Malaysia
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Construction

Reposition for a rebound

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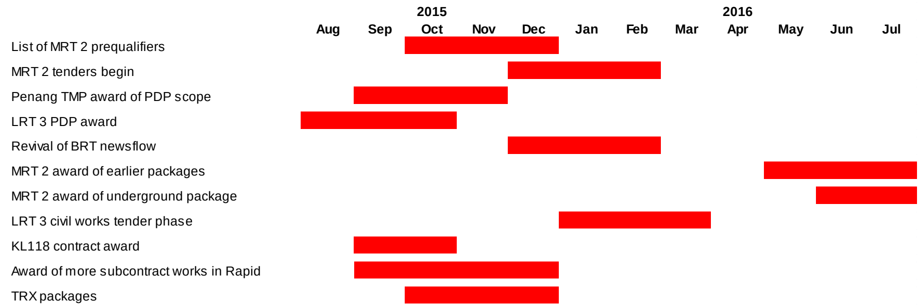
Reposition for a rebound

The visibility of sector drivers in 2H15 and 2016 has improved considerably YTD. This has historically been a strong signal of an acceleration of contract flows. Investors may position for a potential rebound of selected plays which could benefit from major awards.

Figure 1: CIMB's analysis of the timing of major sector drivers



SOURCES: CIMB

We continue to like public transport, oil & gas/marine infra, and water infra as the three core segments. We still prefer top big cap pick Gamuda for its dominance in mega rail jobs, small/medium cap Muhibbah for its niche infra exposure and US$ play, and Salcon for its turnaround story. Maintain Overweight.

Strong award visibility

Our analysis of potential sector drivers points to 4Q15 and 1H16 as the sweet spots for a potential recovery in sector catalysts. Our revised RM182bn total value of incoming jobs is the sector's all time high. We continue to be bullish on three sector drivers, mainly the public transport, oil & gas/marine infra and water infrastructure. We also keep a watchful eye on the progress of the KL-Singapore HSR for more details during the tabling of Budget 2016 later this year. We forecast c.30% yoy growth in the value of domestic jobs to be awarded in 2016. We roughly estimate that 10% of the RM182bn total figure has a fair chance of being awarded in 2H15, while the balance 90% would flow through in 2016.

Big rebound for Gamuda

Gamuda still offers an attractive play on MRT-driven order book growth and diminishing political risks for its water assets divestment. Order book could more-than-quadruple in 2016. It is among the frontrunners of Penang's public transport plans; a new growth area outside of Klang Valley. Gamuda is shaping up to be a big beneficiary of public transport jobs over the longer-term. Potential catalysts in 2H15 are most relevant to Gamuda. The stock is down 14% YTD, trades 18% below its 52-week high and at a 27% discount to IJM Corp's CY16 P/E of 17.7x.

High upside picks

Muhibbah and Salcon offer high upside potential among contractors under our coverage. Muhibbah is the cheapest among turnkey contractors with its improving order book quality. Salcon is a major laggard and the only indirect play on rail public transport via its rail rights-of-way (ROW) concession to lay and monetise fibre-optic lines via potentially multiple contracts with telco players. Both stocks offer 63-99% upside.

Highlighted Companies

Gamuda

Gamuda offers attractive upside following the broad market correction. Potential sector developments in 2H15 and 2016 strongly support a more-than-quadrupling of the group's order book going into 2016. MRT, PTMP and the water asset divestment are key drivers.

Muhibbah Engineering

Investors should consider the group's niche position in potentially securing more jobs in Rapid. Job wins could surprise on the upside in 2H15. Muhibbah provides direct exposure to one of the three major sector drivers and is the biggest beneficiary of a strengthening dollar.

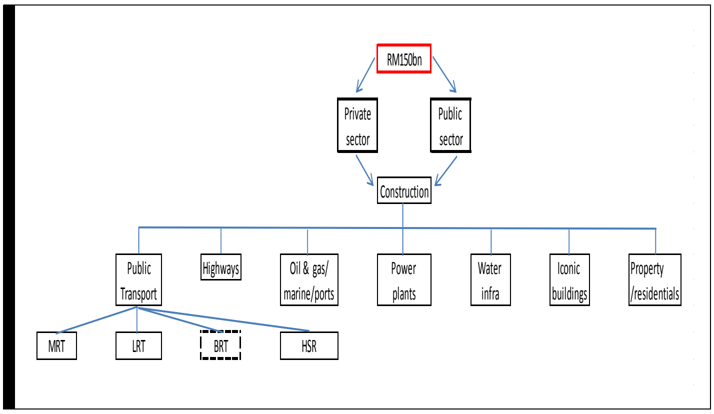
Salcon

Salcon continues to be the biggest indirect beneficiary of the existing and new rail infrastructure via the monetisation of its rail-based fibre optic assets. The medium term earnings turnaround outlook ties in strongly with the recovery in water infra spending.

KEY CHARTS

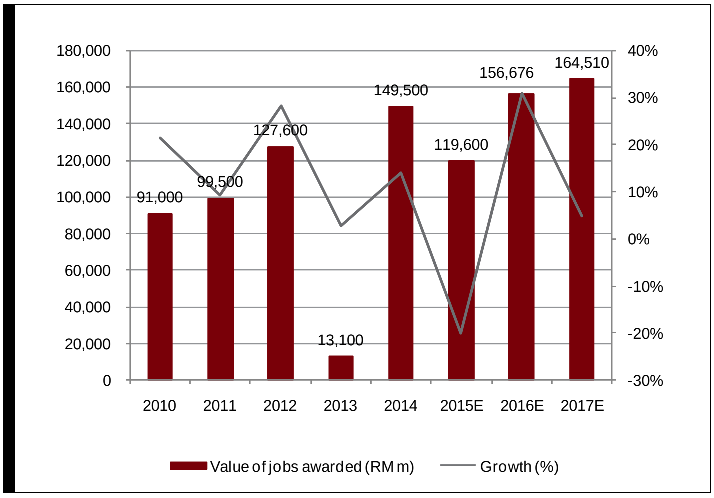
Focus on core sector drivers

In our view, sector developments YTD provide greater conviction for a recovery of construction plays from 2H15. Both the government and private sector have geared up for an execution year in 2016, suggesting that more positive newsflow and greater visibility will converge in the months ahead. We continue to be bullish on three sector drivers, i.e. public transport, oil & gas/marine infra and water infrastructure. We are keeping an eye on the progress of the KL-Singapore HSR for more details during the tabling of Budget 2016 later this year.



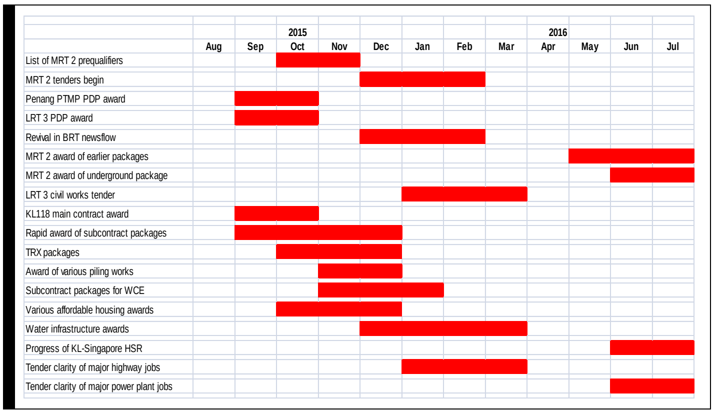
Value of jobs awarded in 2016 could surge 30%

Our analysis of the tender and award backlog points to a surge in total jobs awarded in 2016. 2014 was a good year as tail-end 10MP projects were implemented. Our estimated 30% growth in total jobs awarded, which is in line with the average order book growth for most contractors, is also due to the low-base effect in 2015. 2015 has so far turned out to be mainly a newsflow year, which is still positive. RM182bn worth of jobs in total for the next five years would be the sector's all-time high.



Award visibility stronger than 2014

Tender and award visibility has substantially improved and covers other projects besides the new MRT and LRT lines. Our analysis suggests a good chance that 4Q15 would be an active period for tenders and awards, before the actual groundwork begins in 2016. Share prices of contractors are usually positively correlated with positive newsflow, particularly so in view of contract visibility that is much better today than in 2014.



Catalysts point to three plays

Gamuda emerges as the most attractive pick in the big cap/liquid space due to the earnings turnaround and longer-term positioning via MRT 2 and potentially the Penang TMP. Valuations are attractive vs. big cap IJM Corp's. Muhibbah Engineering and Salcon stand out as the two with the most attractive upside, strong industry positioning and backed likely positive catalysts in the medium term.

Gamuda, Muhibbah and Salcon are most attractive plays in 2H15

Companies	% chg YTD	Disc. To 52-week high	Upside (%)	CY16 P/E (x)	Theme/comments
Benalec	4%	-51%	3%	12.0	Delay issues
Gamuda	**-14%**	**-18%**	**40%**	**12.9**	**Big beneficiary of incoming sector catalysts**
IJM Corp	-5%	-10%	29%	17.7	Order book growth has ran ahead of sector
MRCB	-21%	-30%	32%	19.6	Value-play with shorter-term visibility
Muhibbah	**1%**	**-46%**	**63%**	**8.0**	**Cheapest, niche segment, US$ play**
Mudajaya	-35%	-39%	-7%	10.5	Weak order book prospects
Salcon	**12%**	**-31%**	**99%**	**nm**	**Major turnaround story**
Sunway	3%	2%	24%	9.6	Construction prospects could pick up
WCT	-22%	-26%	5%	12.2	Unfavourable property outlook
YTL Corp	1%	-15%	36%	10.8	Delayed HSR progress
Average	**-8%**	**-27%**	**33%**	**12.6**	

SOURCE: CIMB, COMPANY REPORTS

Figure 2: Sector Comparisons

Company	Bloomberg Ticker	Recom.	Price (local curr)	Target Price (local curr)	Market Cap (US$ m)	Core P/E (x) CY2015	Core P/E (x) CY2016	3-year EPS CAGR (%)	P/BV (x) CY2015	P/BV (x) CY2016	Recurring ROE (%) CY2015	Recurring ROE (%) CY2016	Recurring ROE (%) CY2017	EV/EBITDA (x) CY2015	EV/EBITDA (x) CY2016	Dividend Yield (%) CY2015	Dividend Yield (%) CY2016
Benalec Holdings	BHB MK	HOLD	0.58	0.60	115	52.3	12.0	21.0%	0.61	0.56	1.3%	5.1%	8.0%	22.9	10.8	1.0%	2.6%
Gamuda	GAM MK	ADD	4.32	6.04	2,581	12.4	12.9	1.4%	1.54	1.50	13.0%	11.9%	12.0%	15.7	12.5	2.7%	2.7%
IJM Corp Bhd	IJM MK	ADD	6.21	8.00	2,754	21.1	17.7	5.1%	1.28	1.50	7.7%	8.4%	9.6%	13.9	12.7	2.8%	2.7%
Malaysian Resources Corp	MRC MK	ADD	0.96	1.27	426	29.0	19.6	na	1.08	0.93	3.9%	5.4%	6.6%	38.3	16.4	2.6%	3.1%
Muhibbah Engineering	MUHI MK	ADD	1.88	3.06	218	9.3	8.0	2.9%	na	na	13.7%	14.6%	15.2%	7.2	5.2	2.1%	2.4%
Mudajaya Group	MDJ MK	REDUCE	0.95	0.88	126	na	10.5	-39.3%	0.47	0.48	-6.6%	4.8%	4.1%	na	6.5	6.3%	4.2%
Salcon	SALC MK	ADD	0.65	1.30	109	na	na	na	0.80	0.80	-7.3%	1.0%	3.8%	na	12.1	4.6%	4.6%
Sunway Bhd	SWB MK	ADD	3.40	4.23	1,488	9.9	9.6	1.6%	0.99	1.02	11.2%	11.1%	11.0%	9.9	13.1	3.2%	3.2%
WCT Holdings	WCTHG MK	HOLD	1.20	1.26	358	13.3	12.2	-22.1%	0.66	0.61	5.4%	5.5%	5.8%	26.2	11.7	3.3%	3.3%
YTL Corporation	YTL MK	ADD	1.46	1.99	3,777	10.5	10.8	1.0%	1.06	1.03	10.5%	9.7%	9.7%	7.2	7.4	7.5%	6.8%
Malaysia average						**19.7**	**12.3**	**2.3%**	**1.14**	**1.16**	**9.2%**	**9.4%**	**9.8%**	**9.8**	**9.2**	**3.6%**	**3.6%**
Adhi Karya	ADHI IJ	ADD	2,005	3,500	262	14.2	10.4	5.0%	2.07	1.76	16.1%	18.7%	20.4%	6.3	4.3	1.2%	0.9%
Nusa Raya Cipta	NRCA IJ	ADD	895.0	1,450	162	8.0	10.4	4.2%	2.23	1.95	32.6%	20.7%	21.6%	10.2	10.9	2.1%	3.1%
Pembangunan Perumahan	PTPP IJ	ADD	3,705	4,800	1,300	33.7	24.8	24.8%	7.51	5.99	25.4%	27.7%	30.5%	10.2	9.6	0.5%	0.6%
Total Bangun Persada	TOTL IJ	ADD	755.0	1,120	187	16.0	13.2	0.2%	3.23	2.88	21.8%	24.1%	26.5%	8.4	7.1	3.9%	3.8%
Wijaya Karya	WIKA IJ	HOLD	2,465	2,900	1,098	24.6	26.1	3.7%	3.79	3.45	18.5%	14.5%	17.5%	9.1	11.6	1.1%	1.2%
Waskita Karya	WSKT IJ	ADD	1,700	2,100	1,724	32.7	24.5	38.8%	5.76	2.58	20.3%	14.4%	13.8%	15.8	7.3	0.6%	0.7%
Indonesia average						**21.5**	**18.2**	**16.0%**	**0.17**	**0.11**	**21.2%**	**18.0%**	**18.9%**	**10.3**	**8.6**	**1.6%**	**1.7%**
CH. Karnchang	CK TB	ADD	25.00	29.00	1,201	18.2	19.7	31.5%	2.21	2.07	13.0%	11.0%	11.1%	18.4	17.1	2.2%	2.0%
Italian-Thai Development	ITD TB	REDUCE	7.40	5.10	1,108	82.1	52.5	6.3%	2.78	2.77	3.6%	5.3%	6.6%	18.5	17.0	0.7%	0.7%
Sino-Thai Eng & Construction	STEC TB	REDUCE	22.20	18.40	960	22.3	24.3	-4.9%	4.05	3.74	19.3%	16.6%	15.6%	13.2	14.3	1.8%	2.1%
Thailand average						**26.5**	**26.9**	**10.8%**	**2.78**	**2.63**	**11.2%**	**10.2%**	**10.5%**	**17.2**	**16.5**	**1.6%**	**1.6%**
Gayatri Projects Ltd	GAYP IN	ADD	432.0	317.0	201	41.7	35.2	-1.6%	1.91	1.83	4.7%	5.3%	7.1%	7.4	7.3	0.3%	0.4%
Hindustan Construction	HCC IN	ADD	21.45	44.80	258	na	na	na	1.23	0.95	-14.7%	-1.3%	3.7%	12.1	8.8	0.4%	1.0%
NCC Limited	NJCC IN	ADD	73.05	91.30	627	36.2	16.8	143.6%	1.32	1.19	4.1%	7.5%	10.5%	7.4	5.6	0.7%	1.2%
India average						**na**	**27.1**	**na**	**1.37**	**1.19**	**-0.9%**	**4.7%**	**8.1%**	**9.1**	**7.0**	**0.5%**	**1.0%**
Average (all)						**17.1**	**15.3**	**7.2%**	**1.52**	**1.48**	**9.6%**	**9.9%**	**10.7%**	**10.4**	**9.6**	**3.2%**	**3.0%**

SOURCES: CIMB, COMPANY REPORTS

Calculations are performed using EFA™ Monthly Interpolated Annualisation and Aggregation algorithms to December year ends

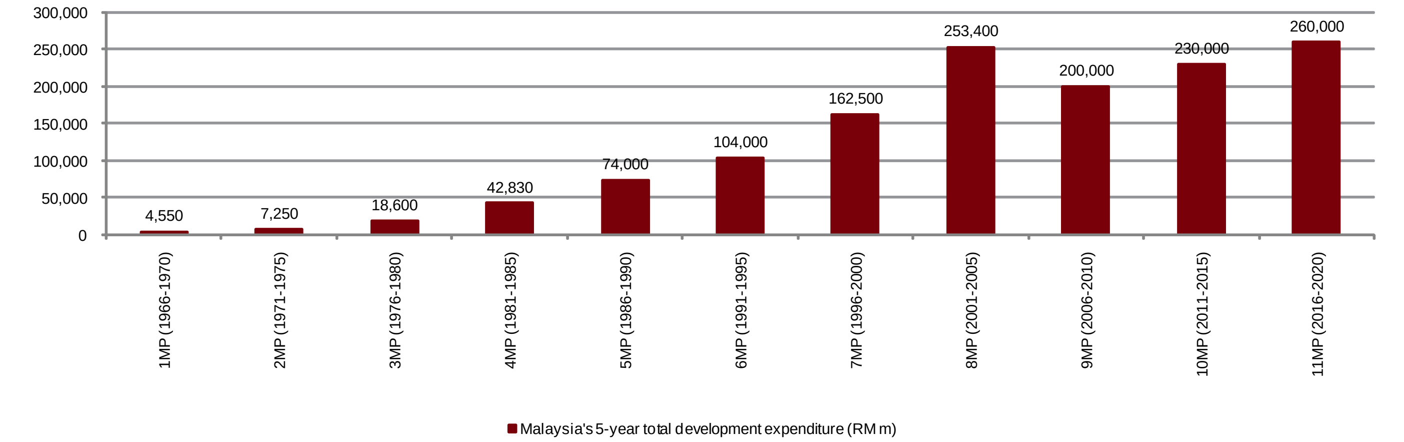
Reposition for a rebound

RISE IN INFRA SPENDING

Convergence of positives

The construction sector has come a long way from the days of the 1st to 5th Malaysia Plans (MPs); the initial 25 years during which Malaysia embarked on a pro-infra growth trajectory. The government's development expenditure (DE) rose in several multiples throughout that period, crossing the RM100bn mark during the 6MP or from the 1990s era. Changing demographics, modernisation and the transition towards becoming an industrialised country had directly benefited contractors especially during the 8th, 9th and 10MPs. The expansionary spending continued in the last decade and led to an increase in the number and value of jobs. Fast forward to today, domestic pump-priming has become an even greater theme for the next several years, supported by 11MP's development expenditure of RM260bn (c.60% is direct government spending for the construction sector, by our estimates).

Figure 3: Malaysia's development expenditures (DE) from 1st to 11th Malaysia Plan (MP)

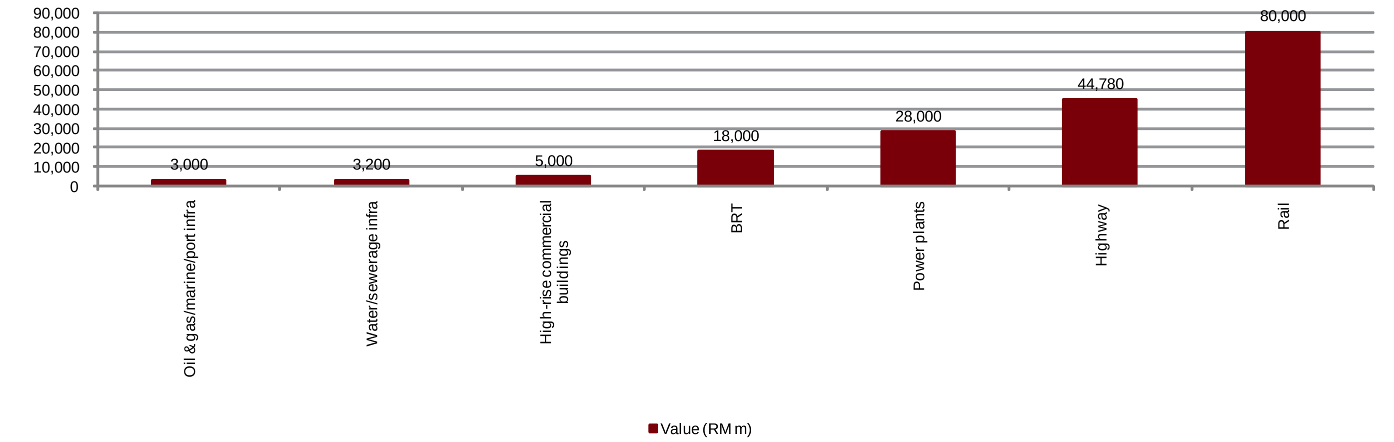


SOURCES: CIMB, COMPANY REPORTS

Total value of works rises to RM182bn in the next 5-10 years

Including the revised values of available projects from 2016, the total value of incoming jobs in the next 5-10 years rises by 20% to RM182bn. Based on our estimates, this consists of RM116bn from direct government-funding and RM55bn from the private sector. The total amount covers seven major segments as detailed in Figure 4 below. The key ones are rail, BRT, highways and power plants. This is hugely positive for the medium to longer-term visibility of higher-value contracts.

Figure 4: Value of projects by major segments



SOURCES: CIMB, COMPANY REPORTS

Big jobs attracting the PDP model

The project delivery partner (PDP) model is arguably relatively new in the domestic construction space but has become increasingly relevant for larger-value projects. Since it was originally used for the RM23bn MRT 1, the total value of PDP-driven jobs to-date has almost tripled to RM62.3bn (expanded to other public transport, rail and highways) representing about a third of the total value of jobs (see details below). Of the RM182bn, the estimated value of non-cash contracts, i.e. payment via land swaps or land reclamation rights, works out to be RM11.3bn in the next 4-5 years. We note that this value could rise given the longer implementation timeframe for new major projects solely in Penang under its PDP structure.

Figure 5: Construction sector breakdown by segments and funding types

	Total	% of total	Government Funding	Private sector Funding	Land swap	PDP model
Rail	80,000	44%	67,000	8,000	5,000	29,000
BRT	18,000	10%	16,200	1,800	0	0
Highway	44,780	25%	27,000	11,480	6,300	33,300
Oil & gas/marine/port infra	3,000	2%	0	3,000	0	0
Water/sewerage infra	3,200	2%	2,560	640	0	0
High-rise commercial buildings	5,000	3%	500	4,500	0	0
Power plants	28,000	15%	2,800	25,200	0	0
Total	**181,980**		**116,060**	**54,620**	**11,300**	**62,300**
Ratio			*64%*	*30%*	*6%*	

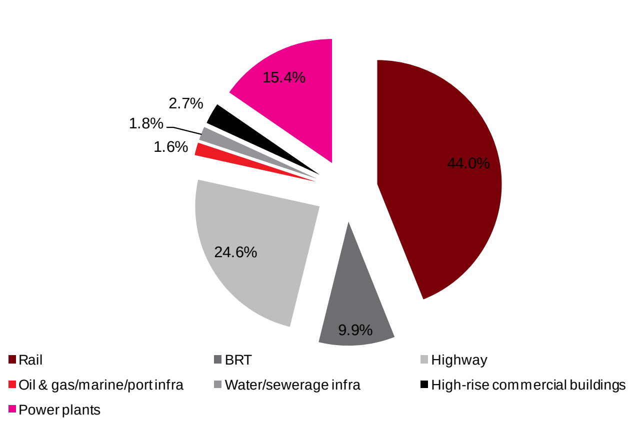
SOURCES: CIMB, COMPANY REPORTS

Ratio of government-private sector initiatives

We also observe that the ratio of government-funded and private sector-funded jobs over the next several years is shifting from an almost equal split (pre-11MP estimate), to 64:36 throughout the execution of the 11MP. The deviation came from the government-initiated RM27bn Pan-Borneo Highway. Major government-led projects continue to be driven by public transport, particularly in the Klang Valley. Rail remains the major priority, making up 44% of the total value of jobs.

