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20 November 2019

## Malaysia Infrastructure

Reuters SCOG.KL  
Bloomberg SCGB MK

Priced on 19 November 2019  
KLSE Comp @ 1,605.3

12M hi/lo RM2.18/1.31

12M price target RM2.30  
±% potential +16%

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

Market cap US\$614m

3M ADV US\$0.2m

Foreign s'holding 9.0%

### Major shareholders

Sunway Berhad 54.4%  
Sungei Way Corp Sdn Bhd 10.1%

### Blended ESG Score (%)\*

Overall 73.9  
Country average 68.2  
GEM sector average 67.6

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

### Stock performance (%)

	1M	3M	12M
Absolute	4.8	(2.0)	23.0
Relative	2.5	(2.5)	31.1
Abs (US\$)	5.4	(1.5)	24.0



Source: Bloomberg

## Busy 2020

### Soft 3Q19 and jobs need to accelerate in 2020 to anchor visibility

SunCon's 3Q19 top-line underwhelmed, as LRT3 progress did not normalise as quickly as thought, while sizeable jobs bagged in 2019 are in their early phases. As a result, 9M19 Patmi slipped 9% YoY (missing FY19 consensus/CLSA estimates at 69%/64%). We understand that all key negotiations on the LRT3 are largely finished and we forecast optimistic revenue normalisation in 2020, though this and slower progress on new jobs is a timing matter and result in us cutting our earnings (13% in 19CL). However, we remain BUYers. Several of SunCon's large jobs with 1H21 deliveries should hasten work progress in 2020, coupled with a sturdy job pipeline. Our RM2.30 target price is on a 15.4x PE (+c.1 std. above the Klcon Index) on 20CL earnings with the benefit of net cash at 15 sen per share.

### LRT3 project seen to normalise in 2020 only

3Q19 construction revenue was weak partly due to timing as progress in the recently secured TNB headquarters and Petronas learning centre are in their early phases (Figure 2), coupled with the near-completion of Putrajaya Parcel F. LRT3, at 32% of its RM5.6bn order book, may have picked-up mildly QoQ, but we foresee a return to a normal pace only in 2020 (we estimate c.RM80m a quarter from c.RM50m). Risks to our earnings is if a haircut to the LRT3 project post-cost review is greater than 30%. Receivables days increased somewhat which we think could be strain from LRT3. The construction margin, was still commendable, at 9.7%.

### Secured jobs now exceed that of FY18

Its order book rose slightly in 3Q19, up RM0.2bn to RM1.73bn, was from a mixture of smaller-valued buildings and mechanical, electrical and plumbing works. In 9M19, SunCon surpassed its FY19 guidance of RM1.5bn (unrevised), and that of FY18 (RM1.6bn). Our forecast is for RM2bn and incorporates overseas projects, where SunCon has been actively bidding (in Myanmar and India).

### Job visibility, especially internally, is good; we think execution is the 2020 focus

SunCon is eyeing a bigger RM2bn job haul in 2020, buoyed by a rebound in internal job visibility (parent's hospitals and property projects in Klang Valley, while those in Ipoh and Penang are for beyond 2020). Internal jobs secured total c.RM0.2bn YTD, low vs norms (RM0.7bn a year average). Externally, there are potential building jobs as well as the ECRL (piling works), while it is keen on the Johor-Singapore rapid transit system. We bake-in a lower RM1.8bn for 2020 as we think SunCon's main focus will be on execution. Projects due for completion in 2020 and in 1H21 total RM2.4bn, or 43% of its outstanding order book, which buoys revenue visibility. These include the TNB campus, the Petronas learning centre and MRT2.

### Financials

Year to 31 December	17A	18A	19CL	20CL	21CL
Revenue (RMm)	2,076	2,257	2,165	2,705	2,621
Rev forecast change (%)	-	-	(12.8)	(3.8)	(3.4)
Net profit (RMm)	136	131	133	178	166
NP forecast change (%)	-	-	(13.6)	(1.1)	(0.5)
EPS (sen)	10.5	10.2	10.3	13.8	12.9
CL/consensus (14) (EPS%)	-	-	94	112	99
EPS growth (% YoY)	10.1	(3.5)	1.6	33.3	(6.5)
PE (x)	18.8	19.5	19.2	14.4	15.4
Dividend yield (%)	3.5	3.5	4.0	4.5	4.5
ROE (%)	26.0	22.9	22.0	27.3	23.5
Net debt/equity (%)	(63.5)	(62.7)	(56.6)	(67.0)	(74.4)

