

Sunway Construction Group Berhad

Q4 2016 Results Review Pack

23 Feb 2017

SUNWAY[®]
CONSTRUCTION



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

SunCon : Year 2017 → Execution and Delivery

- **2016 Results.** SunCon recorded a PBT of RM 153.7mil in FYE 2016, an increase of 9.2% compared to FYE 2015 at RM 140.8mil even though there is a reduction of Turnover by 6.7% from RM 1.917bil in FYE 2015 to RM 1.789bil in FYE 2016.
- **New Order Book.** SunCon has surpassed target new order book of RM2.5 billion with newly secured order book of RM2.7 billion. Target for 2017 = RM2 billion new order
- **Order Book.** Riding on infrastructure boom, SunCon has high visibility of future earnings from **outstanding order book of RM4.8 billion.**
- **Prospect.** FYE 2017 is expected to register strong growth in turnover based on existing outstanding order book to-date as secured projects will achieve peak progress.
- **Dividend.** For full year FYE 2016 will be 5 cents per ordinary share or more than 50% of unaudited full year result which will translate to 2.9% yield based on price of RM1.70.
- **Shariah Compliance Index.** Based on our unaudited accounts, we have placed more than 65% of our cash in Shariah compliant funds placement. As such we are confident of reinstatement in the coming May 2017 review

Overview of Key Performance Highlights



RM mil	←----- Unaudited ----->					←----- Unaudited ----->					Audited
	Q4 FY 2016	Q3 FY 2016	Q2 FY 2016	Q1 FY 2016	YTD 2016	Q4 FY 2015	Q3 FY 2015	Q2 FY 2015	Q1 FY 2015	YTD 2015	
	Oct-Dec 16	Jul-Sept 16	April-Jun 16	Jan-Mar 16	Jan-Dec 16	Oct-Dec 15	Jul-Sept 15	April-Jun 15	Jan-Mar 15	Jan-Dec 15	
Revenue	553.1	381.1	430.2	424.4	1,788.9	470.2	450.3	500.2	496.1	1,916.8	
PBT	37.6	40.4	38.1	37.5	153.7	29.4	30.1	41.6	39.6	140.7	
PBT Margin	6.8%	10.6%	8.9%	8.8%	8.6%	6.3%	6.7%	8.3%	8.0%	7.3%	
PATMI	32.1	31.1	31.2	29.1	123.5	29.3	25.7	37.8	34.4	127.2	
PATMI Margin	5.8%	8.2%	7.3%	6.9%	6.9%	6.2%	5.7%	7.6%	6.9%	6.6%	
EPS (sen)	2.48	2.41	2.42	2.25	9.55	2.27	1.98	2.92	2.66	9.84	

RM mil	Q4 FY 2016		Q3 FY 2016		Q2 FY 2016		Q1 FY 2016		YTD 2016		Q4 FY 2015		Q3 FY 2015		Q2 FY 2015		Q1 FY 2015		YTD 2015	
	Unaudited		PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI
Profit as Announced	37.6	32.1	40.4	31.1	38.1	31.2	37.5	29.1	153.7	123.5	29.4	30.4	30.1	25.2	41.6	37.8	39.6	34.4	140.8	127.8
<i>Special Items:</i>																				
Assets Write (back)/off	0.1	0.1	0.5	0.5	0.0	0.0	0.0	-	0.6	0.6	0.1	0.1	-	-	0.1	0.1	-	-	0.2	0.2
Disposal (gain)/loss	0.0	0.0	(0.1)	(0.1)	(0.5)	(0.5)	(0.0)	(0.0)	(0.6)	(0.6)	(0.5)	(0.5)	(0.1)	(0.1)	(0.1)	(0.1)	(0.7)	(0.7)	(1.3)	(1.3)
Impairment (reversal)/prov	(3.2)	(3.4)	(0.6)	(0.4)	(5.8)	(6.1)	(8.3)	(7.9)	(17.8)	(17.9)	-	-	-	-	-	-	(12.3)	(12.3)	(12.3)	(12.3)
Foreign exchange (gain)/loss	(0.3)	(0.3)	(0.2)	(0.2)	0.7	0.6	(0.2)	(0.2)	0.0	0.0	1.7	1.7	(1.4)	(1.4)	0.6	0.6	2.1	2.1	2.9	2.9
FV (gain)/loss-ESOS options	(1.1)	(1.1)	1.0	1.0	0.6	0.6	0.5	0.5	1.0	1.0	1.9	1.9	1.0	1.0	1.0	1.0	1.0	1.0	4.9	4.9
Listing expenses	-	-	-	-	-	-	-	-	-	-	-	-	0.1	0.1	1.2	1.2	-	-	1.3	1.3
Fair value (gain)/loss	(8.1)	(8.1)	0.5	0.5	0.5	0.5	1.2	1.2	(5.9)	(5.9)	0.8	0.8	(0.7)	(0.7)	(0.7)	(0.7)	(0.6)	(0.6)	(1.1)	(1.1)
Profit (Net of Special Items)	25.2	19.3	41.6	32.5	33.6	26.3	30.7	22.6	131.0	100.7	33.5	34.5	29.1	24.1	43.6	39.9	29.1	23.9	135.3	122.3

