

"Raises order book target to RM2.7bn-RM3bn in 2024; possible game-changing Song Hau 2 project on the horizon"

Share price performance



	1M	3M	12M
Absolute (%)	5.4	39.6	51.2
Rel KLCI (%)	3.6	31.6	43.0

	BUY	HOLD	SELL
Consensus	9	4	2

Source: Bloomberg

Stock Data

Sector	Construction
Issued shares (m)	1,289.4
Mkt cap (RMm)/(US\$m)	3275/692.2
Avg daily vol - 6mth (m)	1.3
52-wk range (RM)	1.53-2.79
Est free float	14.3%
Stock Beta	0.92
Net cash/(debt) (RMm)	(415.13)
ROE (2024E)	18.1%
Derivatives	No
Shariah Compliant	Yes
FTSE4Good	No
Constituent	
FBM EMAS (Top 200)	NA
ESG Rank	
ESG Risk Rating*	27.9 (+1.5 yoy)

Key Shareholders

Sunway Holdings	54.6%
Sungei Way Corp	10.1%
EPF	8.2%
ASN	6.4%

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: +14.2%

Price Target: RM2.90

Previous Target (Rating): RM2.90 (BUY)

Sunny days ahead

- We hosted Sunway Construction's (SunCon) Group Head of Finance Ms Elaine Lai and Senior Finance Manager Ms Angelynn Low for a meeting with institutional investors recently
- SunCon has raised its target new contract wins to RM2.7bn-RM3bn in 2024 after exceeding its target in 2023, and the potential kick-off of the Song Hau 2 Power Plant on the horizon could be a game-changer (not included in its target)
- SunCon remains a top mid-cap sector BUY with an RNAV-based target price (TP) of RM2.90, based on 10% discount to RNAV

Upping the ante on contract wins after a fruitful year

SunCon successfully secured new contracts worth RM2.5bn in 2023, surpassing its initial target of RM2bn. The company is targeting RM2.7bn-RM3.0bn in new contract wins for 2024, while currently tendering for RM26bn worth of projects. Works for the Klang Valley MRT Line 3 (MRT3) project are at the forefront of its tender book with Package CMC301 and CMC302 contributing about 50% of its tender book. Steady progress has been made towards hitting its 2024 target new contract wins as SunCon has secured RM831m (27-30% of target) worth of jobs YTD, mainly contributed by the in-house Sunway Ipoh Mall project worth RM721m.

Song Hau 2 still in the spotlight

SunCon is participating as an engineering, procurement, construction and commissioning (EPCC) contractor for the US\$2.4bn Song Hau 2 Thermal Power Plant (SH2) project in Vietnam through its 55%-owned joint venture (JV) with local partner Power Engineering Consulting Joint Stock Company 2 (PECC2). SunCon's share of the work is worth about US\$1.32bn (RM6.3bn) if awarded. **Toyo Ventures** (Not Rated), the developer for SH2, is trying to arrange financing to kick off the project by mid-2024. Indications are the PBT margins for overseas projects are relatively high (>10%), referencing its Indian highway projects. We gather that Toyo is facing challenges to reach financial close due to financiers' pushback on ESG concerns on a coal-fired power plant and Vietnam's energy transition agenda. We believe the SH2 project is a potential positive re-rating catalyst for SunCon as our scenario analysis shows an 11-20% lift in 2025-26E core EPS and a blue-sky TP of RM3.52 if the project kicks off.

Remains a top sector BUY

We expect core EPS growth of 7% yoy in 2024E based on an order book replenishment assumption to RM3bn. We believe most of the good news has been baked into the current share price as it is trading at 2024E PER of 20x. However, we believe there remains potential earnings upside from higher-than-expected new contract wins. SunCon remains our top mid-cap sector BUY with a TP of RM2.90.

