



MALAYSIA

SCGB MK Outperform

Price (at 10:05, 18 Jan 2017 GMT) RM1.69

Valuation RM 1.57-2.15
- PER

12-month target RM 1.90

Upside/Downside % +12.4

12-month TSR % +15.0

Volatility Index Low

GICS sector Capital Goods

Market cap RMm 2,185

Market cap US\$m 487

30-day avg turnover US\$m 0.4

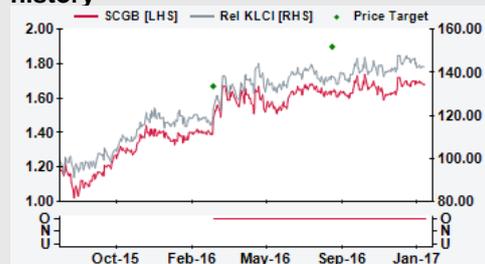
Foreign ownership % 11.0

Number shares on issue m 1,293

Investment fundamentals

Year end 31 Dec	2015A	2016E	2017E	2018E
Revenue	m 1,916.9	1,733.9	2,317.3	2,486.1
EBITDA	m 178.2	191.3	244.7	272.9
EBIT	m 136.3	145.6	192.1	211.2
Adjusted profit	m 127.2	122.9	158.8	165.2
EPS adj	sen 9.8	9.5	12.3	12.8
EPS adj growth	% -79.6	-3.4	29.3	4.0
PER adj	x 17.2	17.8	13.8	13.2
Total DPS	sen 5.4	3.3	4.3	4.5
Total div yield	% 3.2	2.0	2.5	2.6
ROA	% 9.6	10.1	13.8	14.5
ROE	% 30.6	25.0	27.3	24.0
EV/EBITDA	x 10.4	9.7	7.5	6.8
Net debt/equity	% -73.4	-64.7	-51.6	-55.5
P/BV	x 4.8	4.1	3.4	2.9

SCGB MK rel KLCI performance, & 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, January 2017

(all figures in MYR unless noted)

Analyst(s)

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18 January 2017

Macquarie Capital Securities (Malaysia) Sdn. Bhd.

Sunway Construction Group

Earnings growth backed by KVMRT2

Event

- We maintain our Outperform rating on Sunway Construction (SunCon) after we roll forward the numbers and imputed the potential earnings from the RM2.7bn order wins recorded in 2016. Despite earnings growth in FY18E, our TP is maintained at RM1.90 as we reduced our PE multiple to 14x from 15x. We lowered the PE multiple for SunCon as we think the major rail projects that are awarding this year are not exactly SunCon's forte. We expect earnings delivery from the existing KVMRT2 and Putrajaya Parcel F projects to underpin SunCon's earnings growth in FY17-19E.

Impact

- **LRT3 project is SunCon's main target in 2017.** In FY17E we forecast SunCon to replenish its orderbook by RM2bn. The breakdown of the potential order wins by type are 50% external, 40% in-house and 10% precast. We believe SunCon has a strong chance to bag the LRT3 project as it was one of the turnkey contractors for LRT2, which was delivered in FY16. We forecast LRT3 to contribute RM700mn to SunCon's potential order wins in 2017.
- **Precast facing lower ASP, shifting plant to Malaysia to mitigate impact on profitability.** We gathered from SunCon that its precast division is facing margin compressions due to the keen competition among the Singapore HDB precast suppliers. However, the impact of lower ASP will be mitigated by lower opex, as SunCon is shifting its precast plant operations from Singapore to its plants in Johor, Malaysia. We forecast SunCon's precast EBIT margins to hover around 19% in FY17-19E from >20% in FY13-16E.
- **BRT to begin award in 2018.** It was announced by the Land Public Transport Commission (SPAD) on 17 January 2017, that they are calling all potential bidders to submit their request for proposal (RFP) for KL – Klang Bus Rapid Transit (BRT) project. The RFP's deadline is 2 May 2017, and we expect that SPAD will take between three to six months to evaluate the proposals before awarding it in early 2018. The KL – Klang BRT project is expected to value between RM1.5bn and RM2bn. SunCon built the nation's first BRT project, in Sunway back in 2014, hence this shall put it in good stead to bag the KL – Klang BRT project.

