

"Bidding / negotiating for power plant and semiconductor plant projects to grow its order book"

Share price performance



	1M	3M	12M
Absolute (%)	-6.5	-2.5	5.3
Rel KLCI (%)	-5.1	-1.1	8.4

	BUY	HOLD	SELL
Consensus	11	3	0

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,289.4
Mkt cap (RMm)/(US\$m)	2,037.3/435.5
Avg daily vol - 6mth (m)	0.4
52-wk range (RM)	1.41-1.79
Est free float	13.5%
Stock Beta	0.80
Net cash/(debt) (RMm)	(53.2)
ROE (2023E)	17.8%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	No
Constituent	
FBM EMAS (Top 200)	NA
ESG Rank	
ESG Risk Rating*	26.3 (na yoy)

Key Shareholders

Sunway Holdings	54.6%
Sungei Way Corp	10.1%
EPF	9.7%
ASN	6.4%

Source: Bloomberg, Affin Hwang, Bursa Malaysia, ESG Risk Rating Powered by Sustainalytics

* Full ESG commentary inside

Loong Chee Wei, CFA

T (603) 2146 7548

E cheeweiloong@affinhwang.com

Sunway Construction (SCGB MK)

BUY (maintain)

Up/Downside: +26.6%

Price Target: RM2.00

Previous Target (Rating): RM2.00 (BUY)

Expanding expertise

- We hosted Sunway Construction's (SunCon) Group Managing Director Mr Liew Kok Wing for a meeting with institutional investors last week
- SunCon is bidding/negotiating for semiconductor industrial plants and power plant projects to broaden its construction expertise and grow its order book
- SunCon remains a top sector BUY with an RNAV-based TP of RM2.00, based on 10% discount to RNAV

Expanding expertise to grow its order book

SunCon: Power Engineering Consulting Joint Stock Company 2 (PECC2) 55:45 Joint Venture (JV) signed an interim Engineering, Procurement and Construction (EPC) agreement with Toyo Ventures (TOYOVEN MK – Not Rated) to build the Song Hau 2 Thermal Power Plant (SH2) project. We gather that the potential EPC contract value is US\$2.42bn and SunCon's 55% share works out to about RM6.23bn (RM4.68:US\$1.00 rate). This project will potentially double its remaining order book of RM6.03bn as at 31 March 2023. SunCon is also bidding for the building works contract for a multi-billion Ringgit semiconductor plant project.

Bidding for infrastructure projects

SunCon is also bidding for a contract to build the Immigration, Customs and Quarantine (ICQ) facility next to the Bukit Chagar station for the Johor Bahru-Singapore Rapid Transit System (RTS) Link. The tender is expected to close in mid-July. SunCon was asked to extend the tender validity for the Klang Valley MRT Line 3 (MRT3) project to end-September, indicating a delay in the contract awards. These projects form part of its RM22.7bn active tender book.

Providing contractor financing for some projects

SunCon is offering contractor financing for some of its ongoing projects including the 2 Large-Scale Solar Phase 4 (RM385m) projects and 2 Indian highway Hybrid Annuity Model (HAM) projects (RM823m contract value). The contractor financing will generate interest income but SunCon has moved its financial position to a low net gearing of 0.04x in 1Q23 from net cash previously. We are projecting its net gearing to increase to a peak of 0.51x at end-2024 but will reduce as deferred payments are received.

Remains a top sector BUY

We expect core EPS to contract 5% yoy in 2023E due to the completion of major projects such as MRT2 in 2022 but rebound by 2% yoy in 2024E. There is potential upside to our core EPS forecasts if new contract wins exceed our RM2.0bn/RM2.5bn assumptions in 2023E/2024E. Maintain BUY with TP of RM2.00, based on 10% discount to RNAV.

