# Malaysia Company Guide
# Sunway Construction Group

Version 14 | Bloomberg: SCGB MK | Reuters: SCOG.KL

Refer to important disclosures at the end of this report

DBS Group Research . Equity

19 Mar 2019

## HOLD

**Last Traded Price ( 18 Mar 2019):** RM1.85 (**KLCI :** 1,690.94)
**Price Target 12-mth:** RM1.66 (-10% downside) (Prev RM1.66)

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### What's New

- Expect new order wins to be flattish y-o-y at RM1.5bn, smaller internal pipeline from Sunway Berhad
- Margin pressure for precast division to continue in FY19F, prompting us to cut earnings by 6-8%
- At current valuations, we prefer the larger-cap contractors
- Maintain HOLD with TP of RM1.66

### Price Relative


### Forecasts and Valuation

| FY Dec (RMm) | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|
| Revenue | 2,076 | 2,257 | 2,629 | 2,596 |
| EBITDA | 205 | 218 | 225 | 235 |
| Pre-tax Profit | 174 | 183 | 183 | 189 |
| Net Profit | 138 | 145 | 146 | 151 |
| Net Pft (Pre Ex.) | 138 | 145 | 146 | 151 |
| Net Pft Gth (Pre-ex) (%) | 11.6 | 5.0 | 1.2 | 3.0 |
| EPS (sen) | 10.7 | 11.2 | 11.3 | 11.7 |
| EPS Pre Ex. (sen) | 10.7 | 11.2 | 11.3 | 11.7 |
| EPS Gth Pre Ex (%) | 12 | 5 | 1 | 3 |
| Diluted EPS (sen) | 10.7 | 11.2 | 11.3 | 11.7 |
| Net DPS (sen) | 5.50 | 7.50 | 5.66 | 5.83 |
| BV Per Share (sen) | 42.8 | 45.7 | 51.4 | 57.2 |
| PE (X) | 17.4 | 16.5 | 16.3 | 15.9 |
| PE Pre Ex. (X) | 17.4 | 16.5 | 16.3 | 15.9 |
| P/Cash Flow (X) | 38.4 | 12.7 | 10.4 | 11.8 |
| EV/EBITDA (X) | 10.0 | 9.7 | 9.1 | 8.4 |
| Net Div Yield (%) | 3.0 | 4.1 | 3.1 | 3.2 |
| P/Book Value (X) | 4.3 | 4.0 | 3.6 | 3.2 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH |
| ROAE (%) | 26.3 | 25.3 | 23.3 | 21.5 |
| Earnings Rev (%): | | 0 | (8) | (6) |
| Consensus EPS (sen): | | 11.4 | 12.2 | 13.2 |
| Other Broker Recs: | | B: 5 | S: 4 | H: 4 |

*Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P*

## Valuation eclipses solid execution

**Malaysia's leading pure construction player.** Sunway Construction Group (SCG) is the largest listed construction pure play in Malaysia. Given its strong track record, we think that SCG will remain relevant for both public and private sector projects in spite of the more challenging construction landscape now. SCG has also established itself as the only construction specialist to be involved in all three Rapid Line infra projects (MRT, LRT, and BRT).

**Where we differ:** At current valuations, we prefer exposure to the larger-cap contractors which trade at cheaper or parity valuations and are more diversified. Until we see a more sustained rollout in government infrastructure projects, we think purer play contractors like SCG should trade at a discount to the larger ones. Still, we acknowledge SCG's solid execution track record, net cash balance sheet and sustainable dividend payout.

**Key catalysts.** SCG's new order wins in FY18 moderated to RM1.6bn after hitting RM4bn in FY17. Its FY19F new wins target has been set at RM1.5bn with an equal distribution between internal and external jobs. YTD wins amount to RM781m, including the TNB project. In our view, a flawless execution track record, faster recovery in its precast division leading to potential uplift in earnings and sustained dividend payout, could be the next catalyst for the stock. While we have taken into account the reduction in contract values for its LRT 3 project, the build-up in receivables and collection for this project remains in question.

### Valuation:

**Maintain HOLD, TP set at RM1.66.** Our TP is based on sum-of-parts (SOP) valuation to reflect the growing contribution from its high-margin precast business. We believe pure-play construction players should at least trade at parity to its more diversified larger-cap peers in times of rising government development expenditure.

### Key Risks to Our View:

The timely execution of its peak orderbook is crucial to minimising the risk of any earnings cuts. With its strong execution track record and experience, we believe the group is able to execute the projects in a timely manner.

