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21 February 2020

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 20 February 2020
KLSE Comp @ 1,535.0

12M hi/lo RM2.18/1.73

12M price target RM2.30
±% potential +17%

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

Market cap US\$606m

3M ADV US\$0.3m

Foreign s'holding 3.2%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

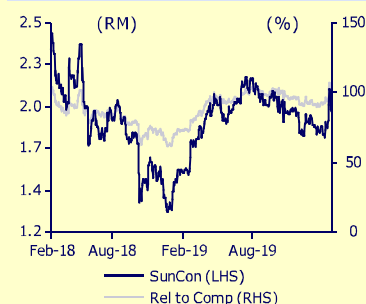
Blended ESG Score (%)*

Overall 73.9
Country average 68.4
GEM sector average 67.5

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

Stock performance (%)

	1M	3M	12M
Absolute	7.1	(0.5)	11.4
Relative	10.9	3.8	25.2
Abs (US\$)	4.5	(0.7)	9.1



Source: Bloomberg

Operational recovery

Better revenue momentum moving into FY20

After a weak 3Q19 top-line, SunCon's revenue in 4Q19 (highest in 2019) accelerated due to building jobs. Patmi (adjusted for write-offs), which we estimate slipped 5% in FY19, was within our forecast. We continue to favour SunCon on its visibility and consistent order-book delivery, partly due to internal jobs. A few of its large jobs slated for 1H21 completion imply progress will quicken in 2020. Our unchanged target price is pegged to a 15.4x PE (1 std. above its 10-year mean for the Klcon Index) on 20CL earnings and with the benefit of net cash of 15 sen/share. Despite a lower Patmi, the company has kept a 7 sen/share payout (70% payout ratio). We maintain our BUY recommendation.

More optimistic order-book win guidance reiterated for 2020

SunCon only added modest cRM40m (mostly pre-cast section) to its order book win in 4Q19, taking FY19 wins to RM1.77bn, ahead of its RM1.5bn target. SunCon sees a higher RM2bn haul in 2020, dependent on internal jobs such as hospitals and mixed development which underpin about half of its targeted haul; on average it has secured deals worth c.RM0.6bn (past five years) although smaller in 2019. Our estimate is RM1.8bn job wins as we think SunCon will focus on execution. ECRL and Rapid Transit System may be potential wins, including work in Myanmar/India.

Better efficiency in construction

Building jobs, such as that of the Tenaga Campus, have accelerated, as has the LRT 3 project, although not at an optimal speed yet (see Figure 7). Its pre-tax profit margin improved to a solid 8.9% in 2019 (2018: 8.1%). We introduce 22CL earnings and lift our pre-tax margin marginally (to 8.4% on average over the forecast period).

Green shoots of a margin recovery in its pre-cast operations

The pre-cast concrete segment has been in doldrums as it is barely breaking even. Commencement of several better-yielding projects saw pre-tax profit margin in this division rise to a more respectable 6% this quarter, a sign that orders secured at better pricing are starting to flow through. Its automated pre-cast yard in Singapore currently under construction is scheduled to be ready only in two years, and requires ongoing capex. With overall RM193m capex commitments (disclosed in accounts), it still boasts a high net cash of RM407m, which is comfortable.

Reiterate BUY on good revenue visibility

Projects due for completion in 2020 and in 1H2021 account for more than half of its outstanding order book of RM5.2bn, anchoring revenue visibility and earnings recovery. These include TNB campus, Petronas learning centre, and MRT2.

Financials

Year to 31 December	18A	19A	20CL	21CL	22CL
Revenue (RMm)	2,257	1,769	2,621	2,603	2,760
Rev forecast change (%)	-	-	(3.1)	(0.7)	-
Net profit (RMm)	131	129	178	169	186
NP forecast change (%)	-	-	0.4	1.5	-
EPS (sen)	10.2	10.0	13.8	13.1	14.4
CL/consensus (13) (EPS%)	-	-	112	102	-
EPS growth (% YoY)	(3.5)	(1.5)	38.1	(5.5)	10.3
PE (x)	19.3	19.6	14.2	15.0	13.6
Dividend yield (%)	3.6	3.6	4.6	4.6	0.0
ROE (%)	22.9	21.3	27.3	23.7	24.1
Net debt/equity (%)	(62.7)	(65.0)	(69.3)	(72.4)	(76.3)

