Record revenue target

Sunway Construction (SunCon) expects better performance in FY17 with a revenue target of RM2bn based on its current order book of RM4.8bn. It also targets to replenish its order book by securing at least RM2bn of new contracts in 2017. It has secured an RM449m building job from parent Sunway. SunCon remains a top market and sector BUY, with an RM2.00 TP based on a 10% discount to RNAV.

Large order book provides good earnings visibility

SunCon secured RM2.66bn of new contracts in 2016 to increase its outstanding order book to RM4.8bn at end-2016. An approved variation order for its ongoing KLCC project will likely lift 4Q16 earnings. Earnings visibility is good as its current order book/FY15 revenue is 2.7x and it is targeting revenue of RM2bn in FY17. Our revised RM2.1bn revenue forecast for FY17, which is higher than guidance, assumes RM2bn of new contracts to be secured and start contributing to revenue this year.

Target to replenish order book in 2017

SunCon is targeting to secure at least RM2bn worth of new contracts in 2017 from planned bids on the LRT Line 3 plus KLCC traffic improvement and in-house building jobs from parent Sunway. It has secured an RM449m contract to build two condominium blocks in Kelana Jaya for Sunway. SunCon is also interested in bidding on the KL-Klang Bus Rapid Transit (BRT) project with an indicated cost of RM1.5bn in Budget 2015.

Good precast concrete contract flow

SunCon is also bidding on contracts worth about RM200m to supply precast concrete products to the Singapore Housing Development Board (HDB) this year. If secured, we estimate it would increase the current precast concrete order book of RM245m and sustain annual segment revenue of RM240-250m.

Fine-tuning earnings

We cut our EPS forecasts by 13% for FY16 and 4% for FY17-18 to reflect lower EBIT margins for the precast concrete division due to rising competition. We believe SunCon's current ex-cash FY17E PER of 10x is attractive, considering strong core EPS growth of 42% yoy. SunCon remains our top sector BUY. Potential re-rating catalyst: if SunCon is again included on the Shariah-compliant securities list in May. Key risks: public infrastructure project implementation delays and cost overruns.

Earnings & Valuation Summary

FYE 31 Dec	2015	2016E	2017E	2018E	2019E
Revenue (RMm)	1,916.9	1,683.3	2,117.4	2,313.5	2,432.0
EBITDA (RMm)	187.3	187.2	244.6	273.9	271.6
Pretax profit (RMm)	140.8	159.7	209.3	239.7	238.5
Net profit (RMm)	127.2	124.7	162.7	181.6	180.7
EPS (sen)	9.8	9.6	12.6	14.0	14.0
PER (x)	17.4	17.7	13.6	12.2	12.2
Core net profit (RMm)	136.2	114.9	162.7	181.6	180.7
Core EPS (sen)	10.5	8.9	12.6	14.0	14.0
Core EPS growth (%)	0.7	(15.7)	41.6	11.6	(0.5)
Core PER (x)	16.2	19.2	13.6	12.2	12.2
Net DPS (sen)	4.0	5.5	6.5	7.0	7.0
Dividend Yield (%)	2.3	3.2	3.8	4.1	4.1
EV/EBITDA (x)	10.0	9.6	6.9	5.7	5.2
Chg in EPS (%)		(12.8)	(4.1)	(3.5)	New
Affin/Consensus (x)		1.0	1.1	1.1	NA

Source: Company, Affin Hwang forecasts, Bloomberg

Company Update

Sunway Construction

SCGB MK
Sector: Construction

RM1.71 @ 8 February 2017

BUY (maintain)

Upside 17%

Price Target: RM2.00

Previous Target: RM2.00

Price Performance

	1M	3M	12M
Absolute	+1.2%	+3.6%	+22.1%
Rel to KLCI	+0.4%	+2.1%	+20.3%

Stock Data

Issued shares (m)	1,292.9
Mkt cap (RMm)/(US$m)	2210.9/498
Avg daily vol - 6mth (m)	1.7
52-wk range (RM)	1.36-1.78
Est free float	34.8%
BV per share (RM)	0.35
P/BV (x)	4.90
Net cash/ (debt) (RMm) (3Q16)	330.79
ROE (2016F)	26.1%
Derivatives	Nil
Shariah Compliant	No

