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18 November 2021

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 18 November 2021
KLSE Comp @ 1,523.8

12M hi/lo RM1.94/1.51

12M price target RM1.80
±% potential +15%

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

Market cap US\$481m

3M ADV US\$0.1m

Foreign s'holding 3.2%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

Blended ESG Score (%)*

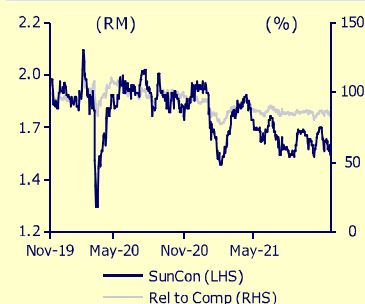
Overall 75.9
Country average 71.0

GEM sector average 73.2

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

Stock performance (%)

	1M	3M	12M
Absolute	(7.1)	(1.3)	(15.2)
Relative	(2.1)	(1.2)	(10.7)
Abs (US\$)	(7.7)	0.1	(16.7)



Source: Bloomberg

Margin cushion

Normalised operations cement earnings visibility ahead

Despite lockdowns, project margin recalibration cushioned SunCon's 3Q21 results, with 9M21 PATMI inching up +7% YoY to RM53m (excluding impairments). Cumulatively, this reached 66%/68% of 2021 CLSA/consensus forecasts, which is in-line as normalised operations by end-3Q21 have improved the billings outlook. High job deliveries scheduled for 2022, internal jobs flow, and the Singapore pre-cast plant being on track for a 2H22 start support sturdy earnings visibility beyond 2021. Retain Outperform, RM1.80 target price.

Recalibration of margins contributed to better-than-feared construction showing

Following two-week lockdowns in July, work was allowed based on accommodation availability, and restrictions lifted further in mid-August (based on fully vaccinated workforce level). Against this, revenue slipping 27% QoQ was better than feared thanks to widened margins of a high 10% in 3Q21 (1Q21: 5.6%; 2Q21: 2.7%) from projects' margin recalibration. This is typical as jobs near completion, reflecting less aggressive revenue recognition earlier. Including the c.80% completed LRT3, 42% of its RM4.7bn order book (excluding pre-cast) is due to be delivered in 2022.

Steel cost adjustment aside, pre-cast segment also weighed by slow restart

Pre-cast division worsened QoQ from breakeven to a RM2.4m loss due to cost base adjustments in 3Q21 for steel bars (steel is c.30% of costs). Pre-cast segment returned to normal only in the last week of September as slower vaccination in Johor saw fixed costs weigh in 3Q21, an unlikely irritation ahead as lockdowns end.

Ramping up pre-cast orders; SunCon maintained its order book guidance

New orders of RM176m in 3Q21 were mostly in pre-cast works, lifting outstanding pre-cast orders to its highest at RM504m. This is unsurprising as it ramps up orders ahead of the Singapore pre-cast plant start in 2H22. We believe SunCon will pass-through higher steel cost for new orders. Its target for RM2bn new orders wins in 2021 was maintained (RM796m YTD), counting on a RM8.0bn tender book. We maintain our more conservative assumption of RM1.5bn as we see in-house jobs inching up from RM470m currently to at least RM700m (5-year average). Assuming RM2bn is achieved, this may improve FY22/23 earnings by up to 5%.

Retain Outperform; historical premium now slightly below average

Internal job flow capable of tiding over order book before infrastructure awards roll out underpins favourable risk-reward. The premium in which SunCon trades above sector on forward PE is now below a 5-year average of c.3% (see Figure 9). Maintain RM1.80 target price on unchanged 15.4x of 2022 earnings.

Financials

Year to 31 December	19A	20A	21CL	22CL	23CL
Revenue (RMm)	1,769	1,553	1,683	2,656	2,805
Net profit (RMm)	129	73	81	158	156
EPS (sen)	10.0	5.6	6.3	12.2	12.1
CL/consensus (13) (EPS%)	-	-	104	122	110
EPS growth (% YoY)	(1.5)	(43.7)	11.2	94.8	(0.7)
PE (x)	15.6	27.7	24.9	12.8	12.9
Dividend yield (%)	4.5	2.6	4.5	5.1	5.8
FCF yield (%)	7.6	3.6	(6.2)	(10.1)	(1.6)
PB (x)	3.2	3.2	3.2	3.0	2.8
ROE (%)	21.3	11.6	12.8	24.1	22.2
Net debt/equity (%)	(65.0)	(53.1)	(17.0)	30.5	51.8