Source: www.cls.com

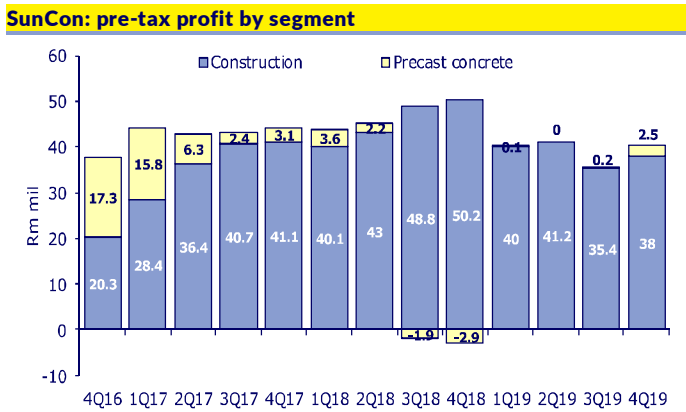
Financials at a glance

Year to 31 December	2018A	2019A	2020CL	(% YoY)	2021CL	2022CL
Profit & Loss (RMm)						
Revenue	2,257	1,769	2,621	48.2	2,603	2,760
Cogs (ex-D&A)	(2,042)	(1,587)	(2,357)		(2,346)	(2,481)
Gross Profit (ex-D&A)	215	181	263	45.3	257	280
SG&A and other expenses	-	-	-		-	-
Op Ebitda	215	181	263	45.3	257	280
Depreciation/amortisation	(53)	(40)	(51)		(56)	(61)
Op Ebit	162	141	212	50.5	201	218
Net interest inc/(exp)	8	12	8	(33.3)	10	11
Other non-Op items	0	4	4	0	4	4
Profit before tax	170	157	224	42.7	215	234
Taxation	(38)	(27)	(45)		(45)	(47)
Profit after tax	132	130	180	37.9	170	187
Minority interest	0	(1)	(1)		(1)	(1)
Net profit	131	129	178	38.1	169	186
Adjusted profit	131	129	178	38.1	169	186
Cashflow (RMm)						
Operating profit	162	141	212	50.5	201	218
Depreciation/amortisation	53	40	51	27	56	61
Working capital changes	(11)	28	6	(77.9)	1	2
Other items	(45)	(51)	(45)		(45)	(47)
Net operating cashflow	159	158	225	41.8	213	235
Capital expenditure	(56)	(5)	(50)		(50)	(50)
Free cashflow	103	154	175	13.6	163	185
M&A/Others	(2)	(21)	17		19	21
Net investing cashflow	(58)	(26)	(33)		(31)	(29)
Increase in loans	(21)	162	-		-	-
Dividends	(97)	(91)	(117)		(117)	(117)
Net equity raised/other	-	-	0		0	0
Net financing cashflow	(118)	72	(117)		(117)	(117)
Incr/(decr) in net cash	(16)	204	75	(63.2)	65	88
Exch rate movements	12	4	(5)		(5)	(5)
Balance sheet (RMm)						
Cash & equivalents	485	693	764	10.3	824	907
Accounts receivable	885	818	876	7.1	870	923
Other current assets	228	199	174	(12.6)	174	174
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	2,004	5.2	2,052	2,176
Short-term debt	114	233	233	0	233	233
Accounts payable	995	885	949	7.3	945	999
Other current liabs	15	2	-		-	-
Long-term debt/CBs	-	53	53	0	53	53
Provisions/other LT liabs	97	107	79	(25.8)	78	77
Shareholder funds	591	623	685	10	738	809
Minorities/other equity	1	2	3	47.7	4	6
Total liabs & equity	1,812	1,905	2,004	5.2	2,052	2,176
Ratio analysis						
Revenue growth (% YoY)	8.7	(21.6)	48.2		(0.7)	6.0
Ebitda margin (%)	9.5	10.2	10.0		9.9	10.1
Ebit margin (%)	7.2	8.0	8.1		7.7	7.9
Net profit growth (%)	(3.5)	(1.5)	38.1		(5.5)	10.3
Op cashflow growth (% YoY)	238.7	(0.7)	41.8		(5.0)	10.0
Capex/sales (%)	2.5	0.3	1.9		1.9	1.8
Net debt/equity (%)	(62.7)	(65.0)	(69.3)		(72.4)	(76.3)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	22.9	21.3	27.3		23.7	24.1
ROIC (%)	52.1	42.4	64.9		65.5	75.3

Source: www.clsa.com

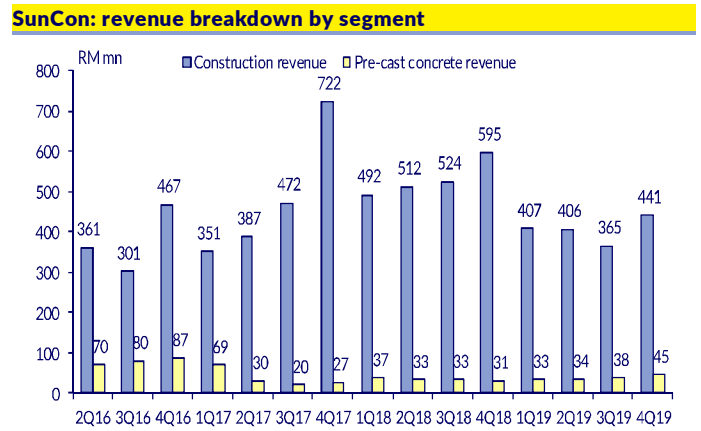
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Figure 1