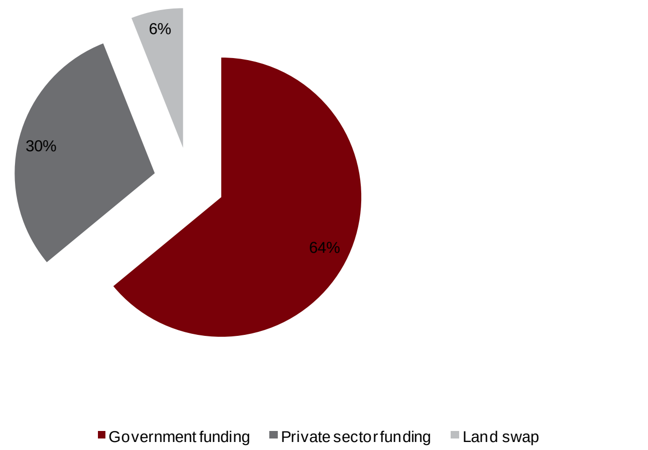
Though the value of power plants and highways is substantial (15-25% of total value), our analysis does not support a bullish view on these two segments at this juncture. Oil & gas infra/marine/port and water infra could turn out to be better alternatives. Though the values are relatively smaller, newsflow could be better.

Figure 6: Proportion of jobs by type of work



SOURCE: CIMB RESEARCH, 11MP, PRESS REPORTS

Figure 7: Proportion of jobs based on funding mode

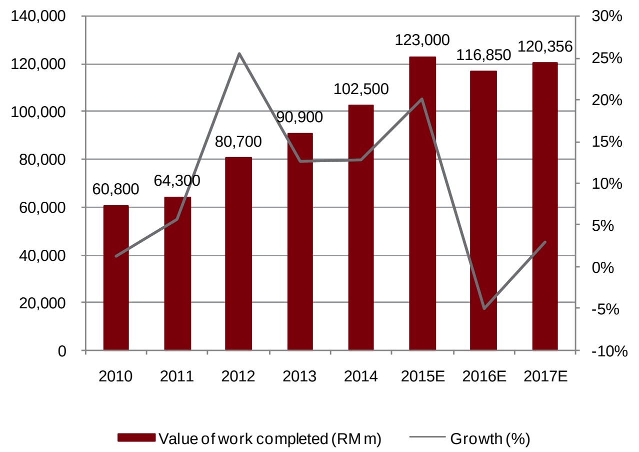


SOURCE: CIMB RESEARCH, 11MP, PRESS REPORTS

Indicators point to a favourable outlook

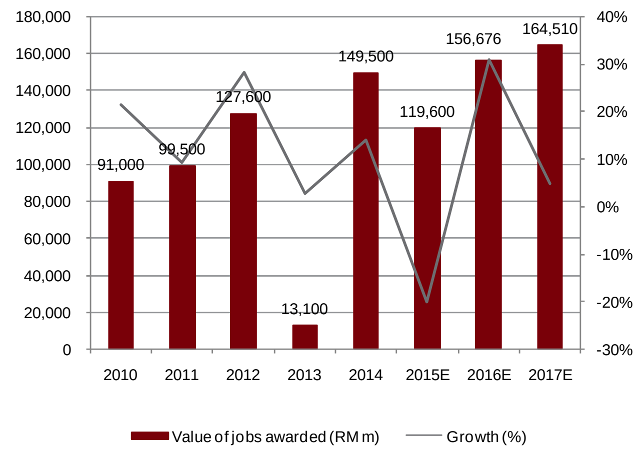
2015 has so far shaped up to be a transition period from planning and approvals to the pre-award phase for selected major projects. We have seen a rise in the number of contractors becoming more aggressive in order to win projects given the freeing-up of capacity after the completion of existing jobs over the past 12 months. This ties in with the overall sector indicators that are pointing to a favourable 2H15 and 2016. We forecast c.30% yoy growth in the value of domestic jobs to be awarded in 2016 - exceeding its previous all-time high in 2014. We roughly estimate that 10% of the RM182bn total figure has a fair chance of being awarded in 2H15, while the balance 90% would follow through in 2016.

Figure 8: Value of works completed



SOURCE: CIMB RESEARCH, BNM, DOS

Figure 9: Value of jobs awarded



SOURCE: CIMB RESEARCH, BNM, DOS

The revival of turnkey civil engineering works

We expect the percentage of civil engineering projects completed to increase from 26-32% in the past five years to 35-48% in 2016-17. New and larger projects initiated by the government and the private sector suggest that there would be a strong trend towards the roll-out of more design & build and turnkey works at least over the next five years. This has proven to be the case for MRT 2, LRT 3 and the PTMP, which are now structured under the PDP-type contract. PDP-type contracts are similar in scope to project managers but allow contractors to bid for other packages with higher margins. It was also reported that the RM27bn Pan-Borneo highway will adopt the PDP model for the Sarawak portion, but no word yet for the Sabah portion.

Figure 10: Breakdown of value of works completed

Year	Residential	Non-residential	Civil engineering	Others	Total (RM m)
2010	12,300	27,100	15,700	5,600	**60,700**
2011	16,100	25,200	18,300	4,700	**64,300**
2012	20,900	27,500	28,200	4,100	**80,700**
2013	25,000	29,300	32,300	4,300	**90,900**
2014	30,500	34,300	32,700	5,000	**102,500**
2015E	36,900	36,900	43,050	6,150	**123,000**
2016E	35,055	26,876	52,583	2,337	**116,850**
2017E	30,089	30,089	57,771	2,407	**120,356**

SOURCE: CIMB RESEARCH, BNM, DOS

Figure 11: Segmental percentage of value of jobs completed

Year	Residential	Non-residential	Civil engineering	Others	Total (RM m)
2010	20%	45%	26%	9%	**100%**
2011	25%	39%	28%	7%	**100%**
2012	26%	34%	35%	5%	**100%**
2013	28%	32%	36%	5%	**100%**
2014	30%	33%	32%	5%	**100%**
2015E	30%	30%	35%	5%	**100%**
2016E	30%	23%	45%	2%	**100%**
2017E	25%	25%	48%	2%	**100%**

SOURCE: CIMB RESEARCH, BNM, DOS

SECTOR DRIVERS ARE MORE DEFINED

Three segments offer the greatest visibility

We believe that the three key segments of the overall sector will offer the most visibility and newsflow in the coming months. The types of projects range from the more competitive and larger value projects to the less competitive (more specialised) lower value jobs.

1) The upgrading and building of new public transport systems in the Klang Valley through the Greater KL initiative have reached its 5th year of implementation. General concerns about slow progress during the initial years in 2010-12 have ebbed since the MRT has gained considerable pace. In 2015, initiatives to upgrade public transport have entered the next phase, i.e. the expansion of the MRT and LRT coverage. Improving the ridership for bus coverage in areas less accessible by rail also offers expansion opportunities beyond the flagship Bus Rapid Transit (BRT) Sunway line.

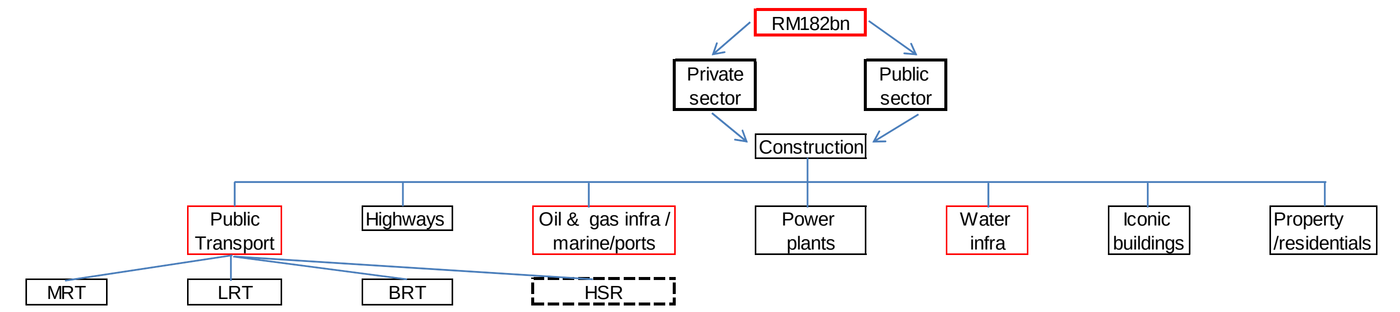
All in, these are longer-term plans by the Land Public Transport Commission (SPAD). Beyond Klang Valley, efforts to improve the standard of public transportation are being adopted by opposition-led state Penang located north of Peninsular Malaysia through a longer-term land swap model. The KL-Singapore high speed rail (HSR) also remains under SPAD's agenda though considerably more cost-benefit studies seem to be needed before the project can be granted a definitive timing and structure for the international open tender.

2) We also like the specialised segment given it is less competitive and has the potential for relatively better profit margins compared to the pure open tender for the masses. The oil & gas downstream infrastructure is a prime example, as a direct beneficiary of Petronas's downstream capex for the world's largest refinery and petrochemical facility - Rapid in south Johor. We also consider the marine/port-related expansion capex by various domestic port operators as a specialised segment given greater technical evaluation needed for the bids and reliance on the contractor's track record.

3) Besides benefiting from tenders submitted by various industrial and property growth areas, the water infrastructure segment is related to the long-drawn water restructuring story as it is backed by the backlog of water capex. Upstream contracts are typically the largest as it includes water treatment, sewerage treatment, or desalination plants before flowing downstream to the various diameter distribution pipes.

Selangor potentially offers sizeable water contracts, provided that it resolves its water industry restructuring issues in the medium term. At the federal government level, PAAB continues to roll-out tenders for water jobs for other states in Peninsular Malaysia. The number and size of water specialist contractors are relatively small but order book growth for most of the players is long overdue. The Langat 2 water treatment plant (WTP) phase 2 (RM1.3bn-1.5bn) has yet to call for bids.

Figure 12: Distribution of sector drivers remains focused on three segments



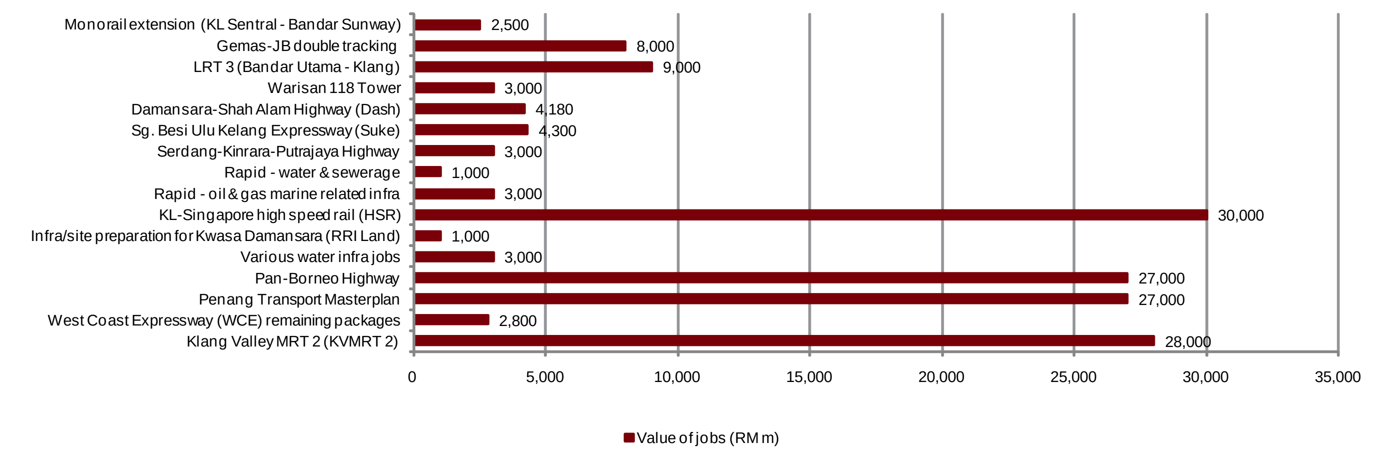
SOURCES: CIMB, INTERNET

MASSIVE PROJECT VALUES

90% of incoming jobs are high priority

We have identified several high-priority projects that could come onstream from 2016 onwards. 11MP kicked-off with RM142bn worth of projects, which is broadly in line with our estimate of the value of jobs in the pipeline. The government's focus for the next five years remains on upgrading the public transport system and introducing new ones, particularly within the rail segment. Excluding the non-substantial projects i.e. valued below RM1bn, 90% of total incoming jobs are high value and high impact. The main ones are the RM28bn MRT 2, RM27bn Penang Transport Master plan (Penang TMP), RM27bn Pan-Borneo Highway, and the RM30bn-40bn KL-Singapore HSR. Other projects with no indicative values under the 11MP are listed in a separate table below.

Figure 13: CIMB's compilation of major jobs



SOURCES: CIMB, COMPANY REPORTS

Figure 14: Major projects under 11MP

	RM m
Rural roads - 3k km	na
Rural water supply	10,000
Rural electricity supply	3,000
Six new hospitals in Peninsula Malaysia	na
Upgrade of three hospitals in Sabah and Sarawak	na
165 new units of "1Malaysia Clinic"	33
653k units of affordable housing	na
Rehabilitation of 400k houses in rural areas	4
Pan Borneo Highway - 2,239km	27,000
Central Spine Road (Kuala Krai - Simpang Pelangai)	na
Kota Bharu-Kuala Kerai highway	na
Gemas-JB rail double tracking - 197km	8,000
KL-Singapore (Jurong East) high speed rail (HSR)	30,000
MRT SSP line (MRT 2)	25,000
LRT Bandar Utama - Klang line (LRT 3)	9,000
Five new power plants - 7,626 MW	28,000
Sewerage treatment plants and sewerage pipe networks	2,000
Mukah and Lawas airports in Sarawak	na
Extension of Kota Bharu airport in Kelantan	na
Total	**142,037**

SOURCES: CIMB, 11MP

MRT 2 and LRT 3 worth RM37bn at advanced stages

In our view, the next 1-2 years is the ideal time for the government to implement new public transport upgrade projects. The RM23bn MRT 1 (SBK line) has progressed beyond the halfway mark and is set to be completed and operational by 2017. This should shift the focus to MRT 2 and LRT 3 with a combined value of RM34bn and is fully government-funded. This translates to an additional 88km of new rail line on top of the existing 51km for MRT 1. Most of the new rail alignments would come from the 52.2km for MRT 2. The RM28bn initial estimated total cost for MRT 2 includes a 13.5km underground portion which could be worth RM10bn-13bn based on our checks. This far exceeds the RM8.3bn awarded for MRT 2.

Figure 15: Comparison of MRT 1, MRT 2 and LRT 3

	MRT 1	MRT 2	LRT 3	Total MRT 2 & LRT 3
Total cost (RM m)	23,000	28,000	9,000	37,000
Distance (km)	51.0	52.2	36.0	88
Cost/km	451.0	536.4	250.0	786
Underground tunnel (km)	9.5	13.5	2.0	16
Elevated viaducts (km)	41.5	38.7	34.0	73
Award phase	Completed	1H16	1H16	nm
% of tunneling length	18.6%	25.9%	5.6%	nm
Value of underground work (RM m)	8,300	11,000	3,000	14,000
Value of above-ground work (RM m)	14,700	17,000	6,000	23,000

SOURCES: CIMB, COMPANY REPORTS

MRT is the top priority for 2016

The pre-award phase for the RM28bn MRT 2 (SSP line) will gain momentum in the coming months following the conclusion of the public display of the railway schemes. This phase is the most relevant to potential contractors as it involves the prequalification and bidding rounds which usually take a minimum of six months. In the case of MRT 2, 2H15 is the crucial window for this to take place given the targeted start of project awards in mid-2016. Government endorsement via Cabinet approval, PDP appointment, revised alignment and inclusion of the MRT 2 in the 11MP makes this project top priority in 2H16.

Figure 16: Proposed alignment of MRT 2

SOURCE: CIMB RESEARCH, COMPANY

Spotting the likely contenders for MRT 2

The stringent prequalification standards for MRT 1 in 2012 set the precedence for the selection criteria for MRT 2. The major difference this time around is that existing contractors who have won the viaduct, stations, depot, and underground works would likely be advantaged over other players for the first few critical packages for MRT 2 to be awarded in 2016. Figure 17 tables the previous 28 prequalifiers of MRT 1 including listed and unlisted companies. Notable companies including IJM Corp, Sunway, MRCB, Muhibbah Engineering, Gadang, Loh & Loh, AZRB, and Fajarbaru Builders were among those awarded sizeable elevated and station packages for MRT 1. Gamuda was the biggest winner in terms of project value and exposure as it was awarded the RM8.3bn underground package through MMC-Gamuda JV (50:50) and the PDP role.

Figure 17: Past prequalifiers for MRT SBK line (MRT 1) non-tunneling portion

Elevated civil works	Open category (5 packages)	Bumiputera category (3 packages)
(8 packages)	1. Sunway Construction Sdn Bhd	1. Naim Engineering Sdn Bhd
	2. Mudajaya Corporation	2. Trans Resources Corporation Sdn Bhd
	3. Trans Resources Corporation Sdn Bhd	3. TSR Bina Sdn Bhd
	4. Muhibbah Engineering Sdn Bhd	4. Ahmad Zaki Sdn Bhd
	5. IJM Construction Sdn Bhd	5. HRA Teguh Sdn Bhd
	6. Ahmad Zaki Sn Bhd	6. MTD Construction Sdn Bhd
	7. MRCB Engineering Sdn Bhd	7. Syarikat Muhibbah Perniagaan & Pembinaan Sdn Bhd
	8. Gadang Engineering Sdn Bhd	8. Zecon Sdn Bhd
	9. Loh & Loh Construction Sdn Bhd	9. Cergas Murni Sdn Bhd
	10. Konsortium Putra Perdana Const &	10. Tidal Marine Engineering Sdn Bhd
	Worth Builder JV	
Station (8 packages)	**Open category (5 packages)**	**Bumiputera category (3 packages)**
	1. Trans Resources Corporation Sdn Bhd	1. Trans Resources Corporation Sdn Bhd
	2. Sunway Construction Sdn Bhd	1. Naim Engineering Sdn Bhd
	3. Naim Engineering Sdn Bhd	3. TSR Bina Sdn Bhd
	4. Fajarbaru Builders Sdn Bhd	4. Ahmad Zaki Sdn Bhd
	5. IJM Construction Sdn Bhd	5. HRA Teguh Sdn Bhd
	6. Loh & Loh Construction Sdn Bhd	6. Kembang Serantau Sdn Bhd
	7. Muhibbah Engineering Sdn Bhd	7. Apex Communication Sdn Bhd
	8. Gadang Engineering Sdn Bhd	6. Pembinaan Bukit Timah Sdn Bhd
	9. Pembinaan Mitrajaya Sdn Bhd	9. Perkasa Sutera Sdn Bhd
	10. WCT Bhd	10. Dekon Sdn Bhd
	11. Kencana Torsco Sdn Bhd - Al Ambia JV	11. Syarikat Muhibbah Perniagaan & Pembinaan Sdn Bhd
	12. Konsortium PPC - WB JV (Putra Perdana Const.	
	& Worthy Builders Sdn Bhd	
Depots (2 packages)	**Open category (1 package)**	**Bumiputera category (1 package)**
	1. Sunway Construction Sdn Bhd	1. Trans Resources Corporation Sdn Bhd
	2. Trans Resources Corporation Sdn Bhd	2. Naim Engineering Sdn Bhd

SOURCES: CIMB, KVMRT

PDP award for LRT 3 before civil work packages

Prasarana aims to commence the construction of the RM9bn LRT 3 (Bandar Utama to Klang Valley) in 2016, given that the alignment display and PDP tenders are already underway. LRT 3's RM9bn value is 30% larger than the cost of the Kelana Jaya and Ampang LRT extensions combined. The greenfield nature of this project would explain why the government has decided to structure the implementation under a PDP scheme which offers the winning contractor a 6% margin over the total value of the project. This margin is in line with MRT 1 and MRT 2. The six finalists for the PDP have been announced while the final award should be out in the later part of 2H15. There could be several packages for the civil works which may be tendered separately from the PDP scope.

Figure 18: Six companies/JVs shortlisted for LRT 3 PDP role

Companies	Track record
MMC-Gamuda JV	PDP for RM23bn MRT 1
MRCB-George Kent JV	RM850m upgrade of KV double track, System works for Ampang line
UEM Group (unlisted)	Several large-scale infra works in the past
Naza TTDI Sdn BHd	New player in civil/infra
Sunway	BRT Sunway Line, MRT package v4, LRT package B
WCT-AlloyMTD Group JV	MTD was awarded MRT package v7

SOURCES: CIMB, PRESS REPORTS

Figure 19: Proposed alignment of LRT 3

SOURCE: CIMB RESEARCH, COMPANY

BIG LAND DEALS IN PENANG

PTMP hitting the ground running in 2H15

The Iskandar property market in south Johor is likely to remain quiet in the medium term. This suggests that tender prospects could be limited to Petronas-driven oil & gas infra spending. We believe that investors may consider other plays outside of Klang Valley and Johor by monitoring the pace of the RM27bn Penang Transport Masterplan (PTMP) from this year onwards. It was reported that the Penang state government is exploring the possibility of appointing two PDP companies (one local and one foreign, most likely a Chinese player) in order to ease funding needs for the first five years of execution beginning 2016.

PTMP aims to provide a solution to worsening traffic congestion in the state, both on mainland and the island. Rail, highways, undersea tunnel, water transport, over-water cable car system and BRT are covered in the proposal. The decision on the winning PDP is scheduled to be announced in early 2H15.

Figure 20: Details of Penang Transport Master Plan (PTMP)

Project name	:	Penang Transport Master Plan (PTMP)
Value	:	RM27bn
Formalised	:	2012
Time line	:	In stages from 2017
Project structure	:	Project delivery partner(s) (PDP) plus contractors
Payment mode	:	Land swap and/or land reclamation rights
Tender consultant	:	KPMG
Major components	:	LRT (RM5-6bn), highways, water transport & undersea tunnel (30-year concession)
Earlier awarded	:	Zenith-BUCG consortium (RM6.3bn)
Total PDP scope	:	Between RM10bn to RM27bn
Total land swap size	:	150 ha to 200 ha (estimated)
PDP award timeline	:	Within 2H15

SOURCES: CIMB, PENANG STATE

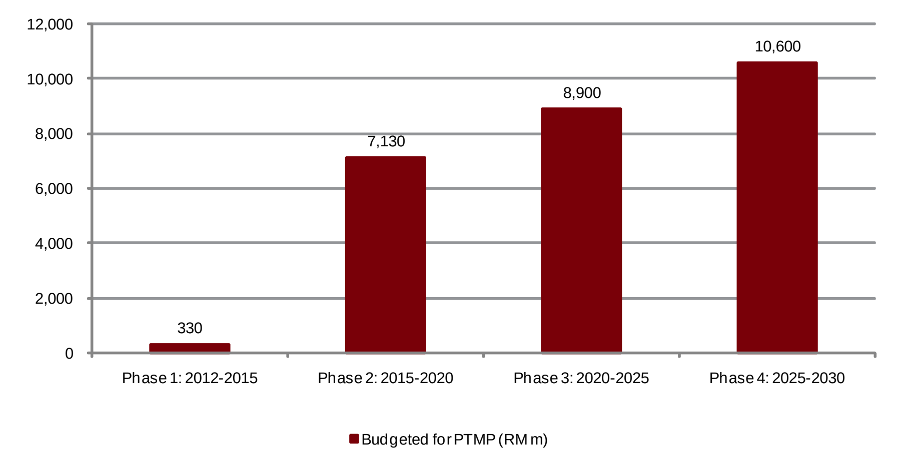
Land swap and land reclamation rights spin-off

The land swap/land reclamation rights as mode of payment to contractors under the PTMP is unique compared to the cash projects implemented in the Klang Valley. Based on the value of jobs to be undertaken or the scope of PDP works to be awarded, contractors will either be paid with 1) full land swap based on the prevailing land market values, or 2) land reclamation rights in certain growth areas around the island, presumably based on a breakeven reclamation cost, or 3) a combination of both. This is likely to be the reason why the earlier bidders of the PDP scope attracted domestic players like Gamuda, IJM Corp, and WCT which are contractors with large-scale property development expertise.

Four phases up to 2030

Exposure to PTMP would enable the winning contractor to further stamp its mark on Penang's construction market and kick-off a new property development venture, though it remains unclear if the land deals can be realised progressively throughout the construction period given the different phases of PTMP's implementation from 2015 up to 2030. Under the original PTMP, phase 2 requires RM7.1bn worth of transport jobs. The value increases to RM8.9bn for 2020-2025, and RM11bn for the remaining period until 2030.