Source: www.cls.com

Financials at a glance

Year to 31 December	2019A	2020A	2021CL	(% YoY)	2022CL	2023CL
Profit & Loss (RMm)						
Revenue	1,769	1,553	1,683	8.4	2,656	2,805
Cogs (ex-D&A)	(1,587)	(1,429)	(1,517)		(2,383)	(2,518)
Gross Profit (ex-D&A)	181	124	166	33.9	273	287
SG&A and other expenses	-	-	-		-	-
Op Ebitda	181	124	166	33.9	273	287
Depreciation/amortisation	(40)	(33)	(51)		(56)	(61)
Op Ebit	141	91	115	26.7	216	226
Net interest inc/(exp)	12	10	(4)		(11)	(21)
Other non-Op items	4	0	0	0	0	0
Profit before tax	157	101	111	9.5	206	205
Taxation	(27)	(28)	(23)		(41)	(41)
Profit after tax	130	73	87	19.3	164	164
Minority interest	(1)	(1)	(7)		(7)	(7)
Net profit	129	73	81	11.2	158	156
Adjusted profit	129	73	81	11.2	158	156
Cashflow (RMm)						
Operating profit	141	91	115	26.7	216	226
Depreciation/amortisation	40	33	51	53.3	56	61
Working capital changes	28	(29)	(218)		(384)	(227)
Other items	(51)	(23)	(23)		(41)	(41)
Net operating cashflow	158	72	(75)		(153)	19
Capital expenditure	(5)	0	(50)		(50)	(50)
Free cashflow	154	72	(125)		(203)	(31)
M&A/Others	(21)	17	16	(8)	15	11
Net investing cashflow	(26)	17	(34)		(35)	(39)
Increase in loans	162	(85)	200		150	150
Dividends	(91)	(62)	(98)		(108)	(122)
Net equity raised/other	-	-	-		-	-
Net financing cashflow	72	(147)	102		42	28
Incr/(decr) in net cash	204	(58)	(7)		(145)	8
Exch rate movements	6	4	(24)		(26)	(32)
Balance sheet (RMm)						
Cash & equivalents	693	640	609	(4.9)	438	414
Accounts receivable	818	1,048	922	(12)	1,655	1,937
Other current assets	199	54	20	(63.5)	32	44
Fixed assets	139	104	147	41.9	136	119
Investments	49	49	49	0	49	49
Intangible assets	4	4	4	0	4	4
Other non-current assets	4	7	7	0	7	7
Total assets	1,905	1,906	1,758	(7.8)	2,320	2,574
Short-term debt	233	234	234	0	234	234
Accounts payable	885	955	611	(36.1)	960	1,014
Other current liabs	2	6	6	0	6	6
Long-term debt/CBs	53	67	267	297.6	417	567
Provisions/other LT liabs	107	6	6	0	6	6
Shareholder funds	623	637	627	(1.6)	683	725
Minorities/other equity	2	2	8	383.1	15	22
Total liabs & equity	1,905	1,906	1,758	(7.8)	2,320	2,574
Ratio analysis						
Revenue growth (% YoY)	(21.6)	(12.2)	8.4		57.8	5.6
Ebitda margin (%)	10.2	8.0	9.9		10.3	10.2
Ebit margin (%)	8.0	5.8	6.8		8.1	8.0
Net profit growth (%)	(1.5)	(43.7)	11.2		94.8	(0.7)
Op cashflow growth (% YoY)	(0.7)	(54.3)	(204.4)		nm	nm
Capex/sales (%)	0.3	0.0	3.0		1.9	1.8
Net debt/equity (%)	(65.0)	(53.1)	(17.0)		30.5	51.8
Net debt/Ebitda (x)	-	-	-		0.8	1.4
ROE (%)	21.3	11.6	12.8		24.1	22.2
ROIC (%)	42.4	24.6	24.5		25.6	18.4

