



Sunway Construction Group Berhad

Q3 2018 Results Review Pack

19 November 2018



SUNWAY[®]
CONSTRUCTION

3Q 2018 HIGHLIGHTS

FYE 2018 secured to-date = RM1.35b
(Mgmt target for 2018 RM1.5b)

Outstanding Order Book
@ Sept 2018 : RM5.2b (Dec'17 = RM6.1b)

Turnover improved YoY by 13.4%:
3Q 2018 : 557.3m vs 3Q 2017 : 491.3m
PBT improved YoY by 11.2%
3Q 2018 : 46.9m vs 3Q 2017 : 42.2m

Short Term [2018/19] : Vying for
construction of Sunway Berhad's balance 3
hospital expansion & in-house and
external mixed development

Medium Term [2020 and beyond] : ASEAN
expansion – Myanmar and India

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 Q3 FY 2018 Jul-Sept 18	Unaudited Q2 FY 2018 April-Jun 18	Unaudited Q1 FY 2018 Jan-Mar 18	Unaudited YTD 2018 Jan-Dec 18	Unaudited Q4 FY 2017 Oct-Dec 17	Unaudited Q3 FY 2017 Jul-Sept 17	Unaudited Q2 FY 2017 April-Jun 17	Unaudited Q1 FY 2017 Jan-Mar 17	RESTATED YTD 2017 Jan-Dec 17
Revenue	557.3	544.3	529.2	1,630.8	748.2	491.3	417.3	419.5	2,076.3
PBT	46.9	45.2	43.7	135.7	43.3	42.2	41.9	43.3	170.7
PBT Margin	8.4%	8.3%	8.3%	8.3%	5.8%	8.6%	10.0%	10.3%	8.2%
PATMI	36.4	35.9	35.9	108.1	31.0	33.7	35.9	33.8	134.4
PATMI Margin	6.5%	6.6%	6.8%	6.6%	4.1%	6.9%	8.6%	8.1%	6.5%
EPS * (sen)	2.82	2.78	2.77	8.37	2.40	2.61	2.78	2.61	10.40

RM mil Unaudited	Q3 FY 2018		Q2 FY 2018		Q1 FY 2018		YTD 2018		Q4 FY 2017		Q3 FY 2017		Q2 FY 2017		Q1 FY 2017		YTD 2017	
	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI	PBT	PATMI
Profit as Announced	46.9	36.4	45.2	35.9	43.7	35.9	135.7	108.1	43.3	31.0	42.2	33.7	41.9	35.9	43.3	33.8	170.7	134.4
<i>Special Items:</i>																		
Assets Write (back)/off									-	-	-	-	-	-	0.1	0.1	0.1	0.1
Disposal (gain)/loss	0.1	0.1	(0.1)	(0.1)	(1.0)	(1.0)	(1.0)	(1.0)	(0.1)	(0.1)	(0.7)	(0.7)	(0.2)	(0.2)	0.1	0.1	(0.9)	(0.9)
Impairment (reversal)/prov	2.5	2.5	(0.3)	(0.3)	-	-	2.2	2.2	(1.0)	(1.0)	2.8	2.8	(4.7)	(4.7)	3.8	3.8	0.9	0.9
Write off (gain)/loss	(1.5)	(1.5)	0.3	0.3	-	-	(1.2)	(1.2)	(0.5)	(0.5)	2.1	2.1	(0.1)	(0.1)	0.1	0.1	1.6	1.6
Foreign exchange (gain)/loss	0.1	0.1	0.1	0.1	0.3	0.3	0.5	0.5	0.7	0.7	(0.0)	(0.0)	(0.1)	(0.1)	(0.7)	(0.7)	(0.1)	(0.1)
Translation (gain)/loss on foreign branches									(3.5)	(3.5)							(3.5)	(3.5)
Accretion of financial (assets)/liabilities	0.8	0.8	1.1	1.1	-	-	1.9	1.9	2.9	2.9	-	-	-	-	-	-	2.9	2.9
Arbitration (gain)/loss**	(0.1)	(0.1)	(1.8)	(1.8)	(1.8)	(1.8)	(3.6)	(3.6)	-	-	-	-	(2.9)	(2.9)	(3.2)	(3.2)	(6.1)	(6.1)
Profit (Net of Special Items)	48.7	38.3	44.5	35.2	41.3	33.4	134.5	106.9	41.9	29.5	46.4	37.9	33.8	27.8	43.5	34.0	165.6	129.2

