



Sunway Construction Group Berhad

Q1 2019 Results Review Pack

16 May 2019



SUNWAY[®]
CONSTRUCTION

1Q 2019 HIGHLIGHTS

New order
Target 19 =1.5b (Secured 1b)
Active Tender O/S = 7.4b

Outstanding Order Book
@ March 2019 : 5.7b

ASEAN expansion:
1) Myanmar – MOU signed with Capital Diamond Star Group on 1 April 2019
2) India – Tendered for 3 projects under Rail/Road (EPCC/HAM)
3) Singapore – Venturing into piling

In-house Prospect:
Vying for construction of Sunway Berhad's balance 3 hospital expansion and external mixed development

SunCon is able to sustain/cushion through the momentary review of major infrastructure projects locally through in-house, existing order book and our future ventures overseas

Overview of Key Performance Highlights



RM mil	Unaudited	Restated	Restated	Restated	Restated	Restated
	Q1 FY 2019	Q4 FY 2018	Q3 FY 2018	Q2 FY 2018	Q1 FY 2018	YTD 2018
	Jan-Mar 19	Oct-Dec 18	Jul-Sept 18	April-Jun 18	Jan-Mar 18	Jan-Dec 18
Revenue	440.0	626.1	557.2	544.3	529.2	2,256.8
PBT	40.1	47.2	46.8	45.1	43.6	182.7
PBT Margin	9.1%	7.5%	8.4%	8.3%	8.2%	8.1%
PATMI	31.0	36.5	36.3	35.8	35.8	144.3
PATMI Margin	7.0%	5.8%	6.5%	6.6%	6.8%	6.4%
EPS * (sen)	2.40	2.82	2.81	2.77	2.77	11.17

RM mil	Q1 FY 2019		Q4 FY 2018		Q3 FY 2018		Q2 FY 2018		Q1 FY 2018		YTD 2018		
	Unaudited	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI
Profit as Announced		40.1	31.0	47.2	36.5	46.8	36.3	45.1	35.8	43.6	35.8	182.7	144.3
<i>Special Items:</i>													
Assets Write (back)/off		0.0	0.0	-	-	-	-	-	-	-	-	-	-
Disposal (gain)/loss		(0.3)	(0.3)	-	-	0.1	0.1	(0.1)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)
Impairment (reversal)/prov		0.1	0.1	-	-	2.5	2.5	(0.3)	(0.3)	-	-	2.2	2.2
Write off (gain)/loss			-	-	-	(1.5)	(1.5)	0.3	0.3	-	-	(1.2)	(1.2)
Foreign exchange (gain)/loss		0.1	0.1	(1.1)	(1.1)	0.1	0.1	0.1	0.1	0.3	0.3	(0.5)	(0.5)
Translation (gain)/loss on foreign branches			-	-	-	-	-	-	-	-	-	-	-
Accretion of financial (assets)/liabilities		(1.0)	(1.0)	-	-	0.8	0.8	1.1	1.1	-	-	1.9	1.9
Arbitration (gain)/loss**		(2.0)	(2.0)	0.0	0.0	(0.1)	(0.1)	(1.8)	(1.8)	(1.8)	(1.8)	(3.6)	(3.6)
Profit (Net of Special Items)		37.0	27.9	46.1	35.4	48.7	38.2	44.4	35.1	41.2	33.3	180.4	142.0

Balance Sheet and Gearing

RM'mil	Financial Year Ended 31-03-19 (Unaudited)	Financial Period Ended 31-12-18 RESTATED
Non-current Assets	221	231
Current Assets	1,621	1,537
Total Assets	1,842	1,768
Current Liabilities	1,086	1,063
Non-current Liabilities	133	114
Total Liabilities	1,219	1,176
Shareholders' Funds	621	590
Non-Controlling Interests	2	1
Total Equity	623	591
Total Equity & Liabilities	1,842	1,768
Total Bank Borrowings	175	114
Cash & Placement Funds	580	485
Net Gearing Ratio	Net Cash	Net Cash
Share Capital	259	259
Net Assets Per Share	0.48	0.46

Construction Segmental Review (1/3)

