



Sunway Construction Group Berhad

Q3 2017 Results Review Pack

20 Nov 2017



SUNWAY[®]
CONSTRUCTION

3Q 2017 HIGHLIGHTS

Highest Outstanding Order Book of **RM6.8b** (after LRT3 GS07-08 of RM2.18b)

Highest New Order Book secured of **RM4.0b**
(exceeding management target of RM2b)

5 year Tax Pioneer Status for our precast plant In Iskandar, Johor

Capex expenditure to increase for FYE 2017 (incurred 40m + commitment 58m)

Bright Prospect for 2018 and beyond riding on infrastructure boom



Overview of Key Performance Highlights



| RM mil | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Audited | Audited |
|--------------|-------------|--------------|------------|-------------|-------------|--------------|------------|-------------|------------|------------|
| | Q3 FY 2017 | Q2 FY 2017 | Q1 FY 2017 | Q3 17 YTD | Q3 FY 2016 | Q2 FY 2016 | Q1 FY 2016 | Q3 16 YTD | YTD 2016 | YTD 2015 |
| | Jul-Sept 17 | April-Jun 17 | Jan-Mar 17 | Jan-Sept 17 | Jul-Sept 16 | April-Jun 16 | Jan-Mar 16 | Jan-Sept 16 | Jan-Dec 16 | Jan-Dec 15 |
| Revenue | 491.4 | 417.2 | 419.5 | 1,328.1 | 381.1 | 430.2 | 424.4 | 1,235.7 | 1,788.8 | 1,916.8 |
| PBT | 43.1 | 42.8 | 44.2 | 130.0 | 40.4 | 38.1 | 37.5 | 116.0 | 153.7 | 140.7 |
| PBT Margin | 8.8% | 10.3% | 10.5% | 9.8% | 10.6% | 8.9% | 8.8% | 9.4% | 8.6% | 7.3% |
| PATMI | 34.6 | 36.8 | 34.7 | 106.0 | 31.1 | 31.2 | 29.1 | 91.5 | 123.5 | 127.2 |
| PATMI Margin | 7.0% | 8.8% | 8.3% | 8.0% | 8.2% | 7.3% | 6.9% | 7.4% | 6.9% | 6.6% |
| EPS * (sen) | 2.68 | 2.84 | 2.68 | 8.20 | 2.41 | 2.42 | 2.25 | 7.08 | 9.56 | 9.84 |

* Based on weighted average number of shares

| RM mil | Q3 FY 2017 | | Q2 FY 2017 | | Q1 FY 2017 | | YTD 3Q 2017 | | Q4 FY 2016 | | Q3 FY 2016 | | Q2 FY 2016 | | Q1 FY 2016 | | YTD Q3 2016 | | Audited 2016 | |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|--------------|--------------|
| | Unaudited | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT | PATMI | PBT |
| Profit as Announced | 43.1 | 34.6 | 42.8 | 36.8 | 44.2 | 34.7 | 130.0 | 106.0 | 37.6 | 32.1 | 40.4 | 31.1 | 38.1 | 31.2 | 37.5 | 29.1 | 116.0 | 91.5 | 153.7 | 123.5 |
| <i>Special Items:</i> | | | | | | | | | | | | | | | | | | | | |
| Assets Write (back)/off | - | - | - | - | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.5 | 0.0 | 0.0 | 0.0 | - | 0.5 | 0.5 | 0.6 | 0.6 |
| Disposal (gain)/loss | (0.7) | (0.7) | (0.2) | (0.2) | 0.1 | 0.1 | (0.8) | (0.8) | 0.0 | 0.0 | (0.1) | (0.1) | (0.5) | (0.5) | (0.0) | (0.0) | (0.7) | (0.7) | (0.6) | (0.6) |
| Impairment (reversal)/prov | 0.3 | 0.3 | (2.7) | (2.7) | - | - | (2.3) | (2.3) | (3.2) | (3.2) | (0.6) | (0.0) | (5.8) | (6.1) | (8.3) | (7.9) | (14.6) | (14.1) | (17.8) | (17.2) |
| Write off (gain)/loss | 2.1 | 2.1 | - | - | - | - | 2.1 | 2.1 | - | - | - | - | - | - | - | - | - | - | - | - |
| Foreign exchange (gain)/loss | (0.0) | (0.0) | (0.1) | (0.1) | (0.7) | (0.7) | (0.8) | (0.8) | (0.3) | (0.3) | (0.2) | (0.2) | 0.7 | 0.6 | (0.2) | (0.2) | 0.3 | 0.3 | 0.0 | 0.0 |
| FV (gain)/loss-ESOS options | - | - | - | - | - | - | - | - | (1.1) | (1.1) | 1.0 | 1.0 | 0.6 | 0.6 | 0.5 | 0.5 | 2.1 | 2.1 | 1.0 | 1.0 |
| Fair value (gain)/loss | - | - | - | - | - | - | - | - | (8.1) | (8.1) | 0.5 | 0.5 | 0.5 | 0.5 | 1.2 | 1.2 | 2.2 | 2.2 | (5.9) | (5.9) |
| Arbitration (gain)/loss | - | - | (2.9) | (2.9) | (3.2) | (3.2) | (6.1) | (6.1) | - | - | - | - | - | - | - | - | - | - | - | - |
| Profit (Net of Special Items) | 44.8 | 36.3 | 36.9 | 30.9 | 40.5 | 31.0 | 122.1 | 98.1 | 25.2 | 19.6 | 41.6 | 32.9 | 33.6 | 26.3 | 30.7 | 22.6 | 105.8 | 81.8 | 131.0 | 101.4 |

