

# Sunway Construction (SCGB MK)

DC projects to drive stronger 2H

MALAYSIA | CONSTRUCTION | RESULT

- 6M24 results were below expectations due to slower project ramp-up
- 2Q24 revenue grew QoQ on higher progress billing from the newer projects, though momentum fell short of expectations. Expect stronger 2H24 from higher recognition from its DC projects
- Cut 2024E EPS forecast by 11%. No changes to our RM3.60 target price, but downgrade to SELL rating

## 2Q24 results below expectations

6M24 revenue grew 12% YoY to RM1.3bn driven by higher construction revenue (+14%) from accelerated billing on newer projects. This helped offset the weaker precast revenue (-6%) due to the completion of several projects from the previous year. EBITDA margin improved slightly, supported by better margins in the precast segment from near completion projects. 6M24 earnings fell short of expectations, accounting for 38% of both ours and consensus forecasts, respectively. The shortfall against our forecasts is attributed to the slower-than-expected progress from its newly secured projects and delays in completion of an India highway project.

## Sequentially stronger momentum expected to continue in 2H24

2Q24 core earnings rose 16% QoQ to RM39m on the back of higher revenue (+8% QoQ), driven by accelerated progress on projects such as the K2 data centre, RTS Link, and Sunway internal projects. We expect stronger 2H24 as data centre projects gain momentum. 6M24 contract win amounted to RM3.5bn, on track to meet our orderbook replenishment assumption of RM5bn. Its latest orderbook of RM7.4bn comprised 51% from DC projects, and 27% from in-house jobs; while tender book stands at RM13.7bn.

## Downgrade to SELL with unchanged TP of RM3.60

We cut our 2024E forecast by 11% to account for the slower-than-expected project ramp-up, while keeping our 2025–26E forecasts unchanged. We make no changes to our 12-months TP of RM3.60 (based on an unchanged 20x PE multiple on 2025E EPS), but downgrade our rating to SELL (from HOLD). We believe the YTD share price performance (+115%) has priced in all the positives, with the stock trading at lofty valuation of 23x forward 2025 PE. Key risks: delay in mega infrastructure project rollouts, slower-than-expected orderbook recognition and margin pressures.

### Key Financials

Y/E Dec	2022	2023	2024E	2025E	2026E
Revenue (RMm)	2,155.2	2,671.2	3,022.7	4,011.0	4,385.3
EBITDA (RMm)	218.9	270.4	270.2	362.3	401.0
Pretax profit (RMm)	184.1	188.6	216.7	307.6	346.2
Net profit (RMm)	135.2	145.1	163.9	233.0	262.4
EPS (sen)	10.5	11.2	12.7	18.1	20.3
PER (x)	40.3	37.5	33.2	23.4	20.8
Core net profit (RMm)	143.8	170.2	163.9	233.0	262.4
Core EPS (sen)	11.1	13.2	12.7	18.1	20.3
Core EPS growth (%)	(0.6)	18.4	(3.7)	42.2	12.6
Core PER (x)	37.9	32.0	33.2	23.4	20.8
Net DPS (sen)	5.5	6.0	6.0	6.0	7.0
Dividend Yield (%)	1.3	1.4	1.4	1.4	1.7
EV/EBITDA (x)	24.7	21.5	21.9	16.4	14.5
Chg in EPS (%)			-10.5	-	-
Phillip/Consensus (%)			0.9	0.9	0.9

Sources: Company, Bloomberg, Phillip Research forecasts

23 August 2024

## SELL (downgrade)

LAST CLOSE PRICE	RM4.24
TARGET PRICE	RM3.60
TOTAL RETURN	-15.1%

### COMPANY DATA

BLOOMBERG TICKER	SCGB MK EQUITY
O/S SHARES (MN):	1,289
MARKET CAP (USD mn / RM mn):	1249 / 5467
52 - WK HI/LO (RM):	5.18 / 1.76
3M Average Daily T/O (mn):	4.69
NET CASH/(DEBT) (RMm)	(377.00)