Key Shareholder

Sunway Bhd	54.4%
Tan Sri Jeffrey Cheah	10.1%
Amanah Mutual	4.6%

Source: Affin Hwang, Bloomberg

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New contracts increase order book

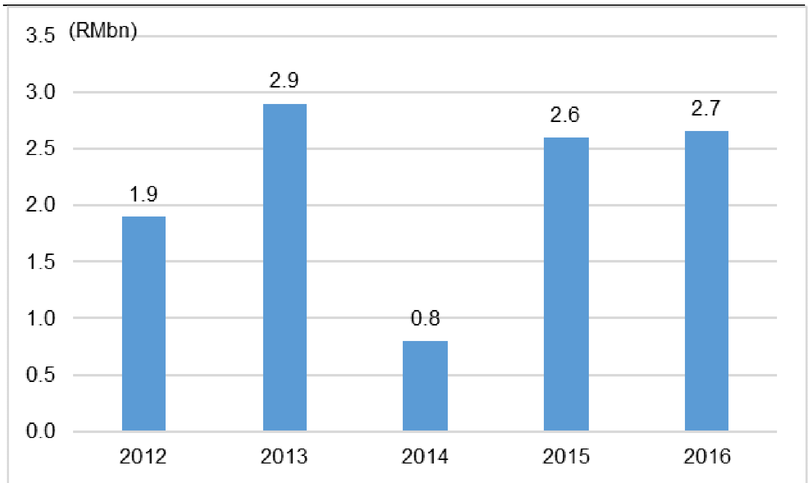
SunCon clinched RM2.66bn worth of new contracts in 2016, matching the RM2.61bn secured in 2015. The large contracts secured include the RM1.21bn MRT Line 2 Package V201 (Sungai Buloh-Persiaran Dagang stretch), RM428m Sunway Medical Centre Phases 4 and 5, and RM268m for The International School of Kuala Lumpur (ISKL) projects.

Fig 1: New contracts secured in 2016

Project	Contract value (RMm)
MRT Line 2 Package V201 (Sg Buloh - Persiaran Dagang)	1,213
Velocity Link Bridge	20
MRT Spurline (pilling)	12
Casa Kiara 3 (pilling)	19
Sunway Medical Centre Phase 4 & 5	428
Sunway Velocity Medical Center	185
Sunway Velocity Hotel + Office	101
HUKM - MEP works	66
RC8 (pilling)	10
ISKL new school	268
Iskandar Commercial Complex	100
M3 - 88 units of shoplots in Iskandar Malaysia	57
MRT Line 2 Package V201 - Advance work	53
Precast concrete	115
Others	10
Total	**2,657**

Source: Company

Fig 2: Annual new contracts secured



Source: Company

Large order book

Outstanding orders increased to RM4.8bn as at 30 September 2016 from RM3.7bn as at end-2015. This has improved earnings visibility, with a current order book/FY15 revenue of 2.7x. In-house projects from parent Sunway comprise 27% of its outstanding contract value. In our view, better profitability for design and build (D&B) projects, which comprise 43% of its outstanding order book as at 30 September 2016, should support profit margin expansion in FY17-18.