Earnings and target price revision

- TP is maintained at RM1.90 despite earnings growth as we reduced our PE multiple to 14x from 15x. FY16/17/18E EPS moved by 0%/-0.1%/-8.1% post earnings revision.

Price catalyst

- 12-month price target: RM1.90 based on a PER methodology.
- Catalyst: New order wins from the upcoming infra projects

Action and recommendation

- We continue to like SunCon as it is the biggest pure-play construction company in Malaysia (by market cap). SunCon has a steady balance sheet with a net cash position. Maintain Outperform.

Analysis

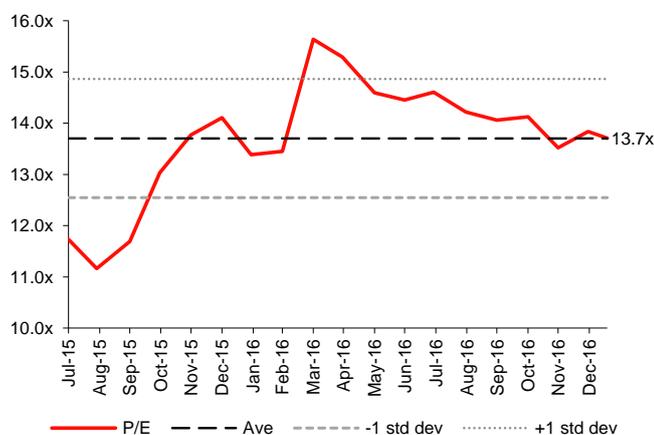
- We value SunCon at RM1.90 by ascribing a 14x multiple to its FY18E earnings. We forecast earnings to grow significantly in FY17-19E as the earnings recognition from the KVMRT2 and Putrajaya Parcel F projects begin to substantiate.
- We lowered our multiple from 15x to 14x as we believe SunCon will only be competitive to secure the LRT3 project and will not be keen to participate in the other rail infra projects such as the East Coast Rail Link (ECRL) and the Southern Electrified Double Tracking Project given that the train railway projects are not within SunCon's expertise.
- We forecast orderbook replenishment of RM2bn in FY17E for SunCon. We believe the potential win from the LRT3 project will give a major boost to SunCon's orderbook replenishment exercise in 2017. We expect the project to begin the awards in 3Q17 and forecast SunCon will bag at least RM700mn worth of jobs from the project.

Fig 1 Implied PER of 14.8x at fair value of RM1.90

Business Divisions	Valuation Method	Stake	Value (RM 'mil)
Construction and Precast FY18E PAT	PER of 14x	100%	2,313
FY18E estimated net cash			412
Sum of the parts (SOTP)			2,725
No. of shares ('mil)			1,293
SOTP/share (RM)			2.11
Discount to SOTP	10%		-0.21
Target Price (RM)			1.90

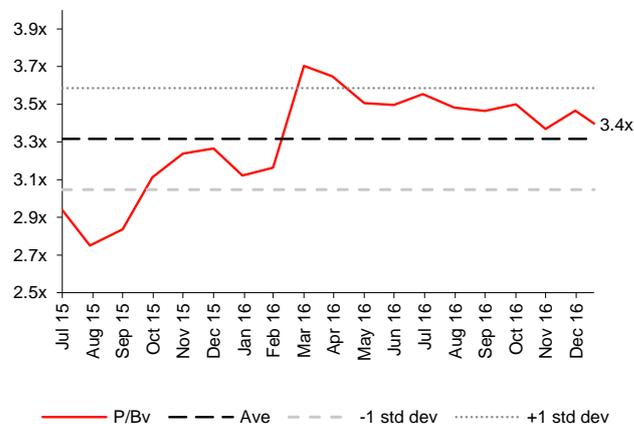
Source: Bloomberg, Macquarie Research, January 2017

