

Sunway Construction Group

Bright All The Way

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We initiate coverage on Sunway Construction Group (SUNCON) with an **OUTPERFORM** rating and Target Price (TP) of RM1.81 based on SoP which implies FY17E PER of 15.7x. Investment merits include: (i) its well-integrated construction setup, (ii) healthy orderbook of RM5.0b with 2-3 years' visibility, (iii) major a beneficiary of infrastructure play, (iv) well-supported by parent company, (v) reputable pre-cast division benefiting from Singapore public housing, (vi) dividend policy of 35% DPR with more potential upside, and (vii) strong balance sheet with net cash position.

A One-stop Contractor. We like the fact that SUNCON is a well-integrated construction company offering a wide range of construction services, which allows them to offer full package of construction services to their clients, which makes them more competitive among their peers. Furthermore, it does not carry other business risks i.e. property or plantation as compared to other big-cap contractors.

Riding on infrastructure boom. As SUNCON possesses excellent track records in three major urban public transport projects, namely LRT, MRT and BRT, we are confident that SUNCON will continue to benefit from infrastructure projects under 11MP. For 2016, we expect SUNCON to bag LRT3 and stand a high chance in the Pan Borneo highway after securing RM1.2b in MRT2 project earlier this year. That said, we also understand that the government is planning to implement the 34km KL-Klang BRT Corridor to ease the traffic congestion; while there are no specific timeline for the execution for this particular project, we believe SUNCON will stand out from the other contractors in terms of bidding, due to their excellent track record in the Sunway-USJ BRT Line.

Strong orderbook of RM5.0b, and more to come. As at end-1Q16, SUNCON's outstanding orderbook stands at RM5.0b with a replenishment potential up to RM6.0b-RM7.0b. This provides earnings visibility for next 2-3 years. Out of the RM5.0b, 26% is from infrastructure, 38% external building related jobs, 28% from its parent SUNWAY, and 8% from pre-cast division. In terms of replenishment, the group has already secured approximately RM1.9b worth of new orders to date. We are confident that it will easily achieve RM2.9b new wins in FY16, as we are anticipating SUNCON to bag LRT3 which we estimate to be worth approximately RM1.0b. Hence, we believe that SUNCON should be able to surpass our FY16E replenishment target of RM2.9b which would allow them to maintain their outstanding orderbook at a steady level of c.RM5.5b by year end.

Precast division, one of the key drivers. Currently, its precast division only contributes 8% to its total the group's outstanding orderbook of RM5.0b. However, in terms of profit contribution, it made up 55% of the group's FY15 pre-tax profit of RM140.8m. Management expects the orderbook to continue to sustain at this current level, i.e. RM300-400m every year, driven by resilient precast concrete products demand in Singapore that is largely used for public housing schemes which we believe will continue to be SUNCON's core earnings driver.

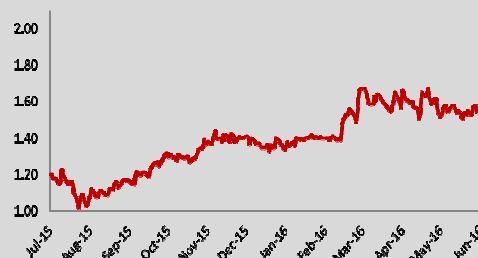
Steady earnings growth of 5%-12% with minimum DPR of 35%. Current orderbook size of RM5.0b provides SUNCON earnings visibility of 2-3 years and we are estimating net profit of RM133.5m-RM149.6m for FY16-17E, which represents growth of 5%-12%. At a minimum DPR of 35%, we are looking at DPS of 3.6sen and 4.1sen which implies yields of 2.3-2.5% for FY16-17E. However, we believe that there is more upside to its dividend as they are able to raise their dividend pay-out ratio higher due to minimum CAPEX requirements. To recap, SUNCON paid out a total dividend of 4.0sen previously, which represents 40% of profit for FY15.

Valuation. Currently, SUNCON is trading at FY17E PER of 13.7x, representing 17% discount to big-cap peers' (IJM, GAMUDA, WCT and MMC) average of 16.4x. Our SoP-based TP of RM1.81 implies FY17 PER of 15.7x, which is still below its big-cap peers' average of 16.4x. We believe it is justified given their strong job flows and light balance sheet as compared to the big-cap peers. Furthermore, it is also below our targeted PER of 16.0x-18.0x for the big-cap players.

OUTPERFORM

Price: RM1.58
Target Price: RM1.81

Share Price Performance



KLCI	1,642.21
YTD KLCI chg	-3.0%
YTD stock price chg	12.9%

Stock Information

Bloomberg Ticker	No
Market Cap (RM m)	SCGB MK Equity
Issued shares	2,042.8
52-week range (H)	1,292.9
52-week range (L)	1.72
3-mth avg daily vol:	0.98
Free Float	3,850,299
Beta	n.a.

Major Shareholders

SUNHOLDINGS	54.4%
SUNGEI WAY CORP SDN	7.0%
NORGES BANK INVESTME	1.8%

Summary Earnings Table

FY Dec (RM'm)	2015A	2016E	2017E
Turnover	1,916.9	2,175.3	2,422.3
EBIT	133.0	174.0	193.3
PBT	140.8	177.7	198.7
Net Profit (NP)	127.2	133.2	149.0
Core net profit	127.2	133.2	149.0
Consensus (NP)	n.a.	140.0	160.8
Earnings Revision	n.a.	n.a.	n.a.
Basic EPS	9.8	10.3	11.5
EPS growth (%)	-22%	5%	12%
DPS (sen)	4.0	3.6	4.0
Basic PER (x)	16.1	15.3	13.7
BVPS (RM)	0.35	0.42	0.49
Net Gearing (x)	n.c.	n.c.	n.c.
Dividend Yield (%)	2.5%	2.3%	2.6%

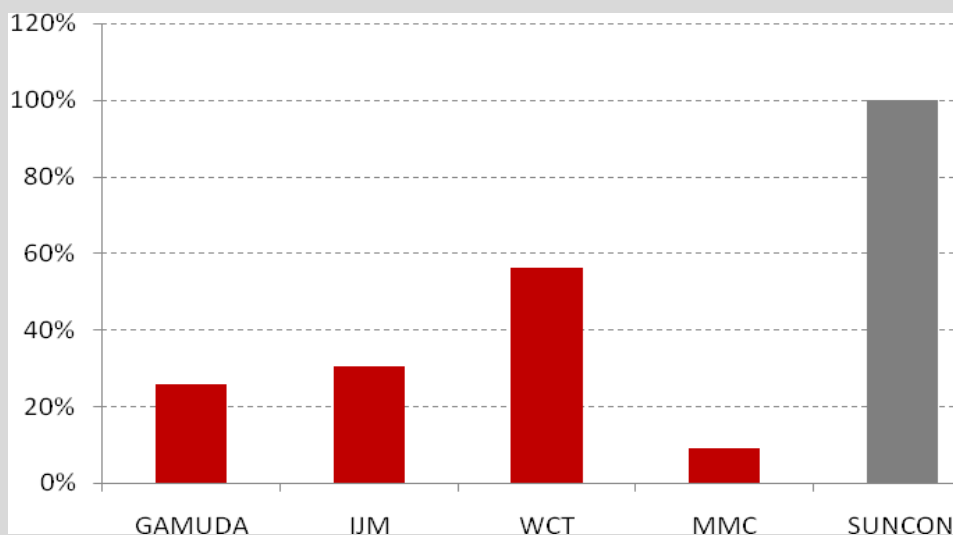
EXECUTIVE SUMMARY

We initiate coverage on Sunway Construction Group (SUNCON) with an **OUTPERFORM** rating and Target Price (TP) of RM1.81. In deriving our TP, we ascribed FY17E PER of 14.0x to its existing business while adding RM0.19 (50% of our estimated net cash position of RM0.38/share for FY17) into our SoP. The TP of RM1.81 implies FY17 PER of 15.7x, which is comparable to its big-cap peers' 2-year Fwd average of 16.4x. Investment merits include: (i) a well-integrated construction setup which is well-equipped providing a wide range of services, (ii) strong 2-3 years earnings visibility backed by ample orderbook of RM5.0b, (iii) biggest beneficiary of 11MP, particularly in rail-infrastructure segment, (iv) well-supported by parent company, (v) pre-cast division to benefit from growing Singapore MRT lines, (vi) dividend policy of 35% DPR with further upside, and (vii) strong balance sheet with net cash position.

INVESTMENT MERIT

Well-integrated construction company. We like the fact that SUNCON is a well-integrated construction company which offers a wide range of construction services namely building construction, civil/infrastructure, foundation and geotechnical engineering, mechanical, electrical and plumbing services and manufacturing and sale of pre-cast concrete products. This means that SUNCON can offer full package of construction services to their clients, which makes them more competitive when it comes to technical and pricing evaluations. Amongst the big-boys, they are the only pure play contractor with no other business risks unlike IJM, GAMUDA and WCT, which carries risks from other sectors, i.e. property, plantation, and ports.

Profit Contribution from Construction Sector



Source: Company, Kenanga Research

Riding on infrastructure boom. As SUNCON has excellent track records in three major urban public transport projects, namely LRT, MRT and BRT, we reckon that the group should also benefit from the up-and-coming infrastructure projects under 11MP. Amongst the projects are: LRT3 (RM9.0b), Pan Borneo Highway (RM16.1b), SUKE (RM4.0b), and DASH (RM4.0b). We also understand that the government is planning to implement a 34km KL-Klang BRT Corridor to ease traffic congestion. Based on the existing BRT line (Sunway-USJ) final project cost of RM634.0m (RM117.4m per km), this project could potentially be worth up to RM4.0b. We believe SUNCON will benefit from this project as well due to its excellent track record in Sunway-USJ BRT Line.

