

Malaysia

Underweight

(previously Overweight)

Highlighted companies

Gamuda

REDUCE, TP RM4.50, RM5.10 close

Downgrade Gamuda from Add to Reduce with a lower TP of RM4.50 based on higher RNAV discount of 30% from 10% previously. Gamuda is the most exposed to rail contracts via MRT 3 (Circle Line) and KL-Singapore HSR. It also owns four highway concessions.

Malaysian Resources Corp

REDUCE, TP RM0.90, RM1.00 close

Downgrade MRCB from Add to Reduce with a lower TP of RM0.90 based on a higher RNAV-discount of 30% from 10% before. The newly awarded HSR PDP scope could be under review while the outlook of divesting its EDL highway may remain uncertain under the new government.

YTL Corporation

REDUCE, TP RM1.12, RM1.33 close

Downgrade YTL Corp from Add to Reduce with a lower TP of RM1.12 based on a higher RNAV disc of 40% from 10% before as prospects of being a proxy of Johor rail contracts under PH could diminish as HSR and Gemas-JB 2T are high risks contracts unlikely to a priority under the new government.

Summary valuation metrics

P/E (x)	Dec-18F	Dec-19F	Dec-20F
Gamuda	15.47	13.40	
Malaysian Resources Corp	33.10	30.58	30.09
YTL Corporation	19.21	16.04	
P/BV (x)	Dec-18F	Dec-19F	Dec-20F
Gamuda	1.51	1.48	
Malaysian Resources Corp	0.92	0.94	0.95
YTL Corporation	1.14	1.21	
Dividend Yield	Dec-18F	Dec-19F	Dec-20F
Gamuda	2.27%	2.27%	
Malaysian Resources Corp	1.50%	1.50%	1.50%
YTL Corporation	5.23%	6.24%	

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Construction

Pushing the reset button on construction jobs

- We downgrade the construction sector from Overweight to Underweight. Sector reforms under the new government post-GE14 puts all new projects under review.
- We turn cautious on sector's "Big Rail Theme": ECRL, MRT 3, HSR, Gemas-JB 2T.
- Potential knock-on effects include contract delays and downsides to job wins.
- We raise RNAV disc. to cut TPs and to reflect a deterioration in sector's sentiment.
- We downgrade Gamuda and YTL Corp to Reduce (top Sells); Switch to Muhibbah Engineering which is our new post-GE14 top pick.

Pakatan Harapan (PH) is a big advocate of sector reform

The PH coalition led by Tun Dr Mahathir Mohamed, which has won GE14 by beating the previous incumbent Barisan Nasional (BN) coalition, is a big advocate of a reform of the construction sector. Although in principal, its manifesto is for the greater good over the longer-run, the blanket review on all contracts across-the-board (foreign funded included) will at the minimum pose delay risks, cap order book growth for contractors, and dent investors' sentiment on the overall sector, in our view.

Turning cautious on the sector's "Big Rail Theme"

We turn cautious on contractors that are highly dependent on government contracts. The outlook for the "Big Rail Theme" has become uncertain, pending a comprehensive review by PH. We have also turned cautious on the progress of the RM55bn ECRL (awarded to, and funded by China), RM9.4bn Gemas-JB rail double tracking (awarded to Chinese consortium; pending an award to YTL-SIPP Rail), and HSR. We believe MRT 3 will be delayed, despite demonstrating huge spillover benefits to local industries and contractors.

Bearish undertones for the sector

We foresee three potential knock-on effects, supporting a likely bearish outlook on investor sentiment and share prices. The first knock-on effect is contract delays, the second is the actual impact on contracts via execution of PH's manifesto, and the third is earnings impact on account of a downward revision of contract win assumptions and insufficient existing order book to cover for the possible delay, revision, or cancellation of outstanding new jobs. We expect more downside to KLCON Index, led by the big caps.

Raising RNAV discounts to TPs to reflect deterioration in sentiment

To account for a knee-jerk deterioration in sentiment, we raise RNAV discounts to lower target prices of all contractors under coverage (except for Muhibbah Engineering). Stock calls are now a combination of Reduce (mostly for big caps and election stocks) and Hold (for bombed-out stocks YTD with unexciting tender prospects). Muhibbah Engineering is now raised as our top sector pick as it is now a purer play on overseas contracts, lucrative airport concessions, and minimal exposure to rail jobs that will be under review.

Downgrade construction sector to UNDERWEIGHT

The GE14 results were a surprise to most contractors and the magnitude of PH's victory over BN puts a high-chance of a reform of the sector's tender, procurement and job award outlook, in our view, and one which we will monitor closely. We downgrade the sector from Overweight to Underweight. Gamuda and YTL Corp, previously our top post-GE14 big cap picks, are downgraded to Reduce, along with MRCB and Protasco, which were previously our preferred small-mid cap picks post-GE.

Short-term pain, longer-term gain

With the uncertainties on the contract roll-out coming into play, we expect the sector's risk-reward to be unattractive over the medium term. The revival of the sector's upcycle and the continuity of the RM225bn total outstanding jobs would depend on the new priorities to be outlined by the new government.

Figure 1: PH's reform on the construction sector

Reform initiatives on construction contracts and highways	Comments/Impact
1) Initiate comprehensive review of all mega jobs awarded to foreign contractors	: ECRL - may impact outstanding tenders
2) To initiate reform on government tenders and procurement process	: Could impact all major rail contracts currently in tender phase
3) All announced mega projects to be reviewed in detail	: Potential delay in all new rail contracts
4) To re-assess whether China-funded contracts really benefit Bumiputera and SMEs	: Existing tenders and project structure could be reviewed
5) Transfer Public-Private Partnership Unit (UKAS) from PMD to MOF	: Phasing out of direct negotiated contracts
6) MOF to review all foreign-funded contracts - Eliminate politically-driven decision making	: Phasing out of direct negotiated contracts
7) Forensic audit on government's off-balance sheet items	: Reconstruction of funding structure/delay in financial close
8) KWMRT, LRT, ECRL, Pan Borneo Highway and HSR are deemed as "hidden expenses"	: Project cost/feasibility studies could be reviewed
9) Prioritising completion of Pan Borneo Highway (Sabah and Sarawak)	: The only two projects likely unaffected by a change in govt
10) Review all highway concession agreements (CA)	: Could be negative for highway concessions
11) Renegotiate all highway CA in view of ceasing toll charges gradually	: Could be negative for highway concessions
12) To grant "fair compensation" to toll concessionaires	: Could impact existing compensation granted to highways
13) Abolishment of tolls and takeover of highways via expropriation clause	: Takeover value less dividends and grants by government

SOURCES: CGS-CIMB RESEARCH, COMPANY

Figure 2: Sector comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US\$ m)	Core P/E (x)		3-year EPS CAGR (%)	P/BV (x)		Recurring ROE (%)			EV/EBITDA (x)		Dividend Yield (%)	
						CY2017	CY2018		CY2017	CY2018	CY2017	CY2018	CY2019	CY2017	CY2018	CY2017	CY2018
Gamuda	GAM MK	Reduce	RM5.10	RM4.50	3,180	19.3	16.5	14.1%	1.59	1.51	8.9%	10.0%	11.2%	20.8	17.1	2.4%	2.4%
IJM Corp Bhd	IJM MK	Hold	RM2.65	RM2.54	2,434	15.7	14.7	5.8%	1.29	1.25	7.8%	8.5%	9.9%	16.5	13.7	2.1%	2.1%
Malaysian Resources Corp	MRC MK	Reduce	RM1.00	RM0.90	1,112	25.9	33.1	-17.5%	0.90	0.92	4.5%	2.5%	3.0%	33.8	34.0	0.5%	0.4%
Muhibbah Engineering	MUHI MK	Add	RM3.04	RM3.49	370	10.8	10.0	14.8%	1.36	1.30	13.0%	13.3%	14.3%	11.4	3.7	1.5%	1.5%
Protasco	PRTA MK	Reduce	RM0.75	RM0.68	93	12.2	8.7	10.2%	0.93	0.93	7.6%	10.7%	13.9%	4.2	5.1	6.9%	6.9%
Salcon	SALC MK	Reduce	RM0.41	RM0.40	69	na	18.8	15.8%	0.61	0.61	-5.1%	3.2%	3.8%	na	1.3	0.0%	2.4%
Sunway Bhd	SWB MK	Hold	RM1.54	RM1.48	1,900	11.7	12.3	6.0%	0.95	0.84	7.9%	7.1%	7.2%	21.1	15.6	1.6%	1.7%
WCT Holdings	WCTHG MK	Hold	RM1.28	RM1.26	456	10.4	11.8	32.2%	0.51	0.60	4.9%	4.6%	5.5%	86.0	49.2	1.8%	1.9%
YTL Corporation	YTL MK	Reduce	RM1.33	RM1.12	3,619	57.6	19.2	na	1.06	1.14	1.8%	5.7%	8.9%	13.1	11.1	3.6%	3.3%
Average						14.3	12.8	7.8%	1.35	1.30	8.0%	8.2%	9.4%	19.7	15.5	2.0%	2.0%

SOURCES: CIMB RESEARCH, COMPANY REPORTS

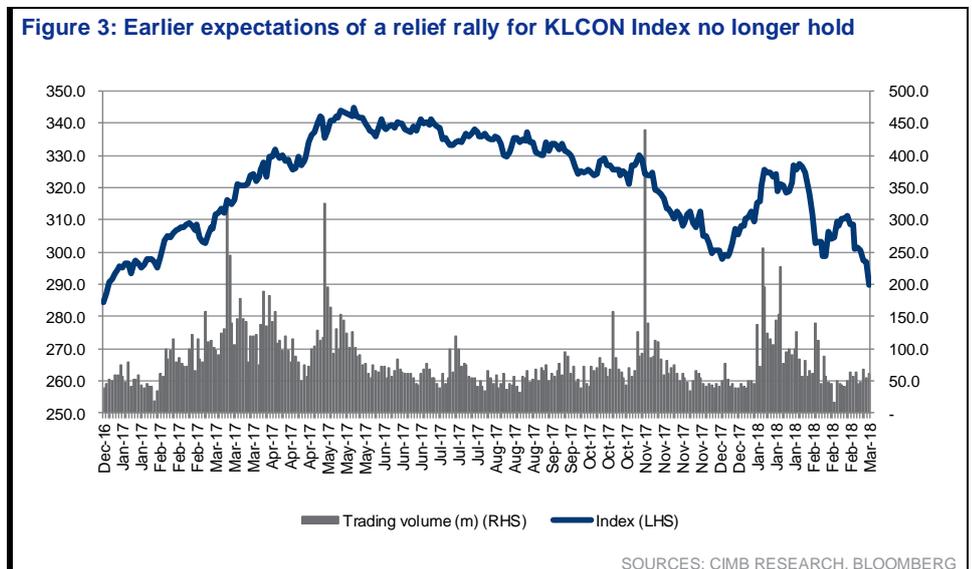
Pushing the reset button on construction jobs

Post-GE14: Focus on PH's reform agenda

Uncharted territory ►

The Pakatan Harapan (PH) coalition, led Tun Mahathir Mohamed, which has won GE14 by beating the incumbent Barisan Nasional (BN) coalition, is a big advocate of a reform of the construction sector. Although in principal, its manifesto is for the greater good over the longer-run, the blanket review on all contracts across-the-board (foreign funded included) will, at the minimum, pose delay risks, cap order book growth for contractors, and dent investors' sentiment on the overall sector, in our view. As the sector (down 11% YTD) enters uncharted territory, we now turn cautious on the sector's "Big Rail Theme". Expectations of a relief rally post-GE14 no longer hold.

Figure 3: Earlier expectations of a relief rally for KLCON Index no longer hold



Comprehensive review of all mega projects ►

In its manifesto, PH said it will initiate a comprehensive review of all mega projects awarded to foreign contractors within 100 days of coming to power. Under a review of procurement process, PH targets to ensure that the government procurement process results in the best value for taxpayers' money. It has also proposed that the Public-Private Partnership Unit (UKAS) be transferred from the Prime Minister's Department (PMD) to the Ministry of Finance (MOF) "to check the powers of the Minister and to eliminate corruption." The only project that is off the reform agenda is the Pan Borneo Highway project (Sarawak and Sabah). The completion of the two highways will be prioritised.

Key initiatives under PH's manifesto include:

- a) To assess whether China-funded contracts really benefit Bumiputera and SMEs.
- b) Transfer of the Public-Private Partnership (PPP) Unit – UKAS from the Prime Minister's Department (PMD) to the Ministry of Finance (MOF).
- c) Review all highway concession agreements (CAs) with the aim of ceasing toll collection gradually.
- d) Acquisition of highways via expropriation clause.
- e) Elimination of politically-driven decision-making in contract procurement.

Figure 4: Pakatan Harapan's (PH) manifesto on construction sector

Reform initiatives on construction contracts and highways	Comments/Impact
1) Initiate comprehensive review of all mega jobs awarded to foreign contractors	: ECRL - may impact outstanding tenders
2) To initiate reform on government tenders and procurement process	: Could impact all major rail contracts currently in tender phase
3) All announced mega projects to be reviewed in detail	: Potential delay in all new rail contracts
4) To re-assess whether China-funded contracts really benefit Bumiputera and SMEs	: Existing tenders and project structure could be reviewed
5) Transfer Public-Private Partnership Unit (UKAS) from PMD to MOF	: Phasing out of direct negotiated contracts
6) MOF to review all foreign-funded contracts - Eliminate politically-driven decision making	: Phasing out of direct negotiated contracts
7) Forensic audit on government's off-balance sheet items	: Reconstruction of funding structure/delay in financial close
8) KVMRT, LRT, ECRL, Pan Borneo Highway and HSR are deemed as "hidden expenses"	: Project cost/feasibility studies could be reviewed
9) Prioritising completion of Pan Borneo Highway (Sabah and Sarawak)	: The only two projects likely unaffected by a change in gov't
10) Review all highway concession agreements (CA)	: Could be negative for highway concessions
11) Renegotiate all highway CA in view of ceasing toll charges gradually	: Could be negative for highway concessions
12) To grant "fair compensation" to toll concessionaires	: Could impact existing compensation granted to highways
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SOURCES: CIMB RESEARCH, COMPANY REPORTS

Expropriation clause on all highways ➤

Pakatan Harapan has mooted the idea of taking over highway concessions via the expropriation clause, which is available in all highway concession agreements. The government may exercise the clause at any time with a three-month notice, should the government see that the expropriation is "in the national interest".

PH had earlier estimated that the takeover of all highways via the expropriation clause would cost the government c.RM50bn vs. the estimated RM338bn estimated by the Barisan National (BN) government. Under PH, the takeover of highways will use a compensation formula based on the following:

- a) Value of construction works, plus capitalised interest costs.
- b) Interest of 12% to any loan extended by the shareholders of the concession, net of interest or dividends which have already been paid.
- c) From our channel checks, we gather that it also takes into account the deduction of loans to be assumed by the government and grants already given by the government.

Figure 5: Listed contractors that are also owners of major highway concessions in Peninsular Malaysia

Company	Bloomberg ticker	Highways	Effective	
			Stake (%)	Status
Ahmad Zaki Resources (AZRB)	AZR MK (Not rated)	- East Klang Valley Expressway (EKVE)	100%	Under construction
Ekovest	EKO MK (Not rated)	- Phase 1: Duta-Ulu Kelang Expressway (DUKE)	60%	Operational/tolling
		- Phase 2: Duta-Ulu Kelang Expressway (DUKE)	60%	Operational/tolling
		- Phase 3: Duta-Ulu Kelang Expressway (DUKE)	100%	Under construction
Gamuda <i>*Gamuda also owns a 43.7% stake in Litrak</i>	GAM MK	- Shah Alam Expressway (SAE/KESAS)	70%	Operational/tolling
		- Stormwater Management and Road Tunnel (SMART)	50%	Operational/tolling
		- Western KL Traffic Dispersal Scheme (SPRINT)	52%	Operational/tolling
		- Damansara-Puchong Highway (LDP)	*43.7%	Operational/tolling
IJM Corp	IJM MK	- Besraya Highway	100%	Operational/tolling
		- Lebuhraya Kajang-Seremban (LEKAS)	50%	Operational/tolling
		- West Coast Expressway (WCE)	41%	Under construction
		- New Pantai Expressway (NPE)	100%	Operational/tolling
Litrak	LTK MK (Not rated)	- Damansara-Puchong Highway (LDP)	100%	Operational/tolling
		- Western KL Traffic Dispersal Scheme (SPRINT)	50%	Operational/tolling
MRCB MK	MRC MK	- Eastern Dispersal Link (EDL)	100%	Tolling abolished to make way for a divestment deal
Taliworks	TWK MK	- Cheras-Kajang Highway (CKH)	51%	Operational/tolling
		- New North Klang Straits Bypass (NNKSB)	50%	Operational/tolling

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Reviewing “off balance sheet items” ➤

Under fiscal management, PH will conduct and publish forensic audits on the government’s financials and off-balance sheet items. The Klang Valley Mass Rapid Transit (MRT), Light Rail Transit (LRT) Extension, LRT Line 3, the East Coast Rail Link (ECRL), the Kuala Lumpur-Singapore High-Speed Rail (HSR) and the Pan Borneo Highway have been mentioned as part of the government’s hidden expenses.

Sector impact: Negative on outstanding contracts

Uncertainties on job flows ➤

Although it remains too early to assess the actual impact on construction contracts (new and ongoing) under PH, its manifesto, if put into effect, would pose uncertainties to the outlook of job flows, delay risks to all the high economic impact contracts which have cross critical stages of approvals and tenders, and cast a negative sentiment on the sector. Our view is that a review of all mega projects and a reform of the existing construction tender and procurement process could, at the very least, result in contract delays (if not an outright cancellation).

