

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

Maintain BUY


Two RTS Link Contracts in the Bag

Unchanged Target Price: RM2.00

DEVELOPMENT

- Sunway Construction secured two packages totalling RM604.9m for the Rapid Transit System Link (RTS Link)
- The project will be carried out for 26 months, completion expected to be by 2Q25
- The group's outstanding order book now stands at RM5.9b

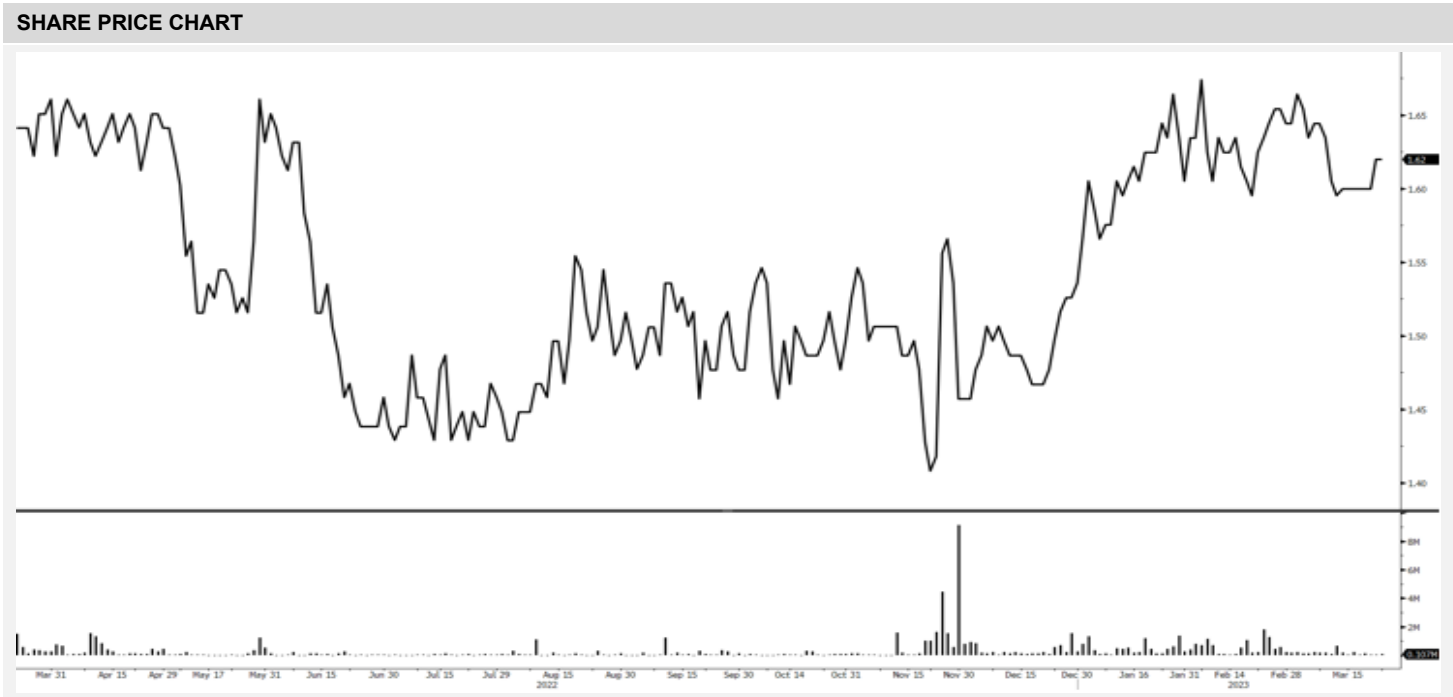
OUR VIEW

- **Job details.** Sunway Construction Sdn Bhd, a wholly-owned subsidiary of SunCon, was awarded the job by Malaysia Rapid Transit System Sdn Bhd yesterday. This involves the construction and completion of Package 1B (Advanced works for station and viaducts) and Package 5 (Terrestrial viaducts and ancillary structures) for the RTS Link between Johor Bahru and Singapore.
- **Estimated project earnings.** Assuming that the project is to be completed by May-25, our back on the envelope calculation based on a 6% margin shows that the project will generate a profit of RM36.3m for SunCon, of which the contribution will be about RM12.6m in FY23, RM16.7m in FY24 and RM7.0m in FY25.
- **Earnings estimate and TP.** We are making no changes to our forecasts as this new win is within our expectations. We are also maintaining our **TP at RM2.00**, based on the group's FY23F EPS of 11.4 sen to a PE ratio of 17.5x, which is +1SD above its five year mean.
- **Reiterate BUY.** SunCon remains one of our top picks for the construction sector, alongside bigger names like **Gamuda (BUY, TP: RM5.04)** and **IJM Corp (BUY, TP: RM1.90)**. We remain optimistic that SunCon is able to achieve its order book replenishment target of RM2b this year, backed by internal job flows from Sunway Group and the impending rollout of infrastructure jobs as announced in the revised Budget 2023. We are also pleased to observe SunCon's aspirations in growing its overseas operations, with its ongoing negotiations for the a USD2.2b power plant project in Vietnam that will be undertaken via a joint-venture arrangement. 

INVESTMENT STATISTICS

Annual Standardized Year end 31 March	2020A	2021A	2022E	2023F	2024F
Revenue	1,552.7	1,729.2	2,155.2	2,364.7	2,637.1
Operating Profit	90.5	139.4	148.4	169.05	188.7
Profit Before Tax	101.5	152.3	184.1	198.8	207.7
Reported Earnings	72.8	112.6	135.2	147.4	160.9
Core Earnings	69.6	110.4	134.4	147.4	160.9
Core EPS	5.4	8.7	10.4	11.4	12.5
DPS	4.00	5.25	5.50	6.00	6.00
Dividend Yield	2.3%	3.3%	2.9%	3.0%	3.0%

Source: Company, MIDFR



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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology