

Peter Kong, CFA

peter.kong@cls.com
+60 3 2056 7877

23 May 2023

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 22 May 2023
KLSE Comp @ 1,419.0

12M hi/lo RM1.78/1.43

12M price target RM1.92
±% potential +12%

Shares in issue 1,292.9m
Free float (est.) 45.6%

Market cap US\$489m

3M ADV US\$0.1m

Foreign s'holding 1.0%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

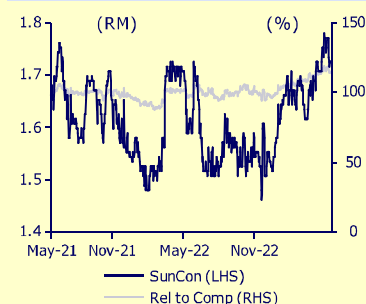
Blended ESG Score (%)*

Overall 75.9
Country average 71.0
GEM sector average 74.9

*Click to visit company page on cls.com for details

Stock performance (%)

	1M	3M	12M
Absolute	1.2	3.6	7.5
Relative	1.4	6.9	17.4
Abs (US\$)	(1.0)	1.2	4.0



Source: Bloomberg

Capacity to choose

Slow 1Q23 construction revenue despite decent margin and order flow

SunCon's 1Q23 core PATMI of RM25.9m (-27% YoY, -44% QoQ) formed 19% of our and consensus' full-year 2023 forecasts, a miss on the slow commencement of construction work. SunCon is up 8% YTD (KLCON index: +5%), and on an unchanged TP of RM1.92, its TSR no longer maps to a BUY rating. We downgrade to O-PF, supported by solid order book prospects, having diversified into solar/data centre, while exceeding 60% of job win guidance to-date affords it some leeway to be selective on project margins. It is trading at 0.7sd below five-year mean PE.

Slow revenue start with margins within guidance; cashflow drag by HAI model

Softness in 1Q23 revenue exceeds typical seasonal effects and is traceable to the selected slow start, such as in the RM1.7bn data centre job won at end-2022. Construction margin in 1Q23 was lower at 7.2% (2022: 8.8%), albeit within guidance, absent margin adjustment upon job completion. That 1Q23 operating cashflows stayed in negative territory, as in 2022, was not surprising, and was primarily on enlarged receivables relating to India projects where payment is on a hybrid annuity income (HAI) model. Crucially, margins for India jobs rebounded in 1Q23 to 7.5%, where margin volatility recently was also impacted by rates on INR/SGD denominated debt (61% of debt).

Can afford to be selective for the short term in pre-cast order flow

We see the outstanding pre-cast order book in hand of RM430m as sufficient to at least last through 2023 even with enlarged operations into Singapore. This explains two quarters of slower job wins (RM13m YTD) as SunCon turned more selective on margins. Still, a protracted slowdown would not be desirable. QoQ, revenue exceeding RM50m was sustained, and PBT margin of 2.5% reflected depreciation that started in January (4Q22: 8.7%, benefitting from some reversal of provisions).

High tender book anchors job replenishment prospects in infrastructure

SunCon has won RM1.28bn in jobs (64/58% of guidance/CLSA estimate), propelling the order book to RM6bn. It secured RM607m from the South Quay superstructure, close to the annual internal job average, and thus we look to external jobs to fill the remaining pipeline. This counts on active tender book that has inched up slightly QoQ to RM22.7bn, including MRT3. YTD SunCon has secured the rapid transit link and secured more jobs in solar/sustainable energy.

Revenue/earnings shift due to timing of job starts

Our earnings changes in 23/25CL (-9%/+8%) reflect the slower start of construction projects. On FY24CL earnings and an unchanged multiple of 14.0x, our TP of RM1.92 is unchanged.

Financials

Year to 31 December	21A	22A	23CL	24CL	25CL
Revenue (RMm)	1,729	2,155	2,562	2,888	2,755
Rev forecast change (%)	-	-	(8.7)	0.0	9.7
Net profit (RMm)	113	142	142	178	184
NP forecast change (%)	-	-	(8.8)	0.0	8.0
EPS (sen)	8.7	11.0	11.0	13.7	14.2
CL/consensus (13) (EPS%)	-	-	95	110	110
EPS growth (% YoY)	54.7	26.4	(0.4)	25.2	3.6
PE (x)	19.7	15.6	15.7	12.5	12.1
Dividend yield (%)	3.1	3.2	3.8	4.4	4.7
ROE (%)	16.9	19.8	18.5	21.2	20.0
Net debt/equity (%)	(63.9)	(1.3)	20.0	18.2	11.3