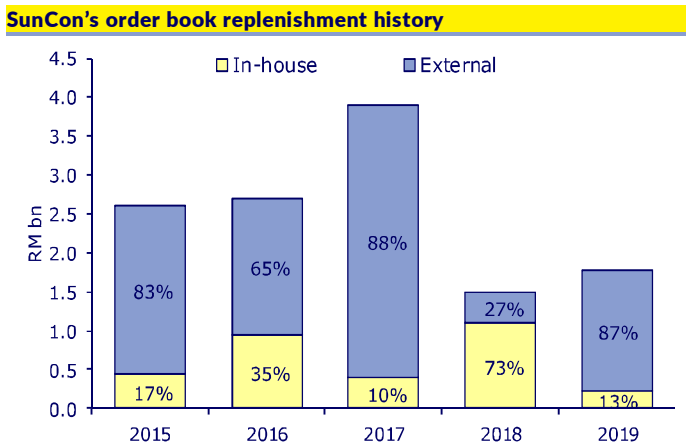
Source: CLSA, SunCon

Figure 2



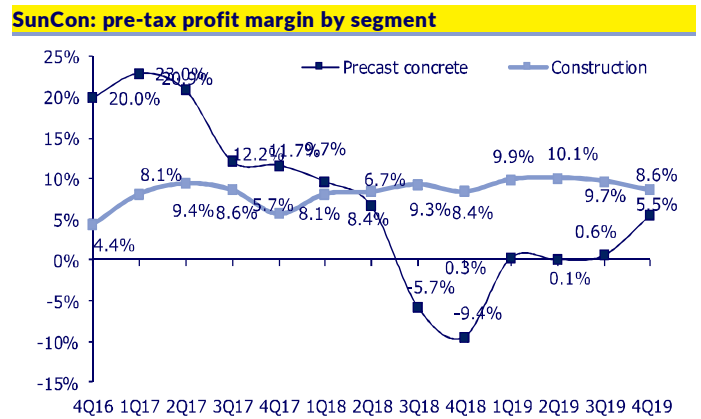
Source: CLSA, SunCon

Figure 3



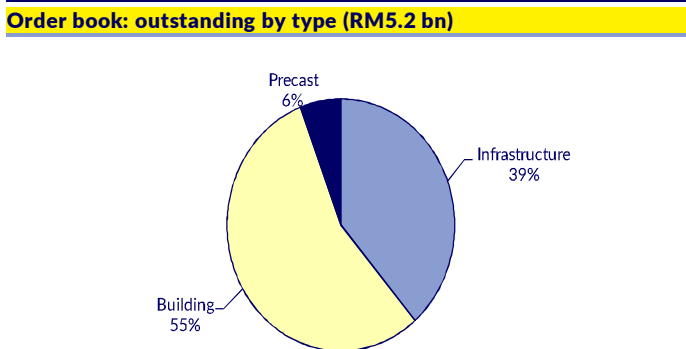
Source: CLSA, SunCon

Figure 4



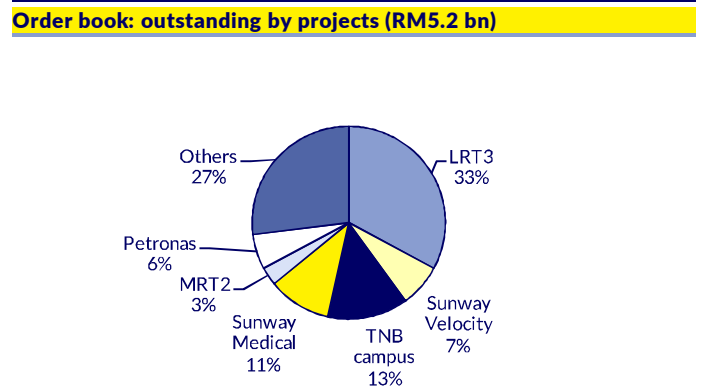
Source: CLSA, SunCon

Figure 5



Source: CLSA, SunCon

Figure 6



Source: CLSA, SunCon

Figure 7

Quarterly change in O/S order book (proxy to revenue)

RM million	Original award	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19
External										
Putrajaya parcel F	1,610	194	148	138	134	117	101	19	16	1
MRT2	1,213	55	58	226	60	68	100	116	38	42
LRT3	2,178	28	42	41	46	52	40	47	65	99
PPA1M Kota Bharu	582	42	28	92	212	28	39	36	(2)	31
Awarded 2019										
TNB headquarters								25	17	35
Petronas Centre								-	3	8
Internal										
Sunway Medical Center 4	512			56	7	10	10	12	16	22
Sunway Serene	449	(426)	71	(2)	6	12	33	12	13	20
Carnival mall extension	286	(286)	12	(3)	16	5	9	6	7	8

