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Analysts still upbeat on Sunway Construction despite 20% net profit drop

Research houses optimistic due to the company's order book replenishment and diverse project opportunities.

Sankita Jayanandan - 24 May 2023, 5:33pm



Sunway Construction Group Bhd reported a 25% year-on-year decline in net profit for the first quarter ended March 31, 2023. (Sunway Website pic)

PETALING JAYA: Research houses have reacted positively to Sunway Construction Group Bhd's financial results for the first quarter ended March 31, 2023 (Q1 FY2023) despite a 25% year-on-year decline in net profit.

One particular cause for the optimism was the company's securing of RM1.28 billion in new orders as of Q1 FY2023, equivalent to an astounding 64% of its RM2 billion replenishment target for this year.

Such a remarkable performance has left industry experts optimistic, projecting that Sunway will go beyond its initial target and continue its upward trajectory in FY2023.

MIDF Bhd said, "We expect this segment to provide stronger contribution to the group's results in the coming quarters, premised on the group's ability to build the order book for the newly commissioned ICPH (integrated construction and prefabrication hub) plant in Singapore."

The ICPH plant is a fully robotic automated precast plant located in Pulau Punggol Barat, Singapore. It began operations in January 2023 and is expected to contribute positively to the group's financials in the near future.

Sunway Construction's current order book amounts to RM6.03 billion, which research houses expect will enable the company's earnings to remain stable until FY2025.

Meanwhile, AmInvest Research in its research note highlighted that Sunway Construction has in store a number of diverse opportunities – reflected in its RM23 billion tender – which would improve its earnings potential.

“Apart from the MRT3 and Vietnam power plant projects, potential jobs may come from Bayan Lepas LRT, construction of warehouses and internal building jobs from companies within Sunway group.” said AmInvest.

The group is currently in the process of bidding for several lucrative projects, including the MRT3 and a Vietnam power plant project.

The group had entered into an interim agreement in December 2022 with Toyo Ventures Holdings Bhd to provide engineering, procurement and construction (EPC) works for a Vietnamese coal-fired power plant worth US\$2.2 billion (RM9.6 billion).

“While maintaining our replenishment assumption of RM2 billion for FY2023F, we may raise our earnings estimates if Sunway Construction bags either the MRT3 project or the Vietnam power plant project,” AmInvest added.

In addition to those projects, the group also faces potential opportunities in the Bayan Lepas LRT project, as well as construction projects involving warehouses and internal buildings within the Sunway group of companies.

At market's close today, Sunway Construction's share price dropped 4 sen or 2.37% to RM1.65, giving it a market capitalisation of RM2.13 billion.