Figure 21: Total spending budgeted for PTMP over four phases



SOURCES: CIMB, PRESS REPORTS

Major roads and a tunnel have been awarded

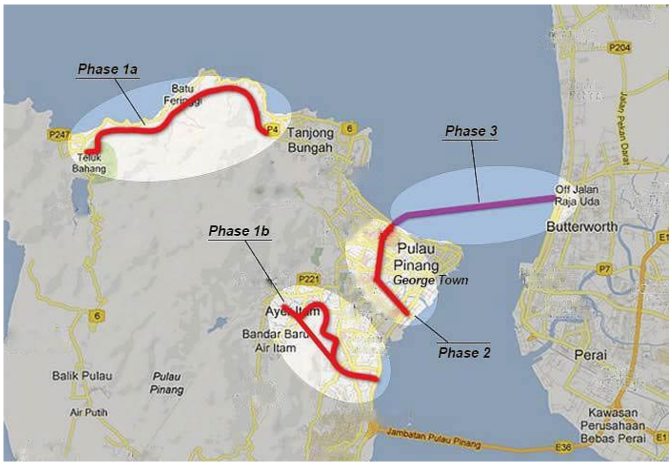
In Penang, three phases of major roads including the proposed undersea tunnel were part of the earlier RM6.3bn package awarded to the Zenith-BUCG consortium. The contract involves two road by-passes and one paired road. The construction of the undersea tunnel (probably smaller in scale compared to the SMART tunnel in Kuala Lumpur) could begin in 2016/17. The overall RM6.3bn project value represents the first land-swap deal with an estimated size of 44.5ha.

Figure 22: Award details to Zenith-BUCG consortium

Phase 1a	:	12km Tanjung Bungah-Teluk Bahang (paired road)
Phase 1b	:	4.6km Tun Dr Lim Chong Eu Expressway- Air Itam (by-pass)
Phase 2	:	4.2km Gurney Drive-Tun Dr Lim Chong Eu Expressway (by-pass)
Phase 3	:	7.2km Undersea tunnel linking Persiaran Gurney and Seberang Perai
Total value	:	RM6.3bn
Land swap size	:	44.5 ha

SOURCE: CIMB RESEARCH, ZENITH-BUCG WEBSITE

Figure 23: Major packages by Zenith-BUCG consortium



SOURCE: CIMB RESEARCH

Potential land reclamation sites look sizeable

We believe that new areas of growth for the traffic-congested Penang island would be on reclaimed land, likely in the southern part of the island nearer to the second bridge. With the PDP model, the Penang government would have indirectly secured its master planner for several undeveloped areas in the state. The most likely key major locations for land reclamation as previously reported by the press are:

1) Southern Penang Island (4,000 acres including Penang airport expansion)

2) Between Penang Bridge and Sungai Pinang (1,500 acres)

3) Butterworth and Bagan (1,400 acres)

Figure 24: Reported possible land reclamation sites for PTMP

Location	:	Southern Penang Island
Size	:	4,000 acres (174.2m sq ft) - includes 1.2k for expansion of Penang airport
Location	:	Middle Bank (between Penang Bridge and Sungai Pinang)
Size	:	1,500 acres (65.3m sq ft)
Location	:	North Butterworth Container Terminal
Size	:	400 acres (17.4m sq ft)
Location	:	Bagan
Size	:	1,000 acres (43.6m sq ft)

SOURCES: CIMB, COMPANY REPORTS

RM5bn-6bn Penang LRT is next priority

We suspect that the widely-reported RM4bn-5bn LRT line from Komtar to Bayan Lepas could emerge as the first public transport contract to start works in 2016/17. This is ideal, as it would showcase the revamped and refurbished Komtar as the new business centre and centre of attraction. In any case, our estimates show that a pure land reclamation rights contract for the LRT would translate to 200-550ha (500-1,400 acres) of reclaimed land size based on the estimated breakeven land reclamation cost of RM80-200 psf.

Figure 25: Components of the RM27bn Penang's transport infra masterplan

Highway infrastructure	:	RM16bn
Public transport	:	RM9bn
Others	:	RM905m
Projects structure	:	Project development partner (PDP)
Value of PDP phase 1	:	RM5.5bn
Likely first project	:	17.5km LRT line

SOURCES: CIMB, COMPANY REPORTS

Figure 26: Possible land size based on RM80psf to RM200psf breakeven reclamation cost

		RM80 psf			RM100 psf			RM150 psf			RM200 psf		
Projects/packages	RM m	(m sq ft)	(acres)	(ha)	(m sq ft)	(acres)	(ha)	(m sq ft)	(acres)	(ha)	(m sq ft)	(acres)	(ha)
Entire PTMP	27,000.0	317.6	7,292.2	2,952.3	270.0	6,198.3	2,509.5	180.0	4,132.2	1,673.0	135.0	3,099.2	1,254.7
Zenith-BUCG package	6,300.0	74.1	1,701.5	688.9	63.0	1,446.3	585.5	42.0	964.2	390.4	31.5	723.1	292.8
PTMP ex-Zenith-BUCG	20,700.0	243.5	5,590.7	2,263.4	207.0	4,752.1	1,923.9	138.0	3,168.0	1,282.6	103.5	2,376.0	962.0
LRT (Komtar-Bayan Lepas)	5,000.0	58.8	1,350.4	546.7	50.0	1,147.8	464.7	33.3	765.2	309.8	25.0	573.9	232.4

SOURCES: CIMB, COMPANY REPORTS

INTERNATIONAL OPEN TENDER FOR HSR

Project structure remains unclear

SPAD's CEO was quoted as saying that SPAD intends to make sure that the HSR project is not just good but great. He also hinted that the c.RM30bn-40bn price tag may still be on the low side, considering the RM57bn cost of the 345km Taipei-Kaohsiung HSR. The HSR will be implemented via an international open tender and so far, the Chinese, Koreans, and Europeans are keen to participate and fund the HSR. There has yet to be a clear project structure, but we concur with SPAD's initial feasibility studies that a concession model for the HSR needs to be carefully carved out to avoid the risk of losses, like the Taiwan HSR Corp.

Figure 27: Details of the HSR

Project type	:	Not confirmed - privately-led or government funded
Cost	:	RM30-40bn
Coverage	:	KL-JB-Singapore
Distance	:	330km
Feasibility studies	:	Largely completed
Development period	:	1.5 years - design, 3-4 years - construction
Viable passengers p.a. for HSR	:	8m (as widely reported)
Passenger catchment	:	>2m airline travelers p.a., 2m cars and bus users p.a.
Timing of international tenders	:	Unknown

SOURCES: CIMB, PRESS REPORTS

Figure 28: Comparison with Taiwan High Speed Rail (THSR)

Designation	:	Taiwan North-South High Speed Rail project (THSR)
Alignment and station locations	:	Finalised in 1992
Project type	:	Initially a public sector project
	:	Changed to private sector build-operate-transfer (BOT) model
Commencement of tenders	:	Oct 1996
Project value	:	US$18bn (RM54bn)
Winning consortium	:	Taiwan High Speed Rail consortium (THSRC)
Award date	:	Sep 1997
Award type	:	35-year BOT concession, 50-year concession for station development
HSR coverage	:	Linking Taipei to Kaohsiung (along Taiwan's west coast)
Distance	:	345km (251km elevated, 61km underground)
Travel time	:	90 minutes
Top speed	:	300km/h (186mph)
No. of stations	:	8
Technology	:	Japan's Shinkasen system mixed with European standards
Started operations	:	Jan 2005
Ticket prices	:	Cheaper than airlines
Ridership (passengers/day)	:	40k in 2005 to 121k in 2012

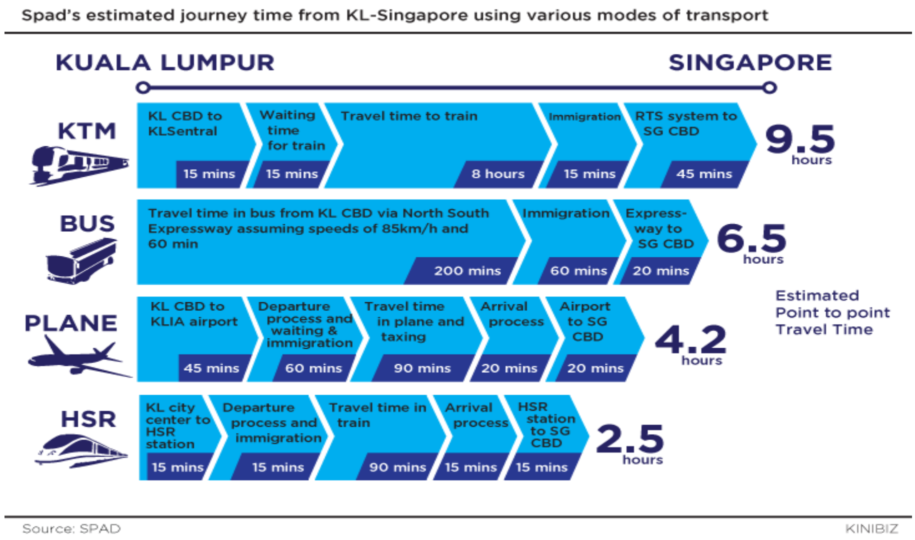
SOURCES: CIMB

Viable or not viable?

The Malaysian and Singapore governments have said that a more realistic timeline for the HSR's completion beyond 2020 is needed. This suggests that it would take another 1-2 years from 2016 before HSR can be awarded and commence work. This is consistent with our expectation. Kinibiz's rough assessment on the viability threshold of the HSR shows that the RM30bn-40bn

HSR project needs to attract at least 70% of the total estimated 12m passengers currently travelling by all modes of transport between Malaysia and Singapore. SPAD has indicated that the potential ticket price for the HSR would be RM200-400 which suggests a very low ROI for the RM30bn-40bn project. The question of whether the HSR service and pricing will be attractive enough to lure road travellers to use the HSR is quite crucial, in our view as they form the bulk of travellers along the KL-Singapore route.

Figure 29: Travel time comparison



SOURCES: CIMB, KINBIZ, SPAD

PAN BORNEO – MSIA'S LONGEST NON-TOLLED HIGHWAY

2,239km by 2023

The RM27bn Pan-Borneo highway has emerged as the biggest non-tolled road project to benefit Sabah and Sarawak. Over time, we think that it would spur development of new areas, similar to the impact of the North South Expressway (NSE). Our assessment shows that the RM16bn 1,090km stretch in Sarawak would be the top priority in the next two years. The contract value will be fully government-funded. Funding will be disbursed progressively over the next 5-8 years. The project will also adopt the PDP model similar to the MRT. Konsortium LBU Sdn Bhd was recently appointed as the PDP. The four main packages based on the original plans will begin this year and in 2016, comprising three road upgrade works and one new road. Including the Sabah stretch, the entire alignment is expected to span a total distance of 2,239km.

Figure 30: Details of the Pan-Borneo Highway

Designation	:	Pan-Borneo Highway
Coverage	:	Sabah & Sarawak
Project structure	:	Project Delivery Partner (PDP) & construction packages
Total cost	:	RM27bn (Sabah & Sarawak); 2,239km
Total cost for Sarawak	:	RM16bn (1,090km)
Total cost for Sabah	:	RM11bn (1,149km)
Cost/km	:	RM15m
Implementation period	:	2015-2023 (8 years)

SOURCES: CIMB, COMPANY REPORTS

Advantage for East Malaysia players

We believe that key contractors in Sarawak such as Naim Holdings (NR), Zecon (NR), Cahaya Mata Sarawak (NR) and Hock Seng Lee (NR) are among those that are likely to be in a position of strength when bidding for the RM16bn contract. Contractors under our coverage are keener on major jobs in the Klang Valley (MRT2, KL118, LRT3, TRX, Bandar Malaysia) given their geographical advantage, while some have set their sights on potential new tolled-highways that provide longer-term recurring income. Nevertheless, we are slightly encouraged that Gamuda had mentioned that it may be keen to bid for a slice of the Pan-Borneo job though the group's interest remains preliminary and it is highly selective at this point. The Pan-Borneo project spans a 5-8 year development period. Based on our estimated cost/km of RM15m, each package for Sarawak would cost between RM600m to RM11bn depending on its length.

Figure 31: Pan-Borneo Highway (Sarawak portion)

Total length	:	1,090km
Cost	:	RM16bn
Coverage	:	Tanjung Datu - Merapok
No. of main packages	:	4
Package 1	:	Nyabau - Bakun (2015-2017, 43km, upgrade)
Package 2	:	Teluk Melano - Semantan (2015-2018, 33km, new road)
Package 3	:	Semantan - Miri (2016-2023, 740km, upgrade)
Package 4	:	Limbang - Merapok (2018-2023, 96km, upgrade)

SOURCE: CIMB RESEARCH, PRESS REPORTS

Figure 32: Map of Sarawak portion

SOURCE: CIMB RESEARCH

NEW HIGHWAYS AND BRT ARE LAGGARDS

New tolled highways could catch up in 2016

While the water industry has been undergoing a nationalisation of water assets and decommissioning of water concession agreements (CA) into licensing contracts since 2006, the highway segment still offers growth prospects through concession-type, built-operated-transfer (BOT) and design and build contracts, in our view. This segment has been lagging other major segments in the sector for the past 1-2 years, though it falls under the 11MP agenda.

Figure 33: Status of major highway jobs

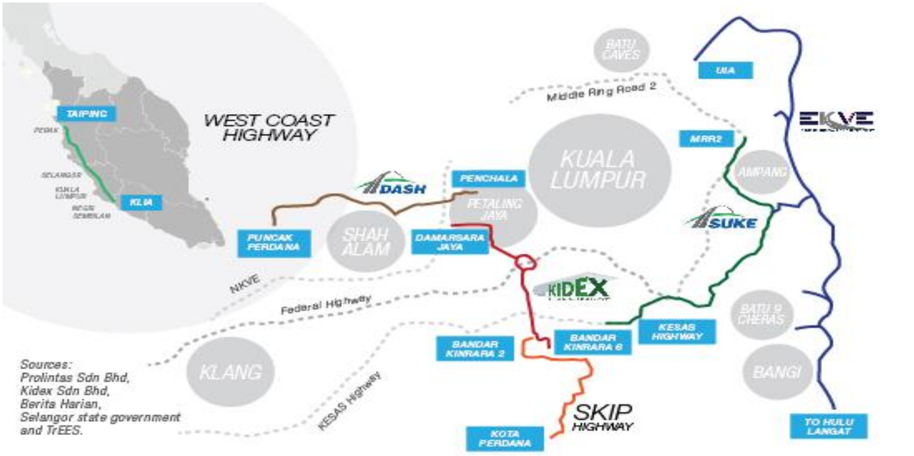
	Cost RM m	Project Owner / developer	Status
Duta Ulu Kelang Expressway (Duke) extension	1,180	Ekovest	Awarded
West Coast Expressway (WCE)	5,000	WCE Sdn Bhd	Awarded
Kinrara-Damansara Expressway (Kidex)	2,500	Kidex Sdn Bhd	Cancelled
East Klang Valley Expressway (EKVE)	1,550	AZRB	Awarded
Damansara-Shah Alam Highway (Dash)	4,180	Prolintas	Under review
Sg. Besi-Ulu Kelang Expressway (Suke)	4,300	Prolintas	Not awarded
Serdang-Kinrara Putrajaya Highway (Skip)	3,000	PPE Sdn Bhd	Not awarded
Total	**21,710**		

SOURCES: CIMB, COMPANY REPORTS

More highways in Selangor

The implementation of the remaining six highways brought forward from the 10MP carries a total price tag of RM21bn, most of which have not taken off due to various financing and political reasons. Following the cancellation of the Kinrara-Damansara Expressway (Kidex) late last year, we expect the next plan for a high-impact highway to shift towards the urban/intra urban alignment, e.g. the RM2bn-3bn Serdang-Kinrara-Putrajaya Highway (Skip).

Figure 34: Proposed highways in Selangor



SOURCES: MALAYSIAN INSIDER

BRT goes large scale

The BRT is a transit system that uses dedicated busways, with modern and universal access stations, integrated pedestrian access, rapid boarding and high service frequency. Also, it covers major catchment areas. This is a relatively new concept in Malaysia but is more established elsewhere. The BRT project is in line with the government's public transport upgrade plans. Based on the average RM84m cost/km benchmarked against the ongoing BRT Sunway line, the cost of the entire 215km of BRT network works out to be a whopping RM18bn.

Figure 35: Details of the BRT project

Project name	:	Bus Rapid Transit
Type	:	Public transport upgrade
Total length	:	215km
No. of packages	:	12 (1 is ongoing and near completion)
Cost/km	:	RM84m (CIMB estimate)
Total cost	:	RM18bn
Planning body	:	Land Public Transport Commission (SPAD)
Existing BRT project	:	Sunway BRT line (Pilot project, 5.4km, RM453m cost)

SOURCES: CIMB, FOCUS MALAYSIA

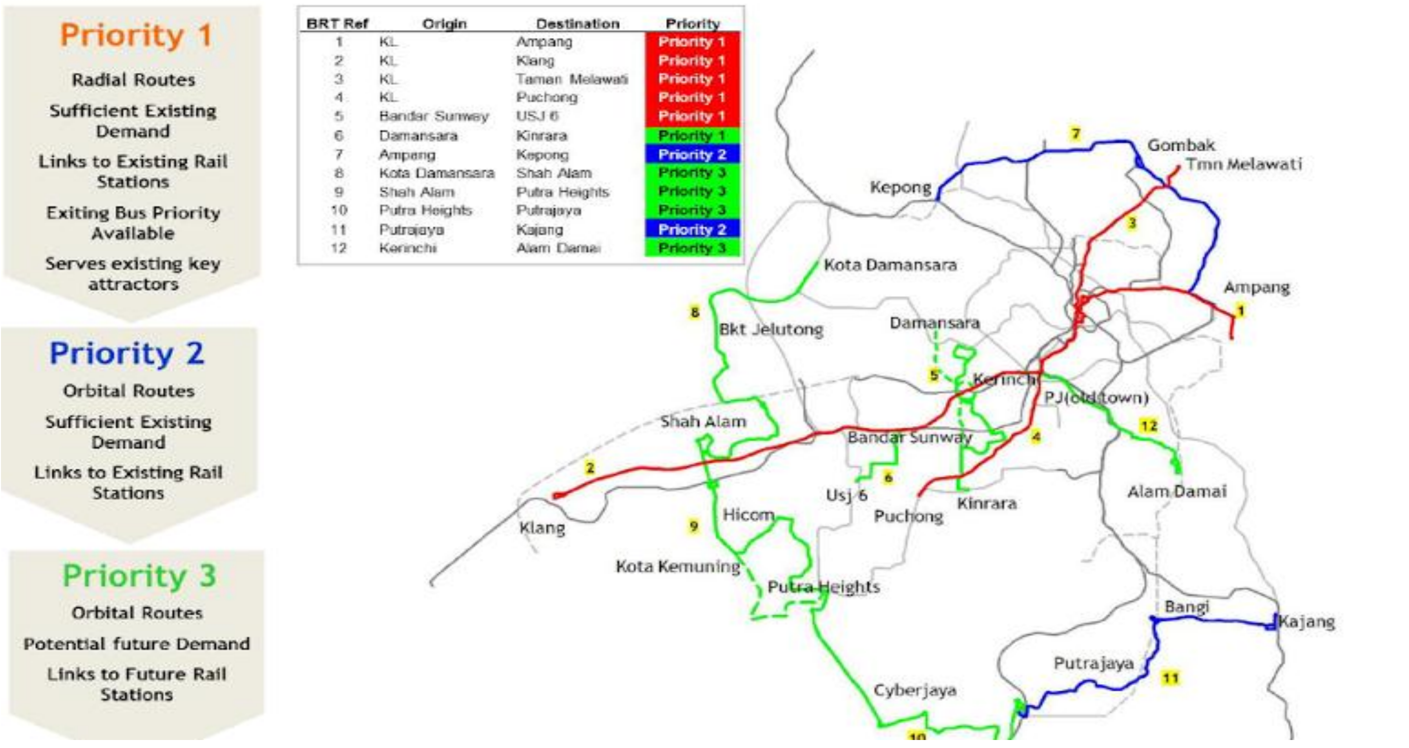
We believe that the pre-qualification/tenders could start at end-2H15 and be more relevant to smaller or medium-sized pure contractors at this juncture. The funding and project structure have yet to be revealed, but the article alluded to more newsflow from SPAD in the coming months, which would be positive for the construction sector. There are four new BRT lines costing c.RM6bn which are high priority for SPAD.

Figure 36: 12 BRT lines under proposal, 11 lines are subject to final approval by SPAD, 5 are high-priority

BRT coverage		Main road/highway alignments		Interchange		Length (km)	Priority	CIMB's cost est. (RM m)
Kepong to Ampang	:	Middle Ring Road (MRR2)	:	LRT, Komuter	:	25	Low	2,100
Kajang to Putrajaya Sentral	:	Kajang Dispersal Highway (SILK)	:	MRT, Komuter	:	18	Low	1,512
Klang to Pasar Seni (KL)	:	Unknown	:	LRT, Monorail, Komuter	:	34	High	2,856
Bandar Sunway	:	Urban road	:	LRT, Komuter	:	5.4	High	454
KL to Melawati	:	Unknown	:	LRT, Monorail, Komuter	:	14	High	1,176
KL to Puchong	:	Unknown	:	LRT, Monorail, Komuter	:	18	High	1,512
KL to Ampang	:	Unknown	:	LRT, Monorail, Komuter	:	10	High	840
Kinrara to Damansara	:	Unknown	:	MRT, LRT, Komuter	:	15	Low	1,260
Shah Alam to Putra Heights	:	Unknown	:	LRT, Komuter	:	16	Low	1,344
Kota Damasara to Shah Alam	:	Unknown	:	MRT, LRT	:	24	Low	2,016
Putra Heights to Putrajaya	:	Unknown	:	LRT	:	22.5	Low	1,890
Kerinchi to Alam Damai	:	Unknown	:	MRT, LRT	:	12.5	Low	1,050
				Total		**215**		**18,060**

SOURCES: CIMB, FOCUS MALAYSIA

Figure 37: SPAD's 12 BRT corridors



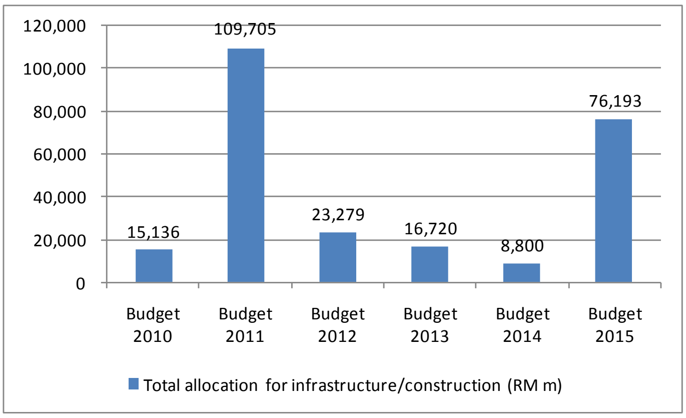
SOURCES: CIMB, INTERNET

WATER INFRA BACKLOG

Capex roll-out in 2016?

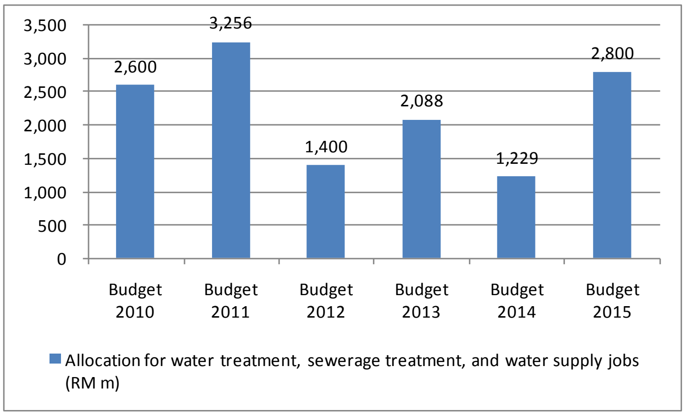
Our compilation shows that water contracts typically make up an average of 9% of the government's total annual budgeted expenditure since 2010. Most water capex was federal government-driven while the private sector is usually involved in selected lower-value sewerage treatment plants for specific industrial growth areas or major residential townships that require smaller processing capacities. The 11MP has allocated RM10bn largely for rural water projects over the next five years which suggests sizeable annual water budgets in 2016-2020.

