

Sunway Construction Group (SCGB MK)

2Q21: Shortfall

Impacted by MCO 3.0 and FMCO

SCGB's 2Q21 results fell short, with 1H21 net profit at just 26%/25% of our/consensus FY21E. Works were disrupted by MCO 3.0 and FMCO in 2Q21, which continued into 3Q21. We expect a still weak 3Q21 and cut FY21E net profit by 44%. We however raise FY22/23E by 30%/11%, expecting work pace to catch up for completion. Our TP is lowered to MYR1.66 (-6sen) as we continue to peg valuation to -0.5SD of PER mean (18x) on its 12M ending mid-FY22E earnings. Maintain HOLD.

2Q21 net profit retraced 59% QoQ

MCO 3.0 had limited the operating capacity at SCGB's construction sites to 60% (from 25 May 2021) while FMCO (from 1 Jun) only allowed critical projects to operate, also at 60% operating capacity. Consequently, 2Q21 net profit was weak at just MYR8m (+2.8x YoY, -59% QoQ), bringing 1H21 to MYR29m (+54% YoY). The 2Q/1H21 YoY jump was due to a low base with 1H20 earnings impacted by MCO (from 18 Mar 2020) and CMCO (from 4 May), i.e. about 2 months of complete non-activity. A 1st interim DPS of 1.25sen (unchanged YoY) was declared (ex-date 9 Sep).

Expect a weak 3Q21

EMCO in Selangor and selected locations in KL from 3 Jul 2021 till 16 Jul had led to operations having halted as majority of SCGB's projects are sited in Selangor. Although the EMCO was lifted from 17 Jul, only a few of its sites with CLQ and on-site accommodation were allowed to resume operations. With >88% of SCGB's workforce (+ that of its sub-contractors) having received 1st dose vaccination (they should be fully inoculated by end-Aug/early-Sep), we expect overall operating capacity to rise towards 100% from Sep; this implies a still weak 3Q21 in terms of earnings. So far, all its projects in Selangor and KL have restarted on 60%-80% operating capacity, depending on individual sites' workforce vaccination rate.

Outstanding orderbook at MYR4.8b

2021-YTD, SCGB has secured MYR620m new jobs, taking its outstanding orderbook to MYR4.8b as of end-Jun 2021. Active tender book meanwhile is MYR8.3b of which 32% are overseas. Management maintains its MYR2b job win target for 2021 (2020: MYR2.3b).

| FYE Dec (MYR m) | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------|----------|--------|--------|-------|--------|
| Revenue | 1,769 | 1,553 | 1,569 | 2,905 | 3,044 |
| EBITDA | 181 | 124 | 107 | 272 | 255 |
| Core net profit | 129 | 73 | 62 | 176 | 154 |
| Core EPS (sen) | 10.0 | 5.6 | 4.8 | 13.6 | 12.0 |
| Core EPS growth (%) | (10.3) | (43.7) | (15.0) | 184.1 | (12.3) |
| Net DPS (sen) | 7.0 | 4.0 | 3.4 | 7.0 | 7.0 |
| Core P/E (x) | 19.1 | 33.3 | 32.9 | 11.6 | 13.2 |
| P/BV (x) | 4.0 | 3.8 | 3.1 | 2.8 | 2.5 |
| Net dividend yield (%) | 3.7 | 2.1 | 2.2 | 4.4 | 4.4 |
| ROAE (%) | 21.3 | 11.6 | 9.6 | 25.2 | 20.0 |
| ROAA (%) | 6.6 | 3.7 | 3.3 | 7.4 | 4.9 |
| EV/EBITDA (x) | 12.3 | 20.4 | 20.0 | 8.0 | 9.4 |
| Net gearing (%) (incl perps) | net cash | 15.8 | 16.3 | 19.5 | 43.5 |
| Consensus net profit | - | - | 108 | 137 | 152 |
| MKE vs. Consensus (%) | - | - | (42.5) | 28.5 | 1.4 |

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HOLD

| | |
|-----------------------|----------------|
| Share Price | MYR 1.58 |
| 12m Price Target | MYR 1.66 (+9%) |
| Previous Price Target | MYR 1.72 |

Company Description

Sunway Construction Group offers integrated construction services and has precast concrete business in Singapore.

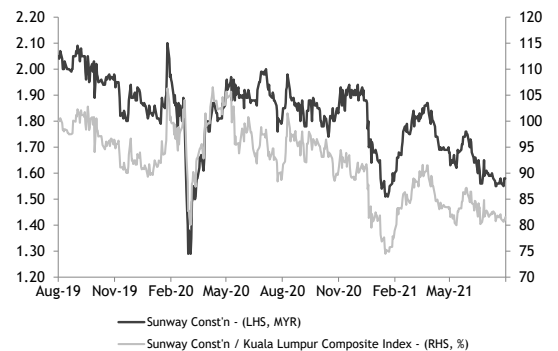
Statistics

| | |
|------------------------|--------------------|
| 52w high/low (MYR) | 1.98/1.51 |
| 3m avg turnover (USDm) | 0.1 |
| Free float (%) | 25.6 |
| Issued shares (m) | 1,293 |
| Market capitalisation | MYR2.0B USD482M |