Source: www.cls.com

## Financials at a glance

Year to 31 December	2017A	2018A	2019CL	(% YoY)	2020CL	2021CL
<b>Profit &amp; Loss (RMm)</b>						
Revenue	2,076	2,257	2,165	(4.1)	2,705	2,621
Cogs (ex-D&A)	(1,874)	(2,042)	(1,929)		(2,406)	(2,332)
<b>Gross Profit (ex-D&amp;A)</b>	<b>202</b>	<b>215</b>	<b>235</b>	<b>9.8</b>	<b>299</b>	<b>289</b>
SG&A and other expenses	-	-	-		0	-
<b>Op Ebitda</b>	<b>202</b>	<b>215</b>	<b>235</b>	<b>9.8</b>	<b>299</b>	<b>289</b>
Depreciation/amortisation	(37)	(53)	(75)		(83)	(90)
<b>Op Ebit</b>	<b>165</b>	<b>162</b>	<b>160</b>	<b>(1.1)</b>	<b>216</b>	<b>199</b>
Net interest inc/(exp)	7	8	7	(7.9)	7	9
Other non-Op items	0	0	0		-	-
<b>Profit before tax</b>	<b>172</b>	<b>170</b>	<b>167</b>	<b>(1.4)</b>	<b>223</b>	<b>208</b>
Taxation	(36)	(38)	(33)		(45)	(42)
<b>Profit after tax</b>	<b>136</b>	<b>132</b>	<b>134</b>	<b>1.7</b>	<b>178</b>	<b>167</b>
Minority interest	0	0	0		0	0
<b>Net profit</b>	<b>136</b>	<b>131</b>	<b>133</b>	<b>1.6</b>	<b>178</b>	<b>166</b>
<b>Adjusted profit</b>	<b>136</b>	<b>131</b>	<b>133</b>	<b>1.6</b>	<b>178</b>	<b>166</b>
<b>Cashflow (RMm)</b>						
<b>Operating profit</b>	<b>165</b>	<b>162</b>	<b>160</b>	<b>(1.1)</b>	<b>216</b>	<b>199</b>
Depreciation/amortisation	37	53	75	43.1	83	90
Working capital changes	(112)	(11)	(57)		11	(2)
Other items	(43)	(45)	(33)		(45)	(42)
<b>Net operating cashflow</b>	<b>47</b>	<b>159</b>	<b>145</b>	<b>(8.8)</b>	<b>266</b>	<b>246</b>
Capital expenditure	(55)	(56)	(45)		(50)	(50)
<b>Free cashflow</b>	<b>(8)</b>	<b>103</b>	<b>100</b>	<b>(2.8)</b>	<b>216</b>	<b>196</b>
M&A/Others	103	(2)	12		12	15
<b>Net investing cashflow</b>	<b>48</b>	<b>(58)</b>	<b>(33)</b>		<b>(38)</b>	<b>(35)</b>
Increase in loans	(3)	(21)	-		-	-
Dividends	(71)	(97)	(104)		(117)	(117)
Net equity raised/other	0	-	0		0	0
<b>Net financing cashflow</b>	<b>(74)</b>	<b>(118)</b>	<b>(104)</b>		<b>(117)</b>	<b>(117)</b>
Incr/(decr) in net cash	21	(16)	9		112	94
Exch rate movements	1	12	(5)		(5)	(5)
<b>Balance sheet (RMm)</b>						
Cash & equivalents	487	485	489	0.9	595	684
Accounts receivable	1,066	885	724	(18.2)	904	876
Other current assets	176	228	198	(13.2)	198	198
Fixed assets	151	164	133	(18.6)	100	60
Investments	0	45	45	0	45	45
Intangible assets	4	4	4	0	4	4
Other non-current assets	2	3	3	0	3	3
<b>Total assets</b>	<b>1,885</b>	<b>1,812</b>	<b>1,595</b>	<b>(12)</b>	<b>1,849</b>	<b>1,869</b>
Short-term debt	135	114	137	20.1	137	137
Accounts payable	1,184	995	777	(21.9)	969	939
Other current liabs	5	15	-		-	-
Long-term debt/CBs	-	-	-		-	-
Provisions/other LT liabs	6	97	59	(39.3)	58	58
Shareholder funds	554	591	621	5.1	683	733
Minorities/other equity	1	1	2	24.7	2	3
<b>Total liabs &amp; equity</b>	<b>1,885</b>	<b>1,812</b>	<b>1,595</b>	<b>(12)</b>	<b>1,849</b>	<b>1,869</b>
<b>Ratio analysis</b>						
Revenue growth (% YoY)	16.1	8.7	(4.1)		25.0	(3.1)
Ebitda margin (%)	9.7	9.5	10.9		11.1	11.0
Ebit margin (%)	7.9	7.2	7.4		8.0	7.6
Net profit growth (%)	10.1	(3.5)	1.6		33.3	(6.5)
Op cashflow growth (% YoY)	(37.3)	238.7	(8.8)		82.8	(7.6)
Capex/sales (%)	2.6	2.5	2.1		1.8	1.9
Net debt/equity (%)	(63.5)	(62.7)	(56.6)		(67.0)	(74.4)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	26.0	22.9	22.0		27.3	23.5
ROIC (%)	69.8	52.1	46.0		66.0	72.2