Source: CLSA, SunCon

Figure 8

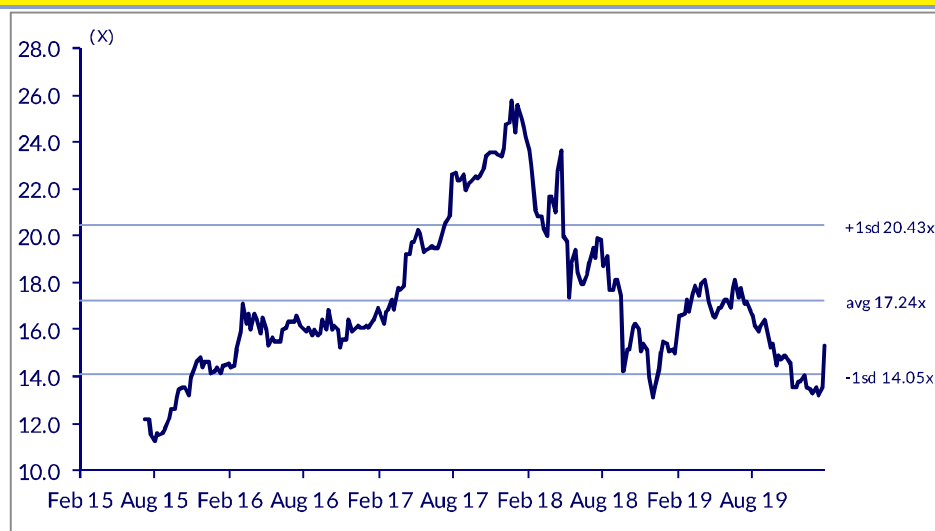
SunCon: financials

FYE 31 Dec (RM m)	4Q19	4Q18	YoY % Chg	3Q19	QoQ % Chg	2019	2018	YoY % Chg
Revenue	485.9	626.0	(22%)	402.6	21%	1,768.7	2,256.8	(22%)
Operating expenses	(463.7)	(588.6)	(21%)	(371.5)	25%	(1,647.8)	2,102.3	(178%)
Other income	8.6	7.8	10%	3.3	161%	20.1	20.7	(3%)
EBIT	30.8	45.2	(32%)	34.4	(10%)	145.4	175.9	(17%)
Interest income	8.7	3.5	147%	5.1	69%	25.2	16.0	57%
Interest expense	(3.4)	(2.3)	50%	(3.9)	(13%)	(13.2)	(9.2)	43%
Joint Venture	4.4	0.7	504%	-	n.m.	4.4	0.7	504%
Pre-tax profit	40.5	47.2	(14%)	35.6	14%	157.4	182.7	(14%)
Tax	(7.8)	(10.4)	(25%)	(2.54)	208%	(27.1)	(38.0)	(29%)
Effective tax rate	19.3%	22.1%	(13%)	7.1%	170%	17.2%	20.8%	(17%)
Minority interest	1.06	0.26	313%	(0.46)	(332%)	1.01	0.34	197%
Net profit	31.6	36.5	(13%)	33.5	(6%)	129.3	144.4	(10%)
EPS (sen)	2.45	2.82	(13%)	2.60	(6%)	10.02	11.18	(10%)
EBIT margin	6.3%	7.2%		8.5%		8.2%	7.8%	
PBT margin	8.3%	7.5%		8.8%		8.9%	8.1%	

Source: CLSA, SunCon

0.6SD below historical mean PE

Figure 9

SunCon: forward PE

Source: CLSA

Figure 10

Peer comp													
	Rec	Target Price	Price	Mkt cap	ADT	PE	PB		ROE		Yield		
		(RM)	(RM)	(US\$m)	(US\$m)	CY19	CY20	CY19	CY20	CY19	CY20	CY19	CY20
						(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)
KLCI-listed peers													
IJM MK	O-PF	2.45	2.22	1,987	1.49	17.3	15.4	0.8	0.8	4.7	5.1	2.3	2.6
GAM MK	BUY	4.50	4.04	2,419	3.28	18.0	13.3	1.7	1.6	14.0	15.5	7.7	9.6
SCGB MK Equity	BUY	2.30	1.96	613	0.27	19.6	14.2	4.1	3.7	22.0	27.3	3.6	4.6
AQRS MK Equity	BUY	1.85	1.10	133	0.26	8.0	6.3	1.1	1.0	13.8	18.9	5.3	7.9
EVSD MK Equity	NR	-	0.38	71	0.07	11.9	12.3	-	-	2.6	2.4	0.0	2.6
HSL MK Equity	NR	-	1.31	172	0.04	11.9	10.2	0.9	0.8	7.6	8.3	2.0	2.2
KICB MK Equity	NR	-	1.10	89	0.04	6.0	5.9	0.5	0.5	8.5	8.0	3.7	3.8
MUHI MK Equity	NR	-	1.83	212	0.47	7.1	6.4	0.7	0.7	10.8	11.3	3.3	3.7
GKEN MK Equity	NR	-	0.91	115	0.33	10.1	8.5	0.9	0.9	10.2	10.6	4.3	4.7
TRC MK Equity	NR	-	0.42	48	0.08	7.5	6.5	-	-	8.8	9.6	4.3	4.8
WCTHG MK Equity	NR	-	0.75	252	0.41	11.4	10.0	0.3	0.4	3.1	3.5	2.1	2.5
GADG MK Equity	NR	-	0.64	111	0.31	7.2	7.2	-	-	8.1	8.1	2.2	1.3
Weighted average						11.6	13.1	1.4	1.3	10.7	12.1	4.7	5.7
Weighted average ex. IJM & GAM						12.4	10.3	1.8	1.6	12.7	15.1	3.3	3.9

Source: CLSA, Bloomberg

Valuation details

We value SunCon using the price-earnings multiple approach. Its target price is derived from 15.4x 20CL 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. SunCon is also susceptible to risk facing the construction industry in general, which includes the risk of disputes and ensuing lengthy negotiations, which are not uncommon, not to mention the fluctuations in raw materials and availability of labour.

