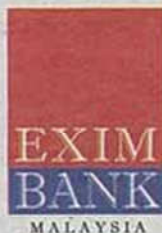


TAKE YOUR
BUSINESS
AS FAR
AS YOUR MIND
CAN TRAVEL



www.exim.com.my

SunCon wins RM1.2b MRT 2 viaduct project

SUNWAY CONSTRUCTION GROUP BHD

FYE DEC	FY14	FY15	FY16F	FY17F
REVENUE (RM mil)	1,881	1,917	2,227	2,494
CORE PATAMI (RM mil)	125	127	131	147
CORE EPS (sen)	9.7	9.8	10.2	11.3
PE (x)	17.3	17.0	16.4	14.7

► Recommendation: Buy

TARGET Price: RM1.94

by Hong Leong Investment
Bank Bhd (March 29)

Highlights

ON MONDAY, we met up with the management of Sunway Bhd which was represented by its CFO Chong Chang Choong. Sunway is the parent-co of Sunway Construction Group Bhd (SunCon) with a 54% stake.

Mass Rapid Transit Line 2 (MRT2) takes off. Mass Rapid Transit Corp Sdn Bhd announced that it has awarded Package V201 of the Sg Buloh-Serdang-Putrajaya line

reckon that margins for this MRT 2 job are likely to be higher than that for MRT 1. Having garnered experience from MRT 1, management guides that it is now in a better position to price for contingencies in its bid.

From our calculations, the average price per km for Package V201 stands at RM247m, 34% higher than that for Package V4 (MRT 1) which was also undertaken by SunCon.

Boasting a record order-book. SunCon has managed to amass RM1.4b worth of new jobs YTD. We estimate its orderbook to stand at a record RM5b, translating to a healthy cover ratio of 2.6x on FY15

RM1b contract sum.

Risks

Execution may be a risk given its all-time high orderbook.

Forecasts

We raise our FY16 new job wins target from RM2b to RM2.5b as YTD flows have been robust. This increases our FY16-FY17 earnings forecast by 3%-7%.

Rating 'Maintain Buy'

SunCon is a well-managed company with commendable execution capability, putting it in a polar position to ride on the robust flow of mega contracts expected this year.

(MRT 2) worth RM1.21b to Sun-Con. The said package spans 4.9km from Sg Buloh to Persiaran Dagang which is scheduled for completion in 2Q21.

Better margins likely. Sun-Con's bid is said to be the lowest among the four bidders for Package V201. Despite that, we

revenue.

Management is upbeat that it can secure RM2.5b worth of new contracts this year (55% achieved YTD). It has tendered for the Pan Borneo Highway which should rake in at least another RM300m based on a 30% stake at a conservative

Valuation

Aside our earnings upgrade, we also raise our P/E target from 16x to 18x and roll forward our valuation horizon from FY16 to mid-CY17, increasing our TP from RM1.59 to RM1.94.