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22 May 2020

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 21 May 2020
KLSE Comp @ 1,452.1

12M hi/lo RM2.18/1.29

12M price target RM2.18
±% potential +11%

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

Market cap US\$581m

3M ADV US\$0.3m

Foreign s'holding 3.2%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

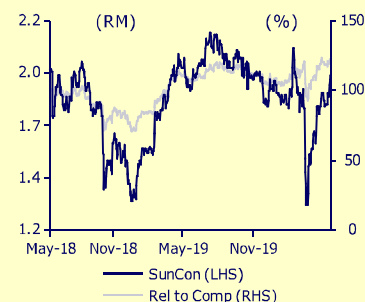
Blended ESG Score (%)*

Overall 73.9
Country average 68.7
GEM sector average 68.0

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

Stock performance (%)

	1M	3M	12M
Absolute	11.4	0.5	2.6
Relative	6.0	6.0	13.3
Abs (US\$)	12.6	(3.1)	(1.2)



Source: Bloomberg

Aftermath

Earnings strained by MCO though workflow to pick up in 2021

SunCon's Patmi in 1Q20 slumped 47% YoY, hampered by the two-week movement control order (MCO). The effect of the MCO is now gradually being lifted although the more-than-two-months of inactivity will dent its FY20 earnings which we adjust lower. We roll forward our earnings to FY21. Based on a 15.4x multiple we lift our target price from RM2.10 to RM2.18 (15 sen per share benefit to net cash). This implies a TSR of 14% and maps to an Outperform rating (previously BUY). We remain positive on SunCon's ability to clinch projects, thanks to its internal jobs, which helps justify its above-sector PE of 14.9x in FY21.

Bags internal award

After securing a highway project in India (RM508m) in March, SunCon also announced an internal job worth RM120m for its parent's Sunway International School in Subang, which comprises three blocks of teaching facilities. This highlights the strength in its ability to count on awards from its parent. Together with mechanical, electrical and plumbing work for the underground portion of MRT Line 2, total orders secured YTD come up to RM688m. Order book outstanding stood at RM5.4bn, equivalent to more than two years of revenue with 28% of these internal jobs. While there is some pressure to replenish work given only c.9% of its order-book expires after 2021, this also points to revenue acceleration in FY21.

Assessing the damage: conditions only likely to normalise in June

With net cash of RM360m, SunCon has strong liquidity. However hampered by the two-week MCO in March, turnover slumped 17% YoY, and its pre-tax profit margin slid to 5.8%. Given longer inactivity in 2Q20, with operations seen to normalise in June, we expect 2Q20 to sink into a loss. While there is some degree of flexibility to lower its cost of sales, its admin overhead is estimated at RM60m per quarter (average for 2019) which leads to an earnings cut of 55% for FY20CL. Its pre-cast concrete division also eked out a small gain, although we envisage some operating challenges due to the circuit breaker in Singapore which may normalise after June.

Tender book of RM7.3bn, with visibility on internal jobs

SunCon is eyeing some awards overseas (India, Singapore, Philippines and Myanmar), included its sizeable RM7.3bn tender book. We see SunCon as able to clinch RM2bn in orders in 2020. Internal replenishment potential continues to stream from integrated development projects in Klang Valley (such as Sunway Velocity Two and Sunway South QuaY) as well as hospital construction projects. A risk to this view would be slower launches of projects by its parent.

Financials

Year to 31 December	18A	19A	20CL	21CL	22CL
Revenue (RMm)	2,257	1,769	1,805	2,693	2,730
Rev forecast change (%)	-	-	(26.0)	0.0	0.0
Net profit (RMm)	131	129	74	170	178
NP forecast change (%)	-	-	(54.7)	0.0	0.0
EPS (sen)	10.2	10.0	5.8	13.2	13.7
CL/consensus (13) (EPS%)	-	-	54	107	122
EPS growth (% YoY)	(3.5)	(1.5)	(42.5)	128.7	4.4
PE (x)	19.3	19.6	34.1	14.9	14.3
Dividend yield (%)	3.6	3.6	2.0	4.6	4.6
ROE (%)	22.9	21.3	11.7	25.2	24.2
Net debt/equity (%)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)