Source: www.cls.com

Financials at a glance

Year to 31 December	2021A	2022A	2023CL	(% YoY)	2024CL	2025CL
Profit & Loss (RMm)						
Revenue	1,729	2,155	2,562	18.9	2,888	2,755
Cogs (ex-D&A)	(1,566)	(1,945)	(2,332)		(2,606)	(2,463)
Gross Profit (ex-D&A)	164	210	231	9.7	282	292
SG&A and other expenses	-	-	-		-	-
Op Ebitda	164	210	231	9.7	282	292
Depreciation/amortisation	(27)	(24)	(34)		(38)	(42)
Op Ebit	136	187	197	5.5	243	250
Net interest inc/(exp)	11	(4)	(13)		(20)	(22)
Other non-Op items	5	2	2	5	2	2
Profit before tax	152	184	186	0.8	225	230
Taxation	(41)	(45)	(37)		(45)	(46)
Profit after tax	111	139	148	7	180	184
Minority interest	2	4	(7)		(3)	0
Net profit	113	142	142	(0.4)	178	184
Adjusted profit	113	142	142	(0.4)	178	184
Cashflow (RMm)						
Operating profit	136	187	197	5.5	243	250
Depreciation/amortisation	27	24	34	42.6	38	42
Working capital changes	83	(382)	(233)		(49)	5
Other items	(29)	(68)	(37)		(45)	(46)
Net operating cashflow	218	(240)	(40)		187	251
Capital expenditure	(35)	(112)	(70)		(70)	(70)
Free cashflow	183	(352)	(110)		117	181
M&A/Others	(19)	29	12	(57.9)	11	15
Net investing cashflow	(54)	(83)	(58)		(59)	(55)
Increase in loans	(71)	233	150	(35.6)	150	150
Dividends	(52)	(90)	(89)		(98)	(103)
Net equity raised/other	-	0	-		0	-
Net financing cashflow	(122)	143	61	(57.5)	52	47
Incr/(decr) in net cash	42	(180)	(37)		180	243
Exch rate movements	14	(24)	(2)		(29)	(35)
Balance sheet (RMm)						
Cash & equivalents	696	492	453	(7.8)	604	812
Accounts receivable	850	989	1,404	42	1,582	1,510
Other current assets	66	157	142	(9.7)	145	145
Fixed assets	125	372	408	9.7	440	468
Investments	127	223	223	0	223	223
Intangible assets	0	0	0		0	0
Other non-current assets	1	4	4	0	4	4
Total assets	1,864	2,236	2,634	17.8	2,998	3,161
Short-term debt	93	172	172	0	172	172
Accounts payable	891	917	1,099	19.8	1,228	1,160
Other current liabs	8	14	14	0	14	14
Long-term debt/CBs	145	309	459	48.6	609	759
Provisions/other LT liabs	10	3	3	0	3	3
Shareholder funds	699	737	796	8	878	959
Minorities/other equity	18	84	90	8	93	93
Total liabs & equity	1,864	2,236	2,634	17.8	2,998	3,161
Ratio analysis						
Revenue growth (% YoY)	11.4	24.6	18.9		12.7	(4.6)
Ebitda margin (%)	9.5	9.8	9.0		9.7	10.6
Ebit margin (%)	7.9	8.7	7.7		8.4	9.1
Net profit growth (%)	54.7	26.4	(0.4)		25.2	3.6
Op cashflow growth (% YoY)	201.1	(210.4)	nm		nm	34.1
Capex/sales (%)	2.0	5.2	2.7		2.4	2.5
Net debt/equity (%)	(63.9)	(1.3)	20.0		18.2	11.3
Net debt/Ebitda (x)	-	-	0.8		0.6	0.4
ROE (%)	16.9	19.8	18.5		21.2	20.0
ROIC (%)	49.8	38.4	21.9		22.0	21.3

Source: www.clsa.com

Find CLSA research on Bloomberg, Thomson Reuters, FactSet and CapitalIQ - and profit from our evalu@tor proprietary database at clsa.com





Capacity to choose

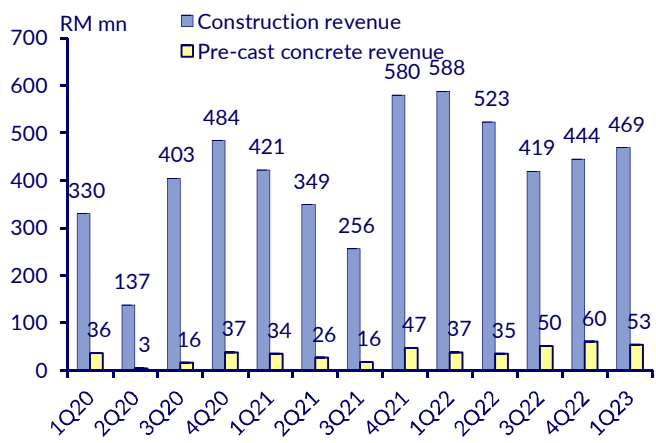
Figure 1

SunCon: Financials					
FYE 31 Dec (RM m)	1Q23	1Q22	YoY % Chg	4Q22	QoQ % Chg
Revenue	522.1	624.7	(16%)	503.4	4%
Operating expenses	(484.3)	(582.5)	(17%)	(449.5)	8%
Other income	4.9	1.4	252%	11.1	(56%)
Ebitda	46.9	49.2	(5%)	70.0	(33%)
Depreciation	(5.3)	(6.2)	(16%)	(5.6)	(6%)
Ebit	41.7	42.9	(3%)	64.4	(35%)
Interest income	4.1	2.2	85%	4.4	(7%)
Interest expense	(8.3)	(1.2)	618%	(10.5)	(21%)
JV/Associate		3.2	(100%)	(2.0)	(100%)
Pre-tax profit	37.5	47.2	(20%)	56.3	(33%)
Tax	(8.9)	(11.5)	(23%)	(10.8)	(18%)
Effective tax rate	24%	24.4%	n.m.	19%	n.m.
Minority interest	(0.8)	(1.12)	(27%)	0.1	(693%)
Net profit	27.8	34.5	(19%)	45.65	(39%)
Core net profit	25.9	35.5	(27%)	46.00	(44%)
EPS (sen)	2.16	2.68	(19%)	3.54	(39%)
EBIT margin	8.0%	6.9%		12.8%	
PBT margin	7.2%	7.6%		11.2%	