Earnings & Valuation Summary

FYE 31 Dec	2021	2022	2023E	2024E	2025E
Revenue (RMm)	1,729.2	2,155.2	2,993.4	3,652.1	2,871.9
EBITDA (RMm)	198.9	218.9	228.9	246.7	262.9
Pretax profit (RMm)	152.2	184.1	184.7	188.6	202.1
Net profit (RMm)	112.6	135.2	136.8	139.8	150.1
EPS (sen)	8.7	10.5	10.6	10.8	11.6
PER (x)	18.1	15.1	14.9	14.6	13.6
Core net profit (RMm)	144.6	143.8	136.8	139.8	150.1
Core EPS (sen)	11.2	11.1	10.6	10.8	11.6
Core EPS growth (%)	57.3	(0.6)	(4.9)	2.2	7.3
Core PER (x)	14.1	14.2	14.9	14.6	13.6
Net DPS (sen)	5.3	5.5	5.5	5.5	6.0
Dividend Yield (%)	3.3	3.5	3.5	3.5	3.8
EV/EBITDA	7.9	9.1	10.2	10.1	8.7

Chg in EPS (%)

Affin/Consensus (x)

-
0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Bidding for a new large-scale semiconductor plant project

Bidding for semiconductor manufacturing plant projects

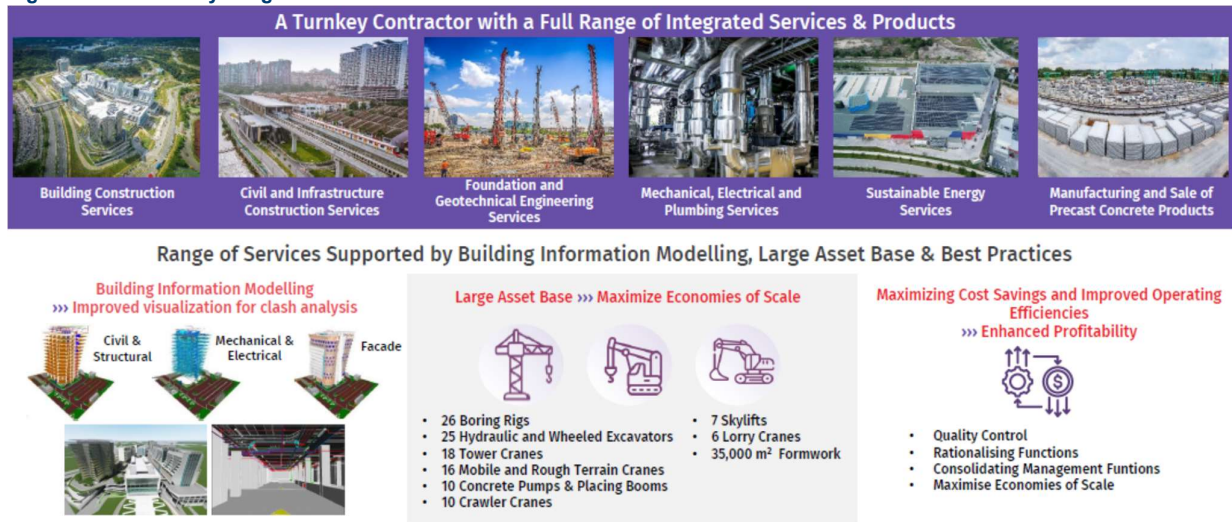
SunCon is bidding to build a new semiconductor manufacturing plant currently. The tender is tentatively expected to close in mid-July for the multi-billion Ringgit project. If successful, it will be the first semiconductor plant project undertaken by SunCon, allowing the company to broaden its expertise in special-purpose building construction projects.

Good prospects to bid for more semiconductor plant projects

Building track record to bid for more semiconductor plant projects

The project is expected to be awarded in 4Q23. SunCon is looking to secure its first semiconductor manufacturing plant project to build up its track record, with good opportunities to bid for more plant projects, given the strong demand from multinational semiconductor companies to expand or set up their operations in Malaysia, which is benefiting from the ongoing US-China trade war.

Fig 1: SunCon's fully integrated business model



Source: Company

New contract wins could exceed RM2bn target in 2023

High new contract wins in 1Q23

SunCon secured new contracts worth RM1.28bn in 1Q23 and is on track to achieve its RM2bn target in 2023, which is in line with our forecast. There is potential upside to the new contract wins due to the strong start to the year, which will likely expand its current high remaining order book of RM6.03bn. Besides the ICQ for the RTS Link and MRT3, SunCon is also interested to bid for the RM10bn Bayan Lepas LRT (BLLRT) project, which will likely kick off by end-2023 with the federal government agreeing to finance the project. SunCon submitted a pre-qualification bid previously when it was called by the Penang state government. Based on our sensitivity analysis assuming blended EBIT margin of 8%, every additional RM500m new contract wins will lift core EPS by 5.3% in 2024E and 5.0% in 2025E.