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	1,805	2.1	2,693	2,730
Cogs (ex-D&A)	(2,042)	(1,587)	(1,672)		(2,426)	(2,452)
Gross Profit (ex-D&A)	215	181	133	(26.6)	267	278
SG&A and other expenses	-	-	-		-	-
Op Ebitda	215	181	133	(26.6)	267	278
Depreciation/amortisation	(53)	(40)	(51)		(56)	(61)
Op Ebit	162	141	82	(41.9)	211	217
Net interest inc/(exp)	8	12	8	(33.3)	9	10
Other non-Op items	0	4	4	0	4	4
Profit before tax	170	157	94	(40.1)	224	231
Taxation	(38)	(27)	(19)		(47)	(46)
Profit after tax	132	130	75	(42.1)	177	185
Minority interest	0	(1)	(1)		(7)	(7)
Net profit	131	129	74	(42.5)	170	178
Adjusted profit	131	129	74	(42.5)	170	178
Cashflow (RMm)						
Operating profit	162	141	82	(41.9)	211	217
Depreciation/amortisation	53	40	51	27	56	61
Working capital changes	(11)	28	3	(90.2)	7	(2)
Other items	(45)	(51)	(19)		(47)	(46)
Net operating cashflow	159	158	117	(26.1)	227	230
Capital expenditure	(56)	(5)	(50)		(50)	(50)
Free cashflow	103	154	67	(56.4)	177	180
M&A/Others	(2)	(21)	17		18	20
Net investing cashflow	(58)	(26)	(33)		(32)	(30)
Increase in loans	(21)	162	-		-	-
Dividends	(97)	(91)	(52)		(121)	(121)
Net equity raised/other	-	-	0		0	0
Net financing cashflow	(118)	72	(52)		(121)	(121)
Incr/(decr) in net cash	(16)	204	32	(84.3)	74	78
Exch rate movements	13	6	(5)		1	(11)
Balance sheet (RMm)						
Cash & equivalents	485	693	721	4	796	863
Accounts receivable	885	818	603	(26.2)	900	913
Other current assets	228	199	334	67.7	334	346
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	1,848	(3)	2,214	2,295
Short-term debt	114	233	233	0	233	233
Accounts payable	995	885	673	(23.9)	977	988
Other current liabs	15	2	0		-	-
Long-term debt/CBs	-	53	213	303.9	213	213
Provisions/other LT liabs	97	107	79	(25.8)	78	77
Shareholder funds	591	623	646	3.7	702	766
Minorities/other equity	1	2	3	47.7	10	18
Total liabs & equity	1,812	1,905	1,848	(3)	2,214	2,295
Ratio analysis						
Revenue growth (% YoY)	8.7	(21.6)	2.1		49.2	1.4
Ebitda margin (%)	9.5	10.2	7.4		9.9	10.2
Ebit margin (%)	7.2	8.0	4.5		7.8	7.9
Net profit growth (%)	(3.5)	(1.5)	(42.5)		128.7	4.4
Op cashflow growth (% YoY)	238.7	(0.7)	(26.1)		94.0	1.2
Capex/sales (%)	2.5	0.3	2.8		1.9	1.8
Net debt/equity (%)	(62.7)	(65.0)	(42.3)		(49.1)	(53.2)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	22.9	21.3	11.7		25.2	24.2
ROIC (%)	52.1	42.4	19.1		41.4	43.6

Source: www.clsa.com

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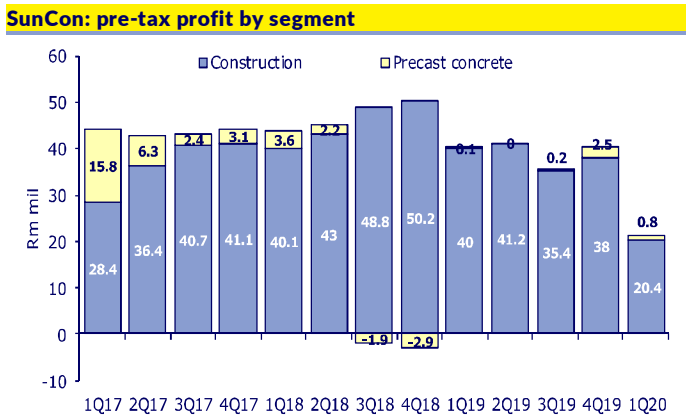
Figure 1

