

Sunway Construction Group Berhad

Q3 2016 Results Review Pack

22 Nov 2016

SUNWAY[®]
CONSTRUCTION



Picture illustrates the use of VDC in our Parcel F, Putrajaya project

- SunCon has surpassed target of new order book secured of RM2.5 billion. To-date SunCon has newly secured order book of RM2.6 billion. Our success rate for tender comes up to 10%.
- Riding on infrastructure boom, SunCon has high visibility of future earnings from **outstanding order book of RM4.8 billion as at Sept 2016**. FYE 2017 is expected to register strong growth in turnover based on existing outstanding order book to-date as recently secured projects will achieve peak progress then.

Overview of Key Performance Highlights



RM mil	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	YTD Q3 2016	Q3 FY 2015	Q2 FY 2015	Q1 FY 2015	YTD Q3 2015	YTD Q3 2015
	Jul-Sept 16	April-Jun 16	Jan-Mar 16	Jan-Sept 16	Jul-Sept 15	April-Jun 15	Jan-Mar 15	Jan-Sept 15	Jan-Sept 15
Revenue	381.1	430.2	424.4	1,235.7	450.3	500.2	496.1	1,446.6	1,446.6
PBT	40.4	38.1	37.5	116.0	30.1	41.6	39.6	111.3	111.3
PBT Margin	10.6%	8.9%	8.8%	9.4%	6.7%	8.3%	8.0%	7.7%	7.7%
PATMI	31.1	31.2	29.1	91.5	25.7	37.8	34.4	97.9	97.9
PATMI Margin	8.2%	7.3%	6.9%	7.4%	5.7%	7.6%	6.9%	6.8%	6.8%
EPS (sen)	2.41	2.42	2.25	7.08	1.98	2.92	2.66	7.56	7.56

RM mil	Q3 FY 2016		Q2 FY 2016		Q1 FY 2016		YTD Q3 2016		Q3 FY 2015		Q2 FY 2015		Q1 FY 2015		YTD Q3 2015		
	Unaudited	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI
Profit as Announced	40.40	31.14	38.13	31.22	37.50	29.10	116.03	91.46	30.10	25.70	41.60	37.80	39.60	34.40	111.30	97.90	
<i>Special Items:</i>																	
Assets Write (back)/off	0.50	0.50	0.02	0.04	0.01	-	0.54	0.54			0.10	0.10	(0.60)	(0.60)	(0.50)	(0.50)	
Disposal (gain)/loss	(0.07)	(0.07)	(0.55)	(0.55)	(0.05)	(0.05)	(0.66)	(0.66)	(0.53)	(0.53)	0.10	0.10	0.43	0.43	0.53	0.53	
Impairment (reversal)/prov	(0.03)	(0.03)	(6.18)	(6.11)	(6.72)	(7.93)	(12.92)	(14.07)			-	-	-	-	-	-	
Foreign exchange (gain)/loss	(0.18)	(0.18)	0.67	0.64	(0.22)	(0.20)	0.26	0.26	(1.44)	(1.44)	0.58	0.58	2.08	2.08	2.65	2.65	
Fair value of ESOS options	0.99	0.99	0.61	0.61	0.53	0.50	2.12	2.09	0.99	0.99	0.99	0.99	0.99	0.99	1.99	1.99	
Listing expenses	-	-	-	-	-	-	-	-	0.10	0.10	1.20	1.20	-	-	1.20	1.20	
Fair value (gain)/loss	0.52	0.52	0.47	0.47	1.18	1.18	2.17	2.18			0.05	0.05	(0.58)	(0.58)	(0.53)	(0.53)	
Profit (Net of Special Items)	42.13	32.86	33.17	26.32	32.24	22.60	107.54	81.79	29.22	24.82	44.62	40.82	41.91	36.71	116.64	103.23	

