

“Management is upbeat on new contract wins in 2022”

Share price performance



	1M	3M	12M
Absolute (%)	-0.7	-12.9	-5.7
Rel KLCI (%)	-3.7	-6.8	-5.9

	BUY	HOLD	SELL
Consensus	8	4	1

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,289.4
Mkt cap (RMm)/(US\$m)	1,908.3/428.4
Avg daily vol - 6mth (m)	0.3
52-wk range (RM)	1.44-1.74
Est free float	14.6%
Stock Beta	0.66
Net cash/(debt) (RMm)	334.3
ROE (2022E)	17.9%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	No
Constituent	
FBM EMAS (Top 200)	No
ESG Rank	
ESG Risk Rating*	26.3 (-4.3 yoy)

Key Shareholders

Sunway Holdings	54.6%
Sungei Way Corp	10.1%
EPF	9.2%
ASN	6.0%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics
* Full ESG commentary inside

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Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +45.3%

Price Target: RM2.15

Previous Target (Rating): RM2.15 (BUY)

Beneficiary of railway spending

- We hosted Sunway Construction's (SunCon) management for a call with institutional investors yesterday. SunCon remains confident of achieving its new contract wins target of RM2bn in 2022
- SunCon is looking to submit tenders for 2 Klang Valley MRT Line 3 (MRT3) civil work packages with partners and we believe prospects are good for it to secure 1 of the 2 packages
- SunCon remains a top sector BUY with an RNAV-based TP of RM2.15

Improving prospects to replenish order book

SunCon remains confident of achieving its new contract wins target of RM2bn in 2022, higher than the RM1.47bn in 2021. New contract wins reached RM266m in 1Q22, replenishing its order book to RM4.44bn. SunCon is targeting 4 sources for new contract wins: RM0.5bn of in-house building jobs, RM0.5bn of external building jobs, RM0.5bn of pre-cast concrete product supply contracts, and RM0.5bn of infrastructure jobs.

Building a recurring income stream

SunCon is investing in renewable energy and district cooling projects to contribute recurring earnings in the future. This includes investing in rooftop solar installations for its parent Sunway's commercial property development projects. SunCon has formed a 40:60 joint venture (JV) with ENGIE, a European company providing environmentally-friendly solutions such as DCS for commercial buildings and cities. The JV entered into a build, own, operate and transfer (BOOT) agreement for a DCS project in Sunway South Quay (SSQ) Commercial Precinct 2 with an estimated investment of about RM35m. SunCon is also the main contractor for the project, adding RM35m to its order book.

Good prospects to win MRT3 package

SunCon is looking to submit bids for the RM2-3bn MRT3 Package 301 and RM10-12bn MRT3 Package 302 projects. We gather that it has identified 1-2 potential non-listed Bumiputera contractors to bid for the 2 packages. However, MRT Corporation has stated that each company as part of different consortiums will only be awarded 1 of the 3 civil packages even if it tenders for multiple packages. Securing a MRT3 package will likely see SunCon exceed its new contract wins target in 2022.

Remains a top sector BUY

We expect core EPS to contract 9% yoy in 2022 due to the prosperity tax and high base in 2021, but rebound by 21% yoy in 2023. We reiterate our BUY call and 12-month RNAV-based TP of RM2.15. It has net cash backing of RM334.3m or RM0.26/share. Key downside risks: a slow roll-out of infrastructure projects and higher costs.

