,328.1	1,235.7	7%	Construction segment's revenue increased 17% YoY thanks to contribution from the building division, greater progress in KVMRT Line 2 and Parcel F, Putrajaya. In contrast, revenue for pre-cast segment declined 41% YoY due to slower delivery
Operating expenses	(1,213.6)	(1,149.9)	6%	
Other income	11.6	26.8	(57%)	
Ebitda	**154.1**	**142.0**	**9%**	
Ebitda margin	11.6%	11.5%	1%	
Depreciation	(28.0)	(29.5)	(5%)	
Ebit	**126.2**	**112.5**	**12%**	
Interest income	8.1	8.0	1%	
Interest expense	(4.3)	(4.5)	(5%)	
Pre-tax profit	**130.0**	**116.0**	**12%**	
Tax	(24.2)	(24.4)	(1%)	
Effective tax rate	*18.6%*	*21.0%*		
Minority interest	(0.2)	0.2		
Net profit	**106.0**	**91.5**	**16%**	
EPS (sen)	8.2	7.07	16%	
Ebit margin	9.5%	9.1%		
PBT margin	9.8%	9.4%		Construction segment's PBT margin broadened to 8.7% from 7.3%, helped by arbitration gain in India

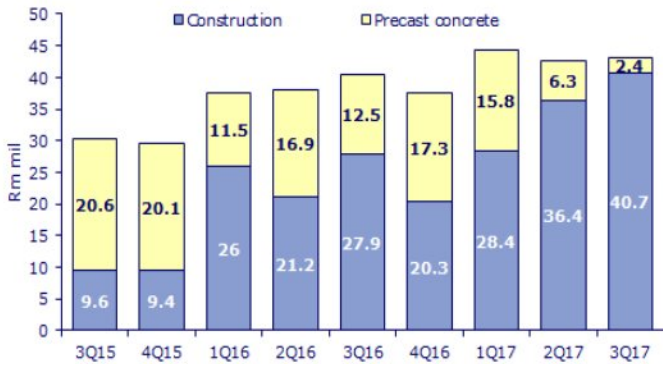
Source: CLSA, SunCon

Record job wins and order book; believe some catch up is likely in 4Q17 in earnings

As it stands, SunCon's order book of RM6.8bn is its highest ever, thanks to its impressive haul of RM2.2bn for the Light Rail Transit Line 3, with the total tally of job wins this year RM4bn (double that of guidance). Other notable wins up to November this year include the RM582m affordable housing project in the state of Kelantan. That both these projects have been only secured since September 2017 suggests that revenue recognition for its construction segment could pick-up in 4Q17.

Figure 2

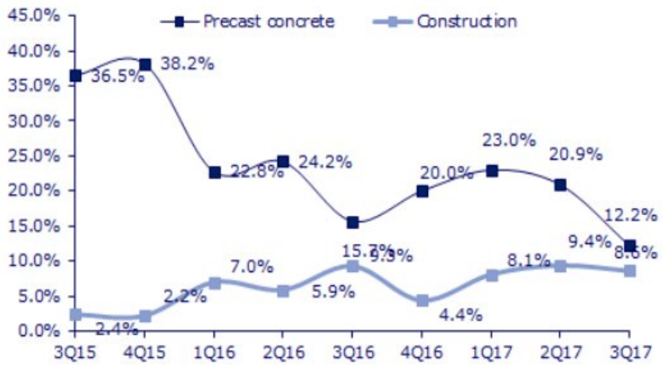
Pre-tax profit by construction and pre-cast product segments



Source: CLSA, SunCon

Figure 3

Pre-tax margin by business segment



Source: CLSA, SunCon

Figure 4

SunCon's projects secured in 2017

2017 projects	Client	Completion	Contract sum (RMm)
Sunway Serene, Kelana Jaya	Sunway Integrated Properties	4Q2020	449
CP3 Walkway	Sunway South Quay	3Q2017	4
Precast	Various	-	163
Gas District Cooling (1)	Putrajaya Holdings	3Q2018	152
SUKE and DASH highways	Cergas Murni & Usahasama Latimer	1Q/2Q2018	34
MRT S201: 3 Elevated stations	MRT Corporation	4Q2020	212
BBCC (Piling work)	Ikhmas Jaya & IJM Construction	1Q2018	34
Mega Capital (Piling work)	IJM Construction	4Q2017	9
PPA1M project in Kota Bharu	Liziz Standaco Sdn Bhd	1Q2020	582
LRT3: Package GS07-08	George Kent MRCB	4Q2020	2,178
BBCC (Piling work)	Ahmad Zaki SB	4Q2020	75
Warehouse in Shah Alam	Nippon Express Malaysia	3Q2019	70
Total			3,962
In-house			*453*
External			*3,508*

