



Sunway Construction Group Berhad

Secure International School of KL Building Works

TP: RM1.80(+11.8%)

Last traded: RM1.61

BUY

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Secure Main Buildings Works for International School of KL

SUNCON announced that it has accepted the Letter of Award issued by The Society For The International School of Kuala Lumpur in relation to the main building works for the proposed development of the International School of Kuala Lumpur at Jalan Ampang Hilir, Mukim Ampang, Kuala Lumpur.

The total contract sum is RM268mn and the project shall have a contract period of 22 months.

Our View

With this job win, we estimate that SUNCON has secured RM2.4bn of new construction jobs YTD (see Exhibit 1), versus management's full target and our assumption of RM2.5bn for 2016.

Exhibit 1: YTD Job Wins

Project	Contract Sum (RMmn)
Package V201 of MRT Line 2	1213
Velocity Link Bridge	20
MRT Spurline (piling)	12
Casa Kiara 3 (piling)	19
SMC 4 & 5	428
Sunway Velocity Medical Centre	185
Sunway Velocity Hotel + Office	113
M&E Works for UKM Children's Specialist Hospital	66
RC8	10
Precast	82
International School of KL	268
TOTAL	2416

Source: Company, TA Research

Following the award of this new job, the group's outstanding construction order book amounts to RM4.9bn.

Assuming an operating margin of 7.0%, we expect the project to enhance the group's net earnings by RM14.3mn, or 1.1sen/share throughout the construction period.

Impact

No change to our earnings forecasts as the job win is within our FY16 order book replenishment assumption.

Valuation

Maintain our **BUY** call on **SUNCON** with unchanged target price of **RM1.80**, based on 15xCY17 EPS.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1292.9
Market Cap (RMmn)	2081.6
Par Value	0.20
52-wk Hi/Lo (RM)	1.72/0.98
12-mth Avg Daily Vol ('000 shrs)	3045.5
Estimated Free Float (%)	34.8
Beta	0.53

Major Shareholders (%)

Sunholdings -	54.42
Sungei Way Corp Sdn Bhd -	10.06

Forecast Revision

	FY16	FY17
Forecast Revision (%)	-	-
Net profit (RMm)	144.7	155.3
Consensus	139.5	159.8
TA's / Consensus (%)	103.7	97.1
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	11.0	6.6
Price / CFPS (x)	14.6	24.5
ROA (%)	9.1	8.5
NTA/Share (RM)	41.1	47.6
Price/NTA (x)	3.9	3.4

Share Performance (%)

Price Change	SCGB	FBM KLCI
1 mth	(2.4)	2.0
3 mth	(0.6)	3.4
6 mth	14.2	0.8
12 mth	47.7	7.4

(12-Mth) Share Price relative to the FBM KLCI



Source: Bloomberg

Financial Statements

Profit & Loss (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
Revenue	1,880.7	1,916.9	2,192.5	2,206.0	2,110.0
EBITDA	161.7	178.2	223.2	236.8	240.7
Dep. & amortisation	(44.7)	(41.9)	(41.5)	(42.1)	(42.1)
Net finance cost	(0.7)	(4.5)	(1.3)	(1.6)	(1.6)
PBT	139.3	140.8	183.0	196.3	200.2
Taxation	(26.5)	(13.0)	(38.4)	(41.2)	(42.0)
MI	0.0	0.6	(0.1)	(0.2)	(0.2)
Net profit	112.8	127.1	144.7	155.3	158.4
Core net profit	102.1	127.1	144.7	155.3	158.4
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.5	3.1	3.4	3.4

Cash Flow (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
PBT	189.8	140.8	183.0	196.3	200.2
Adjustments	(17.4)	34.1	40.2	40.5	40.5
Changes in WC	49.1	64.9	64.4	0.4	(3.2)
Operational cash flow	221.4	239.8	287.6	237.3	237.5
Capex	(45.7)	(38.7)	(52.1)	(49.7)	(49.7)
Others	308.3	(25.9)	9.1	8.3	8.3
Investment cash flow	262.6	(64.5)	(43.0)	(41.4)	(41.4)
Debt raised/(repaid)	10.6	1.6	0.0	0.0	0.0
Dividend	(428.0)	(70.0)	(64.6)	(71.1)	(71.1)
Others	(0.7)	0.0	0.0	0.0	0.0
Financial cash flow	(418.0)	(68.4)	(64.6)	(71.1)	(71.1)
Forex effect	(0.5)	4.8	0.0	0.0	0.0
Desposit	0.8	0.8			
Net cash flow	135.5	107.3	142.8	85.1	84.6
Beginning cash	142.6	277.6	390.5	533.3	618.4
Ending cash	277.6	390.5	533.3	618.4	703.0

Balance Sheet (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
Fixed assets	175.8	161.8	163.3	162.6	161.9
Others	38.2	18.4	18.4	18.4	18.4
NCA	214.0	180.2	181.7	181.0	180.3
Cash	278.4	390.5	533.3	618.4	703.0
Others	831.8	826.8	1,064.8	1,069.9	1,033.4
CA	1,110.2	1,217.2	1,598.0	1,688.3	1,736.3
Total assets	1,324.2	1,397.4	1,779.7	1,869.3	1,916.6
ST borrowings	134.7	136.8	136.8	136.8	136.8
Other liabilities	804.9	804.8	1,107.2	1,112.8	1,073.0
CL	939.6	941.7	1,244.0	1,249.6	1,209.9
Shareholders' funds	380.2	451.0	531.1	615.3	702.5
MI	0.1	0.6	0.5	0.3	0.1
LT borrowings	0.1	0.0	0.0	0.0	0.0
Other LT liabilities	4.3	4.1	4.1	4.1	4.1
Total capital	1,324.2	1,397.4	1,779.7	1,869.3	1,916.6

Ratio

YE Dec 31	2014	2015	2016F	2017F	2018F
EBITDA Margins (%)	8.6	9.3	10.2	10.7	11.4
Core EPS (sen)	7.9	9.8	11.2	12.0	12.2
EPS Growth (%)	20.8	24.5	13.8	7.3	2.0
PER (x)	20.4	16.4	14.4	13.4	13.1
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.5	3.1	3.4	3.4
Net cash (RMmn)	143.6	253.6	396.4	481.6	566.1
Net gearing (%)	net cash	net cash	net cash	net cash	net cash
ROE (%)	na	30.6	29.5	27.1	24.0
ROA (%)	na	9.3	9.1	8.5	8.4
NTA (sen)	39.2	34.9	41.1	47.6	54.3
P/NTA(x)	4.1	4.6	3.9	3.4	3.0

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