### At A Glance

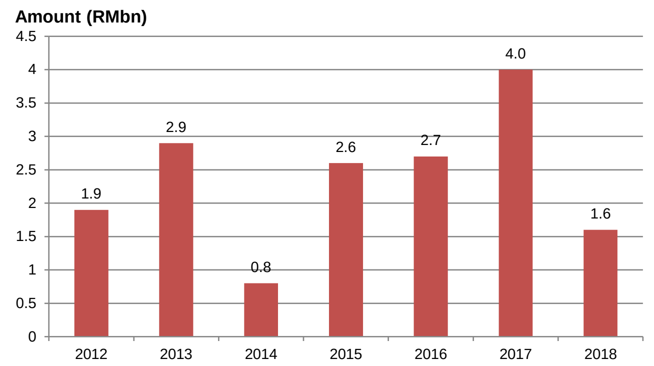
| | |
|---|---|
| Issued Capital (m shrs) | 1,292 |
| Mkt. Cap (RMm/US$m) | 2,391 / 586 |
| Major Shareholders (%) | |
| Sunway Berhad | 55.6 |
| Tan Sri Jeffrey Cheah & Family | 7.6 |
| Free Float (%) | |
| 3m Avg. Daily Val (US$m) | 0.37 |
| ICB Industry : Industrials / Construction & Materials | |

## WHAT'S NEW

### Solid execution but valuations are lofty

**2019 targets**. After a more subdued FY18 with new wins of RM1.55bn (FY17 RM4bn), the target for FY19 is RM1.5bn. Our current forecast is RM1.65bn which we are keeping. Unlike FY18 where c.80% of the new wins were skewed towards internal jobs from its parent company, the expectation is for an equal split of internal and external jobs for FY19F.

**SCG's Historical New Order Wins**




*Source: Company, AllianceDBS*

There are two main internal jobs for FY19F which are Sunway Medical Centre Damansara (250 beds and estimated construction value of RM250m) and Sunway Avila Service Apartments in Wangsa Maju (estimated construction value of RM120m).

We expect SCG to bid for some other rail based contracts such as Klang Valley Double Tracking when tenders are open but it is unlikely to participate in the East Coast Railway Link (ECRL).YTD wins so far stem from the RM781m Tenaga Nasional project in Bangsar. This is a Project Platinum Building project and is in relation to Phase 2 of Tenaga's headquarters campus development. The total tenure of the construction period is 26 months. Recall that SCG also won the piling works for this project earlier.

We expect pretax margins for this project to range between 5% and 8%, typical of building jobs. We also think margins for this project will be dependent on the Mechanical and Engineering portion which should constitute 25% of the project total or RM195m. This portion will be tendered out separately and SCG will also be tendering for it.

**SCG's Outstanding Orderbook**

| Projects | Outstanding (RMm) |
|---|---|
| Infrastructure | |
| MRT Package V201 + S201 (Sungai Buloh- Persiaran Dagang) | 459 |
| LRT 3 : Package GS07-08 | 1969 |
| Piling works | 99 |
| Others | 3 |
| Building | |
| Putrajaya Parcel F | 170 |
| TNB HQ Campus | 781 |
| Gas Distirct Cooling Plant | 14 |
| PPA1M Kota Bahru | 180 |
| Nippon Express | 48 |
| Others | 21 |
| Internal | |
| Sunway Velocity Medical Centre | 32 |
| SMC 4 | 439 |
| Emerald Residences | 15 |
| Big Box - Iskandar | 74 |
| Sunway Serene | 339 |
| Velo 2 | 352 |
| 3C4 | 99 |
| Sunway GEOLake | 177 |
| Carnival Mall Ext | 256 |
| SMC Seberang Jaya | 167 |
| Velocity Ecodeck | 10 |
| M&E Works | 11 |
| Singapore | |
| Precast | 286 |
| Grand Total | 6001 |

*Source: Company, AllianceDBS*

**Overseas ventures.** SCG shares our view that a more meaningful pick-up in government projects will only happen in FY20F. As such, it is stepping up its efforts overseas with the target to clinch at least one project this year. This will likely come from Myanmar where it has already had a presence in the market for a few years with some project management exposure. It has an established JV partner already and the first potential win will likely be a hospital job. Besides this, SCG also expressed interest in exploring the Thailand market given the rollout of High Speed Rail projects there this year.

**LRT 3 overhang?** The formalisation of the new fixed price contract agreement between MRCB George Kent and Prasarana Malaysia at a 47% lower contract value of RM16.6bn has somewhat removed the overhang on the LRT 3 project. This outstanding value for this project in SCG's orderbook is RM2bn or 33% of its orderbook of RM6bn. We understand there has not been any finalisation of the revised contract value from Prasarana as yet and the last payment received was in early this year for work done until mid-2018.

To recap, SCG has a total of six stations for its GS 7 and GS 8 packages of the LRT 3 project. While none of these stations will be scrapped, the value of these packages will be reduced. Assuming a 50% reduction for all six stations at an assumption of RM100m per station (initial cost), RM300m or

13% of the total contract value could be shaved. We have now largely accounted for this.

**Recovery in precast margins only in FY20F.** SCG has registered poor 12M18 precast profits of RM1m (vs 12M17 of RM28m) where the last quarter of 4Q18 registered a loss of RM3m. This represents a widening from the 3Q18 loss of RM2m. Profitability for the quarter was impacted by current projects which still have low margins, the absence of final account and management fees paid to parent company. We also understand SCG did not benefit from the recent drop in steel prices as it had already locked in 50% of the steel requirements at higher prices.