Fig 3: Construction order book as at 30 September 2016

Project	Contract value (RMm)	Outstanding value (RMm)
Infrastructure		
MRT Package V4 (Sec 17 to Semantan)	1,173	47
MRT V201 (Sg Buloh - Persiaran Dagang)	1,213	1181
MRT V201 - Advance Works	53	53
	2439	**1281**
Johor		
Coastal Highway Southern Link	170	46
	170	**46**
Others		
Putrajaya Parcel F	1,610	1,252
KLCC NEC	646	274
HUKM (MEP works)	66	66
International School of Kuala Lumpur (ISKL)	268	268
Others	92	17
	2,682	**1,877**
Internal		
Sunway Velocity 2 Mall + Link Bridge	370	33
Sunway Velocity Hotel + Office	113	47
Sunway Velocity Medical Centre	185	156
Sunway Geo Retail Shops & Flexi Suites	153	22
Sunway Medical Centre 3 (Sub&Superstructure)	167	51
Sunway Medical Centre (2 towers)	428	398
Sunway Iskandar - Citrine Swc Apt	213	54
Sunway Geo Retail Shops & Flexi Suites Phase 2	244	174
Sunway Iskandar - Emerald Residences	175	146
Sunway Iskandar - 88 units shoplots	57	57
Sunway Iskandar - Retail Complex	100	100
Others	232	51
	2,437	**1,289**
Singapore		
Precast	878	305
Grand total	**8,606**	**4,798**

Source: Company

Targeting at least RM2bn of new contracts this year

SunCon is targeting to secure at least RM2bn worth of new contracts, and 22% of its target would be achieved once the RM449m contract to build 2 condominium blocks in Kelana Jaya for Sunway is finalised. Sunway has planned launches worth RM2bn in 2017 (compared to RM0.65bn in 2016). In-house construction works could generate about RM600m worth of contracts for SunCon this year.

It also plans to bid on external jobs such as the LRT Line 3 elevated via-ducts and station packages worth about RM600-700m, and has submitted a bid for the KLCC traffic improvement project, which includes tunnels and associated works at the Persiaran KLCC/Lorong Kuda Intersection and Lorong Kuda, worth about RM200-300m.

Interested in Bus Rapid Transit project

In addition, it is interested in bidding on the RM1.5bn KL-Klang BRT project, on which the government has called for Requests for Proposal by May 2017. SunCon is looking to participate in the ground improvement under its piling division, and mechanical, electrical and plumbing (MEP) work for the Gemas-Johor Bahru Double Tracking, KL-Singapore High Speed Rail and East Coast Rail Line projects.

Good prospects for precast concrete supply contracts

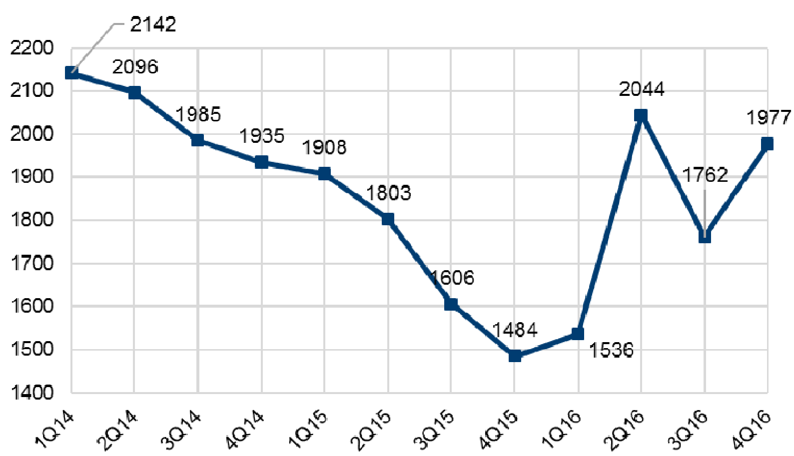
The HDB started construction on 17,890 units of HDB flats in 2016 and is targeting to launch 17,000 units in 2017, which should sustain healthy contract flow for precast concrete components. SunCon is bidding on supply contracts for HDB flats worth RM200m in 2017. If successful, this would exceed the RM115m worth of contracts secured in 2016.

Key risks

SunCon faces rising competition from other precast concrete suppliers in Singapore. But its plan to expand its Senai Plant by another 4 lines from the current 5 lines would almost double its capacity in 2017. This would facilitate the closing down of its high-cost plant in Singapore and boost its price competitiveness, in our view.