Earnings & Valuation Summary

FYE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMm)	1,552.7	1,729.2	2,662.5	2,976.4	3,121.5
EBITDA (RMm)	143.1	198.9	191.7	224.2	226.5
Pretax profit (RMm)	101.1	152.2	174.7	205.7	206.9
Net profit (RMm)	72.8	112.6	131.1	158.2	159.0
EPS (sen)	5.6	8.7	10.2	12.3	12.3
PER (x)	26.2	17.0	14.6	12.1	12.0
Core net profit (RMm)	92.0	144.6	131.1	158.2	159.0
Core EPS (sen)	7.1	11.2	10.2	12.3	12.3
Core EPS growth (%)	(31.0)	57.3	(9.3)	20.6	0.6
Core PER (x)	20.8	13.2	14.6	12.1	12.0
Net DPS (sen)	4.0	5.3	5.3	6.0	6.0
Dividend Yield (%)	2.7	3.5	3.5	4.1	4.1
EV/EBITDA	11.0	7.3	8.0	6.4	6.7

Chg in EPS (%)	-	-	-	-	-
Affin/Consensus (x)			1.0	1.1	1.1

Source: Company, Bloomberg, Affin Hwang forecasts

Internal:external ratio for building jobs is about 50:50

New contract wins target of RM2bn in 2022

SunCon is bidding for 2 MRT3 packages

Bidding for building jobs

SunCon is targeting to secure about RM1bn of building jobs in 2022, about half from its parent Sunway or related group companies, and the balance from external parties. Some potential in-house building contracts include new phases for the Sunway Velocity 2, Sunway Serene, Sunway Belfield and SSQ mixed development projects. Potential external jobs include a KLCC office building, data centres, industrial buildings, and DCS and rooftop solar projects. Despite the slowdown in the property market, SunCon is still able to secure new building jobs due to its strong track record in undertaking special-purpose and iconic buildings.

Slow start in new contract wins but should accelerate

We expect new contract wins to accelerate in 2H22 despite the slow start in 1Q22. SunCon secured about RM266m of new contracts in 1Q22, mainly for industrial buildings, mechanical and engineering (M&E) subcontract works, rooftop solar works and piling works. Its remaining order book of RM4.44bn at end-1Q22, equivalent to 2.6x the 2021 revenue, provides good earnings visibility and supports its construction activities until 2024-25. SunCon remains confident of achieving its new contract wins target of RM2bn. We are more optimistic and expect the company to win RM2.5bn of new contracts in our earnings forecasts.

Fig 1: New contract wins in 1Q22

Projects (2022 new awards)	Client	Duration	Contract Sum (RM'mil)
Hougang N1C14 - PPSC project (390DU)	Chang Hua Construction Pte Ltd	Feb 23-April 24	80.7
Fit-out works for Menara Merdeka 118 (Electrical) - Pkg A	Black Point Associates (M) Sdn Bhd	Dec21-Aug22	3.8
Fit-out works for Menara Merdeka 118 (Electrical) - Pkg B	D'Yakin Creation Sdn Bhd	Dec21-Aug22	3.8
TASCO (Piling)	Kajima (Malaysia) Sdn Bhd	Jan22-May22	8.7
Roof top Solar	Sunway Property & Facility Mgmt & Sunway Lagoon	Oct-22	7.8
RTS Link Package P2A (ICQ Complex) - Piling	Adil Permata Sdn Bhd	Jan 22-June 25	111.5
LRT3 GS06 (piling)	RKR Bina Sdn Bhd	31-Mar-22	1.2
Yishun N3C27 - PPVC	LBD Engineering Pte Ltd	Dec 22 - Dec 24	47.1
Wellness Road & Drain	Sunway Resort Hotel & Spa	Mar 22 - Jun22	0.9
Secured in 1Q 2022			265.6

Source: Company

Good prospects to secure MRT3 contract

We expect the 3 civil work packages relating to MRT3 to be awarded by end-2022. We gather that the tender submission deadlines have been extended by about a month to 30 September for Package 301 and 30 August for Package 302 and 303. SunCon is looking to submit tenders for Package 301 and 302. It has identified 2 non-listed Bumiputera contractors to meet the 31% effective shareholding requirement in the consortium to bid for Package 301. SunCon will also jointly bid for Package 302 with one of the Bumiputera partners for Package 301. Assuming an equal earnings share among 3 partners for Package 301 (RM2-3bn contract value) and 2 partners for Package 302 (RM10-12bn contract value), we estimate SunCon's equivalent share of works is RM0.6-1.0bn for Package 301 and RM5-6bn for Package 302 if the consortium led by Suncon wins. Securing MRT3 Package 302 will potentially more than double its current remaining order book of RM4.44bn.

