

PP14767/09/2012(030761)

## Sunway Construction Group Berhad

### “New Goodies from Putrajaya”

Sunway Construction Group Berhad (SCG) grabbed a new contract wins in FY15 worth RM1.6 billion from Putrajaya Holdings Sdn Bhd which will boost its outstanding orderbook by 59% to RM4.3 billion. Going forward, the group’s long-term prospects remain bright with strong potentiality to grab some goodies from the upcoming KVMRT2 and LRT3 awards in 2016. Hence, SCG is a BUY with target price of RM1.40.

- **Bags Putrajaya’s job.** SCG has secured the Letter of Award issued by Putrajaya Bina Sdn Bhd, a wholly-owned subsidiary of Putrajaya Holdings Sdn Bhd, in relation to the proposed design, construction and completion of government office buildings consisting of office towers, podium parking and external works for Parcel F, Precinct 1, Pusat Pentadbiran Kerajaan Persekutuan, Putrajaya worth RM1.6 billion. The project is consists of the construction of 10 blocks of government office buildings and 1 block of shared facilities. The Project will begin on 18 September 2015 with a contract period of 34 months.
- **Boost external orderbook by 59%.** We are positive on the new job wins in 2015 which would replenish the group’s outstanding orderbook by 59% to RM4.3 billion (2.3x of FY14 revenue). Conservatively, we estimate that RM1.6 billion Putrajaya’ contracts may potentially contribute RM51 million to the group’s PBT, based on FY16 PBT margin assumption of 9%.
- **Outlook remains intact.** Moving forward, we expect the group to emerge as one of the potential beneficiaries to grab some goodies from the upcoming KVMRT2 and LRT3 awards in 2016 based on its existing experience and solid track record in developing work package from the current KVMRT1 and LRT Kelana Jaya Line Extension. Moreover, SCG is expected to clinch more internal contract powered by the strong synergies with its

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### BUY (TP: RM1.40)

Current Price (RM)	RM1.12
New Target Price (RM)	RM1.40
Previous Target Price (RM)	NA
Previous Recommend.	NA
Upside To Target Price	25%
Dividend Yield (FY16)	3%

#### Stock Code

Bloomberg	WCTHG MK
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#### Stock & Market Data

Listing	MAIN MARKET
Sector	Construction
Shariah Compliance	Yes
Issued Shares (mn)	1,293
Market Cap (RM mn)	1,487
YTD Chg In Share Price	NA
Beta (x)	NA
52-week Hi/Lo (RM)	1.32   0.98
3M Average Volume (shrs)	11.76mn
Estimated Free Float	38%

#### Major Shareholders

Sunholdings	54%
Sungei Way Corp	7%

## Company Update - Sunway Construction Group Berhad

holding company, Sunway, one of the major property companies in Malaysia.

- **Change to forecast.** No change to our earnings forecast as we already factored in the potential construction's contribution in FY15-FY17 respectively. We expect SCG to post a sustainable earnings growth pattern in FY15 PAT of 10% y-o-y to be anchored by the acceleration in KVMRT1 package V4 working progress. However, we estimate the group to register a drop in FY16 PAT (-5% y-o-y) as most of the projects are nearing the tail-end progress and also weaker-than-expected new contract awards in 1H2015 which would translate into lower earnings recognition in FY16. Nonetheless, we expect 2016 fresh major projects awards including KVMRT2, LRT3 and BRT which will boost SCG's outstanding orderbook and hence, translating into higher earnings growth in FY17 (+8% y-o-y).
- **Valuation & recommendation.** We maintained our target price of RM1.40 and the stock is a **BUY**. The target price of RM1.40 is based on PER multiple of 14.2x over its FY16 EPS estimate at 10sen. The valuation is pegged to 1+ SD above average mid-cap construction players' PER of 11.3x and justified by 1) strong track record in building and civil/infrastructure construction services; 2) largest pure play construction player with market cap of RM1.55 billion; 3) leverage on the support from its parent, Sunway Bhd; and 4) robust outlook on construction industry in Malaysia backed by 11MP and Budget 2015 projects.

Table 1: Peers comparison (Calenderised)

Company	FYE	Price (RM)	EPS (sen)		P/E (X)		P/B (X)		ROE (%)	DY (%)	TP (RM)	Call
			FY15	FY16	FY15	FY16	FY15	FY16				
IJM CORP	Mar	3.10	40	46	17.0	14.6	1.3	1.2	6	2	3.74	Buy
GAMUDA	Jul	4.43	31	30	15.4	15.7	1.9	1.8	13	3	5.87	Buy
WCT	Dec	1.21	12	14	11.7	10.1	0.7	0.6	5	2	1.28	Hold
SCGB	Dec	1.12	10	10	11.3	12.2	3.7	3.1	NA	NA	1.40	Buy
BENALEC	Jun	0.59	2	5	17.0	12.6	0.8	0.7	-2	0	NR	NR
CREST BUILDER	Dec	0.98	7	8	15.3	12.4	NA	NA	6	4	NR	NR
EVERSENDI	Dec	0.77	10	11	10.3	8.9	0.8	0.8	5	1	NR	NR
KIMLUN	Dec	1.15	15	16	8.7	8.1	0.9	0.8	10	3	NR	NR
MRCB	Dec	1.04	5	7	21.0	14.9	1.1	1.1	19	2	NR	NR
AZRB	Dec	0.59	5	7	12.7	9.1	NA	NA	4	3	NR	NR
YTL CORP	Jun	1.57	14	13	13.8	12.4	1.1	1.1	8	6	NR	NR
Average					14.0	11.9	1.4	1.3	8	3		

