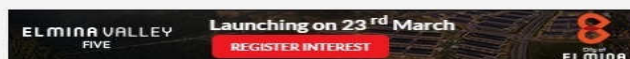


CORPORATE FROM THE EDGE

SunCon's RM1.5b target remains in check with two job wins worth RM87m

Maybank IB Research / The Edge Financial Daily
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Sunway Construction Group Bhd
(March 21, RM1.82)

Maintain hold with a target price (TP) of RM1.70: Sunway Construction Group's (SunCon) two piling job wins with a combined value of about RM87 million has brought its year-to-date (YTD) 2019 job wins to RM868 million. Its outstanding order book of estimated RM6.1 billion should continue to present near-term earnings visibility. We make no change to our earnings having already factored in for job wins. Our TP of RM1.70, pegged to 14 times financial year 2019 FY19 price-to-earnings ratio (PER) (-1 standard deviation), is also unchanged.

The group, through its wholly-owned subsidiary, Sunway Geotechnics (M) Sdn Bhd, was awarded the bored piles works for package GS10 of the KVLRT 3 by SN Akmidia Holdings Sdn Bhd with a contract sum of RM48 million. The project is expected to complete within 12 months in March 2020. Additionally, SunCon also secured another contract for piling and earthworks for a proposed Transit Oriented Development at Plot 7MD7 in Precinct 7, Putrajaya for a value of RM39 million. The construction period is for 16 months with completion by July 2020.

Assuming a pre-tax profit margin of 10% for both piling projects, we forecast a net profit contribution of RM6.6 million (0.51 sen earnings per share [EPS]) into financial year 2021 estimate (FY20E). With YTD job wins already hitting RM868 million, we believe SunCon's internal target of RM1.5 billion for 2019 remains in check.

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Our earnings forecasts are unchanged having already imputed RM1.5 billion of construction job wins for FY19E. Other potential job wins could come from property projects within Sunway Group and a property/hospital project in Myanmar. Order book wildcard could stem from the Large Scale Solar 3 (LSS 3), government hospital projects and Subang Aerotech Park by Khazanah. — Maybank IB Research, March 21