

27 September 2016 | Corporate Update

## Sunway Construction Group Berhad

### *Clinched New Infra and Medini Projects*

**Maintain NEUTRAL**

**Target Price (TP): RM1.74**

#### INVESTMENT HIGHLIGHTS

- **SCGB has accepted work packages amounting to RM208m**
- **Orderbook expanded to RM5.0bn**
- **Positive impact on earnings but within our replenishment assumptions**
- **Maintain TP of RM1.74 per share**

**Awarded various work packages.** Sunway Construction Sdn Bhd, a subsidiary of Sunway Construction Group Berhad (SCGB), has accepted:


1. Letter of Instruction issued by the MMC-Gamuda KVMRT (PDP SSP) Sdn Bhd for the construction of viaduct guideways and associated works between Kampung Muhibbah-Serdang Raya and Sungai Buloh-Persiaran Dagang worth RM52.5m.
2. In-house projects from Sunway Iskandar Sdn Bhd for the construction of 88 units of office shops, management office, mosque, garbage storage, 2 TNB substations and relevant facilities in plot F24 Medini Iskandar, Johor for the sum of RM56.5m. Secondly, an earthworks and main building construction of Plot F19 and F20 in Medini Iskandar, Johor worth RM100m.

**Scope.** The job scope includes civil, structural and substructure construction and engineering.

**Duration.** (i) 12 months for viaduct guideways construction, (ii) 20 months for mixed development construction in plot F24, Medini Iskandar and, (iii) 13 months for plots F19 and F20, Medini Iskandar

**Orderbook.** With these new contracts, SCGB's orderbook expanded to RM5.0bn on the back of 36 months total construction backlog.

**Impact on earnings.** Altogether the impact is positive and falls within our job replenishment assumptions hence we make no changes to our earnings forecasts at this juncture.

**Recommendation.** We maintain our Neutral recommendation with an SOP-based target price of RM1.74 per share. 

#### RETURN STATS

Price (26 Sept 2016)	RM1.61
Target Price	RM1.74
Expected Share Price Return	+8.1%
Expected Dividend Yield	+1.1%
<b>Expected Total Return</b>	<b>+9.2%</b>

#### STOCK INFO

KLCI	1,669.5
Bursa / Bloomberg	5263/SCGB MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1292.9
Par Value (RM)	1.00
Market cap. (RM'm)	2081
Price over NA	4.61
52-wk price Range	RM1.14-RM1.72
Beta (against KLCI)	N/A
3-mth Avg Daily Vol	2.11m
3-mth Avg Daily Value	RM3.45m
Major Shareholders (%)	
Sunholdings	54.4
Sungei Way Corp S/B	10.06
Norges Bank Investment	1.82
Amanah Mutual Bhd.	0.098

## INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16F	FY17F
Revenue (RM'm)	1,655.0	1,662.2	1,854.1	1,940.0	1,874.5
EBIT (RM'm)	302.7	202.4	335.6	191.4	347.9
Pre-tax profit (RM'm)	254.2	151.1	256.2	172.2	226.8
Normalised PATAMI (RM'm)	153.8	111.1	216.6	128.6	163.4
FD EPS (sen)	13.7	10.1	18.1	11.7	14.8
EPS growth (%)	-8.2	-26.6	78.9	-35.3	27.0
PER (x)	14.8	18.9	8.8	13.1	10.3
Dividend (sen)	6.8	2.5	5.0	1.8	1.8
Dividend Yield (%)	2.9	1.2	3.5	1.1	1.2

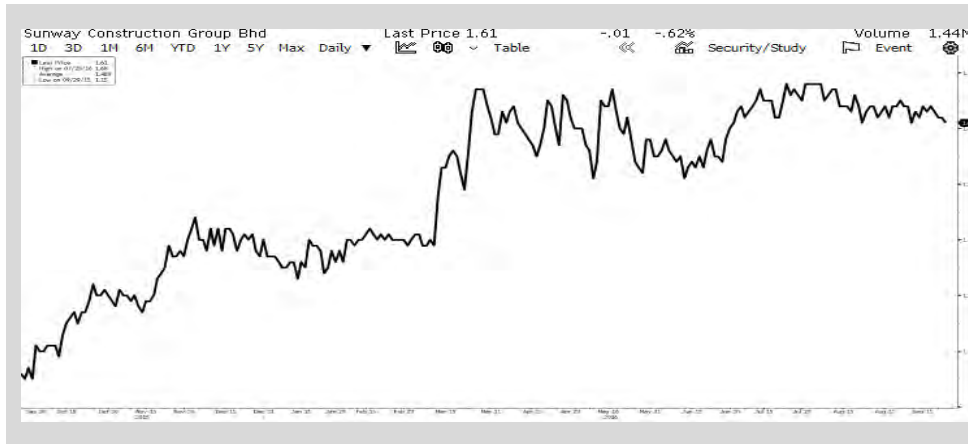
Source: Company, MIDFR

## SOP VALUATION

Segments	Basis	Value (RM'm)	Per share (RM)
<b>Building and Civil Infrastructure</b>	DCF of 8.6%	2,446	1.89
Sunway Velocity Shopping Mall			
KLCC North East Car Park			
KLCC Package 2			
Sunway Pyramid Phase 3			
Afiniti Medini mixed development project			
Sunway Geo Retail and Flexi Suites			
Sunway Medical Center Phase 3			
Citrine Mixed Development, Sunway Iskandar			
Coastal Highway Southern Link			
BRT-Sunway Line			
Sunway University new academic block			
Urban Wellness Center			
Various Projects			
Putrajaya Presint 1 Parcel F			
Sunway Iskandar			
<b>Foundation and Geotechnical Services</b>	DCF of 8.6%		
Mengkuang Dam expansion			
Sunway Velocity tunneling			
Sunway South Quay Commercial Precinct 3			
<b>Total</b>		77	0.06
<b>MEP</b>	DCF of 8.6%		
Pasar Seni MRT Station			
Gas District Cooling Plant			
		12	0.01
<b>Precast Concrete</b>	DCF of 8.6%		
Supplying to Singapore and other projects		296	0.23
<b>Others</b>	FY16 PER of 12x		
Ongoing works		66	0.05
<b>Total SOP</b>		2,897.0	2.24
Net debt		-641.1	-0.50
<b>Total Net SOP</b>			<b>1.74</b>
Enlarged share capital (mil)			1,293

Source: Company, MIDFR

## DAILY PRICE CHART



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Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.