

Outthink. Outperform.

One-stop contractor

We initiate coverage on Sunway Construction Group (SCGB) with a BUY call and target price of RM1.76, based on 10% discount to RNAV. SCGB is in a strong position to win civil work packages worth more than RM3bn for several large-scale infrastructure projects to be rolled out in 2016. SCGB is distinctive, offering a pure construction company exposure as it is not involved in property development and other non-related businesses compared to peers. Suncon's current ex-cash FY16E PER of 11x and net yield of 4% are attractive.

Strong track record

SCGB is an integrated construction and precast concrete manufacturer that has a strong track record. It is one of the few contractors to be involved in all three major public transportation projects in the Klang Valley, ie, Bus Rapid Transit (BRT) Sunway Line, Light Rail Transit (LRT) Kelana Jaya Line extension, and Mass Rapid Transit Line 1 (MRT1).

Preferred contractor

Outstanding order book of RM3.8bn is equivalent to 2x FY14 revenue, providing good earnings visibility. In addition, SCGB has been pre-qualified to bid for work packages for the RM16bn MRT2 above-ground works, RM16.1bn Pan-Borneo Highway (PBH) Sarawak portion, RM5.3bn Sungai Besi-Ulu Klang Expressway (Suke), and RM4.2bn Damansara-Shah Alam Highway (DASH) projects. We assume that SCGB clinches RM2bn worth of new contracts in FY16 compared to RM2.6bn in FY15.

Strong financial position

SCGB had net cash of RM199m or RM0.15/share (11% of its current market capitalization) as at 30 September 2015. Its net cash position also supports the company's dividend policy to maintain a pay out of at least 35% of net profit. Assuming a 50% dividend payout, we forecast net yield of 3.7% in FY15E and 4% in FY16E.

BUY for pure construction exposure

In the current cyclical upturn for the construction sector, pure construction plays like SCGB are preferred to ride the potential strong earnings growth from a growing order book. Its precast concrete division (contributes 51% of net profit) also benefits from the weak Ringgit as it derives SGD revenue. SCGB is added as one of our top sector BUYs. Key risks are public infrastructure project implementation delays and cost overruns.

Earnings & Valuation Summary

FYE 31 Dec	2013	2014	2015E	2016E	2017E
Revenue (RMm)	1,839.6	1,880.7	1,791.2	1,843.3	2,290.1
EBITDA (RMm)	120.8	172.3	188.9	203.8	261.6
Pretax profit (RMm)	89.8	151.3	149.4	169.1	225.5
Net profit (RMm)	66.9	124.8	129.5	142.0	175.9
EPS (sen)	5.2	9.7	10.0	11.0	13.6
PER (x)	26.1	14.0	13.5	12.3	9.9
Core net profit (RMm)	102.5	135.3	134.3	142.0	175.9
Core EPS (sen)	7.9	10.5	10.4	11.0	13.6
Core EPS growth (%)	14.3	31.9	(0.7)	5.8	23.8
Core PER (x)	17.0	12.9	13.0	12.3	9.9
Net DPS (sen)	0.0	0.0	5.0	5.5	6.5
Dividend Yield (%)	0.0	0.0	3.7	4.1	4.8
EV/EBITDA (x)	13.9	9.3	7.7	7.0	5.2
Chg in EPS (%)			new	new	new
Affin/Consensus (x)			1.0	1.0	1.2

Source: Company, Affin Hwang estimates

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Initiation of Coverage

Sunway Construction

SCGB MK
Sector: Construction

RM1.35 @ 18 January 2016

BUY (initiation)

Upside 30%

Price Target: RM1.76

Previous Target: -



Price Performance

	1M	3M	12M
Absolute	-2.2%	+7.1%	N/A
Rel to KLCI	-0.9%	+13.4%	N/A

Stock Data

Issued shares (m)	1,292.9
Mkt cap (RMm)/(US\$m)	1,745.4/397.1
Avg daily vol - 6mth (m)	N/A
52-wk range (RM)	0.98-1.45
Est free float	45.6%
BV per share (RM)	0.33
P/BV (x)	4.1
Net cash/ (debt) (RMm) (3Q15)	198.6
ROE (2015F)	30.9%
Derivatives	Nil
Shariah Compliant	Yes

Key Shareholder

Sunway Bhd	54.4%
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Source: Affin Hwang, Bloomberg

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Strong track record

Integrated construction company

SCGB is a fully integrated construction company that offers (1) geotechnical services; (2) civil, infrastructure and building construction services, (3) mechanical, electrical and plumbing (MEP) services, and (4) the supply of precast concrete products. It has a diversified construction order book across various sub-segments of the construction industry. It has one of the largest fleet of construction machinery in Malaysia, including specialized deep bore piling machines.

Design and build contract specialist

SCGB's integrated operations allow the company to offer one-stop shop services to customers from the design stage to construction and completion of the project, ie, design and build (D&B) contract. Typically, a D&B contract generates a higher profit margin than a general construction contract.