Valuation details - Gabungan AQRS Berhad AQRS MK

We value the company based on a sum-of-the-parts method. We apply a 12x PE for the construction segment multiplied on sustainable profit, while we value the property segment based on discounted future earnings with a COE of 12%, as proxy to discounted cashflow. Also, we have counted for the potential exercise of warrants (maturity 2023) that could potentially augment its share base by 25% (issued at one for four ordinary shares) in our earnings and valuations forecasts. We have not considered its investment holding division at this juncture, which is relatively small.

Investment risks - Gabungan AQRS Berhad AQRS MK

Execution risk exists on its construction projects, where cost overruns are possible. In addition, given the ambition for larger projects, this may also augment replenishment risk. In its current high-rise projects, it is susceptible to market risk of take-up and cashflow given its involvement primarily of the high-rise variety.

Valuation details - Gamuda Bhd GAM MK

We value Gamuda's construction division based on 16x sustainable earnings, while applying 12x sustainable earnings for its local property project (with a 30% discount). We use DCF to value expressway and water supply operation and maintenance concessions. Our target price for Gamuda is based on a estimated fully-diluted RNAV/share.

Investment risks - Gamuda Bhd GAM MK

Execution risk on its construction projects could lead to cost overruns whilst slowdown of the Vietnam economy will dampen demand for its property launches in Hanoi and Ho Chi Minh City. We are concerned on the EPS dilution from the potential more than 20% increase in share base from the warrant and ESOS exercise although we have factored this into our valuations. Risk to the upside is some of the mega projects are revived, such as MRT3. The ability to replenish jobs before the MRT2 civil works complete is also paramount.

Valuation details - IJM Corp Bhd IJM MK

Our valuation for IJM reflects PE-based valuations for its construction and industrial divisions and an RNAV-based valuation for its property segment, with an 8.8% WACC and DCF for its concessionaire stakes and a discount of 10%.

Investment risks - IJM Corp Bhd IJM MK

With a near-record-high order book, the key risk is execution of the project to ensure profitability and completion according to schedule. Slower property demand due to weaker consumer sentiment has affected IJM's property sales, and the risks would be a sustained slowdown or further margin pressure. Rising labour costs could put pressure on construction profit margins. Regulatory risk related to toll-road and port concessions are not uncommon.

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	2,621	2,603	2,760
Cogs (ex-D&A)	(1,601)	(1,874)	(2,042)	(1,587)	(2,357)	(2,346)	(2,481)
Gross Profit (ex-D&A)	188	202	215	181	263	257	280
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	188	202	215	181	263	257	280
Depreciation/amortisation	(39)	(37)	(53)	(40)	(51)	(56)	(61)
Op Ebit	149	165	162	141	212	201	218
Interest income	10	13	16	25	17	19	21
Interest expense	(6)	(6)	(8)	(13)	(9)	(9)	(9)
Net interest inc/(exp)	4	7	8	12	8	10	11
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	224	215	234
Taxation	(30)	(36)	(38)	(27)	(45)	(45)	(47)
Profit after tax	124	136	132	130	180	170	187
Preference dividends	-	-	-	-	-	-	-
Profit for period	124	136	132	130	180	170	187
Minority interest	0	0	0	(1)	(1)	(1)	(1)
Net profit	124	136	131	129	178	169	186
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	124	136	131	129	178	169	186
Dividends	(65)	(90)	(90)	(90)	(116)	(116)	(116)
Retained profit	59	46	41	39	62	52	70
Adjusted profit	124	136	131	129	178	169	186
EPS (sen)	9.6	10.5	10.2	10.0	13.8	13.1	14.4
Adj EPS [pre excep] (sen)	9.6	10.5	10.2	10.0	13.8	13.1	14.4
Core EPS (sen)	9.6	10.5	10.2	10.0	13.8	13.1	14.4
DPS (sen)	5.0	7.0	7.0	7.0	9.0	9.0	0.0

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)	48.2	(0.7)	6.0
Ebitda growth (% YoY)	5.7	7.5	6.0	(15.5)	45.3	(2.4)	8.8
Ebit growth (% YoY)	9.5	10.5	(1.9)	(12.9)	50.5	(5.3)	8.7
Net profit growth (%)	(2.9)	10.1	(3.5)	(1.5)	38.1	(5.5)	10.3
EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	38.1	(5.5)	10.3
Adj EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	38.1	(5.5)	10.3
DPS growth (% YoY)	25.0	40.0	0.0	0.0	28.6	0.0	(100.0)
Core EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	38.1	(5.5)	10.3
Margins (%)							
Ebitda margin (%)	10.5	9.7	9.5	10.2	10.0	9.9	10.1
Ebit margin (%)	8.3	7.9	7.2	8.0	8.1	7.7	7.9
Net profit margin (%)	6.9	6.5	5.8	7.3	6.8	6.5	6.7
Core profit margin	6.9	6.5	5.8	7.3	6.8	6.5	6.7
Op cashflow margin	4.2	2.3	7.1	9.0	8.6	8.2	8.5
Returns (%)							
ROE (%)	26.2	26.0	22.9	21.3	27.3	23.7	24.1
ROA (%)	8.0	7.5	6.8	6.3	8.7	7.8	8.3
ROIC (%)	65.5	69.8	52.1	42.4	64.9	65.5	75.3
ROCE (%)	82.3	90.0	76.4	64.1	98.7	96.6	109.9
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	65.2	68.9	0.0

