

Peter Kong, CFA

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

20 November 2020

Malaysia Infrastructure

Reuters SCOG.KL
Bloomberg SCGB MK

Priced on 19 November 2020
KLSE Comp @ 1,583.7

12M hi/lo RM2.10/1.29

12M price target RM2.18
±% potential +19%

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

Market cap US\$580m

3M ADV US\$0.1m

Foreign s'holding 3.2%

Major shareholders

Sunway Berhad 54.4%
Sungei Way Corp Sdn Bhd 10.1%

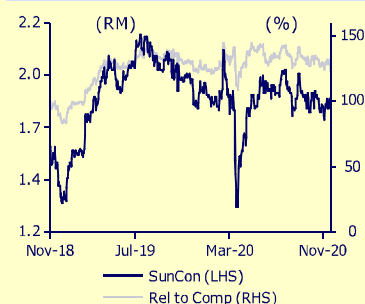
Blended ESG Score (%)*

Overall 75.9
Country average 69.0
GEM sector average 71.5

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

Stock performance (%)

	1M	3M	12M
Absolute	(1.1)	1.7	(7.6)
Relative	(7.0)	(4.5)	(6.3)
Abs (US\$)	0.4	4.0	(6.0)



Source: Bloomberg

New norm, same form

Recovery to pre-lockdown activity level and expected to accelerate

That 3Q20 revenue (+4% YoY) returned to pre-lockdown levels despite the new normal attests to SunCon's execution ability, and we see work flow accelerating into 2021 per delivery timelines. As SunCon has already met its job replenishment target in 2020, we maintain our positive view as the internal job pipeline is still sturdy despite this year's good haul, adding to potential large projects in 2021. Reiterate BUY and RM2.18 target price.

Earnings driven by sizeable portion of work to be handed over in 2021

Close to 60% of its order book of RM5.3bn (Sept-20) is scheduled to complete from now until end-2021, which would support 2021 profits doubling. Recovering from movement controls in 2Q20, construction margin normalised to 8.6% in 3Q20. This is deemed sustainable as SunCon is more shielded against labour disruptions (foreign workers under its payroll), and materials costs stay benign. We also believe it has priced up for risk in India highway jobs (c.16% of order book).

4Q usually strong; pre-cast segment fully resumed since September

If we exclude goodwill write-off (RM3.6m) and RM5m receivable impairment due to MFRS9, 9M20 PATMI of RM51m (-47% YoY) met 69%/67% of 2020 CLSA/consensus estimates. This is in-line as 4Q typically contributes about 30% of annual earnings. We also anticipate more contribution from its Singapore pre-cast segment after projects all obtained approval to resume work since mid-August.

Job flow from parent still visible; targets potentially better 2021 haul

SunCon clinched RM2.3bn wins YTD (RM2.0bn effective), meeting guidance (RM2bn). Altogether, it is eyeing a haul of RM2.0-2.5bn in 2021. We opine this is not ambitious (CLSA: RM2.2bn) as aside from external tender book of RM5.3bn including building projects and work overseas, SunCon has a good track record for rail-related work. Despite RM1.4bn of in-house wins this year (more than half), Sunway Group may kickstart commercial development in Penang Island and more hospitals. Its parent's move to seek 20-25% stake sale in its healthcare unit helps SunCon's prospects if capital is recycled for more hospital development.

Remaining a fan

We value SunCon at 15.4x PE, 1SD above 3-year sector mean, with benefit of 15 sen net cash per share. Even after the initial outlay of estimated c.RM80m for its highway jobs in India, balance sheet (3Q20 net cash: RM318m) still healthy although slow commencement would be earnings risk. Locally, momentum of construction work impeded in the event of Covid-19 spread would be a risk.

Financials

Year to 31 December	18A	19A	20CL	21CL	22CL
Revenue (RMm)	2,257	1,769	1,805	2,693	2,730
Net profit (RMm)	131	129	74	170	178
EPS (sen)	10.2	10.0	5.8	13.2	13.7
CL/consensus (14) (EPS%)	-	-	99	113	115
EPS growth (% YoY)	(3.5)	(1.5)	(42.5)	128.7	4.4
PE (x)	18.0	18.3	31.8	13.9	13.3
Dividend yield (%)	3.8	3.8	2.2	4.9	4.9
FCF yield (%)	4.4	6.5	2.8	7.5	7.6
PB (x)	4.0	3.8	3.7	3.4	3.1
ROE (%)	22.9	21.3	11.7	25.2	24.2
Net debt/equity (%)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)