Visible earnings backed by sturdy orderbook of RM5.0b, with further upside... As of Mar-16, SUNCON's outstanding orderbook stands at RM5.0b. This would provide earnings visibility for SUNCON for the next 2-3 years which is comparable to its big-cap peers that also have similar earnings visibility of 2-3 years. Its RM5.0b orderbook is well diversified with 26% from infrastructure, 38% external building related jobs, 28% from its SUNWAY, and 8% from pre-cast division. That said, we believe SUNCON will be able to maintain its outstanding orderbook at current levels or up to c.RM5.5b (higher than WCT but below IJM and GAMUDA) if they are able to secure jobs like LRT3, SUKE, DASH or Pan Borneo highway by year-end.

SUNCON's Current outstanding orderbook as follows:

Current outstanding orderbook	
	Outstanding Orderbook (RM'b)
Infrastructure	
MRT Package V4 (Sec 17 to Semantan)	43.0
MRT2 Package V201 (Sg. Buloh-Persiaran Dagang)	1,213.0
Coastal Highway Southern Link	66.0
Building	
Putrajaya Parcel F	1,450.0
KLCC (NEC + Package 2 & 2a)	414.0
Hospital for Zecon Medicare	66.0
Others	33.0
Sunway Bhd Jobs	
Velocity 2 Mall + Link Bridge	92.0
Velocity Hotel + Office	69.0
Velocity Medical Centre	159.0
Geo Retail Shop & Flexi Suites	59.0
Medical Centre 3	96.0
Medical Centre 4	380.0
Citrine Service Apartment	106.0
Geo Retail Shop & Flexi Suites Phase 2	207.0
Sunway Lenang Phase 1A	30.0
Sunway Iskandar - Emerald Residence	133.0
Others	51.0
Singapore	
Precast	416.0
Total	5,083.0

Source: Company, Kenanga Research

RM2.9b replenishment easily achievable. YTD, the group has already secured approximately RM1.9b worth of new jobs with the bulk coming from MRT2 (RM1.2b) and the balance from others (RM724.0m) and its pre-cast division (RM59.0m). We are confident that SUNCON will be able to meet our FY16E orderbook replenishment assumptions of RM2.9b easily, as the new jobs secured in 1Q16 already made up 67% of our assumption. Furthermore, we are expecting more news flow on job awards for LRT3 and Pan Borneo from 3Q16 onwards, which we believe SUNCON stands a good chance, especially for LRT3 given their strong track record in such infrastructure projects. In the past, SUNCON has successfully completed public infrastructure projects, i.e. LRT Package B (Kelana Jaya line extension), Bus Rapid Transit and MRT1 V4 package (Section 17 to Semantan Portal) which is deemed to be one of the toughest sections for MRT1 due to traffic issues. With our replenishment assumption, we expect its outstanding orderbook to increase steadily to c.RM5.5b by year-end.

Well-backed by Sunway Bhd. As most of Sunway Group's property projects are constructed by SUNCON, we believe the group's parent company will continue to dish out property-related jobs to SUNCON. We estimate Sunway Group could contribute to SUNCON's order book by c.RM400 - 500m p.a. based on its property launches plan.

Pre-cast division, the Jewel of SUNCON. Currently, its precast division only contributes 8% to its total the group's outstanding orderbook of RM5.0b. However, in terms of profit contribution, it made up 55% of the group's FY15 pre-tax profit of RM140.8m, due to its superior margins of 30.5% at pre-tax level as it caters for the Singaporean market. Management expects the orderbook to continue to be sustained at this current level, i.e. c.RM300-400m every year, driven by resilient precast concrete products demand in Singapore that is largely used for public housing schemes. Note that Singapore mandates the use of modular construction on government land. That said, we expect its precast division to grow further in the future as we expect the demand for these products to pick up in Malaysia as more contractors/developers adopt the use of precast products for their projects.

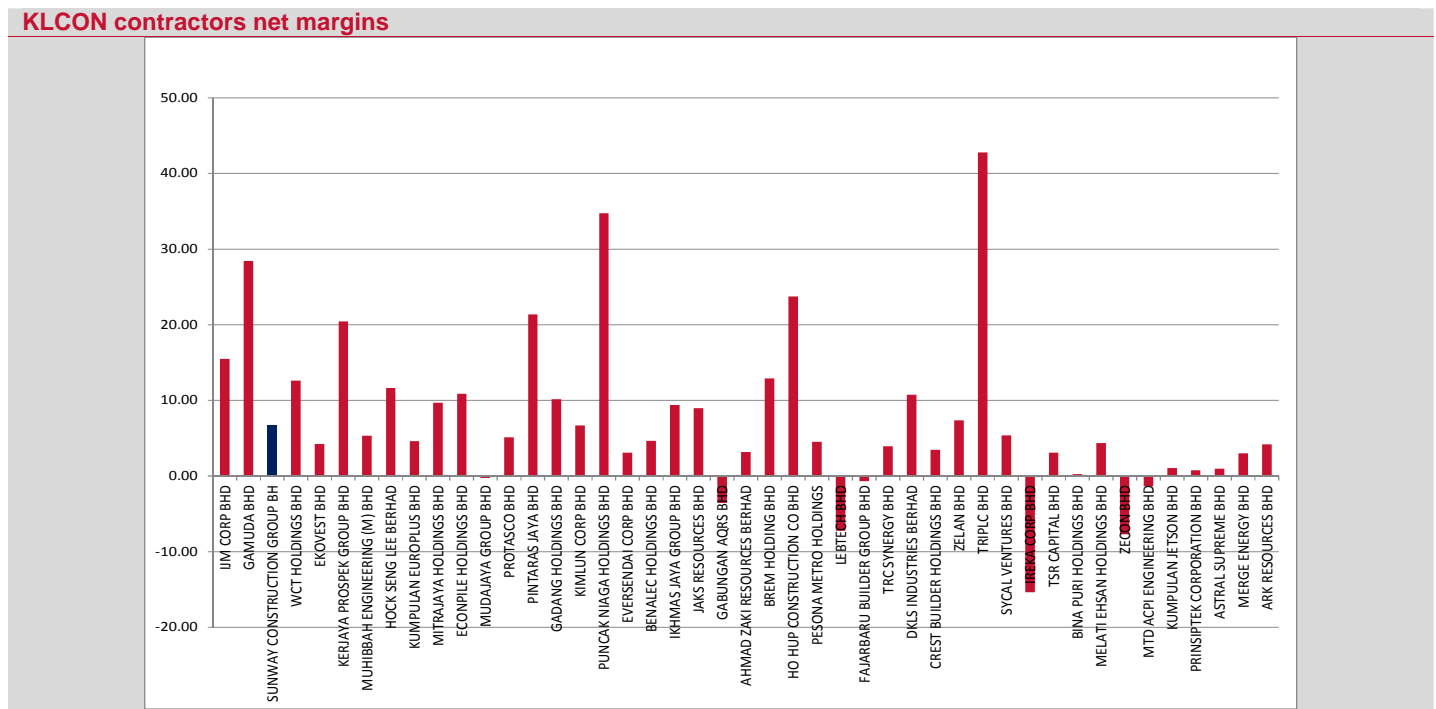
COMPANY OUTLOOK

Growth underpinned by strong orderbook replenishment. Historically, the group has been consistently replenishing about RM0.8b-RM3.0b worth of new jobs every year since 2011. For this year, the group has already secured about RM1.9b of new contracts. We expect the group to secure another RM1.0b new wins before the end of this year, making up total new wins of RM2.9b for FY16. Going forward, we are forecasting the group to secure RM2.8b worth of new contracts for FY17 backed by parent company's internal jobs, infrastructure projects namely LRT3, Pan Borneo, SUKE, DASH, private building jobs and pre-cast division orders. All in, we expect the group to deliver net profit growth of 5% and 12% for FY16 and FY17, respectively.

Parent company to contribute c.RM500m order book every year. For FY16, its parent co. SUNWAY is planning to launch RM1.6b GDV worth of property projects. Assuming construction costs of between 40-50% of its FY16 property launches, this will translate to RM640.0-800.0m worth of construction jobs to be dished out by SUNWAY. Hence, we are confident that SUNCON will be able to easily secure close to RM500.0m worth of jobs from SUNWAY. Amongst the projects that will be launched by SUNWAY are Sunway Gandaria (GDV: RM200.0m), Sunway Geo Residence 3 (GDV: RM400.0m), Casa Kiara 3 (GDV: RM200.0m), Velocity offices (GDV: RM200.0m), Sunway Iskandar (GDV: RM400.0m) and others (GDV: RM100.0m).

Pre-casting the future. Despite a lower orderbook contribution, this particular division is literally casting gold for the group, contributing 55% of FY15 pre-tax profits, supplying mainly to the Singaporean market catering to the demand of Build-To-Order flats (such as HDB). We are positive with the outlook of its precast division for being able to make a strong footprint in Singapore, which is a testament of their product quality and its first-mover advantage in Malaysia. Hence, we believe that SUNCON as an integrated contractor with a strong precast division could be a strong contender in the PRIMA/affordable housing segment, as they are able to provide a one-stop construction solution ranging from earthwork, civil works, to the integration of precast components in these projects which could potentially lower the construction costs. However, we believe that in the near term, the group will likely focus on their construction division as mega infrastructure projects will garnish them with a better track record for the future. Currently, there are no plans in adding more capacities as they have just set up its third precast plant in Sunway Iskandar with an annual capacity of 51,000mt, and we have factored in RM400.0m worth of replenishments into our FY16-17E earnings.