Balance Sheet and Gearing

RM'mil	Quarter ended 30/09/2016 (Unaudited)	Financial Year Ended 31/12/2015 (Audited)
Non-current Assets	159	180
Current Assets	1,174	1,217
Total Assets	1,333	1,397
Current Liabilities	876	942
Non-current Liabilities	3	4
Total Liabilities	879	946
Shareholders' Funds	453	451
Non-Controlling Interests	1	1
Total Equity	454	452
Total Equity & Liabilities	1,333	1,397
Total Bank Borrowings	72	137
Cash and bank balances and placement funds	403	469
Net Gearing Ratio	Net Cash	Net Cash
Share Capital	259	259
Net Assets Per Share	0.35	0.35

Construction Segmental Review

<u>Construction</u>	<u>Q3 16</u>	<u>Q2 16</u>	<u>Q1 16</u>	<u>YTD Q3 16</u>	<u>Q3 15</u>	<u>Q2 15</u>	<u>Q1 15</u>	<u>YTD Q3 15</u>
Revenue (RM'mil)	301.3	360.5	373.8	1,035.6	394.0	431.4	421.0	1,246.4
Profit Before Tax (RM'mil)	27.9	21.2	26.0	75.2	9.6	27.3	17.6	54.4
PBT Margin	9.3%	5.9%	7.0%	7.3%	2.4%	6.3%	4.2%	4.4%

- **Turnover.** The lower revenue in the current nine months was due to Civil and Infrastructure Division mainly from the completion of LRT Package B (Kelana Jaya Line Extension) and Klang Valley MRT Package V4, Section 17 Petaling Jaya to Semantan Portal. The higher revenue in the corresponding preceding quarter was due to contribution from the building construction services division namely Sunway Pyramid Phase 3, Bandar Sunway and Afiniti Medini mixed development project, Iskandar Johor which recorded substantial revenue then and was physically completed and handed over in first quarter of financial year ending 2016. In addition, our foundation and geotechnical engineering services division's turnover is lower in the current quarter due to lower order book.
- **PBT.** The improvement of current nine months profit before tax margin is due to the absence of loss recognition for a project and adjustment for a lower margin of a project due to acceleration cost incurred made in the corresponding quarter of the preceding financial year. In addition, for the current nine months period, in accordance with best accounting practice, we have recognised a sum of fair value for our contra property received in lieu of payment in Abu Dhabi of RM12.9m compared to the contra sum of approximately RM48m. This is in addition to the realisation of contra property sold last year of approximately AED81m. (SunCon's share of this is 50%).
- **Operating CashFlow.** YTD 9 months 2016 registered a negative operating cashflow of RM1.4m due to a certain project which has a bullet payment mechanism upon completion in 2017.
- **Prospect.** Based on secured order book, the anticipated turnover for balance fourth quarter 2016 and 2017 should be promising. The recently announced Budget 2017 by our Prime Minister on 21 October 2016, which continue to implement pro-business strategies allocated a sum of RM46b for development expenditure which is 2.2% up from the recalibrated Budget 2016. These bode well for the construction players going forward. Coupled with our strong order book, barring unforeseen circumstances, SunCon expects to perform satisfactorily in the coming year.
- **Risk.** SunCon is managing the volatility in steel bar prices due to the recent Government's latest provisional safeguard measures in the form of duties of 13.4% and 13.9%. Certain of our contracts have a pass through clause for steel prices and the balance requirement is managed through stocks in hand and also an agreed 6 months forward pricing with our steel suppliers.

Precast Concrete Segmental Review

<u>Precast Concrete Products</u>	<u>Q3 16</u>	<u>Q2 16</u>	<u>Q1 16</u>	<u>YTD Q3 16</u>	<u>Q3 15</u>	<u>Q2 15</u>	<u>Q1 15</u>	<u>YTD Q3 15</u>
Revenue (RM'mil)	79.8	69.8	50.5	200.1	56.3	68.8	75.1	200.2
Profit Before Tax (RM'mil)	12.5	16.9	11.5	40.9	20.6	14.3	22.0	56.9
PBT Margin	15.7%	24.2%	22.8%	20.4%	36.5%	20.7%	29.4%	28.4%