According to Sunway University Business School professor of economics Yeah Kim Leng based on an article in StarBiz on 11 May:

- The move to review mega projects like the ECRL and HSR would have a sizeable impact on the construction sector.
- Given their huge project value, they have a sizeable impact on the construction sector, which had an estimated gross value of about RM100bn in 2017. Although the projects are small in relation to the country’s RM1.4tr economy, the multiplier effects, especially for the HSR which connects the two cities, KL and Singapore that is currently the world’s busiest air route, are sizeable besides the economic viability that needs to be established
- Before making any decisions to scuttle these projects, these high-impact projects should be thoroughly and objectively reviewed to ascertain their full costs and benefits, including the mode of financing and the country’s financing capacity. Breaking contracts and not proceeding may end up to be more costly, including irreparable damage to reputation and cross-border ties
- Options such as rescheduling, redesigning or resizing to find the optimal mix to meet the country’s needs and financial ability could be explored since infrastructure projects are usually a question of when we need them and can we afford them at the present time.
- Striking the right balance is important to avoid excessive debt burden and excess capacity, while not missing the opportunity to expand and modernise the country’s infrastructure. Of the two, the ERCL may not be economically viable and is more likely to be scuttled if there is a need to choose one of the two rail projects.

Figure 6: Status of large-scale projects in the pipeline and milestones as at end-Apr 2018 (under previous BN government)

Projects	Value RM m	Category	Next milestone	Timeline for milestone	Funding	Led by
East Coast Rail Line (ECRL) - phases 1 & 2	55,000	Rail (non-urban)	Awards	1H18	Exim Bank of China	CCCC
KL-Singapore high speed rail (HSR)	60,000	Rail (urban)	AssetsCo & PDP awards	Mid/end-2018	Unknown	MyHSR
Klang Valley MRT 3 (KVMRT 3) - CIMB estimate	40,000	Rail (urban)	Cabinet approval	2H18	Foreign EPCC	MRT Corp
Gemas-JB double tracking	9,400	Rail (non-urban)	Awards	1H18	China/GoVt	China-led JV
JB-Singapore RTS Link (4km)	2,000	Rail (cross border)	Tenders	2H18	Unknown	Prasarana/S'pore SMRT
Sarawak (Kuching) LRT; 3 lines	10,800	Rail (urban)	Tenders	2019	GoVt	Unknown
Putrajaya Tram system	2,000	Rail (urban)	Request for proposal (RFP)	2019	GoVt	Unknown
Sabah rail upgrade for all ports	2,000	Rail (non-urban)	Cabinet approval	2018	GoVt	Rail Co.
Bandar Malaysia phase 1 (TOD)	10,000	Rail/commercial	Tenders	2018	Private sector	Unknown
Penang Transport Master Plan (phase 1) - LRT	5,000	Rail (urban)	Approvals & EIA	2H18	Private sector	PDP
Bus Rapid Transit (BRT): Kota Kinabalu	2,000	Bus	Approval	2H18	PPP/PFI/Concession	Prasarana
Bus Rapid Transit (BRT): Kuching, Sarawak	2,000	Bus	Approval	2H18	PPP/PFI/Concession	Prasarana
Pan-Borneo Highway (Sabah)	12,900	Highway (non-tolled)	Awards	2H18	GoVt/Bonds	PDP
Kota Kinabalu Water Supply Scheme	4,000	Water	Approval/awards	2H18	PPP	Unknown
Affordable housing/Government housing	2,984	Housing	Tenders	2H18	GoVt	Government
Rural infrastructure - Peninsular & East Malaysia	2,420	Roads, bridges etc	Tenders	2H18	GoVt	Government
Non-revenue water (NRW) - water supply and distribution	1,400	Water	Tenders	2H18	GoVt	PAAB
Roads (non-tolled)	1,274	Non-tolled	Tenders	2019	GoVt	Government
Total	225,178					

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 7: Large-scale projects in the pipeline in 2018 and location by states

Projects	Value RM m	Category	Next milestone	Location (by state)
East Coast Rail Line (ECRL) - phases 1 & 2	55,000	Rail (non-urban)	Awards	Kelantan
				Terengganu
				Pahang
				Selangor
				Selangor
KL-Singapore high speed rail (HSR)	60,000	Rail (urban)	AssetsCo & PDP awards	Kuala Lumpur
				Selangor
				Putrajaya
				Negeri Sembilan
				Melaka
Klang Valley MRT 3 (KVMRT 3) - CIMB estimate	40,000	Rail (urban)	Cabinet approval	Kuala Lumpur
				Johor
				Negeri Sembilan
				Johor
				Johor
Gemas-JB double tracking	9,400	Rail (non-urban)	Awards	Negeri Sembilan
				Johor
JB-Singapore RTS Link (4km)	2,000	Rail (cross border)	Tenders	Johor
				Johor
Sarawak (Kuching) LRT; 3 lines	10,800	Rail (urban)	Tenders	Sarawak
				Sarawak
Putrajaya Tram system	2,000	Rail (urban)	Request for proposal (RFP)	Putrajaya
				Putrajaya
Sabah rail upgrade for all ports	2,000	Rail (non-urban)	Cabinet approval	Sabah
				Sabah
Bandar Malaysia phase 1 (TOD)	10,000	Rail/commercial	Tenders	Kuala Lumpur
				Kuala Lumpur
Penang Transport Master Plan (phase 1) - LRT	5,000	Rail (urban)	Approvals & EIA	Penang
				Penang
Bus Rapid Transit (BRT): Kota Kinabalu	2,000	Bus	Approval	Sabah
				Sabah
Bus Rapid Transit (BRT): Kuching, Sarawak	2,000	Bus	Approval	Sarawak
				Sarawak
Pan-Borneo Highway (Sabah)	12,900	Highway (non-tolled)	Awards	Sabah
				Sabah
Kota Kinabalu Water Supply Scheme	4,000	Water	Approval/awards	Sabah
				Sabah
Affordable housing/Government housing	2,984	Housing	Tenders	Various
				Various
Rural infrastructure - Peninsular & East Malaysia	2,420	Roads, bridges etc	Tenders	Various
				Various
Non-revenue water (NRW) - water supply and distribution	1,400	Water	Tenders	Various
				Various
Roads (non-tolled)	1,274	Non-tolled	Tenders	Various
				Various
Total	225,178			

SOURCES: CIMB RESEARCH, PRESS REPORTS

Downside risks to order book replenishment ➤

There could be downside risks to the order book replenishment outlook for contractors across the board. YTD, high-economic impact projects have crossed the critical stage of approvals with most in the execution stage. This is particularly so for the RM55bn ECRL (13% completed), and RM50bn-60bn KL-Singapore HSR (awarded two PDP contracts worth a combined RM30bn-40bn). The RM40bn-45bn MRT 3 (Circle Line) and RM9.4bn Gemas-JB rail double tracking have been approved but not officially awarded. Overall, the continuity of contract awards could be affected.

Figure 8: Order book targets for contractors during the previous Barisan National (BN) government

	Outstanding order book (RM m)	2018 target replenishment (RM m)	Secured calendar YTD (RM m)	Potential
				Order book growth (%)
				Potential major projects
IJM Corp	8,900.0	2,000.0	0.0	22% ECRL, HSR, Pan Borneo Sabah, Road/highway jobs in India
Gamuda	7,800.0	7,000.0	0.0	90% ECRL, HSR, MRT 3, Pan Borneo Sabah
MRCB	5,154.0	500.0	0.0	10% HSR, various infra and building contracts
Muhibbah Engineering	2,124.0	1,000.0	149.0	47% LRT 3 noise barrier packages, domestic marine infra, jobs in Qatar
Protasco	1,139.0	500.0	0.0	44% Government housing, road contracts
Salcon	550.0	100.0	15.6	18% Non-revenue water (NRW) jobs, other water infrastructure
Sunway	6,100.0	2,000.0	456.0	33% ECRL, HSR, other building/high-rise projects
WCT Holdings	5,617.0	2,000.0	0.0	36% West Coast Expressway (WCE), Pan Borneo Sabah, other infs jobs
YTL Corp	400.0	8,000.0	0.0	2000% Gemas-JB rail double tracking, HSR

SOURCES: CIMB RESEARCH, COMPANY REPORTS

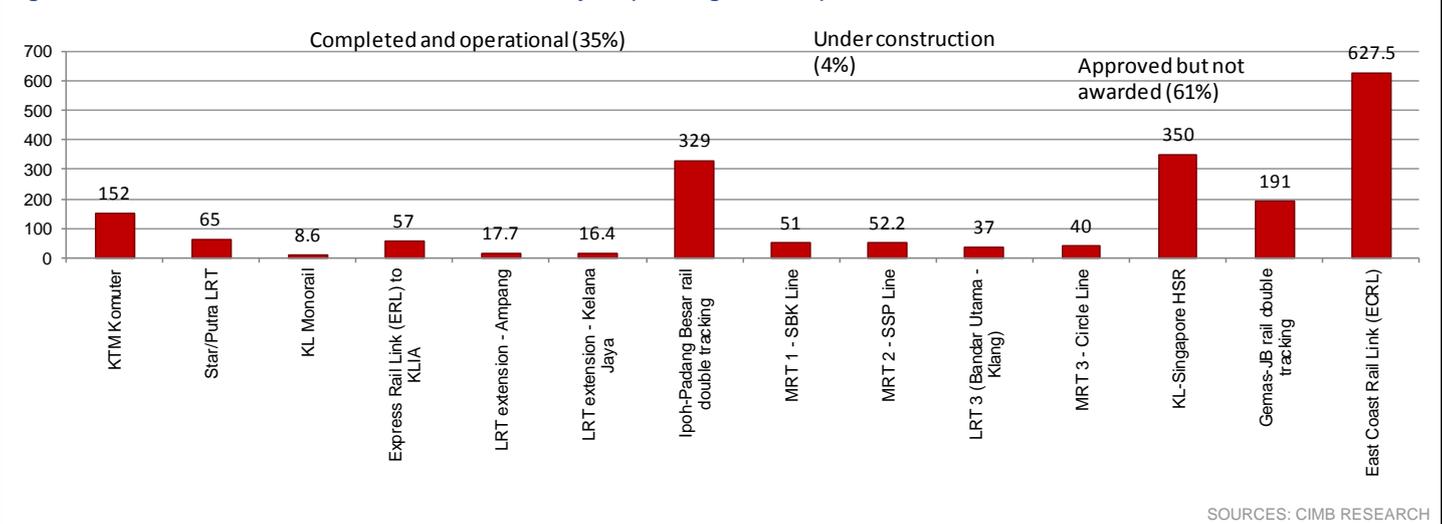
New government could be very selective on job rollout ►

We expect that under PH, the rollout of new rail contracts, once a full review has taken place, could take a very selective stance. Under the previous BN government, all new rail contracts were earmarked to commence tender and awards phases within 12 months post-GE14 and to begin construction works (for certain packages) in 2019, with target completion of rail contracts between 2023 and 2026. In terms of growth in rail alignment, we had earlier estimated a surge in total passenger/freight rail-km by more than 2x to 1,994km in the next 4-6 years. This is after factoring in the completion of RM32bn MRT 2, RM9bn LRT 3, RM55bn ECRL, RM9.4bn Gemas-JB rail double tracking, RM40bn-45bn MRT 3 (Circle Line), and RM50bn-60bn KL-Singapore HSR.

Uncertainties on RM170bn (1,209km) of new rail lines ►

In terms of breakdown, out of the total 1,994 estimated enlarged rail-km, 61% (1,209km) are incoming new rail lines (urban, interstate/double track and high-speed), 35% (697km) are completed and operational rail systems over the last 10-15 years, while the balance 4% (89km) are new urban rail systems that are under construction (LRT 3 and MRT 2). Based on the latest cost estimates, the combined value of the 1,209km of new rail lines exceeds RM170bn, representing more than 70% of the total RM225bn value of contracts in the pipe line.

Figure 9: Overview of rail network in Peninsular Malaysia (existing and new)



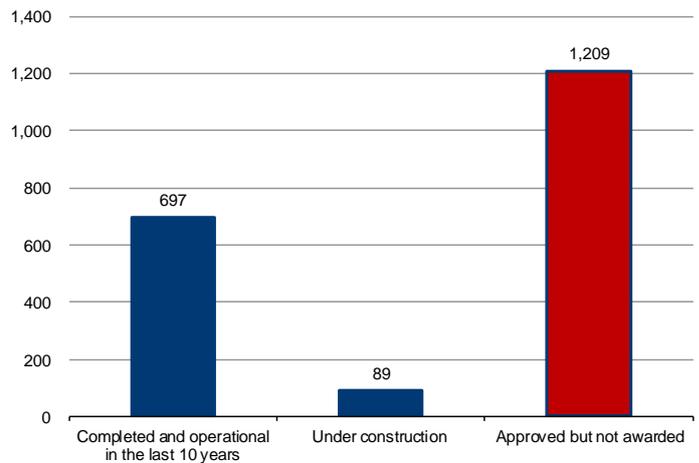
SOURCES: CIMB RESEARCH

Figure 10: Breakdown of rail-km length (operational, under construction, and new)

	Length (km)	% of total
Completed and operational in the last 10 years	697	35%
Under construction	89	4%
Approved but not awarded	1,209	61%
Total urban and interstate rail network	1,994	100%

SOURCES: CIMB RESEARCH, PRESS REPORTS

Figure 11: Approved and not awarded rail contracts measure 1,209km, including ECRL, MRT 3, HSR and Gemas-JB 2T



SOURCES: CIMB RESEARCH, PRESS REPORTS

Sector impact: Negative on sentiment

High risk of a repeat of post-GE12 in 2008 ►

We reiterate the anecdotal example of 2008 during GE12, when selected mega contracts were cancelled, deferred, or reviewed. In 2008, the Barisan Nasional (BN) coalition lost its two-thirds majority in Parliament for the first time since 1969, and saw the states of Penang, Kedah, Perak and Selangor shift to the opposition. The projects that were shelved and/or deferred were: i) the Penang Monorail (awarded but cancelled); ii) the Penang Outer Ring Road (cancelled before opening tender); iii) the West Coast Expressway (deferred), and iv) the KL-Singapore HSR (proposed by YTL Corp).

Likely more downside to KLCON Index's 11% decline YTD? ►

Recall that three months prior to GE12, the KLCON Index de-rated 16% and declined a further 13% in the three months post-GE12 – or a combined 29% downturn over a 6-month period; with share prices of selected contractors like Gamuda, IJM Corp, MRCB and WCT Holdings falling by between 9-31% over the 3 months after GE12 in 2008. Overall in 2008, KLCON Index fell 47%, which was also worsened by the Global Financial Crisis (GFC). We believe that post-GE14, there could be more downside to KLCON Index's 11% decline YTD (+10% in 2017).

Figure 12: Share prices and KLCON Index 3 months before and after General Elections

	1990		1995		1999		2004		2008		2013	
	3m before	3m after	3m before	3m after	3m before	3m after						
	22-Jul-90	18-Jan-91	24-Jan-95	23-Jul-95	31-Aug-99	27-Feb-00	22-Dec-03	19-Jun-04	9-Dec-07	6-Jun-08	4-Feb-13	3-Aug-13
Gamuda	-	-	33.7%	41.4%	7.5%	44.9%	2.2%	-11.7%	-15.9%	-25.4%	9.2%	19.0%
IJM Corp Bhd	-8.7%	1.5%	9.6%	17.7%	-7.9%	51.1%	12.2%	-6.2%	-15.7%	-23.8%	7.2%	6.1%
Malaysian Resources Corp	-34.8%	-1.8%	14.5%	2.3%	-22.4%	89.4%	16.5%	-30.7%	-26.1%	-31.1%	5.1%	8.3%
Muhibbah Engineering	-	-	4.0%	16.7%	-12.1%	33.2%	32.7%	-29.4%	-24.7%	-12.5%	29.4%	128.3%
Protasco	-	-	-	-	-	-	6.8%	-31.5%	-7.1%	1.1%	4.7%	34.5%
Salcon	-	-	-20.5%	28.6%	-	-	15.9%	-29.2%	-26.9%	-30.9%	17.1%	39.5%
Sunway Bhd	-	-	-	-	-	-	-	-	-	-	22.7%	28.2%
Taliworks Corporation	-	-	8.1%	46.2%	-3.4%	88.1%	2.6%	0.0%	-11.5%	7.8%	-2.4%	23.1%
WCT Holdings	-	-	-	26.6%	-0.9%	48.8%	10.8%	-14.2%	-13.2%	-9.9%	9.4%	5.1%
YTL Corporation	-25.5%	0.0%	18.6%	18.4%	-2.4%	13.0%	15.6%	-1.7%	-5.1%	-1.0%	-0.9%	3.7%
KLCON Index	-	-	30.1%	17.1%	-6.6%	36.5%	11.6%	-15.6%	-16.4%	-13.0%	5.0%	18.3%

SOURCES: CIMB RESEARCH, BLOOMBERG

Top losers

High dependency on rail and government contracts, big exposure to highways ►

Almost all construction stocks under our coverage are highly dependent on government contracts, extensively targeting rail contracts, and are owners of highway concessions, which are subject to a review under the PH manifesto, except for Muhibbah Engineering; which is the least exposed to rail contracts. For stocks under our coverage the top losers in terms of new order book replenishment are:

Gamuda: For its most extensive tender exposure to new rail contracts; RM40bn-45bn MRT 3 (Circle Line) via Gamuda-George Kent-MMC Corp JV which has not been awarded, RM20bn-23bn HSR PDP scope via MRCB-Gamuda JV which was the last rail contract awarded before the change in government post-GE14. Gamuda also owns highway concessions. Post-GE14, we suspect that the award of MRT 3 may be put on hold as all rail projects will be reviewed.

YTL Corp: For its exposure to HSR and Gemas-JB rail double tracking. With the impending official award of the RM9.4bn Gemas-JB rail double tracking project and the newly secured RM10bn-12bn southern PDP scope for the HSR project via YTL-THP JV (70:30), YTL Corp has emerged as the proxy for rail contracts in the state of Johor, which, post-GE14, is under the control of PH. Post-GE14, progress and official award of Gemas-JB rail (which was also earlier awarded to a Chinese consortium), could be at risk.

