

Sunway Construction Group strong and dependable

Sunway Construction Group Bhd (May 26, RM2.10)

Buy with a higher target price of RM2.60: Sunway Construction Group Bhd (SunCon) is the largest listed pure play construction company in Malaysia. Given its strong track record with mass rapid transit (MRT), light rail transit (LRT) and bus rapid transit (BRT) jobs previously, we are of the view that SunCon is on a strong footing to bag several key infrastructure packages such as LRT3 and BRT as well as other infrastructure-related and building projects. SunCon has also established itself as the only construction specialist to be involved in all three rapid line infrastructure projects (MRT, LRT and BRT). This makes the group one of the strongest contenders to win the 11th Malaysia Plan projects.

Its precast division is a strong proxy for the growing demand for Housing and Development Board residences in Singapore, where the

government is targeting to build an additional 88,000 units of public housing in financial year 2016 (FY16) to FY19. With premium earnings before interest and tax margins recorded over the past few years, the business is return on equity-enhancing and also synergistic with its construction business. We estimate that every incremental RM200 million new win will raise our FY17 forecast by 6% versus 1% for construction wins.

Not one to rest on its laurels, SunCon will be bidding for LRT3 (already pre-qualified), private and public sector building jobs, and internal projects from the property arm of its holding company. Its 2016 wins reached RM2.7 billion which exceeded its RM2.5 billion guidance. For FY17, it is guiding for RM2 billion worth of new wins which should come from a combination of LRT3, internal jobs, precast projects and some other private sector building jobs. — *AllianceDBS Research, May 26*

Sunway Construction Group Bhd

FYE DEC (RM MIL)	2016A	2017F	2018F	2019F
Revenue	1,789	2,321	2,739	2,813
Ebitda	185	231	259	271
Pre-tax profit	154	194	222	234
Net profit	124	155	178	187
Net profit (pre ex)	124	155	178	187
Net profit growth (pre ex) (%)	(2.9)	25.6	14.7	5.1
EPS (sen)	9.55	12.0	13.8	14.5
EPS pre ex (sen)	9.55	12.0	13.8	14.5
EPS growth pre ex (%)	(3)	26	15	5
Diluted EPS (sen)	9.55	12.0	13.8	14.5
Net DPS (sen)	4.00	5.40	6.19	6.51
BV per share (sen)	38.1	44.7	52.3	60.3
PER (x)	21.7	17.2	15.0	14.3
PER pre ex (x)	21.7	17.2	15.0	14.3
P/CF (x)	33.5	17.5	12.9	12.3
EV/Ebitda (x)	12.7	10.0	8.5	7.8
Net dividend yield (%)	1.9	2.6	3.0	3.1
P/BV (x)	5.4	4.6	4.0	3.4
Net debt/equity (x)	Cash	Cash	Cash	Cash
ROAE (%)	26.2	29.0	28.4	25.7

Sources: Company, AllianceDBS, Bloomberg Finance LP