Rising material and labour costs are also key challenges faced by SunCon. But SunCon has hedged against rising steel bar prices for six months pursuant to its regular practise. The company has also fixed the cost of direct labour (600 foreign workers) and will factor in the new levy cost of RM1,850 p.a. (up from RM1,250 p.a.) for new contract tenders. The government has deferred its plan to impose levies on employers instead of the current practise of charging foreign workers to 2018 from 2017 initially, allowing contractors to factor in the higher cost in new contract tenders.

Fig 4: Local average steel bar prices (RM)



Source: Company

4Q16 results expected to be in line

We expect SunCon to report better earnings yoy in 4Q16, as new projects secured are not expected to contribute significantly while existing projects are at the tail end. We cut our FY16 EPS forecast by 13% to reflect lower revenue and earnings for the precast concrete division due to stiff price competition. We now forecast net profit of RM33.2m (+7% qoq) in 4Q16 compared to RM31.1m in 3Q16. Our new FY16 net profit forecast of RM124.7m is 3% below the consensus estimate of RM129m. We expect final results to be announced on 23 February and be within expectations (±5% of forecasts).

Fig 5: Quarterly results summary

FYE 31 Dec (RMm)	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	% QoQ	% YoY
Revenue	**496.1**	**500.2**	**450.3**	**470.3**	**424.4**	**430.3**	**381.1**	***(11.4)***	***(15.4)***
Op costs	(444.2)	(446.7)	(413.2)	(425.8)	(379.9)	(382.9)	(330.3)	*(13.7)*	*(20.1)*
EBITDA	**51.8**	**53.5**	**37.1**	**44.5**	**44.5**	**47.4**	**50.8**	***7.1***	***36.8***
EBITDA margin (%)	*10.4*	*10.7*	*8.2*	*9.5*	*10.5*	*11.0*	*13.3*	*2.3ppt*	*5.1ppt*
Depreciation	(9.9)	(9.5)	(9.2)	(13.3)	(9.8)	(9.7)	(9.9)	*2.9*	*8.1*
EBIT	**41.9**	**44.1**	**27.9**	**31.1**	**34.6**	**37.7**	**40.8**	***8.1***	***46.3***
Interest income	1.5	1.5	2.7	2.4	2.8	1.9	3.3	*73.2*	*22.5*
Interest expense	(1.1)	(1.2)	(0.8)	(0.5)	(0.7)	(1.4)	(2.4)	*76.7*	*215.3*
Associates	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	*NA*	*NA*
Forex gain (losses)	(2.1)	(0.6)	1.4	(1.7)	0.2	(0.7)	0.2	*NA*	*(87.2)*
Exceptional items	(0.6)	(2.2)	(1.1)	(1.9)	0.5	0.5	(1.4)	*NA*	*32.3*
Pretax profit	**39.6**	**41.6**	**30.1**	**29.4**	**37.5**	**38.1**	**40.4**	***6.0***	***34.0***
Core pretax	**42.3**	**44.4**	**29.8**	**33.0**	**36.8**	**38.3**	**41.7**	***8.9***	***39.8***
Tax	(5.2)	(3.8)	(4.9)	(1.0)	(8.5)	(6.8)	(9.1)	*34.0*	*84.2*
Tax rate (%)	*13.2*	*9.1*	*16.4*	*3.3*	*22.6*	*17.9*	*22.6*	*4.7ppt*	*6.1ppt*
Minority interests	(0.0)	0.0	(0.5)	(1.0)	(0.0)	(0.0)	(0.1)	*222.2*	*(68.7)*
Net profit	**34.4**	**37.8**	**24.7**	**27.4**	**29.0**	**31.3**	**31.1**	***(0.4)***	***25.9***
Core net profit	**37.1**	**40.6**	**24.4**	**31.0**	**28.3**	**31.4**	**32.4**	***3.1***	***32.9***
EPS (sen)	2.7	2.9	2.0	2.3	2.3	2.4	2.4	*(0.4)*	*21.7*

