

SunCon steady with job wins totalling RM967m this year

► **Recommendation: Neutral**
TARGET Price: RM1.81
by MIDF Research (April 2)

Highlights

SUNWAY Construction Group Bhd (SunCon) announced yesterday that its fully owned subsidiary, Sunway Construction Sdn Bhd, has accepted a Letter of Award issued by Sunway Marketplace Sdn Bhd.

The job award entails a construction of 14-level hotel block for the mixed development on Medini Zone F, Medini Iskandar Malaysia in Johor. The contract sum is estimated at RM99.5m.

Background on Sunway Iskandar. The Marketplace is one of the six precincts featured under the Sunway Iskandar masterplan. The proposed mixed development sits on Medini Zone F, with a GDV of RM30b.

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.

Impact on earnings. Assuming

► SUNWAY CONSTRUCTION GROUP BHD				
FYE DEC	FY17	FY18	FY19F	FY20F
REVENUE (RM mil)	2,076.2	2,256.8	2,507.0	2,335.1
NORMALISED PATAMI (RM mil)	137.8	144.7	152.9	156.5
EPS (sen)	10.6	11.2	11.8	12.1
PER (x)	18.3	17.3	16.4	16.0

works to commence immediately, the progress is expected to run for 18 months, with scheduled completion to be in 3Q20. Following this latest job win, the total new projects secured this year has amounted to RM967.2m. As of December 2018, we estimated the latest outstanding orderbook to stand at approximately RM6.2b, denoting three years of visibility.

No change to forecasts. SunCon's replenishment progress remains in check, which currently covers 64% of our assumptions. Accordingly, no change was made to our FY19/FY20 earnings forecasts.

Overseas project. The group announced a memorandum of understanding between Sunway Builders (Myanmar) Co Ltd and

Capital Construction Ltd to cooperate, collaborate and share expertise on infrastructure and construction projects in Myanmar.

Both entities will jointly bid for projects such as mixed-used developments, offices, hotels and hospitals, as well as external infrastructure projects over the next three years.

Maintain 'Neutral'. We think SunCon's prospect is positive. The share price has rallied by +48.6% since the beginning of this year, which we think is a direct testament of the group's strong fundamentals. However, judging by the current levels, we believe that these have been priced in by investors. Hence, our call remains 'Neutral' with an unchanged TP of RM1.81.