Fig 2: New contract wins in 1Q23

Projects (2023 new awards)	Client	Duration	Contract Sum (RM'mil)
Bidadari C17 - LPS	Eng Seng Lee Construction Co Pte Ltd	Dec-23	3.9
Precast - Watertanks (various projects)	Jin Cheng Pte Ltd	Various	9.4
Heliosel Solar PV System - Package L3	Heliosel Sdn Bhd	Dec-23	34.0
Heliosel Solar PV System - Package L2	Heliosel Sdn Bhd	Oct-23	10.5
RTS Package 1B and Package 5	Malaysia Rapid Transit System Sdn Bhd	Jun-25	604.9
South Quay Square Mix Development - 2nd SA	Sunway South Quay Sdn Bhd	Oct-25	606.6
Oxley Tower VO	BUCG (M) Sdn Bhd	Feb-24	8.5
Secured in 1Q 2023			1,277.7
TOTAL AS AT 1Q 2023			1,277.7

Source: Company

Fig 3: SunCon's remaining order book

AS AT MAR-23 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	%	AS AT MAR-23 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	%
BUILDING			1,704	28%	INTERNAL - SUNWAY GROUP			2,242	37%
OXLEY TOWER (MEP)	4Q 2024	68	42		SMC 4 + VO	3Q 2023	612	102	
OXLEY TOWER VO (MEP)	1Q 2024	9	9		SUNWAY BELFIELD	4Q 2024	403	236	
JHB1X0 - DATA CENTRE	3Q 2024	1,700	1,656		SUNWAY VELOCITY 2	2Q 2023	352	11	
INFRASTRUCTURE/PILING			714	12%	SOUTH QUAY SQUARE - SUPERSTRUCTURE			657	472
LRT 3 : PACKAGE GS07-08	2Q 2023	1,295	29		SOUTH QUAY SQUARE - SUPERSTRUCTURE (VO)	4Q 2025	607	607	
JALAN TAMBUN, IPOH	3Q 2023	14	4		SUNWAY VELOCITY 2B	4Q 2023	253	146	
RTS LINK PACKAGE 1B AND PACKAGE 5	2Q 2025	605	605		SMC DAMANSARA	1Q 2024	240	174	
RTS LINK PACKAGE P2A	-	10	3		SMC IPOH + VO	1Q 2024	217	181	
LRT 3 : GS06	3Q 2023	191	73		SW INTERNATIONAL SCHOOL (SIS)	2Q 2023	140	19	
INDIA			507	9%	SUNWAY VELOCITY 3C4	2Q 2023	100	14	
THORAPALLI - JITTANDAHALLI (TJ)	4Q 2023	508	363		BIG BOX OFFICE	2Q 2023	51	5	
MEENSURUTTI - CHIDAMBARAN (MC)	3Q 2023	315	144		SW FLORA	4Q 2025	278	273	
SUSTAINABLE ENERGY			420	7%	GRAND TOTAL @ MAR 2023		9,740	6,030	
SOLAR - EXTERNAL	Various	69	47		RED : SECURED IN 2023		1,278	1,277	
SOLAR - INTERNAL	Various	12	5		<i>*RTS Link Package P2A. Omission of RM 101.4m from the original contract sum of RM 111.5m</i>				
LSS4 GOPENG	4Q 2023	200	166						
LSS4 SHARP VENTURES	4Q 2023	185	158						
NEW ORDER 2023 - EXTERNAL	Various	45	45						
SINGAPORE			443	7%					
PRECAST	Various	693	430						
NEW ORDER 2023 - EXTERNAL	Various	13	13						

Source: Company

Steel bar and cement prices are easing from recent highs

A top sector BUY with TP of RM2.00, based on 10% discount to RNAV

Looking to divest its Indian highway concessions to reduce gearing

The company is looking to divest its Indian highway concessions upon completion to reduce its net gearing. The RM315m Meensurutti-Chidambaran Highway is expected to complete by end-2023, while its RM508m Thorapalli-Jittandahalli Highway should complete by mid-2024. The two highway concessions are consolidated in the group accounts since they are held under 60%-owned subsidiaries. Based on debt:equity ratio of 80:20, we estimate the 2 concessions will add RM658m of debt to the group accounts upon completion. However, the debts will be reduced by the 40% upfront payment by the National Highway Authority of India (NHAI) based on the HAM agreement with the balance 60% to be repaid in semi-annual instalments over 15 years.