We now expect some meaningful improvements in its precast business in FY20F as the new jobs secured so far will only start to contribute more meaningfully in FY20F. The outstanding precast orderbook as at 30 September 2018 stood at RM226m, sufficient for about a year of revenue visibility.

**ICPH expansion on track.** The progress of SCG's Integrated Construction Prefabrication Hub (ICPH) is on track, with the tendering of the piling portion and funding also in place. This move is necessary for the longer-term sustainability of this business. To recap, The Hong Leong-SCG JV is leasing the land for the development of the ICPH. The land is located at Pulau Punggol Barat and its lease term is 30 years from July 2018. While the total consideration for the land is S$26m, the inclusion of the construction cost for the ICPH brings the final amount to S$80m.

The expected annual production capacity is 150,000 cubic meters to run one shift but this can be increased. We have accounted for the additional capex in our forecasts. We foresee no impact on its dividend payout and the additional capex over three years will be more than adequately financed from its strong balance sheet which is in a net cash position.

**Cutting earnings and TP.** We cut our FY19-20F earnings by 6-8% to account for 1) lower precast margins of 6% and 12% in FY19-20F vs 12-15% previously; and 2) some adjustments to its LRT 3 contract, assuming a lower value by about 10%.

**Valuations not enticing.** SCG's valuation of FY19F PE of 16x, vs Gamuda and IJM's 11-16x, appears unattractive. This is notwithstanding its net cash balance sheet, superior ROEs of 23% and strong execution track record. Dividend yields of 3% are also quite decent assuming a payout ratio of 50%.

We had argued in the past that pure play contractors like SCG should trade at parity to the larger-cap counterparts but only in times of a construction upcycle. However, at this juncture, we think a better proxy would be the larger-cap players like Gamuda and IJM which are more diversified and would be the first to re-rate on any impending signs of a revival in government infrastructure spending.

## CRITICAL DATA POINTS TO WATCH

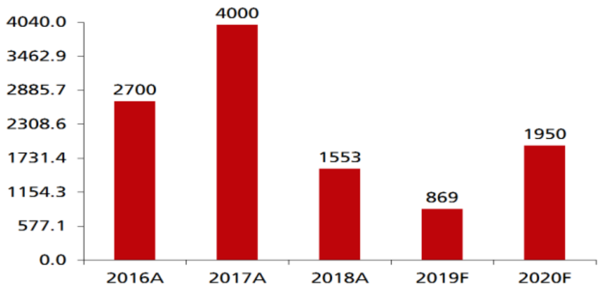
**Reliable execution track record.** SCG's construction division stands strong given its reliable execution track record in spite of the current soft and less visible project flows. Given its well-established brand name and strong execution track record, we believe the group will still be relevant for both private and public sector projects. SCG has solidified its position in MRT Line 2 and LRT 3 projects.

**Stronger infrastructure orderbook.** After a strong 2017 with RM4bn new wins, 2018 new wins have moderated to RM1.55bn while its outstanding orderbook currently at RM6bn. 2018 new wins have largely been driven by job flows from its parent company. The RM1.2bn MRT V201 package is progressing smoothly while for LRT 3 we have already taken the cost reduction in contract value into account. We point out that the raw material requirements for MRT aboveground works is borne by the government, but this is not the case for the LRT project.

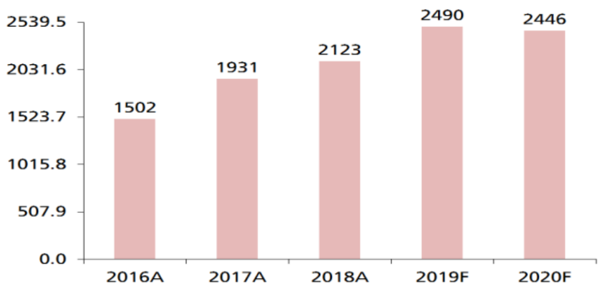
**Some headwinds for precast but turnaround in 2020.** SCG's precast segment is expected to contribute a larger share of earnings to the group. SCG's precast division made up 6-16% of revenue in FY12-FY18. It was the largest earnings contributor in FY15, accounting for 57% of the group's EBIT but fell to 16% in FY17. The group believes normalised margins lie in the 15% range but has remained weak in 2018 at just 1%. Profitability has been impacted by current projects which still have low margins and also higher prices for steel bar which constitutes 40% of its total cost. We now expect meaningful improvement in its precast business in 2020. The total capacity for both its Senai and Iskandar plants is 156,000m$^3$ per annum. This will double post the completion of its Industrial Concrete Precast Hub in Singapore in the next three years.