Further improvements in margins. SUNCON's construction pre-tax margins are relatively low at a low single digit of 3.8% vis-à-vis the other mid-big caps' margins which hovers at the range of 13.0-19.0%, due to high exposure of building-related jobs over infrastructure jobs. Moving forward, we are expecting its construction margins to improve further due to higher influx of infrastructure jobs coupled with a higher pricing for MRT2 works, which help bolster margins. We expect construction pre-tax margins to improve to 6.0% for the next two years. To recap, SUNCON's MRT job for the Sungai Buloh – Kajang line stretch from Section 17 to Semantan costs c.RM177.7m/km, while the recent win for Sungai Buloh – Serdang – Putrajaya line from Sungai Buloh to Persiaran Dagang costs c.RM246.9m/km which is 39% higher compared to the previous package. That said, if they secure another RM2.0b worth of infrastructure jobs, their orderbook would have a higher mix of infrastructure projects, which make up >50% of the potential orderbook size of c.RM5.5b by year-end.



Source: Bloomberg, Kenanga Research

INDUSTRY OUTLOOK

Construction

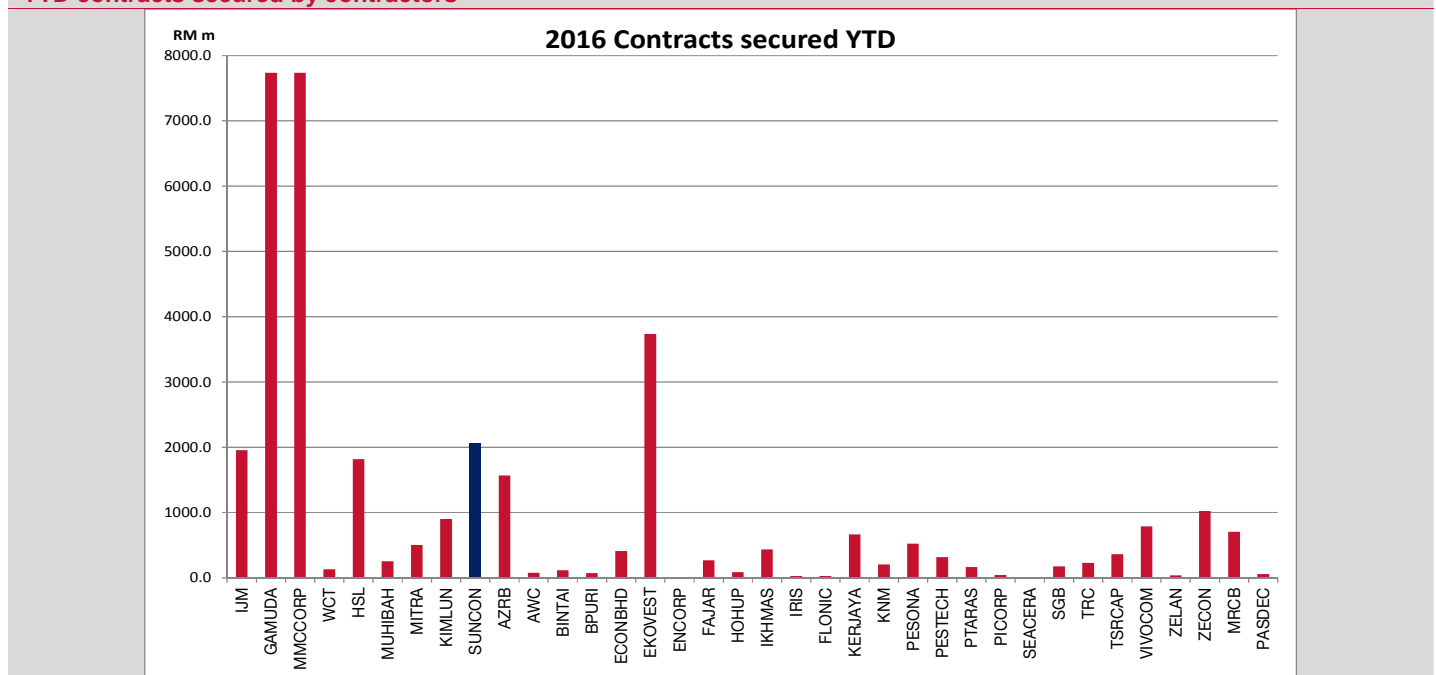
Busy years ahead for contractors. In Budget 2016, the government budgeted for RM75.7b worth of infrastructure jobs which are slated to be awarded by end of this year or beginning of next year. These mega infrastructure projects consist of MRT2 (RM28.0b), LRT3 (>RM9.0b), Pan-Borneo Highway (RM28.9b), upgrade of rural roads (RM1.6b) and etc. To date, RM24.6b worth of jobs have been awarded for MRT2 and Pan Borneo projects, of which construction players like IJM, SUNCON, AZRB, KIMLUN, ZECON, HSL, and MRCB have benefited and keeping them busy for the next five years. That said, these projects announced in Budget 2016 do not include RAPID projects and high-speed rail which value could amount close to RM100.0b.

Budget 2016 Project List

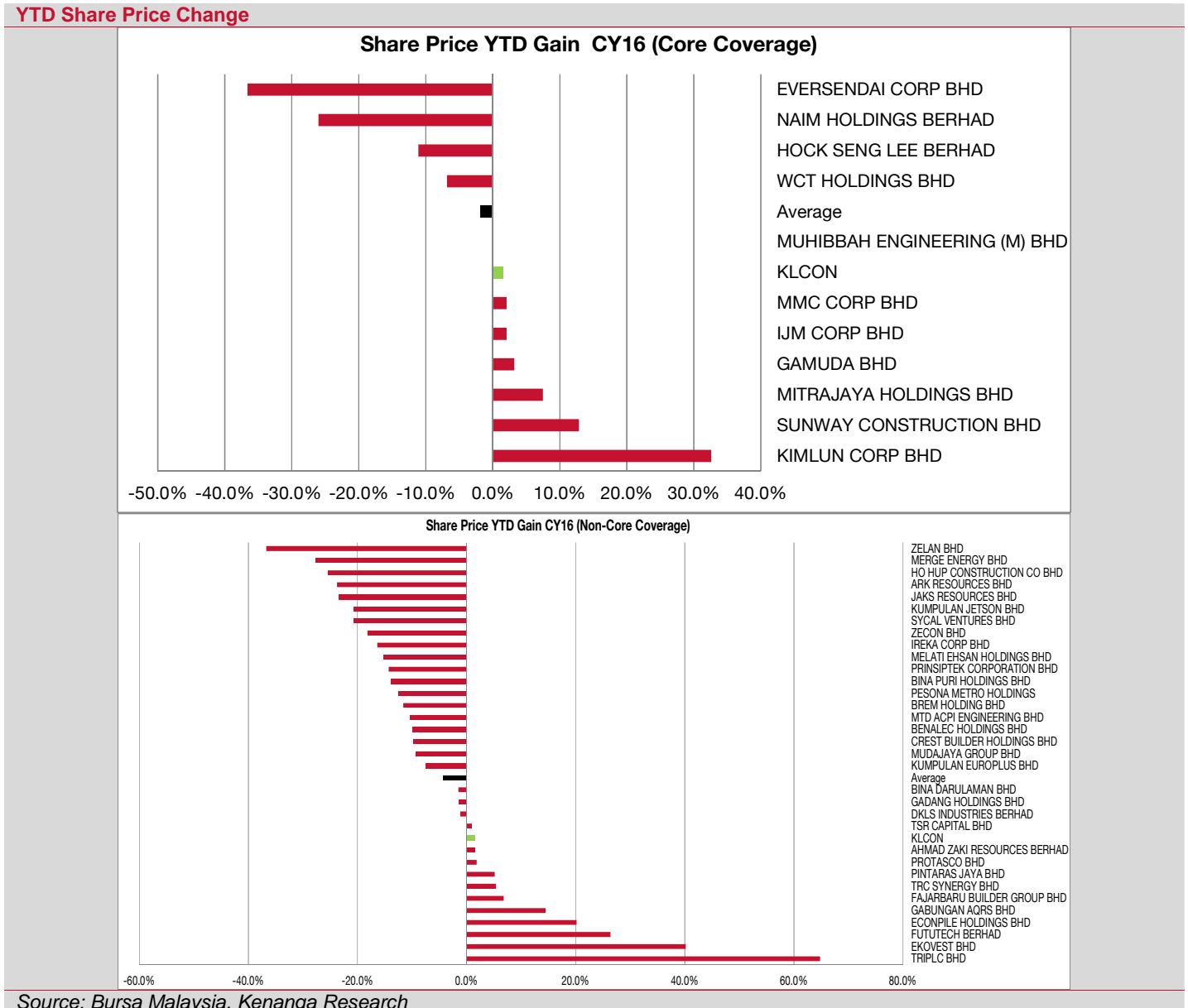
No	Project	Value (RM b)
1	Pan Borneo Highway	28.90
2	MRT 2 (Sungai Buloh-Serdang-Putrajaya)	28.00
3	LRT 3 (Bandar Utama - Johan Setia)	10.00
4	BRT Klang Valley	1.50
5	BRT Kota Kinabalu	1.00
6	Upgrade 700m of rural roads including Felda settlement area	1.80
7	Tun Razak Dispersal Project	0.90
8	Water treatment Plants	0.88
9	Rural electrification project	0.88
10	Flood mitigation project	0.73
11	ESSCOM armed forces camp in FELDA Sahabat, Lahad, Datu, Sabah	0.52
12	Build and upgrade rural clinics, health clinics, dental clinics	0.26
13	Upgrade drainage and irrigation infrastructure	0.18
14	2 new district police HQ in Lawas, Sarawak and KK, Sabah	0.16
Total		75.70

Source: Budget 2016, Kenanga Research

Orderbook replenishment prospect still bright over the near to long-term driven by both buildings and infrastructure segments. Among the contract flows that we are expecting over the next six months are: (i) buildings jobs i.e. high-rise or affordable housing jobs. This will benefit those building contractors such as MITRA, KIMLUN, SUNCON and WCT, (ii) infrastructure jobs, i.e. roads, highways, water, marine-related works and civil foundation works, which will benefit HSL, MUHIBAH, and WCT, (iii) specialized structural steel for KL118 tower, which will benefit SENDAI, (iv) piling jobs for some high-rise property jobs with key beneficiaries such as ECONBHD and PTARAS.