Reasonable valuation

SunCon's current 2023E core PER of 14.9x is at a premium to domestic peers' weighted-average core PER of 13x but below regional peers' average of 15.8x. We believe the premium PER valuation to domestic peers is justified by its ROE of 17.8%, which is the highest in the sector. The current core PER and price/book valuations are also close to the 1sd below mean levels. At the current price of RM1.58, the stock is trading at an attractive 29% discount to our estimated RNAV/share of RM2.22. SunCon remains our top mid-cap sector BUY with a TP of RM2.00, based on 10% discount to RNAV. Key downside risks: a slow roll-out of infrastructure projects, higher costs.

Fig 4: Domestic construction sector peer comparison

Company Name	Stock Code	Rating	Share Pr (RM)	TP (RM)	Mkt Cap (RMb)	Core PE (x)		Core EPS growth (%)		Upside (%)	P/BV (x)	ROE (%)	Div Yield (%)	Div Yield (%)	RNAV/share (RM)	Sh Pr disc to RNAV (%)	TP disc to RNAV (RM)	RNAV/share (RM)
						CY23E	CY24E	CY23E	CY24E									
AME ELITE	AME MK	BUY	1.28	1.66	0.8	12.3	11.7	(10.2)	4.6	29.7	1.0	8.0	3.1	3.4	2.28	44	27	2.28
GAMUDA	GAM MK	BUY	4.46	5.00	11.9	13.5	11.9	2.2	13.3	12.1	1.4	8.1	7.7	2.7	5.27	15	5	5.27
HSS ENGINEERING	HSS MK	BUY	0.54	0.80	0.3	10.6	9.5	16.5	11.8	48.1	1.0	9.6	1.5	1.7	NA	NA	NA	NA
UM CORP	UM MK	HOLD	1.50	1.66	5.3	15.6	13.2	11.6	18.1	10.7	0.5	3.2	4.3	4.0	2.77	46	40	2.77
MRCB	MRC MK	HOLD	0.30	0.33	1.3	24.3	17.4	(15.1)	39.7	10.0	0.3	1.2	3.3	3.3	0.82	63	60	0.82
SAMADEN GROUP	SAMADEN MK	BUY	0.95	1.05	0.4	19.9	14.4	41.9	37.7	10.5	3.3	16.8	0.0	0.0	NA	NA	NA	NA
SUNWAY CONSTRUCTION	SCGB MK	BUY	1.58	2.00	2.0	14.9	14.6	(4.9)	2.2	26.6	2.5	17.8	3.5	3.5	2.22	29	10	2.22
TALIWORKS	TWK MK	HOLD	0.82	0.85	1.6	26.8	21.1	30.8	27.0	4.3	2.3	8.6	8.1	8.1	1.06	23	20	1.06
Average					23.6	15.0	13.0	5.1	15.4	8.9	1.6	4.7	3.9	3.3		37	27	

Source: Affin Hwang, Company

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Fig 5: Regional construction sector peer comparison