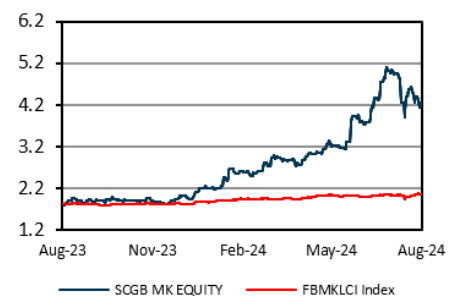
### MAJOR SHAREHOLDERS (%)

Sunway Holdings Sdn	54.6%
Sungei Way Corp Sdn	10.1%
Employees Provident	6.2%

### PRICE PERFORMANCE (%)

	1MTH	3MTH	YTD
COMPANY	(17.9)	26.8	114.7
FBMKLCI RETURN	(0.1)	1.1	14.9

### PRICE VS. FBMKLCI



Source: Bloomberg

### Kei Jun THONG

thong.keijun@phillipcapital.com.my

**Results at a glance**

Y/E Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg	Comment
Revenue	604.1	604.8	651.2	7.7	7.8	1,126.2	1,256.0	11.5	Higher YoY mainly driven by construction (+14% YoY) despite the weaker precast segment (-6% YoY)
Op costs	(552.5)	(547.3)	(595.5)	8.8	7.8	(1,029.7)	(1,142.8)	11.0	
<b>EBITDA</b>	<b>51.6</b>	<b>57.5</b>	<b>55.7</b>	<b>(3.2)</b>	<b>8.0</b>	<b>96.5</b>	<b>113.2</b>	<b>17.3</b>	
EBITDA margin (%)	8.5	9.5	8.6	(1.0ppt)	0.0ppt	8.6	9.0	0.4ppt	Marginally higher EBITDA margin driven by precast segment
Depn and amort	(5.3)	(4.5)	(4.6)	1.1	(14.3)	(10.6)	(9.1)	(14.2)	
<b>EBIT</b>	<b>46.3</b>	<b>53.0</b>	<b>51.1</b>	<b>(3.5)</b>	<b>10.5</b>	<b>86.0</b>	<b>104.2</b>	<b>21.2</b>	
EBIT margin (%)	7.7	8.8	7.9	(0.9ppt)	0.2ppt	7.6	8.3	0.7ppt	
Int and other inc	6.7	4.7	15.3	223.9	128.2	10.8	20.1	85.4	
Int expense	(11.5)	(16.2)	(17.8)	9.9	55.3	(19.7)	(34.0)	72.2	Higher finance costs due to financing for on-going projects
El	0.7	0.1	1.5	nm	nm	2.7	1.6	(41.6)	RM1.2m reversal of provision, RM0.4m forex gain, RM0.2m loss on disposal
<b>Pretax profit</b>	<b>42.3</b>	<b>41.6</b>	<b>50.2</b>	<b>20.5</b>	<b>18.8</b>	<b>79.8</b>	<b>91.9</b>	<b>15.1</b>	
<b>Core Pretax</b>	<b>41.5</b>	<b>41.6</b>	<b>48.7</b>	<b>17.1</b>	<b>17.2</b>	<b>77.1</b>	<b>90.3</b>	<b>17.1</b>	
Tax	(9.0)	(8.9)	(12.4)	39.2	38.3	(17.9)	(21.4)	19.6	
Tax rate (%)	21.3	21.5	24.8	3.3ppt	3.5ppt	22.4	23.3	0.9ppt	
MI	(0.3)	(0.3)	1.1	n.m	n.m	(1.1)	0.8	n.m	
<b>Net profit</b>	<b>33.0</b>	<b>32.4</b>	<b>38.9</b>	<b>19.9</b>	<b>17.8</b>	<b>60.8</b>	<b>71.3</b>	<b>17.2</b>	
EPS (sen)	2.6	2.5	3.0	19.9	17.6	4.7	5.5	17.2	
<b>Core net profit</b>	<b>32.3</b>	<b>32.3</b>	<b>37.4</b>	<b>15.6</b>	<b>15.7</b>	<b>58.1</b>	<b>69.7</b>	<b>19.9</b>	Below expectations

