

▶ SUNWAY CONSTRUCTION GROUP BHD				
FYE DEC 31	2015	2016E	2017E	2018E
REVENUE (RM mil)	1,916.9	1,765.4	2,276.2	2,185.2
NET PROFIT (RM mil)	127.2	143.0	169.6	188.2
EPS (sen)	9.8	11.1	13.1	14.6
PER (x)	15.8	14.0	11.8	10.6

## More highway, building contract wins to come for Sunway Construction

### ► Recommendation:

#### Buy

TARGET Price: RM1.98

by Affin Hwang Investment Bank Bhd (April 19)

### Highlights

SUNWAY Construction Group Bhd (SunCon) was awarded the RM1.2b Klang Valley Mass Rapid Transit Line 2 (MRT 2) project on March 29, 2016. This lifts its orderbook to RM4.8b, equivalent to 2.5x FY15 revenue, improving earnings visibility.

We see prospects for more contract wins as SunCon has submitted tenders worth RM18b for highway and building projects.

won the tender for Viaduct Guideway Package V201 of MRT 2 for RM1,213m due to its competitive price and strong technical capabilities. SunCon expects a 10% PBT margin for this project and construction period is five years. It plans to bid for the station works worth about RM300m within the package to improve its profit margin from this project.

**More projects in the pipeline.** SunCon has submitted tenders for Sungai Besi-Ulu Klang Elevated Expressway and Damansara-Shah Alam Elevated Expressway civil work packages.

We gather that the indicative

partner KTS Holdings Sdn Bhd will also bid for the upcoming Pan Borneo Highway package in Sibul worth about RM1.7b.

KTS owns a quarry in Sibul, improving the JVs competitiveness for the upcoming tender.

**Fine-tuning earnings forecasts.** SunCon has clinched RM1.36b worth of new contracts in 1Q16, increasing its orderbook to RM4.8b from RM3.7b at end-2015. We fine-tune our earnings forecasts.

We also raise our PBT margin assumption to 10% from 8% previously with a longer five-year construction period for the MRT 2 project.

**Top sector 'Buy'.** We believe

We lift our RNAV-based target price to RM1.98 from RM1.74 to reflect a higher sustainable construction earnings assumption. SunCon remains our top 'Buy' in the construction sector.

**MRT 2 in the bag.** SunCon

value is over RM1b for one of the packages. Few contractors can execute the work due to the complexity of the high elevated highway section, and thus we see less competition. SunCon and its local joint-venture (JV)

SunCon's current ex-cash 2016E PER of 12x is attractive compared to its peer average of 18x. Maintain 'Buy'.

Key risks are public infrastructure project implementation delays and cost overruns.