Company	BBG code	Rating	Sh Pr (local)	Mkt Cap (US\$m)	PER (x)		EPS gr (%)		EV/EBITDA		P/B		ROE (%)		Yield (%)	
					CY23E	CY24E	CY23E	CY24E	CY23E	CY24E	CY23E	CY24E	CY23E	CY24E	CY23E	CY24E
BALFOUR BEATTY PLC	BBY LN	N/R	342.60	2,625	10.7	10.2	(26.0)	4.2	4.0	3.8	1.6	1.5	13.5	12.9	3.2	3.4
CHINA COMMUNICATIONS CONST-H	1800 HK	N/R	4.27	23,096	3.1	2.8	6.1	10.7	13.8	12.8	0.2	0.2	7.4	7.4	6.1	6.8
FERROVIAL SA	FER SM	N/R	28.77	20,644	69.2	46.0	82.4	50.6	31.3	24.8	5.6	6.1	9.5	9.5	2.6	2.7
SAMSUNG ENGINEERING CO LTD	028050	N/R	28000.0	4,464	8.8	8.5	(2.3)	3.4	3.7	3.2	1.7	1.4	20.8	18.1	2.1	2.2
VINCI SA	DG FP E	N/R	104.96	66,815	13.1	12.1	17.5	8.5	7.3	6.8	2.2	2.1	17.2	17.6	4.2	4.6
ACS SM EQUITY	ACS SM	N/R	157.11	8,587	14.6	13.8	(1.2)	5.8	5.2	5.0	1.6	1.6	10.3	11.2	6.6	6.5
ACCIONA SA	ANA SM	N/R	156.05	10,266	16.8	16.7	27.2	0.3	8.5	8.9	1.7	1.6	10.0	9.7	3.0	3.2
DOWNER EDI LTD	DOW AU	N/R	3.75	1,508	13.9	10.7	6.0	29.8	5.5	4.8	0.9	0.9	6.4	8.2	4.6	6.2
GAMUDA	GAM MK	BUY	4.46	2,493	13.5	11.9	2.2	13.3	9.8	8.8	1.4	1.4	8.1	8.8	7.7	2.7
UM CORP	UM MK	HOLD	1.50	1,281	15.6	13.2	11.6	18.1	6.7	5.5	0.5	0.5	3.2	4.0	4.3	4.0
SUNWAY CONSTRUCTION	SCGB MK	BUY	1.58	473	14.9	14.6	(4.9)	2.2	10.5	10.4	2.5	2.6	17.8	16.7	3.5	3.5
Average					19.9	15.8	22.7	14.3	11.7	10.3	2.2	2.2	13.2	13.4	4.3	4.6
Average (excl Ferrovial & China Communication Construction)					13.4	12.5	14.1	7.6	7.1	6.6	2.0	1.9	15.3	15.6	4.2	4.4

Source: Affin Hwang, Company

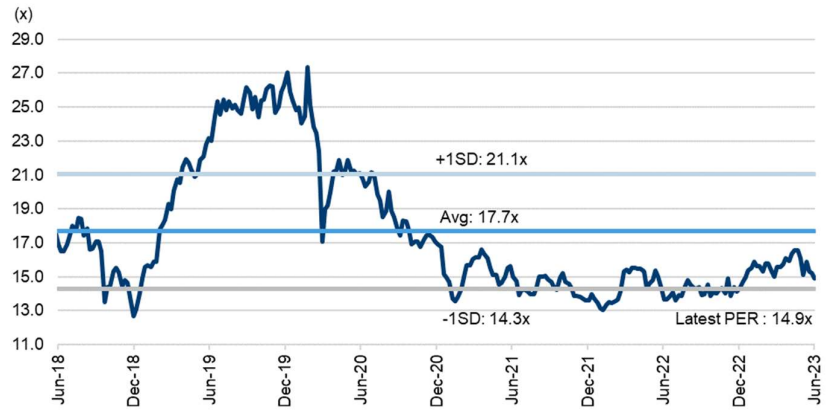
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Fig 6: RNAV and target price

Segments	Stake (%)	New RNAV (RMm)
Construction @ PER 16x sustainable earnings of RM160m	100	2,560
Pre-cast concrete @ PER 16x sustainable earnings of RM20m	100	320
Investment in Singapore IPPH JV @ book value	50	44
Net cash/(debt)		(53)
RNAV		2,871
No. of shares (m)		1,291
RNAV/share (RM)		2.22
Target price @ 10% discount to RNAV/share		2.00

Source: Affin Hwang, Company

Fig 7: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 8: 12-month forward Price/book



Source: Affin Hwang, Company



*ESG Analysis

Analyst summary

Sunway Construction (SunCon) is a fully integrated construction company providing from building and civil/infrastructure construction services to mechanical, electrical and plumbing services and manufacturing precast concrete products. It has expanded its activities to assist clients to install rooftop solar photovoltaic (PV) panels to generate green energy and indirectly reduce greenhouse gas emissions by cutting usage of energy generated from burning fossil fuels. In addition, its engineering, procurement, construction and commissioning (EPCC) services to build Large-Scale Solar (LSS) plants helps to expand the country's RE generation capacity.