**What's in store for FY19F?** After a more subdued FY18 with new wins of RM1.55bn (FY17 RM4bn), the target for FY19 is RM1.5bn. Unlike FY18F where c.80% of the new wins were skewed towards internal jobs from its parent company, the expectation is for an equal split of internal and external jobs for FY19F. There are two main internal jobs for FY19F which are Sunway Medical Centre Damansara (250 beds and estimated construction value of RM250m) and Sunway Avila Service Apartments in Wangsa Maju (estimated construction value of RM120m).

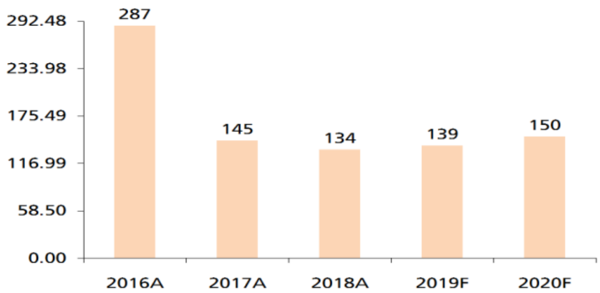
**New order wins**



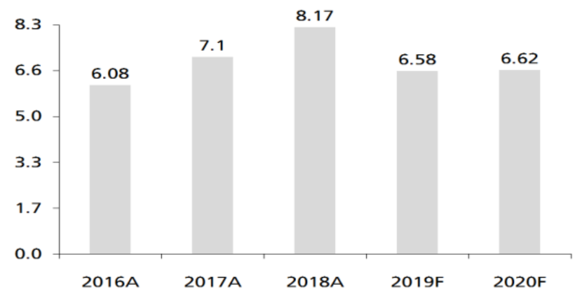

**Construction revenue**



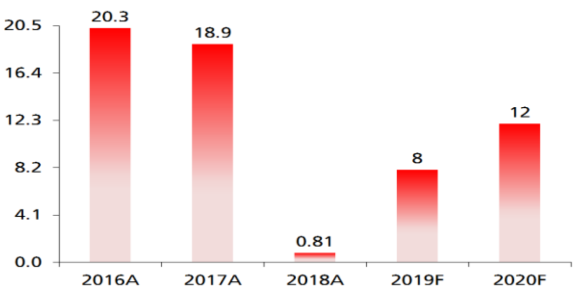

**Precast revenue**




**Construction EBIT margins**



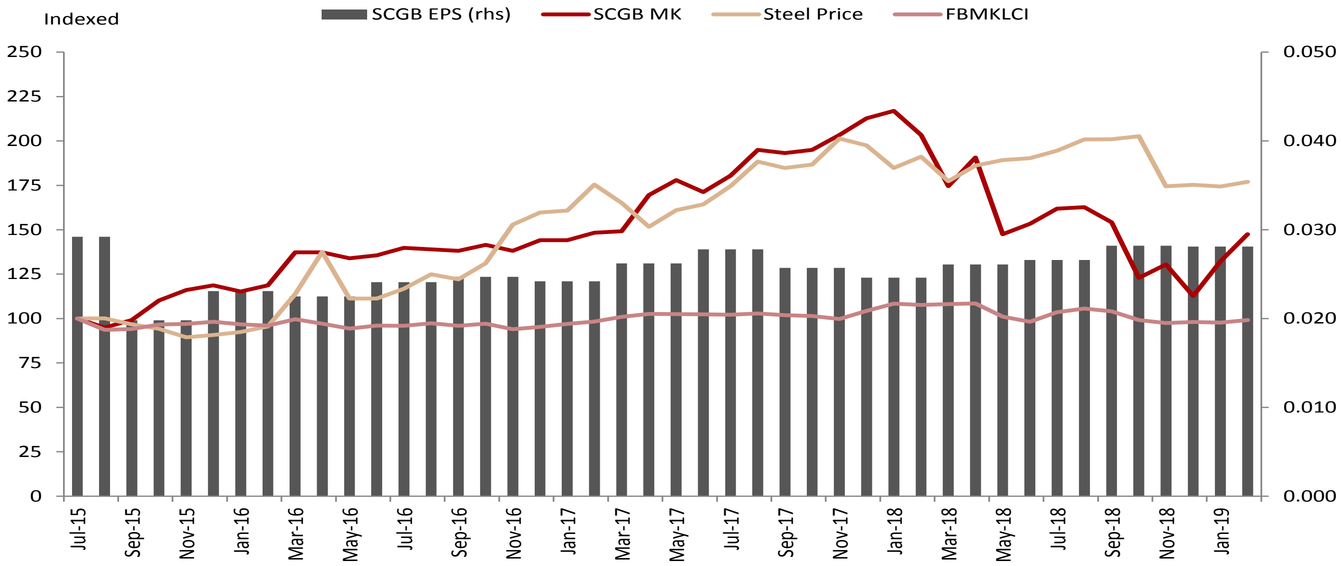

**Precast EBIT margins**



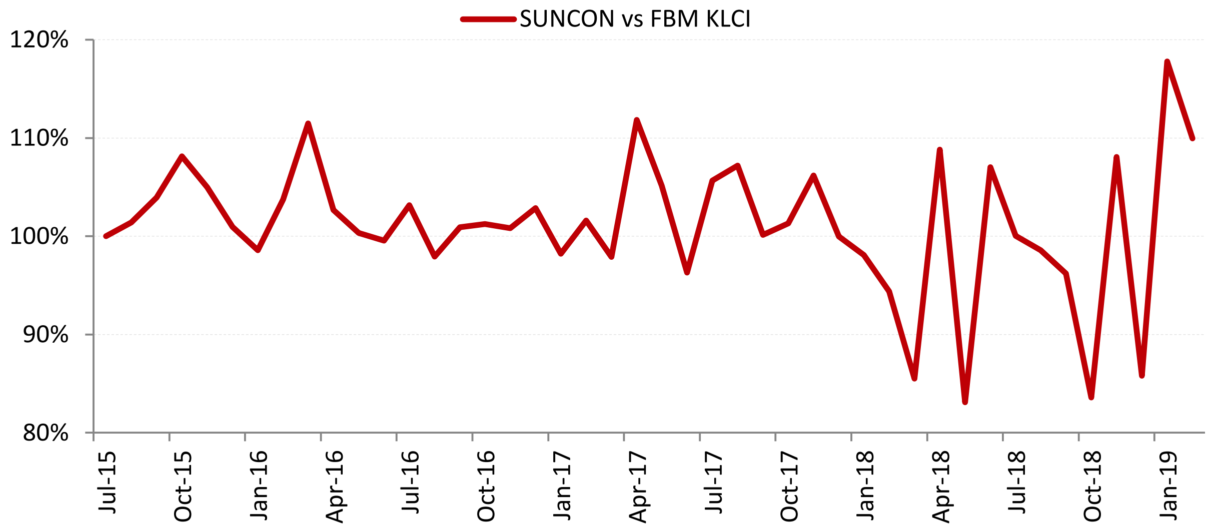

*Source: Company, AllianceDBS*

Appendix 1: A look at Company's listed history – what drives its share price?

Suncon's share price performance




Suncon's share price performance vs KLCI




SCG has a relatively short listing history with its IPO on July 2015. Thus far, it appears that contract wins is the main share driver given that it is a pure play construction stock. From January to March 2016, SCG saw a strong share price performance due to the announcement of its RM1.2bn V201 package for MRT Line 2. On a cost per km basis, the contract was also c.30% higher than its MRT Line 1 package. For January to April 2017, a solid share price performance was also seen. This is likely due to expectations of it being classified as a Shariah-compliant stock again, coupled with some other contract wins worth a total of RM431m. In October 2017, SCG announced sizeable contract wins, the largest being a RM2.2bn contract for LRT 3. The share price has remained relatively unchanged in spite of its outstanding orderbook hitting an all-time