Major shareholders:

| | |
|--------------------------|-------|
| Sunway Bhd. | 54.4% |
| Active Equity Sdn. Bhd. | 10.1% |
| Employees Provident Fund | 8.4% |

Price Performance



| | -1M | -3M | -12M |
|-----------------------|-----|-----|------|
| Absolute (%) | (2) | (6) | (12) |
| Relative to index (%) | (2) | (3) | (9) |

Source: FactSet

Abbreviation

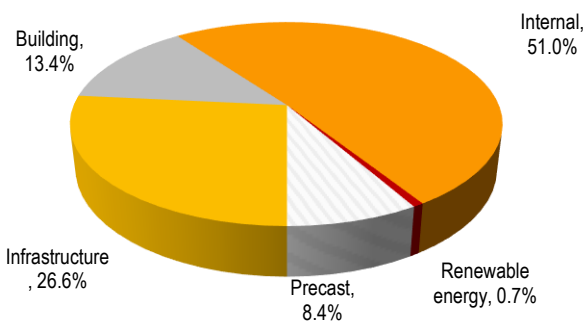
CLQ = Centralised Labour Quarter

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Tear Sheet Insert

Value Proposition

- Malaysia's largest pure play construction group with an established brandname having commenced operations in 1981 with a cumulative revenue of MYR30b.
- Operates on a fully integrated business model with 6 core ops: (i) building construction; (ii) civil/infrastructure, (iii) foundation & geotechnics; (iv) mechanical, electrical & plumbing; (v) precast concrete (two existing plants in Johor, 3rd under construction in SG [operational 2H22] - supplying IBS components largely to SG); (vi) renewable energy.
- Completed special purpose building projects include KL Convention Centre, Sunway Shopping Mall; completed civil projects include SILK, MEX, SKVE, BRT, KVMRT and KVLRT.
- Experienced senior management team and support from the Sunway Group add onto its value proposition.

MYR4.8b outstanding orderbook as of end-Jun 2021

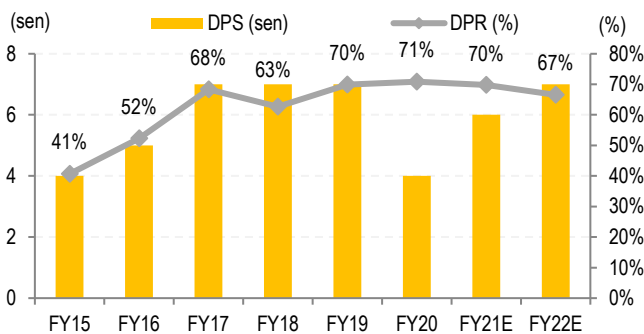


Source: Company

Financial Metrics

- Two main earning growth drivers are rising orderbook and higher margins which may come from value engineering.
- ROEs of >20% since its relisting in 2015 were above peers, but this suffered a set-back in FY20 due to work disruption from Malaysia's MCO; we expect ROE to rebound in FY22E.
- Balance sheet is strong with a net cash (+ ST investment) balance of MYR55m as of 30 Jun 2021.
- DPR is a minimum 35% of PATMI; since its relisting (on 28 Jul 2015), SCGB has been paying up to 71% (FY20).

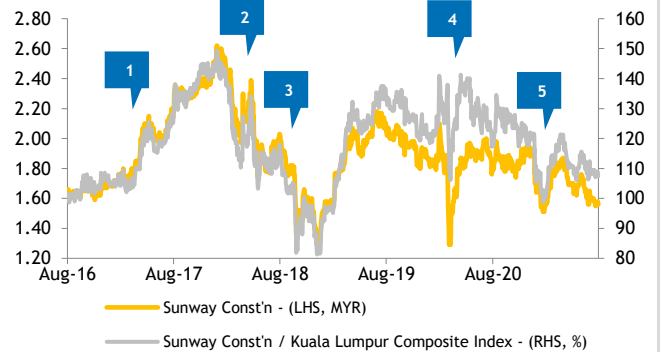
Dividends



Source: Company

Price Drivers

Historical share price trend



Source: Company, Maybank Kim Eng

- Secured MYR2.7b new jobs in 2016, bringing outstanding order book to a new high of MYR4.8b as of end-2016.
- Secured work packages under KVMRT 2 and KVLRT 3; outstanding orderbook reached another high of MYR6.1b as of end-2017.
- Post GE14 (9 May 2018) concerns, as the new Government sought to review the cost of major infra projects awarded during the previous Government.
- Malaysia's Movement Control Order (MCO) from 18 Mar 2020 led to work disruption at all of SCGB's projects.
- MCO 2.0 from 13 Jan 2021.

Swing Factors

Upside

- Larger-than-expected orderbook replenishment could lift sentiment on the stock although the earnings impact will only be felt in full at least a year later.
- Significant margin expansion for its existing orderbook coming from value engineering breakthrough.
- Government's policy reaffirmation on higher usage of IBS in construction as a long-term plan to reduce the country's over-reliance on foreign labour; this will be positive for SCGB's precast concrete business.

