

26 February 2016 | FY15 Results Review

## Sunway Construction Group Berhad

### Construction segment dominates results

#### INVESTMENT HIGHLIGHTS


- Sunway Construction Group Berhad's (SCGB) FY15 Results within expectations
- Construction sector underpinned FY15 results
- Pre-cast sector remains a key risk due to demand/supply
- We reiterate our BUY recommendation with an unchanged TP of RM1.32 per share

**Sunway Construction Group Berhad's (SCGB) FY15 results within expectations.** SCGB's earnings of RM141.1m came in within our and consensus expectations at 103% and 101% of full year estimates respectively.

**Construction segment.** The strong results were underpinned by the construction segment which contributed 52% to its PBT. The construction works were largely dominated by infrastructure projects such as Pasar Seni MRT station, roads and government offices in Putrajaya. Its total outstanding construction orderbook stands at RM4.87b. Despite the sombre economic climate, the rate of replenishment for construction segment is targeted at around RM2.0bn for FY16. SCGB has a good orderbook replenishment capabilities and track records with government agencies such as Syarikat Prasarana Negara and MRT Corp. Furthermore, SCGB's parent can also drive a decent inflow of construction projects.

**Pre-cast segment.** The key risk factor is the pre-cast construction materials segment which contributed 48% to its PBT and which was driven by the demand for HDB flats in Singapore. The remaining launches for FY15 is for 4170 apartment units in Toa Payoh, Bukit Batok and Sengkang with build-to-order (BTO) system. The application for HDB closes in March 2016. We estimate that the earnings for pre-cast segment will drop by -15%yoy and SCGB's Q2FY16 results will be trimmed before normalizing in Q4FY16 due time-lag in project commencements, transport charges and profit recognition later this year.

**Impact on earnings.** We make no changes to our earnings assumptions for FYE16 and introduce our FYE17 estimates.

**Recommendation.** We maintain our TP of RM1.32 based on FYE16 sum-of-parts valuation (SOP) and implied PER16 of 12x which is below the peers' median of PER 16x. 

**Maintain NEUTRAL**  
Unchanged Target Price (TP): RM1.32

RETURN STATS	
Price (25 Feb 2016)	RM1.40
Target Price	RM1.32
Expected Share Price Return	+6.0%
Expected Dividend Yield	+2.1%
<b>Expected Total Return</b>	<b>+8.1%</b>

STOCK INFO	
KLCI	1,657.6
Bursa / Bloomberg	5263/SCGB MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1292
Par Value (RM)	1.00
Market cap. (RM'm)	1810
Price over NA	5.738
52-wk price Range	RM0.98– RM1.45
Beta (against KLCI)	N/A
3-mth Avg Daily Vol	2.43m
3-mth Avg Daily Value	RM3.36m
Major Shareholders (%)	
Sunholdings	54.4
Sungei Way Corp	6.78
Amanah Mutual	0.85
Cheah Fook Lin	0.6

## SOP VALUATION

	Basis	Value (RM'm)	Per share (RM)
<b><u>Building and Civil Infrastructure</u></b>		1,902	1.47
Sunway Velocity Shopping Mall			
KLCC North East Car Park			
KLCC Package 2			
Sunway Pyramid Phase 3			
Afiniti Medini mixed development project			
Sunway Geo Retail and Flexi Suites			
Sunway Medical Center Phase 3			
Citrine Mixed Development, Sunway Iskandar			
Coastal Highway Southern Link			
Sunway University new academic block			
Urban Wellness Center			
Various Projects			
Putrajaya Presint 1 Parcel F			
<b><u>Foundation and Geotechnical Services</u></b>			
Mengkuang Dam expansion			
Sunway Velocity tunneling			
Sunway South Quay Commercial Precinct 3			
		77	0.06
<b><u>MEP</u></b>			
Pasar Seni MRT Station			
Gas District Cooling Plant			
		12	0.01
<b><u>Precast Concrete</u></b>			
Supplying to Singapore and other projects		276	0.21
<b><u>Others</u></b>			
Ongoing works		66	0.07
<b>Total SOP</b>		2,331.9	1.82
Net debt		-641.1	-0.50
<b>Total SOP</b>			<b>1.32</b>
Enlarged share capital (mil)			1,293

Source: MIDFR

## INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16F	FY17F
Revenue (RM'm)	1,880.7	1,916.8	1,587.8	1,993.6
EBIT (RM'm)	120.2	136.2	133.4	164.1
Pre-tax Profit (RM'm)	151.3	140.7	134.5	166.8
Normalised PATAMI (RM'm)	114.2	127.7	107.7	133.6
EPS (sen)	8.8	9.84	8.3	10.3
EPS growth (%)	20.9	8.6	-13.1	24.0
PER(x)	13.6	14	16.8	13.5
Net Dividend (sen)	2.0	3.4	2.9	3.6
Net Dividend Yield (%)	1.5	2.4	2.1	2.6

Source: MIDFR

## RESULTS REVIEWS

FYE Dec (RM'm)	4Q15	3Q15	2Q15	1Q15	6MFY15	9MFY15	12MFY15
<b>Revenue</b>	<b>470.00</b>	<b>450.0</b>	<b>500.0</b>	<b>496.0</b>	<b>996</b>	<b>1446</b>	<b>1916</b>
Operating Expenses	-457.00	-424.0	-462.0	-460.9	-922.9	-1346.9	-1805
Other income	14.70	2.3	3.3	4.0	7.3	9.6	24.5
Interest income	2.30	2.6	1.5	1.4	2.9	5.5	8
Finance cost	-0.50	-0.7	-1.2	-1.0	-2.15	-2.85	-3
<b>Operating profit</b>	<b>27.50</b>	<b>28.4</b>	<b>41.5</b>	<b>39.1</b>	<b>80.6</b>	<b>109</b>	<b>136.2</b>
<b>Pre-tax profit</b>	<b>29.30</b>	<b>30.1</b>	<b>41.5</b>	<b>39.6</b>	<b>81.1</b>	<b>111.2</b>	<b>140.7</b>
Taxation	-0.97	-4.9	-3.7	-5.2	-8.9	-13.8	-13
Minority interest	1.00	0.4	0.0	0.02	0.02	0.42	0.5
<b>PATAMI</b>	<b>29.60</b>	<b>25.1</b>	<b>37.8</b>	<b>34.3</b>	<b>72.1</b>	<b>97.2</b>	<b>141.4</b>
EPS (sen)	2.20	2.0	2.9	2.7	5.58	7.56	9.84
	<b>4QFY15</b>	<b>3Q15</b>	<b>2Q15</b>	<b>1Q15</b>	<b>6MFY15</b>	<b>9MFY15</b>	<b>12MFY15</b>
Operating margin	5.9%	6.3%	8.3%	7.9%	8.1%	8%	7.1%
Pre-tax margin	6.2%	6.7%	8.3%	8.0%	8.1%	8%	7.3%
PATAMI margin	6.3%	5.6%	7.6%	6.9%	7.2%	7%	7.4%
Effective tax rate	-3.3%	16.3%	8.9%	13.1%	11%	-1%	-0.7%

Source: Bloomberg, MIDFR

## DAILY PRICE CHART



Source: Bloomberg, MIDFR

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### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.