

Sunway Construction Group Berhad

(5263 | SCGB MK) Main | Construction

Maintain BUY


Another RM600m of jobs secured

Unchanged Target Price: RM2.00

DEVELOPMENT

- Sunway Construction (SunCon) secures RM606.6m of additional works from South Quay Square project
- Additional works to take 31 months to complete, expected to be by Oct 31, 2025
- Achieved 63.5% (RM1.27b) of full-year order book replenishment target as it enters 2QFY23

OUR VIEW

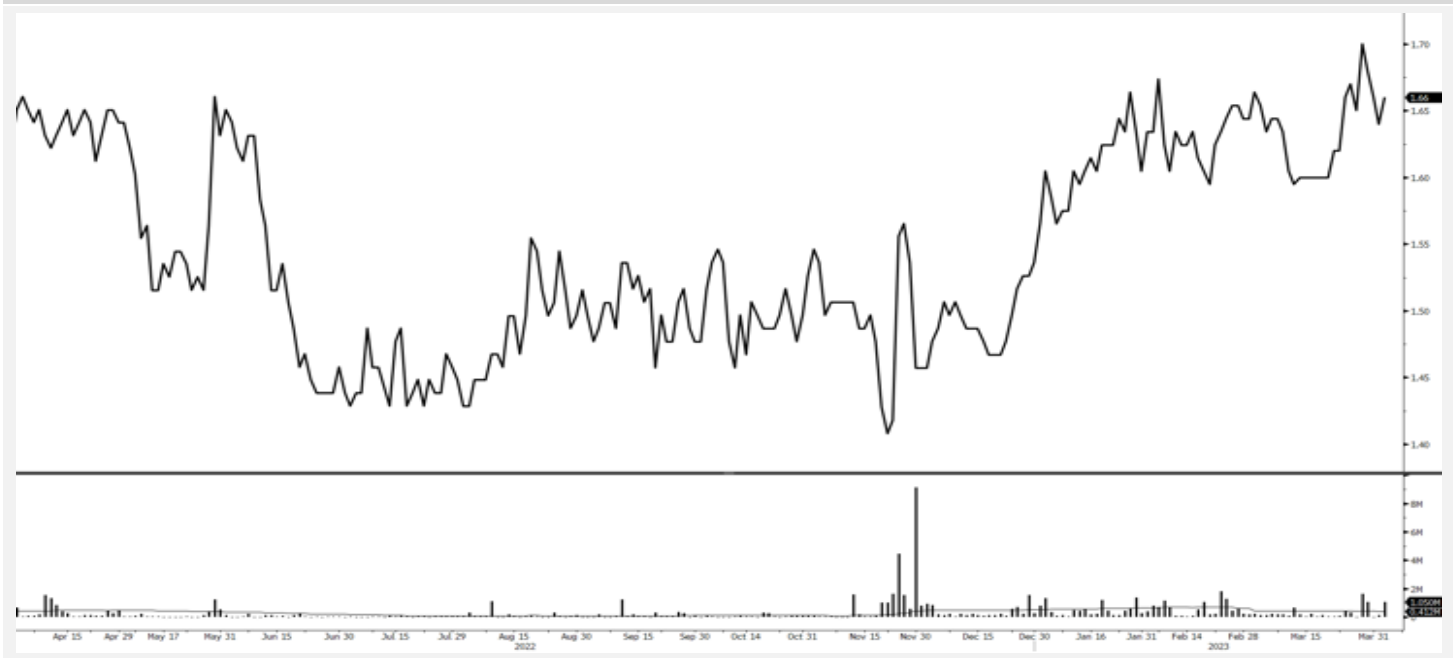
- **Job details.** Sunway Construction Sdn Bhd, a wholly-owned subsidiary of SunCon, was awarded a second supplemental agreement for additional scope of works of RM606.6m for the South Quay Square project. This is an internally secured job, awarded by Sunway South Quay Sdn Bhd, an indirect subsidiary of SunCon's parent Sunway Bhd.
- Recall that SunCon was first awarded the project on 18 August 2020 for the construction of a commercial mixed development with carparks and amenities in Sunway South Quay, Bandar Sunway, which was then RM463.2m. The first supplemental agreement was inked on 27 December 2021 when the contract was revised upwards by +63.2% to RM755.7m. The second supplemental award inked yesterday brings the new contract sum for the South Quay Square project to RM1.36b.
- **Estimated project earnings.** The additional scope of works is expected to be completed by 31 October 2025 or within 31 months. This means that the works will begin immediately. Estimating a 6% margin, the additional scope of works is expected to deliver a profit of RM36.4m for SunCon, which will be divided into RM10.6m in FY23, RM14.1m in FY24 and RM11.7m in FY25.
- **Inching closer towards full-year replenishment target.** The additional works secured from the South Quay Square project raises SunCon's order book replenishment for FY23 to RM1.27b, or 63.5% of its full-year target of RM2b.
- **Earnings estimate and TP.** We are making no changes to our forecasts as this new win is within our expectations. We are also maintaining our **TP** at **RM2.00**, based on the group's FY23F EPS of 11.4 sen to a PE ratio of 17.5x, which is +1SD above its five year mean.
- **Reiterate BUY.** SunCon remains one of our top picks for the construction sector, alongside bigger names like **Gamuda (BUY, TP: RM5.04)** and **IJM Corp (BUY, TP: RM1.90)**. We remain optimistic that SunCon is able to achieve its order book replenishment target of RM2b this year and possibly exceed it, backed by internal job flows from Sunway Group and the impending rollout of infrastructure jobs as announced in the revised Budget 2023. Recall that SunCon is also currently negotiating the USD2.2b power plant project in Vietnam that will be undertaken via a joint-venture arrangement. 

INVESTMENT STATISTICS

Annual Standardized Year end 31 Dec	2020A	2021A	2022E	2023F	2024F
Revenue	1,552.7	1,729.2	2,155.2	2,364.7	2,637.1
Operating Profit	90.5	139.4	148.4	169.05	188.7
Profit Before Tax	101.5	152.3	184.1	198.8	207.7
Reported Earnings	72.8	112.6	135.2	147.4	160.9
Core Earnings	69.6	110.4	134.4	147.4	160.9
Core EPS	5.4	8.7	10.4	11.4	12.5
DPS	4.00	5.25	5.50	6.00	6.00
Dividend Yield	2.3%	3.3%	2.9%	3.0%	3.0%

Source: Company, MIDFR

SHARE PRICE CHART



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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology