

This publication was downloaded for exclusive use by: aiman.mohamad@macquarie.com

14 May 2019

Malaysia

## EQUITIES

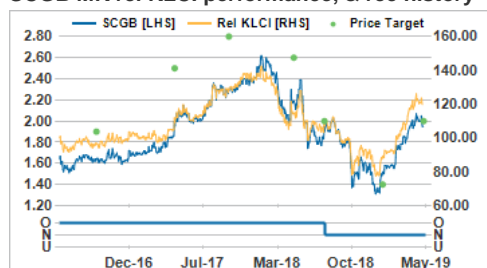
SCGB MK Neutral  
Price (at 14:16, 13 May 2019 GMT) RM1.92

Valuation	RM	1.77-2.49
- PER		
12-month target	RM	2.00
Upside/Downside	%	+4.2
12-month TSR	%	+7.8
Volatility Index		Medium
GICS sector		Capital Goods
Market cap	RMm	2,483
Market cap	US\$m	606
Free float	%	26
30-day avg turnover	US\$m	0.4
Number shares on issue	m	1,293

## Investment fundamentals

Year end 31 Dec		2018A	2019E	2020E	2021E
Revenue	m	2,256.8	2,383.3	2,598.3	2,229.1
EBITDA	m	214.6	220.4	229.4	226.1
EBIT	m	174.6	174.8	179.0	171.2
Reported profit	m	144.7	142.8	148.8	147.2
Adjusted profit	m	144.7	142.8	148.8	147.2
EPS rep	sen	11.2	11.0	11.5	11.4
EPS rep growth	%	9.3	-1.3	4.2	-1.1
EPS adj	sen	11.2	11.0	11.5	11.4
EPS adj growth	%	9.3	-1.3	4.2	-1.1
PER rep	x	17.2	17.4	16.7	16.9
PER adj	x	17.2	17.4	16.7	16.9
Total DPS	sen	7.0	7.0	7.0	8.0
Total div yield	%	3.6	3.6	3.6	4.2
ROA	%	9.8	10.0	9.7	8.6
ROE	%	25.5	23.1	22.1	20.3
EV/EBITDA	x	9.8	9.6	9.2	9.3
Net debt/equity	%	-62.7	-70.7	-89.2	-117.4
P/BV	x	4.2	3.9	3.5	3.3

## SCGB MK rel KLCI performance, &amp; rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, May 2019

(all figures in MYR unless noted)

## Macquarie Governance and Risk Score (MGRS)

On our proprietary [Governance and Risk Score](#) Sunway Construction Group scores in the third quartile of our current universe coverage.

## Analysts

Macquarie Capital Securities (Malaysia) Sdn. Bhd.



Aiman Mohamad +60 3 2059 8986  
aiman.mohamad@macquarie.com

## Sunway Construction Group (SCGB MK) Cautiously optimistic

## Key points

- ▶ We are raising Sunway Construction (SunCon) TP by 43% to RM2.00.
- ▶ Orderbook target in FY19E raised to RM2bn from RM1.5bn, previously.
- ▶ FY19-21E EPS revised by -8%/+18%/+8%, respectively.

## Conclusion

- We maintain our Neutral rating on SunCon with a raised TP of RM2.00 (18x implied fwd-PE) from RM1.40, previously on increased optimism in securing more jobs in FY19E. Management guided that SunCon is looking to secure more jobs abroad and not place its hopes solely on Malaysian infrastructure projects – as such, SunCon had begun looking for jobs in India and Myanmar. We raised our FY19E orderbook target to RM2bn, with an increased target PE of 15x, from 12x previously, to reach our new TP.

## Impact

- **YTD order win is at RM1.1bn; why is it imperative to go abroad?** SunCon had secured a significant external order win of [RM781m earlier this year](#), with another c.RM320m secured from the parent – Sunway Berhad. According to management, there will be no further in-house jobs to be awarded in FY19E and management is adamant that contract awards of the ECRL, KVDT and Pan Borneo Sabah projects may only happen towards the end of the year – and therefore bring a minimal impact to FY19E earnings, should SunCon secure any packages from the projects above. Given these circumstances, SunCon needs to find jobs abroad to maintain its earnings momentum.
- **Three highway packages in India tendered; lucrative but payment could be tricky.** SunCon has submitted three tenders for highway projects in India, with each valued around RM1bn. However, these government-owned highways will only pay up to 40% of the value during the construction period and the 60% balance will be paid over an annuity payment of 15 years, post-completion. According to SunCon, it has baked in the interest costs in the annuity payment and it believes that the payment risk is not a concern, but it is wary of the INR volatilities, which needs to be hedged.
- **Precast will continue to be weak in FY19E, margins should gradually recover.** SunCon's precast division was loss making in the last two quarters due to low ASP and increased overheads. Management guided that margins should creep up starting in 2H19 and the division should break even in FY19E, given that the new precast contracts secured in FY18 came at higher margins.

## Earnings and target price revision

- FY19-21E EPS revised by -8%/+18%/+8%, respectively. TP raised to RM2.00.

## Price catalyst

- 12-month price target: RM2.00 based on a PER methodology.
- Catalyst: awards of mega infrastructure projects and winning overseas jobs.

## Action and recommendation

- Maintain Neutral. Our top picks are AQRS, MRCB and HSS Engineers.

## Analysis

We arrived at the new TP of RM2.00 after making the changes below:

- We increased FY19E order book replenishment target to RM2.0bn, from RM1.5bn previously. Order win targets for FY20-21E are maintained at RM2bn, respectively. With this change, we assume a total order win of RM6bn in FY19-21E.
- We increased the target PE for SunCon from 12x to 15x, to arrive at the new valuation.
- We reduced the EBIT margins for precast division from 14-16% to 1-2% based on management's guidance.
- Adjusted the earnings recognition in FY19-21E based on the percentage of job completion by end-FY18.

Fig 1 SunCon valuation

Business Segments	Valuation Method	Stake	New Estimates (RM 'mil)	Old Estimates (RM 'mil)	Change (%)
Construction and Precast	PER of 15x in FY20E	100%	2,133	1,413	51%
FY19E estimated net cash			456	392	16%
Sum of the parts (SOTP)			2,589	1,805	43%
No. of shares ('mil)			1,293	1,293	0%
<b>Target Price (RM)</b>			<b>2.00</b>	<b>1.40</b>	<b>43%</b>
Implied PE			18x	12x	

Source: Macquarie Research, May 2019

Fig 2 Changes in estimates

RM 'mil	New estimates			Old estimates			Change in estimates		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	2,383	2,598	2,229	2,309	1,880	1,947	3.2%	38.2%	14.5%
EBIT	175	179	171	184	147	157	-5.1%	21.7%	9.1%
Profit before tax	181	188	186	195	158	171	-7.2%	19.0%	8.9%
Adjusted net profit	143	149	147	156	127	137	-8.3%	17.5%	7.6%
Diluted EPS (sen)	11.0	11.5	11.4	12.0	9.8	10.6	-8.3%	17.5%	7.6%

