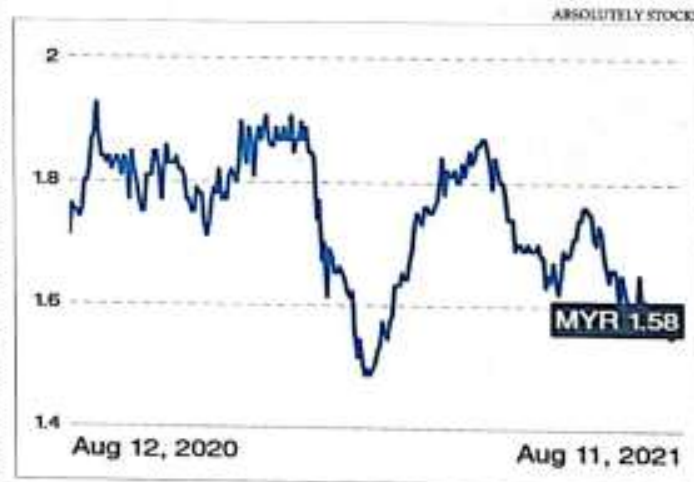


## Sunway Construction Group Bhd

Target price: **RM1.81 BUY**



**RHB RESEARCH (AUG 11):** The outcome of SunCon's tenders will likely be known later this year, as signalled by management's confidence about hitting the RM2 billion target. With the combined new contracts worth RM462 million already secured, potential new awards will serve as a positive catalyst in 2H21F. Very few local contractors enjoy this positive outlook, as they are burdened by Covid-19 restrictions. We believe SunCon's current valuation — at a 13% discount to its five-year mean — is attractive.

Owing to Phase 1 of the National Recovery Plan (NRP), we believe SunCon will report a weaker q-o-q performance in 2Q21. This is following a period of low productivity during the quarter, as the group was only allowed to run its operations at 60% maximum capacity. On that note, we think it will likely report a 2Q21F net profit of RM22 million to RM25 million, implying a 26% decline q-o-q, but more than 100% y-o-y growth. Noting that most construction projects remain under Phase 1 of the NRP until today, the slowdown seen in 2Q21 will likely extend into 3Q21. Our target price is lowered after adjusting FY21-23F earnings by -12%, -7% and -1%. The adjustments are mainly on the prolonged operational constraints of Phase 1 of the NRP.