Figure 38: Total infrastructure allocation for Budget 2010-2015



SOURCE: CIMB RESEARCH, BUDGET ANNOUNCEMENTS

Figure 39: Water projects' allocation for Budget 2010-2015

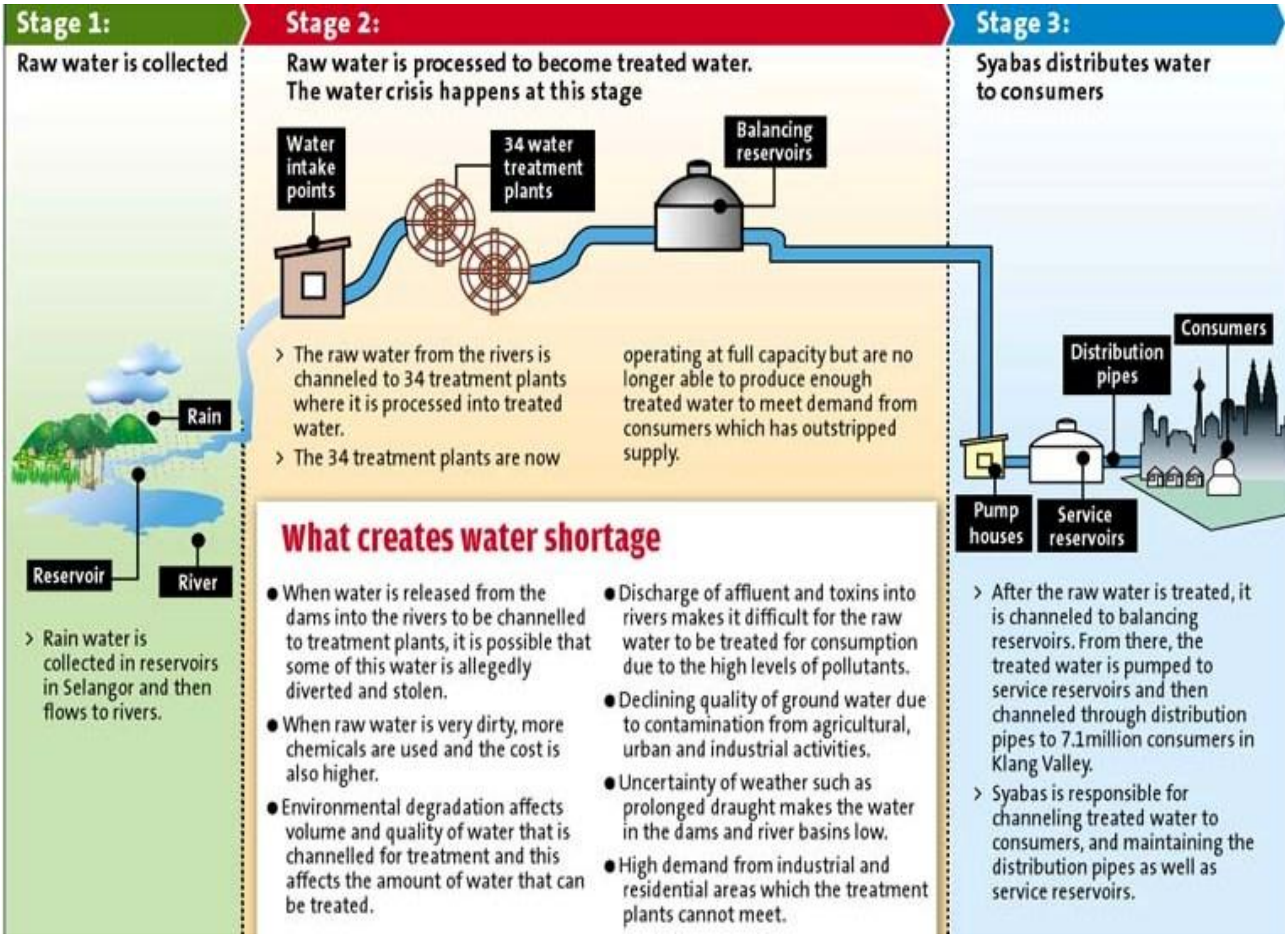


SOURCE: CIMB RESEARCH, BUDGET ANNOUNCEMENTS

New facilities and big upgrades

The entire value chain of any large-scale water project includes the construction of dams, pumping stations and large-diameter feeding pipes for the upstream portion while the downstream involves the building of water treatment plants (WTPs) and distribution pipes. There could be sizeable new facilities and facilities upgrade projects due to the rising population and demand from industrial areas. This is especially so for the Klang Valley given the water shortage issues especially in the state of Selangor where the water reserve margin has fallen below 5%. The construction of phase 1 of the Langat 2 WTP is underway, costing RM994m. The next phase is likely to be even larger given the total WTP capacity of 2,500 MLD, exceeding RM1bn. A study conducted by Syabas estimated a total capex of RM4.3bn required to improve the water supply services in Klang Valley over the next 4-5 years.

Figure 40: Water treatment and distribution value chain



SOURCES: CIMB, INTERNET

TIMING THE CATALYSTS

Visibility in 2H15 and 2016 much better than in 2014

With more defined sector drivers, the next critical part is timing the catalysts. Essentially, our analysis shows that the degree of project visibility for jobs kicking off in 2H15 and 2016 is good, and to an extent, far better than in 2014. This not only applies to MRT 2, but other public transport contracts including LRT 3 and BRT. Other major private sector-funded iconic buildings such as the KL118 and TRX are also included in our 12-month schedule for targeted sector developments. Overall, more than 50% of the total projects are at the tender stage with a few exceptions such as the major new highways, civil works for new power plants, and the KL-Singapore HSR. We excluded Bandar Malaysia, which is the redevelopment of the old airport in Sungai Besi, as it is still in the early stages of expressions of interest (EOI).

4Q15 and 1H16 could be the sweet spots for good newsflow

Our compilation of sector developments since early 2015 coupled with recent checks with industry players suggest that positive newsflow could recover in 4Q15. This is especially so, leading to the tabling of Budget 2016 in 4Q15. Potential project awards in 4Q15 include 1) the PDP for the Penang TMP, 2) PDP for LRT 3, 3) more packages from Petronas' Rapid, 4) main building package for KL118, 5) building works for TRX, 6) affordable housing projects under the 11MP, and 7) various piling works. This roughly represents 10% of the RM182bn worth of jobs in the pipeline.

Figure 41: Timing of major sector drivers

SOURCES: CIMB RESEARCH

Window for substantial order book growth in 2016

With all the potential catalysts in place, order book growth for selected players is bound to catch up, in our view. The increase in the value of incoming jobs suggests that job wins could be substantial in the next two years, particularly for the three major segments i.e. rail (public transport), oil & gas infra/marine/port, and water infra. IJM Corp now leads the sector with its order book of RM7bn which is at an all-time high. But Gamuda's order book could overtake this once MRT 2 and PTMP awards gain momentum in 1Q16. 2015 is a subdued period for Gamuda but its order book could surge more than fourfold in 2016. Muhibbah continues to guide for a RM2bn tender book for jobs in Rapid and has so far won two packages there. Salcon's tender book amounts to RM1.3bn and its order book could surge 72% if its lands one or two water or sewerage facility jobs.

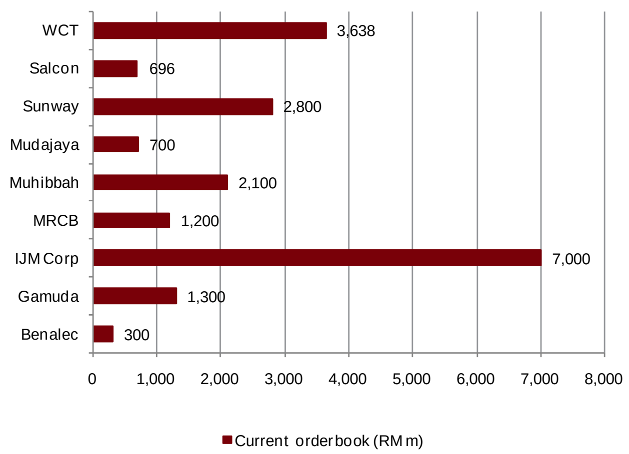
Figure 42: 67% average order book growth for 2016

Comparative order book growth prospects

	Current order book (RM m)	2016 target (RM m)	Total (RM m)	Order book Growth (%)	Pretax margin (%)
Benalec	300	0	300	0%	*losses*
Gamuda	1,300	5,500	6,800	423%	7%
IJM Corp	7,000	1,500	8,500	21%	6%
MRCB	1,200	800	2,000	67%	5%
Muhibbah	2,100	1,000	3,100	48%	4%
Mudajaya	700	500	1,200	71%	5%
Sunway	2,800	2,000	4,800	71%	6%
Salcon	696	500	1,196	72%	3%
WCT	3,638	1,500	5,138	41%	7%
Average	**2,193**	**1,478**	**3,670**	**67%**	**5%**

SOURCE: CIMB RESEARCH, PRESS REPORTS

Figure 43: Order books of other players will play catch up



SOURCE: CIMB RESEARCH

RISKS

External uncertainties and political headwind

The biggest risk to the overall sector theme in 2H15 is sustained weak sentiment arising from:

1) The weakening ringgit vs. the US$

2) External uncertainties

3) Weak global oil prices

4) Bearish regional equity markets

5) Domestic political headwind

VALUATION AND RECOMMENDATION

Sector drivers to regain momentum in 2H15

We conclude that sector visibility over the next 1-2 years remains favourable, backed by a sizeable RM182bn worth of domestic projects which are still at the pre-award phase. 2015 has turned out to be a transition year for major jobs which mostly aim to begin physical works in 2016. We expect positive newflow for the sector to regain momentum post-Aug reporting season, leading to the tabling of Budget 2016 sometime in 4Q15. We forecast c.30% yoy growth in the value of domestic jobs to be awarded in 2016 - exceeding its previous all-time high in 2014. We roughly estimate that 10% of the RM182bn total figure has a fair chance of being awarded in 2H15, while the balance 90% would follow through in 2016. Overall, this should increasingly benefit the progress of three of the seven major segments of the sector, ie:

1) Public transport (mainly rail): The transition of MRT 2 contracts to pre-qualification and tender rounds from end-2015, which should open up potential new MRT plays relating larger packages for above ground and underground. Awards for LRT 3's PDP role and civil works packages, and the PDP scopes for the PTMP are potential major jobs too.

2) Oil & gas infra/marine/port jobs: Follow through of award momentum for the earlier civil works and subcontract packages in Rapid arising from the five main refinery works by international contractors. This is most relevant to contractors with experience in downstream civil/infra works either at the turnkey or subcontract level. There is more upside to the RM1.8bn total value of awards for contractors in Rapid since 2012.

3) Water infra: Contracts relating to the revival of water infra plays due to the backlog of water capex into 2016. The 11MP has a total budget of c.RM10bn for rural water projects over the next 5 years while the state of Selangor could be rolling out over RM4bn worth of capex over the same period. Completion of the water restructuring in Selangor remains the next hurdle.

Maintain Overweight

We stay Overweight on the construction sector. We see value emerging for selected contractors following the fall in the broader market. Construction stocks under our coverage are trading at an average 44% discount to RNAV, and 15% discount to the 5-year average sector P/E of 14.8x. Except for YTL Corp, we make no changes to EPS forecasts as the average 30% potential order book growth in 2015 and 67% forecasted for 2016 remains largely intact in view the incoming active tender and award phase. We continue to peg our construction stocks' RNAV discounts at 10-50% to reflect market cap, liquidity and outlook. We maintain our stock recommendations but downgrade Benalec from add to Hold in view of its uncertain outlook for new land reclamation jobs in Pengerang.

Figure 44: Summary of stock recommendations

Companies	Ticker	Current Rec.	Previous Rec.	TP (RM)	Target price basis	Previous target price basis	Closing price (RM)	Upside (%)	RNAV /share	Trading discount to RNAV
Benalec	BHB MK	Hold	Add	0.60	50% disc. to RNAV	40% disc. to RNAV	0.58	3%	1.21	-52%
Gamuda	GAM MK	Add	Add	6.04	10% disc. to RNAV	10% disc. to RNAV	4.32	40%	6.71	-36%
IJM Corp	IJM MK	Add	Add	8.00	10% disc. to RNAV	10% disc. to RNAV	6.21	29%	8.89	-30%
MRCB	MRC MK	Add	Add	1.27	30% disc. to RNAV	20% disc. to RNAV	0.96	32%	1.81	-47%
Muhibbah	MUHI MK	Add	Add	3.06	20% disc. to RNAV	20% disc. to RNAV	1.88	63%	4.37	-57%
Mudajaya	MDJ MK	Reduce	Reduce	0.88	50% disc. to RNAV	40% disc. to RNAV	0.95	-7%	1.75	-46%
Salcon	SALC MK	Add	Add	1.30	20% disc. to RNAV	20% disc. to RNAV	0.65	99%	1.62	-60%
Sunway	SWB MK	Add	Add	4.23	20% disc. to RNAV	20% disc. to RNAV	3.40	24%	5.29	-36%
WCT	WCT MK	Hold	Hold	1.26	30% disc. to RNAV	30% disc. to RNAV	1.20	5%	1.80	-33%
YTL Corp	YTL MK	Add	Add	1.99	20% disc. to RNAV	20% disc. to RNAV	1.46	36%	2.49	-41%
Average								**33%**		**-44%**

SOURCES: CIMB, COMPANY REPORTS

Be selective in repositioning for a potential rebound

Investors positioning for a potential rebound in 4Q15 should be selective, in our view. For this, we prefer Gamuda, Muhibbah Engineering, and Salcon.

Gamuda. Gamuda continues to be our top big cap pick as it provides the biggest exposure to a recovery in sector catalysts in 2H15. It offers an attractive play on MRT-driven order book growth and diminishing political risks for its water assets divestment. Order book could more-than-quadruple in 2016. It is among the frontrunners of Penang's public transport plans; a new growth area outside of Klang Valley. Essentially, Gamuda is shaping up to be a big beneficiary of public transport jobs over the longer-term. The stock is down 14% YTD, trades 18% below its 52-week high and at a 27% discount to IJM Corp's CY16 P/E of 17.7x.

Muhibbah Engineering. In the small/mid cap space, valuations of Muhibbah Engineering (our other top pick), have turned more attractive given the steep 46% fall from its 52-week high. Through its export-oriented cranes business and Cambodian airport concessions, the group's USD exposure of c.50% of group EBIT is the biggest among contractors under our coverage. The stock trades at a cheap CY16 P/E of 8x, and a massive 57% discount to its RNAV. Order flow for its infrastructure segment has substantially improved, especially following two contract wins in Rapid. There is a fairly good chance of securing larger-value jobs in Rapid over the coming months.

Salcon. Also in the small cap space, Salcon's main appeal continues to be its major turnaround story. The group has the biggest indirect exposure to the growth of domestic rail assets via its concession to lay and monetise fibre optic lines. Moreover, it could be the biggest beneficiary of water contracts which should drive the strong earnings recovery in 2016, and our forecasted 3-year EPS CAGR of 76%. The stock trades at massive 60% discount to its base-case RNAV. Salcon continues to exhibit the qualities of its bigger peers in their early years of M&A. Share price has fallen 51% from its 52-week high.

Figure 45: Gamuda, Muhibbah and Salcon are most attractive plays in 2H15

Companies	Share price % chg YTD	Discount to 52-week high	Upside (%)	CY16 P/E (x)	Discount to sector's 5-year historical average P/E of 14.8x	Theme/comments
Benalec	4%	-51%	3%	12.0	-19%	Delay issues
Gamuda	-14%	-18%	40%	12.9	-13%	Big beneficiary of incoming sector catalysts
IJM Corp	-5%	-10%	29%	17.7	20%	Order book growth has ran ahead of sector
MRCB	-21%	-30%	32%	19.6	32%	Value-play but slightly weak tender visibility beyond LRT 3
Muhibbah	1%	-46%	63%	8.0	-46%	Cheapest, niche segment, US$ play
Mudajaya	-35%	-39%	-7%	10.5	-29%	Weak order book prospects
Salcon	12%	-31%	99%	nm	nm	Major turnaround story
Sunway	3%	2%	24%	9.6	-35%	Construction prospects could pick up
WCT	-22%	-26%	5%	12.2	-18%	Unfavourable property outlook
YTL Corp	1%	-15%	36%	10.8	-27%	Delayed HSR progress
Average	**-8%**	**-27%**	**33%**	**12.6**	**-15%**	

SOURCES: CIMB, COMPANY REPORTS

Summary for other contractors

Benalec - The potential recovery in Benalec's new land reclamation contracts in Tanjung Piai is taking longer than expected. Though the EIA approval would open doors to other alternative ventures, the initial potential size and scope are unlikely to be substantial. Execution risks could be a sustained overhang on Benalec's share price. We maintain our FY15-17 EPS forecasts but cut target price as we raise the RNAV discount from 40% to 50% to reflect the limited re-rating catalysts in the medium term. We downgrade the stock from Add to Hold.

IJM Corp - IJM Corp's outstanding order book of RM7bn is both its all-time high and the highest in the sector. Its order book strategy has turned more selective but higher-value infra and building jobs like MRT 2 still present pockets of opportunities. The focus remains on execution. We retain our FY7/16-18 EPS forecasts and our target price, which remains pegged to a 10% RNAV discount. Likely catalysts in the medium term are construction-focused, backed by the group's RM20bn domestic tender book which includes MRT 2. Maintain Add.

MRCB - MRCB's construction prospects remain positive, although there is a lack of visibility beyond the next six months, in our view. Potential new infra jobs rely on the group securing LRT and MRT contracts, the chances of which are fairly good. The stock still offers value. We retain our FY15-17 EPS forecasts. We pare down RNAV as we update for outstanding land bank and use the market value of 32%-owned MQREIT instead of the estimated total NAV previously. Our target price reduces as we raise our RNAV discount from 20% to 30% to reflect job visibility over the shorter term. Maintain Add.

Mudajaya - Despite Mudajaya's low valuations, we fail to see any silver lining over the months ahead. The depleting order book without more wins YTD only means more downside risks to earnings. This is on top of the further delays in the commissioning of the Indian IPP. We retain our EPS forecasts but flag downside risks to earnings if progress billings substantially weaken in the quarters ahead. We cut our target price as we raise the RNAV discount from 40% to 50% to reflect the deteriorating outlook and lack of catalysts in the medium term. Maintain Reduce.

Sunway - An improving construction outlook remains Sunway's main story for 2H15 and 2016. Recently-listed SunCon should be well positioned for order book growth, targeting RM2bn in new jobs by end-2015. The group is a strong contender for MRT, LRT and BRT jobs, too. We retain our EPS forecasts and target price, which remains pegged to a 20% RNAV discount. New landbanking moves will be positive over the longer term while job wins are likely catalysts in the coming months. Add maintained. Investors should also look forward to the potential 25-28 sen special dividends in 2H15 arising from SunCon's IPO.

WCT - WCT could be in transition as it restrategises its construction and property divisions. The weak property outlook and uncertain timing of the RM1.2bn arbitration payment for a project in Dubai are mitigated by potentially better job flow in 2H15. We retain our FY15-17 EPS forecasts, although there could be downside risks if property sales flow through slower than expected. Our target price is reduced as we update for outstanding land bank, but still pegged to a 30% discount to RNAV. Maintain Hold.

YTL Corp - YTL Corp's sustainable dividend yield of over 6% stands out as the highest in the sector. Though KL-Singapore HSR project's timeline remains unclear, it could be revived during the tabling of Budget 2016 in 2H15. We think YTL still has a strong advantage in the HSR tender. We cut our EPS forecasts following our recent EPS downgrade for YTL Power. We revise down RNAV as we impute the lower target price for YTL Power and update for the market cap of listed units. Our target price is still pegged to a 20% RNAV discount. The stock remains an Add. Newsflow on HSR and the potential ERL extension project are potential catalysts.

Company Briefs…

DOWNGRADE

CIMB

Benalec Holdings

BHB MK / BENAL.KL

Market Cap	Avg Daily Turnover	Free Float
US$115.1m	US$0.17m	38.5%
RM463.5m	RM0.65m	803.0 m shares

Current	RM0.58
Target	RM0.60
Prev. Target	RM0.87
Up/Downside	4.1%

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	6.2	-12.2	-30.1
Absolute	0.0	-22.7	-43.1

Major shareholders	% held
Oceancove Sdn bhd	53.2
KWAP	6.9
Dato' Leaw Seng Hai	1.4

Prolonged gestation period

The potential recovery in Benalec's new land reclamation contracts in Tanjung Piai is taking longer than expected. Though the EIA approval would open doors to other alternative ventures, the initial potential size and scope are unlikely to be substantial.

Execution risks could be a sustained overhang on Benalec's share price. We maintain our FY15-17 EPS forecasts but cut target price as we raise the RNAV discount from 40% to 50% to reflect the limited re-rating catalysts in the medium term. We downgrade the stock from Add to Hold. Switch to Muhibbah Engineering.

A waiting game

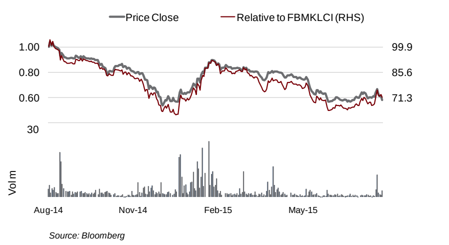
The only positive to Benalec's new land reclamation prospects in Tanjung Piai, Johor was the environmental impact assessment (EIA) approval it received for the potential 1,000-acre land reclamation works in late Jan 15. This was a big milestone for Benalec as it could translate to a lucrative longer-term profit stream outside of Melaka, the group's current sole focus. However, in Jun 15, Benalec announced that the term sheet between it and 1MY Strategic Terminal, which was a potential off-taker for the entire 1,000-acre land to be reclaimed, had lapsed and all parties to the agreement had mutually terminated talks. The disappointment was somewhat mitigated by indications of alternative off-takers, though not for the entire parcel of land.

Melaka remains the earnings driver

The main support to Benalec's earnings, at least over the next two years, would be its existing contracts in Melaka. The recognition of land sale gains of c.RM60m-80m would offset the potential impact of further delays in new ventures in Tanjung Piai. What remains positive for Benalec is that the group continues to provide the biggest exposure to Malaysia's land reclamation segment in view of the land reclamation rights granted by the state government of Johor not only for Tanjung Piai, but also for Pengerang.

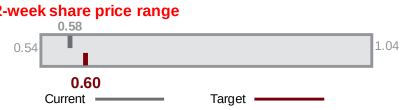
Sustained overhang

The stock has re-rated 13% YTD mainly due to expectations that it would be able to secure new off-takers for the land parcels in Tanjung Piai. However, given the lack of visibility of new potential ventures going into 2H15, we believe further re-rating could be muted over the near term.



