

## Sunway Construction - Bags two piling jobs worth RM86.4mil in total

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### Investment Highlights

- We maintain our **UNDERWEIGHT** call, forecasts and **FV** of **RM1.11** based on 10x FY19 EPS, in line with our benchmark forward P/E of 10x for large- and mid-cap construction stocks.
- Sunway Construction has secured two jobs worth a total of RM86.4mil comprising: 1. a RM47.6mil contract from S. N. Akmda Holdings Sdn Bhd for bored pile works for viaduct and station under Package GS10 for the LRT3; and 2. a RM38.8mil contract for earth and piling works from Putrajaya Development Sdn Bhd for a transit oriented development in Precinct 7, Putrajaya.
- This latest contracts have boosted Sunway Construction's YTD job wins to RM867.7mil and outstanding construction order book to RM5.8bil (Exhibit 1). No change to our forecasts that assume construction job wins of RM1.3bil annually in FY19-21F.
- We hold the view that the current slowdown in the local construction industry sector is no ordinary sector cyclical downturn, but a secular change to the sector's fundamentals, triggered by: (1) a major cutback in public infrastructure spending over the medium term as the government adheres to fiscal prudence; and (2) the permanent reduction in overall margins for players in the absence of high-margin directly-negotiated government jobs, as the government observes higher standards of transparency and accountability in public procurement.
- We believe Sunway Construction is mitigated by its proven ability to compete under an open bidding system, coupled with the availability of building jobs from its parent and sister companies under the Sunway group. However, valuations are unattractive at 15-16x forward earnings on muted sector prospects.

Source: AmInvest Research - 21 Mar 2019

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