Balance Sheet and Gearing

| RM'mil | Quarter ended 9/30/2017 (Unaudited) | Financial Year Ended 12/31/2016 (Audited) | Financial Year Ended 12/31/2015 (Audited) |
|---------------------------------------|---|---|---|
| Non-current Assets | 158 | 155 | 180 |
| Current Assets | 1,501 | 1,442 | 1,217 |
| Total Assets | 1,659 | 1,597 | 1,397 |
| Current Liabilities | 1,117 | 1,103 | 942 |
| Non-current Liabilities | 3 | 1 | 4 |
| Total Liabilities | 1,120 | 1,104 | 946 |
| Shareholders' Funds | 538 | 493 | 451 |
| Non-Controlling Interests | 1 | 1 | 1 |
| Total Equity | 539 | 494 | 452 |
| Total Equity & Liabilities | 1,659 | 1,597 | 1,397 |
| Total Bank Borrowings | 141 | 137 | 137 |
| Cash & Placement Funds | 469 | 466 | 469 |
| Net Gearing Ratio | Net Cash | Net Cash | Net Cash |
| Share Capital (less Treasury Shares) | 259 | 259 | 259 |
| Net Assets Per Share | 0.42 | 0.38 | 0.35 |
| Issued & Paid-up Share Cap | 1,292.2 | 1,292.9 | 1,292.9 |

Construction Segmental Review

| <u>Construction</u> | <u>Q3 17</u> | <u>Q3 16</u> | <u>Q2 17</u> | <u>YTD Q3 17</u> | <u>YTD Q3 16</u> |
|---------------------|--------------|--------------|--------------|------------------|------------------|
| Revenue (RM'mil) | 471.7 | 301.3 | 387.2 | 1,209.7 | 1,035.6 |
| PBT (RM'mil) | 40.7 | 27.9 | 36.4 | 105.5 | 75.2 |
| PBT Margin | 8.6% | 9.3% | 9.4% | 8.7% | 7.3% |

- **Turnover.** The higher revenue in the current quarter by 56.6% was due to higher contribution from Building division in Central region and Civil division due to higher progress of work of two main projects mainly the KVMRT V201 from Sg Buloh to Persiaran Dagang and Parcel F, Putrajaya.
- **PBT.** Construction profit margin for both quarters under review remained relatively the same.
- **Risk.** The price of steel bar for the current quarter has increased by 30% from an average of RM2,000 per metric tonne in the immediate preceding quarter to RM2,600 per metric tonne as September 2017. However as steel bar only constitute approximately 3% of our total cost coupled with pass through clauses on some of our contracts, the increase should be contained and manageable.

Construction Segmental Review (Cont'd)

- **Cashflow.** The Group's operating cash flow for the current 9 months period was at RM27.0 million compared to negative RM1.4 million for the corresponding preceding period. The corresponding period's negative operating cash flow was attributed to a lump sum financing scheme for a project that has recently obtained CPC ("Certificate of Practical Completion").
- **Prospect.** The Group's outstanding order book amounts to RM6.8 billion with RM4.0 billion new order book win after including the recent win of Package GS07-08 for Light Rail Transit Line 3 (LRT3) from Kawasan 17 to Sri Andalas amounting to RM2.18 billion. Our tender book value is now more than RM15 billion with majority of jobs tendered under the civil/infrastructure division. In addition, SunCon at present is in discussion with our parent company for several potential projects. According to CIDB, the construction sector is expected to grow by 8% to RM170 billion this year, boosted by numerous mega infrastructure projects in the country as compared to 7.4% growth or RM166 billion in 2016. The World Bank in October 2017 has raised Malaysia's GDP growth to 5.2% from 4.9% for 2017 - a faster pace compared with BNM's forecast of between 4.3% to 4.8%. However World Bank warns of certain pockets of risk like our high public debt and global uncertainty amongst others. Based on the above and barring any unforeseen circumstances, SunCon expects to perform satisfactorily in this coming year.