SCGB has a competitive advantage in building projects, being able to provide optimal end-to-end design and construction solutions through the use of proprietary advanced project management software. Design optimization can help customers to save time and cost in completing the project. SCGB also has in-house capabilities in MEP to ensure the quality of the end product.

Completed over RM8bn of major projects

The company has a strong track record having completed more than 85 major projects in the domestic and international markets worth more than RM8bn. It has strong customer relationships with Putrajaya Holdings, KLCC group of companies, IDR Asset, Syarikat Prasarana Negara, MRT Corp and Iskandar Malaysia Studios.

Fig 1: Major projects completed

Project	Value (RMm)	Completion
Sunway Pyramid Shopping Mall, Bandar Sunway, Selangor	700	Sep 2015
SILK Highway, Klang Valley	1,045	Apr 2015
Kuala Lumpur Convention Centre, KL	549	Mar 2005
Maju Expressway Package 3, Klang Valley	165	Jul 2007
South Klang Valley Expressway Section 1B, Klang Valley	264	Nov 2009
Legoland Malaysia Theme Park, Nusajaya, Johor	303	Sep 2013
Pinewood Iskandar Malaysia Studios, Nusajaya, Johor	309	May 2013
LRT Package B (Kelana Jaya Line Extension)	569	Jun 2015
Klang Valley MRT Package V4	1,173	Jan 2016
BRT - Sunway Line, Selangor	453	Jun 2015
Al-Reem Island, Abu Dhabi, UAE	1,323	Apr 2009
Rihan Heights, Abu Dhabi, UAE	1,865	Nov 2010
7 Indian highway packages	1,167	Feb 2010
Ministry of Legal Affairs Tower, Trinidad and Tobago	213	Aug 2007
Total	10,098	

* Only major projects in this list
 Source: Company

Niche in special-purpose building construction

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It has a niche in the construction of special-purpose buildings such as hospitals, movie studios, convention centres and retail malls. SCGB is one of the few contractors to be involved in all three major public transportation projects in the Klang Valley, ie, BRT, LRT and MRT1. The company also has an established track record in undertaking overseas projects in the Middle East, India and Trinidad & Tobago.

In-house projects from Sunway Group

Sunway Bhd holds a 54.4% stake in SCGB and many of the former's property development and investment building projects are undertaken by the latter. We understand that Sunway's projects are awarded to SCGB on an arms-length basis through a tender process. SCGB typically secures projects worth RM0.5-0.8bn p.a. from Sunway's property arm. These "in-house" projects provide another steady avenue for SCGB to replenish its order book.

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Preferred contractor

Large order book gives earnings visibility

SCGB's outstanding order book of RM3.8bn is equivalent to 2x FY14 revenue, providing good earnings visibility. It has a diversified customer base though in-house projects contribute the highest proportion to the order book currently. Most of the ongoing projects are domestic and awarded on a D&B basis. Building works comprise the bulk of its existing order book.

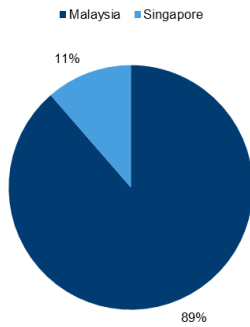
Fig 2: Construction order book

Project	Contract sum (RMm)	Remaining value (RMm)
Infrastructure		
MRT Package V4 (Sec 17 to Semantan)	1,173	329
LRT Kelana Jaya Line Extension (Package B)	569	48
Johor		
Urban Wellness Center	283	17
Coastal Highway Southern Link	170	111
Others		
Putrajaya Parcel F	1,609	1,402
KLCC Nec	304	201
KLCC package 2 (Piling & Substructure)	222	133
KLCC package 2A	120	120
Others	82	30
From Sunway Group		
Sunway Velocity 2 Mall	350	114
Sunway Pyramid 3	193	36
Sunway Geo Retail Shop & Flexi Suites	153	101
Sunway Medical Center Phase 3 (Subs and Superstructure)	167	123
Sunway Iskandar- Citrine Swc Apt (Sub & Superstructure)	213	134
Sunway Geo Retail Shop & Flexi Suites Phase 2	244	226
Sunway Lenang Phase 1A	96	55
Sunway Iskandar- Emerald Residences	175	138
Others	615	87
Singapore		
Precast concrete supply	870	438
Grand total	7,608	3,843

Source: Company

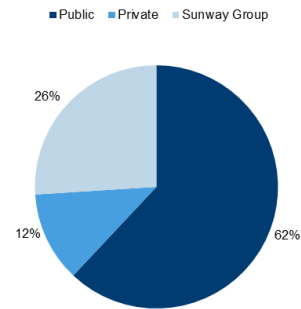
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Fig 3: Order book breakdown by country at end-2015