Source: www.cls.com

Financials at a glance

Year to 31 December	2018A	2019A	2020CL	(% YoY)	2021CL	2022CL
Profit & Loss (RMm)						
Revenue	2,257	1,769	1,805	2.1	2,693	2,730
Cogs (ex-D&A)	(2,042)	(1,587)	(1,672)		(2,426)	(2,452)
Gross Profit (ex-D&A)	215	181	133	(26.6)	267	278
SG&A and other expenses	-	-	-		-	-
Op Ebitda	215	181	133	(26.6)	267	278
Depreciation/amortisation	(53)	(40)	(51)		(56)	(61)
Op Ebit	162	141	82	(41.9)	211	217
Net interest inc/(exp)	8	12	8	(33.3)	9	10
Other non-Op items	0	4	4	0	4	4
Profit before tax	170	157	94	(40.1)	224	231
Taxation	(38)	(27)	(19)		(47)	(46)
Profit after tax	132	130	75	(42.1)	177	185
Minority interest	0	(1)	(1)		(7)	(7)
Net profit	131	129	74	(42.5)	170	178
Adjusted profit	131	129	74	(42.5)	170	178
Cashflow (RMm)						
Operating profit	162	141	82	(41.9)	211	217
Depreciation/amortisation	53	40	51	27	56	61
Working capital changes	(11)	28	3	(90.2)	7	(2)
Other items	(45)	(51)	(19)		(47)	(46)
Net operating cashflow	159	158	117	(26.1)	227	230
Capital expenditure	(56)	(5)	(50)		(50)	(50)
Free cashflow	103	154	67	(56.4)	177	180
M&A/Others	(2)	(21)	17		18	20
Net investing cashflow	(58)	(26)	(33)		(32)	(30)
Increase in loans	(21)	162	-		-	-
Dividends	(97)	(91)	(52)		(121)	(121)
Net equity raised/other	-	-	0		0	0
Net financing cashflow	(118)	72	(52)		(121)	(121)
Incr/(decr) in net cash	(16)	204	32	(84.3)	74	78
Exch rate movements	13	6	(5)		1	(11)
Balance sheet (RMm)						
Cash & equivalents	485	693	721	4	796	863
Accounts receivable	885	818	603	(26.2)	900	913
Other current assets	228	199	334	67.7	334	346
Fixed assets	164	139	137	(0.9)	131	120
Investments	45	49	45	(8.5)	45	45
Intangible assets	4	4	4	0	4	4
Other non-current assets	3	4	4	0	4	4
Total assets	1,812	1,905	1,848	(3)	2,214	2,295
Short-term debt	114	233	233	0	233	233
Accounts payable	995	885	673	(23.9)	977	988
Other current liabs	15	2	0		-	-
Long-term debt/CBs	-	53	213	303.9	213	213
Provisions/other LT liabs	97	107	79	(25.8)	78	77
Shareholder funds	591	623	646	3.7	702	766
Minorities/other equity	1	2	3	47.7	10	18
Total liabs & equity	1,812	1,905	1,848	(3)	2,214	2,295
Ratio analysis						
Revenue growth (% YoY)	8.7	(21.6)	2.1		49.2	1.4
Ebitda margin (%)	9.5	10.2	7.4		9.9	10.2
Ebit margin (%)	7.2	8.0	4.5		7.8	7.9
Net profit growth (%)	(3.5)	(1.5)	(42.5)		128.7	4.4
Op cashflow growth (% YoY)	238.7	(0.7)	(26.1)		94.0	1.2
Capex/sales (%)	2.5	0.3	2.8		1.9	1.8
Net debt/equity (%)	(62.7)	(65.0)	(42.3)		(49.1)	(53.2)
Net debt/Ebitda (x)	-	-	-		-	-
ROE (%)	22.9	21.3	11.7		25.2	24.2
ROIC (%)	52.1	42.4	19.1		41.4	43.6

Source: www.clsa.com

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

Figure 1

SunCon financials									
FYE 31 Dec (RM m)	3Q20	3Q19	YoY % Chg	2Q20	QoQ % Chg	9M20	9M19	YoY % Chg	Remarks
Revenue	419.4	402.6	4%	140.2	199%	925.4	1,282.8	(28%)	Pre-cast contributed a revenue of RM16m in 3Q20
Opex	(393.3)	(371.5)	6%	(141.3)	178%	(883.9)	(1,184.1)	(25%)	
Other income	6.8	3.3	107%	1.2	473%	10.2	11.5	(11%)	
Ebitda	41.0	44.4	(8%)	8.6	378%	77.3	146.6	(47%)	
Depreciation	(8.1)	(10.0)	(19%)	(8.5)	(5%)	(25.6)	(36.4)	(30%)	
Ebit	32.9	34.4	(4%)	0.1	>100%	51.7	110.2	(53%)	
Interest income	4.6	5.1	(10%)	4.5	2%	14.3	16.5	(13%)	
Interest expense	(1.6)	(3.9)	(60%)	(2.3)	(32%)	(6.6)	(9.8)	(33%)	
Joint Venture	-	-	n.m.	0.1	n.m.	0.1	-	n.m.	
Pre-tax profit	36.0	35.6	1%	2.3	1,437%	59.5	116.9	(49%)	Included reversal of some 2019 bonus accruals, offset by RM3.6m of goodwill write-off and RM5m receivables impairment for 3Q20
Tax	(11.7)	(2.54)	362%	(0.2)	n.m.	(16.3)	(0.7)	>100%	
Effective tax rate	32.6%	7.1%	n.m.	9.2%	n.m.	27.3%	0.6%	n.m.	
MI	0.19	(0.46)	(141%)	(0.07)	(375%)	0.68	(0.06)	(1316%)	
Net profit	24.0	33.5	(28%)	2.2	996%	42.6	97.7	(56%)	
EPS (sen)	1.86	2.60	(28%)	0.17	994%	3.30	7.57	(56%)	
EBIT margin	7.9%	8.5%		0.0%		5.6%	8.6%		
PBT margin	8.6%	8.8%		1.7%		6.4%	9.1%		