MRCB: For its exposure to HSR (RM20bn-23bn PDP scope awarded to MRCB-Gamuda JV before GE14 polling day) and Eastern Dispersal Link (EDL), a RM1.1bn highway in the state of Johor (100%-owned), which since end-2017, was awaiting a divestment deal to be negotiated with the previous government under BN. MRCB contract wins this year could be subdued but should be mitigated by incoming secured PDP earnings from LRT 3, Kwasa Damansara, and Bukit Jalil, though over the longer-term.

Protasco: For its dominance in the federal/state government road maintenance concessions (>40% market share) mainly in the peninsular states now under PH, and Sarawak, which remains under BN. Bulk of Protasco's 2018 construction tender book also comprise government housing projects which we believe to be sizeable. A potential revision in development expenditure (DE) for this segment in the upcoming Budget 2019 would be negative for Protasco.

IJM Corp: For its exposure to highways and rail contracts. IJM owns four highway concessions, of which one, i.e. the RM5bn-6bn West Coast Expressway (WCE) is under construction, and the alignment of which runs through the West Coast states of Peninsular Malaysia that are under the new PH government. IJM's rail contract tender could be at risk as ECRL is likely to be reviewed but the downside to new jobs could be mitigated by potential new contracts in India.

Figure 13: Possible immediate impact of PH's manifesto on contracts based on channel checks

Projects	Cost (RM m)	Possible implications if PH's manifesto takes effect	Potential impact if cancellation is ruled out
East Coast Rail Line (ECRL)	55,000	<ul style="list-style-type: none"> - Review of the EPCC contract (and its terms) - Reviewing the EPCC award to China Communications Construction Co. (CCCC) - Reviewing project cost of RM55bn - Review of the 30% carved out for local players - Review of the loan agreement to fund the RM55bn cost 	<ul style="list-style-type: none"> - Overall project could be subjected to detailed scrutiny against claims of the overinflated cost of RM55bn. - Phase 2 (from Gombak to Port Klang) could be deferred - Phase 1 (Terengganu-Kelantan-Pahang) could be reviewed
MRT 3 (Circle Line)	45,000	<ul style="list-style-type: none"> - Review of tender structure and all the bidding consortiums - Review the idea of splitting the contract between local and foreign JVs - Justifying the RM40-45bn estimated cost against MRT 1 & 2 - Justifying whether MRT 3, if becomes a priority, can be delayed or otherwise 	<ul style="list-style-type: none"> - Basis of shortlisting CCCC JV and Gamuda-Gkent-MMC JV - A single EPCC award is likely, but delayed due to funding constraints - Project structure could change - MRT 3's target completion could be beyond 2025
KL-Singapore HSR	60,000	<ul style="list-style-type: none"> - Reviewing all tenders including PDP and AssetsCo - Reviewing the 350km alignment and estimated project cost - Extending further the deadline of AssetsCo tender beyond end-2018 	<ul style="list-style-type: none"> - PDP scope awarded to Gamuda-MRCB JV and YTL-THP JV could come under scrutiny as to why there is the need to award two PDP packages
Gemas-JB rail double tracking	9,400	<ul style="list-style-type: none"> - Review of the basis of the award to the Chinese consortium of three companies - Review the cost and benefits of the double track line vs HSR's line - Reviewing the RM9.4bn cost, which was revised earlier from RM8.9bn 	<ul style="list-style-type: none"> - Could be cancelled if foreign contractors are deemed unnecessary - Alignment could be reviewed - Cost could be reviewed

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Downgrade sector to UNDERWEIGHT

Turning cautious on the “Big Rail Theme” ➤

We turn cautious on contractors that are highly dependent on government contracts. The outlook of the “Big Rail Theme” has now become uncertain, pending a comprehensive review by PH. We have also turned cautious on the progress of RM55bn ECRL (awarded to, and funded by China), RM12.4bn Gemas-JB rail double tracking (awarded to Chinese consortium; pending an award to YTL-SIPP Rail), and HSR. We believe MRT 3 will be delayed, despite demonstrating huge spillover benefits to local industries and contractors.

Three potential knock-on effects ➤

We foresee three potential knock-on effects, supporting a likely bearish outlook on investor sentiment and share prices. The first knock-on effect is contract delays, the second is the actual impact on contracts via execution of PH’s manifesto, and the third is earnings impact on account of a downward revision of contract wins assumption and insufficient existing order book to cover for the possible delay, revision, or cancellation of outstanding new jobs. We expect more downside to the KLCON Index, led by the big caps.

Raising RNAV discount to target prices to reflect deterioration in sentiment ➤

To account for a knee-jerk deterioration in sentiment, we raise RNAV discounts to lower target prices of all contractors under our coverage (except for Muhibbah Engineering). Stock calls are now a combination of Reduce (mostly for big caps and election stocks) and Hold (for bombed-out stocks YTD with unexciting tender prospects). Muhibbah Engineering is now raised as our top sector pick as it is now a purer play on overseas contracts, lucrative airport concessions, and minimal exposure to rail jobs that will be under review. We maintain Add on Muhibbah Engineering and RM3.49 TP based on an unchanged 30% RNAV discount.

- For the big/mid caps, we raise RNAV discounts from 10% to 30-40% - this applies to IJM Corp, Gamuda, YTL Corp MRCB and Sunway.
- For the smaller caps, we raise RNAV discounts from 40-60% previously, to 60-70% - this applies to Protasco, Salcon and WCT Holdings.
- As a result, Gamuda, MRCB, Protasco, and YTL Corp are downgraded to Reduce with 6-16% potential downsides to their target prices (excluding dividend yield). We downgrade IJM Corp to a Hold, as among the big caps, it has fallen the most YTD. We downgrade Sunway to Hold (from Add) after pegging the new target price to 30% discount to RNAV, in line with the big caps.

Figure 14: Downgrades in stock calls and target prices

	Previous disc. to RNAV (%)	Previous TP (RM/share)	New TP (RM/share)	Upside (%)	Div. yield (%)	Total upside (%)	New rec.	New RNAV disc. (%)	Comments	Shr price YTD (%)
IJM Corp	10%	3.47	2.54	-4%	2.1%	-2%	Hold	30%	Downgrade from Add	-13%
Gamuda	10%	5.92	4.50	-12%	2.4%	-9%	Reduce	30%	Downgrade from Add	4%
MRCB	10%	1.35	0.90	-10%	0.4%	-9%	Reduce	30%	Downgrade from Add	-11%
Muhibbah Engineering	30%	3.49	3.49	15%	1.5%	16%	Add	30%	Maintain stock call: Top pick	5%
Protasco	40%	1.09	0.68	-9%	6.1%	-3%	Reduce	60%	Downgrade from Add	-15%
Salcon	60%	0.40	0.40	-1%	2.5%	1%	Reduce	60%	Maintain Reduce	-8%
Sunway	10%	1.89	1.48	-4%	3.6%	0%	Hold	30%	Downgrade from Add	-6%
WCT Holdings	40%	1.60	1.26	-2%	2.0%	0%	Hold	50%	Mainain Hold	-21%
YTL Corp	10%	1.68	1.12	-16%	4.5%	-12%	Reduce	40%	Downgrade from Add	-3%

SOURCES: CIMB RESEARCH, BLOOMBERG

Gamuda & YTL Corp are no longer post-GE14 big cap picks ➤

The GE14 results were a surprise to most contractors, and the magnitude of the PH victory over BN puts a high chance for reform on the sector’s tender, procurement and job award outlook, in our view, and one which we will monitor closely. With the uncertainties on the contract roll-out coming into play, we expect the sector’s risk-reward to be unattractive over the medium term. The revival of the sector’s upcycle and the continuity of the RM225bn total

outstanding jobs would depend on the new priorities to be outlined by the new government. We downgrade the sector from Overweight to Underweight. Gamuda and YTL Corp, previously our top post-GE14 big cap picks, are downgraded to Reduce, along with MRCB and Protasco, which were previously our preferred small-mid cap picks post-GE14.

Figure 15: Share price performance YTD (RM/share)

	End-2016	End-2017	Chg 2017 vs 2016	High in Jan-18	Jan-18 high vs end 17	Last price	Chg YTD	Chg vs 1Q18 high	Low in Apr-18	Last price vs Apr low
Stocks	(RM)	(RM)	(%)	(RM)	(%)	(RM)	(%)	(%)	(RM)	(%)
IJM Corp	3.12	3.05	-2%	3.17	4%	2.68	-12%	-15%	2.03	32%
Gamuda	4.61	4.89	6%	5.26	8%	5.08	4%	-3%	4.85	5%
MRCB	1.13	1.12	-1%	1.29	15%	0.95	-15%	-26%	0.86	11%
Muhibbah Engineering	2.19	2.89	32%	3.30	14%	3.03	5%	-8%	2.51	21%
Protasco	0.90	0.88	-2%	1.01	15%	0.75	-15%	-26%	0.79	-5%
Salcon	0.53	0.44	-16%	0.52	17%	0.39	-11%	-24%	0.37	5%
Sunway	1.25	1.63	31%	1.81	11%	1.51	-7%	-17%	1.46	3%
WCT Holdings	1.72	1.62	-6%	1.83	13%	1.21	-25%	-34%	1.14	6%
YTL Corp	1.47	1.37	-6%	1.55	13%	1.33	-3%	-14%	1.31	2%
Average			4%		12%		-9%	-19%		

SOURCES: CIMB RESEARCH, BLOOMBERG

Malaysia

REDUCE (previously ADD)

Consensus ratings*: Buy 18 Hold 4 Sell 1

Current price:	RM5.10
Target price:	RM4.50
Previous target:	RM5.92
Up/downside:	-11.8%
CGS-CIMB / Consensus:	-22.7%
Reuters:	GAMU.KL
Bloomberg:	GAM MK
Market cap:	US\$3,180m
	RM12,559m
Average daily turnover:	US\$5.46m
	RM21.32m
Current shares o/s:	2,442m
Free float:	75.7%

*Source: Bloomberg

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.2	4.1	-4.7
Relative (%)	-0.3	3.7	-9.1

Major shareholders	% held
EPF	10.6
Amanah Raya Trustees	8.2
Generasi Setia	5.5

Analyst(s)



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Gamuda

Pushing the reset button on rail jobs

- Gamuda is highly exposed to new rail contracts that are likely to be reviewed.
- Poor investor sentiment on big-cap rail plays post-GE14 could be the main de-rating catalyst. Foreign shareholding stood at 33% as at end-April
- Downgrade to Reduce from Add. Revival of Splash deal and PTMP located in states controlled by PH are potential upside risks to our call.

Job replenishment outlook for 2018 deteriorates post-GE14

We expect job replenishment outlook and momentum of contract awards to deteriorate post-GE14, as the new PH government puts into action its manifesto that focuses on a review of all mega projects. We believe rail contracts would be most impacted. We have turned cautious on contractors with big exposures to rail contracts and owners of highway concessions. Gamuda has the biggest tender exposure to new rail contracts via the RM40bn-45bn MRT 3 and RM50bn-60bn HSR. It is also a highway concessionaire.

Overhang on MRT 3 (Circle Line) award

At the very least, we expect the award of the RM40bn-45bn MRT 3 (Circle Line), which was fast tracked under the previous BN government, to be delayed pending a review by PH, if not an outright cancellation (which is unlikely, in our view). Prior to GE14 polling day, expectations were high that the MRT 3 contract could be split between Gamuda-GKent-MMC JV and CCCC JV (foreign). This may not be case, as the new PH government also plans to put contracts awarded to foreign contractors under review.

Uncertainties to the secured HSR PDP scope

Going by PH's manifesto on the construction sector, we would not rule out the possibility that the HSR PDP contract secured recently (before GE14) via MRCB-Gamuda JV (50:50) will be reviewed. We had earlier estimated the value of the PDP contract to be RM20bn-23bn for the JV with potential 5-6% PDP fees over 6 years. While we have not factored in the PDP earnings into our forecasts, a change in government post-GE14 has now cast uncertainties on the continuity of the RM50bn-60bn HSR project.

Expropriation clause on highway by PH

Under PH's manifesto, it targets to review all highway concession agreements (CA) with the aim of ceasing toll collection gradually, and on another extreme, to acquire all highways via the expropriation clause and eliminate politically-driven decision-making on contract procurement. This may impact the four highway assets under Gamuda and the quantum of toll compensation received under the previous government, though it is too early to assess the actual outcome.

Maintain EPS forecasts despite subdued job outlook

We maintain FY18-20F EPS forecasts as we expect significant earnings downside from the likely order book depletion to impact earnings beyond our forecast period. MRT 2 and Pan Borneo highway contracts make up the RM6.9bn outstanding order book. This should support construction earnings despite risks on the continuity of new rail contracts. The only upside to order book, post-GE14, is the rollout of the Pan Borneo Highway in Sabah.

Downgrade to Reduce; downside to foreign shareholding likely

We downgrade from Add to Reduce with a lower TP of RM4.50, pegged to a higher RNAV discount of 30% (10% previously) to account for the expected poor investor sentiment for the sector post-GE14. De-rating catalysts include downside to foreign shareholding which stands at 33%. Upside risks to our call include 1) revival of Splash deal post-GE14 led by PH, and 2) revival of the Penang Transport Masterplan (PTMP) which could benefit from increased infra spending in states controlled by PH.

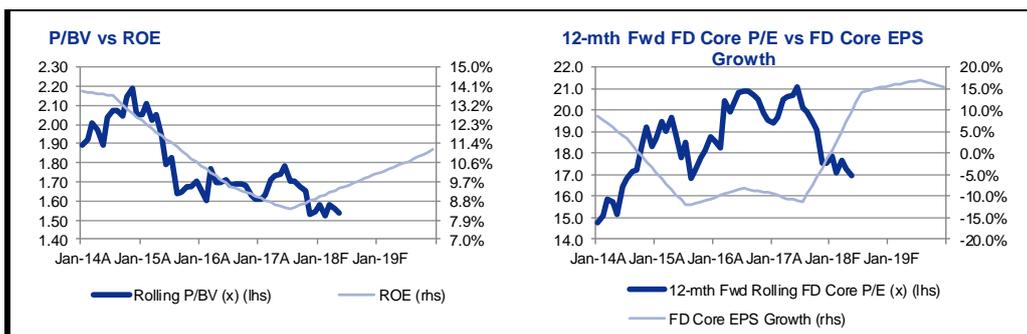
Financial Summary	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue (RMm)	2,122	3,211	2,553	2,753	2,954
Operating EBITDA (RMm)	385.2	530.1	638.6	734.2	814.8
Net Profit (RMm)	626.1	602.1	740.6	866.0	986.5
Core EPS (RM)	0.26	0.25	0.31	0.36	0.41
Core EPS Growth	(8.2%)	(3.8%)	23.0%	16.9%	13.9%
FD Core P/E (x)	19.60	22.07	19.32	16.52	14.51
DPS (RM)	0.12	0.12	0.12	0.12	0.12
Dividend Yield	2.27%	2.27%	2.27%	2.27%	2.27%
EV/EBITDA (x)	37.14	28.33	22.68	19.58	17.59
P/FCFE (x)	222.5	34.0	132.7	89.7	61.8
Net Gearing	49.4%	56.0%	46.8%	44.5%	43.4%
P/BV (x)	1.78	1.64	1.52	1.49	1.47
ROE	9.5%	8.4%	9.5%	10.6%	11.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	0.99	1.00

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

	DCF value (RM m)	Gamuda's stake (%)	Value (RM m)
Concession assets			
LDP/Litrak (Market capitalisation)	3,025.0	45%	1,361.3
SAE	1,400.0	70%	980.0
Sprint	2,307.6	52%	1,206.9
SSP1&3 (Splash)	2,800.0	40%	1,008.0
Gamuda Water	500.0	80%	400.0
PPH, India	152.9	50%	76.5
DE, India	108.2	50%	54.1
SMART	963.3	50%	481.6
MRT 2 SBK line PDP	490.6	50%	245.3
	Land size	Value	
	(acres)	RM psf	
Property			
Kota Kemuning	10	30.0	50% 6.5
Valencia	0	100.0	99% 0.0
Bandar Botanic	30	45.0	100% 58.8
Bandar Nusajaya	400	40.0	50% 348.5
Jade Hills	170	55.0	100% 407.3
Madge Mansions	0	30.0	100% 0.0
The Robertsons	0	250.0	100% 0.0
Yenso, Hanoi	300	230.0	100% 3,005.6
Celadon City, HCMC	80	192.8	100% 671.9
HighPark Suites - Kelana Jaya	0	450.0	100% 0.0
Gamuda Gardens - Rawang	820	60.0	100% 2,143.2
Kundang Estates - Rawang	20	45.0	100% 39.2
Gamuda Cove - Cyberjaya West	1530	44.2	100% 2,945.8
Twentyfive.7 - Kota Kemuning	230	45.0	100% 450.8
Bukit Bantayan Residences - Sabah	10	20.0	100% 8.7
GEM Residence - Singapore	0	50.0	50% 0.0
Chapel Street - Melbourne	0	2,000.0	100% 0.0
	CY18	P/E (x)	
	(RM m)	P/E (x)	
Construction	213.3	15	100% 3,200.0
Quarry	13.8	13.5	100% 186.1
Property investments, JVs and associates			3,311.9
Net current assets net of dev. prop. (2Q18)			1,611.8
Total debt 2Q18			(5,730.1)
Total RNAV			18,479.6
No. of shares (m)			2,406.1
Warrant-E (2016/2021) (m)			400.9
Warrant proceeds @RM4.05			1,623.6
ESOS (m)			68.8
FD RNAV			20,103.2
FD no. of shares			2,875.8
FD RNAV/share (RM)			6.43
RNAV discount			30%
Target price (RM)			4.50

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Net Revenues	2,122	3,211	2,553	2,753	2,954
Gross Profit	2,122	3,211	2,553	2,753	2,954
Operating EBITDA	385	530	639	734	815
Depreciation And Amortisation	(122)	(149)	(122)	(120)	(119)
Operating EBIT	264	381	517	614	696
Financial Income/(Expense)	(59)	(6)	(54)	(45)	(45)
Pretax Income/(Loss) from Assoc.	413	248	437	508	547
Non-Operating Income/(Expense)	163	203	0	0	0
Profit Before Tax (pre-EI)	781	826	900	1,077	1,198
Exceptional Items	0	0	0	0	0
Pre-tax Profit	781	826	900	1,077	1,198
Taxation	(112)	(170)	(115)	(165)	(165)
Exceptional Income - post-tax					
Profit After Tax	669	656	785	913	1,033
Minority Interests	(43)	(54)	(45)	(47)	(47)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	626	602	741	866	987
Recurring Net Profit	626	602	741	866	987
Fully Diluted Recurring Net Profit	626	602	741	866	987