Source: Macquarie Research, May 2019

Fig 3 MQ vs. consensus

RM 'mil	Macquarie			Consensus			Difference		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	2,383	2,598	2,229	2,328	2,311	2,333	2.4%	12.4%	-4.4%
EBIT	175	179	171	180	160	180	-2.9%	11.8%	-5.1%
Profit before tax	181	188	186	190	197	200	-5.0%	-4.2%	-7.0%
Adjusted net profit	143	149	147	151	156	161	-5.4%	-4.6%	-8.3%
Diluted EPS (sen)	11.0	11.5	11.4	11.7	12.2	12.2	-5.6%	-5.6%	-6.7%

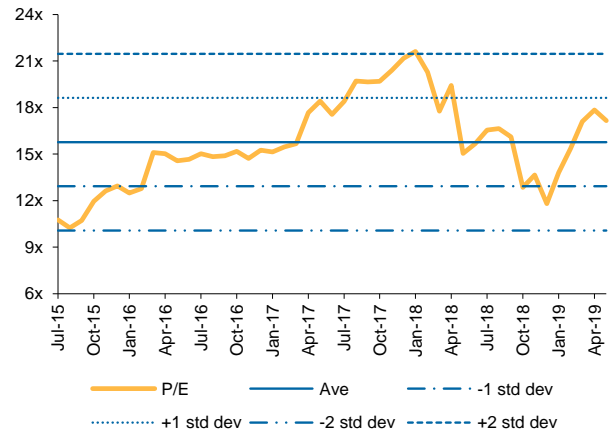
Source: Bloomberg, Macquarie Research, May 2019

Fig 4 SunCon scenario analysis

Scenario	Bear	Base	Bull
<b>Fair value (RM)</b>	<b>1.77</b>	<b>2.00</b>	<b>2.49</b>
Upside (%)	-7.8%	4.3%	29.5%
Dividend Yield (%)	4.6%	4.6%	4.6%
TSR (%)	-3.2%	8.9%	34%
Implied PE	16x	18x	22x
<b>Key Assumptions</b>			
Orderbook replenishment FY19E	1,500	2,000	2,500
Orderbook replenishment FY20E	1,500	2,000	2,500
<b>Target PE</b>	<b>14x</b>	<b>15x</b>	<b>18x</b>
<b>Current share price (RM)</b> 1.92			
Potential upside / (downside) (%)	4.3%		
FY19E dividend yield	3.6%		
<b>TSR (%)</b>	<b>7.9%</b>		

Source: Bloomberg, Company data, Macquarie Research, May 2019

Fig 5 Rolling fwd-PE band

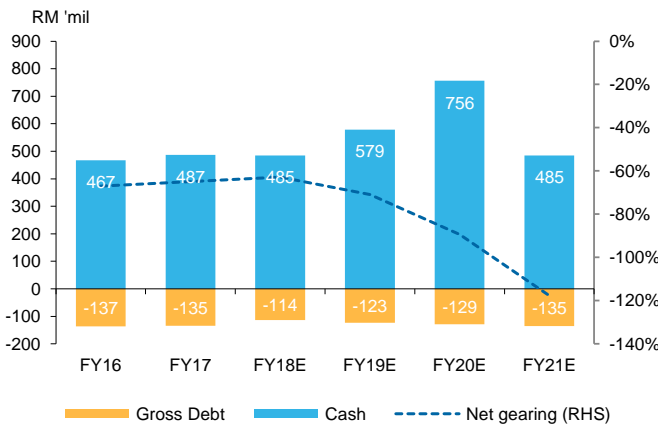


Source: Company data, Macquarie Research, May 2019

**What we like about SunCon?**

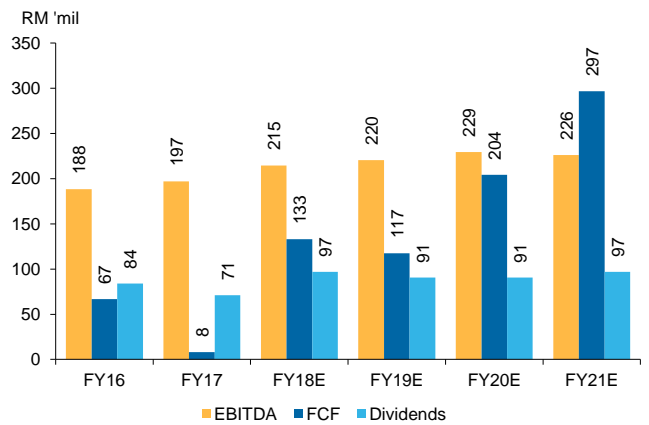
- SunCon is cash rich and therefore has the steadiest balance sheet and ample working capital.

Fig 6 SunCon has been in net cash since its listing year in 2015



Source: Company data, Macquarie Research, May 2019

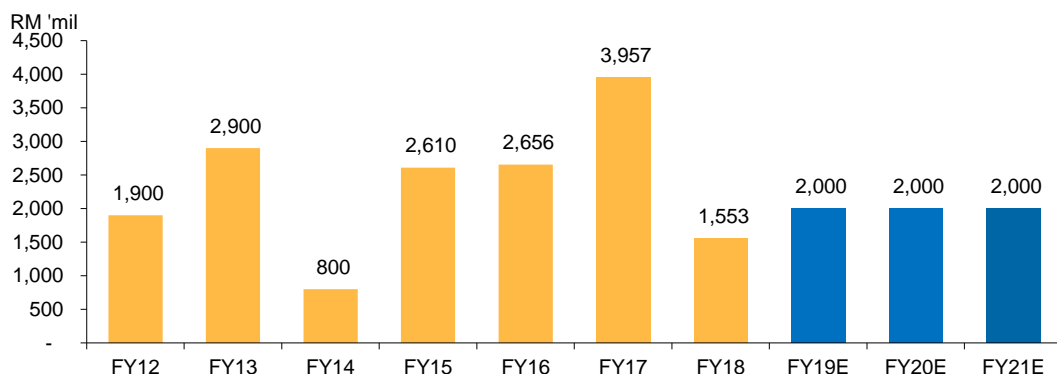
Fig 7 FCF yield averages at 4% in FY15-18, and we estimate FCF yield average to rise to 8% in FY19-21E



Source: Company data, Macquarie Research, May 2019

- Historical order wins have been steady and management has managed to hit all the orderbook replenishment targets in the past. SunCon currently has an outstanding orderbook of RM6bn.