Earnings & Valuation Summary

FYE 31 Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	2,155.2	2,671.2	3,115.5	3,298.0	3,347.2
EBITDA (RMm)	218.9	252.4	274.4	295.4	330.8
Pretax profit (RMm)	184.1	188.6	214.7	229.8	263.2
Net profit (RMm)	135.2	145.1	162.4	173.9	199.3
EPS (sen)	10.5	11.3	12.6	13.5	15.5
PER (x)	24.2	22.6	20.2	18.8	16.4
Core net profit (RMm)	143.8	152.2	162.4	173.9	199.3
Core EPS (sen)	11.1	11.8	12.6	13.5	15.5
Core EPS growth (%)	(0.6)	5.9	6.7	7.0	14.6
Core PER (x)	22.8	21.5	20.2	18.8	16.4
Net DPS (sen)	5.5	6.0	6.5	7.0	8.0
Dividend Yield (%)	2.2	2.4	2.6	2.8	3.1
EV/EBITDA	14.8	14.5	13.9	13.0	11.5

Chg in EPS (%)

Affin/Consensus (x)

0.9

0.9

0.9

Source: Company, Bloomberg, Affin Hwang forecasts

Targeting new contract wins of RM2.7bn-RM3bn for 2024

Secured RM831m of contracts YTD

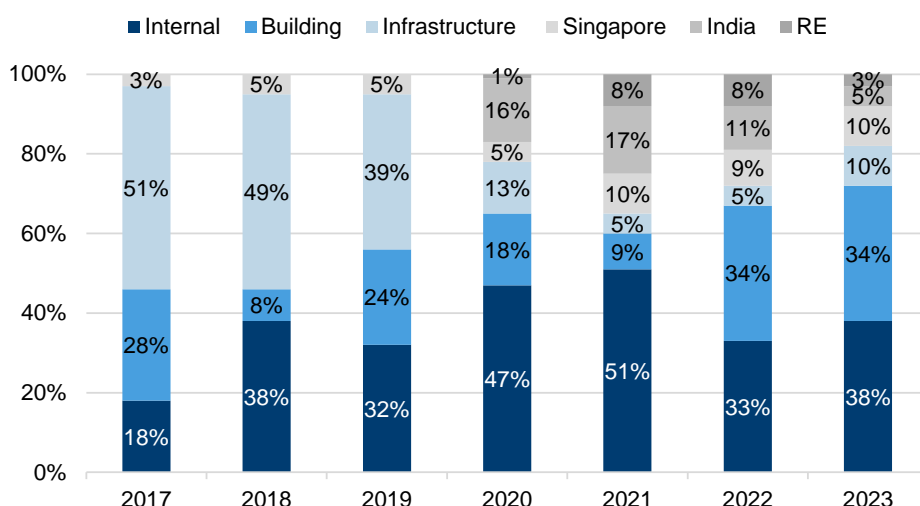
Internal contracts provide recurring order book

Upping the ante on contract wins for FY24

SunCon secured new contracts worth RM2.5bn in FY23 and surpassed its initial target of RM2bn. Off the back of a robust year of contract awards, SunCon has upped the ante and is currently targeting RM2.7bn – RM3bn in new contract wins for 2024. The active tender book as at 31 December 2023 is sizeable at RM26.3bn, with notable projects including the Klang Valley MRT Line 3 (MRT3) Package CMC301 and CMC302 (RM13bn), Song Hau Power Plant (US\$1.32bn, 55% stake), and data centres. Based on our sensitivity analysis assuming a blended EBIT margin of 9%, every additional RM500m new contract win would lift core EPS by 3.0% and 3.7% in 2024E and 2025E, respectively.

SunCon has secured RM831.1m worth of jobs YTD, which is roughly 27-30% of its full-year order book target. Outstanding order book and tender book currently stand at RM6.1bn and RM26bn with the inclusion of these jobs. This bodes well as it is taking steady steps towards achieving the higher new contract wins target for the year. The recently secured contracts are: 1) Sunway Ipoh Mall (RM721m); 2) Early Contractor Involvement (ECI) Services – Package A and B (RM6.8m) of a data centre; and 3) Precast contract in Singapore for Ulu Pandan C1 & C2 (RM103.4m).