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Cash & equivalents	466	487	485	693	764	824	907
Accounts receivable	732	1,066	885	818	876	870	923
Inventories	24	24	30	25	0	0	0
Other current assets	220	151	198	174	174	174	174
Current assets	1,442	1,729	1,597	1,710	1,814	1,868	2,004
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	2,004	2,052	2,176
Short term loans/OD	137	135	114	233	233	233	233
Accounts payable	955	1,184	995	885	949	945	999
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	11	5	14	1	0	0	0
Other current liabs	0	0	0	0	-	-	-
Current liabilities	1,103	1,324	1,123	1,120	1,183	1,178	1,233
Long-term debt/leases/other	-	-	-	53	53	53	53
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1	6	97	107	79	78	77
Total liabilities	1,104	1,331	1,220	1,280	1,315	1,309	1,362
Share capital	259	259	259	259	259	259	259
Retained earnings	257	324	361	399	461	514	584
Reserves/others	(23)	(29)	(28)	(35)	(35)	(35)	(35)
Shareholder funds	493	554	591	623	685	738	809
Minorities/other equity	1	1	1	2	3	4	6
Total equity	494	555	593	625	689	743	814
Total liabs & equity	1,597	1,885	1,812	1,905	2,004	2,052	2,176
Total debt	137	135	114	286	286	286	286
Net debt	(329)	(353)	(371)	(407)	(478)	(538)	(621)
Adjusted EV	2,204	2,182	2,119	2,080	2,015	1,955	1,873
BVPS (sen)	38.2	42.8	45.7	48.2	53.0	57.1	62.5

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	1.5	1.6	1.6
Growth in total assets (% YoY)	14.3	18.0	(3.9)	5.1	5.2	2.4	6.1
Growth in capital employed (% YoY)	(16.9)	22.9	9.4	(1.2)	(3.4)	(3.1)	(5.8)
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	1.8	2.9	0.7	1.8	1.3	1.3	1.2
Gross debt to Ebitda (x)	0.7	0.7	0.5	1.6	1.1	1.1	1.0
Net debt/Ebitda (x)	-	-	-	-	-	-	-
Gearing							
Net debt/equity (%)	(66.7)	(63.5)	(62.7)	(65.0)	(69.3)	(72.4)	(76.3)
Gross debt/equity (%)	27.6	24.3	19.2	45.8	41.5	38.5	35.1
Interest cover (x)	26.4	29.3	21.4	12.6	24.6	23.6	25.6
Debt Cover (x)	0.6	0.3	1.4	0.6	0.8	0.7	0.8
Working capital analysis							
Inventory days	4.7	4.7	4.9	6.3	1.9	0.0	0.0
Debtor days	133.8	158.0	157.7	175.7	118.0	122.4	118.5
Creditor days	199.6	208.3	194.7	216.1	142.0	147.4	143.0
Working capital/Sales (%)	0.6	2.5	4.6	7.4	3.8	3.8	3.5
Capital employed analysis							
Sales/Capital employed (%)	1,087.3	1,026.5	1,019.8	809.4	1,241.3	1,271.9	1,431.3
EV/Capital employed (%)	1,339.5	1,078.7	957.4	952.0	954.2	955.4	971.3
Working capital/Capital employed (%)	6.1	25.8	46.5	59.7	47.7	48.6	50.7
Fixed capital/Capital employed (%)	84.1	74.6	74.0	63.5	65.1	64.1	62.2
Other ratios (%)							
EV/OCF (x)	29.3	46.3	13.3	13.1	9.0	9.2	8.0
EV/FCF (x)	39.3	(286.4)	20.5	13.5	11.5	12.0	10.2
EV/Sales (x)	1.2	1.1	0.9	1.2	0.8	0.8	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	212	201	218
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	6	1	2
Interest paid / other financial expenses	(6)	(6)	(8)	(13)	0	0	0
Tax paid	(26)	(37)	(37)	(38)	(45)	(45)	(47)
Other non-cash operating items	0	0	1	1	0	0	0
Net operating cashflow	75	47	159	158	225	213	235
Capital expenditure	(19)	(55)	(56)	(5)	(50)	(50)	(50)
Free cashflow	56	(8)	103	154	175	163	185
Acq/inv/disposals	13	89	26	(47)	-	-	-
Int, invt & associate div	89	13	(28)	25	17	19	21
Net investing cashflow	83	48	(58)	(26)	(33)	(31)	(29)
Increase in loans	0	(3)	(21)	162	-	-	-
Dividends	(84)	(71)	(97)	(91)	(117)	(117)	(117)
Net equity raised/others	-	0	-	-	0	0	0
Net financing cashflow	(84)	(74)	(118)	72	(117)	(117)	(117)
Incr/(decr) in net cash	74	21	(16)	204	75	65	88
Exch rate movements	2	1	12	4	(5)	(5)	(5)
Opening cash	390	465	488	485	694	764	824
Closing cash	465	487	484	693	764	824	907
OCF PS (sen)	5.8	3.6	12.3	12.3	17.4	16.5	18.2
FCF PS (sen)	4.3	(0.6)	8.0	11.9	13.5	12.6	14.3

