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News

## Sunway Construction Secures RM1.3 Billion New Jobs, With Key Jobs Still At The Initial Stage: Kenanga

By Chong SM - May 23, 2023



Sunway Construction Group (SUNCON)'s quarter one financial year 2023 core net profit of RM26 million accounted for only 16% and 18% of Kenanga Research (Kenanga)'s full-year forecast and the full-year consensus estimate, respectively.

“However, we deem the results within expectations as we expect progress billings and hence earnings to pick up for the rest of the year, underpinned by a sizeable outstanding order book of RM12 billion, of which RM6 billion is from a contract agreement for the Song Hau 2 Vietnamese coal-fired power plant pending financial close before works can proceed,” said Kenanga.

Financial year 2022 revenue declined 16% year-on-year as major jobs won recently, for example, the RM1.7 billion data centre and RM0.6 billion RTS were still at the initial stages of construction. Core net profit declined 26% for the same reason.

Year-to-date, SUNCON has secured RM1.3 billion worth of new jobs, on track to meet our financial year 2023 future replenishment assumption of RM2.2 billion.

Its job replenishment prospects are bright, underpinned by a strong tender book of RM22.7 billion comprising data centre building, semiconductor factories, MRT3, and related party contracts, for example, Sunway.

Kenanga favours SUNCON for its strong replenishment pipeline from parent SUNWAY, its dominant position in the local construction space with extensive capabilities in building, infrastructure, solar, mechanical, electrical and plumbing works, and its strong balance sheet that allows it to participate in deferred payment model projects.

Risks identified by Kenanga include the sustained weak flows of construction jobs from public and private sectors, project cost overrun and liabilities arising from liquidated ascertained damages (LAD), and rising cost of building materials.