Cash Flow

(RMm)	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
EBITDA	385.2	530.1	638.6	734.2	814.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(194.5)	(204.2)	(214.4)	(225.1)	(236.4)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	52.0	52.0	52.0	52.0	52.0
Net Interest (Paid)/Received	(58.9)	(5.8)	(54.2)	(44.5)	(45.0)
Tax Paid	(111.9)	(169.8)	(114.8)	(164.6)	(164.6)
Cashflow From Operations	72.0	202.4	307.2	352.0	420.9
Capex	(757.7)	(300.0)	(205.0)	(205.0)	(205.0)
Disposals Of FAs/subsidiaries	1.3	4.5	4.7	5.9	5.9
Acq. Of Subsidiaries/investments	(55.8)	(39.0)	(27.3)	(19.1)	(13.4)
Other Investing Cashflow	80.7	77.5	74.4	71.4	68.6
Cash Flow From Investing	(731.5)	(257.1)	(153.2)	(146.8)	(143.9)
Debt Raised/(repaid)	714.7	446.0	(46.1)	(45.7)	(45.2)
Proceeds From Issue Of Shares	152.3	144.7	137.4	130.5	124.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(289.5)	(288.7)	(288.7)	(288.7)	(288.7)
Preferred Dividends					
Other Financing Cashflow	186.3	(678.1)	467.8	57.3	(67.0)
Cash Flow From Financing	763.7	(376.1)	270.3	(146.5)	(277.0)
Total Cash Generated	104.2	(430.8)	424.3	58.7	(0.0)
Free Cashflow To Equity	55.1	391.3	107.8	159.5	231.7
Free Cashflow To Firm	(533.5)	49.7	280.4	330.4	401.1

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Total Cash And Equivalents	1,473	1,042	1,466	1,525	1,525
Total Debtors	1,684	2,848	2,873	2,898	2,923
Inventories	117	228	217	206	196
Total Other Current Assets	2,054	2,317	2,317	2,317	2,317
Total Current Assets	5,328	6,436	6,874	6,946	6,961
Fixed Assets	420	619	649	679	709
Total Investments	2,882	2,915	2,935	2,956	2,976
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	5,529	5,803	5,832	5,860	5,889
Total Non-current Assets	8,830	9,336	9,415	9,494	9,574
Short-term Debt	640	629	629	629	629
Current Portion of Long-Term Debt					
Total Creditors	1,374	1,814	1,828	1,842	1,857
Other Current Liabilities	77	124	124	124	124
Total Current Liabilities	2,090	2,567	2,581	2,595	2,609
Total Long-term Debt	4,169	4,615	4,568	4,523	4,478
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	676	746	746	746	746
Total Non-current Liabilities	4,844	5,361	5,315	5,269	5,224
Total Provisions	0	0	0	0	0
Total Liabilities	6,934	7,927	7,895	7,864	7,833
Shareholders' Equity	6,887	7,476	8,070	8,234	8,340
Minority Interests	336	369	324	344	363
Total Equity	7,223	7,845	8,394	8,577	8,703

Key Ratios

	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Revenue Growth	(11.6%)	51.3%	(20.5%)	7.9%	7.3%
Operating EBITDA Growth	(35.8%)	37.6%	20.5%	15.0%	11.0%
Operating EBITDA Margin	18.2%	16.5%	25.0%	26.7%	27.6%
Net Cash Per Share (RM)	(1.48)	(1.83)	(1.63)	(1.59)	(1.57)
BVPS (RM)	2.86	3.11	3.35	3.42	3.47
Gross Interest Cover	2.09	3.65	4.09	4.90	5.60
Effective Tax Rate	14.3%	20.6%	12.8%	15.3%	13.7%
Net Dividend Payout Ratio	46.1%	48.0%	39.0%	33.3%	29.3%
Accounts Receivables Days	243.0	222.6	355.9	333.3	314.6
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	3.44%	4.56%	5.23%	6.18%	6.96%
ROCE (%)	2.82%	3.75%	4.35%	5.01%	5.55%
Return On Average Assets	5.29%	4.42%	5.24%	5.85%	6.54%

Key Drivers

(RMm)	Jul-16A	Jul-17A	Jul-18F	Jul-19F	Jul-20F
Outstanding Orderbook	2,800	9,035	7,634	9,134	10,634
Order Book Depletion	2,570	2,500	2,500	2,500	2,500
Orderbook Replenishment	8,735	1,099	4,000	4,000	2,000
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

REDUCE (previously ADD)

Consensus ratings*: Buy 2 Hold 1 Sell 0

Current price:	RM1.33
Target price:	RM1.12
Previous target:	RM1.68
Up/downside:	-16.0%
CGS-CIMB / Consensus:	-31.6%

Reuters:	YTLS.KL
Bloomberg:	YTL MK
Market cap:	US\$3,619m
	RM14,292m
Average daily turnover:	US\$1.45m
	RM5.68m
Current shares o/s:	10,739m
Free float:	43.8%

*Source: Bloomberg

Key changes in this note

▶ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7	-9.5	-10.1
Relative (%)	-7.5	-9.9	-14.5

Major shareholders	% held
Yeoh Tiong Lay & Sons	49.9
EPF	6.3

Analyst(s)



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YTL Corporation

Johor infra plays could be reviewed post-GE14

- We turn cautious on big-cap rail contracts and also on YTL, as its status as a proxy for Johor rail plays may no longer hold post-GE14.
- YTL has the biggest potential exposure to the HSR and Gemas-JB 2T projects, which are now subject to review by the new government under PH.
- Investors are likely to turn negative on YTL Corp's construction outlook in the medium term; target to increase order book to over RM5bn is rather far-fetched, for now.
- Downgrade to Reduce from Add due to potential risks to contracts in 2H18.

Turning cautious on big-cap rail plays

We turn cautious on contractors that are highly dependent on government contracts. The outlook for the "Big Rail Theme" has become uncertain, pending a comprehensive review by Pakatan Harapan (PH). We have also turned cautious on the progress of RM9.4bn Gemas-JB rail double tracking (awarded to Chinese consortium; pending an award to YTL-SIPP Rail), and HSR.

HSR PDP scope for southern portion could be reviewed?

In May, prior to GE14 polling day, YTL-THP JV (70:30) secured the southern portion of the HSR project. This was good news as it vindicated YTL's ambition to play a big role in the project's civil works. However, our views on HSR tenders have changed post-GE14, in that, there is a high chance that the contract could be reviewed, though this is not confirmed. If it is reviewed, we would not discount a review of the entire project structure, including the tender and the basis of the award of PDP scopes.

Uncertain on the tenders for HSR OpCo

We were previously optimistic on YTL's chances to bid for the KL-Singapore HSR's rail operating company (OpCo) tender, which would be more relevant to YTL Corp, in our view, given its experience in the 45%-owned Express Rail Link (ERL) – the sole domestic high-speed rail service concession serving KLIA and KLIA 2. Following GE14 results, prospects of the OpCo tenders remain unknown with no specified timeline.

Share price supported by expectations of HSR and Gemas-2T wins

In terms of share performance, YTL is only down 3% YTD, well supported by heightened expectations ahead of GE14 that it could secure the RM9.4bn Gemas-JB rail double-tracking contract (via YTL-SIPP Rail), and the award of RM10bn-12bn HSR southern PDP portion (via YTL-THP JV) which was a positive surprise. Also, pre-GE14, during our road show, investors were keen on YTL Corp potentially emerging as a proxy for Johor rail plays – but only if it is status quo post-GE14, which is now not the case.

Forecasts maintained as new order book not factored in

Despite the negative outlook on rail contracts post-GE14 in view of a blanket review under PH's manifesto, we maintain FY18-20F EPS as we had not imputed the potential growth in order book (from c.RM400m currently) arising from the Gemas-JB 2T and HSR jobs. We had earlier indicated that YTL Corp' order book could swell to over RM5bn by end-2018 if it secures the Gemas-JB 2T job. This does not take into account selected HSR scope beyond the PDP contract for the southern portion that it is able to tender for.

Downgrade to Reduce as we raise RNAV discount to 40%

In view of our more cautious stance on big caps with rail exposures, we downgrade YTL from Add to Reduce. Our lower TP is on account of higher RNAV discount of 40% vs. 10% as we impute uncertainties to contracts and a likely knee-jerk deterioration in overall sector sentiment post-GE14. Upside risk to our call is if both HSR and Gemas-JB 2T jobs emerge as revised priorities, which, at this juncture, remains under PH's control.

Financial Summary

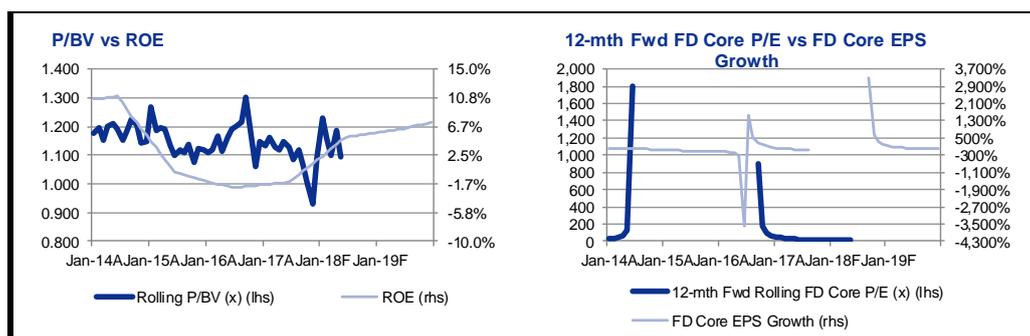
	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue (RMm)	15,378	14,728	15,738	16,337	16,967
Operating EBITDA (RMm)	2,195	2,234	3,434	3,519	3,789
Net Profit (RMm)	916.4	796.3	681.2	776.5	972.0
Core EPS (RM)	(0.031)	(0.019)	0.065	0.074	0.092
Core EPS Growth	(3604%)	(39%)		14%	25%
FD Core P/E (x)	NA	NA	20.57	18.04	14.42
DPS (RM)	0.095	0.050	0.065	0.074	0.092
Dividend Yield	7.14%	3.76%	4.89%	5.56%	6.92%
EV/EBITDA (x)	19.41	17.42	11.73	11.80	11.31
P/FCFE (x)	49.81	NA	53.99	34.84	19.76
Net Gearing	107%	92%	95%	98%	101%
P/BV (x)	0.95	1.03	1.10	1.17	1.25
ROE	(2.23%)	(1.42%)	5.17%	6.30%	8.41%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.01	0.98	1.18

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

	Methodology	Stake	Value	YTL's share	per YTL share
			RM m	RM m	RM/share
Listed subsidiaries					
YTL Power	target price	52.6%	12,215	6,430	0.61
YTL Land	market cap	57.9%	419	242	0.02
YTL e solutions	Privatisation value	100.0%	738.46	738	0.07
				7,411	0.70
REITs					
YTL Hospitality REIT	market cap	59%	1,960	1,152.51	0.11
Starhill Global REIT	market cap	29%	4,684	1,377	0.13
				2,530	0.24
Non-listed assets					
YTL Cement	EV/EBITDA	98%	3,164	3,099	0.29
Express Rail Link	NPV	45%	893	402	0.04
Construction earnings	15x PER	100%	389	389	0.04
Niseko landbank	US\$26 psf	100%	5,018	5,018	0.48
net cash	at holding co	100%	779	779	0.07
				9,686	0.92
Total RNAV (RM m)				19,626	1.86
Target price		40% discount			1.12

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Net Revenues	15,378	14,728	15,738	16,337	16,967
Gross Profit	4,452	4,118	5,384	5,488	5,779
Operating EBITDA	2,195	2,234	3,434	3,519	3,789
Depreciation And Amortisation	(1,628)	(1,455)	(1,429)	(1,443)	(1,458)
Operating EBIT	567	780	2,005	2,076	2,332
Financial Income/(Expense)	(1,179)	(1,055)	(1,145)	(1,086)	(1,071)
Pretax Income/(Loss) from Assoc.	645	381	498	527	559
Non-Operating Income/(Expense)	740	380	668	625	588
Profit Before Tax (pre-EI)	774	485	2,026	2,142	2,408
Exceptional Items	1,493	1,192			
Pre-tax Profit	2,267	1,677	2,026	2,142	2,408
Taxation	(380)	(274)	(614)	(629)	(693)
Exceptional Income - post-tax					
Profit After Tax	1,887	1,403	1,412	1,513	1,715
Minority Interests	(971)	(606)	(731)	(737)	(743)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	916	796	681	777	972
Recurring Net Profit	(326)	(201)	681	777	972
Fully Diluted Recurring Net Profit	(326)	(201)	681	777	972

Cash Flow

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
EBITDA	2,195	2,234	3,434	3,519	3,789
Cash Flow from Inv. & Assoc.	990	598	416	514	712
Change In Working Capital	451	(439)	60	8	(71)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	0	0	0	0	0
Other Operating Cashflow	0	0	0	0	0
Net Interest (Paid)/Received	(1,052)	(979)	(1,145)	(1,086)	(1,071)
Tax Paid	(376)	(599)	(614)	(629)	(693)
Cashflow From Operations	2,207	815	2,151	2,326	2,666
Capex	(1,930)	(1,865)	(1,891)	(1,923)	(1,957)
Disposals Of FAs/subsidiaries	0	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	(1,930)	(1,865)	(1,891)	(1,923)	(1,957)
Debt Raised/(repaid)	0	0	0	0	0
Proceeds From Issue Of Shares					
Shares Repurchased	0	0	0	0	0
Dividends Paid	(990)	(598)	(416)	(514)	(712)
Preferred Dividends	(274)	(245)	(206)	(208)	(210)
Other Financing Cashflow	254	2,466	(592)	(597)	(802)
Cash Flow From Financing	(1,010)	1,623	(1,214)	(1,318)	(1,723)
Total Cash Generated	(732)	574	(954)	(916)	(1,014)
Free Cashflow To Equity	277	(1,049)	260	402	709
Free Cashflow To Firm	1,593	269	1,670	1,751	2,040

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Total Cash And Equivalents	14,454	15,397	14,812	14,265	13,620
Total Debtors	2,837	2,727	2,881	2,990	3,104
Inventories	760	912	919	937	986
Total Other Current Assets	3,154	2,082	2,084	2,086	2,088
Total Current Assets	21,205	21,119	20,696	20,278	19,799
Fixed Assets	26,637	27,016	27,478	27,959	28,458
Total Investments	12,161	8,994	8,995	8,996	8,997
Intangible Assets	6,065	6,065	6,065	6,065	6,065
Total Other Non-Current Assets	1,199	1,478	1,480	1,482	1,484
Total Non-current Assets	46,062	43,553	44,018	44,502	45,004
Short-term Debt	31	31	31	31	31
Current Portion of Long-Term Debt	3,060	3,060	3,060	3,060	3,060
Total Creditors	2,969	2,594	2,814	2,948	3,040
Other Current Liabilities	602	607	608	609	610
Total Current Liabilities	6,662	6,291	6,512	6,647	6,740
Total Long-term Debt	33,972	31,563	31,564	31,565	31,566
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,629	1,582	1,537	1,495	1,455
Total Non-current Liabilities	35,600	33,144	33,101	33,060	33,020
Total Provisions	2,993	3,387	3,388	3,389	3,390
Total Liabilities	45,255	42,823	43,001	43,096	43,151
Shareholders' Equity	14,603	13,660	12,706	11,941	11,167
Minority Interests	7,409	8,276	9,006	9,743	10,486
Total Equity	22,012	21,936	21,713	21,683	21,652

Key Ratios

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Revenue Growth	(8.22%)	(4.23%)	6.86%	3.81%	3.86%
Operating EBITDA Growth	(19.9%)	1.8%	53.7%	2.5%	7.7%
Operating EBITDA Margin	14.3%	15.2%	21.8%	21.5%	22.3%
Net Cash Per Share (RM)	(2.26)	(1.91)	(1.96)	(2.01)	(2.07)
BVPS (RM)	1.40	1.30	1.21	1.13	1.06
Gross Interest Cover	0.43	0.59	1.42	1.54	1.75
Effective Tax Rate	16.8%	16.3%	30.3%	29.4%	28.8%
Net Dividend Payout Ratio	NA	NA	61.0%	66.2%	73.2%
Accounts Receivables Days	73.73	67.67	64.08	64.65	64.81
Inventory Days	25.63	28.77	32.28	31.22	31.46
Accounts Payables Days	102.6	95.4	95.0	96.6	97.6
ROIC (%)	1.53%	2.10%	5.41%	5.54%	6.14%
ROCE (%)	1.12%	1.68%	3.74%	3.86%	4.28%
Return On Average Assets	2.35%	1.92%	3.95%	4.01%	4.30%

Key Drivers

	Jun-16A	Jun-17A	Jun-18F	Jun-19F	Jun-20F
Rev. growth (% , main biz.)	-3.1%	-21.7%	-100.0%	N/A	N/A
EBITDA mgns (% , main biz.)	22.0%	22.0%	22.0%	22.0%	22.0%
Rev. as % of total (main biz.)	85.0%	68.7%	0.0%	0.0%	0.0%
EBITDA as % of total (main biz.)	56.5%	66.1%	0.0%	10.2%	7.0%
Rev. growth (% , 2ndary biz.)	0.0%	-17.0%	19.4%	2.7%	7.9%
EBITDA mgns (% , 2ndary biz.)	29.2%	22.5%	20.7%	20.8%	18.5%
Rev. as % of total (2ndary biz.)	20.0%	17.2%	19.4%	19.2%	19.9%
EBITDA as % of total (2ndary biz.)	N/A	N/A	N/A	N/A	N/A
Rev. growth (% , tertiary biz.)	N/A	N/A	N/A	N/A	N/A
EBITDA mgns (% , tertiary biz.)	N/A	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	N/A	N/A	N/A	N/A	N/A
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

REDUCE (previously ADD)

Consensus ratings*: Buy 7 Hold 3 Sell 0

Current price:	RM1.00
Target price:	RM0.90
Previous target:	RM1.35
Up/downside:	-10.0%
CGS-CIMB / Consensus:	-27.3%

Reuters:	MYRS.KL
Bloomberg:	MRC MK
Market cap:	US\$1,112m
	RM4,391m
Average daily turnover:	US\$2.36m
	RM9.21m
Current shares o/s:	4,346m
Free float:	42.1%

*Source: Bloomberg

Key changes in this note

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	2.6	-10.7	-31.8
Relative (%)	2.1	-11.1	-36.2

Major shareholders	% held
EPF	33.5
Gapurna Sdn Bhd	16.7
Lembaga Tabung Haji	7.8

Analyst(s)

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Malaysian Resources Corp

Sentiment could weaken post-GE14

- We believe there may be a risk that MRCB's HSR PDP scope could be reviewed.
- If sector job outlook becomes subdued post-GE14 in 2H18, it could cap order book upside, which remains at RM500m p.a., based on our assumptions.
- Expropriation clause on highway takeover could cast uncertainties on the divestment of EDL, which was pending takeover negotiations with the previous government.
- We believe sector sentiment could weaken post-GE14; downgrade to Reduce.