Source: Bloomberg

52-week share price range



Financial Summary

	Jun-13A	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue (RMm)	265.8	211.0	215.5	247.8	270.1
Operating EBITDA (RMm)	64.37	15.52	16.70	55.06	60.01
Net Profit (RMm)	56.00	7.20	10.56	66.57	71.09
Core EPS (RM)	0.070	0.009	0.013	0.083	0.089
Core EPS Growth	(34%)	(87%)	47%	530%	7%
FD Core P/E (x)	8.31	64.66	44.07	6.99	6.55
DPS (RM)	-	-	0.011	0.019	0.020
Dividend Yield	0.00%	0.00%	1.96%	3.26%	3.53%
EV/EBITDA (x)	7.68	29.06	26.41	7.56	6.21
P/FCFE (x)	NA	NA	NA	NA	67.89
Net Gearing	5.08%	(2.01%)	(3.05%)	(5.71%)	(9.92%)
P/BV (x)	0.81	0.64	0.58	0.54	0.50
ROE	10.3%	1.1%	1.4%	8.0%	7.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.49	1.18	0.94

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Net Revenues	**211.0**	**215.5**	**247.8**	**270.1**
Gross Profit	**56.7**	**40.4**	**82.3**	**89.7**
Operating EBITDA	**15.5**	**16.7**	**55.1**	**60.0**
Depreciation And Amortisation	(10.4)	(8.6)	(9.9)	(10.8)
Operating EBIT	**5.1**	**8.1**	**45.1**	**49.2**
Financial Income/(Expense)	(1.1)	(1.7)	(2.0)	(2.2)
Pretax Income/(Loss) from Assoc.	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	14.3	17.2	45.1	51.8
Profit Before Tax (pre-EI)	**18.3**	**23.6**	**88.3**	**98.8**
Exceptional Items				
Pre-tax Profit	**18.3**	**23.6**	**88.3**	**98.8**
Taxation	(11.1)	(12.9)	(21.5)	(27.5)
Exceptional Income - post-tax				
Profit After Tax	**7.2**	**10.7**	**66.8**	**71.3**
Minority Interests	0.0	(0.1)	(0.2)	(0.2)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**7.2**	**10.6**	**66.6**	**71.1**
Recurring Net Profit	7.2	10.6	66.6	71.1
Fully Diluted Recurring Net Profit	**7.2**	**10.6**	**66.6**	**71.1**

Balance Sheet

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Cash And Equivalents	104	116	143	189
Total Debtors	348	417	480	523
Inventories	3	3	3	3
Total Other Current Assets	300	328	335	341
Total Current Assets	**755**	**865**	**961**	**1,056**
Fixed Assets	238	236	234	230
Total Investments	0	0	0	0
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	0	0	0	0
Total Non-current Assets	**238**	**236**	**234**	**230**
Short-term Debt	23	25	27	30
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	163	196	225	246
Other Current Liabilities	0	0	0	0
Total Current Liabilities	**186**	**221**	**253**	**276**
Total Long-term Debt	12	12	12	11
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	54	54	54	54
Total Non-current Liabilities	**66**	**66**	**66**	**66**
Total Provisions	9	8	8	8
Total Liabilities	**261**	**296**	**327**	**350**
Shareholders' Equity	731	805	867	937
Minority Interests	0	0	0	0
Total Equity	**731**	**805**	**867**	**937**

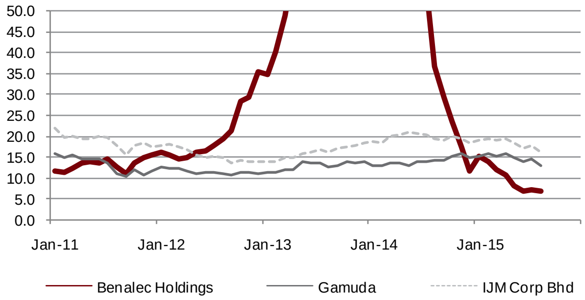
Cash Flow

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
EBITDA	15.5	16.7	55.1	60.0
Cash Flow from Invt. & Assoc.	0.0	0.0	0.0	(1.0)
Change In Working Capital	(103.0)	(65.0)	(39.5)	(29.3)
(Incr)/Decr in Total Provisions	0.0	0.0	0.0	0.0
Other Non-Cash (Income)/Expense	7.2	8.6	9.9	10.8
Other Operating Cashflow	113.7	35.1	0.0	1.0
Net Interest (Paid)/Received	(1.1)	(1.7)	(2.0)	(2.2)
Tax Paid	(18.3)	(13.1)	(21.7)	(27.6)
Cashflow From Operations	**14.0**	**(19.3)**	**1.8**	**11.7**
Capex	(24.5)	(6.9)	(7.8)	(7.3)
Disposals Of FAs/subsidiaries	0.0	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(24.5)**	**(6.9)**	**(7.8)**	**(7.3)**
Debt Raised/(repaid)	1.8	2.0	2.2	2.5
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(12.2)	(9.1)	(15.2)	(16.4)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	37.2	45.2	46.0	55.5
Cash Flow From Financing	**26.8**	**38.1**	**33.1**	**41.6**
Total Cash Generated	16.3	11.9	27.2	45.9
Free Cashflow To Equity	**(8.7)**	**(24.2)**	**(3.7)**	**6.9**
Free Cashflow To Firm	**(7.6)**	**(21.9)**	**(1.0)**	**9.8**

Key Ratios

	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue Growth	(20.6%)	2.1%	15.0%	9.0%
Operating EBITDA Growth	(76%)	8%	230%	9%
Operating EBITDA Margin	7.4%	7.8%	22.2%	22.2%
Net Cash Per Share (RM)	0.02	0.03	0.06	0.12
BVPS (RM)	0.91	1.00	1.08	1.17
Gross Interest Cover	1.77	1.88	9.11	9.11
Effective Tax Rate	60.7%	54.6%	24.3%	27.8%
Net Dividend Payout Ratio	NA	86.3%	22.8%	23.1%
Accounts Receivables Days	613.6	647.6	662.2	677.3
Inventory Days	7.72	6.94	7.51	7.01
Accounts Payables Days	414.9	374.7	466.2	476.8
ROIC (%)	0.63%	0.84%	4.29%	4.47%
ROCE (%)	0.92%	1.23%	5.14%	5.22%
Return On Average Assets	0.87%	1.15%	5.95%	5.88%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Outstanding Orderbook	664	1,014	1,164	1,314
Order Book Depletion	150	150	150	150
Orderbook Replenishment	500	300	300	300
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

Construction | Malaysia

August 13, 2015

CIMB

Gamuda

GAM MK / GAMU.KL

Market Cap	Avg Daily Turnover	Free Float
US$2,581m	US$5.62m	77.5%
RM10,394m	RM21.03m	2,066 m shares

Current	RM4.32
Target	RM6.04
Prev. Target	RM6.04
Up/Downside	39.8%

STOCK RATING

ADD

HOLD

REDUCE

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-4.2	-6.3	3.0
Absolute	-10.4	-16.8	-10.0

Major shareholders	% held
Amanahraya Trustees	9.8
Generasi Setia	5.8
EPF	7.0

The king of rail jobs

Gamuda emerges as the most attractive pick in the big-cap/liquid space due to the earnings turnaround and longer-term positioning with the MRT 2 and potentially the Penang Transport Master Plan. In the next 6-9 months, its order book could more than quadruple.

Our target price remains pegged to a 10% RNAV discount. Valuations are looking more attractive following the market correction and could play catch-up in the months ahead. Key potential catalysts are the award of the PDP role for the RM27bn Penang Transport Master Plan (PTMP), MRT 2 tenders and revival of Splash's deal. Add maintained. It remains our top big-cap pick.

Dominates rail jobs

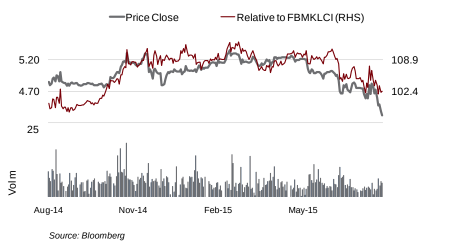
Gamuda provides exposure to one of the three segments of the construction sector that offer good visibility and sizeable contract values. It continues to dominate the rail segment, which makes up 44%, the largest chunk, of its RM182bn total outstanding works. With the project delivery partner (PDP) agreement for the RM28bn MRT 2 signed, the strategy now is to position itself strongly during the prequalification and tender stages. The value of underground works for MRT 2 is estimated to be at least RM11bn (13.5km) or RM5.5bn based on Gamuda's JV share.

Potential RM4bn-5bn LRT job in Penang

The award of the PDP role for the RM27bn PTMP could occur in the next 1-2 months. Gamuda is among the three local contenders for this role and it targets to also undertake selected turnkey construction work if it becomes the PDP. It has been widely reported that the RM4bn-5bn LRT line from Komtar to Bayan Lepas could emerge as the first public transport contract to commence works in 2016/17. Under the original PTMP, phase 2 requires RM7.1bn worth of transport jobs. The value increases to RM8.9bn for 2020-2025 and RM11bn for the remaining period until 2030.

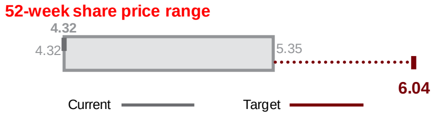
Valuation attractive

Gamuda still offers a strong play on order book growth and diminishing political risks for its water asset divestment. In 2016, its order book could surge more than fourfold, overtaking IJM Corp's RM7bn. The share price has declined 14% YTD. It trades at 18% below its 52-week high and at a 27% discount to IJM Corp's CY16 P/E of 18x. Investors could position for a potential share price rebound for Gamuda in 2H15.



Source: Bloomberg

52-week share price range



Financial Summary

	Jul-13A	Jul-14A	Jul-15F	Jul-16F	Jul-17F
Revenue (RMm)	3,883	2,230	2,462	2,684	2,952
Operating EBITDA (RMm)	582.0	441.3	661.6	613.1	674.4
Net Profit (RMm)	541.3	719.4	686.3	668.5	725.6
Core EPS (RM)	0.31	0.35	0.34	0.33	0.36
Core EPS Growth	15.2%	13.3%	(3.8%)	(2.6%)	8.5%
FD Core P/E (x)	13.84	12.22	12.70	13.03	12.01
DPS (RM)	0.12	0.12	0.12	0.12	0.12
Dividend Yield	2.68%	2.68%	2.68%	2.68%	2.68%
EV/EBITDA (x)	15.08	24.11	15.31	16.36	14.80
P/FCFE (x)	10.72	7.29	12.59	10.16	9.60
Net Gearing	32.2%	30.0%	29.6%	28.3%	27.0%
P/BV (x)	1.79	1.57	1.50	1.50	1.50
ROE	14.1%	13.7%	12.1%	11.5%	12.5%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.13	1.13	1.08

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Jul-14A	Jul-15F	Jul-16F	Jul-17F
Total Net Revenues	**2,230**	**2,462**	**2,684**	**2,952**
Gross Profit	**2,230**	**2,462**	**2,684**	**2,952**
Operating EBITDA	**441**	**662**	**613**	**674**
Depreciation And Amortisation	(28)	(39)	(39)	(40)
Operating EBIT	**414**	**623**	**574**	**635**
Financial Income/(Expense)	1	(25)	(14)	(14)
Pretax Income/(Loss) from Assoc.	430	270	319	403
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**845**	**868**	**879**	**1,024**
Exceptional Items	7	0	0	0
Pre-tax Profit	**852**	**868**	**879**	**1,024**
Taxation	(117)	(162)	(191)	(279)
Exceptional Income - post-tax				
Profit After Tax	**735**	**706**	**688**	**745**
Minority Interests	(16)	(20)	(20)	(20)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**719**	**686**	**669**	**726**
Recurring Net Profit	713	686	669	726
Fully Diluted Recurring Net Profit	**713**	**686**	**669**	**726**

Balance Sheet

(RMm)	Jul-14A	Jul-15F	Jul-16F	Jul-17F
Total Cash And Equivalents	920	966	1,014	1,065
Total Debtors	1,817	1,834	1,800	1,816
Inventories	295	53	57	63
Total Other Current Assets	1,684	1,684	1,684	1,684
Total Current Assets	**4,715**	**4,536**	**4,555**	**4,628**
Fixed Assets	285	335	365	395
Total Investments	1,234	1,247	1,285	1,292
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	4,191	4,107	4,026	3,946
Total Non-current Assets	**5,710**	**5,689**	**5,676**	**5,633**
Short-term Debt	792	776	769	769
Current Portion of Long-Term Debt				
Total Creditors	959	968	977	986
Other Current Liabilities	48	48	48	48
Total Current Liabilities	**1,799**	**1,792**	**1,794**	**1,803**
Total Long-term Debt	1,739	1,721	1,704	1,687
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	653	653	653	653
Total Non-current Liabilities	**2,392**	**2,374**	**2,357**	**2,340**
Total Provisions	0	0	0	0
Total Liabilities	**4,191**	**4,167**	**4,151**	**4,143**
Shareholders' Equity	5,547	5,793	5,795	5,814
Minority Interests	687	265	285	304
Total Equity	**6,234**	**6,059**	**6,080**	**6,118**

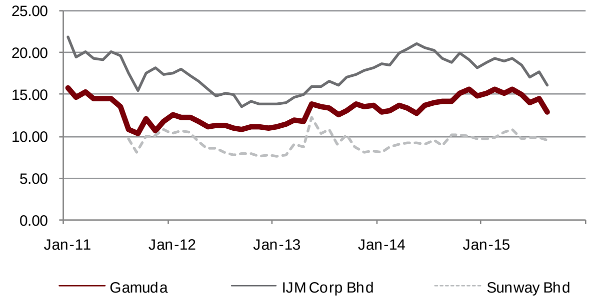
Cash Flow

(RMm)	Jul-14A	Jul-15F	Jul-16F	Jul-17F
EBITDA	441	662	613	674
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(657)	753	14	(3)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	251	251	251	251
Net Interest (Paid)/Received	(26)	(25)	(14)	(14)
Tax Paid	(138)	(149)	(175)	(248)
Cashflow From Operations	**(129)**	**1,491**	**689**	**660**
Capex	(14)	(14)	(14)	(14)
Disposals Of FAs/subsidiaries	606	213	277	337
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**593**	**200**	**264**	**323**
Debt Raised/(repaid)	732	(999)	(95)	(76)
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(262)	(262)	(262)	(262)
Preferred Dividends				
Other Financing Cashflow	(1,243)	(384)	(547)	(595)
Cash Flow From Financing	**(774)**	**(1,645)**	**(904)**	**(933)**
Total Cash Generated	(310)	46	48	51
Free Cashflow To Equity	**1,195**	**692**	**858**	**908**
Free Cashflow To Firm	**529**	**1,754**	**1,003**	**1,031**

Key Ratios

	Jul-14A	Jul-15F	Jul-16F	Jul-17F
Revenue Growth	(42.6%)	10.4%	9.0%	10.0%
Operating EBITDA Growth	(24.2%)	49.9%	(7.3%)	10.0%
Operating EBITDA Margin	19.8%	26.9%	22.8%	22.8%
Net Cash Per Share (RM)	(0.93)	(0.89)	(0.85)	(0.82)
BVPS (RM)	2.75	2.87	2.87	2.88
Gross Interest Cover	6.22	9.92	11.48	13.22
Effective Tax Rate	13.7%	18.7%	21.7%	27.2%
Net Dividend Payout Ratio	68.2%	70.8%	72.7%	66.9%
Accounts Receivables Days	237.4	255.7	234.1	211.1
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	8.9%	8.6%	8.2%	9.2%
ROCE (%)	5.66%	7.41%	6.92%	7.58%
Return On Average Assets	7.18%	7.08%	6.87%	7.41%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Jul-14A	Jul-15F	Jul-16F	Jul-17F
Outstanding Orderbook	3,000	1,800	600	3,400
Order Book Depletion	1,200	1,200	1,200	1,200
Orderbook Replenishment	-	-	4,000	1,000
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

IJM Corp Bhd

IJM MK / IJMS.KL

Market Cap	Avg Daily Turnover	Free Float
US$2,754m	US$7.64m	70.8%
RM11,092m	RM28.54m	1,783 m shares

Current	RM6.21
Target	RM8.00
Prev. Target	RM8.00
Up/Downside	28.8%

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-2.4	-2.0	7.2
Absolute	-8.6	-12.5	-5.8

Major shareholders	% held
EPF	11.4
KWAP	7.4
Amanahraya Trustees	10.4

At its peak order book

IJM Corp's outstanding order book of RM7bn is both its all-time high and the highest in the sector. Its order book strategy has turned more selective but higher-value infra and building jobs like MRT 2 still present pockets of opportunities. The focus remains on execution.

We retain our FY7/16-18 EPS forecasts and our target price, which remains pegged to a 10% RNAV discount. Likely catalysts in the medium term are construction-focused, backed by the group's RM20bn domestic tender book which includes MRT 2. Maintain Add.

Execution year for construction

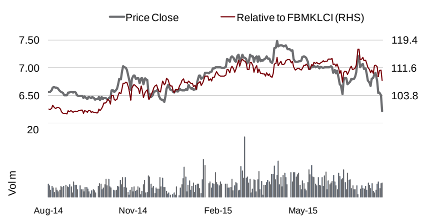
2015 is an execution year for IJM Corp. External jobs that make up most of its record outstanding order book of RM7bn provide good earnings visibility over the next 2-3 years. We expect IJM to be selective given the abundance of building and infra jobs backed by the 11th Malaysia Plan (11MP). Major jobs in hand, which include the RM2.8bn West Coast Expressway (WCE), are still below 10-30% progress. This suggests limited downside for construction margins as progress billings accelerate in the coming quarters. For new jobs, we maintain our projection of RM1.5bn of potential wins in FY16. At this juncture, the group is not bullish on overseas projects.

Property still facing headwinds

FY15's RM1.8bn estimated geographical sales breakdown for the property division comprises 20% from the northern region (mainly the Light in Penang), 20% from the Southern region, including Sebana Cove, and 60% from the Klang Valley region (including Rimbayu). Post-GST, there appears to be a general softening in demand. The group has 4,900 acres of undeveloped landbank with RM30bn potential GDV. It plans to launch RM3bn worth of property in FY16. Large-scale developments such as The Light Phase 2, Bandar Rimbayu, Pantai Sentral Park, Seremban 2 and Sebana Cove could continue to be the key drivers, on top of the healthy unbilled sales of RM1.7bn at end-FY15.

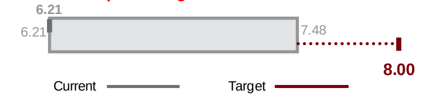
Potential catalysts

We continue to expect IJM to be among the earlier winners of MRT 2 above-ground packages, the award of which should begin in 1H16. Other potential catalysts could be other medium-sized domestic building jobs.



Source: Bloomberg

52-week share price range



Financial Summary

	Mar-14A	Mar-15A	Mar-16F	Mar-17F	Mar-18F
Revenue (RMm)	6,006	5,448	8,797	9,020	9,053
Operating EBITDA (RMm)	884	1,027	1,204	1,231	1,280
Net Profit (RMm)	829.6	480.9	673.0	696.9	732.6
Core EPS (RM)	0.37	0.27	0.38	0.39	0.41
Core EPS Growth	13.3%	(26.9%)	39.9%	3.6%	5.1%
FD Core P/E (x)	16.83	20.24	16.45	15.89	15.11
DPS (RM)	0.25	0.15	0.17	0.18	0.18
Dividend Yield	4.03%	2.42%	2.74%	2.90%	2.90%
EV/EBITDA (x)	15.88	15.52	13.16	12.79	12.22
P/FCFE (x)	46.84	16.67	18.50	42.11	48.77
Net Gearing	37.7%	44.8%	52.4%	50.8%	48.9%
P/BV (x)	1.22	1.30	1.58	1.55	1.51
ROE	10.5%	6.3%	8.7%	9.9%	10.1%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.88	0.82	0.80

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Mar-15A	Mar-16F	Mar-17F	Mar-18F
Total Net Revenues	**5,448**	**8,797**	**9,020**	**9,053**
Gross Profit	**1,681**	**8,797**	**9,020**	**9,053**
Operating EBITDA	**1,027**	**1,204**	**1,231**	**1,280**
Depreciation And Amortisation	(258)	(94)	(95)	(96)
Operating EBIT	**769**	**1,110**	**1,136**	**1,184**
Financial Income/(Expense)	22	(237)	(255)	(261)
Pretax Income/(Loss) from Assoc.	47	51	56	62
Non-Operating Income/(Expense)	182	0	0	0
Profit Before Tax (pre-EI)	**1,019**	**924**	**937**	**985**
Exceptional Items	0	0	0	0
Pre-tax Profit	**1,019**	**924**	**937**	**985**
Taxation	(306)	(239)	(225)	(233)
Exceptional Income - post-tax				
Profit After Tax	**713**	**686**	**712**	**751**
Minority Interests	(232)	(13)	(16)	(19)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**481**	**673**	**697**	**733**
Recurring Net Profit	481	673	697	733
Fully Diluted Recurring Net Profit	**481**	**673**	**697**	**733**

Balance Sheet

(RMm)	Mar-15A	Mar-16F	Mar-17F	Mar-18F
Total Cash And Equivalents	1,819	1,728	1,641	1,559
Total Debtors	2,424	2,376	2,328	2,282
Inventories	784	979	1,004	1,007
Total Other Current Assets	6,156	6,218	6,280	6,343
Total Current Assets	**11,183**	**11,300**	**11,253**	**11,191**
Fixed Assets	1,727	1,752	1,778	1,804
Total Investments	1,310	1,316	1,322	1,329
Intangible Assets	86	61	61	61
Total Other Non-Current Assets	5,425	5,477	5,530	5,583
Total Non-current Assets	**8,548**	**8,607**	**8,692**	**8,777**
Short-term Debt	1,989	1,910	1,833	1,760
Current Portion of Long-Term Debt	0			
Total Creditors	2,279	4,174	4,271	4,283
Other Current Liabilities	32	32	32	32
Total Current Liabilities	**4,300**	**6,116**	**6,136**	**6,075**
Total Long-term Debt	4,158	4,075	3,993	3,914
Hybrid Debt - Debt Component	0			
Total Other Non-Current Liabilities	1,614	1,598	1,582	1,566
Total Non-current Liabilities	**5,772**	**5,672**	**5,575**	**5,479**
Total Provisions	0	0	0	0
Total Liabilities	**10,072**	**11,789**	**11,711**	**11,554**
Shareholders' Equity	8,513	6,995	7,133	7,335
Minority Interests	1,146	1,123	1,101	1,079
Total Equity	**9,659**	**8,118**	**8,234**	**8,414**

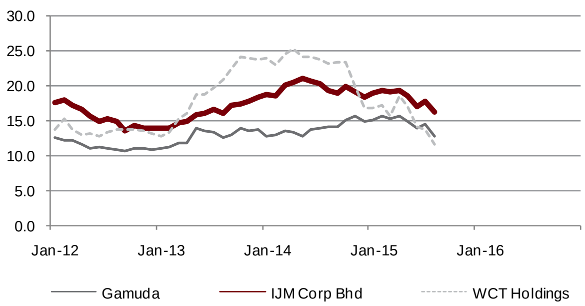
Cash Flow

(RMm)	Mar-15A	Mar-16F	Mar-17F	Mar-18F
EBITDA	1,027	1,204	1,231	1,280
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(817)	(865)	(634)	(692)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	41	41	41	41
Net Interest (Paid)/Received	(205)	(237)	(255)	(261)
Tax Paid	(199)	(219)	(235)	(228)
Cashflow From Operations	**(152)**	**(76)**	**148**	**139**
Capex	(56)	(56)	(56)	(56)
Disposals Of FAs/subsidiaries	280	270	105	83
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**224**	**214**	**49**	**26**
Debt Raised/(repaid)	512	461	66	61
Proceeds From Issue Of Shares	0	0	0	0
Shares Repurchased	0	0	0	0
Dividends Paid	(52)	(52)	(52)	(52)
Preferred Dividends				
Other Financing Cashflow	(721)	(638)	(297)	(257)
Cash Flow From Financing	**(261)**	**(228)**	**(283)**	**(248)**
Total Cash Generated	(189)	(91)	(86)	(82)
Free Cashflow To Equity	**584**	**598**	**263**	**227**
Free Cashflow To Firm	**296**	**391**	**466**	**440**

Key Ratios

	Mar-15A	Mar-16F	Mar-17F	Mar-18F
Revenue Growth	(9.3%)	61.5%	2.5%	0.4%
Operating EBITDA Growth	16.2%	17.2%	2.3%	3.9%
Operating EBITDA Margin	18.9%	13.7%	13.6%	14.1%
Net Cash Per Share (RM)	(2.43)	(2.39)	(2.35)	(2.31)
BVPS (RM)	4.77	3.92	4.00	4.11
Gross Interest Cover	3.17	4.38	4.21	4.33
Effective Tax Rate	30.0%	25.8%	24.0%	23.7%
Net Dividend Payout Ratio	43.0%	30.7%	29.7%	28.2%
Accounts Receivables Days	208.2	99.9	95.2	92.9
Inventory Days	70.5	N/A	N/A	N/A
Accounts Payables Days	205	N/A	N/A	N/A
ROIC (%)	5.5%	7.8%	9.0%	9.3%
ROCE (%)	6.8%	7.5%	8.2%	8.5%
Return On Average Assets	3.62%	4.65%	4.86%	5.07%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Mar-15A	Mar-16F	Mar-17F	Mar-18F
Outstanding Orderbook	6,000	6,000	6,000	6,000
Order Book Depletion	N/A	N/A	N/A	N/A
Orderbook Replenishment	4,000	1,500	1,000	1,000
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

Malaysian Resources Corp

MRC MK / MYRS.KL

Market Cap	Avg Daily Turnover	Free Float
US$425.9m	US$0.44m	48.6%
RM1,715m	RM1.67m	1,783 m shares

Current	RM0.96
Target	RM1.27
Prev. Target	RM1.70
Up/Downside	32.3%

STOCK RATING
ADD
HOLD
REDUCE

CIMB Analyst(s)
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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-8.9	-17.3	-30.5
Absolute	-15.1	-27.8	-43.5

Major shareholders	% held
EPF	38.9
Gapurna Sdn Bhd	12.5

Still throwing up value

MRCB's construction prospects remain positive, although there is a lack of visibility beyond the next six months, in our view. Potential new infra jobs rely on the group securing LRT and MRT contracts, the chances of which are fairly good. The stock still offers value.