Fig 8 SunCon's historical and forecast order wins



Source: Company data, Macquarie Research, May 2019

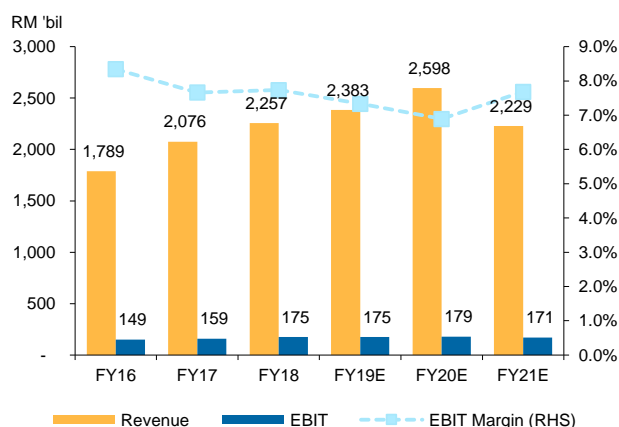
Fig 9 SunCon's orderbook as at 31 December 2018 stood at RM6bn

Project	Completion Period	Contract Value (RM 'mil)	Outstanding value (RM 'mil)	% Completion
<b>External</b>				
Putrajaya Parcel F	1Q19	1,610	170	89%
PP1AM Kota Bharu	1Q20	582	180	69%
Nippon Express	4Q19	70	48	31%
MRT V201 (Sg. Buloh - Persiaran Dagang)	2Q21	1,213	459	62%
LRT3 (GS07 & GS08)	4Q20	2,178	1,969	10%
GDC (plant 2)	3Q19	14	14	0%
Piling works	4Q19	128	99	23%
Others (building)	4Q18	487	21	96%
Others (infra)	4Q18	87	3	97%
TNB HQ Campus	2Q21	781	781	0%
<b>Total</b>		<b>7,150</b>	<b>3,744</b>	<b>48%</b>
<b>Internal</b>				
Sunway Velocity Medical Centre	4Q18	185	32	83%
Sunway Medical Centre Phase 4	2Q19	512	439	14%
Sunway Iskandar - Emerald Residences	1Q18	175	15	91%
Sunway Iskandar - Big Box	1Q18	169	74	56%
Sunway Serene	4Q20	449	339	24%
Sunway Carnival 2	4Q20	286	256	10%
SunGeo Lake	2Q21	223	177	21%
SMC Seberang Jaya	4Q20	180	167	7%
Velocity EcoDeck	4Q18	11	10	9%
M&E Works	4Q18	30	11	63%
Velo 2	4Q21	352	352	0%
3C4	2Q21	100	99	1%
<b>Total</b>		<b>2,672</b>	<b>1,971</b>	<b>26%</b>
<b>Precast</b>				
Singapore HDB	2Q19	331	53	84%
New orders	4Q21	229	233	-2%
<b>Total</b>		<b>560</b>	<b>286</b>	<b>49%</b>
<b>Grand Total</b>		<b>10,382</b>	<b>6,001</b>	<b>42%</b>
<b>Orderbook replenishment</b>				
FY19E		2,000		
FY20E		2,000		
FY21E		2,000		
<b>Total</b>		<b>6,000</b>		

Source: Company data, Macquarie Research, May 2019

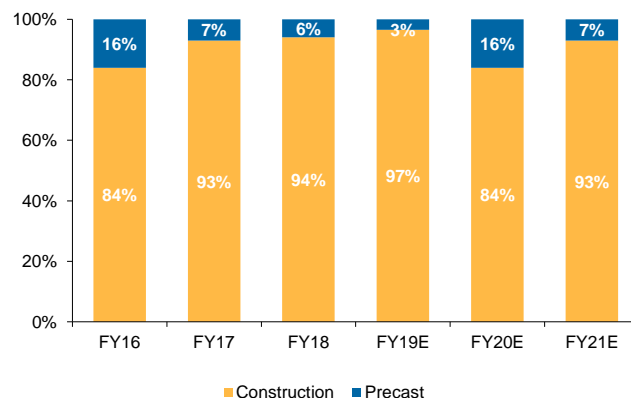
- SunCon actively looked for value engineering works to enhance its construction margin, despite Precast being a drag to the group.

Fig 10 SunCon managed to maintain its margin despite weakness in the Precast division



Source: Company data, Macquarie Research, May 2019

Fig 11 Composition of EBIT by division

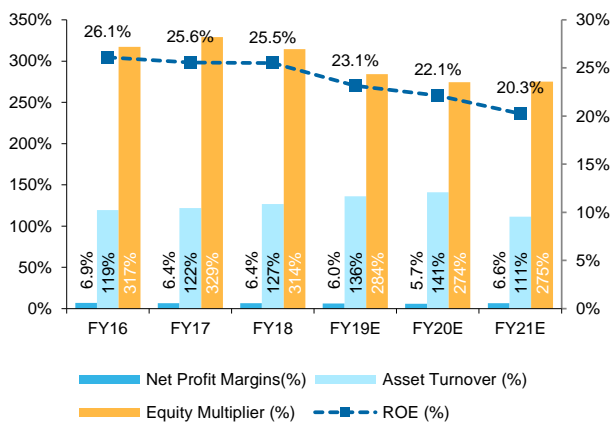


Source: Company data, Macquarie Research, May 2019

**What we don't like about SunCon?**

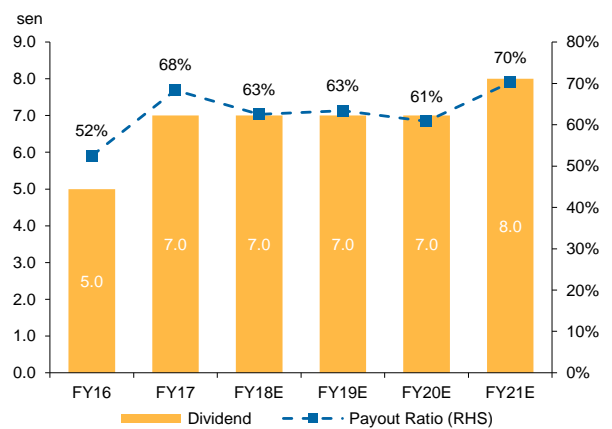
- SunCon's venture into overseas projects will likely bring vulnerabilities to its earnings from i) currency fluctuations; ii) timeliness of paymasters abroad; and iii) a potential change in government which could change the entire term agreed in the respective project.
- In Malaysia the precast business is faced with the demand slowdown in Singapore. Lower ASP coupled with the higher overheads stemming from the division's plant expansion in FY17 – profitability is at risk.
- SunCon's ROE is on a declining trend – despite producing the highest ROE among the top 5 largest construction companies in Malaysia by market cap. ROE could be increased with a higher dividend payout, but we estimate a dividend upgrade will only happen in FY21E, once the Malaysia Construction sector begins to award new construction jobs – and thus provide a better earnings outlook.