high of RM6.7bn. This leads to believe that the better earnings delivery arising from smooth execution will be more an important re-rating catalyst now. Post May 2018, after the 14th General Elections, the stock has underperformed the KLCI in line with most construction stocks but this has since rebounded as it managed to replenish RM1.55bn new orders in FY18.

## Balance Sheet:

**Strong balance sheet and cash generation ability.** As at 31 December 2018, the group had a net cash position of RM275m and minimal working capital requirements going forward. We estimate the group will retain its strong balance sheet with a net cash position in FY19F and FY20F. Meanwhile, its ROAE is expected to hover around the 21-23% level.

## Share Price Drivers:

**Executing on orderbook in particular LRT 3.** SCG's outstanding orderbook now stands at RM6bn. This gives it about two years of revenue visibility. The largest project is LRT 3 package (G7 and G8) which forms 33% of its orderbook. Hence, the execution and also collection of this project are quite vital for SCG.

**Recovery in precast margins only in FY20F.** We now expect some meaningful improvements in its precast business in FY20F as the new jobs secured so far will only start to contribute more meaningfully in FY20F.

**Dividend payout policy of at least 35%.** SCG is committed to distributing a minimum 35% of its core profit to shareholders, which is uncommon among construction players. This could be attributable to its sizeable operations, with a large asset base that requires little capex spending ahead. We have imputed a 50% dividend payout ratio, based on our strong net cash forecasts. This translates into decent yields of more than 3%.

## Key Risks:

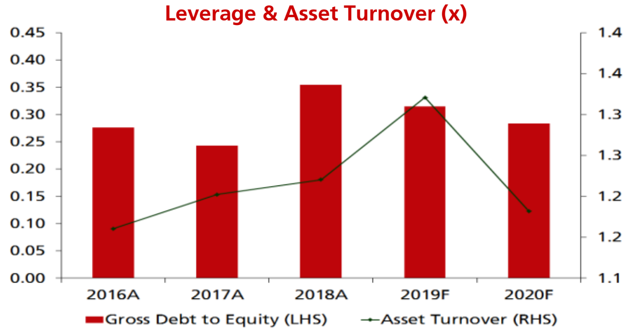
**Delays in construction.** There may be project cost overruns due to several factors such as design and engineering issues and soil conditions.