Source: Company, Affin Hwang

Fine-tuning earnings forecasts

We fine-tune our earnings forecasts to reflect higher construction EBIT margins (7.9-8.4%) but lower precast concrete EBIT margins (20.2-20.9%) in FY17-18E. The net effect is a 4% reduction in EPS forecasts in FY17-18. We expect higher progress billings for its substantial order book, variation order claims for the KLCC basement works and MRT Line 1 V4 Package project, and value engineering for Putrajaya Buildings Parcel F to boost earnings in FY17. We also introduce our FY19 estimates, expecting flat earnings yoy as the order book is expected to peak in FY17-18. We maintain our RM2.00 target price, based on a 10% discount to RNAV.

Fig 6: Segmental revenue and EBIT breakdown and margins

Year to 31 Dec	FY14	FY15	FY15	FY15	FY15
Revenue	**1,880.7**	**1,916.9**	**1,683.3**	**2,117.4**	**2,306.6**
- Construction	1,624.9	1,664.0	1,422.9	1,865.7	2,072.2
- Precast concrete	254.6	252.8	260.5	251.7	234.5
- Others	1.2	0.0	0.0	0.0	0.0
EBIT	**130.6**	**145.4**	**150.4**	**204.0**	**223.0**
- Construction	18.6	59.2	94.6	151.4	174.1
- Precast concrete	100.0	77.1	55.8	52.6	49.0
- Others	12.0	9.1	0.0	0.0	0.0
EBIT margin (%)	**6.9**	**7.6**	**8.9**	**9.6**	**9.7**
- Construction	1.1	3.6	6.6	8.1	8.4
- Precast concrete	39.3	30.5	21.4	20.9	20.9

Source: Company, Affin Hwang

Fig 7: RNAV and target price

Segments	Stake (%)	RNAV (RMm)
Construction @ PE 14x avg earnings of RM132m	100	1,848
Pre-cast concrete @ PE 14x avg earnings of RM50m	100	700
Net cash/(debt)		331
RNAV		**2,879**
No. of shares (m shrs)		1,293
RNAV/share (RM)		**2.23**
Target price at 10% discount to RNAV/share		**2.00**

Source: Company, Affin Hwang

Valuation looks attractive

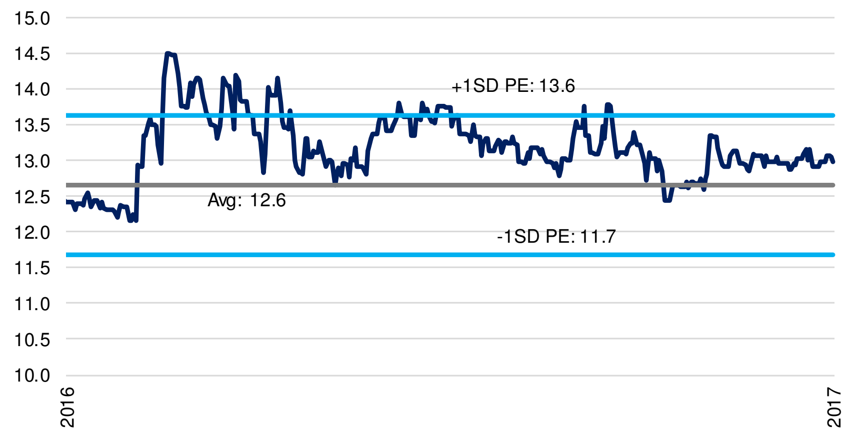
SunCon's current FY17E PER of about 13x looks attractive relative to the Construction Sector weighted-average PER of 19x. SunCon's FY17E core EPS growth of 42% yoy is higher than sector average of 13%. Current ex-cash FY17E PER looks more attractive at 10x. SunCon remains our top sector BUY given that it provides a pure construction/precast concrete exposure. Its strong net cash of RM331m or RM0.26/share should allow the company to maintain a high dividend payout (our assumption is 50% of net profit), which we think provides an attractive FY17E net yield of 3.8%.