**Fig 12 EBIT declining from high 20% to potentially low 20% due to lower asset turnover**



Source: Company data, Macquarie Research, May 2019

**Fig 13 Dividend and payout ratio need to be increased to elevate ROE**



Source: Company data, Macquarie Research, May 2019

**Fig 14 Malaysia Construction comps**

Company	Ticker	Rec.	CP (RM)	TP (RM)	Upside (%)	Mkt Cap (USDm)	1m ADTV (USDm)	FY19E Yield (%)	FY19E Net gearing (%)	FY19E PER (x)	FY20E PER (x)	FY19E ROE (%)	FY20E ROE (%)	FY19E P/Bv (x)	FY20E P/Bv (x)
<b>Malaysia</b>															
IJM Corp	IJM MK	N	2.06	2.10	2%	1,819	2.5	1.9	41.0	19.0	16.6	7.0	3.9	0.8	0.8
Gamuda	GAM MK	N	3.20	2.70	-16%	1,935	4.5	3.8	51.7	12.5	13.4	9.8	10.9	1.1	1.0
MRCB	MRC MK	OP	0.95	1.20	26%	1,058	4.3	1.3	52.8	28.7	18.3	3.0	2.6	1.1	0.8
SunCon	SCGB MK	N	1.92	2.00	4%	606	0.5	3.6	-70.7	17.4	16.7	23.1	22.1	3.9	3.5
Kerjaya Prospek	KPG MK	OP	1.27	1.60	26%	379	0.2	2.8	-21.1	9.4	8.5	20.1	15.2	2.4	1.9
Econpile	ECON MK	N	0.62	0.45	-27%	212	4.7	2.9	10.8	13.6	14.2	29.3	25.9	3.4	2.7
AQRS	AQRS MK	OP	1.35	1.80	34%	169	0.7	2.9	10.9	10.5	8.2	6.8	14.9	2.4	2.2
HSS Engineers	HSS MK	OP	1.01	1.30	29%	125	0.3	0.8	-32.4	14.5	11.1	17.8	17.9	nmf	6.1
<b>Mkt. Cap. Weighted Average</b>								<b>2.6</b>	<b>28.5</b>	<b>17.4</b>	<b>15.0</b>	<b>10.5</b>	<b>9.6</b>	<b>1.5</b>	<b>1.4</b>

Source: Bloomberg, Macquarie Research, Company data, May 2019; share prices as at 13 May 2019 close

# Macquarie Quant Alpha Model Views

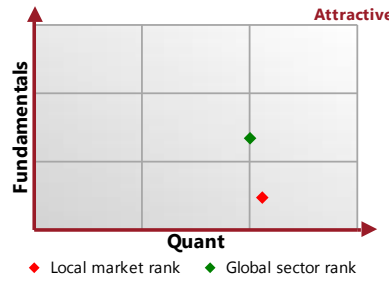
The Quant View page below has been derived from models that are developed and maintained by Sales and Trading personnel at Macquarie. The models are not a product of the Macquarie Research Department.

The quant model currently holds a reasonably positive view on Sunway Construction Group. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Growth, indicating this stock has weak historic and/or forecast growth. Growth metrics focus on both top and bottom line items...

**671/2013**

Global rank in Capital Goods

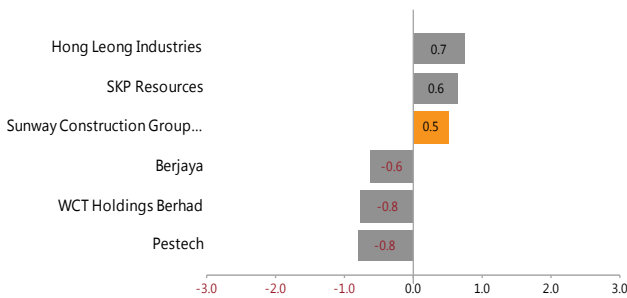
% of BUY recommendations: 29% (4/14)  
 Number of Price Target downgrades: 0  
 Number of Price Target upgrades: 1



Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model. Two rankings: Local market (Malaysia) and Global sector (Capital Goods)

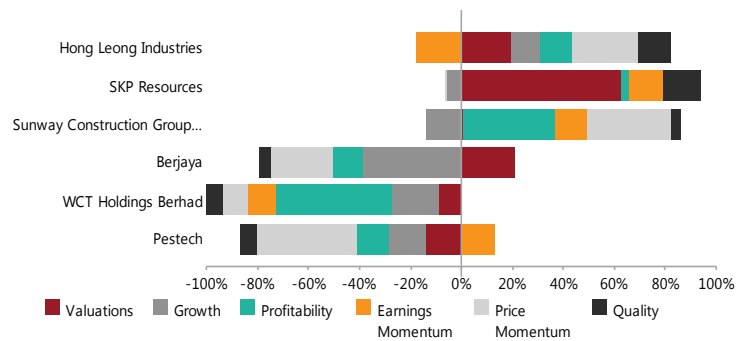
## Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



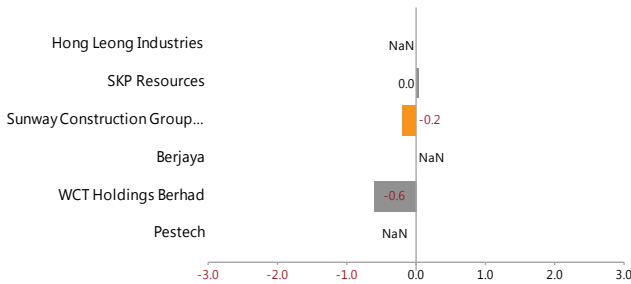
## Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



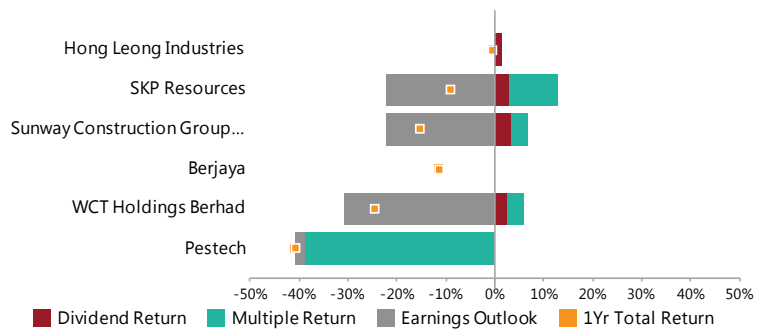
## Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



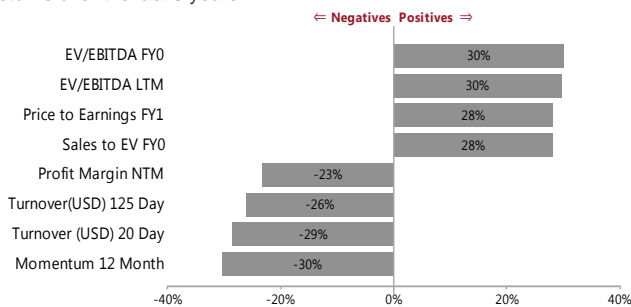
## Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