<u>Construction</u>	<u>Q1 19</u>	<u>Q4 18</u>	<u>Q3 18</u>	<u>Q2 18</u>	<u>Q1 18</u>	<u>YTD Q4 18</u>
Revenue (RM'mil)	407.0	595.3	524.1	511.6	492.1	2123.1
PBT (RM'mil)	40.0	50.1	48.7	42.9	40.0	181.8
PBT Margin	9.9%	8.4%	9.3%	8.4%	8.2%	8.6%

- **Turnover**

YoY → Construction segment reported revenue of RM407.0 million and profit before tax of RM40.0 million compared to revenue of RM492.1 million and profit before tax of RM40.0 million in the corresponding quarter of the preceding financial year. Lower revenue in the current quarter was due to Parcel F, Putrajaya which was substantially completed this quarter coupled with delay in both LRT 3 and MRT 2 due to cost optimisation of station works in both packages by the client.

- **PBT**

YoY → Profit margin for the current quarter was higher due to first profit recognition of a project.

- **Risk**

SunCon will be mitigating the anticipated slowdown in the local construction growth from our proposed overseas expansion in India and ASEAN region coupled with in-house projects by our holding company, Sunway Berhad. Our parent company is now on an aggressive stance to expand its medical centre and developing its Penang and Seberang Jaya land bank.

- **Cashflow**

Net cash generated from operating activities for the period ended 31 March 2019 stood at RM60.2 million compared to RM178.1 million recorded in the corresponding preceding financial year. The higher operating cashflow for the corresponding preceding financial year was mainly from milestone payment, bullet payment and advance money collected during the said quarter.

Construction Segmental Review (2/3)

- **Prospect**

For year ending 2019, we are targeting RM1.5 billion new order. To-date we have bagged RM1 billion new order. With this new award, our outstanding book now stands at RM5.7 billion.

Malaysia's gross domestic product (GDP) for the first quarter 2019 will only be released on 16 May 2019. The Malaysian economy is expected to experience moderate growth in 2019 due to challenging external factors. Moody's Investors Service on 3 April 2019 has cut its 2019 gross domestic product (GDP) growth forecast for Malaysia to 4.4%, down from 4.7% projected in January (2018 : 4.7%; 2017 : 5.9%). We also expect the construction sector to register lower growth due to Government's review of major infrastructure project earlier as some of the infrastructure jobs have been scaled down substantially for cost savings. Despite this, there are still pockets of opportunity in Malaysia with the Large Scale Solar 3 (LSS3) worth about RM2 billion, development of hospitals by JKR worth RM29 billion and the Subang Aerotech Park by Khazanah announced in our Budget 2019 coupled with the recently revived East Coast Rail Link (ECRL) and the Penang Transport Masterplan which we expect to be rolled out soon.

Taking into consideration the prevailing challenging external environment, management is cautiously optimistic of the business performance for the year. Nevertheless, every effort will be taken to minimise any adverse impact that we might encounter in the year.

Precast Concrete Segmental Review (1/2)

<u>Precast Concrete</u>	<u>Q1 19</u>	<u>Q4 18</u>	<u>Q3 18</u>	<u>Q2 18</u>	<u>Q1 18</u>	<u>YTD Q4 18</u>
Revenue (RM'mil)	33.0	30.7	33.2	32.7	37.1	133.7
PBT (RM'mil)	0.1	(2.9)	(1.9)	2.2	3.6	1.0
PBT Margin	0.3%	(9.5%)	(5.6%)	6.6%	9.7%	0.8%

- **Turnover.**

YoY → Precast segment reported revenue of RM33.0 million and profit before tax of RM0.1 million compared to revenue of RM37.1 million and profit before tax of RM3.6 million in the corresponding quarter of the preceding financial year. Revenue recorded for the current quarter was lower as some jobs secured will only commence production in later part of the year as per present work schedule.

- **PBT**

YoY → Precast's profit was lower for the current quarter as current projects are yielding lower margin.