SunCon: financials

FYE 31 Dec (RM m)	1Q20	1Q19	YoY % Chg	4Q19	QoQ % Chg
Revenue	365.8	440.0	(17%)	485.9	(25%)
Operating expenses	(349.4)	(404.7)	(14%)	(463.7)	(25%)
Other income	2.2	2.9	(23%)	8.6	(74%)
EBITDA	27.7	48.3	(43%)	40.8	(32%)
Depreciation	(9.0)	(10.1)	(10%)	(10.0)	(10%)
EBIT	18.7	38.2	(51%)	30.8	(39%)
Interest income	5.2	4.2	24%	8.7	(39%)
Interest expense	(2.7)	(2.3)	18%	(3.4)	(20%)
Joint Venture	-	-	-	4.4	n.m.
Pre-tax profit	21.2	40.1	(47%)	40.5	(48%)
Tax	(4.3)	(8.5)	(49%)	(7.8)	(45%)
Effective tax rate	20.3%	21.2%	(4%)	19.3%	5%
Minority interest	0.56	0.62	(9%)	1.06	(47%)
Net profit	16.4	31.0	(47%)	31.6	(48%)
EPS (sen)	1.27	1.40	(9%)	2.45	(48%)
EBIT margin	5.1%	8.7%		6.3%	
PBT margin	5.8%	9.1%		8.3%	

