

Big contract win

Quick Note

Won MYR781mn job from Tenaga; outstanding orderbook at MYR6bn

- Sunway Construction (SunCon) today announced that it has been awarded a campus construction contract from Tenaga Nasional (TNB MK, Buy) worth MYR781mn. This is the first contract win for SunCon for 2019 and brings its outstanding orderbook to MYR6bn (internal + external), according to management.
- The project is expected to be completed in ~2.2 years and the scope of the work includes the proposed construction of four office towers, one Convention Centre, one interactive centre for electricity, a child care facility and other facilities to house TNB's employees at their campus in Jalan Bangsar, Kuala Lumpur.

Nomura comment

- Amidst the uncertainty around project awards in 2018, SunCon managed to win MYR1.5bn worth of jobs in the year, which was in line with our target. Given that orderbook replenishment in 2018 was largely supported by internal projects (~MYR1.2bn internal jobs of total MYR1.5bn jobs), it also demonstrated SunCon's ability to rely on in-house jobs during periods of external contract drought. Today's project award marks the end to the lack of external jobs and should be good for sentiment, in our view.
- This project forms ~52% of management's total replenishment target for 2019 of MYR1.5bn. Note that we have a higher orderbook replenishment target of MYR1.8bn for 2019F and with the rest of the year ahead of us, we are optimistic that SunCon will be able to meet our MYR1.8bn target.

Maintain Buy

- We maintain our Buy rating on Sunway Construction due to its well-secured orderbook, dividend upside and strong balance sheet/cash flow generation.
- We value SunCon at a cash-adjusted FY19F P/E of 15x (EPS of MYR0.12), vs the current cash-adjusted FY19F P/E of 11x, to arrive at our TP of MYR2.00 (implying 26% upside potential).

Global Markets Research

19 February 2019

Rating Remains	Buy
Target Price Remains	MYR 2.00
Closing price 18 February 2019	MYR 1.59

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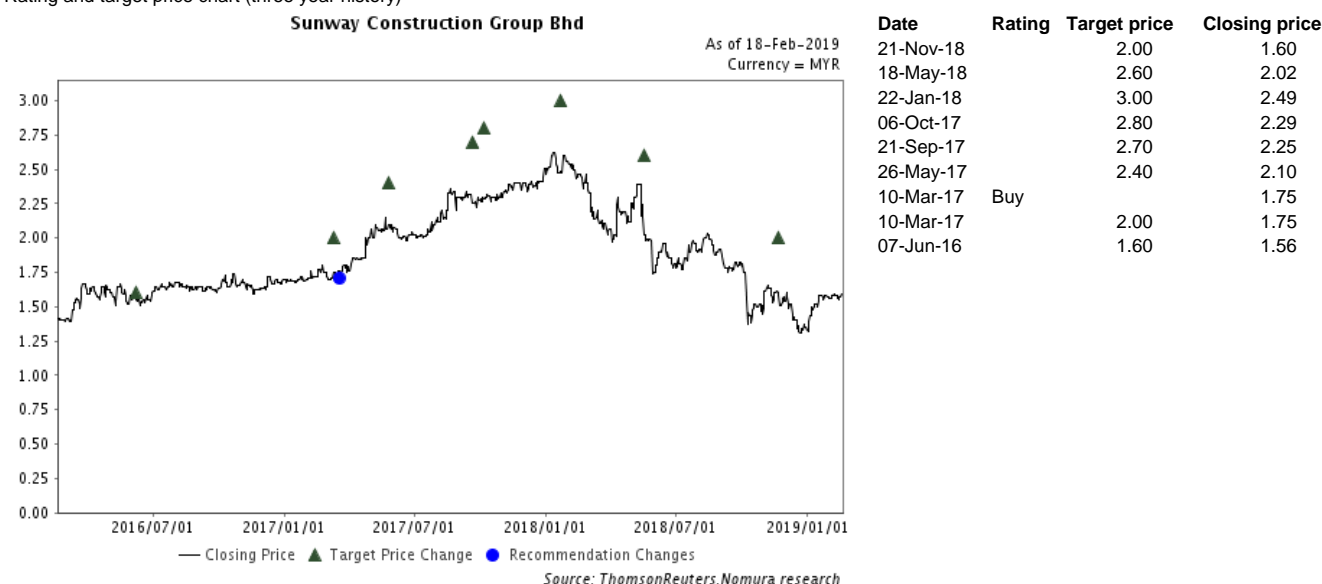
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Materially mentioned issuers