Fig 1: SunCon's order book breakdown through the years



Source: Company

Fig 2: SunCon's remaining order book

AS AT DEC-23 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	O/S	AS AT DEC-23 (RM MIL)	COMPLETION	CONTRACT SUM	O/S ORDERBOOK	O/S
BUILDING			2,043	38%	INTERNAL - SUNWAY GROUP			1,797	34%
OXLEY TOWER (MEP)	4Q 2024	68	27		SMC 4 + VO	1Q 2024	612	42	
OXLEY TOWER VO (MEP)	4Q 2024	9	9		SUNWAY BELFIELD	4Q 2024	403	112	
JHB1X0 - DATA CENTRE	3Q 2024	1,700	1,460		SUNWAY VELOCITY 2	1Q 2024	352	12	
K2 - DATA CENTRE	4Q 2024	190	160		SOUTH QUAY SQUARE - SUPERSTRUCTURE	3Q 2024	756	265	
DAISO	2Q 2026	298	291		SOUTH QUAY SQUARE - SUPERSTRUCTURE (VO)	4Q 2025	607	607	
K2 DC (CIMC)	4Q 2024	99	99		SW CARNIVAL MALL - REFURBISHMENT	2Q 2025	253	173	
INFRASTRUCTURE/PILING			532	10%	SUNWAY VELOCITY 2B	1Q 2024	253	79	
LRT 3 : PACKAGE GS07-08	2Q 2024	1,295	10		SMC DAMANSARA	2Q 2024	240	85	
RTS LINK PACKAGE 1B AND PACKAGE 5	2Q 2025	605	494		SMC IPOH + VO	2Q 2024	217	89	
LRT 3 : GS06	2Q 2024	191	28		SW INTERNATIONAL SCHOOL (SIS)	1Q 2024	140	6	
INDIA			289	5%	SUNWAY VELOCITY 3C4	1Q 2024	100	2	
THORAPALLI - JITTANDAHALLI (TJ)	4Q 2024	508	237		BIG BOX OFFICE	COMPLETED	51	5	
MEENSURUTTI - CHIDAMBARAN (MC)	1Q 2024	315	53		SW FLORA	4Q 2025	278	232	
SUSTAINABLE ENERGY			162	3%	SMC FIT-OUT	3Q 2025	70	70	
SOLAR - EXTERNAL	Various	35	8		SMCSJ FIT-OUT	2Q 2024	14	14	
SOLAR - INTERNAL	Various	12	4		GRAND TOTAL @ DEC 2023		11,030	5,325	
LSS4 GOPENG	1Q 2024	200	41		RED : SECURED IN 2023		2,505	2,233	
LSS4 SHARP VENTURES	1Q 2024	185	39						
SOUTH QUAY SQUARE DCS	2Q 2025	35	17						
CGPP - GREEN	4Q 2025	46	46						
NEW ORDER 2023 - EXTERNAL	Various	45	7						
SINGAPORE			502	10%					
PRECAST	Various	581	239						
NEW ORDER 2023 - EXTERNAL	Various	270	263						

Source: Company

Game-changing RM6.4bn power-plant project facing ESG headwinds

Song Hau 2 Power Plant – shifting the paradigm

Song Hau 2 Thermal Power Plant (SH2) is a coal-fired power plant project worth US\$2.42bn (RM11.56bn) where SunCon is participating as an EPCC contractor through a 55%-owned JV estimated to be worth RM6.4bn. The project is expected to kick off by mid-2024 if the developer Toyo Ventures secures financing. Adding its share of works for the EPCC contract will more than exceed its current new contract wins target of RM2.7bn-RM3bn. Note that the target does not incorporate the RM6.4bn EPCC share of works for SH2. Recall that SunCon’s historical hurdle rate for overseas projects such as India has a hurdle rate of >10%. In our opinion, the award to SunCon would be a significant re-rating catalyst. Our scenario analysis estimates an 11-20% increase in 2025-26E core EPS, and a blue-sky TP of RM3.52. Note that our current earnings forecasts and TP do not take into account any earnings contribution from SH2.