Balance Sheet and Gearing

RM'mil	Financial Year Ended 31/12/2016 (Unaudited)	Financial Year Ended 31/12/2015 (Audited)
Non-current Assets	150	180
Current Assets	1,418	1,217
Total Assets	1,567	1,397
Current Liabilities	1,073	942
Non-current Liabilities	1	4
Total Liabilities	1,073	946
Shareholders' Funds	493	451
Non-Controlling Interests	1	1
Total Equity	494	452
Total Equity & Liabilities	1,567	1,397
Total Bank Borrowings	137	137
Cash & Placement Funds	466	469
Net Gearing Ratio	Net Cash	Net Cash
Share Capital	259	259
Net Assets Per Share	0.38	0.35

Construction Segmental Review



<u>Construction</u>	<u>Q4 16</u>	<u>Q3 16</u>	<u>Q2 16</u>	<u>Q1 16</u>	<u>YTD 16</u>	<u>Q4 15</u>	<u>Q3 15</u>	<u>Q2 15</u>	<u>Q1 15</u>	<u>YTD 15</u>
Revenue (RM'mil)	466.5	301.3	360.5	373.8	1502.1	417.6	394.0	431.4	421.0	1664.0
PBT (RM'mil)	20.3	27.9	21.2	26.0	95.5	9.4	9.6	27.3	17.6	63.8
PBT Margin	4.4%	9.3%	5.9%	7.0%	6.4%	2.2%	2.4%	6.3%	4.2%	3.8%

- Turnover.** The higher revenue recorded in current quarter was mainly due to certain projects which gained momentum. The lower revenue for the full year 2016 was due to both Civil/Infrastructure and Foundation/Geotechnical Engineering divisions. Under the Civil / Infrastructure division, we saw the completion of KVMRT V4 (viaduct guideway and associated works from Section 17 Petaling Jaya to Semantan Portal) and LRT Package B (Kelana Jaya Line Extension). Both projects were opened to the public on 16 Dec 2016 and 30 June 2016 respectively. In addition, the newly awarded KVMRT V201 awarded on 1 April 2016 did not garner much revenue as there were much preparatory works involved which were not claimable this year. Under Foundation/Geotechnical Engineering Division, the lower revenue was a result of lower order book during the year.
- PBT.** However, the overall margin saw an improvement from 3.8% in the corresponding preceding full financial year to 6.4%. In the corresponding preceding full financial year, we have accounted for loss recognition due to acceleration cost incurred whilst waiting for our claims to be evaluated. In addition, for the current year, certain projects were bringing in better margins than anticipated towards tail end of their project cycle.
- Operating CashFlow.** FYE 2016 registered a lower positive operating cashflow of RM79.9m compared to overall PATMI of RM123.5m due to a certain project which has a bullet payment mechanism upon completion in 2017.
- Prospect.** The Group's outstanding order book amounts to RM4.8 billion with RM2.7 billion new order book secured in 2016 and RM449 million secured in January 2017. The recently announced Budget 2017 allocated a sum of RM46 billion for development expenditure which is 2.2% higher than last year Budget. This bodes well for the Group which has the proven track record to bid for such development projects. Based on the foregoing and barring any unforeseen circumstances, the Group expects to perform satisfactorily in 2017.
- Risk.** The Group has been watchful on steel bar prices which have rallied recently. To mitigate and manage the risk of project cost overrun, the Group will continue to adopt hedging strategy to procure its steel bars. The steel bar prices will be hedged by locking in its forward commitment with the suppliers. On the volatility of our MYR, as most of our purchases are procured locally, there is no material risk on this aspect.. SunCon continue to manage our foreign workers requirement by hiring our own workers. As at Dec 2016, we have our own pool of 576 workers thereby reducing our reliance on external outsource.