Fig 2 SunCon's fwd PER is trading at the average level since listing in 2015



Source: Bloomberg, Macquarie Research, January 2017

Fig 3 SunCon's PB/v is trading at 3.4x



Source: Bloomberg, Macquarie Research, January 2017

Fig 4 SunCon vs. peers in our coverage

Company	Ticker	Rec.	CP (RM)	TP (RM)	Upside (%)	YTD de perf. (%)	Mkt Cap (USDm)	FY17E PER (x)	FY18E PER (x)	FY17E Yield (%)	Net gearing (%)	FY17E ROE (%)	FY18E ROE (%)	FY17E P/Bv (x)	FY18E P/Bv (x)
Malaysia															
SunCon	SCGB MK	OP	1.69	1.90	12%	-1%	490	13.8	13.2	2.5	-51.6	27.3	24.0	3.4	2.9
Gamuda	GAM MK	OP	4.92	5.60	14%	3%	2,677	16.1	14.5	2.6	24.2	10.7	11.1	1.7	1.6
IJM Corp	IJM MK	OP	3.37	3.87	15%	5%	2,727	16.7	14.0	3.3	46.7	7.8	8.9	1.3	1.2
Weighted Average								16.2	14.2	2.9	28.3	10.8	11.2	1.6	1.5

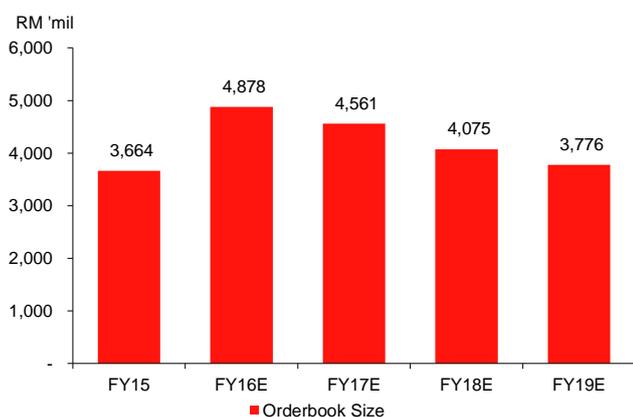
Source: Bloomberg, Macquarie Research, January 2017, prices as of 18 January

Fig 5 SunCon’s outstanding orderbook

Project	Completion	Value Outstanding value (RM 'mil)	Value Outstanding value (RM 'mil)	% completion
External				
Putrajaya Parcel F	Sep-18	1,610	1,219	24%
KLCC (NEC + 2 + 2A)	Mar-18	646	239	63%
MRT V201 (Sg. Buloh - Persiaran Dagang)	Jun-21	1,213	1,199	1%
MRT V201 - Advance Works	Sep-17	53	51	4%
HUKM (MEP works)	Jun-18	66	66	0%
International School of Kuala Lumpur	Jun-18	268	251	6%
Total		3,856	3,025	22%
Internal				
Sunway Velocity Hotel + Office	Mar-17	101	56	45%
Sunway Velocity Medical Centre	Dec-18	185	155	16%
Sunway Medical Centre Phase 4	Dec-18	428	407	5%
Sunway Iskandar Citrine Service Apartment	Mar-17	213	38	82%
Sunway Geo Retail Shops & Flexi Suites Phase 2	Mar-18	244	151	38%
Sunway Iskandar - Emerald Residences	Dec-18	175	123	30%
Sunway Iskandar - 88 units shoplots	Jun-18	57	57	0%
Sunway Iskandar - Big Box	Dec-17	100	100	0%
Sunway Property - Kelana Jaya condo	Dec-20	449	449	0%
Others - Internal	Mar-18	239	30	87%
Total		2,191	1,566	29%
Precast				
Singapore HDB	Jun-17	966	287	70%
Total		966	287	70%
Grand Total		7,013	4,878	30%
Orderbook assumptions				
Orderbook replenishment 2017	Dec-20	2,000		
Orderbook replenishment 2018	Dec-21	2,000		
Orderbook replenishment 2019	Dec-22	1,700		
Total		5,700		