Source: www.clsa.com

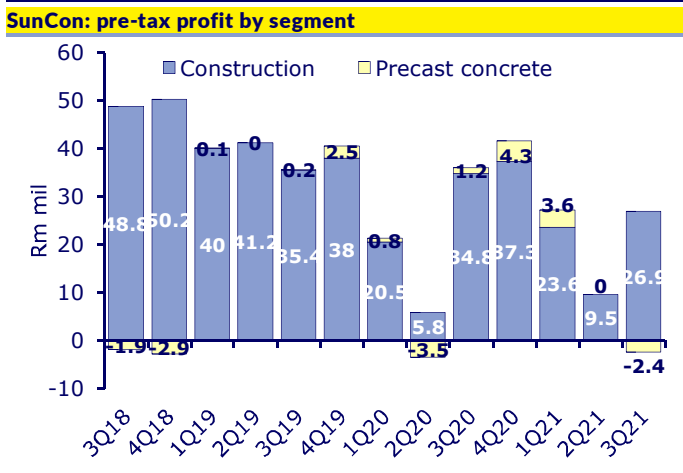
Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evaluator proprietary database at clsa.com

Figure 1

SunCon financials									
FYE 31 Dec (RM m)	3Q21	3Q20	YoY % Chg	2Q21	QoQ % Chg	9M21	9M20	YoY % Chg	Remark
Revenue	272.1	419.4	(35%)	375.3	(27%)	1,102.5	925.4	19%	94% of revenue was from construction
Operating expenses	(253.8)	(393.3)	(35%)	(370.1)	(31%)	(1,056.2)	(883.9)	19%	Impairment of RM5.2m in 9M21 vs RM6.9m in 9M20
Other income	3.8	6.8	(44%)	1.2	205%	8.2	10.2	(20%)	
Ebitda	28.9	38.5	(25%)	12.2	138%	75.3	6.7	1021%	
Depreciation	(6.9)	(8.1)	(15%)	(5.8)	19%	(20.8)	(25.6)	(19%)	
Ebit	22.1	30.4	n.m.	6.4	246%	54.5	(18.9)	(389%)	
Interest income	1.0	4.6	(79%)	1.4	(29%)	3.1	14.3	(78%)	
Interest expense	(0.9)	(1.6)	(41%)	(1.0)	(7%)	(3.5)	(6.6)	(47%)	
JV/Associate	2.4	2.5	(6%)	2.8	(14%)	7.1	71.0	(90%)	
Pre-tax profit	24.5	36.0	(32%)	9.5	157%	61.2	59.9	2%	
Tax	(5.0)	(11.7)	(58%)	(3.6)	38%	(15.5)	(16.3)	(5%)	
Effective tax rate	20.3%	32.6%	n.m.	37.7%	n.m.	25.3%	27.1%	n.m.	
Minority interest	0.22	0.19	19%	(2.40)	(109%)	(2.10)	1.08	(294%)	
Net profit	19.3	24.0	(20%)	8.3	132%	47.9	42.6	12%	Core net profit increase is 7% YoY
EPS (sen)	1.50	1.86	(19%)	0.65	131%	3.71	3.30	12%	
EBIT margin	8.1%	7.3%		1.7%		4.9%	(2.0%)		
PBT margin	9.0%	8.6%		2.5%		5.6%	6.5%		

