

RM2.2b LRT3 viaduct packages to keep SunCon busy

Sunway Construction Group Bhd (Oct 6, RM2.29)

Maintain buy call with a higher fair value (FV) of RM2.65:

We raise our financial year ending Dec 31, 2017 (FY17) to FY19 forecasts by 0.4%, 2% and 3% respectively, increasing our FV to RM2.65 (from RM2.60) and maintain our "buy" call.

Our FV is based on 15 times revised FY18 earnings per share (EPS), in line with our benchmark forward price-earnings ratio (PER) of 14 times to 16 times for large-cap (large market capitalisation) listed construction companies.

This follows the award of RM2.18 billion viaduct packages of the light rail transit 3 (LRT3) (Packages GS07 and GS08 — from Kawasan 17 to Sri Andalas, including a cable-stayed bridge over the Klang River by Prasarana Malaysia Bhd to Sunway Construction Group Bhd [SunCon] to be completed within the next 36 months.

This latest contract has boosted SunCon's year-to-date (YTD) job wins to RM3.75 billion (which has surpassed our full-year FY17 assumption of RM3.5 billion) and its outstanding construction order book to RM6.5 billion. We are positive on the latest development.

The earnings upgrade is to reflect the upward revision in our job replenishment assumption for FY17 to RM3.8 billion. Meanwhile, we are keeping our assumption for job wins in FY18 to FY19 at a more normalised level of RM2 billion annually.

We continue to like SunCon for its good earnings visibility underpinned by a sizeable outstanding order book which will keep it busy for the next two to three years, for its strong prospects for new job wins underpinned by various mega infrastructure projects, particularly the rail-related ones, and its proven track record with various blue-chip clients in the market. — *AmInvestment Bank, Oct 6*

Sunway Construction Group Bhd

FYEDEC (RM MIL)	2016	2017F	2018F	2019F
Revenue	1,788.8	1,999.3	3,504.3	3,763.1
Core net profit	123.5	141.2	228.2	250.4
FD core EPS (sen)	9.6	10.9	17.7	19.4
FD core EPS growth (%)	(2.9)	14.3	61.6	9.7
Consensus net profit	-	150.7	176.3	186.1
DPS (sen)	6.5	7.0	8.0	9.0
PER (x)	24.1	21.1	13.0	11.9
EV/Ebitda (x)	14.2	12.3	7.5	6.5
Dividend yield (%)	2.8	3.0	3.5	3.9
ROE (%)	26.2	26.7	35.9	32.4

Sources: AmInvestment Bank, company report