Sources: Company, Phillip Research

**Segmental revenue breakdown**

Y/E Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg
Construction	535.6	543.6	597.6	9.9	11.6	1,004.7	1,141.2	13.6
Precast concrete	68.5	61.2	53.6	(12.4)	(21.7)	121.5	114.9	(5.5)
<b>Total</b>	<b>604.1</b>	<b>604.8</b>	<b>651.2</b>	<b>7.7</b>	<b>7.8</b>	<b>1,126.2</b>	<b>1,256.0</b>	<b>11.5</b>

**Segmental PBT breakdown**

Y/E Dec (RMm)	2Q23	1Q24	2Q24	QoQ % chg	YoY % chg	6M23	6M24	YoY % chg
Construction	39.0	37.9	46.9	23.7	20.0	75.3	84.7	12.6
Precast concrete	3.2	3.8	3.3	(11.2)	3.8	4.5	7.1	57.5
<b>Total</b>	<b>42.3</b>	<b>41.6</b>	<b>50.2</b>	<b>20.5</b>	<b>18.8</b>	<b>79.8</b>	<b>91.9</b>	<b>15.1</b>

**Segmental PBT margin**

Y/E Dec (%)	2Q23	1Q24	2Q24	QoQ ppt chg	YoY ppt chg	6M23	6M24	YoY ppt chg
Construction	7.3	7.0	7.8	0.9ppt	0.6ppt	7.5	7.4	(0.1ppt)
Precast concrete	4.7	6.1	6.2	0.1ppt	1.5ppt	3.7	6.2	2.5ppt
<b>Total</b>	<b>7.0</b>	<b>6.9</b>	<b>7.7</b>	<b>0.8ppt</b>	<b>0.7ppt</b>	<b>7.1</b>	<b>7.3</b>	<b>0.2ppt</b>

Sources: Company, Phillip Research

## Contact Information (Regional Member Companies)

**SINGAPORE**

**Phillip Securities Pte Ltd**  
Raffles City Tower  
250, North Bridge Road #06-00  
Singapore 179101  
Tel +65 6533 6001  
Fax +65 6535 6631  
Website: [www.poems.com.sg](http://www.poems.com.sg)

**JAPAN**

**Phillip Securities Japan, Ltd.**  
4-2 Nihonbashi Kabuto-cho Chuo-ku,  
Tokyo 103-0026  
Tel +81-3 3666 2101  
Fax +81-3 3666 6090  
Website: [www.phillip.co.jp](http://www.phillip.co.jp)

**THAILAND**

**Phillip Securities (Thailand) Public Co. Ltd**  
15th Floor, Vorawat Building,  
849 Silom Road, Silom, Bangrak,  
Bangkok 10500 Thailand  
Tel +66-2 6351700 / 22680999  
Fax +66-2 22680921  
Website [www.phillip.co.th](http://www.phillip.co.th)

**UNITED STATES**

**Phillip Capital Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel:+91-22-2300 2999/Fax:+91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**MALAYSIA**

**Phillip Capital Sdn Bhd**  
B-18-6 Block B Level 18 Unit 6 Megan Avenue II,  
No .12, Jalan Yap Kwan Seng, 50450 Kuala  
Lumpur  
Tel +603 2783 0300  
Fax +603 2166 5099  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**INDONESIA**

**PT Phillip Securities Indonesia**  
ANZ Tower Level 23B,  
Jl Jend Sudirman Kav 33A  
Jakarta 10220 – Indonesia  
Tel +62-21 5790 0800  
Fax +62-21 5790 0809  
Website: [www.phillip.co.id](http://www.phillip.co.id)

**FRANCE**

**King & Shaxson Capital Limited**  
3rd Floor, 35 Rue de la Bienfaisance 75008  
Paris France  
Tel +33-1 45633100  
Fax +33-1 45636017  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**

**Phillip Securities (HK) Ltd**  
11/F United Centre 95 Queensway  
Hong Kong  
Tel +852 2277 6600  
Fax +852 2868 5307  
Websites: [www.phillip.com.hk](http://www.phillip.com.hk)