Downside

- Slower-than-expected work progress at existing projects will affect the timing of earnings recognition.
- High COVID-19 cases could disrupt work pace again.
- The timing of mega infrastructure project roll-outs by the Government could affect orderbook replenishment.
- At the precast segment, significant increase in steel prices and stiffer competition could affect margins.

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|--|-------------------------------|
| Risk Rating & Score ¹ | 30.7 (High) |
| Score Momentum ² | +1.5 |
| Last Updated | 14 Apr 2021 |
| Controversy Score ³ (Updated: 14 Dec 2019) | 1 - Business ethics incidents |

Business Model & Industry Issues

- As an industry leader, SCGB has built a track record in GBI-certified buildings and it also offers renewable energy services. SCGB has started measuring and reporting on key "E" parameters - water & energy use, carbon emission - on per unit revenue basis, in 2020.
- On labour matters, SCGB complies with Act 446, which extends to CLQ/workers accommodation of its business partners. To mitigate bribery & corruption risks, its Anti-Bribery and Corruption Policy and Anti-Money Laundering Policy were rolled out in 2020.
- Overall, SCGB's ESG risks are manageable, in our view. As SCGB continues to build on these efforts, its value proposition and investment case should strengthen further.

Material E issues

- SCGB has built a track record in designing Green Building Index (GBI)-certified buildings with 4 completed and 3 ongoing projects. It offers renewable (solar) energy services and has participated in the tender of Large Scale Solar (LSS) projects.
- SCGB started reporting on the following parameters (on per unit revenue basis) in 2020: (i) Water Use Intensity (WUI; 253m³/MYRm); (ii) Energy Use Intensity (EUI; 3.08 MWh/MYRm); (iii) Carbon Emission Intensity (CEI; 98 tCO₂e/MYRm). It targets to lower WUI and CEI by 10% by 2030 (with 2020 as base year), while target for EUI has yet to be established.
- In Jan 2021, SCGB signed up as an official supporter of the Task Force on Climate-Related Financial Disclosures (TCFD).
- SCGB achieved zero environmental compounds and fines in 2020. All its project sites are certified with ISO 14001:2015 Environmental Management System since 2018, ensuring strict implementation and monitoring.
- In Nov 2020, SCGB ceased to be a FTSE4Good Index constituent after 5 consecutive years as it fell out of the FTSE Index series for not passing the liquidity screening.

Material S issues

- Women made up just 16% of SCGB's workforce in 2020 due to the nature of its operations (women made up 31% at the executive level, 5% at the non-executive level). Pay equity was however balanced at 1.00 (women) : 0.99 (men).
- Employees' training was an avg. 15.9 hours per employee in 2020 (total MYR289k); SCGB targets 40 hours by 2030.
- All of SCGB's workplaces are ISO 45001/OHSAS 18001 Occupational Health and Safety Management System certified.
- SCGB complies with Act 446 - Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 - fully enforced in Sep 2020. This extends to CLQ/workers accommodation of its business partners.
- To mitigate COVID-19 infection risk at worksites, >12,500 tests were conducted on its workforce and that of its business partners in Jun-Dec 2020.
- SCGB contributed MYR250k to the National Disaster Relief Fund and MYR280k to the Jeffrey Cheah Foundation in 2020 to support the foundation's aim of quality education; this was in addition to its other community outreach efforts.

Key G metrics and issues

- SCGB's Board comprises 7 Directors of which 6 are Non-Executive (incl. Chairman). 4 (or 57%) are Independent; each has not served a cumulative term of >9 years. SCGB's Constitution provides for 1/3 of its Board to retire by rotation by each AGM but eligible for re-election.
- There is presently just 1 woman on SCGB's Board (14% representation), short of the 30% requirement.
- SCGB provides detailed disclosure on remuneration of its directors but not of its top senior management. In FY20, remuneration to directors (including alternate director) was 2.9% of pretax profit.
- SCGB has been audited by BDO PLT since FY15, at least.
- An Anti-Bribery and Corruption Policy was rolled out in Jan 2020 to all staff and business associates. Also, SCGB had in 2020 established an Anti-Money Laundering Policy, which is linked to its pre-existing Code of Conduct & Business Ethics, and Whistleblowing Policy & Procedures.
- Transactions with related parties within the Sunway Group have been on terms and conditions not materially different from those with unrelated parties, based on our screening of its FY15-FY20 annual reports.