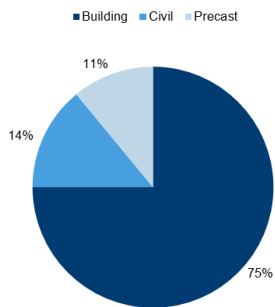
Source: Company

Fig 4: Order book breakdown by customer at end-2015



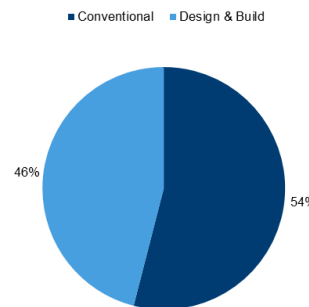
Source: Company

Fig 5: Order book breakdown by business at end-2015



Source: Company

Fig 6: Order book breakdown by type at end-2015



Source: Company

Cyclical upturn for the construction sector

Prospects for the construction sector remain positive over the next 3-5 years. Large-scale infrastructure projects worth over RM290bn are expected to be rolled out. This will spur construction order book growth for the contractors. The key challenge for the government is financing these projects due to budget constraints. Some of the projects such as SUKE, DASH and DUKE Phase 3 will be implemented on a Private Finance Initiative basis to encourage private sector involvement in infrastructure development.

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Fig 7: Potential large-scale infrastructure projects to be implemented

Project	Cost (RMbn)	Potential listed co bidders
KL-Singapore High Speed Rail	40.0	Gamuda, IJM, YTL
Klang Valley MRT Line 3 (Circle Line)	30.0	MMC-Gamuda, IJM, Suncon
Klang Valley MRT Line 2 (Sg Buloh-Selayang-Putrajaya)	28.0	MMC-Gamuda, IJM, Suncon
Pan-Borneo Highway	28.9	CMS, HSL, Naim, WCT, Suncon, IJM
Penang Transport Master Plan	27.0	Gamuda, IJM, WCT
LRT Line 3 (Bandar Utama-Shah Alam-Klang)	9.0	MRC-George Kent, Suncon, IJM
Gemas-Johor Bahru Electrified Double-tracking Rail	8.0	Gamuda, IJM, WCT, Fajar Baru
Serendah-Port Klang-Seremban Bypass Electrified Double-tracking Rail	8.0	Gamuda, IJM, WCT, Fajar Baru
West Coast Expressway	5.0	IJM, WCT, WZ Satu
Sungai Besi-Ulu Kelang Elevated Expressway (SUKE)	5.3	IJM, Suncon
Damansara-Shah Alam Highway (DASH)	4.2	IJM, Suncon
River of Life	4.0	Ekovest-MRCB
Setiawangsa-Pantai Expressway (DUKE Phase 3)	3.7	Ekovest
KL118 Tower	3.4	UEM-Samsung
Kuantan Deep Water Terminal	3.0	IJM
Kota Kinabalu Water Supply Scheme	2.8	WCT
Kuala Lumpur International Airport Terminal 3	2.5	WCT, Gadang
Kinrara-Damasara Expressway (KIDEX)	2.5	
Kuala Krai-Kota Baru Highway	2.0	
East Klang Valley Expressway (EKVE)	1.6	AZRB
Duta-Ulu Kelang Expressway Phase 2 (DUKE) extension	1.2	Ekovest
Kwasa Damansara infrastructure works	1.0	WCT, Gadang
Upgrade East Coast Railway Line	0.2	
Total	290.2	

Source: NST, The Star, compiled by Affin Hwang

Good new contract procurement prospects

Prospects are good for SCGB to grow its order book this year as it has been pre-qualified to bid for work packages for the RM16bn MRT2 above-ground works, RM16.1bn PBH Sarawak portion, RM5.3bn SUKE, and RM4.2bn DASH projects. SCGB is targeting to secure RM2-3bn of new contracts this year. We assume that SCGB clinches RM2bn worth of new contracts in FY16 compared to RM2.6bn in FY15. The blue sky scenario could see SCGB clinching over RM5bn worth of new contracts this year.

Fig 8: Potential new projects for SCGB

Project	Value (RMbn)	Comment
Klang Valley Mass Rapid Transit Line 2	1.6	Assumes SCGB gets 1 of 10 packages for RM16bn total contract value.
Klang Valley Light Rail Transit Line 3	1.0	Assumes SCGB gets 1 of 10 packages for RM10bn total contract value.
Bus Rapid Transit (Kuala Lumpur-Klang)	1.0	Assumes SCGB gets entire package
Pan-Borneo Highway (Sarawak stretch)	1.3	Assumes SCGB gets 1 of 12 packages for RM16.1bn total contract value.
Sungai Besi-Ulu Klang Expressway (SUKE)	0.4	Assumes SCGB gets 1 of 12 packages for RM5.3bn total contract value.
Damansara-Shah Alam Expressway (DASH)	0.4	Assumes SCGB gets 1 of 10 packages for RM4.2bn total contract value.
Total	5.8	

Source: Affin Hwang estimates

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Preferred contractor for MRT

The RM1.17bn MRT1 Package V4 being undertaken by SCGB currently is one of the most difficult out of the 10 packages awarded as it involves the construction of elevated viaducts above highways with heavy traffic. Its excellent progress on this MRT1 package puts SCGB in a strong position to win the first non-Bumiputera package for MRT2, the tender of which is being called currently by MRT Corp.

