

SunCon beats expectations, activities expected to be back at full swing soon

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KUCHING: Sunway Construction Group Bhd's (SunCon) first nine months of the financial year 2021 (9MFY21) core net profit (CNP) of RM52.7 million exceeded expectations as the group recalibrated construction margins higher for certain jobs nearing completion, analysts say.

Analysts expect its fourth quarter of FY21 (4QFY21) to come in strong given the absence of lockdowns and activities back at full swing.

The research team at Kenanga Investment Bank Bhd (Kenanga Research) noted that SunCon's 3QFY21 CNP of RM24.6 million brought 9MFY21 CNP to RM52.8 million, which was generally above expectations.

The outperformance stems from stronger-than-expected construction earnings before interest and tax (EBIT) margin (of 9.5 per cent in 3QFY21 compared with a typical five to eight per cent) as the group recalibrated project margins higher for certain projects nearing completion that have higher certainty of profits to be recognised.

"We anticipate 4QFY21 earnings to come in strong at circa RM35 million in the absence of lockdowns and operations being back at full swing as all their workers have been fully vaccinated," it opined, noting that SunCon's construction arm has been operating at 100 per cent since early-September while its precast segment has been operating at 100 per cent since late-September.

Year to date, Kenanga Research pointed out that SunCon has replenished RM796 million worth of new jobs, in line with its target of RM1.5 billion.

"Despite with 1.5 months left till year-end and circa RM700 million to be secured to meet our target, we keep our target unchanged as we foresee job wins from its parent company, LSS4 worth RM360 million, and some external building jobs."

"Outstanding order-book of RM4.7 billion (as of September 2021) provides circa 2.5-folds revenue cover," it added.

All in, Kenanga Research increased its FY21 earnings estimates by 50 per cent to RM88 million after imputing higher margins for its construction segment attributable to the recalibrated construction margins.