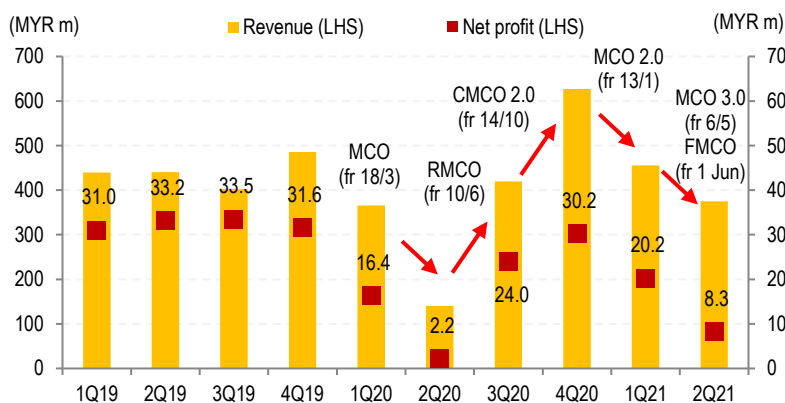
¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Fig 1: Results summary

| FY Dec (MYR m) | Quarterly | | | | | Cumulative | | |
|------------------------|-----------|---------|---------|-------|---------|------------|-------|---------|
| | 2Q21 | 2Q20 | % YoY | 1Q21 | % QoQ | 6M21 | 6M20 | % YoY |
| Revenue | 375.3 | 140.2 | 167.7 | 455.2 | (17.6) | 830.5 | 506.0 | 64.1 |
| EBIT | 6.4 | 0.1 | NM | 26.1 | (75.5) | 32.5 | 18.8 | 73.2 |
| Net interest inc/(exp) | 0.4 | (1.2) | NM | (0.8) | (145.8) | (0.5) | 0.6 | NM |
| Assoc, JV profits | 2.8 | 3.5 | (21.7) | 2.0 | NM | 4.7 | 4.6 | 2.8 |
| Pre-tax profit | 9.5 | 2.3 | 306.6 | 27.2 | (65.1) | 36.8 | 24.0 | 53.4 |
| Tax | (3.6) | (0.2) | NM | (6.9) | (48.3) | (10.5) | (4.5) | 132.4 |
| Minority Interests | 2.4 | 0.1 | NM | (0.1) | NM | 2.3 | (0.9) | NM |
| Net profit | 8.3 | 2.2 | 279.6 | 20.2 | (58.9) | 28.6 | 18.5 | 54.0 |
| EPS (sen) | 0.65 | 0.17 | 282.4 | 1.57 | (58.6) | 2.22 | 1.44 | 54.2 |
| DPS (sen) | 1.25 | 1.25 | - | - | NM | 1.25 | 1.25 | - |
| | 2Q21 | 2Q20 | +/- ppt | 1Q21 | +/- ppt | 6M21 | 6M20 | +/- ppt |
| EBIT margin (%) | 1.7 | 0.0 | 1.7 | 5.7 | (4.0) | 3.9 | 3.7 | 0.2 |
| Pretax margin (%) | 2.5 | 1.7 | 0.9 | 6.0 | (3.5) | 4.4 | 4.7 | (0.3) |
| Tax rate (%) | 37.7 | 9.2 | 28.5 | 25.5 | 12.3 | 28.6 | 18.9 | 9.7 |
| Revenue | 2Q21 | 2Q20 | % YoY | 1Q21 | % QoQ | 6M21 | 6M20 | % YoY |
| Construction | 349.2 | 137.2 | 154.5 | 421.3 | (17.1) | 770.5 | 466.8 | 65.1 |
| Precast concrete | 26.1 | 3.0 | 772.2 | 33.9 | (23.0) | 59.9 | 39.3 | 52.7 |
| Total | 375.3 | 140.2 | 167.7 | 455.2 | (17.6) | 830.5 | 506.0 | 64.1 |
| EBIT | 2Q21 | 2Q20 | +/- ppt | 1Q21 | +/- ppt | 6M21 | 6M20 | +/- ppt |
| Construction | 6.2 | 3.4 | 80.8 | 22.3 | (72.4) | 28.5 | 20.7 | 37.8 |
| Precast concrete | 0.2 | (3.3) | NM | 3.8 | (94.5) | 4.0 | (1.9) | NM |
| Total | 6.4 | 0.1 | NM | 26.1 | (75.5) | 32.5 | 18.8 | 73.2 |
| EBIT margin (%) | 2Q21 | 2Q20 | +/- ppt | 1Q21 | +/- ppt | 6M21 | 6M20 | +/- ppt |
| Construction | 1.8 | 2.5 | (0.7) | 5.3 | (3.5) | 3.7 | 4.4 | (0.7) |
| Precast concrete | 0.8 | (111.9) | 112.7 | 11.1 | (10.3) | 6.6 | (4.9) | 11.6 |
| Total | 1.7 | 0.0 | 1.7 | 5.7 | (4.0) | 3.9 | 3.7 | 0.2 |

Source: Company, Maybank KE

Fig 2: Quarterly revenue and profit at various MCO phases



Source: Company data, Maybank KE

Fig 3: Pandemic induced movement restrictions

| 2020 | 2021 |
|--|--|
| 18 Mar - 3 May → MCO | 14 Oct 2020 - 12 Jan → CMCO 2.0 |
| 4 May - 9 Jun → Conditional MCO (CMCO) | 13 Jan - 4 Mar → MCO 2.0 |
| 10 Jun - 13 Oct → Recovery MCO (RMCO) | 5 Mar - 5 May → CMCO 3.0 |
| 14 Oct - 12 Jan 2021 → CMCO 2.0 | 6 May - 31 May → MCO 3.0 # |
| | 1 Jun - current → Full MCO (FMCO) cum National Recovery Plan (NRP) Phase 1 |
| | 3 Jul - 16 Jul → Enhanced MCO in Selangor and certain areas in KL |