Source: CLSA, SunCon

Figure 2

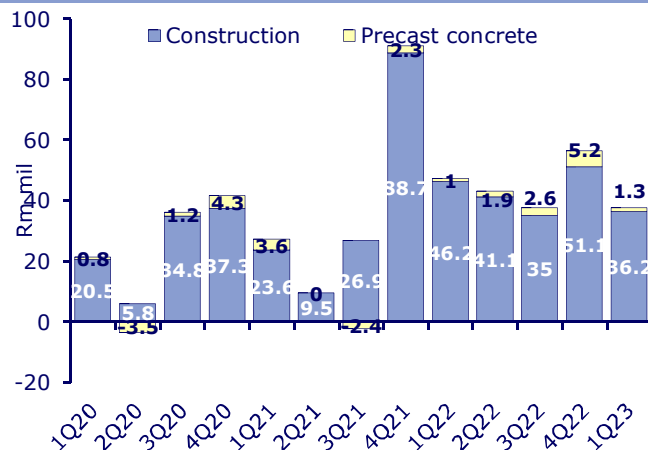
Revenue trends



Source: CLSA, Company

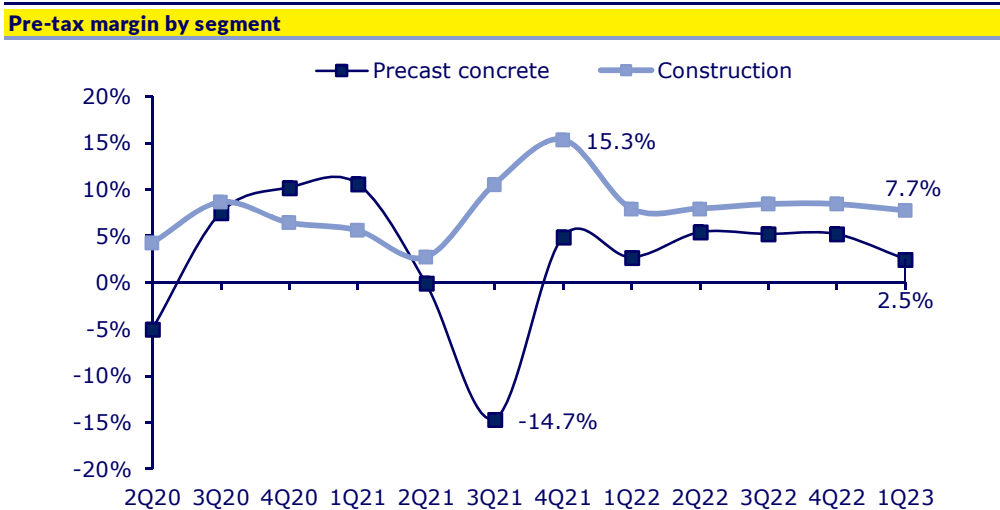
Figure 3

Pre-tax profit trends



Source: CLSA, Company

Figure 4



Source: CLSA, Company

Figure 5

Valuation: SunCon

PE method of valuation	Remarks	
Earnings (24CL)	14.0x, ie 1sd above KLCON PE (10 year mean)	178
Multiple applied		14
Total		2,486
Number of shares (unit million)		1,293
Value per share (RM)		1.92
Target price (RM)		1.92

Source: CLSA

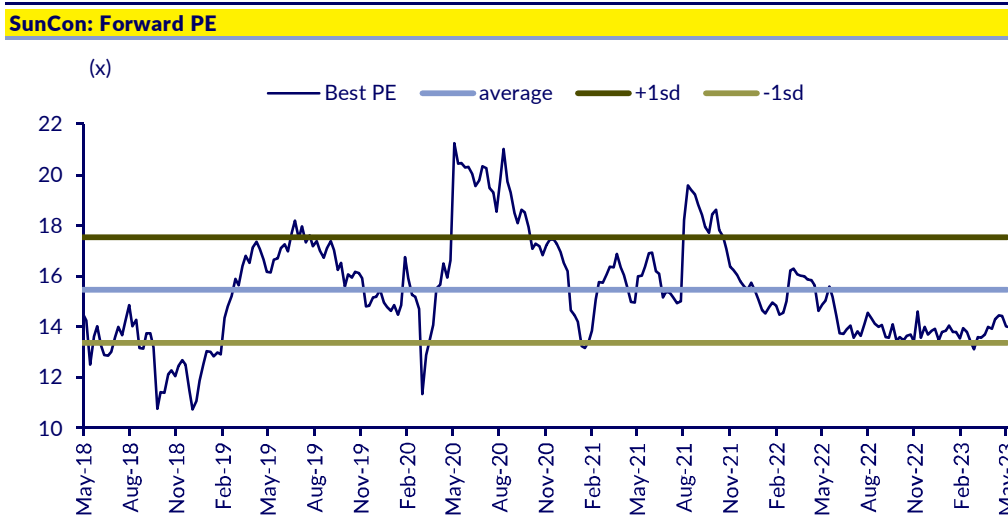
Figure 6

Summary of earnings changes

		21A	22A	23CL	24CL	25CL
Revenue (RMm)	Revised	1,729	2,155	2,562	2,888	2,755
	Previous	1,729	2,155	2,805	2,888	2,512
	Change	0%	0%	(9%)	0%	10%
Net profit (RMm)	Revised	113	142	142	178	184
	Previous	113	142	155	178	170
	Change	0%	0%	(9%)	0%	8%

Source: CLSA

Figure 7



Source: CLSA, Bloomberg. Best = Bloomberg estimated 12M Blended Forward PE

Valuation details

Our target price is derived from 14.0x 24CL earnings, one standard deviation above the 10-year mean PE for the KL Construction index. We accord an above-sector average PE, given the company's flow of internal jobs and strong balance sheet.

Investment risks

The main concern is construction risk. Specific risks include lower-than-expected margins (below 5-8%) or if the amount of projects secured falls below our expectation, either due to an inability to secure projects or project rollout delays. Higher-than-expected steel price increases could cut into margins as SunCon hedges steel needs for a future six-month period. On the precast segment, another risk is margin recovery timing, currently in the doldrums due to competition. Prolonged Covid-19 could also reduce operating efficiency.