YTD contracts secured by contractors

Source: Bursa Malaysia, Kenanga Research



RISKS

Delay in construction works. This would probably be one of the key downside risks to our earnings forecasts. However, the group possess excellent track records in delivering projects within the given time frame. To recap, its Sunway Bus Rapid Transit, which was handed over last year was completed three weeks ahead of schedule.

Lower-than-expected margins. This will be highly correlated with the timeliness of project time-keeping, as any further delays in handover of on-going projects will result in cost overruns. For example, the delay in LRT2 works in the past due to development order approval issues have caused participating contractors to incur losses due to cost overruns, which resulted in lower-than-expected margins. That said, any sharp increase in building material costs also pose a threat to margins. Based on our sensitivity analysis, every 1% drop on its construction pre-tax margin would result in 11% reduction in our FY16-17E earnings.

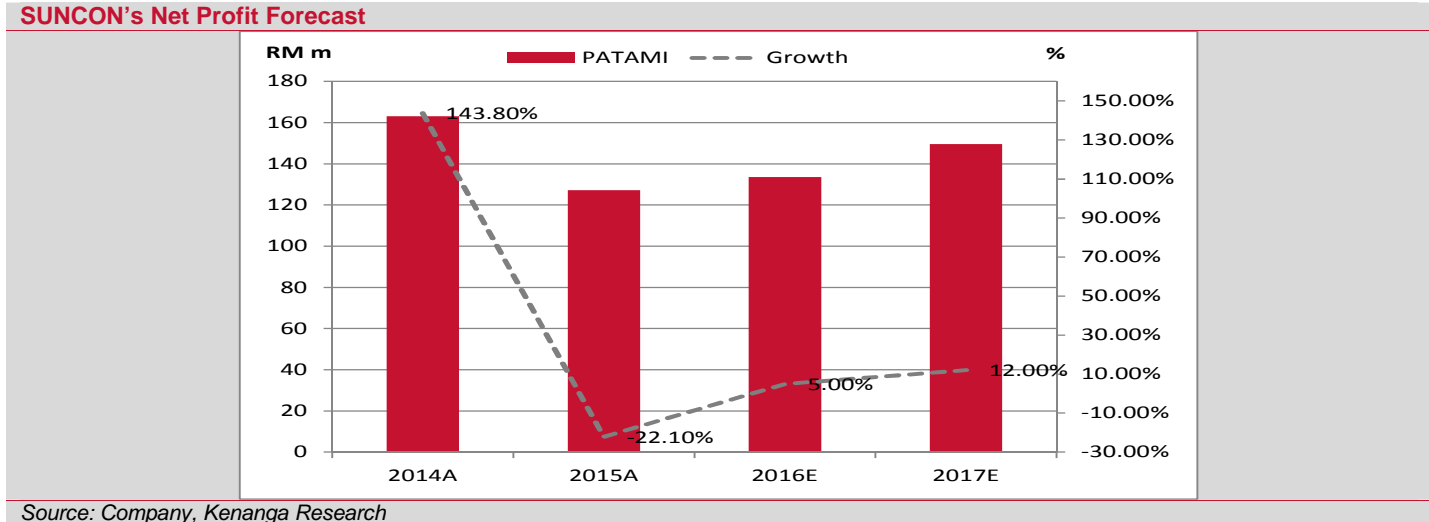
Lower-than-expected orderbook replenishment. For SUNCON, we are assuming an orderbook replenishment of RM2.9m per annum for both FY16-17E, which we strongly believe is achievable backed by the slew of infrastructure and private projects.

Political risks? We do not think change in political landscape in Malaysia will significantly affect SUNCON's long-term prospect given its good merit as well as excellent track records in project delivery. In terms of awards, we think that mega infrastructure projects like LRT3 and Pan Borneo have minimal risk of delays, as the Project-Delivery-Partner for these two particular projects have a tight timeline to be met.

Other risks include: (i) cut or delay in government spending on infrastructure and affordable housing projects, and (iii) global financial crisis.

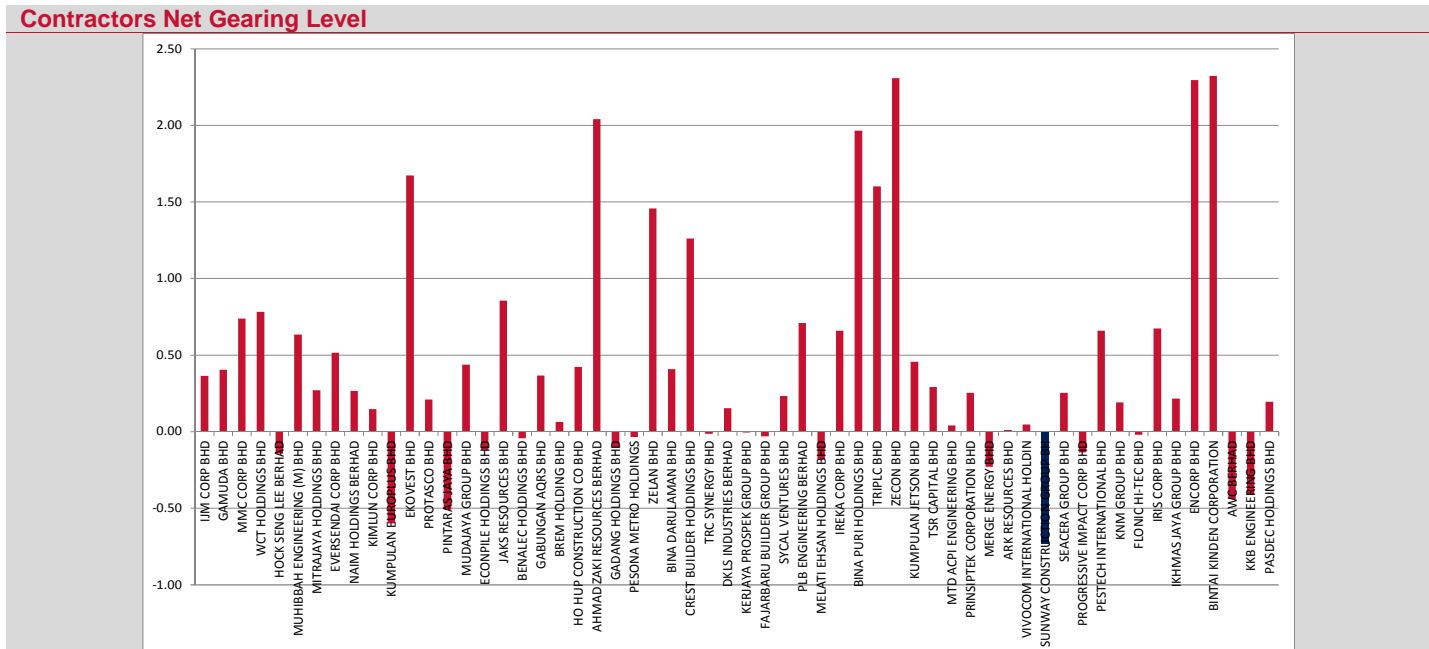
FINANCIAL ANALYSIS

Expecting steady earnings growth of 5-12% for FY16-17E. While its outstanding orderbook is at a record high of RM5.0b with more upside potential, we are expecting the group to chart a moderate growth of 5-12% for FY16-17E driven by: (i) 35-45% orderbook burn rate respectively, (ii) RM2.9b new job wins in both FY16 and FY17, and (iii) PBT margins assumption for construction and pre-cast division of 6.0% and 23.0%, respectively. At this juncture, we believe any potential upside to our forecasts would be from the construction division, especially due to our conservative pre-tax margin of 6.0%.



Strong war chest of RM297.9m. As of 1Q16, SUNCON remained in a strong net cash position of RM297.9m, which is the only contractor that is in net cash position compared with the big-boys like IJM, GAMUDA, and WCT with net gearing of 0.50-0.81x. We believe that such strong cash position allows SUNCON to participate in more mega projects, especially those that require public-private partnership without the risk of cash call. To recap, we have seen numerous mid-to-big size contractors announcing placement exercises raising cash for working capital purposes and we believe that more contractors will follow suit given their stretched balance sheet and overly ambitious projects, which are meant for property development or build-operate-transfer related infrastructure projects.

Net Gearing level for Contractors:



Dividend policy. Given its asset light model and net cash position, SUNCON has a dividend policy of 35% dividend pay-out ratio (DPR) of PATAMI. At a DPR of 35%, we are estimating FY16-17E DPS of 3.6sen and 4.1sen which implies yields of 2.3% and 2.6%. However, we believe that SUNCON has the ability to raise its DPR to 40-50% range given their minimal CAPEX requirement. At DPR of 40-50%, we are expecting DPS of 4.1sen and 5.2sen implying yields of 2.6-3.3% for FY16E. At minimum pay-out of 35%, its current yield is comparable to peers' average of 2.3%, so higher pay-out of 40-50% will result in more attractive yields vis-à-vis peers.