Fig 2: SunCon's remaining order book

AS AT MAR-22 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK
BUILDING			304
PUTRAJAYA PARCEL F	Maintenance	1,610	11
TNB HQ CAMPUS (PH 2)	3Q 2022	781	197
PETRONAS LEADERSHIP CENTRE (PLC)	Completed	305	28
IOI MALL (MEP)	2Q 2022	68	8
OXLEY TOWER (MEP)	4Q 2024	68	52
PNB118 PKG A&B (MEP)	3Q 2022	8	7
INFRASTRUCTURE/PILING			284
LRT 3 : PACKAGE GS07-08	4Q 2022	1,295	137
SENTUL WEST MRTUG ST. (MEP)	2Q 2022	57	4
CHAN SOW LIN MRTUG ST. (MEP)	2Q 2022	54	6
JALAN TAMBUN, IPOH	4Q 2022	14	11
BANGSAR RISING - PILING	3Q 2022	5	5
TASCO	3Q 2022	9	8
RTS LINK PACKAGE P2A	2Q 2025	112	112
LRT: GS06	2Q 2022	1	1
INDIA			755
THORAPALLI - JITTANDAHALLI (TJ)	4Q 2023	508	488
MEENSURUTTI - CHIDAMBARAN (MC)	3Q 2023	315	266
SUSTAINABLE ENERGY			406
SOLAR - EXTERNAL	Various	414	397
SOLAR - INTERNAL	Various	4	1
NEW ORDER 2022 - INTERNAL	Various	8	8
SINGAPORE			555
PRECAST	Various	584	427
NEW ORDER 2022 - EXTERNAL	Various	128	128
INTERNAL - SUNWAY GROUP			2,137
SMC 4 + VO	3Q 2023	612	265
SUNWAY SERENE	4Q 2022	413	61
SUNWAY BELFIELD	4Q 2024	403	346
SUNWAY VELOCITY 2	4Q 2022	352	80
SOUTH QUAY CP2 - SUPERSTRUCTURE	3Q 2024	557	555
SUNWAY CARNIVAL MALL EXT.	2Q 2022	286	28
SUNWAY VELOCITY 2B	4Q 2023	253	213
SMC DAMANSARA	1Q 2023	240	222
SMC SEBERANG JAYA	2Q 2022	196	44
SMC IPOH	1Q 2024	150	142
SW INTERNATIONAL SCHOOL (SIS)	4Q 2022	140	51
SOUTH QUAY CP2 - PILING	2Q 2022	198	45
SUNWAY VELOCITY 3C4	3Q 2022	100	30
SUNWAY HOTEL RENOVATION	3Q 2022	81	24
BIG BOX OFFICE	3Q 2022	51	28
BUTTERWORTH-KULIM EXPRESSWAY	2Q 2022	4	2
DRAINAGE WORKS	4Q 2022	1	1
WELLNESS ROAD & DRAIN	2Q 2022	1	1
GRAND TOTAL @ MAR 2022		10,384	4,441
RED : SECURED IN 2022		266	265

Source: Company

Potential upside to earnings

Our earnings forecasts assume new contract wins of RM2.5bn in 2022. If SunCon secures the MRT3 Package 301 project, we believe our assumption will likely be met. Based on our best-case scenario analysis, if SunCon wins the high-value MRT3 Package 302 project, we estimate the potential upside to our 2023-24E core EPS would be 19-20%. Our worst-case scenario analysis indicates potential downside to 2023-24E core

Potential upside to earnings if it secures MRT3 Package 302



EPS of 4-9% assuming no MRT3 contract win at all. We believe the worst-case scenario is unlikely to happen as SunCon can still bid for MRT3 subcontract works from the winning consortiums for Package 301-303 given its strong track record in undertaking elevated viaduct and station works in previous MRT and LRT projects.