Fig 8: Malaysian construction sector peer comparison

Stock	Bbg	Rating	Sh Pr (RM)	TP (RM)	Mkt cap (RMbn)	Core PER (x) CY16E	Core PER (x) CY17E	Core EPS gr (%) CY16E	Core EPS gr (%) CY17E	P/BV (x) CY17E	ROE (%) CY17E	DY (%) CY17E
IJM Corp	IJM MK	BUY	3.41	3.57	12.3	22.0	21.2	(7.7)	3.5	1.2	6.4	2.7
Gamuda	GAM MK	BUY	4.93	5.70	12.0	21.1	18.7	(10.4)	12.9	1.7	9.4	2.4
MRCB	MRC MK	BUY	1.54	1.50	3.3	42.2	25.0	(80.3)	68.6	1.2	2.4	1.6
WCT Hldgs	WCTHG MK	BUY	1.86	2.13	2.3	22.3	15.7	(56.5)	42.2	0.9	4.5	3.2
SunCon	SCGB MK	BUY	1.71	2.00	2.2	19.2	13.6	(9.1)	41.6	4.4	24.0	3.8
Eversendai	EVSD MK	BUY	0.72	0.67	0.6	8.5	7.4	3.6	14.6	0.6	6.5	0.7
Benalec	BHB MK	HOLD	0.50	0.40	0.4	20.4	16.0	55.2	28.0	0.7	3.5	3.0
Gab AQRS	AQRS MK	BUY	0.99	1.24	0.4	21.7	12.5	NA	73.0	1.1	6.1	0.0
Wgt avg						**21.8**	**19.2**	**(18.7)**	**13.2**	**1.3**	**6.5**	**2.3**

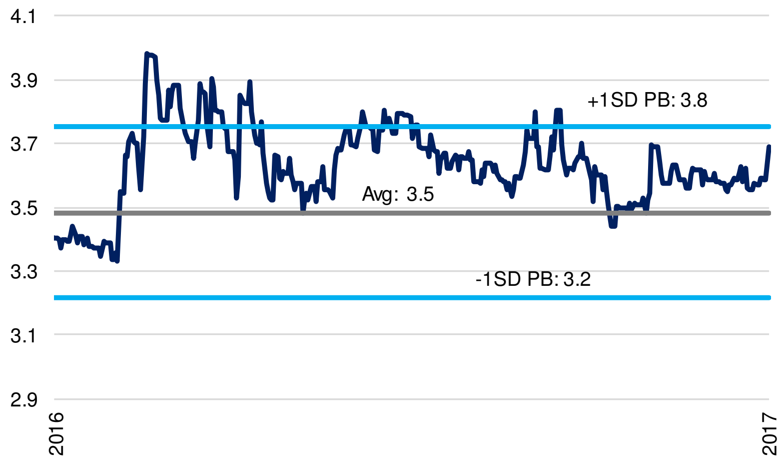
Source: Bloomberg, Affin Hwang; prices as of 8 Feb 2017

Fig 9: SunCon 12-month forward PER bands



Source: Bloomberg, Affin Hwang

Fig 10: SunCon 12-month forward Price/Book bands



Source: Bloomberg, Affin Hwang

Potential catalyst from inclusion on Shariah-compliant securities list

SunCon was removed from the approved Shariah-compliant securities list last year due to breaching the limit on interest income from conventional deposits and financial instruments (more than 5% of PBT). We understand that SunCon has addressed the problem by placing deposits in Shariah-compliant accounts and instruments.

The company plans to submit its audited FY16 accounts to the Securities Commission's Shariah Advisory Council in May 2017 for inclusion back onto the Shariah-compliant securities list. We think this is a potential catalyst for the stock as Shariah-compliant institutional investors would be able to invest in SunCon's shares post-inclusion.