Source: CLSA, SunCon

Tender book RM15bn; future prospects remain bright, in our view

SunCon's tender book valued at RM15bn mainly comprises infrastructure projects, forming the pipeline for future wins. Based on the requirements for Mass Rapid Transit Line 3 or circle line as a turnkey contractor, SunCon may require a joint venture if it is interested to participate. SunCon would also be interested in jobs on the East Coast Rail Link and the Kuala Lumpur-Singapore High Speed Rail further in the future. For in-house job flows, we think SunCon may be able to count on hospital jobs from its parent as well as potential projects in the vicinity of the parent's Sunway Velocity development (subsequent to Sunway Berhad's land purchase there).

Net cash position with gross gearing further receding

Given the jump in its order book, focus could increasingly shift to execution. Its balance sheet stays strong with a net cash position of RM328m as at end-September 2017 (essentially at similar levels to start of the year), while gross gearing even receded further to 0.26 times.

Reveals planned capital expenditure; we have factored a majority of this into our assumptions

In 9M2017, capital expenditure added up to RM39m, in part due to automation of the Senai pre-cast products plant, and in part due to investments to carry out the LRT Line 3 project. Going forward, SunCon has revealed that it intends to invest up to RM58m in its pre-cast business, either for investment for the construction of an integrated construction pre-fabrication hub in Singapore (if it secures the tender) or for process improvements in plants locally.

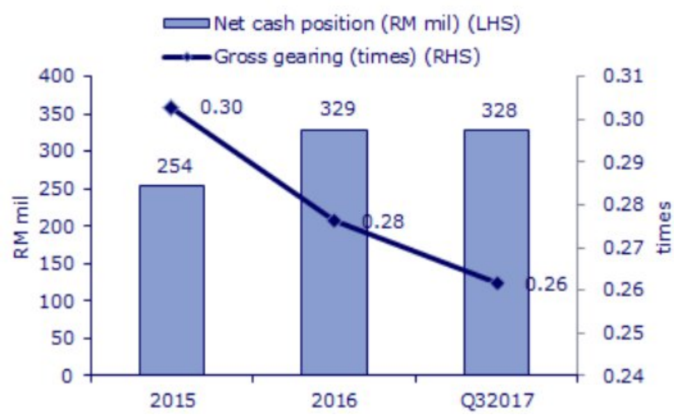
Figure 5

Construction: Order book and margins

Source: CLSA, SunCon

Figure 6

SunCon: gearing ratios and liquid asset ratio



Source: CLSA, SunCon

Further deceleration of revenue recognition; so long as orders keep growing, only a matter of recognition timing

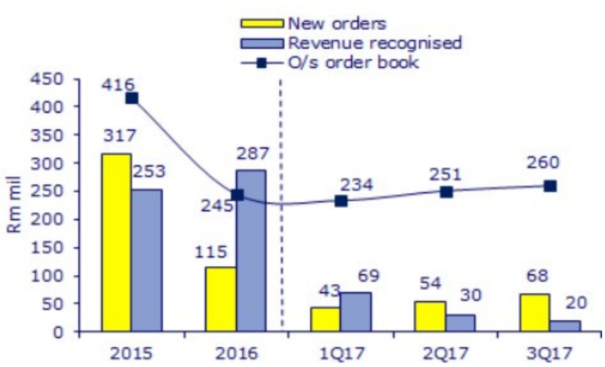
Slow delivery of revenue despite growing orders in pre-cast concrete

Transmission of orders to delivery (and hence revenue recognition) has been slow in the pre-cast concrete segment. However, we think this is only a matter of timing. In terms of order growth, total pre-cast orders YTD of RM165m (Figure 7) represent a 41% increase over the RM115m achieved over the whole of the previous year. System-wide in Singapore, the number of flat units by the Housing and Development Board launched to date of 18,095 units has also exceeded the 17,891 units in 2016.