Source: www.clsa.com

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Figure 1

SunCon: financials								
FYE 31 Dec (RM m)	3Q19	3Q18	YoY % Chg	2Q19	QoQ % Chg	9M19	9M18	YoY % Chg
Revenue	402.6	557.3	(28%)	440.2	(9%)	1,282.8	1,630.8	(21%)
Operating expenses	(371.5)	(515.8)	(28%)	(407.9)	(9%)	(1,184.1)	(1,513.7)	(22%)
Other income	3.3	3.4	(3%)	5.3	(38%)	11.5	12.8	(10%)
EBITDA	44.4	55.1	(19%)	53.9	(18%)	146.6	160.1	(8%)
Depreciation	(10.0)	(10.1)	(2%)	(16.3)	(39%)	(36.4)	(30.1)	21%
EBIT	34.4	44.9	(23%)	37.6	(9%)	110.2	130.0	(15%)
Interest income	5.1	3.9	32%	7.2	(29%)	16.5	12.5	32%
Interest expense	(3.9)	(2.0)	100%	(3.6)	10%	(9.8)	(7.0)	41%
Pre-tax profit	35.6	46.8	(24%)	41.2	(14%)	116.9	135.5	(14%)
Tax	(2.54)	(10.4)	(76%)	(8.23)	(69%)	(19.3)	(27.5)	(30%)
Effective tax rate	7.1%	22.1%	(68%)	20.0%	(64%)	16.5%	20.3%	(19%)
Minority interest	(0.46)	0.09	(620%)	(0.21)	118%	(0.06)	0.08	(168%)
Net profit	33.5	36.4	(8%)	33.2	1%	97.7	107.9	(9%)
EPS (sen)	2.60	2.82	(8%)	2.57	1%	7.56	8.36	(10%)
EBIT margin	8.5%	8.1%		8.5%		8.6%	8.0%	
PBT margin	8.8%	8.4%		9.4%		9.1%	8.3%	

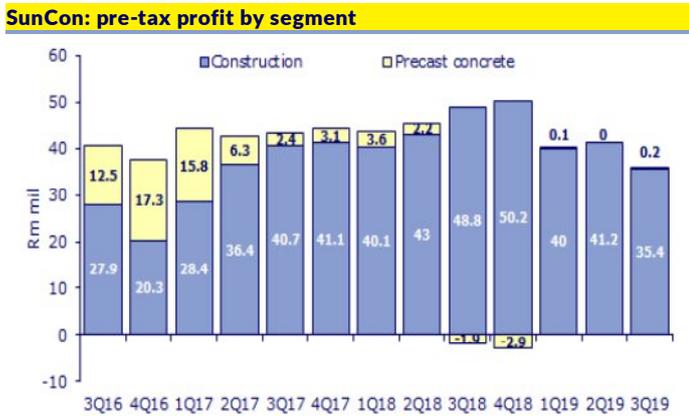
Source: CLSA, SunCon

Figure 2

Quarterly change in O/S order book (proxy to revenue)								
RM million	Original award	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
<b>External</b>								
Putrajaya parcel F	1,610	148	138	134	117	101	19	16
MRT2	1,213	58	226	60	68	100	116	38
LRT3	2,178	42	41	46	52	40	47	65
PPA1M Kota Bharu	582	28	92	212	28	39	36	(2)
<b>Awarded 2019</b>								
TNB headquarters	781						25	17
Petronas Centre	310						-	3
<b>Internal</b>								
Sunway Medical Center 4	512		56	7	10	10	12	16
Sunway Serene	449	71	(2)	6	12	33	12	13
Carnival mall extension	286	12	(3)	16	5	9	6	7