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Revenue	1,769	1,553	1,729	2,155	2,562	2,888	2,755
Cogs (ex-D&A)	(1,587)	(1,429)	(1,566)	(1,945)	(2,332)	(2,606)	(2,463)
Gross Profit (ex-D&A)	181	124	164	210	231	282	292
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	181	124	164	210	231	282	292
Depreciation/amortisation	(40)	(33)	(27)	(24)	(34)	(38)	(42)
Op Ebit	141	91	136	187	197	243	250
Interest income	25	17	16	14	12	11	15
Interest expense	(13)	(7)	(5)	(18)	(25)	(31)	(37)
Net interest inc/(exp)	12	10	11	(4)	(13)	(20)	(22)
Associates/investments	4	0	5	2	2	2	2
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	157	101	152	184	186	225	230
Taxation	(27)	(28)	(41)	(45)	(37)	(45)	(46)
Profit after tax	130	73	111	139	148	180	184
Preference dividends	-	-	-	-	-	-	-
Profit for period	130	73	111	139	148	180	184
Minority interest	(1)	(1)	2	4	(7)	(3)	0
Net profit	129	73	113	142	142	178	184
Extraordinaries/others	0	0	0	0	0	0	0
Profit avail to ordinary shares	129	73	113	142	142	178	184
Dividends	(90)	(52)	(68)	(71)	(85)	(97)	(103)
Retained profit	39	21	45	71	56	81	80
Adjusted profit	129	73	113	142	142	178	184
EPS (sen)	10.0	5.6	8.7	11.0	11.0	13.7	14.2
Adj EPS [pre excep] (sen)	10.0	5.6	8.7	11.0	11.0	13.7	14.2
Core EPS (sen)	10.0	5.6	8.7	11.0	11.0	13.7	14.2
DPS (sen)	7.0	4.0	5.3	5.5	6.6	7.5	8.0

Profit & loss ratios

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Growth (%)							
Revenue growth (% YoY)	(21.6)	(12.2)	11.4	24.6	18.9	12.7	(4.6)
Ebitda growth (% YoY)	(15.5)	(31.6)	32.0	28.5	9.7	22.1	3.8
Ebit growth (% YoY)	(12.9)	(35.8)	50.5	36.9	5.5	23.8	2.7
Net profit growth (%)	(1.5)	(43.7)	54.7	26.4	(0.4)	25.2	3.6
EPS growth (% YoY)	(1.5)	(43.7)	54.7	26.4	(0.4)	25.2	3.6
Adj EPS growth (% YoY)	(1.5)	(43.7)	54.7	26.4	(0.4)	25.2	3.6
DPS growth (% YoY)	0.0	(42.9)	31.3	4.8	20.0	13.6	6.7
Core EPS growth (% YoY)	(1.5)	(43.7)	54.7	26.4	(0.4)	25.2	3.6
Margins (%)							
Gross margin (%)	10.2	8.0	9.5	9.8	9.0	9.7	10.6
Ebitda margin (%)	10.2	8.0	9.5	9.8	9.0	9.7	10.6
Ebit margin (%)	8.0	5.8	7.9	8.7	7.7	8.4	9.1
Net profit margin (%)	7.3	4.7	6.5	6.6	5.5	6.1	6.7
Core profit margin	7.3	4.7	6.5	6.6	5.5	6.1	6.7
Op cashflow margin	9.0	4.7	12.6	(11.1)	(1.6)	6.5	9.1
Returns (%)							
ROE (%)	21.3	11.6	16.9	19.8	18.5	21.2	20.0
ROA (%)	6.3	3.4	5.3	6.9	6.5	6.9	6.5
ROIC (%)	42.4	24.6	49.8	38.4	21.9	22.0	21.3
ROCE (%)	64.1	35.0	48.8	34.9	21.0	22.0	21.6
Other key ratios (%)							
Effective tax rate (%)	17.2	27.5	27.3	24.6	20.0	20.0	20.0
Ebitda/net int exp (x)	-	-	-	50.7	17.8	14.2	13.2
Exceptional or extraord. inc/PBT (%)	0.0	-	-	-	-	-	-
Dividend payout (%)	70.0	71.0	60.3	49.9	60.2	54.6	56.2

Source: www.clsa.com



Balance sheet (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Cash & equivalents	693	640	696	492	453	604	812
Accounts receivable	818	1,048	850	989	1,404	1,582	1,510
Inventories	25	34	46	53	53	53	53
Other current assets	174	20	20	104	88	91	91
Current assets	1,710	1,742	1,612	1,637	1,999	2,331	2,466
Fixed assets	139	104	125	372	408	440	468
Investments	49	49	127	223	223	223	223
Goodwill	4	4	0	0	0	0	0
Other intangible assets	0	0	0	0	0	0	0
Other non-current assets	4	7	1	4	4	4	4
Total assets	1,905	1,906	1,864	2,236	2,634	2,998	3,161
Short term loans/OD	233	234	93	172	172	172	172
Accounts payable	885	955	891	917	1,099	1,228	1,160
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	1	4	7	7	7	7	7
Other current liabs	0	2	1	8	8	8	8
Current liabilities	1,120	1,195	992	1,103	1,285	1,415	1,347
Long-term debt/leases/other	53	67	145	309	459	609	759
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	107	6	10	3	3	3	3
Total liabilities	1,280	1,267	1,147	1,415	1,747	2,027	2,109
Share capital	259	259	259	259	259	259	259
Retained earnings	399	410	471	516	575	657	737
Reserves/others	(35)	(31)	(30)	(37)	(37)	(37)	(37)
Shareholder funds	623	637	699	737	796	878	959
Minorities/other equity	2	2	18	84	90	93	93
Total equity	625	639	717	821	887	971	1,052
Total liabs & equity	1,905	1,906	1,864	2,236	2,634	2,998	3,161
Total debt	286	301	238	481	631	781	931
Net debt	(407)	(339)	(458)	(11)	177	176	119
Adjusted EV	1,770	1,837	1,656	2,073	2,268	2,270	2,212
BVPS (sen)	48.2	49.3	54.1	57.0	61.6	67.9	74.2