Recently secured HSR PDP scope

Under Pakaran Harapan's (PH) reform agenda for the construction sector, we believe the KL-Singapore High Speed Rail (HSR) could be subjected to a review as it is deemed not a priority. Prior to GE14's polling day, MRCB, via MRCB-Gamuda JV (50:50) secured the letter of award (LOA) for northern project delivery partner (PDP) package of the HSR project. It remains to be seen if a review on the PDP LOA by the new government would take place. We estimate the overall PDP contract value to be RM20bn-23bn.

Significant impact of HSR PDP not factored into forecasts

We have not factored in the impact of PDP earnings into our forecasts. We had earlier estimated that given MRCB's low earnings base, the impact to EPS would be significant. Based on a 50% stake and assuming a 5% PDP fee, this translates to RM81m-108m p.a. (straight line method) which would bump up FY19F net profit by 42-56%. There is a likelihood that HSR PDP companies may be able to participate in the actual construction works but we believe this could be limited to selected portions.

Upside to order book capped, for now

We maintain our FY18-20F EPS and RM500m new order book assumption p.a., but highlight potential downside to this assumption should the job outlook for the overall sector becomes subdued in 2H18, under the new PH government's reform agenda. However, longer-term earnings (beyond our forecast period) should be supported by the PDP contracts from Kwasa Damansara and Bukit Jalil (combined value of over RM20bn), in addition to the PDP earnings from the ongoing RM9bn LRT 3 contract.

Expropriation clause on highway by PH

Under PH's manifesto, it targets to review all highway concession agreements (CA) with the aim of ceasing toll collection gradually, and on another extreme, to acquire all highways via the expropriation clause and eliminate politically-driven decision-making on contract procurement. The manifesto on highways may cast shadows over MRCB's plan to divest its 100%-owned Eastern Dispersal Link (EDL), which was awaiting a divestment deal to be negotiated with the previous government under BN since end-2017.

Status quo on EDL sale; part of degearing strategy

As at end-FY17, MRCB's total borrowings stood at RM3.4bn; 31% or RM1.1bn was from EDL's sukuk bonds. Its end-2017 net gearing stood at 0.54x. Excluding the non-recourse concession debt, net gearing was 0.32x. With the sale of EDL and proceeds from the Employees Provident Fund's (EPF) share subscription in the Bukit Jalil development, MRCB estimated that its net gearing would fall to 0.08x.

Potential risks/uncertainties from PH's reform agenda

In line with our sector downgrade to Underperform and our cautious stance on players with exposure to highway concessions, we downgrade MRCB from Add to Reduce with a lower TP of RM0.90, based on a higher 30% RNAV discount (10% previously) to reflect an overall deterioration in the sector sentiment over the medium term. Our target price implies 10% downside to the share price. Upside risks to our call include a revival of rail contracts for MRCB and divestment of EDL.

Financial Summary

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	2,408	2,824	2,908	3,025	3,085
Operating EBITDA (RMm)	313.3	208.9	215.2	250.7	255.8
Net Profit (RMm)	267.4	167.6	131.3	142.1	144.4
Core EPS (RM)	0.062	0.039	0.030	0.033	0.033
Core EPS Growth	84.1%	(37.3%)	(21.7%)	8.2%	1.6%
FD Core P/E (x)	16.25	27.24	36.44	33.67	33.13
DPS (RM)	0.015	0.017	0.015	0.015	0.015
Dividend Yield	1.50%	1.70%	1.50%	1.50%	1.50%
EV/EBITDA (x)	20.33	32.39	31.16	26.48	25.70
P/FCFE (x)	NA	9.6	817.5	91.7	73.2
Net Gearing	73.1%	52.8%	52.6%	51.9%	50.9%
P/BV (x)	1.49	0.90	0.92	0.94	0.95
ROE	11.3%	4.3%	2.8%	3.0%	3.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.66	0.59	0.54

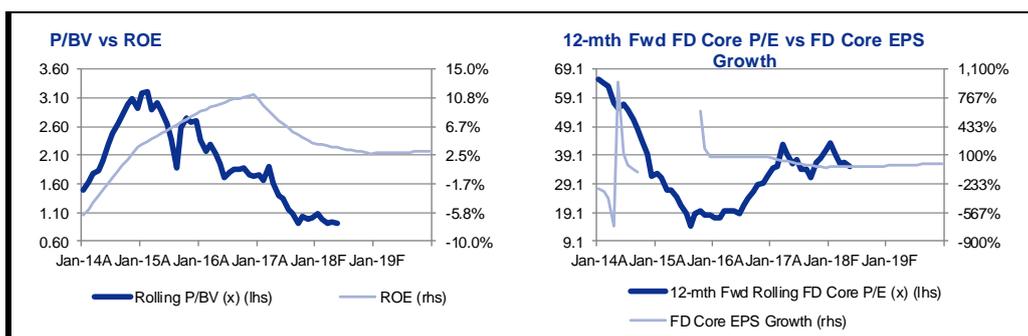
SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

	Land bank		GDV	Stake	Value	Value
Ongoing property development	(Acres) (m sq ft)		(RM m)	(%)	(RM psf)	(RM m)
Bukit Jalil KL Sports City	76.1	3.3	20,700.0	17%	400.0	225.4
Kwasa Sentral (Kwasa Damansara)	64.1	2.8	8,606.0	70%	300.0	586.4
Cyberjaya City	113.3	4.9	5,350.0	70%	290.0	1,001.9
KL Sentral - Lot F	5.7	0.2	2,993.0	100%	1,100.0	273.1
Semarak City - Setapak	27.4	1.2	2,977.0	100%	300.0	358.1
Penang Sentral - phases 3 & 7	16.7	0.7	2,100.0	70%	120.0	61.1
PJ Sentral - Nilaitera	7.8	0.3	1,656.0	100%	400.0	135.9
Lot 349, KL Sentral (service apartments)	4.9	0.2	1,413.0	100%	1,000.0	213.4
Q Sentral Office Tower	1.9	0.1	1,228.0	66%	1,000.0	54.6
Lot 94 Jalan Kia Peng	1.9	0.1	1,012.0	100%	500.0	41.4
9 Seputeh - Old Klang Road	8.0	0.3	795.0	100%	200.0	69.7
Pulai Johor	67.5	2.9	770.0	100%	35.0	102.9
PJ Sentral - Tower 1	0.0	0.0	700.0	100%	550.0	0.0
Penang Sentral - phases 1 & 2	6.0	0.3	590.0	100%	120.0	31.4
PJ Sentral - Tower 5	0.0	0.0	455.0	100%	550.0	0.0
PJ Sentral - Celcom Tower	2.3	0.1	428.0	100%	450.0	45.1
Suria Subang	3.2	0.1	401.0	100%	200.0	27.9
Seri Iskandar - phase 3	159.0	6.9	350.0	70%	10.0	48.5
Seri Iskandar - Phase 2	245.0	10.7	321.0	70%	5.0	37.4
Rahman Putra - phase 3	4.6	0.2	307.0	100%	20.0	4.0
Canegie - Melbourne	1.0	0.0	305.0	100%	450.0	19.6
Selbourne 2 - Shah Alam	2.4	0.1	198.0	100%	200.0	20.9
Rahman Putra - phase 2	4.1	0.2	175.0	100%	20.0	3.6
Rahman Putra - phase 1	5.5	0.2	84.0	100%	20.0	4.8
Total	828.4	36.1	53,914.0			3,366.9
				Stake		
Eastern Dispersal Link (EDL), 14.5% IRR, 12% WACC				100%		1,195.3
Construction Net profit (FY19) at 15x P/E				100%		579.1
MQ REIT				31%		370.8
LRT 3 PDP DCF value (6% PDP fees)				50%		210.5
Property investments (4Q17)						1,211.3
Associates & investments (4Q17)						578.7
Net working capital less prop development cost (4Q17)						1,277.5
Total borrowings (4Q17)						(3,381.9)
Total RNAV (RM m)						5,408.3
Enlarged no. of shares (m)						4,345.7
Outstanding warrants (2013/2018)						576.5
Proceeds from warrants @RM1.68 strike price						968.5
New free warrants (10-years)						438.5
Proceeds from new warrants @RM1.25 strike price						548.1
FD no.of shares (m)						5,360.7
FD RNAV (RM m)						6,925.0
FD RNAV/share (RM)						1.29
Discount to RNAV (%)						30%
Target price (RM/share)						0.90

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	2,408	2,824	2,908	3,025	3,085
Gross Profit	2,408	2,824	2,908	3,025	3,085
Operating EBITDA	313	209	215	251	256
Depreciation And Amortisation	(64)	(69)	(74)	(80)	(85)
Operating EBIT	250	140	141	171	170
Financial Income/(Expense)	(115)	13	(31)	(21)	(14)
Pretax Income/(Loss) from Assoc.	32	25	34	36	37
Non-Operating Income/(Expense)	227	69	44	21	22
Profit Before Tax (pre-EI)	393	247	188	206	216
Exceptional Items	0	0	0	0	0
Pre-tax Profit	393	247	188	206	216
Taxation	(74)	(66)	(32)	(35)	(39)
Exceptional Income - post-tax					
Profit After Tax	319	182	156	171	177
Minority Interests	(52)	(14)	(25)	(29)	(33)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	267	168	131	142	144
Recurring Net Profit	267	168	131	142	144
Fully Diluted Recurring Net Profit	267	168	131	142	144

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	313.3	208.9	215.2	250.7	255.8
Cash Flow from Inv. & Assoc.					
Change In Working Capital	9.3	41.8	45.3	49.0	53.0
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0.0	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(115.1)	13.4	(31.2)	(21.1)	(13.7)
Tax Paid	(73.5)	(65.5)	(32.0)	(35.3)	(38.9)
Cashflow From Operations	133.9	198.6	197.2	243.2	256.2
Capex	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	10.7	14.9	15.0	15.0	15.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0	0.0
Other Investing Cashflow	(171.4)	(171.4)	(171.4)	(171.4)	(171.4)
Cash Flow From Investing	(170.7)	(166.5)	(166.4)	(166.4)	(166.4)
Debt Raised/(repaid)	(450.3)	444.7	(24.9)	(24.7)	(24.4)
Proceeds From Issue Of Shares	0.0	1,716.6	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0	0.0
Dividends Paid	(21.1)	(21.1)	(21.1)	(21.1)	(21.1)
Preferred Dividends					
Other Financing Cashflow	708.9	26.8	(241.2)	31.8	31.8
Cash Flow From Financing	237.5	2,167.0	(287.2)	(14.0)	(13.7)
Total Cash Generated	200.6	2,199.1	(256.5)	62.8	76.0
Free Cashflow To Equity	(487.1)	476.9	5.9	52.2	65.3
Free Cashflow To Firm	139.1	148.2	192.9	234.1	242.3

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	724	778	822	868	917
Total Debtors	1,603	3,067	2,915	2,771	2,633
Inventories	58	154	128	134	141
Total Other Current Assets	781	1,962	1,982	2,001	2,021
Total Current Assets	3,166	5,962	5,846	5,774	5,712
Fixed Assets	438	614	627	639	652
Total Investments	822	1,790	1,726	1,666	1,609
Intangible Assets	253	226	226	226	226
Total Other Non-Current Assets	3,074	1,709	1,693	1,677	1,662
Total Non-current Assets	4,587	4,339	4,272	4,208	4,147
Short-term Debt	806	2,491	2,466	2,441	2,417
Current Portion of Long-Term Debt	0	0	0	0	0
Total Creditors	1,586	1,279	1,254	1,229	1,204
Other Current Liabilities	43	218	218	218	218
Total Current Liabilities	2,435	3,988	3,937	3,888	3,839
Total Long-term Debt	2,131	891	891	891	891
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	161	493	474	455	436
Total Non-current Liabilities	2,292	1,385	1,365	1,346	1,328
Total Provisions	0	0	0	0	0
Total Liabilities	4,727	5,372	5,302	5,233	5,166
Shareholders' Equity	2,926	4,824	4,706	4,633	4,572
Minority Interests	99	104	110	115	121
Total Equity	3,025	4,929	4,816	4,748	4,693

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	41.9%	17.3%	3.0%	4.0%	2.0%
Operating EBITDA Growth	95.9%	(33.3%)	3.0%	16.5%	2.0%
Operating EBITDA Margin	13.0%	7.4%	7.4%	8.3%	8.3%
Net Cash Per Share (RM)	(0.51)	(0.60)	(0.58)	(0.57)	(0.55)
BVPS (RM)	0.67	1.11	1.08	1.07	1.05
Gross Interest Cover	1.42	1.21	0.87	1.09	1.12
Effective Tax Rate	18.7%	26.5%	17.0%	17.2%	18.0%
Net Dividend Payout Ratio	7.9%	12.6%	16.1%	14.9%	14.6%
Accounts Receivables Days	203.3	299.0	372.6	340.4	317.9
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	5.97%	3.06%	2.26%	2.80%	2.84%
ROCE (%)	5.54%	3.78%	3.30%	3.78%	3.85%
Return On Average Assets	6.05%	1.87%	1.83%	1.91%	1.93%

Key Drivers

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	3,705	3,995	3,985	3,975	3,965
Order Book Depletion	510	510	510	510	510
Orderbook Replenishment	800	800	500	500	500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

REDUCE (previously ADD)

Consensus ratings*: Buy 3 Hold 1 Sell 0

Current price:	RM0.75
Target price:	RM0.68
Previous target:	RM1.09
Up/downside:	-8.7%
CGS-CIMB / Consensus:	-37.6%

Reuters:	PRTO.KL
Bloomberg:	PRTA MK
Market cap:	US\$93.35m
	RM368.7m
Average daily turnover:	US\$0.13m
	RM0.52m
Current shares o/s:	424.2m
Free float:	65.6%

*Source: Bloomberg

Key changes in this note

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-7.6	-16.4	-18.1
Relative (%)	-8.1	-16.8	-22.5

Major shareholders	% held
Dato' Sri Chong Ket Pen	15.4
Penmacorp Sdn Bhd	10.3
Employees Provident Fund (EPF)	8.7

Analyst(s)

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Protasco

Turning cautious on government contracts

- Protasco's share price is down 15% YTD but we foresee further downside as investors are likely to turn bearish on the overall sector post-GE14.
- We turn cautious on government contracts post-GE14 as a review of all contracts and tender procurements is underway under PH.
- Protasco's tender book is exposed to government contracts, which could be delayed.
- Downgrade to Reduce from Add, supported by 6-7% dividend yields.

Bearish outlook for sector in medium term

Post-GE14, we foresee three potential knock-on effects, supporting a likely bearish outlook on investor sentiment and share prices. The first knock-on effect is contract delays, the second is the actual impact on contracts from the execution of PH's manifesto, and the third is earnings impact on account of a downward revision in contract win assumptions and insufficient existing order book to cover for the possible delays, revisions, or cancellation of outstanding new jobs.

Turning cautious on government contracts post-GE14

Almost all construction stocks under our coverage are highly dependent on government contracts, extensively targeting rail contracts, and are owners of highway concessions, which are subject to a review under the PH manifesto. Protasco is a dominant player in road maintenance segment (over 40% market share), mainly in peninsular states now under PH, and Sarawak, which remains under BN. It is also one of the key contractors for government building/housing contracts.

Possible negative implications for Protasco

Bulk of Protasco's 2018 construction tender book comprises government housing projects which we believe to be sizeable. A potential revision in development expenditure (DE) for this segment in the upcoming Budget 2019 would be negative for Protasco. Given the uncertain outlook on job flows post-GE14, there could be downside to our assumed RM800m job wins per annum.

Lull in contract flows could sustain in 2H18?

The lull in its contract flows for most of 1Q18 could spill over into 2H18 given the overall review of contracts initiated by PH. We previously expected Protasco's overall job replenishment outlook to pick up in 2H18, post-GE14 as we had assumed a status quo. We believe this expectation may not be met. As we turn cautious on government projects, we would not discount delays in the rollout of new periodic road maintenance contracts, which were typically rolled out during election years in the past.

Tendering for Pan Borneo Highway in Sabah

Included in Protasco's contracts in tender (tender book) for 2018 is a package for the RM12.9bn Pan Borneo Highway in Sabah, via a JV with an undisclosed local Sabah contractor. We expect more progress on the tenders for the remaining 18 packages of the highway project in the months ahead. We estimate that each package could be worth between RM500m and RM1bn. Apart from highway projects, we understand that the group remains optimistic about securing a sizeable government building contract as well.