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Sunway Construction Group Bhd	SCGB MK	MYR 1.59	18-Feb-2019	Buy	N/A	
Tenaga Nasional Bhd	TNB MK	MYR 13.00	18-Feb-2019	Buy	N/A	

Sunway Construction Group Bhd (SCGB MK) MYR 1.59 (18-Feb-2019) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

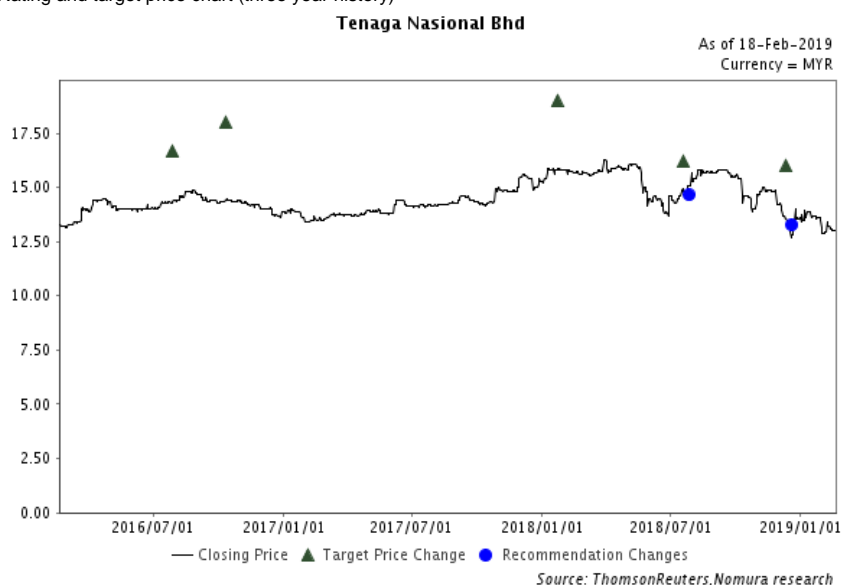
Valuation Methodology We value SunCon at a cash-adjusted P/E of 15x on FY19F earnings and value the cash on its balance sheet separately. Using net income less interest income of MYR136mn for FY19F and a cash-adjusted P/E of 15x, we arrive at an equity value, ex-cash holdings, of MYR2bn. To this we add the estimated cash balance at end-FY19F to arrive at our TP of MYR2.00. The benchmark index for the stock is the MSCI Malaysia.

Risks that may impede the achievement of the target price Downside risks: 1) delay or cancellation of construction project awards; 2) lower-than-expected margins; 3) Singapore housing units not growing as expected; and 4) lower-than-expected orderbook inflows.

Tenaga Nasional Bhd (TNB MK)

MYR 13.00 (18-Feb-2019) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
11-Dec-18	Buy		13.54
11-Dec-18		16.00	13.54
19-Jul-18	Neutral		14.92
19-Jul-18		16.20	14.92
22-Jan-18		19.00	15.82
11-Oct-16		18.00	14.38
28-Jul-16		16.70	14.32

For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our DCF-derived target price of MYR16.0 assumes a WACC of 7.5% and terminal growth rate of 1.3%. The benchmark index for this stock is the MSCI Malaysia.

Risks that may impede the achievement of the target price Key risks are: 1) suspension of the fuel-cost pass-through mechanism (FCPT); 2) lower regulated returns under the next Incentive Based Regulation (IBR) review; 3) higher coal price than expected; 4) slower electricity demand growth

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