Source: CLSA

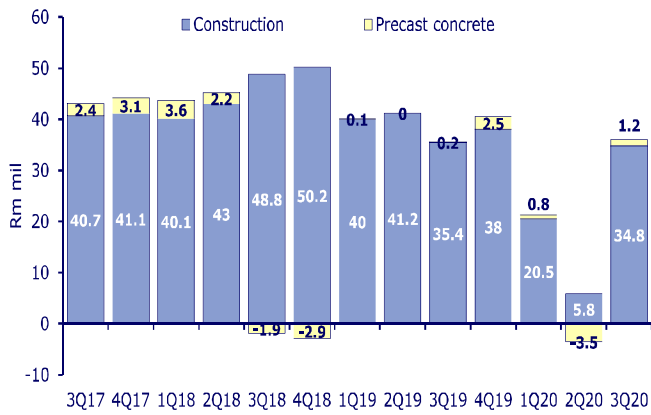
Figure 2

SunCon YTD 2020 job wins	
External	RM m
Thorapali Agraharam, Jittandahalli Section of NH844	508*
Chan Sow Lin KVMRT (Mechanical, Electrical and Plumbing)	54
Meensurutti -Chidambarm 32 km highway	315*
Others	63
Subtotal	940
Internal	
Sunway International School (Bandar Sunway)	136
Commercial mixed development, Bandar Sunway	344
Sunway Medical Center Phase 4	162
Sunway Resort Hotel and Spa renovation	81
Sunway Velocity TWO service residence	253
3 Blocks of service apartment (Belfield)	403
Subtotal	1,379
Grand total	2,319

Source: CLSA, SunCon. Note: *Shown 100% of SunCon's 60% share.

Figure 3

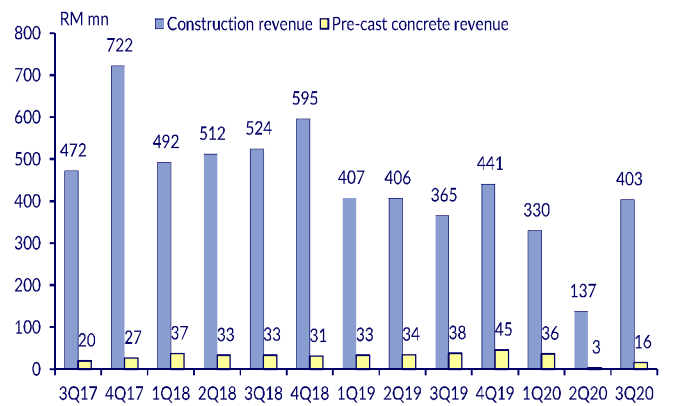
SunCon pre-tax profit by segment



Source: CLSA, SunCon

Figure 4

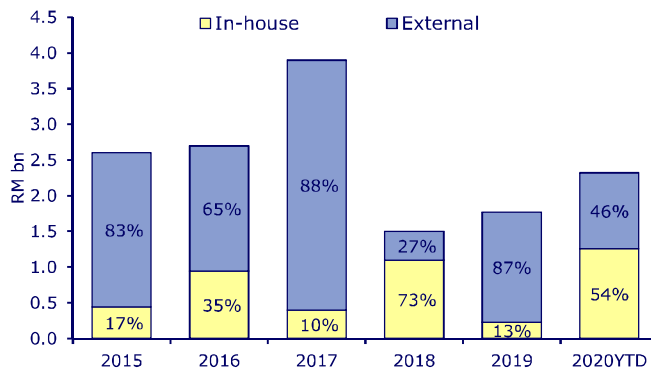
SunCon revenue breakdown by segment



Source: CLSA, SunCon

Figure 5

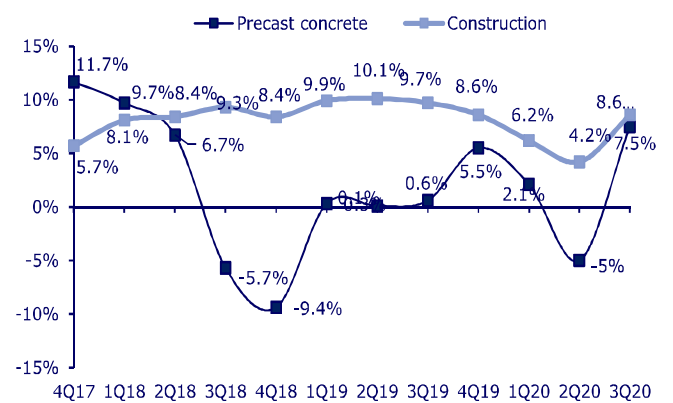
SunCon order book replenishment history (YTD)



Source: CLSA, SunCon

Figure 6

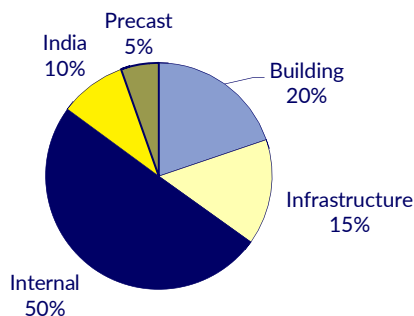
SunCon pre-tax profit margin by segment



Source: CLSA, SunCon

Figure 7

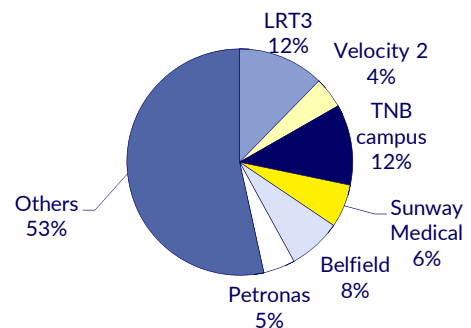
Order book: outstanding by type (RM5.3bn as at end-Sept)



Source: CLSA, SunCon. Note: Award of RM315m of Meensurutti-Chidambarm not included above as this was awarded after September.

