

## SunCon eyes projects such as LSS 3 and public hospital jobs

**PETALING JAYA:** Sunway Construction Group Bhd (SunCon) is looking to bid for contracts such as the RM2bil Large Scale Solar 3 (LSS 3), RM29bil public hospital projects developed by Public Works Department and the Subang Aerotech Park developed by Khazanah Nasional.

According to Affin Hwang Capital, Suncon has a strong track record in special-purpose building projects.

The group's target is to secure RM1.5bil new contracts in 2019, which is in line with Affin Hwang Capital's assumption for its earnings forecasts.

The recently secured RM781mil TNB HQ Campus Development (Phase 2) contract has met 52% of Suncon's target.

Remaining order book increased to RM6bil to date, equivalent to 2.7 times of 2018 revenue.

In 2018, Suncon clinched RM1.6bil new contracts, of which 80% is from its parent company and 20% from external sources.

For the financial year 2018, Suncon reported a net profit of RM144.7mil, representing a year-on-year (y-o-y) increase of 9%, which was within market and Affin Hwang Capital's forecasts of RM146mil to RM147mil.

Core net profit grew 16% y-o-y to RM150.7mil, excluding net exception loss of

RM6.5mil.

Revenue was up 9% y-o-y to RM2.26bil in 2018, mainly driven by 10% y-o-y higher construction revenue as precast concrete revenue contracted 8% lower y-o-y.

Similarly, pre-tax profit increased 9% y-o-y to RM183mil with higher contribution from its construction segment, which offset the 96% y-o-y contraction in precast concrete pre-tax profit.

During the fourth quarter of FY18, Suncon's core earnings momentum picked up 14% quarter-on-quarter (q-o-q) and 55% y-o-y to RM44mil.

However, net profit was flat on a q-o-q basis due to net exceptional loss of RM8.2mil.

"We lift our core earnings per share by 1% in 2019 to 2020 after fine-tuning our forecasts.

"We like Suncon for its good earnings visibility and good prospects to replenish its order book this year.

"Suncon remains our top construction sector buy with RM2.00 target price, based on a 10% discount to revalued net asset value (RNAV)," said Affin Hwang Capital.

Key downside risks to the research house's call are slow implementation of government projects and substantial cut in scope of works for Suncon's Light Rail Transit Line 3 contract, which is under negotiation.