Downgrade to Reduce; supported by 6% dividend yield

In view of our cautious stance on government contracts in the medium term, we downgrade Protasco to Reduce with a lower TP of RM0.68, pegged to a higher RNAV discount of 60% to reflect investors' likely negative sentiment on stocks perceived to be beneficiaries of contracts during an election year. We maintain our EPS forecasts but highlight potential downside if contract flows weaken. Upside risk to our call is a revival of road and government building/housing contracts in 2H18.

Financial Summary

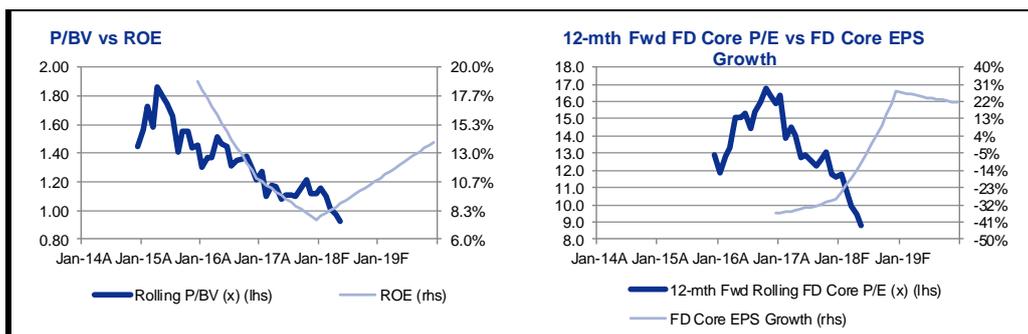
	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	1,110	967	975	1,121	1,235
Operating EBITDA (RMm)	74.56	84.43	68.22	89.66	98.80
Net Profit (RMm)	42.40	30.17	42.59	56.74	62.43
Core EPS (RM)	0.09	0.06	0.09	0.11	0.13
Core EPS Growth	(36.5%)	(28.8%)	41.2%	33.2%	10.0%
FD Core P/E (x)	8.70	12.22	9.59	7.89	7.17
DPS (RM)	0.068	0.051	0.052	0.055	0.065
Dividend Yield	9.19%	6.89%	6.92%	7.38%	8.72%
EV/EBITDA (x)	9.80	4.37	5.24	3.83	3.33
P/FCFE (x)	10.78	NA	7.14	6.04	5.45
Net Gearing	84.9%	(5.7%)	(8.4%)	(11.3%)	(14.0%)
P/BV (x)	0.93	0.93	0.93	0.88	0.84
ROE	11.0%	7.6%	10.7%	13.9%	14.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.99	1.14	1.12

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

		FY19F		
		Net profit	P/E	Value
Business segments		(RM m)	(x)	(RM m)
Road maintenance (held under various companies)		29.6	15	443.5
Construction		9.6	15	143.5
Engineering services		4.1	15	62.0
Trading & Manufacturing		1.6	15	24.7
		Stake		
Land bank	Acres	m sq ft	RM psf	%
De Centrum	75	3.3	28	100%
University land	16	0.7	100.4	51%
Sandakan Land	7	0.3	20	60%
Pasir Gudang Land	15	0.7	40.8	100%
Property investments (4Q17)				82.1
Total borrowings (4Q17)				(209.7)
Net current assets less prop dev cost (4Q17)				200.1
Total RNAV				938.0
No. of shares (m)				495.0
Warrants (2018/2022) (m)				106.2
FD no. of shares				601.2
Warrant proceeds (0.75 strike price)				79.6
FD RNAV				1,017.6
FD RNAV/share (RM)				1.69
RNAV discount (%)				60%
Target price (RM)				0.68

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	1,110	967	975	1,121	1,235
Gross Profit	217	216	185	224	247
Operating EBITDA	75	84	68	90	99
Depreciation And Amortisation	(17)	(17)	(15)	(17)	(19)
Operating EBIT	58	67	54	73	80
Financial Income/(Expense)	(5)	(15)	(7)	(4)	(4)
Pretax Income/(Loss) from Assoc.	(0)	1	3	3	3
Non-Operating Income/(Expense)	25	19	22	26	28
Profit Before Tax (pre-EI)	78	72	71	97	107
Exceptional Items					
Pre-tax Profit	78	72	71	97	107
Taxation	(25)	(21)	(20)	(27)	(30)
Exceptional Income - post-tax					
Profit After Tax	52	50	51	70	77
Minority Interests	(10)	(20)	(9)	(13)	(15)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	42	30	43	57	62
Recurring Net Profit	42	30	43	57	62
Fully Diluted Recurring Net Profit	42	30	43	57	62

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	74.6	84.4	68.2	89.7	98.8
Cash Flow from Inv. & Assoc.	0.0				
Change In Working Capital	(238.5)	(326.9)	21.9	23.1	24.4
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	11.1	11.1	11.1	11.1	11.1
Net Interest (Paid)/Received	(5.5)	(15.3)	(7.3)	(3.9)	(4.3)
Tax Paid	(25.1)	(21.2)	(20.0)	(27.3)	(30.0)
Cashflow From Operations	(183.5)	(267.9)	73.9	92.6	99.9
Capex	(35.7)	(19.9)	(19.9)	(19.9)	(19.9)
Disposals Of FAs/subsidiaries	7.1	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0				
Other Investing Cashflow	61.4				
Cash Flow From Investing	32.9	(19.9)	(19.9)	(19.9)	(19.9)
Debt Raised/(repaid)	184.8	(324.6)	3.2	1.5	2.2
Proceeds From Issue Of Shares	3.9	0.0	0.0	0.0	0.0
Shares Repurchased	0.0				
Dividends Paid	(30.3)	(25.5)	(25.6)	(34.0)	(37.5)
Preferred Dividends	(23.6)	(23.6)	(23.6)	(23.6)	(23.6)
Other Financing Cashflow	53.3	609.7	6.3	(0.8)	(3.9)
Cash Flow From Financing	188.1	236.0	(39.6)	(56.9)	(62.7)
Total Cash Generated	37.5	(51.8)	14.3	15.8	17.3
Free Cashflow To Equity	34.2	(612.5)	57.2	74.2	82.2
Free Cashflow To Firm	(143.4)	(270.7)	62.7	78.3	86.2

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	209	234	249	264	282
Total Debtors	306	367	363	359	356
Inventories	29	21	21	21	21
Total Other Current Assets	562	164	166	167	169
Total Current Assets	1,105	786	798	812	827
Fixed Assets	204	199	202	205	208
Total Investments	97	86	87	87	88
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	0	17	0	0	0
Total Non-current Assets	301	303	289	293	296
Short-term Debt	90	107	102	96	92
Current Portion of Long-Term Debt	40	17	17	17	17
Total Creditors	410	425	421	417	413
Other Current Liabilities	20	19	19	19	19
Total Current Liabilities	560	568	558	549	540
Total Long-term Debt	427	86	94	101	108
Hybrid Debt - Debt Component	0	0	0	0	0
Total Other Non-Current Liabilities	0	0	0	0	0
Total Non-current Liabilities	427	86	94	101	108
Total Provisions	9	9	9	9	9
Total Liabilities	996	662	661	658	656
Shareholders' Equity	396	398	398	418	438
Minority Interests	14	28	28	29	29
Total Equity	410	426	426	446	467

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	(14.9%)	(12.9%)	0.8%	15.0%	10.2%
Operating EBITDA Growth	(38.6%)	13.2%	(19.2%)	31.4%	10.2%
Operating EBITDA Margin	6.72%	8.73%	7.00%	8.00%	8.00%
Net Cash Per Share (RM)	(0.70)	0.05	0.07	0.10	0.13
BVPS (RM)	0.80	0.80	0.80	0.84	0.88
Gross Interest Cover	8.08	3.92	6.11	13.00	13.00
Effective Tax Rate	32.4%	29.6%	28.0%	28.0%	28.0%
Net Dividend Payout Ratio	71.5%	84.4%	60.0%	60.0%	60.0%
Accounts Receivables Days	98.1	126.9	136.6	117.6	105.9
Inventory Days	6.78	12.00	9.65	8.50	7.73
Accounts Payables Days	163.4	203.0	195.6	170.5	153.6
ROIC (%)	11.1%	7.6%	12.6%	17.7%	19.2%
ROCE (%)	8.6%	10.4%	10.6%	13.7%	14.6%
Return On Average Assets	4.30%	4.97%	5.23%	6.68%	7.23%

Key Drivers

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	800	1,000	1,500	2,000	2,500
Order Book Depletion	248	300	300	300	300
Orderbook Replenishment	300	500	800	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

HOLD (previously ADD)

Consensus ratings*: Buy 19 Hold 4 Sell 0

Current price:	RM2.65
Target price:	RM2.54
Previous target:	RM3.47
Up/downside:	-4.3%
CGS-CIMB / Consensus:	-27.6%

Reuters:	IJMS.KL
Bloomberg:	IJM MK
Market cap:	US\$2,434m
	RM9,613m
Average daily turnover:	US\$2.54m
	RM9.91m
Current shares o/s:	3,618m
Free float:	79.4%

*Source: Bloomberg

Key changes in this note

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.7	-4.3	-25.6
Relative (%)	4.2	-4.7	-30

Major shareholders	% held
EPF	14.5
Amanahraya Trustees	6.1

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IJM Corp Bhd

The worst performing big-cap stock ahead of GE14

- Post-GE14, the immediate risk for IJM Corp is its tenders for certain portions of the RM55bn ECRL, which is highly likely to be reviewed under PH's manifesto.
- The expropriation clause on highways by PH is another likely risk, as IJM is one of the major listed highway concessionaires. However, actual risk remains uncertain.
- Potential delays in rail contracts (at the minimum) could mean a subdued job outlook for big-cap rail plays in 2H18.
- Downgrade to Hold as share price has declined the most YTD among the big caps.

Cautious on big-cap rail plays post-GE14

Risks of a review of contracts across-the-board by the new government post-GE14 is potentially negative for new rail jobs in the pipeline. We therefore turn cautious on the order book replenishment outlook of big-cap rail contractors given their exposure to all incoming rail tenders, including the ECRL, MRT 3, and the HSR. For IJM Corp, the immediate risk is on the continuity of the RM55bn ECRL project, which is likely to be scrutinised under PH's review of projects awarded to foreign contractors.

Expropriation clause on highways by PH

Under PH's manifesto, it will review all highway concession agreements (CA) with the aim of ceasing toll collection. It may acquire all highways via the expropriation clause and eliminate politically-driven decision-making on contract procurement. IJM is among the listed highway concession owners and is also the concessionaire for the West Coast Expressway (WCE) (under construction); the alignment covers the West Coast states of Peninsular Malaysia (Selangor, Perak) that are under the new PH government.

A rising rail player with LRT 3 underground win

In Mar, IJM surprised with a RM1.1bn contract win to undertake the underground portion of the RM9bn LRT 3. The underground scope measures 2.1km or 6% of LRT 3's total length of 37km. This was good news as it was IJM's first urban rail underground project to be undertaken on its own.

Order book of over RM9bn remains healthy; risk is on new jobs

IJM's outstanding order book of an estimated RM9bn-10bn (highest in our coverage) as at end-Apr remains healthy and should support visibility of construction earnings at least over the next two years. It also includes the RM1.1bn LRT 3 underground works. Post-GE14, new rail contract tenders are now at risk, casting uncertainties over IJM's ECRL tenders, which we believe involve more than one package worth RM1bn-2bn. We maintain our RM1.5bn new job win assumption p.a. but highlight downside risks.

Share price fell pre-GE14, along with foreign shareholding

The consolation is that the share price fell 13% ahead of GE14, making it the worst-performing big cap under our coverage. The decline YTD was mainly on the back of foreign selling, with foreign shareholding of 25% as at end-Apr vs. c.31% 6 months ago. The poor share price performance was also due to earnings risks arising from higher depreciation and amortisation for its Kuantan Port and plantations (Malaysia and Indonesia), which would impact FY19F onwards.

Downgrade to Hold but with downside risks

We believe negatives are partially in the price, but highlight downside risks to contract outlook pending actual outcome of the contract review by PH. In light of our sector downgrade to Underweight and our more cautious stance on big-cap rail plays, we downgrade from Add to Hold with a lower target price of RM2.54, pegged to a higher RNAV discount of 30% (10% previously). Upside risks to our call include stronger contract momentum from India jobs; downside risk is rail contract delays.

Financial Summary

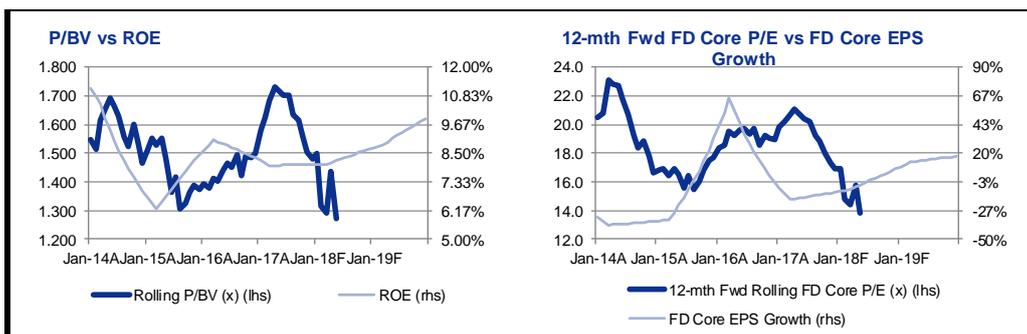
	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue (RMm)	5,128	6,065	6,369	6,751	7,223
Operating EBITDA (RMm)	1,055	822	908	1,053	1,247
Net Profit (RMm)	793.6	653.8	595.3	671.8	798.9
Core EPS (RM)	0.22	0.18	0.16	0.19	0.22
Core EPS Growth	65.0%	(17.6%)	(8.9%)	12.8%	18.9%
FD Core P/E (x)	12.08	14.67	16.10	14.27	12.00
DPS (RM)	0.10	0.08	0.11	0.12	0.12
Dividend Yield	3.77%	2.83%	4.15%	4.34%	4.34%
EV/EBITDA (x)	13.32	16.99	15.28	13.08	10.97
P/FCFE (x)	21.31	NA	NA	NA	54.97
Net Gearing	40.3%	47.9%	46.3%	44.7%	43.3%
P/BV (x)	1.06	1.31	1.28	1.25	1.22
ROE	9.0%	8.0%	8.0%	8.8%	10.3%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.12	1.03	1.09

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

				IJM's stake (RM'm)	Value (RM'm)
Concessions					
Kaseh Highway (IRR:9%, 12% discount rate)				50%	463.3
Besraya (DCF 14% IRR, 9.6% discount rate)				100%	1,024.3
New Pantai Expressway (9% IRR, 9.6% discount rate)				100%	1,099.9
Kuantan Port (9.6% WACC)				60%	1,060.7
Kemaman Port (9.6% WACC)				39%	762.5
Swarna, Andhra Pradesh (divestment value)				30%	57.3
Rewa, Madya Pradesh (IRR 13%, 11.6% discount rate)				100%	232.4
Binh An Water Corp (14% WACC)				36%	97.3
Jaipur-Mahua, Rajashtan (divestment value)				26%	59.3
Gautami, Andra Pradesh (IRR 13.6%, 11.6% discount rate)				20%	70.6
Western Access Tollway, Buenos Aires				20%	181.6
West Coast Expressway (WCE, 60-year, 8% WACC)				20%	639.3
Total value of concessions					5,748.4
Other divisions					
		Market price (RM)	Market cap (RM)	IJM's Stake	Value (RM m)
IJM Land (privatisation value)		nm	5,511.0	100.0%	5,511.0
Metech Group		0.40	16.2	20.1%	3.3
IJM Plantations		2.25	1,981.0	55.1%	1,091.5
Grupo Concesionario OESTE		1.57	125.6	20.1%	25.2
WCE Holdings		0.93	933.0	25.0%	233.3
Scomi Group		0.15	276.0	24%	67.3
Total value					6,931.6
Summary					
		CY19 net profit (RM'm)	P/E (x)	IJM's stake	Value (RM m)
Construction		177.6	15.0	100%	2,664.0
Concrete products		71.6	12.0	98%	841.8
Net current assets net of dev. prop. (3QFY18)					824.2
Investments, associates and JVs (3QFY18)					1,895.2
Total debt (3QFY18)					(5,799.3)
Total RNAV - IJM					13,105.9
No. of shares (m)					3,618.0
RNAV/share (RM)					3.62
Discount to RNAV					30%
Target price (RM)					2.54

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Net Revenues	5,128	6,065	6,369	6,751	7,223
Gross Profit	1,434	1,427	1,531	1,695	1,915
Operating EBITDA	1,055	822	908	1,053	1,247
Depreciation And Amortisation	(262)	(300)	(303)	(307)	(310)
Operating EBIT	793	521	604	747	938
Financial Income/(Expense)	339	85	45	50	55
Pretax Income/(Loss) from Assoc.	24	73	75	77	79
Non-Operating Income/(Expense)	0	331	271	156	93
Profit Before Tax (pre-EI)	1,156	1,010	995	1,029	1,164
Exceptional Items	0	0	0	0	0
Pre-tax Profit	1,156	1,010	995	1,029	1,164
Taxation	(274)	(243)	(285)	(242)	(249)
Exceptional Income - post-tax					
Profit After Tax	882	767	710	787	915
Minority Interests	(88)	(113)	(114)	(115)	(116)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	794	654	595	672	799
Recurring Net Profit	794	654	595	672	799
Fully Diluted Recurring Net Profit	794	654	595	672	799

Cash Flow

(RMm)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
EBITDA	1,055	822	908	1,053	1,247
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(865)	(634)	(692)	(823)	(1,029)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	41	41	41	41	41
Net Interest (Paid)/Received	(237)	(255)	(261)	(269)	(287)
Tax Paid	(219)	(235)	(228)	(236)	(244)
Cashflow From Operations	(225)	(262)	(233)	(234)	(272)
Capex	(56)	(56)	(56)	(56)	(56)
Disposals Of FAs/subsidiaries	270	105	83	87	116
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	214	49	26	30	60
Debt Raised/(repaid)	461	66	61	171	386
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(52)	(52)	(52)	(52)	(52)
Preferred Dividends					
Other Financing Cashflow	(537)	(41)	(25)	(14)	(14)
Cash Flow From Financing	(128)	(27)	(15)	105	321
Total Cash Generated	(139)	(239)	(222)	(99)	109
Free Cashflow To Equity	450	(146)	(145)	(33)	174
Free Cashflow To Firm	242	57	67	77	86

