



Sunway Construction Group Berhad

Looking to Breach RM2bn Revenue in 2016

TP: RM1.72(+22.9%)

Last traded: RM1.40

BUY

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Results Review

- The FY15 net profit of RM127.2mn came in a tad below our expectations but in line with consensus' forecast, at 94.3% and 98.9% of full-year estimates respectively. The variance was mainly due to lower-than-expected construction activities.
- First interim dividend of 4sen/share was declared.
- YoY, FY15 core profit of RM127.2mn was 11.4% higher as revenue grew 1.9% to RM1,916.9mn, operating margin improved by 0.7% pts to 7.1%, and effective tax rate dropped from 17.5% to 9.2%.
- QoQ, 4Q15 net profit jumped 14.4% to RM29.3mn, mainly as a result of recognition of deferred taxation in 4Q15. Construction revenue (excluding precast) was 6.0% higher at RM417.6mn due to commencement of construction works at Parcel F, Putrajaya and Coastal Highway Southern Link projects.
- The precast division recorded slightly lower PBT (-2.6%) at RM20.0mn despite a 6.6% drop in revenue to RM52.6mn in 4Q15 as the precast margin in 4Q15 improved to the highest level in FY15 at 38.1%.

Impact

- Adjustments were made to the recognition of FY16 and FY17 construction revenues. Subsequently, the FY16 and FY17 earnings were raised by 1.1% and 13.3% respectively.

Outlook

- Currently, the company has an outstanding order book of about RM3.7bn (see Exhibit 1), which translate into 1.9x FY15 revenue. This could provide earning visibility for the next 2 years.
- Going forward, we are positive on the prospects of SUNCON as it is a strong contender for upcoming mega projects such as LRT line 3, KVMRT line 2, BRT, and various highway projects such as Pan Borneo Highway, DASH, SUKE.

Valuation

- We tweak the target price higher from RM1.70 to **RM1.72**, based on unchanged 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)	1.45/0.98
12-mth Avg Daily Vol ('000 shrs)	5034.7
Estimated Free Float (%)	37.9
Beta	0.56
Major Shareholders (%)	
	Sunholdings - 54.42
	Sungei Way Corp Sdn Bhd - 6.78

Forecast Revision

	FY16	FY17
Forecast Revision (%)	1.1	13.3
Net profit (RMm)	148.2	141.6
Consensus	136.9	151.2
TA's / Consensus (%)	108.3	93.6
Previous Rating	Buy (Maintained)	

SCORECARD (%)

vs TA	94.3	Below
vs Consensus	98.9	Within

Financial Indicators

	FY16	FY17
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	(0.9)	6.8
Price / CFPS (x)	(157.3)	20.7
ROA (%)	10.6	9.6
NTA/Share (RM)	37.4	44.0
Price/NTA (x)	3.7	3.2

Share Performance (%)

Price Change	SCGB	FBM KLCI
1 mth	1.4	2.0
3 mth	2.2	(1.6)
6 mth	34.6	6.0
12 mth	na	(8.7)

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



Source: Bloomberg

Earnings Summary

FYE Dec (RMmn)	2014	2015	2016F	2017F	2018F
Revenue	1,880.7	1,916.9	2,242.5	2,306.0	1,960.0
Gross profit	395.4	111.7	482.1	484.3	411.6
EBITDA	161.8	178.2	227.7	219.5	224.6
EBITDA margin (%)	8.6	9.3	10.2	9.5	11.5
EBIT	120.2	136.3	186.2	177.4	182.5
PBT	151.3	140.8	187.5	179.0	184.1
PAT	124.8	127.2	148.2	141.6	145.6
Core net profit	114.1	127.2	148.2	141.6	145.6
Core EPS (sen)	8.8	9.8	11.5	11.0	11.3
PER (x)	15.9	14.2	12.2	12.8	12.4
Gross dividend (sen)	na	4.0	4.6	4.4	4.5
Dividend yield (%)	na	2.9	3.3	3.1	3.2
ROE (%)	na	33.9	33.7	26.9	23.8

4Q15 Results Analysis (RMmn)

FYE Dec	4Q14	3Q15	4Q15	QoQ (%)	YoY (%)	FY14	FY15	YoY(%)
Revenue	na	450.3	470.3	4.4	na	1,880.7	1,916.9	1.9
Operating profit	na	28.2	27.6	(2.4)	na	120.2	136.3	13.4
Finance income	na	2.7	2.4	(11.1)	na	4.1	8.0	98.4
Finance costs	na	(0.8)	(0.5)	(30.5)	na	(3.3)	(3.5)	5.1
Profit before taxation	na	30.1	29.4	(2.5)	na	151.3	140.8	(7.0)
Income tax expense	na	(4.9)	1.0	(119.6)	na	(26.5)	(13.0)	(50.9)
Non-controlling interests	na	(0.5)	1.0	(320.8)	na	0.1	0.6	1050.0
Net profit	na	25.7	29.3	14.4	na	124.8	127.2	1.9
Core net profit	na	25.7	29.3	14.4	na	114.1	127.2	11.4
Reported EPS (sen)	na	2.0	2.3	14.6	na	9.7	9.8	1.8
Core EPS (sen)	na	2.0	2.3	14.6	na	8.8	9.8	11.4
Dividend (sen)	na	0.0	4.0	na	na	na	4.0	na
Margin (%):				% pts	% pts			% pts
- Operating	na	6.3	5.9	(0.4)	8.3	6.4	7.1	0.7
- PBT	na	6.7	6.3	(0.4)	8.3	8.0	7.3	(0.7)
- PAT	na	5.6	6.5	0.9	7.6	6.1	6.7	0.6
- Effective tax rate	na	(16.4)	3.3	19.7	na	(17.5)	(9.2)	8.3

Exhibit 1: Ongoing projects

Project	Contract Value (RMmn)	Outstanding Amount (RMmn)
Infrastructure		
MRT Package V4 (Section 17 to Semantan)	1,173	320
LRT Kelana Jaya Line Extension (Package B)	569	41
Johor		
Urban Wellness Centre	283	15
Coastal Highway Southern Link	170	99
Others		
Putrajaya Parcel F	1,609	1382
KLCC NEC	304	199
KLCC Package 2 (Piling and Substructure)	222	129
KLCC Package 2A (Substructure)	120	111
Others	83	31
Internal		
Sunway Velocity 2 Mall	350	102
Sunway Geo Retail Shop & Flexi Suites	153	93
Sunway Medical Centre Phase 3 (Sub & Superstructure)	167	118
Sunway Iskandar – Citrine Service Apartment (Superstructure)	213	128
Sunway Geo Retail Shops & Flexi Suites Phase 2	244	222
Sunway Lenang Phase 1A	96	53
Sunway Iskandar – Emerald Residences	175	137
Others	615	69
Singapore		
Precast	848	416
	7,393	3,664

Source: Company, TA Research

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