We retain our FY15-17 EPS forecasts. We pare down RNAV as we update for outstanding land bank and use the market value of 32%-owned MQREIT instead of the estimated total NAV previously. Our target price reduces as we raise our RNAV discount from 20% to 30% to reflect job visibility over the shorter term. Maintain Add.

Reviving construction

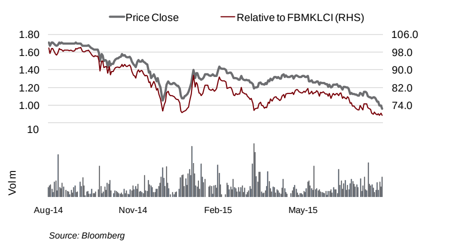
We expect the revival of MRCB's construction division to continue this year. Potential growth of the group's over RM1.5bn external outstanding order book is backed by RM2bn worth of domestic jobs in tender, most of which are infra-related. Investors should keep an eye on the Aug-Sep announcement of the PDP role for the RM9bn LRT 3 as MRCB is among the seven finalists for that role through its JV with George Kent. With 6% PDP fees and assuming the entire RM9bn is under the PDP scheme, this translates into a total net profit of up to RM540m over five years or RM108m p.a., given there are no project delays. Other potential jobs include MRT 2 viaduct packages, which will begin tendering in end-2015. MRCB could also be vying for more environmental engineering-type projects, such as river rehabilitation, which offer relatively better margins compared to pure open tender contracts.

RM20bn outstanding GDV

Despite the challenging property market, MRCB's property earnings are backed by RM4.7bn worth of planned launches in 2015 against an outstanding GDV of RM20bn over the longer term. Unbilled sales stood at RM1.8bn as at 1Q15. Property launches in 2H15 are mainly focused on residential units for 9 Seputeh, Sentral Residences and Burwood.

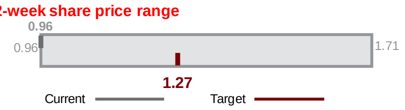
Value play

The stock has fallen 21% from its high of RM1.46 this year and now trades at a steep 47% discount to its RNAV. It offers value as the group continues to scout for more land bank in the Klang Valley. In the medium term, key re-rating catalysts for the stock are likely to be construction-driven, backed by the sustained momentum of positive sector news flow from the announcement of the 11th Malaysia Plan (11MP).



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	941	1,515	1,809	1,954	2,110
Operating EBITDA (RMm)	(78.3)	110.1	246.8	292.6	313.2
Net Profit (RMm)	(110.1)	136.5	87.3	119.0	129.4
Core EPS (RM)	(0.062)	0.033	0.049	0.067	0.073
Core EPS Growth	(240%)	NA	48%	36%	9%
FD Core P/E (x)	NA	29.04	19.62	14.38	13.23
DPS (RM)	0.024	0.025	0.030	0.030	0.030
Dividend Yield	2.50%	2.60%	3.13%	3.13%	3.13%
EV/EBITDA (x)	NA	42.94	17.53	14.67	13.30
P/FCFE (x)	NA	NA	12.71	12.15	8.99
Net Gearing	168%	181%	135%	140%	144%
P/BV (x)	1.02	1.08	0.93	0.98	0.97
ROE	(7.12%)	3.61%	5.08%	6.63%	7.39%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.94	0.91	0.93

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**1,515**	**1,809**	**1,954**	**2,110**
Gross Profit	**1,515**	**1,809**	**1,954**	**2,110**
Operating EBITDA	**110**	**247**	**293**	**313**
Depreciation And Amortisation	(54)	(59)	(64)	(69)
Operating EBIT	**57**	**188**	**229**	**244**
Financial Income/(Expense)	86	(41)	(38)	(34)
Pretax Income/(Loss) from Assoc.	(24)	(14)	(15)	(15)
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**118**	**133**	**176**	**195**
Exceptional Items	102	0	0	0
Pre-tax Profit	**221**	**133**	**176**	**195**
Taxation	(53)	(31)	(40)	(45)
Exceptional Income - post-tax				
Profit After Tax	**167**	**102**	**137**	**150**
Minority Interests	(31)	(15)	(18)	(21)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**136**	**87**	**119**	**129**
Recurring Net Profit	59	87	119	129
Fully Diluted Recurring Net Profit	**59**	**87**	**119**	**129**

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	664	677	711	746
Total Debtors	1,315	1,183	1,065	958
Inventories	43	43	43	43
Total Other Current Assets	868	886	903	921
Total Current Assets	**2,890**	**2,789**	**2,722**	**2,668**
Fixed Assets	230	235	239	244
Total Investments	949	908	869	832
Intangible Assets	269	269	269	269
Total Other Non-Current Assets	2,302	2,284	2,265	2,247
Total Non-current Assets	**3,750**	**3,695**	**3,643**	**3,592**
Short-term Debt	1,391	991	991	991
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	1,152	1,129	1,106	1,084
Other Current Liabilities	15	15	15	15
Total Current Liabilities	**2,557**	**2,134**	**2,111**	**2,089**
Total Long-term Debt	1,235	1,235	1,235	1,235
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,179	1,179	1,179	1,179
Total Non-current Liabilities	**2,414**	**2,414**	**2,414**	**2,414**
Total Provisions	0	0	0	0
Total Liabilities	**4,971**	**4,548**	**4,525**	**4,503**
Shareholders' Equity	1,590	1,843	1,745	1,758
Minority Interests	79	94	94	0
Total Equity	**1,669**	**1,936**	**1,839**	**1,758**

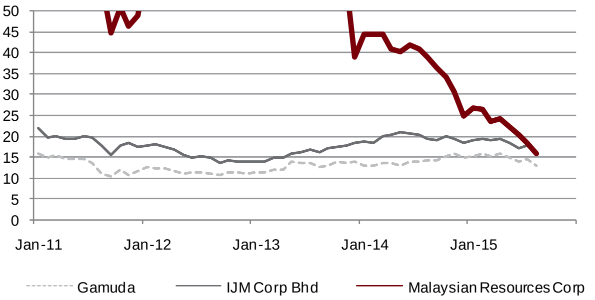
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	110.1	246.8	292.6	313.2
Cash Flow from Invt. & Assoc.				
Change In Working Capital	22.3	64.2	27.9	48.8
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(3.3)	(1.5)	(8.9)	(5.1)
Cashflow From Operations	**129.1**	**309.5**	**311.6**	**356.9**
Capex	(10.0)	(10.0)	(10.0)	(10.0)
Disposals Of FAs/subsidiaries	2.5	6.5	10.7	14.9
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(175.0)	(171.4)	(171.4)	(171.4)
Cash Flow From Investing	**(182.5)**	**(174.9)**	**(170.7)**	**(166.5)**
Debt Raised/(repaid)	0.0	0.0	0.0	0.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(17.6)	(21.1)	(21.1)	(21.1)
Preferred Dividends				
Other Financing Cashflow	128.4	(100.3)	(86.0)	(133.9)
Cash Flow From Financing	**110.8**	**(121.4)**	**(107.2)**	**(155.0)**
Total Cash Generated	57.5	13.2	33.7	35.4
Free Cashflow To Equity	**(53.3)**	**134.6**	**140.9**	**190.4**
Free Cashflow To Firm	**(53.3)**	**134.6**	**140.9**	**190.4**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	61.0%	19.4%	8.0%	8.0%
Operating EBITDA Growth	NA	124%	19%	7%
Operating EBITDA Margin	7.3%	13.6%	15.0%	14.8%
Net Cash Per Share (RM)	(1.69)	(1.46)	(1.44)	(1.42)
BVPS (RM)	0.89	1.03	0.98	0.99
Gross Interest Cover	0.33	1.91	2.33	2.48
Effective Tax Rate	24.2%	23.1%	22.4%	22.9%
Net Dividend Payout Ratio	51.4%	24.2%	17.7%	16.3%
Accounts Receivables Days	236.5	251.8	210.4	174.9
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	1.52%	4.88%	6.10%	6.67%
ROCE (%)	5.91%	4.64%	5.60%	6.08%
Return On Average Assets	(0.32%)	2.18%	2.72%	2.92%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	2,925	3,415	3,705	3,995
Order Book Depletion	N/A	510	510	510
Orderbook Replenishment	350	1,000	800	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

Mudajaya Group

MDJ MK / MJYA.KL

Market Cap	Avg Daily Turnover	Free Float
US$126.3m	US$0.07m	43.8%
RM508.8m	RM0.25m	552.4 m shares

Current	RM0.95
Target	RM0.88
Prev. Target	RM1.22
Up/Downside	-7.2%

STOCK RATING

ADD

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-18.8	-22.0	-48.1
Absolute	-25.0	-32.5	-61.1

Major shareholders	% held
Dataran Sentral (M) Sdn Bhd	24.3
Mulpha Infrastructure Holdings Sdn Bhd	22.0
Lembaga Tabung Haji	10.0

Depressed by uncertainties

Despite Mudajaya's low valuations, we fail to see any silver lining over the months ahead. The depleting order book without more wins YTD only means more downside risks to earnings. This is on top of the further delays in the commissioning of the Indian IPP.

We retain our EPS forecasts but flag downside risks to earnings if progress billings substantially weaken in the quarters ahead. We cut our target price as we raise the RNAV discount from 40% to 50% to reflect the deteriorating outlook and lack of catalysts in the medium term. Maintain Reduce. Switch to Gamuda.

Weaker job visibility

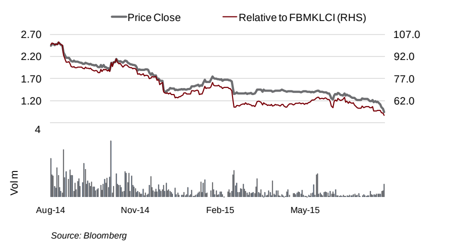
Mudajaya's outstanding order book is running low, estimated to be c.RM600m compared to over RM1bn 12 months ago. YTD, there has been very little news about the RM5bn in total domestic jobs the company has been targeting for. Management concurred with our view that the main reason for this was that the bulk of the tender book comprised of highway and power plant projects, which are being delayed. This ties in with our analysis that progress in these two segments will only be seen sometime in the later part of 2016. The company could still secure other smaller contracts but it may not be able to achieve the targeted RM500m total wins for this year. The depleting order book and risk of further delays in getting new jobs underpin our 9% EPS decline for FY16. Our RM1bn total wins target for FY16 and RM800m assumed for FY17 look untenable.

Delayed new associate income

The persistent delays in the commissioning of the 26%-owned 1,440MW coal-fired power plant in Chhattisgarh, India, could further delay earnings recovery due to the absence of new associate income. Although a temporary solution to the logistics of transporting coal was achieved, there were indications that the original power purchase agreement (PPA) with the state electricity board could be revised. In our view, there is still the risk that Mudajaya fails to fire up its power within 1H16.

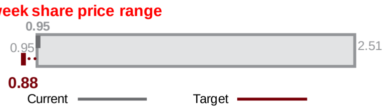
Lack of a silver lining

At this juncture, we believe Mudajaya's journey towards recovery could take a detour, dragged by a less aggressive strategy to turn around its property division and the longer gestation period required for its smaller IPP ventures in the region to make meaningful contributions to profit.



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	1,536	1,043	1,058	1,033	1,136
Operating EBITDA (RMm)	202.6	(46.0)	64.2	58.8	68.8
Net Profit (RMm)	151.2	(71.2)	49.4	44.9	52.0
Core EPS (RM)	0.29	(0.13)	0.09	0.08	0.09
Core EPS Growth	(34%)	(145%)	NA	(9%)	16%
FD Core P/E (x)	3.31	NA	10.52	11.54	9.96
DPS (RM)	0.090	0.060	0.040	0.045	0.050
Dividend Yield	9.52%	6.35%	4.23%	4.76%	5.29%
EV/EBITDA (x)	(1.07)	NA	6.97	14.38	12.27
P/FCFE (x)	9.73	3.45	2.52	12.98	20.00
Net Gearing	(3.3%)	25.4%	25.2%	26.1%	26.5%
P/BV (x)	0.43	0.47	0.48	0.47	0.45
ROE	13.5%	(6.2%)	4.5%	4.1%	4.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.45	0.92	0.77

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**1,043**	**1,058**	**1,033**	**1,136**
Gross Profit	**(46)**	**64**	**59**	**69**
Operating EBITDA	**(46)**	**64**	**59**	**69**
Depreciation And Amortisation	(15)	(7)	(7)	(7)
Operating EBIT	**(61)**	**57**	**52**	**62**
Financial Income/(Expense)	(10)	(10)	(19)	(19)
Pretax Income/(Loss) from Assoc.	3	12	14	12
Non-Operating Income/(Expense)	4	0	0	0
Profit Before Tax (pre-EI)	**(63)**	**59**	**47**	**54**
Exceptional Items	0	0	0	0
Pre-tax Profit	**(63)**	**59**	**47**	**54**
Taxation	(8)	(15)	(7)	(8)
Exceptional Income - post-tax				
Profit After Tax	**(71)**	**44**	**40**	**46**
Minority Interests	0	5	5	6
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**(71)**	**49**	**45**	**52**
Recurring Net Profit	(71)	49	45	52
Fully Diluted Recurring Net Profit	**(71)**	**49**	**45**	**52**

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	138	139	146	153
Total Debtors	784	730	723	737
Inventories	6	6	7	7
Total Other Current Assets	0	0	0	0
Total Current Assets	**928**	**876**	**876**	**897**
Fixed Assets	141	147	153	160
Total Investments	713	728	742	757
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	60	60	60	60
Total Non-current Assets	**914**	**934**	**956**	**977**
Short-term Debt	6	7	7	8
Current Portion of Long-Term Debt				
Total Creditors	339	322	306	290
Other Current Liabilities	1	1	1	1
Total Current Liabilities	**346**	**330**	**314**	**300**
Total Long-term Debt	407	403	423	444
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	4	4	4	4
Total Non-current Liabilities	**411**	**406**	**427**	**448**
Total Provisions	0	0	0	0
Total Liabilities	**757**	**736**	**741**	**748**
Shareholders' Equity	1,102	1,090	1,106	1,143
Minority Interests	(16)	(16)	(16)	(16)
Total Equity	**1,086**	**1,074**	**1,090**	**1,127**

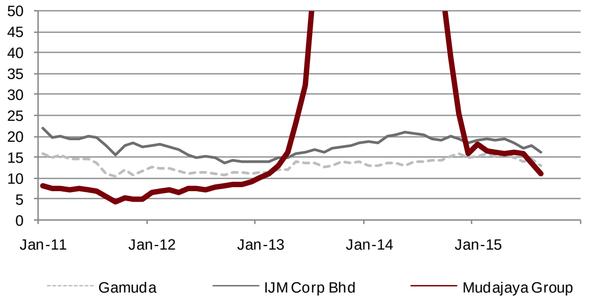
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	(46.0)	64.2	58.8	68.8
Cash Flow from Invt. & Assoc.				
Change In Working Capital	125.9	67.5	6.3	(18.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	(5.5)	(2.5)	0.5	3.5
Net Interest (Paid)/Received	(18.6)	(21.0)	(30.0)	(30.0)
Tax Paid	(19.3)	(14.7)	(7.0)	(8.2)
Cashflow From Operations	**36.6**	**93.6**	**28.6**	**16.2**
Capex	(36.1)	(36.1)	(36.1)	(36.1)
Disposals Of FAs/subsidiaries	7.1	7.1	7.1	7.1
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	(156.4)	(158.0)	(159.6)	(161.3)
Cash Flow From Investing	**(185.5)**	**(187.1)**	**(188.7)**	**(190.3)**
Debt Raised/(repaid)	300.0	300.0	200.0	200.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(52.1)	(52.1)	(52.1)	(52.1)
Preferred Dividends				
Other Financing Cashflow	(28.8)	(153.0)	19.1	33.5
Cash Flow From Financing	**219.1**	**94.9**	**167.0**	**181.4**
Total Cash Generated	70.2	1.4	7.0	7.3
Free Cashflow To Equity	**151.1**	**206.5**	**39.9**	**25.9**
Free Cashflow To Firm	**(130.3)**	**(72.5)**	**(130.1)**	**(144.1)**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	(32.1%)	1.5%	(2.3%)	10.0%
Operating EBITDA Growth	(123%)	NA	(8%)	17%
Operating EBITDA Margin	(4.4%)	6.1%	5.7%	6.1%
Net Cash Per Share (RM)	(0.50)	(0.49)	(0.52)	(0.55)
BVPS (RM)	1.99	1.99	2.02	2.08
Gross Interest Cover	(3)	3	2	2
Effective Tax Rate	0.0%	25.0%	15.0%	15.0%
Net Dividend Payout Ratio	NA	105%	116%	100%
Accounts Receivables Days	245.5	250.7	257.4	234.6
Inventory Days	1.97	2.35	2.43	2.23
Accounts Payables Days	129.2	121.3	117.8	101.9
ROIC (%)	(14%)	9%	8%	10%
ROCE (%)	(3.8%)	4.6%	4.2%	4.7%
Return On Average Assets	(3.5%)	3.0%	3.2%	3.5%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	1,200	800	900	800
Order Book Depletion	900	900	900	900
Orderbook Replenishment	55	500	1,000	800
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

Muhibbah Engineering

MUHI MK / MUHI.KL

Market Cap	Avg Daily Turnover	Free Float
US$218.5m	US$0.50m	72.5%
RM879.8m	RM1.86m	402.3 m shares

Current	RM1.88
Target	RM3.06
Prev. Target	RM3.06
Up/Downside	62.8%

STOCK RATING

ADD

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-9.5	-14.3	-27.5
Absolute	-15.7	-24.8	-40.5

Major shareholders	% held
Mac Ngan Boon	17.0
Lembaga Tabung Haji	10.6

Rapidly scoring jobs

Muhibbah's order book growth outlook in 2H15 and 2016 remains promising. Infra-type job wins have been in a steady recovery phase since 2004, with potentially more to come in the months ahead, backed by the group's RM4bn-5bn jobs in tender, mainly in Petronas's Rapid.

Our EPS forecasts are unchanged, as is our target price which remains pegged to a 30% RNAV discount. Muhibbah remains an Add and our preferred small/mid-cap pick for its niche exposure to domestic oil & gas/marine and port infra works.

Specialised contractor

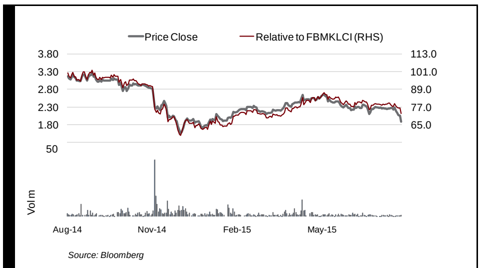
We continue to like Muhibbah for: 1) its niche exposure to the less competitive specialised downstream oil & gas infra segment that offers relatively better profit margins compared to the pure open tender jobs. The group is a direct beneficiary of Petronas's downstream capex for the world's largest refinery and petrochemical facility – Rapid in south Johor; and 2) infrastructure or civil works for the marine/port-related projects also provide good order book growth potential.

Recovering job flows

Its YTD total wins are RM555m, close to our RM600m forecast for total infra wins for FY15. With a tender book of RM4bn-5bn over the next 12-18 months and expectations of more potential job awards in 2H15, total infra wins could rise to as much as RM1bn this year, exceeding our estimate. Muhibbah has so far secured two jobs in Rapid worth a combined RM274m against our forecast of RM1bn over the next 1-2 years. The latest project awarded to Muhibbah was a civil, concrete and building package relating to an EPCC package undertaken by TTCL for the construction of a steam cracker complex. This underscores Muhibbah's technical competencies in specialised subcontract works.

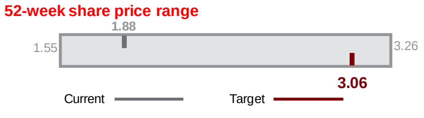
Accumulate ahead of good news flow

The stock is trading at an undemanding CY15-16 P/E of c.8x, the cheapest in the sector. Through its cranes business (Favelle Favco) and Cambodian airport concessions, the group is a beneficiary of the strong US$ given its US$-based export earnings, which make up at least 50% of EBIT. The group could be among the pre-qualifiers for MRT 2 elevated civil works, for which tenders will begin in 4Q15, and it has spare capacity to undertake new highway jobs such as subcontract works for the West Coast Expressway (WCE).



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	1,900	1,693	1,807	1,988	2,187
Operating EBITDA (RMm)	103.4	170.3	230.6	255.2	280.2
Net Profit (RMm)	85.2	81.6	94.2	98.7	112.8
Core EPS (RM)	0.21	0.20	0.23	0.25	0.28
Core EPS Growth	NA	(4.2%)	15.4%	4.7%	14.4%
FD Core P/E (x)	8.88	9.27	8.03	7.67	6.70
DPS (RM)	0.045	0.040	0.045	0.055	0.060
Dividend Yield	2.39%	2.13%	2.39%	2.93%	3.19%
EV/EBITDA (x)	11.68	8.06	5.73	5.20	4.58
P/FCFE (x)	3.11	2.29	2.22	2.30	1.78
Net Gearing	59.2%	73.8%	65.0%	59.0%	51.9%
P/BV (x)	NA	NA	NA	NA	28.63
ROE	14.5%	13.5%	14.6%	15.2%	16.9%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.03	1.00	0.98

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**1,693**	**1,807**	**1,988**	**2,187**
Gross Profit	**1,693**	**1,807**	**1,988**	**2,187**
Operating EBITDA	**170**	**231**	**255**	**280**
Depreciation And Amortisation	(60)	(62)	(64)	(66)
Operating EBIT	**110**	**168**	**191**	**214**
Financial Income/(Expense)	(13)	(48)	(58)	(60)
Pretax Income/(Loss) from Assoc.	48	46	52	53
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**145**	**166**	**185**	**207**
Exceptional Items	0	0	0	0
Pre-tax Profit	**145**	**166**	**185**	**207**
Taxation	(34)	(39)	(50)	(57)
Exceptional Income - post-tax				
Profit After Tax	**112**	**127**	**135**	**150**
Minority Interests	(30)	(33)	(36)	(37)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**82**	**94**	**99**	**113**
Recurring Net Profit	82	94	99	113
Fully Diluted Recurring Net Profit	**82**	**94**	**99**	**113**

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	601	607	595	601
Total Debtors	1,334	1,332	1,345	1,359
Inventories	226	233	240	247
Total Other Current Assets	13	13	13	13
Total Current Assets	**2,173**	**2,184**	**2,192**	**2,219**
Fixed Assets	725	732	739	747
Total Investments	236	238	241	243
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	31	31	31	31
Total Non-current Assets	**992**	**1,001**	**1,011**	**1,021**
Short-term Debt	379	375	372	368
Current Portion of Long-Term Debt	0			
Total Creditors	966	956	947	937
Other Current Liabilities	828	844	836	844
Total Current Liabilities	**2,173**	**2,176**	**2,154**	**2,149**
Total Long-term Debt	69	69	69	69
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	62	62	62	62
Total Non-current Liabilities	**131**	**131**	**130**	**131**
Total Provisions	0	0	0	0
Total Liabilities	**2,304**	**2,307**	**2,285**	**2,280**
Shareholders' Equity	644	645	650	688
Minority Interests	217	233	269	272
Total Equity	**861**	**879**	**919**	**960**

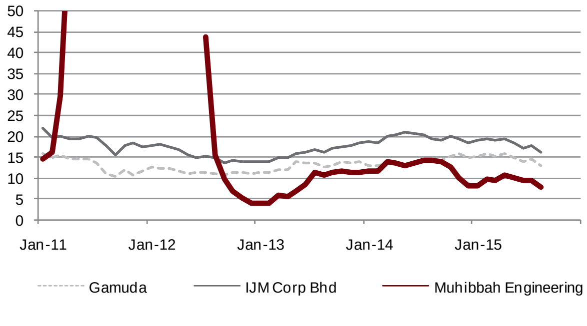
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	170.3	230.6	255.2	280.2
Cash Flow from Invt. & Assoc.	40.8	45.9	51.6	57.9
Change In Working Capital	46.7	11.2	15.1	15.0
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	1.0	1.0	1.0	1.0
Net Interest (Paid)/Received	(39.4)	(47.8)	(57.7)	(60.4)
Tax Paid	(8.9)	(8.4)	(8.6)	0.0
Cashflow From Operations	**210.5**	**232.4**	**256.6**	**293.8**
Capex	(67.0)	(67.0)	(67.0)	(67.0)
Disposals Of FAs/subsidiaries	19.3	19.3	19.3	80.0
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	107.5	107.5	107.5	107.5
Cash Flow From Investing	**59.8**	**59.8**	**59.8**	**120.5**
Debt Raised/(repaid)	60.5	48.1	12.4	10.5
Proceeds From Issue Of Shares	4.4	4.1	4.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(22.1)	(26.1)	(38.2)	(38.2)
Preferred Dividends				
Other Financing Cashflow	(138.5)	(312.3)	(306.7)	(380.6)
Cash Flow From Financing	**(95.8)**	**(286.2)**	**(328.5)**	**(408.3)**
Total Cash Generated	174.6	6.0	(12.1)	5.9
Free Cashflow To Equity	**330.8**	**340.4**	**328.8**	**424.8**
Free Cashflow To Firm	**317.2**	**349.5**	**385.3**	**488.1**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	(10.9%)	6.8%	10.0%	10.0%
Operating EBITDA Growth	64.7%	35.4%	10.7%	9.8%
Operating EBITDA Margin	10.1%	12.8%	12.8%	12.8%
Net Cash Per Share (RM)	(1.58)	(1.42)	(1.35)	(1.24)
BVPS (RM)	(0.36)	(0.22)	(0.12)	0.07
Gross Interest Cover	4.76	2.94	2.77	2.90
Effective Tax Rate	23.2%	23.5%	27.2%	27.7%
Net Dividend Payout Ratio	24.7%	24.6%	32.5%	3.3%
Accounts Receivables Days	106.7	117.2	107.9	98.8
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	23.9%	31.5%	35.4%	36.6%
ROCE (%)	6.5%	8.6%	9.8%	11.1%
Return On Average Assets	4.27%	5.51%	6.02%	6.51%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	2,100	2,200	2,300	2,300
Order Book Depletion	N/A	N/A	N/A	N/A
Orderbook Replenishment	600	600	1,000	1,000
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

Salcon

SALC MK / SLCN.KL

Market Cap	Avg Daily Turnover	Free Float
US$108.8m	US$0.73m	82.7%
RM438.3m	RM2.74m	674.6 m shares

Current	RM0.65
Target	RM1.30
Prev. Target	RM1.30
Up/Downside	99.3%

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-8.8	-15.2	-14.0
Absolute	-15.0	-25.7	-27.0

Major shareholders	% held
Naga Muhibbah Sdn Bhd	11.0
Havenport	6.3

High-upside play

Salcon continues to exhibit the qualities of its bigger peers in their early years of M&A and is positioned strongly in two major segments that drive the domestic construction space. The stock offers high-upside potential for investors positioning for a possible rebound in small caps in 2H15.