Balance Sheet and Gearing

RM'mil	Financial Period Ended 30-09-18 (Unaudited)	Financial Year Ended 31-12-17 RESTATED	Financial Year Ended 31-12-16 (Audited)	Financial Year Ended 31-12-15 (Audited)
Non-current Assets	220	158	155	180
Current Assets	1,719	1,724	1,442	1,217
Total Assets	1,939	1,882	1,597	1,397
Current Liabilities	1,368	1,325	1,103	942
Non-current Liabilities	9	7	1	4
Total Liabilities	1,376	1,332	1,104	946
Shareholders' Funds	561	549	493	451
Non-Controlling Interests	1	1	1	1
Total Equity	563	550	494	452
Total Equity & Liabilities	1,939	1,882	1,597	1,397
Total Bank Borrowings	125	135	137	137
Cash & Placement Funds	449	487	466	469
Net Gearing Ratio	Net Cash	Net Cash	Net Cash	Net Cash
Share Capital	259	259	259	259
Net Assets Per Share	0.43	0.42	0.38	0.35

Construction Segmental Review (1/2)

<u>Construction</u>	<u>Q3 18</u>	<u>Q2 18</u>	<u>Q1 18</u>	<u>YTD Q3 18</u>	<u>Q4 17</u>	<u>Q3 17</u>	<u>Q2 17</u>	<u>Q1 17</u>	<u>YTD Q4 17</u>
Revenue (RM'mil)	524.1	511.6	492.1	1527.8	721.7	471.7	387.2	350.7	1,931.3
PBT (RM'mil)	48.8	43.0	40.1	131.9	40.2	39.8	35.6	27.5	143.1
PBT Margin	9.3%	8.4%	8.1%	8.6%	5.6%	8.4%	9.2%	7.8%	7.4%

- **Turnover**

YoY → Construction segment reported revenue of RM524.1 million and profit before tax of RM48.8 million compared to revenue of RM471.7 million and profit before tax of RM39.8 million in the corresponding quarter of the preceding financial year. The higher revenue in current quarter by 11.1% was due to higher contribution from civil division.

- **PBT**

YoY → Profit margin in this current quarter ended performed better due to finalisation of account of a project that was completed this quarter..

- **Risk**

On the risk aspect, average price of steel bar prices has dropped by approximately 10% since December 2017 month's price of RM2,700 per tonne. Prices in the current quarter and the immediate preceding quarters had no major movement. Coupled with low cement prices, raw material cost can expect some savings going forward.

- **Cashflow**

Net cash generated from operating activities for the 9 months period ended 30 Sept 2018 stood at RM181.4 million compared to RM27.0 million recorded in the corresponding quarter of the preceding financial year. The increase is from the improvement in collection mainly from collection of milestone payment, bullet payment and advance money collected during the said period.

Construction Segmental Review (2/2)

- **Prospect**

SunCon group's outstanding order book as at September 2018 stands at RM5.2 billion (refer to appendix 1) with RM949 million new order book win in first nine months 2018. Subsequent to that, we have secured additional 2 new orders amounting to RM405 million. With that, total new order book secured to-date stands at RM1.354 billion. We maintain our new order book target of RM1.5 billion for the financial year 2018 based on our existing active tender activities and potential in-house projects.

Malaysia's gross domestic product (GDP) expanded at a slower pace of 4.4% in the third quarter of 2018 (2Q 2018 : 4.5%, 2017 : 5.9%) with construction sector growth at 4.6% (2Q 2018 : 4.7%, 2017 : 6.7%). As announced in Budget 2019 presentation on the 2 November 2018, Malaysia will be revising downwards our projected GDP growth rate from the previously announced 5.0-5.5% to 4.8% in 2018 and 4.9% in 2019 against the backdrop of an increasingly challenging external environment. At the construction front, there have been various decisions by the Government to reduce cost, to cancel and to put on hold certain mega projects as an on-going effort for debt rationalisation.