**Fluctuating prices of raw materials.** The construction business typically requires a wide range of raw materials including steel bars, ready-mixed concrete, diesel, electrical cables and fittings, which are all subject to price fluctuations.

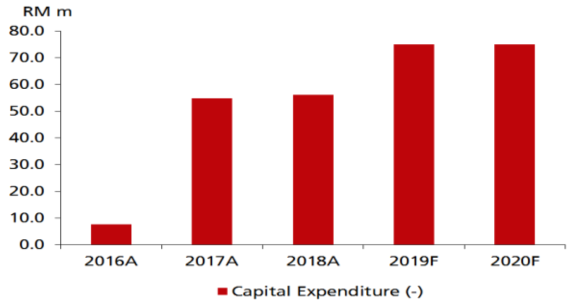
## Company Background

An established player with 30 years of heritage, Sunway Construction Group (SCG) is one of Malaysia's largest construction companies. It adopts an integrated business model that covers various phases of construction activities, from project design to completion.

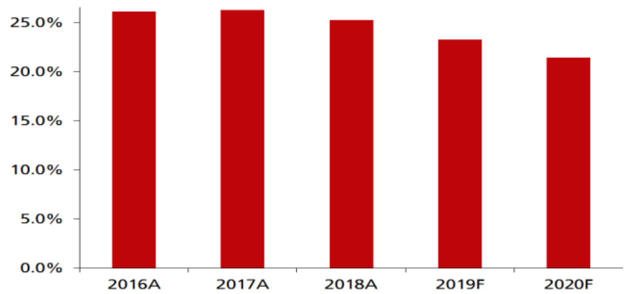
**Leverage & Asset Turnover (x)**




**Capital Expenditure**




**ROE (%)**




**Forward PE Band (x)**


**PB Band (x)**


*Source: Company, AllianceDBS*

## Key Assumptions

| FY Dec | 2016A | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|---|
| New order wins | 2,700 | 4,000 | 1,553 | 869 | 1,950 |
| Construction revenue | 1,502 | 1,931 | 2,123 | 2,490 | 2,446 |
| Precast revenue | 287 | 145 | 134 | 139 | 150 |
| Construction EBIT margins | 6.08 | 7.10 | 8.17 | 6.58 | 6.62 |
| Precast EBIT margins | 20.3 | 18.9 | 0.81 | 8.00 | 12.0 |

## Segmental Breakdown

| FY Dec | 2016A | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|---|
| **Revenues (RMm)** | | | | | |
| Construction | 1,502 | 1,931 | 2,123 | 2,490 | 2,446 |
| Precast Concrete | 287 | 145 | 134 | 139 | 150 |
| Total | 1,789 | 2,076 | 2,257 | 2,629 | 2,596 |
| **EBIT (RMm)** | | | | | |
| Construction | 91.4 | 137 | 174 | 164 | 162 |
| Precast Concrete | 58.2 | 27.5 | 1.09 | 11.1 | 18.0 |
| Total | 150 | 165 | 175 | 175 | 180 |
| **EBIT Margins (%)** | | | | | |
| Construction | 6.1 | 7.1 | 8.2 | 6.6 | 6.6 |
| Precast Concrete | 20.3 | 18.9 | 0.8 | 8.0 | 12.0 |
| Total | 8.4 | 7.9 | 7.7 | 6.7 | 6.9 |

## Income Statement (RMm)

| FY Dec | 2016A | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|---|
| Revenue | 1,789 | 2,076 | 2,257 | 2,629 | 2,596 |
| Cost of Goods Sold | (1,413) | (1,640) | (1,782) | (2,137) | (2,091) |
| Gross Profit | 376 | 437 | 474 | 492 | 505 |
| Other Opng (Exp)/Inc | (227) | (272) | (300) | (317) | (325) |
| Operating Profit | 150 | 165 | 175 | 175 | 180 |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates & JV Inc | 0.0 | 2.15 | 0.73 | 0.0 | 0.0 |
| Net Interest (Exp)/Inc | 4.08 | 7.39 | 7.74 | 8.10 | 8.60 |
| Exceptional Gain/(Loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | 154 | 174 | 183 | 183 | 189 |
| Tax | (30.0) | (36.2) | (38.0) | (36.6) | (37.7) |
| Minority Interest | (0.1) | (0.1) | (0.3) | 0.0 | 0.0 |
| Preference Dividend | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 124 | 138 | 145 | 146 | 151 |
| Net Profit before Except. | 124 | 138 | 145 | 146 | 151 |
| EBITDA | 185 | 205 | 218 | 225 | 235 |
| **Growth** | | | | | |
| Revenue Gth (%) | (6.7) | 16.1 | 8.7 | 16.5 | (1.2) |
| EBITDA Gth (%) | 4.0 | 10.5 | 6.5 | 3.2 | 4.6 |
| Opg Profit Gth (%) | 9.7 | 10.0 | 6.1 | 0.2 | 2.9 |
| Net Profit Gth (Pre-ex) (%) | (2.9) | 11.6 | 5.0 | 1.2 | 3.0 |
| **Margins & Ratio** | | | | | |
| Gross Margins (%) | 21.0 | 21.0 | 21.0 | 18.7 | 19.4 |
| Opg Profit Margin (%) | 8.4 | 7.9 | 7.7 | 6.7 | 6.9 |
| Net Profit Margin (%) | 6.9 | 6.6 | 6.4 | 5.6 | 5.8 |
| ROAE (%) | 26.2 | 26.3 | 25.3 | 23.3 | 21.5 |
| ROA (%) | 8.0 | 8.0 | 7.8 | 7.4 | 6.9 |
| ROCE (%) | 20.9 | 21.9 | 20.3 | 18.4 | 17.4 |
| Div Payout Ratio (%) | 68.1 | 51.6 | 67.0 | 50.0 | 50.0 |
| Net Interest Cover (x) | NM | NM | NM | NM | NM |

