

Sunway Construction Group (SCGB MK) : HOLD

Mkt. Cap: US\$703m | 3m Avg. Daily Val: US\$0.88m

Last Traded Price (5 Oct 2017): RM2.30

Price Target 12-mth: RM2.60 (13% upside) (Prev RM2.60)

Analyst

Tjen San CHONG, CFA +60 3 26043972; tjensan@alliancedbs.com

Record orderbook with LRT 3 win

- Clinches largest civil package for LRT 3
- Orderbook jumps to a record RM6.5bn
- Likely upside to our earnings forecast but valuations appear fair, even after factoring in potential upgrade
- Maintain HOLD rating and TP of RM2.60

Forecasts and Valuation

FY Dec (RMm)	2016A	2017F	2018F	2019F
Revenue	1,789	2,301	2,658	2,833
EBITDA	185	225	247	269
Pre-tax Profit	154	188	210	232
Net Profit	124	151	168	185
Net Pft (Pre Ex.)	124	151	168	185
Net Pft Gth (Pre-ex) (%)	(2.9)	22.1	11.4	10.4
EPS (sen)	9.55	11.7	13.0	14.3
EPS Pre Ex. (sen)	9.55	11.7	13.0	14.3
EPS Gth Pre Ex (%)	(3)	22	11	10
Diluted EPS (sen)	9.55	11.7	13.0	14.3
Net DPS (sen)	4.00	5.25	5.84	6.45
BV Per Share (sen)	38.1	44.6	51.7	59.6
PE (X)	24.1	19.7	17.7	16.0
PE Pre Ex. (X)	24.1	19.7	17.7	16.0
P/Cash Flow (X)	37.2	19.7	14.9	13.9
EV/EBITDA (X)	14.3	11.5	10.2	9.0
Net Div Yield (%)	1.7	2.3	2.5	2.8
P/Book Value (X)	6.0	5.2	4.4	3.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	26.2	28.2	27.0	25.8

Source of all data on this page: Company, AllianceDBS, Bloomberg Finance L.P.

Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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What's New

Largest LRT 3 civil package. Sunway Construction (Suncon) has clinched the largest civil package for LRT 3. This is Package GS07-08 from Sri Andalas to Kawasan 17 worth RM2.2bn. The scope of works include construction of 9.2km of viaduct works, six stations, one cable-stayed bridge over Klang river, two Park and Ride at Pasar Besar Klang and Sri Andalas and one centralised labour quarters at Johan Setia. The total project duration is for 36 months and is slated to be completed by 4Q2020. This will be Suncon's fourth elevated rail project since 2011.

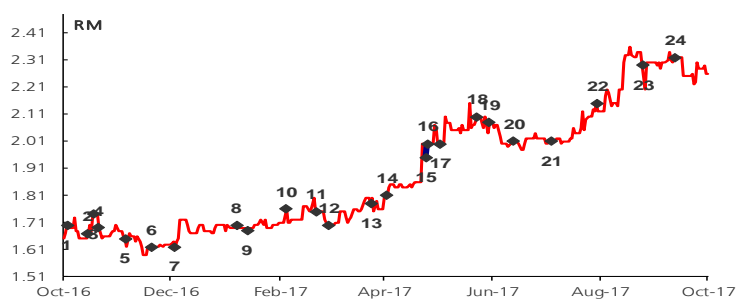
Trumps new order win forecast. This win already beats its FY17F new order win forecast of RM2bn. YTD wins, including the RM212m station works for MRT Line 2, amount to RM3.75bn. Its total outstanding orderbook surges by 38% to RM6.5bn, implying close to three years' revenue visibility.

No change in earnings forecasts for now. We are leaving our earnings forecast unchanged for now, pending deeper clarity on new order wins for FY18F. Based on our current estimates, which assume FY18F-19F new order wins of RM2.1bn per annum (including manufacturing), this sizeable win may lift our FY18F and FY19F net profit by 8% and 9% respectively. In our view, it is likely that new order wins in FY18F and beyond may need to be adjusted downwards given possible capacity constraints while it is uncertain if Suncon will bid for the East Coast Railway Link. It is likely to focus on more internal jobs in FY18F in view of the recent land banking move by Sunway Berhad.

Flash Note

Maintain HOLD rating. We continue to like Suncon for its strong execution track record, clear earnings visibility (thanks to its record orderbook) and healthy balance sheet. Even after taking into account the potential earnings upgrade, Suncon's valuations appear fair at an FY18F PE of 16.3x vs 17.7x pre-upgrade.

Target Price & Ratings History



Note: Share price and Target price are adjusted for corporate actions.

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	06 Oct 16	1.70	1.92	BUY
2:	18 Oct 16	1.67	1.92	BUY
3:	21 Oct 16	1.74	1.92	BUY
4:	24 Oct 16	1.69	1.92	BUY
5:	08 Nov 16	1.65	1.92	BUY
6:	23 Nov 16	1.62	1.92	BUY
7:	06 Dec 16	1.62	1.92	BUY
8:	10 Jan 17	1.70	1.92	BUY
9:	16 Jan 17	1.68	1.92	BUY
10:	07 Feb 17	1.76	1.92	BUY
11:	24 Feb 17	1.75	2.13	BUY
12:	03 Mar 17	1.70	2.13	BUY
13:	27 Mar 17	1.78	2.13	BUY
14:	05 Apr 17	1.81	2.13	BUY
15:	27 Apr 17	1.95	2.13	BUY
16:	28 Apr 17	2.00	2.13	BUY
17:	05 May 17	2.00	2.13	BUY
18:	26 May 17	2.10	2.60	BUY
19:	02 Jun 17	2.08	2.60	BUY
20:	16 Jun 17	2.01	2.60	BUY
21:	07 Jul 17	2.01	2.60	BUY
22:	02 Aug 17	2.15	2.60	BUY
23:	28 Aug 17	2.29	2.60	HOLD
24:	15 Sep 17	2.32	2.60	HOLD

Source: AllianceDBS

Analyst: Tjen San CHONG

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 5 Oct 2017 19:30:08 (MYT)

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Sources for all charts and tables are AllianceDBS unless otherwise specified.

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DBS Regional Research Offices

HONG KONG

DBS Vickers (Hong Kong) Ltd

Contact: Paul Yong
18th Floor Man Yee Building
68 Des Voeux Road Central
Central, Hong Kong
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Participant of the Stock Exchange of Hong Kong

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: research@id.dbsvickers.com

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 657 7831
Fax: 66 2 658 1269
e-mail: research@th.dbsvickers.com
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