Salcon's rail-based fibre optic asset, through 50.1%-owned VBT, is a concession that is still in its infancy but offers prospects of dominating the captive rail transport segment. We retain our EPS forecasts and target price, which remains pegged to a 20% discount to RNAV. We maintain our Add call, with job wins and VBT's new contracts as potential catalysts.

Attractive turnaround angle

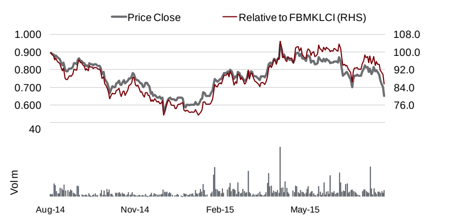
Salcon could emerge as one of the major beneficiaries of the ongoing water/wastewater-related expenditure under the 11th Malaysia Plan (11MP), backed by its domestic tender book of RM1.3bn. It offers a unique indirect exposure to the growth of rail public transport through its new recurring income venture. The group has already secured its first-mover advantage through VBT, which could shape up to be a big player domestically, given its ownership of rail rights-of-way. Potential new ventures in the property sector via partnerships with Eco World are an added vantage.

Multiple catalysts in the medium term

In the next 6-9 months, likely catalysts include 1) recovery in selected small-cap plays that offer recovering fundamentals, 2) Salcon securing more domestic projects, backed by water infrastructure plans under the 11th Malaysia Plan (11MP), and the backlog of water and sewerage projects, 3) VBT securing its maiden contracts with telco operators, 4) VBT scaling up its fibre optic asset concession on rail to include other variations of revenue generation, and the likely extension of the concession to cover MRT lines, 5) Salcon securing more landbanks as it leverages its partnership with Eco World, 6) new overseas water jobs, and 7) management delivering on its commitment to pay higher dividends.

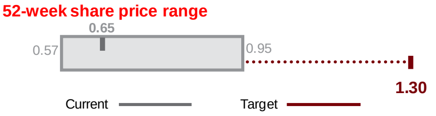
Share price presents buying opportunity

We believe that any weaknesses in Salcon's share price presents a buying opportunity, as the newflow in 2H15 is likely to be good. The stock trades at a steep 60% discount to its RNAV vs. 44% for the overall sector. Net cash constitutes 47% of its market cap (1QFY15 NCPS: 25.2 sen), backed by its 3-year EPS CAGR of 76%.



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	164.6	201.9	202.6	255.2	298.4
Operating EBITDA (RMm)	(27.84)	(9.01)	10.80	34.04	50.73
Net Profit (RMm)	24.94	4.51	5.72	22.37	29.10
Core EPS (RM)	(0.098)	(0.057)	0.008	0.033	0.043
Core EPS Growth	(1084%)	(42%)	NA	291%	30%
FD Core P/E (x)	NA	NA	77.74	19.86	15.27
DPS (RM)	0.030	0.030	0.030	0.030	0.035
Dividend Yield	4.62%	4.62%	4.62%	4.62%	5.38%
EV/EBITDA (x)	NA	NA	15.89	3.59	2.08
P/FCFE (x)	NA	5.71	NA	15.84	15.75
Net Gearing	(16.1%)	(31.1%)	(44.5%)	(48.5%)	(47.6%)
P/BV (x)	0.88	0.80	0.80	0.73	0.68
ROE	(14.5%)	(7.3%)	1.0%	3.8%	4.6%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)					

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**201.9**	**202.6**	**255.2**	**298.4**
Gross Profit	**26.4**	**30.4**	**40.8**	**50.7**
Operating EBITDA	**(9.0)**	**10.8**	**34.0**	**50.7**
Depreciation And Amortisation	(4.6)	(4.8)	(5.2)	(5.5)
Operating EBIT	**(13.6)**	**6.0**	**28.9**	**45.2**
Financial Income/(Expense)	7.2	3.4	7.1	7.7
Pretax Income/(Loss) from Assoc.	3.4	3.2	3.1	3.9
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0
Profit Before Tax (pre-EI)	**(3.0)**	**12.6**	**39.1**	**56.8**
Exceptional Items				
Pre-tax Profit	**(3.0)**	**12.6**	**39.1**	**56.8**
Taxation	(3.7)	(3.8)	(9.7)	(14.2)
Exceptional Income - post-tax	43.2			
Profit After Tax	**36.5**	**8.8**	**29.3**	**42.6**
Minority Interests	(32.0)	(3.1)	(6.9)	(13.5)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**4.5**	**5.7**	**22.4**	**29.1**
Recurring Net Profit	(38.7)	5.7	22.4	29.1
Fully Diluted Recurring Net Profit	**(38.7)**	**5.7**	**22.4**	**29.1**

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	303	343	388	401
Total Debtors	212	182	179	179
Inventories	146	142	128	149
Total Other Current Assets	143	1	1	1
Total Current Assets	**804**	**668**	**695**	**730**
Fixed Assets	76	80	82	84
Total Investments	36	36	36	36
Intangible Assets	31	31	31	31
Total Other Non-Current Assets	6	6	6	6
Total Non-current Assets	**150**	**154**	**155**	**157**
Short-term Debt	14	13	13	13
Current Portion of Long-Term Debt	0	0	0	0
Total Creditors	194	164	140	134
Other Current Liabilities	2	2	2	2
Total Current Liabilities	**209**	**179**	**155**	**149**
Total Long-term Debt	85	81	77	73
Hybrid Debt - Debt Component	0	0	0	0
Total Other Non-Current Liabilities	0	0	0	0
Total Non-current Liabilities	**85**	**81**	**77**	**73**
Total Provisions	5	5	5	5
Total Liabilities	**299**	**265**	**237**	**227**
Shareholders' Equity	556	554	610	657
Minority Interests	99	3	3	4
Total Equity	**654**	**557**	**614**	**660**

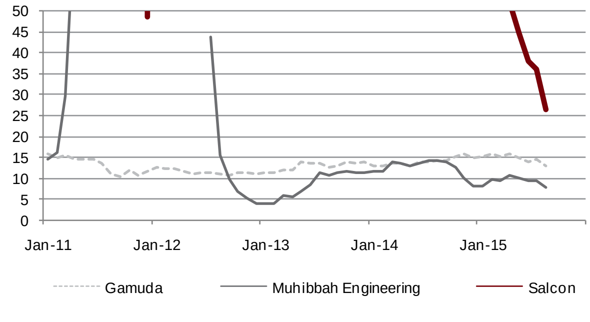
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	(9.0)	10.8	34.0	50.7
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(119.8)	(105.2)	50.6	41.1
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	(66.8)	(30.1)	(31.6)	(34.8)
Other Operating Cashflow	(7.0)	0.0	0.0	0.0
Net Interest (Paid)/Received	7.2	3.4	7.1	7.7
Tax Paid	(3.7)	(3.8)	(9.7)	(14.2)
Cashflow From Operations	**(199.2)**	**(124.9)**	**50.4**	**50.6**
Capex	(18.6)	(3.8)	(1.6)	(1.6)
Disposals Of FAs/subsidiaries	0.1	0.0	0.0	0.0
Acq. Of Subsidiaries/investments	(18.6)	(3.8)	(1.6)	(1.6)
Other Investing Cashflow	244.2	48.5	3.5	3.5
Cash Flow From Investing	**207.2**	**40.9**	**0.3**	**0.3**
Debt Raised/(repaid)	69.9	(22.8)	(22.7)	(22.7)
Proceeds From Issue Of Shares	45.9	0.0	0.0	0.0
Shares Repurchased	(4.0)	0.0	0.0	0.0
Dividends Paid	(65.0)	(20.5)	(20.5)	(23.9)
Preferred Dividends	0.0	0.0	0.0	0.0
Other Financing Cashflow	(84.8)	(98.7)	(102.2)	(140.9)
Cash Flow From Financing	**(38.0)**	**(142.0)**	**(145.4)**	**(187.5)**
Total Cash Generated	(30.0)	(225.9)	(94.6)	(136.7)
Free Cashflow To Equity	**77.9**	**(106.8)**	**28.1**	**28.2**
Free Cashflow To Firm	**9.3**	**(78.8)**	**55.3**	**55.2**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	22.7%	0.4%	25.9%	17.0%
Operating EBITDA Growth	(68%)	NA	215%	49%
Operating EBITDA Margin	(4.5%)	5.3%	13.3%	17.0%
Net Cash Per Share (RM)	0.30	0.36	0.44	0.46
BVPS (RM)	0.81	0.81	0.89	0.96
Gross Interest Cover	(10.51)	1.15	6.39	10.46
Effective Tax Rate	0.0%	30.0%	25.0%	25.0%
Net Dividend Payout Ratio	NA	359%	92%	82%
Accounts Receivables Days	410.9	355.2	258.9	218.7
Inventory Days	179.0	305.1	230.0	203.9
Accounts Payables Days	301.6	247.9	215.0	202.4
ROIC (%)	(1.8%)	1.1%	7.8%	11.9%
ROCE (%)	(0.68%)	2.06%	5.94%	7.84%
Return On Average Assets	(1.13%)	0.71%	2.87%	4.24%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	650	696	746	1,096
Order Book Depletion	220	250	250	250
Orderbook Replenishment	600	300	600	600
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

Sunway Bhd

SWB MK / SWAY.KL

Market Cap	Avg Daily Turnover	Free Float
US$1,488m	US$1.67m	33.7%
RM5,993m	RM6.26m	1,723 m shares

Current	RM3.40
Target	RM4.23
Prev. Target	RM4.23
Up/Downside	24.4%

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	4.2	9.9	22.7
Absolute	-2.0	-0.6	9.7

Major shareholders	% held
Tan Sri Jeffrey Cheah & family	55.4
JP Morgan Chase & Co.	5.8
Amanahraya Trustees	5.1

Riding on its construction story

An improving construction outlook remains Sunway's main story for 2H15 and 2016. Recently-listed SunCon should be well positioned for order book growth, targeting RM2bn in new jobs by end-2015. The group is a strong contender for MRT, LRT and BRT jobs, too.

We retain our EPS forecasts and target price, which remains pegged to a 20% RNAV discount. New landbanking moves will be positive over the longer term while job wins are likely catalysts in the coming months. Add maintained. Investors should also look forward to the potential 25-28 sen special dividends in 2H15 arising from SunCon's IPO.

Good track record

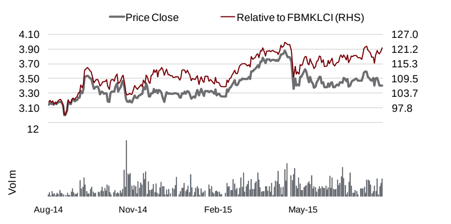
Recently-listed Sunway Construction is the only local contractor with experience in all three rapid transit-type contracts (MRT, LRT, BRT). Track record-wise, it won one of the first MRT 1 elevated packages (RM1.2bn), it is part of the LRT Kelana Jaya line extension project (RM569m) and it completed the niche Bus Rapid Transit (BRT) job (RM453m), which was awarded to the group in 2013. As at June 15, its total outstanding order book stood at RM2.7bn, backed by RM520m in total new jobs secured. With a tender book of up to RM10bn, the group should be able to meet its target for RM2bn in new jobs (30% internal works) by end-2015.

Focused on infra contracts

In our view, SunCon has a fairly good chance of securing large-value infra jobs in 2016. It is among the six finalists for the PDP role of the RM9bn LRT 3. A decision on the winner could be made soon. Apart from the PDP role, SunCon is also vying for the civil works, for which bidding will be open in 1H16. For MRT 2, which will begin tenders in end-15, we believe the group will be among the likely early winners of the viaduct packages, which could be worth RM1bn-1.5bn. For BRT, we expect the next BRT line to be worth RM2bn-3bn due to its longer alignment as it will integrate with LRT 3.

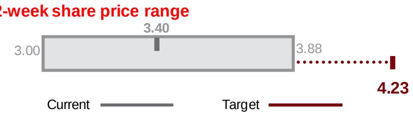
Special dividends from SunCon IPO

Accumulate as we expect potential catalysts for the stock to be more construction-focused in the coming months. A sweetener in 2H15 is the potential special dividends of an estimated 25-28 sen/share from part of the proceeds of the SunCon IPO. This gives Sunway Berhad shareholders a dividend yield of 7-8%.



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	4,721	4,842	4,962	5,029	5,183
Operating EBITDA (RMm)	664.4	588.8	479.2	541.2	564.4
Net Profit (RMm)	1,490	743	610	634	653
Core EPS (RM)	0.28	0.34	0.35	0.37	0.38
Core EPS Growth	31.2%	22.3%	3.0%	4.0%	3.0%
FD Core P/E (x)	12.62	10.24	9.94	9.40	8.97
DPS (RM)	0.10	0.11	0.11	0.12	0.13
Dividend Yield	2.94%	3.24%	3.24%	3.53%	3.82%
EV/EBITDA (x)	9.87	11.92	14.12	12.58	11.72
P/FCFE (x)	13.48	50.32	48.38	24.19	20.48
Net Gearing	31.5%	36.0%	35.0%	36.5%	33.3%
P/BV (x)	1.10	0.99	1.02	1.00	0.94
ROE	11.1%	10.5%	10.4%	11.0%	10.8%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			1.12	1.16	1.15

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**4,842**	**4,962**	**5,029**	**5,183**
Gross Profit	**4,842**	**4,962**	**5,029**	**5,183**
Operating EBITDA	**589**	**479**	**541**	**564**
Depreciation And Amortisation	(114)	(113)	(112)	(118)
Operating EBIT	**475**	**366**	**429**	**447**
Financial Income/(Expense)	(30)	(65)	(43)	(20)
Pretax Income/(Loss) from Assoc.	260	273	279	284
Non-Operating Income/(Expense)	265	238	214	193
Profit Before Tax (pre-EI)	**969**	**812**	**880**	**904**
Exceptional Items	0	0	0	0
Pre-tax Profit	**969**	**812**	**880**	**904**
Taxation	(148)	(125)	(167)	(170)
Exceptional Income - post-tax				
Profit After Tax	**821**	**687**	**712**	**733**
Minority Interests	(78)	(77)	(78)	(81)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**743**	**610**	**634**	**653**
Recurring Net Profit	592	610	634	653
Fully Diluted Recurring Net Profit	**592**	**610**	**634**	**653**

Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	2,022	2,042	1,842	1,824
Total Debtors	1,787	1,769	1,786	1,752
Inventories	598	716	726	748
Total Other Current Assets	1,772	1,282	1,329	1,386
Total Current Assets	**6,179**	**5,810**	**5,684**	**5,711**
Fixed Assets	1,047	990	1,011	1,036
Total Investments	1,510	1,943	2,152	2,365
Intangible Assets	319	319	319	319
Total Other Non-Current Assets	3,861	3,900	3,939	4,018
Total Non-current Assets	**6,737**	**7,152**	**7,421**	**7,739**
Short-term Debt	2,283	2,260	2,215	2,171
Current Portion of Long-Term Debt	0			
Total Creditors	2,172	2,237	2,215	2,170
Other Current Liabilities	21	21	21	21
Total Current Liabilities	**4,476**	**4,518**	**4,450**	**4,362**
Total Long-term Debt	1,502	1,487	1,501	1,471
Hybrid Debt - Debt Component	0			
Total Other Non-Current Liabilities	522	522	522	522
Total Non-current Liabilities	**2,024**	**2,009**	**2,024**	**1,994**
Total Provisions	83	81	81	81
Total Liabilities	**6,583**	**6,608**	**6,555**	**6,436**
Shareholders' Equity	5,945	5,727	5,843	6,226
Minority Interests	389	628	706	786
Total Equity	**6,334**	**6,354**	**6,549**	**7,013**

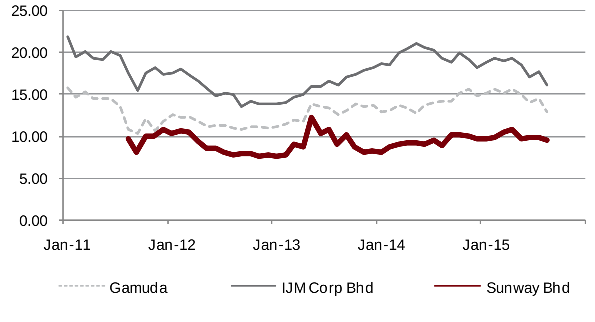
Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	588.8	479.2	541.2	564.4
Cash Flow from Invt. & Assoc.				
Change In Working Capital	(93.6)	(112.4)	(50.5)	(67.0)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	0.0	0.0	0.0	0.0
Net Interest (Paid)/Received	(78.9)	(100.8)	(90.7)	(81.7)
Tax Paid	(121.7)	(125.5)	(167.5)	(170.5)
Cashflow From Operations	**294.6**	**140.4**	**232.5**	**245.3**
Capex	(20.0)	(20.0)	(20.0)	(20.0)
Disposals Of FAs/subsidiaries	160.9	237.3	243.0	248.9
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**140.9**	**217.3**	**223.0**	**228.9**
Debt Raised/(repaid)	(315.0)	(232.4)	(209.2)	(188.3)
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(125.6)	(125.6)	(125.6)	(125.6)
Preferred Dividends				
Other Financing Cashflow	534.6	20.2	(320.5)	(178.3)
Cash Flow From Financing	**93.9**	**(337.9)**	**(655.4)**	**(492.2)**
Total Cash Generated	529.4	19.8	(199.8)	(18.0)
Free Cashflow To Equity	**120.5**	**125.3**	**246.4**	**286.0**
Free Cashflow To Firm	**514.3**	**458.5**	**546.3**	**555.9**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	2.6%	2.5%	1.3%	3.1%
Operating EBITDA Growth	(11%)	(19%)	13%	4%
Operating EBITDA Margin	12.2%	9.7%	10.8%	10.9%
Net Cash Per Share (RM)	(1.32)	(1.29)	(1.39)	(1.36)
BVPS (RM)	3.45	3.32	3.39	3.61
Gross Interest Cover	6.02	3.63	4.73	5.47
Effective Tax Rate	15.3%	15.5%	19.0%	18.9%
Net Dividend Payout Ratio	16.9%	20.6%	19.8%	19.2%
Accounts Receivables Days	119.7	125.9	124.5	119.9
Inventory Days	N/A	N/A	N/A	N/A
Accounts Payables Days	N/A	N/A	N/A	N/A
ROIC (%)	7.7%	5.1%	6.4%	6.5%
ROCE (%)	5.31%	3.75%	4.43%	4.60%
Return On Average Assets	7.1%	5.8%	5.8%	5.7%

12-month Forward Rolling FD P/E (x)



Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	3,000	2,700	2,900	2,600
Order Book Depletion	N/A	1,800	1,800	1,800
Orderbook Replenishment	1,500	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

Construction | Malaysia

August 13, 2015

WCT Holdings

WCTHG MK / WCTE.KL

Market Cap	Avg Daily Turnover	Free Float
US$357.7m	US$0.57m	61.2%
RM1,441m	RM2.15m	1,229 m shares

Current	RM1.20
Target	RM1.26
Prev. Target	RM1.39
Up/Downside	5.1%

STOCK RATING

ADD

HOLD

REDUCE

CIMB Analyst(s)

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Share price info

Share price perf. (%)	1M	3M	12M
Relative	-11.1	-20.9	-34.6
Absolute	-17.3	-31.4	-47.6

Major shareholders	% held
WCT Capital	19.5
Lembaga Tabung Haji	10.1
EPF	9.2

Restrategising for growth

WCT could be in transition as it restrategises its construction and property divisions. The weak property outlook and uncertain timing of the RM1.2bn arbitration payment for a project in Dubai are mitigated by potentially better job flow in 2H15.

We retain our FY15-17 EPS forecasts, although there could be downside risks if property sales flow through slower than expected. Our target price is reduced as we update for outstanding land bank, but still pegged to a 30% discount to RNAV. Maintain Hold. Switch to Muhibbah Engineering.

Construction outshines property

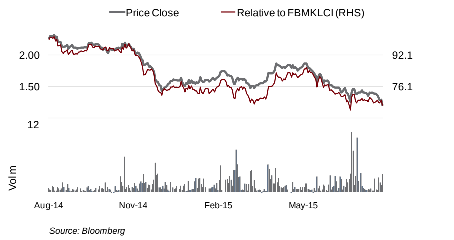
WCT's construction prospects look brighter than its subdued property development division for the rest of 2015. The group has secured RM868m worth of new jobs YTD against its FY15 target of RM2bn total new jobs. All eyes are on 2H15 for more domestic job wins. Its total order book stood at RM3.6bn in 1Q15, of which RM2.6bn were external jobs. On the property side, post-GST property sales still look challenging. 72% of the RM705m targeted launch GDV for FY15 is made up of high-rise products, making it tough to predict the success rate for the RM650m targeted sales in FY15 due to more selective demand post-GST. Property earnings are backed by RM650m unbilled sales at end-1Q15.

REIT in 2016?