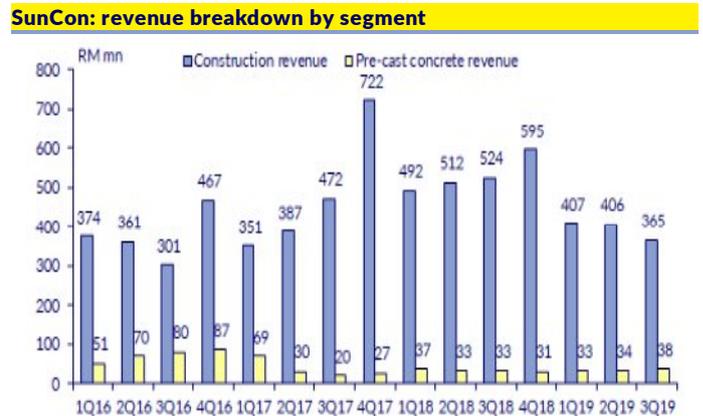
Source: CLSA, SunCon

Figure 3



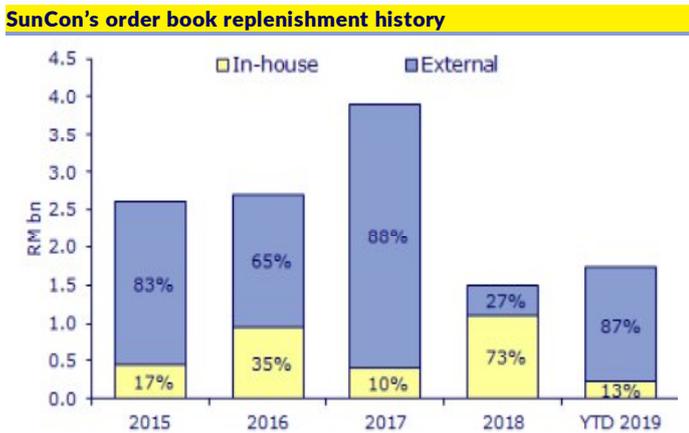
Source: CLSA, SunCon

Figure 4



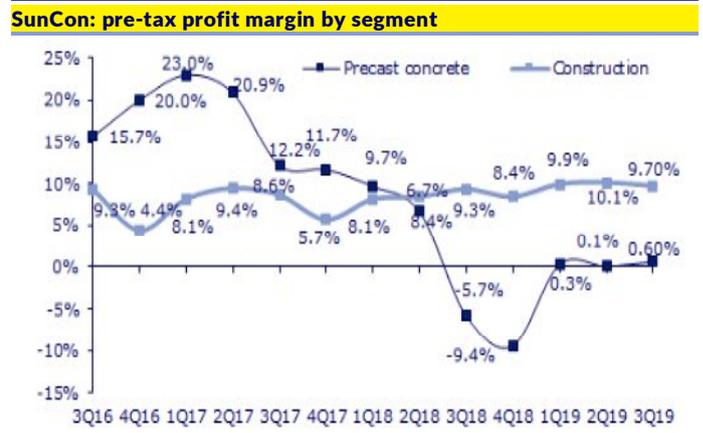
Source: CLSA, SunCon

Figure 5



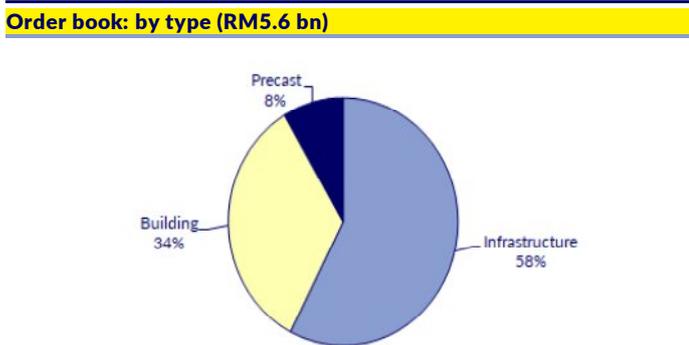
Source: CLSA, SunCon

Figure 6



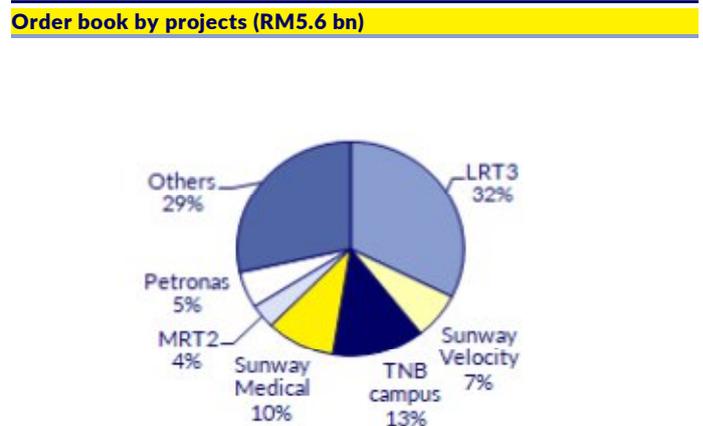
Source: CLSA, SunCon

Figure 7



Source: CLSA, SunCon

Figure 8



Source: CLSA, SunCon



Figure 9

Peer comparison													
	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	2.1	1,852.3	1.2	16.1	14.5	0.8	0.7	4.9	5.1	2.5	2.8
GAM MK	BUY	4.5	3.8	2,280.7	2.6	16.9	13.3	1.6	1.5	14.0	15.5	8.2	10.2
SCGB MK	BUY	2.3	2.0	608.4	0.2	18.8	14.2	4.0	3.6	25.0	26.7	4.0	4.5
AQRS MK	BUY	1.85	1.3	147.3	0.3	9.2	7.3	1.2	1.1	13.8	18.9	4.6	6.9
EVSD MK	N-R	-	0.4	80.8	0.1	7.7	7.2	-	-	4.1	4.4	-	1.2
HSL MK	N-R	-	1.3	173.2	0.0	11.9	10.3	0.9	0.8	7.6	8.2	2.0	2.1
KICB MK	N-R	-	1.3	106.3	0.0	6.8	6.6	0.6	0.5	9.0	8.3	3.2	3.3
MUHI MK	N-R	-	2.4	276.8	0.1	7.7	7.3	0.9	0.9	12.9	12.8	2.9	3.1
GKEN MK	N-R	-	1.0	133.4	0.3	9.4	8.2	1.1	1.0	11.6	12.1	3.8	4.2
TRC MK	N-R	-	0.5	53.8	0.1	6.8	5.8	-	-	6.3	7.1	3.9	4.3
WCTHG MK	N-R	-	0.9	300.2	0.3	11.8	10.9	0.4	0.4	3.6	3.9	1.8	2.0
GADG MK	NR	-	0.7	130.5	0.4	8.6	8.7	-	-	8.0	6.4	2.3	1.7
Weighted average						15.1	12.7	1.4	1.3	11.1	12.1	4.8	5.8

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.