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Total Cash And Equivalents	1,679	1,595	1,516	1,440	1,368
Total Debtors	2,256	2,211	2,167	2,124	2,081
Inventories	1,092	1,004	1,007	1,009	1,026
Total Other Current Assets	6,192	6,254	6,317	6,380	6,444
Total Current Assets	11,220	11,064	11,007	10,952	10,919
Fixed Assets	1,813	1,778	1,804	1,831	1,857
Total Investments	1,610	1,619	1,628	1,637	1,646
Intangible Assets	92	61	61	61	61
Total Other Non-Current Assets	5,101	5,149	5,199	5,248	5,298
Total Non-current Assets	8,615	8,608	8,692	8,777	8,862
Short-term Debt	1,477	1,418	1,362	1,307	1,255
Current Portion of Long-Term Debt					
Total Creditors	2,271	4,024	4,039	4,045	4,113
Other Current Liabilities	23	23	23	23	23
Total Current Liabilities	3,771	5,465	5,423	5,374	5,391
Total Long-term Debt	4,334	4,247	4,162	4,079	3,997
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,486	1,472	1,457	1,442	1,428
Total Non-current Liabilities	5,820	5,719	5,619	5,521	5,425
Total Provisions	0	0	0	0	0
Total Liabilities	9,591	11,184	11,042	10,896	10,816
Shareholders' Equity	9,037	7,305	7,496	7,696	7,851
Minority Interests	1,208	1,184	1,160	1,137	1,114
Total Equity	10,245	8,488	8,656	8,833	8,965

Key Ratios

	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Revenue Growth	(5.9%)	18.3%	5.0%	6.0%	7.0%
Operating EBITDA Growth	2.7%	(22.1%)	10.4%	16.1%	18.4%
Operating EBITDA Margin	20.6%	13.5%	14.2%	15.6%	17.3%
Net Cash Per Share (RM)	(1.14)	(1.12)	(1.11)	(1.09)	(1.07)
BVPS (RM)	2.50	2.02	2.07	2.13	2.17
Gross Interest Cover	4.69	3.60	3.15	3.86	4.80
Effective Tax Rate	23.7%	24.1%	28.7%	23.5%	21.4%
Net Dividend Payout Ratio	26.0%	31.6%	34.7%	30.8%	25.9%
Accounts Receivables Days	167.0	134.4	125.5	116.0	106.5
Inventory Days	92.94	82.47	75.86	72.79	70.16
Accounts Payables Days	211.6	246.7	303.2	290.9	280.4
ROIC (%)	5.55%	3.66%	4.87%	5.98%	7.45%
ROCE (%)	8.17%	5.74%	6.80%	7.88%	8.82%
Return On Average Assets	2.74%	3.45%	3.38%	3.74%	4.35%

Key Drivers

(RMm)	Mar-16A	Mar-17A	Mar-18F	Mar-19F	Mar-20F
Outstanding Orderbook	6,000	6,000	6,000	6,000	6,000
Order Book Depletion	N/A	N/A	N/A	N/A	N/A
Orderbook Replenishment	1,500	2,000	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

HOLD (previously ADD)

Consensus ratings*: Buy 6 Hold 7 Sell 0

Current price:	RM1.54
Target price:	RM1.48
Previous target:	RM1.89
Up/downside:	-3.9%
CGS-CIMB / Consensus:	-21.6%

Reuters:	SWAY.KL
Bloomberg:	SWB MK
Market cap:	US\$1,900m
	RM7,504m
Average daily turnover:	US\$1.08m
	RM4.23m
Current shares o/s:	4,852m
Free float:	36.5%

*Source: Bloomberg

Key changes in this note

No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.1	-9.4	-0.2
Relative (%)	3.6	-9.8	-4.6

Major shareholders

	% held
Tan Sri Dato' Seri Dr. Jeffrey Cheah & family	58.3
EPF	5.2

Analyst(s)

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Sunway Bhd

Cautious outlook on rail jobs could impact SunCon

- Post-GE14, we expect the outlook for government contracts to be at risk as projects (mainly rail) are likely to be reviewed across-the-board.
- Subsidiary SunCon's job win outlook could be impacted if major rail contracts are delayed but this is backed by internal jobs and private sector open tenders.
- We ascribe a higher RNAV discount of 30% (in line other big caps), which lowers our target price, to reflect an overall cautious sentiment on the sector post-GE14.
- Downgrade from Add to Hold with a lower TP of RM1.48.

Contract rollout risk for SunCon post-GE14

FY17 was a bumper year for Sunway's 54.4%-owned Sunway Construction Group Bhd (SCGB MK, NR); it scored record job wins of RM4bn. This increased its outstanding order book to RM6.1bn, of which 46% comprise civil and infrastructure works. SCGB's order book replenishment target for FY18 is RM1.5bn-RM2bn. Post-GE14, we believe this could be at risk given all mega jobs including rail will be reviewed. The group remains one of the major rail LRT and MRT contractors.

FY18F sales target of RM1.3bn; doubling new launches

We foresee no immediate risk on the property side from PH's manifesto. Sunway's property development arm is aiming for higher sales of RM1.3bn in FY18. To achieve this target, it is looking to launch RM2bn worth of residential and commercial properties, a marked increase from FY17's RM1.1bn, across eight locations in Malaysia. Sunway Property will also launch RM610m worth of new investment properties, comprising healthcare, commercial, hospitality, education, and investment assets.

Share price down 6% YTD along with other contractors/developers

Sunway's share price is down 6% YTD, along with other property developers cum contractors that are selectively targeting rail jobs this year. However, the fall in Sunway's share price was less severe compared to other property/contractors as we believe investors deem Sunway Bhd (including SunCon) a "politically-neutral" player likely able to sustain order book via internal jobs and competitive tenders for private sector/non-government-led jobs.

Downgrade to Hold with lower TP

Post-GE14, we expect sentiment on high-beta pays could weaken given uncertainties brought about by the blanket reform on the construction sector under the new ruling government Pakaran Harapan (PH). As such, we foresee limited share price upside for diversified players with construction segments in the medium term. In line with our cautious stance on the sector, we downgrade Sunway from Add to Hold with a lower RM1.48 TP, based on a higher RNAV discount of 30%.

Higher RNAV discount in line with big caps

We maintain FY19-20F EPS given good construction earnings visibility from the RM6.1bn construction order book for SunCon. However, we cut target price as we ascribe a higher RNAV discount of 30% (10% previously) which is in line with other big cap contractors/property developers with expertise in rail contracts.

Upside risks to our call

While a likely recovery in property demand would benefit Sunway Bhd's property sales, upside risk to our call revolves more around the construction outlook, which would only be clearer upon completion of the review of mega projects by PH. In the medium term, we expect the risk-reward on high-beta stocks to be unattractive. The revival of the sector's upcycle and the continuity of the RM225bn total outstanding jobs would depend on the new priorities to be outlined by the new government.

Financial Summary

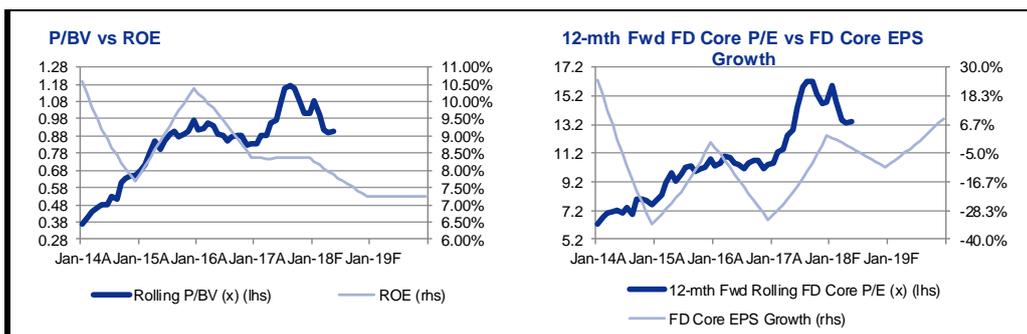
	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	4,726	5,375	5,299	5,508	5,728
Operating EBITDA (RMm)	531.1	527.0	613.7	683.7	703.7
Net Profit (RMm)	586.0	639.5	605.5	659.8	679.6
Core EPS (RM)	0.12	0.13	0.12	0.14	0.14
Core EPS Growth	(32.0%)	9.1%	(5.3%)	9.0%	3.0%
FD Core P/E (x)	12.75	12.44	13.94	12.80	12.43
DPS (RM)	0.051	0.055	0.055	0.055	0.055
Dividend Yield	3.31%	3.55%	3.55%	3.55%	3.55%
EV/EBITDA (x)	18.59	19.46	15.41	13.37	12.53
P/FCFE (x)	48.86	58.30	26.36	20.86	19.02
Net Gearing	40.9%	47.5%	41.0%	37.8%	35.0%
P/BV (x)	1.00	0.95	0.84	0.80	0.76
ROE	8.37%	8.36%	7.25%	7.25%	7.10%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.00	1.01	0.96

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

Type	Location	Size/units	Area (sq ft)	Price	Stake	Value
Completed buildings						
Sunway Lagoon Theme Park	Petaling, Selangor	59.9 ac	728,326	200.0	100%	145.7
Sunway Hotel Georgetown	Penang	240.0 units	0	150,000.0	100%	36.0
Monash University Sunway Campus	Petaling, Selangor	12.0 ac	754,000	220.0	100%	165.9
Sunway University College	Petaling, Selangor	12.4 ac	615,983	220.0	100%	135.5
Sunway Giza	Sunway Damansara, Selangor	1.4 ac	98,000	500.0	60%	29.4
Lost World of Tambun	Tambun, Perak	39.8 ac	728,326	80.0	65%	37.9
Sunway Hotel Phnom Penh	Phnom Penh, Cambodia	138.0 units	125,313	300,000.0	53%	21.7
Sunway Hotel Hanoi	Hanoi, Vietnam	142.0 units	9,365	300,000.0	100%	42.6
On going developments						
Sunway City Penang	Seberang Perai, Penang	15.8 ac	210,394.8	100.0	100%	21.0
Sunway Grand	Penang	3.8 ac	768,767.9	100.0	100%	76.9
Sg. Ara - new land	Penang	68.3 ac	3,484,800.0	13.0	100%	45.3
Bukit Mertajam - new land	Penang	17.8 ac	7,729,724.0	12.0	100%	92.8
Sunway Damansara	Petaling, Selangor	18.2 ac	1,048,489.2	120.0	60%	75.5
Sunway City Ipoh	Ipoh, Perak	899.2 ac	32,666,515.2	3.0	65%	63.7
Sunway Velocity	Kuala Lumpur	19.5 ac	984,456.0	150.0	50%	73.8
Sunway Tower KL 1	Kuala Lumpur	1.0 ac	43,560.0	1,000.0	100%	43.6
Sunway Kayangan	Bukit Raja, Selangor	5.4 ac	367,646.4	40.0	100%	14.7
Sunway Integrated Resort	Petaling, Selangor	18.5 ac	845,064.0	100.0	100%	84.5
Sunway Semenyih	Ulu Langat, Selangor	398.1 ac	17,341,671.6	5.0	100%	86.7
Sunway Cheras	Selangor	6.9 ac	301,870.8	25.0	100%	7.5
Sunway South Quay	Bandar Sunway, Selangor	52.4 ac	2,517,768.0	580.0	100%	1460.3
Casa Kiara III	Sri Hartamas, KL	2.8 ac	130,680.0	180.0	80%	18.8
Sunway Duta	Kuala Lumpur	3.2 ac	136,342.8	350.0	60%	28.6
Sunway Melawati	Setapak, KL	30.6 ac	1,427,896.8	35.0	100%	50.0
Sunway Alam Suria	Shah Alam, Selangor	14.1 ac	1,045,440.0	40.0	50%	20.9
Sunway OPUS Grand India	Hyderabad, India	23.8 ac	1,524,600.0	20.0	50%	15.2
Sunway MAK Signature Residence	Hyderabad, India	14.0 ac	609,840.0	20.0	60%	7.3
Sunway Guanghao	Jiayin, China	3.7 ac	740,520.0	80.0	39%	23.1
Tianjin Eco City	Tianjin, China	90.9 ac	3,789,720.0	90.0	65%	221.7
Wonderland Business Park	Sydney, Australia	65.5 ac	3,971,800.8	95.0	31%	117.0
Bukit Lenang - new land	Johor	64.0 ac	2,787,840.0	40.0	80%	89.2
Taman Equine	Selangor	33.0 ac	1,437,480.0	20.0	100%	28.7
Bangi	Selangor	3.0 ac	130,680.0	10.0	100%	1.3
Sg. Long	Balakong	111.0 ac	4,835,160.0	25.0	80%	96.7
Mont Putra	Selangor	163.0 ac	7,100,280.0	25.0	100%	177.5
Melawati 2	Selangor	2.0 ac	87,120.0	20.0	100%	1.7
Tampines	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Sembawang	Singapore	0.8 ac	34,848.0	975.0	100%	34.0
Yuan Ching Road	Singapore	5.0 ac	217,800.0	750.0	30%	49.0
Pasir Ris Rise	Singapore	4.3 ac	187,308.0	780.0	30%	43.8
Medini land	Iskandar	625.0 ac	27,225,000.0	45.0	38%	465.5
Pendas land	Iskandar	1,079.2 ac	47,009,952.0	45.0	60%	1269.3
New Land Novena	Singapore	1.7 ac	71,874.0	500.0	30%	10.8
Penang Land	Penang	156.5 ac	6,815,397.6	250.0	100%	1703.8
New land - Kelana Jaya	Petaling Jaya	17.0 ac	739,039.0	54.0	100%	39.9
New land - Anchorvale Lane	Singapore	5.2 ac	226,076.4	750.0	30%	50.9
New Land - Jalan Peel	Cheras	8.5 ac	368,082.0	200.0	100%	73.6
New land - Jalan Belfield	KL	4.5 ac	196,891.2	836.2	100%	164.6
New land - Subang USJ	Petaling Jaya	14.8 ac	644,557.3	260.0	100%	167.6
New land - Kajang	Selangor	5.3 ac	229,840.0	274.0	100%	63.0
Total value of properties						7,843.7
		Market cap	Stake			
		Rm m				
Sunway REIT		4,977.0	37%			1,826.6
		RM m	Stake	P/E		
Sunway Construction (market value)		3,090.0	54%			1,681.0
Quarry & Trading		70.8	100%	12.0		849.5
Property investments (4Q17)						2,845.0
Associates and JCE's						3,521.9
Net current assets less prop. dev cost						268.7
Total borrowings (3Q17)						(8,259.4)
Total RNAV						10,576.9
FD RNAV (RM)						11,748.69
RNAV/share (RM)						2.12
Discount to RNAV						30%
Target price (RM)						1.48

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	4,726	5,375	5,299	5,508	5,728
Gross Profit	4,726	5,375	5,299	5,508	5,728
Operating EBITDA	531	527	614	684	704
Depreciation And Amortisation	(114)	(139)	(123)	(130)	(136)
Operating EBIT	417	388	490	554	568
Financial Income/(Expense)	(60)	(23)	(42)	(31)	(11)
Pretax Income/(Loss) from Assoc.	192	168	290	296	302
Non-Operating Income/(Expense)	310	349	174	156	141
Profit Before Tax (pre-EI)	859	882	911	975	999
Exceptional Items	0	0	0	0	0
Pre-tax Profit	859	882	911	975	999
Taxation	(140)	(149)	(166)	(168)	(173)
Exceptional Income - post-tax					
Profit After Tax	719	733	746	807	827
Minority Interests	(133)	(93)	(140)	(147)	(147)
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	586	640	606	660	680
Recurring Net Profit	586	640	606	660	680
Fully Diluted Recurring Net Profit	586	640	606	660	680

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	531	527	614	684	704
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(49)	(66)	(76)	(80)	(84)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	0	0	0	0	0
Net Interest (Paid)/Received	(168)	(220)	(119)	(121)	(115)
Tax Paid	(175)	(144)	(166)	(168)	(173)
Cashflow From Operations	139	96	254	315	333
Capex	(20)	(20)	(20)	(20)	(20)
Disposals Of FAs/subsidiaries	243	249	255	261	268
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	0	0	0	0	0
Cash Flow From Investing	223	229	235	241	248
Debt Raised/(repaid)	(209)	(188)	(168)	(152)	(136)
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased	0	0	0	0	0
Dividends Paid	(126)	(126)	(127)	(127)	(124)
Preferred Dividends					
Other Financing Cashflow	1,405	(191)	(234)	(320)	(320)
Cash Flow From Financing	1,070	(505)	(529)	(598)	(580)
Total Cash Generated	1,432	(180)	(40)	(42)	0
Free Cashflow To Equity	153	137	320	405	444
Free Cashflow To Firm	530	545	607	678	695

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	4,402	4,514	4,469	4,425	4,382
Total Debtors	2,879	3,049	2,990	2,931	2,873
Inventories	662	681	765	795	827
Total Other Current Assets	1,209	1,379	1,390	1,401	1,412
Total Current Assets	9,152	9,624	9,614	9,552	9,494
Fixed Assets	1,876	2,009	2,058	2,106	2,155
Total Investments	5,976	6,367	7,078	7,316	7,559
Intangible Assets	312	327	327	327	327
Total Other Non-Current Assets	1,516	1,887	1,923	1,959	1,997
Total Non-current Assets	9,680	10,590	11,385	11,709	12,038
Short-term Debt	4,831	4,910	4,812	4,716	4,621
Current Portion of Long-Term Debt					
Total Creditors	2,708	2,991	2,932	2,873	2,816
Other Current Liabilities	44	74	74	74	74
Total Current Liabilities	7,583	7,976	7,818	7,663	7,511
Total Long-term Debt	2,591	3,349	3,282	3,217	3,152
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	344	285	285	285	285
Total Non-current Liabilities	2,934	3,634	3,567	3,502	3,437
Total Provisions	95	120	81	81	81
Total Liabilities	10,612	11,731	11,467	11,246	11,030
Shareholders' Equity	7,456	7,840	8,870	9,333	9,799
Minority Interests	764	643	662	682	703
Total Equity	8,219	8,483	9,533	10,015	10,502