Balance sheet ratios

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Key ratios							
Current ratio (x)	1.5	1.5	1.6	1.5	1.6	1.6	1.8
Growth in total assets (% YoY)	5.1	0.1	(2.2)	20.0	17.8	13.8	5.4
Growth in capital employed (% YoY)	(1.2)	37.0	(13.6)	212.9	31.4	7.9	2.0
Net debt to operating cashflow (x)	-	-	-	-	(4.5)	0.9	0.5
Gross debt to operating cashflow (x)	1.8	4.2	1.1	(2.0)	(15.8)	4.2	3.7
Gross debt to Ebitda (x)	1.6	2.4	1.5	2.3	2.7	2.8	3.2
Net debt/Ebitda (x)	-	-	-	-	0.8	0.6	0.4
Gearing							
Net debt/equity (%)	(65.0)	(53.1)	(63.9)	(1.3)	20.0	18.2	11.3
Gross debt/equity (%)	45.8	47.1	33.2	58.6	71.1	80.4	88.5
Interest cover (x)	12.6	15.6	33.2	11.1	8.3	8.2	7.1
Debt cover (x)	0.6	0.2	0.9	(0.5)	(0.1)	0.2	0.3
Net cash per share (sen)	31.5	26.2	35.4	0.8	(13.7)	(13.7)	(9.2)
Working capital analysis							
Inventory days	6.3	7.6	9.4	9.3	8.4	7.5	7.9
Debtor days	175.7	219.4	200.4	155.7	170.4	188.7	204.8
Creditor days	216.1	235.1	215.3	169.7	157.8	162.9	177.0
Working capital/Sales (%)	7.4	9.1	1.0	10.0	16.9	16.8	17.4
Capital employed analysis							
Sales/Capital employed (%)	809.4	518.5	668.0	266.1	240.8	251.6	235.4
EV/Capital employed (%)	810.0	613.3	639.8	255.9	213.1	197.7	189.0
Working capital/Capital employed (%)	59.7	47.2	6.4	26.5	40.7	42.2	41.0
Fixed capital/Capital employed (%)	63.5	34.7	48.2	45.9	38.3	38.3	40.0
Other ratios (%)							
PB (x)	3.6	3.5	3.2	3.0	2.8	2.5	2.3
EV/Ebitda (x)	9.8	14.8	10.1	9.9	9.8	8.1	7.6
EV/OCF (x)	11.2	25.4	7.6	(8.6)	(57.0)	12.1	8.8
EV/FCF (x)	11.5	25.4	9.1	(5.9)	(20.7)	19.3	12.2
EV/Sales (x)	1.0	1.2	1.0	1.0	0.9	0.8	0.8
Capex/depreciation (%)	11.7	0.0	127.0	470.6	206.7	183.9	165.6

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Operating profit	141	91	136	187	197	243	250
Operating adjustments	0	12	0	0	0	0	0
Depreciation/amortisation	40	33	27	24	34	38	42
Working capital changes	28	(29)	83	(382)	(233)	(49)	5
Interest paid / other financial expenses	(13)	(6)	(4)	(18)	0	0	0
Tax paid	(38)	(29)	(29)	(51)	(37)	(45)	(46)
Other non-cash operating items	1	0	4	0	0	0	0
Net operating cashflow	158	72	218	(240)	(40)	187	251
Capital expenditure	(5)	0	(35)	(112)	(70)	(70)	(70)
Free cashflow	154	72	183	(352)	(110)	117	181
Acq/inv/disposals	(47)	-	(53)	-	-	-	-
Int, invt & associate div	25	17	34	29	12	11	15
Net investing cashflow	(26)	17	(54)	(83)	(58)	(59)	(55)
Increase in loans	162	(85)	(71)	233	150	150	150
Dividends	(91)	(62)	(52)	(90)	(89)	(98)	(103)
Net equity raised/others	-	-	-	0	-	0	-
Net financing cashflow	72	(147)	(122)	143	61	52	47
Incr/(decr) in net cash	204	(58)	42	(180)	(37)	180	243
Exch rate movements	6	4	14	(24)	(2)	(29)	(35)
Opening cash	484	693	640	696	492	453	604
Closing cash	693	640	696	492	453	604	812
OCF PS (sen)	12.3	5.6	16.8	(18.6)	(3.1)	14.5	19.5
FCF PS (sen)	11.9	5.6	14.2	(27.2)	(8.5)	9.1	14.0

Cashflow ratio analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Growth (%)							
Op cashflow growth (% YoY)	(0.7)	(54.3)	201.1	(210.4)	nm	nm	34.1
FCF growth (% YoY)	48.8	(52.9)	152.9	(292.5)	-	-	54.5
Capex growth (%)	(91.6)	(100.0)	-	221.1	(37.4)	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	0.3	0.0	2.0	5.2	2.7	2.4	2.5
Capex/op cashflow (%)	3.0	0.0	16.0	(46.5)	(175.9)	37.3	27.8
Operating cashflow payout ratio (%)	57.1	71.5	31.2	-	-	51.7	41.1
Cashflow payout ratio (%)	57.1	71.5	31.2	-	-	51.7	41.1
Free cashflow payout ratio (%)	58.9	71.5	37.1	-	-	82.5	57.0

DuPont analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Ebit margin (%)	8.0	5.8	7.9	8.7	7.7	8.4	9.1
Asset turnover (x)	1.0	0.8	0.9	1.1	1.1	1.0	0.9
Interest burden (x)	1.1	1.1	1.1	1.0	0.9	0.9	0.9
Tax burden (x)	0.8	0.7	0.7	0.8	0.8	0.8	0.8
Return on assets (%)	6.3	3.4	5.3	6.9	6.5	6.9	6.5
Leverage (x)	3.1	3.0	2.8	2.7	2.9	3.0	3.0
ROE (%)	21.3	11.6	16.9	19.8	18.5	21.2	20.0

EVA® analysis

Year to 31 December	2019A	2020A	2021A	2022A	2023CL	2024CL	2025CL
Ebit adj for tax	117	66	99	141	157	195	200
Average invested capital	275	266	199	366	717	886	939
ROIC (%)	42.4	24.6	49.8	38.4	21.9	22.0	21.3
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	4.1	3.6	3.6	3.8	4.0	4.0	4.0
Weighted average cost of capital (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
EVA/IC (%)	31.5	13.7	38.9	27.5	11.0	11.1	10.4
EVA (RMm)	87	37	77	101	79	98	98

Source: www.clsa.com



Research subscriptions

To change your report distribution requirements, please contact your CLSA sales representative or email us at cib@clsa.com. You can also fine-tune your Research Alert email preferences at https://www.clsa.com/member/tools/email_alert/.

