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## Malaysia Infrastructure

Reuters SCOG.KL  
Bloomberg SCGB MK

Priced on 20 May 2021  
KLSE Comp @ 1,575.3

12M hi/lo RM2.00/1.51

12M price target RM1.95  
±% potential +16%

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

Market cap US\$523m

3M ADV US\$0.3m

Foreign s'holding 3.2%

#### Major shareholders

Sunway Berhad 54.4%  
Sungei Way Corp Sdn Bhd 10.1%

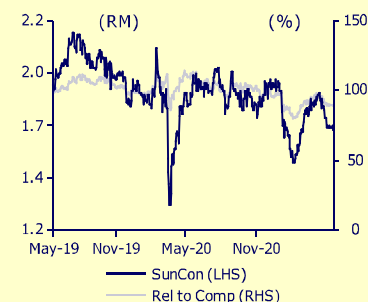
#### Blended ESG Score (%)\*

Overall 75.9  
Country average 70.4  
GEM sector average 71.4

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

#### Stock performance (%)

	1M	3M	12M
Absolute	(8.7)	5.0	(13.4)
Relative	(6.8)	5.6	(21.1)
Abs (US\$)	(9.0)	2.4	(9.0)



Source: Bloomberg

## Environment and execution

### Execution on track though external environment introduces risk

Some lost time on construction work in 1Q21 and a weaker-than-expected margin (6.0%) contributed to a miss of our forecast with SunCon's PATMI at RM20.2m (+24% YoY/-33% QoQ). There are potential headwinds from economic stop-starts and a steel price jump. Amid a price decline of 11% YTD (KLCON: -9% YTD), SunCon, which continues to see an internal job roll-out, provides favourable risk-reward with large projects such as the MRT3 on the horizon, in our view. Adjusting for our margin estimates, mainly due to our earnings changes, sees us lower our target price from RM2.18 to RM1.95 on an unchanged 15.4x PE on 21CL; this maps to an O-PF rating (previously BUY).

### Projects on track but some level of stop-start risk in pre-cast segment

SunCon's revenue in 1Q21 (+24.4% YoY, low base) was affected by lost time (c.2 weeks) due to ensuring SOP compliance for workers housing. Nevertheless, construction revenue rose 28% YoY, counting on the TNB campus and Petronas centre, underlining good execution locally. MRT2 was also handed over, while LRT3 progressed is beyond 60%. Looking ahead, one of its India highways reached financial close, with construction starting in 2H21 not seen as impeded. The recovery of the pre-cast segment will see it maintain c.RM4m profit for a second quarter, at a c.10% margin. However, worker shortages in Singapore ([link to news](#)) could weigh on its delivery momentum near term, despite encouraging orders (RM185m YTD).

### Parent support remains clear and visible

New wins YTD clocked in at RM452m, of which 57% are internal jobs, helped it maintain a flattish order book of RM5.0bn QoQ. The parent's property pipeline in Klang Valley is an opportunity for SunCon in Bandar Sunway, while new hospital launches are still on the cards. Excluding internal jobs, it has RM7bn in tenders, half of which are overseas in Singapore, India, the Philippines (piling work), and should help SunCon deliver on its order book target (21CL: RM2.2bn).

### Relatively insulated on steel though could also be impinged

Hedging for steel insulates it from price jumps though this may still have an impact in 2H21 (hedges for six months). Its construction margin dipped QoQ from 6.1% (core) to 5.6% on the flow-through of jobs with lower profitability/lesser scope for value engineering variety. Adjusting for c.1ppt to a c.6%-7% margin explains our earnings cut.

### Downgrade from BUY to O-PF

With some of the negatives priced-in (-11% YTD), we remain fans of SunCon. Risks include a restrictive lockdown on construction work, which is not our base case.

#### Financials

Year to 31 December	19A	20A	21CL	22CL	23CL
Revenue (RMm)	1,769	1,553	2,253	2,730	2,775
Rev forecast change (%)	-	-	(16.3)	0.0	4.1
Net profit (RMm)	129	73	132	151	148
NP forecast change (%)	-	-	(22.7)	(15.1)	(13.2)
EPS (sen)	10.0	5.6	10.2	11.7	11.4
CL/consensus (13) (EPS%)	-	-	100	102	89
EPS growth (% YoY)	(1.5)	(43.7)	81.3	14.7	(2.2)
PE (x)	16.8	29.8	16.5	14.3	14.7
Dividend yield (%)	4.2	2.4	3.6	4.2	5.4
ROE (%)	21.3	11.6	19.8	20.8	19.1
Net debt/equity (%)	(65.0)	(53.1)	(10.1)	(7.7)	(12.0)