- **Turnover.** Turnover for the current 9 months is comparable to the corresponding preceding period's figure even though sales volume for the entire current 9 months have increased by 22.9% as lower selling price negated the higher delivery volume.
- **PBT.** 2016 margins continue to be in the expected normalized range of 20% to 25%. Higher margin in 2015 and Q1/Q2 2016 resulted from finalization of accounts and better pricing obtained for jobs secured earlier.
- **Order Book.** As at Sept 2016, outstanding order book for this division is at RM305m. This will give us earnings visibility for more than 1 year which is typical of a shorter production period for precast projects. This translates to more than one year of turnover which is a norm based on its shorter contract duration.
- **Prospect** Precast selling rates has seen some price pressure from stiffer competition and also lower steel bar prices in Singapore. The demand from Housing Development Board (HDB) Build-To-Order (BTO) launches in the coming year 2017 is expected to remain resilient based on the flow of news. The target launches for 2016 of 18,000 units is on track (2015/2014 launches amounted to 15,100/22,455 units).
- **Risk.** HDB BTO form majority of Precast's business and as such its performance is closely related to the launches by HDB.
- **Factory in Tampines, Singapore (124,000 M3/year).** We have already made plans to return this land on April 2017. With our Iskandar plant (5 lines) operational in April 2016 and Senai plant (6+3 half lines) improving its capacity, these 2 plants will be able to take over the capacity for this division once the Tampines factory is returned. We also have plans to further increase 4 lines to our Iskandar plant by 2Q 2017 which will increase both our Johor plant to approx 170,000 m3/year.

Order Book @ 30 Sept 2016 – RM4.8 bil

As at Sept 2016	Completion	Contract Sum (RM mil)	O/S Orderbook (RM mil)
Infrastructure			
MRT V4 (Sec 17 - Semantan)	4Q 2016	1,173	47
MRT V201 (Sg Buloh - Persiaran Dagang)	2Q 2021	1,213	1,181
MRT V201 - Advance Works	3Q 2017	53	53
Johor			
Coastal Highway Southern Link	1Q 2017	170	46
Building			
Putrajaya Parcel F	3Q 2018	1,610	1,252
KLCC (NEC + Package 2 & 2a)	1Q 2018	646	274
HUKM (MEP works)	2Q 2018	66	66
International School of Kuala Lumpur	2Q 2018	268	268
Others	Various	92	17
Internal			
Sunway Velocity 2 Mall + Link Bridge	4Q 2016	370	33
Sunway Velocity Hotel + Office	1Q 2017	113	47
Sunway Velocity Medical Centre	4Q 2018	185	156
Sunway Geo Retail Shops & Flexi Suites	1Q 2017	153	15
Sunway Medical Centre 3 (Sub&Superstructure)	1Q 2017	167	51
Sunway Medical Centre 4 (2 towers)	4Q 2018	428	412
Sunway Iskandar - Citrine Svc Apt	1Q 2017	213	54
Sunway Geo Retail Shops & Flexi Suites Phase 2	1Q 2018	244	174
Sunway Iskandar - Emerald Residences	1Q 2018	175	146
Sunway Iskandar - 88 units shoplots	2Q 2018	57	57
Sunway Iskandar - Retail Complex	4Q 2017	100	100
Others	Various	239	44
Singapore			
Precast	Various	903	305
Grand Total		8,635	4,800

New Order Book 2016 Secured YTD 2.6 bil



Projects	Contract Sum (RM mil)
MRT Package V201 (Sungai Buloh - Persiaran Dagang)	1,213
Velocity Link Bridge	20
MRT Spurline (piling)	12
Casa Kiara 3 (piling)	19
SMC4 & 5	428
Sunway Velocity Medical Centre	185
Sunway Velocity Hotel + Office	113
HUKM - MEP works	66
RC8 (piling)	10
ISKL	268
Iskandar Commercial Retail Complex	100
M3 - 88 units shoptlot in Iskandar	57
V201 - Advance work	53
Precast	83
Others	10
Grand Total	2,636
<i>In House</i>	<i>36%</i> <i>939</i>
<i>External</i>	<i>64%</i> <i>1,698</i>

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



Parcel F , Putrajaya : aerial view of present progress

Thank You

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