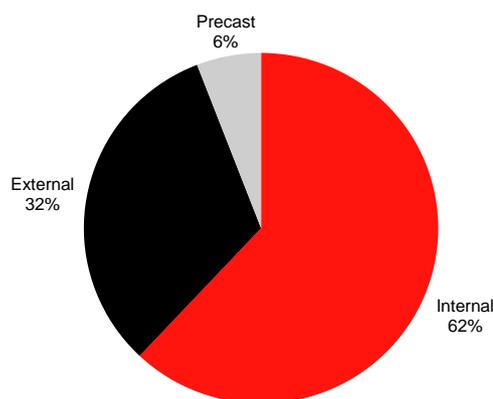
Source: Company data, Macquarie Research, January 2017

Fig 6 Outstanding orderbook forecast



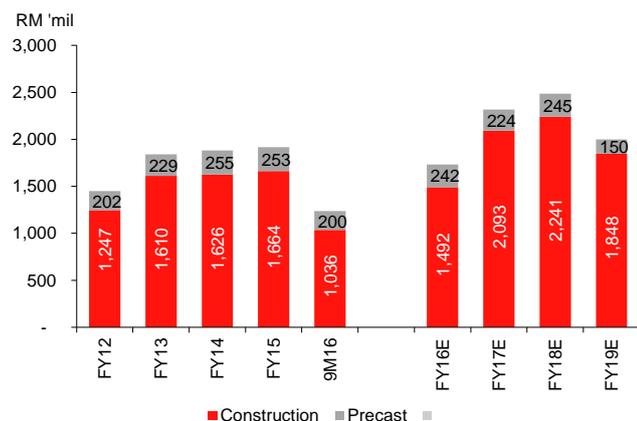
Source: Company data, Macquarie Research, January 2017

Fig 7 Outstanding orderbook by job source



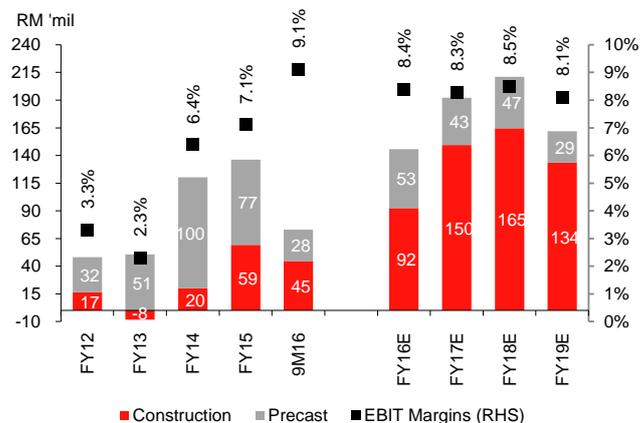
Source: Company data, Macquarie Research, January 2017

Fig 8 SunCon's revenue breakdown FY16-19E



Source: Company data, Macquarie Research, January 2017

Fig 9 SunCon's EBIT breakdown FY16-19E



Source:

Fig 10 Change in estimates

RM 'mil	New estimates			Old estimates			Change in estimates		
	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Revenue	1,734	2,317	2,486	1,810	2,237	2,429	-4.2%	3.6%	2.3%
EBITDA	191	245	273	196	248	279	-2.4%	-1.5%	-2.3%
EBIT	146	192	211	151	198	224	-3.3%	-3.0%	-5.6%
Profit before tax	154	199	217	156	204	231	-1.5%	-2.6%	-5.9%
Adjusted net profit	123	159	165	123.0	159.0	180.0	-0.1%	-0.1%	-8.2%
Diluted EPS (sen)	9.5	12.3	12.8	9.5	12.3	13.9	0.0%	-0.1%	-8.1%

Source: Macquarie Research, January 2017

Fig 11 Macquarie vs. consensus

RM 'mil	Macquarie			Consensus			Difference		
	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Revenue	1,734	2,317	2,486	1,977	2,245	2,379	-12.3%	3.2%	4.5%
EBITDA	191	245	273	204	238	253	-6.3%	2.6%	7.8%
EBIT	146	192	211	165	208	202	-11.7%	-7.5%	4.8%
Profit before tax	154	199	217	165	199	212	-6.7%	-0.4%	2.5%
Adjusted net profit	123	159	165	129	155	166	-4.7%	2.5%	-0.7%
Diluted EPS (sen)	9.5	12.3	12.8	9.9	12.3	12.9	-4.0%	-0.1%	-0.9%