Figure 8

Order book: outstanding by project (RM5.3bn as at end-Sept)



Source: CLSA, SunCon

Figure 9

SunCon valuation		
PE method of valuation	Remarks	Value (RM m)
Earnings (21CL)	15.4x - ie, PE multiple at 1SD above 3-year sector mean of 13x	170.0
Multiple applied		15.4
Total		2,618
Number of shares (unit million)		1,293
Value per share (RM)		2.03
Net cash per share (RM)	50% benefit to net cash	0.15
Target price (RM)		2.18

Source: CLSA

Figure 10

Peer comparison													
KLCI-listed peers		Price (RM)	Mkt cap (US\$m)	ADT (US\$m)	PE		PB		ROE		Yield		
					CY20 (x)	CY21 (x)	CY20 (x)	CY21 (x)	CY20 (%)	CY21 (%)	CY20 (%)	CY21 (%)	
IJM	IJM MK Equity	1.60	1,374	4.38	18.9	15.6	0.6	0.6	3.5	4.0	2.1	2.6	
Gamuda	GAM MK Equity	3.62	2,277	1.82	33.0	12.6	1.5	1.4	5.9	8.3	2.0	2.6	
SunCon	SCGB MK Equity	1.83	581	0.13	31.8	13.9	3.7	3.4	11.7	25.2	2.2	4.9	
AQRS	AQRS MK Equity	0.68	81	0.15	8.5	5.0	0.6	0.5	8.8	13.7	2.8	5.9	
Hock Seng Lee	HSL MK Equity	0.92	122	0.02	15.5	9.1	0.6	0.6	3.9	6.5	1.5	2.4	
Kim Lun	KICB MK Equity	0.72	60	0.06	9.1	5.6	0.3	0.3	3.8	5.7	2.9	3.9	
Muhibbah	MUHI MK Equity	1.13	133	0.31	39.0	8.8	0.5	0.4	1.1	5.7	1.2	2.3	
George Kent	GKEN MK Equity	0.77	98	0.15	10.8	8.8	0.8	0.7	6.4	8.6	2.4	4.0	
WCT	WCTHG MK Equity	0.42	144	0.66	19.1	8.9	0.2	0.2	1.0	2.2	1.4	2.1	
Weighted average					26.8	12.9	1.4	1.3	5.6	8.8	2.2	3.7	

Source: CLSA, Bloomberg

Figure 11



Source: CLSA

Valuation details

We value SunCon using the price-earnings multiple approach. Its target price is derived from 15.4x 21CL earnings, which is at one standard deviation above 10-year mean PE for the KLCON index. We accord an above-sector average PE given its flow of internal jobs and strong balance sheet.

Investment risks

The investment risks for SunCon mainly stem from construction risk. Specific risks to our estimates would be lower-than-expected margins (below 5-8%) or the amount of projects secured falls below our expectation, either due to an inability to secure projects or caused by a delay on project roll-out. The increase in steel prices beyond anticipated will also creep into margins as SunCon hedges steel needs for a future six-month period. On the pre-cast segment, risks to our earnings will be the timing of a margin recovery currently in doldrums due to competition. Prolonged Covid-19 could also slacken operating efficiency.

Detailed financials

Profit & Loss (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Revenue	1,789	2,076	2,257	1,769	1,805	2,693	2,730
Cogs (ex-D&A)	(1,601)	(1,874)	(2,042)	(1,587)	(1,672)	(2,426)	(2,452)
Gross Profit (ex-D&A)	188	202	215	181	133	267	278
Research & development costs	-	-	-	-	-	-	-
Selling & marketing expenses	-	-	-	-	-	-	-
Other SG&A	-	-	-	-	-	-	-
Other Op Expenses ex-D&A	-	-	-	-	-	-	-
Op Ebitda	188	202	215	181	133	267	278
Depreciation/amortisation	(39)	(37)	(53)	(40)	(51)	(56)	(61)
Op Ebit	149	165	162	141	82	211	217
Interest income	10	13	16	25	17	18	20
Interest expense	(6)	(6)	(8)	(13)	(9)	(9)	(9)
Net interest inc/(exp)	4	7	8	12	8	9	10
Associates/investments	-	-	-	4	4	4	4
Forex/other income	-	-	-	-	-	-	-
Asset sales/other cash items	-	-	-	-	-	-	-
Provisions/other non-cash items	-	-	-	-	-	-	-
Asset revaluation/Exceptional items	-	-	-	-	-	-	-
Profit before tax	154	172	170	157	94	224	231
Taxation	(30)	(36)	(38)	(27)	(19)	(47)	(46)
Profit after tax	124	136	132	130	75	177	185
Preference dividends	-	-	-	-	-	-	-
Profit for period	124	136	132	130	75	177	185
Minority interest	0	0	0	(1)	(1)	(7)	(7)
Net profit	124	136	131	129	74	170	178
Extraordinaries/others	0	0	0	0	0	0	0
Profit available to ordinary shares	124	136	131	129	74	170	178
Dividends	(65)	(90)	(90)	(90)	(52)	(116)	(116)
Retained profit	59	46	41	39	23	54	61
Adjusted profit	124	136	131	129	74	170	178
EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Adj EPS [pre excep] (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
Core EPS (sen)	9.6	10.5	10.2	10.0	5.8	13.2	13.7
DPS (sen)	5.0	7.0	7.0	7.0	4.0	9.0	9.0