## Detailed financials

### Profit & Loss (RMm)

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Revenue	1,917	1,789	2,076	2,257	2,165	2,705	2,621
Cogs (ex-D&A)	(1,739)	(1,601)	(1,874)	(2,042)	(1,929)	(2,406)	(2,332)
Gross Profit (ex-D&A)	178	188	202	215	235	299	289
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	178	188	202	215	235	299	289
Depreciation/amortisation	(42)	(39)	(37)	(53)	(75)	(83)	(90)
Op Ebit	136	149	165	162	160	216	199
Interest income	8	10	13	16	12	12	15
Interest expense	(4)	(6)	(6)	(8)	(5)	(5)	(5)
Net interest inc/(exp)	5	4	7	8	7	7	9
Associates/investments	-	-	-	-	-	-	-
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	141	154	172	170	167	223	208
Taxation	(13)	(30)	(36)	(38)	(33)	(45)	(42)
Profit after tax	128	124	136	132	134	178	167
Preference dividends	-	-	-	-	-	-	-
Profit for period	128	124	136	132	134	178	167
Minority interest	(1)	0	0	0	0	0	0
Net profit	127	124	136	131	133	178	166
Extraordinaries/others	0	0	0	0	0	0	0
Profit avail to ordinary shares	127	124	136	131	133	178	166
Dividends	-	-	-	-	-	-	-
Retained profit	127	124	136	131	133	178	166
Adjusted profit	127	124	136	131	133	178	166
EPS (sen)	9.8	9.6	10.5	10.2	10.3	13.8	12.9
Adj EPS [pre excep] (sen)	9.8	9.6	10.5	10.2	10.3	13.8	12.9
Core EPS (sen)	9.8	9.6	10.5	10.2	10.3	13.8	12.9
DPS (sen)	4.0	5.0	7.0	7.0	8.0	9.0	9.0