Source: www.cls.com

## Financials at a glance

Year to 31 December	2019A	2020A	2021CL	(% YoY)	2022CL	2023CL
<b>Profit &amp; Loss (RMm)</b>						
Revenue	1,769	1,553	2,253	45.1	2,730	2,775
Cogs (ex-D&A)	(1,587)	(1,429)	(2,033)		(2,481)	(2,524)
<b>Gross Profit (ex-D&amp;A)</b>	<b>181</b>	<b>124</b>	<b>220</b>	<b>77.3</b>	<b>249</b>	<b>250</b>
SG&A and other expenses	-	-	-		-	-
<b>Op Ebitda</b>	<b>181</b>	<b>124</b>	<b>220</b>	<b>77.3</b>	<b>249</b>	<b>250</b>
Depreciation/amortisation	(40)	(33)	(51)		(56)	(61)
<b>Op Ebit</b>	<b>141</b>	<b>91</b>	<b>169</b>	<b>86.2</b>	<b>193</b>	<b>189</b>
Net interest inc/(exp)	12	10	7	(36.5)	5	5
Other non-Op items	4	0	0	0	0	0
<b>Profit before tax</b>	<b>157</b>	<b>101</b>	<b>175</b>	<b>73.4</b>	<b>198</b>	<b>194</b>
Taxation	(27)	(28)	(37)		(40)	(39)
<b>Profit after tax</b>	<b>130</b>	<b>73</b>	<b>138</b>	<b>88.9</b>	<b>158</b>	<b>155</b>
Minority interest	(1)	(1)	(7)		(7)	(7)
<b>Net profit</b>	<b>129</b>	<b>73</b>	<b>132</b>	<b>81.3</b>	<b>151</b>	<b>148</b>
<b>Adjusted profit</b>	<b>129</b>	<b>73</b>	<b>132</b>	<b>81.3</b>	<b>151</b>	<b>148</b>
<b>Cashflow (RMm)</b>						
<b>Operating profit</b>	<b>141</b>	<b>91</b>	<b>169</b>	<b>86.2</b>	<b>193</b>	<b>189</b>
Depreciation/amortisation	40	33	51	53.3	56	61
Working capital changes	28	(29)	(323)		(81)	(7)
Other items	(51)	(23)	(37)		(40)	(39)
<b>Net operating cashflow</b>	<b>158</b>	<b>72</b>	<b>(140)</b>		<b>128</b>	<b>205</b>
Capital expenditure	(5)	0	(50)		(50)	(50)
<b>Free cashflow</b>	<b>154</b>	<b>72</b>	<b>(190)</b>		<b>78</b>	<b>155</b>
M&A/Others	(21)	17	16	(8)	14	14
<b>Net investing cashflow</b>	<b>(26)</b>	<b>17</b>	<b>(34)</b>		<b>(36)</b>	<b>(36)</b>
Increase in loans	162	(85)	200		-	-
Dividends	(91)	(62)	(81)		(95)	(122)
Net equity raised/other	-	-	-		0	0
<b>Net financing cashflow</b>	<b>72</b>	<b>(147)</b>	<b>119</b>		<b>(95)</b>	<b>(122)</b>
Incr/(decr) in net cash	204	(58)	(55)		(2)	47
Exch rate movements	6	4	(13)		(15)	(9)
<b>Balance sheet (RMm)</b>						
Cash & equivalents	693	640	572	(10.7)	561	598
Accounts receivable	818	1,048	1,235	17.8	1,496	1,520
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
<b>Total assets</b>	<b>1,905</b>	<b>1,906</b>	<b>2,033</b>	<b>6.7</b>	<b>2,284</b>	<b>2,342</b>
Short-term debt	233	234	234	0	234	234
Accounts payable	885	955	819	(14.3)	999	1,017
Other current liabs	2	6	6	0	6	6
Long-term debt/CBs	53	67	267	297.6	267	267
Provisions/other LT liabs	107	6	6	0	6	6
Shareholder funds	623	637	694	9	758	791
Minorities/other equity	2	2	8	383.1	15	22
<b>Total liabs &amp; equity</b>	<b>1,905</b>	<b>1,906</b>	<b>2,033</b>	<b>6.7</b>	<b>2,284</b>	<b>2,342</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	(21.6)	(12.2)	45.1		21.2	1.6
Ebitda margin (%)	10.2	8.0	9.8		9.1	9.0
Ebit margin (%)	8.0	5.8	7.5		7.1	6.8
Net profit growth (%)	(1.5)	(43.7)	81.3		14.7	(2.2)
Op cashflow growth (% YoY)	(0.7)	(54.3)	(293.2)		nm	59.3
Capex/sales (%)	0.3	0.0	2.2		1.8	1.8
Net debt/equity (%)	(65.0)	(53.1)	(10.1)		(7.7)	(12.0)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	21.3	11.6	19.8		20.8	19.1
ROIC (%)	42.4	24.6	31.6		24.5	22.6