Revenue this quarter declined to RM20m from RM30m a quarter earlier, but outstanding order book edged up to RM260m

Figure 7

Precast: new orders, revenue recorded, and outstanding order book



Source: CLSA, SunCon

Newer Johor plant obtains tax pioneer status

SunCon announced that its pre-cast concrete plant in Iskandar has obtained a five-year pioneer status for tax. To recap, SunCon's total capacity for pre-cast concrete is 156,600 m^3 per annum. Its Iskandar plant, the newer of the two, which had in 1Q17 added 4 production lines to 9 lines altogether, contributes essentially half the capacity (51%). Its effective tax rate for the pre-cast concrete business thus should drop in 2018 when SunCon activates the pioneer status. Roughly, we expect post-tax profit margins to improve by about 2ppt from around 17% at present from this effect alone.

Retain BUY

Trading below big caps but above industry average for FY18

SunCon is trading at 0.6SD above the three-year mean PE. We think its above industry average PE is justified by its strong ROEs and proven proxy to infrastructure projects, not to mention its revenue visibility on the back of a record high order book.

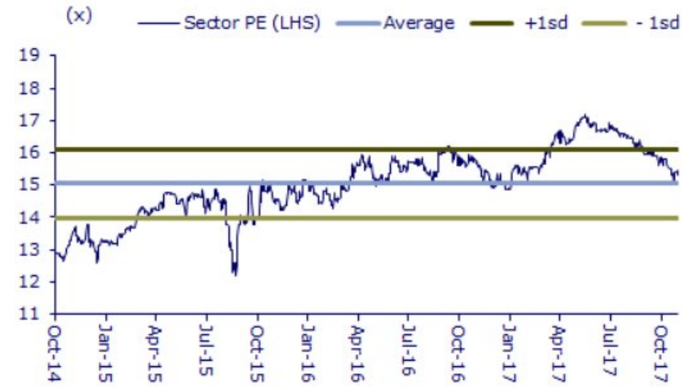
Figure 8

SunCon's three-year forward PE

Source: CLSA evalu@tor

Figure 9

Sector PE table (three-year-forward)



Source: CLSA evalu@tor

Figure 10

Construction peers comparison

	Price	Mkt cap	PE		EPS Growth		PB		ROE		Yield	
			CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18	CY17	CY18
			(x)	(x)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)
KLCI-listed peers												
IJM MK	3.1	2,651	16.2	14.7	(5.4)	10.6	1.1	1.1	7.2	7.6	2.5	2.7
GAM MK	4.7	2,805	16.6	15.7	7.8	5.9	1.9	1.6	9.8	10.0	2.6	2.6
SCGB MK Equity	2.4	743	20.1	14.3	24.6	40.4	5.6	4.7	29.5	35.8	3.1	3.5
BHB MK Equity	0.4	76	-	-	-	-	-	-	-	-	-	-
EVSD MK Equity	0.9	162	11.2	9.7	6.9	15.6	0.8	0.7	6.0	6.7	1.3	1.5
BIN MK Equity	0.4	22	7.0	7.0	0.0	0.0	-	-	5.3	4.9	-	0.0
HSL MK Equity	1.5	193	14.2	10.2	(14.2)	38.8	1.1	1.0	7.7	9.6	1.6	1.9
KICB MK Equity	2.4	183	10.8	9.2	(12.0)	18.2	1.3	1.1	12.3	13.2	2.3	2.6
MDJ MK Equity	1.1	149	-	-	-	-	-	-	-	-	-	-
MUHI MK Equity	2.8	322	11.0	9.9	15.0	11.1	1.3	1.2	11.7	11.2	2.0	2.2
GKEN MK Equity	3.2	435	24.7	16.3	-	51.5	4.9	4.0	24.5	24.2	1.6	2.7
TRC MK Equity	0.7	83	11.0	10.1	38.3	9.2	0.8	0.8	7.3	7.8	2.8	3.2
WCTHG MK Equity	1.7	562	16.0	14.7	19.5	8.7	0.8	0.8	5.0	5.4	1.7	1.8
GADG MK Equity	1.1	181	8.2	7.3	4.5	13.5	1.2	1.1	15.1	14.8	2.8	2.4
Weighted average			**16.0**	**14.0**	**4.9**	**14.3**	**1.9**	**1.6**	**10.9**	**11.7**	**2.3**	**2.6**
Weighted average ex. IJM & GAM			**15.2**	**11.8**	**11.0**	**24.9**	**2.6**	**2.2**	**15.2**	**16.9**	**2.0**	**2.4**