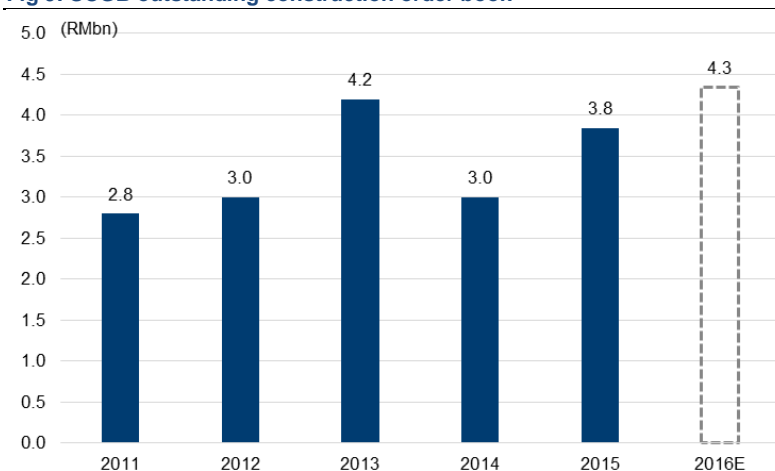
We understand that SCGB is one of the preferred contractors and has a cost advantage for the package. SCGB's construction machinery used for the completed viaducts for MRT1 are now free to be redeployed for the MRT2 package if it is successful in its bid. We gather that the MRT2 package is valued at over RM1bn and is expected to be awarded in 2Q16. The total estimated cost of the above-ground section of the MRT2 project is RM16bn.

Bidding for Pan-Borneo Highway

SCGB has also partnered a local private contractor in Sarawak called KTS Holdings Sdn Bhd to bid for the RM16.1bn PBH Sarawak stretch. We gather that KTS is involved in timber and plywood trading, media publishing, construction and property development. If successful, this will be an opportunity for SCGB to expand its operation in East Malaysia.

Clinching these civil work projects will make SCGB's order book more balanced and mitigate the risk of being too exposed to building works. Generally, civil work projects also generate better profit margins than building works. We believe that potential new contracts would propel its outstanding order book to a new high and drive the upward re-rating of the stock over the next 6-12 months.

Fig 9: SCGB outstanding construction order book



Source: Company, Affin Hwang estimates

Benefits from weak Ringgit due to SGD revenue

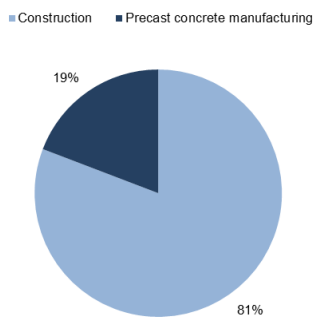
SCGB has precast concrete manufacturing plants in Johor and Singapore. Its main customer is the Singapore government as it has a contract to supply precast concrete products for public housing under the purview of Singapore's Housing Development Board (HDB).

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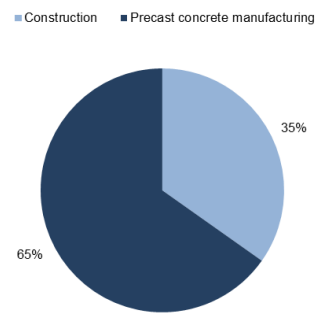
Since it derives the bulk of its revenue in SGD, the company benefits from the weaker MYR. SCGB is also producing more of its products in Johor to capitalize on the lower MYR production cost and transporting them to Singapore. This is expected to expand its profit margin. We expect its precast concrete manufacturing to contribute 19% of group revenue in FY16E. But the division is expected to contribute 65% of group EBIT as it derives a higher profit margin compared to its construction division.