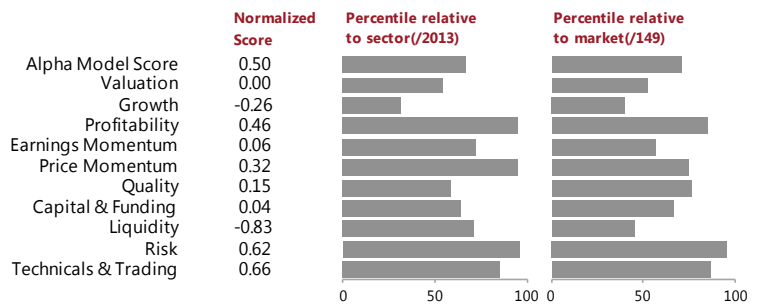
## What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



## How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group ([cpg@macquarie.com](mailto:cpg@macquarie.com))

## Sunway Construction Group (SCGB MK, Neutral, Target Price: RM2.00)

Interim Results		2H/18A	1H/19E	2H/19E	1H/20E	Profit & Loss		2018A	2019E	2020E	2021E
Revenue	m	1,241	1,072	1,311	1,169	Revenue	m	2,257	2,383	2,598	2,229
Gross Profit	m	118	99	121	103	Gross Profit	m	215	220	229	226
Cost of Goods Sold	m	1,123	973	1,190	1,066	Cost of Goods Sold	m	2,042	2,163	2,369	2,003
EBITDA	m	118	99	121	103	EBITDA	m	215	220	229	226
Depreciation	m	22	21	25	23	Depreciation	m	40	46	50	55
Amortisation of Goodwill	m	0	0	0	0	Amortisation of Goodwill	m	0	0	0	0
Other Amortisation	m	0	0	0	0	Other Amortisation	m	0	0	0	0
EBIT	m	96	79	96	81	EBIT	m	175	175	179	171
Net Interest Income	m	-5	-4	-5	-4	Net Interest Income	m	-8	-8	-9	-9
Associates	m	0	0	0	0	Associates	m	1	0	0	0
Exceptionals	m	0	0	0	0	Exceptionals	m	0	0	0	0
Forex Gains / Losses	m	0	0	0	0	Forex Gains / Losses	m	0	0	0	0
Other Pre-Tax Income	m	9	6	8	8	Other Pre-Tax Income	m	16	14	18	24
Pre-Tax Profit	m	101	81	99	85	Pre-Tax Profit	m	183	181	188	186
Tax Expense	m	-21	-17	-21	-18	Tax Expense	m	-38	-38	-40	-39
Net Profit	m	80	64	79	67	Net Profit	m	145	143	149	147
Minority Interests	m	-0	-0	-0	-0	Minority Interests	m	-0	-0	-0	-0
Reported Earnings	m	80	64	79	67	Reported Earnings	m	145	143	149	147
Adjusted Earnings	m	80	64	79	67	Adjusted Earnings	m	145	143	149	147
EPS (rep)	sen	6.2	5.0	6.1	5.2	EPS (rep)	sen	11.2	11.0	11.5	11.4
EPS (adj)	sen	6.2	5.0	6.1	5.2	EPS (adj)	sen	11.2	11.0	11.5	11.4
EPS Growth yoy (adj)	%	-7.3	-1.3	-1.3	4.2	EPS Growth (adj)	%	9.3	-1.3	4.2	-1.1
						PE (rep)	x	17.2	17.4	16.7	16.9
						PE (adj)	x	17.2	17.4	16.7	16.9
EBITDA Margin	%	9.5	9.2	9.2	8.8	Total DPS	sen	7.0	7.0	7.0	8.0
EBIT Margin	%	7.7	7.3	7.3	6.9	Total Div Yield	%	3.6	3.6	3.6	4.2
Earnings Split	%	55.0	45.0	55.0	45.0	Basic Shares Outstanding	m	1,293	1,293	1,293	1,293
Revenue Growth	%	0.1	5.6	5.6	9.0	Diluted Shares Outstanding	m	1,293	1,293	1,293	1,293
EBIT Growth	%	-5.2	0.1	0.1	2.4						
<b>Profit and Loss Ratios</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>	<b>Cashflow Analysis</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
Revenue Growth	%	8.7	5.6	9.0	-14.2	EBITDA	m	215	220	229	226
EBITDA Growth	%	9.0	2.7	4.1	-1.5	Tax Paid	m	-38	-38	-40	-39
EBIT Growth	%	9.7	0.1	2.4	-4.4	Chgs in Working Cap	m	47	35	119	182
Gross Profit Margin	%	9.5	9.2	8.8	10.1	Net Interest Paid	m	8	6	9	15
EBITDA Margin	%	9.5	9.2	8.8	10.1	Other	m	-42	-42	-42	-42
EBIT Margin	%	7.7	7.3	6.9	7.7	Operating Cashflow	m	189	181	276	342
Net Profit Margin	%	6.4	6.0	5.7	6.6	Acquisitions	m	-44	0	0	0
Payout Ratio	%	62.6	63.4	60.8	70.2	Capex	m	-56	-64	-71	-45
EV/EBITDA	x	9.8	9.6	9.2	9.3	Asset Sales	m	1	0	0	0
EV/EBIT	x	12.0	12.1	11.8	12.3	Other	m	25	0	0	0
<b>Balance Sheet Ratios</b>						Investing Cashflow	m	-74	-64	-71	-45
ROE	%	25.5	23.1	22.1	20.3	Dividend (Ordinary)	m	-97	-91	-91	-97
ROA	%	9.8	10.0	9.7	8.6	Equity Raised	m	0	0	0	0
ROIC	%	72.2	62.4	74.9	178.7	Debt Movements	m	-21	9	6	6
Net Debt/Equity	%	-62.7	-70.7	-89.2	-117.4	Other	m	0	0	0	0
Interest Cover	x	21.0	21.3	20.8	18.9	Financing Cashflow	m	-118	-81	-84	-91
Price/Book	x	4.2	3.9	3.5	3.3	Net Chg in Cash/Debt	m	-2	94	178	264
Book Value per Share		0.5	0.5	0.5	0.6	Free Cashflow	m	133	117	204	297
						<b>Balance Sheet</b>		<b>2018A</b>	<b>2019E</b>	<b>2020E</b>	<b>2021E</b>
						Cash	m	485	579	756	1,020
						Receivables	m	884	784	783	672
						Inventories	m	30	32	35	29
						Investments	m	0	0	0	0
						Fixed Assets	m	163	166	171	145
						Intangibles	m	4	4	4	4
						Other Assets	m	188	188	189	190
						Total Assets	m	1,754	1,752	1,938	2,060
						Payables	m	656	593	714	779
						Short Term Debt	m	114	123	129	135
						Long Term Debt	m	0	0	0	0
						Provisions	m	0	0	0	0
						Other Liabilities	m	392	392	392	392
						Total Liabilities	m	1,162	1,107	1,235	1,307
						Shareholders' Funds	m	629	681	740	790
						Minority Interests	m	1	1	2	2
						Other	m	-38	-38	-38	-38
						Total S/H Equity	m	593	645	703	754
						Total Liab & S/H Funds	m	1,754	1,752	1,938	2,060

All figures in MYR unless noted.