**CHINA**

**Phillip Financial Advisory (Shanghai) Co Ltd**  
No 550 Yan An East Road,  
Ocean Tower Unit 2318,  
Postal code 200001  
Tel +86-21 5169 9200  
Fax +86-21 6351 2940  
Website: [www.phillip.com.cn](http://www.phillip.com.cn)

**UNITED KINGDOM**

**King & Shaxson Capital Limited**  
6th Floor, Candlewick House,  
120 Cannon Street,  
London, EC4N 6AS  
Tel +44-20 7426 5950  
Fax +44-20 7626 1757  
Website: [www.kingandshaxson.com](http://www.kingandshaxson.com)

**CAMBODIA**

**Phillip Bank Plc**  
Ground Floor of B-Office Centre,#61-64,  
Norodom Blvd Corner Street 306,Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGCX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

---

**Contact Information (Phillip Malaysia Investor Centres)**
**MALAYSIA****Phillip Investor Centre – Alor Setar (Kedah)**

Lot T-30 2nd Floor,  
Wisma PKNK, Jalan Sultan Badlisha,  
05000 Alor Setar, Kedah  
Tel: +604 731 7088 / Fax: 604 731 8428  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kluang (Johor)**

No. 73, 1st Floor,  
Jalan Rambutan, 86000 Kluang.  
Tel: +607 771 7922 / Fax: 607 771 7909  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kuantan (Pahang)**

1st Floor, B400,  
Jalan Beserah, 25300 Kuantan.  
Tel: +609 566 0800 / Fax: 609 566 0801  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kuching (Sarawak)**

Lot 2650 1st Floor, Suite A, Block 10 KCLD  
Central Park Commercial Centre,  
3rd Mile, Jalan Rock, 93200, Kuching,  
Sarawak, Malaysia.  
Tel: +6082 247 633 / Fax: 6082 245 644  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Johor Bahru (Johor)**

15-01A, Jalan Molek 1/29,  
Taman Molek, 81100 Johor Bahru,  
Johor Darul Takzim, Malaysia  
Tel: +607 352 1808 / Fax: 607 352 4808  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kota Damansara (Petaling Jaya)**

12A, Jalan PJU 5/8,  
Dataran Sunway, Kota Damansara,  
47810 Petaling Jaya, Selangor, Malaysia.  
Tel: +603 9212 2818 / Fax: 603 6140 7133  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Melaka**

No. 542A, Jalan Merdeka,  
Taman Melaka Raya,  
75000 Melaka, Malaysia  
Tel: +606 292 0018 / Fax: 606 292 4511  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Sibul (Sarawak)**

No. 6B Jalan Bako,  
96000 Sibul, Sarawak.  
Tel: +6084 377 933 / Fax: -  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Skudai (Johor)**

9A, Jalan Sutera Tanjung 8/2,  
Taman Sutera Utama,  
81300 Skudai, Johor, Malaysia.  
Tel: +607 557 2188 / Fax: 607 557 8788  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Kota Kinabalu (Sabah)**

Lot No. G-4, Ground Floor,  
Menara MAA, No 6, Lorong Api-Api 1,  
88000 Kota Kinabalu, Sabah.  
Tel: +6088 335 346 / Fax: -  
Website: [www.phillip.com.my](http://www.phillip.com.my)

**MALAYSIA****Phillip Investor Centre – Penang**

No. 29A Ground Floor Suite 2, Beach Street,  
10300 Penang, Malaysia.  
Tel: +604 202 0039 / Fax: 607 261 3822  
Website: [www.phillip.com.my](http://www.phillip.com.my)

## Disclaimers

### Legal and Regulatory Notices (Electronic Communications)

© 2018 PRSB.