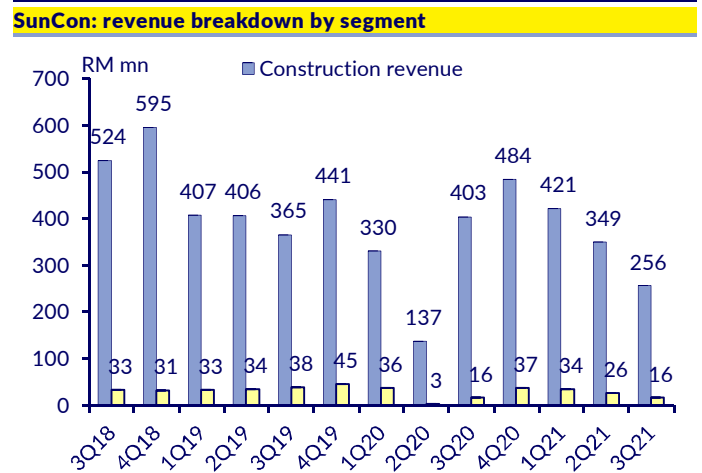
Source: CLSA, Company

Figure 2



Source: CLSA, SunCon

Figure 3



Source: CLSA, SunCon

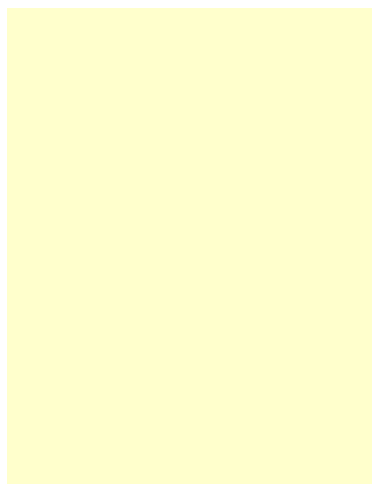
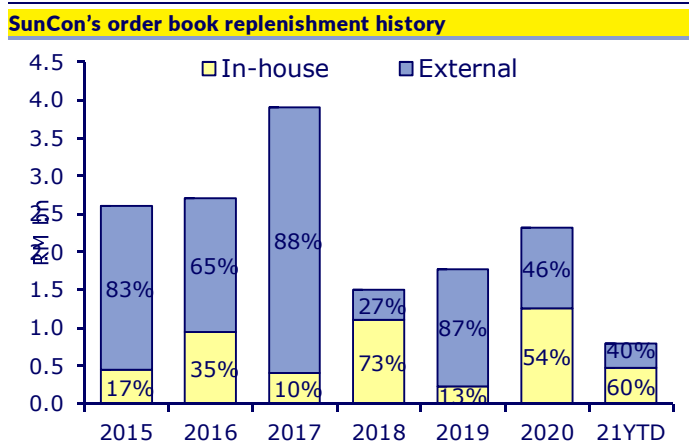
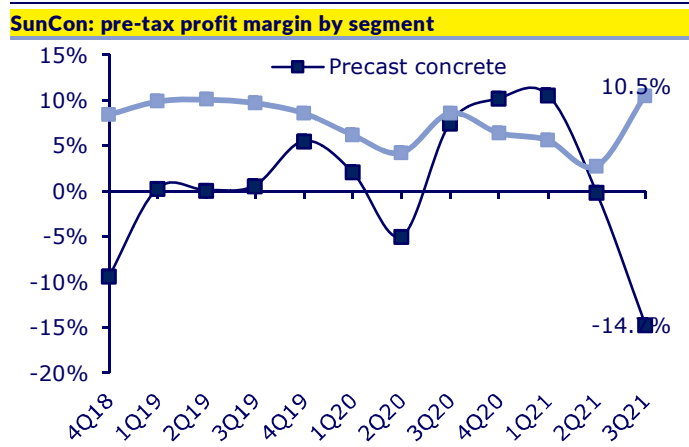


Figure 4



Source: CLSA, SunCon

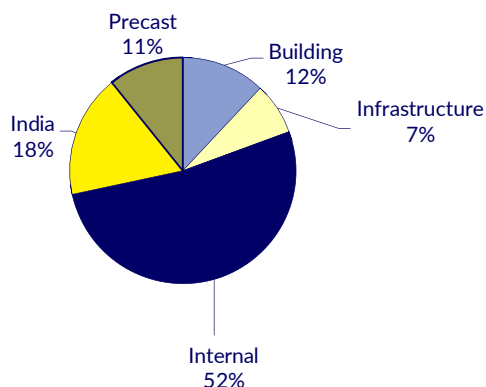
Figure 5



Source: CLSA, SunCon

Figure 6

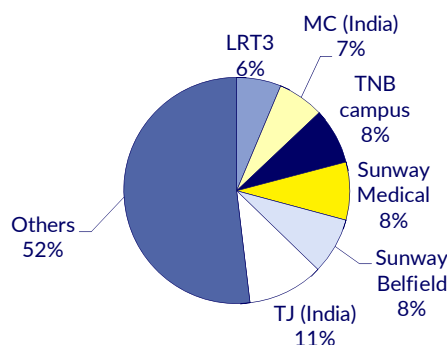
Order book: outstanding by type (RM4.7bn as at end-Sept 2021)



Source: CLSA, SunCon

Figure 7

Order book: outstanding by project (RM4.7bn as at end-Sept 2021)



Source: CLSA, SunCon. Note: MC refers to Meensurutti-Chidambaran, whereas TJ refers to Thorapalli-Jittandahalli.

