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## Sunway Construction profit rises 21% as margin improves

BY AHMAD NAQIB IDRIS

KUALA LUMPUR: Sunway Construction Group Bhd's (SunCon) third quarter net profit climbed 21% year-on-year (y-o-y) on stronger earnings from its construction segment, which saw a better profit before tax (PBT) margin of 9.3% compared to 2.4% previously.

It posted a net profit of RM31.14 million for the third quarter ended Sept 30, 2016 (3QFY16), compared with RM25.66 million a year earlier, its bourse filing yesterday showed. The improved construction PBT margin is due to the absence of loss recognition for a project, and adjustment for a lower margin of a project due to an acceleration cost incurred last year. This raised the group's overall PBT margin to 10.64% from 6.7% a year ago.

The group's quarterly revenue, however, fell 15% to RM381.05 million from RM450.3 million in the previous year, largely due to lower revenue from its construction segment on the completion of Sunway Pyramid Phase 3, Bandar Sunway and Afiniti Medini, though the decline was mitigated by higher revenue from its precast segment.

Nevertheless, the construction segment still posted a stronger PBT of RM24.9 million against RM9.6 million previously on improved margin. The group's cumulative nine-month net profit was down 7% y-o-y to RM91.46 million from RM97.82 million, as revenue fell 15% to RM1.24 billion from RM1.45 billion.

"The group's outstanding order book as at Sept 30, 2016 amounts to RM4.8 billion, with RM2.6 billion [worth of] new

order book secured to-date. Our tender activities for [the] nine months total RM25.7 billion, which brings our success rate for tender to 10%. Based on [our] secured order book, the anticipated turnover for [the] balance [of] fourth quarter 2016 and 2017 should be promising," said SunCon about its prospects.

The group also said it is managing volatility in steel bar prices, following the government's latest provisional safeguard measures. "Some of our contracts have a pass-through clause for steel prices and the balance requirement is managed through stocks in hand and also an agreed six months forward pricing with our steel suppliers," it said. The group expects to perform satisfactorily in the coming year, backed by its strong order book.