



AmInvestment Bank

SUNWAY CONSTRUCTION

(SCGB MK EQUITY, SCOG.KL)

06 Oct 2017

Company report

AmInvestment Bank

www.amesecurities.com.my

03-2036 2250

Rationale for report: Company update

BUY

(Maintained)

Price **RM2.30**
 Fair Value **RM2.65**
 52-week High/Low **RM2.41/RM1.56**

Key Changes

Fair value **↑**
 EPS **↑**

YE to Dec	FY16	FY17F	FY18F	FY19F
Revenue (RM mil)	1,788.8	1,999.3	3,504.3	3,763.1
Core net profit (RM mil)	123.5	141.2	228.2	250.4
FD Core EPS (sen)	9.6	10.9	17.7	19.4
FD Core EPS growth (%)	(2.9)	14.3	61.6	9.7
Consensus Net Profit (RM mil)	-	150.7	176.3	186.1
DPS (sen)	6.5	7.0	8.0	9.0
PE (x)	24.1	21.1	13.0	11.9
EV/EBITDA (x)	14.2	12.3	7.5	6.5
Div yield (%)	2.8	3.0	3.5	3.9
ROE (%)	26.2	26.7	35.9	32.4
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	1,292.9
Market Cap (RMmil)	2,973.7
Book Value (RM/share)	0.38
P/BV (x)	6.0
ROE (%)	26.2
Net Gearing (%)	-

Major Shareholders	Sunway Holdings (54.4%) Sungei Way Corp (10.0%) True Paragon (3.9%)
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Free Float	347.7
Avg Daily Value (RMmil)	3.7

Price performance	3mth	6mth	12mth
Absolute (%)	15.0	27.1	37.7
Relative (%)	15.6	26.0	30.2

Investment Highlights

- We raise our FY17-19F forecasts by 0.4%, 2% and 3% respectively, increase our FV to RM2.65 (from RM2.60) and maintain our BUY call.
- Our FV is based on 15x revised FY18F EPS, in line with our benchmark forward PE of 14-16x for large-cap listed construction companies.
- This follows the award by Prasarana to Sunway Construction (SunCon) of RM2.18bil viaduct packages of the LRT3 (Packages GS07 and GS08 – from Kawasan 17 to Sri Andalas, including a cable-stayed bridge over the Klang River), to be completed within the next 36 months.
- The latest contract has boosted SunCon's YTD job wins to RM3.75bil (which has surpassed our full-year FY17F assumption of RM3.5bil) and outstanding construction order book to RM6.5bil (Exhibit 1). We are positive on the latest development.
- The earnings upgrade is to reflect the upward revision in our job replenishment assumption for FY17F to RM3.8bil. Meanwhile, we are keeping our assumption for job wins in FY18-19F at a more normalised level of RM2bil annually.
- We continue to like SunCon for: 1) its good earnings visibility underpinned by a sizeable outstanding order book which will keep it busy for the next 2-3 years; 2) its strong prospects for new job wins underpinned by various mega infrastructure projects, particularly the rail-related ones, in the market; and 3) its proven track record with various blue-chip clients in the market.

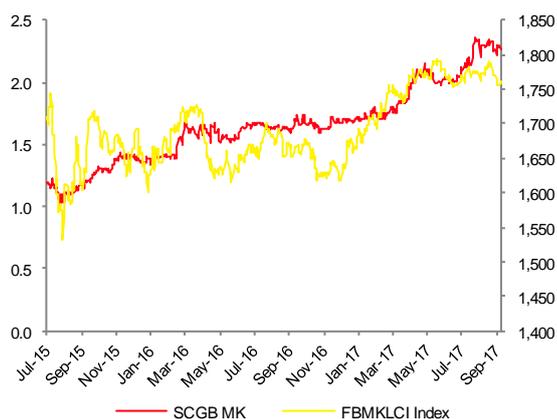


EXHIBIT 1: OUTSTANDING ORDER BOOK

Infrastructure/Piling	
MRT V201	726
SUKE + DASH (Bore piling)	30
BBCC (Bore piling)	34
Mega Capital	9
LRT3 - (GS07 - 08)	2,178
Building	
Putrajaya Parcel F	959
KLCC (NEC + Package 2 & 2a)	170
HUKM (MEP works)	63
ISKL	181
GDC (Plant 1)	148
PP1AM Kota Bharu	582
Internal	
Sunway Velocity	
Hotel + Office	
Medical Centre	132
Sunway Medical Centre	388
Sunway Iskandar	
Citrine Svc Apartment	13
Emerald Residence	89
88 unit shoplots	36
Retail complex/Big Box	79
Sunway Serene	449
Sunway Geo	62
Singapore - Precast	
	207
Total	
	6,535

