



Sunway Construction Group Berhad

Secure MRT Line 2 Package V201

TP: RM1.90(+13.8%)

Last traded: RM1.67

BUY

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Ooi Beng Hooi

Tel: 603-2167-9612

benghooi@ta.com.my

www.taonline.com.my

Media reported that MRT Corp had awarded package V201 of MRT line 2, with a contract sum of RM1.2bn, to SUNCON. This comes soon after Ahmad Zaki was awarded RM1.4bn package V202 last Friday.

Package V201

The contract involves the construction and completion of 4.9km of the MRT Sungai Buloh-Serdang-Putrajaya line, stretching from Sungai Buloh to Persiaran Dagang.

Our View

The award comes within our expectation as highlighted in our previous reports. This is given SUNCON being among the most experienced local contractors in works of this nature. SUNCON is also the contractor for package V4 of MRT line 1, which has been substantially completed by SUNCON. Besides, SUNCON was involved in the extension of LRT Kelana Jaya line.

This is the first construction contract secured by the group in 2016. With this job win, we estimate the group's outstanding construction order book stands at RM4.4bn.

Assuming an operating margin of 8.0%, we expect the project to enhance the group's net earnings by RM75.8mn, or 5.9sen/share throughout the construction period.

Impact

We raise our order book replenishment assumption from RM2.0bn to RM2.5bn for FY16. Besides, we also fine tune our order book run rate assumptions as SUNCON managed to secure early package of MRT line 2. All in, we raise our FY16 to FY18 earnings forecasts by 10.7% to 24.0%.

Valuation

Valuation wise, we raise SUNCON's target price from RM1.72 to **RM1.90**, based on 15xCY16 EPS, Maintain our **BUY** call on **SUNCON**.

Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1292.9
Market Cap (RMmn)	1810.1
Par Value	0.20
52-wk Hi/Lo (RM)	1.72/0.98
12-mth Avg Daily Vol ('000 shrs)	4800.1
Estimated Free Float (%)	37.9
Beta	0.56
Major Shareholders (%)	

Sunholdings - 54.42
Sungei Way Corp Sdn Bhd - 7.02

Forecast Revision

	FY16	FY17
Forecast Revision (%)	10.7	24.0
Net profit (RMm)	164.0	175.6
Consensus	137.8	156.0
TA's / Consensus (%)	119.0	112.6
Previous Rating	Buy (Maintained)	

Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	9.2	8.2
Price / CFPS (x)	18.1	20.5
ROA (%)	10.1	9.8
NTA/Share (RM)	42.6	50.6
Price/NTA (x)	3.9	3.3

Share Performance (%)

Price Change	SCGB	FBM KLCI
1 mth	19.3	2.9
3 mth	21.0	1.0
6 mth	45.2	6.2
12 mth	na	(6.1)

(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	2,492.5	2,506.0	2,260.0
EBITDA	161.8	178.2	247.7	262.5	255.6
Dep. & amortisation	(41.6)	(41.9)	(41.5)	(42.1)	(42.1)
Net finance cost	(0.7)	4.5	(1.3)	(1.6)	(1.6)
PBT	151.3	140.8	207.5	222.0	215.1
Taxation	(26.5)	(13.0)	(43.6)	(46.6)	(45.2)
MI	(0.1)	(0.6)	(0.1)	(0.2)	(0.2)
Net profit	124.8	127.2	164.0	175.6	170.1
Core net profit	114.1	127.2	164.0	175.6	170.1
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.4	3.0	3.3	3.3

Cash Flow (RMmn)

YE Dec 31	2014	2015	2016F	2017F	2018F
PBT	151.3	140.8	207.5	222.0	215.1
Non cash expenses	14.7	(11.7)	41.5	42.1	42.1
Non Operating expenses	3.4	(4.7)	(1.3)	(1.6)	(1.6)
Changes in WC	14.1	111.7	21.3	0.4	(8.1)
Operational cash flow	183.5	236.0	269.0	262.9	247.5
Capex	(45.7)	(39.2)	(52.1)	(49.7)	(49.7)
Others	394.9	(25.3)	9.1	8.3	8.3
Investment cash flow	349.2	(64.5)	(43.0)	(41.4)	(41.4)
Debt raised/(repaid)	46.5	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	(382.1)	(68.4)	(64.6)	(71.1)	(71.1)
Forex effect	0.6	9.4	0.0	0.0	0.0
Net cash flow	151.0	112.6	119.0	105.4	91.4
Beginning cash	125.9	277.6	390.5	509.5	614.9
Ending cash	277.6	390.2	509.5	614.9	706.3

Balance Sheet (RMmn)

YE Dec 31	2014 [^]	2015	2016F	2017F	2018F
Fixed assets	178.7	162.5	164.0	163.3	162.6
Others	35.3	17.7	17.7	17.7	17.7
NCA	214.0	180.2	181.7	181.0	180.3
Cash	220.4	390.5	509.5	614.9	706.3
Others	818.6	944.4	1,041.1	1,046.2	952.6
CA	1,039.0	1,334.9	1,550.6	1,661.1	1,658.8
Total assets	1,253.0	1,515.1	1,732.3	1,842.1	1,839.2
ST borrowings	135.1	136.8	136.8	136.8	136.8
Other liabilities	804.5	922.5	1,040.4	1,046.0	944.2
CL	939.6	1,059.4	1,177.2	1,182.8	1,081.1
Shareholders' funds	314.2	451.0	550.4	654.9	753.9
MI	(5.2)	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	1,253.0	1,515.1	1,732.3	1,842.1	1,839.2

Ratio

YE Dec 31	2014	2015	2016F	2017F	2018F
EBITDA Margins (%)	8.6	9.3	9.9	10.5	11.3
Core EPS (sen)	8.8	9.8	12.7	13.6	13.2
EPS Growth (%)	20.8	11.5	28.9	7.0	(3.1)
PER (x)	18.9	17.0	13.2	12.3	12.7
GDPS (sen)	na	4.0	5.0	5.5	5.5
Div Yield (%)	na	2.4	3.0	3.3	3.3
Net cash (RMmn)	85.2	253.6	372.7	478.1	569.4
Net gearing (%)	net cash	net cash	net cash	net cash	net cash
ROE (%)	na	35.2	32.8	29.1	24.2
ROA (%)	na	9.7	10.1	9.8	9.2
NTA (sen)	24.3	34.9	42.6	50.6	58.3
P/NTA(x)	6.9	4.8	3.9	3.3	2.9

[^]Pro forma consolidated statement of financial position

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for TA SECURITIES HOLDINGS BERHAD^(14948-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Kaladher Govindan – Head of Research