Companies mentioned

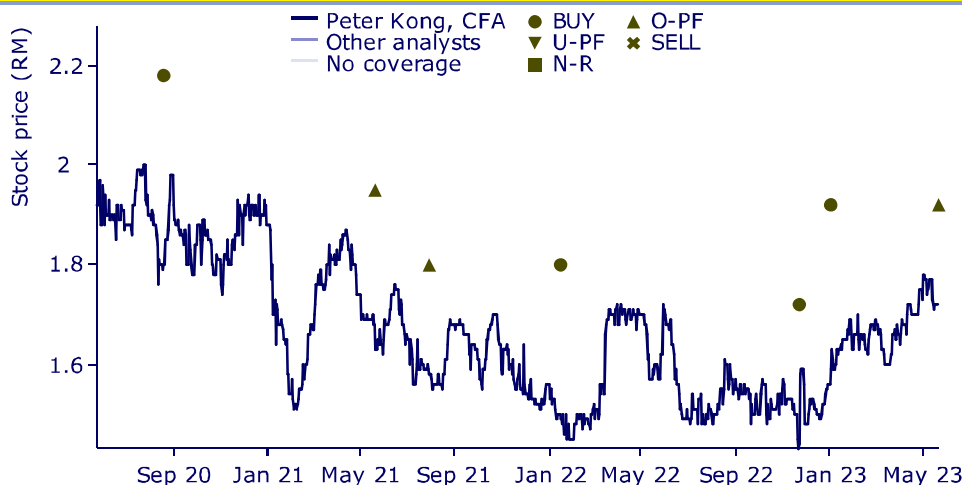
SunCon (SCGB MK - RM1.72 - OUTPERFORM)
Sunway South Quay Sdn Bhd (N-R)

Analyst certification

The analyst(s) of this report hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this research report.

Important disclosures

Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
LATEST	O-PF	1.92	30 Jul 2021	O-PF	1.80
03 Jan 2023	BUY	1.92	21 May 2021	O-PF	1.95
23 Nov 2022	BUY	1.72	19 Aug 2020	BUY	2.18
17 Jan 2022	BUY	1.80			

Source: CLSA

CLSA ("CLSA") in this report refers to CLSA Limited, CLSA Americas, LLC, CLSA Australia Pty Ltd, CLSA India Private Limited, PT CLSA Sekuritas Indonesia, CLSA Securities Japan Co., Ltd., CLSA Securities Korea Ltd., CLSA Securities Malaysia Sdn. Bhd., CLSA Philippines, Inc, CLSA Singapore Pte Ltd, CLSA Securities (Thailand) Limited, CLSA (UK), CLSA Europe B.V. and/or their respective affiliates. CLST ("CLST") in this report refers to CL Securities Taiwan Co., Ltd.

The policies of CLSA and CLST are to only publish research that is impartial, independent, clear, fair, and not misleading. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to a research report as below. This research disclosure should be read in conjunction with the research disclaimer as set out hereof and at www.clsa.com/disclaimer.html, the Terms and Conditions of Use as set out at <https://www.clsa.com/terms-and-conditions-of-use/> and the applicable regulation of the concerned market where the analyst is stationed and hence subject to. Investors are strongly encouraged to review this disclaimer before investing.

Neither analysts nor their household members or associates may

have a financial interest in, or be an officer, director or advisory board member of companies covered by the analyst unless disclosed herein. In circumstances where an analyst has a pre-existing holding in any securities under coverage, those holdings are grandfathered and the analyst is prohibited from trading such securities.

The analysts included herein hereby confirm that they have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. (For full disclosure of interest for all companies covered by CLSA in this report, please refer to http://www.clsa.com/member/research_disclosures/ for details.)

As analyst(s) of this report, I/we hereby certify that the views expressed in this research report accurately reflect my/our own personal views about the securities and/or the issuers and that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in this report or to any investment banking relationship with the subject

Click to rate this research



company covered in this report (for the past one year) or otherwise any other relationship with such company which leads to receipt of fees from the company except in ordinary course of business of the company. The analyst/s also state/s and confirm/s that he/she/they has/have not been placed under any undue influence, intervention or pressure by any person/s in compiling this research report. In addition, the analysts included herein attest that they were not in possession of any material, non-public information regarding the subject company that has securities listed in the relevant jurisdiction(s) at the time of publication of this report. The analysts further confirm that none of the information used in this report was received from CLSA's Corporate Finance department or CLSA's and/or CLST's Sales and Trading business. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

Key to CLSA/CLST investment rankings: BUY: Total stock return (including dividends) expected to exceed 20%; O-PF (aka ACCUMULATE): Total expected return below 20% but exceeding market return; U-PF (aka REDUCE): Total expected return positive but below market return; SELL: Total return expected to be negative. For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

"High Conviction" Ideas are not necessarily stocks with the most upside/downside, but those where the Research Head/Strategist believes there is the highest likelihood of positive/negative returns. The list for each market is monitored weekly.

Overall rating distribution for CLSA (exclude CLST) only Universe: Overall rating distribution: BUY / Outperform - CLSA: 74.40%, Underperform / SELL - CLSA: 25.60%, Restricted - CLSA: 0.08%; Data as of 1 Apr 2023. Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 14.42%, Underperform / SELL - CLSA: 2.73%; Restricted - CLSA: 0.08%. Data for 12-month period ending 1 Apr 2023.

Overall rating distribution for CLST only Universe: Overall rating distribution: BUY / Outperform - CLST: 63.16%, Underperform / SELL - CLST: 36.84%, Restricted - CLST: 0.00%. Data as of 1 Apr 2023. Investment banking clients as a % of rating category: BUY / Outperform - CLST: 0.00%, Underperform / SELL - CLST: 0.00%, Restricted - CLST: 0.00%. Data for 12-month period ending 1 Apr 2023.

