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Maybank IB maintains 'buy' on Sunway Construction

KUALA LUMPUR — Maybank Investment Bank (IB) Research maintained its "buy" call on Sunway Construction Group on the group's latest job wins which lift its outstanding order book to RM6.7 billion. "No change to our earnings forecasts, having already included job win potential. Additionally, Sunway Construction is still eyeing for jobs from Tun Razak Exchange, KL-Klang Bus Rapid Transit and the East Coast Rail Link. "Into the financial year 2018 (FY18), we believe in-house property developments from its parent, Sunway

Bhd would continue to support its job win replenishment. Maintain 'buy' with a target price of RM2.63 pegged to unchanged 16x the financial year 2018 (FY18) price-to-earnings ratio," Maybank IB Research said. The research house added that Sunway Geotechnics (M) Sdn Bhd, a wholly-owned subsidiary, had accepted on Oct 12, a RM74.8 million job award from Ahmad Zaki Sdn Bhd for the substructure works at the Bukit Bintang City Centre development in Kuala Lumpur. "The job scope entails earthworks,

piling, diaphragm walls, RC works, transmission main intake and main distribution sub-station works at Parcel 4 and 5 over a period of 10 months. "Assuming a pre-tax margin of 10%, we forecast a net profit contribution of RM5.7 million (0.44sen earnings per share (EPS) into FY18," it said. Sunway Construction also signed a letter of intent with Singapore's Chui Teng Construction Co Pte Ltd to supply and deliver precast components for buildings work at Clementi Neighbourhood 2 for S\$20.9 million (RM65.21 million).

"Duration of the contract is over 21 months. Based on a pretax margin of 20%, we expect net profit contribution of RM9.8 million (0.76 sen EPS) into FY19," Maybank said. Year-to-date 2017, Sunway Construction job wins for construction and precast stand at RM3.73 billion and RM163 million respectively. "No change to our forecasts having already imputed RM4 billion and RM300 million of job wins in FY17 for construction and precast respectively," said the research house. (\$S1 = RM3.12)