Source: www.clsa.com

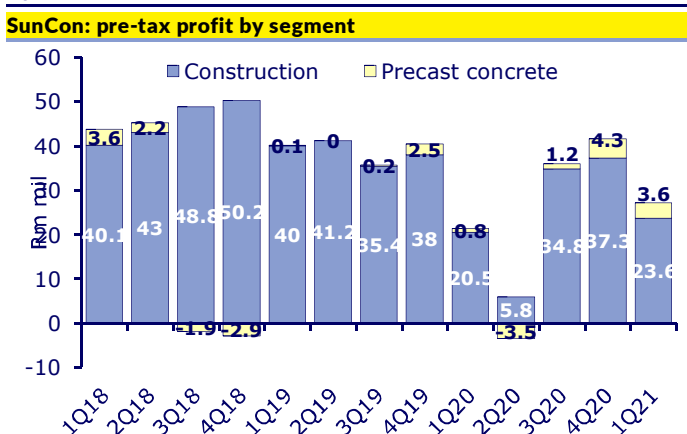
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Figure 1

SunCon: financials					
FYE 31 Dec (RM m)	1Q21	1Q20	YoY % Chg	4Q20	QoQ % Chg
Revenue	455.2	365.8	24%	627.2	(27%)
Operating expenses	(432.3)	(349.4)	24%	(600.7)	(28%)
Other income	3.2	2.2	43%	12.2	(74%)
EBITDA	34.2	28.1	22%	46.7	(27%)
Depreciation	(8.1)	(9.0)	(10%)	(7.8)	4%
EBIT	26.1	19.1	37%	38.8	(33%)
Interest income	2.7	5.2	(48%)	3.0	(10%)
Interest expense	(1.6)	(2.7)	(41%)	(0.3)	373%
Pre-tax profit	27.2	21.6	26%	41.6	(34%)
Tax	(6.9)	(4.3)	61%	(11.5)	(40%)
Effective tax rate	25.5%	19.9%	28%	27.7%	(8%)
Minority interest	0.07	0.96	(92%)	(0.14)	(151%)
Net profit	20.2	16.4	24%	30.2	(33%)
EPS (sen)	1.57	1.27	24%	2.34	(33%)
EBIT margin	5.7%	5.2%		6.2%	
PBT margin	6.0%	5.9%		6.6%	