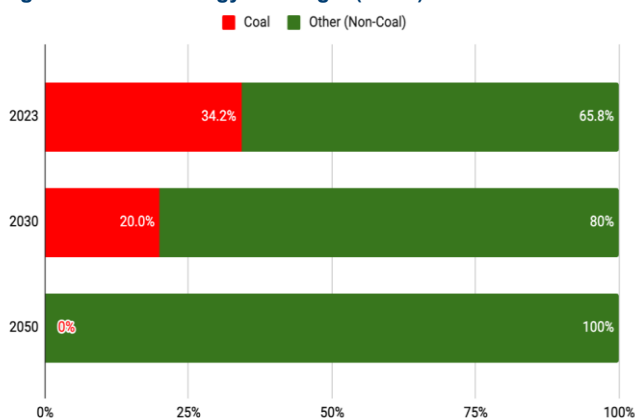
Energy transition agenda hampering progress

The developer of the project, Toyo Ventures Bhd, has yet to obtain financial close for the SH2 project. We believe that there could be potential speedbumps in securing financing, given the negative ESG implications of a new coal-fired power plant amid the ongoing energy transition agenda. Back in May 2023, Vietnam approved their Eighth National Power Development Plan (PDP8) with a key focus on moving away from coal as a power source by 2050. The country plans to continue increasing coal-fired power capacity from 27 gigawatts (GW) in May 2023 to a peak of 30 GW by 2030, and subsequently decline to zero-coal by 2050 – a slower rate compared to the aggressive renewable energy capacity expansion from 22 GW in May 2023 to 72 GW by 2030. Coal will then account for 20% of domestic energy generation in 2030, down from the roughly one-third currently.

With the PDP8, Vietnam cancelled approximately 13GW of planned coal capacity in the pipeline, while maintaining a pipeline of new coal projects at about 13GW. 11 coal-fired power plants were included in the PDP7 and will be allowed to continue, including SH2. 6 plants are currently under construction, while the remaining 5 (including SH2) have not started construction. According to the PDP8, if capital arrangements cannot be made for those 5 projects by June 2024, the projects will be cancelled. This poses an overhang on market expectations that SunCon will be able to add the SH2 project to its order book.

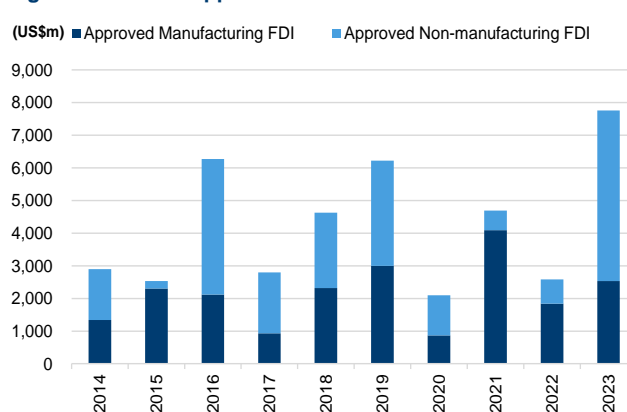
Vietnam’s traditional financiers – China, Japan and South Korea – have pledged to halt the financing of overseas new coal-fired plants, providing further headwinds to securing the much-needed financing. On the flip side, the power plant is crucial to facilitating the successful implementation of the manufacturing FDI in Vietnam. As such, we are cautiously optimistic on the project coming through, and SunCon will lead the consortium for the EPCC works. There are indications that the project could be implemented as part of a government-to-government initiative between Malaysia and Vietnam.

Fig 3: Vietnam’s energy mix target (PDP8)



Source: PDP8, Global Energy Monitor

Fig 4: Vietnam’s approved FDI



Source: CEIC, Affin Hwang

Fig 5: Affin Hwang's scenario analysis for SunCon

	Bear Case		Base Case		Blue-Sky	
	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (RMm)	2,790	2,864	3,298	3,347	3,598	3,947
Core Net Profit (RMm)	142	146	174	199	193	238
Core EPS (sen)	11.3	12.7	13.5	15.5	15.0	18.5
Core EPS Change (%)	-16.2	-18.1	-	-	11.0	19.5
Core PER (x)	22.3	19.9	18.7	16.3	17.0	13.8

Source: Affin Hwang Estimates

*Bear Case: Assuming no further contract wins for 2024 (RM831m total); Base Case: Assuming current forecast of RM3bn contract wins in 2024; Blue-Sky: Assuming RM9bn contract wins in 2024 after incorporating Song Hau 2.