Fig 3: Scenario analysis of potential MRT3 contract wins

Year to 31 Dec (RMm)	2023E	2024E
Base-case core EPS (wins MRT3 Package 301) *	12.3	12.3
Worst-case core EPS (no MRT3 contract wins) *	11.7	11.3
Best-case core EPS (wins MRT3 Package 302) *	14.7	14.6
Change from base case (%)		
Worst-case core EPS change	(4.3)	(8.6)
Best-case core EPS change	19.5	18.8
Base-case core PER (x)		
Worst-case core PER (x)	12.1	12.0
Best-case core PER (x)	12.6	13.1
Best-case core PER (x)	10.1	10.1

* assumes total 2022E new contract wins of RM2.5bn (base case), RM1.5bn (worst case), RM7bn (best case).
Source: Affin Hwang estimates

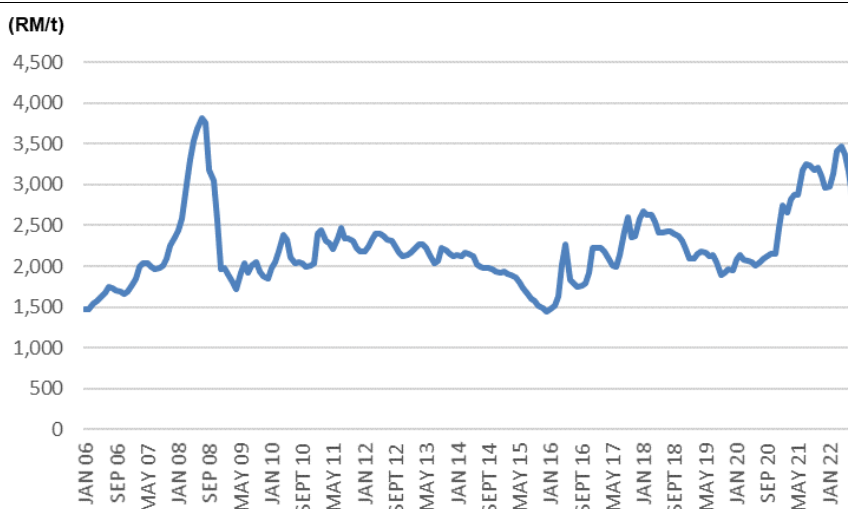
Steel bar and cement prices are easing from recent highs

Managing higher material costs and labour shortage

SunCon faces pressure on profit margins due to high building material costs. However, most of its major infrastructure projects, such as MRT2 and LRT3, are at the tail end. The steel bar and bulk cement requirements for these projects are low since most structural works had been completed before the surge in material prices last year. It is also able to negotiate with its parent Sunway to partially pass on the higher material costs for the ongoing in-house projects. It is positive that steel bar and bulk cement prices have started to ease in July 2022, down 15% and 6% respectively from the peak levels in May 2022. We expect building material prices to ease further due to easing commodity prices as global economic growth slows down.

To alleviate the current labour shortage, SunCon managed to recruit 300 foreign workers last month by sending an in-house team of recruiters to Indonesia. It plans to make another trip to Indonesia to recruit another 100 workers to meet the requirements for its ongoing projects. We assumed normalised PBT margins of 6.6-6.9% in 2022-24, compared to 8.8% in 2021, which had been boosted by higher profits on finalisation of accounts for certain completed projects.