Sunway Construction - FINANCIAL SUMMARY

Profit & Loss Statement

FYE 31 Dec (RMm)	2015	2016E	2017E	2018E	2019E
Revenue	**1,916.9**	**1,683.3**	**2,117.4**	**2,306.6**	**2,414.7**
Operating expenses	(1,729.6)	(1,488.5)	(1,866.5)	(2,034.2)	(2,146.7)
EBITDA	**187.3**	**194.8**	**250.9**	**272.4**	**268.0**
Depreciation	(41.9)	(44.4)	(46.9)	(49.4)	(51.9)
EBIT	**145.4**	**150.4**	**204.0**	**223.0**	**216.1**
Net int income/(expense)	4.5	8.9	12.2	15.9	19.4
Associates' contribution	(0.1)	0.0	0.0	0.0	0.0
Forex gain/(loss)	(2.9)	(0.3)	0.0	0.0	0.0
Exceptional gain/(loss)	(6.2)	10.0	0.0	0.0	0.0
Pretax profit	**140.8**	**169.1**	**216.2**	**238.9**	**235.6**
Tax	(13.0)	(25.5)	(47.6)	(57.3)	(56.5)
Minority interest	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Net profit	**127.2**	**143.1**	**168.0**	**181.0**	**178.5**

Balance Sheet Statement

FYE 31 Dec (RMm)	2015	2016E	2017E	2018E	2019E
Fixed assets	162.5	168.1	171.2	171.8	169.8
Other long term assets	17.7	17.7	17.7	17.7	17.7
Total non-current assets	**180.2**	**185.8**	**188.9**	**189.4**	**187.5**
Cash and equivalents	468.5	567.6	660.5	760.1	882.5
Stocks	17.3	15.6	25.8	19.3	27.9
Debtors	684.7	524.5	764.5	639.7	830.3
Other current assets	164.5	164.5	164.5	164.5	164.5
Total current assets	**1,334.9**	**1,272.3**	**1,615.2**	**1,583.6**	**1,905.1**
Creditors	658.0	494.5	746.3	605.4	809.7
Short term borrowings	136.8	136.8	109.5	87.6	70.1
Other current liabilities	264.5	298.3	335.4	376.1	420.4
Total current liabilities	**1,059.4**	**929.7**	**1,191.2**	**1,069.1**	**1,300.1**
Long term borrowings	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	4.1	4.1	4.1	4.1	4.1
Total long term liabilities	**4.1**	**4.1**	**4.1**	**4.1**	**4.1**
Shareholders' Funds	**451.0**	**523.0**	**607.1**	**697.6**	**785.5**
Minority interests	**0.6**	**1.2**	**1.8**	**2.4**	**2.9**

Cash Flow Statement

FYE 31 Dec (RMm)	2015	2016E	2017E	2018E	2019E
EBIT	145.4	150.4	204.0	223.0	216.1
Depreciation & amortisation	41.9	44.4	46.9	49.4	51.9
Working capital changes	111.7	(1.6)	1.7	(9.7)	5.2
Cash tax paid	(29.6)	(25.5)	(47.6)	(57.3)	(56.5)
Others	(33.4)	43.6	37.0	40.7	44.3
Cashflow from operation	**236.0**	**211.3**	**242.1**	**246.1**	**261.0**
Capex	(24.3)	(50.0)	(50.0)	(50.0)	(50.0)
Disposal/(purchases)	(40.2)	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	**(64.5)**	**(50.0)**	**(50.0)**	**(50.0)**	**(50.0)**
Debt raised/(repaid)	1.6	0.0	(27.4)	(21.9)	(17.5)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Net interest income/(exp)	4.5	8.9	12.2	15.9	19.4
Dividends paid	(70.0)	(71.1)	(84.0)	(90.5)	(90.5)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from financing	**(63.8)**	**(62.2)**	**(99.2)**	**(96.5)**	**(88.6)**
Free Cash Flow	**211.7**	**161.3**	**192.1**	**196.1**	**211.0**