Note: The dates above refer to MCO phases in the Klang Valley due to variation in MCO phases nationwide; Source: Compiled by Maybank KE

Fig 4: Key Standard Operating Procedures (SOP) for Construction Industry in 2021

| | MCO 2.0 (fr 13 Jan) | CMCO 3.0 (fr 5 Mar) | MCO 3.0 (fr 6 May) | FMCO (fr 1 Jun) | NRP Phs 1 (fr 1 Jun) | NRP Phs 2 | Sttmt on 15 Aug (fr 16 Aug) |
|--|--|--------------------------|-----------------------|---|---|--|--|
| Workers capacity at site | 100% | 100% | 60% (fr 25 May) | 60% | 60% | 80% | <ul style="list-style-type: none"> ▪ 100%, when 80-100% of workforce are fully vaccinated ▪ 80%, when 60-79% are fully vaccinated ▪ 60%, when 40-59% are fully vaccinated |
| Permitted works | <ul style="list-style-type: none"> ▪ Critical R&M ▪ Major public infra ▪ Building const # | ALL | ALL | <ul style="list-style-type: none"> ▪ Critical R&M ▪ Major public infra ▪ Building const ## | <ul style="list-style-type: none"> ▪ Critical R&M ▪ Public infra ▪ Other const ### | <ul style="list-style-type: none"> ▪ R&M ▪ Public infra ▪ Other const ### | Critical and non-critical works (Details are pending) |
| Movement of workers from one site to another | NO | YES (s.t. COVID-19 test) | NO | NO | NO | NO | (Pending) |
| Testing of workers before the start of works | YES (foreign) | YES (foreign) | YES (foreign + local) | YES (foreign + local) | YES (foreign + local) | YES (foreign + local) | RTK Antigen tests to be conducted every 2 weeks |

R&M = repairs & maintenance

Building construction works (with workers' accommodation on-site/CLQ)

Building construction works (with approved workers' accommodation on-site)

Other construction works (with approved workers' accommodation on-site/approved CLQ)

Note: The dates for the various MCO phases above refer to MCO phases in the Klang Valley due to variation in MCO phases nationwide

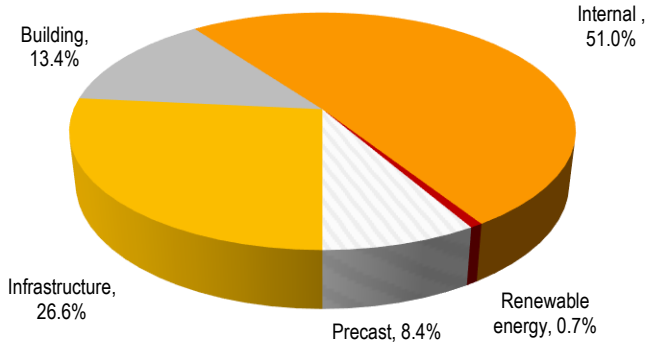
Source: SOPs issued by Construction Industry Development Board; PM's statement [[link](#)]; Translated & summarised by Maybank KE

Fig 5: Outstanding orderbook of MYR4.8b @ end-Jun 2021

| As at 30 Jun 2021 | Completion | Contract value (MYR m) | Outstanding (MYR m) |
|--|-------------|---------------------------|------------------------|
| Infrastructure | | | |
| LRT 3 : Package GS07-08 | 2Q22 | 1,295 | 368 |
| Sentul West Station (MEP) # | 4Q21 | 57 | 30 |
| KVMRT 2, Chan Sow Lin underground station (MEP) @ | 4Q21 | 54 | 33 |
| Tamil Nadu Highway (Thorapalil Agraharam-Jittandahalli, of NH-844) @ | TBC | 508 | 508 |
| Tamil Nadu Highway (Meensurutti-Chidambarm, of NH-227) @ | 3Q23 | 315 | 315 |
| Jln Tambun # | 4Q22 | 14 | 14 |
| Bangsar Rising (piling) # | 4Q21 | 5 | 5 |
| Building | | | |
| Putrajaya Parcel F | Maintenance | 1,610 | 17 |
| TNB HQ Campus # | 3Q22 | 781 | 404 |
| Petronas Learning Centre # | 4Q21 | 305 | 148 |
| Oxley Tower (MEP) # | 2Q22 | 68 | 51 |
| IOI Mall (MEP) # | 4Q21 | 68 | 22 |
| Internal | | | |
| Sunway Medical Centre 4 (2 towers) | 2Q22 | 450 | 239 |
| Sunway Serene - Kelana Jaya Condo | 3Q22 | 413 | 137 |
| Sunway Carnival 2 Extension - PDP contract | 1Q22 | 286 | 96 |
| SMC Seberang Jaya | 1Q22 | 180 | 91 |
| Sunway Velocity Two | 2Q22 | 352 | 149 |
| Sunway Velocity 3C4 | 3Q22 | 100 | 47 |
| Sunway South Key - Parcel CP2 (piling) # | 2Q21 | 119 | 11 |
| Butterworth-Kulim Expressway @ | 2Q21 | 4 | 4 |
| Sunway International School @ | 3Q22 | 121 | 95 |
| Sunway South Quay - Comm mixed devt @ | 4Q23 | 344 | 344 |
| Service apartments at Jln Belfield @ | 4Q24 | 403 | 379 |
| Sunway Resort Hotel & Spa renovation @ | 2Q21 | 81 | 38 |
| Sunway Medical Centre 4 (VO) @ | 2Q22 | 162 | 162 |
| Sunway Velocity Two - 2 blocks of service apartments @ | 4Q23 | 253 | 241 |
| SMC Seberang Jaya - VO # | 1Q22 | 16 | 16 |
| Sunway International School - VO # | 3Q22 | 19 | 19 |
| Big Box Office # | 2Q22 | 51 | 48 |
| Sunway Damansara Medical Centre # | 1Q23 | 180 | 179 |
| Sunway Medical Centre Ipoh # | | 150 | 150 |
| Renewable energy | | | |
| Renewable energy - internal @ | 2021 | 12 | 7 |
| Renewable energy - external @ | 2021 | 26 | 26 |
| Precast | | | |
| Secured pre 2021 | - | 331 | 216 |
| New order in 1Q21 # | - | 185 | 185 |
| Total | | 9,318 | 4,794 |

