



Sunway Construction Group Berhad

Q4 2018 Results Review Pack

25 February 2019



SUNWAY[®]
CONSTRUCTION

4Q 2018 HIGHLIGHTS

New order

FYE 18 = 1.6b (80% Int : 20% Ext)

Target 19 =1.5b (Secured 0.78b – TNB[^])

Active Tender O/S = 6b

Outstanding Order Book

@ Dec 2018 : 5.2b (after TNB[^] : 6.0b)

Turnover improved YTD YoY by 8.7%:

FYE 2018 : 2,257m (2017 : 2,076m)

PBT improved by 8.5%

FYE 2018 : 183m (2017* : 169m)

Total dividend for FYE 2018 : 7 cents

Payout >60% of PATMI

Short Term Prospect : Vying for construction of Sunway Berhad's balance 3 hospital expansion and external mixed development

Medium Term [2020 and beyond] : ASEAN expansion – Myanmar and India

SunCon is able to sustain/cushion through the momentary review of major infrastructure projects locally through in-house, existing order book and our future ventures overseas

[^] Proposed construction of TNB Campus, Bangsar Kuala Lumpur secured on 19 Feb 2019

** Restated after taking into effect retrospectively MFRS 9 impact*

Overview of Key Performance Highlights



RM mil	Unaudited Q4 FY 2018 Oct-Dec 18	Unaudited Q3 FY 2018 Jul-Sept 18	Unaudited Q2 FY 2018 April-Jun 18	Unaudited Q1 FY 2018 Jan-Mar 18	Unaudited YTD 2018 Jan-Dec 18	Unaudited Q4 FY 2017 Oct-Dec 17	Unaudited Q3 FY 2017 Jul-Sept 17	Unaudited Q2 FY 2017 April-Jun 17	Unaudited Q1 FY 2017 Jan-Mar 17	RESTATED YTD 2017 Jan-Dec 17
Revenue	626.0	557.2	544.3	529.2	2,256.7	748.2	491.3	417.3	419.5	2,076.3
PBT	47.3	46.9	45.2	43.7	183.0	41.3	42.2	41.9	43.3	168.7
PBT Margin	7.6%	8.4%	8.3%	8.3%	8.1%	5.5%	8.6%	10.0%	10.3%	8.1%
PATMI	36.6	36.4	35.9	35.9	144.7	28.9	33.7	35.9	33.8	132.3
PATMI Margin	5.8%	6.5%	6.6%	6.8%	6.4%	3.9%	6.9%	8.6%	8.1%	6.4%
EPS * (sen)	2.82	2.82	2.78	2.77	11.19	2.24	2.61	2.78	2.61	10.24

RM mil Unaudited	Q4 FY 2018		Q3 FY 2018		Q2 FY 2018		Q1 FY 2018		YTD 2018		Q4 FY 2017		Q3 FY 2017		Q2 FY 2017		Q1 FY 2017		YTD 2017	
	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI
Profit as Announced	47.3	36.6	46.9	36.4	45.2	35.9	43.7	35.9	183.0	144.7	41.3	28.9	42.2	33.7	41.9	35.9	43.3	33.8	168.7	132.3
Special Items:																				
Assets Write (back)/off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Disposal (gain)/loss	(0.2)	(0.2)	0.1	0.1	(0.1)	(0.1)	(1.0)	(1.0)	(1.3)	(1.3)	(0.1)	(0.1)	(0.7)	(0.7)	(0.2)	(0.2)	0.1	0.1	(0.9)	(0.9)
Impairment (reversal)/prov	2.5	2.5	2.5	2.5	(0.3)	(0.3)	-	-	4.7	4.7	(1.0)	(1.0)	2.8	2.8	(4.7)	(4.7)	3.8	3.8	0.9	0.9
Write off (gain)/loss	3.7	3.7	(1.5)	(1.5)	0.3	0.3	-	-	2.5	2.5	(0.5)	(0.5)	2.1	2.1	(0.1)	(0.1)	0.1	0.1	1.6	1.6
Foreign exchange (gain)/loss	(1.0)	(1.0)	0.1	0.1	0.1	0.1	0.3	0.3	(0.5)	(0.5)	0.7	0.7	(0.0)	(0.0)	(0.1)	(0.1)	(0.7)	(0.7)	(0.1)	(0.1)
Translation (gain)/loss on foreign branches	-	-	-	-	-	-	-	-	-	-	(3.5)	(3.5)							(3.5)	(3.5)
Accretion of financial (assets)/liabilities	2.7	2.7	0.8	0.8	1.1	1.1	-	-	4.6	4.6	2.9	2.9	-	-	-	-	-	-	2.9	2.9
Arbitration (gain)/loss**	(0.5)	(0.5)	(0.1)	(0.1)	(1.8)	(1.8)	(1.8)	(1.8)	(4.2)	(4.2)	-	-	-	-	(2.9)	(2.9)	(3.2)	(3.2)	(6.1)	(6.1)
Profit (Net of Special Items)	54.4	43.7	48.7	38.3	44.5	35.2	41.3	33.4	188.9	150.6	39.8	27.4	46.4	37.9	33.8	27.8	43.5	34.0	163.5	127.2