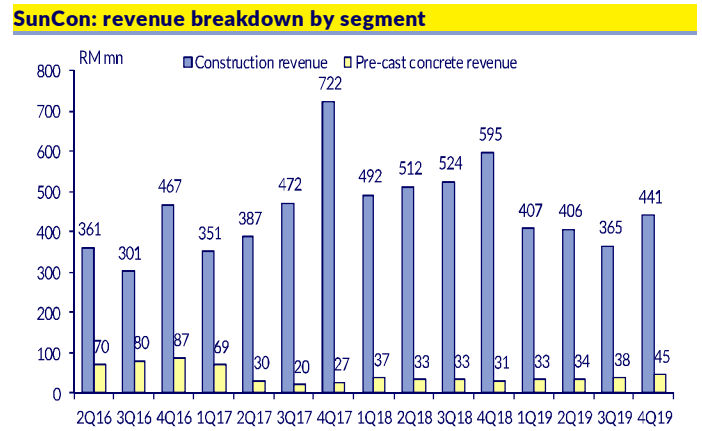
Source: CLSA

Figure 2



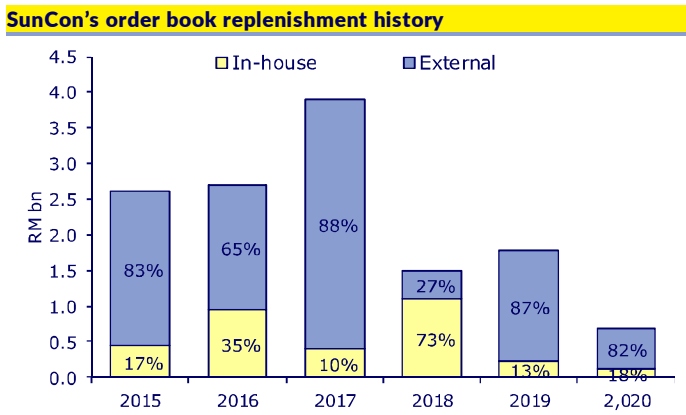
Source: CLSA, SunCon

Figure 3



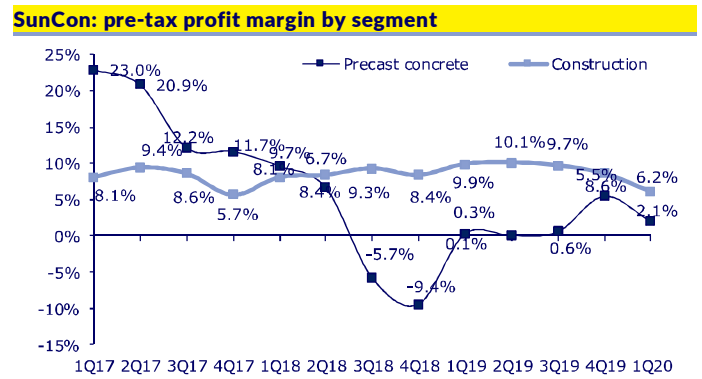
Source: CLSA, SunCon

Figure 4



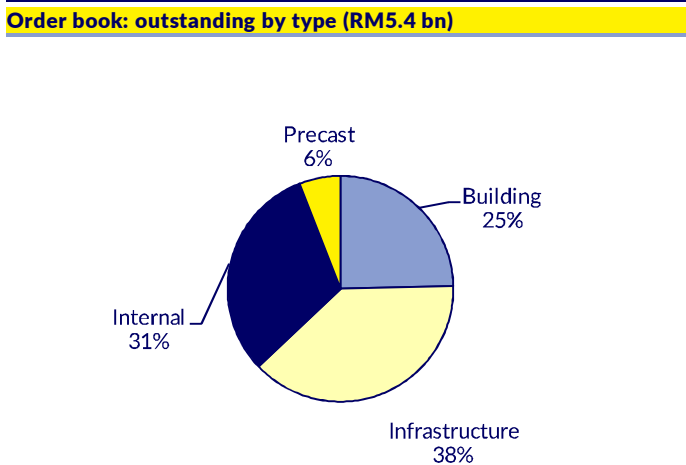
Source: CLSA, SunCon

Figure 5



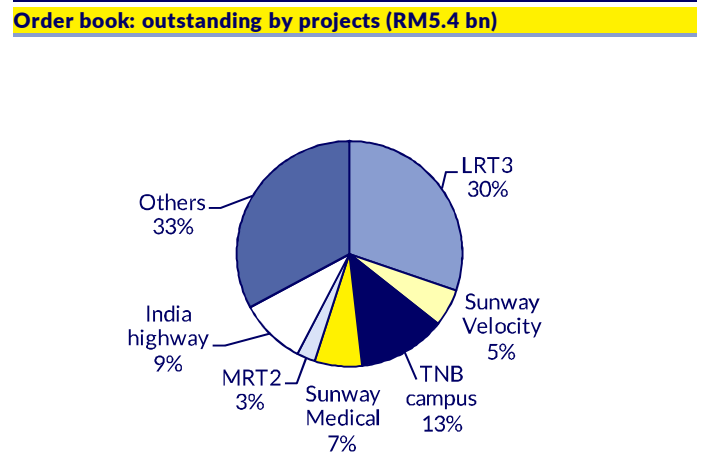
Source: CLSA, SunCon

Figure 6



Source: CLSA, SunCon

Figure 7



Source: CLSA, SunCon



Trading at close to 1 std. below its five-year mean PE

Figure 8

SunCon: forward PE



Source: CLSA

Figure 9

Peer comparison

	Price (RM)	Mkt cap (US\$m)	ADT (US\$m)	PE CY19 (x)	PE CY20 (x)	PB CY19 (x)	PB CY20 (x)	ROE CY19 (%)	ROE CY20 (%)	Yield CY19 (%)	Yield CY20 (%)
KLCI-listed peers											
IJM MK	1.92	1,595	1.95	16.9	15.3	0.7	0.7	4.2	4.5	2.4	2.6
GAM MK	3.80	2,140	4.86	16.9	14.4	1.5	1.4	13.2	13.7	3.6	3.8
SCGB MK Equity	1.96	581	0.34	18.6	34.1	4.1	3.9	21.3	11.7	3.6	2.0
AQRS MK Equity	0.92	104	0.27	6.6	5.3	0.9	0.8	13.8	18.9	6.3	9.5
HSL MK Equity	1.11	140	0.04	10.3	9.0	0.7	0.7	7.5	7.0	2.4	2.0
KICB MK Equity	0.73	57	0.16	3.9	5.3	0.3	0.3	8.5	6.2	5.7	4.4
MUHI MK Equity	0.95	106	0.99	3.6	4.4	0.4	0.4	10.8	8.5	6.6	5.5
GKEN MK Equity	0.72	87	0.50	8.6	8.5	0.8	0.7	9.7	8.7	4.5	3.8
TRC MK Equity	0.32	35	0.12	5.8	9.7	-	-	8.8	3.7	5.6	3.1
WCTHG MK Equity	0.58	186	1.04	8.9	9.5	0.3	0.3	3.1	2.8	3.1	2.8
GADG MK Equity	0.44	73	0.89	6.2	7.4	-	-	7.2	6.5	3.1	1.6
Weighted average				10.2	15.9	1.4	1.3	10.5	9.7	3.3	3.3
Weighted average ex. IJM & GAM				12.1	18.8	2.0	1.9	13.7	9.4	4.0	3.2

Source: CLSA

Valuation details

We value SunCon using the price-earnings multiple approach. Its target price is derived from 15.4x 21CL 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. Prolonged Covid-19 could also slacken operating efficiency.