### Profit & loss ratios

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Growth (%)</b>							
Revenue growth (% YoY)	1.9	(6.7)	16.1	8.7	(4.1)	25.0	(3.1)
Ebitda growth (% YoY)	10.2	5.7	7.5	6.0	9.8	26.9	(3.2)
Ebit growth (% YoY)	16.4	9.5	10.5	(1.9)	(1.1)	35.0	(7.9)
Net profit growth (%)	39.4	(2.9)	10.1	(3.5)	1.6	33.3	(6.5)
EPS growth (% YoY)	39.4	(2.9)	10.1	(3.5)	1.6	33.3	(6.5)
Adj EPS growth (% YoY)	211.0	(2.9)	10.1	(3.5)	1.6	33.3	(6.5)
DPS growth (% YoY)	(20.0)	25.0	40.0	0.0	14.3	12.5	0.0
Core EPS growth (% YoY)	211.0	(2.9)	10.1	(3.5)	1.6	33.3	(6.5)
<b>Margins (%)</b>							
Ebitda margin (%)	9.3	10.5	9.7	9.5	10.9	11.1	11.0
Ebit margin (%)	7.1	8.3	7.9	7.2	7.4	8.0	7.6
Net profit margin (%)	6.6	6.9	6.5	5.8	6.2	6.6	6.3
Core profit margin	6.6	6.9	6.5	5.8	6.2	6.6	6.3
Op cashflow margin	12.1	4.2	2.3	7.1	6.7	9.8	9.4
<b>Returns (%)</b>							
ROE (%)	30.6	26.2	26.0	22.9	22.0	27.3	23.5
ROA (%)	9.1	8.0	7.5	6.8	7.5	10.0	8.6
ROIC (%)	59.1	65.5	69.8	52.1	46.0	66.0	72.2
ROCE (%)	62.7	82.3	90.0	76.4	65.1	87.0	96.0
<b>Other key ratios (%)</b>							
Effective tax rate (%)	9.2	19.5	21.0	22.4	20.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	0.0	0.0	-	-
Dividend payout (%)	40.6	52.3	66.5	68.9	77.5	65.4	70.0

Source: www.clsa.com

## Balance sheet (RMm)

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Cash & equivalents	390	466	487	485	489	595	684
Accounts receivable	579	732	1,066	885	724	904	876
Inventories	17	24	24	30	0	0	0
Other current assets	230	220	151	198	198	198	198
<b>Current assets</b>	<b>1,217</b>	<b>1,442</b>	<b>1,729</b>	<b>1,597</b>	<b>1,410</b>	<b>1,697</b>	<b>1,758</b>
Fixed assets	162	138	151	164	133	100	60
Investments	0	0	0	45	45	45	45
Goodwill	4	4	4	4	4	4	4
Other intangible assets	1	2	0	0	0	0	0
Other non-current assets	14	11	2	3	3	3	3
<b>Total assets</b>	<b>1,397</b>	<b>1,597</b>	<b>1,885</b>	<b>1,812</b>	<b>1,595</b>	<b>1,849</b>	<b>1,869</b>
Short term loans/OD	137	137	135	114	137	137	137
Accounts payable	796	955	1,184	995	777	969	939
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	9	11	5	14	0	0	0
Other current liabs	-	-	-	-	-	-	-
<b>Current liabilities</b>	<b>942</b>	<b>1,103</b>	<b>1,324</b>	<b>1,123</b>	<b>914</b>	<b>1,106</b>	<b>1,076</b>
Long-term debt/leases/other	-	-	-	-	-	-	-
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	4	1	6	97	59	58	58
<b>Total liabilities</b>	<b>946</b>	<b>1,104</b>	<b>1,331</b>	<b>1,220</b>	<b>972</b>	<b>1,164</b>	<b>1,134</b>
Share capital	259	259	259	259	259	259	259
Retained earnings	218	257	324	361	391	452	503
Reserves/others	(25)	(23)	(29)	(28)	(28)	(28)	(28)
<b>Shareholder funds</b>	<b>451</b>	<b>493</b>	<b>554</b>	<b>591</b>	<b>621</b>	<b>683</b>	<b>733</b>
Minorities/other equity	1	1	1	1	2	2	3
<b>Total equity</b>	<b>452</b>	<b>494</b>	<b>555</b>	<b>593</b>	<b>623</b>	<b>685</b>	<b>735</b>
<b>Total liabs &amp; equity</b>	<b>1,397</b>	<b>1,597</b>	<b>1,885</b>	<b>1,812</b>	<b>1,595</b>	<b>1,849</b>	<b>1,869</b>
Total debt	137	137	135	114	137	137	137
Net debt	(254)	(329)	(353)	(371)	(353)	(459)	(547)
Adjusted EV	2,305	2,230	2,208	2,144	2,163	2,058	1,969
BVPS (sen)	34.9	38.2	42.8	45.7	48.1	52.8	56.7