Balance Sheet and Gearing

RM'mil	Financial Period Ended 31-12-18 (Unaudited)	Financial Year Ended 31-12-17 RESTATED
Non-current Assets	215	158
Current Assets	1,597	1,718
Total Assets	1,812	1,876
Current Liabilities	1,123	1,325
Non-current Liabilities	97	7
Total Liabilities	1,220	1,332
Shareholders' Funds	591	543
Non-Controlling Interests	1	1
Total Equity	593	544
Total Equity & Liabilities	1,812	1,876
Total Bank Borrowings	114	135
Cash & Placement Funds	485	487
Net Gearing Ratio	Net Cash	Net Cash
Share Capital	259	259
Net Assets Per Share	0.46	0.42
Issued & Paid-up Share Cap	1,292.2	1,292.2

Construction Segmental Review (1/3)

<u>Construction</u>	<u>Q4 2018</u>	<u>Q3 2018</u>	<u>Q2 2018</u>	<u>Q1 2018</u>	<u>YTD 4Q18</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>	<u>YTD 4Q17</u>
Revenue	595.3	524.1	511.6	492.1	2,123.1	721.8	471.7	387.2	350.7	1,931.4
PBT	50.2	48.8	43.0	40.1	182.1	38.3	39.8	35.6	27.5	141.2
PBT Margin	8.4%	9.3%	8.4%	8.1%	8.6%	5.3%	8.4%	9.2%	7.8%	7.3%

- **Turnover**

YoY → Construction segment reported revenue of RM595.3 million and profit before tax of RM50.2 million compared to revenue of RM721.7 million and profit before tax of RM38.1 million in the corresponding quarter of the preceding financial year. The lower revenue in current quarter was due to completing project in the building division namely Putrajaya Parcel F project which will be handed over in the 1st quarter 2019 .

- **PBT**

YoY → Profit margin in this current quarter ended performed better due to finalisation of account of a project.

- **Risk**

On the risk aspect, the average price of steel bar prices has dropped by approximately 20% this year with closing price of RM2,160 per tonne. Ready mixed concrete price also saw a decline of approximately 5% for the year. We expect raw material cost to be soft for the coming year and this should result in more competitive pricing.

- **Cashflow**

Net cash generated from operating activities for the year ended 31 December 2018 stood at RM189.0 million compared to RM62.8 million recorded in the corresponding preceding financial year. The increase is from the improvement in collection mainly from collection of milestone payment, bullet payment and advance money collected during the said year.

Construction Segmental Review (2/3)

- **Prospect**

SunCon secured RM1.6 billion new orders for the year ended 2018. For year ending 2019, we are targeting RM1.5 billion new orders. To-date we have bagged RM781 million new order which comprise of the proposed TNB Campus, Bangsar Kuala Lumpur. With this new award, our outstanding order book now stands at RM6 billion.

Malaysia's gross domestic product (GDP) expanded at 4.7% in fourth quarter 2018 (3Q : 4.4%) resulting in an annual growth for 2018 at 4.7% (2017 : 5.9%) with the construction sector seeing a decline in fourth quarter growth of 2.6% compared to 4.6% in third quarter 2018. Construction registered a lower growth in fourth quarter 2018 as the civil engineering sector was impacted by delays in highway construction. As announced in Budget 2019 presentation on the 2 November 2018, Malaysia will be revising downwards our projected GDP growth rate from the previously announced 5.0-5.5% to 4.7% in 2018 and 4.9% in 2019 against the backdrop of an increasingly challenging external environment. At the construction front, there have been various decisions by the Government to reduce cost, to cancel and to put on hold certain mega projects as an on-going effort for debt rationalisation. Despite this, there are still pockets of opportunity in Malaysia with the Large Scale Solar 3 (LSS3) project worth about RM2 billion, development of hospitals by JKR worth RM29 billion and the Subang Aerotech Park by Khazanah.