### Important disclosures

This research report is strictly confidential and has been prepared for information purposes only by Phillip Research Sdn Bhd (“PRSB”), a subsidiary of Phillip Capital Holdings Sdn Bhd (“PCH”) and is meant for circulation to its clients and clients of other subsidiaries companies of PCH particularly Phillip Mutual Berhad (“PMB”), Phillip Capital Management Sdn Bhd (“PCM”), Phillip Wealth Planners Sdn Bhd (“PWP”) and Phillip Capital Sdn Bhd (“PCSB”) (collectively refer to as Phillip Group other licensed intermediaries (“PGOLI”)) only or such other persons as may be deemed eligible to receive such research report, information or opinion contained herein. Neither the publication/communication nor any portion hereof may be reprinted, distributed, sold, resold, redistributed, copied, reproduced, published, republished, displayed, posted or transmitted in any form or media or by any means without the written consent of PRSB.

The policy of PRSB is to only publish research that is impartial, independent, clear, fair, and not misleading. Analysts never receive compensation from companies they cover. 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 is for your information only and does not constitute any recommendation, representation or warranty. Absence of a disclosable position should not be taken as endorsement on the validity or quality of the research report or recommendation.

To maintain the independence and integrity of PRSB’s research, PGOLI activities such as fund management, dealing in securities (restricted to unit trust and private retirement scheme), dealing in derivatives, clearing for derivatives, financial planning and research business lines are distinct from one another. This means that PRSB is not part of and does not report to any of PGOLI. Accordingly, PGOLI does not supervise nor control the activities of PRSB’s research analysts. PRSB’s research analysts report to the Head of Research, who in turn report to PRSB’s senior management.

PRSB and PGOLI have in place internal controls designed to manage conflicts of interest that may arise as a result of PGOLI engaging in fund management, dealing in securities (restricted to unit trust and private retirement scheme), dealing in derivatives, clearing for derivatives, financial planning and PRSB activities. Some examples of these controls include: the use of information barriers and other information controls designed to ensure that confidential information is only shared on a “need to know” basis and in compliance with PRSB and PGOLI’s Chinese Wall policies and procedures; measures designed to ensure that interactions that may occur among PRSB’s research personnel, fund management, dealing in securities (restricted to unit trust and private retirement scheme), dealing in derivatives, clearing for derivatives, and financial planning, PGOLI’s financial product issuers and PRSB’s research analysts do not compromise the integrity and independence of PRSB’s research.

Neither analysts nor their household members/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 up to the date of the publication of this research report.

Unless specified otherwise, PRSB did not receive investment banking/non-investment banking income from, and did not manage/co-manage a public offering for, the listed company during the past 12 months, and it does not expect to receive investment banking compensation from the listed company within the coming three months. Unless mentioned otherwise, PRSB does not own a material disclosable position, and does not make a market, in the securities.

We hereby certify that the views expressed in this research report accurately reflect our views about the securities and/or the issuers and that no part of our compensation were 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 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. We hereby confirm that our analyst(s) has/have not been placed under any undue influence, intervention or pressure by any person(s) in compiling this research report. This report is prepared without any intention to raise, lower or maintaining the price of the securities covered or to induce the recipient to buy or sell the securities covered. In addition, our analyst(s) included herein attest that he/she/they was/were not in possession of any material, non-public price sensitive information regarding the subject company at the time of publication of the report. Save from the disclosure below (if any), we are not aware of any material conflict of interest.

Key to PRSB investment ratings:

Equity:

BUY: Total stock return expected to exceed +10% over 12-month period  
 HOLD: Total stock return to be between -10% and +10% over a 12-month period  
 SELL: Total stock return is expected to below 10% over a 12-month period

ETFs (Criteria applies to rating assignments from 16th December 2019):

BUY: Total stock return expected to exceed +10% over 12-month period  
 HOLD: Total stock return to be between -10% and +10% over a 12-month period  
 SELL: Total stock return is expected to below 10% over a 12-month period

Funds:

The rating a mathematical scoring system that include risks (standard deviation, Sharpe Ratio) and returns (1-year, 3-year, 5-year and consistency).  
 BUY: Total return (including income distribution) is positive and above peers’ average while risk factors are low;  
 O-PF: Total return is positive and above peers’ average but has higher risk factors;  
 SELL: Total return is negative.