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	1,805	2,693	2,730
Cogs (ex-D&A)	(1,601)	(1,874)	(2,042)	(1,587)	(1,672)	(2,426)	(2,452)
Gross Profit (ex-D&A)	188	202	215	181	133	267	278
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	188	202	215	181	133	267	278
Depreciation/amortisation	(39)	(37)	(53)	(40)	(51)	(56)	(61)
Op Ebit	149	165	162	141	82	211	217
Interest income	10	13	16	25	17	18	20
Interest expense	(6)	(6)	(8)	(13)	(9)	(9)	(9)
Net interest inc/(exp)	4	7	8	12	8	9	10
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	94	224	231
Taxation	(30)	(36)	(38)	(27)	(19)	(47)	(46)
Profit after tax	124	136	132	130	75	177	185
Preference dividends	-	-	-	-	-	-	-
Profit for period	124	136	132	130	75	177	185
Minority interest	0	0	0	(1)	(1)	(7)	(7)
Net profit	124	136	131	129	74	170	178
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	124	136	131	129	74	170	178
Dividends	(65)	(90)	(90)	(90)	(52)	(116)	(116)
Retained profit	59	46	41	39	23	54	61
Adjusted profit	124	136	131	129	74	170	178
EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Adj EPS [pre excep] (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Core EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
DPS (sen)	5.0	7.0	7.0	7.0	4.0	9.0	9.0

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)	2.1	49.2	1.4
Ebitda growth (% YoY)	5.7	7.5	6.0	(15.5)	(26.6)	100.9	3.9
Ebit growth (% YoY)	9.5	10.5	(1.9)	(12.9)	(41.9)	158.0	2.5
Net profit growth (%)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Adj EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
DPS growth (% YoY)	25.0	40.0	0.0	0.0	(42.9)	125.0	0.0
Core EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Margins (%)							
Ebitda margin (%)	10.5	9.7	9.5	10.2	7.4	9.9	10.2
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Net profit margin (%)	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Core profit margin	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Op cashflow margin	4.2	2.3	7.1	9.0	6.5	8.4	8.4
Returns (%)							
ROE (%)	26.2	26.0	22.9	21.3	11.7	25.2	24.2
ROA (%)	8.0	7.5	6.8	6.3	3.5	8.2	7.7
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
ROCE (%)	82.3	90.0	76.4	64.1	27.6	57.3	59.4
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	69.5	68.4	65.5

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Cash & equivalents	466	487	485	693	721	796	863
Accounts receivable	732	1,066	885	818	603	900	913
Inventories	24	24	30	25	0	0	0
Other current assets	220	151	198	174	334	334	346
Current assets	1,442	1,729	1,597	1,710	1,658	2,030	2,122
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	1,848	2,214	2,295
Short term loans/OD	137	135	114	233	233	233	233
Accounts payable	955	1,184	995	885	673	977	988
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	11	5	14	1	0	0	0
Other current liabs	0	0	0	0	0	-	-
Current liabilities	1,103	1,324	1,123	1,120	907	1,210	1,221
Long-term debt/leases/other	-	-	-	53	213	213	213
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1	6	97	107	79	78	77
Total liabilities	1,104	1,331	1,220	1,280	1,199	1,501	1,511
Share capital	259	259	259	259	259	259	259
Retained earnings	257	324	361	399	422	478	542
Reserves/others	(23)	(29)	(28)	(35)	(35)	(35)	(35)
Shareholder funds	493	554	591	623	646	702	766
Minorities/other equity	1	1	1	2	3	10	18
Total equity	494	555	593	625	649	712	784
Total liabs & equity	1,597	1,885	1,812	1,905	1,848	2,214	2,295
Total debt	137	135	114	286	446	446	446
Net debt	(329)	(353)	(371)	(407)	(275)	(350)	(417)
Adjusted EV	2,204	2,182	2,119	2,080	2,218	2,150	2,090
BVPS (sen)	38.2	42.8	45.7	48.2	50.0	54.3	59.2