There are no numbers for Hold/Neutral as CLSA/CLST do not have such investment rankings. For a history of the recommendation, price targets and disclosure information for companies mentioned in this report please write to: CLSA Group Compliance, 18/F, One Pacific Place, 88 Queensway, Hong Kong and/or; CLST Compliance (27/F, 95, Section 2 Dun Hua South Road, Taipei 10682, Taiwan, telephone (886) 2 2326 8188). EVA® is a registered trademark of Stern, Stewart & Co. "CL" in charts and tables stands for CLSA estimates, "CT" stands for CLST estimates, "CRR" stands for CRR Research estimates and "CS" for Citic Securities estimates unless otherwise noted in the source.

Charts and tables sourced to CLSA in this report may include data extracted from CLSA's automated databases, which derive their original data from a range of sources. These can include: companies; analyst estimates/calculations; local exchanges and/or third-party data or market pricing providers such as Bloomberg, FactSet or IBES. Additional information on data sources for specific charts or tables can be obtained by contacting the publishing analysts.

This report is subject to and incorporates the terms and conditions of use set out on the www.clsa.com website (<https://www.clsa.com/disclaimer.html>) and <https://www.clsa.com/terms-and-conditions-of-use/> and the references to "publication/communication" or "Publications" thereof shall include this report. Neither this report nor any portion hereof may be reprinted, sold, resold, copied, reproduced, distributed, redistributed, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of CLSA and/or CLST. CLSA and/or CLST has/have produced this report for private circulation to professional, institutional and/or wholesale clients only, and may not be distributed to retail investors. The information, opinions and estimates herein are not directed at, or intended for distribution to or use by, any person or entity in any

jurisdiction where doing so would be contrary to law or regulation or which would subject CLSA and/or CLST to any additional registration or licensing requirement within such jurisdiction. The information and statistical data (for private or public companies) herein have been obtained from sources we believe to be reliable. Such information has not been independently verified and CLSA and/or CLST makes no representation or warranty as to its fairness, adequacy, accuracy, completeness or correctness. The replication of any third party views in this report should not be treated necessarily as an indication that CLSA and/or CLST agrees with or concurs with such views. None of CLSA and/or CLST, its affiliates and their respective directors, officers, employees, advisers and representatives makes any representation or warranty, express or implied, as to and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such data or information contained herein or any statement made in this report. Any opinions or estimates herein reflect the judgment of CLSA and/or CLST at the date of this report and are subject to change at any time without notice. Where any part of the information, opinions or estimates contained herein reflects the views and opinions of a sales person or a non-analyst, such views and opinions may not correspond to the published view of CLSA and/or CLST. Any price target given in the report may be projected from one or more valuation models and hence any price target may be subject to the inherent risk of the selected model as well as other external risk factors. Where the publication does not contain ratings, the material should not be construed as research but is offered as factual commentary. It is not intended to, nor should it be used to form an investment opinion about the non-rated companies.

This report is for information purposes only and it does not constitute or contain, and should not be considered as an offer or invitation to sell, or any solicitation or invitation of any offer to subscribe for or purchase any securities in any jurisdiction and recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein. This is not intended to provide professional, investment or any other type of advice or recommendation and does not take into account the particular investment objectives, financial situation or needs of individual recipients. Before acting on any information in this report, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including legal or tax advice. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Investments that are denominated in foreign currencies may fluctuate in value as a result of exposure to movements of exchange rate. Past performance is not necessarily a guide to future performance or liquidity. CLSA and/or CLST do/does not accept any responsibility and cannot be held liable for any person's use of or reliance on the information and opinions contained herein. To the extent permitted by applicable securities laws and regulations, CLSA and/or CLST accept(s) no liability whatsoever for any direct or consequential loss arising from the use of this report or its contents.

To maintain the independence and integrity of our research, our Corporate Finance, Sales Trading, Asset Management and Research business lines are distinct from one another. This means that CLSA's Research department is not part of and does not report to CLSA's Corporate Finance department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance department nor the Sales and Trading department supervises or controls the activities of CLSA's research analysts. CLSA's research analysts report to the management of the Research department, who in turn report to CLSA's senior management. CLSA has put in place a number of internal controls designed to manage conflicts of interest that may arise as a result of CLSA engaging in Corporate Finance, Sales and Trading, Asset Management and Research activities. Some examples of these controls include: the use of information barriers and other controls designed to ensure that confidential information is only shared on a "need to know" basis and in compliance with CLSA's Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among CLSA's Research personnel, Corporate Finance, Asset Management, and Sales and Trading personnel, CLSA's financial product issuers and CLSA's research analysts do not compromise the integrity and independence of CLSA's

research.

Subject to any applicable laws and regulations at any given time, CLSA, CLST, their respective affiliates, officers, directors or employees may have used the information contained herein before publication and may have positions in, or may from time to time purchase or sell or have a material interest in any of the securities mentioned or related securities, or may currently or in future have or have had a business or financial relationship with, or may provide or have provided corporate finance/capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, you should be aware that CLSA and/or CLST and/or their respective affiliates, officers, directors or employees may have one or more conflicts of interest. Regulations or market practice of some jurisdictions/markets prescribe certain disclosures to be made for certain actual, potential or perceived conflicts of interests relating to research reports. Details of the disclosable interest can be found in certain reports as required by the relevant rules and regulation and the full details of conflict of interest with companies under coverage are available at http://www.clsa.com/member/research_disclosures/. Disclosures therein include the position of CLSA and CLST only. Unless specified otherwise, CLSA did not receive any compensation or other benefits from the subject company, covered in this report, or from any third party. If investors have any difficulty accessing this website, please contact webadmin@clsa.com. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

Any disputes related to this report shall be governed by the laws of Hong Kong and to the non-exclusive jurisdiction of the courts of Hong Kong in connection with any suite, action or proceeding arising out of or in connection with this material. In the event any of the provisions in these Terms of Use shall be held to be unenforceable, that provision shall be enforced to the maximum extent permissible to reflect the intention underlying the unenforceable term, and the remainder of these General Disclaimer shall be unimpaired.