The total project cost for LRT 3 is RM16.6 billion as mentioned during the Budget 2019 speech which is a 47% reduction from the earlier cost of RM 31.45 billion. During the third quarter 2018, our LRT 3 Package GS 0708 from Kawasan 17 to Sri Andalas is progressing albeit at a slower pace as certain works could not proceed due to the on-going review to redesign the 6 stations in our alignment. We do not know the impact of this cost review to our contract yet but we expect to get clarity from our client in fourth quarter 2018.

As for our KVMRT V201 from Sg Buloh to Persiaran Dagang, our client MMC Gamuda has confirmed that the above ground works will continue and hence this project will progress as planned albeit some reduction to those scope relating to the stations. SunCon will be mitigating the anticipated slowdown in the local construction growth from in-house projects by its holding company, Sunway Berhad which traditionally has been contributing on average around 40% of our revenue and also overseas expansion. Our parent company is now on an aggressive stance to expand its medical centre and developing its Penang and Seberang Jaya land bank. Despite the subdued mood surrounding the construction sector, we are confident that we will continue to have a sustained growth for year ending 2018 as compared to the financial year ending 2017.

Precast Concrete Segmental Review (1/2)



<u>Precast Concrete</u>	<u>Q3 18</u>	<u>Q2 18</u>	<u>Q1 18</u>	<u>YTD Q3 18</u>	<u>Q4 17</u>	<u>Q3 17</u>	<u>Q2 17</u>	<u>Q1 17</u>	<u>YTD Q4 17</u>
Revenue (RM'mil)	33.2	32.7	37.1	103.1	26.5	19.6	30.1	68.8	145.0
PBT (RM'mil)	(1.9)	2.2	3.6	3.9	3.1	2.4	6.3	15.8	27.6
PBT Margin	(5.7)%	6.7%	9.7%	3.8%	11.8%	12.2%	20.9%	23.0%	19.0%

- **Turnover.**

YoY → Precast segment reported revenue of RM33.2 million and loss before tax of RM1.9 million compared to revenue of RM19.6 million and profit before tax of RM2.4 million in the corresponding quarter of the preceding financial year. The higher revenue in current quarter by 69.4% was due to better progress from existing sales order.

- **PBT**

YoY → Precast made a loss for the current quarter as the current projects are yielding low margin due to higher steel bar price / content (steel content contributes to approximately 40% of its total cost) coupled with stiff competition on pricing.

Precast Concrete Segmental Review (2/2)

- Prospect

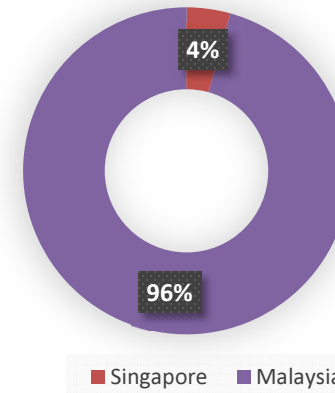
Singapore's GDP growth in third quarter 2018 is at 2.6% (2Q 2018 : 4.1%, 2017 : 3.6%, 2016 : 2.4%) with construction sector having a negative growth of -3.1% (2Q 2018 : -4.2%, 2017: -8.4%, 2016: 0.2%). Our precast unit which predominantly operates in Singapore should be resilient due to its healthy outstanding order which stands at RM226 million. This translates to approximately one year of turnover which is a norm based on its shorter contract duration. The Housing and Development Board (HDB) reported that a total of 12,009 units of flats have been launched up to August 2018. Coupled with the next BTO launch in November of 3,802 flats, there will be 15,811 units in 2018 (2017 : 17,593; 2016 : 17,891 units). Due to the lower units that will be launched in 2018, our new order book to-date obtained under precast amounted to only RM130 million (2017 : RM163 million). For year ending 2018, this segment will continue to have margin pressure due to low margin jobs secured earlier from stiff competition and high rebar prices. Newer projects secured in FYE 2018 have better pricing but will only start contributing one year later.