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	1.8	1.7	1.7
Growth in total assets (% YoY)	14.3	18.0	(3.9)	5.1	(3.0)	19.8	3.7
Growth in capital employed (% YoY)	(16.9)	22.9	9.4	(1.2)	71.4	(3.2)	1.1
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	1.8	2.9	0.7	1.8	3.8	2.0	1.9
Gross debt to Ebitda (x)	0.7	0.7	0.5	1.6	3.4	1.7	1.6
Net debt/Ebitda (x)	-	-	-	-	-	-	-
Gearing							
Net debt/equity (%)	(66.7)	(63.5)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)
Gross debt/equity (%)	27.6	24.3	19.2	45.8	68.7	62.6	56.9
Interest cover (x)	26.4	29.3	21.4	12.6	10.6	24.6	25.3
Debt Cover (x)	0.6	0.3	1.4	0.6	0.3	0.5	0.5
Working capital analysis							
Inventory days	4.7	4.7	4.9	6.3	2.7	0.0	0.0
Debtor days	133.8	158.0	157.7	175.7	143.7	101.9	121.2
Creditor days	199.6	208.3	194.7	216.1	170.1	124.2	146.2
Working capital/Sales (%)	0.6	2.5	4.6	7.4	14.6	9.6	9.9
Capital employed analysis							
Sales/Capital employed (%)	1,087.3	1,026.5	1,019.8	809.4	482.0	742.6	745.0
EV/Capital employed (%)	1,339.5	1,078.7	957.4	952.0	592.1	592.7	570.2
Working capital/Capital employed (%)	6.1	25.8	46.5	59.7	70.5	71.0	74.0
Fixed capital/Capital employed (%)	84.1	74.6	74.0	63.5	36.7	36.2	32.7
Other ratios (%)							
EV/OCF (x)	29.3	46.3	13.3	13.1	18.9	9.5	9.1
EV/FCF (x)	39.3	(286.4)	20.5	13.5	33.1	12.1	11.6
EV/Sales (x)	1.2	1.1	0.9	1.2	1.2	0.8	0.8
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	82	211	217
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	3	7	(2)
Interest paid / other financial expenses	(6)	(6)	(8)	(13)	0	0	0
Tax paid	(26)	(37)	(37)	(38)	(19)	(47)	(46)
Other non-cash operating items	0	0	1	1	0	0	0
Net operating cashflow	75	47	159	158	117	227	230
Capital expenditure	(19)	(55)	(56)	(5)	(50)	(50)	(50)
Free cashflow	56	(8)	103	154	67	177	180
Acq/inv/disposals	13	89	26	(47)	-	-	-
Int, invt & associate div	89	13	(28)	25	17	18	20
Net investing cashflow	83	48	(58)	(26)	(33)	(32)	(30)
Increase in loans	0	(3)	(21)	162	-	-	-
Dividends	(84)	(71)	(97)	(91)	(52)	(121)	(121)
Net equity raised/others	-	0	-	-	0	0	0
Net financing cashflow	(84)	(74)	(118)	72	(52)	(121)	(121)
Incr/(decr) in net cash	74	21	(16)	204	32	74	78
Exch rate movements	2	1	13	6	(5)	1	(11)
Opening cash	390	465	487	484	693	721	796
Closing cash	465	487	484	693	721	796	863
OCF PS (sen)	5.8	3.6	12.3	12.3	9.1	17.6	17.8
FCF PS (sen)	4.3	(0.6)	8.0	11.9	5.2	13.7	13.9

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)	(26.1)	94.0	1.2
FCF growth (% YoY)	(70.9)	(113.6)	-	48.8	(56.4)	164.2	1.6
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	2.8	1.9	1.8
Capex/op cashflow (%)	25.3	116.2	35.2	3.0	42.7	22.0	21.7
Operating cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Free cashflow payout ratio (%)	115.1	-	87.6	58.9	77.1	65.7	64.6

DuPont analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Asset turnover (x)	1.2	1.2	1.2	1.0	1.0	1.3	1.2
Interest burden (x)	1.0	1.0	1.0	1.1	1.2	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	3.5	8.2	7.7
Leverage (x)	3.2	3.3	3.2	3.1	2.9	3.0	3.0
ROE (%)	26.2	26.0	22.9	21.4	11.8	26.0	24.7

EVA® analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit adj for tax	120	130	126	117	66	167	173
Average invested capital	183	187	241	275	343	403	398
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
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	8.2	30.5	32.7
EVA (RMm)	100	110	99	87	28	123	130

