

Results Snapshot



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AllianceDBS Research, Malaysia Equity

24 February 2022

Latest Results				
Company	Date	vs. Expect.	Results Highlight	Our View & Catalysts
Property development				
Sunway Construction Group Bhd	23-Feb-22	Above (4Q21)	<ul style="list-style-type: none"> – Sunway Construction Group Berhad (SCG) reported a 4Q21 headline net profit of RM64m (+235% y-o-y), bringing 12M21 net profit to RM113m (+55% y-o-y). This was on the back of a 11% y-o-y increase in 12M21 revenue to RM1.73bn. There was an allowance for impairment of receivables amounting to RM15.6m and RM17.3m in legal case provision for 12M21. Hence, 12M21 core net profit stood at RM145m. – A second interim dividend of 4 sen was declared. This brings its FY21 total DPS to 5.25 sen and represents a payout ratio of 60%. – Construction revenue for 4Q21 was marginally lower by 1% y-o-y at RM580m but more than doubled q-o-q. To note that revenue in 4Q20 included a one-off amount of RM42m in relation to the settlement of one its Indian projects. Revenue in 4Q21 has normalised after being impacted by the MCO 3.0, where only after 16 August 2021 were construction sites allowed to operate based on capacity linked to vaccination rates. – The 4Q21 construction pretax margin was 15.3% vs. 4Q20's 6.4% due to the re-calibration of margins to reflect some upside, as some projects are nearing completion and certainty of better margins are more visible. This also occurred in 3Q21. Its construction orderbook as at 31 December 2021 was RM4.3bn. – For 4Q21, its precast division made a pretax profit of RM2.3m vs. a pretax profit of RM4.3m in 4Q20 and a 	<p>What's the outlook in 2022? SCG is guiding for new order wins of RM2bn for FY22 (vs our forecast of RM2.1bn). This is expected to be quite evenly spread coming from i) internal projects from Sunway Berhad largely from Sunway Valley City in the Northern region; ii) metro railway and highways in India; iii) private sector jobs; iv) government-related infrastructure projects and v) precast projects, which will see a 40% boost with the completion of the Industrial Concrete Precast Hub in 2H22.</p> <ul style="list-style-type: none"> – BUY with unchanged SOP-derived TP of RM2.30. We reiterate our view that SCG is still in the best position to weather this downturn than the other contractors. This is because of its strong balance sheet, ready pipeline of projects from its parent company, and overseas exposure in India.

			<p>pretax loss of RM2.4m in 3Q21. 4Q21 revenue was RM47m, which was up nearly 3-fold q-o-q and 11% y-o-y. Revenue for 4Q21 recovered post lockdown and was underpinned by its higher precast outstanding orderbook of RM456m. However, profitability was still impacted by higher steel prices.</p>	<p>Analyst CHONG Tjen San, CFA 603 2604 3972 tjensan@alliancedbs.com</p>
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DISCLOSURE

Stock rating definitions

STRONG BUY	-	> 20% total return over the next 3 months, with identifiable share price catalysts within this time frame
BUY	-	> 15% total return over the next 12 months for small caps, >10% for large caps
HOLD	-	-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps
FULLY VALUED	-	negative total return > -10% over the next 12 months
SELL	-	negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame

Commonly used abbreviations

Adex = advertising expenditure
bn = billion
BV = book value
CF = cash flow
CAGR = compounded annual growth rate
Capex = capital expenditure
CY = calendar year
Div yld = dividend yield
DCF = discounted cash flow
DDM = dividend discount model
DPS = dividend per share
EBIT = earnings before interest & tax
EBITDA = EBIT before depreciation and amortisation

EPS = earnings per share
EV = enterprise value
FCF = free cash flow
FV = fair value
FY = financial year
m = million
M-o-m = month-on-month
NAV = net assets value
NM = not meaningful
NTA = net tangible assets
NR = not rated
p.a. = per annum
PAT = profit after tax

PBT = profit before tax
P/B = price / book ratio
P/E = price / earnings ratio
PEG = P/E ratio to growth ratio
q-o-q = quarter-on-quarter
RM = Ringgit
ROA = return on assets
ROE = return on equity
TP = target price
trn = trillion
WACC = weighted average cost of capital
y-o-y = year-on-year

YTD = year-to-date

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