Precast Concrete Segmental Review

| <u>Precast Concrete</u> | <u>Q3 17</u> | <u>Q3 16</u> | <u>Q2 17</u> | <u>YTD Q3 17</u> | <u>YTD Q3 16</u> |
|-------------------------|--------------|--------------|--------------|------------------|------------------|
| Revenue (RM'mil) | 19.6 | 79.8 | 30.1 | 118.5 | 200.1 |
| PBT (RM'mil) | 2.4 | 12.5 | 6.3 | 24.5 | 40.9 |
| PBT Margin | 12.2% | 15.7% | 20.9% | 20.7% | 20.4% |

- **Turnover.** The lower revenue in the current quarter by 75.5% was mainly due to slower progress by main contractors who are unable to take delivery of our precast components. New jobs secured will only contribute in the next financial year.
- **PBT.** A result of the drop in turnover, precast's profit margin for the current quarter was impacted.

Precast Concrete Segmental Review (Cont'd) **SUNWAY[®]** **CONSTRUCTION**

- **Prospect.**

Outstanding order stands at RM260 million. This translates to approximately one year of turnover which is a norm based on its shorter contract duration. As per Housing and Development Board (HDB), a total of 18,095 units of flats have been launched to-date (2016 launches amounted to 17,891 units). Despite the healthy flow of HDB unit launches reported, precast revenue has seen a drop in current quarter, due to reasons as explained above. Consequently, revenue for financial year ending 2017 might be affected as progress at site are delayed and translation of launches to physical construction will take time.

In a recent announcement by HDB, by 2019, all newly launched HDB flats will be fitted with bathroom units pre-assembled off-site (Prefabricated Bathroom Units - "PBU") complete with finishes such as copper piping, partial tiling, window frames, and waterproofing system. Along with the adoption of PBUs, HDB will also implement the concrete Prefabricated Prefinished Volumetric Construction (PPVC) method in 35% of its projects by 2019. This method involves constructing and assembling 3-dimensional (3D) prefabricated modular units pre-fitted with floor and wall finishes, window frames and a preliminary coat of paint, before being transported to the construction site for installation. The move, a departure from the conventional approach where workers need to work on the finishes at the construction site, will drive construction productivity on a larger scale with anticipated improvement of 25%. This move will increase the demand of our precast sales in the near future.

Lastly, on 13 September 2017, MIDA has granted us a 5 years tax exemption for our Iskandar Plant in Johor.

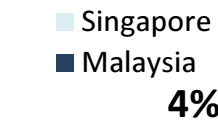
Order Book of RM6.8 bil

| As at Sept 2017 (RM mil) | Completion | Contract Sum | O/S Orderbook |
|--|------------|-----------------|------------------|
| Infrastructure/Piling | | | 3,256 |
| MRT V201 + S201 (Sg Buloh-Persiaran Dagang) | 2Q 2021 | 1,213 | 926 |
| MRT V201 - Advance Works | 4Q 2017 | 53 | 26 |
| SUKE + DASH (Bore Piling) | 2Q 2018 | 34 | 27 |
| BBCC (Bore Piling) | 1Q 2018 | 108 | 95 |
| Mega Capital | 4Q 2017 | 9 | 3 |
| LRT 3 : Package GS07-08 | 4Q 2020 | 2,178 | 2,178 |
| Building | | | 2,060 |
| Putrajaya Parcel F | 3Q 2018 | 1,610 | 901 |
| KLCC (NEC + Package 2 & 2a) | 4Q 2017 | 646 | 139 |
| HUKM (MEP works) | 2Q 2018 | 66 | 55 |
| International School of Kuala Lumpur | 2Q 2018 | 268 | 172 |
| Gas District Cooling (Plant 1) | 3Q 2018 | 152 | 136 |
| PPA1M project in Kota Bharu | 1Q 2020 | 582 | 582 |
| Warehouse in Shah Alam | 3Q 2019 | 70 | 70 |
| Others | Various | 196 | 6 |
| Internal | | | 1,209 |
| Sunway Velocity Hotel + Office | 4Q 2017 | 101 | 12 |
| Sunway Velocity Medical Centre | 4Q 2018 | 185 | 137 |
| Sunway Medical Centre 4 (2 towers) | 1Q 2019 | 428 | 389 |
| Sunway Iskandar - Citrine Svc Apt | 4Q 2017 | 213 | 8 |
| Sunway Geo Retail Shops & Flexi Suites Phase 2 | 1Q 2018 | 244 | 45 |
| Sunway Iskandar - Emerald Residences | 1Q 2018 | 175 | 69 |
| Sunway Iskandar - 88 units shoplots | 2Q 2018 | 57 | 25 |
| Sunway Iskandar - Retail Complex/Big Box | 4Q 2017 | 100 | 78 |
| Sunway Serene - Serviced Residences | 4Q 2020 | 449 | 439 |
| Others | Various | 50 | 6 |
| Singapore | | | 260 |
| Precast | Various | 821 | 260 |
| Grand Total | | 10,007 | 6,785 |