Construction Segmental Review (3/3)

- Prospect (Contd)

The total project cost for LRT 3 is RM16.6 billion as mentioned during the Budget 2019 speech which is a 47% reduction from the earlier cost of RM 31.45 billion. During the current quarter, our LRT 3 Package GS 0708 from Kawasan 17 to Sri Andalas was progressing albeit at a slower pace as certain works could not proceed due to the on-going review to redesign the 6 stations in our alignment. We do not know the impact of this cost review to our contract yet but we expect to get clarity from our client soon. As for our KVMRT V201 project from Sg Buloh to Persiaran Dagang, our client MMC Gamuda has confirmed that the above ground works will continue and hence this project will progress as planned albeit with some reduction to those scope relating to the stations.

SunCon will be mitigating the anticipated slowdown in the local construction growth from our proposed overseas expansion in the ASEAN region coupled with in-house projects by our holding company, Sunway Berhad. Our parent company is now on an aggressive stance to expand its medical centre and developing its Penang and Seberang Jaya land bank.

Despite the subdued mood surrounding the construction sector, we are confident in SunCon's prospects for year ending 2019.

Precast Concrete Segmental Review (1/2)



<u>Precast</u>	<u>Q4 2018</u>	<u>Q3 2018</u>	<u>Q2 2018</u>	<u>Q1 2018</u>	<u>YTD 4Q18</u>	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>	<u>YTD 4Q17</u>
Revenue	30.7	33.2	32.7	37.1	133.7	26.4	19.6	30.1	68.8	144.9
PBT	(2.9)	(1.9)	2.2	3.6	1.0	3.0	2.4	6.3	15.8	27.5
PBT Margin	-9.4%	-5.6%	6.7%	9.7%	0.8%	11.5%	12.2%	20.9%	23.0%	19.0%

- **Turnover.**

YoY → Precast segment reported revenue of RM30.7 million and loss before tax of RM2.9 million compared to revenue of RM26.4 million and profit before tax of RM3.0 million in the corresponding quarter of the preceding financial year. Revenue recorded for the current quarter was higher due to present work schedule for on-going jobs.

- **PBT**

YoY → Precast made a loss for the current quarter as the current projects are yielding low margin, absence of final account, as well as management fees paid to parent company this current quarter.

Precast Concrete Segmental Review (2/2)

- Prospect

Singapore's GDP growth in fourth quarter 2018 is estimated at 2.2% (3Q : 2.6%; 2Q 2018 : 4.1%, 2017 : 3.6%, 2016 : 2.4%) with construction sector having a negative growth of -2.2% (3Q : -3.1%; 2Q 2018 : -4.2%, 2017: -8.4%, 2016: 0.2%). Our precast unit which predominantly operates in Singapore should be resilient due to its healthy outstanding order which stands at RM286 million (refer to appendix 1). The Housing and Development Board (HDB) reported that a total of 15,811 units of flats have been launched up to November 2018 (2017 : 17,593; 2016 : 17,891) and for FYE 2019, HDB will launch about 15,000 new flats, in which, they have launched 3,739 flats in the first exercise. A wide selection of flats will be offered across mature and non-mature estates, including Sengkang, Jurong West and Kallang Whampoa, to meet the diverse housing needs of Singaporeans. Our new order book to date obtained under precast amounted to only RM229 million (2017 : RM163 million). For year ending 2019, this segment will continue to have margin pressure due to low margin jobs secured earlier. Newer projects secured in FYE 2018 have better pricing but will only start contributing to the earnings of SunCon one year later.

