

Better-than-expected construction margin bolstered SunCon's 9M earnings

By Azanis Shahila Aman - November 19, 2021 @ 10:05am



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KUALA LUMPUR: Sunway Construction Group Bhd's (SunCon) nine-month (9M) financial year 2021 (FY21) net profit of RM52.4 million came in better than expected, Hong Leong Investment Bank Bhd (HLIB) said.

This accounted for 72 per cent of its and 67 per cent of consensus' expectations, respectively, the bank-backed research firm noted.

"It is also due to the better-than-expected construction margin from upwards recalibration.

"SunCon's earnings are expected to be back-loaded with operations fully ramped up in Q4 2021," it said.

HLIB said SunCon's replenishment has been below expectations, achieving RM796 million due to customer conversion delays.

The firm believes this may have led to lagging share price performance versus KL Construction Index (KLCON) since the peak political impasse on August 21.

"We think lumpy awards could still materialise given a portion of tenders are internal and are individually quite sizable.

"However, with time running out, we reduce our financial year 2021 (FY21) assumption from RM1.7 billion (including precast) to RM1.5 billion," it said.

Meanwhile, the research house said SunCon should mitigate tax implications in 2022.

According to HLIB, SunCon anticipates negligible impact from the one-off Cukai Makmur as its subsidiaries individually are not expected to generate more than RM100 million in FY22.