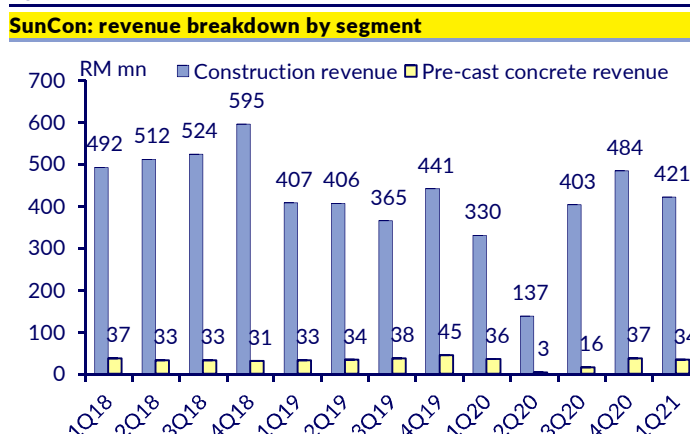
Source: CLSA, Company

Figure 2



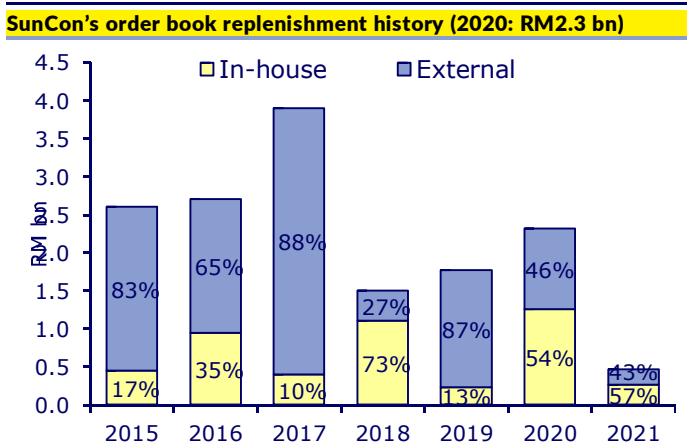
Source: CLSA, SunCon

Figure 3



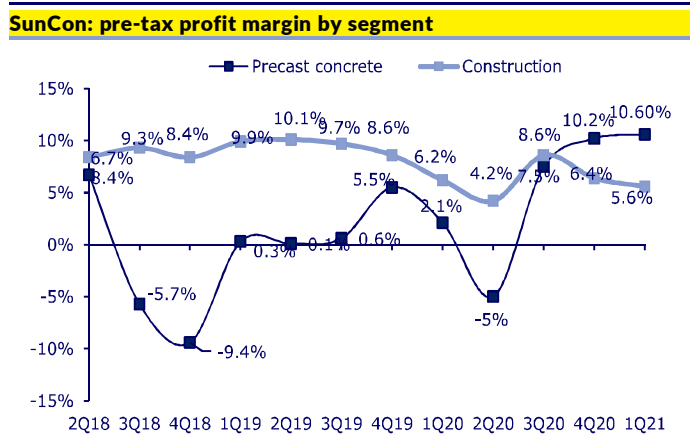
Source: CLSA, SunCon

Figure 4



Source: CLSA, SunCon

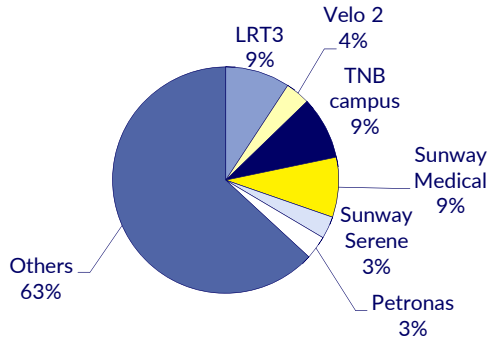
Figure 5



Source: CLSA, SunCon

Figure 6

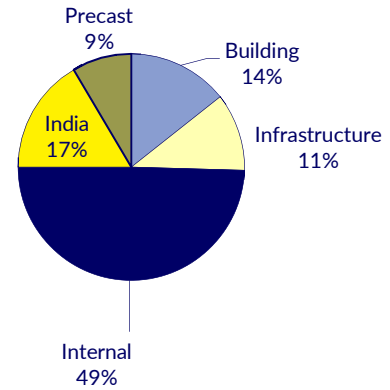
**Order book: outstanding by type (RM5.1 bn as at end-Sept)**



Source: CLSA, SunCon

Figure 7

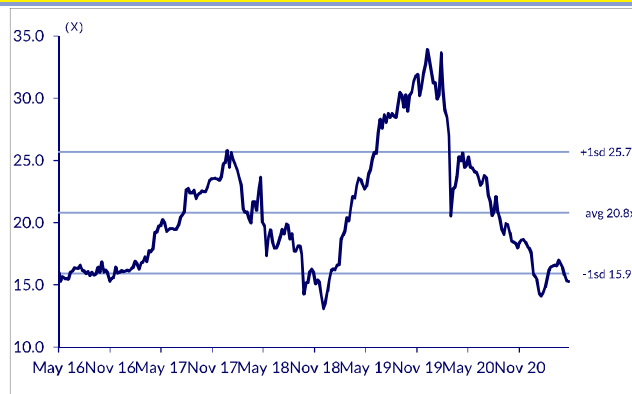
**Order book: outstanding by projects (RM5.1 bn as at end-Sept)**



Source: CLSA, SunCon

Figure 8

**SunCon: forward PE**



Source: CLSA, SunCon

Figure 9

**SunCon: valuation**

PE method of valuation	Remarks	Value (RM mil)
Earnings (22CL)		151.31
Multiple applied	15.4x or PE multiple at 1 sd above 3-year sector mean of 13x	15.40
<b>Total</b>		<b>2,330.17</b>
Number of shares (unit million)		1,293
Value per share (RM)		1.80
Net cash per share (RM)	50%	0.15
<b>Target price</b>		<b>1.95</b>

