

23 August 2016 | Corporate Update

Sunway Construction Group Berhad

Clinched ISKL building project

INVESTMENT HIGHLIGHTS

- A subsidiary of SCGB has accepted an award for the construction of ISKL main building worth RM268m
- Group orderbook expanded to RM4.9bn
- Award quantum fell within replenishment target
- Maintain TP of RM1.74 per share but downgrade recommendation to Neutral pursuant to recent run-up in share price

Awarded International School of Kuala Lumpur building project.


Sunway Construction Sdn Bhd, a subsidiary of Sunway Construction Group Berhad (SCGB), has accepted the Letter of Award issued by the Society for the International School of Kuala Lumpur (ISKL) in Jalan Ampang Hilir, Kuala Lumpur for the construction of its main building worth RM268 million.

Scope. The job scope includes civil and structural construction for the main building of ISKL.

Duration. The duration of the project is 22 months and is expected to commence no later than 3QFY16.

Orderbook expanded. With this new contract SCGB's orderbook expanded to RM4.9bn, or approximately 36 months construction backlog.

Impact on earnings. Altogether the earnings impact of this award is positive. Nonetheless the quantum falls within our job replenishment assumptions hence we make no changes to our earnings forecasts. Thus far in FY16, SCGB has clinched projects amounted to RM1.54bn.

Valuation and recommendation. We maintain our SOP-based target price of RM1.74 per share. However, we downgrade our recommendation to Neutral (from Buy) due to recent run-up in its share price. 

Downgrade to NEUTRAL
Maintain Target Price (TP): RM1.74

RETURN STATS

Price (22 Aug 2016)	RM1.61
Target Price	RM1.74
Expected Share Price Return	+8.1%
Expected Dividend Yield	+1.1%
Expected Total Return	+9.2%

STOCK INFO

KLCI	1,691.07
Bursa / Bloomberg	5263/SCGB MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1292.9
Par Value (RM)	1.00
Market cap. (RM'm)	2081
Price over NA	4.61
52-wk price Range	RM0.98-RM1.72
Beta (against KLCI)	N/A
3-mth Avg Daily Vol	2.44m
3-mth Avg Daily Value	RM3.89m
Major Shareholders (%)	
Sunholdings	54.4
Sungei Way Corp S/B	10.06
Norges Bank Investment	1.82
Amanah Mutual Bhd.	1.08

INVESTMENT STATISTICS

FYE Dec	FY13	FY14	FY15	FY16F	FY17F
Revenue (RM'm)	1,655.0	1,662.2	1,854.1	1,940.0	1,874.5
EBIT (RM'm)	302.7	202.4	335.6	191.4	347.9
Pre-tax profit (RM'm)	254.2	151.1	256.2	172.2	226.8
Normalised PATAMI (RM'm)	153.8	111.1	216.6	128.6	163.4
FD EPS (sen)	13.7	10.1	18.1	11.7	14.8
EPS growth (%)	-8.2	-26.6	78.9	-35.3	27.0
PER (x)	14.8	18.9	8.8	13.1	10.3
Dividend (sen)	6.8	2.5	5.0	1.8	1.8
Dividend Yield (%)	2.9	1.2	3.5	1.1	1.2

Source: Company, MIDFR

SOP VALUATION

Segments	Basis	Value (RM'm)	Per share (RM)
Building and Civil Infrastructure	DCF of 8.6%	2,446	1.89
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			
BRT-Sunway Line			
Sunway University new academic block			
Urban Wellness Center			
Various Projects			
Putrajaya Presint 1 Parcel F			
Sunway Iskandar			
Foundation and Geotechnical Services	DCF of 8.6%		
Mengkuang Dam expansion			
Sunway Velocity tunneling			
Sunway South Quay Commercial Precinct 3			
Total		77	0.06
MEP	DCF of 8.6%		
Pasar Seni MRT Station			
Gas District Cooling Plant			
		12	0.01
Precast Concrete	DCF of 8.6%		
Supplying to Singapore and other projects		296	0.23
Others	FY16 PER of 12x		
Ongoing works		66	0.05
Total SOP		2,897.0	2.24
Net debt		-641.1	-0.50
Total Net SOP			1.74
Enlarged share capital (mil)			1,293

Source: Company, 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.