Source: Bloomberg, Macquarie Research, January 2017

Fig 12 SPAD’s announcement for KI – Klang BRT RFP



**SURUHANJAYA
PENGANGKUTAN AWAM DARAT**
**LAND PUBLIC TRANSPORT
COMMISSION**

**TENDER
NOTICE**

KUALA LUMPUR TO KLANG BUS RAPID TRANSIT (KL - KLANG BRT)

- During the Government Transformation Programme (GTP) 1.0 in 2009, Bus Rapid Transit (BRT) has been identified as one of the key initiatives to transform Greater KL's bus industry. KL - Klang is the highest priority corridor from the identified 12 BRT corridors in the BRT Feasibility Study for Klang Valley. The purpose of this tender is to appoint a successful bidder for the implementation of KL - Klang BRT.
- This invitation to bid is open to all interested bidders registered in Malaysia with existing experience either in transit projects or infrastructure and building projects. Details are as per below:

TENDER NO.	TENDER DETAILS	TENDER OPENING DATE AND LOCATION	TENDER CLOSING DATE AND LOCATION
SPAD/ RFP/ BRT/ NKRA/ 01/ 2017	Request for Proposal for Bus Rapid Transit Kuala Lumpur to Klang Corridor Project (KL - Klang BRT) Project implementation which includes comprehensive planning, design, finance, construct, operate, maintain and upgrade of the KL - Klang BRT project	Date: Beginning from 17 January 2017 (Tuesday) Time : Office hours from 8.45 a.m. to 5.00 p.m. Location : Suruhanjaya Pengangkutan Awam Darat (S.P.A.D) Headquarters, Block D, Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.	Date : 2 May 2017 (Tuesday) Time : 12.00 p.m. LATE TENDER SUBMISSION WILL NOT BE ENTERTAINED Submission Location: Tender Box, Suruhanjaya Pengangkutan Awam Darat (S.P.A.D) Headquarters, Block D, Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

- Tender document fee is set at Ringgit Malaysia: Four Hundred (RM400.00) only, inclusive of Goods and Services Tax ("GST"), and is non-refundable. Payment shall be made through Bank Draft / Money Order / Wang Pos in favour of **Kumpulan Wang Suruhanjaya Pengangkutan Awam Darat**.
- Interested bidders are **compulsory** to attend a tender briefing and site visit session that will be held on **Tuesday, 24 January 2017 at 9:30 am at S.P.A.D's Headquarters, Block D, Platinum Sentral, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.**
- All complete proposals should be submitted in separate sealed envelopes in accordance with the tender instructions. These envelopes must be marked with the Title and Tender No. on the upper left-hand side of the envelope and written as follows:

**KUALA LUMPUR TO KLANG BUS RAPID TRANSIT (KL - KLANG BRT)
(TENDER NO.: SPAD/ RFP/ BRT/ NKRA/ 01/ 2017)**
- Proposals submitted after **12.00 noon, 2 May 2017** shall not be accepted and evaluated.

www.spad.gov.my

Source: Malaysia Land Public Transport Commission, January 2017

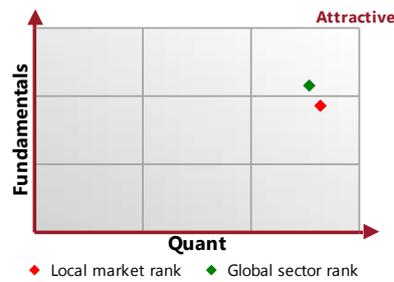
Macquarie Quant View

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 Valuations, indicating this stock is over-priced in the market relative to its peers.

