

SunCon job replenishment outlook robust: MaybankIB

PETALING JAYA: Sunway Construction Group Bhd (SunCon) could potentially win up to RM5.6 billion worth of new jobs this year after having secured sizeable job wins of RM2.6 billion last year.

Maybank Investment Bank (MaybankIB) Research in a note yesterday said SunCon's job replenishment prospects in 2016 remain robust with potential job wins from rails, bus rapid transit (BRT), highways and building projects.

"With its exceptional track record in Klang Valley Mass Rapid Transit Lines 1 (KVMRT1) and Klang Valley Light Rail Transit Lines 2 (KVLRT2) and Sunway BRT, it could win more from the upcoming KVMRT2, KVLRT3 and KL-Klang BRT," its analyst Chai Li Shin said.

Chai pointed out that prequalification for KVMRT2 has been completed and the key awards are expected to be dished out soon. She also revealed that SunCon submitted to prequalify for the KVLRT3 project in December 2015.

As for the major highways, SunCon was prequalified for Pan Borneo Highway Sarawak, Damansara-Shah Alam Elevated Expressway (DASH) and Sungai Besi-Ulu Kelang Elevated Expressway (Suke).

"It is now in the midst of submitting tenders for the individual construction packages of the highways," she said.

Aside from infrastructure, SunCon is

also eyeing the building construction contract from Ikea in Tebrau, Johor.

She said SunCon's expertise in precast concrete and existing precast manufacturing plants in Johor would provide it an advantage in bidding for the Ikea project that has a significant precast concrete component.

Chai said this would also contribute orders to SunCon's precast concrete division.

She added that Sunway Group has historically contributed between RM550 million and RM880 million worth of jobs a year to SunCon.

Chai noted that SunCon's RM2.6 billion new jobs win in 2015 exceeded her initial estimate of RM2.3 billion.

She said SunCon's estimated outstanding order book as of end-2015 was RM3.7 billion and its 2016-2017 earnings per share (EPS) estimates have been raised by 7%-10%.

As a result, SunCon's target price was raised by 10% to RM1.65 on an unchanged 13 times 2017 price-to-earnings ratio (PER) peg.

Chai has forecast SunCon to win RM2.5 billion in contracts for 2016, noting that there is potential upside to its current estimates.

"Our current earnings forecasts are based on 2016 job win forecasts of RM2.5 billion.