**Impact on 2024E earnings insignificant due to low-value preliminary works at the beginning of the SH2 project

Data centres remain promising leg of growth

Data centres are here to stay

SunCon remains aggressive in tendering for data centre contracts in 2024, as Malaysia strives to be a regional data centre hub. Progress at the K2 Data Centre is currently on track, with a remaining order book of RM160m. Revenue recognition is by milestone basis, and management has guided contributions to significantly kick in only by 2Q24. Data centres currently make up roughly 24% of SunCon's outstanding order book, with Yellowwood's Hyperscale leading the pack. From our meeting, we gather that data centres typically command higher margins than residential projects (5-8%); however it is also capped by: 1) stiff competition from Chinese and Japanese contractors; and 2) MNCs having an approved supplier list.

A top sector BUY with TP of RM2.90

Potential upside from higher-than-expected new contract wins

SunCon's current 2024E core PER of 20.2x is at a premium to both domestic and regional peers' weighted-average core PERs of 17.3x and 8.4x respectively. The premium PER valuation to domestic peers is justified by its ROE of 18.1%, which is among the highest in the sector. The current core PER has climbed to +1SD above mean valuations. At the current price of RM2.54, the stock is trading at a 13% discount to our estimated RNAV/share of RM2.90. We believe that most of the positive news flow is reflected in the share price, but there is potential upside stemming from positive surprises relating to awards of projects and an acceleration of government projects. SunCon remains our top mid-cap sector BUY with a TP of RM2.90.

Margins are expected to be slightly compressed for ongoing projects, impacted by: 1) SST hike of 2%; 2) removal of diesel subsidies; and 3) higher concrete costs. However, the margin compression is also expected to be offset by new contract wins with higher margins, eg, data centres. Overall, we expect 7% growth in core EPS in 2024E.

Fig 6: Domestic construction sector peer comparison

Company Name	Stock Code	Rating	Share Pr (RM)	TP (RM)	Mkt Cap (RMb)	Core PE (x)		Core EPS growth (%)		EV/EBITDA (x)		P/BV (x)	ROE (%)	Div Yield (%)		RNAV/share (RM)	Sh Pr disc to RNAV (%)
						CY24E	CY25E	CY24E	CY25E	CY24E	CY25E			CY24E	CY25E		
AME ELITE	AME MK	BUY	1.78	2.00	1.1	13.0	11.9	4.1	8.5	6.8	5.9	1.2	9.6	2.5	2.5	2.45	27
GAMUDA	GAM MK	BUY	5.02	5.80	13.9	12.0	11.1	18.0	7.4	9.1	8.6	1.6	8.6	2.4	2.5	6.06	17
HSS ENGINEERING	HSS MK	BUY	1.07	1.20	0.5	18.0	15.6	42.1	15.2	10.1	8.4	1.9	10.3	1.1	1.2	NA	NA
UM CORP	UM MK	BUY	2.19	2.50	7.7	16.5	13.9	19.1	18.8	6.8	5.5	0.8	4.7	2.7	2.7	3.56	39
MROB	MRC MK	HOLD	0.58	0.55	2.6	34.5	38.6	(26.4)	(10.5)	11.1	11.3	0.6	1.6	1.7	1.7	0.88	34
SAMAIDEN GROUP	SAMAIDEN MK	BUY	1.24	1.52	0.5	17.9	16.0	39.9	12.5	11.9	10.4	3.3	18.4	1.1	1.3	NA	NA
SUNWAY CONSTRUCTION	SCGB MK	BUY	2.54	2.90	3.3	20.2	18.8	6.7	7.0	14.1	13.2	3.7	18.1	2.6	2.8	2.26	(13)
Average					29.6	17.3	15.1	17.6	15.0	10.3	8.8	2.1	4.6	2.4	2.1		21

