

SunCon's new job flow expected to remain healthy

**Sunway Construction Group Bhd
(April 2, RM1.94)**

Maintain neutral with an unchanged target price of RM1.81: Sunway Construction Group Bhd (SunCon) announced on Monday that its wholly-owned subsidiary, Sunway Construction Sdn Bhd, had accepted a letter of award issued by Sunway Marketplace Sdn Bhd. The job award entails the proposed construction of a 14-level hotel block for the mixed development in Medini Zone F, Medini Iskandar Malaysia. The contract sum is estimated at RM99.5 million.

The proposed mix development sits in Medini Zone F, with an expected gross development value of RM30 billion. Located next to the Coastal Highway Southern Link, the Marketplace will potentially introduce new products and concepts, including a retail village with 500,000 sq ft of gross floor area dubbed as the Sunway Big Box Village. Potentially, the development will integrate synergistic key components including education, hospitality, retail, and residential.

Assuming work to commence immediately, the progress is ex-

As of December 2018, we estimate the latest outstanding order book to stand at approximately RM6.2 billion, denoting three years of visibility.

pected to run for 18 months, with scheduled completion by the third quarter of 2020. Following this latest job win, the total new projects secured this year amount to RM967.2 million. As of December 2018, we estimate the latest outstanding order book to stand at approximately RM6.2 billion, denoting three years of visibility.

SunCon's replenishment progress remains in check, which currently covers 64% of our assumption. Accordingly, we make no change to our financial year 2019 (FY19)/FY20 earnings forecasts.

In another announcement, the

group has announced its memorandum of understanding with Myanmar's Capital Construction Ltd to cooperate, collaborate, and share expertise on infrastructure and construction projects in Myanmar. The news is positive, opening up doors for SunCon to participate in more overseas jobs. Under this arrangement, both entities will jointly bid for projects such as mixed-used developments, offices, hotels, hospitals, as well as external infrastructure projects over the next three years.

We expect SunCon's new job flow to remain healthy, on the back of sizeable jobs tendered and robust balance sheet capacity. The advantage is profound, positioning SunCon ahead of its peers to clinch and operate new projects successfully. On that note, we think that SunCon's prospects are positive. The share price has rallied by 48.6% since the beginning of this year, which we think is a direct testament to the group's strong fundamentals. However, judging by the current level, we believe that this has been priced in by investors. — *MIDF Research, April 2*