*Source: Company, AllianceDBS*

**Quarterly / Interim Income Statement (RMm)**

| FY Dec | 4Q2017 | 1Q2018 | 2Q2018 | 3Q2018 | 4Q2018 |
|---|---|---|---|---|---|
| Revenue | 748 | 529 | 544 | 557 | 626 |
| Cost of Goods Sold | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Gross Profit** | **748** | **529** | **544** | **557** | **626** |
| Other Oper. (Exp)/Inc | (710) | (486) | (502) | (513) | (581) |
| **Operating Profit** | **38.4** | **42.7** | **42.0** | **44.8** | **45.1** |
| Other Non Opg (Exp)/Inc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Associates & JV Inc | 2.15 | 0.0 | 0.0 | 0.0 | 0.73 |
| Net Interest (Exp)/Inc | 3.58 | 0.97 | 3.16 | 2.15 | 1.47 |
| Exceptional Gain/(Loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Pre-tax Profit** | **44.2** | **43.7** | **45.2** | **46.9** | **47.3** |
| Tax | (12.1) | (7.9) | (9.3) | (10.4) | (10.4) |
| Minority Interest | (0.3) | 0.03 | 0.0 | (0.1) | (0.3) |
| **Net Profit** | **31.8** | **35.9** | **35.9** | **36.4** | **36.6** |
| Net profit bef Except. | 31.8 | 35.9 | 35.9 | 36.4 | 36.6 |
| EBITDA | 40.6 | 42.7 | 42.0 | 44.8 | 45.8 |
| **Growth** | | | | | |
| Revenue Gth (%) | 52.3 | (29.3) | 2.8 | 2.4 | 12.3 |
| EBITDA Gth (%) | (4.3) | 5.3 | (1.7) | 6.6 | 2.3 |
| Opg Profit Gth (%) | (9.4) | 11.2 | (1.7) | 6.6 | 0.6 |
| Net Profit Gth (Pre-ex) (%) | (7.8) | 12.8 | 0.1 | 1.5 | 0.4 |
| **Margins** | | | | | |
| Opg Profit Margins (%) | 5.1 | 8.1 | 7.7 | 8.0 | 7.2 |
| Net Profit Margins (%) | 4.2 | 6.8 | 6.6 | 6.5 | 5.8 |

**Balance Sheet (RMm)**

| FY Dec | 2016A | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|---|
| Net Fixed Assets | 135 | 152 | 164 | 189 | 208 |
| Invts in Associates & JVs | 0.0 | 0.0 | 44.7 | 44.7 | 44.7 |
| Other LT Assets | 15.2 | 5.45 | 6.58 | 6.58 | 6.58 |
| Cash & ST Invts | 467 | 487 | 485 | 566 | 619 |
| Inventory | 24.0 | 24.4 | 30.0 | 28.2 | 27.8 |
| Debtors | 912 | 1,195 | 1,059 | 1,311 | 1,295 |
| Other Current Assets | 14.9 | 21.9 | 22.9 | 22.9 | 22.9 |
| **Total Assets** | **1,567** | **1,886** | **1,812** | **2,168** | **2,224** |
| ST Debt | 137 | 135 | 114 | 114 | 114 |
| Creditor | 925 | 1,184 | 995 | 1,277 | 1,258 |
| Other Current Liab | 11.4 | 5.63 | 14.6 | 14.6 | 14.6 |
| LT Debt | 0.0 | 0.0 | 96.3 | 96.3 | 96.3 |
| Other LT Liabilities | 0.61 | 6.47 | 0.57 | 0.57 | 0.57 |
| Shareholder's Equity | 493 | 554 | 591 | 664 | 740 |
| Minority Interests | 0.76 | 1.12 | 1.44 | 1.44 | 1.44 |
| **Total Cap. & Liab.** | **1,567** | **1,886** | **1,812** | **2,168** | **2,224** |
| Non-Cash Wkg. Capital | 14.2 | 51.7 | 103 | 69.9 | 72.8 |
| Net Cash/(Debt) | 331 | 353 | 275 | 356 | 409 |
| Debtors Turn (avg days) | 178.2 | 185.2 | 182.3 | 164.6 | 183.1 |
| Creditors Turn (avg days) | 243.6 | 240.6 | 228.7 | 198.7 | 227.2 |
| Inventory Turn (avg days) | 5.5 | 5.5 | 5.7 | 5.1 | 5.0 |
| Asset Turnover (x) | 1.2 | 1.2 | 1.2 | 1.3 | 1.2 |
| Current Ratio (x) | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 |
| Quick Ratio (x) | 1.3 | 1.3 | 1.4 | 1.3 | 1.4 |
| Net Debt/Equity (X) | CASH | CASH | CASH | CASH | CASH |
| Net Debt/Equity ex MI (X) | CASH | CASH | CASH | CASH | CASH |
| Capex to Debt (%) | 5.5 | 40.6 | 26.8 | 35.7 | 35.7 |
| Z-Score (X) | 3.1 | 3.0 | 3.0 | 3.0 | 3.0 |