Fig 10: FY16E segmental revenue breakdown



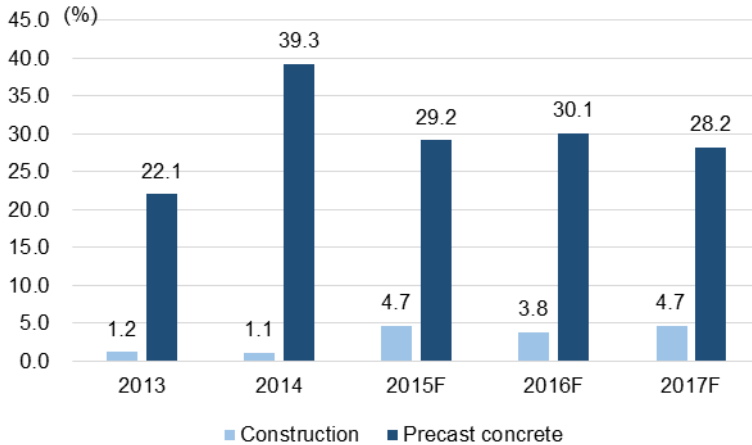
Source: Affin Hwang estimates

Fig 11: FY16E segmental EBIT breakdown



Source: Affin Hwang estimates

Fig 12: Segmental EBIT margin



Source: Company, Affin Hwang estimates

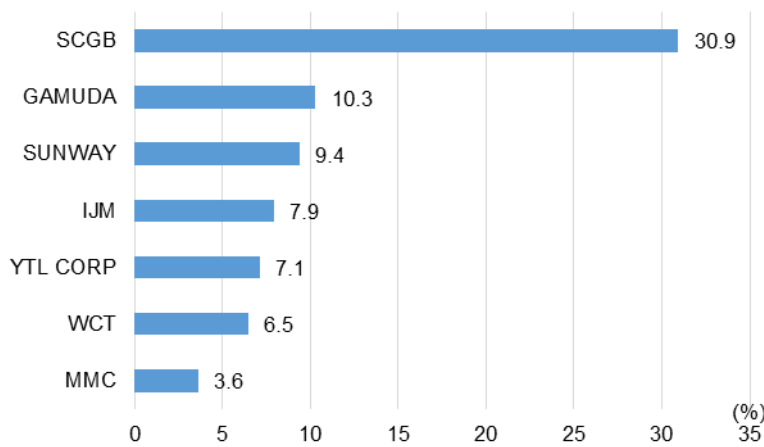
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Strong financial position

Net cash is 11% of market cap

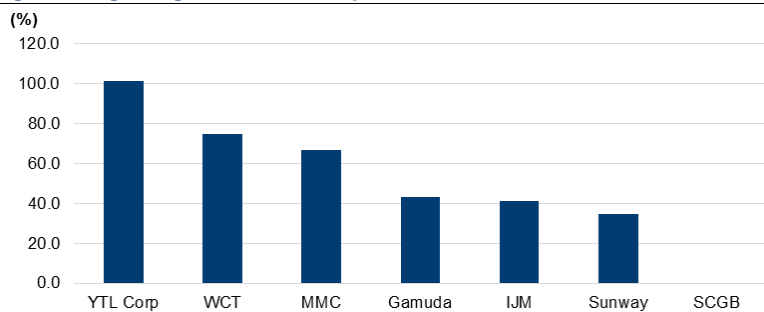
SCGB had net cash of RM199m or RM0.15/share (11% of its current market capitalization) as at 30 September 2015. SCGB's strong financial position gives the company bargaining power and flexibility to lock in the current low building material prices for its ongoing projects. The asset-light service-oriented business model for SCGB ensures high ROEs and zero net gearing relative to its peers.

Fig 13: FY16E ROEs of selected companies with construction business



Source: Affin Hwang estimates

Fig 14: Net gearing of selected companies with construction business



Source: Affin Hwang estimates

Expect high dividend payout

Its net cash position also supports the company's dividend policy to maintain a payout of at least 35% of net profit. Assuming a 50% dividend payout, we forecast net yield of 3.7% in FY15E and 4% in FY16E. Below is a sensitivity analysis of net yield based on various dividend payout assumptions.



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Fig 15: SCGB net yield based on dividend payout assumption

Dividend payout (% of net profit)	FY 16E Net div (sen)	FY16E net yield (%)
10	1.1	0.8
20	2.2	1.6
30	3.3	2.4
35	3.8	2.8
40	4.4	3.3
50	5.5	4.1
60	6.6	4.9
70	7.7	5.7
80	8.8	6.5

* Based on share price of RM1.35 as at 18 January 2015. Base case in bold.
Source: Affin Hwang estimates

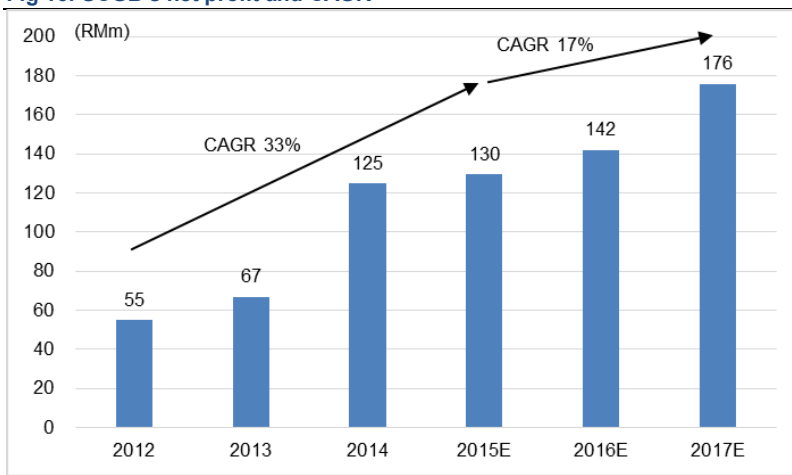
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BUY for pure construction exposure

Pure construction play likely to ride cyclical upturn

SCGB offers a pure construction company exposure as it is not involved in property development and other non-related businesses compared to peers. The precast concrete product manufacturing operation supports its construction business. In the current cyclical upturn for the construction sector, pure construction plays like SCGB are preferred to ride the potential strong earnings growth from a growing order book. We are projecting net profit CAGR of 17% in FY16-17E.