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)	41.8	(5.0)	10.0
FCF growth (% YoY)	(70.9)	(113.6)	-	48.8	13.6	(6.5)	13.0
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	1.9	1.9	1.8
Capex/op cashflow (%)	25.3	116.2	35.2	3.0	22.3	23.4	21.3
Operating cashflow payout ratio (%)	86.0	192.2	56.7	57.1	51.8	54.5	0.0
Cashflow payout ratio (%)	86.0	192.2	56.7	57.1	51.8	54.6	49.6
Free cashflow payout ratio (%)	115.1	-	87.6	58.9	66.6	71.3	63.0

DuPont analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit margin (%)	8.3	7.9	7.2	8.0	8.1	7.7	7.9
Asset turnover (x)	1.2	1.2	1.2	1.0	1.3	1.3	1.3
Interest burden (x)	1.0	1.0	1.0	1.1	1.1	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	8.7	7.8	8.3
Leverage (x)	3.2	3.3	3.2	3.1	3.0	2.8	2.7
ROE (%)	26.2	26.0	22.9	21.4	27.3	23.7	24.1

EVA® analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit adj for tax	120	130	126	117	170	159	175
Average invested capital	183	187	241	275	261	242	232
ROIC (%)	65.5	69.8	52.1	42.4	64.9	65.5	75.3
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	54.0	54.6	64.4
EVA (RMm)	100	110	99	87	141	132	149

Source: www.clsa.com



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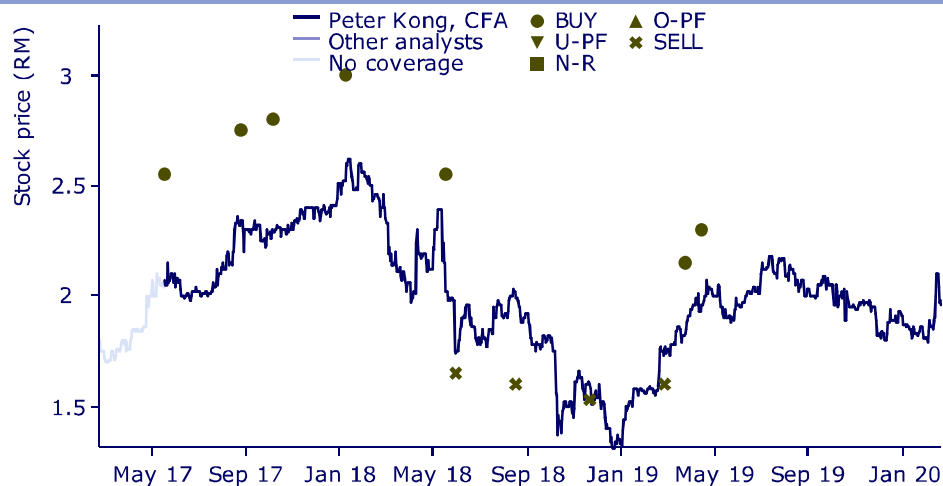
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 AQRS (AQRS MK - RM1.10 - BUY)
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 Gamuda (GAM MK - RM4.04 - BUY)
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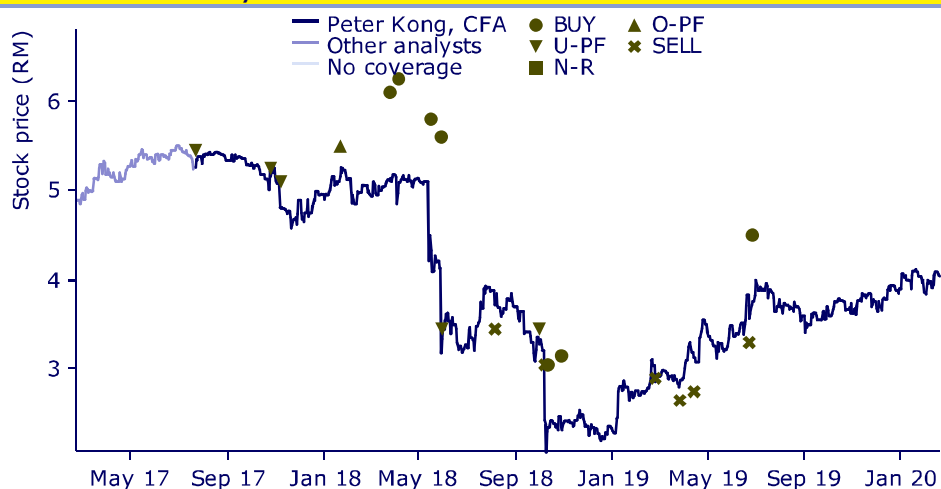
Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
15 Apr 2019	BUY	2.30	18 May 2018	BUY	2.55
25 Mar 2019	BUY	2.15	08 Jan 2018	BUY	3.00
26 Feb 2019	SELL	1.60	06 Oct 2017	BUY	2.80
21 Nov 2018	SELL	1.53	25 Aug 2017	BUY	2.75
17 Aug 2018	SELL	1.60	18 May 2017	BUY	2.55
31 May 2018	SELL	1.65			