Profit & loss ratios

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Growth (%)							
Revenue growth (% YoY)	(6.7)	16.1	8.7	(21.6)	2.1	49.2	1.4
Ebitda growth (% YoY)	5.7	7.5	6.0	(15.5)	(26.6)	100.9	3.9
Ebit growth (% YoY)	9.5	10.5	(1.9)	(12.9)	(41.9)	158.0	2.5
Net profit growth (%)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Adj EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
DPS growth (% YoY)	25.0	40.0	0.0	0.0	(42.9)	125.0	0.0
Core EPS growth (% YoY)	(2.9)	10.1	(3.5)	(1.5)	(42.5)	128.7	4.4
Margins (%)							
Gross margin (%)	10.5	9.7	9.5	10.2	7.4	9.9	10.2
Ebitda margin (%)	10.5	9.7	9.5	10.2	7.4	9.9	10.2
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Net profit margin (%)	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Core profit margin	6.9	6.5	5.8	7.3	4.1	6.3	6.5
Op cashflow margin	4.2	2.3	7.1	9.0	6.5	8.4	8.4
Returns (%)							
ROE (%)	26.2	26.0	22.9	21.3	11.7	25.2	24.2
ROA (%)	8.0	7.5	6.8	6.3	3.5	8.2	7.7
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
ROCE (%)	82.3	90.0	76.4	64.1	27.6	57.3	59.4
Other key ratios (%)							
Effective tax rate (%)	19.5	21.0	22.4	17.2	20.0	21.0	20.0
Ebitda/net int exp (x)	-	-	-	-	-	-	-
Exceptional or extraord. inc/PBT (%)	0.0	0.0	0.0	0.0	-	-	-
Dividend payout (%)	52.3	66.5	68.9	70.0	69.5	68.4	65.5

Source: www.clsa.com

Balance sheet (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Cash & equivalents	466	487	485	693	721	796	863
Accounts receivable	732	1,066	885	818	603	900	913
Inventories	24	24	30	25	0	0	0
Other current assets	220	151	198	174	334	334	346
Current assets	1,442	1,729	1,597	1,710	1,658	2,030	2,122
Fixed assets	138	151	164	139	137	131	120
Investments	0	0	45	49	45	45	45
Goodwill	4	4	4	4	4	4	4
Other intangible assets	2	0	0	0	0	0	0
Other non-current assets	11	2	3	4	4	4	4
Total assets	1,597	1,885	1,812	1,905	1,848	2,214	2,295
Short term loans/OD	137	135	114	233	233	233	233
Accounts payable	955	1,184	995	885	673	977	988
Accrued expenses	-	-	-	-	-	-	-
Taxes payable	11	5	14	1	0	0	0
Other current liabs	0	0	0	0	0	-	-
Current liabilities	1,103	1,324	1,123	1,120	907	1,210	1,221
Long-term debt/leases/other	-	-	-	53	213	213	213
Convertible bonds	-	-	-	-	-	-	-
Provisions/other LT liabs	1	6	97	107	79	78	77
Total liabilities	1,104	1,331	1,220	1,280	1,199	1,501	1,511
Share capital	259	259	259	259	259	259	259
Retained earnings	257	324	361	399	422	478	542
Reserves/others	(23)	(29)	(28)	(35)	(35)	(35)	(35)
Shareholder funds	493	554	591	623	646	702	766
Minorities/other equity	1	1	1	2	3	10	18
Total equity	494	555	593	625	649	712	784
Total liabs & equity	1,597	1,885	1,812	1,905	1,848	2,214	2,295
Total debt	137	135	114	286	446	446	446
Net debt	(329)	(353)	(371)	(407)	(275)	(350)	(417)
Adjusted EV	2,036	2,014	1,951	1,912	2,050	1,982	1,922
BVPS (sen)	38.2	42.8	45.7	48.2	50.0	54.3	59.2

Balance sheet ratios

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Key ratios							
Current ratio (x)	1.3	1.3	1.4	1.5	1.8	1.7	1.7
Growth in total assets (% YoY)	14.3	18.0	(3.9)	5.1	(3.0)	19.8	3.7
Growth in capital employed (% YoY)	(16.9)	22.9	9.4	(1.2)	71.4	(3.2)	1.1
Net debt to operating cashflow (x)	-	-	-	-	-	-	-
Gross debt to operating cashflow (x)	1.8	2.9	0.7	1.8	3.8	2.0	1.9
Gross debt to Ebitda (x)	0.7	0.7	0.5	1.6	3.4	1.7	1.6
Net debt/Ebitda (x)	-	-	-	-	-	-	-
Gearing							
Net debt/equity (%)	(66.7)	(63.5)	(62.7)	(65.0)	(42.3)	(49.1)	(53.2)
Gross debt/equity (%)	27.6	24.3	19.2	45.8	68.7	62.6	56.9
Interest cover (x)	26.4	29.3	21.4	12.6	10.6	24.6	25.3
Debt cover (x)	0.6	0.3	1.4	0.6	0.3	0.5	0.5
Net cash per share (sen)	25.5	27.3	28.7	31.5	21.3	27.1	32.3
Working capital analysis							
Inventory days	4.7	4.7	4.9	6.3	2.7	0.0	0.0
Debtor days	133.8	158.0	157.7	175.7	143.7	101.9	121.2
Creditor days	199.6	208.3	194.7	216.1	170.1	124.2	146.2
Working capital/Sales (%)	0.6	2.5	4.6	7.4	14.6	9.6	9.9
Capital employed analysis							
Sales/Capital employed (%)	1,087.3	1,026.5	1,019.8	809.4	482.0	742.6	745.0
EV/Capital employed (%)	1,237.4	995.6	881.5	875.1	547.2	546.4	524.3
Working capital/Capital employed (%)	6.1	25.8	46.5	59.7	70.5	71.0	74.0
Fixed capital/Capital employed (%)	84.1	74.6	74.0	63.5	36.7	36.2	32.7
Other ratios (%)							
PB (x)	4.8	4.3	4.0	3.8	3.7	3.4	3.1
EV/Ebitda (x)	10.8	9.9	9.1	10.5	15.4	7.4	6.9
EV/OCF (x)	27.1	42.8	12.2	12.1	17.5	8.7	8.4
EV/FCF (x)	36.3	(264.3)	18.9	12.4	30.6	11.2	10.7
EV/Sales (x)	1.1	1.0	0.9	1.1	1.1	0.7	0.7
Capex/depreciation (%)	48.7	146.1	106.6	11.7	97.5	88.9	81.6