Source: CLSA

**Valuation details**

Our target price is derived from 15.4x 21CL 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	2,253	2,730	2,775
Cogs (ex-D&A)	(1,874)	(2,042)	(1,587)	(1,429)	(2,033)	(2,481)	(2,524)
<b>Gross Profit (ex-D&amp;A)</b>	<b>202</b>	<b>215</b>	<b>181</b>	<b>124</b>	<b>220</b>	<b>249</b>	<b>250</b>
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
<b>Op Ebitda</b>	<b>202</b>	<b>215</b>	<b>181</b>	<b>124</b>	<b>220</b>	<b>249</b>	<b>250</b>
Depreciation/amortisation	(37)	(53)	(40)	(33)	(51)	(56)	(61)
<b>Op Ebit</b>	<b>165</b>	<b>162</b>	<b>141</b>	<b>91</b>	<b>169</b>	<b>193</b>	<b>189</b>
Interest income	13	16	25	17	16	14	14
Interest expense	(6)	(8)	(13)	(7)	(9)	(9)	(9)
<b>Net interest inc/(exp)</b>	<b>7</b>	<b>8</b>	<b>12</b>	<b>10</b>	<b>7</b>	<b>5</b>	<b>5</b>
Associates/investments	-	-	4	0	0	0	0
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
<b>Profit before tax</b>	<b>172</b>	<b>170</b>	<b>157</b>	<b>101</b>	<b>175</b>	<b>198</b>	<b>194</b>
Taxation	(36)	(38)	(27)	(28)	(37)	(40)	(39)
<b>Profit after tax</b>	<b>136</b>	<b>132</b>	<b>130</b>	<b>73</b>	<b>138</b>	<b>158</b>	<b>155</b>
Preference dividends	-	-	-	-	-	-	-
<b>Profit for period</b>	<b>136</b>	<b>132</b>	<b>130</b>	<b>73</b>	<b>138</b>	<b>158</b>	<b>155</b>
Minority interest	0	0	(1)	(1)	(7)	(7)	(7)
<b>Net profit</b>	<b>136</b>	<b>131</b>	<b>129</b>	<b>73</b>	<b>132</b>	<b>151</b>	<b>148</b>
Extraordinaries/others	0	0	0	0	0	0	0
<b>Profit available to ordinary shares</b>	<b>136</b>	<b>131</b>	<b>129</b>	<b>73</b>	<b>132</b>	<b>151</b>	<b>148</b>
Dividends	(90)	(90)	(90)	(52)	(78)	(90)	(116)
<b>Retained profit</b>	<b>46</b>	<b>41</b>	<b>39</b>	<b>21</b>	<b>54</b>	<b>61</b>	<b>32</b>
<b>Adjusted profit</b>	<b>136</b>	<b>131</b>	<b>129</b>	<b>73</b>	<b>132</b>	<b>151</b>	<b>148</b>
EPS (sen)	10.5	10.2	10.0	5.6	10.2	11.7	11.4
Adj EPS [pre excep] (sen)	10.5	10.2	10.0	5.6	10.2	11.7	11.4
Core EPS (sen)	10.5	10.2	10.0	5.6	10.2	11.7	11.4
DPS (sen)	7.0	7.0	7.0	4.0	6.0	7.0	9.0

### Profit & loss ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	16.1	8.7	(21.6)	(12.2)	45.1	21.2	1.6
Ebitda growth (% YoY)	7.5	6.0	(15.5)	(31.6)	77.3	13.3	0.6
Ebit growth (% YoY)	10.5	(1.9)	(12.9)	(35.8)	86.2	14.3	(1.8)
Net profit growth (%)	10.1	(3.5)	(1.5)	(43.7)	81.3	14.7	(2.2)
EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	81.3	14.7	(2.2)
Adj EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	81.3	14.7	(2.2)
DPS growth (% YoY)	40.0	0.0	0.0	(42.9)	50.0	16.7	28.6
Core EPS growth (% YoY)	10.1	(3.5)	(1.5)	(43.7)	81.3	14.7	(2.2)
<b>Margins (%)</b>							
Gross margin (%)	9.7	9.5	10.2	8.0	9.8	9.1	9.0
Ebitda margin (%)	9.7	9.5	10.2	8.0	9.8	9.1	9.0
Ebit margin (%)	7.9	7.2	8.0	5.8	7.5	7.1	6.8
Net profit margin (%)	6.5	5.8	7.3	4.7	5.9	5.5	5.3
Core profit margin	6.5	5.8	7.3	4.7	5.9	5.5	5.3
Op cashflow margin	2.3	7.1	9.0	4.7	(6.2)	4.7	7.4
<b>Returns (%)</b>							
ROE (%)	26.0	22.9	21.3	11.6	19.8	20.8	19.1
ROA (%)	7.5	6.8	6.3	3.4	6.8	7.1	6.5
ROIC (%)	69.8	52.1	42.4	24.6	31.6	24.5	22.6
ROCE (%)	90.0	76.4	64.1	35.0	36.2	28.7	26.5
<b>Other key ratios (%)</b>							
Effective tax rate (%)	21.0	22.4	17.2	27.5	21.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	-	-	-	-
Dividend payout (%)	66.5	68.9	70.0	71.0	58.8	59.8	78.6