*Outstanding orderbook as of September 2017

Source: AmlInvestment Bank Bhd, Company

EXHIBIT 2: PB BAND CHART



EXHIBIT 3: PE BAND CHART

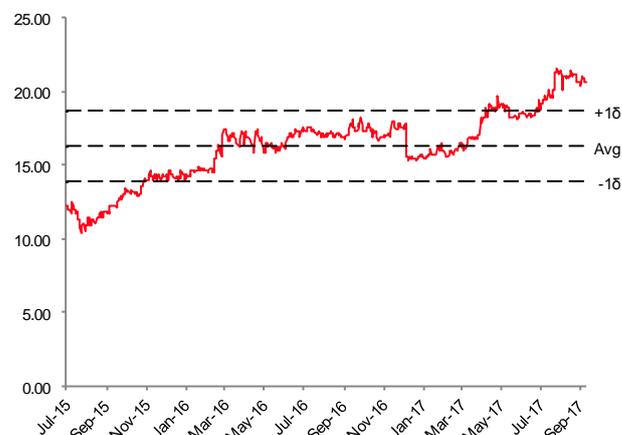


EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue	1,916.9	1,788.8	1,999.3	3,504.3	3,763.1
EBITDA	175.6	186.4	210.2	327.9	356.5
Depreciation/Amortisation	(39.3)	(37.1)	(37.2)	(42.2)	(47.2)
Operating income (EBIT)	136.3	149.2	173.0	285.7	309.3
Other income & associates	-	-	-	-	-
Net interest	4.5	4.4	13.0	14.9	20.4
Exceptional items	-	-	-	-	-
Pretax profit	140.8	153.7	186.0	300.6	329.8
Taxation	(13.0)	(30.0)	(44.6)	(72.1)	(79.1)
Minorities/pref dividends	(0.6)	(0.1)	(0.1)	(0.2)	(0.2)
Net profit	127.2	123.5	141.2	228.2	250.4
Core net profit	127.2	123.5	141.2	228.2	250.4
Balance Sheet (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Fixed assets	162.5	140.7	153.5	161.3	164.1
Intangible assets	3.6	3.6	3.6	3.6	3.6
Other long-term assets	14.0	10.8	10.8	10.8	10.8
Total non-current assets	180.2	155.1	167.9	175.7	178.5
Cash & equivalent	390.5	465.8	524.1	659.4	787.6
Stock	-	-	-	-	-
Trade debtors	626.5	763.9	763.9	763.9	763.9
Other current assets	200.2	212.5	212.5	212.5	212.5
Total current assets	1,217.2	1,442.2	1,500.5	1,635.9	1,764.0
Trade creditors	795.6	955.0	955.0	955.0	955.0
Short-term borrowings	136.8	136.5	136.5	136.5	136.5
Other current liabilities	9.3	11.4	11.4	11.4	11.4
Total current liabilities	941.7	1,102.9	1,102.9	1,102.9	1,102.9
Long-term borrowings	-	-	-	-	-
Other long-term liabilities	4.1	0.6	0.6	0.6	0.6
Total long-term liabilities	4.1	0.6	0.6	0.6	0.6
Shareholders' funds	451.0	493.0	564.0	706.9	837.6
Minority interests	0.6	0.8	0.9	1.1	1.4
BV/share (RM)	0.35	0.38	0.44	0.55	0.65
Cash Flow (RMmil, YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Pretax profit	140.8	153.7	186.0	300.6	329.8
Depreciation/Amortisation	39.3	37.1	37.2	42.2	47.2
Net change in working capital	239.8	(58.7)	-	-	-
Others	(181.8)	(46.5)	(57.7)	(87.1)	(99.6)
Cash flow from operations	238.1	85.6	165.5	255.8	277.4
Capital expenditure	(38.7)	(19.0)	(50.0)	(50.0)	(50.0)
Net investments & sale of fixed assets	15.0	2.1	-	-	-
Others	(40.2)	89.6	19.1	21.0	26.5
Cash flow from investing	(63.9)	72.7	(30.9)	(29.0)	(23.5)
Debt raised/(repaid)	136.8	(0.3)	-	-	-
Equity raised/(repaid)	-	-	-	-	-
Dividends paid	(70.0)	(84.0)	(70.3)	(85.3)	(119.7)
Others	(135.2)	-	(6.1)	(6.1)	(6.1)
Cash flow from financing	(68.4)	(84.4)	(76.3)	(91.4)	(125.7)
Net cash flow	105.7	73.9	58.3	135.4	128.2
Net cash/(debt) b/f	277.6	389.7	465.3	523.6	659.0
Net cash/(debt) c/f	388.1	465.3	523.6	659.0	787.2
Key Ratios (YE 31 Dec)	FY15	FY16	FY17F	FY18F	FY19F
Revenue growth (%)	-	(6.7)	11.8	75.3	7.4
EBITDA growth (%)	-	6.2	12.8	56.0	8.7
Pretax margin (%)	7.3	8.6	9.3	8.6	8.8
Net profit margin (%)	6.6	6.9	7.1	6.5	6.7
Interest cover (x)	nm	nm	nm	nm	nm
Effective tax rate (%)	9.2	19.5	24.0	24.0	24.0
Dividend payout (%)	-	68.0	40.0	50.0	50.0
Debtors turnover (days)	119	156	139	80	74
Stock turnover (days)	-	-	-	-	-
Creditors turnover (days)	195	254	210	122	118

Source: Company, AmlInvestment Bank Bhd estimates

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