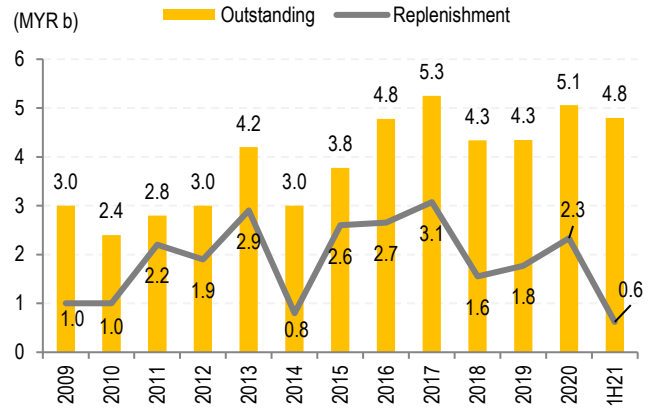
#Secured in 2019; @ Secured in 2020; # Secured in 2021-YTD; Source: Company

Fig 6: Outstanding orderbook of MYR4.8b @ end-Jun 2021



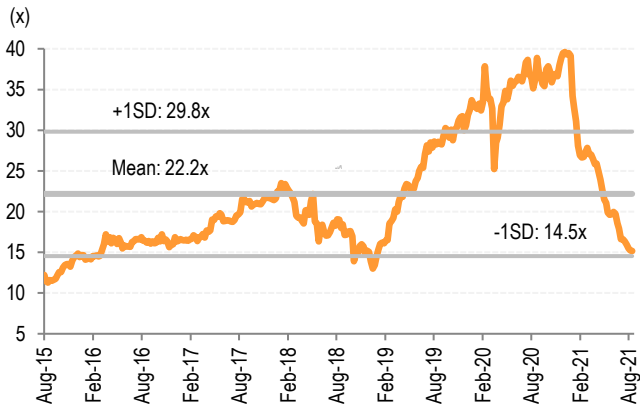
Note: Including precast, adjusted for revised value of LRT3 project;
Source: Company data, Maybank KE

Fig 7: Outstanding orderbook vs. replenishment



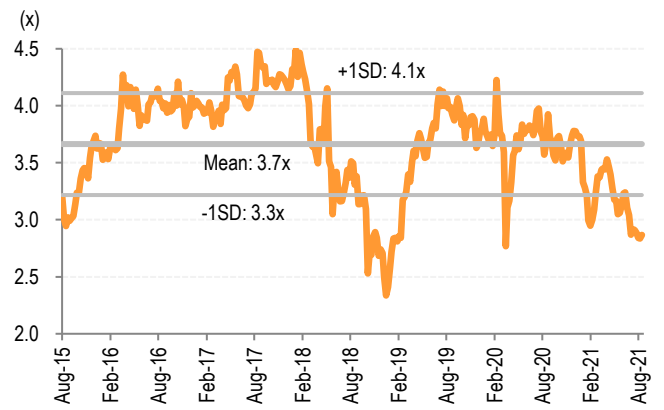
Note: Including precast, adjusted for revised value of LRT3 project;
Source: Company data, Maybank KE