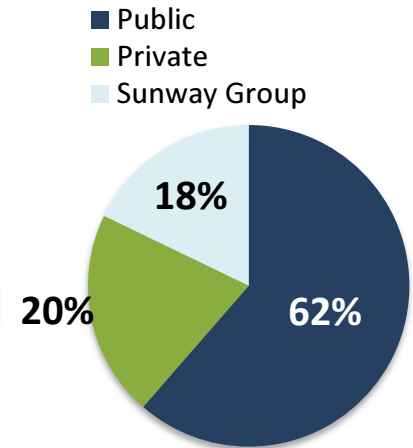
Red : Secured in 2017

Order Book Segmentation (YTD 2017)

By Country



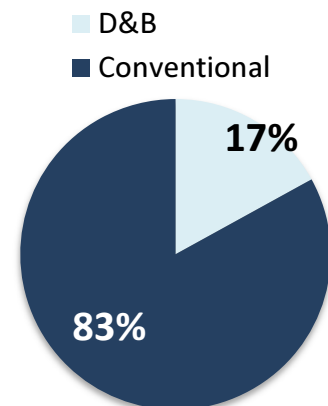
By Customer



By Business Division



Design & Build vs Conventional



Healthy Order Book with a Diversified Portfolio of Projects

New Order Book 2017 Secured YTD RM4.0 bil



| Projects (2017 new awards) | Client | Duration | Contract Sum (RM'mil) |
|---------------------------------------|----------------------------------|----------------|-----------------------|
| Sunway Serene, Kelana Jaya | Sunway Integrated Properties | 4Q 2020 | 449 |
| CP3 walkway | Sunway South Quay | 3Q 2017 | 4 |
| Precast | Various | | 163 |
| Gas District Cooling (GDC) 1 | Putrajaya Holdings | 3Q 2018 | 152 |
| SUKE and DASH | Cergas Murni & Usahasama Latimer | 2Q/1Q 2018 | 34 |
| MRT S201: 3 Elevated Stations * | Mass Rapid Transit Corporation | 4Q 2020 | 212 |
| BBCC (Piling work) | Ikhmas Jaya & IJM Construction | 1Q 2018 | 34 |
| Mega Capital (Piling work) - Jln Imbi | IJM Construction | 4Q 2017 | 9 |
| PPA1M project in Kota Bharu | LIZIZ Standaco Sdn Bhd | 1Q 2020 | 582 |
| LRT 3 : Package GS07-08 | George Kent MRCB | Q4 2020 | 2,178 |
| BBCC (Piling work) - P4 & P5 | Ahmad Zaki SB | Q4 2020 | 75 |
| Warehouse in Shah Alam | Nippon Express Malaysia | Q3 2019 | 70 |
| Grand Total | | | 3,961 |
| <i>In House</i> | | 11% | 453 |
| <i>External</i> | | 89% | 3,508 |

* Contract sum is part of MRT V201 package - RM 1.213Bil

New order 2016 : 2.7B, 2015 : 2.6b, 2014 : 0.8b, 2013 : 2.9b, 2012 : 1.9b

Parcel F – Progress @ Sept 2017

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ISKL – Progress @ Sept 2017

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Thank You

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Next quarter announcement on 26 Feb 2018

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