Source: Affin Hwang, Company



Fig 7: Regional construction sector peer comparison

Company	BBG code	Rating	Sh Pr (local)	Mkt Cap (US\$bn)	PER (x)		EPS gr (%)		EV/EBITDA		P/B	ROE (%)		Yield (%)	
					CY24E	CY25E	CY24E	CY25E	CY24E	CY25E	CY24E	CY25E	CY24E	CY25E	
BALFOUR BEATTY PLC	BBY LN	N/R	346.00	2	9.5	9.1	4.7	4.8	3.6	3.4	1.6	14.4	3.5	3.8	
CHINA COMMUNICATIONS CONST-H	1800 HK	N/R	3.74	126	2.4	2.2	11.8	11.2	12.7	12.0	0.2	7.2	7.7	8.5	
FERROVIAL SA	FER SM	N/R	34.30	25	48.3	39.4	19.4	22.7	22.8	21.9	6.5	14.2	2.3	2.3	
SAMSUNG ENGINEERING CO LTD	028050	N/R	25550.0	5,008	8.2	7.8	(4.5)	4.7	2.8	2.4	1.3	16.5	2.4	3.3	
VINCI SA	DG FP E	N/R	117.44	69	13.7	12.8	9.4	7.0	7.0	6.5	2.3	17.0	4.1	4.3	
ACS SM EQUITY	ACS SM	N/R	194.33	11	15.9	14.3	(17.6)	11.4	5.4	4.9	1.9	11.3	5.5	6.2	
ACCIONA SA	ANA SM	N/R	110.90	6	13.5	12.0	(13.2)	12.4	7.1	6.7	1.1	8.4	4.5	4.8	
DOWNER EDI LTD	DOW AU	N/R	4.98	3	15.0	12.1	(22.5)	24.2	5.5	2.5	1.4	9.6	4.1	5.1	
GAMUDA	GAM MK	BUY	5.02	14	12.0	11.1	18.0	7.4	9.1	8.6	1.6	8.6	2.4	2.5	
IJM CORP	IJM MK	BUY	2.19	8	16.5	13.9	19.1	18.8	6.8	5.5	0.8	4.7	2.7	2.7	
SUNWAY CONSTRUCTION	SCGB MK	BUY	2.54	3	20.2	18.8	6.7	7.0	14.1	13.2	3.7	18.1	2.6	2.8	
Average					8.4	7.9	(3.8)	5.0	3.2	2.8	1.3	16.2	2.6	3.4	

Source: Affin Hwang, Company

Fig 8: RNAV and target price

Segments	Stake (%)	RNAV (RMm)
Construction @ PER 16x sustainable earnings of RM200m	100	3,200
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640
Investment in Singapore IPPH JV @ book value	50	47
Book value of Indian highways	60	64
Net cash/(debt)		(214)
RNAV		3,737
No. of shares (m)		1,291
RNAV/share (RM)		2.90
Target price		2.90

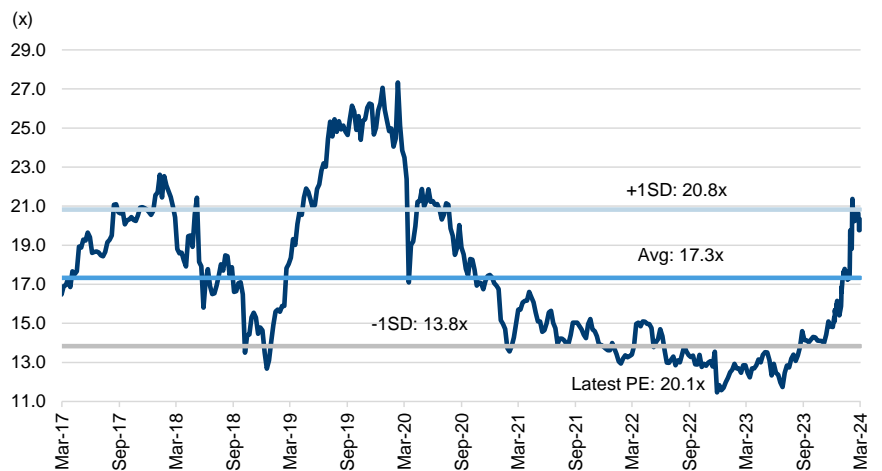
Source: Affin Hwang, Company

Fig 9: Blue-sky RNAV and target price after factoring in SH2 project

Segments	Stake (%)	Blue-sky RNAV (RMm)
Construction @ PER 16x sustainable earnings of RM250m	100	4,000
Pre-cast concrete @ PER 16x sustainable earnings of RM40m	100	640
Investment in Singapore IPPH JV @ book value	50	47
Book value of Indian highways	60	64
Net cash/(debt)		(214)
RNAV		4,537
No. of shares (m)		1,291
RNAV/share (RM)		3.52
Target price		3.52