Sunway Construction ESG Risk Rating										
26.3	(out of 100)	Rating Date	Momentum (yoy)			(RISK) EXPOSURE	49.3	out of 100		
		13-Oct-21	0.0			Low	Med.	High		
			Negl.	Low	Med.	High	Severe			
			0-10	10-20	20-30	30-40	40+	0-35	35-55	55+
INDUSTRY					Construction & Engineering					
UNIVERSE RANKING (1st = least risky)					8,025 out of 15,594					
					(RISK) MANAGEMENT 50.1 out of 100					
					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, placing it in the middle of the medium-risk spectrum and better than the construction sector average rating of 31.3 (based on the 8 construction companies under coverage). The risk rating is calculated using a medium-risk exposure score of 49.3 (lower than sector average of 52.1) and an average-risk management score of 50.1 (higher than sector average of 42.4).

ESG opportunities

Pillar	Opportunities	Analyst comments
E	Potential investments in green products – solar and gas district cooling systems (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 was completed in 4Q22.
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)	2021	2022	2023E	2024E	2025E
Revenue	1,729.2	2,155.2	2,993.4	3,652.1	2,871.9
Operating expenses	(1,530.3)	(1,936.4)	(2,764.5)	(3,405.4)	(2,609.0)
EBITDA	198.9	218.9	228.9	246.7	262.9
Depreciation	(27.4)	(23.8)	(30.3)	(36.8)	(38.3)
EBIT	171.5	195.1	198.6	209.9	224.6
Net int income/(expense)	(0.4)	(4.2)	(15.7)	(23.0)	(24.2)
Associates' contribution	13.3	1.7	1.7	1.7	1.7
Forex gain/(loss)	(0.2)	2.1	0.0	0.0	0.0
Exceptional gain/(loss)	(31.9)	(10.7)	0.0	0.0	0.0
Pretax profit	152.2	184.1	184.7	188.6	202.1
Tax	(41.5)	(45.3)	(44.3)	(45.3)	(48.5)
Minority interest	1.8	(3.6)	(3.6)	(3.6)	(3.6)
Net profit	112.6	135.2	136.8	139.8	150.1

Balance Sheet Statement

FYE 31 Dec (RMm)	2021	2022	2023E	2024E	2025E
Fixed assets	124.8	107.6	207.4	300.6	292.3
Other long term assets	127.8	491.1	551.3	611.6	671.9
Total non-current assets	252.5	598.7	758.7	912.2	964.2
Cash and equivalents	695.8	535.3	159.9	152.4	339.3
Stocks	46.2	53.4	84.9	83.9	48.8
Debtors	821.4	960.0	1,842.2	1,376.6	839.9
Other current assets	48.4	88.6	99.5	117.9	137.5
Total current assets	1,611.7	1,637.4	2,186.5	1,730.7	1,365.6
Creditors	891.4	916.8	1,594.6	1,069.2	710.8
Short term borrowings	92.5	172.2	137.7	137.7	110.2
Other current liabilities	8.1	14.4	14.4	14.4	14.4
Total current liabilities	992.0	1,103.3	1,746.7	1,221.3	835.4
Long term borrowings	145.4	311.9	311.9	466.2	466.2
Other long term liabilities	10.0	0.0	0.0	0.0	0.0
Total long term liabilities	155.4	311.9	311.9	466.2	466.2
Shareholders' Funds	699.1	737.1	802.8	871.5	944.0
Minority interests	17.6	83.7	83.7	83.7	83.7