Our valuations have not imputed some catching up in 2022 earnings as not to inflate our PE-derived target price with billings that have been largely a timing matter

Figure 8

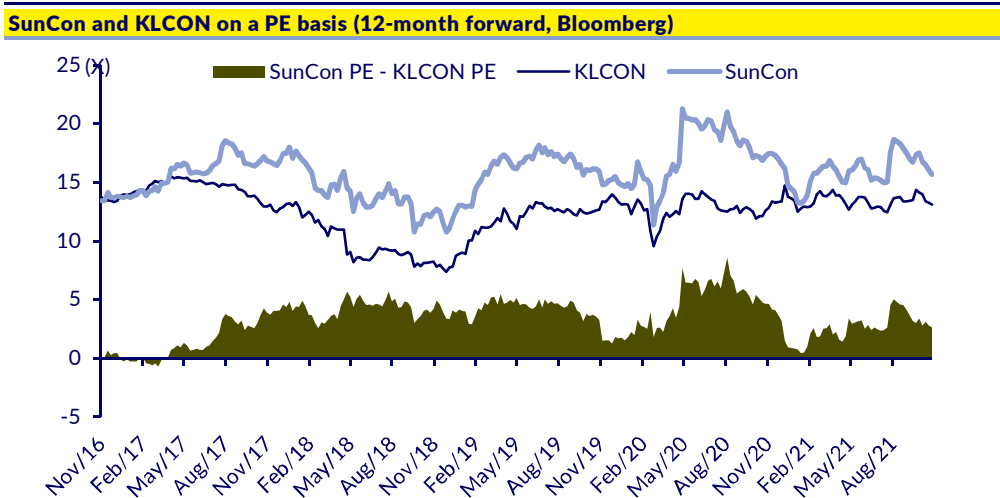
Valuation methodology		
PE method of valuation	Remarks	Value (RM m)
Earnings (22CL)	15.4x – ie, PE multiple at 1SD above 3-year sector mean of 13x	151.00
Multiple applied		15.40
Total		2,325
Number of shares (million)		1,293
Value per share (RM)		1.80

Source: CLSA

SunCon has typically traded at a premium over KLCON over the past five years (by 330bps on average)

We believe the narrowing of the premium reflects the weaker pre-cast segment, which is expected to improve with the pre-cast plant in Singapore ramping up in 2H22

Figure 9



Source: CLSA, Bloomberg

Valuation details

Our target price is derived from 15.4x 22CL earnings, which is one standard deviation above the 10-year mean PE for the KL Construction index. We accord an above-sector average PE, given the company's flow of internal jobs and strong balance sheet.

Investment risks

The main concern is construction risk. Specific risks include lower-than-expected margins (below 5-8%) or if the amount of projects secured falls below our expectation, either due to an inability to secure projects or project rollout delays. Higher-than-expected steel price increases could cut into margins as SunCon hedges steel needs for a future six-month period. On the precast segment, another risk is margin recovery timing, currently in the doldrums due to competition. Prolonged Covid-19 could also reduce operating efficiency.

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Revenue	2,076	2,257	1,769	1,553	1,683	2,656	2,805
Cogs (ex-D&A)	(1,874)	(2,042)	(1,587)	(1,429)	(1,517)	(2,383)	(2,518)
Gross Profit (ex-D&A)	202	215	181	124	166	273	287
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	202	215	181	124	166	273	287
Depreciation/amortisation	(37)	(53)	(40)	(33)	(51)	(56)	(61)
Op Ebit	165	162	141	91	115	216	226
Interest income	13	16	25	17	16	15	11
Interest expense	(6)	(8)	(13)	(7)	(20)	(26)	(32)
Net interest inc/(exp)	7	8	12	10	(4)	(11)	(21)
Associates/investments	-	-	4	0	0	0	0
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	172	170	157	101	111	206	205
Taxation	(36)	(38)	(27)	(28)	(23)	(41)	(41)
Profit after tax	136	132	130	73	87	164	164
Preference dividends	-	-	-	-	-	-	-
Profit for period	136	132	130	73	87	164	164
Minority interest	0	0	(1)	(1)	(7)	(7)	(7)
Net profit	136	131	129	73	81	158	156
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	136	131	129	73	81	158	156
Dividends	(90)	(90)	(90)	(52)	(90)	(103)	(116)
Retained profit	46	41	39	21	(10)	54	40
Adjusted profit	136	131	129	73	81	158	156
EPS (sen)	10.5	10.2	10.0	5.6	6.3	12.2	12.1
Adj EPS [pre excep] (sen)	10.5	10.2	10.0	5.6	6.3	12.2	12.1
Core EPS (sen)	10.5	10.2	10.0	5.6	6.3	12.2	12.1
DPS (sen)	7.0	7.0	7.0	4.0	7.0	8.0	9.0

