

## Sunway Construction Group Berhad

**TP: RM2.29 (+6.0%)**
*Bags Sunway Medical Centre Seberang Jaya Project*
*Last Traded: RM2.16*
**HOLD**

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### Secures Hospital Project from a Related Party

SUNCON has secured a project for the proposed development of Sunway Medical Centre Phase I in Seberang Jaya, Penang, for a total contract sum of RM180mn.

The job was awarded by an indirect wholly-owned subsidiary of Sunway Berhad, which is a major shareholder of SUNCON. The project shall commence on 15 May 2018 and is expected to complete by 15 December 2020 (31 months).

The job win brings the total amount of new contracts secured YTD to RM722mn. All the construction jobs secured by SUNCON YTD are awarded by Sunway group of companies.

### Exhibit I: YTD Job Wins

Project	Contract Sum (RMmn)
Sunway Medical Centre Seberang Jaya - Phase 1	180
Sunway Carnival 2 Extension, Seberang Perai	274
Sunway GEOLake 44 storey Residential Tower, Sunway South Quay	223
Precast	45
<b>TOTAL</b>	<b>722</b>

Source: Company, TA Research

Its outstanding order book is estimated at RM6.3bn, or 3.0x FY17 revenue. This could provide SUNCON with earnings visibility till 2020.

Assuming a PBT margin of 8%, this project is expected to contribute a net profit of RM10.9mn or 0.8sen/share throughout the construction period.

### Impact

No change to our forecasts as the job win is within our order book replenishment assumption of RM2.0bn.

### Valuation

Maintain our target price at **RM2.29**. After a steep sell-down which saw the share price plunged 12.6% yesterday after KLSE resumed trading post-GE14, we upgrade the stock to **HOLD** from **SELL**.

### Share Information

Bloomberg Code	SCGB MK
Bursa	SUNCON
Stock Code	5263
Listing	Main Market
Share Cap (mn)	1292.9
Market Cap (RMmn)	2,791.3
52-wk Hi/Lo (RM)	2.64/1.92
12-mth Avg Daily Vol ('000 shrs)	1664.9
Estimated Free Float (%)	23.8
Beta	0.76

### Major Shareholders (%)

Sunholdings	- 54.44
Sungei Way Corp Sdn Bhd	- 10.06
Employee Provident Fund	- 6.38

### Forecast Revision

	FY18	FY19
Forecast Revision (%)	-	-
Net profit (RMmn)	185.2	210.4
Consensus	186.8	204.5
TA's / Consensus (%)	99.2	102.9
Previous Rating	Sell (Upgraded)	

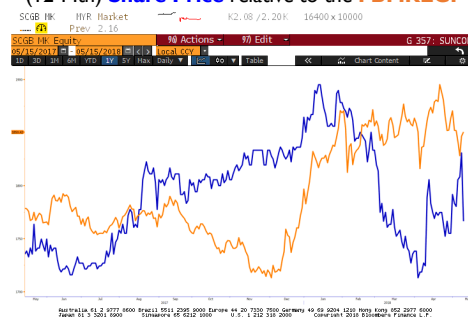
### Financial Indicators

	FY18	FY19
Net Debt / Equity (%)	net cash	net cash
CFPS (sen)	14.2	(0.2)
Price / CFPS (x)	15.2	(1056.7)
ROA (%)	9.2	9.5
NTA/Share (sen)	49.2	56.4
Price/NTA (x)	4.4	3.8

### Share Performance (%)

Price Change	SUNCON	FBM KLCI
1 mth	(1.4)	(1.0)
3 mth	(12.2)	0.7
6 mth	(8.1)	7.4
12 mth	5.4	4.0

### (12-Mth) Share Price relative to the FBMKLCI



Source: Bloomberg

## Earnings Summary (RMmn)

Profit & Loss (RMmn)					
YE Dec 31	2016	2017	2018F	2019F	2020F
Revenue	1,788.8	2,076.3	2,745.0	3,084.7	2,950.0
EBITDA	188.3	202.4	265.8	287.9	291.2
Dep. & amortisation	(39.1)	(37.8)	(42.1)	(37.3)	(38.4)
Net finance cost	4.4	(7.4)	(10.5)	(15.7)	(15.6)
PBT	153.7	174.2	234.2	266.3	268.4
Taxation	(30.0)	(36.2)	(49.2)	(55.9)	(56.4)
MI	0.1	0.1	(0.2)	0.0	0.0
Net profit	123.5	137.8	185.2	210.4	212.1
Core net profit	123.5	137.8	185.2	210.4	212.1
GDPS (sen)	5.0	7.0	8.0	9.0	9.0
Div Yield (%)	2.3	3.2	3.7	4.2	4.2