*Source: Company, AllianceDBS*

**Cash Flow Statement (RMm)**

| FY Dec | 2016A | 2017A | 2018A | 2019F | 2020F |
|---|---|---|---|---|---|
| Pre-Tax Profit | 154 | 174 | 183 | 183 | 189 |
| Dep. & Amort. | 35.7 | 40.2 | 43.5 | 50.1 | 55.4 |
| Tax Paid | (30.0) | (36.2) | (38.0) | (36.6) | (37.7) |
| Assoc. & JV Inc/(loss) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chg in Wkg.Cap. | (71.9) | (24.7) | (59.3) | 33.0 | (2.9) |
| Other Operating CF | (7.6) | (91.1) | 59.7 | 0.0 | 0.0 |
| **Net Operating CF** | **79.9** | **62.4** | **189** | **230** | **203** |
| Capital Exp.(net) | (7.5) | (54.7) | (56.2) | (75.0) | (75.0) |
| Other Invts.(net) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Invts in Assoc. & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Div from Assoc & JV | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Investing CF | 86.1 | 89.2 | (17.7) | 0.0 | 0.0 |
| **Net Investing CF** | **78.5** | **34.5** | **(73.8)** | **(75.0)** | **(75.0)** |
| Div Paid | (84.0) | (71.1) | (96.9) | (73.2) | (75.4) |
| Chg in Gross Debt | (0.3) | (1.9) | 75.3 | 0.0 | 0.0 |
| Capital Issues | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Financing CF | 1.25 | (2.5) | (95.9) | 0.0 | 0.0 |
| **Net Financing CF** | **(83.1)** | **(75.4)** | **(118)** | **(73.2)** | **(75.4)** |
| Currency Adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Chg in Cash | 75.3 | 21.5 | (2.4) | 81.3 | 52.9 |
| Opg CFPS (sen) | 11.7 | 6.73 | 19.2 | 15.2 | 15.9 |
| Free CFPS (sen) | 5.60 | 0.59 | 10.3 | 12.0 | 9.92 |

*Source: Company, AllianceDBS*

## Target Price & Ratings History


| S.No. | Date of Report | Closing Price | 12-mth Target Price | Rating |
|---|---|---|---|---|
| 1: | 09 Apr 18 | 2.01 | 2.60 | BUY |
| 2: | 14 May 18 | 2.16 | 2.18 | HOLD |
| 3: | 18 May 18 | 2.02 | 2.18 | HOLD |
| 4: | 17 Aug 18 | 1.99 | 2.04 | HOLD |
| 5: | 14 Nov 18 | 1.53 | 2.04 | HOLD |
| 6: | 21 Nov 18 | 1.60 | 1.66 | HOLD |
| 7: | 04 Jan 19 | 1.44 | 1.66 | HOLD |
| 8: | 20 Feb 19 | 1.76 | 1.66 | HOLD |
| 9: | 26 Feb 19 | 1.76 | 1.66 | HOLD |

***Note***: *Share price and Target price are adjusted for corporate actions.*

*Source: AllianceDBS*
*Analyst: Tjen San CHONG*

| |
|---|
| AllianceDBS recommendations are based an Absolute Total Return* Rating system, defined as follows: |
| **STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame) |
| **BUY** (>15% total return over the next 12 months for small caps, >10% for large caps) |
| **HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps) |
| **FULLY VALUED** (negative total return i.e. > -10% over the next 12 months) |
| **SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame) |

*Share price appreciation + dividends*

Completed Date: 19 Mar 2019 08:14:04 (MYT)
Dissemination Date: 19 Mar 2019 08:17:54 (MYT)

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