Source: CLSA (for the rated stocks), Bloomberg (for the rest)

Valuation details

We value SunCon using the price-earnings multiple approach. Its target price is derived from 16.7x 18CL earnings, which is based on 1sd above the 3-year construction sector mean forward PE ratio; this is still below the same ratio for heavyweights Gamuda and IJM, but above its mid-cap peers. We accord premium valuations over mean in our calculations to reflects its robust ROEs of more than 20%, strong cashflow generation backed by steady job orders from both internal and external sources. 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 currently-strong margins of 20% and/or 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.

evalu@tor The Global Equities Database

Summary financials

Year to 31 December	2015A	2016A	2017CL	2018CL	2019CL
Summary P&L forecast (RMm)					
Revenue	**1,917**	**1,789**	**2,380**	**3,304**	**3,488**
Op Ebitda	178	188	245	329	349
Op Ebit	136	149	186	263	277
Interest income	8	10	12	12	15
Interest expense	(4)	(6)	(5)	(5)	(5)
Other items	-	0	-	-	-
Profit before tax	**141**	**154**	**193**	**270**	**287**
Taxation	(13)	(30)	(39)	(54)	(57)
Minorities/Pref divs	(1)	0	0	0	0
Net profit	**127**	**124**	**154**	**216**	**229**
Summary cashflow forecast (RMm)					
Operating profit	**136**	**149**	**186**	**263**	**277**
Operating adjustments	(3)	(22)	0	0	0
Depreciation/amortisation	42	39	59	66	72
Working capital changes	65	(59)	(42)	(6)	(77)
Net interest/taxes/other	(8)	(33)	(39)	(54)	(57)
Net operating cashflow	**232**	**75**	**165**	**269**	**215**
Capital expenditure	(39)	(19)	(45)	(45)	(45)
Free cashflow	**193**	**56**	**120**	**224**	**170**
Acq/inv/disposals	40	13	-	-	-
Int, invt & associate div	(57)	89	12	12	15
Net investing cashflow	**(56)**	**83**	**(33)**	**(33)**	**(30)**
Increase in loans	2	0	-	-	-
Dividends	(70)	(84)	(97)	(110)	(116)
Net equity raised/other	0	-	0	0	0
Net financing cashflow	**(68)**	**(84)**	**(97)**	**(110)**	**(116)**
Incr/(decr) in net cash	**107**	**74**	**35**	**126**	**69**
Exch rate movements	5	2	(5)	(6)	(5)
Opening cash	**278**	**390**	**465**	**495**	**616**
Closing cash	**390**	**465**	**495**	**615**	**679**
Summary balance sheet forecast (RMm)					
Cash & equivalents	390	466	495	616	679
Debtors	579	732	796	1,104	1,166
Inventories	17	24	0	0	0
Other current assets	230	220	233	233	233
Fixed assets	162	138	125	104	77
Intangible assets	4	6	6	6	6
Other term assets	14	11	11	11	11
Total assets	**1,397**	**1,597**	**1,665**	**2,074**	**2,171**
Short-term debt	137	137	137	137	137
Creditors	796	955	977	1,280	1,264
Other current liabs	9	11	-	-	-
Long-term debt/CBs	-	-	-	-	-
Provisions/other LT liabs	4	1	1	1	1
Minorities/other equity	1	1	1	1	1
Shareholder funds	451	493	550	656	770
Total liabs & equity	**1,397**	**1,597**	**1,665**	**2,074**	**2,172**
Ratio analysis					
Revenue growth (% YoY)	1.9	(6.7)	33.1	38.8	5.6
Ebitda growth (% YoY)	10.2	5.7	30.0	34.3	6.1
Ebitda margin (%)	9.3	10.5	10.3	10.0	10.0
Net profit margin (%)	6.6	6.9	6.5	6.5	6.6
Dividend payout (%)	40.6	52.3	62.9	50.8	50.7
Effective tax rate (%)	9.2	19.5	20.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-
Net debt/equity (%)	(56.2)	(66.7)	(65.0)	(72.9)	(70.4)
ROE (%)	30.6	26.2	29.5	35.8	32.2
ROIC (%)	59.1	65.5	83.2	113.4	108.9
EVA®/IC (%)	48.2	54.6	72.3	102.5	98.0

Source: CLSA

Research subscriptions
To change your report distribution requirements, please contact your CLSA sales representative or email us at cib@clsa.com. You can also fine-tune your Research Alert email preferences at https://www.clsa.com/member/tools/email_alert/.

