

Maybank IB raises SunCon's FY2017 job win assumption to RM4b

October 9, 2017 | By [New Straits Times](#) | [Reply](#)

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KUALA LUMPUR: Maybank Investment Bank (IB) Research has raised Sunway Construction Group Bhd's (SunCon) job win assumption for financial year 2017 to RM4 billion, after the construction company bagged the largest Klang Valley Light Rail Transit (KVLRT) Line 3 package.

Last Thursday, SunCon has announced that its wholly-owned subsidiary, Sunway Construction Sdn Bhd, has accepted an award from Prasarana Malaysia Bhd for the construction of Package GS07- 08 for KVLRT3 with a total value of RM2.18 billion.

The job scope would include 9.2 kilometre of viaduct works, six station works, one cable-stayed bridge over Klang River, two Park & Ride facilities at Pasar Besar Klang and Sri Andalas, and a centralised Labour Quarter at Johan Setia.

In a research report, Maybank IB said the latest contract win lifts SunCon's outstanding construction orderbook to a record high of RM6.5 billion from RM4.3 billion as of end-June 2017.

It said assuming a six per cent pre-tax margin, it estimated a net profit contribution of RM99 million, or 7.7 sen earnings per share, over the construction period into financial year 2020.

"With this latest job win, SunCon's year-to-date orderbook replenishment has hit RM3.75 billion, exceeding its RM2 billion internal target for financial year 2017.

"Having only assumed RM2 billion of job wins, we raise our job win assumption for financial year 2017 to RM4 billion," it said.

Maybank IB said its financial year 2017 earnings forecast on SunCon's is unchanged, assuming the additional RM2 billion of job wins (mainly from KVLRT3) to begin to contribute only from financial year 2018.

It said its financial year 2018 and 2019 earnings forecasts, however, were raised by 15 per cent and 34 per cent, respectively.

Maybank IB said the latest job win would give SunCon earnings growth visibility into financial year 2019.

Additionally, it said the SunCon is still eyeing for jobs from Tun Razak Exchange, Kuala Lumpur-Klang Bus Rapid Transit and the East Coast Rail Link.

"Into financial year 2018, we believe in-house property developments from its parent, Sunway Bhd would continue to support its job win replenishment," it said.

Maybank IB has upgraded SunCon to a "buy" call from "hold" with higher target price of RM2.63 from RM2.30, previously.