Fig 8: 12M forward PER



Source: Company data, Maybank KE

Fig 9: 12M forward P/B



Source: Company data, Maybank KE

| FYE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Key Metrics | | | | | |
| P/E (reported) (x) | 19.1 | 32.6 | 32.9 | 11.6 | 13.2 |
| Core P/E (x) | 19.1 | 33.3 | 32.9 | 11.6 | 13.2 |
| P/BV (x) | 4.0 | 3.8 | 3.1 | 2.8 | 2.5 |
| P/NTA (x) | 4.0 | 3.8 | 3.1 | 2.8 | 2.5 |
| Net dividend yield (%) | 3.7 | 2.1 | 2.2 | 4.4 | 4.4 |
| FCF yield (%) | 7.7 | 3.5 | 2.8 | 16.8 | 9.0 |
| EV/EBITDA (x) | 12.3 | 20.4 | 20.0 | 8.0 | 9.4 |
| EV/EBIT (x) | 15.9 | 27.9 | 26.4 | 8.9 | 11.0 |
| INCOME STATEMENT (MYR m) | | | | | |
| Revenue | 1,768.7 | 1,552.7 | 1,569.0 | 2,905.4 | 3,043.8 |
| EBITDA | 181.3 | 124.0 | 107.1 | 271.8 | 254.6 |
| Depreciation | (40.3) | (33.4) | (25.9) | (27.3) | (36.4) |
| EBIT | 141.0 | 90.5 | 81.2 | 244.5 | 218.2 |
| Net interest income / (exp) | 11.4 | 0.9 | (0.9) | (6.9) | (7.5) |
| Associates & JV | 5.6 | 10.1 | 5.0 | 5.0 | 5.0 |
| Exceptionals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pretax profit | 157.9 | 101.5 | 85.2 | 242.6 | 215.8 |
| Income tax | (27.1) | (27.8) | (23.4) | (66.8) | (61.6) |
| Minorities | (1.5) | (0.9) | 0.0 | 0.0 | 0.0 |
| Reported net profit | 129.3 | 72.8 | 61.9 | 175.8 | 154.2 |
| Core net profit | 129.3 | 72.8 | 61.9 | 175.8 | 154.2 |
| BALANCE SHEET (MYR m) | | | | | |
| Cash & Short Term Investments | 614.6 | 200.1 | 193.6 | 405.9 | 499.9 |
| Accounts receivable | 849.7 | 904.9 | 792.8 | 1,250.4 | 1,309.1 |
| Inventory | 25.1 | 34.3 | 35.1 | 66.4 | 70.6 |
| Property, Plant & Equip (net) | 138.5 | 107.3 | 136.3 | 202.0 | 196.1 |
| Intangible assets | 3.9 | 0.1 | 0.1 | 0.1 | 0.1 |
| Investment in Associates & JVs | 48.4 | 488.9 | 493.9 | 498.9 | 503.9 |
| Other assets | 322.2 | 170.5 | 190.5 | 480.5 | 780.5 |
| Total assets | 2,002.3 | 1,906.1 | 1,842.4 | 2,904.4 | 3,360.3 |
| ST interest bearing debt | 233.4 | 233.7 | 233.7 | 233.7 | 233.7 |
| Accounts payable | 868.3 | 940.0 | 858.3 | 1,583.7 | 1,675.7 |
| LT interest bearing debt | 52.7 | 67.2 | 67.2 | 317.2 | 617.2 |
| Other liabilities | 125.0 | 27.0 | 27.0 | 28.0 | 28.0 |
| Total Liabilities | 1,279.9 | 1,267.5 | 1,185.8 | 2,162.2 | 2,554.1 |
| Shareholders Equity | 623.0 | 636.9 | 654.9 | 740.5 | 804.4 |
| Minority Interest | 99.5 | 1.7 | 1.7 | 1.7 | 1.7 |
| Total shareholder equity | 722.5 | 638.6 | 656.7 | 742.2 | 806.1 |
| Total liabilities and equity | 2,002.3 | 1,906.1 | 1,842.4 | 2,904.4 | 3,360.3 |
| CASH FLOW (MYR m) | | | | | |
| Pretax profit | 157.9 | 101.5 | 85.2 | 242.6 | 215.8 |
| Depreciation & amortisation | 40.3 | 33.4 | 25.9 | 27.3 | 36.4 |
| Adj net interest (income)/exp | 16.8 | 1.4 | (0.9) | (6.9) | (7.5) |
| Change in working capital | 32.7 | (23.7) | 29.4 | 236.5 | 29.2 |
| Cash taxes paid | (38.4) | (28.8) | (23.4) | (66.8) | (61.6) |
| Other operating cash flow | (15.3) | 4.0 | (4.1) | 1.9 | 2.5 |
| Cash flow from operations | 194.1 | 87.8 | 112.2 | 434.6 | 214.7 |
| Capex | (4.7) | (1.9) | (54.9) | (93.0) | (30.4) |
| Free cash flow | 189.4 | 85.9 | 57.3 | 341.6 | 184.2 |
| Dividends paid | (90.4) | (61.2) | (43.8) | (90.3) | (90.3) |
| Change in Debt | 167.9 | 12.0 | 0.0 | 250.0 | 300.0 |
| Other invest/financing cash flow | (394.4) | (266.7) | (20.0) | (289.0) | (300.0) |
| Net cash flow | (127.5) | (230.0) | (6.5) | 212.4 | 94.0 |