Cash Flow (RMmn)					
YE Dec 31	2016	2017	2018F	2019F	2020F
<b>PBT</b>	<b>153.7</b>	<b>174.2</b>	<b>234.2</b>	<b>266.3</b>	<b>268.4</b>
Adjustments	12.7	28.2	31.6	21.6	22.8
Changes in WC	(58.7)	(112.0)	116.2	(22.3)	8.8
<b>Operational cash flow</b>	<b>107.7</b>	<b>90.4</b>	<b>382.0</b>	<b>265.7</b>	<b>300.1</b>
Capex	(19.0)	(54.7)	(49.7)	(50.0)	(100.0)
Others	91.7	89.6	8.3	8.3	8.3
<b>Investment cash flow</b>	<b>72.7</b>	<b>34.9</b>	<b>(41.4)</b>	<b>(41.7)</b>	<b>(91.7)</b>
Debt raised/(repaid)	(0.3)	(136.5)	(15.0)	(70.0)	(5.0)
Dividend	(84.0)	(71.1)	(103.4)	(116.4)	(116.4)
Others	0.0	133.7	0.0	0.0	0.0
<b>Financial cash flow</b>	<b>(84.4)</b>	<b>(73.9)</b>	<b>(118.4)</b>	<b>(186.4)</b>	<b>(121.4)</b>
Forex effect	1.7	(2.3)	0.0	0.0	0.0
Deposit	0.4	0.4	0.0	0.0	0.0
<b>Net cash flow</b>	<b>73.9</b>	<b>23.8</b>	<b>183.5</b>	<b>(2.6)</b>	<b>46.2</b>
<b>Beginning cash</b>	<b>389.7</b>	<b>465.3</b>	<b>487.2</b>	<b>670.8</b>	<b>668.1</b>
<b>Ending cash</b>	<b>465.8</b>	<b>486.8</b>	<b>670.8</b>	<b>668.1</b>	<b>714.3</b>

Balance Sheet (RMmn)					
YE Dec 31	2016	2017	2018F	2019F	2020F
Fixed assets	138.4	149.8	149.1	153.6	206.9
Others	16.7	8.5	8.5	8.5	8.5
<b>NCA</b>	<b>155.1</b>	<b>158.3</b>	<b>157.6</b>	<b>162.0</b>	<b>215.3</b>
Cash	465.8	487.2	670.8	668.1	714.3
Others	976.4	1,241.6	1,308.9	1,452.1	1,395.3
<b>CA</b>	<b>1,442.2</b>	<b>1,728.9</b>	<b>1,979.6</b>	<b>2,120.3</b>	<b>2,109.7</b>
<b>Total assets</b>	<b>1,597.3</b>	<b>1,887.2</b>	<b>2,137.3</b>	<b>2,282.3</b>	<b>2,325.0</b>
ST borrowings	136.5	134.7	119.7	49.7	44.7
Other liabilities	966.4	1,190.7	1,374.2	1,495.1	1,447.2
<b>CL</b>	<b>1,102.9</b>	<b>1,325.3</b>	<b>1,493.8</b>	<b>1,544.8</b>	<b>1,491.8</b>
<b>Shareholders' funds</b>	<b>493.0</b>	<b>553.7</b>	<b>635.5</b>	<b>729.6</b>	<b>825.3</b>
MI	0.8	1.1	0.9	0.9	0.9
LT borrowings	0.0	0.0	0.0	0.0	0.0
Other LT liabilities	0.6	7.0	7.0	7.0	7.0
<b>Total capital</b>	<b>1,597.3</b>	<b>1,887.2</b>	<b>2,137.3</b>	<b>2,282.3</b>	<b>2,325.0</b>

Ratio					
YE Dec 31	2016	2017	2018F	2019F	2020F
EBITDA Margins (%)	10.5	9.7	9.7	9.3	9.9
Core EPS (sen)	9.6	10.7	14.3	16.3	16.4
EPS Growth (%)	(2.8)	11.6	34.4	13.6	0.8
PER (x)	22.6	20.3	15.1	13.3	13.2
GDPS (sen)	5.0	7.0	8.0	9.0	9.0
Div Yield (%)	2.3	3.2	3.7	4.2	4.2
Netcash (RMmn)	329.3	352.6	551.1	618.5	669.7
Netgearing (%)	netcash	netcash	netcash	netcash	netcash
ROE (%)	26.2	26.3	31.2	30.8	27.3
ROA (%)	8.2	7.9	9.2	9.5	9.2
NTA/share (sen)	37.9	42.8	49.2	56.4	63.8
P/NTA(x)	5.7	5.0	4.4	3.8	3.4

## Stock Recommendation Guideline

- BUY** : Total return within the next 12 months exceeds required rate of return by 5%-point.  
**HOLD** : Total return within the next 12 months exceeds required rate of return by between 0-5%-point.  
**SELL** : Total return is lower than the required rate of return.  
**Not Rated:** The company is not under coverage. The report is for information only.

**Total Return** is defined as expected share price appreciation plus gross dividend over the next 12 months. Gross dividend is excluded from total return if dividend discount model valuation is used to avoid double counting.

**Required Rate of Return** of 7% is defined as the yield for one-year Malaysian government treasury plus assumed equity risk premium.

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As of Tuesday, May 15, 2018, the analyst, Ooi Beng Hooi, who prepared this report, has interest in the following securities covered in this report:  
(a) nil

**Kaladher Govindan – Head of Research**

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