30 June 2016

VALUATION

Peer comparison. Currently, SUNCON is trading at FY17E PER of 13.7x, representing 17% discount to its big-cap peers' (IJM, GAMUDA, WCT and MMC) average of 16.4x. We believe that SUNCON should attract on-par valuations with its peers being one of the few big-cap pure-play construction players in town. While SUNCON's margins may not be as compelling as big-cap peers, we note that its outstanding orderbook of RM5.0b (double that of mid-cap players') is higher as compared to WCT and it is able to maintain a steady order book level of c.RM5.5b or higher by year-end. That said, it is not exposed to other sector risks, unlike other players which have earnings risks from property and plantation sectors. Its FY16-17E earnings growth of 5-12% may not be easily comparable to its big-cap peer's average of 80-21%* due to its competitors' lower base effects coupled with contributions from other divisions. Furthermore, SUNCON's orderbook consist of more building-related jobs over infrastructure jobs, which generally yield lower margins. More importantly, we believe it has higher odds of winning more public-private partnership infrastructure without the risk of cash call due to its net cash position. Recall that several contractors have proposed or are planning to propose cash call exercise for de-gearing and working capital purposes in the past six months.

*Note that for the big-cap contractors peer comparisons, we believe the simple average may not be representative, especially for earnings growth: (1) MMC: due to lumpy land sale contributions, and (2), WCT: due to low base effect as they are finally delivering earnings from its construction division, which is backed by local projects.

OUTPERFORM rating and TP of RM1.81. Our TP of RM1.81 is derived based on applying Sum-of-Parts (SoP) valuation methodology. We opine that SoP is a better valuation method for SUNCON to reflect the group's profitability and strong cash position. We ascribed FY17E PER of (i) 14.0x to its existing business, which is at a 13-18% discount to its big-cap peer's targeted PER range of 16.0-18.0x or a valuation of RM1.62/share, (ii) and added RM0.19/share which is 50% of our estimated net cash position of RM0.38/share for FY17 into our SoP. The TP of RM1.81 implies FY17 PER of 15.7x, which is comparable to big-cap peers' 2-year Fwd. average of 16.4x.

Sum-of-Parts		
14x FY17E PER on existing business		2094.6
50% of FY17E cash pile		247.2
Fair Value		2341.8
Shares Outstanding		1292.9
Target Price		1.81
Implied FY17E PER (x)		15.7

Source: Company, Kenanga Research

Big-cap Peer Comparison- Part 1							
Company Name	Last Price (29/6/16)	Market Cap (RM m)	Actual	PE Ratio		Net profit Growth (%)	
				1 yr Fwd	2 yr Fwd	1 Yr Fwd NP Growth	2 Yr Fwd NP Growth
IJM CORP BHD	3.45	12417.2	24.6	19.4	17.6	27%	11%
GAMUDA BHD	4.81	11623.9	16.6	17.8	16.0	-7%	11%
WCT HOLDINGS BHD	1.50	1872.9	51.0	17.8	13.0	187%	37%
MMC CORP BHD	2.00	6090.1	51.3	24.2	19.2	112%	26%
SUNCON	1.58	2042.78	16.1	15.3	13.7	5%	12%
Average			30.7	19.8	16.4		

Source: Company, Kenanga Research

Big-cap Peer Comparison- Part 2							
Company Name	Last Price (29/6/16)	Market Cap (RM m)	Historical Construction Pre-Tax Margins	Outstanding Orderbook	TP	Rating	
IJM CORP BHD	3.45	12417.2	12%	8500	3.66	MP	
GAMUDA BHD	4.81	11623.9	19%	8335	4.67	MP	
WCT HOLDINGS BHD	1.50	1872.9	16%	4800	1.58	MP	
MMC CORP BHD	2.00	6090.1	19%	n.a.	2.67	OP	
SUNCON	1.58	2042.78	4%	5017	1.81	OP	
Average							

Source: Company, Kenanga Research

Big-cap Peer Comparison - Part 3						
Company Name	Last Price (29/6/16)	Market Cap (RM m)	DPR	Est. Div yld	Net Gearing	
IJM CORP BHD	3.45	12417.2	40%	2.0%	0.36	
GAMUDA BHD	4.81	11623.9	48%	2.7%	0.40	
WCT HOLDINGS BHD	1.50	1872.9	57%	3.1%	0.78	
MMC CORP BHD	2.00	6090.1	42%	1.7%	0.74	
SUNCON	1.58	2042.78	35%	2.3%	N.C.	

Source: Company, Kenanga Research

APPENDIX

Listed back in 28 July 2015, Sunway Construction Group Berhad (SUNCON) is a fully integrated construction company that provides integrated services and products, such as (i) building construction services, (ii) civil/infrastructure construction services, (iii) foundation and geotechnical engineering services, (iv) mechanical, electrical and plumbing services, and (v) manufacturing and sale of precast concrete products. Since establishment, it has completed over 85 major projects with contract value of more than RM8.0b, both domestically and internationally. Its listing status further increased their visibility as a Malaysian-based leading construction player which is on par with players like IJM and GAMUDA, which are able to undertake large-scale infrastructure projects.

SUNCON has completed a number of international projects, such as: (i) Phase 1A of Rihan Heights at UAE, (ii) East-West Corridor Uttar Pradesh at India, (iii) Ministry of Legal Affairs Trinidad and Tobago, and (iv) Phase 1 of Plot 1 Al-Reem Island. In terms of on-going projects, SUNCON is involved in Klang Valley MR1, MRT2, Southern Link, Sunway Medical, Kuala Lumpur Convention Centre and etc.

Building construction services

This division serves as the design and construction service provider in the residential, commercial, institutional and specialty projects. It has an international portfolio which includes several large building construction services projects in Singapore, UASE, and Trinidad and Tobago. In terms of special-purpose building projects, it includes Kuala Lumpur Convention Centre, Pinewood Studio, Sunway Medical Centre, Monash University Campus Malaysia, and Sunway Shopping Mall.

Civil/infrastructure construction services

This division has participated in various roads, highways, airports, bridges and rail transportation infrastructure projects over the last 30 years. It has both local and overseas projects, which include Ipoh Airport, SILK, Maju Expressway, SKVE and special rail transportation infrastructure like MRT, LRT and BRT while overseas projects include seven highways and bridges in India.

Foundation and geotechnical engineering services

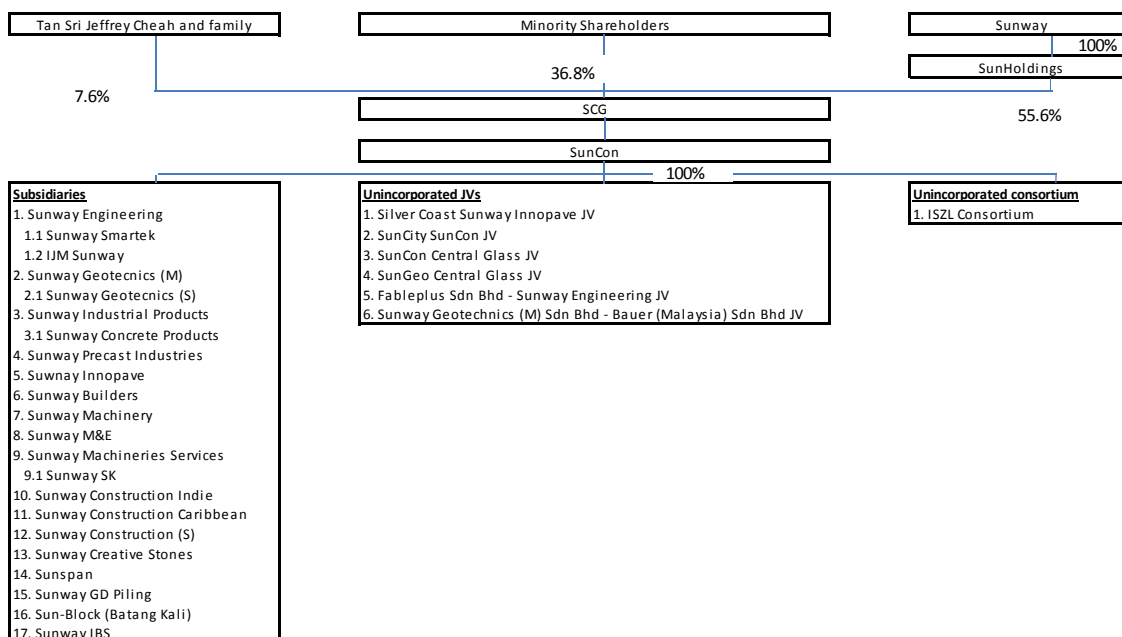
Core services include piling solutions and earth retaining systems. The services cover residential, commercial, institutional, purpose-built or specialty buildings, and civil/infrastructure construction projects.

Mechanical, electrical and plumbing services

The main services are mechanical, electrical, plumbing and specialised engineering solutions. The services offered to both internal and external clients can be in the form of stand-alone or part of integrated services.

Manufacturing and sale of precast concrete products

This division develops, designs, manufactures and supplies precast concrete products with manufacturing plants located in Senai, Johor, Malaysia. This accounted for 13% and 55% of its total revenue and pre-tax earnings in FY15, respectively.