Source: Company data, Macquarie Research, May 2019

## Important disclosures:

Recommendation definitions	Volatility index definition*	Financial definitions
<p><b>Macquarie – Asia, USA, Europe and Mazi Macquarie (SA):</b>            Outperform – expected return &gt;10%            Neutral – expected return from -10% to +10%            Underperform – expected return &lt;-10%</p> <p><b>Macquarie - Australia/New Zealand</b>            Outperform – expected return &gt;10%            Neutral – expected return from 0% to 10%            Underperform – expected return &lt;0%</p> <p>Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk</p>	<p>This is calculated from the volatility of historical price movements.</p> <p><b>Very high-highest risk</b> – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.</p> <p><b>High</b> – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.</p> <p><b>Medium</b> – stock should be expected to move up or down at least 30–40% in a year.</p> <p><b>Low-medium</b> – stock should be expected to move up or down at least 25–30% in a year.</p> <p><b>Low</b> – stock should be expected to move up or down at least 15–25% in a year.            * Applicable to select stocks in Asia/Australia/NZ</p> <p><b>Recommendations</b> – 12 months  <b>Note:</b> Quant recommendations may differ from Fundamental Analyst recommendations</p>	<p>All "Adjusted" data items have had the following adjustments made:            Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives &amp; hedging, IFRS impairments &amp; IFRS interest expense            Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends &amp; minority interests</p> <p><b>EPS</b> = adjusted net profit / efpowa*  <b>ROA</b> = adjusted ebit / average total assets  <b>ROA Banks/Insurance</b> = adjusted net profit / average total assets  <b>ROE</b> = adjusted net profit / average shareholders funds  <b>Gross cashflow</b> = adjusted net profit + depreciation            *equivalent fully paid ordinary weighted average number of shares</p> <p>All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).</p>

## Recommendation proportions – For quarter ending 31 March 2019

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	48.45%	56.50%	47.06%	51.94%	68.53%	51.76%	(for global coverage by Macquarie, 3.69% of stocks followed are investment banking clients)
Neutral	35.27%	30.15%	32.94%	42.78%	24.48%	38.19%	(for global coverage by Macquarie, 2.76% of stocks followed are investment banking clients)
Underperform	16.28%	13.35%	20.00%	5.28%	6.99%	10.05%	(for global coverage by Macquarie, 0.89% of stocks followed are investment banking clients)

Note: This table does not reflect the announced cessation of research services effective April 29, 2019, through our affiliate Macquarie Capital Markets Canada Ltd.

## Company-specific disclosures:

Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures).

## Analyst certification:

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The Analysts responsible for preparing this report receive compensation from Macquarie that is based upon various factors including Macquarie Group Ltd total revenues, a portion of which are generated by Macquarie Group's Investment Banking activities.

## General disclaimers:

Macquarie Securities (Australia) Ltd; Macquarie Capital (Europe) Ltd; Macquarie Capital (Ireland) DAC; Macquarie Capital Markets North America Ltd; Macquarie Capital (USA) Inc; Macquarie Capital Limited, Taiwan Securities Branch; Macquarie Capital Securities (Singapore) Pte Ltd; Macquarie Securities (NZ) Ltd; Mazi Macquarie Securities (RF) (Pty) Ltd; Macquarie Capital Securities (India) Pvt Ltd; Macquarie Capital Securities (Malaysia) Sdn Bhd; Macquarie Securities Korea Limited and Macquarie Securities (Thailand) Ltd are not authorized deposit-taking institutions for the purposes of the Banking Act 1959 (Commonwealth of Australia), and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL) or MGL. MBL does not guarantee or otherwise provide assurance in respect of the obligations of any of the above mentioned entities. MGL provides a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of Macquarie Capital Securities (Singapore) Pte Ltd for up to SGD 35 million. This research has been prepared for the general use of the wholesale clients of the Macquarie Group and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please tell us immediately by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person. MGL has established and implemented a conflicts policy at group level (which may be revised and updated from time to time) (the "Conflicts Policy") pursuant to regulatory requirements (including the FCA Rules) which sets out how we must seek to identify and manage all material conflicts of interest. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. In preparing this research, we did not take into account your investment objectives, financial situation or particular needs. Macquarie salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this research. Macquarie Research produces a variety of research products including, but not limited to, fundamental analysis, macro-economic analysis, quantitative analysis, and trade ideas. Recommendations contained in one type of research product may differ from recommendations contained in other types of research, whether as a result of differing time horizons, methodologies, or otherwise. Before making an investment decision on the basis of this research, you need to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of your particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Macquarie Group accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Clients should contact analysts at, and execute transactions through, a Macquarie Group entity in their home jurisdiction unless governing law permits otherwise. The date and timestamp for above share price and market cap is the closed price of the price date. #CLOSE is the final price at which the security is traded in the relevant exchange on the date indicated. Members of the Macro Strategy team are Sales & Trading personnel who provide desk commentary that is not a product of the Macquarie Research department or subject to FINRA Rule 2241 or any other regulation regarding independence in the provision of equity research.

## Country-specific disclaimers:

**Australia:** In Australia, research is issued and distributed by Macquarie Securities (Australia) Ltd (AFSL No. 238947), a participating organization of the Australian Securities Exchange. Macquarie Securities (Australia) Limited staff involved with the preparation of research have regular interaction with companies they cover. Additionally, Macquarie Group Limited does and seeks to do business with companies covered by Macquarie Research. There are robust information barriers in place to protect the independence of Macquarie Research's product. However, recipients of Macquarie Research should be aware of this potential conflict of interest. **New Zealand:** In New Zealand, research is issued and distributed by Macquarie Securities (NZ) Ltd, a NZX Firm. **United Kingdom:** In the United Kingdom, research is issued and distributed by Macquarie Capital (Europe) Ltd, which is authorised and regulated by the Financial Conduct Authority (No. 193905). **Germany:** In Germany, this research is issued and/or distributed by Macquarie Capital