Fig 16: SCGB's net profit and CAGR



Source: Affin Hwang estimates

Attractive valuations compared to regional peers

The current valuation for SCGB is attractive relative to domestic and regional peers. SCGB's net yield of 4% in CY16E is above the peer average, while its PER of 12.3x is below the peer average.

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Fig 17: ASEAN construction/infrastructure peer valuations

Stock	Bloomberg	Rating	Sh Pr (LC)	TP (LC)	Mkt cap (US\$bn)	Core PER (x)		Core EPS gr (%)		EV/EBITDA (x) CY16E	P/BV (x) CY16E	ROE (%) CY16E	DY (%) CY16E
						CY15E	CY16E	CY15E	CY16E				
IJM Corp	IJMK	BUY	3.35	3.76	3.3	22.2	18.8	(13.5)	18.2	8.9	1.0	5.8	2.7
Gamuda	GAMK	BUY	4.47	5.84	2.9	16.1	15.8	(7.4)	1.9	19.5	1.6	10.1	2.1
MRCB	MRCMK	BUY	1.21	1.60	0.6	34.3	26.1	136.7	31.4	22.1	0.9	3.2	3.7
WCT Hldgs	WCTHG MK	BUY	1.61	2.16	0.5	49.4	14.5	(59.2)	240.4	13.8	0.7	6.3	4.1
Sunway Construction	SCGB MK	BUY	1.35	1.76	0.5	13.0	12.3	(0.7)	5.8	7.0	3.3	28.7	5.6
Eversendai	EVSD MK	BUY	0.71	1.18	0.1	8.0	7.2	931.4	10.7	6.3	0.6	7.9	4.3
Benalec	BHB MK	HOLD	0.58	0.61	0.1	17.7	8.5	118.4	108.4	5.8	0.8	9.4	1.8
Gabungan AQRS	AQRS MK	SELL	0.85	0.70	0.1	(30.1)	10.8	(120.8)	(377.9)	6.0	1.0	9.1	0.0
Malaysian wgt avg						20.2	16.1	(2.3)	25.3	13.3	1.1	7.0	2.8
Ch Kamchang	CK TB	BUY	27.50	33.00	1.4	37.9	28.7	23.9	32.2	23.2	2.2	8.0	1.4
SEAFKO Pcl	STEC TB	BUY	8.90	13.00	0.1	10.8	8.0	16.5	35.0	5.1	2.1	28.6	5.0
Sino-Thai Eng	SEAFKO TB	HOLD	23.20	28.00	1.0	23.4	19.6	(0.4)	19.2	10.5	3.4	20.4	2.0
Thai wgt avg						28.3	22.5	10.2	25.9	17.3	2.7	13.9	1.8
Wijaya Karya Perkeso	WIKA UJ	BUY	2,815	3,100	1.3	30.9	22.0	(9.2)	40.6	9.7	3.3	16.2	1.4
Pembangunan Perumahan	PTPP UJ	BUY	3,875	4,300	1.4	26.6	20.4	32.7	30.3	8.7	4.9	26.3	1.5
Waskita Karya Persero	WSKT UJ	BUY	1,705	1,975	1.7	24.0	20.4	37.9	17.3	13.5	2.4	12.1	1.0
Adhi Karya Persero	ADHI UJ	BUY	2,315	2,550	0.6	12.8	15.4	0.9	(17.4)	8.8	1.6	10.6	1.3
Total Bangun Persada	TOTL UJ	BUY	610	940	0.2	10.6	9.0	20.4	16.7	5.3	2.1	24.3	5.7
Wijaya Karya Beton	WTON UJ	HOLD	945	965	0.6	37.8	26.1	(38.9)	45.0	15.8	3.3	13.4	1.2
Jasa Marga	JSMR UJ	BUY	5,625	6,250	2.9	29.9	26.5	(9.0)	13.1	12.4	3.3	13.0	1.1
Indonesian wgt avg						27.8	21.7	7.8	28.2	11.5	3.2	15.5	1.3
Asean wgt avg						24.1	19.0	2.7	26.5	13.0	2.3	11.7	2.0

* Based on share prices as at 18 January 2015.

Source: Affin Hwang, Thanachart and Bahana estimates

Ex-cash PER is even more attractive

SCGB's FY16E PER on an ex-cash basis is even more attractive at 11x considering the two-year EPS CAGR of 17% in FY16-17E. Since SCGB was only listed in July 2015, its historical PER has too short a history, but it had been listed previously before it was taken private by its major shareholder Sunway Bhd in 2005. Based on Bloomberg data (previous Bloomberg code was SGWY MK), SCGB traded at a mean PER of 15.8x prior to its de-listing. Hence, its current PER valuation is attractive, being below the historical mean.