SUNCON Group Structure

Source: Company, Kenanga Research

Board of Directors' Profile

Name	Position	Background
Dato' Ir Goh Chye Koon	Independent Non-Executive Chairman/ Senior Independent Non-Executive Director	<ul style="list-style-type: none"> Appointed on 17 October 2014 Also serves as Chairman of Nomination Committee as well as a member of Audit Committee and Remuneration Committee. Served as Executive Director of IJM Corporation Berhad until June 2009 and Non-Executive from July 2009 until June 2013. Was a member of the Presidential Consultative Council of the Board of Engineers Malaysia (2002-2004) and also a member of the Construction Consultative Panel of Malaysia Productivity Corporation (2003-2009) Was the Chairman of the Building Industry Presidents' Council and President of the Masters builders Association Malaysia for the session 2004/2006 and served as its Deputy President, Vice President and Deputy Secretary General A board member of the Construction Industry Development Board, Malaysia (CIDB) from 2004 to 2006 and served as a Main Committee Member (2001-2009) and Chairman of the Working Group for construction projects (Local and Foreign) (2003-2009) in the construction Industry Master Plan of CIDB Currently an Advisory Peer Group Member of the School of Science and Technology at Wawasan Open University (since 2010)
Chung Soo Kiong	Managing Director	<ul style="list-style-type: none"> Appointed on 1 November 2015 Began his career with TAISEI Corporation of Japan in 1990 Joined SUNCON in 1997 and served as the Contract Manager of Business Development & Marketing Department Acted as the Country Manager/Project Director of Sunway Innopave Sdn Bhd (Abu Dhabi Branch) for the period from 2007 to 2013. Deputy Managing Director of Sunway Construction Sdn Bhd since 2013
Kwan Foh Kwai	Non Independent Non Executive Director	<ul style="list-style-type: none"> Appointed on 18 September 2014 Joined Sungei Wey Construction Berhad as an Executive Director on 1 October 1996 Promoted to Managing Director of Sunway Construction Berhad in June 2001 Appointed as the Senior Managing Director of the Group on 6 November 2014 The Immediate Past President of Master Builders Association of Malaysia for the term of 2012 to 2016 A member of The Institution of Engineers, Malaysia Has over 37 years of extensive experience working in the construction industry, both in the public and private sectors A fellow member of the Chartered Institute of Building A board member of International Federation of Asian & Western Pacific Contractors' Association (IFAWPCA) The Chairman of the Board of Governors of SMJK Yuk Choy, Ipoh, Perak
Dato' Siow Kim Lun	Independent Non-Executive Director	<ul style="list-style-type: none"> Appointed on 17 October 2014 Served in several positions at the Securities Commission Malaysia, including the Director of its Issues and Investment Division, Director of Market Supervision Division and Executive Director in the Office of the SC Chairman Established MainStreet Advisers Sdn Bhd with his partner in 2007 Served as a member of the Listing Committee at Bursa Securities from 2007 to 2009 Currently a Director of Citibank Berhad, Kumpulan Wang Persaraan, UMW Holdings Berhad, EITA Resources Berhad, Hong Leong Assurance Berhad, Eco World International Berhad, MainStreet Advisers Sdn Bhd, UMW M&E Sdn Bhd and UMW Technology Sdn Bhd A member of the Land Public Transport Commission
Dato' Dr. Ir Johari Bin Basri	Independent Non-Executive Director	<ul style="list-style-type: none"> Appointed on 17 October 2014 Assumed the role of Director General in Department of Occupational Safety and Health (DOSH) until retirement in June 2014 A member of the board of directors of National Institute of Occupational Safety and Health (NIOSH) Malaysia (2007-2014), board of member of CIDB (2007-2014), Chairman for the Industrial Standard Committee of Occupational Safety and Health (ISCW) SIRIM Berhad (2007-2014) and Member for Malaysian National Standards (2007-2014) A fellow of the Institute of the Institute of Chemical Engineer (U.K.), a Professional Engineer registered with the Board of Engineers Malaysia, member of Malaysian Gas Association (MGA), member of The Japan International Cooperation Agency Alumni Society of Malaysia (MyJICA) and a life member of The Malaysian Society for Occupational Safety and Health .

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Dato' Chew Chee Kin	Non-Independent Non-Executive Director	<ul style="list-style-type: none"> Appointed on 17 October 2014 Was the General Manager of UMW (Malaya) Sdn Bhd prior to joining Sunway Group Joined the Sunway Group in 1981 as General Manager and promoted to the Group General Manager (Operations) and subsequently Deputy Group Managing Director (Operations) of the Sunway Holdings Berhad Group in 1989 Promoted to Group Managing Director of the Sunway Holdings Berhad Group and President of the Sunway Holdings Berhad Group in 1999 Designated as the President of Sunway upon the completion of the merger of SunCity and SunHoldings in 2011 Has over 30 years' experience in general management, quarrying, construction, building materials, trading and manufacturing businesses The Executive Director and President of Sunway and is a director in Gopeng Berhad.
Evan Cheah	Substantial shareholder, Promoter and Non-Independent Non-Executive Director	<ul style="list-style-type: none"> Appointed on 18 September 2014 Joined the Sunway Group following his graduation as an Executive Assistant and was attached to the Sunway Group Finance division from 2001 to 2002 In 2006, he became the General Manager, Business Development of Sunway Group's Trading & Manufacturing division In 2010, he was promoted to be the Executive Director of Sunway Mas, a property development company within Sunway Group, in charge of operation matters. In 2011, Evan Cheah was designated Chief Executive Officer of Sunway Group's China operations. A Chartered Financial Analyst Charterholder, a Certified Practising Accountant, and a Member of Malaysian Institute of Accountants.

Source: Company; Kenanga Research

Key Milestones

Year	Key Milestones
1981	<ul style="list-style-type: none"> Sunway Construction Sdn Bhd (SunCon) commenced active operations as Sungei Way Quarry & Construction Sdn Bhd
1984	<ul style="list-style-type: none"> Sungei Way Quarry & Construction Sdn Bhd changed its name to Sungei Way Construction Sdn Bhd
1992	<ul style="list-style-type: none"> Incorporated Sunway Precast Industries (incorporated as Aktiviti Setia (M) Sdn Bhd) for the manufacture and sale of precast concrete products
1994	<ul style="list-style-type: none"> Incorporated Sunway Concrete Products (S) for the manufacture and sale of precast concrete products
1995	<ul style="list-style-type: none"> Incorporated Sunway Engineering Sdn Bhd to deliver mechanical, electrical and plumbing services
1996	<ul style="list-style-type: none"> Sungei Way Construction Sdn Bhd converted its status from a private company to a public company and assumed the name of Sungei Way Construction Berhad Incorporated Sunway Machinery (incorporated as SWC Machinery Sdn Bhd) for machinery and logistics support Incorporated Sunway Geotechnics (M) (incorporated as Sunway Pipe Pro Sdn Bhd) to deliver foundation and geotechnical engineering services
1997	<ul style="list-style-type: none"> Public listing on the Main Board of the then Kuala Lumpur Stock Exchange SunCon certified ISO 9002:1994 compliant
1999	<ul style="list-style-type: none"> Sungei Way Construction Berhad changed its name to SunCon
2001	<ul style="list-style-type: none"> SunCon certified OHSAS 18001:1999 compliant
2002	<ul style="list-style-type: none"> SunCon upgraded certification to ISO 9001:2000 for the scope of design and construction services
2004	<ul style="list-style-type: none"> SunCon taken private by Sunway Holdings Incorporated Berhad, now known as Sunway Holdings Sdn Bhd
2009	<ul style="list-style-type: none"> Implemented VDC SunCon upgraded certifications to ISO 9001:2008 and OHSAS 18001:2007 SunCon certified ISO 14001:2004 compliant
2010	<ul style="list-style-type: none"> Launched internal quality commitment initiative, "Journey Towards Total Quality Management"

Source: Company; Kenanga Research

A. Civil Engineering Project Details

Current Projects

Coastal Highway Southern Link



Sources: Company

Current	
Project Name:	Coastal Highway Southern Link
Location:	Johor
Contract Value (RM'm)	RM17.0
Client	SJIC Bina Sdn Bhd
Commencement Date	7-Jan-15
Brief Description	Proposed design, construction, testing and completion of the Coastal Highway Southern Link, Johor Darul Ta'zim (Design & Build)

Package V4: Construction and Completion of Viaduct Guideway and Other Associated Works from Section 17 to Semantan Portal



Sources: Company

Current	
Project Name:	Package V4: Construction and Completion of Viaduct Guideway and Other Associated Works from Section 17 to Semantan Portal
Location:	Selangor, Kuala Lumpur
Contract Value (RM'm)	RM1,172.8
Client	Mass Rapid Transit Corporation Sdn Bhd (MRT Corp)
Commencement Date	18-May-12
Brief Description	Construction and completion of Viaduct Guideway and other associated works from Section 17 to Semantan Portal (Package V4)

Completed Projects

BRT - Sunway Line



Sources: Company

Completed	
Project Name:	BRT - Sunway Line
Location:	Selangor
Contract Value (RM'm)	RM452.5
Client	Syarikat Prasarana Negara Berhad
Commencement Date	Apr-13
Brief Description	Proposed design, construction, completion and commissioning of : 1) Guideway & Halts; 2) Depot; 3) Park n Ride; and 4) Mechanization of Oxidation Pond of The Bus Rapid Transit(BRT) - Sunway Line

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Gas District Cooling (GDC) Plant 4 at Putrajaya



Sources: Company

Completed

Project Name:	Gas District Cooling (GDC) Plant 4 at Putrajaya
Location:	Putrajaya
Contract Value (RM'm)	RM42.0
Client	Putrajaya Holdings Sdn Bhd
Commencement Date	30-Aug-10
Brief Description	The proposed engineering, procurement, construction and commissioning (EPCC) of chilled water storage tank, plant building and other associated works for gas district cooling (GDC) plant 4 at Putrajaya.