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2015	2016E	2017E	2018E	2019E
Growth					
Revenue (%)	1.9	(12.2)	25.8	8.9	4.7
EBITDA (%)	8.7	4.0	28.8	8.6	(1.6)
Core net profit (%)	0.7	(2.1)	26.0	7.7	(1.4)
Profitability					
EBITDA margin (%)	9.8	11.6	11.9	11.8	11.1
PBT margin (%)	7.3	10.0	10.2	10.4	9.8
Net profit margin (%)	6.6	8.5	7.9	7.8	7.4
Effective tax rate (%)	9.2	15.0	22.0	24.0	24.0
ROA (%)	4.2	4.5	4.9	4.8	4.4
Core ROE (%)	32.8	27.4	29.7	27.7	24.1
ROCE (%)	84.7	142.1	275.1	550.4	(22733.3)
Dividend payout ratio (%)	40.7	49.7	50.0	50.0	50.7
Liquidity					
Current ratio (x)	1.3	1.4	1.4	1.5	1.5
Op. cash flow (RMm)	236.0	211.3	242.1	246.1	261.0
Free cashflow (RMm)	211.7	161.3	192.1	196.1	211.0
FCF/share (sen)	16.4	12.5	14.9	15.2	16.3
Asset management					
Debtors turnover (days)	130.4	113.7	131.8	101.2	125.5
Stock turnover (days)	3.3	3.4	4.4	3.1	4.2
Creditors turnover (days)	125.3	107.2	128.7	95.8	122.4
Capital structure					
Net gearing (%)	(73.5)	(82.4)	(90.8)	(96.4)	(103.4)
Interest cover (x)	53.4	NA	NA	NA	NA

Quarterly Profit & Loss

FYE 31 Dec (RMm)	3Q15	4Q15	1Q16	2Q16	3Q16
Revenue	**450.3**	**470.3**	**424.4**	**430.3**	**381.1**
Operating expenses	(413.2)	(425.8)	(379.9)	(382.9)	(330.3)
EBITDA	**37.1**	**44.5**	**44.5**	**47.4**	**50.8**
Depreciation	(9.2)	(13.3)	(9.8)	(9.7)	(9.9)
EBIT	**27.9**	**31.1**	**34.6**	**37.7**	**40.8**
Net int income/(expense)	1.9	1.8	2.1	0.5	0.8
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Forex gain/(loss)	1.4	(1.7)	0.2	(0.7)	0.2
Exceptional items	(1.1)	(1.9)	0.5	0.5	(1.4)
Pretax profit	**30.1**	**29.4**	**37.5**	**38.1**	**40.4**
Tax	(4.9)	(1.0)	(8.5)	(6.8)	(9.1)
Minority interest	(0.5)	(1.0)	(0.0)	(0.0)	(0.1)
Net profit	**24.7**	**27.4**	**29.0**	**31.3**	**31.1**
Core net profit	**24.4**	**31.0**	**28.3**	**31.4**	**32.4**
Margins (%)					
EBITDA	8.2	9.5	10.5	11.0	13.3
PBT	6.7	6.3	8.8	8.9	10.6
Net profit	5.5	5.8	6.8	7.3	8.2

Equity Rating Structure and Definitions

BUY	*Total return is expected to exceed +10% over a 12-month period*
HOLD	*Total return is expected to be between -5% and +10% over a 12-month period*
SELL	*Total return is expected to be below -5% over a 12-month period*
NOT RATED	*Affin Hwang Investment Bank Berhad does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation*

The total expected return is defined as the percentage upside/downside to our target price plus the net dividend yield over the next 12 months.

OVERWEIGHT	*Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months*
NEUTRAL	*Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months*
UNDERWEIGHT	*Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months*

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