



Sunway Construction Group Berhad

Surpassed FY16 Order Book Replenishment Target

TP: RM1.85(+14.9%)

Last traded: RM1.61

BUY

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Advanced Works Construction of Viaduct Guideway and Other Associated Works

SUNCON has accepted a Letter of Instruction from MMC Gamuda KVMRT (PDP SSP) Sdn Bhd for the advanced works construction of viaduct guideway and other associated works between Kampung Muhibbah to Serdang Raya, for a total contract sum of RM52.5mn, to be completed by September 2017.

The package involved the construction of 19nos of pile caps, 122 nos. bored piles, realignment of Sg Midah and temporary decking. The location of this stretch is between the Sungai Besi Expressway, KTM Double Track and KL-Seremban Highway of approximately 0.68km in length.

Letter of intents for "in-house" project

Separately, SUNCON has received letters of intent from Sunway Iskandar Sdn Bhd for the following projects:

- a) Construction of 88 units of office shop lots, 1 block of management office and mosque, 1 block of garbage storage, 2 TNB substations and relevant facilities on Lot PTD 200672 in Medini Zon F24, for a contract sum of RM56.5mn. The project is to be completed over a 20-month construction period adopting precast components. The project shall start on 1 Oct 2016 and to be completed by 30 Apr 2018; and
- b) Earthworks & Main Building Works for the Design and Build of the proposed commercial development for Plot F19 & F20 Sunway Iskandar on the land held under PTD 200695 & 200696, in Medini Zon F. The contract sum is RM100mn and the project is scheduled to commence on 1 Oct 2016, to be completed within 13 months, by 30 Oct 2017.

Our View

With these job wins, SUNCON has secured RM2.6bn worth of new construction jobs YTD, exceeded management's full-year target and our assumption of RM2.5bn for 2016. The group's outstanding construction order book current stands at RM5.0bn (see Exhibit 1).

Impact

We revise our FY16 order book replenishment assumption higher to RM2.6bn and raise FY17 and FY18 earnings forecasts by 2.4% and 1.6% respectively.

Valuation

Following the earnings revision, we raise **SUNCON** target price from RM1.80 to **RM1.85**, based on unchanged 15xCY17 EPS. Upgrade **SUNCON** to **BUY**.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1292.9
Market Cap (RMmn)	2081.6
Par Value	0.20
52-wk Hi/Lo (RM)	1.72/1.14
12-mth Avg Daily Vol ('000 shrs)	3005.2
Estimated Free Float (%)	34.8
Beta	0.49

Major Shareholders (%)

Sunholdings - 54.42
Sungei Way Corp Sdn Bhd - 10.06

Forecast Revision

	FY16	FY17
Forecast Revision (%)	-	2.4
Net profit (RMm)	144.7	159.1
Consensus	135.8	157.6
TA's / Consensus (%)	106.6	100.9
Previous Rating	Buy (Upgraded)	

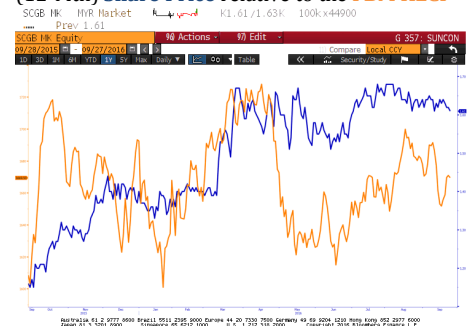
Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	11.0	7.0
Price / CFPS (x)	14.6	22.9
ROA (%)	9.1	8.7
NTA/Share (sen)	41.1	47.9
Price/NTA (x)	3.9	3.4

Share Performance (%)

Price Change	SCGB	FBM KLCI
1 mth	(0.6)	(0.8)
3 mth	3.9	2.5
6 mth	(3.6)	(2.0)
12 mth	37.6	3.4

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Exhibit 1: Outstanding Construction Order Book

Project	Contract Value (RMmn)	Outstanding Amount (RMmn)
Infrastructure		
MRT Package V4 (Section 17 to Semantan)	1,173	52
MRT Package V201 (Sungai Buloh– Persiaran Dagang)	1,213	1,184
MRT Advanced Works	53	53
Johor		
Coastal Highway Southern Link	170	58
Buildings		
Putrajaya Parcel F	1,610	1,268
KLCC (NEC + Package 2 & 2a)	646	318
HUKM (MEP works)	66	66
International School of KL	268	268
Others	92	21
Internal		
Sunway Velocity 2 Mall + Link Bridge	370	54
Sunway Velocity Hotel + Office	113	60
Sunway Velocity Medical Centre	185	158
Sunway Geo Retail Shop & Flexi Suites	153	22
Sunway Medical Centre Phase 3 (Sub & Superstructure)	167	56
Sunway Medical Centre Phase 4 (2 towers)	428	414
Sunway Iskandar – Citrine Service Apartment	213	59
Sunway Geo Retail Shops & Flexi Suites Phase 2	244	183
Sunway Lenang Phase 1A	96	9
Sunway Iskandar – Emerald Residences	175	149
Sunway Iskandar – 88 units shoplots	57	57
Sunway Iskandar – Retail Complex	100	100
Others	136	33
Singapore		
Precast	878	326
	8,604	4,969