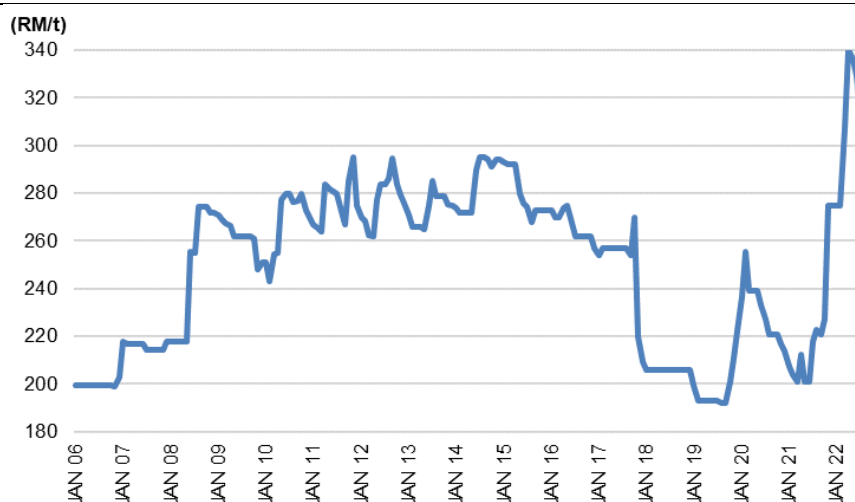
Fig 4: Average monthly steel bar prices



Source: Company



Fig 5: Average monthly steel bar prices



Source: Company

Top mid-cap sector BUY with RNAV-based TP of RM2.15

Reasonable valuation

SunCon's current 2023E core PER of 12x is attractive, below our construction sector weighted-average core PER of 15x. We expect strong core EPS growth of 21% in 2023, higher than the sector weighted-average growth of 16%. The current core PER and price/book valuations are also lower than 1sd below mean levels. At a current price of RM1.48, the stock is trading at an attractive 31% discount to our estimated RNAV/share of RM2.15. SunCon remains our top mid-cap sector BUY with a TP of RM2.15.

Fig 6: Construction sector peer comparison

Company Name	Stock Code	Rating	Share Pr (RM)	TP (RM)	Mkt Cap (RMbn)	Core PE (x)	Core EPS growth (%)	EVEBITD A (x)	P/BV (x)	ROE (%)	Div Yield (%)	RNAV/ share (RM)	Sh Pr disc to RNAV (%)	TP disc to RNAV (%)		
GAMUDA	GAM MK	BUY	3.69	4.25	9.4	14.2	15.3	(1.8)	(7.3)	9.9	1.2	7.7	9.3	4.05	8.9	0.0
IJM CORP	IJM MK	BUY	1.73	2.42	6.1	21.7	16.4	28.2	32.0	8.9	0.6	2.6	5.6	3.03	42.9	26.0
MRCB	MRC MK	HOLD	0.35	0.35	1.5	20.3	13.8	135.2	47.3	15.9	0.3	1.2	2.9	0.94	63.3	60.0
WCT	WCTHG MK	HOLD	0.45	0.52	0.6	7.5	5.0	417.0	49.4	9.2	0.2	2.7	1.3	1.47	69.7	60.0
SUNWAY CONSTRUCTION	SCGB MK	BUY	1.48	2.15	1.9	14.6	12.1	(9.3)	20.6	8.0	2.5	17.9	3.5	2.15	31.2	0.0
AME ELITE	AME MK	HOLD	1.62	1.74	1.0	16.4	12.4	31.4	32.2	11.6	1.4	8.5	2.0	2.43	33.3	25.0
TALIWORKS	TWK MK	HOLD	0.94	0.92	1.9	24.8	20.9	(2.5)	18.9	15.0	2.2	9.0	7.0	1.20	21.7	20.0
SAMAIDEN GROUP	SAMAIDEN MK	BUY	0.59	1.03	0.2	28.5	28.5	0.0	0.0	17.3	4.2	14.9	0.0	NA	NA	NA
HSS ENGINEERING	HSS MK	BUY	0.44	0.77	0.2	14.1	10.1	165.4	39.5	10.2	0.9	6.3	1.5	NA	NA	NA
Average					23.0	16.8	14.7	11.8	16.4	10.3	1.5	4.5	3.7		38.7	27.3

Source: Affin Hwang, Company

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Fig 7: RNAV and target price

