

Sunway Construction's job win momentum seen persisting into 2016

Sunway Construction Group Bhd (Feb 11, RM1.40)

Maintain buy with a higher target price (TP) of RM1.65: Sunway Construction Group Bhd has secured sizeable job wins of RM2.6 billion in 2015. With its strong track record, the group's job win momentum should persist into 2016.

Leveraging on its experience in Klang Valley mass rapid transit 1 (KVMRT 1), KVLRT 2 and Sunway bus rapid transit (Sunway BRT), it could clinch contracts from KVMRT 2, KVLRT 3 and KL-Klang BRT.

Sunway Construction was also pre-qualified for major highways construction including Pan Bor-

neo Highway in Sarawak, Damansara-Shah Alam Elevated Expressway and Sungai Besi-Ulu Kelang Elevated Expressway.

It is also eyeing design-build building projects, foundation jobs and Sunway Group's property developments. The group's total potential job wins could be worth up to RM5.6 billion in 2016.

Sunway Construction's newly appointed managing director (MD), Chung Soo Kiong, since Nov 1, 2015, was selected from a group of capable leaders in Sunway Construction that were trained in different areas of the business since 10 years ago.

Its far-sighted succession planning would ensure smooth tran-

sition and uphold its superior execution ability. Meanwhile, the previous MD, Kwan Foh Kwai, would remain on the board to oversee key business decisions.

We raise our 2016/2017 earning per share (EPS) estimates by 7%/10% after updating for the estimated RM3.7 billion outstanding order book as of end-2015, while our 2015 EPS is unchanged.

Consequently, our TP is raised to RM1.65 (+10%) on unchanged 13 times 2017 price-earnings ratio peg.

Our 2016 job win forecast is RM2.5 billion. Every additional RM100 million job win would increase our TP by 3%. —*Maybank Investment Bank Research, Feb 11*

Sunway Construction Group Bhd

FYE DEC (RM MIL)	2013A	2014A	2015E	2016E	2017E
Revenue	1,840	1,881	2,350	2,542	2,508
Ebitda	113	151	190	236	247
Core net profit	94	114	121	154	163
Core EPS (sen)	7.3	8.8	9.4	11.9	12.6
Core EPS growth (%)	37.6	20.9	6.1	27.1	6.1
Net DPS (sen)	2.6	30.5	1.6	4.2	4.4
Core PER (x)	19.0	15.7	14.8	11.7	11.0
P/BV (x)	2.9	5.4	4.9	3.9	3.2
Net dividend yield (%)	1.8	22.0	1.2	3.0	3.2
ROAE (%)	16.1	24.1	34.8	37.2	31.6
ROAA (%)	6.5	8.4	8.9	10.1	9.9
EV/Ebitda (x)	na	na	8.5	6.4	5.7
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	126	141	145
MKE vs Consensus (%)	-	-	(4.0)	9.2	12.5

Source: Maybank IB Research