Source: Company, TA Research

Financial Statements

Profit & Loss (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
Revenue	1,880.7	1,916.9	2,192.5	2,266.0	2,150.0
EBITDA	161.7	178.2	223.2	241.6	243.9
Dep. & amortisation	(44.7)	(41.9)	(41.5)	(42.1)	(42.1)
Net finance cost	(0.7)	(4.5)	(1.3)	(1.6)	(1.6)
PBT	139.3	140.8	183.0	201.1	203.4
Taxation	(26.5)	(13.0)	(38.4)	(42.2)	(42.7)
MI	0.0	0.6	(0.1)	(0.2)	(0.2)
Net profit	112.8	127.1	144.7	159.1	160.9
Core net profit	102.1	127.1	144.7	159.1	160.9
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.5	3.1	3.4	3.4

Cash Flow (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
PBT	189.8	140.8	183.0	201.1	203.4
Adjustments	(17.4)	34.1	40.2	40.5	40.5
Changes in WC	49.1	64.9	64.4	2.4	(3.8)
Operational cash flow	221.4	239.8	287.6	244.0	240.1
Capex	(45.7)	(38.7)	(52.1)	(49.7)	(49.7)
Others	308.3	(25.9)	9.1	8.3	8.3
Investment cash flow	262.6	(64.5)	(43.0)	(41.4)	(41.4)
Debt raised/(repaid)	10.6	1.6	0.0	0.0	0.0
Dividend	(428.0)	(70.0)	(64.6)	(71.1)	(71.1)
Others	(0.7)	0.0	0.0	0.0	0.0
Financial cash flow	(418.0)	(68.4)	(64.6)	(71.1)	(71.1)
Forex effect	(0.5)	4.8	0.0	0.0	0.0
Desposit	0.8	0.8			
Net cash flow	135.5	107.3	142.8	90.9	86.5
Beginning cash	142.6	277.6	390.5	533.3	624.2
Ending cash	277.6	390.5	533.3	624.2	710.6

Balance Sheet (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
Fixed assets	175.8	161.8	163.3	162.6	161.9
Others	38.2	18.4	18.4	18.4	18.4
NCA	214.0	180.2	181.7	181.0	180.3
Cash	278.4	390.5	533.3	624.2	710.6
Others	831.8	826.8	1,064.8	1,092.7	1,048.6
CA	1,110.2	1,217.2	1,598.0	1,716.9	1,759.2
Total assets	1,324.2	1,397.4	1,779.7	1,897.9	1,939.5
ST borrowings	134.7	136.8	136.8	136.8	136.8
Other liabilities	804.9	804.8	1,107.2	1,137.6	1,089.6
CL	939.6	941.7	1,244.0	1,274.4	1,226.4
Shareholders' funds	380.2	451.0	531.1	619.0	708.8
MI	0.1	0.6	0.5	0.3	0.1
LT borrowings	0.1	0.0	0.0	0.0	0.0
Other LT liabilities	4.3	4.1	4.1	4.1	4.1
Total capital	1,324.2	1,397.4	1,779.7	1,897.9	1,939.5

Ratio

YE Dec 31	2014	2015	2016F	2017F	2018F
EBITDA Margins (%)	8.6	9.3	10.2	10.7	11.3
Core EPS (sen)	7.9	9.8	11.2	12.3	12.4
EPS Growth (%)	20.8	24.5	13.8	9.9	1.1
PER (x)	20.4	16.4	14.4	13.1	12.9
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.5	3.1	3.4	3.4
Net cash (RMmn)	143.6	253.6	396.4	487.3	573.8
Net gearing (%)	net cash	net cash	net cash	net cash	net cash
ROE (%)	na	30.6	29.5	27.7	24.2
ROA (%)	na	9.3	9.1	8.7	8.4
NTA (sen)	39.2	34.9	41.1	47.9	54.8
P/NTA(x)	4.1	4.6	3.9	3.4	2.9

Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.
HOLD : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.
SELL : Total return is lower than the required rate of return.
Not Rated: The company is not under coverage. The report is for information only.

Total Return is defined as expected share price appreciation plus gross dividend over the next 12 months.

Required Rate of Return of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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