## Balance sheet ratios

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Key ratios</b>							
Current ratio (x)	1.3	1.3	1.3	1.4	1.5	1.5	1.6
Growth in total assets (% YoY)	5.5	14.3	18.0	(3.9)	(12.0)	15.9	1.1
Growth in capital employed (% YoY)	(16.4)	(16.9)	22.9	9.4	22.1	(16.3)	(16.9)
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	0.6	1.8	2.9	0.7	0.9	0.5	0.6
Gross debt to Ebitda (x)	0.8	0.7	0.7	0.5	0.6	0.5	0.5
Net debt/Ebitda (x)	-	-	-	-	-	-	-
<b>Gearing</b>							
Net debt/equity (%)	(56.2)	(66.7)	(63.5)	(62.7)	(56.6)	(67.0)	(74.4)
Gross debt/equity (%)	30.3	27.6	24.3	19.2	21.9	19.9	18.6
Interest cover (x)	41.2	26.4	29.3	21.4	34.4	41.8	39.1
Debt Cover (x)	1.7	0.6	0.3	1.4	1.1	1.9	1.8
<b>Working capital analysis</b>							
Inventory days	3.9	4.7	4.7	4.9	2.8	0.0	0.0
Debtor days	121.0	133.8	158.0	157.7	135.6	109.8	124.0
Creditor days	166.6	199.6	208.3	194.7	167.6	132.4	149.3
Working capital/Sales (%)	1.1	0.6	2.5	4.6	6.7	4.9	5.1
<b>Capital employed analysis</b>							
Sales/Capital employed (%)	967.9	1,087.3	1,026.5	1,019.8	801.2	1,196.2	1,394.6
EV/Capital employed (%)	1,164.0	1,355.3	1,091.5	969.1	800.7	909.8	1,047.8
Working capital/Capital employed (%)	11.1	6.1	25.8	46.5	53.3	58.7	71.6
Fixed capital/Capital employed (%)	81.7	84.1	74.6	74.0	49.3	44.3	31.8
<b>Other ratios (%)</b>							
EV/OCF (x)	10.0	29.7	46.9	13.4	14.9	7.7	8.0
EV/FCF (x)	11.9	39.7	(289.8)	20.8	21.5	9.5	10.1
EV/Sales (x)	1.2	1.2	1.1	1.0	1.0	0.8	0.8
Capex/depreciation (%)	92.3	48.7	146.1	106.6	59.6	60.3	55.3

Source: www.clsa.com

## Cashflow (RMm)

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Operating profit	136	149	165	162	160	216	199
Operating adjustments	(3)	(22)	0	0	0	0	0
Depreciation/amortisation	42	39	37	53	75	83	90
Working capital changes	65	(59)	(112)	(11)	(57)	11	(2)
Interest paid / other financial expenses	(4)	(6)	(6)	(8)	0	0	0
Tax paid	(30)	(26)	(37)	(37)	(33)	(45)	(42)
Other non-cash operating items	25	0	0	1	0	0	0
<b>Net operating cashflow</b>	<b>232</b>	<b>75</b>	<b>47</b>	<b>159</b>	<b>145</b>	<b>266</b>	<b>246</b>
Capital expenditure	(39)	(19)	(55)	(56)	(45)	(50)	(50)
<b>Free cashflow</b>	<b>193</b>	<b>56</b>	<b>(8)</b>	<b>103</b>	<b>100</b>	<b>216</b>	<b>196</b>
Acq/inv/disposals	40	13	89	26	-	-	-
Int, invt & associate div	(57)	89	13	(28)	12	12	15
<b>Net investing cashflow</b>	<b>(56)</b>	<b>83</b>	<b>48</b>	<b>(58)</b>	<b>(33)</b>	<b>(38)</b>	<b>(35)</b>
Increase in loans	2	0	(3)	(21)	-	-	-
Dividends	(70)	(84)	(71)	(97)	(104)	(117)	(117)
Net equity raised/others	0	-	0	-	0	0	0
<b>Net financing cashflow</b>	<b>(68)</b>	<b>(84)</b>	<b>(74)</b>	<b>(118)</b>	<b>(104)</b>	<b>(117)</b>	<b>(117)</b>
Incr/(decr) in net cash	107	74	21	(16)	9	112	94
Exch rate movements	5	2	1	12	(5)	(5)	(5)
<b>Opening cash</b>	<b>278</b>	<b>390</b>	<b>465</b>	<b>488</b>	<b>485</b>	<b>489</b>	<b>595</b>
<b>Closing cash</b>	<b>390</b>	<b>465</b>	<b>487</b>	<b>484</b>	<b>489</b>	<b>596</b>	<b>684</b>
OCF PS (sen)	17.9	5.8	3.6	12.3	11.3	20.6	19.0
FCF PS (sen)	14.9	4.3	(0.6)	8.0	7.8	16.7	15.1