Source: www.clsa.com

## Balance sheet (RMm)

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Cash & equivalents	487	485	693	640	572	561	598
Accounts receivable	1,066	885	818	1,048	1,235	1,496	1,520
Inventories	24	30	25	34	0	0	0
Other current assets	151	198	174	20	20	32	44
<b>Current assets</b>	<b>1,729</b>	<b>1,597</b>	<b>1,710</b>	<b>1,742</b>	<b>1,826</b>	<b>2,089</b>	<b>2,163</b>
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
<b>Total assets</b>	<b>1,885</b>	<b>1,812</b>	<b>1,905</b>	<b>1,906</b>	<b>2,033</b>	<b>2,284</b>	<b>2,342</b>
Short term loans/OD	135	114	233	234	234	234	234
Accounts payable	1,184	995	885	955	819	999	1,017
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	5	14	1	4	4	4	4
Other current liabs	0	0	0	2	2	2	2
<b>Current liabilities</b>	<b>1,324</b>	<b>1,123</b>	<b>1,120</b>	<b>1,195</b>	<b>1,058</b>	<b>1,239</b>	<b>1,256</b>
Long-term debt/leases/other	-	-	53	67	267	267	267
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	6	97	107	6	6	6	6
<b>Total liabilities</b>	<b>1,331</b>	<b>1,220</b>	<b>1,280</b>	<b>1,267</b>	<b>1,331</b>	<b>1,512</b>	<b>1,529</b>
Share capital	259	259	259	259	259	259	259
Retained earnings	324	361	399	410	467	531	564
Reserves/others	(29)	(28)	(35)	(31)	(31)	(31)	(31)
<b>Shareholder funds</b>	<b>554</b>	<b>591</b>	<b>623</b>	<b>637</b>	<b>694</b>	<b>758</b>	<b>791</b>
Minorities/other equity	1	1	2	2	8	15	22
<b>Total equity</b>	<b>555</b>	<b>593</b>	<b>625</b>	<b>639</b>	<b>702</b>	<b>773</b>	<b>813</b>
<b>Total liabs &amp; equity</b>	<b>1,885</b>	<b>1,812</b>	<b>1,905</b>	<b>1,906</b>	<b>2,033</b>	<b>2,284</b>	<b>2,342</b>
Total debt	135	114	286	301	501	501	501
Net debt	(353)	(371)	(407)	(339)	(71)	(60)	(97)
Adjusted EV	1,820	1,757	1,719	1,785	2,060	2,078	2,047
BVPS (sen)	42.8	45.7	48.2	49.3	53.7	58.6	61.2

## Balance sheet ratios

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
<b>Key ratios</b>							
Current ratio (x)	1.3	1.4	1.5	1.5	1.7	1.7	1.7
Growth in total assets (% YoY)	18.0	(3.9)	5.1	0.1	6.7	12.3	2.5
Growth in capital employed (% YoY)	22.9	9.4	(1.2)	37.0	110.8	12.9	0.4
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	2.9	0.7	1.8	4.2	(3.6)	3.9	2.4
Gross debt to Ebitda (x)	0.7	0.5	1.6	2.4	2.3	2.0	2.0
Net debt/Ebitda (x)	-	-	-	-	-	-	-
<b>Gearing</b>							
Net debt/equity (%)	(63.5)	(62.7)	(65.0)	(53.1)	(10.1)	(7.7)	(12.0)
Gross debt/equity (%)	24.3	19.2	45.8	47.1	71.3	64.8	61.6
Interest cover (x)	29.3	21.4	12.6	15.6	19.7	22.1	21.7
Debt cover (x)	0.3	1.4	0.6	0.2	(0.3)	0.3	0.4
Net cash per share (sen)	27.3	28.7	31.5	26.2	5.5	4.6	7.5
<b>Working capital analysis</b>							
Inventory days	4.7	4.9	6.3	7.6	3.1	0.0	0.0
Debtor days	158.0	157.7	175.7	219.4	184.9	182.5	198.4
Creditor days	208.3	194.7	216.1	235.1	159.2	133.7	145.7
Working capital/Sales (%)	2.5	4.6	7.4	9.1	19.1	19.2	19.5
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	1,026.5	1,019.8	809.4	518.5	356.9	383.0	387.6
EV/Capital employed (%)	899.7	793.9	786.4	596.1	326.2	291.4	286.0
Working capital/Capital employed (%)	25.8	46.5	59.7	47.2	68.1	73.3	75.7
Fixed capital/Capital employed (%)	74.6	74.0	63.5	34.7	23.3	19.0	16.7
<b>Other ratios (%)</b>							
PB (x)	3.9	3.7	3.5	3.4	3.1	2.9	2.7
EV/Ebitda (x)	9.0	8.2	9.5	14.4	9.4	8.3	8.2
EV/OCF (x)	38.7	11.0	10.9	24.7	(14.7)	16.2	10.0
EV/FCF (x)	(238.9)	17.0	11.2	24.7	(10.9)	26.5	13.2
EV/Sales (x)	0.9	0.8	1.0	1.1	0.9	0.8	0.7
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
<b>Operating profit</b>	165	162	141	91	169	193	189
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)	(323)	(81)	(7)
Interest paid / other financial expenses	(6)	(8)	(13)	(6)	0	0	0
Tax paid	(37)	(37)	(38)	(29)	(37)	(40)	(39)
Other non-cash operating items	0	1	1	0	0	0	0
<b>Net operating cashflow</b>	47	159	158	72	(140)	128	205
Capital expenditure	(55)	(56)	(5)	0	(50)	(50)	(50)
<b>Free cashflow</b>	(8)	103	154	72	(190)	78	155
Acq/inv/disposals	89	26	(47)	-	-	-	-
Int, invt & associate div	13	(28)	25	17	16	14	14
<b>Net investing cashflow</b>	48	(58)	(26)	17	(34)	(36)	(36)
Increase in loans	(3)	(21)	162	(85)	200	-	-
Dividends	(71)	(97)	(91)	(62)	(81)	(95)	(122)
Net equity raised/others	0	-	-	-	-	0	0
<b>Net financing cashflow</b>	(74)	(118)	72	(147)	119	(95)	(122)
Incr/(decr) in net cash	21	(16)	204	(58)	(55)	(2)	47
Exch rate movements	1	13	6	4	(13)	(15)	(9)
<b>Opening cash</b>	465	487	484	693	640	578	561
<b>Closing cash</b>	487	484	693	640	572	561	598
OCF PS (sen)	3.6	12.3	12.3	5.6	(10.8)	9.9	15.8
FCF PS (sen)	(0.6)	8.0	11.9	5.6	(14.7)	6.1	12.0