Profit & loss ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Revenue growth (% YoY)	16.1	8.7	(21.6)	(12.2)	8.4	57.8	5.6
Ebitda growth (% YoY)	7.5	6.0	(15.5)	(31.6)	33.9	64.3	5.2
Ebit growth (% YoY)	10.5	(1.9)	(12.9)	(35.8)	26.7	88.6	4.3
Net profit growth (%)	10.1	(3.5)	(1.5)	(43.7)	11.2	94.8	(0.7)
EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	11.2	94.8	(0.7)
Adj EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	11.2	94.8	(0.7)
DPS growth (% YoY)	40.0	0.0	0.0	(42.9)	75.0	14.3	12.5
Core EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	11.2	94.8	(0.7)
Margins (%)							
Gross margin (%)	9.7	9.5	10.2	8.0	9.9	10.3	10.2
Ebitda margin (%)	9.7	9.5	10.2	8.0	9.9	10.3	10.2
Ebit margin (%)	7.9	7.2	8.0	5.8	6.8	8.1	8.0
Net profit margin (%)	6.5	5.8	7.3	4.7	4.8	5.9	5.6
Core profit margin	6.5	5.8	7.3	4.7	4.8	5.9	5.6
Op cashflow margin	2.3	7.1	9.0	4.7	(4.5)	(5.8)	0.7
Returns (%)							
ROE (%)	26.0	22.9	21.3	11.6	12.8	24.1	22.2
ROA (%)	7.5	6.8	6.3	3.4	4.9	8.5	7.4
ROIC (%)	69.8	52.1	42.4	24.6	24.5	25.6	18.4
ROCE (%)	90.0	76.4	64.1	35.0	27.8	30.1	22.0
Other key ratios (%)							
Effective tax rate (%)	21.0	22.4	17.2	27.5	21.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	-	41.1	25.2	13.6
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	-	-	-	-
Dividend payout (%)	66.5	68.9	70.0	71.0	111.8	65.6	74.3

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Cash & equivalents	487	485	693	640	609	438	414
Accounts receivable	1,066	885	818	1,048	922	1,655	1,937
Inventories	24	30	25	34	0	0	0
Other current assets	151	198	174	20	20	32	44
Current assets	1,729	1,597	1,710	1,742	1,551	2,125	2,395
Fixed assets	151	164	139	104	147	136	119
Investments	0	45	49	49	49	49	49
Goodwill	4	4	4	4	4	4	4
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	2	3	4	7	7	7	7
Total assets	1,885	1,812	1,905	1,906	1,758	2,320	2,574
Short term loans/OD	135	114	233	234	234	234	234
Accounts payable	1,184	995	885	955	611	960	1,014
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	5	14	1	4	4	4	4
Other current liabs	0	0	0	2	2	2	2
Current liabilities	1,324	1,123	1,120	1,195	850	1,199	1,254
Long-term debt/leases/other	-	-	53	67	267	417	567
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	6	97	107	6	6	6	6
Total liabilities	1,331	1,220	1,280	1,267	1,123	1,622	1,826
Share capital	259	259	259	259	259	259	259
Retained earnings	324	361	399	410	399	456	498
Reserves/others	(29)	(28)	(35)	(31)	(31)	(31)	(31)
Shareholder funds	554	591	623	637	627	683	725
Minorities/other equity	1	1	2	2	8	15	22
Total equity	555	593	625	639	635	698	748
Total liab & equity	1,885	1,812	1,905	1,906	1,758	2,320	2,574
Total debt	135	114	286	301	501	651	801
Net debt	(353)	(371)	(407)	(339)	(108)	213	387
Adjusted EV	1,665	1,602	1,563	1,630	1,867	2,196	2,377
BVPS (sen)	42.8	45.7	48.2	49.3	48.5	52.9	56.1