Precast Concrete Segmental Review (2/2)

- Prospect

The economy of Singapore grew at an annual 1.3% in the first quarter of 2019. It was the slowest growth rate since Q4 2015, dragged by a contraction in manufacturing. In contrast, the construction sector bounced back 1.4% following a 1.0% contraction in the previous three months and marked the first positive figure after 10 consecutive quarters of decline, supported by an improvement in private sector construction activities. Our precast unit which predominantly operates in Singapore should be resilient due to its healthy outstanding order which stands at RM316 million (*refer to appendix 1*). The Housing and Development Board (HDB) reported that a total of 3,739 units of flats have been launched up to-date (2018 : 15,811; 2017 : 17,593; 2016 : 17,891) and for FYE 2019, HDB will launch about 15,000 new flats. For year ending 2019, this segment will continue to have margin pressure due to low margin jobs secured earlier. Newer projects secured during FYE 2018 have better pricing but will only start contributing to the earnings of SunCon towards end of 2019.

Outstanding Order Book : 5.7b



As at Mar 2019 (RM mil)	Completion	Contract Sum	O/S Orderbook	
Building			1,045	18%
Putrajaya Parcel F	1Q 2019	1,610	69	
PPA1M Kota Bharu	1Q 2020	582	141	
Nippon Express	4Q 2019	70	48	
GDC (Plant 2)	3Q 2019	14	6	
TNB HQ Campus (Ph 2)	2Q 2021	781	781	
Infrastructure/Piling			2,348	41%
MRT V201 + S201	2Q 2021	1,213	359	
LRT 3 : Package GS07-08	2Q 2021	2,178	1,929	
Piling works	Various	128	61	
Piling works - Y19	Various	99	99	
Internal			1,923	34%
Velocity Medical Centre	2Q 2019	185	10	
SMC 4	4Q 2019	512	429	
Emerald Residences	4Q 2018	175	8	
Big Box - Iskandar	4Q 2019	170	45	
Sunway Serene	4Q 2020	449	306	
Velo 2	4Q 2021	352	343	
Velocity 3C4	2Q 2021	100	96	
Sunway GEOLake	1Q 2021	223	161	
Carnival Mall Ext	4Q 2020	286	247	
SMC Seberang Jaya	4Q 2020	180	163	
Velocity Ecodeck	4Q 2018	11	9	
M&E works	4Q 2018	27	6	
Big Box Hotel	3Q 2020	100	100	
Singapore			316	6%
Precast	Various	331	285	
New Order 2019	Various	31	31	
Grand Total		9,805	5,731	
Red : Secured in 2019		1,011	1,011	

New Order Book Secured : 2019 (To-date)

Projects (2019 new awards)	Client	Duration	Contract Sum (RM'mil)
TNB HQ Campus Development (Phase 2)	Tenaga National Berhad	26 months	781.3
LRT 3 - GS10 piling works	SN Akmida	12 months	47.6
LRT 3 - GS06 piling works	Rahimkon	4 months	12.8
Transit Oriented Development - Plot 7MD7	Putrajaya Development Sdn Bhd	16 months	38.8
Big Box Hotel (14 floor, 288 rooms)	Sunway MarketPlace Sdn Bhd	16 months	99.5
Kallang Whampoa C57 (Precast)	Hock Guan Cheong Builder Pte Ltd		29.5
Precast -others			1.4
Grand Total till 1 April 2019			1,010.9

Target NEW order book for FYE 2019 : RM 1.5b

New order 2018 : 1.6b, 2017 : 4.0b, 2016 : 2.7b, 2015 : 2.6b, 2014 : 0.8b, 2013 : 2.9b, 2012 : 1.9b

Outstanding Order book 2018 : 5.2b, 2017 : 6.6b, 2016 : 4.8b, 2015 : 3.8b, 2014 : 3.0b, 2013 : 3.2b, 2012 : 4.1b

Parcel F, Putrajaya



MRT V201 - Sg Buloh to Persiaran Dagang

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Sri Damansara East (SDE) Station

MRT V201 - Sg Buloh to Persiaran Dagang

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Damansara Damai Main Station

Sunway Velocity Medical Centre

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Sunway Big Box, Iskandar Johor



Thank You

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Next quarter announcement on 19 Aug 2019

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