For a history of the recommendations and price targets for companies mentioned in this report, as well as company specific disclosures, please write to: Phillip Research Sdn Bhd, B-18-6, Block B Level 18, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia.

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 PRSB and/or its associate companies to any additional registration or licensing requirement within such jurisdiction. The information and statistical data herein have been obtained from sources we believe to be reliable. Such information has not been independently

verified and we make no representation or warranty as to its accuracy, completeness or correctness. Any opinions or estimates herein reflect the judgment of PRSB at the date of this publication/communication 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 (include but not limited to Financial Planners and Marketing Representative or a non-analyst), such views and opinions may not correspond to the published view of PRSB. This is not a solicitation or any offer to buy or sell. This publication/communication is for information purposes only and does not constitute any recommendation, representation, warranty or guarantee of performance. 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. 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 publication/communication, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including tax advice. PRSB, and PGOLI do 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, PRSB accepts no liability whatsoever for any direct or consequential loss arising from the use of this publication/communication or its contents. 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.

Subject to any applicable laws and regulations at any given time, PRSB, PGOLI and their respective affiliates or companies or individuals connected with PRSB may have used the information contained herein before publication and may have positions in, 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 investment banking, capital markets and/or other services to, the entities referred to herein, their advisors and/or any other connected parties. As a result, investors should be aware that PRSB, PGOLI and/or their respective affiliates or companies or such individuals 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. Disclosures therein include the position of PRSB and PGOLI only. Unless specified otherwise, PRSB did not receive any compensation or other benefits from the subject company covered in this publication/communication.

The analysts/contributors to this publication/communication may be employed by any relevant PGOLI entity, which is different from the entity that distributes the publication/communication in the respective jurisdictions.

PRSB, PGOLI and/or its officers, directors and employees, may, to the extent permitted by applicable law and/or regulation, deal as principal, agent, or otherwise, or have long or short positions in, or buy or sell, the securities, commodities or instruments, or options or other derivative instruments based thereon, of issuers or securities mentioned herein. PGOLI may also act as market maker or liquidity provider (within the meaning of applicable regulations in the UK) in the financial instruments of the issuer. Where the activity of market maker is carried out in accordance with the definition given to it by specific laws and regulations of the US or other jurisdictions, this will be separately disclosed within the specific issuer disclosures.

Investors should not consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. PRSB produces a number of different types of research product including, among others, fundamental analysis and quantitative analysis; recommendations contained in one type of research product may differ from recommendations contained in other types of research product, whether as a result of differing time horizons, methodologies or otherwise. PRSB and PGOLI publishes research product in a number of different ways including the posting of product on the PGOLI portals and/or distribution directly to clients. Different groups of clients may receive different products and services from the research department depending on their individual requirements.

Figures presented herein may refer to past performance or simulations based on past performance which are not reliable indicators of future performance. Where the information contains an indication of future performance, such forecasts may not be a reliable indicator of future performance. Moreover, simulations are based on models and simplifying assumptions which may oversimplify and not reflect the future distribution of returns. Any figure, strategy or index created and published for illustrative purposes within this report is not intended for "use" as a "benchmark".

Certain securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment.

With respect to Fixed Income Research: Recommendations fall into two categories: tactical, which typically last up to three months; or strategic, which typically last from 6-12 months. However, trade recommendations may be reviewed at any time as circumstances change. 'Stop loss' levels for trades are also provided; which, if hit, closes the trade recommendation automatically. Prices and yields shown in recommendations are taken at the time of submission for publication and are based on either indicative Bloomberg, Reuters or PGOLI prices or yields at that time. The prices and yields shown are not necessarily those at which the trade recommendation can be implemented.

The securities described herein may not have been registered under the US Securities Act of 1933 (the '1933 Act'), and, in such case, may not be offered or sold in the US or to US persons unless they have been registered under the 1933 Act, or except in compliance with an exemption from the registration requirements of the 1933 Act. Unless governing law permits otherwise, any transaction should be executed via PhillipCapital Group entity in your home jurisdiction.