295/1900

Global rank in
Capital Goods

% of BUY recommendations 88% (7/8)
Number of Price Target downgrades 0
Number of Price Target upgrades 0

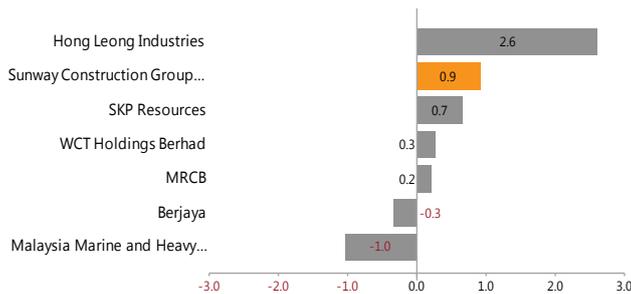


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (Malaysia) and Global sector (Capital Goods)

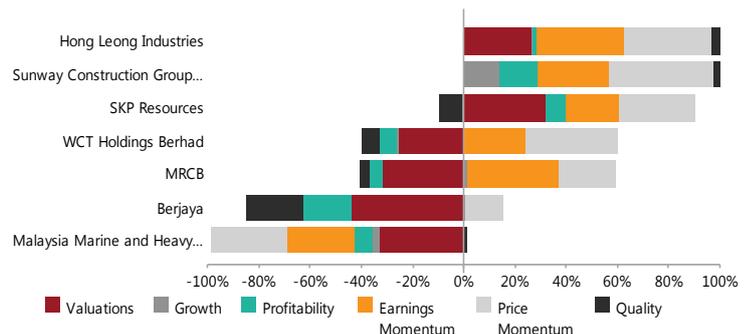
Macquarie Alpha Model ranking

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



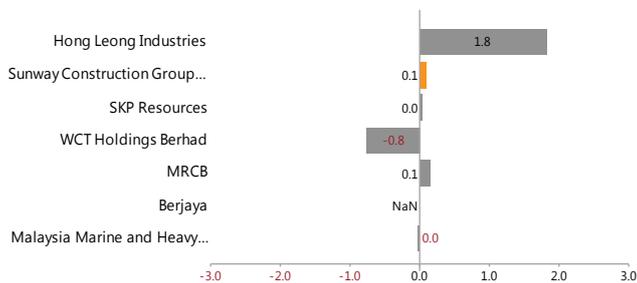
Factors driving the Alpha Model

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



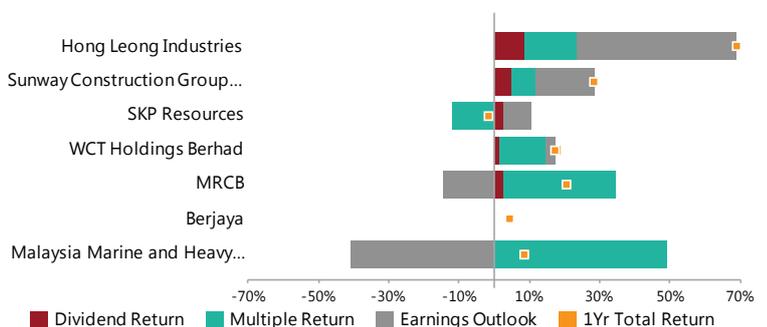
Macquarie Earnings Sentiment Indicator

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.



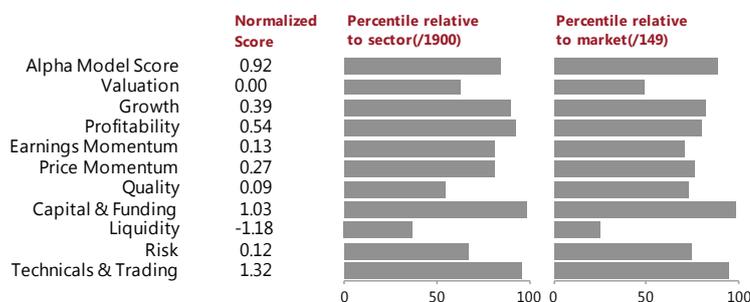
Drivers of Stock Return

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



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 Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpq@macquarie.com)

Sunway Construction Group (SCGB MK, Outperform, Target Price: RM1.90)