Putrajaya 17



Sources: Company

Completed

Project Name:	Putrajaya 17
Location:	Putrajaya
Contract Value (RM'm)	RM20.7
Client	Putrajaya Holdings Sdn Bhd
Commencement Date	Oct-11
Brief Description	The proposed construction and completion of spine road Sr 1, abandoned main drain works and canal de-silting works at Precinct 17, Putrajaya.

Kuala Lumpur Putrajaya Highway - Package 3



Sources: Company

Completed

Project Name:	Kuala Lumpur Putrajaya Highway - Package 3
Location:	Kuala Lumpur, Putrajaya
Contract Value (RM'm)	RM165.0
Client	Maju Holdings (M) Berhad
Commencement Date	Sep-07
Brief Description	The construction and completion of highway works for package 3 work section, between Chainage 4915 to 7875, for the Kuala Lumpur Putrajaya Highway.

East-West Corridor Highway - State of Uttar Pradesh (UP-4), India



Sources: Company

Completed

Project Name:	East-West Corridor Highway - State of Uttar Pradesh (UP-4), India
Location:	India
Contract Value (RM'm)	RM411.3
Client	National Highways Authority of India
Commencement Date	Jan-11
Brief Description	East-West Corridor Project - Rehabilitation & Upgrading of KM 104.000 to KM 170.000 of NH-25 in the State of Uttar Pradesh - Package-EW-II (UP-4).

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B. Building Project Details**Current Projects**

KLCC NEC Phase 1		KLCC NEC Phase 2	
Current		Current	
Project Name:	KLCC NEC Phase 1	Project Name:	KLCC NEC Phase 2
Location:	Kuala Lumpur	Location:	Kuala Lumpur
Contract Value (RM'm)	RM304.0	Contract Value (RM'm)	RM220.0
Client	Cititower Sdn Bhd	Client	Cititower Sdn Bhd
Commencement Date	Feb-11	Commencement Date	10-Jul-13
Brief Description	Proposed construction and completion of North East Car Park (NEC) underneath KLCC Park and associated works for the proposed Lot 185, Lot 167(K) and Lot 176 mixed development at Persiaran KLCC, Kuala Lumpur City Centre	Brief Description	Package 2: Construction and completion of piling and sub-structure works and associated works for the proposed mixed commercial development for Lot 185 and 167(K) at Persiaran KLCC, Kuala Lumpur City Centre

Sources: Company

Sunway Pyramid Phase 3		Sunway Medical Centre, Phase 3	
Current		Current	
Project Name:	Sunway Pyramid Phase 3	Project Name:	Sunway Medical Centre, Phase 3
Location:	Selangor	Location:	Selangor
Contract Value (RM'm)	RM192.6	Contract Value (RM'm)	RM178.0
Client	Sunway Pyramid Hotel Sdn Bhd	Client	Sunway Medical Centre Sdn Bhd
Commencement Date	1-Apr-13	Commencement Date	15-Jan-14
Brief Description	Proposed construction of 27-storey building that consists of:- <ul style="list-style-type: none"> • 3-storey commercial • 4-storey basement car park • 6-storey podium car park • 1 swimming pool with facilities • 1 storey office and facilities for hotel employees • 17-storey hotel (401 rooms), pedestrian walkway on Lot PT 1333 (HSD 259881), PJS 11 Bandar Sunway, Daerah Petaling, Selangor Darul Ehsan for Sunway Pyramid Hotel Sdn Bhd, SP3 - Main building works 	Brief Description	Proposed extension and refurbishment of Medical Centre on Lot 41, Lot 45, Lot 38160 at No 5, Jalan Lagoon Selatan, Bandar Sunway, 47500 Subang Jaya, Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan for Sunway Medical Centre Sdn Bhd Phase 3A & 3B - Main building works, earthworks, piling works & rewall

Sources: Company

Sunway Putra		Sunway Velocity	
Current		Current	
Project Name:	Sunway Putra	Project Name:	Sunway Velocity
Location:	Kuala Lumpur	Location:	Kuala Lumpur
Contract Value (RM'm)	RM258.4	Contract Value (RM'm)	RM335.0
Client	Sunway REIT Management Sdn Bhd	Client	Sunway Velocity Mall Sdn Bhd
Commencement Date	2-May-13	Commencement Date	1-Aug-13
Brief Description	Proposed extension and refurbishment works on existing shopping complex that consists of:- <ul style="list-style-type: none"> • 3-storey basement car park including 1-storey shopping complex • 9-storey shopping complex including 4-storey car park • Extension of 4-storey cinema at Level 6 on Lot No 38, Seksyen 51, Jalan Putra, Wilayah Persekutuan, Kuala Lumpur 	Brief Description	Proposed mixed development phase 2 which contains 6-storey shopping mall, 3 -storey basement car park on Lot No. PT 391 & 392 Seksyen 90, Wilayah Persekutuan Kuala Lumpur - Earthworks, piling and main building works

Sources: Company

Urban Wellness



Current

Project Name:	Urban Wellness
Location:	Johor Bahru
Contract Value (RM'm)	RM282.9
Client	Pulau Indah Ventures Sdn Bhd
Commencement Date	1-Sep-13
Brief Description	Proposed construction and completion of "Urban Wellness" on Lot PTD 170678, PTD 170679, Mukim Pulai, Daerah Johor Bahru for Pulau Indah Ventures Sdn Bhd

Sources: Company

Completed Projects

Legoland



Completed

Project Name:	Legoland
Location:	Johor Bahru
Contract Value (RM'm)	RM258.0
Client	IDR Assets Sdn Bhd
Commencement Date	Jul-12
Brief Description	Proposed construction and completion of package 4 - Facility construction for Legoland Malaysia theme park development on part of Lot PTD 154492 and Lot PTD 154493, Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim for IDR Assets Sdn Bhd

Sources: Legoland, Company

Pinewood



Completed

Project Name:	Pinewood
Location:	Johor Bahru
Contract Value (RM'm)	RM308.9
Client	Iskandar Malaysia Studios Sdn Bhd
Commencement Date	10-Oct-11
Brief Description	Proposed construction and completion of integrated media studios facility on part of Lot PTD71096, Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim

Sources: Company

Sunway Pinnacle



Completed

Project Name:	Sunway Pinnacle
Location:	Selangor
Contract Value (RM'm)	RM175.1
Client	Sunway Pinnacle Sdn Bhd
Commencement Date	1-Mar-12
Brief Description	Proposed construction and completion of 1 office block that consists of:- <ul style="list-style-type: none"> • 24-storey office block 6 • storey basement car park

Sources: Company

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Al Reem Island Development, Abu Dhabi



Sources: Company

Completed

Project Name:	Al Reem Island Development, Abu Dhabi
Location:	Abu Dhabi
Contract Value (RM'm)	RM1,320 (AED1,330m)
Client	Tamouh Investment LLC
Commencement Date	May-11
Brief Description	IJM-led consortium in the design, execution & completion of Zone C Phase 1 Plot 1 of the Al Reem Island Development, Abu Dhabi, UAE which consists of 5 towers & 7 villas

Ministry of Legal Affairs Tower, Trinidad & Tobago



Sources: Company

Completed

Project Name:	Ministry of Legal Affairs Tower, Trinidad & Tobago
Location:	Trinidad and Tobago
Contract Value (RM'm)	RM230.6
Client	The Urban Development Corporation of Trinidad and Tobago (UDeCott)
Commencement Date	Aug-10
Brief Description	Proposed construction and completion of Trinidad & Tobago's Government Plaza - the Ministry of Legal Affairs Tower

C. Turnkey, Design & Build Project Details

Completed Projects

The Everly Hotel



Sources: The Everly Hotel, Company

Completed

Project Name:	The Everly Hotel
Location:	Putrajaya
Contract Value (RM'm)	RM147.4
Client	Putrajaya Holdings Sdn Bhd
Commencement Date	7-Oct-09
Brief Description	Proposed design, construction and completion of the following on Plot PZ10, Parcel Z, Precinct 1, Putrajaya:- <ul style="list-style-type: none"> • 1 block of 16-storey 3-star hotel with 3-storey podium and 2 levels of basement car park; • 1 block of 11-storey office tower with 2 levels of basement car park

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Kuala Lumpur Convention Centre



Sources: KLCC Convention Centre, Company

Completed

Project Name:	Kuala Lumpur Convention Centre
Location:	Kuala Lumpur
Contract Value (RM'm)	RM549.3
Client	Kuala Lumpur Convention Center Sdn Bhd
Commencement Date	Oct-05
Brief Description	Design, construction and completion of Kuala Lumpur Convention Center at Kuala Lumpur City Center.

Component Composite Aeroplane Factory at Lapangan Terbang Sultan Abdul Aziz Shah, Subang



Sources: Company

Completed

Project Name:	Component Composite Aeroplane Factory at Lapangan Terbang Sultan Abdul Aziz Shah, Subang
Location:	Selangor
Contract Value (RM'm)	RM119.8
Client	Malaysia Airports Holdings Berhad
Commencement Date	Nov-08
Brief Description	Proposed construction of 1 storey of component composite aeroplane factory with associated amenities on part of Lot 1210, Mukim Damansara, Pusat Aeroangkasa Antarabangsa Malaysia (MIAC), Lapangan Terbang Sultan Abdul Aziz Shah, 47200 Subang, Selangor Darul Ehsan.

