

## New precast plant likely to strengthen SunCon's presence in Singapore

Sunway Construction Group Bhd  
(July 30, RM1.91)

**Maintain market perform with an unchanged target price of RM1.95:** Last Friday, Sunway Construction Group Bhd (SunCon) announced that their HL-SunCon JV (HL Building Materials Pte Ltd: 51% and Sunway Concrete Products (S) Pte Ltd: 49%) in Singapore has won the bid for the lease of land for the development of the Integrated Construction Prefabrication Hub (ICPH) from the Building and Construction Authority of Singapore (BCA). The land is located in Pulau Punggol Barat with a lease term of 30 years and costs S\$25.7 million (RM76.6 million) inclusive of land price and administrative fees.

We are long-term positive with SunCon participating in ICPH to set up another precast factory in Singapore despite the current weak market. We believe the move would enable them to strengthen their presence in Singapore in the long run, especially when precast building technology is picking up due to consistency in built quality. To date, BCA has awarded five land tenders for the development of ICPH. Management has budgeted an investment capital expenditure of S\$80 million for their 49% stake in

**SunCon earnings outlook expected to remain intact backed by its strong order book of around RM6.4 billion.**

the construction of the new plant that will take up to three years, which would not have much impact on their balance sheet due to their strong net cash position. Upon completion, it would be a fully mechanised plant with a total capacity of 100,000m<sup>3</sup> per annum, and we remain hopeful by then they would be able to penetrate the private market in a larger scale as the usage of precast picks up.

We believe that the outlook remains promising for SunCon given their strong parent (Sunway Bhd) support, coupled with strong track record in securing projects from both government and private sectors. Hence, we are maintaining our order book replenishment of RM2 billion at this juncture. That said, we believe its earnings outlook remains intact backed by its strong order book of around RM6.4 billion with a visibility of three years. —  
*Kenanga Research, July 30*

### Sunway Construction Group Bhd

FYE DEC (RM MIL)	2017A	2018E	2019E
Turnover	2,076.3	2,708.7	2,988.7
Ebit	164.6	224.6	247.0
PBT	174.2	234.7	257.1
Net profit (NP)	137.8	176.0	192.8
Core NP	134.0	176.0	192.8
Consensus (CNP)	na	168.5	187.5
Basic EPS (sen)	10.4	13.6	14.9
EPS growth (%)	12	28	10
NDPS (sen)	3.8	7.0	7.5
Basic PER (x)	18.8	14.3	13.1
BV/Share (RM)	0.45	0.52	0.59
Dividend yield (%)	2.0	3.6	3.8

Source: Kenanga Research