(Ireland) DAC, which is authorised and regulated by the Central Bank of Ireland (No. C186531). **France:** In France, research is issued and distributed by Macquarie Capital (Ireland) DAC, which is authorised and regulated by the Central Bank of Ireland (No. C186531). **Hong Kong & Mainland China:** In Hong Kong, research is issued and distributed by Macquarie Capital Limited, which is licensed and regulated by the Securities and Futures Commission. In Mainland China, Macquarie Securities (Australia) Limited Shanghai Representative Office only engages in non-business operational activities excluding issuing and distributing research. Only non-A share research is distributed into Mainland China by Macquarie Capital Limited. **Japan:** In Japan, research is Issued and distributed by Macquarie Capital Securities (Japan) Limited, a member of the Tokyo Stock Exchange, Inc. and Osaka Exchange, Inc. (Financial Instruments Firm, Kanto Financial Bureau (kin-sho) No. 231, a member of Japan Securities Dealers Association). **India:** In India, research is issued and distributed by Macquarie Capital Securities (India) Pvt. Ltd. (CIN: U65920MH1995PTC090696), 92, Level 9, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, India, which is a SEBI registered Research Analyst having registration no. INH000000545. **Malaysia:** In Malaysia, research is issued and distributed by Macquarie Capital Securities (Malaysia) Sdn. Bhd. (Company registration number: 463469-W) which is a Participating Organisation of Bursa Malaysia Berhad and a holder of Capital Markets Services License issued by the Securities Commission. **Taiwan:** In Taiwan, research is issued and distributed by Macquarie Capital Limited, Taiwan Securities Branch, which is licensed and regulated by the Financial Supervisory Commission. No portion of the report may be reproduced or quoted by the press or any other person without authorisation from Macquarie. Nothing in this research shall be construed as a solicitation to buy or sell any security or product. The recipient of this report shall not engage in any activities which may give rise to potential conflicts of interest to the report. Research Associate(s) in this report who are registered as Clerks only assist in the preparation of research and are not engaged in writing the research. Macquarie may be in past one year or now being an Issuer of Structured Warrants on securities mentioned in this report. **Thailand:** In Thailand, research is produced, issued and distributed by Macquarie Securities (Thailand) Ltd. Macquarie Securities (Thailand) Ltd. is a licensed securities company that is authorized by the Ministry of Finance, regulated by the Securities and Exchange Commission of Thailand and is an exchange member of the Stock Exchange of Thailand. The Thai Institute of Directors Association has disclosed the Corporate Governance Report of Thai Listed Companies made pursuant to the policy of the Securities and Exchange Commission of Thailand. Macquarie Securities (Thailand) Ltd does not endorse the result of the Corporate Governance Report of Thai Listed Companies but this Report can be accessed at: <http://www.thai-iod.com/en/publications.asp?type=4>. **South Korea:** In South Korea, unless otherwise stated, research is prepared, issued and distributed by Macquarie Securities Korea Limited, which is regulated by the Financial Supervisory Services. Information on analysts in MSKL is disclosed at <http://dis.kofia.or.kr/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystStut.xml&divisionId=MDIS03002001000000&serviceId=SDIS03002001000>. **South Africa:** In South Africa, research is issued and distributed by Mazi Macquarie Securities (RF) (Pty) Ltd, a member of the JSE Limited. **Singapore:** In Singapore, research is issued and distributed by Macquarie Capital Securities (Singapore) Pte Ltd (Company Registration Number: 198702912C), a Capital Markets Services license holder under the Securities and Futures Act to deal in securities and provide custodial services in Singapore. Pursuant to the Financial Advisers (Amendment) Regulations 2005, Macquarie Capital Securities (Singapore) Pte Ltd is exempt from complying with sections 25, 27 and 36 of the Financial Advisers Act. All Singapore-based recipients of research produced by Macquarie Capital (Europe) Limited, Mazi Macquarie Securities (RF) (Pty) Ltd and Macquarie Capital (USA) Inc. represent and warrant that they are institutional investors as defined in the Securities and Futures Act. **United States:** In the United States, research is issued and distributed by Macquarie Capital (USA) Inc., which is a registered broker-dealer and member of FINRA. Macquarie Capital (USA) Inc. accepts responsibility for the content of each research report prepared by one of its non-US affiliates when the research report is distributed in the United States by Macquarie Capital (USA) Inc. Macquarie Capital (USA) Inc.'s affiliate's analysts are not registered as research analysts with FINRA, may not be associated persons of Macquarie Capital (USA) Inc., and therefore may not be subject to FINRA rule restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account. Information regarding futures is provided for reference purposes only and is not a solicitation for purchases or sales of futures. Any persons receiving this report directly from Macquarie Capital (USA) Inc. and wishing to effect a transaction in any security described herein should do so with Macquarie Capital (USA) Inc. Important disclosure information regarding the subject companies covered in this report is available at [www.macquarie.com/research/disclosures](http://www.macquarie.com/research/disclosures), or contact your registered representative at 1-888-MAC-STOCK, or write to the Supervisory Analysts, Research Department, Macquarie Securities, 125 W.55th Street, New York, NY 10019.

© Macquarie Group

## Equities

## Asia Research

## Head of Equity Research

Jake Lynch (Asia – Head)	(852) 3922 3583
Hiroyuki Sakaida (Japan – Head)	(813) 3512 6695
Conrad Werner (ASEAN – Head)	(65) 6601 0182

## Automobiles, Auto Parts

Janet Lewis (China, Japan)	(813) 3512 7856
Allen Yuan (China)	(8621) 2412 9009
James Hong (Korea)	(822) 3705 8661
Amit Mishra (India)	(9122) 6720 4084
Robert Pranata (Indonesia)	(6221) 2598 8366

## Banks and Financials

Scott Russell (Asia)	(852) 3922 3567
Dexter Hsu (China, Taiwan)	(8862) 2734 7530
Keisuke Moriyama (Japan)	(813) 3512 7476
Jeff Kim (Korea)	(822) 3705 8676
Suresh Ganapathy (India)	(9122) 6720 4078
Conrad Werner (Singapore)	(65) 6601 0182
Jayden Vantarakis (Indonesia)	(6221) 2598 8310
Anand Pathmakanthan (Malaysia)	(603) 2059 8833
Gilbert Lopez (Philippines)	(632) 857 0892
Peach Patharavanakul (Thailand)	(662) 694 7753

## Basic Materials, Commodities

David Ching (China, Hong Kong)	(852) 3922 1823
Harunobu Goroh (Japan)	(813) 3512 7886
Yasuhiro Nakada (Japan)	(813) 3512 7862
Anna Park (Korea)	(822) 3705 8669
Sumangal Nevatia (India)	(9122) 6720 4093
Jayden Vantarakis (Indonesia)	(6221) 2598 8310

## Conglomerates

David Ng (China, Hong Kong)	(852) 3922 1291
Gilbert Lopez (Philippines)	(632) 857 0892
Conrad Werner (Singapore)	(65) 6601 0182

## Consumer, Gaming

Linda Huang (Asia)	(852) 3922 4068
Terence Chang (China, Hong Kong)	(852) 3922 3581
Sunny Chow (China, Hong Kong)	(852) 3922 3768
Edward Engel (China, Hong Kong)	(852) 3922 5750
Leon Rapp (Japan)	(813) 3512 7879
Kwang Cho (Korea)	(822) 3705 4953
Amit Sinha (India)	(9122) 6720 4085
Robert Pranata (Indonesia)	(6221) 2598 8366
Richardo Walujo (Indonesia)	(6221) 2598 8369
Denise Soon (Malaysia)	(603) 2059 8845
Karisa Magpayo (Philippines)	(632) 857 0899
Chaline Congmuang (Thailand)	(662) 694 7993