| FYE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
|--|----------|--------|--------|--------|--------|
| Key Ratios | | | | | |
| Growth ratios (%) | | | | | |
| Revenue growth | (21.6) | (12.2) | 1.1 | 85.2 | 4.8 |
| EBITDA growth | (17.2) | (31.6) | (13.6) | 153.8 | (6.3) |
| EBIT growth | (19.5) | (35.8) | (10.3) | 201.2 | (10.7) |
| Pretax growth | (13.6) | (35.7) | (16.0) | 184.6 | (11.1) |
| Reported net profit growth | (10.5) | (43.7) | (15.0) | 184.1 | (12.3) |
| Core net profit growth | (10.5) | (43.7) | (15.0) | 184.1 | (12.3) |
| Profitability ratios (%) | | | | | |
| EBITDA margin | 10.2 | 8.0 | 6.8 | 9.4 | 8.4 |
| EBIT margin | 8.0 | 5.8 | 5.2 | 8.4 | 7.2 |
| Pretax profit margin | 8.9 | 6.5 | 5.4 | 8.4 | 7.1 |
| Payout ratio | 69.9 | 70.9 | 70.8 | 51.3 | 58.5 |
| DuPont analysis | | | | | |
| Net profit margin (%) | 7.3 | 4.7 | 3.9 | 6.1 | 5.1 |
| Revenue/Assets (x) | 0.9 | 0.8 | 0.9 | 1.0 | 0.9 |
| Assets/Equity (x) | 3.2 | 3.0 | 2.8 | 3.9 | 4.2 |
| ROAE (%) | 21.3 | 11.6 | 9.6 | 25.2 | 20.0 |
| ROAA (%) | 6.6 | 3.7 | 3.3 | 7.4 | 4.9 |
| Liquidity & Efficiency | | | | | |
| Cash conversion cycle | (38.3) | (42.1) | (41.8) | (42.8) | (61.3) |
| Days receivable outstanding | 180.0 | 203.4 | 194.8 | 126.6 | 151.4 |
| Days inventory outstanding | 7.1 | 8.3 | 9.5 | 7.4 | 9.3 |
| Days payables outstanding | 225.5 | 253.8 | 246.0 | 176.7 | 222.0 |
| Dividend cover (x) | 1.4 | 1.4 | 1.4 | 1.9 | 1.7 |
| Current ratio (x) | 1.6 | 1.1 | 1.1 | 1.0 | 1.1 |
| Leverage & Expense Analysis | | | | | |
| Asset/Liability (x) | 1.6 | 1.5 | 1.6 | 1.3 | 1.3 |
| Net gearing (%) (incl perps) | net cash | 15.8 | 16.3 | 19.5 | 43.5 |
| Net gearing (%) (excl. perps) | net cash | 15.8 | 16.3 | 19.5 | 43.5 |
| Net interest cover (x) | na | na | 86.3 | 35.4 | 29.3 |
| Debt/EBITDA (x) | 1.6 | 2.4 | 2.8 | 2.0 | 3.3 |
| Capex/revenue (%) | 0.3 | 0.1 | 3.5 | 3.2 | 1.0 |
| Net debt/ (net cash) | (328.6) | 100.8 | 107.4 | 145.0 | 351.0 |

Source: Company; Maybank

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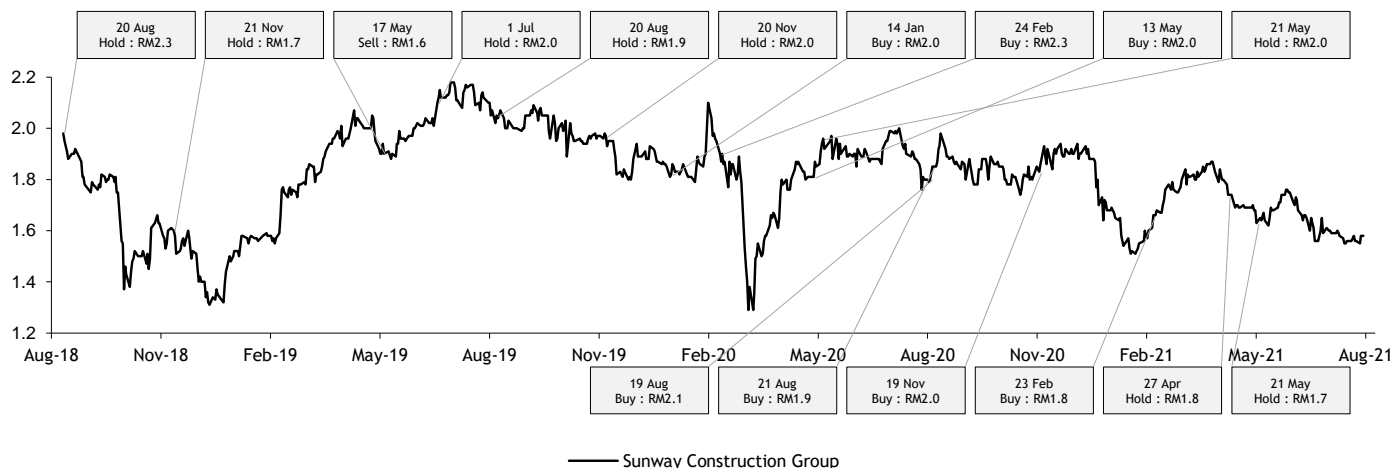
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