



PP16795/03/2013(031743)

2QFY15

Sunway Construction

Buy ◀ ▶

Inline

Right on Track

Price: RM1.09
Target Price: (+31.2%) RM1.43

Stock Data

Bloomberg Ticker	SCGB MK	Altman Z-score	n.a.
Market Cap	1,409.3	YTD price chg	n.a.
Issued shares	1,292.9	YTD KLCI chg	-10.6%
52-week range (H)	1.32	Beta	n.a.
52-week range (L)	1.01	Major Shareholders	
3-mth avg daily volume	n.a.	SunHoldings	55.6%
Free Float	37.0%	Sungei Way Corp	6.8%
Shariah Compliant	Y	Fook Ling Cheah	0.6%
Financial Derivatives	n.a.		

Share Performance (%)

	1mth	3mth	12mth
Absolute	n.a.	n.a.	n.a.
vs. KLCI	n.a.	n.a.	n.a.

Consensus

	2015	2016
Net Profit	130.8	123.8
EPS (sen)	10.2	9.5

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	2,025.2	1,904.6
EBIT	48.2	42.4	120.2	164.8	163.4
Pre-tax profit	81.9	89.8	151.3	166.1	164.3
Net Profit	54.8	66.9	124.8	133.1	131.7
EPS (sen)	4.2	5.2	9.7	10.3	10.2
EPS growth (%)	-22.6%	22.2%	86.5%	6.7%	-1.1%
PER (x)	28.3	23.2	12.4	11.7	11.8
DPS (sen)	n.a	n.a	n.a	3.6	3.6
Div. Yield (%)	n.a	n.a	n.a	3.0%	3.0%
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%	8.1%	8.6%
Pre-tax margin	5.7%	4.9%	8.0%	8.2%	8.6%
Effective tax rate	22.4%	26.4%	17.5%	19.9%	19.9%
ROE	12.3%	15.4%	34.2%	31.7%	26.0%
ROA	4.7%	6.6%	9.0%	9.8%	9.2%
Net Gearing (x)	Ncash	Ncash	Ncash	Ncash	Ncash

Growth ratios

	2012	2013	2014	2015F	2016F
Turnover	10.1%	27.0%	2.2%	7.7%	-6.0%
EBIT	-34.6%	-12.1%	183.7%	37.1%	-0.9%
Pre-tax profit	-16.7%	9.7%	68.4%	9.8%	-1.1%
Core Net profit	-22.6%	22.2%	86.5%	6.7%	-1.1%

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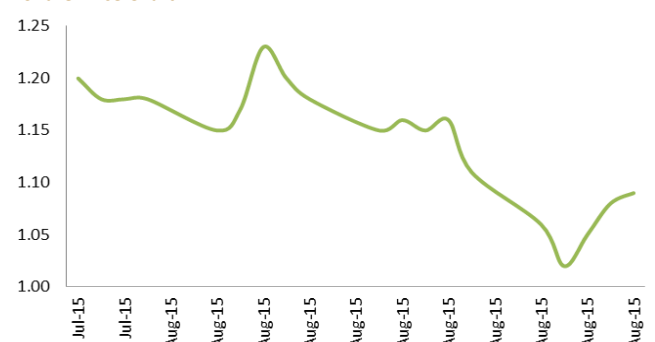
Sunway Construction Group (SCG) 1HFY15 revenue and normalise earnings of RM996.3m and RM76.0m respectively were within our expectation accounted for 49.2% and 57.1% of our full-year earnings projection. QoQ, the 2QFY15 revenue and earnings also increase by 0.8% and 15.0% respectively to RM500.2m and RM40.7m. The impressive numbers were mainly due to higher billings contribution from the existing projects as well as improvement in the construction projects margin. With strong outstanding orderbook in hand approx. RM2.7bn, we believe that SCG is on the right track to achieve our FY15 projection. Having said that, we are maintaining our FY15/16 earnings forecast and target price of RM1.43. Currently, SCG is trading at discount of 9.2% of its IPO price translating to 10.6x forward PE. As such, we recommend investor to re-consider this well-established company and have a commendable dividend policy. Maintain BUY.

Within expectation. SCG 2QFY15 results were within our expectation. The revenue of RM500.2m was marginally higher compared to 1QFY15 of RM496.1m by 0.8%. Nevertheless, the net profit was increased by 15.0% to RM40.7m in tandem with an increase of overall profit margin by 0.7ppt. This is mainly due to margin improvement in existing construction projects.

Maintaining our earnings forecast. With strong outstanding orderbook in hand approx. RM2.7bn, we believe that SCG is on the right track to achieve our FY15 projection. Having said that, we are maintaining our FY15/16 earnings forecast.

View and valuation. To date, the Group has secured a total of RM520m of new projects with 65.4% was from Sunway Group. Moreover, it is still short by 65.3% and 74% of ours' and management's jobs win assumptions of RM1.5bn and RM2.0bn respectively. Nevertheless, as the largest pure play contractor in Malaysia that offers end-to-end solutions to the clients, we remain positive with its outlook moving forward backed by its solid track record especially in the notable projects. Maintain BUY at an unchanged TP of RM1.43.

Share Price Chart



Quarterly figures

FY 31 Dec (RMm)	1QFY15	2QFY15	QoQ Chg	1HFY14	1HFY15	YTD Chg
Revenue	496.1	500.2	0.8%	n.a.	996.3	n.a.
EBIT	39.2	41.2	5.1%	n.a.	80.4	n.a.
Pre-tax profit	40.6	44.4	9.4%	n.a.	85.1	n.a.
Taxation	(5.2)	(3.8)	(26.9%)	n.a.	(9.0)	n.a.
Core Net Profit	35.4	40.7	15.0%	n.a.	76.0	n.a.
EPS (sen)	2.7	2.9	7.4%	n.a.	5.6	n.a.
Net gearing (x)	Ncash	Ncash	n.a.	n.a.	Ncash	n.a.
EBIT margin (%)	7.9%	8.2%	0.3	n.a.	8.1%	n.a.
PBT margin (%)	8.0%	8.3%	0.3	n.a.	8.2%	n.a.
Net profit margin (%)	6.9%	7.6%	0.7	n.a.	7.2%	n.a.
Effective tax rate (%)	13.2%	9.1%	(4.1)	n.a.	11.1%	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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