Balance sheet ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Key ratios							
Current ratio (x)	1.3	1.4	1.5	1.5	1.8	1.8	1.9
Growth in total assets (% YoY)	18.0	(3.9)	5.1	0.1	(7.8)	32.0	10.9
Growth in capital employed (% YoY)	22.9	9.4	(1.2)	37.0	75.9	73.1	24.5
Net debt to operating cashflow (x)	-	-	-	-	-	(1.4)	20.8
Gross debt to operating cashflow (x)	2.9	0.7	1.8	4.2	(6.6)	(4.3)	43.1
Gross debt to Ebitda (x)	0.7	0.5	1.6	2.4	3.0	2.4	2.8
Net debt/Ebitda (x)	-	-	-	-	-	0.8	1.4
Gearing							
Net debt/equity (%)	(63.5)	(62.7)	(65.0)	(53.1)	(17.0)	30.5	51.8
Gross debt/equity (%)	24.3	19.2	45.8	47.1	78.9	93.2	107.1
Interest cover (x)	29.3	21.4	12.6	15.6	6.5	8.9	7.4
Debt cover (x)	0.3	1.4	0.6	0.2	(0.2)	(0.2)	0.0
Net cash per share (sen)	27.3	28.7	31.5	26.2	8.4	(16.5)	(30.0)
Working capital analysis							
Inventory days	4.7	4.9	6.3	7.6	4.1	0.0	0.0
Debtor days	158.0	157.7	175.7	219.4	213.7	177.1	233.7
Creditor days	208.3	194.7	216.1	235.1	188.4	120.3	143.1
Working capital/Sales (%)	2.5	4.6	7.4	9.1	19.3	27.2	34.3
Capital employed analysis							
Sales/Capital employed (%)	1,026.5	1,019.8	809.4	518.5	319.4	291.3	247.1
EV/Capital employed (%)	823.0	723.8	715.4	544.3	354.5	240.8	209.4
Working capital/Capital employed (%)	25.8	46.5	59.7	47.2	61.7	79.2	84.7
Fixed capital/Capital employed (%)	74.6	74.0	63.5	34.7	27.9	14.9	10.5
Other ratios (%)							
PB (x)	3.6	3.4	3.2	3.2	3.2	3.0	2.8
EV/Ebitda (x)	8.2	7.5	8.6	13.1	11.3	8.1	8.3
EV/OCF (x)	35.4	10.0	9.9	22.5	(24.7)	(14.4)	127.9
EV/FCF (x)	(218.5)	15.5	10.2	22.5	(14.9)	(10.8)	(75.7)
EV/Sales (x)	0.8	0.7	0.9	1.0	1.1	0.8	0.8
Capex/depreciation (%)	146.1	106.6	11.7	0.0	97.5	88.9	81.6

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Operating profit	165	162	141	91	115	216	226
Operating adjustments	0	0	0	12	0	0	0
Depreciation/amortisation	37	53	40	33	51	56	61
Working capital changes	(112)	(11)	28	(29)	(218)	(384)	(227)
Interest paid / other financial expenses	(6)	(8)	(13)	(6)	0	0	0
Tax paid	(37)	(37)	(38)	(29)	(23)	(41)	(41)
Other non-cash operating items	0	1	1	0	0	0	0
Net operating cashflow	47	159	158	72	(75)	(153)	19
Capital expenditure	(55)	(56)	(5)	0	(50)	(50)	(50)
Free cashflow	(8)	103	154	72	(125)	(203)	(31)
Acq/inv/disposals	89	26	(47)	-	-	-	-
Int, invt & associate div	13	(28)	25	17	16	15	11
Net investing cashflow	48	(58)	(26)	17	(34)	(35)	(39)
Increase in loans	(3)	(21)	162	(85)	200	150	150
Dividends	(71)	(97)	(91)	(62)	(98)	(108)	(122)
Net equity raised/others	0	-	-	-	-	-	-
Net financing cashflow	(74)	(118)	72	(147)	102	42	28
Incr/(decr) in net cash	21	(16)	204	(58)	(7)	(145)	8
Exch rate movements	1	13	6	4	(24)	(26)	(32)
Opening cash	465	487	484	693	640	609	438
Closing cash	487	484	693	640	609	438	414
OCF PS (sen)	3.6	12.3	12.3	5.6	(5.8)	(11.8)	1.4
FCF PS (sen)	(0.6)	8.0	11.9	5.6	(9.7)	(15.7)	(2.4)