Cash Flow Statement

FYE 31 Dec (RMm)	2021	2022	2023E	2024E	2025E
EBIT	171.5	195.1	198.6	209.9	224.6
Depreciation & amortisation	27.4	23.8	30.3	36.8	38.3
Working capital changes	83.1	(382.1)	(235.8)	(58.7)	213.3
Cash tax paid	(28.9)	(50.8)	(44.3)	(45.3)	(48.5)
Others	(14.7)	(0.9)	(29.6)	(44.3)	(46.7)
Cashflow from operation	238.3	(215.0)	(80.9)	98.4	381.0
Capex	(31.5)	(1.9)	(130.0)	(130.0)	(30.0)
Disposal/(purchases)	(141.8)	425.6	(59.0)	(59.0)	(59.0)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	(173.4)	423.7	(189.0)	(189.0)	(89.0)
Debt raised/(repaid)	(70.2)	250.0	(34.4)	154.3	(27.5)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Net interest income/(exp)	(0.5)	(0.4)	0.0	0.0	0.0
Dividends paid	(51.8)	(90.3)	(71.1)	(71.1)	(77.6)
Others	112.2	(524.5)	0.0	0.0	0.0
Cash flow from financing	(10.3)	(365.3)	(105.5)	83.2	(105.1)
Free Cash Flow	206.8	(216.9)	(210.9)	(31.6)	351.0

Source: Company, Affin Hwang estimates

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2021	2022	2023E	2024E	2025E
Growth					
Revenue (%)	11.4	24.6	38.9	22.0	(21.4)
EBITDA (%)	38.9	10.0	4.6	7.8	6.6
Core net profit (%)	57.3	(0.6)	(4.9)	2.2	7.3
Profitability					
EBITDA margin (%)	11.5	10.2	7.6	6.8	9.2
PBT margin (%)	8.8	8.5	6.2	5.2	7.0
Net profit margin (%)	6.5	6.3	4.6	3.8	5.2
Effective tax rate (%)	27.3	24.6	24.0	24.0	24.0
ROA (%)	2.8	3.0	2.3	2.2	2.5
Core ROE (%)	21.7	20.0	17.8	16.7	16.5
ROCE (%)	64.5	42.6	22.4	17.4	18.0
Dividend payout ratio (%)	60.3	52.6	52.0	50.9	51.7
Liquidity					
Current ratio (x)	1.6	1.5	1.3	1.4	1.6
Op. cash flow (RMm)	238.3	(215.0)	(80.9)	98.4	381.0
Free cashflow (RMm)	206.8	(216.9)	(210.9)	(31.6)	351.0
FCF/share (sen)	16.0	(16.8)	(16.3)	(2.4)	27.1
Asset management					
Debtors turnover (days)	173.4	162.6	224.6	137.6	106.7
Stock turnover (days)	9.7	9.0	10.4	8.4	6.2
Creditors turnover (days)	188.2	155.3	194.4	106.9	90.3
Capital structure					
Net gearing (%)	(66.5)	(7.4)	35.7	51.4	24.8
Interest cover (x)	NA	NA	NA	NA	NA

Quarterly Profit & Loss

FYE 31 Dec (RMm)	1Q22	2Q22	3Q22	4Q22	1Q23
Revenue	624.7	557.9	469.3	503.4	522.1
Operating expenses	(575.2)	(504.1)	(424.5)	(433.0)	(477.2)
EBITDA	49.5	53.8	44.7	70.4	44.9
Depreciation	(5.6)	(6.1)	(5.8)	(5.6)	(5.3)
EBIT	43.9	47.6	38.9	64.8	39.7
Net int income/(expense)	1.1	(0.0)	0.8	(6.1)	(4.2)
Associates' contribution	3.2	0.6	(0.1)	(2.0)	0.0
Forex gain/(loss)	(0.1)	0.3	0.9	0.9	0.2
Exceptional items	(0.9)	(5.6)	(2.9)	(1.4)	1.8
Pretax profit	47.2	43.0	37.6	56.3	37.5
Tax	(11.5)	(9.3)	(13.6)	(10.8)	(8.9)
Minority interest	(1.1)	(1.3)	(1.2)	0.1	(0.8)
Net profit	34.5	32.3	22.7	45.6	27.8
Core net profit	35.5	37.6	24.7	46.1	25.8
Margins (%)					
EBITDA	7.9	9.6	9.5	14.0	8.6
PBT	7.6	7.7	8.0	11.2	7.2
Net profit	5.5	5.8	4.8	9.1	5.3

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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Affin Hwang Investment Bank Berhad (14389-U)
A Participating Organisation of Bursa Malaysia Securities Berhad

22nd Floor, Menara Boustead,
69, Jalan Raja Chulan,
50200 Kuala Lumpur, Malaysia.

T : + 603 2142 3700
F : + 603 2146 7630
research@affinhwang.com

www.affinhwang.com