Outstanding Order Book : 5.2b

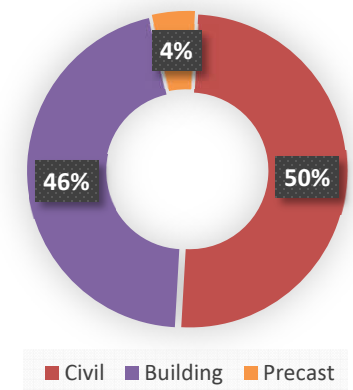
As at Sept 2018 (RM mil)	Completion	Contract Sum	O/S Orderbook	
Building			697	13%
Putrajaya Parcel F	1Q 2019	1,610	287	
KLCC	3Q 2018	646	82	
PPA1M Kota Bharu	1Q 2020	582	208	
Nippon Express	4Q 2019	70	68	
GDC (Plant 2)	3Q 2019	14	14	
Others		487	39	
Infrastructure/Piling			2,639	51%
MRT V201 + S201	2Q 2021	1,213	527	
BBCC Piling Works	4Q 2018	88	12	
LRT 3 : Package GS07-08	2Q 2021	2,178	2,021	
Others		87	14	
Piling works	Various	75	64	
Internal			1,644	32%
Velocity Medical Centre	1Q 2019	185	67	
SMC 4	4Q 2019	512	449	
Emerald Residences	4Q 2018	175	6	
Big Box - Iskandar	4Q 2019	170	114	
Sunway Serene	4Q 2020	449	351	
Sunway GEOLake	1Q 2021	223	190	
Carnival Mall Ext	4Q 2020	286	261	
SMC Seberang Jaya	4Q 2020	180	176	
Velocity Ecodeck	4Q 2018	11	11	
M&E works	4Q 2018	30	20	
Singapore			226	4%
Precast	Various	330	98	
Precast - New order 2018	Various	130	128	
Grand Total		9,729	5,205	

Red : Secured in 2018

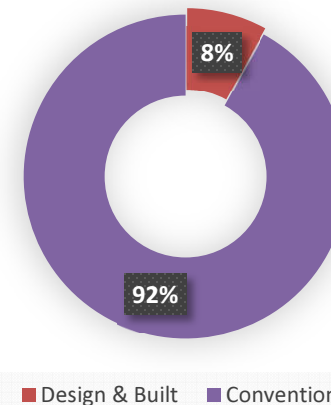
By Country



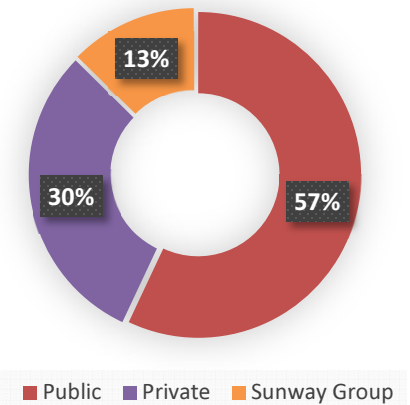
By Division



Design & Built vs Conventional



By Customer



New Order Book 2018 Secured YTD

Projects (2018 new awards)	Client	Duration	Contract Sum (RM'mil)
Sunway Medical Centre Seberang Jaya SMCSJ - Phase 1	Alliance Parade Sdn Bhd	31 months	180
Sunway Carnival 2 Extension, Seberang Perai, Penang - PDP contract	Sunway REITS Mgmt Sdn Bhd	32 months	286
Sunway GEOLake 44 storey residential tower at Sunway South Quay. 44 storey/420 units with 44 units of 3 storey townhouse including facility floor and 3 basement carpark	Sunway South Quay Sdn Bhd	36 months	223
Others - Inhouse	Sunway Group of Co	12 months	56
Precast	Various		129
Piling works	Various		75
Grand Total till 30 Sept 2018			949
SUKE CA1 - piling works	ACRE WORKS	9 months	53
Sunway Velocity TWO- 2 blocks of serviced residence and 1 office block	Sunway Velocity TWO Sdn Bhd	31 months	352
Secured up to 19 Nov 2018			1,354

Target NEW order book for FYE 2018 : RM 1.5b

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

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

Parcel F – Progress @ Sept 2018

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ISKL – Progress @ Sept 2018

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MRT V201 – Progress @ Sept 2018

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Damansara Damai Station



Damansara East Station

Thank You

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Next quarter announcement on 25 Feb 2019

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