Cashflow ratio analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Growth (%)							
Op cashflow growth (% YoY)	(37.3)	238.7	(0.7)	(54.3)	(204.4)	nm	nm
FCF growth (% YoY)	(113.6)	-	48.8	(52.9)	(273.5)	-	-
Capex growth (%)	187.6	2.7	(91.6)	(100.0)	-	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	2.6	2.5	0.3	0.0	3.0	1.9	1.8
Capex/op cashflow (%)	116.2	35.2	3.0	0.0	(66.3)	(32.7)	268.9
Operating cashflow payout ratio (%)	192.2	56.7	57.1	71.5	-	-	625.5
Cashflow payout ratio (%)	192.2	56.7	57.1	71.5	-	-	625.5
Free cashflow payout ratio (%)	-	87.6	58.9	71.5	-	-	-

DuPont analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit margin (%)	7.9	7.2	8.0	5.8	6.8	8.1	8.0
Asset turnover (x)	1.2	1.2	1.0	0.8	0.9	1.3	1.1
Interest burden (x)	1.0	1.0	1.1	1.1	1.0	1.0	0.9
Tax burden (x)	0.8	0.8	0.8	0.7	0.8	0.8	0.8
Return on assets (%)	7.5	6.8	6.3	3.4	4.9	8.5	7.4
Leverage (x)	3.3	3.2	3.1	3.0	2.9	3.1	3.4
ROE (%)	26.0	22.9	21.3	11.6	12.8	24.1	22.2

EVA® analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit adj for tax	130	126	117	66	91	173	180
Average invested capital	187	241	275	266	369	676	980
ROIC (%)	69.8	52.1	42.4	24.6	24.5	25.6	18.4
Cost of equity (%)	12.1	12.1	12.1	12.1	12.1	12.1	12.1
Cost of debt (adj for tax)	3.9	3.9	4.1	3.6	4.0	4.0	4.0
Weighted average cost of capital (%)	12.1	12.1	12.1	12.1	12.1	12.1	12.1
EVA/IC (%)	57.7	40.0	30.3	12.5	12.4	13.5	6.3
EVA (RMm)	108	96	83	33	46	91	62

Source: www.clsa.com



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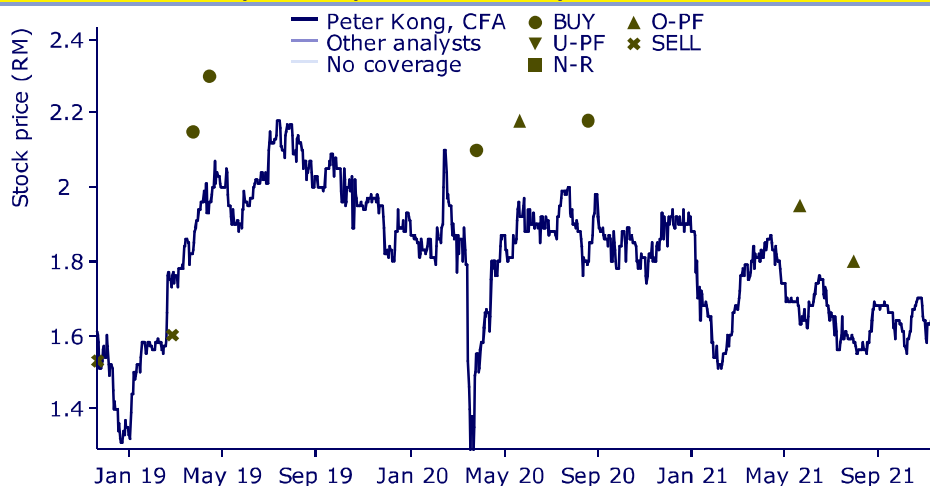
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Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
30 Jul 2021	O-PF	1.80	15 Apr 2019	BUY	2.30
21 May 2021	O-PF	1.95	25 Mar 2019	BUY	2.15
19 Aug 2020	BUY	2.18	26 Feb 2019	SELL	1.60
22 May 2020	O-PF	2.18	21 Nov 2018	SELL	1.53
27 Mar 2020	BUY	2.10			

Source: CLSA

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