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	6.2%	13.7%	(1.4%)	3.9%	4.0%
Operating EBITDA Growth	(1.9%)	(0.8%)	16.5%	11.4%	2.9%
Operating EBITDA Margin	11.2%	9.8%	11.6%	12.4%	12.3%
Net Cash Per Share (RM)	(0.69)	(0.83)	(0.80)	(0.78)	(0.76)
BVPS (RM)	1.54	1.62	1.83	1.92	2.02
Gross Interest Cover	2.49	1.76	4.14	4.57	4.95
Effective Tax Rate	16.3%	16.9%	18.2%	17.2%	17.3%
Net Dividend Payout Ratio	21.4%	19.6%	20.7%	19.0%	18.5%
Accounts Receivables Days	211.7	197.7	204.1	192.4	181.8
Inventory Days	N/A	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A	N/A
ROIC (%)	6.77%	6.80%	7.82%	8.60%	8.64%
ROCE (%)	3.55%	3.53%	3.22%	3.55%	3.64%
Return On Average Assets	4.47%	3.87%	3.82%	3.97%	3.91%

Key Drivers

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	2,900	3,100	3,100	3,100	3,100
Order Book Depletion	1,800	1,800	1,800	1,800	1,800
Orderbook Replenishment	2,000	1,800	1,800	1,800	1,800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Malaysia

HOLD (no change)

Consensus ratings*: Buy 7 Hold 6 Sell 2

Current price:	RM1.28
Target price:	RM1.26
Previous target:	RM1.60
Up/downside:	-1.6%
CGS-CIMB / Consensus:	-25.6%

Reuters:	WCTE.KL
Bloomberg:	WCTHG MK
Market cap:	US\$455.9m
	RM1,801m
Average daily turnover:	US\$1.21m
	RM4.72m
Current shares o/s:	1,258m
Free float:	62.3%

*Source: Bloomberg

Key changes in this note

▶ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.3	-16.3	-42.4
Relative (%)	11.8	-16.7	-46.8

Major shareholders	% held
Tan Sri Desmond Lim Siew Choon	19.7
Lembaga Tabung Haji	10.2
EPF	7.9

Analyst(s)



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WCT Holdings

More overhang on share price post-GE14

- WCT has been less aggressive in contract tenders YTD. Post-GE14, we believe the group's RM2.8bn jobs in tender could face delays under PH's sector reform plans.
- WCT's decision to pull out from tenders in Qatar leaves it with the ECRL, MRT and HSR, as the only three mega rail contracts as new tender opportunities.
- However, WCT has not tendered for ECRL and does not appear keen on PBH Sabah.
- Key overhang factors to share price include the persistent delays in the REIT deal.
- Outlook remains unexciting with limited catalysts. Hold retained with a lower TP.

Getting less aggressive in contract tenders

YTD, WCT has been less aggressive in contract tenders, and has been focusing more on executing its current order book of RM5.6bn and clearing its property inventory. Post-GE14, prospects look even more uncertain on the rail segment, as PH aims to review all mega rail jobs. For WCT, this leaves no new civil works contracts available at least over the next 6 months. We believe the group's RM2.8bn jobs in tender (guided prior to GE14) could face delays under PH's sector reform plans.

Latest guidance on contract tenders

As per the group's post-results briefing in Feb (two months prior to GE14 polling day), management guided that its domestic pipeline of contracts in tender is huge, valued at a combined RM2.8bn. These include Pan Borneo Sabah, final packages for West Coast Expressway (WCE), and various undisclosed highway projects in Peninsular Malaysia. At this juncture, it is unknown if those jobs will be subjected to a review by PH. Internally, it is targeting RM2bn order wins this year, vs. our assumption of RM1.5bn.

Post-GE14, success rate could be lower with fewer new tenders

Post-GE14, with the likely review of jobs leading to possible delays in contract rollout, WCT's success rate could be lower than its targeted 50%, particularly as WCT has decided to pull out of all contract tenders overseas (Qatar), following the RM165m impairment in 4Q17 for a building contract in Qatar. WCT has one last project in hand in Qatar, the Lusail Development urban township project via its 70:30-joint venture with Al-Ali Projects Co.

Likely to execute more land sales in 2H18

Part of the group's degearing initiative, it had executed three land sales worth a combined RM115m in 1Q18. They land parcels are: i) a 7.4-acre tract in Bukit Tinggi, Klang, valued at RM54.7m (RM170/sq ft); ii) a 50-acre industrial land parcel in Serendah, valued at RM34m (RM15.61/sq ft); and iii) two tracts of industrial land also in Serendah, with a combined value of RM27.1m (RM16/sq ft). In the current challenging property market, we expect WCT to pursue more divestments to further lower its net gearing.

REIT plans remain in limbo

The resolution to the legal suit involving WCT and its anchor tenant Aeon Co at AEON Bukit Tinggi Mall should expedite the group's plans for the long-delayed REIT exercise (2 years delay). It previously guided that the REIT deal could be revisited in 2H18. So far there has not been any news on the strategy regarding its REIT plans for three of its existing shopping malls.

Target price cut in line with cautious stance on job outlook

We maintain FY18-20F EPS and Hold call. We cut TP as we apply a higher RNAV-discount of 50% (40% previously). This is to reflect the risks for job outlook post-GE14 and the likely weaker investor sentiment on contractors/property developers. Upside risk to our call is stronger-than-expected job success rate; downside risks are sustained delays in the REIT deal and weak property sales. We see limited share price catalysts.

Financial Summary

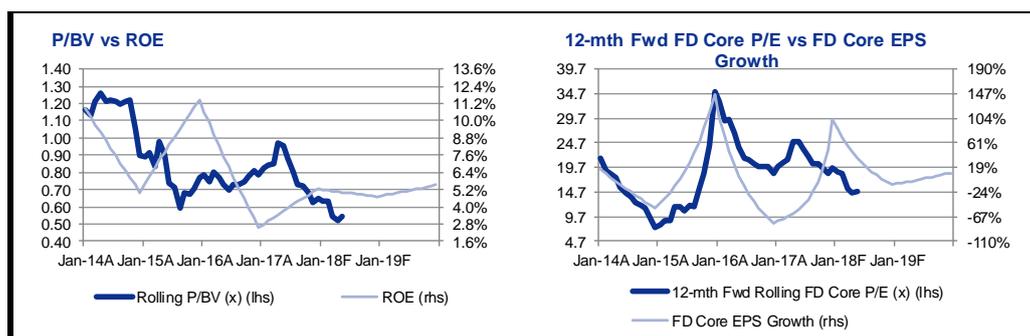
	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue (RMm)	1,934	1,906	2,143	2,148	2,154
Operating EBITDA (RMm)	120.6	52.9	86.4	98.1	117.9
Net Profit (RMm)	68.4	154.6	136.9	149.2	167.5
Core EPS (RM)	0.05	0.12	0.11	0.12	0.13
Core EPS Growth	(75%)	126%	(11%)	9%	12%
FD Core P/E (x)	27.83	13.73	15.51	14.23	12.68
DPS (RM)	-	0.030	0.033	0.047	0.053
Dividend Yield	0.00%	2.35%	2.55%	3.71%	4.16%
EV/EBITDA (x)	33.36	80.16	48.59	42.38	34.86
P/FCFE (x)	NA	7.53	NA	NA	NA
Net Gearing	90%	88%	101%	98%	94%
P/BV (x)	0.58	0.51	0.60	0.59	0.58
ROE	2.54%	5.24%	4.71%	5.53%	6.08%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.02	0.99	0.98

SOURCES: CIMB RESEARCH, COMPANY REPORTS

Figure 1: RNAV

	DCF value (RM m)	Stake (%)		Value (RM m)
PPH, India	230.1	30%		69.0
DE, India	147.3	30%		44.2
KLIA2 Integrated Complex (25-year, 13% WACC)	717.7	70%		501.4
	Acres/m sq ft	RM/psf	Stake (%)	
Bandar Bukit Tinggi 1	16.9	50.0	100.0%	36.9
Bandar Bukit Tinggi 2	35.2	50.0	100.0%	76.6
Bandar Bukit Tinggi 3	75.0	50.0	100.0%	163.4
56-acre new land near BBT 3	56.0	50.0	100.0%	122.0
Medini Commercial	10.3	30.0	100.0%	13.5
Bandar Serendah, Ulu Selangor	39.0	25.0	100.0%	42.4
Rawang Land	609.0	30.0	100.0%	795.8
OUG - mixed development	70.0	190.0	100.0%	579.3
Johor land acquisition (Jalan Skudai)	12.4	35.0	100.0%	18.9
New land in Medini	18.1	30.0	100.0%	23.7
Kota Kinabalu land	22.0	20.0	100.0%	19.2
Serendah land	39.0	20.0	100.0%	34.0
	2019 PAT	P/E		
Construction	109.0	15.0	100.0%	1,634.5
Associated companies & investments (4Q17)				614.0
Net current assets less dev. Properties (4Q17)				638.8
Total debt (4Q17)				(3,285.2)
Investment properties				1,594.4
Total RNAV				3,736.7
No. of shares				1,405.0
No. of outstanding warrants (WD)				121.4
Proceeds from warrants (WD)				207.6
No. of outstanding warrants (WE)				235.9
Proceeds from warrants (WE)				490.7
ESOS outstanding				19.1
Proceeds from ESOS				39.9
Fully diluted RNAV				4,435.0
FD no. of shares				1,762.3
FD RNAV/share (RM)				2.52
RNAV discount				50.0%
Target price (RM)				1.26

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Net Revenues	1,934	1,906	2,143	2,148	2,154
Gross Profit	239	348	346	343	358
Operating EBITDA	121	53	86	98	118
Depreciation And Amortisation	(15)	(22)	(28)	(31)	(33)
Operating EBIT	106	31	58	67	85
Financial Income/(Expense)	(31)	(39)	(48)	(49)	(49)
Pretax Income/(Loss) from Assoc.	1	20	12	12	13
Non-Operating Income/(Expense)	46	220	170	178	187
Profit Before Tax (pre-EI)	122	231	192	209	235
Exceptional Items	0	0	0	0	0
Pre-tax Profit	122	231	192	209	235
Taxation	(57)	(79)	(57)	(63)	(71)
Exceptional Income - post-tax					
Profit After Tax	65	152	134	146	165
Minority Interests	3	3	3	3	3
Preferred Dividends	0	0	0	0	0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	68	155	137	149	167
Recurring Net Profit	68	155	137	149	167
Fully Diluted Recurring Net Profit	68	155	137	149	167

Cash Flow

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
EBITDA	120.6	52.9	86.4	98.1	117.9
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(274.5)	142.0	(466.8)	(28.0)	(29.1)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	77.9	78.7	79.5	80.3	81.1
Net Interest (Paid)/Received	(31.2)	(39.2)	(47.9)	(48.6)	(49.5)
Tax Paid	(56.8)	(78.7)	(57.5)	(62.7)	(70.5)
Cashflow From Operations	(163.9)	155.8	(406.3)	39.0	49.9
Capex	(55.1)	(38.7)	(46.9)	(42.8)	(44.9)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(221.6)	(172.5)	(163.9)	(155.7)	(147.9)
Other Investing Cashflow	38.1	34.3	30.9	27.8	25.0
Cash Flow From Investing	(238.5)	(176.9)	(179.9)	(170.7)	(167.7)
Debt Raised/(repaid)	381.2	303.0	(32.9)	(32.5)	(32.2)
Proceeds From Issue Of Shares	92.6	221.0	0.0	0.0	0.0
Shares Repurchased	(1.4)	0.0	0.0	0.0	0.0
Dividends Paid	(25.0)	(42.5)	(42.5)	(42.5)	(42.5)
Preferred Dividends					
Other Financing Cashflow	(131.6)	175.6	169.7	155.1	155.1
Cash Flow From Financing	315.8	657.0	94.4	80.1	80.4
Total Cash Generated	(86.6)	635.9	(491.8)	(51.6)	(37.4)
Free Cashflow To Equity	(21.2)	281.8	(619.0)	(164.2)	(150.0)
Free Cashflow To Firm	(356.1)	42.0	(520.1)	(64.0)	(48.2)

SOURCES: CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd
Balance Sheet

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Total Cash And Equivalents	455	527	538	548	559
Total Debtors	1,082	1,528	1,512	1,497	1,482
Inventories	132	461	110	115	121
Total Other Current Assets	972	701	619	619	620
Total Current Assets	2,641	3,217	2,779	2,780	2,783
Fixed Assets	328	338	356	374	393
Total Investments	1,776	2,208	2,210	2,211	2,212
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	2,604	2,369	2,332	2,379	2,426
Total Non-current Assets	4,708	4,916	4,898	4,964	5,031
Short-term Debt	823	1,028	1,018	1,008	998
Current Portion of Long-Term Debt					
Total Creditors	977	1,209	1,248	1,288	1,329
Other Current Liabilities	13	11	11	11	11
Total Current Liabilities	1,814	2,248	2,276	2,306	2,337
Total Long-term Debt	2,159	2,257	2,235	2,212	2,190
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	538	429	433	437	441
Total Non-current Liabilities	2,697	2,686	2,667	2,649	2,632
Total Provisions	41	53	53	53	53
Total Liabilities	4,551	4,987	4,997	5,009	5,022
Shareholders' Equity	2,763	3,139	2,671	2,727	2,784
Minority Interests	34	8	8	8	8
Total Equity	2,797	3,147	2,679	2,736	2,792

Key Ratios

	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Revenue Growth	15.9%	(1.4%)	12.4%	0.3%	0.3%
Operating EBITDA Growth	35.9%	(56.1%)	63.2%	13.5%	20.3%
Operating EBITDA Margin	6.24%	2.78%	4.03%	4.56%	5.47%
Net Cash Per Share (RM)	(2.01)	(2.19)	(2.16)	(2.12)	(2.09)
BVPS (RM)	2.20	2.49	2.12	2.17	2.21
Gross Interest Cover	2.28	0.49	0.88	0.99	1.22
Effective Tax Rate	46.6%	34.1%	30.0%	30.0%	30.0%
Net Dividend Payout Ratio	NA	19.8%	22.4%	20.5%	18.3%
Accounts Receivables Days	166.3	210.2	231.8	228.9	226.6
Inventory Days	30.86	69.47	58.02	22.78	24.10
Accounts Payables Days	167.8	205.4	198.9	205.8	215.7
ROIC (%)	2.03%	0.53%	1.00%	1.32%	1.65%
ROCE (%)	3.01%	4.46%	3.95%	4.41%	4.85%
Return On Average Assets	1.24%	2.33%	2.13%	2.35%	2.57%

Key Drivers

(RMm)	Dec-16A	Dec-17A	Dec-18F	Dec-19F	Dec-20F
Outstanding Orderbook	2,700	2,300	1,900	1,500	1,100
Order Book Depletion	1,900	1,900	1,900	1,900	1,900
Orderbook Replenishment	1,500	1,500	1,500	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , main prod./serv.)	N/A	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Unit sales grth (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A
Util. rate (% , 2ndary prod./serv.)	N/A	N/A	N/A	N/A	N/A

SOURCES: CIMB RESEARCH, COMPANY REPORTS

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Reduce	8.9%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2017, Anti-Corruption 2017

AAV – Very Good, n/a, **ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AMATA** – Very Good, n/a, **ANAN** – Excellent, n/a, **AOT** – Excellent, Declared, **AP** – Excellent, Declared, **ASK** – Very Good, Declared, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Declared, **BCP** - Excellent, Certified, **BCPG** – Very Good, n/a, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – not available, n/a, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Declared, **BLA** – Very Good, Certified, **BPP** – Good, n/a, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Very Good, Declared, **CPALL** – not available, Declared, **CPF** – Excellent, Declared, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Very Good, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **GFPT** - Excellent, Declared, **GGC** – not available, Declared, **GLOBAL** – Very Good, Declared, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Declared, **GRAMMY** - Excellent, n/a, **GUNKUL** – Excellent, Declared, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **ICHI** – Excellent, n/a, **III** – not available, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JAS** – not available, Declared, **JASIF** – not available, n/a, **JUBILE** – Good, Declared, **KAMART** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KGI** – Very Good, Certified, **KKP** – Excellent, Certified, **KSL** – Very Good, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, n/a, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Very Good, Declared, **MALEE** – Very Good, n/a, **MBKET** – Very Good, Certified, **MC** – Very Good, Declared, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTLS** – Very Good, Declared, **NYT** – Excellent, n/a, **OISHI** – Very Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSL** - Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **SAMART** - Excellent, n/a, **SAPPE** - Good, n/a, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCBLIF** – not available, n/a, **SCC** – Excellent, Certified, **SCN** – Very Good, Declared, **SCCC** - Excellent, Declared, **SIM** - Excellent, n/a, **SIRI** – Very Good, Declared, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Declared, **STA** – Very Good, Declared, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **TASCO** – Very Good, n/a, **TCAP** – Excellent, Certified, **THAI** – Very Good, n/a, **THANI** – Very Good, Certified, **THCOM** – Excellent, Certified, **THRE** – Very Good, Certified, **THREL** – Excellent, Certified, **TICON** – Very Good, Declared, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TK** – Very Good, n/a, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Good, n/a, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – not available, n/a, **TRUE** – Excellent, Declared, **TTW** – Very Good, n/a, **TU** – Excellent, Declared, **TVO** – Excellent, Declared, **UNIQ** – not available, Declared, **VGI** – Excellent, Declared, **WHA** – not available, Declared, **WHART** – not available, n/a, **WORK** – not available, n/a.

Companies participating in Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 28, 2016) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

Recommendation Framework

Stock Ratings

Definition:

- Add The stock's total return is expected to exceed 10% over the next 12 months.
- Hold The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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