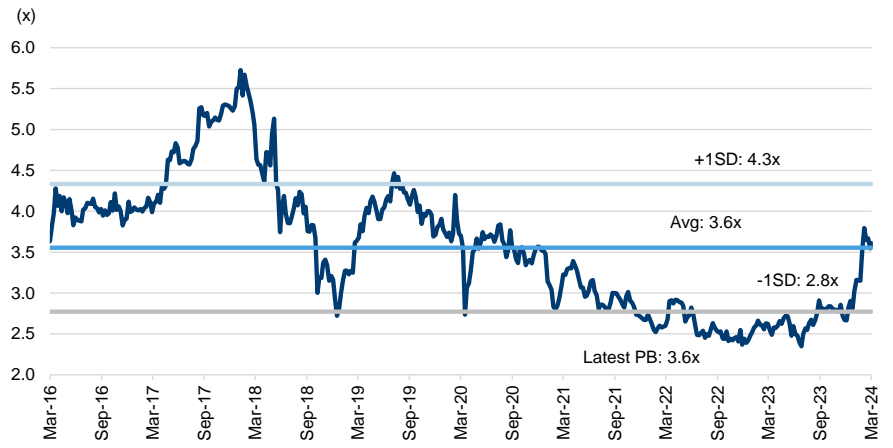
Source: Affin Hwang, Company

Fig 10: 12-month forward PER



Source: Affin Hwang, Bloomberg

Fig 11: 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			
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) 8,025 out of 15,594					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 27.9, 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)	2022	2023	2024E	2025E	2026E
Revenue	2,155.2	2,671.2	3,115.5	3,298.0	3,347.2
Operating expenses	(1,936.4)	(2,418.9)	(2,841.1)	(3,002.6)	(3,016.4)
EBITDA	218.9	252.4	274.4	295.4	330.8
Depreciation	(23.8)	(21.0)	(22.5)	(24.0)	(25.5)
EBIT	195.1	231.3	251.9	271.4	305.3
Net int income/(expense)	(4.2)	(21.5)	(23.0)	(27.5)	(27.9)
Associates' contribution	1.7	(14.1)	(14.1)	(14.1)	(14.1)
Forex gain/(loss)	2.1	(1.7)	0.0	0.0	0.0
Exceptional gain/(loss)	(10.7)	(5.4)	0.0	0.0	0.0
Pretax profit	184.1	188.6	214.7	229.8	263.2
Tax	(45.3)	(42.8)	(51.5)	(55.1)	(63.2)
Minority interest	(3.6)	(0.7)	(0.7)	(0.7)	(0.7)
Net profit	135.2	145.1	162.4	173.9	199.3

Balance Sheet Statement

FYE 31 Dec (RMm)	2022	2023	2024E	2025E	2026E
Fixed assets	107.6	98.6	106.0	112.0	116.5
Other long term assets	491.1	745.1	793.4	841.8	890.2
Total non-current assets	598.7	843.6	899.5	953.9	1,006.7
Cash and equivalents	535.3	540.7	604.3	467.0	427.1
Stocks	53.4	46.4	70.0	53.2	71.9
Debtors	960.0	1,595.6	1,385.1	1,517.2	1,428.3
Other current assets	88.6	56.4	89.4	126.8	164.6
Total current assets	1,637.4	2,239.2	2,148.7	2,164.3	2,091.9
Creditors	916.8	1,242.5	934.5	1,008.7	963.4
Short term borrowings	172.2	438.2	438.2	350.6	280.5
Other current liabilities	14.4	21.0	21.0	21.0	21.0
Total current liabilities	1,103.3	1,701.8	1,393.7	1,380.3	1,264.9
Long term borrowings	311.9	488.7	683.8	683.8	683.8
Other long term liabilities	0.0	0.3	0.3	0.3	0.3
Total long term liabilities	311.9	489.1	684.1	684.1	684.1
Shareholders' Funds	737.1	820.2	898.6	981.9	1,077.8
Minority interests	83.7	71.8	71.8	71.8	71.8