Segments	Stake (%)	New RNAV (RMm)
Construction @ PER 16x sustainable earnings of RM130m	100	2,080
Pre-cast concrete @ PER 16x sustainable earnings of RM20m	100	320
Investment in Singapore IPPH JV @ book value	50	44
Net cash/(debt)		334
RNAV		2,779
No. of shares (m)		1,291
RNAV/share (RM)		2.15
Target price at RNAV/share		2.15

Source: Affin Hwang, Company

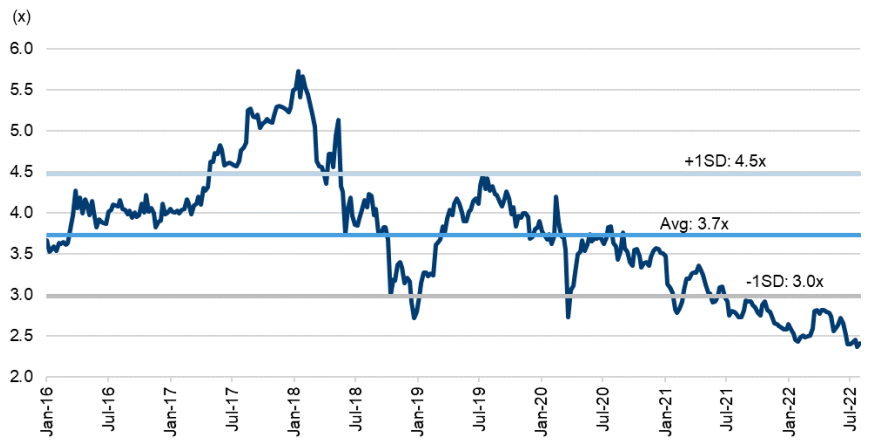


Fig 8:12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 9:12-month forward Price/book



Source: Affin Hwang, Company



ESG Analysis

Analyst summary

Sunway Construction ESG Risk Rating									
26.3	(out of 100)	Rating Date	Momentum (yoy)		(RISK) EXPOSURE	49.3	out of 100		
		13-Oct-21	-4.3						
Negl.	Low	Med.	High	Severe	Low	Med.	High		
0-10	10-20	20-30	30-40	40+	0-35	35-55	55+		
INDUSTRY Construction & Engineering					(RISK) MANAGEMENT 50.1 out of 100				
UNIVERSE RANKING (1st = least risky) 7,042 out of 14,932					Strong Average Weak				
					100-50 50-25 25-0				

Source: Affin Hwang, Powered by Sustainalytics

Sustainalytics ESG Risk Rating summary

According to Sustainalytics, Sunway Construction has a total unmanaged ESG risk rating of 26.3 with a momentum of -4.3 YoY placing it in the middle of the medium-risk spectrum. The risk rating is calculated using a medium-risk exposure score of 49.3 and an average-risk management score of 50.1. Our construction and infrastructure universe comprising of eight companies is characterised as having moderate amount of exposure (with the sector average at 50.5). This coupled with mediocre management of material ESG risk (with the sector average at 37.1, ranging from 28.8 (AME) and 30.8 (WCTHG) to 42.7 (IJM) and 50.1 (SunCon)) contributed to the relatively high ESG Risk Ratings derived for the sector (with the sector average at 32.9, ranging from 23.3 (AME) to 37.2 (TWK) to 39.0 (WCTHG)).

ESG opportunities

Pillar	Opportunities	Analyst comments
E	Potential investments in green products – solar and DCS. Looking to cut carbon emissions for its activities and reduce construction project waste products.	SunCon is investing in 11 solar rooftop installations and its first DCS project. It is looking for opportunities to expand its investments in renewable energy and energy-efficient facilities as part of its ESG initiatives, while providing a recurrent earnings stream. Established SunCon Future Value Goals 2030 which outlines its strategies to achieve the Sunway group's mission of Net Zero Carbon Emissions by 2050. Expand the production of pre-cast concrete products (high-efficiency construction method) in Singapore by investing S\$80m to build an Integrated Concrete Product Hub (ICPH) facility with its partner, which will complete in 2H22.
G	Strengthen its sustainability governance position and to advance our sustainability agenda.	We believe SunCon is an industry leader in pushing the sustainability agenda. It has established a Board Sustainability Committee, led by Dato' Dr Johari bin Basri, Senior Independent Non-Executive Director.