Companies mentioned

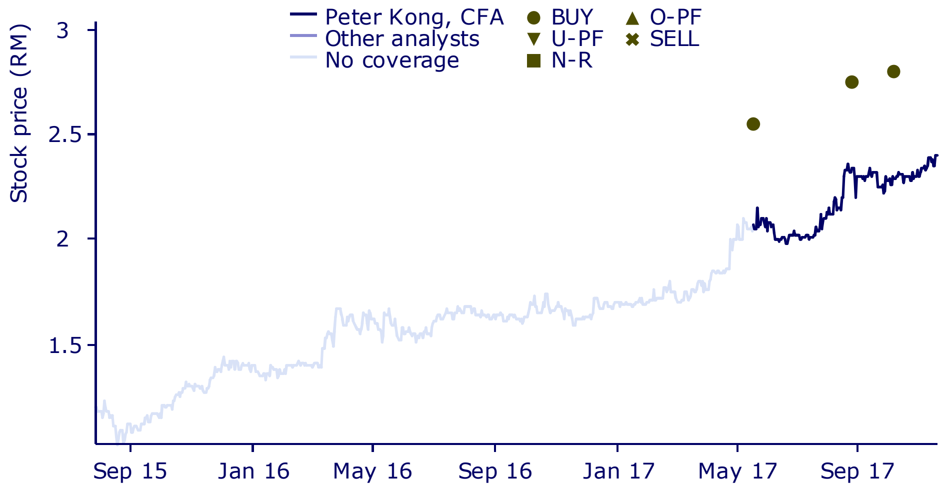
SunCon (SCGB MK - RM2.40 - BUY)
Ahmad Zaki (N-R)
Cergas Murni (N-R)
Gamuda (GAM MK - RM4.70 - U-PF)
George Kent (N-R)
Hock Seng Lee (N-R)
IJM (IJM MK - RM3.07 - O-PF)
Ikhmas Jaya (N-R)
Liziz Standaco (N-R)
MRT Corp (N-R)
Mudajaya (N-R)
Muhibbah (N-R)
Nippon Express Malaysia (N-R)
Putrajaya Holdings (N-R)
Sunway (N-R)
Sunway Integrated Properties (N-R)
Sunway South Quay (N-R)
TRC Synergy (N-R)
Usahasama Latimer (N-R)
WCT (N-R)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

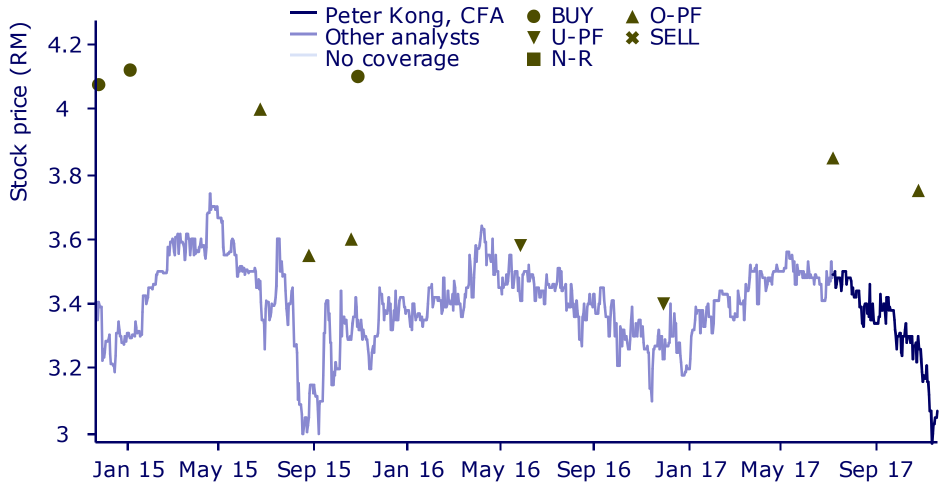
Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
06 Oct 2017	BUY	2.80	18 May 2017	BUY	2.55
25 Aug 2017	BUY	2.75			