Source: CLSA

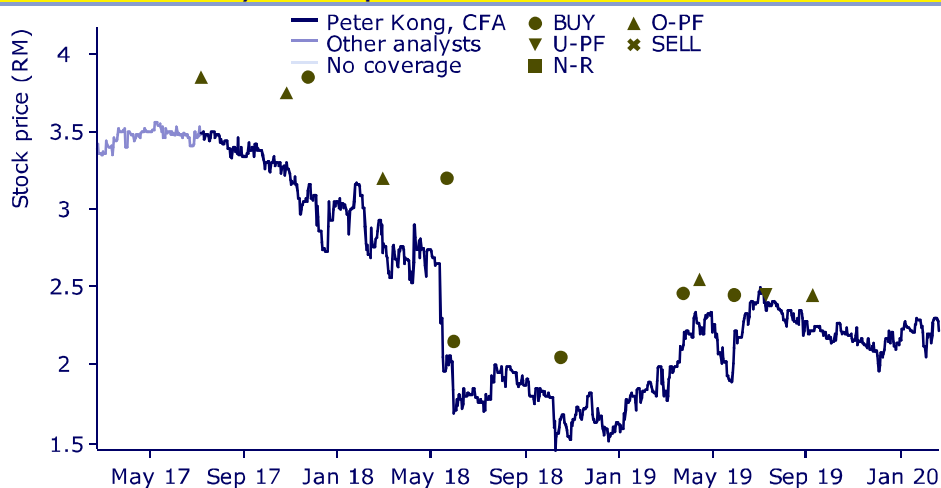
Recommendation history of Gamuda Bhd GAM MK



Date	Rec	Target	Date	Rec	Target
28 Jun 2019	BUY	4.50	31 May 2018	U-PF	3.45
24 Jun 2019	SELL	3.30	30 May 2018	BUY	5.60
15 Apr 2019	SELL	2.75	17 May 2018	BUY	5.80
28 Mar 2019	SELL	2.65	06 Apr 2018	BUY	6.25
25 Feb 2019	SELL	2.90	26 Mar 2018	BUY	6.10
29 Oct 2018	BUY	3.15	22 Jan 2018	O-PF	5.50
12 Oct 2018	BUY	3.05	08 Nov 2017	U-PF	5.10
08 Oct 2018	SELL	3.05	26 Oct 2017	U-PF	5.25
01 Oct 2018	U-PF	3.45	23 Jul 2017	U-PF	5.45
06 Aug 2018	SELL	3.45			

Source: CLSA

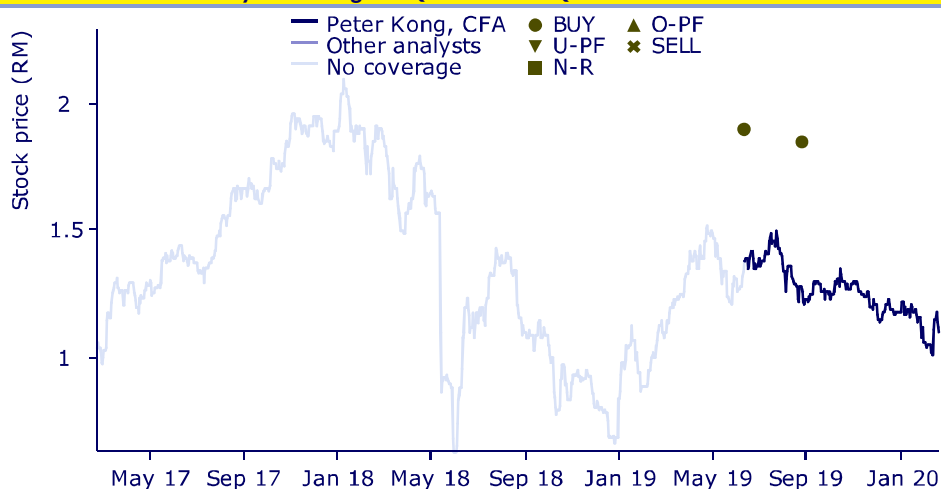
Recommendation history of IJM Corp Bhd IJM MK



Date	Rec	Target	Date	Rec	Target
09 Sep 2019	O-PF	2.45	31 May 2018	BUY	2.15
10 Jul 2019	U-PF	2.45	22 May 2018	BUY	3.20
30 May 2019	BUY	2.45	28 Feb 2018	O-PF	3.20
15 Apr 2019	O-PF	2.55	23 Nov 2017	BUY	3.85
25 Mar 2019	BUY	2.46	26 Oct 2017	O-PF	3.75
17 Oct 2018	BUY	2.05	07 Jul 2017	O-PF	3.85

Source: CLSA

Recommendation history of Gabungan AQRs Berhad AQRs MK



Date	Rec	Target	Date	Rec	Target
26 Aug 2019	BUY	1.85	12 Jun 2019	BUY	1.90

Source: CLSA

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