ESG risks

Pillar	Risks	Analyst comments
S	Construction industry is highly reliant on labour, inherently hazardous work sites, potential widespread community impact and duration depending on the complexity of the projects	SunCon has established 3 Centralised Labour Quarters that meets the Ministry of Labour's regulations and maintains high occupational, health and safety standards at all its construction sites to maintain its zero fatalities track record.
G	Construction industry is highly exposed to corruption and bribery risks especially for public-sector projects.	SunCon has adopted a detailed and vigorous anti-corruption and bribery programme that is in line with industry best practices and adheres to applicable laws and regulations.



Financial Summary – Sunway Construction

Profit & Loss Statement

FYE 31 Dec (RMm)	2020	2021	2022E	2023E	2024E
Revenue	1,552.7	1,729.2	2,662.5	2,976.4	3,121.5
Operating expenses	(1,409.5)	(1,530.3)	(2,470.8)	(2,752.2)	(2,894.9)
EBITDA	143.1	198.9	191.7	224.2	226.5
Depreciation	(33.4)	(27.4)	(29.2)	(30.9)	(32.4)
EBIT	109.7	171.5	162.6	193.3	194.1
Net int income/(expense)	10.5	(0.4)	(1.2)	(0.9)	(0.5)
Associates' contribution	0.1	13.3	13.3	13.3	13.3
Forex gain/(loss)	(2.9)	(0.2)	0.0	0.0	0.0
Exceptional gain/(loss)	(16.3)	(31.9)	0.0	0.0	0.0
Pretax profit	101.1	152.2	174.7	205.7	206.9
Tax	(27.8)	(41.5)	(45.4)	(49.4)	(49.6)
Minority interest	(0.5)	1.8	1.8	1.8	1.8
Net profit	72.8	112.6	131.1	158.2	159.0

Balance Sheet Statement

FYE 31 Dec (RMm)	2020	2021	2022E	2023E	2024E
Fixed assets	107.4	124.8	130.4	134.3	131.9
Other long term assets	56.3	127.8	196.7	265.6	334.6
Total non-current assets	163.8	252.5	327.1	400.0	466.5
Cash and equivalents	640.1	695.8	583.0	668.0	591.5
Stocks	34.3	46.2	77.7	60.8	84.4
Debtors	1,019.6	821.4	1,940.4	1,147.0	1,748.8
Other current assets	48.4	48.4	48.4	48.4	48.4
Total current assets	1,742.3	1,611.7	2,649.4	1,924.1	2,473.1
Creditors	955.2	891.4	1,952.0	1,226.6	1,764.9
Short term borrowings	233.7	92.5	74.0	59.2	47.4
Other current liabilities	5.8	8.1	15.0	22.2	29.8
Total current liabilities	1,194.7	992.0	2,041.1	1,308.1	1,842.1
Long term borrowings	72.7	145.4	145.4	145.4	145.4
Other long term liabilities	0.0	10.0	10.0	10.0	10.0
Total long term liabilities	72.7	155.4	155.4	155.4	155.4
Shareholders' Funds	636.9	699.1	762.4	843.0	924.4
Minority interests	1.7	17.6	17.6	17.6	17.6