Source: CLSA

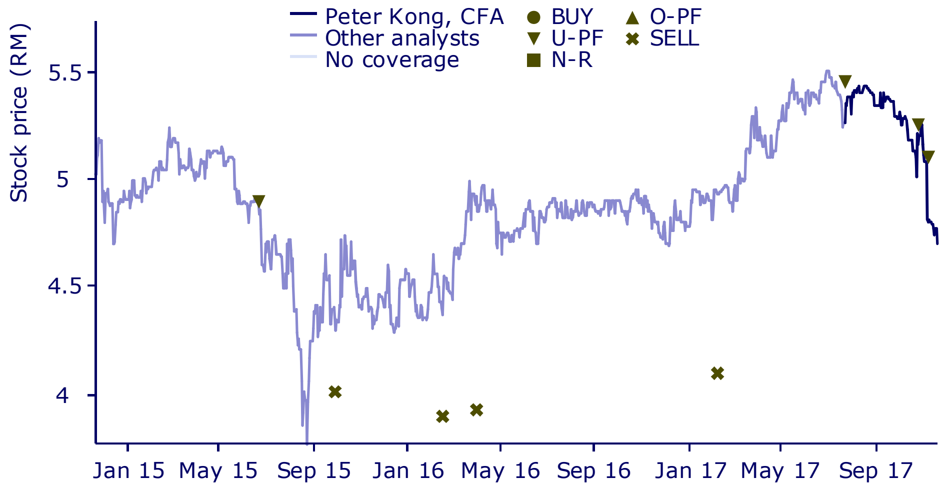
Recommendation history of IJM Corp Bhd IJM MK



Date	Rec	Target	Date	Rec	Target
26 Oct 2017	O-PF	3.75	20 Oct 2015	O-PF	3.60
07 Jul 2017	O-PF	3.85	26 Aug 2015	O-PF	3.55*
29 Nov 2016	U-PF	3.40	24 Jun 2015	O-PF	4.00*
27 May 2016	U-PF	3.58	06 Jan 2015	BUY	4.12*
29 Oct 2015	BUY	4.10	26 Nov 2014	BUY	4.08*

Source: CLSA; * Adjusted for corporate action

Recommendation history of Gamuda Bhd GAM MK



Date	Rec	Target	Date	Rec	Target
08 Nov 2017	U-PF	5.10	31 Mar 2016	SELL	3.93
26 Oct 2017	U-PF	5.25	16 Feb 2016	SELL	3.90
23 Jul 2017	U-PF	5.45	29 Sep 2015	SELL	4.01*
07 Feb 2017	SELL	4.10	22 Jun 2015	U-PF	4.89*

Source: CLSA; * Adjusted for corporate action

The policy of CLSA (which for the purpose of this disclosure includes its subsidiary CLSA B.V.) and CL Securities Taiwan Co., Ltd. ("CLST") is to only publish research that is impartial, independent, clear, fair, and not misleading. Analysts may not receive compensation from the companies they cover. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This research disclosure should be read in conjunction with the research disclaimer as set out at www.clsa.com/disclaimer.html and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. This research disclosure is for your information only and does not constitute any recommendation, representation or warranty. Absence of a discloseable position should not be taken as endorsement on the validity or quality of the research report or recommendation.

To maintain the independence and integrity of CLSA's research, our Corporate Finance, Sales Trading and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA Corporate Finance (or "investment banking") department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management.

CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading and Research activities. Some examples of these controls include: the use of information barriers and other information controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's research.

Neither analysts nor their household members/associates/may have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

Unless specified otherwise, CLSA/CLST did not receive investment banking/non-investment banking income from, and did not manage/co-manage a public offering for, the listed company during the past 12 months, and it does not expect to receive investment banking compensation from the listed company within the coming three months. Unless mentioned otherwise, CLSA/CLST does not own a material discloseable position, and does not make a market, in the securities.

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, nonpublic information regarding the subject company at the time of publication of the report. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

The research analyst(s) or his/their household member(s)/associate(s) or any employee of CLSA Americas, LLC who has the ability to influence research or a member of his/her household has/have a financial interest in the securities or related securities of IJM Corp Bhd.

The research analyst(s) or his/their household member(s) / associate(s) or any employee of CLSA Americas, LLC who has the ability to influence research serve(s) as officer, director or advisory board member of IJM Corp Bhd.