There have yet to be major developments about the group's plans to undertake a REIT exercise for its property investments assets. The assets earmarked for a REIT deal are PJ Paradigm and Bukit Tinggi AEON malls (total 1.7m sq ft NLA, RM1.2bn total NAV) in 2016, followed by Gateway@KLIA2 and JB Paradigm Mall (total 1.6m sq ft NLA) in 2017/18. WCT is aiming for a total combined NLA of 5m sq ft in the longer term.

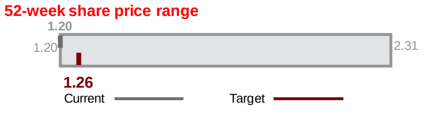
Look out for tender news

We recommend investors stay on the sidelines as property development prospects remain weak while more details on the launch of a REIT exercise for its four malls (3.3m NLA) should be available by end-2015. We suggest keeping an eye out for tender announcements in the months ahead. The chances of landing a big-ticket domestic job depend on the group's RM3bn tender for the KL118 tower via its 50% JV with Arabtec. Other potential jobs include another infra package from Rapid and new jobs for TRX.



Source: Bloomberg

52-week share price range



Financial Summary

	Dec-13A	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue (RMm)	1,672	1,662	1,997	2,124	2,138
Operating EBITDA (RMm)	323.0	95.8	195.9	207.3	214.0
Net Profit (RMm)	197.5	120.5	121.4	137.3	145.9
Core EPS (RM)	0.19	0.09	0.10	0.11	0.12
Core EPS Growth	22.2%	(51.7%)	9.2%	13.1%	6.3%
FD Core P/E (x)	6.71	13.88	12.71	11.24	10.57
DPS (RM)	0.048	0.039	0.040	0.045	0.047
Dividend Yield	4.02%	3.27%	3.29%	3.72%	3.96%
EV/EBITDA (x)	7.27	30.01	12.51	12.41	12.18
P/FCFE (x)	7.21	13.87	10.41	10.69	8.61
Net Gearing	42.0%	64.9%	45.7%	52.9%	54.0%
P/BV (x)	0.67	0.66	0.61	0.63	0.63
ROE	11.4%	5.0%	5.2%	5.8%	6.2%
% Change In Core EPS Estimates			0%	0%	0%
CIMB/consensus EPS (x)			0.85	0.83	0.85

SOURCE: CIMB, COMPANY REPORTS

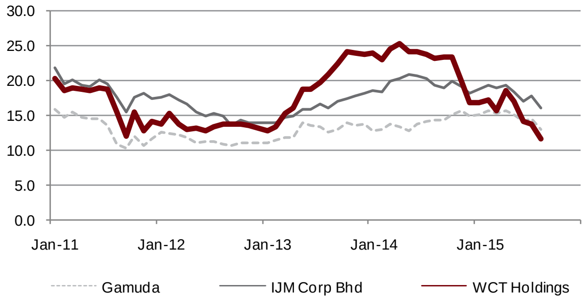
Profit & Loss

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Net Revenues	**1,662**	**1,997**	**2,124**	**2,138**
Gross Profit	**234**	**334**	**345**	**352**
Operating EBITDA	**96**	**196**	**207**	**214**
Depreciation And Amortisation	(8)	(21)	(24)	(26)
Operating EBIT	**88**	**174**	**184**	**188**
Financial Income/(Expense)	(21)	(46)	(47)	(47)
Pretax Income/(Loss) from Assoc.	15	10	10	11
Non-Operating Income/(Expense)	69	73	76	80
Profit Before Tax (pre-EI)	**151**	**211**	**224**	**232**
Exceptional Items	0	0	0	0
Pre-tax Profit	**151**	**211**	**224**	**232**
Taxation	(28)	(48)	(47)	(47)
Exceptional Income - post-tax				
Profit After Tax	**123**	**163**	**176**	**185**
Minority Interests	(2)	(42)	(39)	(39)
Preferred Dividends	0	0	0	0
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**121**	**121**	**137**	**146**
Recurring Net Profit	111	121	137	146
Fully Diluted Recurring Net Profit	**111**	**121**	**137**	**146**

Cash Flow

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
EBITDA	95.8	195.9	207.3	214.0
Cash Flow from Invt. & Assoc.				
Change In Working Capital	55.6	(42.1)	(65.6)	(48.2)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense				
Other Operating Cashflow	23.3	23.3	23.3	23.3
Net Interest (Paid)/Received	0.0	0.0	0.0	0.0
Tax Paid	(71.4)	(45.7)	(46.9)	(46.2)
Cashflow From Operations	**103.3**	**131.4**	**118.1**	**142.9**
Capex	(91.1)	(91.1)	(91.1)	(91.1)
Disposals Of FAs/subsidiaries	55.4	59.9	64.9	70.3
Acq. Of Subsidiaries/investments	0.0	0.0	0.0	0.0
Other Investing Cashflow	0.0	0.0	0.0	0.0
Cash Flow From Investing	**(35.7)**	**(31.1)**	**(26.2)**	**(20.8)**
Debt Raised/(repaid)	43.6	47.9	52.4	57.0
Proceeds From Issue Of Shares	0.0	0.0	0.0	0.0
Shares Repurchased	0.0	0.0	0.0	0.0
Dividends Paid	(42.5)	(42.5)	(42.5)	(42.5)
Preferred Dividends				
Other Financing Cashflow	(91.3)	(153.3)	(156.1)	(119.6)
Cash Flow From Financing	**(90.2)**	**(147.8)**	**(146.2)**	**(105.1)**
Total Cash Generated	(22.6)	(47.5)	(54.2)	17.0
Free Cashflow To Equity	**111.2**	**148.2**	**144.3**	**179.1**
Free Cashflow To Firm	**67.6**	**100.3**	**92.0**	**122.1**

12-month Forward Rolling FD P/E (x)



Balance Sheet

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Total Cash And Equivalents	951	903	849	866
Total Debtors	1,022	1,030	984	974
Inventories	91	95	100	105
Total Other Current Assets	655	368	405	446
Total Current Assets	**2,719**	**2,396**	**2,338**	**2,391**
Fixed Assets	237	248	253	270
Total Investments	1,266	1,342	1,349	1,357
Intangible Assets	0	0	0	0
Total Other Non-Current Assets	1,980	1,940	1,959	1,999
Total Non-current Assets	**3,483**	**3,530**	**3,562**	**3,625**
Short-term Debt	584	596	600	581
Current Portion of Long-Term Debt				
Total Creditors	1,025	1,034	1,025	1,059
Other Current Liabilities	13	13	13	13
Total Current Liabilities	**1,622**	**1,643**	**1,638**	**1,654**
Total Long-term Debt	1,846	1,439	1,511	1,586
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	416	332	332	332
Total Non-current Liabilities	**2,263**	**1,771**	**1,843**	**1,918**
Total Provisions	35	35	35	35
Total Liabilities	**3,920**	**3,449**	**3,516**	**3,607**
Shareholders' Equity	2,228	2,425	2,331	2,355
Minority Interests	53	53	53	54
Total Equity	**2,281**	**2,477**	**2,384**	**2,409**

Key Ratios

	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Revenue Growth	(0.6%)	20.2%	6.3%	0.7%
Operating EBITDA Growth	(70%)	105%	6%	3%
Operating EBITDA Margin	5.8%	9.8%	9.8%	10.0%
Net Cash Per Share (RM)	(1.20)	(0.92)	(1.03)	(1.06)
BVPS (RM)	1.81	1.97	1.90	1.92
Gross Interest Cover	1.45	2.82	2.91	2.91
Effective Tax Rate	18.8%	22.7%	21.1%	20.2%
Net Dividend Payout Ratio	67.4%	66.9%	59.1%	55.7%
Accounts Receivables Days	173.9	161.0	148.8	142.9
Inventory Days	21.27	20.36	20.02	20.88
Accounts Payables Days	188.8	190.1	178.3	179.7
ROIC (%)	2.3%	4.3%	5.0%	5.1%
ROCE (%)	4.38%	5.65%	6.09%	6.24%
Return On Average Assets	2.35%	3.23%	3.55%	3.68%

Key Drivers

(RMm)	Dec-14A	Dec-15F	Dec-16F	Dec-17F
Outstanding Orderbook	3,000	3,100	2,700	2,300
Order Book Depletion	1,934	1,900	1,900	1,900
Orderbook Replenishment	994	2,000	1,500	1,500
ASP (% chg, main prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%, main prod./serv.)	N/A	N/A	N/A	N/A
Util. rate (%, main prod./serv.)	N/A	N/A	N/A	N/A
ASP (% chg, 2ndary prod./serv.)	N/A	N/A	N/A	N/A
Unit sales grth (%,2ndary prod/serv)	N/A	N/A	N/A	N/A
Util. rate (%, 2ndary prod/serv)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

CIMB

YTL Corporation

YTL MK / YTLS.KL

Market Cap	Avg Daily Turnover	Free Float
US$3,777m	US$2.07m	42.8%
RM15,211m	RM7.75m	10,739 m shares

Current	RM1.46
Target	RM1.99
Prev. Target	RM2.25
Up/Downside	36.3%

STOCK RATING: ADD | HOLD | REDUCE

CIMB Analyst(s)

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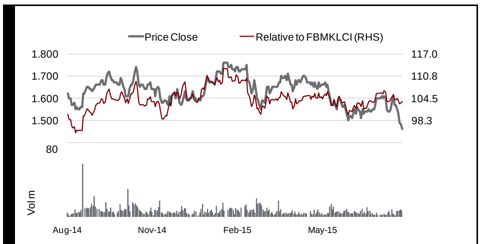
Share price info

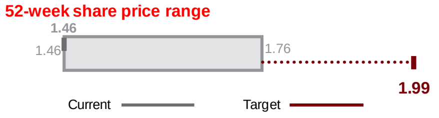
Share price perf. (%)	1M	3M	12M
Relative	0.4	-0.5	4.2
Absolute	-5.8	-11.0	-8.8

Major shareholders	% held
Yeoh Tiong Lay & Sons	49.9
EPF	7.3



Source: Bloomberg

52-week share price range



Yield play and HSR prospects

YTL Corp's sustainable dividend yield of over 6% stands out as the highest in the sector. Though KL-Singapore HSR project's timeline remains unclear, it could be revived during the tabling of Budget 2016 in 4Q15. We think YTL still has a strong advantage in the HSR tender.

We cut our EPS forecasts following our recent EPS downgrade for YTL Power. We revise down RNAV as we impute the lower target price for YTL Power and update for the market cap of listed units. Our target price is still pegged to a 20% RNAV discount. The stock remains an Add. Newsflow on HSR and the potential ERL extension project are potential catalysts.

HSR story still relevant

The bilateral agreement between Malaysia and Singapore to implement the RM30bn-40bn KL-Singapore high speed rail (HSR) project was reassuring. However, the target date for international tenders is uncertain. The main hurdles appear to be the project and funding structures. If the MRT project is anything to go by, the time taken from project approval to actual commencement of work would be 1.5 years, suggesting that there could be at least another six months before there is any clarity on the HSR project. We remain hopeful of a clearer timeline and structure for the KL-Singapore HSR project in 4Q15's Budget 2016, as this remains the stock's key re-rating catalyst. We believe YTL continues to have an advantage in the tender given its strong balance sheet and the fact that it was the first to propose the project.

YTL Cement benefits from jobs roll-out

The cement division continues to contribute the bulk of YTL's earnings. Despite the competitive market due to oversupply conditions and the post-GST effect on demand, we expect industry volume to get a boost in demand from the roll-out of major jobs going into next year. Our compilation of RM182bn worth of incoming projects bodes well for the domestic demand for cement, which typically makes up 10-20% of total project value. We expect YTL Cement's earnings to rise at a steady rate of 2-3% p.a., roughly in line with the cement industry's expected growth of 3-4% in 2015.

Highest dividend yield

We believe YTL Corp's over 6% yield is sustainable and is supported by cash from its various operating units, mainly cement and utilities. FY14's total payout of RM1.3bn translates to an 80% net payout ratio. YTL Corp's dividend yield of over 6% is the highest among the contractors/infra conglomerates in our coverage.

Financial Summary

	Jun-13A	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue (RMm)	19,973	19,208	18,587	18,459	19,837
Operating EBITDA (RMm)	4,314	5,215	4,550	4,647	4,884
Net Profit (RMm)	1,274	1,540	1,456	1,450	1,531
Core EPS (RM)	0.12	0.14	0.14	0.14	0.14
Core EPS Growth	(0.7%)	19.7%	(5.4%)	(0.4%)	5.6%
FD Core P/E (x)	12.19	10.18	10.77	10.81	10.24
DPS (RM)	0.03	0.12	0.10	0.10	0.10
Dividend Yield	1.71%	8.22%	6.85%	6.85%	6.85%
EV/EBITDA (x)	7.18	7.67	8.13	8.03	7.70
P/FCFE (x)	18.93	5.26	6.08	7.07	6.56
Net Gearing	107%	101%	86%	81%	74%
P/BV (x)	1.18	1.07	1.05	1.02	0.99
ROE	10.0%	11.0%	9.9%	9.6%	9.8%
% Change In Core EPS Estimates			(4.59%)	(1.36%)	(3.77%)
CIMB/consensus EPS (x)			1.09	1.02	1.02

SOURCE: CIMB, COMPANY REPORTS

Profit & Loss

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Net Revenues	**19,624**	**19,109**	**18,994**	**20,391**
Gross Profit	**5,387**	**4,733**	**4,841**	**5,089**
Operating EBITDA	**5,215**	**4,550**	**4,647**	**4,884**
Depreciation And Amortisation	(1,594)	(1,275)	(1,300)	(1,324)
Operating EBIT	**3,621**	**3,275**	**3,348**	**3,560**
Financial Income/(Expense)	(1,139)	(990)	(960)	(960)
Pretax Income/(Loss) from Assoc.	298	482	475	492
Non-Operating Income/(Expense)	0	0	0	0
Profit Before Tax (pre-EI)	**2,780**	**2,768**	**2,862**	**3,092**
Exceptional Items				
Pre-tax Profit	**2,780**	**2,768**	**2,862**	**3,092**
Taxation	(189)	(575)	(713)	(763)
Exceptional Income - post-tax				
Profit After Tax	**2,592**	**2,193**	**2,149**	**2,329**
Minority Interests	(1,052)	(737)	(699)	(798)
Preferred Dividends				
FX Gain/(Loss) - post tax				
Other Adjustments - post-tax				
Net Profit	**1,540**	**1,456**	**1,450**	**1,531**
Recurring Net Profit	1,540	1,456	1,450	1,531
Fully Diluted Recurring Net Profit	**1,540**	**1,456**	**1,450**	**1,531**

Balance Sheet

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Total Cash And Equivalents	13,826	15,499	15,870	16,405
Total Debtors	3,584	3,468	3,445	3,699
Inventories	818	693	709	747
Total Other Current Assets	1,598	1,559	1,591	1,623
Total Current Assets	**19,826**	**21,220**	**21,615**	**22,473**
Fixed Assets	25,028	25,505	25,991	26,486
Total Investments	9,447	8,489	8,632	8,799
Intangible Assets	5,001	5,001	5,001	5,001
Total Other Non-Current Assets	1,579	1,656	1,656	1,656
Total Non-current Assets	**41,056**	**40,651**	**41,279**	**41,941**
Short-term Debt	1,350	1,350	1,350	1,350
Current Portion of Long-Term Debt	3,795	3,795	3,795	3,795
Total Creditors	3,293	3,322	3,271	3,536
Other Current Liabilities	398	412	412	412
Total Current Liabilities	**8,835**	**8,879**	**8,827**	**9,092**
Total Long-term Debt	28,443	28,443	28,443	28,443
Hybrid Debt - Debt Component				
Total Other Non-Current Liabilities	1,009	714	714	714
Total Non-current Liabilities	**29,452**	**29,157**	**29,157**	**29,157**
Total Provisions	2,392	2,513	2,513	2,513
Total Liabilities	**40,679**	**40,548**	**40,497**	**40,762**
Shareholders' Equity	14,586	14,969	15,345	15,801
Minority Interests	5,617	6,353	7,053	7,851
Total Equity	**20,203**	**21,322**	**22,397**	**23,652**

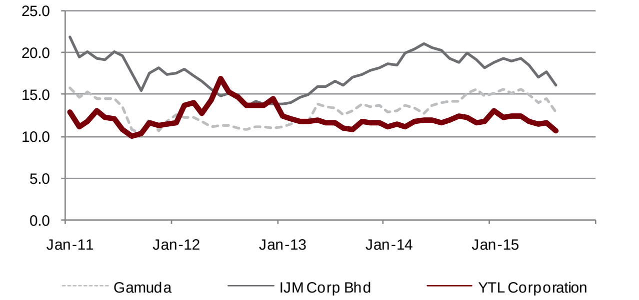
Cash Flow

(RMm)	Jun-14A	Jun-15F	Jun-16F	Jun-17F
EBITDA	5,215	4,550	4,647	4,884
Cash Flow from Invt. & Assoc.	298	1,074	1,074	1,074
Change In Working Capital	(105)	271	(43)	(27)
(Incr)/Decr in Total Provisions				
Other Non-Cash (Income)/Expense	0	0	0	0
Other Operating Cashflow	0	0	0	0
Net Interest (Paid)/Received	(1,139)	(990)	(960)	(960)
Tax Paid	(189)	(575)	(713)	(763)
Cashflow From Operations	**4,080**	**4,331**	**4,004**	**4,208**
Capex	(2,219)	(1,752)	(1,785)	(1,819)
Disposals Of FAs/subsidiaries	0	0	0	0
Acq. Of Subsidiaries/investments	0	0	0	0
Other Investing Cashflow	0	0	0	0
Cash Flow From Investing	**(2,219)**	**(1,752)**	**(1,785)**	**(1,819)**
Debt Raised/(repaid)	1,123	0	0	0
Proceeds From Issue Of Shares				
Shares Repurchased	0	0	0	0
Dividends Paid	(1,289)	(1,074)	(1,074)	(1,074)
Preferred Dividends	(297)	(208)	(197)	(225)
Other Financing Cashflow	6	7	8	8
Cash Flow From Financing	**(457)**	**(1,275)**	**(1,263)**	**(1,291)**
Total Cash Generated	1,404	1,304	955	1,098
Free Cashflow To Equity	**2,984**	**2,579**	**2,219**	**2,389**
Free Cashflow To Firm	**3,000**	**3,569**	**3,179**	**3,349**

Key Ratios

	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Revenue Growth	(3.83%)	(3.23%)	(0.69%)	7.46%
Operating EBITDA Growth	20.9%	(12.7%)	2.1%	5.1%
Operating EBITDA Margin	27.1%	24.5%	25.2%	24.6%
Net Cash Per Share (RM)	(1.90)	(1.71)	(1.68)	(1.63)
BVPS (RM)	1.36	1.39	1.43	1.47
Gross Interest Cover	3.18	3.31	3.49	3.71
Effective Tax Rate	6.8%	20.8%	24.9%	24.7%
Net Dividend Payout Ratio	83.7%	73.7%	74.1%	70.1%
Accounts Receivables Days	67.26	68.42	67.72	64.96
Inventory Days	21.93	19.19	18.13	17.36
Accounts Payables Days	86.47	83.82	85.12	81.06
ROIC (%)	11.6%	9.7%	9.8%	10.3%
ROCE (%)	6.83%	5.72%	5.74%	5.99%
Return On Average Assets	6.52%	5.19%	4.98%	5.17%

12-month Forward Rolling FD P/E (x)



Key Drivers

	Jun-14A	Jun-15F	Jun-16F	Jun-17F
Rev. growth (%, main biz.)	-9.1%	-5.8%	-3.1%	8.9%
EBITDA mgns (%, main biz.)	20.6%	21.0%	22.0%	22.0%
Rev. as % of total (main biz.)	74.6%	72.6%	70.8%	71.7%
EBITDA as % of total (main biz.)	31.9%	59.8%	55.0%	55.9%
Rev. growth (%, 2ndary biz.)	11.9%	16.4%	8.9%	4.5%
EBITDA mgns (%, 2ndary biz.)	32.2%	31.8%	35.8%	36.7%
Rev. as % of total (2ndary biz.)	13.8%	16.6%	18.2%	17.7%
EBITDA as % of total (2ndary biz.)	N/A	N/A	N/A	N/A
Rev. growth (%, tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA mgns (%, tertiary biz.)	N/A	N/A	N/A	N/A
Rev.as % of total (tertiary biz.)	N/A	N/A	N/A	N/A
EBITDA as % of total (tertiary biz.)	N/A	N/A	N/A	N/A

SOURCE: CIMB, COMPANY REPORTS

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The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CIMBS does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 - 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2015 1508 companies under coverage for quarter ended on 30 June 2015		
	Rating Distribution (%)	Investment Banking clients (%)
Add	56.5%	6.7%
Hold	30.7%	4.5%
Reduce	12.6%	1.7%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2014.

AAV – Very Good, **ADVANC** – Very Good, **AEONTS** – not available, **AMATA** - Good, **ANAN** – Very Good, **AOT** – Very Good, **AP** - Good, **ASK** – Very Good, **ASP** – Very Good, **BANPU** – Very Good , **BAY** – Very Good , **BBL** – Very Good, **BCH** – not available, **BCP** - Excellent, **BEAUTY** – Good, **BEC** - Good, **BECL** – Very Good, **BGH** - not available, **BH** - Good, **BIGC** - Very Good, **BJC** – Good, **BLA** – Very Good, **BMCL** - Very Good, **BTS** - Excellent, **CCET** – Good, **CENTEL** – Very Good, **CHG** – not available, **CK** – Very Good, **CPALL** – not available, **CPF** – Very Good, **CPN** - Excellent, **DELTA** - Very Good, **DEMCO** – Good, **DTAC** – Very Good, **EA** - Good, **ECL** – not available, **EGCO** - Excellent, **GFPT** - Very Good, **GLOBAL** - Good, **GLOW** - Good, **GRAMMY** - Excellent, **HANA** - Excellent, **HEMRAJ** – Very Good, **HMPRO** - Very Good, **ICHI** - not available, **INTUCH** - Excellent, **ITD** – Good, **IVL** - Excellent, **JAS** – not available, **JUBILE** – not available, **KAMART** – not available, **KBANK** - Excellent, **KCE** - Very Good, **KGI** – Good, **KKP** – Excellent, **KTB** - Excellent, **KTC** – Good, **LH** - Very Good, **LPN** – Very Good, **M** - not available, **MAJOR** - Good, **MAKRO** – Good, **MBKET** – Good, **MC** – Very Good, **MCOT** – Very Good, **MEGA –** Good, **MINT** - Excellent, **OFM** – Very Good, **OISHI** – Good, **PS** – Very Good, **PSL** - Excellent, **PTT** - Excellent, **PTTEP** - Excellent, **PTTGC** - Excellent, **QH** – Very Good, **RATCH** – Very Good, **ROBINS** – Very Good, **RS** – Very Good, **SAMART** - Excellent, **SAPPE** - not available, **SAT** – Excellent, **SAWAD** – not available, **SC** – Excellent, **SCB** - Excellent, **SCBLIF** – Good, **SCC** – Very Good, **SCCC** - Good, **SIM** - Excellent, **SIRI** - Good, **SPALI** - Excellent, **STA** – Very Good, **STEC** - Good, **SVI** – Very Good, **TASCO** – Good, **TCAP** – Very Good, **THAI** – Very Good, **THANI** – Very Good, **THCOM** – Very Good, **THRE** – not available, **THREL** – Good, **TICON** – Good, **TISCO** - Excellent, **TK** – Very Good, **TMB** - Excellent, **TOP** - Excellent, **TRUE** – Very Good, **TTW** – Very Good, **TUF** - Good, **VGI** – Very Good, **WORK** – not available.

CIMB 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.

**Prior to December 2013 CIMB recommendation framework for stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange were based on a stock's total return relative to the relevant benchmarks total return. Outperform: expected to exceed by 5% or more over the next 12 months. Neutral: expected to be within +/-5% over the next 12 months. Underperform: expected to be below by 5% or more over the next 12 months. Trading Buy: expected to exceed by 3% or more over the next 3 months. Trading Sell: expected to be below by 3% or more over the next 3 months. For stocks listed on Korea Exchange, Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Outperform: Expected positive total returns of 10% or more over the next 12 months. Neutral: Expected total returns of between -10% and +10% over the next 12 months. Underperform: Expected negative total returns of 10% or more over the next 12 months. Trading Buy: Expected positive total returns of 10% or more over the next 3 months. Trading Sell: Expected negative total returns of 10% or more over the next 3 months.*