



BIMB SECURITIES RESEARCH MARKET INSIGHT

PP16795/03/2013(031743)

3QFY15

Sunway Construction

Buy ◀ ▶

Inline

Good Standing

Price: RM1.39
Target Price: (+10.1%) RM1.53

Stock Data

Bloomberg Ticker	SCGB MK	Altman Z-score	n.a.
Market Cap	1,797.1	YTD price chg	n.a.
Issued shares	1,292.9	YTD KLCI chg	-4.8%
52-week range (H)	1.39	Beta	n.a.
52-week range (L)	0.98		
3-mth avg daily volume	3,234,282		
Free Float	38.2%	Major Shareholders	
Shariah Compliant	Y	SunHoldings	54.4%
Financial Derivatives	n.a.	Sungei Way Corp	6.8%
		Fook Ling Cheah	0.6%

Share Performance (%)

	1mth	3mth	12mth
Absolute	7.8	35.0	7.8
vs. KLCI	9.9	23.3	9.9

Consensus

	2015	2016
Net Profit	127.5	131.1
EPS (sen)	9.8	10.1

Historical Price Ratio (x)

	2012	2013	2014
Price Earnings	n.a.	n.a.	n.a.
Price to Book	n.a.	n.a.	n.a.

Financial Highlights

FYE 31 Dec	2012	2013	2014	2015F	2016F
Turnover	1,448.5	1,839.6	1,880.7	2,079.0	1,933.9
EBIT	48.2	42.4	120.2	175.0	175.3
Pre-tax profit	81.9	89.8	151.3	176.3	176.2
Net Profit	54.8	66.9	124.8	141.3	141.2
EPS (sen)	4.2	5.2	9.7	10.9	10.9
EPS growth (%)	-22.6%	22.2%	86.5%	13.2%	0.0%
PER (x)	32.8	26.9	14.4	12.7	12.7
DPS (sen)	n.a.	n.a.	n.a.	3.8	3.8
Div. Yield (%)	n.a.	n.a.	n.a.	2.8%	2.8%
NTA/share (RM)	0.5	0.5	0.3	0.3	0.4

Margins

	2012	2013	2014	2015F	2016F
EBIT margin	3.3%	2.3%	6.4%	8.4%	9.1%
Pre-tax margin	5.7%	4.9%	8.0%	8.5%	9.1%
Effective tax rate	22.4%	26.4%	17.5%	19.9%	19.9%
ROE	12.3%	15.4%	34.2%	33.2%	27.3%
ROA	4.7%	6.6%	9.0%	10.3%	10.4%
Net Gearing (x)	Ncash	Ncash	Ncash	Ncash	Ncash

Growth ratios

	2012	2013	2014	2015F	2016F
Turnover	10.1%	27.0%	2.2%	10.5%	-7.0%
EBIT	-34.6%	-12.1%	183.7%	45.6%	0.2%
Pre-tax profit	-16.7%	9.7%	68.4%	16.6%	0.0%
Core Net profit	-22.6%	22.2%	86.5%	13.2%	0.0%

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Sunway Construction Group (SCG)'s 9MFY15 revenue and normalise PATAMI were within expectation making up 70% and 73% respectively of our full year projection. Nevertheless, the bottom line number was above consensus' estimates by about 6%. The Group recorded RM103.1m normalise earnings for 9MFY15 which increased by 10.1% from last year. The impressive numbers were mainly due to the improvement in overall progress billings from the existing projects. With that, we believe the Group is right on track to meet our full year earnings forecast of RM141.3m for this year. While maintaining our FY15 numbers, we tweaked our FY16 projection higher by +0.9% to reflect the additional RM300m orderbook replenishment as mentioned in our update report yesterday. With that, our target price is adjusted to RM1.53 from RM1.52 previously. Buy.

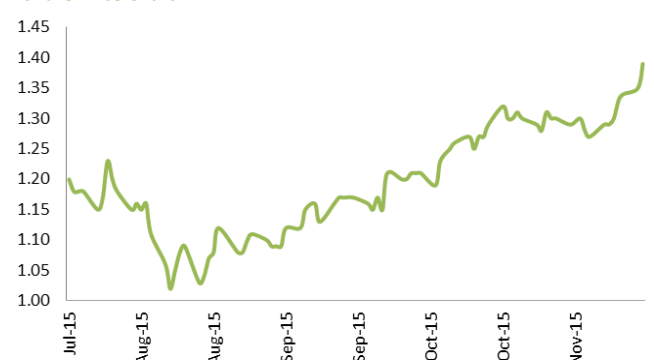
QoQ. SCG 3QFY15 core PATAMI of RM27.1m slipped 33.5% compared to RM40.7m in 2QFY15 on the back of a 10% drop in revenue to RM450.3m in the current quarter. These were mainly attributed to i) some civil infrastructure projects are at the tail end of progress, and ii) additional cost incurred during this quarter. Nevertheless, the overall PBT margin remains at 8%.

Earnings forecast. While maintaining our FY15 numbers, we tweaked our FY16 projection higher by +0.9% to reflect the additional RM300m orderbook replenishment as mentioned in our update report yesterday.

Strong jobs win YTD. Year-to-date, SCG has replenished a total of RM2.6bn worth of new projects – surpassing our jobs win assumption of RM2.3bn. This pushed its outstanding orderbook to approx. RM4.3bn circa. 2.3x of FY14 revenue.

View and valuation. We remain positive with its outlook moving forward as high impact projects like MRT 2, LRT 3 and BRT are expected to kick-off next year. We maintain BUY at a revised target price of RM1.53.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	1QFY15	2QFY15	3QFY15	QoQ Chg	9MFY15	YTD Chg
Revenue	496.1	500.2	450.3	-10.0%	1446.6	n.a.
EBIT	39.2	41.3	28.2	-31.6%	108.7	n.a.
Pre-tax profit	39.6	41.6	30.1	-27.5%	111.4	n.a.
Taxation	(5.2)	(3.8)	(4.9)	30.3%	(14.0)	n.a.
PATAMI	34.4	37.8	25.7	-32.1%	97.8	n.a.
CORE PATAMI	35.4	40.7	27.1	-33.5%	103.1	n.a.
EPS (sen)	2.7	2.9	2.0	-32.1%	7.6	n.a.
Net gearing (x)	Ncash	Ncash	Ncash	n.a	Ncash	n.a.
EBIT margin (%)	7.9%	8.3%	6.3%	-198.52%	7.5%	n.a.
PBT margin (%)	8.0%	8.3%	6.7%	-162.19%	7.7%	n.a.
Net profit margin (%)	6.9%	7.6%	5.7%	-185.89%	6.8%	n.a.
Effective tax rate (%)	13.2%	9.1%	16.4%	728.88%	12.6%	n.a.

Source: BIMB Securities

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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