Source: www.clsa.com

Cashflow (RMm)

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Operating profit	149	165	162	141	82	211	217
Operating adjustments	(22)	0	0	0	0	0	0
Depreciation/amortisation	39	37	53	40	51	56	61
Working capital changes	(59)	(112)	(11)	28	3	7	(2)
Interest paid / other financial expenses	(6)	(6)	(8)	(13)	0	0	0
Tax paid	(26)	(37)	(37)	(38)	(19)	(47)	(46)
Other non-cash operating items	0	0	1	1	0	0	0
Net operating cashflow	75	47	159	158	117	227	230
Capital expenditure	(19)	(55)	(56)	(5)	(50)	(50)	(50)
Free cashflow	56	(8)	103	154	67	177	180
Acq/inv/disposals	13	89	26	(47)	-	-	-
Int, invt & associate div	89	13	(28)	25	17	18	20
Net investing cashflow	83	48	(58)	(26)	(33)	(32)	(30)
Increase in loans	0	(3)	(21)	162	-	-	-
Dividends	(84)	(71)	(97)	(91)	(52)	(121)	(121)
Net equity raised/others	-	0	-	-	0	0	0
Net financing cashflow	(84)	(74)	(118)	72	(52)	(121)	(121)
Incr/(decr) in net cash	74	21	(16)	204	32	74	78
Exch rate movements	2	1	13	6	(5)	1	(11)
Opening cash	390	465	487	484	693	721	796
Closing cash	465	487	484	693	721	796	863
OCF PS (sen)	5.8	3.6	12.3	12.3	9.1	17.6	17.8
FCF PS (sen)	4.3	(0.6)	8.0	11.9	5.2	13.7	13.9

Cashflow ratio analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Growth (%)							
Op cashflow growth (% YoY)	(67.6)	(37.3)	238.7	(0.7)	(26.1)	94.0	1.2
FCF growth (% YoY)	(70.9)	(113.6)	-	48.8	(56.4)	164.2	1.6
Capex growth (%)	(50.8)	187.6	2.7	(91.6)	956.4	0.0	0.0
Other key ratios (%)							
Capex/sales (%)	1.1	2.6	2.5	0.3	2.8	1.9	1.8
Capex/op cashflow (%)	25.3	116.2	35.2	3.0	42.7	22.0	21.7
Operating cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Cashflow payout ratio (%)	86.0	192.2	56.7	57.1	44.2	51.2	50.6
Free cashflow payout ratio (%)	115.1	-	87.6	58.9	77.1	65.7	64.6

DuPont analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit margin (%)	8.3	7.9	7.2	8.0	4.5	7.8	7.9
Asset turnover (x)	1.2	1.2	1.2	1.0	1.0	1.3	1.2
Interest burden (x)	1.0	1.0	1.0	1.1	1.2	1.1	1.1
Tax burden (x)	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Return on assets (%)	8.0	7.5	6.8	6.3	3.5	8.2	7.7
Leverage (x)	3.2	3.3	3.2	3.1	2.9	3.0	3.0
ROE (%)	26.2	26.0	22.9	21.4	11.8	26.0	24.7

EVA® analysis

Year to 31 December	2016A	2017A	2018A	2019A	2020CL	2021CL	2022CL
Ebit adj for tax	120	130	126	117	66	167	173
Average invested capital	183	187	241	275	343	403	398
ROIC (%)	65.5	69.8	52.1	42.4	19.1	41.4	43.6
Cost of equity (%)	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Cost of debt (adj for tax)	4.0	3.9	3.9	4.1	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 (%)	54.6	58.9	41.2	31.5	8.2	30.5	32.7
EVA (RMm)	100	110	99	87	28	123	130

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

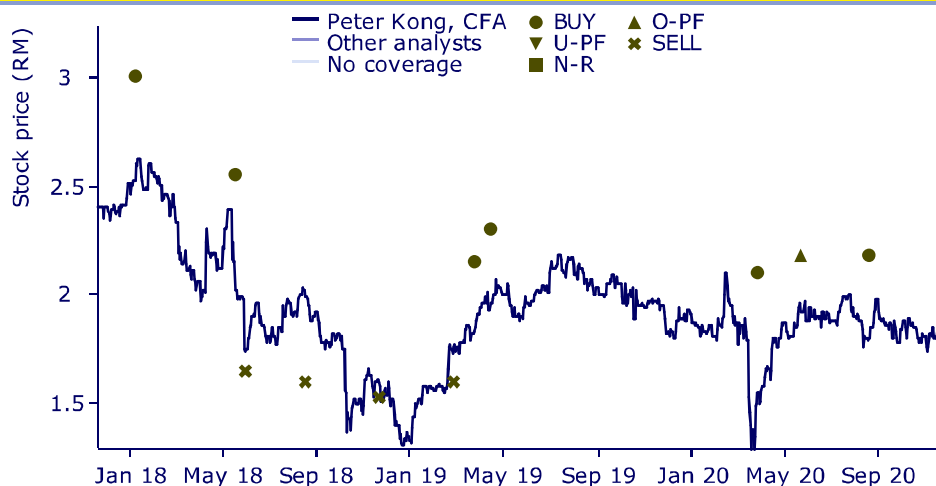
- SunCon (SCGB MK - RM1.83 - BUY)
- AQRS (AQRS MK - RM0.68 - O-PF)
- Gamuda (GAM MK - RM3.62 - O-PF)
- George Kent (N-R)
- Hock Seng Lee (N-R)
- IJM (IJM MK - RM1.60 - BUY)
- Muhibbah (N-R)
- Sunway Group (N-R)
- TRC Synergy (N-R)