Source: Bloomberg, M&A Securities

Table 2: SCG Profit and Loss (FY13-FY17F)

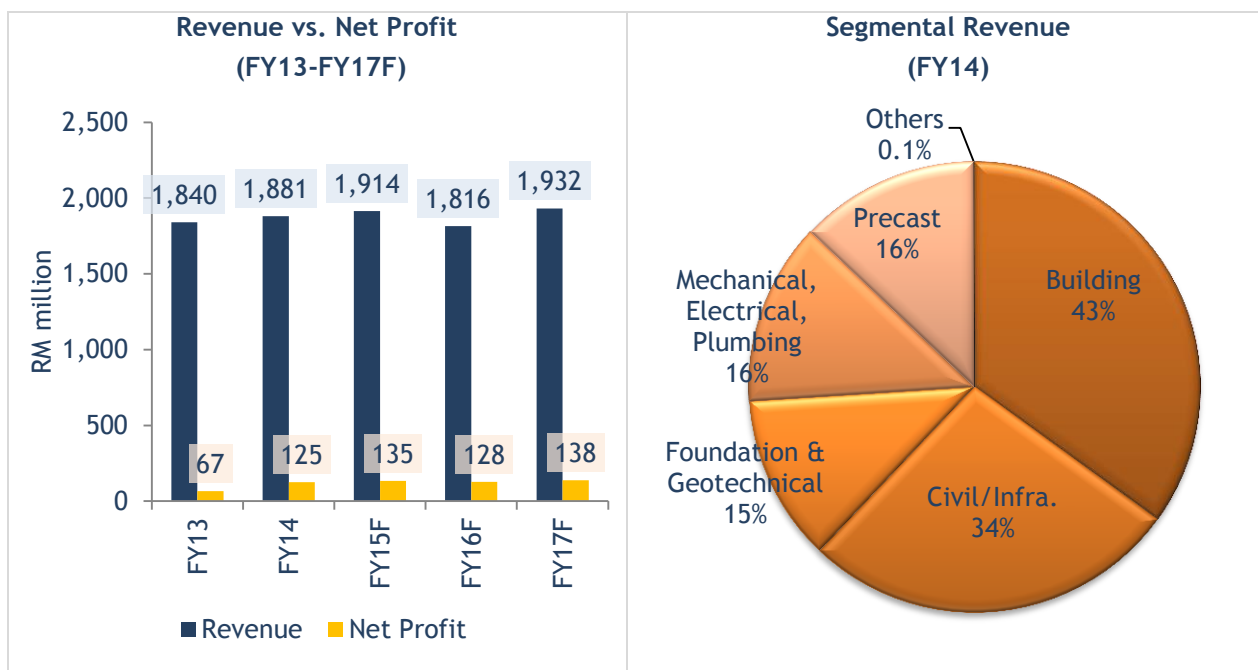
FYE DEC (RM million)	FY13	FY14	FY15F	FY16F	FY17F
Revenue	1,840	1,881	1,914	1,816	1,932
Gross profit	338	395	402	381	406
EBITDA	85	162	176	171	180
EBIT	42	120	134	127	135
Net Finance cost	7	7	15	17	22
Share of JV	45	30	34	33	35
PBT	90	151	173	164	177
Taxation	(24)	(26)	(38)	(36)	(39)
PAT	66	125	135	128	138
Minority interest	1	0	0	0	0
Net profit	67	125	135	128	138
EPS (sen)	5	10	10	10	11
EBITDA margin	5%	9%	9%	9%	9%
EBIT margin	2%	6%	7%	7%	7%
PBT margin	5%	8%	9%	9%	9%
Net profit margin	4%	7%	7%	7%	7%
PER (x)	NA	NA	10.7	11.3	10.5
P/BV (x)	NA	NA	3.6	3.0	2.5
Dividend (sen)	NA	NA	4	3	4
Dividend yield	NA	NA	3%	3%	3%

Source: M&amp;A Securities, Prospectus

Table 3: Outstanding Orderbook (YTD 2015)

Project	Outstanding Orderbook (RM mil)
LRT Package B (Kelana Jaya Line Extension)	78
KVMRT Package V4 (Section 17, PJ to Semantan)	419
Sunway Velocity Shopping Mall	164
KLCC North East Car Park	210
KLCC Package II*	141
Sunway Pyramid Phase 3	62
Afiniti Medini mixed development project, Iskandar Malaysia	63
Sunway Medical Centre Phase 3A & 3B	140
Coastal Highway Southern Link	147
Sunway Iskandar - Citrine Svc Apt (Superstructure)	155
Sunway Geo Retail Shops & Flexi Suites	119
New: Sunway Geo Retail Shops & Flexi Suites phase 2	244
New: Sunway Lenang Phase 1A	81
New: Putrajaya Parcel F	1,610
Others	291
Precast	331
<b>Total</b>	<b>4,255</b>

Source: SCG



Source: SCG, M&A Securities

# M&A Securities

## STOCK RECOMMENDATIONS

<b>BUY</b>	Share price is expected to be $\geq +10\%$ over the next 12 months.
<b>TRADING BUY</b>	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
<b>HOLD</b>	Share price is expected to be between $-10\%$ and $+10\%$ over the next 12 months.
<b>SELL</b>	Share price is expected to be $\geq -10\%$ over the next 12 months.

## SECTOR RECOMMENDATIONS

<b>OVERWEIGHT</b>	The sector is expected to outperform the FBM KLCI over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform the FBM KLCI over the next 12 months.

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