

KUALA LUMPUR: Maybank IB Research has raised Sunway Construction Group Bhd's (SunCon) win assumption for financial year 2017 to RM2 billion from RM1 billion previously, after the company secured a RM582 million Perumahan Penjawat Awam 1Malaysia (PPA1M) contract last week.

In a research report, Maybank IB said SunCon's latest job win, which now stands at RM1.57 billion year-to-date, positively lifted its outstanding orderbook to RM4.7 billion, enhancing medium-term earnings visibility.

Maybank IB said assuming an eight per cent pre-tax margin, it estimated a net profit contribution of RM35 million or 2.7 sen earnings per share over the construction period, into financial year 2020.

Besides that, assuming the additional RM1 billion of job wins only contribute to earnings from financial year 2018 onwards, Maybank IB has raised SunCon's financial year 2018 and 2018 earnings forecasts by 14 per cent and 34 per cent, respectively.

"We believe SunCon's RM2 billion target is achievable with the company still eyeing for jobs from KVLRT 3 (Klang Valley Light Rail Transit Line 3), TRX (Tun Razak Exchange) and the KL-Klang BRT (Bus Rapid Transit)," it said.

Maybank IB said another sizeable win in financial year 2017 would see SunCon hit a new record high outstanding orderbook value (high was RM4.9 billion as of end-March 2017).

"However, we believe the positives have been priced in to an extent and strong earnings delivery in 2018 could be a further re-rating catalyst for the stock," it said.

On September 14, SunCon's wholly-owned subsidiary, Sunway Construction Sdn Bhd, has bagged the RM582 million contract from Liziz Standaco Sdn Bhd for the proposed construction and completion of 2,160 units, across six blocks of 29-storey PPA1M apartments in Kota Bharu, Kelantan.

It said the construction period is 30 months and is expected to be completed by the first quarter of 2020.

Maybank IB has maintained its "hold" call on SunCon with unchanged target price of RM2.30.

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