## Cashflow ratio analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	(37.3)	238.7	(0.7)	(54.3)	(293.2)	nm	59.3
FCF growth (% YoY)	(113.6)	-	48.8	(52.9)	(362.4)	-	97.1
Capex growth (%)	187.6	2.7	(91.6)	(100.0)	-	0.0	0.0
<b>Other key ratios (%)</b>							
Capex/sales (%)	2.6	2.5	0.3	0.0	2.2	1.8	1.8
Capex/op cashflow (%)	116.2	35.2	3.0	0.0	(35.8)	38.9	24.4
Operating cashflow payout ratio (%)	192.2	56.7	57.1	71.5	-	70.4	56.8
Cashflow payout ratio (%)	192.2	56.7	57.1	71.5	-	70.4	56.8
Free cashflow payout ratio (%)	-	87.6	58.9	71.5	-	115.3	75.2

## DuPont analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit margin (%)	7.9	7.2	8.0	5.8	7.5	7.1	6.8
Asset turnover (x)	1.2	1.2	1.0	0.8	1.1	1.3	1.2
Interest burden (x)	1.0	1.0	1.1	1.1	1.0	1.0	1.0
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	6.8	7.1	6.5
Leverage (x)	3.3	3.2	3.1	3.0	2.9	2.9	2.9
ROE (%)	26.0	22.9	21.3	11.6	19.8	20.8	19.1

## EVA® analysis

Year to 31 December	2017A	2018A	2019A	2020A	2021CL	2022CL	2023CL
Ebit adj for tax	130	126	117	66	133	154	151
Average invested capital	187	241	275	266	422	628	671
ROIC (%)	69.8	52.1	42.4	24.6	31.6	24.5	22.6
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	19.5	12.4	10.5
EVA (RMm)	108	96	83	33	82	78	70

Source: www.clsa.com





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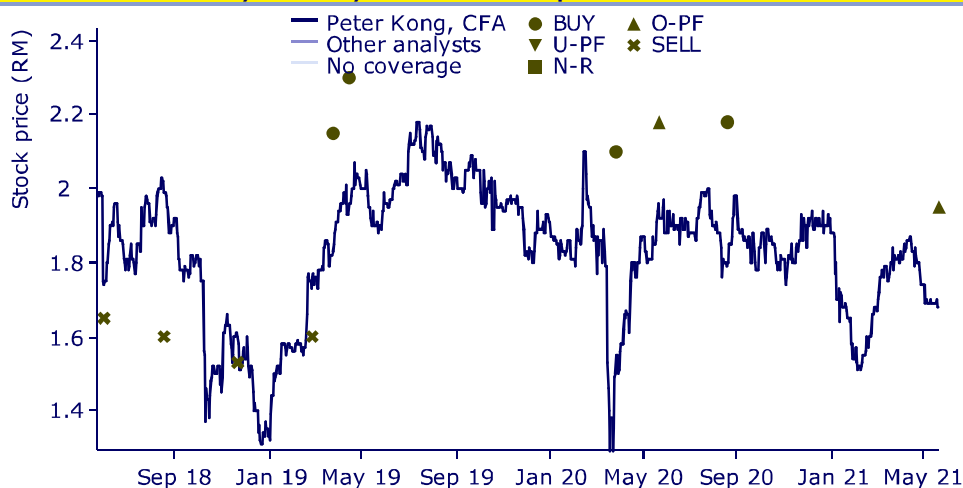
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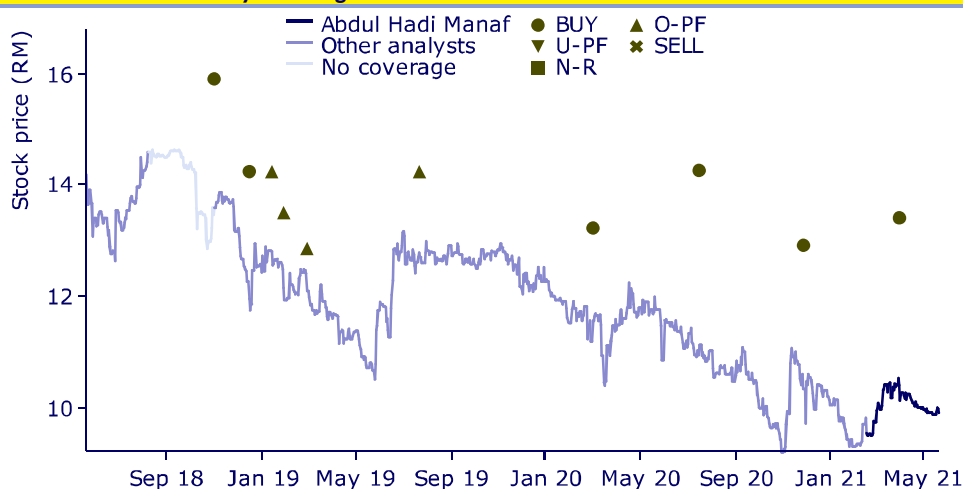
**Recommendation history of Sunway Construction Group Bhd SCGB MK**