Figure 18: SCGB ex-cash PER estimates

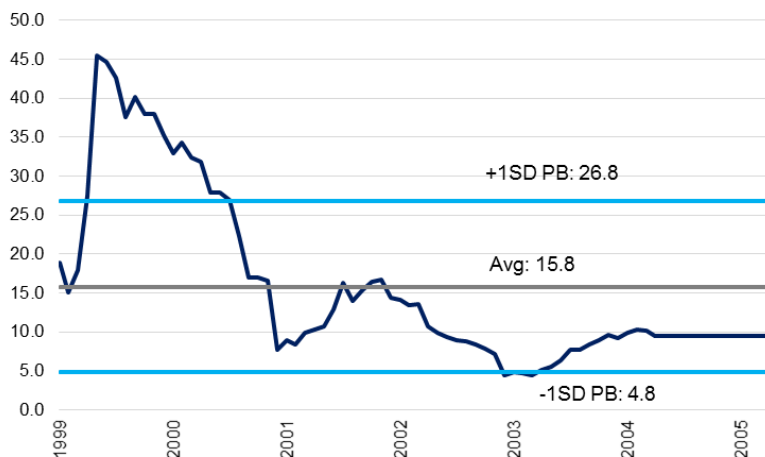
Year to 31 Dec	FY16E	FY17E
Share price (RM)	1.35	1.35
Net cash/share (RM)	0.15	0.15
Ex-cash share price (RM)	1.20	1.20
FY16E EPS ex-interest income (RM)	0.11	0.13
FY16E PER (x)	12.7	10.2
FY16E ex-cash PER (x)	11.2	9.1

* Based on share prices as at 18 January 2015.

Source: Affin Hwang estimates

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Fig 19: SCGB 12-month forward PER prior to de-listing



Source: Affin Hwang estimates, Bloomberg

Initiate coverage SCGB with BUY call and RM1.76 target price

We initiate coverage on SCGB with a BUY call. Applying a 10% discount to our RNAV/share estimate of RM1.95, our 12-month target price is RM1.76 for SCGB. Our RNAV estimate assumes a PER of 14x for both its construction and precast concrete manufacturing divisions and adds estimated net cash as at end-2015. The potential upside is 30% to our target price. Adding a net yield of 4%, the potential total return is 34% over the next 12 months. The implied PER of 16x at our target price is supported by its historical mean of 15.8x.

Fig 20: SCGB RNAV and target price assumptions

Segments	Stake (%)	RNAV (RMm)	% of RNAV (excl net debt)
Construction @ PE 14x avg earnings of RM60m	100	840	38
Pre-cast concrete @ PE 14x avg earnings of RM100m	100	1,400	63
Net cash/(debt)		283	
RNAV		2,523	
No. of shares (m shrs)		1,293	
RNAV/share (RM)		1.95	
No. of shares (m)		1,293	
RNAV/share (RM)		1.95	
Target price at 10% discount to RNAV/share		1.76	

Source: Affin Hwang estimates

Outthink. Outperform.

Sunway Construction - FINANCIAL SUMMARY

Profit & Loss Statement

FYE 31 Dec (RMm)	2013	2014	2015E	2016E	2017E
Revenue	1,839.6	1,880.7	1,791.2	1,843.3	2,290.1
Operating expenses	(1,718.8)	(1,708.5)	(1,602.4)	(1,639.5)	(2,028.5)
EBITDA	120.8	172.3	188.9	203.8	261.6
Depreciation	(42.8)	(41.6)	(37.8)	(40.3)	(42.8)
EBIT	77.9	130.6	151.0	163.5	218.8
Net int income/(expense)	2.1	0.7	3.2	5.6	6.7
Associates' contribution	45.4	30.4	(0.1)	0.0	0.0
Forex gain/(loss)	(4.1)	(5.2)	(1.2)	0.0	0.0
Exceptional gain/(loss)	(31.5)	(5.3)	(3.6)	0.0	0.0
Pretax profit	89.8	151.3	149.4	169.1	225.5
Tax	(23.7)	(26.5)	(19.9)	(27.1)	(49.6)
Minority interest	0.8	0.1	0.0	0.0	0.0
Net profit	66.9	124.8	129.5	142.0	175.9

