

Sunway Construction posts flat 2Q net profit, declares 3.5 sen dividend

KUALA LUMPUR (Aug 16): Sunway Construction Group Bhd (SunCon) posted a flat net profit of RM35.86 million for the second quarter ended June 30, 2018 (2QFY18) from RM35.9 million a year ago, on lower profitability in the precast segment.

The group's pre-tax profit margin was slightly affected due to a decline in profitability in the precast segment. As a result, earnings per share stayed at 2.78 sen for 2QFY18 compared with a year ago.

Quarterly revenue rose 30.4% to RM544.28 million from RM417.23 million in 2QFY17, mainly due to the construction segment which was offset by a decline in its precast segment.

The group also declared a first interim dividend of 3.5 sen per share for the financial year ending Dec 31, 2018 (FY18), payable on Sept 27.

In a filing with Bursa Malaysia today, SunCon said the precast segment's profit margin for 2QFY18 was impacted due to higher steel bar prices compared with tender price as steel content contributes to approximately 30% of its total cost coupled with stiff competition on pricing.

For the cumulative six months (1HFY18), SunCon's net profit came in 2.9% higher at RM71.71 million from RM69.69 million a year ago, while revenue grew 28.3% to RM1.07 billion from RM836.76 million in 1HFY17.

In a separate statement, SunCon said the group's outstanding order book as at June 2018 amounted to RM5.8 billion, with RM854 million new order book win during the period. It is maintaining its new order book target of RM1.5 billion for the whole of FY18 based on its existing active tender activities and potential in-house projects.

"SunCon is actively seeking both external and in-house jobs and is confident of achieving its new targeted orders of RM1.5 billion by year ending 2018," it added.

On current year prospects, SunCon warned that it is expecting its turnover to be slightly affected due to the on-going review of the six stations design and size for its Light Rail Transit 3 (LRT3) Package 07-08 from Kawasan 17 to Sri Andalas.

"The affected work will not proceed as anticipated until the designs are confirmed coupled with the extension of completion on the entire LRT3 line from 2020 to 2024. SunCon will be mitigating the anticipated slow down in the local construction growth from in-house projects by its holding company, Sunway Bhd, which traditionally has been contributing approximate 40% of our revenue and also overseas expansion.

"Our parent is now on an aggressive stance to expand its medical centre and developing its Penang and Seberang Jaya landbank," it added.

Despite the anticipation that its top line might be affected, SunCon said it is confident that it will continue to have a sustained growth compared with FY17.

SunCon shares closed unchanged at RM2.02 today, with 2.67 million shares done, bringing a market capitalisation of RM2.61 billion.