Cash Flow Statement

FYE 31 Dec (RMm)	2020	2021	2022E	2023E	2024E
EBIT	109.7	171.5	162.6	193.3	194.1
Depreciation & amortisation	33.4	27.4	29.2	30.9	32.4
Working capital changes	(29.1)	83.1	(89.9)	84.9	(87.2)
Cash tax paid	(28.8)	(28.9)	(45.4)	(49.4)	(49.6)
Others	8.1	(14.7)	10.9	11.5	12.2
Cashflow from operation	93.3	238.3	67.4	271.2	101.9
Capex	(1.9)	(31.5)	(34.8)	(34.8)	(30.0)
Disposal/(purchases)	182.6	(141.8)	(59.0)	(59.0)	(59.0)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	180.7	(173.4)	(93.8)	(93.8)	(89.0)
Debt raised/(repaid)	6.0	(70.2)	(18.5)	(14.8)	(11.8)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Net interest income/(exp)	(1.2)	(0.5)	0.0	0.0	0.0
Dividends paid	(62.3)	(51.8)	(67.9)	(77.6)	(77.6)
Others	(272.7)	0.0	0.0	0.0	0.0
Cash flow from financing	(330.2)	(122.5)	(86.4)	(92.4)	(89.4)
Free Cash Flow	91.4	206.8	32.6	236.4	71.9

Source: Company, Affin Hwang estimates

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2020	2021	2022E	2023E	2024E
Growth					
Revenue (%)	(12.2)	11.4	54.0	11.8	4.9
EBITDA (%)	(22.7)	38.9	(3.6)	16.9	1.0
Core net profit (%)	(31.0)	57.3	(9.3)	20.6	0.6
Profitability					
EBITDA margin (%)	9.2	11.5	7.2	7.5	7.3
PBT margin (%)	6.5	8.8	6.6	6.9	6.6
Net profit margin (%)	4.7	6.5	4.9	5.3	5.1
Effective tax rate (%)	27.5	27.3	26.0	24.0	24.0
ROA (%)	1.8	2.8	2.6	2.8	2.8
Core ROE (%)	14.6	21.7	17.9	19.7	18.0
ROCE (%)	42.7	64.5	52.0	50.6	43.6
Dividend payout ratio (%)	70.9	60.3	51.8	49.0	48.8
Liquidity					
Current ratio (x)	1.5	1.6	1.3	1.5	1.3
Op. cash flow (RMm)	93.3	238.3	67.4	271.2	101.9
Free cashflow (RMm)	91.4	206.8	32.6	236.4	71.9
FCF/share (sen)	7.1	16.0	2.5	18.3	5.6
Asset management					
Debtors turnover (days)	239.7	173.4	266.0	140.7	204.5
Stock turnover (days)	8.1	9.7	10.6	7.5	9.9
Creditors turnover (days)	224.6	188.2	267.6	150.4	206.4
Capital structure					
Net gearing (%)	(53.3)	(66.5)	(48.6)	(55.8)	(43.9)
Interest cover (x)	NA	NA	NA	NA	NA

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	455.2	375.3	272.1	626.6	624.7
Operating expenses	(420.9)	(363.5)	(237.8)	(508.1)	(574.6)
EBITDA	34.3	11.7	34.3	118.5	50.1
Depreciation	(8.1)	(5.8)	(6.9)	(6.6)	(6.2)
EBIT	26.2	5.9	27.4	111.9	43.9
Net int income/(expense)	(0.8)	0.4	0.1	(0.0)	1.1
Associates' contribution	2.0	2.8	2.4	6.2	3.2
Forex gain/(loss)	(0.0)	(0.0)	(0.2)	0.1	(0.1)
Exceptional items	(0.1)	0.5	(5.2)	(27.2)	(0.9)
Pretax profit	27.2	9.5	24.5	91.0	47.2
Tax	(6.9)	(3.6)	(5.0)	(26.0)	(11.5)
Minority interest	(0.1)	2.4	(0.2)	(0.3)	(1.1)
Net profit	20.2	8.3	19.3	64.7	34.5
Core net profit	20.3	7.9	24.7	91.8	35.5
Margins (%)					
EBITDA	7.5	3.1	12.6	18.9	8.0
PBT	6.0	2.5	9.0	14.5	7.6
Net profit	4.4	2.2	7.1	10.3	5.5

Important Disclosures and Disclaimer

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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