National Registration Department & Ministry of Entrepreneur and Cooperative Development



Sources: Company

Completed

Project Name:	National Registration Department & Ministry of Entrepreneur and Cooperative Development
Location:	Putrajaya
Contract Value (RM'm)	RM319.3
Client	Putrajaya Holding Sdn Bhd
Commencement Date	Dec-03
Brief Description	Design, construction and Completion and External Works of the Office Complex for the National Registration Department & Ministry of Entrepreneur and Cooperative Development at Lot 2G5 & 2G6 Precinct 2 (Phase 2) Putrajaya..

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Kajang Traffic Dispersal Ring Road



Sources: Company

Completed

Project Name:	Kajang Traffic Dispersal Ring Road
Location:	Kajang
Contract Value (RM'm)	RM1,045
Client	Sistem Lingkaran Lebuhraya Kajang Sdn Bhd
Commencement Date	Apr-04
Brief Description	Design, construction, completion & commissioning of the proposed privatisation of the Kajang Traffic Dispersal Ring Road.

Income Statement

FY Dec (RMm)	2014A	2015A	2016E	2017E
Revenue	1,880.7	1,916.9	2,175.3	2,422.3
EBITDA	156.9	175.0	218.7	247.1
Depreciation	-44.7	-41.9	-44.7	-53.8
Operating Profit	112.3	133.0	174.0	193.3
Other Income	4.6	14.1	0.0	0.0
Interest Exp	-0.8	3.4	3.6	5.4
Associate	0.0	0.0	0.0	0.0
Exceptional Items	0.0	0.0	0.0	0.0
PBT	139.3	140.8	177.7	198.7
Taxation	-26.6	-13.0	-44.4	-49.7
Minority Interest	0.0	-0.6	0.0	0.0
Net Profit	163.1	127.2	133.2	149.0
Core Net Profit	163.1	127.2	133.2	149.0

Balance Sheet

FY Dec (RMm)	2014A	2015A	2016E	2017E
PPE	176.1	162.1	182.8	191.4
Intangible Assets	0.0	0.0	0.0	0.0
Other FA	37.9	18.2	18.2	18.2
Inventories	20.2	17.3	56.7	63.5
Receivables	691.8	579.2	655.6	730.0
Other CA	230.3	230.3	230.3	230.3
Cash	390.5	421.3	369.3	416.0
Total Assets	1,324.2	1,397.4	1,564.8	1,602.6
Payables	601.9	604.7	685.4	763.2
ST Borrowings	135.1	136.8	136.8	0.0
Other ST Liability	202.6	200.1	200.1	200.1
LT Borrowings	0.1	0.0	0.0	0.0
Other LT Liability	4.3	4.1	4.1	4.1
Minorities Int.	0.1	0.6	0.7	0.7
Net Assets	380.2	451.0	537.6	634.5
Share Capital	232.5	258.6	258.6	258.6
Reserves	147.7	192.5	279.1	375.9
Total Equity	380.2	451.0	537.6	634.5

Cashflow Statement

FY Dec (RMm)	2014A	2015A	2016E	2017E
Operating CF	98.5	284.5	139.2	194.1
Investing CF	262.6	-64.0	-65.4	-62.5
Financing CF	-418.5	-63.6	-43.0	-183.6
Change In Cash	-57.4	156.9	30.8	-52.0
Free CF	81.4	275.4	118.2	181.3

Source: Kenanga Research

Financial Data & Ratios

FY Dec (RMm)	2014A	2015A	2016E	2017E
Growth				
Turnover (%)	2%	2%	13%	11%
EBITDA (%)	76%	11%	25%	13%
Operating Profit (%)	141%	19%	31%	11%
PBT (%)	55%	1%	26%	12%
Net Profit (%)	144%	-22%	5%	12%
Profitability (%)				
EBITDA Margin	8%	9%	10%	10%
Operating Margin	6%	7%	8%	8%
PBT Margin	7%	7%	8%	8%
Net Margin	9%	7%	6%	6%
Effective Tax Rate	19%	9%	25%	25%
ROA	12%	9%	9%	9%
ROE	43%	28%	25%	23%
DuPont Analysis				
Net Margin (%)	9%	7%	6%	6%
Assets Turnover (x)	1.4	1.4	1.4	1.5
Leverage Factor (x)	3.5	3.1	2.9	2.5
ROE (%)	43%	28%	25%	23%
Leverage				
Debt/Asset (x)	0.3	0.3	0.3	0.3
Debt/Equity (x)	0.9	0.7	0.7	0.7
Net Cash/(Debt)	255	284.5	232	416
Net Debt/Equity (x)	-0.7	-0.6	-0.4	-0.7
Valuations				
Core EPS (sen)	12.6	9.8	10.3	11.5
DPS (sen)	0.0	4.0	3.6	4.0
PER (x)	12.5	16.1	15.3	13.7
Net Div. Yield (%)	0.0%	2.5%	2.3%	2.6%
BVPS	0.29	0.35	0.42	0.49
P/B (x)	5.4	4.5	3.8	3.2

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Peer Comparison

CORE COVERAGE																
NAME	Price (29/6/16)	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		(RMm)	Actual	1 Yr Fwd				2 Yr Fwd	(%)	(%)					
EVERSENDAI CORP BHD	0.49	375.3	7.9	7.3	6.9	0.1	5.5	0.4	47.5	51.5	54.2	8.4	5.2	0.70	Outperform	-36.60
GAMUDA BHD	4.81	11623.9	16.5	17.8	16.0	2.5	13.5	2.4	687.2	636.8	709.7	-7.3	11.4	4.67	Market Perform	3.22
IJM CORP BHD	3.45	12417.2	24.6	19.4	17.6	2.1	6.8	1.3	499.9	634.2	700.8	26.9	10.5	3.66	Market Perform	2.98
KIMLUN CORP BHD	1.83	550.0	8.5	7.9	6.6	3.3	13.7	1.1	64.4	70.0	83.8	8.7	19.7	2.10	Outperform	32.61
MUHIBBAH ENGINEERING (M) BHD	2.21	1043.9	11.4	10.9	9.6	2.3	9.0	1.0	88.9	92.9	104.9	4.5	12.9	2.53	Outperform	0.00
HOCK SENG LEE BERHAD	1.68	923.2	12.1	11.7	10.3	2.4	10.9	1.3	76.2	78.8	89.2	3.4	13.2	1.79	Market Perform	-11.11
NAIM HOLDINGS BERHAD	1.82	431.2	196.0	17.0	10.8	1.5	1.9	0.3	2.2	25.3	39.8	1050.0	57.3	1.32	Underperform	-26.02
WCT HOLDINGS BHD	1.50	1872.9	51.0	17.8	13.0	3.0	4.2	0.7	49.3	141.3	193.5	186.6	36.9	1.58	Market Perform	-6.83
MMC CORP BHD	2.00	6090.1	51.3	24.2	19.2	0.0	2.7	0.7	118.8	251.6	316.6	111.8	25.8	2.67	Outperform	2.04
MITRAJAYA HOLDINGS BHD	1.29	846.1	11.1	9.2	8.5	3.3	19.5	1.8	87.7	105.8	114.4	20.6	8.1	1.77	Outperform	7.50
SUNWAY CONSTRUCTION GROUP BH	1.58	2042.8	16.1	15.3	13.7	2.3	24.6	3.8	127.2	133.5	149.6	5.0	12.1	1.81	Outperform	12.86
<i>Average</i>			37.0	14.4	12.0											
NOT RATED/ON OUR RADAR																
NAME	Price	Mkt Cap	PER (x)			Est. Div. Yld.	Est. ROE	P/BV	Net Profit (RMm)			1 Yr Fwd NP Growth (%)	2 Yr Fwd NP Growth (%)	Target Price (RM)	Rating	YTD (%)
	(RM)		(RMm)	Actual	1 Yr Fwd				2 Yr Fwd	(%)	(%)					
MUDAJAYA	1.07	576.1	-404.6	17.7	10.4	3.1	2.9	0.5	-1.4	32.7	55.3	-2386.4	69.4	n.a.	Not Rated	-9.32
PROTASCO	1.64	553.6	8.3	6.7	n.a.	n.a.	n.a.	n.a.	66.2	81.4	n.a.	22.9	n.a.	2.25	Trading Buy	1.86
PINTARAS JAYA	3.47	567.4	10.8	16.8	11.8	4.2	9.7	1.6	51.9	33.2	47.5	-36.0	42.8	4.20	Trading Buy	5.15
GABUNGAN AQRS	0.95	370.9	-37.4	8.8	10.0	1.6	n.a.	n.a.	-9.9	42.0	37.1	-524.8	-11.7	n.a.	Not Rated	14.46
GADANG HOLDINGS	2.09	540.5	7.7	5.8	5.5	2.8	19.6	1.1	58.8	77.4	81.9	31.6	5.8	2.44	Not Rated	-1.42
AZRB	0.65	310.9	13.6	n.a.	n.a.	n.a.	n.a.	n.a.	22.9	n.a.	n.a.	n.a.	n.a.	n.a.	Not Rated	1.57
TRC SYNERGY	0.39	187.4	6.1	9.7	5.6	2.6	5.0	0.5	30.7	19.4	33.3	-36.8	71.4	n.a.	Not Rated	5.41
BINA PURI	0.37	88.3	23.7	6.2	5.3	5.4	n.a.	n.a.	3.3	12.6	14.6	282.3	15.9	n.a.	Not Rated	-13.95
<i>Average</i>			-55.1	10.8	8.1											

Source: Kenanga Research

30 June 2016

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	:A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT	:A particular sector's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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Published and printed by:

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