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

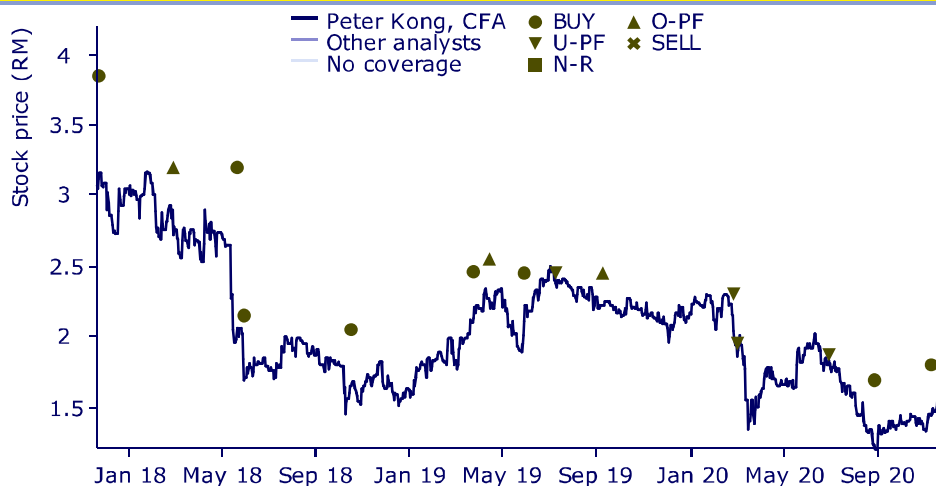
Recommendation history of Sunway Construction Group Bhd SCGB MK



Date	Rec	Target	Date	Rec	Target
19 Aug 2020	BUY	2.18	21 Nov 2018	SELL	1.53
22 May 2020	O-PF	2.18	17 Aug 2018	SELL	1.60
27 Mar 2020	BUY	2.10	31 May 2018	SELL	1.65
15 Apr 2019	BUY	2.30	18 May 2018	BUY	2.55
25 Mar 2019	BUY	2.15	08 Jan 2018	BUY	3.00
26 Feb 2019	SELL	1.60			

Source: CLSA

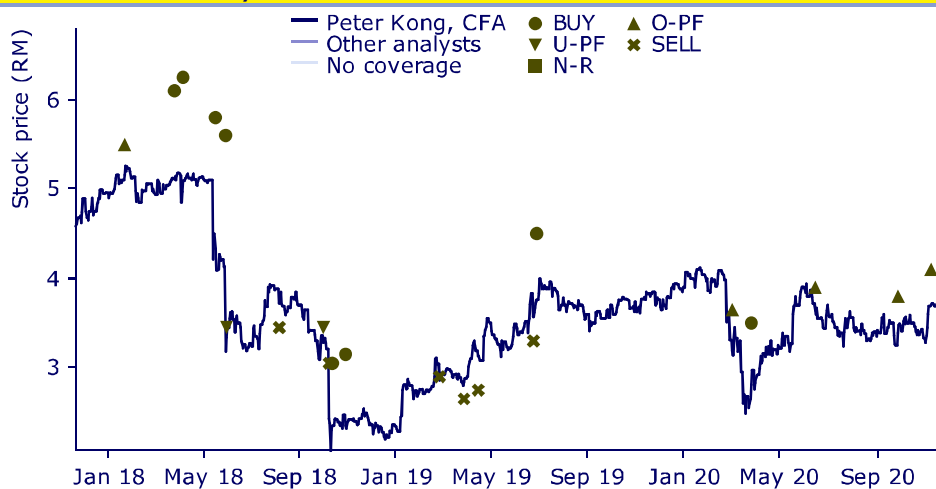
Recommendation history of IJM Corp Bhd IJM MK



Date	Rec	Target	Date	Rec	Target
09 Nov 2020	BUY	1.80	15 Apr 2019	O-PF	2.55
27 Aug 2020	BUY	1.69	25 Mar 2019	BUY	2.46
29 Jun 2020	U-PF	1.87	17 Oct 2018	BUY	2.05
02 Mar 2020	U-PF	1.95	31 May 2018	BUY	2.15
26 Feb 2020	U-PF	2.30	22 May 2018	BUY	3.20
09 Sep 2019	O-PF	2.45	28 Feb 2018	O-PF	3.20
10 Jul 2019	U-PF	2.45	23 Nov 2017	BUY	3.85
30 May 2019	BUY	2.45			