## Emerging Leaders

Corinne Jian (Asia)	(8862) 2734 7522
Marcus Yang (China)	(8621) 2412 9087
Kwang Cho (Korea)	(822) 3705 4953
Conrad Werner (ASEAN)	(65) 6601 0182
Bo Denworlak (Thailand)	(662) 694 7774

## Infrastructure, Industrials, Transportation

Patrick Dai (China)	(8621) 2412 9082
Eric Zong (China, Hong Kong)	(852) 3922 4749
Kunio Sakaida (Japan)	(813) 3512 7873
James Hong (Korea)	(822) 3705 8661
Corinne Jian (Taiwan)	(8862) 2734 7522
Inderjeetsingh Bhatia (India)	(9122) 6720 4087

## Internet, Media and Software

Wendy Huang (Asia)	(852) 3922 3378
John Wang (China, Hong Kong)	(852) 3922 3578
Frank Chen (China, Hong Kong)	(852) 3922 1433
Ellie Jiang (China, Hong Kong)	(852) 3922 4110
Andy Kim (Korea)	(822) 3705 8690
Alankar Garude (India)	(9122) 6720 4134

## Oil, Gas and Petrochemicals

Aditya Suresh (Asia)	(852) 3922 1265
Anna Park (Asia)	(822) 3705 8669
Yasuhiro Nakada (Japan)	(813) 3512 7862
Corinne Jian (Taiwan)	(8862) 2734 7522
Ben Shane Lim (Malaysia)	(603) 2059 8868
Yupapan Polpomprasert (Thailand)	(662) 694 7729

## Pharmaceuticals and Healthcare

David Ng (China, Hong Kong)	(852) 3922 1291
Xiang Gao (China, Hong Kong)	(8621) 2412 9006
Corinne Jian (China)	(8862) 2734 7522
Mi Hyun Kim (Korea)	(822) 3705 8689
Alankar Garude (India)	(9122) 6720 4134
Richardo Walujo (Indonesia)	(6221) 259 88 369

## Property, REIT

David Ng (China, Hong Kong)	(852) 3922 1291
Kelvin Tam (China)	(852) 3922 1181
Nicholas Ting (Hong Kong)	(852) 3922 1398
Keisuke Moriyama (Japan)	(813) 3512 7476
Derrick Heng (Singapore)	(65) 6601 0436
Abhishek Bhandari (India)	(9122) 6720 4088
Richard Danusaputra (Indonesia)	(6221) 2598 8368
Aiman Mohamad (Malaysia)	(603) 2059 8986
Kervin Sisayan (Philippines)	(632) 857 0893
Bo Denworlak (Thailand)	(662) 694 7774

## Technology

Damian Thong (Asia, Japan)	(813) 3512 7877
Jeffrey Ohlweiler (Greater China)	(8862) 2734 7512
Kaylin Tsai (Greater China)	(8862) 2734 7523
Patrick Liao (Greater China)	(8862) 2734 7515
Hiroshi Taguchi (Japan)	(813) 3512 7867
Daniel Kim (Korea)	(822) 3705 8641
Abhishek Bhandari (India)	(9122) 6720 4088

## Telecoms

Prem Jearajasingam (ASEAN)	(603) 2059 8989
Nathania Nurhalim (Indonesia)	(6221) 2598 8365
Kervin Sisayan (Philippines)	(632) 857 0893

## Utilities, Renewables

Hiroyuki Sakaida (Japan)	(813) 3512 6695
Patrick Dai (China)	(8621) 2412 9082
Sean Hu (China, Hong Kong)	(852) 3922 3571
Kerry Cheng (China)	(8621) 2412 9025
Inderjeetsingh Bhatia (India)	(9122) 6720 4087
Karisa Magpayo (Philippines)	(632) 857 0899

## Strategy, Country

Viktor Shvets (Asia, Global)	(852) 3922 3883
David Ng (China, Hong Kong)	(852) 3922 1291
Hiroyuki Sakaida (Japan)	(813) 3512 6695
Daniel Kim (Korea)	(822) 3705 8641
Jeffrey Ohlweiler (Taiwan)	(8862) 2734 7512
Inderjeetsingh Bhatia (India)	(9122) 6720 4087
Conrad Werner (ASEAN, Singapore)	(65) 6601 0182
Jayden Vantarakis (Indonesia)	(6221) 2598 8310
Anand Pathmakanthan (Malaysia)	(603) 2059 8833
Gilbert Lopez (Philippines)	(632) 857 0892
Peach Patharavanakul (Thailand)	(662) 694 7753

## Find our research at

Macquarie:	<a href="http://www.macquarieresearch.com">www.macquarieresearch.com</a>
Thomson:	<a href="http://www.thomson.com/financial">www.thomson.com/financial</a>
Reuters:	<a href="http://www.knowledge.reuters.com">www.knowledge.reuters.com</a>
Bloomberg:	MAC GO
Factset:	<a href="http://www.factset.com/home.aspx">http://www.factset.com/home.aspx</a>
CapitalIQ	<a href="http://www.capitaliq.com">www.capitaliq.com</a>
Email	<a href="mailto:macresearch@macquarie.com">macresearch@macquarie.com</a> for access

## Asia Sales

## Regional Heads of Sales

Miki Edelman (Global)	(1 212) 231 6121
Amelia Mehta (Asia)	(65) 6601 0211
Alan Chen (Asia)	(852) 3922 2019
Christina Lee (US)	(44 20) 3037 4873
Mothlib Miah (UK/Europe)	(44 20) 3037 4893
Sandeep Bhatia (India)	(9122) 6720 4101
Tim Huang (Indonesia)	(6221) 2598 8303
Thomas Renz (Geneva)	(41 22) 818 7712
Leslie Hoy (Japan)	(813) 3512 7919
Tomohiro Takahashi (Japan)	(813) 3512 7823

## Regional Heads of Sales cont'd

DJ Kwak (Korea)	(822) 3705 8608
Nik Hadi (Malaysia)	(603) 2059 8888
Gino C Rojas (Philippines)	(632) 857 0861
Paul Colaco (San Francisco)	(1 415) 762 5003
Eric Lin (Taiwan)	(8862) 2734 7590
Angus Kent (Thailand)	(662) 694 7601

## Sales Trading

Mark Weekes (Asia)	(852) 3922 2084
Stanley Dunda (Indonesia)	(6221) 515 1555

## Sales Trading cont'd

Suhaida Samsudin (Malaysia)	(603) 2059 8888
Michael Santos (Philippines)	(632) 857 0813
Chris Reale (New York)	(1 212) 231 2555
Marc Rosa (New York)	(1 212) 231 2555
Justin Morrison (Singapore)	(65) 6601 0288
Brendan Rake (Thailand)	(662) 694 7707
Mike Keen (UK/Europe)	(44 20) 3037 4905