Source: www.clsa.com



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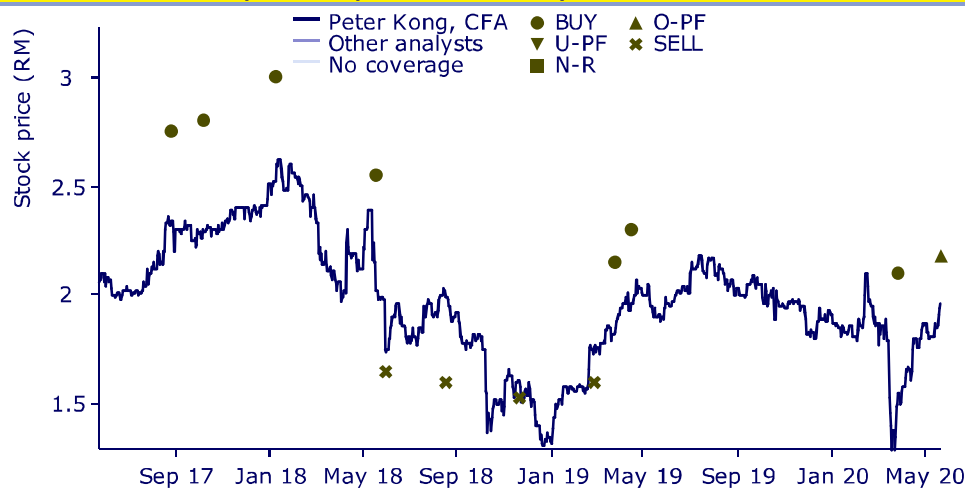
SunCon (SCGB MK - RM1.96 - OUTPERFORM)
 AQRS (AQRS MK - RM0.92 - BUY)
 GADG MK (N-R)
 Gamuda (GAM MK - RM3.80 - BUY)
 George Kent (N-R)
 Hock Seng Lee (N-R)
 IJM (IJM MK - RM1.92 - U-PF)
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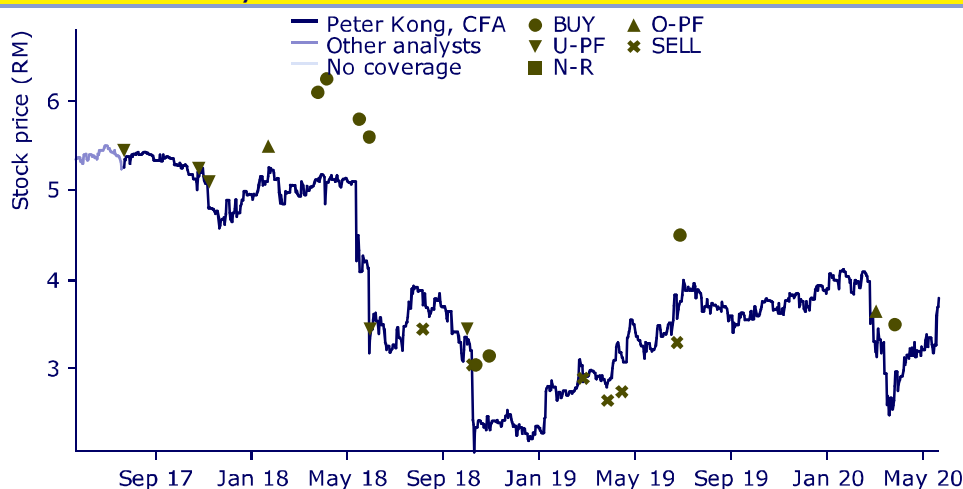
Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
LATEST	O-PF	2.18	17 Aug 2018	SELL	1.60
27 Mar 2020	BUY	2.10	31 May 2018	SELL	1.65
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