Key to CLSA/CLST investment rankings: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF: Total expected return below 20% but exceeding market return; U-PF: Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

We define as "Double Baggers" stocks we expect to yield 100% or more (including dividends) within three years at the time the stocks are introduced to our "Double Bagger" list. "High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

Overall rating distribution for CLSA/CLST only Universe:

Overall rating distribution: BUY / Outperform - CLSA: 64.86%; CLST only: 59.09%, Underperform / SELL - CLSA: 35.14%; CLST only: 40.91%, Restricted - CLSA:

0.00%; CLST only: 0.00%. Data as of 30 September 2017.

Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 4.31%; CLST only: 0.00%, Underperform / SELL - CLSA: 3.33%; CLST only: 0.00%, Restricted - CLSA: 0.00%; CLST only: 0.00%. Data for 12-month period ending 30 September 2017.

There are no numbers for Hold/Neutral as CLSA/CLST do not have such investment rankings.

For a history of the recommendations and price targets for companies mentioned in this report, as well as company specific disclosures, please write to: (a) CLSA, Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong and/or; (b) CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). © 2017 CLSA Limited and/or CLST.

CLSA and/or CLST have produced this publication/communication for private circulation to professional, institutional and/or wholesale clients only. This publication/communication may not be distributed or redistributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and we make no representation or warranty as to its accuracy, completeness or correctness. Any opinions or estimates herein reflect the judgment of CLSA and/or CLST at the date of this publication/communication and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or CLST. This is not a solicitation or any offer to buy or sell. This publication/communication is for information purposes only and does not constitute any recommendation, representation, warranty or guarantee of performance. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this publication/communication, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including tax advice. CLSA and/or CLST do/does not accept any responsibility and cannot be held liable for any person’s use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this publication/communication or its contents. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

Subject to any applicable laws and regulations at any given time, CLSA, CLST, their respective affiliates or companies or individuals connected with CLSA /CLST may have used the information contained herein before publication and may have positions in, may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, investors should be aware that CLSA, CLST and/or their respective affiliates or companies or such individuals may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the discloseable interest can be found in certain reports as required by the relevant rules and regulation and the full details are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company covered in this publication/communication, or from any third party in connection with this report. If investors have any difficulty accessing this website, please contact webadmin@clsa.com on +852 2600 8111. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

This publication/communication is distributed for and on behalf of CLSA Limited (for research compiled by non-US and non-Taiwan analyst(s)), and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd; in Hong Kong by CLSA Limited; in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd; in Korea by CLSA Securities Korea Ltd; in Malaysia by CLSA Securities Malaysia Sdn Bhd; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST and in the United Kingdom by CLSA (UK).

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No.INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking securities and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com.

United States of America: Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas.

Canada: The delivery of this research report to any person in Canada shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in Canada wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas.

United Kingdom: In the United Kingdom, this research is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The research is disseminated in the EU by CLSA (UK), which is authorised and regulated by the Financial Conduct Authority. This document is directed at persons having professional experience in matters relating to investments as defined in Article 19 of the FSMA 2000 (Financial Promotion) Order 2005. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where the research material is compiled by the UK analyst(s), it is produced and disseminated by CLSA (UK). For the purposes of the Financial Conduct Rules this research is prepared and intended as substantive research material.

Singapore: In Singapore, research is issued and/or distributed by CLSA Singapore Pte Ltd (Company Registration No.: 198703750W), a Capital Markets Services licence holder to deal in securities and an exempt financial adviser, solely to persons who qualify as an institutional investor, accredited investor or expert investor, as defined in s.4A(1) of the Securities and Futures Act. Pursuant to Paragraphs 33, 34, 35 and 36 of the Financial Advisers (Amendment) Regulations 2005 of the Financial Advisers Act (Cap 110) with regards to an institutional investor, accredited investor, expert investor or Overseas Investor, sections 25, 27 and 36 of the Financial Adviser Act (Cap 110) shall not apply to CLSA Singapore Pte Ltd. Please contact CLSA Singapore Pte Ltd (telephone No.: +65 6416 7888) in connection with queries on the report. MCI (P) 033/11/2016

The analysts/contributors to this publication/communication may be employed by any relevant CLSA entity, CLST or a subsidiary of CITIC Securities Company Limited which is different from the entity that distributes the publication/communication in the respective jurisdictions.

MSCI-sourced information is the exclusive property of Morgan Stanley Capital International Inc (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are service marks of MSCI and its affiliates. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and Standard & Poor's. GICS is a service mark of MSCI and S&P and has been licensed for use by CLSA.

EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA and “CT” stands for CLST estimates unless otherwise noted in the source.