Interim Results					Profit & Loss						
	1H/16A	2H/16E	1H/17E	2H/17E		2015A	2016E	2017E	2018E		
Revenue	m	832	902	1,112	1,205	Revenue	m	1,917	1,734	2,317	2,486
Gross Profit	m	92	99	117	127	Gross Profit	m	178	191	245	273
Cost of Goods Sold	m	740	802	995	1,078	Cost of Goods Sold	m	1,739	1,543	2,073	2,213
EBITDA	m	92	99	117	127	EBITDA	m	178	191	245	273
Depreciation	m	22	24	25	27	Depreciation	m	42	46	53	62
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	70	76	92	100	EBIT	m	136	146	192	211
Net Interest Income	m	-2	-2	-2	-2	Net Interest Income	m	-4	-3	-4	-4
Associates	m	0	0	0	0	Associates	m	-0	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	5	6	5	5	Other Pre-Tax Income	m	8	11	10	11
Pre-Tax Profit	m	74	80	95	103	Pre-Tax Profit	m	141	154	199	217
Tax Expense	m	-15	-16	-19	-21	Tax Expense	m	-13	-31	-40	-52
Net Profit	m	59	64	76	83	Net Profit	m	128	123	159	165
Minority Interests	m	-0	-0	-0	-0	Minority Interests	m	-1	-0	-0	-0
Reported Earnings	m	59	64	76	83	Reported Earnings	m	127	123	159	165
Adjusted Earnings	m	59	64	76	83	Adjusted Earnings	m	127	123	159	165
EPS (rep)	sen	4.6	4.9	5.9	6.4	EPS (rep)	sen	9.8	9.5	12.3	12.8
EPS (adj)	sen	4.6	4.9	5.9	6.4	EPS (adj)	sen	9.8	9.5	12.3	12.8
EPS Growth yoy (adj)	%	-18.3	16.2	29.3	29.3	EPS Growth (adj)	%	-79.6	-3.4	29.3	4.0
						PE (rep)	x	17.2	17.8	13.8	13.2
						PE (adj)	x	17.2	17.8	13.8	13.2
EBITDA Margin	%	11.0	11.0	10.6	10.6	Total DPS	sen	5.4	3.3	4.3	4.5
EBIT Margin	%	8.4	8.4	8.3	8.3	Total Div Yield	%	3.2	2.0	2.5	2.6
Earnings Split	%	48.0	52.0	48.0	52.0	Basic Shares Outstanding	m	1,293	1,293	1,293	1,293
Revenue Growth	%	-16.5	-2.1	33.6	33.6	Diluted Shares Outstanding	m	1,293	1,293	1,293	1,293
EBIT Growth	%	-13.1	35.7	31.9	31.9						
Profit and Loss Ratios					Cashflow Analysis						
	2015A	2016E	2017E	2018E		2015A	2016E	2017E	2018E		
Revenue Growth	%	1.9	-9.5	33.6	7.3	EBITDA	m	178	191	245	273
EBITDA Growth	%	10.1	7.3	27.9	11.5	Tax Paid	m	-30	-31	-40	-52
EBIT Growth	%	13.4	6.9	31.9	9.9	Chgs in Working Cap	m	-112	-71	-91	-3
Gross Profit Margin	%	9.3	11.0	10.6	11.0	Net Interest Paid	m	-5	8	7	6
EBITDA Margin	%	9.3	11.0	10.6	11.0	Other	m	204	0	0	0
EBIT Margin	%	7.1	8.4	8.3	8.5	Operating Cashflow	m	236	98	120	224
Net Profit Margin	%	6.6	7.1	6.9	6.6	Acquisitions	m	-65	0	0	0
Payout Ratio	%	55.0	35.0	35.0	35.0	Capex	m	-39	-42	-81	-81
EV/EBITDA	x	10.4	9.7	7.5	6.8	Asset Sales	m	15	0	0	0
EV/EBIT	x	13.6	12.7	9.6	8.7	Other	m	25	0	0	0
Balance Sheet Ratios					Investing Cashflow	m	-65	-42	-81	-81	
ROE	%	30.6	25.0	27.3	24.0	Dividend (Ordinary)	m	-70	-43	-56	-58
ROA	%	9.6	10.1	13.8	14.5	Equity Raised	m	0	0	0	0
ROIC	%	55.3	97.1	81.9	52.2	Debt Movements	m	2	-60	0	0
Net Debt/Equity	%	-73.4	-64.7	-51.6	-55.5	Other	m	0	0	0	0
Interest Cover	x	38.9	43.1	49.6	48.4	Financing Cashflow	m	-68	-103	-56	-58
Price/Book	x	4.8	4.1	3.4	2.9	Net Chg in Cash/Debt	m	177	-48	-17	85
Book Value per Share		0.3	0.4	0.5	0.6	Free Cashflow	m	197	55	39	143
					Balance Sheet						
	2015A	2016E	2017E	2018E		2015A	2016E	2017E	2018E		
Cash	m	468	421	404	489	Cash	m	468	421	404	489
Receivables	m	835	755	762	749	Receivables	m	835	755	762	749
Inventories	m	17	15	21	22	Inventories	m	17	15	21	22
Investments	m	0	0	0	0	Investments	m	0	0	0	0
Fixed Assets	m	163	159	188	207	Fixed Assets	m	163	159	188	207
Intangibles	m	4	4	4	4	Intangibles	m	4	4	4	4
Other Assets	m	28	28	28	28	Other Assets	m	28	28	28	28
Total Assets	m	1,515	1,383	1,406	1,500	Total Assets	m	1,515	1,383	1,406	1,500
Payables	m	913	761	681	667	Payables	m	913	761	681	667
Short Term Debt	m	137	77	77	77	Short Term Debt	m	137	77	77	77
Long Term Debt	m	0	0	0	0	Long Term Debt	m	0	0	0	0
Provisions	m	0	0	0	0	Provisions	m	0	0	0	0
Other Liabilities	m	13	13	13	13	Other Liabilities	m	13	13	13	13
Total Liabilities	m	1,063	851	772	757	Total Liabilities	m	1,063	851	772	757
Shareholders' Funds	m	489	569	672	779	Shareholders' Funds	m	489	569	672	779
Minority Interests	m	1	1	1	1	Minority Interests	m	1	1	1	1
Other	m	-38	-38	-38	-38	Other	m	-38	-38	-38	-38
Total S/H Equity	m	452	532	635	742	Total S/H Equity	m	452	532	635	742
Total Liab & S/H Funds	m	1,515	1,383	1,406	1,500	Total Liab & S/H Funds	m	1,515	1,383	1,406	1,500