Source: CLSA

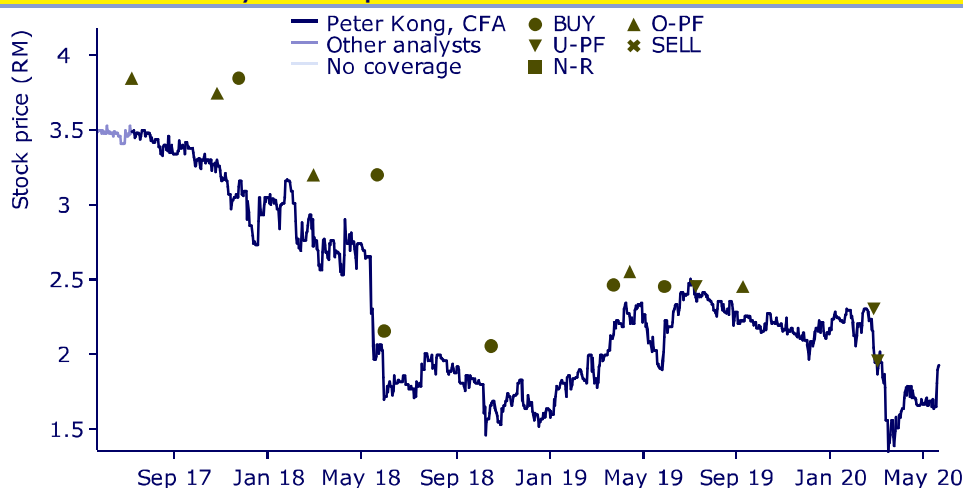
Recommendation history of Gamuda Bhd GAM MK



Date	Rec	Target	Date	Rec	Target
26 Mar 2020	BUY	3.50	06 Aug 2018	SELL	3.45
02 Mar 2020	O-PF	3.65	31 May 2018	U-PF	3.45
28 Jun 2019	BUY	4.50	30 May 2018	BUY	5.60
24 Jun 2019	SELL	3.30	17 May 2018	BUY	5.80
15 Apr 2019	SELL	2.75	06 Apr 2018	BUY	6.25
28 Mar 2019	SELL	2.65	26 Mar 2018	BUY	6.10
25 Feb 2019	SELL	2.90	22 Jan 2018	O-PF	5.50
29 Oct 2018	BUY	3.15	08 Nov 2017	U-PF	5.10
12 Oct 2018	BUY	3.05	26 Oct 2017	U-PF	5.25
08 Oct 2018	SELL	3.05	23 Jul 2017	U-PF	5.45
01 Oct 2018	U-PF	3.45			

Source: CLSA

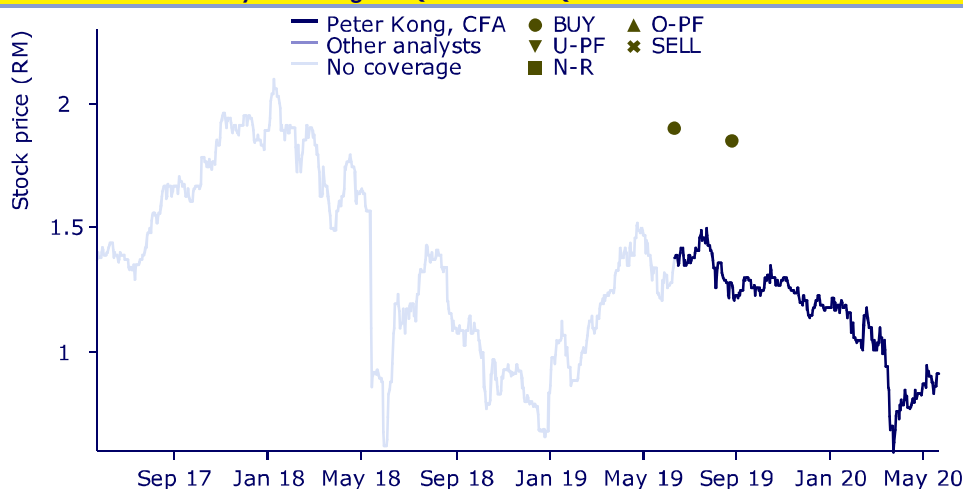
Recommendation history of IJM Corp Bhd IJM MK



Date	Rec	Target	Date	Rec	Target
02 Mar 2020	U-PF	1.95	17 Oct 2018	BUY	2.05
26 Feb 2020	U-PF	2.30	31 May 2018	BUY	2.15
09 Sep 2019	O-PF	2.45	22 May 2018	BUY	3.20
10 Jul 2019	U-PF	2.45	28 Feb 2018	O-PF	3.20
30 May 2019	BUY	2.45	23 Nov 2017	BUY	3.85
15 Apr 2019	O-PF	2.55	26 Oct 2017	O-PF	3.75
25 Mar 2019	BUY	2.46	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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