



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

4QFY15

Sunway Cons.

Buy ◀ ▶

Inline

Within Expectation

Price: RM1.40
Target Price: (+9.2%) RM1.53

Stock Data

Bloomberg Ticker	SCGB MK	Altman Z-score	n.a
Market Cap	1,810.1	YTD price chg	0.0%
Issued shares	1,292.9	YTD KLCI chg	-2.0%
52-week range (H)	1.45	Beta	n.a
52-week range (L)	0.98		
3-mth avg daily volume	2,434,278	Major Shareholders	
Free Float	38.0%	Sun Holdings	54.4%
Shariah Compliant	Y	Sungei Way Corp	6.8%
Financial Derivatives	n.a	Amanah Mutual	0.9%

Share Performance (%)

	1mth	3mth	12mth
Absolute	1.4	2.2	n.a
vs. KLCI	(0.6)	3.8	n.a

Consensus

	2016	2017
Net Profit	138.8	151.2
EPS (sen)	10.7	11.9

Historical Price Ratio (x)

	2013	2014	2015
Price Earnings	n.a	n.a	n.a
Price to Book	n.a	n.a	n.a

Financial Highlights

FYE 31 Dec	2013	2014	2015	2016E	2017E
Turnover	1,839.6	1,880.7	1,916.9	1,933.9	2,398.0
EBIT	42.4	120.2	136.3	175.3	219.9
Pre-tax profit	89.8	151.3	140.7	176.2	221.0
Net Profit	66.9	124.8	127.2	141.2	177.1
Core Net Profit	94.5	114.2	136.0	141.2	177.1
EPS (sen)	5.2	9.7	9.8	10.9	13.7
EPS growth (%)	22.2%	86.5%	1.9%	11.1%	25.4%
PER (x)	27.0	14.5	14.2	12.8	11.2
DPS (sen)	n.a	n.a	4.0	3.8	4.8
Div. Yield (%)	n.a	n.a	2.8%	2.7%	3.4%
NTA/share (RM)	0.5	0.3	0.3	0.4	0.5

Margins

EBIT margin	2.3%	6.4%	7.1%	9.1%	9.2%
Pre-tax margin	4.9%	8.0%	7.3%	9.1%	9.2%
Effective tax rate	26.4%	17.5%	9.2%	19.9%	19.9%
ROE	15.4%	34.2%	30.1%	27.3%	28.0%
ROA	6.6%	9.0%	9.0%	9.8%	10.7%
Net Gearing (x)	Ncash	Ncash	Ncash	Ncash	Ncash

Growth ratios

Turnover	27.0%	2.2%	1.9%	0.9%	24.0%
EBIT	-12.1%	183.7%	13.4%	28.6%	25.4%
Pre-tax profit	9.7%	68.4%	-7.0%	25.2%	25.4%
Core Net profit	22.2%	86.5%	1.9%	11.1%	25.4%

Nurzulaikha Azali

Zulaikha_azali@bimbsec.com.my

03-26131735

Sunway Construction's (SCG) FY15 normalize earnings of RM136m are within ours but slightly above consensus expectation making up 97% and 106% respectively. Despite the flattish 1.9% growth in revenue, normalize earnings improved by 19.1% YTD attributed to improvements in project margins by 100bp. While maintaining our FY16 numbers at this juncture, we introduce our FY17 projection with earnings to improve by 25.4% to a record high of RM177.1m supported by the Group's strong outstanding orderbook of RM3.7bn. All said, we reiterate our Buy call for SCG at an unchanged target price of RM1.53 based on 14x PER pegged to FY16 EPS of 10.9sen.

QoQ. SCG's 4QFY15 core PATAMI of RM32.8m increased by 21.4% QoQ compared to RM27.1m in 3QFY15 on the back of 4.4% QoQ growth in revenue to RM470.3m. These were mainly due to the commencement of projects namely Parcel F in Putrajaya and Coastal Highway Southern Link in Johor.

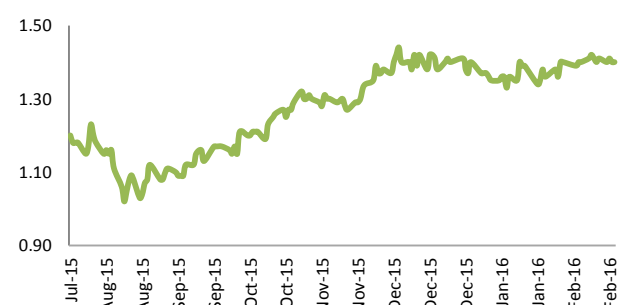
Earnings forecast. We are maintaining our FY16 earnings forecast at this juncture and introduce our FY17 numbers with earnings to improve by 25.4% to a record high of RM177.1m. Total outstanding orderbook in hand stand at about RM3.7bn hence should provide strong earnings visibility for next year onwards.

Healthy balance sheet. As of FY15, the Group is in a net cash position of RM468.5m. These definitely will provide greater flexibility for projects execution and financing for future capital expansion.

Dividend. The Group has proposed a first interim dividend of 20% per share equivalent to 4.0sen for FYE 2015 to be paid on a date determine later. This is in line with our projection, translating to a yield of 2.8% and dividend payout of 38%.

View and valuation. We retain our positive view on the Group to secure more projects moving forward as it certainly will benefit in the robust construction activities that offers plenty of jobs such as the MRT Line 2, LRT 3 and BRT. All said, we reiterate our Buy call for SCG at an unchanged TP of RM1.53 based on 14x PER pegged to FY16 EPS of 10.9sen.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	1QFY15	2QFY15	3QFY15	4QFY15	QoQ Chg	FY15
Revenue	496.1	500.2	450.3	470.3	4.4%	1916.9
EBIT	39.2	41.3	28.2	27.6	-2.4%	136.3
Pre-tax profit	39.6	41.6	30.1	29.4	-2.5%	140.8
Taxation	(5.2)	(3.8)	(4.9)	1.0	-119.6%	(13.0)
PATAMI	34.4	37.8	25.7	29.3	14.4%	127.2
CORE PATAMI	35.4	40.7	27.1	32.8	21.4%	136.0
EPS (sen)	2.7	2.9	2.0	2.3	14.4%	9.8
Net gearing (x)	Ncash	Ncash	Ncash	Ncash	n.a	Ncash
EBIT margin (%)	7.9%	8.3%	6.3%	5.9%	-41.17%	7.1%
PBT margin (%)	8.0%	8.3%	6.7%	6.3%	-44.26%	7.3%
Net profit margin (%)	6.9%	7.6%	5.7%	6.2%	54.26%	6.6%
Effective tax rate (%)	13.2%	9.1%	16.4%	3.3%	-1971.23%	9.2%

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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BIMB SECURITIES SDN BHD (290163-X)

A Participating Organisation of Bursa Malaysia Securities Berhad

Level 32, Menara Multi Purpose, Capital Square,

No. 8 Jalan Munshi Abdullah,

50100 Kuala Lumpur

Tel: 03-2691 8887, Fax: 03-2691 1262

<http://www.bimbsec.com.my>

Kenny Yee

Head of Research