Precast Concrete Segmental Review

<u>Precast Concrete</u>	<u>Q4 16</u>	<u>Q3 16</u>	<u>Q2 16</u>	<u>Q1 16</u>	<u>YTD 16</u>	<u>Q4 15</u>	<u>Q3 15</u>	<u>Q2 15</u>	<u>Q1 15</u>	<u>YTD 15</u>
Revenue (RM'mil)	86.6	79.8	69.8	50.5	286.7	52.6	56.3	68.8	75.1	252.8
PBT (RM'mil)	17.3	12.5	16.9	11.5	58.2	20.1	20.6	14.3	22.0	77.0
PBT Margin	20.0%	15.7%	24.2%	22.8%	20.3%	38.2%	36.5%	20.7%	29.4%	30.4%

- **Turnover.** Precast revenue increased by 13.4% for FYE 2016. This is a result of higher average sale price as a result of certain component which fetched higher pricing.
- **PBT.** The higher margin for FYE 2015 was a result of finalization of accounts and better pricing obtained for jobs secured earlier.
- **Order Book.** The outstanding order is RM245 million (from SunCon's RM4.8 billion in total). This translates to approximately one year of turnover which is a norm based on its shorter contract duration.
- **Prospect.** Precast selling rates has seen some selling pressure from stiffer competition and also lower steel bar prices. The demand from the Housing Development Board (HDB) -Build-To-Order (BTO) launches in year 2017 is expected to remain resilient based on the estimated 17,000 units to be launched as announced by Singapore's National Development Minister. A total of 17,891 units were launched in 2016 [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.
- **Capacity building.** We have plans to further increase the production capacity of our Iskandar Precast plant which was open operationally on 2nd quarter 2016 by an additional 4 lines which will eventually see a total of 9 production lines with approximately 90,000m3 production capacity for this plant. Together with further mechanization that we plan to embark in year 2017, we hope to also improve the current capacity of 76,000m3 in our Senai Plant.

Order Book @ 31 Dec 2016 – RM4.8 bil

As at Dec 2016 (RM mil)	Completion	Contract Sum	O/S Orderbook
Infrastructure			
MRT V4 (Sec 17 - Semantan)	4Q 2016	1,173	16
MRT V201+S201 (Sg Buloh - Persiaran Dagang)	2Q 2021	1,213	1,141
MRT V201 - Advance Works	3Q 2017	53	50
Johor			
Coastal Highway Southern Link	1Q 2017	170	31
Building			
Putrajaya Parcel F	3Q 2018	1,610	1,198
KLCC (NEC + Package 2 & 2a)	4Q 2018	646	231
HUKM (MEP works)	2Q 2018	66	66
International School of Kuala Lumpur	2Q 2018	268	242
Others	Various	45	8
Internal			
Sunway Velocity 2 Mall + Link Bridge	4Q 2016	370	15
Sunway Velocity Hotel + Office	1Q 2017	101	51
Sunway Velocity Medical Centre	4Q 2018	185	154
Sunway Medical Centre 3 (Sub&Superstructure)	1Q 2017	167	31
Sunway Medical Centre 4 (2 towers)	4Q 2018	428	401
Sunway Iskandar - Citrine Svc Apt	1Q 2017	213	32
Sunway Geo Retail Shops & Flexi Suites Phase 2	1Q 2018	244	137
Sunway Iskandar - Emerald Residences	1Q 2018	175	118
Sunway Iskandar - 88 units shoplots	2Q 2018	57	57
Sunway Iskandar - Retail Complex/Big Box	4Q 2017	100	100
Sunway Property-KelanaJaya Condo	4Q 2020	449	449
Others	Various	239	8
Singapore			
Precast	Various	956	245
Grand Total		8,925	4,780

Red : Secured in 2017

New Order Book 2016 Secured YTD 2.7 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	101
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	115
Others	10
Grand Total	2,656
<i>In House</i>	<i>35%</i> <i>927</i>
<i>External</i>	<i>65%</i> <i>1,730</i>

Target for 2017 : RM2 billion

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

Parcel F – Progress @ Feb 2017

SUNWAY[®]



KLCC – Progress @ Feb 2017



ISKL – Progress @ Feb 2017



Thank You

SUNWAY CONSTRUCTION GROUP BERHAD (Company No. 1108506-W)

(Incorporated in Malaysia under the Companies Act, 1965)

Level 8, Menara Sunway
Jalan Lagoon Timur
Bandar Sunway
47500 Subang Jaya
Selangor Darul Ehsan
Malaysia

Tel. No.: (603) 5639 9696

Fax. No.: (603) 5639 9530

Email: irsuncongroup@sunway.com.my

Website: www.sunwayconstruction.com.my

Next quarter announcement on 25 May 2017

This presentation may contain certain forward looking statements due to a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; cost of capital and capital availability including availability of financing in the amounts and the terms necessary to support future business; competition from other companies, changes in operating expenses including employee wages, benefits, government and public policy changes. You are cautioned not to place undue reliance on these forward looking statements which are based on Management's current view of future events. Past performance is not necessarily indicative of its future performance