

14 November 2018 | Corporate Update

Sunway Construction Group Berhad

Sunway Velocity Two Construction Award

INVESTMENT HIGHLIGHTS

- SCGB has accepted the letter of award from Akitek AkiPrima
- Scope of job is main building works
- Outstanding order book increased to RM6.1bn
- Impact on earnings
- Maintain BUY with adjusted TP of RM1.95

Secured RM352m job. Sunway Construction Group Berhad (SCGB) announced on Bursa yesterday, that its fully owned-subsiary Sunway Construction SB (SCSB) has accepted the letter of award from Sunway Velocity Two Sdn Bhd for the main building and associated external works for the Proposed Commercial Development of Sunway Velocity Two-Plot A Project. The letter was issued by Akitek Akiprima Sdn Bhd, on behalf of SCSB.

Scope of job is main building works, which involved Phase 1A, 1B and 1C (details as below). These phases comprise two serviced apartment blocks and one office block.

- Phase 1A - Serviced Apartment of 53 storeys (Block B1) and Podium Carpark;
- Phase 1B - Serviced Apartment of 53 storeys (Block B2); and
- Phase 1C - Office Block of 28 storeys (Block A1)

Duration. The project will commence no later than 4Q18 with duration of 37 months. It is expected to complete on 14 December 2021.

Impact to earnings. We make no changes to our earnings forecasts as the award is within our expectations on its contract replenishment. YTD order book currently stands at RM1.35bn, accounting for 90% of management CY18 order book replenishment target. Based on announcements made, its total outstanding order book currently stood at RM6.1bn. Sunway Construction's latest order book, equates to admirable 2.9x revenue cover (total outstanding/revenue).

Recommendation. We maintain our **BUY** call with lower TP of RM1.95 (previously RM2.67) pegging its FY19 EPS to PE of 15x. This was subsequent to our switch in valuation approach, to earnings multiples. We believe the current methodology will be able to reflect the current trend in share price, attributable to the prolonged gloomy sentiment of the local construction sector. All in, we are encouraged by the 1) group's healthy financial position, and 2) large order backlog, which should provide strong underlying support to future earnings. At this level, we believe the stock appears attractive. Following the announcement of Budget 2019, we opine that further clarity is prepped to surface, to stimulate further recovery in share price.

Maintain BUY
Adjusted Target Price (TP): RM1.95
(previously RM2.67)

RETURN STATS	
Price (14 November 2018)	RM1.57
Target Price	RM1.95
Expected Share Price Return	+24.2%
Expected Dividend Yield	+1.5%
Expected Total Return	+25.7%

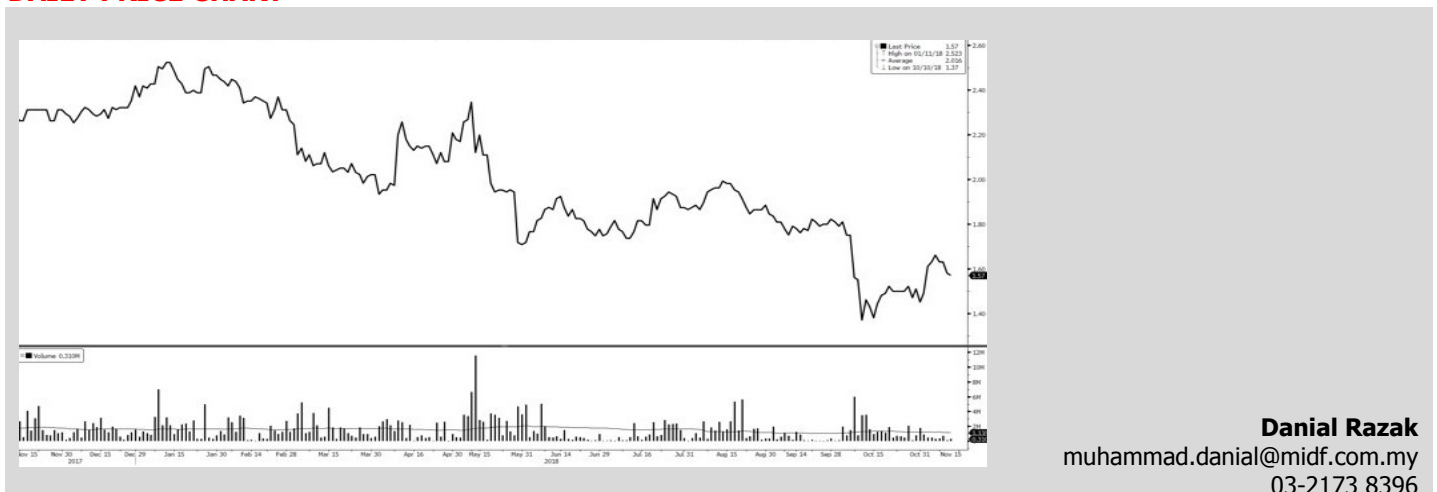
STOCK INFO	
KLCI	1,684.37
Bursa / Bloomberg	5263/ SCGB MK
Board / Sector	Main / Construction
Syariah Compliant	Yes
Issued shares (mil)	1,292.25
Market cap. (RM'm)	2,028.83
Price over NA	3.57
52-wk price Range	RM1.3-RM2.6
Beta (against KLCI)	1.25
3-mth Avg Daily Vol	1.2m
3-mth Avg Daily Value	RM2.0m
Major Shareholders (%)	
Sunholdings	35.5
Sungei Way Corp Sdn	16.6
Employees Provident Fund	7.0

INVESTMENT STATISTICS

FYE Dec	FY14	FY15	FY16	FY17	FY18F	FY19F
Revenue (RM'm)	1,662.2	1,854.1	1,788.8	2,076.2	2,387.6	2,626.4
EBIT (RM'm)	202.4	335.6	149.5	164.6	189.3	208.2
Pre-tax Profit (RM'm)	151.1	256.2	153.6	174.1	0.2	220.2
Normalised PATAMI (RM'm)	111.1	216.2	123.5	137.8	158.5	174.3
EPS (sen)	10.1	18.1	9.6	10.6	12.2	13.4
EPS growth (%)	(26.6)	78.9	(35.9)	27.0	15.0	10.0
PER (x)	15.5	8.7	16.4	14.8	12.9	11.7
Net Dividend (sen)	2.5	5.0	1.8	1.8	2.1	2.3
Net Dividend Yield (%)	1.6	3.2	1.1	1.1	1.3	1.5

Source: MIDFR

DAILY PRICE CHART



Danial Razak
 muhammad.danial@midf.com.my
 03-2173 8396

Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.