Date	Rec	Target	Date	Rec	Target
LATEST	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	17 Aug 2018	SELL	1.60
15 Apr 2019	BUY	2.30	31 May 2018	SELL	1.65

Source: CLSA

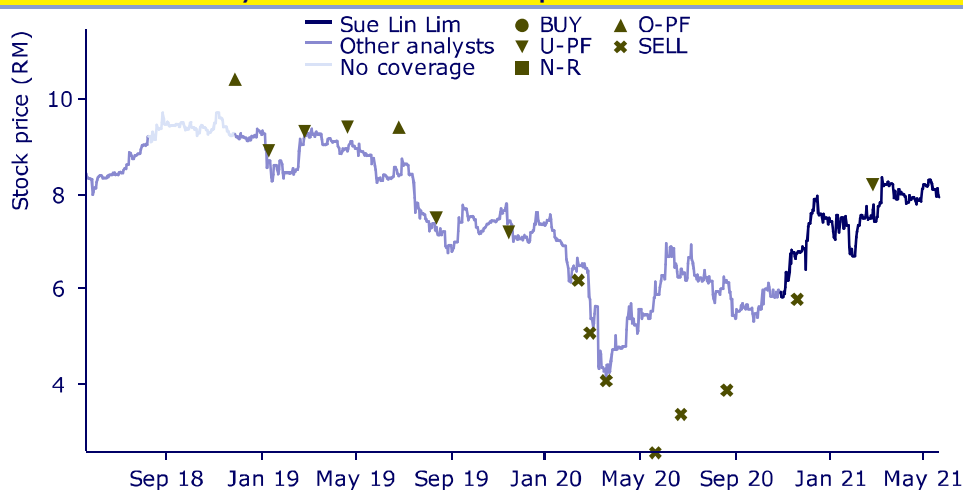
**Recommendation history of Tenaga Nasional Bhd TNB MK**



Date	Rec	Target	Date	Rec	Target
30 Mar 2021	BUY	13.40	30 Jan 2019	O-PF	13.50*
27 Nov 2020	BUY	12.91*	15 Jan 2019	O-PF	14.24*
16 Jul 2020	BUY	14.26*	17 Dec 2018	BUY	14.24*
02 Mar 2020	BUY	13.22*	02 Nov 2018	BUY	15.90*
23 Jul 2019	O-PF	14.24*	10 Aug 2018		Dropped Coverage
01 Mar 2019	O-PF	12.85*			

Source: CLSA; \* Adjusted for corporate action

**Recommendation history of Petronas Chemicals Group Bhd PCHEM MK**



Date	Rec	Target	Date	Rec	Target
24 Feb 2021	U-PF	8.20	15 Nov 2019	U-PF	7.20
19 Nov 2020	SELL	5.80	14 Aug 2019	U-PF	7.50
21 Aug 2020	SELL	3.90	27 Jun 2019	O-PF	9.40
23 Jun 2020	SELL	3.40	22 Apr 2019	U-PF	9.40
21 May 2020	SELL	2.60	26 Feb 2019	U-PF	9.30
19 Mar 2020	SELL	4.10	11 Jan 2019	U-PF	8.90
27 Feb 2020	SELL	5.10	29 Nov 2018	O-PF	10.40
12 Feb 2020	SELL	6.20	10 Aug 2018		Dropped Coverage

Source: CLSA

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