This report is distributed for and on behalf of CLSA (for research compiled by non-US and non-Taiwan analyst(s)), CLSA Americas, LLC (for research compiled by US analyst(s)) and/or CLST (for research compiled by Taiwan analyst(s)) in Australia by CLSA Australia Pty Ltd (ABN 53 139 992 331/AFSL License No: 350159); in Hong Kong by CLSA Limited (Incorporated in Hong Kong with limited liability); in India by CLSA India Private Limited, (Address: 8/F, Dalamal House, Nariman Point, Mumbai 400021. Tel No: +91-22-66505050. Fax No: +91-22-22840271; CIN: U67120MH1994PLC083118; SEBI Registration No: INZ000001735 as Stock Broker, INM000010619 as Merchant Banker and INH000001113 as Research Analyst; in Indonesia by PT CLSA Sekuritas Indonesia; in Japan by CLSA Securities Japan Co., Ltd.; in Korea by CLSA Securities Korea Ltd.; in Malaysia by CLSA Securities Malaysia Sdn. Bhd.; in the Philippines by CLSA Philippines Inc (a member of Philippine Stock Exchange and Securities Investors Protection Fund); in Singapore by CLSA Singapore Pte Ltd and solely to persons who qualify as an "Institutional Investor", "Accredited Investor" or "Expert Investor" MCI (P) 042/11/2022; in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST (for reports compiled by Taiwan analyst(s)) or CLSA (for non Taiwan stock reports to CLSA clients) and in the European Economic Area ("EEA") by CLSA Europe BV and in the United Kingdom by CLSA (UK).

Hong Kong: This research report is distributed by CLSA Limited. This research report is distributed in Hong Kong only to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules promulgated thereunder) and may not be distributed to retail investors. Recipients should contact CLSA Limited, Tel: +852 2600 8888 in respect of any matters arising from, or in connection with, the analysis or report.

Australia: CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by the Australian Securities and Investments Commission ("ASIC") and is a Market Participant of ASX Limited and Cboe Australia Pty Ltd. This material is issued and distributed by CAPL in Australia to "wholesale clients" only. This material does not take into account the specific investment objectives, financial situation or particular needs of the recipient. The recipient of this material must not distribute it to any third party without the prior written consent of CAPL. For the purposes of this paragraph the term "wholesale client" has the meaning given in

section 761G of the Corporations Act 2001. CAPL's research coverage universe spans listed securities across the ASX All Ordinaries index, securities listed on offshore markets, unlisted issuers and investment products which Research management deem to be relevant to the investor base from time to time. CAPL seeks to cover companies of relevance to its domestic and international investor base across a variety of sectors.

India: CLSA India Private Limited, incorporated in November 1994 provides equity brokerage services (SEBI Registration No: INZ000001735), research services (SEBI Registration No: INH000001113) and merchant banking services (SEBI Registration No. INM000010619) to global institutional investors, pension funds and corporates. CLSA and its associates may have debt holdings in the subject company. Further, CLSA and its associates, in the past 12 months, may have received compensation for non-investment banking services and/or non-securities related services from the subject company. For further details of "associates" of CLSA India please contact Compliance-India@clsa.com. Registration granted by SEBI and certification from NISM in no way guarantee performance of CLSA India Private Limited or provide any assurance of returns to investors. Compliance officer & Grievance officer: Neeta Sanghavi, Tel: 22 6650 5050. Email address of Compliance officer and Grievance cell: compliance-india@clsa.com.

Singapore: This report is distributed in Singapore by CLSA Singapore Pte Ltd to institutional investors, accredited investors or expert investors (each as defined under the Financial Advisers Regulations) only. Singapore recipients should contact CLSA Singapore Pte Ltd, 80 Raffles Place, #18-01, UOB Plaza 1, Singapore 048624, Tel: +65 6416 7888, in respect of any matters arising from, or in connection with, the analysis or report. By virtue of your status as an institutional investor, accredited investor or expert investor, CLSA Singapore Pte Ltd is exempted from complying with certain requirements under the Financial Advisers Act 2001, the Financial Advisers Regulations and the relevant Notices and Guidelines issued thereunder (as disclosed in Part C of the Securities Dealing Services - Singapore Annex of the CLSA terms of business), in respect of any financial advisory services that CLSA Singapore Pte Ltd may provide to you. MCI (P) 042/11/2022.

United States of America: Where any section of the research is compiled by US analyst(s), it is distributed by CLSA Americas, LLC. Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA (except CLSA Americas, LLC) solely to persons who qualify as "Major US Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934 and who deal with CLSA Americas, LLC. However, the delivery of this research report to any person in the United States shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. Any recipient of this research in the United States wishing to effect a transaction in any security mentioned herein should do so by contacting CLSA Americas, LLC.

The United Kingdom: This document is a marketing communication. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The document is disseminated in the UK by CLSA (UK) and directed at persons having professional experience in matters relating to investments, as defined in the relevant applicable local regulations. Any investment activity to which it relates is only available to such persons. If you do not have professional experience in matters relating to investments you should not rely on this document. Where research material is compiled by UK analyst(s), it is produced and disseminated by CLSA (UK). For the purposes of the Financial Conduct Rules in the UK such material is prepared and intended as substantive research material. CLSA (UK) is authorised and regulated by the Financial Conduct Authority.

The European Economic Area ("EEA"): research is distributed by CLSA Europe BV, authorised and regulated by the Netherlands Authority for Financial Markets.

For all other jurisdiction-specific disclaimers please refer to <https://www.clsa.com/disclaimer.html>. The analysts/contributors to this report may be employed by any relevant CLSA entity or CLST, which is different from the entity that distributes the report in the respective jurisdictions. © 2023 CLSA and/or CL Securities Taiwan

Co., Ltd. ("CLST").

Investment in securities market are subject to market

risks. Read all the related documents carefully before investing.