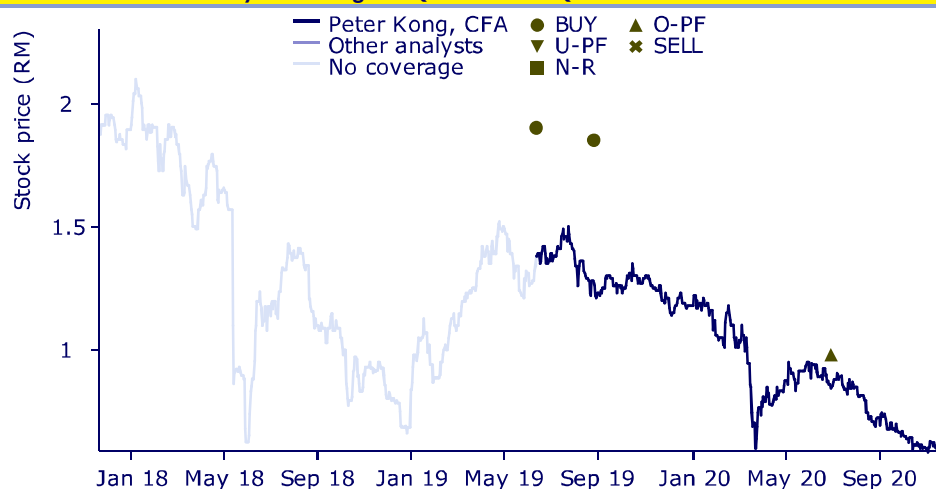
Source: CLSA

Recommendation history of Gamuda Bhd GAM MK



Date	Rec	Target	Date	Rec	Target
09 Nov 2020	O-PF	4.10	12 Oct 2018	BUY	3.05
28 Sep 2020	O-PF	3.80	08 Oct 2018	SELL	3.05
15 Jun 2020	O-PF	3.90	01 Oct 2018	U-PF	3.45
26 Mar 2020	BUY	3.50	06 Aug 2018	SELL	3.45
02 Mar 2020	O-PF	3.65	31 May 2018	U-PF	3.45
28 Jun 2019	BUY	4.50	30 May 2018	BUY	5.60
24 Jun 2019	SELL	3.30	17 May 2018	BUY	5.80
15 Apr 2019	SELL	2.75	06 Apr 2018	BUY	6.25
28 Mar 2019	SELL	2.65	26 Mar 2018	BUY	6.10
25 Feb 2019	SELL	2.90	22 Jan 2018	O-PF	5.50
29 Oct 2018	BUY	3.15			

Source: CLSA

Recommendation history of Gabungan AQRs Berhad AQRs MK


Date	Rec	Target	Date	Rec	Target
29 Jun 2020	O-PF	0.98	12 Jun 2019	BUY	1.90
26 Aug 2019	BUY	1.85			

Source: CLSA

The policy of CLSA and CL Securities Taiwan Co., Ltd. ("CLST") is 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 at www.clsa.com/disclaimer.html 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/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.

Unless specified otherwise, CLSA/CLST or its respective affiliates, 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, CLSA/CLST does not own 1% or more of any class of securities of the subject company, and does not make a market, in the securities. (For full disclosure of interest for all companies mention on this report, please refer to http://www.clsa.com/member/research_disclosures/ for details.)

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 at the time of publication of the report. Save from the disclosure below (if any), the analyst(s) is/are not aware of any material conflict of interest.

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 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, nonpublic information regarding the subject company at the time of publication of the 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 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: Total expected return below 20% but exceeding market return; U-PF: 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: 69.34%, Underperform / SELL - CLSA: 30.57%, Restricted - CLSA: 0.35%; Data as of 30 Sep 2020. Investment banking clients as a % of rating category: BUY / Outperform - CLSA: 9.41%, Underperform / SELL - CLSA: 3.37%; Restricted - CLSA: 0.35%. Data for 12-month period ending 30 Sep 2020.

Overall rating distribution for CLST only Universe: Overall rating distribution: BUY / Outperform - CLST: 74.75%, Underperform / SELL - CLST: 25.35%, Restricted - CLST: 0.00%. Data as of 30 Sep 2020. 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 30 Sep 2020.

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; (c) 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.

This publication/communication 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>). Neither the publication/communication 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 publication/communication 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 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 CLSA and/or CLST 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 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 publication/communication 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 publication/communication 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 publication/communication, you should consider whether it is suitable for your particular circumstances and, if appropriate, seek professional advice, including 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. Past performance is not necessarily a guide to future performance. 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 publication/communication 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 Corporate Finance department or CLSA's Sales and Trading business. Accordingly, neither the Corporate Finance 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 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 publication/communication, or from any third party. If investors have any difficulty accessing this website, please contact webadmin@clsa.com on +852 2600 8111. If you require disclosure information on previous dates, please contact compliance_hk@clsa.com.

This publication/communication is distributed for and on behalf of CLSA (for research compiled by non-US and non-Taiwan 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) 024/12/2020; in Thailand by CLSA Securities (Thailand) Limited; in Taiwan by CLST and in the EU and United Kingdom by CLSA Europe BV or CLSA (UK).

Australia: CLSA Australia Pty Ltd ("CAPL") (ABN 53 139 992 331/AFS License No: 350159) is regulated by ASIC and is a Market Participant of ASX Limited and CHI-X. 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.

United States of America: Where any section is compiled by non-US analyst(s), it is distributed into the United States by CLSA 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. 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.

The European Union ("EU") and the United Kingdom: In these jurisdictions, this research 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 research is disseminated in these countries by either CLSA (UK) or CLSA Europe BV. CLSA (UK) is authorised and regulated by the Financial Conduct Authority. CLSA Europe BV is authorised and regulated by the Authority for Financial Markets in the Netherlands. This document is 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 the research material is compiled by the UK analyst(s), it is produced and disseminated by CLSA (UK) and CLSA Europe BV. For the purposes of the Financial Conduct Rules in the United Kingdom and MIFID II in other European jurisdictions this research is prepared and intended as substantive research material.

For all other jurisdiction-specific disclaimers please refer to <https://www.clsa.com/disclaimer.html>. The analysts/contributors to this publication/communication may be employed by any relevant CLSA entity or CLST, which is different from the entity that distributes the publication/communication in the respective jurisdictions. © 2020 CLSA and/or CL Securities Taiwan Co., Ltd. ("CLST").