Outstanding Order Book : 6.0b



As at Dec 2018 (RM mil)	Completion	Contract Sum	O/S Orderbook	
Building			433	8%
Putrajaya Parcel F	1Q 2019	1,610	170	
PPA1M Kota Bharu	1Q 2020	582	180	
Nippon Express	4Q 2019	70	48	
GDC (Plant 2)	3Q 2019	14	14	
Others		487	21	
Infrastructure/Piling			2,530	49%
MRT V201 + S201	2Q 2021	1,213	459	
BBCC Piling Works	4Q 2018	88	-	
LRT 3 : Package GS07-08	2Q 2021	2,178	1,969	
Others		87	3	
Piling works	Various	128	99	
Internal			1,971	38%
Velocity Medical Centre	2Q 2019	185	32	
SMC 4	4Q 2019	512	439	
Emerald Residences	4Q 2018	175	15	
Big Box - Iskandar	4Q 2019	170	74	
Sunway Serene	4Q 2020	449	339	
Velo 2	4Q 2021	352	352	
3C4	2Q 2021	100	99	
Sunway GEOLake	1Q 2021	223	177	
Carnival Mall Ext	4Q 2020	286	256	
SMC Seberang Jaya	4Q 2020	180	167	
Velocity Ecodeck	4Q 2018	11	10	
M&E works	4Q 2018	30	11	
Singapore			286	5%
Precast	Various	331	53	
New Order 2018		229	233	
Grand Total @ Dec 2018		9,688	5,219	
TNB HQ Campus		781	781	
Outstanding order book to-date		10,469	6,001	
Red : Secured in 2018		1,553	1,418	
Blue : Secured in 2019		781	781	

New Order Book Secured : 2018

Projects (2018 new awards)	Client	Duration	Contract Sum (RM'mil)
Sunway Medical Centre Seberang Jaya SMCSJ - Phase 1	Alliance Parade Sdn Bhd	31 months	180
Sunway Carnival 2 Extension, Seberang Perai, Penang - PDP contract	Sunway REITS Mgmt Sdn Bhd	32 months	286
Sunway GEOLake 44 storey residential tower at Sunway South Quay. 44 storey/420 units with 44 units of 3 storey townhouse including facility floor and 3 basement carpark	Sunway South Quay Sdn Bhd	36 months	223
Others - Inhouse	Sunway Group of Co	12 months	56
Precast	Various		129
Piling works	Various		75
Grand Total till 30 Sept 2018			949
SUKE CA1 - piling works	ACRE WORKS	9 months	53
Sunway Velocity TWO- 2 blocks of serviced residence and 1 office block	Sunway Velocity TWO Sdn Bhd	37 months	352
Precast - Yishun N4C18 (969 units)	Sono Thong Construction		59
Precast - Tao Payoh N1C25 (425 units) HDB	Newcon Builders Pte Ltd	21 months	39
Sunway Velocity - 22 Floor : 3 floors of Commercial Area, 8 floors of Office Area, 11 floors of Service Apartments, Pedestrian Decks and 4 floors of Basement Carpark	Sunway Integrated Properties Sdn Bhd	30 months	100
Secured up to 31 Dec 2018			1,553

New Order Book Secured : 2019 (To-date)

Projects (2019 new awards)	Client	Duration	Contract Sum (RM'mil)
TNB HQ Campus Development (Phase 2)	TENAGA NASIONAL BERHAD	26 months	781

Target NEW order book for FYE 2019 : RM 1.5b

New order 2018 : 1.6b, 2017 : 4.0b, 2016 : 2.7b, 2015 : 2.6b, 2014 : 0.8b, 2013 : 2.9b, 2012 : 1.9b

**Outstanding Order book 2018 : 5.2b, 2017 : 6.6b, 2016 : 4.8b, 2015 : 3.8b,
2014 : 3.0b, 2013 : 3.2b, 2012 : 4.1b**

Parcel F, Putrajaya



MRT V201 Sg Buloh to Persiaran Dagang

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Sri Damansara East (SDE) Station



MRT V201 Sg Buloh to Persiaran Dagang

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Damansara Damai Main Station



Sunway Velocity Medical Centre

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Sunway Big Box, Iskandar Johor

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Thank You

SUNWAY CONSTRUCTION GROUP BERHAD (Company No. 1108506-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Level 8, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan
Malaysia

Tel. No.: (603) 5639 9696

Fax. No.: (603) 5639 9530

Email: irsuncongroup@sunway.com.my

Website: www.sunwayconstruction.com.my

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