Cash Flow Statement

FYE 31 Dec (RMm)	2022	2023	2024E	2025E	2026E
EBIT	195.1	231.3	251.9	271.4	305.3
Depreciation & amortisation	23.8	21.0	22.5	24.0	25.5
Working capital changes	(382.1)	(498.0)	(121.2)	(41.2)	25.0
Cash tax paid	(50.8)	(31.9)	(51.5)	(55.1)	(63.2)
Others	(0.9)	(8.3)	(60.2)	(69.2)	(70.0)
Cashflow from operation	(215.0)	(285.8)	41.5	129.9	222.6
Capex	(1.9)	(15.3)	(30.0)	(30.0)	(30.0)
Disposal/(purchases)	425.6	(72.9)	(59.0)	(59.0)	(59.0)
Others	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	423.7	(88.1)	(89.0)	(89.0)	(89.0)
Debt raised/(repaid)	250.0	445.2	195.1	(87.6)	(70.1)
Equity raised/(repaid)	0.0	0.0	0.0	0.0	0.0
Net interest income/(exp)	(0.4)	(0.3)	0.0	0.0	0.0
Dividends paid	(90.3)	(70.9)	(84.0)	(90.5)	(103.4)
Others	(524.1)	4.3	0.0	0.0	0.0
Cash flow from financing	(364.8)	378.3	111.1	(178.2)	(173.5)
Free Cash Flow	(216.9)	(301.1)	11.5	99.9	192.6

Source: Company, Affin Hwang estimates

Key Financial Ratios and Margins

FYE 31 Dec (RMm)	2022	2023	2024E	2025E	2026E
Growth					
Revenue (%)	24.6	23.9	16.6	5.9	1.5
EBITDA (%)	10.0	15.3	8.7	7.7	12.0
Core net profit (%)	(0.6)	5.8	6.7	7.0	14.6
Profitability					
EBITDA margin (%)	10.2	9.4	8.8	9.0	9.9
PBT margin (%)	8.5	7.1	6.9	7.0	7.9
Net profit margin (%)	6.3	5.4	5.2	5.3	6.0
Effective tax rate (%)	24.6	24.0	24.0	24.0	24.0
ROA (%)	3.0	2.4	2.3	2.5	2.8
Core ROE (%)	20.0	19.5	18.9	18.5	19.4
ROCE (%)	42.6	24.5	19.2	18.3	19.3
Dividend payout ratio (%)	52.6	53.5	51.7	52.1	51.9
Liquidity					
Current ratio (x)	1.5	1.3	1.5	1.6	1.7
Op. cash flow (RMm)	(215.0)	(285.8)	41.5	129.9	222.6
Free cashflow (RMm)	(216.9)	(301.1)	11.5	99.9	192.6
FCF/share (sen)	(16.8)	(23.3)	0.9	7.7	14.9
Asset management					
Debtors turnover (days)	162.6	218.0	162.3	167.9	155.8
Stock turnover (days)	9.0	6.3	8.2	5.9	7.8
Creditors turnover (days)	155.3	169.8	109.5	111.6	105.1
Capital structure					
Net gearing (%)	(7.4)	47.0	57.5	57.7	49.7
Interest cover (x)	NA	NA	NA	NA	NA

Quarterly Profit & Loss

FYE 31 Dec (RMm)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	272.1	626.6	624.7	557.9	469.3
Operating expenses	(237.8)	(508.1)	(575.2)	(504.1)	(424.5)
EBITDA	34.3	118.5	49.5	53.8	44.7
Depreciation	(6.9)	(6.6)	(5.6)	(6.1)	(5.8)
EBIT	27.4	111.9	43.9	47.6	38.9
Net int income/(expense)	0.1	(0.0)	1.1	(0.0)	0.8
Associates' contribution	2.4	6.2	3.2	0.6	(0.1)
Forex gain/(loss)	(0.2)	0.1	(0.1)	0.3	0.9
Exceptional items	(5.2)	(27.2)	(0.9)	(5.6)	(2.9)
Pretax profit	24.5	91.0	47.2	43.0	37.6
Tax	(5.0)	(26.0)	(11.5)	(9.3)	(13.6)
Minority interest	(0.2)	(0.3)	(1.1)	(1.3)	(1.2)
Net profit	19.3	64.7	34.5	32.3	22.7
Core net profit	24.7	91.8	35.5	37.6	24.7
Margins (%)					
EBITDA	12.6	18.9	7.9	9.6	9.5
PBT	9.0	14.5	7.6	7.7	8.0
Net profit	7.1	10.3	5.5	5.8	4.8

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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