Balance Sheet Statement

FYE 31 Dec (RMm)	2013	2014	2015E	2016E	2017E
Fixed assets	180.9	178.7	190.9	200.6	207.8
Other long term assets	53.5	35.3	12.3	12.3	12.3
Total non-current assets	234.4	214.0	203.2	212.9	220.1
Cash and equivalents	156.1	277.6	282.8	320.5	393.4
Stocks	25.5	20.2	23.3	21.5	34.2
Debtors	540.8	639.8	881.5	734.5	1,273.3
Other current assets	485.1	172.6	157.5	157.5	157.5
Total current assets	1,207.5	1,110.2	1,345.2	1,234.1	1,858.4
Creditors	545.8	601.9	821.3	643.3	1,176.3
Short term borrowings	75.1	135.1	0.0	0.0	0.0
Other current liabilities	194.3	202.6	264.1	269.7	276.4
Total current liabilities	815.2	939.6	1,085.4	913.0	1,452.7
Long term borrowings	15.4	0.1	0.0	0.0	0.0
Other long term liabilities	1.6	4.3	3.9	3.9	3.9
Total long term liabilities	17.0	4.4	3.9	3.9	3.9
Shareholders' Funds	614.2	380.2	459.5	530.5	622.3
Minority interests	(4.5)	0.1	(0.4)	(0.4)	(0.4)

Cash Flow Statement

FYE 31 Dec (RMm)	2013	2014	2015E	2016E	2017E
EBIT	77.9	130.6	151.0	163.5	218.8
Depreciation & amortisation	42.8	41.6	37.8	40.3	42.8
Working capital changes	(68.3)	14.1	(25.5)	(29.1)	(18.5)
Cash tax paid	(20.1)	(28.5)	(19.9)	(27.1)	(49.6)
Others	48.6	25.3	(1.6)	5.6	6.7
Cashflow from operation	81.1	183.2	141.8	153.3	200.2
Capex	(40.0)	(37.8)	(50.0)	(50.0)	(50.0)
Disposal/(purchases)	(57.3)	372.7	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	(97.4)	334.9	(50.0)	(50.0)	(50.0)
Debt raised/(repaid)	27.3	44.7	(135.2)	0.0	0.0
Equity raised/(repaid)	0.0	0.0	107.9	0.0	0.0
Net interest income/(exp)	2.1	0.7	3.2	5.6	6.7
Dividends paid	(19.5)	(428.6)	(64.6)	(71.1)	(84.0)
Others	6.0	(16.7)	0.0	0.0	0.0
Cash flow from financing	15.8	(399.9)	(88.7)	(65.5)	(77.4)
Free Cash Flow	41.0	145.4	91.8	103.3	150.2

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2013	2014	2015E	2016E	2017E
Growth					
Revenue (%)	27.0	2.2	(4.8)	2.9	24.2
EBITDA (%)	9.1	42.6	9.6	7.9	28.4
Core net profit (%)	14.3	31.9	(0.7)	5.8	23.8
Profitability					
EBITDA margin (%)	6.6	9.2	10.5	11.1	11.4
PBT margin (%)	4.9	8.0	8.3	9.2	9.8
Net profit margin (%)	3.6	6.6	7.2	7.7	7.7
Effective tax rate (%)	26.4	17.5	13.3	16.0	22.0
ROA (%)	2.1	4.2	4.2	4.4	4.7
Core ROE (%)	17.5	27.2	32.0	28.7	30.5
ROCE (%)	15.3	33.2	72.9	84.5	99.7
Dividend payout ratio (%)	163.2	0.0	49.9	50.1	47.8
Liquidity					
Current ratio (x)	1.5	1.2	1.2	1.4	1.3
Op. cash flow (RMm)	81.1	183.2	141.8	153.3	200.2
Free cash flow (RMm)	41.0	145.4	91.8	103.3	150.2
FCF/share (sen)	3.2	11.2	7.1	8.0	11.6
Asset management					
Debtors turnover (days)	107.3	124.2	179.6	145.4	202.9
Stock turnover (days)	5.1	3.9	4.8	4.3	5.5
Creditors turnover (days)	108.3	116.8	167.4	127.4	187.5
Capital structure					
Net gearing (%)	(10.7)	(37.5)	(61.5)	(60.4)	(63.2)
Interest cover (x)	53.5	51.6	94.4	NA	NA

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1Q15	2Q15	3Q15
Revenue	496.1	500.2	450.3
Operating expenses	(459.6)	(446.7)	(413.2)
EBITDA	36.4	53.5	37.1
Depreciation	(9.9)	(9.5)	(9.2)
EBIT	26.5	44.1	27.9
Net int income/(expense)	0.4	0.4	1.9
Associates' contribution	15.4	(0.1)	0.0
Forex gain/(loss)	(2.1)	(0.6)	1.4
Exceptional items	(0.6)	(2.2)	(1.1)
Pretax profit	39.6	41.6	30.1
Tax	(5.2)	(3.8)	(4.9)
Minority interest	(0.0)	0.0	0.5
Net profit	34.4	37.8	25.7
Core net profit	37.1	40.6	25.3
Margins (%)			
EBITDA	7.3	10.7	8.2
PBT	8.0	8.3	6.7
Net profit	6.9	7.6	5.7

Source: Company, Affin Hwang estimates

Equity Rating Structure and Definitions

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

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

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

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