## Cashflow ratio analysis

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
<b>Growth (%)</b>							
Op cashflow growth (% YoY)	(19.4)	(67.6)	(37.3)	238.7	(8.8)	82.8	(7.6)
FCF growth (% YoY)	(20.2)	(70.9)	(113.6)	-	(2.8)	114.9	(9.3)
Capex growth (%)	(15.4)	(50.8)	187.6	2.7	(19.9)	11.1	0.0
<b>Other key ratios (%)</b>							
Capex/sales (%)	2.0	1.1	2.6	2.5	2.1	1.8	1.9
Capex/op cashflow (%)	16.7	25.3	116.2	35.2	30.9	18.8	20.3
Operating cashflow payout ratio (%)	22.3	86.0	192.2	56.7	71.1	43.7	47.3
Cashflow payout ratio (%)	-	-	-	-	-	-	-
Free cashflow payout ratio (%)	-	-	-	-	-	-	-

## DuPont analysis

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Ebit margin (%)	7.1	8.3	7.9	7.2	7.4	8.0	7.6
Asset turnover (x)	1.4	1.2	1.2	1.2	1.3	1.6	1.4
Interest burden (x)	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax burden (x)	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	9.1	8.0	7.5	6.8	7.5	10.0	8.6
Leverage (x)	3.3	3.2	3.3	3.2	2.8	2.6	2.6
ROE (%)	30.7	26.2	26.0	22.9	22.0	27.3	23.5

## EVA® analysis

Year to 31 December	2015A	2016A	2017A	2018A	2019CL	2020CL	2021CL
Ebit adj for tax	124	120	130	126	128	173	159
Average invested capital	209	183	187	241	279	262	220
ROIC (%)	59.1	65.5	69.8	52.1	46.0	66.0	72.2
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	4.5	4.0	3.9	3.9	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 (%)	48.2	54.6	58.9	41.2	35.1	55.1	61.3
EVA (RMm)	101	100	110	99	98	144	135

Source: www.clsa.com

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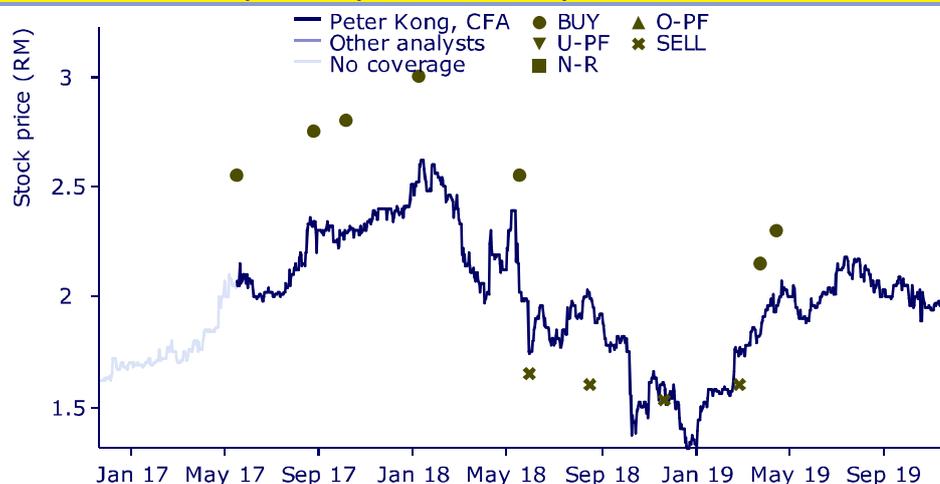
SunCon (SCGB MK - RM1.98 - BUY)  
AQRS (AQRS MK - RM1.26 - BUY)  
Carnival Mall (N-R)  
EVSD MK (N-R)  
GADG MK (N-R)  
Gamuda (GAM MK - RM3.80 - BUY)  
George Kent (N-R)  
Hock Seng Lee (N-R)  
IJM (IJM MK - RM2.11 - O-PF)  
KICB MK (N-R)  
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Petronas Chemicals (PCHEM MK - RM7.36 - U-PF)  
Sunway Medical (N-R)  
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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

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