All figures in MYR unless noted.

Source: Company data, Macquarie Research, January 2017

Important disclosures:

Recommendation definitions

Macquarie - Australia/New Zealand

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – 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.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.

* Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

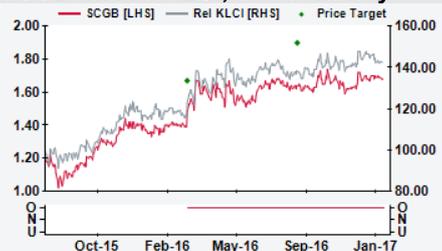
*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 31 December 2016

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	57.53%	50.72%	45.57%	42.28%	60.58%	52.79%	(for global coverage by Macquarie, 8.71% of stocks followed are investment banking clients)
Neutral	33.90%	33.97%	43.04%	50.11%	37.23%	35.62%	(for global coverage by Macquarie, 8.05% of stocks followed are investment banking clients)
Underperform	8.56%	15.30%	11.39%	7.61%	2.19%	11.59%	(for global coverage by Macquarie, 4.63% of stocks followed are investment banking clients)

SCGB MK vs KLCI, & rec history



(all figures in MYR currency unless noted)

GAM MK vs KLCI, & rec history



(all figures in MYR currency unless noted)

IJM MK vs KLCI, & rec history



(all figures in MYR currency unless noted)

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, January 2017

12-month target price methodology

SCGB MK: RM1.90 based on a PER methodology

GAM MK: RM5.60 based on a Sum of Parts methodology

IJM MK: RM3.87 based on a Sum of Parts methodology

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Date	Stock Code (BBG code)	Recommendation	Target Price
03-Sep-2016	SCGB MK	Outperform	RM1.90
11-Mar-2016	SCGB MK	Outperform	RM1.67

Target price risk disclosures:

SCGB MK: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

GAM MK: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

IJM MK: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures. Updated Sum of parts RNAV. The DCF valuation is subject to changes to the WACC given the expectation of higher interest rates.

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